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Contents

Demystifying Trade Marketing Role in Indian Consumer Durable Industry - A Modest Exploration

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Abstract: Today's business environment has taken the form of warfare with brands eyeing to gain both mind share and wallet share of the consumers. In this context brand marketing, product marketing, advertising and communications, digital marketing, consumer marketing, retail marketing, service marketing, international marketing etc. have developed into a subject in itself. These different areas of marketing have gained immense importance amongst industry professionals, students, researchers and academicians. About three decades back, the business need across the globe gave birth to another domain of marketing; having the nomenclature of 'trade marketing', which primarily aimed at marketing through channels who actually make the product available to the consumers. This discipline borrowed concepts from the different and established marketing domains to support sales function. Today it is a complete vertical in itself with all big brands having a trade marketing function. Over the years this branch of marketing has not only become popular but also emerged as the lifeline to many sales organizations. However, the role of trade marketing is still not clear amongst many as different industries have interpreted it differently. The present study focus on consumer durable (electronics) industry and makes a modest effort to make the role as clear as possible using experiential and observation method as its base. The paper concludes with the changes in the role of trade marketing over the years with the latest practices adopted by the consumer durable industry (electronics) leaders in India.

Keywords: Trade marketing, Display, Visibility, Share, Channel

1. INTRODUCTION

In a multi-level distribution channel system, products initially flow from the manufacturer to the first channel member who could be a distributor or a super distributor etc. Here the firstset of channel members purchase goods/ products from the manufacturer which he sells to the second set of channel members; could be a whole seller, micro distributor or sub stockists etc. They (the second set of channel members) then sell those items / goods to the next set of channel members– the retailer from whom the consumer makes the final purchase. Each of these first, second and third set of channel members constitute the channel levels. The channel levels and channel members vary from industry to industry and depend on the product type, geographical coverage required and likely ROI for the channel members. Irrespective of the industry type or product type or channel types; product flows from the manufacturer to the end consumer only through distribution channels except for B2C sales (zero or direct channel). Each channel member is adding value by taking the product a step closer to the consumer. At each step, the channel members are performing the function of a businessman; trader to be precise – purchasing from a source (the previous channel member; manufacturer in case of the first channel member) and selling it to the next channel member till goods are finally sold to the consumer by the retailer. Within this selling act, regular financial business transaction takes place between the channel members. The rate of flow of goods i.e. buying of goods by any channel member depends on the rate at which the same products are sold to the next channel member (rotation in marketing parlance). In other words, the liquidity or cash flow of any channel member is determined by the rate at which he is able to liquidate his stocks only against money and not on credit. However, in Indian context, extending credit is very important since not all channel members are cash rich to make repeated investments and also maintain a healthy stock.It must be noted that throughout the process of product flow across the channel, the intermediaries are marketing and selling the manufacturer brand along with its goodwill. Thus, it is very important to remember that the channel members are carrying with them the principle brand (manufacturer of the product) along with their brand name across the channel. One can also say that the only constant factor across the channel flow is the manufacturer brand. When we say this, it adds on more than equal responsibility on the manufacturer brand to monitor and ensure that each channel member has steady cash flow (through rotation of products), credit is offered in market and outstanding realized from the market.Trade Marketing had its origin some three decades back. As a support function, it evolved to ensure smooth flow of products from one channel member to the other; also, aimed at generating ahealthy cash flow for the channel partners so that the organization's billing to its customers grows steadily.Initially it focussed on supporting the big channel partners in liquidating their stocks so that they have the adequate cash flow for fresh investment

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in business. Soonthis concept started following for other channel members down the supply chain in order to bring in cash flow equilibrium and repeated investment. In 90's trade marketing gained immense importance with the retail consolidation in India, growth of category management and media fragmentation. It was regarded as the supply chain value enabler. Today, almost all leading manufacturers have a trade marketing function in their business. However, not all businesses or industries have a common understanding of trade marketing. While the general definition or meaning of the term trade marketing looks at it as a discipline of marketing that relates to increasing the demand at wholesaler, retailer, or distributor level rather than at the consumer level; marketing for consumers was considered to be the prime responsibility of the brand management team. Thus, core corporate strategy team hardly had representations from the trade marketing vertical in 90s. Trade Marketing is also called B2B marketing or business-to-business marketing with the entire gamut of promotional activities aimed at increasing the demand of the product among the various supply chain partners.Incentives are given to the intermediaries for effective promotion of the product at their end. By doing so, a manufacturer attempts to ensure the consistent supply and availability of the product to the end consumer.

Now the question is what if the consumers do not buy or buy less of a manufacturer's product in spite of all efforts being made by the manufacturer to promote its products through the channel. The existence of supply chain is because of consumers; it actually starts with consumer needs or demandand culminates with consumer shopping resulting in material and cash flow across the channel. Every member in the channel aims at attaining equilibrium of both material and cash flow. Though consumers are theoretically and historically not considered a part of the distribution system and have been studied separately as a subject; the shift in present day's trade marketing has started considering it as an integral part of the channel. Trade marketing has off late been termed as shopper marketing by a school of marketers.At this juncture, it may be understood that the entire efforts of trade marketing do not stop at the conventional channel level; rather it percolates down to the consumer level i.e. creation of demand at the consumer level, thereby increasing top of mind awareness (TOMA) at the point of purchase, creating differentiation and visibility at the point of sale (POS) and so on. Unless consumers purchase, the product / goods flow across the channel would come to a standstill and so is the cash flow. If consumer purchase decreases, fresh purchases by channel members after a certain point in time would come to a halt. Thus, one can say that product / goods flow across the channel is a function of consumer purchases. Any effort aimed at increasing channel purchases must be linked to consumer purchase. In other words, increasing demand across channels has less relevance unless it is linked to increasing consumer demand also called shopper demand. Thus, trade marketing is fast graduating to shopper's marketing across industries. While there are set of initiatives that are exclusive for the trade or channel in particular that is aimed at maintaining the interest level of the intermediaries towards a particular brand, there are initiatives exclusive for the consumers in particular and some that takes care of both the intermediaries as well as the consumers.

2. RESEARCH APPROACH

The researchers have adopted experience based observatory research method along with exploratory studies. It is worthwhile to mention that studies on trade marketing as a subject or as an area of marketing was not found much. Some researches on different aspects of trade marketing that have been conducted were consulted. Senior Marketing Management officials of Sony, Samsung, LG, Videocon, Usha International, Tata Sky and Voltas were contacted for seeking their understanding on the said topic. The meeting with industry experts were arranged in order to gauge their thought process.Their observations have been reflected in the discussion section.

3. THE GAP

It is found that trade marketing as a concept or marketing discipline is not a widely-discussed subject, even though certain elements of it are of great relevance both in research and practice. The meaning and role of trade marketing is interpreted differently by different industries and there is no single document that encompass or compile its roles. Even the changing roles over time has not been depicted. This prompted the researchers to make a modest effort to delve into the different roles of trade marketing and further investigate how it evolved over the years.

In today's competitive scenario, a trade marketer has multiple roles to play. The present paper focuses on consumer durable industry; consumer electronics and small domestic appliances to be precise; that covers a wide range of products starting from LED, CTV, refrigerator, washing machines, microwave oven, mobiles phones (hand held devices), air-conditioners, home theatres, IT accessories, fans, geysers, small appliances (mixer-grinder, blender, OTG, toaster, griller and the likes) etc. to name a few.

4. OBJECTIVES OF STUDY

The researchers have set the below objectives for the ensuing research:

1. Need for trade marketing

2. Channel structure in Consumer Durable Industry

3. Identify the Role of Trade Marketing – Then & Identify the Current roles of Trade Marketing

5. DISCUSSION

As mentioned earlier, the role of trade marketing is not uniform across industries; however, some common role elements make it imperative to understand this concept at a holistic level. The present paper presents the different functions and roles of trade marketing, its evolution over a period of time through separate discussions.

1. Channel Structure in Consumer Durable (Electronics) Industry

Channel in consumer durable industry consists of three prime legs: general trade, modern trade and e-commerce. While general trade constitutes the major chunk of the business for all brands in consumer durable industry, modern trade, which is a late entrant as a business channel, is constantly improving its share. General trade is classified as Multi-Brand Outlet (MBO); selling products of different brands under the same roof and Company Owned Shops/ Franchisee Stores also known Brand Shops / Brand Stores selling products of an exclusive brand. Again, MBOs in general trade are serviced either directly (Direct Dealer) or through multi-level channel involving distributors, micro-distributors and wholesalers. Modern Trade is also classified as Modern Retail and Regional Retail. Both these formats sell multiple brands but have restraints with respect to geographical area coverage. Most Regional retail stores are chain stores by format. The other channel type is the online shopping format, also known as E-commerce, is gaining its popularity primarily amongst the affluent young Indians who are mostly connected on NET and with consumers who have time constraints to shop. Brands today are looking for a healthy channel mix i.e. dependence on a particular channel is considered to be an unhealthy business situation.

- **General Trade**
    - Multi brand outlets
    - Brand Shops
- **Modern Trade**
    - Modern Retail
    - Regional Retail
- **E-Commerce**

2. Need for Trade Marketing

Trade marketing has the special ability of handling both **Rational** as well as the **Emotional** aspect of the channel marketing. While rational aspect takes care of the transactional, commercial and tactical aspects of managing the channel; emotional aspect attempts to build a strong bond between the channel partner and the organization through trade partner engagement, both self and family and strive for long term association.

Trade marketing develops favourable trade partners. It helps converting non-favourable trade partners to favourable ones, thereby enhance the pie of their business (counter share). Trade marketing supports both exclusive as well as MBO business environment and further combats unrelated competition. It helps in getting favourable product placement and retailer recommendation / preference towards final consumer sales.

It is trade marketing that builds a brand's REI (retail efficacy index) by creating synergy of pull with right push to convert product decision of consumer towards favourable brand decision (product placement); product recommendation though enhanced communication with trade partners and creating silent salesmanship environment through POSM (point of sales merchandise) placement.

Finally, it is trade marketing that aims at making the trade partner happy thereby making him the brand ambassador for the brand at the shop floor and establishing long term relationship.

3. Roles of Trade Marketing

A. Trade Partner's Meet – This role of trade marketing is probably the oldest yet popular amongst trade partners. Trade partners meet had its origin with new product launches. When brands wanted to announce / communicate the new product range or offerings in a short period of time to many stakeholders of business, trade partners meet acted as the most feasible platform wherein a group of traders were invited at a venue and announcements made. Soon it started taking its refined form of an interactive platform.

Some brands use it as platform for entertaining the trade partners through sumptuous dinner, drinks and live performance of events while others restrict it only for business purpose. Some brands also use this for training and many uses them for interactive sessions and feedbacks. Also, performance rewards of trade partners are announced during such meets. Although trade partners meet might undergo a shift over a period of time in its content and structure but this is done by almost all brands. Trade partners actually consider invitation to such meets as a matter of social pride. Today such meets keep happening in foreign location too for select group of trade partners, just to make them feel special. It is the trade marketer who owns the responsibility for such meets; theme, concept, event coordination, budgeting, vendor liaising, operating within stipulated budgets etc.

B. Role of a Brand Custodian – Usually corporate marketing, brand marketing or product marketing team operating from a manufacturer's corporate office is the custodian for the brand takes care of a host of initiatives that include print advertisements, TV commercials, communication on radio, on-line or digital communication etc., also called the ATL activities. While all brand guidelines and their elements are provided by them; most of the creative elements are also centrally made at corporate office. Media release is also a prerogative of the corporate office. These set of activities are aimed at generating consumer awareness as well as brand preference. Having said so, it must not be understood that the role of brand marketing at local level; either at branch or regional level is negligible. Rather it is the local marketing team that completes the loop / process of brand building that might be initiated from corporate office. The entire execution of brand building process is with the branch or regional marketing team which consists of the trade marketers.Even when localized ATL communications are released, it is done as per brand guidelines and with the creative approval of corporate marketing team. Offers do vary for different regions which are finalized in consultation with the respective regional teams. Also, the dealer panel and the local language corrections are finalized only in consultation with the respective regional teams. It is at these stages that trade marketing plays a crucial role in closing the loop of brand marketing process.

C. The Communications Role (IMC) – Though communications are primarily designed centrally at corporate office level, most of them are used at the local level with local language adaptations. Below the line communications (BTL) follow the centrally designed corporate communication; either product specific or theme specific or campaign specific. When we say BTL, it must be understood that this portion of marketing activities are aimed at increasing consumer engagement; creating instant desire to purchase through offers and promotions; developing properties to remain fresh in consumer's mind – reminder marketing; creating out of home (OOH) communication either through hoarding, kiosk etc. which forms the basis of outdoor static communication medium and many more. All these activities fall under the purview of any trade marketer. The BTL budget for communication is either Region controlled (in most cases) or HO controlled (in some cases) and issued usually on a monthly or a quarterly basis as a percentage of projected sales. Over and above this special project funds are also received by the region / branch for BTL activations.

D. Role of a Visibility Custodian –Trade marketer is the primary custodian for increasing visibility of the brand both at the store level as well as outside the store. Today visibility is of prime importance with every brand fighting with each other and with the trade partners to the last level for gaining visibility share. In this context, it is important to mention that visibility has three components:

- Product Visibility Share also called the display share
- Brand Visibility Share also classified as In-Shop and On-Shop branding share
- Out of home visibility share

A trade marketer is responsible for the entire aspect of visibility enhancement of the brand.

[i] Display Share–Display of products is of prime importance in retail environment. Any consumer, during his/ her shopping trip gets influenced to a great extent on what is available on shelf. Display also influences the shopping decision of consumers. It is seen many a times that a consumer might have entered a store with a pre-determined purchase thought of a particular brand but has landed up buying another brand - result or outcome of unique display of a particular product with its features being demonstrated convincingly (user friendly manner). Display or physical appearance of products aims to build the last leg awareness (of purchase decision), interest and desire for the product while at the same time it minimizes the search for information, makes one compare like products and brings forth the newly launched products. Display also takes care of the tangible benefits associated in the form of product attributes, functional benefits, emotional rewards, personality compatibility and value benefits. It acts as a silent social change agent on the shop floor. Display thus aims at striking the right chord of the human behavioural aspect or more precisely consumer shopping behavioural aspect in creating a positive resonance with the brand through the imagery, salience, performance, judgement and feeling (feel good factor) which is extremely difficult to generate through catalogue selling approach or even verbal and on-screen description of any durable product. Furthermore, demonstration of a product is not possible without it being physically present. Almost all brands understand the stellar importance of the same and monitoring, improving and maintaining display on shop floor has gained immense focus across industries including consumer durable industry. In the early 90 retailers had a tendency to reduce their investment on display stock and promoted catalogue selling approach or by demonstrating not the exact model (SKU) but by demonstrating a similar model (SKU) on shop floor and verbally explaining the added features that the non-displayed models had. Sooner, they realized that this form of selling was not appreciated by most consumers and the importance of display started gaining importance. Now, display is treated as a scientific process which involves many strategies including those like # planogramming#size wise display matrix # price band display matrix # new launch display zoning #hot deals display zoning #category wise display #live display zoning #cross merchandising display to name a few. Today display science has reached to such a scientific level that it also takes care of the velocity of products from the shelf i.e. fast moving products are not given prime display space; rather slow moving products demand the prime space. Brands nowadays even fight with retailers for reduction of display even by a single unit. Many brands buy shelf space and even get into an annual agreement with retailers on the shelf space share and product display share. Brands have introduced tight monitoring system to track display share on a daily basis and benchmark it with competition and their plan. It takes huge effort on this front from IT, manpower and financial involvement to stay ahead in this 'race' of enhancing display share.

[ii] On-shop visibility –Relatively old as a concept, it includes creation of visibility elementslike(i) Glow Sign Board (GSB) / Signage; (ii)Facade Branding; (iii) Shop Front Display Innovation. Here, the trade marketer's role is to scout for the most prominent space of representing the brand just outside the store; either through GSB or Signage or through facade branding and shop front display innovation. The objective behind the same is to create the best possible MOT (moments of truth) and act as a reminder to the consumers entering the store. While the TVC, print and digital communication talks about a particular technology or a differentially designed product; a consumer might not carry that piece of information in his/ her mind during the shopping trip unless there is a reminder of the same. On-shop branding and innovation acts as a reminder or reinforces the ATL communication message thereby completing the IMC loop. Here, the retailers are selective in giving space to the brands. Retailers are akin to brands having high brand equity and whose products have a higher take off velocity from its shelf. Brands are upbeat in creating the best possible MOT for the consumers and hence retailers too are taking it seriously. Retailers have started realizing that innovation at the shop front in terms of branding would differentiate them in the clutter. This makes trade marketers to revisit the on-shop branding innovations which demands extremely strong vendors being on board with the brand who are capable of creating such differentiation both with designing and execution skills. Trade marketers are on a constant lookout for agencies and vendors with strong backend infrastructure, skilled manpower who can replicate the creative rendition to reality. Brands are so proactive that the visibility share is monitored every month and slight change in the same is dealt very seriously. If required, negotiations with the trade partners are made with a view to uplift the store front completely at the cost of the manufacturer brand.

[iii] In-shop visibility – It includes the entire gamut of activities ranging from creation of (i) Display fixtures; (ii) Display POSM (point of sales merchandise); (iii) Cluster Display; (iv) Window Display; (v) Hot Zones; (vi) Creating Promo Zones to providing support for maintenance and replacing them with newer version or designs. While most of fixture display, POSM and other zoning designs are created centrally at corporate office; the entire execution of the same within the limited or odd floor space available forms the KRA for the trade marketer. Here also the quality and timeliness of execution depends on the agency or vendor capability both from infrastructure and skilled manpower point of view. Each and every element of in-shop visibility has a scientific base that aims at driving or navigating consumers towards the right product for purchase.

[iv] Out of Home (OOH) Visibility Share - During the early days of trade marketing as a marketing function, outdoor communication and visibility was considered as a reminder communication medium primarily focussing on products that needed feature detailing. This medium then was popularly known as hoardings. Static medium (hoarding) was considered one of the best for such detailing. Industries like apparel, consumer electronics, brand launch communication etc. used this medium primarily. Over time other industries too started focussing on this medium. Today, with a change in the nomenclature from hoarding to "out of home", it is one of the expensive mediums, yet used by almost all industries starting from hospital to retail, telecom, airlines, FMCG products, packaged water, real estate, TV serials, apparel, consumer durables etc. Sticking to Consumer durable industry the outdoor medium uses static, mobile as well as digital mediums where advertisements of short duration can be played. Progressing from the non-lit medium including wall paintings, the present day "out of home" format is a mix of front lit and back lit display, fluorescent displays, wall wraps and LED display to name a few. Manufacturers are upbeat in creating a destination outdoor; also, called the signature site; in most important arterial routes of the city. Today innovation in OOH medium is considered by many; primarily aimed at fixing eyeballs and secondly creating a platform for being the 'talk of the town'. Ground OOH sites are also of great demand since it is almost at the eye level of both pedestrian and vehicular traffic. Almost all brands today have an annual OOH plan and budget, both for cities as well as for rural area. Even special initiatives like pilgrimage OOH is in demand where-in all major pilgrimage locations are covered with brand communication. Also, airport OOH, inter-state bus stand OOH is being considered as special initiative. OOH is now considered as specialized vertical with annual contracts being signed with many outdoor agencies. Proper scientific methods are being deployed to evaluate the effectiveness of the sites and selection made accordingly. Companies nowadays calculate, track and evaluate #DEC (Daily Effective Counting), #PV (Panel Value), #Net OTS (Opportunity to See)and # Vehicular traffic flow of the roads where OOH sites are being considered not only for their brand but also for their competitor brands. Accordingly, outdoor strategies are framed. In many organization; OOH manager profile has been created under the trade marketing owing to the importance of this medium. The OOH vertical of trade marketing is becoming more demanding by the day with specialization being sought for amongst potential trade marketers. While some companies park a separate annual budget for OOH that is given to local trade marketing teams under BTL budget; some companies follow the campaign budgeting approach for OOH communication which is given to local trade marketing teams as per campaigns launched. The visibility share in OOH for a brand is usually calculated by dividing the square footage of OOH sites taken in a time frame to the total square footage of OOH sites taken by all competing brands within that industry. Usually a quarterly time frame is taken for evaluating OOH display share and the exercise carried out for the entire year.

E. Training Role – Training has evolved as a major function within trade marketing domain today which was almost non-existent or rather was of less importance for trade and channel. Earlier products used to be sold from retail point on the basis of certain parameters which included margin to trade partners, catalogue selling approach (as all retailers did not carry the requisite display stock), highlighting generic advantages of product and so on. Feature selling and product demonstration; especially the USP demo was not considered to be of importance. For durable products, consumers relied more on the retailer recommendation rather than their own information gathering; as search for information was relatively less. Over time, this gained prominence and today one can say that it as important as ATL marketing. Today consumers are more educated than the trade partners and want convincing answers to their queries; they want a proper demonstration of USP of the products, rather a comparative demo for making an unbiased purchase decision. This demanded upliftment of product knowledge, both from technical as well as from salesmanship point of view. Training nowadays has become a regular and an on-going trade marketing job which is done in a highly scientific way. Theoretical and practical training is done along with soft skills training, selling skills training and personal grooming session. A holistic guidance to the shop sales person is conducted periodically followed by evaluation of candidates through both off line, on-line tests and simulations. It is the trade marketer who identifies the training need for shop sales representatives; also, called ISD (in-shop demonstrators), BA (brand activator), SSE (shop sales executive), PC (product consultant); different terminologies by used by different brands. In fact, the shop sales representatives perform the role of product consultants or specialists; as in acting as an air conditioning specialist or specialist for home appliance products (refrigerators, washing machines etc.) or specialist for home entertainment products (LED, home theatres etc.) to site a few as an example. In some organizations, the trade marketers themselves train the ISDs for which they themselves undergo rigorous training modules while in other organizations there is separate set of trainers for training job. It is to be noted that in the present day shop or retail environment, brands sponsor shop sales executives for the retailer to ensure proper brand & product representation at the shop floor (as per display metrics and guideline), providing convincing demo to consumers, taking care of installation and after sales service of consumers, reducing price cutting by competing brands, reducing negative sales by competing brands, ensuring tertiary sales is being executed as per targeted volume and value (also known as 'Sell Out' today) apart from reducing trade partner investment with respect to recruitment, salary, incentive and training of shop sales representatives. Though it is not possible for brands to have their representative in each retail point, however, the same is done once the ROI of investing in an ISD is found to be justified. Sell out today is now a key role of any trade marketer along with that of training. Sell out is of utmost importance as it directly impacts the billing of the entire channel as a chain reaction process. Channel partners nowadays are not interested in maintaining huge stocks; the stock holding period is actually on a decline. Trade partners today are very careful in their investment. They do not want investment in products which are either slow or have not done well in past. Brands on the other hand today; through their real time 'sell out' monitoring can also plan stocks that are moving fast and also take necessary steps for those SKUs whose rotation is low. This real time tracking also enable brands to track competitor selling; also, called counter share monitoring and take corrective course of actions. Thus, trade marketing also own up the responsibility of training and secondary as well as tertiary sales (sell out) directly that ultimately affects the primary billing (sell in) of the company or the brand.

F. Vendor Management Role – As mentioned before trade marketing managers by virtue of multi-tasking role depends a lot on the vendors who actually execute the jobs. Whether it is in maintaining OOH display share or in-shop fixture fabrication or in-shop POSM making and deployment or in-shop branding or on-shop façade, signage etc. designing and execution or sales promotion execution or providing manpower for ISD position and so on; it is the vendor or agency bandwidth in terms of designing, planning and executing the same which is of prime importance. Vendors are considered to be brand associates and an extended arm of the principle brand. They are expected to first understand the brand philosophy; the brand guidelines; the policies and then deliver as per expectations. Many a times in the transactional business domain; urgent and over the night marketing initiatives are required to be implemented which is possible only with outstanding brand-agency relationship and coordination. Furthermore, in today's VUCA (volatile-uncertain-complex-ambiguous) world, it is really important that vendors and agencies are upgrading their bandwidth both in terms of capabilities and capacities and also remain interested with their present association. While agencies are interested in increasing their business volumes and profits, brands are looking for agency interest protection yet introducing competition amongst them for the best output.

Today's trade marketer bridges the gap between the brand expectation to that of the agency.

G. Merchandising Role– In consumer durable industry there are many display POSMs (point of sales merchandise) used in conjunction with a product. Such POSM acts as a silent salesman highlighting both the general product features as well as the USPs. POSM comes handy when the salesman is physically not present while the consumer is. Even when the ISD is unable to attend to the consumer, the information on POSM can actively engage the consumer with the brand till the time the ISD attends him. Like product display guidelines, each and every product POSM has a guideline to be followed. Some are meant for using on body while others are used for inside product usage (e.g. refrigerator, washing machine etc.) since the moment consumers open the product the inside characteristics pop up before the consumer. While the entire effort of POSM is in enhancing consumer experience of the product, it is painful to witness the wastage of the same at the shop floor level. This demands for constant monitoring as well as replenishment of the deficit POSM at the shop floor. Almost all brands have a team of merchandisers who prime role is check the POSM display status on product and replenish the missing POSM. The team of merchandisers usually follow a beat plan and try and cover the maximum possible retail points. The same is also done through distributor sales persons in upcountry location. Trade marketing is not only responsible for estimating the POSM requirement but also solely responsible for making it as per corporate marketing/ brand management team design, distributing them either through distributors or through merchandising team in the market and organizing the merchandising team through their recruitment, making beat plan and checking adherence ratio to the beat plan.

H. Scheme & Pay-out Settlement Role

Trade partner scheme and pay-out monitoring and settlement is one of the most important jobs related to channel motivation. While during the first twenty years of existence of trade marketing, this specialized job was under the domain of accounts & finance. Over the last few years, some of the companies have added this function under trade marketing. Here, the trade marketer is supposed to devise, roll-out, monitor and reconcile the trade partner's pay-out while disbursement is effected through accounts & finance department. There are different types of schemes that one has to plan and execute; the major ones being:

- Schemes Related to Customer Satisfaction
  - Range of products/brands being offered
  - New product launches
  - Consumer education
  - Sales promotion scheme
- Schemes aimed at System Orientation
  - Computerization of supply chain
  - Settlement of complaints
  - Good service to channel
  - Information about company
- Schemes for support
  - Exclusivity
  - Providing market information
  - Ensuring ROI
- Schemes towards building an alliance
  - Re-routing Institutional Business
  - Information about new techniques
  - Training of the channel people
  - Involvement in target setting
- Schemes towards building goodwill
  - Trade schemes in tune with PLC
  - Joint advertisements also called co-operative advertisements
  - Shop displays
  - Soft loans
  - Annual rewards

I. Consumer Promotions & Engagement Role – The role of trade marketing over the years have remained more or less the same as far as consumer promotions are concerned. However, the extra element in today's role demands trade marketers to constantly evolve with innovative ideas for engaging consumers. While consumer promotions, most of which are tactical in nature, are aimed at generating sudden spurt in sales, usually short term in nature; today's trade marketing role ofengaging consumers aims at not only increasing the brand recall value but also makes the consumers find the brand alongside their daily life's journey, thereby increasing the TOMA (top of mind awareness) and also reduce both halo and domino effect arising out of brand's non-performance as per promise made. Today the trade marketer is responsible for both footfall increase at store and also in sales conversion. This demands consumer promotions to be devised in such a way that it yields positive ROI. CPCE (cost per consumers engaged), CPLG (cost per lead generated), AFFG (additional footfall generated), CR (conversion ratio); CLG (consumer lead generation); GTS (growth in ticket size) are some of the important promo-effectiveness measuring parameters which many brands have been using off late. Consumer engagement on the other hand is not always tactical in nature. While some initiatives aim at short term engagement for instant sales, many initiatives are non-tactical in nature and look at the long-term perspective. Here loyalty programs; special bonuses or incentives; exclusive acts on special days are constantly designed for consumers so that they keep coming for repeat purchase and also act positively through word of mouth communication for the brand.

J. Consumer Shopping Experience Role – This is one of the new roles that have been added under trade marketing. Consumer shopping experience has its origin from the concept of moments of truth (MOT) in service marketing. In this context, it is important to highlight the concept of MOT before the actual role is described. MOT is usually described as those instances or occasions wherein consumers come in contact with the brand that gives any consumer to form an opinion or perception about the brand. Usually MOT has multiplicity nature i.e. a brand comes in contact with a consumer many a times at different places; may be through a TV ad, through a print ad and on line communication, on OOH medium and finally at the store. Thus, all touch points of consumer interaction actually help a consumer build his/ her perception about a brand. MOT has different types (A. G. Lafley, Chairman, President & CEO–P&G 2005):

FMOT (First MOT): When a consumer is confronted with the product in real life (in-store)

SMOT (Second MOT): When a consumer purchases a product, and experience its quality as per promise of the brand

TMOT (Third MOT): Consumers feedback or reaction towards a brand

ZMOT (Zero MOT): A term coined by Google in 2011, actually refers to the research conducted by any consumer online about a product or service before taking any decision to purchase.

< *ZMOT :* Less than zero MOT is a term that generated in 2014 (Eventricity Ltd.), referring to the time between an ‘event’ in a consumer’s life and the point at which he decided to research a purchase (ZMOT).

Consumer shopping in today’s world actually starts much ahead of the time ofactual shopping on shop floor or through online portals. As described under the MOT concept, consumer shopping journey starts even before the time when a consumer starts searching for information. Thus, at each stage of consumer journey for making a purchase, the brands are extra cautious in creating a positive perception amongst consumers. Trade marketers are responsible for ensuring that MOT of each of the activities like visibility, training, in-store fixtures, display, POSM, quality of manpower (ISD), on shop signage & branding etc. is par standard and meets the target. Thus, a benchmark is initially set basis which executions are monitored. This monitoring mechanism has gone to the level of weekly tracking. The real-time pictures of the MOT elements are uploaded in server by the ISD and merchandisers and corrective actions taken wherever there is a need for the same.

K. Budget Handling Role

Budget handling happens to be a key function of any trade marketer. It was, it is and is expected to remain a very important role under the domain of trade marketing. During the early days, marketers used to be lavish in spending with brands pouring funds for creating brand loyalty amongst trade partners. The feel-good factor was given more importance than the outcome of such spends. However, today, all marketers are required to justify for every penny that they are spending. During thistransition, lavish spending to judicious or ROI driven spending, the trade partners had shown a lot of discomfort but have learnt the newer scientific ways to look at business. This transition indeed took toiling effort on the part of the manufacturer brands. Today, different effectiveness measures have been put to practice that are aimed at evaluating the more successful marketing efforts to the less successful ones. This approach actually helped in eliminating the efforts discarded by the trade and consumers. The successful initiatives are usually repeated with some freshness along with new ideations. As budget handling come with accountability, the trade marketers are often faced with audit observations which have made them even responsible than before.

6. CONCLUSION

The paper discusses a total 14 roles of trade marketing in consumer durable industry. While some roles have remained the same over a period of time, their approach has changed over time. More scientific methods have been adopted to ensure better effectiveness of the role. Also, newer roles have been added to the trade marketing portfolio. The paper concludes with the summary of the trade marketing roles – Then & Now, Fig.I. The roles are further going to get refined with changes in channel structure and business and media consolidation expected in the coming years. It is to be noted that the biggest shift that has happened in the role of trade marketing is in its focus on consumer followed by effectiveness or impact measurement through building ROI consciousness. This paper is expected to benefit those who want foray trade marketing as a career and also to practitionersand academicians who want to update with the cross corporate practices.

TRADE MARKETING ROLES		
PARAMETERS	**THEN**	**NOW**
1. Trade Partner's Meet	Yes	ROI factored in
2. Brand Custodian	Yes	Yes
3. Communications Role (IMC)	Partly	IMC loop is completed by Trade Marketers
4. Visibility Custodian		
-- Inshop Visibility	Yes	ROI & Share concept factored in
-- Onshop Visibility	Yes but primarily GSBs	Yes but innvoations is a must today
-- Display Share	No, primarily sales role	Yes, of prime importance
-- Out Of Home Visibility Share	No, primarily HO role	Yes, including share & ROI tracking
5. Training Role	No	Training
6. Vendor Management	Yes	Yes, with quality, timeliness and audit as KPIs
7. Merchandising	Yes	Yes, with scientific structure as a separate dept.
8. Scheme and Payout Settlement	No	Yes
9. Consumer Promotion and Engagement Role	Yes	Yes, but with effectiveness tracking through CPCE, CPLG, CR, AFFG, CLG, GTS
10. Consumer Shopping Experience	No	Yes, probably one of the biggest agenda
11. Budget Management	Yes	Yes, but with targeted ROI

Fig. 1.

7. LIMITATIONS & SCOPE FOR FURTHER RESEARCH

The ensuing research study involves experiential & observational method to construct a knowledge base thereby forming a base for discussion. Feedback in the form of primary data either from trade partners or consumers or vendors have not been captured for the present study which forms its limitation. The discussion points cannot be generalized for all industries since the experts contacted are from consumer durables (electronics) background. While the present research focuses on consumer durable (electronics) industry, similar studies may be conducted for other industries. Also, trade partner and consumer insight may be captured to make the study even holistic. Furthermore, trade marketing parameters may be evaluated from their importance level so as to give direction to those interested in the subject.

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BIMS Journal of Management

Impact of Dividend Policy on Shareholders' Value: A Study on Apollo Hospitals Ltd.

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Abstract: Dividend policy has been an issue of interest in financial literature since Joint Stock Companies came into existence. Dividends are commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership. Dividend policy connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. This goal can be achieved by giving the shareholders a "fair" payment on their investments. Thus, dividend policy is one of the most complex aspects in finance. The present study attempts to analyze the impact of dividend policy on Shareholders' Value with a case study on Apollo Hospitals Ltd., which is purely of empirical nature. Apollo Hospitals is widely recognized as the pioneer of private healthcare in India, and was the country's first corporate hospital.Popular Statistical tools like Factor Analysis is used for the study.

Keywords: Dividend Policy, Shareholders' Value, Value Maximisation, Factor Analysis.

JEL Classification:C13, C41, C80, D33.

1. INTRODUCTION

Dividend policy has been an issue of interest in financial literature since Joint Stock Companies came into existence. Dividends are commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership. Dividend policy connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. This goal can be achieved by giving the shareholders a "fair" payment on their investments. However, the impact of firm's dividend policy on shareholders wealth is still unresolved. The area of corporate dividend policy has attracted attention of management scholars and economists culminating into theoretical modelling and empirical examination. Thus, dividend policy is one of the most complex aspects in finance. Three decades ago, Black (1976) in his study on dividend wrote, *"The harder we look at the dividend picture themore it seems like a puzzle, with pieces that just don't fit together"*. Why shareholders like dividends and why they reward managers who pay regular increasing dividends is still unanswered.

According to **Brealey and Myers (2002)** *dividend policy has been kept as the top ten puzzles in finance.* The most pertinent question to be answered here is that how much cash should firms give back to their shareholders? Should corporations pay their shareholders through dividends or by repurchasing their shares, which is the least costly form of payout from tax perspective? Firms must take these important decisions period after period (some must be repeated and some need to be revaluated each period on regular basis.

Dividend policy can be of two types: managed and residual. In residual dividend policy the amount of dividend is simply the cash left after the firm makes desirable investments using NPV rule. In this case the amount of dividend is going to be highly variable and often zero. If the manager believes dividend policy is important to their investors and it positively influences share price valuation, they will adopt managed dividend policy. The optimal dividend policy is the one that maximizes the company's stock price, which leads to maximization of shareholders' wealth. Whether or not dividend decisions can contribute to the value of firm is a debatable issue. Among the most crucial decisions to be taken for efficient performance and attainment of objectives in any organization are the decisions relating to dividend.

2. BRIEF REVIEW OF THE LITERATURE STUDIED

The present study aims at analyzing information asymmetry, agent conflicts, and corporate dividend policy determinants. This section on literature review is focused on various models and theories that are relevant to our study. The review of the literature is organized into various schools of thoughts on dividend policy which are discussed as follows:

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SECTION – A (FOREIGN LITERATURE REVIEW)

2.1 Dividend Irrelevance Proposition: Modigliani & Miller Approach (1961)

In 1961, two noble laureates, **Merton Miller and Franco Modigiliani (M&M)** showed that under certain simplifying assumptions, a firms' dividend policy does not affect its value. The basic premise of their argument is that firm value is determined by choosing optimal investments. The net payout is the difference between earnings and investments, and simply a residual. Because the net payout comprises dividends and share repurchases, a firm can adjust its dividends to any level with an offsetting change in share outstanding. From the perspective of investors, dividends policy is irrelevant, because any desired stream of payments can be replicated by appropriate purchases and sales of equity. Thus, investors will not pay a premium for any particular dividend policy. They concluded that *given firms optimal investment policy, the firm's choice of dividend policy has no impact on shareholders wealth.* The propositions rest on the following four assumptions:

1. Information is costless and available to everyone equally.
2. No distorting taxes exist
3. Flotation and transportation costs are non- existent
4. Non-contracting or agency cost exists

2.2 Dividend Policy and Agency Problems

The level of dividend payments is in part determined by shareholders preference as implemented by their management representatives. However, the impact of dividend payments is borne by a variety of claim holders, including debtholders, managers, and supplier. The agency relationship exists between

1. The shareholders versus debt holders conflict, and
2. The shareholder versus management conflict

Shareholders are the sole receipts of dividends, prefer to have large dividend payments, all else being equal; conversely, creditors prefer to restrict dividend payments to maximize the firm's resources that are available to repay their claims. The empirical evidence discussed is consistent with the view that dividends transfer assets from the corporate pool to the exclusive ownership of the shareholders, which negatively affects the safety of claims of debt holders.

In terms of shareholder-manger relationships, all else being equal, managers, whose compensation (pecuniary and otherwise) is tied to firm profitability and size, are interested in low dividend payout levels. A low dividend payout maximizes the size of the assets under management control, maximizes management flexibility in choosing investments, and reduces the need to turn to capital markets to finance investments. Shareholders, desiring managerial the need to turn to capital markets to finance investments. Shareholders, desiring managerial efficiency in investment decisions, prefer to leave little discretionary cash in management's hands and to force mangers to turn to capital markets to fund investments. These markets provide monitoring services that discipline managers. Accordingly, shareholders can use dividend policy to encourage managers to look after their owners' best interests; higher payouts provide more monitoring by the capital markets and more managerial discipline.

La Porta, Lopez- de – Silannes, Shleifer, and Vishny (2000), have argued that a legalenvironment provides strong protection to shareholders enables them to force companies to disgorge cash. The implication is that effective monitoring by shareholders in UK, where legal protection is strong, should be associated with higher dividend payments.

Some of the important Research studies on agency conflicts are **Berle and Means (1932), Easterbrook analysis (1984), the Jensen &Meckling (1986)**, **Lang and Linzenberger (1989), Jensen, Solberg and Zorn (1992) Agrawal and Jayaraman (1994), Yoon and Starks (1995), Denis, Denis, and Sarin (1997) Heaton (2002).**

2.3 Dividend Policy and Asymmetric Information

In a symmetrically informed market, all interested participants have the same information about a firm, including mangers, bankers, shareholders, and others. However, if one group has superior information about the firm's current situation and future prospects, an informational asymmetry exists. Most academics and financial practitioners believe that managers possess superior information about their firms relative to other interested parties.

Dividend changes (increases and decreases), dividend initiations (first time dividends or resumption of dividends after lengthy hiatus), and elimination of dividend payments are announced regularly in the financial media. In response to such announcements, share prices usually increase following dividend increases and dividend initiations, and share prices usually decline following dividend cuts and dividend eliminations. The idea that dividend payouts can signal a firm's prospects seems to be well accepted among the chief financial officers (CFOs) of large US corporations. In a survey of these executives conducted by **Abrutyn and Turner (1990)**, 63% of the respondents ranked signaling explanation as the first reason for dividend payouts. Information about the prospects of a firm may include the firm's current projects and its future investment opportunities. *The firm's dividend policy, either exclusively or in combination with other signals, such* *as capital expenditure announcements or trading by insiders, may communicate this information to a less informed market*. Empirical studies in this area include **Akerlof's (1970) Bhattacharya model (1979), John and Williams model (1985) Miller and Rock model (1985) Constantinides and Grundy (1989) John and Nachman (1986) Kale and Noe (1990).**

Empirical studies however showed mixed evidence, using the data from US, Japan and Singapore markets. A number of studies found that stock price has a significant positive relationship with dividend payments (**Gordon (1959), Oggden (1994), Stevents and Jose (1989), Kato and Loewenstein (1995), Ariff and Finn (1986), and Lee (1985)),** while others found a negative relationship like **Loughlin(1989) and Easton and Sinclair(1989)).**

2.4. Research on Corporate Dividend Policy Determinants

Black (1976) in his study concluded with the following question: *"What should the corporation do about dividend policy? We don't know*". A number of factors have been identified in previous empirical studies to influence the dividend policy decisions of the firm. Profits have long been regarded as the primary indicator of the firm's capacity to pay dividends. **Lintner (1956)** conducted a classic study on how U.S. managers make dividend decisions. He developed a compact mathematical model based on survey of 28 well established industrial U.S. firms which is considered to be a finance classic. According to him the current year earnings and previous year dividends influence the dividend payment pattern of a firm. **Fama and Babiak (1968)** studied the determinants of dividend payments by individual firms during 1946-64. The study concluded that net income seems to provide a better measure of dividend than either cash flows or net income and depreciation included as separate variables in the model. Baker, **Farrelly and Edelman (1986)** surveyed 318 New York stock exchange firms and concluded that the major determinants of dividend payments are anticipated level of future earnings and pattern of past dividends. **Pruitt and Gitman (1991)** asked financial managers of the 1000 largest U.S. and reported that, current and past year' profits are important factors influencing dividend payments and found that risk (year to year variability of earnings) also determine the firms' dividend policy. **Baker and Powell (2000)** concluded from their survey of NYSE-listed firms that dividend determinants are industry specific and anticipated level of future earnings is the major determinant.

SECTION – B (INDIAN SCENARIO)

2.5 Indian Scenario

In Indian Context, a few studies have analyzed the dividend behavior of corporate firms. **Krishnamurty and Sastry (1971)** analyzed dividend behaviour of Indian chemical industry for the period 1962-67 and undertook crossectional data of 40 Public Limited companies.

The results revealed that **Lintner model** provides good explanation of dividend behavior. **Dhameja (1978)** in his study tested the dividend behaviour of Indian companies by classifying them into size group, industry group, growth group and control group. The study found there was no statistically significant relationship between dividend payout, on the one hand and industry and size on the other. Growth was inversely related to dividend payout and was found to be significant.The main conclusion was that *dividend decisions are better explained by Lintner's model with current profit and lagged dividend as explanatory variable.***Mahapatra and Sahu (1993)** found cash flows as a major determinant of dividend followed by net earnings. **Bhat and Pandey (1994)** undertook a survey of managers' perceptions of dividend decisions and found that mangers perceive current earnings as the most significant factor. **Narsimhan and Asha(1997)** observed that a the uniform tax rate of 10% on dividend as proposed by Union Budget 1997-98, alters the demand of investors in favor of high payouts. **Mohanty (1999)** found that firms, which issued bonus shares, have either maintained the payout at the pre bonus level or only decreased it marginally thereby increasing the payout to shareholders. **Narsimhan and VijayLakshmi (2002)** analysed the influence of ownership structure on dividend payout of 186 manufacturing firms. Regression analysis shows that promoters holding as of September 2001 has no influence on average dividend payout for the period 1997- 2000.

A number of conflicting theoretical models, all lacking strong empirical support, define recent attempts by researchers in finance to explain the dividend phenomenon. But to come with concrete conclusions an intensive study of all theoretical models together with empirical proof is needed. The extensive literature on dividend policy in the last five decades have been unable to reach a consensus on research on a general dividend theory that can either explain the process of dividend decision making or predict an optimal dividend policy. Therefore it becomes important to study dividend behavior of Indian companies using the framework of empirical models.

3. RESEARCH GAP

Previous research studies have focused on dividend payment pattern and policies of developed markets, which may not hold true for emerging markets like India. In Indian Context, few studies have analyzed the dividend behavior of corporate firms and focused on Indian cotton textile Industry and Manufacturing sector. However, it is still not apparent what the dividend payment pattern of firms in India is. Very few studies have analyzed the dividend behavior of corporate firms in the Indian context. To date, most studies have paid attention on influence of cash flows or earnings on the dividend payment of a firm.

Further, for the dividend policy makers of the Indian Industry, the study may prove to be useful for re-sketching their dividend policy keeping in view the analysis, results and discussions presented. Through the research one can have better understanding of the factors that should systematically affect firms' payout decisions as well as the value maximization of the shareholders. It also gives insight into what kind of ownership structure is beneficial for the shareholders.

4. RESEARCH OBJECTIVES

The study is focused on achievement of following four objectives:

1. *To analyze the influence of firms' characteristics like profitability, growth, risk, cash flows, agency cost, composition of ownership pattern and on dividend payment pattern. i.e. to identify various determinants of dividend payout*
2. *To determine the most important factor/factors in dividend distribution decisions.*
3. *To find the impact of dividend announcement on shareholders' wealth/value.*

5. RESEARCH METHODOLOGY

In this section a brief overview of various dimensions of the research, tools and techniques and methods used to achieve various research objectives has been discussed.

5.1.1. The Data

The data has been collected from mainly secondary sources. The main pertinent data has been taken from the website www.moneycontrol.com wherefrom the relevant portion of the annual report has been taken and compiled with the help of appropriate software. The relevant information relating to literature review has been taken from different books, journals, websites, reports, newspapers, magazines, etc. They have been compiled wherever necessary.

5.1.2. Period of Study

The study period chosen is 10 years from 2003-04 to 2012-13.

5.1.3. Selection of Sample

Here we have taken data from only one company – Apollo Hospitals Ltd. which is in the service sector. So, the study follows case study approach.

Apollo Hospitals is widely recognized as the pioneer of private healthcare in India, and was the country's first corporate hospital. The Apollo Hospitals Group, which started as a 150-bed hospital and today, operates 9215 beds across 64 hospitals. A forerunner in integrated healthcare, Apollo has a robust presence across the healthcare spectrum. The Group has emerged as the foremost integrated healthcare provider in Asia, with mature group companies that specialize in insurance, pharmacy, consultancy, clinics and many such key touch points of the ecosystem. The Apollo Group has touched the lives of over 45 million patients, from 121 countries. (Source:https://www.apollohospitals.com surfed on 14.8.2016. at 2.36 p.m.)

5.1.4. Logic behind selection of ApolloHospital for the study

The first ApolloHospital opened in Chennai, in 1983. It was borne out of the determination to lead a complete transformation in Indian healthcare. Apollo's Founder Chairman, Dr.Prathap C Reddy was the driving force behind the inception. Credited as the architect of modern Indian healthcare, Dr.Prathap C Reddy started Apollo with the mission of bringing world-class healthcare to India, at a price point that Indians could afford! The backdrop to this development was the hopelessly inadequate healthcare infrastructure prevalent in India, at that time. The Group is built on the bedrock of an enduring value system, and continues to drive unwavering focus on key touchstones like excellence, expertise, empathy and innovation. Being one of the pillars in healthcare service sector in India, it has a scope of higher profitability and resultantly higher dividend payout.

5.1.5. Tools for Analysis

A. Financial Tools: 8 relevant financial parameters relating to dividend decisions, as evident from the literature review is chosen for the study in keeping with the objectives of the study: PAT, Dividend paid, Projected Dividend, Current Ratio, Retained Earnings, Cash Flow, Debt-equity Ratio and Annual Sales. The data has been collected for 10 financial years (as already mentioned) and aggregated for the purpose of analysis.

B. Statistical Tool: For the purpose of analysis through statistical software SPSS, all the variables are converted into scale variables. Exploratory Factor Analysis with the help of Principal Component Analysis has been done with Varimax Rotation. SPSS 24 has been used for the purpose.

6. DATA ANALYSIS

The analysis of the above-mentioned data with the above-mentioned methodology reveals the following:

SECTION A: RELIABILITY OF THE STUDY

The reliability of the study is tested through 'Cronbach's Alpha.' which is found out to be the following:

TABLE 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.213	.809	8

The Reliability Statistics:-The Cronbach's Alpha .809 i.e> 0.7 means data is reliable.

Section B: Identification of the Factors

It is revealed from the study that 8 research variables have been merged into 3 factors:

a) **First Factor:** is comprised of the variables like PAT, Dividend Paid, Projected Dividend, Retained Earnings and Annual Sales with factor loadings of .990, .943, .999, .998 and .984 respectively. Therefore, this factor may be termed as **'Composition of Profit Sharing (β1)'.**
i.e., β1 = **.990x1 + .943x2 + .999x3 + .998x5 + .984x8**

b) **Second Factor:** is comprised of only one variable, i.e., Debt-Equity Ratio with factor loading of .888. Therefore, this factor may be termed as **'Debt Coverage (β2)'.**
i.e. β2 = .888x7

c) **Third Factor:** is comprised of only one variable, i.e., Cash Flow having a factor loading of .989. Therefore, this factor may be termed as **'Cash Flow (β3)'.**
i.e. β3 = .989x6.

Among the 3 factors, after the analysis, it seems that the most important factor is – Composition of Profit Sharing. which takes into consideration, the variables like PAT, Dividends Paid, Projected Dividend, Retained Earnings and Annual sales.

TABLE 2: Rotated Component Matrix[a]

	Component		
	Composition of Profit Sharing	Debt Coverage	Cash Flow
Profit After Tax (x1)	.990	-.021	-.039
Dividend Paid (x2)	.943	-.031	.025
Projected Dividend (x3)	.999	-.019	-.013
Current Ratio (x4)	.127	-.878	-.177
Retained Earnings (x5)	.998	-.007	-.024
Cash Flow (x6)	-.026	.014	.989
Debt-equity Ratio (x7)	.122	.888	-.155
Annual Sales (x8)	.984	.073	-.081
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 3 iterations.			

SECTION C: VALIDITY OF THE DATA

The validity of the data is tested through the following table:

TABLE 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.424
Bartlett's Test of Sphericity	Approx. Chi-Square	147.432
	df	28
	Sig.	.000

KMO & Bartlett's Test .000 means significant gives us the proper measure of sample adequacy.

7. . CONCLUSION

The above analysis clearly depicts that apart from dividend payout ratio, other variables are also playing an important role in shareholders' value maximization of the sample company where sales volume, profit volume, adequacy of profit and the volume of retentions also have a major role to play. this is a study relevant to M-M hypothesis but it also supports the other propositions like Walter and Gordon.

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Business and Financial Risks in Indian Steel Industry: An Empirical Analysis

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Abstract: ***With the transformation in the Indian business environment along with the global economy during the past few decades, the earning patterns and the financing policies taken up by the Indian corporate players have also changed significantly, leading to changes in the pattern of business as well as financial risks associated with them. In this backdrop, the present paper seeks to analyze the business and financial risks in Indian Steel industry during the period 2001-02 to 2010-11. The sample size of the study consists of twentysteelcompanies which have been selected by following purposive sampling procedure from the list of top 1, 000 companies in India (based on net sales for the year ended 31st March, 2011). Ginni's coefficient of concentration has been used in this study for measuring risks. While tackling the issues analyzed in this study, other relevant statistical tools and techniques have also been applied.***

Keywords: Business Risk (BR), Financial Risk (FR), Indian Steel Industry, Ginni's Coefficient of Concentration (G).

JEL Classification Code: G3

1. INTRODUCTION

Business models and concepts have undergone a sea-change over the last few years. The economic transition in India as well as the global economy has resulted in a notable change in the pattern of BR and FR associated with almost all the sectors of the Indian industries with that of the world economy. BR is inherent in the operations of the companies. It arises out of dispersion of the operating profitability of a company. On the flip side, FR emanates from the financing decision of the company. The origin of FR is attributable to the existence of fixed charge bearing capital in the capital structure of the company as it arises out of the possibility of failing to meet the fixed commitments or contractual obligation and possibility of fluctuation in income available to owners' equity. BR has three basic components, such as economy-specific risk, industry-specific risk and company-specific risk. Economy-specific risk stems from economy-specific factors which include macro-economic variables, such as fluctuations in foreign exchanges, inflation, imports, exports, political scenario etc. Industry-specific risk arises out of those factors which influence the particular industry to which the company belongs. Generally, availability of raw materials, any special status enjoyed by the concerned industry, growth prospects in the market of the output produced or service rendered by the industry, technological changes, industrial relations, actions of competitors etc. are included in this category. Company-specific risk emanated from those factors which are specifically linked with the company concerned such as liquidity, cost structure, managerial efficiency, work culture, ethics, values, employer-employee relationship of the company etc. The genesis of company risk, in fact, lies in instability in company's one or more fronts, important of which are instability in cost behaviour pattern, inconsistency in revenue-generating capability using long term funds and instability in short term debt paying capability (Ghosh, 1997). These weaknesses lead to cost structure risk (CSR), capital productivity risk (CPR) and liquidity risk (LR) (Mallik and Sur, 2009).

BR of a company remains largely uncontrollable while FR is well within its control (Chakraborty, 1981). As a general rule, a firm facing high BR should maintain a low profile in respect of FR and vice-versa. In other words, conventionaltheory advocates an inverseassociationbetween BR and FR. But, some of the studies so far made in India have revealed an absolutely reverse outcome (Sur, 2007; Gupta and Sur, 2013). It is also expected that high risk should be compensated by high risk premium i.e. high return. No company can carry high risk - low return profile in the long run (Ghosh, 1997). But contradictory arguments have always been raised over this issue. One school of thought argues that risk and return are influenced by various industry conditions and business strategies but not by each other (Oviatt and Bauerschmidt, 1991). The other group of researchers opines that there exists a negative relationship between risk and return (Bettis and Mahajan 1985; Singh, 1986; Sur and Gupta, 2014). Again, another school of thought suggests a positive association between risk and return (Cootner and Holland, 1970).

In this backdrop, the present paper attempts to analyse the BR and FR in Indian Steel industry during the period 2001-02 to 2010-11.

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The remainder of this paper is organised as follows: Section II deals with the relevant literature review and identifies the research gaps. In Section III, the objectives of the study are stated. Section IV narrates the methodology adopted in the study. The major limitations of this study are mentioned in Section V. Section VI is concerned with the discussion on the empirical results. Finally, in Section VII, concluding remarks are provided.

2. LITERATURE REVIEW

Before stepping into the analysis of the present study, stock-taking of the significant studies made so far on BR and FR seems appropriate so that the research gaps can be identified.

Bowman (1980) found aninverseassociation between risk and return in many firms. Criticising Bowman's model, Oviatt and Bauerschmidt (1991) were of the opinion that when a more realistic simultaneous model was used, return and risk were shown to be influenced by various industry conditions and business strategies, but not by each other. The model was tested with one hundred and thirty-two nondiversified firms belonging to eight different industries. OLSestimates of the parameters of the model showed the risk-return relationship was significantly negative. However, 3SLS estimates of the parameters of the simultaneous model revealed no significant relationship between risk and return.

Ghosh (1997) conducted a study to find out the justification of the various risk factors that normally affect a company and exhibited the relative industry risk and profitability profile of twenty major industries in India pertaining to the period 1991-92 to 1996-97. The study revealed that larger portion of the selected Indian industries found place in the low risk-low return category. High level of fluctuation in profitability of Aluminum industry was well -compensated by high returns whereas highly-volatile profitability of Chemical industry got medium returns only.

Palmer and Wiseman (1999) developed a holistic model of risk in organizations. Using structural equations model, the study disaggregated risk into two distinct components, managerial risk taking and income stream uncertainty or organisational risk. The results obtained from the study suggested that both organisational and environmental factors promote risk taking. Further, the study found strong support for behavioral theory of the firm and agency theory on risk but not upper echelons theory. The study also suggested that environmental characteristics have a negligible direct effect on organisational risk.

Ghosh and Maji (2006) conducted anempiricalstudy to evaluate the impact of operating leverage on profitability in four Indian manufacturing sectors - Tea, Chemical, Paper and Pharmaceutical. The sample size of the study consisted of seventy-two Indian companies belonging to the four selected industries for a period of twelve years starting from 1990-91 to 2001-02. The study revealed that irrespective of the definitions of profitability or measures of operating leverage, both the variables were positively correlatedin all the industries.

It was observed by Lord and Beranek (1999) in their study that operating margin was inverselyassociated with operating risk which, in turn, confirmed the arguments given by Subrahmanyan and Thomadakis (1980) and Narayanaswamy (1988). The study also discovered that the complement of the average income tax rate was positively related to operating risk while firm size was negatively associated with operating risk.

Drzik and Wyman (2005) analysed that while the recession of the year 2000 was admittedly a less severe test for banks than was the 1991 recession.He observed that the substantial improvement in bank performance was partly attributable to the better risk management practices. Improved in ability the to measure risk, decisions about which risks to take, diversification of bank credits, pricing, and ability to pass risk through to the capital markets-all added up to real progress, fewer losses and better risk-adjusted returns.

Sur (2007) examined the BR and FR associated with NTPC Ltd. in the pre- and post- liberalisation periods. The study observed that the company, being a public enterprise, faced insignificant competition in the post-liberisation era and hence the BR of the company emanating from economy and industry-specific factors did not increase; rather, the BR arising out of the company-specific factors reduced notably during the post-liberalisation era.

Mallik and Sur (2009), using relevant statistical tools and techniques, investigated the BR and FR in the Indian corporate sector during the period 1995-96 to 2006-07. Though a 'high-low' combination of BR and FR is theoretically desirable, the study disclosed no strong evidence of positive or negative association between the two. The results of the study on the relationship between BR and operating profitability and that between FR and owners' profitability revealed evidence of significant negative association between therespectivevariables implying that high risk was not compensated by high risk premium.

An attempt was madebySur and Mitra (2011)toanalyse the BR associated with the selected Indian IT companiesusingGinni's coefficient of mean difference and to ascertain the relative risk-return status of the companies during the period 1999-2000 to 2008-09. Varying degree of risk-return trade off among the selected IT companies was noticed in the study. Although a positive relationship between BR or its company -

specific components and overall profitability is theoretically desirable, the analysis of interrelation between them made in this study failed to show strong evidence of positive or negative association between them.

Sur et.al. (2014) in their study analysed the BR associated with 20 selected Indian FMCG companies during the period 1995-96 to 2011-12. The study revealed that Colgate had the highest BR whereasthe lowest BR was enjoyed by Godfrey.It was also found that LR, CSR and CPR established themselves as significant contributors of the BR during the study period. In addition, the study observed that strong evidence of positive relationship between BR and return was absent in the Indian FMCG sector.

Based on the above discussion it can be inferred that a few number of empirical studies have so far been carried out on the issue relating to the BR and FR associated with the Indian corporate sector as compared to other fields of study. Most of the studies so far made in the global perspective are theoretical or associated with financial institutions. No significant study has been conducted on the BR and FR in Indian Steel industry in spite of the fact that Steel industry is one of the key contributorstowards India's growth. Rapid rise in production has resulted in India becoming the third largest producer of crude steel in 2015 and the country continues to be the largest producer of sponge iron or DRI in the world(steel.gov.in).The steel sector in India contributes nearly two per cent of the country's Gross Domestic Product (GDP) and employs over 600, 000 people (www.ibef.org).

More importantly, the previous studies have provided divergent results on the relationship between BR and FR andbetweenrisk and return. Considering the level of competition that is prevalent in the present day corporate world, the understanding, analysing and measuring BR and FR are essentialfortheirdecision makers.

3. OBJECTIVES OF THE STUDY

The study has the following objectives:

(i) To ascertain the BR associated with each of the companies under study and to compare the same with that of the industry average.

(ii) To measure the components of BR associated with each of the selected companies and to examine whether there was any uniformity among such components.

(iii) To analyse the relationship between BR and its components of the selected companies.

(iv) To determine the FR of the selected companies and evaluate them with that of the industry average.

(v) To examine the relationship between BR and FR associated with the companies under study.

(vi) To assess the relative risk–return status of the selected companies.

(vii) To ascertain the closeness of association between risk and return of the selected companies.

4. METHODOLOGY OF THE STUDY

The study is based on twenty selected companies belonging to the Steel industry in India. The selection of the companies was done on the basis of purposive sampling procedure from the list of top 1, 000 companies in India (based on net sales for the year ended 2011) published in the Special Issue of Business Standard, March 2012. The data for the period 2001–02 to 2010–11 used in this study were taken from Capitaline Corporate Database of Capital Market Publishers (I) Ltd., Mumbai. For measuring the BR, company-specific components of BR and the FR associated with the selected companies, Ginni's coefficient of concentration (G) was used. While making the analysis of the computed values of risks, statistical techniques, such as analysis of Kendall's coefficient of concordance, Pearson's simple correlation analysis, Spearman's rank correlation analysis, Kendall's correlation analysis and statistical tests like t-test and $\chi 2$ were applied at appropriate places.

5. LIMITATIONS OF THE STUDY

Following are themajorlimitations of the present study:

(i) The study was based on the data collected from the published financial statements of the selected companies. Hence, the inherent limitations of the secondary data naturally impacted the results of the study.

(ii) The study was restrictedto the analysis of the company-specific components of BR only. The factors contributing to the economy-risk and industry-risk were out of the purviewof this study.

(iii) The issue in connection with the minimization of the cost structure risk through forex management was not taken into consideration in this study.

6. EMPIRICAL RESULTS AND DISCUSSION:

1. In Table 1, an attempt was made to measure the degree of BR associated with each of the selected companies in Indian Automobile industry during the study period by using G of operating profit ratio (OPR) (Gupta, 2015). This table shows that the BR was the highest in JswIspat, followed by Mukand, Sujana Metal Prd, SAIL, Man Inds., Welspun Corp, JSW Steel, Natl. Steel&Agro,

Bhushan Steel, Jindal Saw, Jai BalajiInds., Tata Steel, Surya Roshni, Usha Martin, Monnet Ispat, Sunflag Iron, Uttam Galva, PSL, Mah. Seamless and Jindal Steel respectively in that order. The degree of BR associated with Mukand, JswIspatandSujana Metal Prd were above the average BR of Indian Automobile industry while the remaining seventeen companies under study found place in 'below the industry average' category.

TABLE 1: BR in the Indian Steel Industry

Sl. No.	Company	Business Risk	Status	Rank
1	Surya Roshni	0.1701	B	13
2	Tata Steel	0.1792	B	12
3	Sunflag Iron	0.1459	B	16
4	Usha Martin	0.1664	B	14
5	Mah. Seamless	0.0941	B	19
6	Monnet Ispat	0.1468	B	15
7	Bhushan Steel	0.2338	B	9
8	JSW Steel	0.3261	B	7
9	Jindal Steel	0.0453	B	20
10	Jai BalajiInds.	0.1796	B	11
11	Mukand	1.7736	A	2
12	Uttam Galva	0.1363	B	17
13	Man Inds.	0.3505	B	5
14	S A I L	0.7467	B	4
15	Natl. Steel&Agro	0.2771	B	8
16	Welspun Corp	0.3463	B	6
17	JswIspat	12.9251	A	1
18	Jindal Saw	0.1956	B	10
19	Sujana Metal Prd	1.531	A	3
20	PSL	0.1013	B	18
Industry Average		**1.0035**		
'A Note: 'A' denotes business risk above the Indian Automobile industry average and 'B' denotes business risk owbelow the Indian Automobile industry average.				
Source: Compiled and computed from 'Capitaline Corporate Database' of Capitaline Market Publishers (I) Ltd., Mumbai.				

2. In Table 2, three major company-specific components of BR, namely CPR, CSR and LR of each of the selected companies were measured by G of capital turnover ratio, that of operating cost to net sales ratio and that of current ratio respectively. In order to examine whether there was any uniformity among CPR, CSR and LR of the selected companies, Kendall's coefficient concordance (W) was used. For testing the significance of W, Chi-square ($\chi2$) test was applied. Table 2 discloses that Jai BalajiInds.had to face the highest level of risk of not getting stable turnover by utilizing average long term funds, followed by Tata Steel, Monnet Ispat, Bhushan Steel and so on while the degree of CPR was the least in Surya Roshni. Nine of the selected twenty steel companies were placed in the 'CPR above the Indian Automobile industry average' category whereas the remaining eleven companies found place in the category of 'CPR below the industry average'. In respect of CSR, Sujana Metal Prd was at the topmost position and the next positions were occupied by SAIL, Tata Steel and so on whereas the degree of CSR was the minimum in Sunflag Iron. The CSR of seven companies out of the selected ones was higher as compared to the industry average while the remaining thirteen companies were placed in the 'CSR below the industry average' category. The risk in respect of short term debt paying capability was the maximum in Tata Steel while the next positions were occupied by Monnet Ispat, Mah. Seamless and so on. On the flip side, the degree of LR was the lowest in Natl. Steel&Agro. Seven out the chosen twenty companies were placed in the category of 'LR above the Indian Automobile industry average' whereas the remaining thirteen companies found place in the 'LR below the industry average' category. At a glance, uniformity among LR, CSR and CPR inmost of the selected companies was noticed during the period under study. The computed value of W based on the three sets of ranking as shown in Table 2 was 37.69 which wasalso found to be statistically significant at 0.05 level. It indicates that there was uniformity among rankings based on the selected company-specific components of BR associated with the chosen companies during the study period.

TABLE 2: Company-Specific Components of BR in the IndianSteel Industry

Sl. No.	Company	Capital Productivity Risk (CPR)			Cost Structure Risk (CSR)			Liquidity Risk (LR)		
		Value (Times)	Status	Rank	Value (Times)	Status	Rank	Value (Times)	Status	Rank
1	Surya Roshni	0.0891	B	20	0.0112	B	19	0.0300	B	19
2	Tata Steel	0.2990	A	2	0.0660	A	3	0.3279	A	1
3	Sunflag Iron	0.1229	B	17	0.0073	B	20	0.0756	B	13
4	Usha Martin	0.1070	B	18	0.0215	B	16	0.1066	B	8
5	Mah. Seamless	0.1705	B	11	0.0296	B	11	0.2304	A	3
6	Monnet Ispat	0.2476	A	3	0.0441	A	9	0.2544	A	2
7	Bhushan Steel	0.2447	A	4	0.0260	B	13	0.0543	B	16
8	JSW Steel	0.1814	A	8	0.0617	A	4	0.1956	A	5
9	Jindal Steel	0.1268	B	16	0.0238	B	15	0.0875	B	10
10	Jai BalajiInds.	0.2991	A	1	0.0162	B	17	0.0945	B	9
11	Mukand	0.1813	A	9.5	0.0265	B	12	0.1516	A	6
12	Uttam Galva	0.1314	B	15	0.0239	B	14	0.0578	B	14
13	Man Inds.	0.1318	B	14	0.0343	B	10	0.0332	B	18
14	S A I L	0.1813	A	9.5	0.0747	A	2	0.2136	A	4
15	Natl. Steel&Agro	0.0947	B	19	0.0121	B	18	0.0169	B	20
16	Welspun Corp	0.1815	A	7	0.0450	A	8	0.0496	B	17
17	JswIspat	0.2276	A	5	0.0614	A	5	0.0766	B	12
18	Jindal Saw	0.1327	B	13	0.0473	B	7	0.0555	B	15
19	Sujana Metal Prd	0.1525	B	12	0.1485	A	1	0.0793	B	11
20	PSL	0.2111	A	6	0.0486	A	6	0.1348	A	7
Industry Average		0.1757			0.0415			0.1163		

Note: 'A' denotes business risk above the Indian Automobile industry average and 'B' denotes business risk below the Indian Automobile industry average.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.

3. The correlation coefficients between BR and each of its company-specific components as computed in Table 3 reveals that none of the three selected components was a significant contributor to the BR associated with the selected steel companies during the period under study.

TABLE 3: Correlation Coefficients between BR and its Selected Company-specific Components in the Indian Steel Industry

Measure \ Correlation Coefficient between	BR and CPR	BR and CSR	BR and LR
Pearson	.189	.230	-.103
Spearman	.203	.445*	-.183
Kendall	.111	.295	-.147
*Note: * Correlation coefficient is significant at 0.05 level (2-tailed)*			
Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.			

4. BR is expected to increase with an increase in the selected components of BR and vice-versa. In Tables 4, it was attempted to ascertain thejoint effect of the selected company-specific components on BR by applying multiple correlation analysis and multiple regression analysis. The multiple correlation coefficients and the partial regression coefficients were tested by F test and t test respectively. The regression equation fitted for this purpose is: $BR = b_0 + b_1.\ CPR + b_2.\ CSR + b_3.LR$, where b_0 is intercept, b_1, b_2 and b_3 are the partial regression coefficients. Table 4 exhibits that for one unit increase in CPR and CSR, BR stepped up by 15.304 and22.936 units respectively whereas BR deceased by 12.004 units for every unit increase in LR, but none was found to be statistically significant. So, considering the regression analysis, no strong evidence of positive or negative influence of CPR or CSR or LR on BR was noticed during the study period. The multiple correlation coefficient of BR on CPR, CSR and LR was 0.4which was also not found to be statistically significant. It reflects that no significant joint impact of the selected components on BR was observed during the period under study. The analysis of coefficient of multiple determination as shown in this table reveals that only 16 per cent of the variation in the BR of the selected companies was contributed by CPR, CSR and LR during the study period.

TABLE 4: Analysis of Multiple Regression and Multiple Correlation of BR on its Selected Company-specific Components in the IndianSteel Industry

Multiple Regression of BR on CPR, CSR and LR: $BR=b_0+b_1.CPR+b_2.CSR+b_3.LR$	
Variable	**Partial Regression Coefficient**
CPR	15.304
CSR	22.936
LR	-12.004
Constant	-1.241
Multiple Correlation Coefficient of BR on CPR, CSR and LR: $R_{B.PSL}$=0.4 Coefficient of Multiple Determination: $R^2_{B.PSL}$= 0.16	
Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I)	

5. FR of companies, by definition, is the volatility in Earnings before Tax (EPS) due to variability in Earnings before Interest & Tax (EBIT). Hence, G of EPS to EBIT ratios (EER) (Gupta and Sur, 2014) was calculated in Table 5 to assesstheFR of the companies and then the selected Automobile companies were ranked on that basis. The highest FR was observed in Welspun Corp, and it was followed by JSW ISPAT, Mukand and so on in that order. The lowest FR was faced by PSL.Seven of the selected companies had their FR above the Steel industry average whereas the remaining thirteen of the selected companies had their FR below the industry average.

TABLE 5: Company-wise FR in the Indian SteelIndustry

Sl. No.	Company	Financial Risk	Status	Rank
1	Surya Roshni	0.1463	B	19
2	Tata Steel	0.2043	B	16
3	Sunflag Iron	0.1501	B	18
4	Usha Martin	0.4278	B	8
5	Mah. Seamless	0.2609	B	13
6	Monnet Ispat	0.1876	B	17
7	Bhushan Steel	0.2473	B	15
8	JSW Steel	0.3783	B	10
9	Jindal Steel	0.4850	A	7
10	Jai BalajiInds.	0.7134	A	4
11	Mukand	0.8571	A	3
12	Uttam Galva	0.3359	B	12
13	Man Inds.	0.5266	A	6
14	S A I L	0.4111	B	9
15	Natl. Steel&Agro	0.2543	B	14
16	Welspun Corp	1.3786	A	1
17	JswIspat	0.9999	A	2
18	Jindal Saw	0.3437	B	11
19	Sujana Metal Prd	0.6962	A	5
20	PSL	0.1416	B	20
Industry Average		0.4573		
'A Note: 'A' denotes financial risk above the Indian Automobile industry average and 'B' denotes financial risk below the Indian Automobile industry average.				
Source: Compiled and computed from 'Capitaline Corporate Database' of Capitaline Market Publishers (I) Ltd., Mumbai.				

6. Table 6 discloses the nature and degree of relationship between BR and FR of the selected companies. All the three correlation coefficients as computed using three different measures were found to be positive as well as statistically significant. Hence, a strong positive relation between BR and FR was noticed in the Indian Steel industry during the period of study.

TABLE 6: Correlation Coefficients between BR and FR in the Indian SteelIndustry

Measure	Value
Pearson	.456*
Spearman	.611**
Kendall	.474**
Note: * Correlation is significant at 0.05 level (2-tailed). ** Correlation is significant at 0.01 level(2-tailed).	
Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.	

7. In Table 7, risk-return status of the selected companies was ascertained with reference to BR and operating profitability. Average operating profit to capital employed ratio (OPCE) was taken as the operating profitability indicator in this analysis. The ranges of values for classifying high and low BR as well as returns in these tables were based on the arithmetic means of the concerned measures considering all the selected companies. Table 7 discloses that 'high risk-high return' cell found no taker while three selected companies viz., Mukand, JswIspatandSujana Metal Prd. could manage to get only low returns even after bearing high risks. The most coveted position of 'low risk-high return' was captured by twelve companies out of the selected twenty namely, Tata Steel, Sunflag Iron, Mah. Seamless, Monnet Ispat, JSW Steel, Jindal Steel, Jai BalajiInds., Uttam Galva, Man Inds., SAIL, Jindal Saw and PSL whereas a combination of 'low risk-low return' was noticed only in five companies under study namely, Surya Roshni, Usha Martin, Bhushan Steel, Natl. Steel&Agro and Welspun Corp.

TABLE 7: Risk-Return Status of the Selected Indian Steel Companies based on the Combination of BR and Operating Profitability

Average OPCE / **G of OPR**	High (≥ 0.1150)	Low (<0.1150)
High (≥1.0035)	-	Mukand, JswIspat, Sujana Metal Prd.
Low (<1.0035)	Tata Steel, Sunflag Iron, Mah. Seamless, Monnet Ispat, JSW Steel, Jindal Steel, Jai BalajiInds., Uttam Galva, Man Inds., SAIL, Jindal Saw, PSL	Surya Roshni, Usha Martin, Bhushan Steel, Natl. Steel&Agro, Welspun Corp.
Source:Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.		

8. In Table 8, risk-return status of the selected industries was gauged with reference to FR and owners' profitability. Average return on equity ratio (ROE) was taken as the owners' profitability indicator in this analysis. The ranges of values for classifying high and low FR as well as returns in these tables were based on the industry averages of the concerned measures considering the selected companies. The table shows that four companies viz., Jindal Steel, Jai BalajiInds., Man Inds. andWelspun Corp were the companies among the selected ones which maintained a 'high risk-high return' combination. Seven selected companies namely, Tata Steel, Mah. Seamless, Monnet Ispat, Bhushan Steel, SAIL, Jindal Saw and PSL were the companies which were placed in the most desirable class i.e. 'low risk-high return' category, whereas three companies, Mukand, JswIspat and Sujana Metal Prdwere placed in the most undesirable category i.e. 'high risk-low return' class. The cell indicating the combination of 'low risk- low return' was occupied by six of the companies under study namely, Surya Roshni, Sunflag Iron, Usha Martin, JSW Steel, Uttam Galva and Natl. Steel & Agro.

TABLE 8: Risk-Return Status of the Selected Indian Steel Companies based on the Combination of FR and Owners' Profitability

G of EER \ Average ROE	High (≥ 0.1361)	Low (<0.1361)
High (≥1.0903)	Jindal Steel, Jai BalajiInds., Man Inds., Welspun Corp	Mukand, JswIspat, Sujana Metal Prd
Low (<1.0903)	Tata Steel, Mah. Seamless, Monnet Ispat, Bhushan Steel, S A I L, Jindal Saw, PSL	Surya Roshni, Sunflag Iron, Usha Martin, JSW Steel, Uttam Galva, Natl. Steel&Agro
Source:Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.		

9. In Table 9 an attempt was made to assess the nature and degree of relationship between BR and operating profitability, and FR and owners' profitability using the same measures of risk and returns as used in Table 7 and Table 8 respectively. This table exhibits that all the three correlation coefficients between BR and OPCE were negative and found to be statistically significant. Though allthe correlation coefficients between FR and owners' profitability were also negative, none of was found to be statistically significant.

TABLE 9: Correlation Coefficients between Risk and Returns in the Indian Steel Industry

Measure \ Correlation Coefficient Between	BR and Operating Profitability	FR and Owners' Profitability
Pearson	-.482*	-.386
Spearman	-.544*	-.183
Kendall	-.400*	-.137
Note: * Correlation is significant at 0.05 level (2-tailed).		
Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.		

7. CONCLUDING REMARKS:

1. The maximum volatility in operating profitability was observed in JswIspat whereas Jindal Steel faced the minimum BR during the study period. In respect of BR, 85 per cent of the selected companies were placed 'below the Indian Automobile industry average' category while the remaining only 15 per cent of the selected ones had their BR above the industry mean during the same period. It is noteworthy to mention that the BR of JswIspat was much higher than the other selected companies during the study period.

2. Uniformity among rankings based on the three company-specific components of BR associated with the chosen companies was noticed during the study period.

   Only 27 per cent of the chosen companies had all the three selected company-specific components below the industry averages while the remaining selected companies had any one or two of the components under study, above the concerned industry mean. So, apparently there was a disparity among the three sets of ranking in case of the selected companies. It was confirmed by the results as obtained from the analysis of Kendall's coefficient of concordance.

3. None of the three selected components was found to be a significant contributor to the BR associated with the selected companies during the period under study.

4. The net outcome derived from the analysis of multiple correlation and multiple regression failed to corroborate the established theory that BR and its company-specific components are expected to change in the same direction. It also failed to reveal any noticeable joint impact of the selected components on BR.

5. The highest FR was observed in Welspun Corp whereas PSL managed to keep its FR at the lowest level out of the selectedSteelcompanies. 35 per cent of the selected

companies had the FR above the industry average while the remaining 65 per cent of the companies under study were able to keep their FR below the industry mean.

6. Though financial prudence suggests that BR and FR should be inversely related, a strong degree of positive association was noticed between these two in the Indian Steel companies during the study period. Therefore, it can be inferred that the most of the selected companies opted for a high FR even after facing a high BR, or they relied less on fixed-charge bearing capital even after having low fluctuations in operating profitability.

7. The study of risk-return matrices reveal thatthe companies did not corroborate the theory that high risk is compensated by high premium. The study of correlations between BR and operating profitability, and also between FR and owners' profitability provided evidence in support of the above findings. Rather, the studyestablished that BR and operating profitability had an inverse relation in the selected Steel companies during the study period.

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Importance of Labour Welfare in Tea Estates: A Literature Review

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Abstract: The term labour welfare here aims at well being of the labours. This paper through various literature highlights why labour welfare is important and how it is beneficial to the labour and indirectly affects the economy. The paper concludes with the finding that ignorance among the labour about the welfare facilities available for them is leading to their exploitation.

Keywords: Ignorance, exploitation, well being, tea estates, Assam

1. INTRODUCTION

Tea is the most commonly consumed beverage across the world. It were the British who introduced it in India to compete with the monopoly of the Chinese on this product. The wild tea plants were discovered in upper Brahmaputra valley by Robert Bruce in 1823.Tea plants are native to East and South Asia, and probably originated around the meeting points of the lands of north Burma and southwest China[1].

The Tea industry in Assam is about 170 years old. It occupies an important place and plays a special role in the state economy and national economy providing average daily employment to more than six lakh persons in the State which is around 50 percent of the total average daily number of labour employed in the country.Assam alone produces more than half of India's tea production[2]. Tea is also the 'State Drink' of Assam[3].

Industrialization influence humans causing social and psychological distress. After the abolition of slavery in 1833 the British colonies started importing Indian labour. The very first Indian factory set up in 1881 which implemented labour laws which lead to improvement in working conditions of the workers. After the independence the factories act 1947 replaced all the provisions like safeguarding machineries, drinking water, health, cleanliness, washing, number of hours of works and many more. Slowly labour welfare has gained importance in India (Ganapathy, 2014).

2. CONCEPT OF LABOUR WELFARE

Welfare an additional component in industrialization provides a sense of relief and contentment to the labours. Labour welfare is an extension to the word welfare which mainly aims at the well being of the labours.

The component welfare is very important as it increases efficiency of labours giving a rise in production and improving their competetiness in the global market.Labours are hired, trained and compensated, but their retention in an organisation depends mainly upon how well they are treated in an organisation, i.e., their well being. Welfare schemes may be voluntarily divided by the employer, so that they do not exploit the labours. Government comes up with some statutory legislation from time to time to bring about uniformity in the basic amenities available to labours. Ignorance among the labours leads to exploitation on the part of employer (Ganapathy, 2014).

There is a criticism to the welfare given to the labours as at times they are totally dependent on their welfare for their betterment[4].Theoretically and operationally, labour welfare in part of social welfare, which is closely linked to the well being and working state of the labours. The very concept of social welfare can be equated to economic welfare as well, as a satisfied labour can be more profitable to the organisation. There are a number of welfare schemes available for the labour but the extent to which it is applicable depends upon the employers, its affect for the betterment of the labours depends upon labours perception. The perception of labours towards these schemes is very important to be known in order to reform these schemes (Ganapathy, 2014).

[1]*Tea, 2014.*
[2]*NEDFI databank, 2012.*
[3]*Business Standard, 2014.*
[4]*(Critisisms to welfare, 2014).*

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2.1 Labour welfare in relation to human aspects

Employees being treated as assets leads to improvingorganizational performance and when organisation aims at controlling the cost performance will be poor (Nishii, Lepak and Schneider, 2011). Employees are highly delicate which need constant welfare measures for their up progress and performance in the field (Rajkuar, 2014).There is strong correlation between labour welfare and job satisfaction (Souza, 2009). One can buy a man's time, buy a man's physical presence at a given place but you can't buy his enthusiasm, initiative and loyalty which come from his willingness to work.

Employees play a very important role in an organisation. Employers can make investment but it's the employees with whose help this investment becomes fruitful for the employer. Holzer and Wissoker (2001) examined that there is direct correlation in the job performance and retention rate among the welfare recipient.

Chandrabose (2009) observed that labours in tea manufacturing units lack motivation as they are not migrants owning the instruments of production nor they own the place where they reside. Lack of awareness among the workers and trade unions about the laws in the act, act as a major drawback (Bhowmik, 2014). Acib and Adewoye (2004) examined that employees prefer monetary incentives more than the non-monetary incentives. Tongo articulated that both financial and non- financial incentives are preferred by employees which helps to increase the production level of an organisation.Plantation sector is highly labour intensive. Among the plantation crops, tea is the most labour intensive. There is comparatively better position of Plantation agriculture-to-agriculture sector as a whole regarding employment generation and wage rate (Mani, 1992). The labour colony in the tea gardens of Assam is kept underdeveloped for the availability of labour at a cheaper rate. Due to Panchayati Raj system which does not include labour colony, many central and state government welfare schemes are not available to them. The labour colony faces various problems like electricity, food, drinking water, sanitary and many more. Even under the special package for SCs and STs, these schemes are not implemented among the tea garden labourers as they are not included in the list of the State Government (Saikia, 2009).

According to Coughlin, welfare benefit is better than low-wage work, but these benefits must not exceed the wage of the lowest paid workers in the labour force. He further observed that welfare fraud in not a big problem and he amounts usually amounts to a small portion of total welfare spending.Tea industries of Assam have been neglecting the human aspect of the organisation. People associated to the business organisation shares a monopoly power which should be taken care off (Goowalla, 2012).Exceptions to the increasing marginal utility with falling hierarchal job status of the employees in firm are the factory workers. An increase in the marginal utility from new welfare scheme is higher for women and for the staff working in peripheral branches. Employees appreciate benefits which require limited cost to be implemented Okereke and Daniel (2010) observed in study that employees were in low in morale and job satisfaction which was affecting the productivity.

Chandra (2009) viewed that employees suffer because of informal employment which deprives the actual rights of the labour. Labour reforms are important to be taken care off. Labour intensive firms are being hampered because of the infrastructural bottlenecks and rigid labour rules (Das and Ganajit, 2009). The working condition being poor, inequality of income, gender discrimination, and inadequate basic facilities affects the labours in a negative way and thus the production (Majumder and Roy, 2012).

2.2 Labour welfare in connection tosocio, economical and political factors

Being uprooted from rural area to industrial base led to socio economic problems resulting in the need of welfare of labours so that they can adapt themselves to changed environment (Ramesh, 2004). Weak socio economic background is the cause leading to exploitation of children, making them work at a very lower wage. Mehta and Sherry consideredelimination of child labour as a very important factor. Tea community is highly deprived in all respects of socio economic and political aspects which is affecting the growth of the society (Sarma, 2003). Social responsibility which is closely linked to the concept of social welfare and the role of the state can achieve labour welfare, conceptually as well as operationally (Swapna, 2011).

Fluctuating economies enjoy higher welfare then their steady state counterparts in business cycle model with multiplicative shocks to production (Cho et. al. (2014).Permanent labours are being replaced by temporary labours as the permanent labours are failing to fulfil their obligations and the management has no responsibilities for the latter(Mishra, 2003)**.** Being a large producer of tea it lacks an organised production system and healthy partnership with the labour, proper understanding of its operation is very essential to beat competitiveness. Many tea gardens particularly in the Northwest India are economically not sustainable thus facing closure as a result of low productivity, high cost of production and declining prices (Asopa, 2007).The change in political power also affects the policies in practice and leads to change in the role of social workers affecting all as a whole (Cigno et. al., 1999).

2.3 Labour welfare and how women are affected

Sexual harassment is a serious issue in Kenya, women are silent victims as the costs associated with seeking redress and to report the crime is very high. Casual behaviour of labour is another issue as it has an impact on job security and their consciousness towards the right to work (Commision, 2008). Notions of purity, contamination and feminine virtue were associated with the brewing of tea. The history of China narrates that women were involved in plucking of tea, requiring nimble fingers (Samarasinghe, 1993).Women workers are at a position of subordination as their wages are handed over to the males by the management as the male members dominate, on the economic front.Majumder and Roy (2012) in their study found that women were employed as they did better job but they are paid less than man, exploiting women.

2.4 Correlation between labour welfare and finance

A significant disconnection between the investments made and benefits derived, standard sets for the facilities and actual facilities being provided in the rural areas of India[5]. Dearth of finance in the tea estates prohibits the extension and replacement planting (Mondal, 1981). Iqbal (2011) observed that deficit financial resources are opposing the demand of extension of employees' benefits and services.

2.5 Labour welfare and growth

The progress of the industries is correlated to the satisfaction of the labour force; in this context the labour welfare is given importance (Atish, 2014). Modernisation of tea estates can solve the issue of labour crisis and focus thus will be on not only work but also the life of labours, acting in the best interest for industry, labour, state and society (Chandrabose, 2009). Common perception of industry is that production can be increased only by higher labour productivity but that's not true productivity can be improved if other factors of production which are material in nature are improved (Das and Sharma, 2009). Social democracy and industrial relation of a higher order is for the benefit of the country which is only possible when autonomy is not interpreted as impertinence and liberty as license(Gupta, 2013)**.** Paternalistic mechanism of control have become authoritarian in character to retain skilled workforce with the growing threat by unionized workforce and increasing industrial disputes(Thompson, 2013)**.** Low income returns, limited market accessibility, high cost of production, high cost of social infrastructure, low quality of production, low price realisation, fluctuating international demand and so on are the existing challenges facing the tea industry in India. The aspects enhancing an employee's performance also improves the competitiveness in the global arena (Delaney, 1996).

[5]*WASH Guidelines. (n.d.). Retrieved March 3rd, 2014, from www.tinsukia.nic.in: http://www.tinsukia.nic.in/SCHEMES/WASH%20guideline.pdf*

3. CONCLUSION

Welfare schemes are not adopted efficiently for the labours; they are exploited because of their ignorance. It's seen that their working and the living conditions is really pathetic, they not been provided even the basic amenities. Welfare schemes must be actually reformed depending upon the perception of labours. Major variables used by earlier researcher are human aspects, socio economic and political factors, satisfaction, motivation, labour intensive, growth, economy, finance, awareness, willingness, wants, income, exploitation, expectation, eliminations, ignorance, work conditions etc. which are given due importance. The literature has shown that there are welfare schemes for the labourers but they are not being able to utilize these to the most because of their unawareness and ignorance as a result they are being exploited. There lies thus a big gap which requires studying the perception of beneficiaries on the welfare schemes available.

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Socially Responsible Marketing: Lesson from Indian Television Ad

Richard George Das*, Kandarp Singh*, Sumanta Dutta**

Abstract: Increasing awareness and the changing trends in the value system of the society have redirected the organisations attention towards being more focused on society centric approach. An obligation towards serving the society as a whole and to rebuild marketing being the 'public face' of the organisation has become the main purpose of transacting its business. Cut throat competition has made the organisations play safe to resist in the game of survival of the fittest. The philanthropic approach of marketing to a great extent has widened the base of managing the long term relationship with the customers. Consistency in terms of honesty, transparency etc. has been the building blocks in terms of growth and customer loyalty. Brand recall acts as a game changer, which is very important for an organisation to attain sustainability. This paper is an attempt to critically evaluate the concept of socially responsible marketing with the help of selective Indian cases.

Keywords: Socially responsible marketing, corporate social responsibility, Sustainability, Strategy.

1. INTRODUCTION

The era of 'Consumers are the king' has made the organisations become more focused and consumer centric. Globalization, to a great extent has widened the base of marketing in today's world. Most of the marketing organisations are of the opinion that greater opportunity exists if the organisation is visibly accessible and are credible to the general public. As a result, nowadays a perceptible number of business concerns have started accepting consumerism and environmentalism simultaneously in order to serve consumers and the society at large. With an increase in the consumer's perception that organisations are not just producers and sellers of the product but also have an inherent responsibility to be more responsible for its actions, have made the organisations more socially obligated. Being socially responsible means an organisation shows concern for the people and environment in which it operates its business.

Socially responsible marketing or societal marketing is based on balancing among consumers' wants', the company's profit motives and the society's long term interests. Here, societal problems are viewed as business opportunities. It is a concept which links corporate social responsibility to ethics. Although, the terms social responsibility and ethics are used interchangeably, they differ with each other. Ethics tends to focus on marketing group decision, while social responsibility takes into consideration the effectiveness of marketing practices on society. Interests of the customers, employees, suppliers, the local community, society, and the environment are assumed to be the prime concern of socially responsible marketing. Marketing organisations have become more aware of the non- profitable loses and therefore they are focusing more on leveraging its positive impact and minimizing its negative impact on society and at the same taking a good care of the social and environmental responsibilities.

At present market is dominated by fierce competition, only the fittest are being able to survive and the weaker has to quit the ring. With the changing trends in the value system of the society have redirected the organisations attention towards being more focused on society centric approach.Several decades ago, cigarette manufacturers had no social pressures on advertising its use. Years later, it was proved that smoking leads to cancer and is injurious to health. The attitude of society towards smoking gradually changed and marketers are facing new social responsibilities. Eliciting the fact that socially responsible marketing is cause-related marketing would be unjustifiable because they both differ in terms of applicability. Still, manifestation in support of a social cause has linked the above two marketing approaches to a certain extent.

Socially responsible marketing does not immediately and automatically translate into increased revenues. However, organisations that are consistent will eventually be benefited with a strong reputation which is nothing but dividends in the form of customer loyalty, honesty, transparency and respect for customer privacy etc. are some of the common characteristic traits which are supposed to be embedded within the objectives of the organisations practicing socially responsible marketing. Hence, socially responsible marketing will help the organisation to withstand in the race of cut throat competition.

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2. REVIEW OF EXISTING LITERATURE

Singhapakdi and Karande (2001) in their research paper focused on the importance of ethics and social responsibility in achieving organisational effectiveness. The variation is explained by country differences (cultural differences, differences in the economic environment, and differences in legal/political environment), organisational ethical climate, and selected demographic characteristics of the marketer (gender and age). Their research states that three sources of gaps namely differences in culture, economic development, and legal/ political environment, differences in organisational ethical climate and gender difference etc. as the major determinants of the organisational effectiveness.

Green and Peloza (2011) examined how consumers define CSR and how it can enhance the overall value proposition for consumers. The analysis of the study revealed that the way in which CSR manifests itself determines consumer support.CSR can provide three forms of value to consumers: emotional, social, and functional. Each of these enhances or diminishes the overall value proposition for consumers. Further, value created by one form of CSR can either enhance or diminish other product attributes.

Anghel *et al.* (2011) in their research paper analysed the concept of cause-related marketing and its influence on consumer attitudes through a case based study. It was found that people are willing to pay extra for a product or a service associated with a social cause, whereas large number of respondents agreed that cause-related marketing creates a positive image of the company and thinks that organisations should regularly involve in cause related marketing programs.

Hilderbrand *et al.* (2011) in their paper focused on CSR from a corporate marketing perspective. As the paper is conceptual and draws on the social identification, organisational identity and corporate marketing literatures from the European and American schools of thoughts, therefore only secondary source of data has been used for this study. The findings of the study states that CSR as an optimal managerial tool for promoting alignment between multiple corporate identities (e.g. Internal, external), which ultimately leads to key benefits for the company.

Dr. Kuberudu and Himabindu (2012) in their research paper focused on, how firms that innovate solutions and values in a socially responsible way are most likely to sustain in future. Now firms belief that CSR done in the form of cash, kind, cause-related marketing is not only the “right thing” but also the “smart” way of marking their goods and services. The paper also articulated that values and ethics must be incorporated within the company’s vision and mission to make them socially responsible.

Hawn and Kang (2013) in their paper tried to explain how competition affects CSR. The effect of competition on firm performance and activities is at the core of strategy research. The study states that there exists a positive relationship between competition and CSR, by showing the apparent negative relationship between strategic CSR and the Herfindahl index, an indicator of market concentration. Industry structure changes from monopoly to perfect competition, strategic CSR may in fact decrease.

3. RESEARCH GAP

Hence, less research has been undertaken in the area of socially responsible marketing through case based evaluation of Indian television advertisements. This study is an attempt to analyse the applicability of the concept socially responsible marketing with appropriate examples.

4. CASES FROM INDIA

CASE: I
TATA TEA JAAGO RE CAMPAIGN

5. AD CAMPAIGN & ITS SOCIAL CONNECT

Tata Tea was initially launched with a communication on its product functionality of ***'garden fresh'.*** But from 2007, it has transformed the way beverages are marketed through ***Jaago Re'*** campaigns. Striking a chord with the youth, the tea brand brought some important social issues to the forefront of societal mindset. Having addressed the youth, the campaign has now begun to address the woman of the house, more squarely in recognition of her role as a pivotal agent of change in this country. On its 25th brand anniversary, the beverage maker launched ***"Soch Badlo"*** campaign which allowed it to take a ballot break and tell viewers to be responsible citizens every day, not just on the eve of elections. The campaign which was launched in 2013 titled ***"Power of 49"***, talks directly to women voters, who form 49% of India's electoral rolls. It becomes a powerful campaign as it spotlight on India's poor record when it comes to protecting and empowering women[6].

The tea brand through their series of campaign showcased an image of innovation, creativity, accessibility, friendliness, and a wider support to anti-corruption. Such an image helped the brand in earning brand recallability and to take a lead towards attaining sustainability.

CASE: 2
GILLETTE CAMPAIGN

6. AD CAMPAIGN & ITS SOCIAL CONNECT:

By the end of January, 2013 Gillette India came up with a new Ad campaign titled ***"Soldier for Women"*** which aims at awakening the inner courage, respect and integrity etc. of men to stand up for women and guard them as their soldiers[7]. Based on the insight "Women feel safe and secured only with their loved ones", therefore Gillette wanted to create an environment where men would show solidarity with women and women would feel safe and secure even in the absence of her near and dear ones. Such socialawakening TV commercial shows men and women from all walks of life coming together and men standing with the women as their soldiers. The inherent logic behind that is when you respect women, you respect your nation.

CASE: 3
COCA-COLA CAMPAIGN

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[6] *http://articles.economictimes.indiatimes.com/2014-02-19/news/47489864_1_tata-tea-tea-brands-tata-sons*

[7] *http://www.business-standard.com/article/management/a-different-women-s-day-113040400493_1.html as accessed on 13.08.2016.*

7. AD CAMPAIGN & ITS SOCIAL CONNECT

Coca-Cola, a major soft drink concentrate had come up with an ad campaign inviting the people of India and Pakistan to share a simple moment of connection and joy with the help of a technology named ‘Small World Machine’.In the TVC, two vending machines, one placed in India and the other in Pakistan, that turned into a communication portals. The idea was to let citizens of both countries -- long embroiled in a bitter political and religious battle -- see and interact with each other, even complete shared tasks. Once those tasks were accomplished, the machines dispensed a Coke[8]. The 40 seconds ad laid more emphasis on the term ‘happiness’ and goes ahead in re-defining it as the power to bring the nations together. The ad not only targets one segment of customers rather it takes into consideration different generations right from children to old people. Therefore the ad connects well from a socially responsible marketing perspective with a message that a small step can lead to change.

8. CONCLUSION

Marketing has often been seen as a ‘public face’ of the organisation which helps in bringing the organisation and the customer together to start a relationship. Therefore, organisations practicing socially responsible marketing are often seen as a philanthropist where it tries to associate itself with the well-being of the society. Associating the brands with social issues is actually a mode to shape the customer’s perception and a way to incorporate brand recallability. Moreover, socially responsible marketing has been used by companies as a tool which will rather create an impressive image in the minds of the present and potential customers and help them march towards sustainability. Honesty and transparency are supposed to be in the nerves of the organisations practicing socially responsible marketing.

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Are 52- Weeks High-low Prices Good Indicators of Opening Prices? An Experiment with Panel Data

Dr. Gautam Mitra*, Dr. Tuhin Mukherjee**

Abstract: 52 weeks high and low prices of stocks are commonly used to get an idea of the price behaviour of stock market. However, this paper is an attempt to analyse the impact of these last year high and low prices on the opening price of the next year. As Housman specification test result is 36.21 we have used pooled regression as well as panel regression with fixed effect model. We run our experiments in relation to Sensex and 6 industries consisting of 10 companies each. We found positive impact of Sensex over companies within the industries like Electricity, Food & Beverage and Non-metallic products. However, for Textile, Mining and other Services we found insignificant effect. Therefore, we are not in a position to generalise that 52-Weeks' High-low Prices are good indicators of opening Prices.

Keywords: 52 weeks high and low prices, Panel Data analysis with fixed effect; Sensex, Housman specification test

1. INTRODUCTION

Research in the areas of stock price movement failed to yield any fruitful logic behind the stock price movement. Rather, it has been established that stock prices movement follows a random behaviourand beating the market consistently is not feasible. In recent literature of behavioural finance, it has also been established that individual players do not come into stock market for their investment but in order to fulfil their speculative purpose. Due to such behavioural practices people use negligible amount of their available fund and experiment by considering various types of self-made thoughts and techniques. One of them is to relate the high and low prices to the opening price of stocks.

In view of the above circumstances, the present paper tried to investigate if there is any influence of last year high and low prices on the opening price of any financial year. It performs the experiment primarily on a stock index and thereafter it did the experiment on several industries represented by some chosen stocks as representative. The panel data for the selected stocks are considered and empirical results are analysed.

2. DATA

We have used data of 30 stocks included in the SENSEX as on 01.04.2016. Against each stock, previous year high, low and 31st March opening price are taken for last 15 years (i.e. from 2001 to 2015). For data collection, this study mainly relies on the Prowess database of CMIE in India. However, we have cross validated our data with thosefrom the official website of Bombay Stock Exchange. In addition, we have considered six industries viz. Electricity, Food & Beverage, Non-metallic, Textile, Mining, and Other Services. Within each industry, this paper considered 10 representative stocks with consistent financial performance during the period of the study. The high, low and opening prices against each such company have been collected from CMIE data base.

3. THE MODEL

The study has conceptualized the opening price of the stocks as on the first day of a financial year as the dependent variable and the corresponding last year high and low prices as explanatory variables.

The model is given below:

$$Y_{it} \; Y_{it} + \beta_1 \; \beta_1 + \beta_2 X_{2it} \; \beta_2 X_{2it} \quad \beta_3 X_{3it} \; \beta_3 X_{3it} \quad U_{it} \; U_{it}$$

where i =1, 2, …, 30 and t = 1,2,……………………..,15 (1)

Here $X_{2it} X_{2it}$ is the last year high and $X_{3it} X_{3it}$ denotes last year low stock prices. The error term $U_{it} U_{it}$ follows the classical assumptions that $U_{it} U_{it} \sim \sim$ N (0, $\sigma^2 \sigma^2$).

Thus in principle, we are in a position to run 30 time series regressions, one for each stock. Also, we can run 15 cross sectional regression, one for each year.

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4. ESTIMATION OF PANEL DATA REGRESSION MODELS WITH FIXED EFFECT APPROACH

Estimation of (1) depends on the assumptions we make about the intercept (i.e. $\beta_1 \beta_1$), slope

Coefficients ($i.e. \beta_2, \beta_3)$ $i.e. \beta_2, \beta_3)$ and error term ($i.e. U_{it}$ $i.e. U_{it}$). There are several cases as follows

Case(1): The points of intercepts and slope coefficients are constant across time and cross section. Error term captures differences over time and individual stocks.

Case(2): The slope coefficients are constants butpoints of intercepts vary over individualstocks.

Case(3): The slope coefficients are constants but points of intercepts vary over time.

Case(4): The slope coefficients are constants but points of intercepts vary over individual stocks as well as over time.

Case(5): All coefficients (i.e.both the points of interceptsand the slopes) vary overindividual stocks.

Case(6): All coefficients (i.e.both the points of interceptsand the slopes) vary over individual stocks and over time also.

Objective of the present paper is to study the first two cases only, one by one. So we are not considering the remaining cases in this paper. Evidently each of these two cases introduce increasing complexities (and perhaps more reality) in estimating panel data regression model

(1). Of course, the complexity will increase if we add more repressors (i.e.
X_{4it}, X_{5it} $etc)$

5. RESULTS (CASE 1)

We have gone for Ordinary Least Square regression with 15 years' data for 30 Sensex stocks containing 3 data points. Altogether we have (3*15*30) or 1350 data points. From pooled regression results we have found all coefficients to be statistically significant. R^2 value is reasonably high (0.76). So dependant variables in the left hand is positively related to independent variable on the right hand. But we found Durbin - Watson statistic is quite low (0.22) suggesting possible autocorrelation in the data. However, we know that a low Durbin - Watson value may arise due to specification errors also. For instance, the estimated model assumes that the intercept values for 30 stocks are same. It also assumes that the slope coefficients of Xs are all identical for all the 30 stocks. Obviously, these are highly restricted assumptions. Therefore, despite its simplicity, the pooled regression may distort the true picture of the relationship between Y and Xs across the 30 stocks. Suppose, we would estimate the price functions of 30 stocks separately. Also the results of our pooled regression of all stocks together are in our hand.

In order to justify our pooled regression, we have to conduct the Chow test. To carry out it, we need to calculate Residual Sum of Square (RSS) of 30 price function from pooled regression before we have attempted Chow test. We have also done LR (Chi-square) Test, F Test (F value), LM (Chi-square) Test and Hausman Specification test. We know that large values of Hausman statistic argue in favour of the fixed effect model over the random effect model. However, a large value of the LM statistic in presence of a small Hausman statistic argues in favour of the random effect model. If $p < 0.10$, then the test is significant at 90% confidence level; if $p < 0.05$, then at 95% level, and so on. The results that we have got in this study, favour the use of fixed effect model, as compared to random effect model in Panel data regression. Hausman specification (Fixed vs. Random) is 36.21 and p value is 0.00. These findings are consistent with findings obtained by Balakrishnan in the year 1984.

6. RESULTS (CASE 2)

In this section, we have used fixed effect model with multivariate regression. The proper approach for taking into account the individuality of each stock (i.e. each cross sectional unit) is to let the intercept vary for each stock but still assume that the slope coefficients are constant across stocks. For such analysis, we write our model (1) as

$Y_{it} = B_{1i} + B_2X_{2it} + B_3X_{3it} + U_{it}$ where i =1, 2, …, 30 and t = 1, 2, …, 15.............. (2)

It is worth noting that we have put the subscript i on the intercept term to suggest that the intercepts of the 30 stocks may be different. However, the differences may be due to special features of each company, such as managerial style or managerial philosophy.

This model is "fixed effect" in the sense that, although the intercept may vary across individual stocks but individual intercepts do not vary over time. So it is time invariant. Also slope coefficients do not vary over individual stocks. Thus B_2 and B_3 (i.e. slope coefficients of the regressors) do not vary across individuals or over time.

The variations of individual intercepts may be realized using Dummy variables as follows:

$Y_{it} = (A_1 + A_2D_{2i} + A_3D_{3i} + ... + A_{30}D_{30i}) + B_2X_{2it} + B_3X_{3it} + U_{it}$ where i =1, 2, …, 30 and t = 1, 2, …, 15

Here, $D_{2i} = 1$, if the observation belongs to 2nd stock.

= 0, otherwise.
Similarly, D_{ji} are dummy variables for jth stocks.

Since we have 30 stocks, we have used only 29 dummies to avoid falling into the dummy variable trap (i.e. the situation of perfect collinearity). Here is no dummy for stock1, whose intercept is represented by A_1. It may be noted that A_2, A_3, ..., A_{30} are differential intercepts which tell us how much the intercepts of stock2, stock3, ..., stock30 differ from the intercept of stock1. In short, stock1 becomes the comparison stock. Of course, we are free to choose any stock as comparison stock as suggested by Baltagi, B. H., (2003).

The results in Case (2) shows that all the estimated coefficients are individually highly significant, as the p values of the estimated coefficients are extremely small. The intercept values of all stocks are statistically different. These differences in the intercepts may be due to unique features of each stock, such as differences in management style or managerial talent. The coefficient for X_{2it} is 0.11 which is significant at 10% level of significance. It explains 11% variation in the model. As it is positive, high price of previous year has positive impact on opening price. Similarly, we can explain other coefficients. The R^2 for the model is 0.91. It explains 91% variation in the dependent variable.

From the above analysis, quite a natural question that comes is which model [between case (1) and case (2)] is better? The answer should be obvious as judged by the statistical significance of the estimated coefficients and the fact that the R^2 value has increased substantially and the fact that the Durbin - Watson value is much higher. It is suggesting that case (1) was incorrect. The increased R^2 value, however, should not be surprising as we have more variables in case (2).

This paper also attempted to provide a formal test of two models. In relation to Case (2), model is case (1) was relatively a more restricted model as it imposes a common intercept on all the stocks. Therefore, we can use the restricted F test. The F value we got is 66.93, which is highly significant and therefore, the restricted pooled regression in case (1) seems to be invalid. These findings are consistent with those obtained by Malhotra. M. and Prakash. N in the year 2001.

However, it is to be noted that fixed effect model may be straight forward to apply but it can be expensive in terms of degrees of freedom if we have several cross-sectional units. However, some of the problems may be alleviated if we resort to random effect model.

7. CONCLUSION

The direction of relationship between the dependent and independent variables is as per prior knowledge and expectation. In other words, last year high and low prices are positively related to the opening price (as evidenced by 30 stocks in Sensex). However, after performing the experiment on Sensex, we performed it on 6 different industries represented by 10 stocks on each industry. The first filtering criterion for selecting the stocks is their consistency with their financial performance (like dividend payment history) during the study period 2001 - 2015. When the fixed effect regression model is applied on sample firms of classified industry category wise, we observe some industry peculiarities. Firms of Electricity, Food & Beverage and Non-metallic products depicted some robustness in the results of the regression. The signs of coefficient and their values remain significant in the analysis. But other three industries namely Textile, Mining, and Other Services came out with insignificant coefficient values and very low R^2. These conflicting results do not permit us to generalise our title objective.

8. LIMITATION AND FUTURE SCOPE OF RESEARCH

Present experiment is with Sensex and 60 firms uniformly distributed over 6 industries. Though our data set is not sufficiently robust, we did our experiment with such data due to paucity of time. Future researchers may explore more robust data set for their multicounty or intertemporal studies.

We worked on fixed effect model as T>N (where N represents cross section data points and T represents time interval data points.) and obtained Housman specification test result (found to be 36.21).It might be a correct approach in relation to our data set. However, it does not eliminate the possibility of using random effect model.

Recent advancements in panel data, viz. Spectral analysis, dynamic model with additive fixed effects, modelling with nonlinear panel data set may be used by future researchers for eliminating at least some of the limitations of our present work.

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APPENDIX I (Case I)

Significant Results and Statistical Inference from Estimates of Sensex Data

1	R^2 value=0.76	Dependent variables in the left hand side are positively related to the independent variables on the right hand side.
2	D-W Statistic=0.22	D-W statistic appears to be very low suggesting poor auto correlation in the data. However, low D-W statistic may have specification error.
3	Hausman Specification Test=36.21	It directs us to go for fixed effect model

APPENDIX II (Case II)

Significant Results and Statistical Inference from Estimates of Equity Share Price Data

1	Coefficient for X_{2it} is 0.11	Found to significant at 10% level of significance. It explains 11% variation in the model
2	R^2 value=0.91	It explains 91% variation in the model
3	F Value=66.93	Found to be highly significant

A Review of Ethical Practices in Large Scale Establishments in India

Shweta Bapat*, Manasi Joshi**

Abstract: Ethics is a system of moral principles and attitude that guides our actions to be morally correct and fair. Ethics are the expression and exhibition of standards of moral conducts. Moral and ethics are of high importance in determining the standard of society. The concepts of Business Ethics have recently become dominant in business reporting. Business Ethics needs to be implanted in an organization's culture to implement the change in actions and attitudes. The responsibility for ethical behavior, which relates to the morality of decisions and actions in business practices, rests on individuals working in the organization.

A business operation includes a collection of people working as a group under certain authority, with an assortment of activities directed by few at the top, and run with a view to achieving certain objectives. It also has certain goals and objectives. The methods of working are regulated and controlled by some laws and statutory regulations. One of such statutory compliances as per circular issued by SEBI on August 13, 2012, it is made mandatory to include the Business Responsibility Report (BRR) in the Annual report of the company. The BRR is made mandatory to the top 100, listed entities based on Market capitalisation at Bombay Stock Exchange (BSE) and National Stock exchange (NSE) as on March 31, 2012. Principle 1 in BRR talks about ethical practices. This principle is analysed to take the review of the ethical practices in large scales establishments in INDIA.

OBJECTIVE OF THE RESEARCH PAPER:

This research paper aims to take the review and understand the ethical practices followed by large scale establishments in India.

RESEARCH METHODOLOGY:

BRR reports of selected 21 companies from among the top 100 listed companies based on market capitalisation at Bombay Stock Exchange (BSE) are analysed to understand the ethical practices followed in large scale establishments. The first principle which is related to 'Businesses should conduct and govern themselves with Ethics, Transparency and Accountability' is been analysed in this research paper.

Keywords: Ethical Practices, Moral, Business Responsibility Report.

1. INTRODUCTION

Many times we say that most businesses do their business ethically. It is a common understanding that we cannot run our business ethically for long time as it is not possible to earn profit and survive in a competitive world. Everyone's perception of ethics is different i.e. 'what I mean about ethics is different from your ideaof ethics'.

2. LITERATURE REVIEW

- ***Concept of Business Ethics***

Ethics is a system of moral principles and attitude that guides our actions to be morally correct and fair. Ethics are the expression and exhibition of standards of moral conducts.

Business ethics is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole. Applied ethics is a field of ethics that deals with ethical problems in almost all the fields.

Ethics are the set of moral principles that guide a person's behavior. These morals are shaped by social norms, cultural practices, and religious influences. *Ethics* reflect beliefs about what is right, what is wrong, what is just, what is unjust, what is good, and what is bad in terms of human behavior.

- ***Concept of Morals***

As described by author Mr. A Garde, 'Morals are those edicts of do's and don'ts that are instilled in a person from childhood onwards by the society.These get communicated and imbibed via the mother, the family, the schools and the local norms of behaviour. The religion to which the family happens to belong plays a large role in this process of instilling norms of thinking and behavior, morals are culture specific; therefore, these can differ betweenpersons, families, communities and religions.

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We know for certain that the morals have changed considerably over time period.'

Ethics studies morality.Morality is a term used to cover those practices and activities that are considered importantly right or wrong; the rules that govern those activities ; the values that are embedded, fostered or pursued those activities and practices

- ***Principles of Ethics***

The Principle of Respect for Autonomy:-

Autonomy is Latin for "self-rule" We have an obligation to respect the autonomy of other persons, which is to respect the decisions made by other people concerning their own lives. This is also called the principle of human dignity. It gives us a negative duty not to interfere with the decisions of competent adults, and a positive duty to empower others for whom we're responsible.

The Principle of Beneficence:-

We have an obligation to bring about good in all our actions. We must take positive steps to prevent harm. However, adopting this corollary principle frequently places us in direct conflict with respecting the autonomy of other persons.

The Principle of Justice:-

We have an obligation to provide others with whatever they are owed or deserve. In public life, we have an obligation to treat all people equally, fairly, and impartially. Combining beneficence and justice: We are obligated to work for the benefit of those who are unfairly treated.

3. OBJECTIVE OF THE RESEARCH PAPER

This research paper aims to take the review and understand the ethical practices followed by large scale establishments in India.

4. RESEARCH METHODOLOGY

By taking into consideration objectives of research paper, the researchers have decided to take secondary data for this particular research paper. Secondary data refers to the data which an investigator does not collect himself for his purpose rather he obtains them from some other source, agency or office. In other words, this data has already been collected by some other source and an investigator makes use of it for his purpose.

To get the required data, the researchers found that the 'Business Responsibility Reports' published by the companies as a part of annual reports would be the appropriate document. BRR reports of selected 21 companies from among the top 100 listed companies based on market capitalisation at Bombay Stock Exchange (BSE) are analysed to understand the ethical practices followed in large scale establishments. The first principle which is related to 'Businesses should conduct and govern themselves with Ethics, Transparency and Accountability' is been analysed in this research paper.

- **What is Business Responsibility Reporting ?**

Enterprise is not merely accountable to their shareholders for a revenue and profitability but also to the larger society which is also its stakeholder. Hence, adoption of responsible business practices in the interest of the society and the environment are as important as their financial and operational performance. This is more relevant for listed companies as they have accessed funds from the public and public interest is involved they should make exhaustive continuous disclosures on a regular basis.

In line with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business', considering the larger interest of public disclosure regarding steps taken by listed entities from a Environmental, Social and Governance ("ESG") perspective, it has been decided to mandate inclusion of Business Responsibility Reports ("BR reports") as part of the Annual Reports for listed entities. It is required to include BR reports as a part of its Annual Reports for top 100 listed companies based on market capitalisation at BSE and NSE as on 31st March, 2012. Other listed companies can voluntarily disclose BR reports as a part of their annual reports. In case of an MNC which has its subsidiary in India and which produces a single Global Reporting Initiative ("GRI") report, the subsidiary is required to prepare its separate Business Responsibility Report highlighting the responsible business practices it has put in place in India.

- **How does Business Responsibility Report help companies to make disclosures on adoption of responsible business practices or otherwise to the stakeholders?**

A Business Responsibility Report contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices. Business Responsibility Report has been designed to provide basic information about the company, information related to its performance and processes, and information on principles and core elements of the Business Responsibility Reporting.

The prescribed format of a Business Responsibility Report also provides a set of generic reasons which the company can use for explaining their inability to adopt the business responsibility policy.

Further, Business Responsibility Report has been designed as a tool to help companies understand the principles and core elements of responsible business practices and start implementing improvements which reflect their adoption in the manner the company undertakes its business.

BRR is based on following nine principles to assess compliance with Environmental, Social and Governance norms:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Principle 3: Businesses should promote the wellbeing of all employees

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights

Principle 6: Business should respect, protect, and make efforts to restore the environment

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Principle 8: Businesses should support inclusive growth and equitable development

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

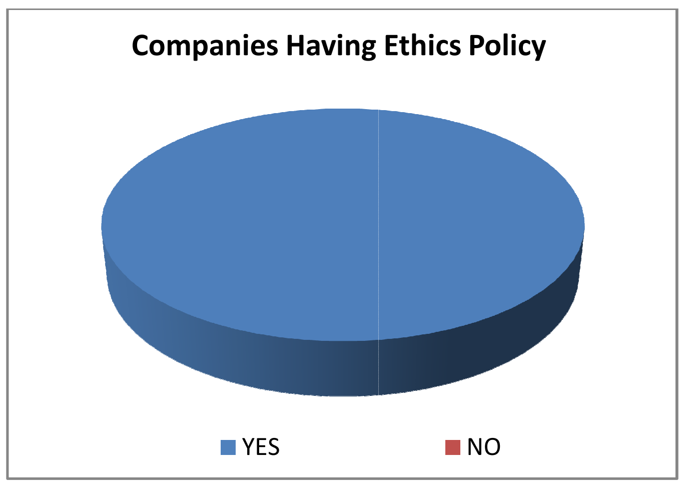
DATA COLLECTION AND ANALYSIS

Following are the companies which were considered for the study.

No.	Name of the Company
1	Persistent Systems Limited
2	ACC Limited
3	Alok Industries Limited
4	AMBUJA CEMENTS LIMITED
5	Asian Paints Limited
6	Bank of Baroda
7	Bharat Petroleum Corporation Limited
8	Bank of India
9	Cairn India Limited
10	Castrol India Limited
11	Cipla Ltd.
12	Colgate-Palmolive (India) Limited
13	Godrej Consumer Products Limited
14	Hindustan Unilever Limited
15	IDFC Limited (formerly known as Infrastructure Development Finance Company Limited)
16	Indian Oil Corporation Limited
17	IndusInd Bank Limited
18	Larsen & Toubro Limited
19	LUPIN LIMITED
20	Mahindra & Mahindra Limited
21	Oracle Financial Services Software Limited

BRR Q-1-Do you have a policy for Business Ethics?

Particulars	YES	NO
Companies Having Ethics Policy	21	0



Interpretation:-

As per BRR requirement, it is found that all thecompanies covered under the study have well established ethics policy.

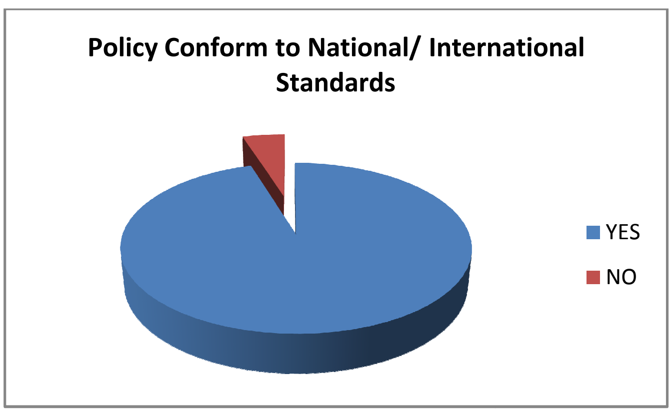
BRR Q.2. Has the policy being formulated in consultation with the relevant stakeholders?

Particulars	YES	NO
Policy formulation in Consultation with Stakeholders	20	1

Interpretation:-Out of the 21 companies 20 companies have formulated the policy in consultation with stakeholders.But in case of Indian Oil Corporation, as it is a Government Company, it is governed by rules, guidelines, procedures and policies issued by the Governmentof India from time to time. It reviews its business policies and practices towards developing sustainable business agenda.

BRR Q.3. Does the policy conform to any national / international standards?

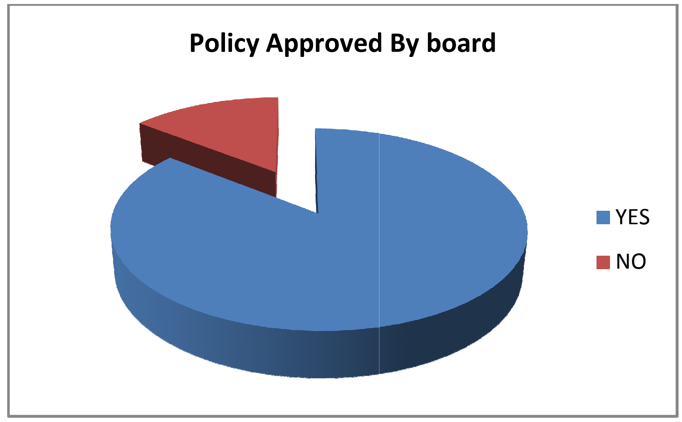
Particulars	YES	NO
Policy Confirm to National/ International Standards	20	1



Interpretation: - In case of 20 companies out of 21 have their policies in confirmation with National /International standards. Indian Oil Corporation as a Government company while formulating such policies/practices it has taken into consideration the standardsat National/International levels.

BRR Q.4. Has the policy being approved by the Board?

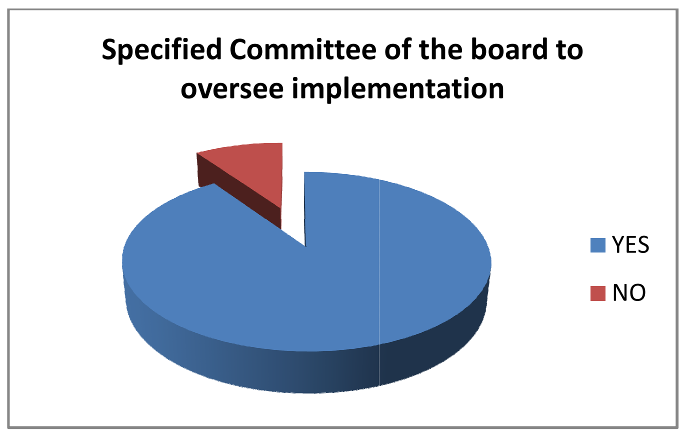
Particulars	YES	NO
Policy Approved By board	18	3



Interpretation: - Policy has been approved by the board in case of majority of the companies. In case of Indian Oil Corporation the policies are approved at appropriate levels by the competent authority including board wherever required. Two companies have not taken approval from the board and also not given explanation for the same.

BRR Q.5. Does the Company have a specified committee of the Board / Director / official to oversee the implementation of policy?

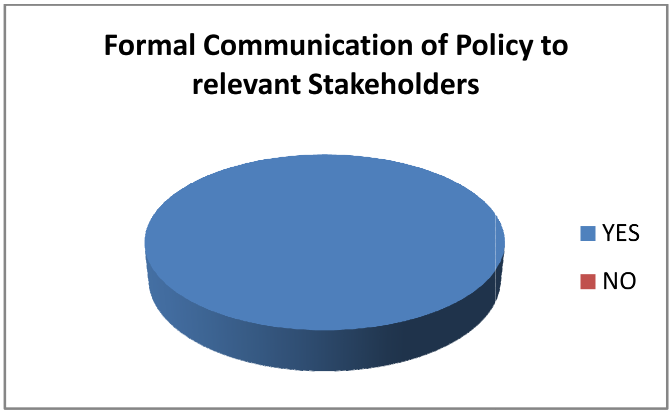
Particulars	YES	NO
Specified Committee of the board to oversee implementation	19	2



Interpretation:- Majority of the companies have specific committee to oversee the implementation of the policy. Indian Oil Corporation policy frameworks are regularly monitored in course of company's day to day business operations. Additionally, Board has delegated certain powers to various committees of the Board with distinct roles and responsibilities.

BRR Q.6. Has the policy been formally communicated to all relevant internal and external stakeholders.

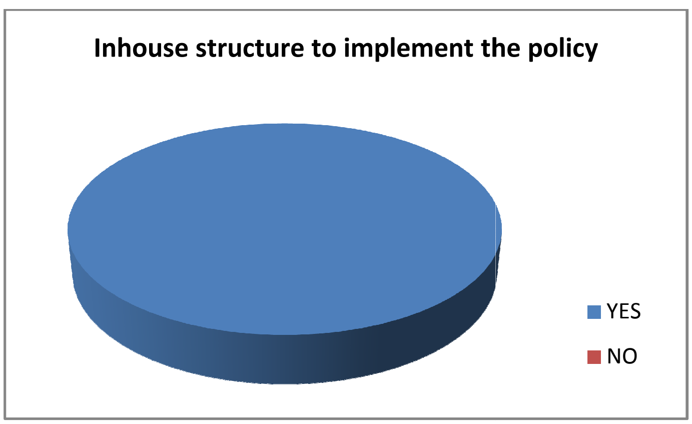
Particulars	YES	NO
Formal Communication of Policy to relevant Stakeholders	21	0



Interpretation: In case of all the 21 companies, there is a formal communication of the policy to the relevant stakeholders.

BRR Q.7.Does the Company has in-house structure to implement the policy /policies

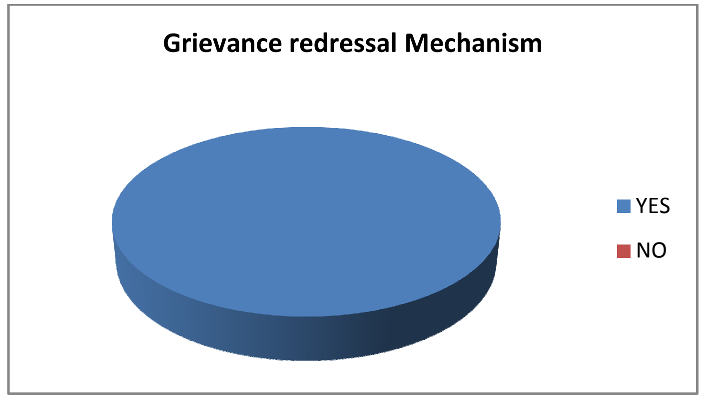
Particulars	YES	NO
In-house structure to implement the policy	21	0



Interpretation:- All the companies have in-house structure to implement the policy.

BRR Q.8.Does the Company has a grievance redressal mechanism related to policy or policy to address stakeholders' policy/policies?

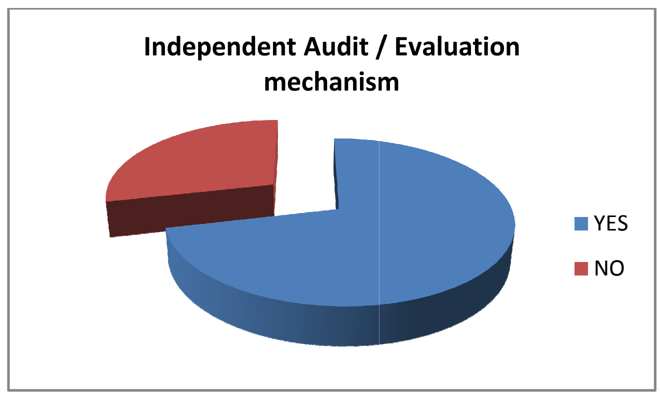
Particulars	YES	NO
Grievance redressal Mechanism	21	0



Interpretation:- Companies have the grievanceredressal mechanism related to the policy to address stakeholders.

BRR Q.9.Has the company carried out independent Audit / evaluation of the working of this policy by internal or external agency?

Particulars	YES	NO
Independent Audit / Evaluation mechanism	15	6



Interpretation:- As per BRRCipla Ltd.as the corporate responsibility policy is just one year old and is under implementation, after a review of the evaluation process to be followed, the company plans to undertake an independent external audit/evaluation after 5 years and an internal assessment of its implementation would be carried out every two years. Otherwise majority of the companies have independent audit/ evaluation mechanism. In case of Indian oil Corporation policies are constantly monitored and reviewed from time to time. Still some of the companies do not have independent audit mechanism either internal or external.

5. FINDINGS AND CONCLUSIONS

From the above analysis it is found that:-

1. All the companies taken for the study have the policy for business ethics.
2. In case of majority of the companies, policy has been formulated in consultation with relevant stakeholders except in case of government companies.
3. In case of most of the companies policy is in confirmation with either national or international standards.
4. The ethics policies has been approved by the board of directors. In case of Indian Oil Corporation the policies are approved at appropriate levels by the competent authority including the Board, wherever required.
5. Many of the Companies have a specified committee of the Board / Director / official to oversee the implementation of policy.In case of Indian Oil Corporation Policy frameworks are regularly monitored in course of the Company's day-to-day business operations. Additionally, Board has delegated certain powers to various committees of the Board with distinct roles and responsibilities.
6. Almost all the companies have formally communicated the policy to all relevant internal and external stakeholders.
7. All the companies have in-house structure to implement the policy.
8. Companies have the grievance redressal mechanism related to the policy to address stakeholders.
9. Majority of the companies carried out independent Audit / evaluation of the working of this policy by internal or external agency.

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