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(A Double Blind, Peer Reviewed Bi- Annual Journal)

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Chief Editor

Prof. Gautam Ghosh

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EDITORIAL

Writing the editorial for this issue is very special to me as it connects me to many milestones that we have achieved in the recent past post our last issue. I am happy to inform you that TSM has been ranked 15^{th} pan- India and the best private B-School in South India, by the National Institutional Ranking Framework (NIRF), a Ministry of Human Resource Development initiative. The NIRF used an elaborate evaluation framework, which considered records and performances of the past three years. We were ranked 2^{nd} in South India, and the best in Tamil Nadu in respect of infrastructure and faculty.

The second announcement is on "TSM Business Review" which has received another international recognition by getting indexed in EBSCO. Viewing this, we are strengthening our review process by inviting external reviewers also on our review board. Though it will make our acceptance rate stringent, I am quite optimistic on the quality of the papers. My hearty congratulation goes to the authors of this issue who have proved their mettle by making it for this issue.

This volume is a collation of five research articles on various subjects. Empirical study on succession management at a manufacturing firm is done by Pandiyan and Jayalashmi whereas, HR practices of HPCL and CFL is studied by Shaik Shamshuddin, Haniefuddin Shaik and Shaik Khadar Baba. Neelamegam and Murugan have analysed the issues related to online ticket booking with special reference to Indian Railways. We have two articles on open macroeconomics with reference to India. Vivek has written on trends of foreign direct investment and Khushbu and Arti on sectoral diversification of India's foreign trade.

With the hope that TSM and TBR will continue to achieve many more successes, I wish you a happy scholarly reading.

Gautam Ghosh

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Articles….

The growth trajectory of the economic development of a country depends to a large extent upon the success of its foreign trade policy in producing a favorable balance of trade or at least to minimize the unfavorable trade balance. This paper provides trade snapshot of India for identifying the role of export-growth and import-growth in generating the favorable or unfavorable status of India's trade balance. The common financial theory of portfolio diversification for reducing risk also holds true in context of foreign trade portfolio and authors have tried to examine whether or not the structure of India's foreign trade portfolio is diversified enough to minimize the associated risk

Succession planning is perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department, or work group by making provision for the development, replacement, and strategic application of key people over time. This paper focuses on the succession planning process, the effectiveness of various methods in identifying potential successors, the attributes to be considered in selecting employees and the effectiveness of various tools in developing executives for succession management program.

An attempt is made in this study to assess the levels of utilization of the human resources as well as to the functional status of the human resources in the units. The study also focuses on problems, deficiencies and bottlenecks existing in various stages of the organization.

Internet plays a vital role in providing a speedy and an easy access to the services of ticket booking, ticket cancellation and the time of the availability of services. But it is beset with some

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Sectoral Diversification of India's Foreign Trade Portfolio: Exploring the Commodity Composition of India's Trade-Basket

Khushbu Singla Goyal and Arti Gaur

Abstract

The growth trajectory of the economic development of a country depends to a large extent upon the success of its foreign trade policy. Having a favorable or minimize the unfavorable trade balance is a daunting task for the Indian economy which at present is suffering from negative trade balance. However, this objective of a country's foreign trade policy can be achieved only by undertaking suitable efforts to accelerate the volume of exports while shrinking the unnecessary imports to the maximum possible extent. This study is of immense use for policy planners to get a trade snapshot of India for identifying the role of export and import growth in generating the favorable status of India's trade balance. The common financial theory of portfolio diversification for reducing risk also holds true in context of foreign trade portfolio and this study will prove extremely valuable for economists to examine whether or not the structure of India's foreign trade portfolio is diversified enough to minimize the associated risk.

Keywords: *CAGR, Exports, Imports, LPG reforms, Trade balance, New economic policy*

1. Introduction

The structure of India's foreign trade portfolio has undergone significant transformations during last few decades reflecting the changing composition and direction of India's trade-basket. The policy towards integration of Indian economy with the world economy was initiated since late seventies which remained mild in the beginning but gained momentum in second half of eighties. The large population of India provides market to many countries of the world and simultaneously India's foreign trade provides opportunities to India for extracting the potentials of its manpower and other resources to emerge as real super power.

Considerable acceleration in export growth rate was observed in mid-1980s. But exports grew relatively slower than imports and consequently the balance of payments crisis existed with a different magnitude. The modernization of industrial technology was becoming crucial and the obligation for economic reform initiated from this backdrop.

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The stringent import control during the late seventies and early eighties had stiffened the manufacturing sector as the trade regime during that period was based on a complex system of licensing. Capital goods were divided into restricted category and the open general license (OGL) category. While on the one hand, import licenses were required for restricted capital goods, on the other hand, those in the OGL could be imported without a license subject to some conditions. Intermediate goods were also classified into the banned, restricted and limited permitted categories besides the OGL category in the order of import control stringency. The import of consumer goods was banned, except those that were assumed to be essential and could only be imported by the nominated government canalizing agencies.

The recent India's foreign trade policy modifications highlight the importance of increasing exports and facilitating those imports which are required to stimulate the economy and modernization of domestic industries by undertaking many strategies like neutralizing the incidence of all levies and duties on inputs used in export of products; simplifying the procedures and bringing down transaction costs; facilitating technological and infrastructure upgradation of all sectors; promoting the brand-India goods and emphasizing on focused market and product scheme. The trade reforms instigated through the foreign trade policies of India since the introduction of New Economic Policy in 1991 significantly focused on the diversification of the India's foreign trade portfolio structure to a large extent and hence now, it's the time to undertake a comprehensive assessment of what has worked for India and what has not, by looking at the strengths and weaknesses of India's foreign trade portfolio.

2. Literature review

This section will summarize the literature consisting of some previous studies undertaken in the same context of foreign trade which has been reviewed before conducting this research study.

Balassa (1980) in the study "Trade between developed and developing countries: The decade ahead", defined the interests of the developed and developing countries in the liberalization of their mutual trade. Possible approaches to harnessing these interests for promoting North-South trade in the decade ahead had also been analysed in this paper. The context for the discussion in the paper was the trade policies of developed and developing countries in the postwar period. The paper concluded that while their national interest, as well as the interests of the world economy, demands that the NlCs reduce their trade barriers, they would have to be provided with security of market access in the developed countries which puts a particular responsibility on the developed countries to take adjustment measures that would permit liberalizing their trade. Pursell (1996) in the study "Indian trade policies since 1991 reforms" observed that during the 1980s, the import licensing of capital goods in the restricted list was administered with less stringency and as a result, the import penetration ratio in the capital goods sector escalated from 11 percent to 18 percent in 1985-86.

Bilal (2001) concluded that the interface between trade and competition is a complex one. While trade liberalisation, by fostering competition, can sometimes act as a substitute to a precompetitive regime, in most cases a high degree of complementarities between trade and competition policies can be identified. It is therefore natural that competition be discussed within the WTO framework. The possibility of a WTO competition agreement is a likely option that should be seriously considered by developing countries. Rey (2001) in the study "International trade and currency exchange source" had looked at inertia in the use of a specific international currency. Part of this inertia is linked to the fact that if multiple currencies are being used, higher transaction costs would pass through to export prices. Hence, there is an incentive to use only one invoicing currency to maintain lower international prices and competitiveness. The currency of reference is chosen according to the "thick market externality" principle, whereby the transaction costs of using a particular currency in the market are reduced with market size. Therefore, the currencies of countries with large trading power, high levels of openness and substantial bilateral trade flows are more likely to be chosen.

Parikh and Stirbu (2004) in the discussion paper "Relationship between trade liberalisation, economic growth and trade balance: An econometric investigation" had undertaken a study of 42 developing countries of Asia, Africa and Latin America in which they first examine the impact of trade liberalisation on economic growth, investment share of GDP, openness, trade balance and current accounts (as percentages of GDP). Both panel data and country by country data are used to measure the impact of liberalisation on domestic economic growth measured in PPP terms. Domestic economic growth is often positively related to liberalisation for many countries of the sample. Next they analysed the impact of growth on trade balance and current account to examine whether higher economic growth due to liberalisation leads to adverse effect on balance of trade. Trade balance is normalised by GDP to take into consideration different sizes of countries.

Rangarajan (2004) in the study "Rules of origin under Generalised System of Preferences as a market access barrier to Indian textiles and clothing exports- With special reference to US and EU Markets" explained the type and nature of the GSP rules of origin and its escalation as provided by the principal donors such as the EU and USA to the Indian textiles and also determined the extent to which the donor countries' domestic interests have shaped the rules of origin. The study has dwelt upon the existent state of the local textiles and clothing sector in India and analyzed the implications of the EU and US GSP rules of origin on the nature and competitiveness of textiles and clothing sector in India. The extent to which the rules of origin have constrained the input-output mix of the Indian textiles and clothing sector has been looked into and the study has also considered whether the rules of origin under MFA would affect the ability of India's garment exporters to compete in the global market once the MFA has been phased out.

Goldberg and Tille (2005) in the seminar paper "Vehicle currency use in international trade" showed that exporters are eager to limit the fluctuations of their prices relative to that of the goods of its competitors, when the goods are substitutes, and hence for this reason would opt for the invoicing currency of their competitors (the so-called "coalescing" effect). Since the lack of disaggregated data may miss the potentially strong heterogeneity in invoicing practices across industries, the authors conducted transaction-based analyses of invoicing practices by US and Canadian firms, industry-by-industry. They found that exporters in industries where goods are close substitutes make little use of their own currency unless they are from the US, and that exporters from a country with a volatile exchange rate also hardly use their own currency. Model calculations are pretty robust in demonstrating that this "coalescing effect", whereby exporters minimize price differences relative to their competitors by reducing the volatility and transaction costs inherent to using different currencies, goes a long way to explaining the well-known dominance of the US dollar. The use of the US dollar in trade flows that do not involve the United States reflects trade in homogeneous products.

Shridhar (2013) in the study "TRIPS, public health and CBD: Issues and concerns" reviewed that the issue of TRIPs and public health is gaining momentum in current Doha Round of negotiations. Various concerns of the developing and LDCs have been highlighted in several multilateral meetings. Developing countries argue current regime of product patent regime would vigorously affect their accessibility and affordability to medicine and affect the capability of their domestic pharmaceutical industry. The article made an attempt to analyze the issue in detail in the context of the developments taken place in the areas of TRIPS, CBD and public health sharing. It also suggested certain measures keeping in view the prospect and debate surrounding the issue of TRIPS.

Pal (2013) in the study "Multilateralism: Current state of play" outlined that the global financial crisis and subsequent protectionist policies imposed by the US and other developed countries during the then last five years on world economy had affected the growth of world trade. While most of the countries were engaged in various efforts to revive their economies, world economy still experienced a downturn. Rise in protectionism and failure of WTO negotiations were hampering the forward movement of multilateralism. Doha Round of negotiations which promised to provide real gains to many developing and other countries stood at the crossroads. In spite of several rounds of negotiations, Doha has not delivered developmental gains to the developing countries. This paper made an attempt to analyze the issues in detail; highlight the promises and pitfalls of WTO negotiations; and suggest the impact on India.

Nicita (2013) in the research work "Exchange rates, International trade & Trade policies" mentioned that the exchange rate plays an important role in a country's trade performance. Whether determined by exogenous shocks or by policy, the relative valuations of currencies and their volatility often have important repercussions on international trade, the balance of payments and overall economic performance. This paper investigated the importance of exchange rates on international trade by analysing the impact that exchange rate volatility and misalignment have on trade and then by exploring whether exchange rate misalignments affect governments' decisions regarding trade policies. The methodology consisted of estimating fixed effects models on a detailed panel dataset comprising about 100 countries and covering 10 years (2000-2009).

Sinha and Nataraj (2013) in the paper "Agriculture negotiations in WTO: Critical issues and concerns" observed that the Doha Development Round has engaged in a series of negotiations to rationalize the agricultural farm sector by undertaking substantial tariff reduction programme. There had been some movement towards rationalization. However, developing countries argued that in the event of whole hearted liberalization, most of the developing countries were going to experience significant losses in world trade as they were not able to compete in world economy due to domestic subsidy and export competition measures provided by developed countries. The paper made an attempt to suggest how measures like SSM and SP can be effective for developing countries in the wake of agricultural trade liberalization. It analyzed and informed that developing countries as an effective group have the ability and capacity to argue out their case in the coming Ministerial conference which can deliver some concrete results.

Chowdhury and Neogi (2014), in the paper "Determinants of India's export to small and large economies:-An analysis with some select parameters" made an attempt to examine India's exports to both small and large countries using a simple linear regression model. Exchange rate also played an important role in influencing export between the countries. The paper also aimed to find whether the impact of change in exchange rate is same for India's exports to both small and large economies. If the exchange rate is low, then in accordance with the economic theory India reduces exports to these large countries. However, the same is not true for the small countries. The possible reason behind such different outcomes of the same action is studied in the paper. The paper has also tried to find whether geographical distance between the countries is effective or not in determining India's exports to both small and large countries. The paper has used a select number of small and large countries as destinations of India's exports to analyse this issue. The study has found that when the exchange rate falls India's exports to small countries increase and that to the large countries decrease. The influence of geographical distance is statistically insignificant for India's export to Bhutan, Nepal, Bangladesh, and Srilanka, Thailand. On the other hand, for those selected large countries (U.S.A, U.K, France, Germany and China), located at far off places, exports depend on the distance as exporting goods involve huge cost.

3. Research methodology

3.1 Research objectives

- To study the overall trend of India's foreign trade statistics subsequent to the introduction of New Economic Policy in 1991.
- To analyze the sectoral diversification of India's foreign trade portfolio by exploring the commodity composition of India's trade-basket.

3.2 Research hypotheses

H_{01}: There is no significant difference between India's exports growth rate and imports growth rate.

H_{02}: There is no significant difference among the contribution of various commodities in India's export composition.

H_{03}: There is no significant difference among the proportion of various commodities in India's import basket.

3.3 Research design and sources of data collection

The research design followed in this research study is descriptive-cum-exploratory. For undertaking this research study, the secondary data about the Foreign Trade statistics has been collected through various sources like data released by the Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata; Economic Survey Reports of various years issued by the Ministry of Finance, Government of India; data as per the Estimates Committee of the Ministry of Foreign Trade; Database on Indian Economy released by the Reserve Bank of India (RBI); various issues of RBI Monthly Bulletin; United Nations' COMTRADE database maintained by the United Nations Conference on Trade and Development (UNCTAD); various editions of International Financial Statistics (IFS), Balance of Payments Statistics Yearbook (BOPSY), Direction of Trade Statistics (DOTS) published by the International Monetary Fund (IMF) among others, using print media as well as internet as an electronic media.

3.4 Techniques of data analysis

The relevant data for this research study has been processed and analyzed through SPSS package using various statistical tools including Descriptive statistics (Arithmetic Mean and Standard Deviation), Simple Arithmetic Annual Growth Rate, Compounded Annual Growth Rate (CAGR), One-sample t-test and Friedman Test.

- **Formula of simple arithmetic annual growth rate**

$$AGR(\%) = [\ \{V(t_n) - V(t_0)\} / V(t_0)\ ] * 100$$

where,

$V(t_n)$: Value in current year.

$V(t_0)$: Value in previous year.

- **Formula of compounded annual growth rate (CAGR)**

$$CAGR\ (t_0, t_n) = [\ V(t_n) / V(t_0)\ ]^{\frac{1}{tn - t_0}} - 1$$

where,

$V(t_0)$: Initial Value.

$V(t_n)$: Finish Value.

$t_n - t_0$: Number of years.

Verification: $V(t_n) = V(t_0) * (\ 1 + CAGR\ )^{tn - t_0}$

4. Data analysis and interpretation

H_{01}: There is no significant difference between India's exports growth rate and imports growth rate.

Table 1 reviews India's foreign trade performance in terms of exports and imports subsequent to the introduction of New Economic Policy in 1991. The mean values represent the domination of imports over exports during the aforesaid period. The table also analyses annual growth rates of the exports and imports of India during the period from 1991-92 to 2014-15 which shows an almost continuous positive growth in both exports and imports with highest export growth rate of around 30% in the year 1993-94 while highest import growth rate of 39.5% in 2004-05 which once again proves the same trend of domination of imports over exports.

Table 1: Annual growth rates (exports & imports)

Year	Exports (Rupees Billion)	Annual Growth Rate of Exports (%)	Imports (Rupees Billion)	Annual Growth Rate of Imports (%)
2014-15	18970.26	-0.42	27340.49	0.69
2013-14	19050.11	16.56	27154.34	1.73
2012-13	16343.19	11.49	26691.62	13.80
2011-12	14659.59	28.26	23454.63	39.32
2010-11	11429.22	35.17	16834.67	23.45
2009-10	8455.34	0.57	13637.36	-0.78
2008-09	8407.55	28.19	13744.36	35.77
2007-08	6558.64	14.71	10123.12	20.44
2006-07	5717.79	25.28	8405.06	27.27
2005-06	4564.18	21.60	6604.09	31.80
2004-05	3753.40	27.94	5010.65	39.53
2003-04	2933.67	14.98	3591.08	20.83
2002-03	2551.37	22.07	2972.06	21.21
2001-02	2090.18	2.68	2452.00	6.21
2000-01	2035.71	27.58	2308.73	7.27
1999-00	1595.61	14.17	2152.37	20.70
1998-99	1397.53	7.42	1783.32	15.67
1997-98	1301.01	9.50	1541.76	10.98
1996-97	1188.17	11.72	1389.20	13.24
1995-96	1063.53	28.64	1226.78	36.35
1994-95	826.74	18.53	899.71	23.08
1993-94	697.51	29.92	731.01	15.35
1992-93	536.88	21.90	633.75	32.44
1991-92	440.42	-	478.51	-
Mean	5690.32	18.19	8381.70	19.84
*Std.Deviation	6061.71	10.06	9348.71	12.32
**t	**df	**Sig. (2-tailed)	**Mean Difference	
0.643	22	0.527	1.651	

Source: Compiled from the data provided by Directorate General of Commercial Intelligence and Statistics.
** Std. Deviation refers to Standard Deviation.*
*** One-Sample t-test, where, Sample: Annual Growth Rate of Imports; Test Value: Mean of Annual Growth Rate of Exports.*

A one-sample t-test was run to determine whether the annual growth rates of Imports during the period under study was significantly different from the annual growth rates of Exports during the same period, calculated as the mean export growth rate of 18.19. It was found that the Mean import growth rate (19.84 ± 12.32) was slightly higher than the mean export growth rate of 18.19, a statistically insignificant difference of 1.651 (at 95% level of confidence), $t(22) = 0.643$, $p = 0.527$. There was a statistically insignificant difference between means ($p > 0.05$) and, therefore, we can accept the null hypothesis H_{01} by concluding that there is no significant difference between India's exports growth rate and imports growth rate.

Table 2: India's foreign trade - annual statistics

Year	Exports (Rupees Billion)			Imports (Rupees Billion)			Trade balance (Rupees Billion)		
	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total
2014-15	3412.94	15557.32	18970.26	8424.44	18916.06	27340.49	-5011.49	-3358.74	-8370.23
2013-14	3832.48	15217.63	19050.11	9978.85	17175.48	27154.34	-6146.38	-1957.85	-8104.23
2012-13	3307.90	13035.29	16343.19	8918.71	17772.91	26691.62	-5610.81	-4737.62	-10348.43
2011-12	2679.15	11980.45	14659.59	7430.75	16023.88	23454.63	-4751.60	-4043.44	-8795.04
2010-11	1887.79	9541.43	11429.22	4822.82	12011.85	16834.67	-2935.03	-2470.42	-5405.45
2009-10	1328.99	7126.35	8455.34	4116.49	9520.86	13637.36	-2787.50	-2394.52	-5182.02
2008-09	1233.98	7173.57	8407.55	4199.68	9544.68	13744.36	-2965.70	-2371.11	-5336.80
2007-08	1141.92	5416.72	6558.64	3206.55	6916.57	10123.12	-2064.63	-1499.85	-3564.48
2006-07	845.20	4872.59	5717.79	2585.72	5819.35	8405.06	-1740.52	-946.75	-2687.27
2005-06	515.33	4048.85	4564.18	1946.40	4657.69	6604.09	-1431.07	-608.84	-2039.91
2004-05	314.04	3439.35	3753.40	1340.94	3669.71	5010.65	-1026.90	-230.35	-1257.25
2003-04	163.97	2769.69	2933.67	945.20	2645.88	3591.08	-781.23	123.82	-657.41
2002-03	124.69	2426.68	2551.37	853.67	2118.39	2972.06	-728.98	308.29	-420.69
2001-02	101.07	1989.11	2090.18	667.70	1784.30	2452.00	-566.63	204.82	-361.82
2000-01	85.42	1950.29	2035.71	714.97	1593.76	2308.73	-629.55	356.53	-273.02
1999-00	1.69	1593.93	1595.61	546.49	1605.88	2152.37	-544.80	-11.95	-556.75
1998-99	3.76	1393.77	1397.53	269.19	1514.13	1783.32	-265.43	-120.36	-385.79
1997-98	13.11	1287.90	1301.01	303.41	1238.35	1541.76	-290.30	49.55	-240.76
1996-97	17.10	1171.07	1188.17	356.29	1032.91	1389.20	-339.18	138.16	-201.03
1995-96	15.18	1048.36	1063.53	251.74	975.05	1226.78	-236.56	73.31	-163.25
1994-95	13.09	813.65	826.74	186.13	713.58	899.71	-173.04	100.07	-72.97
1993-94	12.48	685.04	697.51	180.46	550.55	731.01	-167.98	134.49	-33.50
1992-93	13.79	523.09	536.88	171.42	462.33	633.75	-157.63	60.76	-96.86
1991-92	10.22	430.20	440.42	131.27	347.24	478.51	-121.05	82.95	-38.09
Mean	878.14	4812.18	5690.32	2606.22	5775.48	8381.70	-1728.08	-963.29	-2691.38
*Std.Deviation	1237.91	4833.75	6061.71	3134.90	6236.59	9348.71	1904.63	1518.39	3349.08
**CAGR (%)	28.74	16.88	17.78	19.83	18.98	19.23	-217.32	-217.46	-226.37

Source : Compiled from the data provided by Directorate General of Commercial Intelligence and Statistics.
**Std.Deviation refers to Standard Deviation.*
***CAGR refers to Compounded Annual Growth Rate.*

Table 2 highlights the annual statistics of India's Foreign Trade in terms of Oil and Non-oil trade during the period from 1991-92 to 2014-15. The mean values outline the domination of non-oil exports as well as non-oil imports in total exports and imports respectively during the aforesaid period. The table also depicts a continuous negative trade balance on account of oil trade in India while on contrary the trade balance from non-oil trade figured positive values for almost one decade after the introduction of LPG reforms in 1991. But the total trade balance in India also showed a continuous negative trend since 1991 which suggests that the NEP, 1991 succeeded in increasing India's non-oil exports over non-oil imports for at least a decade but its failure to overcome the huge excess of oil imports over oil exports resulted in the same negative overall trade balance even after the LPG reforms in 1991. It means the huge excess of oil imports over oil exports can be treated as the major culprit for the continuous negative trade balance of India. The crux is that though the volume of oil trade in India is much less than the non-oil trade but even in that whatsoever small volume, the huge excess of oil imports over oil exports is playing a major role in turning the overall trade balance of India throughout negative even after a positive non-oil trade balance for many years on account of LPG reforms introduced in 1991. Even in the past one decade, when the LPG results were mitigated and the non-oil trade balance also started turning negative, yet the negative oil trade balance is much larger as compared to the non-oil trade balance, thus contributing on a higher side to the negative overall trade balance of India. The compounded annual growth rates also bring out some facts like both exports and imports are growing positively but simultaneously, the trade balance has a negative growth rate indicating a decline over years as imports are growing at a higher rate than exports as is evident from CAGR values. Though the oil trade in India has shown some improvement over the years as oil exports has grown at a higher rate than oil imports contrary to the non-oil and overall trade. But simultaneously, the decline in oil trade balance is almost equal to the decline in non-oil trade balance.

H_{02}: There is no significant difference among the contribution of various commodities in India's export composition.

Table 3 illustrates the exports of principal commodities from India during the period from 1991-92 to 2014-15. A statistical analysis of the export values of three major sectors (i.e. Primary products, Manufactured goods and Petroleum products) in the commodity composition of India's export-basket has been undertaken in terms of three major descriptive statistics, viz. arithmetic mean, standard deviation and compounded annual growth rate. Arithmetic mean shows the average export value while standard deviation shows the level of variations and diversity in the export values of each commodity sector calculated on the basis of export value figures from 1991-92 to 2014-15. An interpretation of above table pointed out that the export of Agriculture and Allied products has dominated over the export of Ores and Minerals in the sector of Primary products. The maximum average export value as well as the maximum growth in the export value among Primary products has been credited to Agriculture and Allied products but with very large variations as is evident from the mean and standard deviation value of Rs.(678.87 ± 724.67) billion with a CAGR of 14.96% while the same from Ores and Minerals came out to be just Rs.(178.67 ± 152.08) billion with a CAGR of 11.33%.

Another point highlighted is that the export values of Manufactured Goods (including Leather & Manufactures, Chemicals & Related Products, Engineering Goods, Textile Products, Gems & Jewellery, Handicrafts etc.) has outweighed the export values of other two sectors of primary and petroleum products. The export of manufactured goods has accrued the highest mean value of Rs.(3711.64 ± 3685.21) billion among all the three commodity sectors while that of primary products has accrued the lowest. The mean export value of the Primary sector is Rs.(857.54 ± 839.06) billion. The mean export values of both primary products and petroleum products are almost on similar lines with the petroleum products being on slightly higher side with a mean value of Rs.(879.52 ± 1240.50).

Table 3: Exports of principal commodities

Year	Primary Products (Rupees Billion)			Manufactured Goods (Rupees Billion)	Petroleum Products (Rupees Billion)
	Agriculture & Allied products	Ores & Minerals	All Primary Products		
2014-15	1950.03	270.67	2220.70	12100.85	3476.1
2013-14	2575.59	338.98	2914.56	11623.83	3802.50
2012-13	2227.42	305.97	2533.39	9954.41	3307.90
2011-12	1795.83	404.97	2200.79	8885.99	2679.15
2010-11	1102.96	393.51	1496.47	7198.63	1887.79
2009-10	841.36	410.98	1252.34	5464.56	1328.99
2008-09	806.49	358.77	1165.26	5664.02	1233.98
2007-08	742.09	367.17	1109.26	4145.99	1141.92
2006-07	573.92	316.86	890.78	3842.61	845.20
2005-06	452.20	272.88	725.08	3212.61	515.33
2004-05	380.78	228.19	608.97	2728.72	314.04
2003-04	346.16	108.85	455.00	2228.29	163.97
2002-03	324.73	96.60	421.33	1947.65	124.69
2001-02	281.44	60.21	341.65	1591.46	101.07
2000-01	272.88	52.67	325.56	1568.58	85.42
1999-00	243.01	39.70	282.71	1287.61	1.69
1998-99	253.87	37.59	291.46	1085.06	3.76
1997-98	246.26	39.43	285.70	986.60	13.11
1996-97	243.63	41.62	285.25	873.77	17.10
1995-96	203.44	39.30	242.74	794.33	15.18
1994-95	132.69	31.03	163.73	640.67	13.09
1993-94	126.33	27.86	154.18	522.45	12.48
1992-93	90.82	21.37	112.19	406.60	13.79
1991-92	78.95	22.92	101.87	324.13	10.22
*CAGR (%)	14.96	11.33	14.34	17.05	28.85
Mean	678.87	178.67	857.54	3711.64	879.52
**Std.Deviation	724.67	152.08	839.06	3685.21	1240.50
Friedman Test	Chi-Square(χ^2)		Df	Sig. (2-tailed)	
	73.433		4	.000	

Source : Compiled from the data provided by Directorate General of Commercial Intelligence and Statistics.
**CAGR refers to Compounded Annual Growth Rate.*
***Std.Deviation refers to Standard Deviation.*

But as is evident from the standard deviation values, the export values of petroleum products are much more inconsistent and variable as compared to the export values of primary products as we may notice that in the initial decade of the New Economic Policy, the export values of petroleum products were very low which eventually increased by the end of first decade and since then it is continuously growing at a very high rate. The major shift in the export value of petroleum products can be highlighted in the years 1999-2000 when it was just Rs.1.69 billion which suddenly grew up to Rs.85.42 billion in 2000-2001. The same fact is being highlighted by the CAGR figures witnessing the highest growth rate of 28.85 % in the export of petroleum products as compared to the other two sectors.

Contrarily, the export of primary products has observed the lowest growth rate of 14.34% while the export of manufactured goods has came up with a growth of 17.05% over the years since 1991.

Friedman test was run to determine whether there is significant difference among the contribution of various commodities in India's export composition during the period under study and it was found (at 99% level of confidence) that there was a statistically significant difference, χ^2 (4) = 73.433, p = 0.000 (p < 0.01), and therefore, we reject the null hypothesis H_{02} by concluding that there is significant difference among the contribution of principal commodities in India's export composition.

H_{03}: There is no significant difference among the proportion of various commodities in India's import basket.

Table 4 outlined the imports of principal commodities to India during the period from 1991-92 to 2014-15. A statistical analysis of the import values of the two major sectors (i.e. Bulk Imports and Non-Bulk Imports) in the commodity composition of India's import-basket has been undertaken in terms of three major descriptive statistics, viz. arithmetic mean, standard deviation and compounded annual growth rate. Arithmetic mean shows the average import value while standard deviation shows the level of variations and diversity in the import values of both commodity sectors calculated on the basis of import value figures from 1991-92 to 2014-15. An interpretation of above table pointed out that the import of Petroleum, crude and products has overtopped the import of other commodities in both the sectors of Bulk as well as Non-bulk imports. The highest average import value among both Bulk and Non-bulk imports has been credited to Petroleum, crude and products but with very large variations as is evident from the mean and standard deviation value of Rs.(2607.31 ± 3137.47) billion. On contrary, the import of Bulk-consumption goods has observed the least average value among both the sectors of Bulk as well as Non-bulk imports, i.e. Rs.(228.52 ± 261.81) billion. Overall figure points out that Non-bulk imports has dominated over the imports in Bulk sector with a higher mean import value of Rs.(4697.31 ± 5067.87) billion. But as we may notice from the very high standard deviation figures that large variations and inconsistency in the import values exists here as well. As far as the Non-bulk imports are concerned, the mean import values justify that the least and second-lowest shares in non-bulk imports has been captured by export-related items (Rs.977.85 ± 995.59 billion) and capital goods (Rs.1802.10 ± 1871.74 billion) respectively which can be attributed as a major weakness in India's import structure as the main motive behind the relaxation of various quantitative and qualitative import controls as a part of LPG reforms in the New Economic Policy, 1991 was to boost the export performance of the country by facilitating the import of modern and upgraded capital intensive production technologies and export related items to magnify the production of export oriented goods in the country. But contrary to the expectations, the relaxed import controls resulted in the increased imports of other bulk and non-bulk items instead of the export-oriented or production-oriented capital goods which questioned the very meaning of the introduction of LPG reforms in 1991 and consequently, we can say that the New Economic Policy could not succeeded in achieving its intended objectives upto a considerable extent.

As far as CAGR is concerned, the results stipulate that the growth rate of both bulk as well as the non-bulk imports is almost on similar lines with the growth rate of bulk imports being 19.28% while that of non-bulk imports being 19.19%. The lowest growth rate is 16.84% being witnessed in the imports of export-related items, while the highest growth is observed in the imports of bulk consumption goods depicting a growth rate of 23.82% which suggests that though the average imports of bulk consumption goods is least in the present import structure of the country, but it is growing at a very rapid rate signaling the inclination of Indian consumers towards imported goods which is not a good trend in the trade portfolio of India. Friedman test was run to determine whether there is significant difference among the proportion of various commodities in India's import basket during the period under study and it was found (at 99% level of confidence) that there was a statistically significant difference, χ^2 (7) = 158.931, p = 0.000 ($p < 0.01$), and therefore, we reject the null hypothesis H_{03} by concluding that there is significant difference among the proportion of various commodities in India's import basket.

5. Results and discussion

The essence of this study lies in the dominance of imports over exports in the foreign trade structure of India highlighting the higher mean and growth rate of imports as compared to exports which can be considered as the major flaw in India's trade portfolio responsible for the failure of Indian economic policies on the trade front.

Besides, the exports of Agriculture & allied products can be considered as the most profitable opportunity for India with a very high present value and growth potential while the Oil exports of India constitute the doubtful opportunities displaying very weak current trend but a very high growth potential.

The Non-oil exports implicate the cash cow of India's foreign trade for which the high mean export value can be cashed in the present but with very limited expectation of future potential due to its very small rate of growth. The exports of Ores & Minerals and the Overall Primary Products (among the segment of Primary Products/Manufactured Goods/Petroleum Products) represent the weakest present value as well as potential growth opportunities for Indian exports.

As far as the import portfolio of India is concerned, the imports of Other Non-Bulk Items (except Capital Goods & Export related Items) need strict control due to the huge present volume as well as growth potential of such imports. Importing Bulk Consumption goods as well as the oil imports of India can be considered as unwarranted threats as the current import values of these commodities is not considerable enough but their import is growing at a very high rate implying a high import potential for future.

Table 4: Imports of principal commodities

Year	Bulk Imports (Rupees Billion)				Non-Bulk Imports (Rupees Billion)			
	Petroleum, Crude & Products	Bulk Consumption Goods	Other Bulk Items	All Bulk Imports	Capital Goods	Export Related Items	Other Non-Bulk Items	All Non-Bulk Imports
2014-15	8428.70	921.36	2834.02	12184.08	5506.01	3162.99	6487.41	15156.41
2013-14	10000.64	698.65	2376.71	13076.00	5153.43	2960.24	5952.15	14065.81
2012-13	8918.71	774.02	2504.59	12197.32	5161.02	2552.48	6780.80	14494.30
2011-12	7430.75	558.53	2315.19	10304.47	4755.07	2486.86	5908.23	13150.16
2010-11	4822.82	403.45	1656.10	6882.37	3578.76	2442.53	3931.00	9952.30
2009-10	4116.49	427.59	1383.76	5927.84	3124.85	1483.55	3101.11	7709.51
2008-09	4199.68	228.83	1846.36	6274.86	3303.84	1468.60	2697.05	7469.49
2007-08	3206.55	185.21	1147.43	4539.18	2822.69	836.15	1925.10	5583.94
2006-07	2585.72	194.31	1040.58	3820.60	2129.86	808.69	1645.91	4584.46
2005-06	1946.40	122.49	635.61	2704.50	1667.62	825.30	1406.68	3899.59
2004-05	1340.94	139.50	424.69	1905.13	1129.36	768.13	1208.04	3105.52
2003-04	945.20	141.20	267.40	1353.80	839.94	584.36	812.97	2237.27
2002-03	853.67	116.68	205.63	1175.98	653.25	499.14	643.69	1796.08
2001-02	667.70	97.45	201.24	966.38	471.30	393.94	620.37	1485.61
2000-01	714.97	65.93	170.05	950.95	408.47	368.15	581.16	1357.78
1999-00	546.49	104.73	200.10	851.32	388.50	395.08	517.47	1301.05
1998-99	269.19	106.19	181.21	556.60	423.41	300.01	503.30	1226.72
1997-98	303.41	55.13	191.13	549.67	364.07	256.93	371.09	992.09
1996-97	356.29	43.10	181.58	580.96	352.23	217.90	238.11	808.24
1995-96	251.74	32.44	194.64	478.81	345.54	175.86	226.57	747.97
1994-95	186.13	35.92	133.40	355.45	239.82	135.54	168.90	544.26
1993-94	180.46	10.25	95.10	285.81	195.81	137.62	111.78	445.20
1992-93	171.42	14.68	93.35	279.44	131.25	120.14	102.91	354.30
1991-92	131.27	6.77	73.05	211.09	104.34	88.28	74.80	267.42
*CAGR (%)	19.84	23.82	17.24	19.28	18.82	16.84	21.41	19.19
Mean	2607.31	228.52	848.04	3683.86	1802.10	977.85	1917.36	4697.31
**Std.Deviation	3137.47	261.81	920.97	4293.59	1871.74	995.59	2235.97	5067.87
Friedman Test	Chi-Square(χ^2)			df		Sig. (2-tailed)		
	158.931			7		.000		

Source : Compiled from the data provided by Directorate General of Commercial Intelligence and Statistics.
**CAGR refers to Compounded Annual Growth Rate.*
***Std.Deviation refers to Standard Deviation.*

The Non-Oil Imports is the only cash cow in the compositional portfolio of India's imports which can be considered as constituting well-established imports in present but with no growth potential resulting in limited future threat. The import of 'Export related Items' falls in the category of the most important imports for any economy due to their potential for export enhancement. As far as India's foreign trade is concerned, these commodities can be considered as contributing very weak import opportunities in present with no growth potential as well resulting in very limited likelihood of future import enhancements which can be adjudged as a major flaw in Indian import structure.

Thus, the study concluded that the LPG Reforms under New Economic Policy did not accelerate the process rather there is some indication of its failure on the balance of trade front. Contrary to the claim made in the New Economic Policy of 1991, exports did not pick up at the required level, while imports accelerated substantially. It indicates that economic and trade liberalization has not yet succeeded in bringing far-reaching changes in India's foreign trade which reflects pre-reform strategy to a large extent. Changes did occur after 1992 with liberalization of trade. Trade liberalization had a stimulating effect mainly in the immediate post-reform period. However, the export sector is not sufficiently diversified and still dominated by simple and undifferentiated products with low levels of skill and simple technologies, and for which India's comparative advantage lies in cheap labour. Due to this specialization India exports mainly those products for which international demand is growing slowly. India's exports were thus concentrated in low technology products and slow growing markets which is the main reason of unsatisfactory export performance of the country even after the introduction of LPG reforms initiated in 1991.

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Succession Management at a Manufacturing Company in Chennai – An Empirical Study

A V R Pandiyan and P Jayalashmi

Abstract

Succession planning, sometimes called succession management is a process for preparing people to meet an organization's needs for talent over time. Succession planning is perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department, or work group by making provision for the development, replacement, and strategic application of key people over time. This is important because it often takes years of grooming to develop effective senior managers. There is a critical shortage in companies of middle and top leaders for the next five years. Organizations will need to create pools of candidates with high leadership potential. Thus the development and implementation of leadership succession plan becomes important to have the business continuity at its best. This research paper focuses on the succession planning process, the effectiveness of various methods in identifying potential successors, the attributes to be considered in selecting employees and the effectiveness of various tools in developing executives for succession management program. Further, appropriate strategies are suggested for an effective succession plan.

***Keywords**: Culture, Leadership, Organizational development, Quality workforce, Retention, Succession planning and management*

1. A brief background of the study

Succession planning, sometimes called succession management to emphasize the active and continuous nature of the effort is a process for preparing people to meet an organization's needs for talent over time. According to William J. Rothwell, "succession planning is perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department, or work group by making provision for the development, replacement, and strategic application of key people over time." This is important because it often takes years of grooming to develop effective senior managers. There is a critical shortage in companies of middle and top leaders for the next five years. Organizations will need to create pools of candidates with high leadership potential. It involves a careful balancing of the concerns and needs of a firm's

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founding and senior managers, on the one hand, and its more junior investment professionals and managers, on the other hand.

One of the most critical issues for building innovation capacity in organizations is the acquisition and maintenance of knowledge. According to an Annual Talent Shortage survey conducted by HR solutions firm, Manpower, 1/3rd of employers' worldwide find it difficult to fill key positions within their organizations. Around 50 percent of the employers could not find the right talent for their business. In the Asia – Pacific region, the situation is even worse with two out of every five companies facing a talent shortage within the organization. India fortunately faces a slightly less shortage with only 16% of the employers finding it difficult to access people with appropriate skills. Quality work force is key differentiator between organizations. Quality workforce is a loyal employee equipped with competence in job and commitment to the company. Therefore the key challenge is attracting and retaining a quality workforce. Thus the development and implementation of leadership succession plan becomes important to have the business continuity at its best.

2. The process components of succession planning

- Identify key leadership criteria: It's essential that an organization knows what skills and competencies it needs to succeed. No one group, including HR, can identify all these traits. As a result, successful organizations usually rely on focus groups and task forces to better understand core competencies and personnel requirements.
- Find future leaders and motivate them: An enterprise must have a system in place for finding star employees and ensuring that they are ready for key positions. This can involve any of several approaches, including 360-degree feedback, standard reviews, and informal discussions. Understanding employees' talents, aptitudes, and interests -- and then providing interesting assignments -- creates a much higher likelihood of success than a strict compensation-reward system.
- Create a sense of responsibility within the organization: Although HR can serve as a catalyst for effective succession planning, most successful organizations rely on corporate management to review and oversee the progress of employees. Then, as a worker moves up the ladder, there's a detailed record of his or her progress -- with review from various levels within the company.
- Align succession planning with the corporate culture: Despite an emphasis on past performance, it is essential to retain a focus on core values. Effective succession planning requires an organization to stress these values, whether it's a desire to perform leadership tasks or complete assigned tasks, and weight them heavily in the overall selection process.
- Measure results and reinforce desired behaviour: The only way to know whether a succession plan is effective is to put systems in place to track results -- and have

HR review the overall effectiveness of the program. Then the organization must develop systems, such as reward-based compensation, training, and appropriate assignments, to motivate workers and push them along desired development paths.

3. Need for the study

One of the major challenges faced by many organizations is to find out the vacancies caused by retirement of executives in various key areas of management and to develop competent successors in order to avoid major disruption of business process. Retaining the talented employees in any organization is also a major challenge for HR department. In the times of raging talent war, when organizations can get crippled by the sudden vacancies in crucial middle or top level positions due to attrition, successful succession management system is a key to survival and continued growth.

What forces the organizations to pursue succession management is the scarcity- not just in quantity but in the quality of the work force as well. By moving succession management to the forefront and taking a proactive approach in leadership and employee development, the organizations lay solid foundation for smooth leadership transitions in the future. Thus succession management has become the need of the hour to keep the strategic business goals and functions properly aligned with HR goals and functions since the business itself is entirely talent or HR driven.

4. Objectives of the study

- To study the effectiveness of various methods in identifying potential successors.
- To find out the attributes to be considered in selecting employees for succession management program.
- To ascertain the effectiveness of various tools in developing executives for succession management program.

5. Review of earlier research studies

Rothwell, W. J (2001) has stated that succession management is a long term HR strategy based on the human resource and business plan requirements. Succession management is defined as any effort designed to ensure the continued effective performance of an organization, division, department or work group by making provision for the development, replacement and strategic application of key people over time.

Huang, T (2001) thinks that organizations adopting formal succession management plans for their top management positions have reportedly experienced a higher return on investment than those who have not. Kramer, R. J (2003) discusses that as input to the management system, an organization usually identifies its existing competencies, related to both its leadership needs and the industry it competes in. Apart from the set of required competencies, the organization also collects data about the employees' career aspirations, interest areas, career mobility and developmental needs. This information is then used by the organization to align individual career aspirations with organizational needs.

Lemons Darey (2004) talks that as businesses evolve and system becomes more sophisticated, organizations must address the changing nature of work and focus on preparing employees for the sorts of roles that are likely to emerge, rather than focusing solely on today's roles, which may not be required in the future. Addressing succession management is a competitive imperative. An organization that neglects employees' development and placement not only pays higher cost for locating appropriate external candidates, but also faces difficulties in assimilating a great number of new hires to the organizations culture and values. Indeed many organizations have learned this lesson through very public failures resulting from hiring leaders with impressive records but no familiarity with the unique demands of the organization.

Munro Andrew (2005) has stated that succession management isn't simply the passing of the baton to the next person. Competitive success is shaped by the organization's skill in utilizing the talents and know-how of key technical and professional groups and its effectiveness in coordinating employee performance through its ranks. Succession management therefore becomes less about a handful of top team appointments and more about how the organization thinks about and manages its talent. There is a shift in management mind-set from "filling jobs" to constantly seeking out those individuals who can move the organization forward. Succession is about performance management at all levels.

Rothwell W J (2005) has stated that succession planning and management need not be limited solely to management positions or management employees. Indeed, an effective succession planning and management should also address the need for critical backs-ups and individual development in any job category. Succession planning and management are important for other reasons as well. It forms the basis of communicating career path to each individual, establishing development and training plans and creating a more comprehensive human resources planning system.

Doris Sims and Mathew Gay (2007) have stated that at leadership level, executive succession helps organizations groom and select the next generation of leaders for more responsible positions. This ability to develop and deploy leadership capabilities and talents translates into a competitive edge for organizations.

Bersin (2015) wrote that many organizations struggle to facilitate internal talent mobility. Less than one-third has formal succession plans for all but the very top levels. When an employee leaves a company, we are forced to bring in someone else who starts at the bottom of the curve. This means we incur the cost of hiring, the loss of productivity and the diminished learning curve of the new employee. Yes, the new person may have excellent skills and perspective from the outside, but in many cases it will take years to realize those benefits. However, if HR facilitates internal talent mobility, people are constantly being developed and challenged and engagement goes up. But it won't be easy, Bersin added. Some tips he offered include:

- Making sure that all posted positions are marketed internally and that employees are encouraged to apply for them by creating incentives.
- Investing in on boarding and new-hire orientation.
- Assigning career coaches to map patterns of movement and document career paths.

Roy Strauss (2015) has stated that as older, highly skilled workers leave the workforce, how can talent managers ensure that the years of valuable experience don't leave, too? To a large extent, organizations run on the knowledge and skills of their people, especially the "tribal knowledge" of how things work and are done "here," whether it's in information technology, sales, manufacturing, or human resources. Without a consistent, effective way to transfer and share this knowledge, critical people leave and take this critical knowledge with them, resulting in business disruption and potential customer dissatisfaction. Unfortunately, most organizations have no consistent method of dealing with such a crisis when it occurs. Instead, managers and co-workers are left to "deal with it," often perpetuating problems, while the business suffers. In most organizations, the high risk is in losing the tacit knowledge that comes with many years' experience in an organization and that makes people effective in their job. What is needed is a flexible and consistent process for eliciting, capturing and transferring tacit knowledge.

Sarah Fister Gale (2015) feels that workforce planning, once a tool for only the most mature human resources organizations is going mainstream — though not at the clip many say is needed to keep up with market forces. Businesses of all sizes, from lean tech startups to massive global companies, are implementing workforce planning — the continual process of aligning workforce and organizational needs so a firm can meet its regulatory, service and production requirements — as a critical business process. Indeed, Deloitte's 2015 "Global Human Capital Trends" report shows only 5 percent of HR professionals say their workforce planning process is "excellent," while one-third say it's "adequate" and nearly 60 percent call it "weak." Another key driver of this trend is access to easy-to-use analytics tools, Weisbeck said. Companies now have access to tools that can automate much of the analytics so they can make better decisions with special expertise in the technology.

6. Research methodology

6.1 Research design

Research design is the basic framework, which provides guideline for research process. It is a map or blue print according to which the research is to be conducted. Descriptive research design is adopted for this study. Descriptive research includes surveys and fact-findings enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs, as it exists at present.

6.2 Sampling method

The population comprises of around 400 executives of a manufacturing company in Chennai. Random sampling technique is used for selecting the sample size of 70 respondents. A random sample allows a known probability that each elementary unit in the population will be chosen.

6.3 Data collection method

Primary data is collected directly from the 70 sample respondents through structured questionnaire. The questionnaire contains dichotomous, multiple–choice and closed–end questions.

6.4 Limitations of the study

- The findings of the study are based on the views of only 70 sample respondents. Hence, they are to be carefully considered for generalization.
- The interferences drawn are subjected to bias and prejudice of the respondents.
- The accuracy of findings is limited by the accuracy of statistical tools used for analysis.
- The accuracy of findings is constrained by sampling and non-sampling errors.

7. Data analysis

Table 1: Respondents' views on the importance of formal succession management program

S. No.	Agreement Level	*Weight age*	No. of Respondents	Total Score	Mean Score
1	Strongly Agree	*5*	37	185	4.4
2	Agree	*4*	30	120	
3	Uncertain	*3*	2	6	
4	Disagree	*2*	0	0	
5	Strongly Disagree	*1*	1	1	
Total			70	312	

Table 2: Respondents' views on the benefit of succession management system

S. No.	Agreement Level	Weight age	No. of Respondents	Total Score	Mean Score
1.	Strongly Agree	5	46	230	4.6
2.	Agree	4	21	84	
3.	Uncertain	3	3	6	
4.	Disagree	2	1	2	
5.	Strongly Disagree	1	0	0	
Total			70	322	

Table 3: Attributes to be considered in selecting executives for succession management program

S. No.	Attributes	No. of Respondents	Percentage
1.	Loyalty and Energy Level	6	9%
2.	Knowledge and Executing Out –Of- Box Ideas	8	11%
3.	Performance & Achievements	19	27%
4.	All The Above	37	53%
Total		70	100%

Table 4: The effective methods for identifying potential successors

S. No	Methods	Rank 1 (4)	Rank 2 (3)	Rank 3 (2)	Rank 4 (1)	Total Score	Mean Score	Ranking
1	Self-Nomination	16	12	28	14	170	2.4	III
2	Reporting Manager	13	29	19	9	190	2.7	II
3	Performance Evaluation Rating	34	21	7	8	221	3.15	I
4	Top Management	7	8	16	39	123	1.75	IV

Table 5: Selecting the effective tools in developing executives for succession management programs

Factors	Rank 1 (6)	Rank 2 (5)	Rank 3 (4)	Rank 4 (3)	Rank 5 (2)	Rank 6 (1)	Total Score	Mean Score	Ranking
Job Rotation	9	5	16	15	8	17	221	3.15	V
Stretch Assignment	2	8	4	31	16	9	202	2.88	VI
Job Enrichment	21	10	9	4	10	16	260	3.71	III
Coaching	4	23	5	9	18	11	233	3.32	IV
Mentoring	8	17	23	8	8	6	271	3.87	II
Training	26	7	13	3	10	11	283	4.04	I

Hypothesis testing: Chi-Square analysis
Hypothesis: There is no significant relationship between experience of the respondents and their awareness about succession management program in the organization.

Table 6: Relationship between experience of the respondents and their awareness about succession management programs

S. No.	Experience	Aware	Not Aware	No. of Respondents
1.	Less than 5 Years	4	0	4
2.	5-10 Years	6	0	6
3.	10-15 Years	9	1	10
4.	15-20 Years	12	0	12
5.	Above 20 Years	26	12	38
Total		57	13	70

Table 7: Calculation of Chi-square

S. No.	O_i	E_i	$O_i - E_i$	$(O_i - E_i)^2$	$[(O_i - E_i)^2 / E]$
1.	4	3.26	0.74	0.548	0.168
2.	6	4.89	1.11	1.232	0.252
3.	9	8.14	0.86	0.739	0.09
4.	12	9.77	2.23	4.973	0.509
5.	26	30.94	-4.94	24.404	0.789
6.	0	0.74	-0.74	0.548	0.74
7.	0	1.11	-1.11	1.232	1.109
8.	1	1.86	-0.86	0.739	0.397
9.	0	2.23	-2.23	4.973	2.23
10.	12	7.06	4.94	24.404	3.456
Total					$\sum$=9.74

Calculated value is (χ Cal) : *9.74*
Degree of freedom : *4*
Level of significance : *5% = 0.05*
Tabulated value (χ Tab) : *9.488*

Inference
Since the calculated value is greater than the tabulated value, the Hypothesis is rejected. Hence, there is a significant relationship between experience of the respondents and their awareness about succession management program in the organization.

8. Findings

- 54% of the respondents are in the age group of 45- 60 years and 23% of them belong to 35- 45 years.
- 54% of the respondents possess more than 20 years of experience.
- Most of the respondents agree that the implementation of formal succession management program is important for the organization.
- Most of the respondents strongly agree that the implementation of formal succession management system will benefit the organization.
- 81% of the respondents are aware of succession management system.
- 63% of the respondents have not participated in succession management programs.
- 91% of the respondents have stated that succession management programs will enhance job satisfaction.
- 53% of the respondents have stated that the attributes such as Loyalty & Energy Level, Knowledge & Executing out–of-box ideas and Performance & Achievements have to be considered in selecting employees for succession management programs.
- 91% of the respondents have stated that proper selection procedure needs to be followed in the identification of potential successors.

- Most of the respondents have ranked Performance Evaluation Rating and Reporting Manager as the most effective methods for identifying potential successors.
- Most of the respondents have ranked the activities such as Training, Mentoring and Job- Enrichment as the most effective in developing executives.
- There is a significant relationship between experience of the respondents and their awareness about succession management program in the organization.

9. Suggestions for an effective succession plan

- Succession management as a component of talent management should be a long-term human resources (HR) strategy, based on the HR and business plan requirements. Due to the overlap with other strategies such as performance management, recruitment, development and retention, it is critical that the succession management process is integrated and aligned with all HR programs and systems.
- An effective succession plan should be in writing and rigorously referenced during the plan's implementation phase. This helps those responsible for implementation, keeps the process sustainable and assists when evaluating the plan's success.
- Senior management and the board should regularly review the plan to determine whether it remains effective or requires revisions. The succession plan itself must be as dynamic as the selection process. It cannot be viewed as an immutable, irrevocable document. Rather, it is an evolving expression of the future needs and goals of the enterprise.
- It is equally important that ancillary aspects of the succession plan, especially those addressing ownership transfers, be thoroughly and carefully documented. This results in clarity and mutual understanding of the terms and conditions of ownership transfers. It also enables future beneficiaries to understand the plan's components, expectations, and mandate. This is especially important when addressing issues like performance criteria and vesting schedules.
- If the company lacks an effective personnel evaluation policy, it should consider implementing one as part of its succession plan. These policies help identify potential leaders and successors. They also provide a guide to successfully mentoring talent, and developing a broader, more inclusive management team.
- Executives require a better understanding of the need for succession management in the organization. They need to be aware of the succession management programs implemented in organization
- Transparency is required in the nomination of potential successors so that executives better understand the criteria considered in nomination and work towards their development. Executives need to understand that nomination for succession planning is age bound.

- Training, Mentoring and Job-Enrichment practices can be implemented more effectively to enhance the effectiveness of succession management programs.
- Initiatives taken in succession management should sustain till the fruits of the initiatives are obtained. This will help the organization to better understand the challenges in moulding successors and implement better programs.
- The potential successors can meet face to face at least on a quarterly basis to discuss their growth and developmental needs.

10. Conclusion

An effective succession plan should not be considered an end. Rather, its continued success requires that it be viewed as a beginning. It can guide a business owner, creating a roadmap for success. It can also help owners attract and motivate successful employees. When owners commit to creating and implementing effective succession plans that embrace comprehensive programs for transferring management responsibility and equity ownership, they can experience the rewards of creating lasting legacies for their businesses. Moreover, in emergency situations, an effective succession plan can literally save the company's life.

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HRD Practices – A Comparative Study with reference to HPCL and CFL

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Abstract

Human resources hold a key position in the economic development. The real strength of the country and its institutions depends upon the capabilities of their people. Only dynamic employees can build dynamic organizations. Human Resource Development has gained prominence and focus in management especially in the 21st century. Moreover, human resources being the most significant and active factor of production, and also considered the centre area of a development processes of the economy. The great Chinese sage Chung Tree said as long back as in the 7th Century BC : "if you wish to plan for a year sow seeds: If you wish to plan for ten years, plant a tree and if you wish to plan for a lifetime, develop men. Adam smith, Karl Marx and several classical and modern economists have emphasized the importance of human resources and focused on labour dexterity and skill development. In the Indian concept of HRD, education and culture constitute the core of the strategy. However, it is not education in the narrow sense of schooling, but a broad concept encompassing health, nutrition, employment, science and technology, equality and special attention to weaker groups, education being used as an instrument of people development and access to opportunities and facilities in all these areas. In this sense the core concept of HRD as used in India is not as widely divergent from that in Jakarta Declaration on HRD as might appear prima facie. This will become clear in subsequent content when we consider instrumentalities of implementation and programme content.

1. Introduction

The industrial Sector, it has identified the following goals of HRD. To improve the productivity and employee benefit, industries reorganized structures and system in the early years. The goals of industries and companies in the restructured set up are identified as follows. To evolve the personnel system so that the employees are provided equitable opportunities to move up in the organisation on the basis of their performance and ability. The employees repose confidence in the personnel practices followed by the organisation. The policy should not only be fair and just but also to be perceived as fair and just. To ensure that responsibility for results is provided right from the lower level so

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that employees can develop a sense of independence and self confidence. That jobs are enlarged and enriched and are performed in a manner that nurtures team work providing opportunity for learning new and varied skills thus, doing the work more satisfying and meaningful. That those employees who show special aptitude for different skills are carefully to be provided appropriate training experiences. Several strategies to achieve the above stated objectives and goals were developed. Consistent with the policy of consensus, new strategies were circulated and discussed with groups of employees. The organisation stated its beliefs about HRD as under: That human potential interest in every employee is vast; it can be further enhanced by various interventions like training, job-rotation, counselling etc. That people are major asset and that an organisation can make full utilisation of individual potential by providing a developmental environment and opportunities by encouraging and rewarding innovativeness and creativity.

That such people, who are unable to contribute to the organisation fully due to reasons beyond their control can, also give their best if they are taken care of and proper environment and conditions are provided. That competency can be developed in people at any point of time; as model employer it is desirable that we encourage competency enhancement. That HRD provides higher quality of work-life through opportunities of a meaningful career, job satisfaction and professional development. That HRD philosophy emphasizes human well being and organisational growth. That if an employee perceives a nurturing environment, automatically there would be a positive response to match individual aspirations with organisation's needs. That HRD processes have to be planned and continuous in order to be effective.

2. Dimensions of Human Resource Development (HRD)

Human Resource Development is a multi-disciplinary concept. Economists describe it from the economic angles of capital asset, labour, skill and wages. Further, they viewed human resources as accumulation of capital and their effective investment. A psychologist considers HRD from the psychological dimensions of attitudes, aptitude values, intelligence, perceptions, aspirations and motivations, etc. Moreover, psychology provides an explanation for a variety of human behaviour and also several remedial functions (through guidance, counselling etc.,). Similarly, a sociologist's perception of HRD moves around social relations, ingredients like family, crowds, mob etc., while an Anthropologist looks at HRD keeping in view the history of humanity and focus as on several aspects of tradition, kinship, culture, myths and ceremonies.

3. Role of HRD in the development of organization

HRD is described as the core of all developmental efforts in view of improving quality of life of all human beings. The purpose of all developmental activities in a nation remains to improve the living conditions of the human beings. Similarly, HRD at micro-level involves certain mechanisms and techniques such as performance of appraisal, counselling, training organizational development etc., to facilitate the development of human resources. Since the process is continuous, the mechanisms and techniques need to be examined periodically to see whether they are promoting the process or not. Some new dimensions may be added and those which fail to serve the cause may be executed.

4. Research methodology

The research activity in the area of HRM/HRD is increasing and still there is a lot of scope for research to study the practices and their impact. An attempt is made in this study to assess the levels of the utilization of the human resources as well as to the functional status of the human resources in the units. Further, the study attempted to trace the various problems deficiencies and bottlenecks existing in various stages in the organization. Moreover, this study suggests remedial measures and action programmes for the optimum utilization of human resources in the industries studied taking into account the in short and long term perspective.

5. Objectives of the Study

- To assess the role of human resource in the industry and also determine the functional status of the HRD in selected organizations.
- To trace the problems, bottlenecks and deficiencies arising in various spheres of HR.
- To suggest feasible and amicable strategies for the optimum utilization of the human resources and also for the up-gradation of the skills of the human resources to face the challenges emerged in the existing and future scenario.

6. Selection of units for the study

The main objective of the study is to assess the levels of the utilization of human resources as well as to determine the functional status of the units. Keeping the above aspects under consideration, the study selected two large scale industrial units viz., Hindustan Petroleum Corporation Limited (HPCL) and Coramandal Fertilizers Limited (CFL). Moreover, these two units care most prestigious in situations in the Andhra Pradesh and also in the country. Further, the Petrochemical and Fertilizer industrial sectors are one of the fast growing sectors in the country and also several under strategic changes have taken place in these sectors. Hence, there is a permanent need for the optimum utilization of human references to face the challenges that have emerged in the existing and future scenario in short and long-term perspectives.

7. Item validity of the employees' tools, critical ratio values comparing the upper 27% and lower 27% groups

Among the 46 statement compared all items critical ratio values are significant indicating item validity. Only one item namely statement No. 38 is significant at 0.05 level and the remaining 45 statements are significant 0.01 level. Employees' opinion description questionnaire (statements 46) all critical ratio values are found to be significant indicating item validity of each statement of the total test dealing with reference to HRD in the petrochemical industries related to employees.

Not significant : None of the statement in the questionnaire with not significant.

0.01 level : Among the 46 statements, as many as 45 statements are significant at 0.01 level indicating the item validity of the total test namely HRD in industries.

0.05 level : The remaining one statement namely statement no. 38 is significant at 0.05 level.

Table 1: Item validity of employees – Critical ratio values, comparing the upper 27% and lower 27% groups

Variable	Statistics	Q_1	Q_2	Q_3	Q_4	Q_5	Q_6	Q_7	Q_8	Q_9	Q_10	Q_11
Lower	Mean	1.33	1.90	1.91	1.46	1.28	1.51	1.92	1.63	2.29	1.57	0.99
	St.Dev.	1.12	0.82	0.86	0.73	0.93	0.87	0.66	1.15	0.99	0.87	0.66
Upper	Mean	1.86	3.39	2.99	2.95	3.21	3.20	2.55	2.59	3.01	2.84	2.66
	St.Dev.	1.03	0.49	0.75	0.40	0.64	0.65	0.94	0.80	0.63	0.82	0.48
Critical Ratio		3.74**	16.82**	10.20**	19.36**	18.50**	16.78**	5.91**	7.42**	6.63**	11.44**	21.99**
		Q_12	Q_13	Q_14	Q_15	Q_16	Q_17	Q_18	Q_19	Q_20	Q_21	Q_22
Lower	Mean	1.56	1.37	1.57	1.28	1.03	1.04	1.76	0.57	1.42	1.17	0.94
	St.Dev.	0.69	0.83	1.31	1.16	0.88	1.22	1.35	0.50	1.40	1.19	0.80
Upper	Mean	3.54	2.81	2.64	2.78	2.96	3.17	2.48	2.58	2.63	2.13	2.88
	St.Dev.	0.50	1.00	1.27	0.54	0.78	1.00	0.96	0.90	0.59	1.41	0.88
Critical Ratio		25.07**	12.01**	6.29**	12.66**	17.68**	14.52**	4.70**	21.09**	8.59**	5.63**	17.54**
		Q_23	Q_24	Q_25	Q_26	Q_27	Q_28	Q_29	Q_30	Q_31	Q_32	Q_33
Lower	Mean	1.16	1.59	0.73	1.34	2.34	1.76	1.88	1.02	0.90	1.20	1.23
	St.Dev.	0.87	0.96	0.97	0.78	0.66	0.98	1.31	1.25	1.32	0.79	1.01
Upper	Mean	2.71	3.42	3.28	3.06	3.11	3.23	2.95	2.16	2.42	2.68	2.94
	St.Dev.	0.56	0.60	0.87	0.64	0.81	0.45	0.66	1.11	0.86	0.91	0.72
Critical Ratio		16.20**	17.41**	20.98**	18.36**	7.92**	14.79**	7.89**	7.35**	10.41**	13.17**	14.86**
		Q_34	Q_35	Q_36	Q_37	Q_38	Q_39	Q_40	Q_41	Q_42	Q_43	Q_44
Lower	Mean	1.11	0.69	0.75	0.67	2.66	1.39	1.03	1.37	1.18	1.31	1.28
	St.Dev.	1.03	0.62	0.69	0.99	1.02	1.00	0.75	0.89	0.89	0.94	0.93
Upper	Mean	2.45	2.56	2.56	2.73	2.91	2.68	2.62	2.95	2.50	2.82	3.21
	St.Dev.	1.27	1.05	0.96	0.64	0.69	0.88	0.83	0.66	1.51	0.84	0.64
Critical Ratio		8.85**	16.50**	16.48**	18.96**	2.18*	10.37**	15.31**	15.36**	8.11**	12.95**	18.50**
		Q_45	Q_46	Total								
Lower	Mean	1.76	1.16	62.99								
	St.Dev.	1.35	0.87	8.85								
Upper	Mean	2.48	2.71	129.01								
	St.Dev.	0.96	0.56	10.05								
Critical Ratio		4.70**	16.20**	53.09**								

Table 2: Industry wise distribution of the sample

Industries	Sample	Per cent
(HPCL)	200	50.0
(CFL)	200	50.0
Total	400	100.0

The distribution of the sample employees from the above said two organizations in to different groups by their socio-economic variables presented the following variables taken as criteria and tabulated as follows.

The following independent variables were studied for employees**.**

- Gender
- Age
- Qualification
- Designation
- Department
- Experience
- Income

Table 3: Gender-wise distribution of sample employees from the selected industries

Gender	HPCL	CFL	Total
Male	167 (83.5)	171 (85.5)	338 (84.5)
Female	33 (16.5)	29 (14.5)	62 (15.5)
Total	200 (100.0)	200 (100.0)	400 (100.0)

Out of the selected employees from the HPCL majority (83.5%) are male and the remaining 16.5 per cent are female. From the total sample from CFL higher group (85.5%) are male and few (14.5%) are female employees. In both of the sectors male participation is significantly more than female category.

Table 4: Age-wise distribution of sample employees from the selected industries

Age	HPCL	CFL	Total
Below 30	17 (8.5)	5 (2.5)	22 (5.5)
30 – 40	68 (34.0)	77 (38.5)	145 (36.3)
41 – 50	83 (41.5)	90 (45.0)	173 (43.3)
Above 50	32 (16.0)	28 (14.0)	60 (15.0)
Total	200 (100.0)	200 (100.0)	400 (100.0)

In both the sectors majority of the employees are in the age-group of 41-50 years i.e. middle age-group.

Table 5: Education-wise distribution of sample employees from the selected industries

Education	HPCL	CFL	Total
Diploma	37 (18.5)	67 (33.5)	104 (26.0)
Degree	59 (29.5)	88 (44.0)	147 (36.8)
Engineering	62 (31.0)	25 (12.5)	87 (21.8)
P.G.	42 (21.0)	20 (10.0)	62 (15.5)
Total	200 (100.0)	200 (100.0)	400 (100.0)

The above table presents the distribution of the employees from the selected HPCL and CFL by their education levels. Out of the selected employees from the HPCL 31.0 percent of the employees are with engineering qualification, 29.5 per cent are degree holders, 21.0 per cent are P.G. level and the remaining 18.5 per cent are having diploma qualification. From the total sample from CFL higher group (44.0%) are with degree qualification, 33.5 per cent are having diploma, 12.5 per cent are engineering qualified and the remaining 10.0 per cent are P.G. level education. In the CFL industry majority of the employees are with higher qualifications whereas in CFL majority are degree holders and below the required qualifications.

Table 6: Designation-wise distribution of sample employees from the selected industries

Designation	HPCL	CFL	Total
Worker	63 (31.5)	61 (30.5)	124 (31.0)
Supervisor	32 (16.0)	32 (16.0)	64 (16.0)
Clerk	43 (21.5)	55 (27.5)	98 (24.5)
Engineer	35 (17.5)	38 (19.0)	73 (18.3)
Officer	27 (13.5)	14 (7.0)	41 (10.3)
Total	200 (100.0)	200 (100.0)	400 (100.0)

The table 5.6 explains the distribution of the employees from HPCL and CFL by their designations. Among the selected employees from the HPCL 31.5 percent are workers, 21.5 per cent are clerks, 17.5 per cent are engineers, 16.0 per cent are supervisors and the remaining 13.5 per cent are officers. Out of the total sample CFL employees higher group 30.5% are workers, 27.5 per cent are clerks, 19.0 per cent are engineers, 16.0 per cent are supervisors and only 7.0 per cent are officers.

Table 7: Distribution of sample employees by income in the selected industries

Income	HPCL	CFL	Total
Below 10,000	13 (6.5)	17 (8.5)	30 (7.5)
10,000 – 12,000	62 (31.0)	71 (35.5)	133 (33.3)
12,000 – 14,000	90 (45.0)	81 (40.5)	171 (42.8)
14,000 – 16,000	15 (7.5)	13 (6.5)	28 (7.0)
16,000 – 20,000	20 (10.0)	18 (9.0)	38 (9.5)
Total	200 (100.0)	200 (100.0)	00.0)

In both the firms, majority of employees are getting between the pay band of Rs. 12,000 to 14, 000 per month.

8. Conclusion

The study took HPCL and CFL to understand HRD practices and found that there is a significant difference between the employees of the two firms on factors of openness; factors of trust; collaboration; appraisal; working environment; training; experimentation; general climate; HRD mechanism and the factors of mission. It was also found that there is no significant difference between the employees of the two industries on total HRD factors. In order further improve the working environment and productivity for both the firms, the study suggested that the superiors have to take personal interest to expose the employees to share their views by being friendly with them.

Today HRD is not an isolated practice or a department in the organisation. It is a force, which binds the whole organisation. It is the aspect, which solves the problems related to human resource in the organisation. The results of the personal interviews conducted in the two production units suggested that in both the organizations employees felt HR practices are good but at the same time improvement is required to make workers feel happy. Employees felt that they are alienated from the decision making process. The superiors have to create informal group meetings where people can share their experiences. Every day review of the work would enable employees feel more comfortable and would thereby improve their performance.

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A Study on Passengers' Problems in Online Ticket Booking in Indian Railways with reference to Virudhunagar Junction, Madurai Division

R Neelamegam and P Murugan

Abstract

Now a days, there is a stiff competition in surface transport among government buses, private buses, vans, taxies, etc. It is very tough to Indian railways to be a robust competitor in the surface transport. Passengers need quality services from the rail transport. Internet plays a vital role in providing a speedy and an easy access to the services of ticket booking, ticket cancellation and the time of the availability of services. But it is beset with some problems while accessing the services through online. The present paper, focuses on the passengers' kind of problem in online ticket booking in Indian railways with reference to Virudhunagar junction, Madurai division of Southern Railway zone.

Keywords*: Indian railways, Online booking, Discriminant analysis*

1. Introduction

In a fast growing economy of the country, Indian Railways plays a key role in the surface transportation. Indian Railways (IR) is a mammoth public sector enterprise. Being a public enterprise the Railway Board has to balance its commercialization concept with its social performance. A notable feature is that India's railway network is one of the largest railway systems in the world under a single management and it owns thousands of coaches, wagons and locomotives. At present, IR has 17 zones including Southern Railway (SR) zone. Each zone is divided into a certain number of divisions and SR has the following railway divisions - Chennai, Tiruchirapalli, Madurai, Salem, Palghat and Trivandrum.

After globalization, rail transport faced intense competition from other modes of surface transport like passenger vans. Therefore in surface transportation, the Indian Railways has to ponder over improving service quality. This feature of service quality in the Indian Railways has attracted greater attention due to safety of passengers, improved infrastructure like double line as well as increasing the speed of the train by introducing high speed train and electrification of rail routes. Not only that, the service of railways

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being intangible requires effective steps for the safety and convenience of rail passengers. Gone are those days where railways were operating with less advanced and sophisticated equipment. Now, to remain competitive in the field, one has to think about modernizing the service in rail journey like introducing online ticket booking.

2. Review of literature

Surat Kumari, M. (2003), in her study on "Services marketing: A case study of South Central Railway" has focused on railway services availed by the general public, customer needs and expectations, and strategies adopted by South Central Railway in improving the rail service. The author has concluded that the Railway should develop an efficient and professionally managed system particularly in the areas of passenger safety and amenities, and also has suggested that the best way to develop this package is to use Kaizen approach, which links the human resource strategy to the business strategy.

Holt (2003) in his study on "The restructuring of railways" examined the concept of the restructuring of Indian Railways. The study identifies the changing institutional role of the government and railway organization, the earnings of the railways, regulation of fares, competition policy, service quality and the role of Indian Railways as the public service provider. The researcher has given recommendations to the government which is facing the challenges of fundamental restructuring and of transforming a troubled state owned railway into an industry operated on commercial principles with private sector participation.

Balakrishnan (2012) aimed at providing some robust parameters which can be used in different circumstances in the assessment of railway service. In subsequent steps of current study, those parameters provide essential help to sort out the service quality attributes which affect the passenger satisfaction of rail service. Twenty two attributes were used to conduct the railway passenger quality evaluation process which helped to identify the responsible attributes. He concluded that the railway authorities had failed to take necessary initiatives for the betterment of the passengers as well as in the improvement of services to the passengers.

Rajeshwari and Ellangovan (2014), in their "Passengers' perception of railways – a study in Salem division of Southern railway zone" seeks to find passengers' perception of railway service in Salem division of Southern railway zone. Factors considered are arrangement of medical facilities on the train, safety of passenger's belongings, accessibility to station, travelling charges, parking facility, facilities for disabled, cleanliness of the station, cleanliness of the train, adequacy of retiring rooms and tatkal scheme. Respondents have been chosen by applying stratified random sampling method. Percentage calculation and average score analysis are the statistical tools. The study's primary purpose is to identify the passengers' perception about the performance of services by Indian railways. Findings of the study reveal that the passengers have good perception on service of the Indian railways.

Gabriel and Suresh (2005) considered passenger reservation system as an important service of Indian Railways. They point out that with an increase in rail passengers, the facility has also improved and brings forth the fact that the IR is the only organisation providing maximum reservation service efficiently. Sreedharan (2004) makes a comparative study on the different types of transport. He suggests the possible roles of the government and railways, while applying various techniques and financial options in view of limited resources and technical expertise. Agarval (1986) had shown that the growth of railways was dismal. They suggested that railways should embark on a policy of upgradation of railway facilities, and convenient mode of transport.

Silcock (1981) in his paper captioned "measures of operational performance for urban bus services" has conceptualized service quality for public transport industry as the measures of accessibility, reliability, comfort, convenience, and safety. Alivelu (2010) has provided a broad overview of the growth of Indian Railways since Independence. The study is based on three time periods with the specific aim to analyse the output and employment during the study period. Geetika and Nandan (2010) in their "Determinants of customer satisfaction on service quality: A study of railway platforms in India" have reported that refreshments and behavioral factors are the most important factors of service quality.

Ngatia, et.al (2010) in their paper on "The structure of users' satisfaction on urban public transport services in developing country: The case of Nairobi" report that safety and travel cost are the important variables of service quality in travel industry. Vikram (2009), describes the achievements of passengers reservation system both from the angle of administration and the customers. The improvement in unreserved has become a boon for ordinary passengers. Vanniarajan and Stephen (2008) in their study found that passengers were satisfied with the five dimensions of reliability, assurance, empathy, tangibles, and responsiveness.

Allon and Diceasare (2008) reported that service quality in a public transport industry consists of speed, reliability, comfort, convenience, safety, special services and innovation. Vijay (2007) evaluates the amenities offered by railways to its passengers, and points out the need for improvements in the railways to provide better services to its customers.

3. Filling the research gap

It is clear from the above discussion that, the previous studies have not concentrated on problems confronted by the passengers in online ticket booking. The present study on "A study on passengers' problems in online ticket booking in Indian Railways with reference to Virudhunagar Junction, Madurai Division" fills this gap.

4. Objectives

- To find out the kinds of problem in the online reservation practices of rail passengers for their travel from Virudhunagar junction in Madurai division of Southern Railway zone.
- To offer suggestions to raise the revenue of the Southern Railway so that it could well improve its service quality.

5. Research methodology

The present study has mainly depended on primary data. The primary data, collected from a well conceived questionnaire administered to the passengers, were used to perform chi-square analysis, discriminant analysis, and to calculate values of weights of sample passengers' kinds of problem in online ticket booking.

There was an absence of concrete sampling frame as thousands of passengers travel in the train daily. Considering the cost, time, and the application of the statistical tools, it was thought fit to have a reasonable sample size of 260 rail passengers. In the absence of sampling frame, a non – probability sampling method of quota sampling was used based on the control variable of occupation of respondents. Accordingly, quotas were fixed and samples were selected in the order of 99 passengers in the occupation category of student / scholar and house wife, 97 passengers in the category of private and public sector employees and 64 passengers in the category of business and professionals. To ascertain the approximate quotas of samples, earlier a pilot study was conducted in December, 2014. Percentage calculation, Weighted values, Chi – Square analysis and Discriminant analysis were applied for the analysis of survey data obtained from 260 sample passengers.

6. Results and discussion

1. Mode of online ticket booking

Educational qualification is an important one for booking the ticket through online; online booking also needs the possession of internet connection and the knowledge of its use. Booking ticket through online is the convenient way as it saves time. Table 1 shows the mode of online ticket booking.

Table 1: Mode of online ticket booking

S.No	Mode of online ticket booking	Number	Per cent to total
1	Own	77	29.6
2	Through family members	53	20.4
3	Through friends and relations	19	7.3
4	Through agents	32	12.3
5	Other	79	30.4
	Total	260	100

Source: Primary data

It is evident from the above table that, sizeable 29.6 per cent passengers booked the ticket through online by themselves, and 12.3 per cent sought the help of the agency for online ticket booking.

2. Hypothesis testing by Chi – Square analysis
In the present study, to find out the relationship between the mode of online ticket booking and the age group of respondents, chi – square analysis is made.

H_0: There is no relationship between the respondents' age and their mode of online ticket booking.

Table 2: Chi-Square test

	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.588a	16	.006
Likelihood Ratio	39.661	16	.001
Linear-by-Linear Association	.050	1	.824
N of Valid Cases	260		

Source: Primary data, Result computed

The above Chi – Square table shows that the p value 0.006 is less than the significance level of 0.05. So the null hypothesis is accepted. It is concluded that, there is a relationship between the respondents' age and their mode of online ticket booking.

3. Ranking passengers' kind of problem in online ticket booking
All service would have certain lapses when they are provided to customers. Especially in the online service, such lapses would have been much more accentuated. The present study sheds light on the sample passengers' ranking their kind of problem when they resorted to online ticket booking. The rank was accorded based on different values of weights of problem. Table 3 bears a testimony to this fact. The respondents ranked the problem on a numerical scale of +2 to-2(+2= highly agree, -2=highly disagree). To illustrate, passengers numbering 73, and 80 respectively 'highly agreed', and 'agreed' to the net work problem while booking ticket. As per the numerical scale, the weighted value to this problem was calculated as follows.

Highly agreed 73(F)*2(S)=146
Agreed 80(F)*1(S)=80

Weighted value =226

Similarly, the weighted values for the other kinds of problem in online ticket booking were calculated. Table 3 bears a testimony to this fact.

Table 3: Passengers' kind of problem in online ticket booking

Problem	Number(F)					Weighted value (F*S)	Rank
	HA	A	NAND	DA	HD		
Network problem while booking ticket	73	80	0	0	0	226 (146+80)	3
Lack of computer knowledge	40	49	0	0	0	129 (80+49)	6
I have to pay extra money for online booking	56	75	0	0	0	187 (112+75)	5
I need debit card and internet banking	123	59	0	0	0	305	1
Sometimes, there is transaction failure after the amount is credited	62	72	0	0	0	273	4
I need Computer and Internet connection	99	75	0	0	0	174	2

HA –Highly Agree; A – Agree; NAND - Neither agree Nor disagree; DA – disagree; HD – Highly disagree.
F= Frequency/Number of respondents; S=Score
Source: Primary Data

The above table shows the passengers' ranking the kind of problem when they book tickets through online. It clearly reveals that the requirement of debit card and internet banking is the most important problem of the passengers (carrying the highest weighted value), followed by the requirement of computer and internet connection, and the network problem as the next important kind of problem in online ticket booking.

4. Performing two group Discriminant Analysis

The main objective of discriminant analysis is classification function. Here, the discriminant analysis is performed in order to classify the passengers' perception of lack of computer knowledge as a problem or not as a problem in online booking of ticket for the rail travel based on the variables of educational qualification, family income, and age of rail passengers.

7. Procedure

Following section explains the procedure of discriminant analysis.

- Development of linear combinations of the predictor variables which will best discriminate between the two groups of dependent variable.
- Examination of the significance of the discriminant function.
- Finding which predictor variable contributes to most of the intergroup difference.
- Calculation of accuracy of classification, and

- Classifying new cases to one of the groups based on the values of Predictor Variables.

To perform discriminant analysis, in the computer input data, the code for those passengers who perceived lack of computer knowledge as a problem, and those who perceived it not as a problem was given as 1 and 2 respectively, and against which the values of three predictor variables of 260 passengers were given. The statistical significance of the discriminant function with Wilks' lambda is reported in the below table.

Table 4: Statistical significance of discriminant function

Test of Functions	Eigen value	Canonical correlation	Wilk's Lambda	Chi-Square	Df	Sig.
1	.243	.442	0.805	55.771	3	0

Source: Authors calculation based on primary data

From the table 4, the Wilks' Lambda is found to be 0.805. Its low value is preferable which would indicate better discriminating power of the model. The Chi square test indicates that the discrimination between the two groups is highly significant; this is because p – value is less than 0.05. As discriminant function is significant, further interpretation of classification matrix, standardized co – efficient and group centroid is undertaken.

Table 5: Structure matrix

Variable	Function
	1
Qualification	0.818
Family income	0.557
Age	-0.349

Structure correlations are referred to as discriminant loadings, representing the simple correlations between the predictor and the discriminant function. Structure matrix shows a good degree of correlation between discriminant function and each of the variables.

Table 6: Classification matrix

Lack of computer knowledge		Predicted Group Membership		Total
Count	Yes	71	37	108
	No	34	118	152
% to total	Yes	65.7	34.3	100
	No	22.4	77.6	100
a. 72.7% of original grouped cases correctly classified.				

Table 6 shows that the discriminant function is able to classify nearly 73 per cent of the passengers correctly; it confirms the significance of the discriminant function. Here, one finds three predictor variables, i.e., educational qualification, age and family income. Which of these is a better / stronger predictor of a passenger thinking lack of computer as a problem or it is not as a problem? To answer this question, one may look at the standardized coefficients in the output

Table 7: Standardized canonical discriminant function coefficients

Variable	Function
	1
Qualification	0.704
Age	-0.306
Family Income	0.570

Source: Primary Data, Result Computed.

The table 7 shows that, respondents' educational level is the best predictor with the coefficient of 0.704, followed by income with a coefficient of 0.570 and age is the last one, with a coefficient of -0.306. The absolute value of the standardized co-efficient of each variable indicates its relative importance. Finally, how can one classify a new case / passenger into either as one who may consider 'lack of computer knowledge is a problem', or such 'lack of computer knowledge is not a problem? This is the most important question to be answered. The way to solve this problem is to use the output in table 5 and 6.

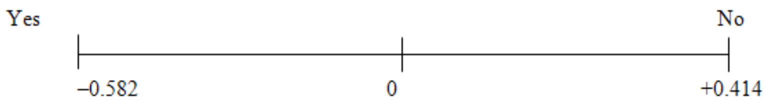
Table 8: Canonical discriminant function coefficients

Variable	Function
	1
Qualification	1.032
Age	-0.31
Family Income (Constant)	0.491
Unstandardized coefficients	-3.459

Table 9: Functions at group centroids

Lack of Computer Knowledge	Function
	1
Yes	-0.582
No	0.414
Unstandardized canonical discriminant functions evaluated at group means.	

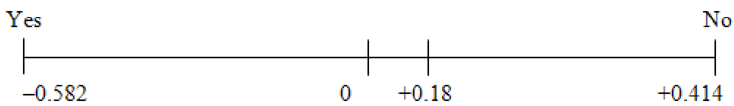
From table 9, one can understand the new means for the transformed group centroids. The new mean for group one, i.e., that the lack of computer knowledge is a problem in online ticket booking is – 0.582 and the new mean for group 2, i.e., lack of computer knowledge is not a problem is +0.414. This means that the midpoint of these two is 0 (approximately). This is clear when one plots the two means on a straight line and locates their midpoint as shown below.



Y = Constant + Education * (1.032) + Age * (– 0.310) + Income * (0.491)

Assume the value of new case for education as 3, age as 3 and income as 3. Now calculating the value by the formula

Y = Constant + Education * (1.032) + Age * (– 0.310) + Income * (0.491)
Y = (– 3.459) + 3 * (1.032) + 3 * (– 0.310) + 3 * (0.491)
Y = (– 3.459) + 3.096 – 0.93 + 1.473
Y = (– 4.389) + 4.569
Y = 0.18



From the above calculation, one could conclude that lack of computer knowledge is not a problem to the new passenger of rail journey.

8. Suggestions

During the study, ranking passengers' kind of problem in online ticket booking has been made. There are several kinds of problem faced by the passengers while they are booking ticket through online. Some important problems noted are follows. Network problem while booking ticket, lack of computer knowledge, payment of extra money for online booking, requirements of debit card and internet banking, possession of computer and internet connection, and sometimes, there is transaction failure after the amount is credited. It is the observance of the study, requirement of debit card and internet banking and possession of computer and internet connections are the most important problems faced by passengers, though they are well known about the online ticket booking. The Railway Board may step in to mitigate some of the problems for the benefit of online ticket booking passengers. Lack of computer knowledge is another problem in online ticket booking. The Railway Board is requested to make some alternative easy access to the online ticket booking facility for such passengers.

On 26th February, 2015, the Railways Minister Mr. Suresh Babu presented the Railway Budget in the Lok Sabha. The Budget revealed the Government's plan of achieving its main goals in the forthcoming years as

- To provide clean, comfort and speedy passenger service.
- To provide safety travel and
- To increase passengers' daily carrying capacity from 21 million to 30 million in five years.

The focus of the 2016 -17 Rail Budget is on women's safety: more CC TV cameras, 33 per cent reservation for women in reserved categories in catering units and milk, hot water and baby food facilities for young mothers. It is also gratifying to note that introduction of new classes of speed trains, i.e., Humsafar, Tejas, Uday trains. Another welcome feature is about lighting, i.e., all new light provisions will be covered with LED luminaire in the next 2-3 years. However, the Budget is saddled with certain dismal features; for instance, on the score of raising revenue from passenger traffic, top revenue yielding passenger routes in Tamil Nadu, namely, Chennai – Kanniyakumari's double tracking as well as Chennai – Coimbatore double tracking, and in goods traffic, a separate freight corridor for Chennai – Tuticorin have been ignored in this Rail Budget 2016 – 17. It is worthwhile to note that the Tamil Nadu Government has already sent the above priority list to the Railway Ministry before the submission of 2016 -17 Rail Budget.

Now a days, there is an intense competition in the surface transport. If the Indian Railways wishes to be a robust competitor in the surface transport, it has to offer a clean, safe, affordable, timely, as well as novel service to the passengers; this makes obligatory on the part of Indian Railways to raise its revenue.

9. Conclusion

Born in colonial times, now the Indian Railways is the seventh largest employer in the world. The business is business in whose hands it be. Times are changing. When rail passengers expect flawless quality service that requires gigantic proportion of investments, as suggested by Bibek Deleroy Committee, the Union Government in a liberalised scenario may mull over participation of private players and launching of some novel services that would lessen the huge financial burden of cash – strapped Indian Railways.

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Trends and Flow of Foreign Direct Investment: An Indian Perspective

Vivek Rajbahadur Singh

Abstract

Foreign Direct investment plays a very important role in the economic development of the nation. Sometimes domestically available capital is inadequate for the purpose of overall development of the country. Foreign capital is seen as a way of filling in gaps between domestic savings and investment. India can attract much larger foreign investments than it has done in the past. To fully utilize the country's immense economic potential, the government launched Economic reforms in 1991. The new government policies are simple, transparent and promote domestic and foreign investment. India's abundant and diversified natural resources, its sound economic policy, good market condition and high skilled human resources make it a proper destination for FDI. The present study has focused on the trends of FDI Flow in India during 2000-01 to 2014-15. The study also highlights country wise approvals of FDI inflows to India and the FDI inflows in different sector for the period 2000 to 2015. The study based on secondary data which have been collected through reports of the Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India, Reserve Bank of India, and World Investment Report.

Keywords: *Foreign direct investment (FDI) sectors, Sector-wise FDI, Economic development*

1. Introduction

Capital formation is an important determinant of economic growth. While domestic investments add to the capital stock in an economy, foreign direct investment (FDI) plays a complementary role in overall capital formation by filling the gap between domestic savings and investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI provides a win – win situation to the host and the home countries. Both countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. India is perceived to be one of the most lucrative grounds for investing, in the eyes of the wealthy European as well as American investors.

The role of foreign direct investment (FDI) in stimulating economic growth is one of the controversial issues in the development literature. The great promise of foreign direct investment (FDI) by multinational corporations is that capital will stimulate dynamic growth. Beyond boosting income and employment, the hope is that manufacturing FDI

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will bring knowledge that indirectly effect in building skill and technological capacities of local firms, catalysing broad-based economic growth. The part played by foreign direct investment (FDI) in the development process has undergone several changes. In the 1960s, FDI was seen in most countries as a partner in the development endeavors.

India adopted a regime that was perceived to be restrictive towards FDI. Explicit curbs on foreign investment were imposed through the introduction of the Foreign Exchange Regulation Act (FERA) in 1973 by restricting foreign ownership of shares in enterprises incorporated in India. At the same time, foreign firms operating in India were subjected to "local content" and "foreign exchange balancing" rules that curbed their freedom of operation. The Industrial Licensing System under the Industries Development and Regulation Act, 1951 and the Monopolies and Restrictive Trade Practices Act, 1969 sought to channelize their activities into high technology and export-oriented production.

The limits on foreign shares fostered joint ventures with Indian entrepreneurs. These policies continued until the policy of creeping liberalisation of the Indian economy was initiated in the 1980s. The fast-tracked liberalisation of the Indian economy introduced in 1991 brought with it a radical shift in the policy towards FDI. In fact, FDI policy reform formed part of the first package of industrial reforms in July 1991 and was reflected in the Industrial Policy announced in 1991.

Foreign investment would bring associated advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. The government will therefore welcome foreign investment which is in the interest of the country's industrial development. FDI is considered to be the most attractive type of capital flow for emerging economies as it is expected to bring latest technology and enhance production capabilities of the economy. Foreign investments mean both foreign portfolio investments and foreign direct investments (FDI). FDI brings better technology and management, access to marketing networks and offers competition, the latter helping Indian companies improve, quite apart from being good for consumers. This efficiency contribution of FDI is much more important.

The changes in the sentiments towards FDI were given effect to in the form of a series of changes in the policies. These included removing the ceilings on foreign equity imposed by the FERA, lifting of restrictions on the use of foreign brand names in the domestic market, removing restrictions on entry and expansion of foreign direct investment into consumer goods, abandoning the "local content" and "foreign exchange balancing" rules, among others. The parallel process of virtual withdrawal of the Industrial Licensing System and the retreating from the primacy given to public sector also enhanced the scope for FDI participation in India. Together with liberalizing the FDI regime, steps were taken to allow foreign portfolio investments into the Indian stock market through the mechanism of foreign institutional investors.

The objective was not only to facilitate non- debt creating foreign capital inflows but also to develop the stock market in India's FDI Inflows: lower the cost of capital for Indian enterprises and indirectly improve corporate governance structures. On their part, large Indian companies have been allowed to raise capital directly from international capital markets through commercial borrowings and depository receipts having underlying Indian equity. Thus, the country adopted a two-pronged strategy: one to attract FDI and to encourage portfolio capital flows which ease the financing constraints of Indian enterprises. As a result of the above-mentioned policy changes, India now follows an FDI-friendly regime that is quite comparable to that adopted by most countries.

Much of the foreign investment can now take advantage of the automatic approval route without seeking prior permission of the Central Government. Caps on FDI shareholding are now applied to only a few sectors, mainly in the services sector. Simultaneous steps have also been taken to remove the hurdles in the path of foreign investors both at the stage of entry and later in the process of establishing the venture. The policy changes were thus aimed at improving India's record in attracting FDI inflows, which was seen to be below its potential, particularly when compared with the massive inflows reported by other countries.

Following the commercial bank debt crisis and the aid fatigue, in the 1980s, FDI became the preferred source once again, as countries became more attracted towards non-debt creating sources of external private finance .Since then; more attention is being paid to the possible role of FDI in economic development. An extensive amount of literature on FDI has emerged regarding its role in not just augmenting domestic savings for investment but more as provider of technologies and managerial skills essential for a developing country to achieve rapid economic development.

Now Government of India allowed FDI (Foreign Direct Investment) in different sectors of economy. FDI includes mergers and acquisitions, building new facilities reinvesting profits earned from overseas operations and intra company loans. FDI is in dissimilarities to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. FDI is defined as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. As per the data, the sectors that attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. On 14 September 2012, Government of India allowed FDI in aviation up to 49%, in the broadcast sector up to 74%, in multi-brand retail up to 100%, the choice of allowing FDI in Multi-brand retailing up to 51% has been left to each state.

Sector Specific Limits of Foreign Investment in India			
Sector	FDI Cap/Equity	Entry Route	Other Conditions
A. Agriculture 1. Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aquaculture, Cultivation of vegetables & mushrooms and services related to agro and allied sectors.	100%	Automatic	
2. Tea sector, including plantation	100%	FIPB	
(FDI is not allowed in any other agricultural sector /activity)			
B. Industry 1. Mining covering exploration and mining of diamonds & precious stones; gold, silver and minerals.	100%	Automatic	
2. Coal and lignite mining for captive consumption by power projects, and iron & steel, cement production.	100%	Automatic	
3. Mining and mineral separation of titanium bearing minerals	100%	FIPB	
C. Manufacturing 1. Alcohol- Distillation & Brewing	100%	Automatic	
2. Coffee & Rubber processing & Warehousing.	100%	Automatic	
3. Defence production	26%	FIPB	
4. Hazardous chemicals	100%	Automatic	
5. Industrial explosives – Manufacture	100%	Automatic	
6. Drugs and Pharmaceuticals	100%	Automatic	
7. Power including generation (except Atomic energy); transmission, distribution and power trading.	100%	Automatic	
(FDI is not permitted for generation, transmission & distribution of electricity produced in atomic power plant/atomic energy since private investment in this activity is prohibited and reserved for public sector.)			
D. Services 1. Civil aviation (Greenfield projects and Existing projects)	100%	Automatic	
2. Asset Reconstruction companies	49%	FIPB	

3. Banking (private) sector	74% (FDI+FII). FII not to exceed 49%	Automatic	
4. NBFCs : underwriting, portfolio management services, investment advisory services, financial consultancy, stock broking, asset management, venture capital, custodian, factoring, leasing and finance, housing finance, forex broking, etc.	100%	Automatic	s.t.minimum capitalisation norms
5. Broadcasting a. FM Radio b. Cable network; c. Direct to home; d. Hardware facilities such as up-linking, HUB. e. Up-linking a news and current affairs TV Channel	20% 49% (FDI+FII) 100%	FIPB	
6. Commodity Exchanges	49% (FDI+FII) (FDI 26 % FII 23%)	FIPB	
7. Insurance	26%	Automatic	Clearance from IRDA
8. Petroleum and natural gas : a. Refining	49% (PSUs). 100% (Pvt. Companies)	FIPB (for PSUs). Automatic (Pvt.)	
9. Print Media a. Publishing of newspaper and periodicals dealing with news and current affairs b. Publishing of scientific magazines / speciality journals/periodicals	26% 100%	FIPB FIPB	S.t. guidelines by Ministry of Information & broadcasting
10. Telecommunications a. Basic and cellular, unified access services, national / international long-distance, V-SAT, public mobile radio trunked services (PMRTS), global mobile personal communication services (GMPCS) and others.	74% (including FDI, FII, NRI, FCCBs, ADRs/GDRs, convertible preference shares, etc.	Automatic up to 49% and FIPB beyond 49%.	

2. Review of literature

Jha (2003) analyses the recent trends in FDI flows in India. He finds that FDI flows to India have not been commensurate with her economic potential and performance. The GOI revised its computation of FDI figures in line with the best international practices, which has led to a substantial improvement in FDI figures. The quality of FDI as manifest in technological spillovers, export performance etc. is more important than its quantity.

Banga (2003) found that FDI has not played a significant role in exports of the Indian manufacturing sector in the post reform period and concludes that FDI in India has led to export diversification. Siddharthan and Lal (2004) argues in favour of using an unbalanced panel that takes into account the entry and exit of the firms. Firms with better endowments in terms of productivity and technology benefited from liberalization and MNC presence. Firms with large productivity gaps became the victims.

Menon and Sanyal (2004) investigate how labour conflict, credit constraints and indicators of a state's economic health influence location decisions of the foreign firms. Results indicate that labour unrest is highly endogenous across the states of India, and has a strong negative impact on foreign investment. Singh (2005) reveals that while FDI shows a gradual increase and has become a staple of success in India, the progress is hollow. He finds that in the comparative studies the notion of infrastructure has gone a definitional change. FDI in sectors is held up primarily by telecommunications and power and is not evenly distributed.

Guruswamy and Sharma (2005) discusses the retail industry in India in their study on FDI in the retail sector. They focus on the "labour displacing" effect on employment due to FDI in the retail sector. The primary task of the Government in India is still to provide livelihood and not create so called efficiencies of scale by creating redundancies. Abraham and Pradhan (2005) examine the patterns and motivations behind the overseas mergers and acquisitions by Indian enterprises. It is found that the main motivation of Indian firm's overseas acquisitions have been to access international markets and overcome constraints from limited home market growth.

Peng Hu (2006) analyses various determinants that influence FDI inflows to India. Analyzing the new findings it is interesting to note that India has some competitive advantage in attracting FDI inflows, like a large pool of high quality labour force. In consequence this study argues that India is an ideal investment destination for foreign investors. Hay (2006) finds that the FDI from the Indian firms were principally addressed to the developing countries and Russia, however, the share of the industrialized countries was on the rise and the manufacturing and non-financial sectors accounted for the bulk of it.

Chakraborty and Nunnenkamp (2006) assess the growth implication of FDI in India. They find that the growth effects of FDI vary widely across sectors and only transitory effects of FDI on output in the services sector which attracted the bulk of FDI in the post-reform period. Bajpai and Jeffrey (2006) stated attempted the paper on "Foreign Direct Investment in India: Issues and Problems", to identify the issues and problems associated with India's current FDI regimes, and also the other associated factors responsible for India's unattractiveness as an investment location. Despite India offering a large domestic market, rule of law, low labour costs, and a well working democracy, her performance in attracting FDI flows have been far from satisfactory. The conclusion of the study is that a restricted FDI regime, high import tariffs, exit barriers for firms, stringent labour laws, poor quality infrastructure, centralized decision making processes, and a very limited scale of export processing zones make India an unattractive investment location.

Balasubramanyam and Sapsford (2007) stated in their article "Does India need a lot more FDI" compared the levels of FDI inflows in India and China, and found that FDI in India is one tenth of that of china. The paper also concluded that India may not require increased FDI because of the structure and composition of India's manufacturing, service sectors and her endowments of human capital and the country is in a position to unbundle the FDI package effectively and rely on sources other than FDI for its capital requirements .

Singh (2009) stated in their study that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conductive policies has therefore become a key battleground in the emerging markets. The paper highlighted the trend of FDI in India after the sector-wise economic reforms. Kumar and Karthika (2010) found out in their study that Foreign Direct Investment has a major role to play in the economic development of the host country. Most of the countries have been making use of foreign investment and foreign technology to accelerate the pace of their economic growth. FDI ensures a huge amount of domestic capital, production level and employment opportunities in the developing countries, which a major step towards the economic growth of the country.

Agarwal and Khanin (2011) in their the study found that 1% increase in FDI would result in 0.07%increase in GDP of China and 0.02% increase in GDP of India. We also found that China's growth is more affected by FDI, than India's growth. Chien and Zhang(2012) focused in their study the problems related to FDI in the North Central Area and South Central Area of Vietnam in the period 2000-2010. The paper found out that FDI and GDP have close relationship with each other. Both FDI and GDP have contributed importantly and positively in the interpretation of each other in the provinces having extremely difficult socio- economic conditions, but this is especially true in localities with better socio-economic conditions.

Devajit (2012) conducted the study to find out the impact of foreign direct investments on Indian economy and concluded that Foreign Direct Investment (FDI) as a strategic component of investment is needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries, short and long term project in the field of healthcare, education, research and development. Sharma and Khurana (2013) in their study on the sector-wise distribution of FDI inflow to know about which has concerned with the chief share, used a data from 1991-92 to 2011-2012 (post-liberalization period). This paper also discusses the various problems about the foreign direct investment and suggests the some recommendations for the same. In this study found that, Indian economy is mostly based on agriculture. So, there is a most important scope of agriculture services. Therefore, the foreign direct investment in this sector should be encouraged.

3. Objectives

- To know the sector-wise flow of the foreign direct investment in India
- To study the trend of FDI Flow in India during 2000-01 to 2014-15.
- To suggest some recommendations with reference to this study.

4. Nature and sources of data

The present study is based on secondary data. The relevant secondary data has been collected from reports of the Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India, Reserve Bank of India, and World Investment Report. The time period of the study has been take April 2000 to November 2014.

Table 1: Cumulative FDI flows into India (2000-2015), total FDI inflows (From April, 2000 To June, 2015)

1.	Cumulative amount of FDI inflows		US$
	(Equity inflows + 'Re-invested earnings' +'Other capital')	-	380,215
			Million
2.	Cumulative Amount of FDI equity inflows	Rs.	US$
	(excluding, amount remitted through RBI's NRI Schemes)	1,293,303	258,020
		Crore	Million

Table no 1 depicts that flows of FDI received in India from the tear 2000 to 2015 i.e. 3,80,215 US$ million. From the year 2000 to 2002 FDI inflow in India has shown an increasing trend. This may be the result of Foreign Exchange Management Act (FEMA) which is introduced in 1999. The highest FDI inflows growth in the country in 2006-2007 year was 146%. Further, FDI inflows rose by 34 % to US$ 46,556 million during 2011-12. Last year April 2014-15 has shown negative growth rate i.e. 23% to US$ 44,291 million while the cumulative amount of FDI equity inflows from April 2000 to June 2015 stood at US$ 3,80,215 million, according to the latest data released by the Department of Industrial Policy and Promotion (DIPP).

5. Financial Year-Wise FDI inflows data

Table 2: Financial years wise FDI

Financial Years Wise FDI Flow From 2000-01 to 2014-15 (up to June, 2015) Financial Years 2000-01 to 2013-14 (up to November, 2013)			
S. No.	Financial Year (April To March)	Total FDI flow in US$ Million	Total FDI Flows % Growth Over Previous
1.	2000-01	4,029	-
2.	2001-02	6,130	(+) 52 %
3.	2002-03	5,035	(-) 18 %
4.	2003-04	4,322	(-) 14 %
5.	2004-05	6,051	(+) 40 %
6.	2005-06	8,961	(+) 48 %
7.	2006-07	22,826	(+) 146 %
8.	2007-08	34,843	(+) 53 %
9.	2008-09	41,873	(+) 20 %
10.	2009-10 (P)	37,745	(-) 10 %
11.	2010-11 (P)	34,847	(-) 08 %
12	2011-12 (P)	46,556	(+) 34 %
13	2012-13 (P)	34,298	(-) 26%
14	2013-14 (P)	36,046	(+) 5%
15	2014-15 (P)	44,291	(+) 23%
16	2015-16 (P) (Apr-June-2015)	12,362	-
Cumulative Total (from April, 2000 to June, 2015)		380,215	-

Source: DIPP, Federal Ministry of Commerce and Industry, Govt of India - 2014-15

Figure 1: Year-wise FDI flow in India & growth percentage

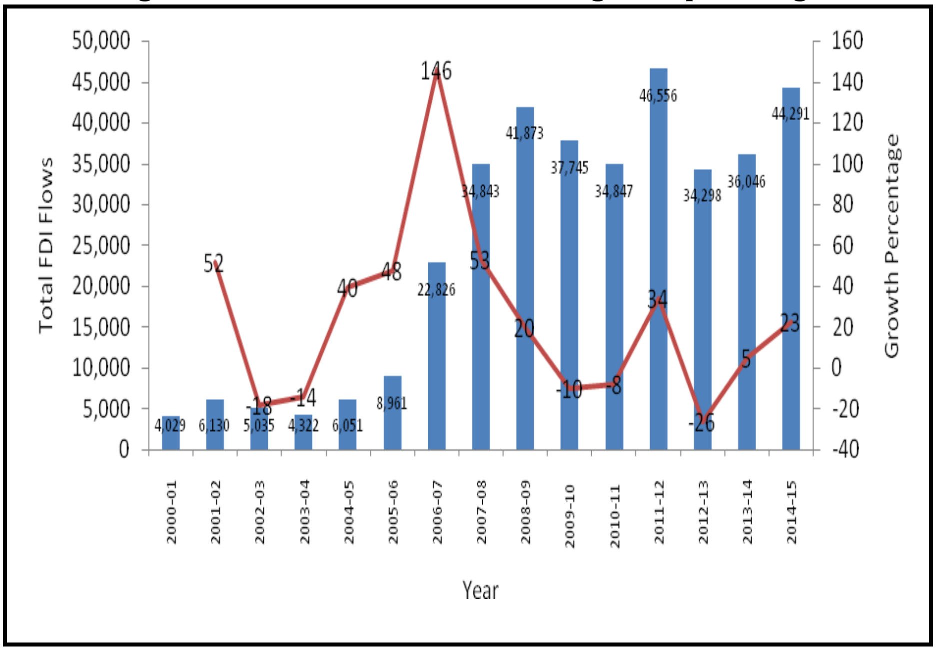
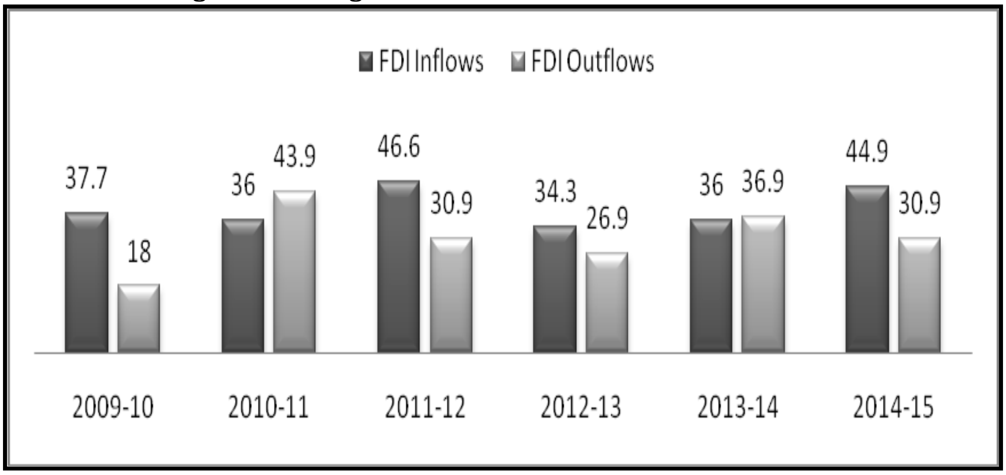


Figure 2: Foreign direct investment inflows & outflows



Source: Reserve Bank of India (RBI)

Figure 2 shows that FDI inflow into India increased to US$ 45bn in 2014-15, as compared to US$ 36 bn in 2013-14. FDI outflow from India stood at US$ 30.9 bn in 2014-15, against US$ 36.9 bn in 2013-14

Table 3: Country-wise FDI inflows from April 2000 to June, 2015

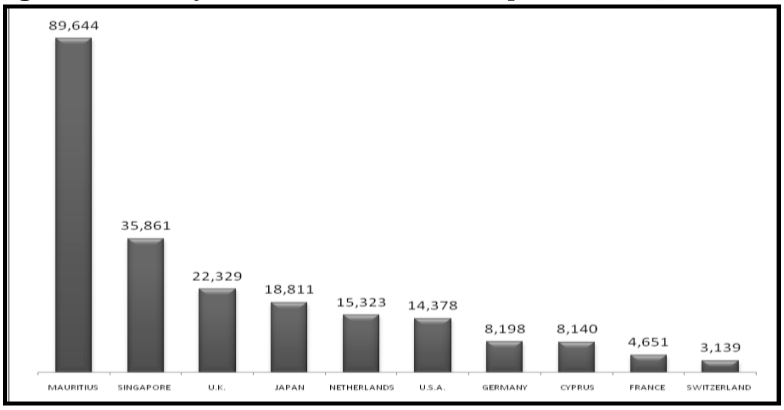
S.No	Name of the country	Amount of Foreign Direct Investment Inflows		%age to total Inflows (in terms of US $)
		(In Rs crore)	*(In US$ million)*	
1	Mauritius	438,892.83	89,644	34.74
2	Singapore	190,477.19	35,861	13.90
3	U.K.	110,409.19	22,329	8.65
4	Japan	96,312.05	18,811	7.29
5	Netherlands	81,381.00	15,323	5.94
6	U.S.A.	70,838.85	14,378	5.57
7	Germany	42,006.79	8,198	3.18
8	Cyprus	39,971.34	8,140	3.15
9	France	23,464.77	4,651	1.80
10	Switzerland	15,812.31	3,139	1.22
Total FDI Inflows		1,293,835.81	258,141	85.44

Source: DIPP, Federal Ministry of Commerce & Industry, Government of India-2015

Table 3 depicts the country wise FDI inflow in India during April 2000–June 2015. The analysis indicates that large part of FDI in India is contributed by 10 countries which is. 2,58,141 US $ million while remaining by rest of the world. Mauritius emerged as the most dominant source of FDI contributing 89,644 US$ million of the total investment in the country. It is because the India has Double Taxation Avoidance Agreement (DTAA) with Mauritius. This (DTAA) type of taxation treaty has been made out with Singapore. So Singapore is second largest Investor of FDI inflow in India. The other major countries are U.K with a relative share 35,861 US$ million followed by U.K.

Figure No 3 represent the percentage (%) of total FDI inflow in India by different countries. 85.54 percent total FDI inflow in the India by fifteen countries in which Mauritius contribute 34.74 percentage of the total investment in country followed by Singapore, United Kingdom, Japan etc.

Figure 3: Country-wise FDI inflows from April 2000 to June, 2015



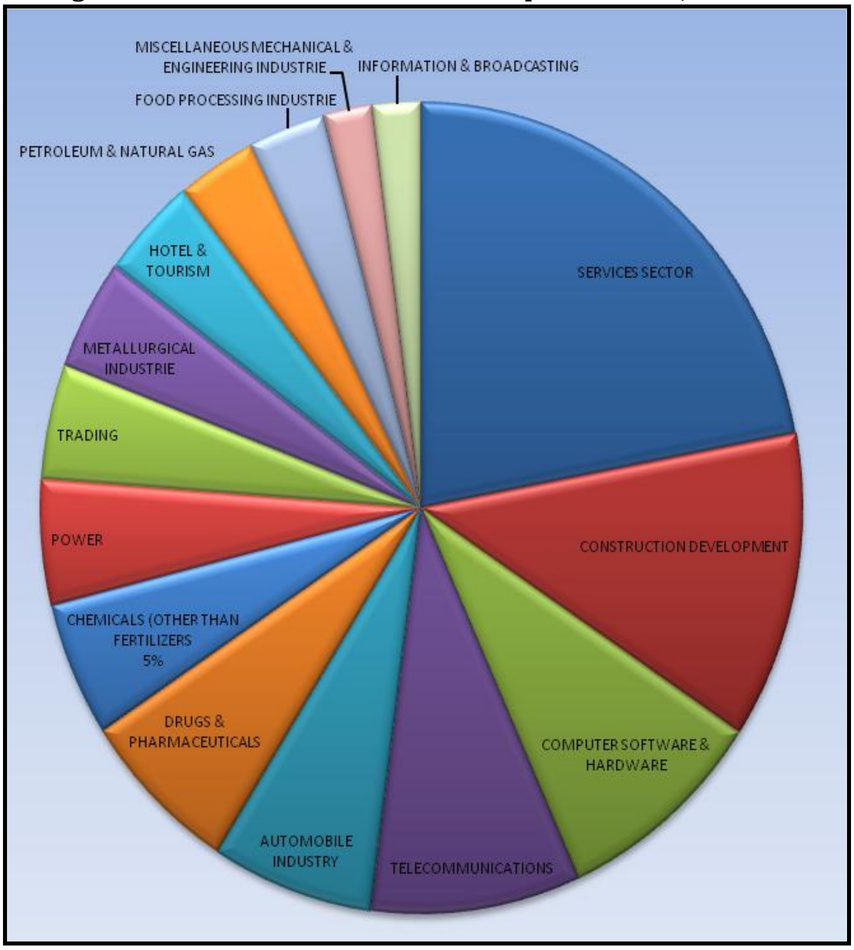
Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

Table 4: Sector -wise FDI inflow from April, 2000 to June 2015

S. No	Sectors	Amount of FDI Inflows (In US$ million)		%age with total FDI Inflows
		(In Rs. Crore)	(In US$ million)	
1	Services sector	209,577.79	43,350.23	16.80
2	Construction development	113,355.15	24,097.91	9.34
3	Computer software & hardware	89,481.30	17,575.15	6.81
4	Telecommunications	86,608.94	17,452.60	6.76
5	Automobile industry	70,905.48	13,476.99	5.22
6	Drugs & pharmaceuticals	66,651.66	13,335.88	5.17
7	Chemicals (other than fertilizers	50,908.61	10,588.22	4.10
8	Power	48,357.00	9,828.08	3.81
9	Trading	49,478.98	8,957.62	3.47
10	Metallurgical industries	41,991.80	8,679.72	3.36
11	Hotel & tourism	42,506.04	8,140.10	3.15
12	Petroleum & natural gas	32,003.14	6,575.97	2.55
13	Food processing industries	37,706.54	6,429.15	2.49
14	Miscellaneous mechanical & engineering industries	21,237.99	4,053.72	1.57
15	Information & broadcasting	20,162.06	4,050.58	1.57
	Grand total	1,293,835.81	258,141.43	

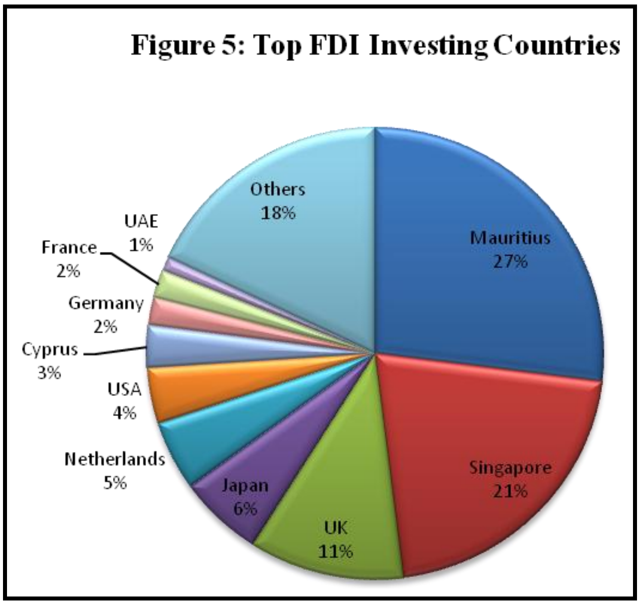
Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

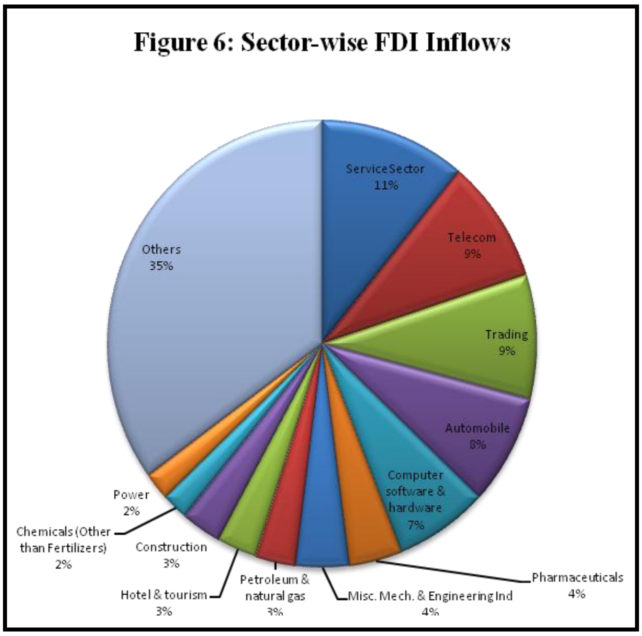
Figure 4: Sector wise FDI inflow from April, 2000 to June 2015



Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

Table 4 and Figure 4 clearly show the FDI inflows in different sector for the period April 2000 to June 2015 data reveals that most of the foreign countries like to invest in service sector. Services sector includes Financial, Banking, Insurance, Non-Financial / Business etc. Share of Service sector in total FDI is 16.80 percent. Second largest share of FDI is in the construction development. Large amount of FDI has also taken place in telecommunication sector. The telecom industry is now become one of the fastest growing industries in India. Some Sector like Information & Broadcasting, Electrical Equipment attracts less FDI in country.





6. Findings

FDI is an important stimulus for the economic growth of India.FDI shown a tremendous growth in second decade (2000 -2015) that is three times then the first decade of FDI in services sector. Service sector is first and Construction and Computer software sector is second and third segment of which pick the growth in second decade of reforms. FDI create high perks jobs for skilled employee in Indian service sector. Mauritius, Singapore and U.K. are the 3 top countries which has maximum FDI in India. FDI plays an important role in the development of infrastructure because many countries invest in the infrastructure sector and service and banking finance sectors. From the analysis, we can say that FDI has good future growth in Retailing and Real estate sector in India.

7. Conclusion

India emerges as the fifth largest recipient of foreign direct investment across the world. India is considered second largest country amongst all further developing countries and ranks fourth in the PPP in the world. So India has high potential to attract FDI inflow. The present study found that total FDI inflow in India from April 2000 to November 2013 is 311,398 US$ million. The study also reveals that Mauritius emerged as the most dominant source of FDI contributing 77,083.47 US$ million of the total investment in the country. Large part of FDI in India is contributed by fifteen countries which is 185506.59 US $ million. The services sector accounted for a steeply rising share of FDI stocks in India followed by construction development, Telecommunications and Computer Software & Hardwar.

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Journal name	TSM Business Review
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Frequency of Publication	Biannual
Month of Publication	December and June
Submission of research paper/case/reviews	Throughout the year
Notification of acceptance	Within 20 working days of submission through email
Processing and Publication fees	There is no processing and publication fee
Who can contribute	Academicians, research scholars, experts from corporate, NGO's, Politicians, Government officers
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TSM Business Review (TBR), published by Thiagarajar School of Management, Madurai is an international bi-annual peer-reviewed journal. The journal publishes full length articles but review papers, case studies, book reviews and research notes are welcome. TBR provides a dynamic platform for all functional areas of management but is not limited to Human Resource Management, Organizational Behavior, Marketing Management, Accounting Research, Financial Management, Banking and Financial Institutions, Microeconomics and Macroeconomics, Development Economics, Operations Management, Business Innovation Business Information and Technology, Project Management, Knowledge Management Organizational Development, Strategic Management, Business Process, Reengineering and Benchmarking, Productivity, Competitiveness and Business Growth, Entrepreneurship and Small Business, New Product Development, Leadership and Organizational Change, Service and Manufacturing Management, Supply Chain and Value Analysis.

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