

IJBD

International Journal of Business Derivatives

Papers

- To Manage or to Lead? Question
- Impact of Successful Cultural Integration
- Health Insurance Distribution
- Indian Capital Market
- Innovative Financial Solutions for Agripreneurs in India
- A Framework for ERP System Implementation
- Positive Organization Behavior
- Employee Engagement- Directions for Change

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Message

**Lead or
Manage?**

Jim Young

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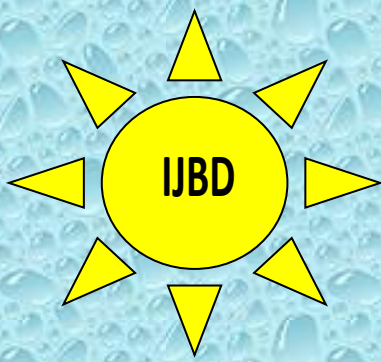
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IJBD, May 2011

Referees for 2011

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- 3. Dr. Nidhi Srivastava [Professor (Finance), Institute of Professional Excellence and Management, Ghaziabad, India]**
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Editorial

It's an extreme pleasure and an honor to welcome you to the first volume of *International Journal of Business Derivatives (IJBD)*. Without your overwhelming encouragement and support, we could not have started this venture.

The venture has started with taking one of the questions seriously that has been raised by Adi Ignatius, Editor in Chief of Harvard Business Review, in the page 12 of September 2010 issue. Ignatius has asked, "Can entrepreneurs really save the world?" Ignatius has called this question an audacious one and he asserts that only audacity is required to respond to this question. The business entrepreneurial leadership case he has published in that issue is rather scary and it relates to the lives of many entrepreneurs, managers and business leaders in today's world. Managing businesses with success is not an easy one that he shows by taking the leadership case in that issue and his decision to publish entrepreneurial business leadership cases in every issue thereafter was a welcome one. Necessity of clear understanding of business derivatives for successful implementation of business ventures and management gets prominence with this question.

Along with business growth, investments, memorandum of understandings, the dirty national and local political bottlenecks and ancillary problems have arisen either to end or to start. We will bring them to your notice in our own way. We will not always be very tacit, but we will try to be as honest as

possible to our commitment to working on the core questions that we term as *Ignatius fear* about the process.

Very importantly, in the same editorial, Ignatius makes mention of a couple of statements that needs to be brought into notice. The first one is Ashoka's Bill Drayton and Valeria Budinich's statement that "the coming era of collaboration between corporations and social entrepreneurs promises to expand and create markets on a scale not seen since the Industrial Revolution." The second statement is taken from Anne Habiby and Deirdre Coyle, Jr, founders of the International Economic Development from Allwood Network who say, "The trick for the governments and western businesses searching for opportunities in these markets is to find these entrepreneurs, nurture them and unleash their potential to develop innovative businesses that can drive global prosperity." Both the statements are largely true and there is lot more to it too. But if we can make the formulations of business derivatives stringent, the entrepreneurial revolution can march towards saving the world with very high probability and audacity of hope.

The page 12 of the HBR editorial September 2010 issue has haunted me to a very great extent as a result of which I have invited colleagues to team up with me to start an academic venture to work on business derivatives that raise questions of risk and credibility leading to world matters. In my view, the issues on the contrary should have been taken up with credible theorization and conceptualization leading to a world saving viability device. I recall a question I had asked a decade a back here and there. The question was - Can there really be another way to change the world and save the world rather than taking entrepreneurial revolution as a focus point with calling the developed nations to develop the developing nations, and

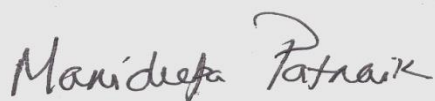
directing the developing nations to develop the underdeveloped nations? This process was expected to create a global stage, that would have created an era of inclusive growth, and a beautiful world would have emerged, had crafty audacities not come on its way.

Ignorance of the effective understanding of the concept and severity of consequences of playing around with this process, on the part of the political parties, self interest driven greedy influential few, governments and societies have rather already been an audacity in the process, that have resulted in naive imbalances in entrepreneurial revolutions pressured by sharp influences from top to bottom of the existing systems and multilayered crafty conspiracies. The revolutions geared by people power have started in places like Egypt, Tunisia and Libya etc and they can spread. All these have crucial connections to business derivatives at some level or other – deep level or surface level.

Managers have to understand that entrepreneurs, who have been picked up to promote the process, have of course at times tried to maximize from the opportunity bestowed upon them, at the cost of lives, that has brought the conspiracy game closer to human lives. But without audacious backing from concerned forces, they would not have dared to step into what they have stepped into. And at this point, it needs to be hammered that not all entrepreneurs are as bad or as audacious. In fact, audacity to act smart, ignorant, vulnerable, greedy and arbitrarily arrogant as systems and nations in a time such as this, have been very alarming, hazardous and dangerous. Still, I would make an affirmative statement that, in a time of global economic collapse, calamities and disasters, humans will help humans through entrepreneurial activities as very last resort.

There is no interrogation about it. Managers need to understand this and the academic, journalistic and thinking communities have to cooperate as well to create an era of exemplary business derivatives that will set our time as a model for the coming generations.

In a situation such as this, the business derivatives that run the process in various strategic ways, should be carefully understood by entrepreneurs and managers, at all levels of operations so that the fear of such a hope that entrepreneurs can indeed save the world will not work against the only hope we have to save the world. Recall one of warnings of John F Kennedy that talked “about a monolithic and ruthless conspiracy” which would combine military, diplomatic, intelligence, and economic, scientific and political operations to finish the world. The seventeenth century philosopher Garret Hardin had predicted a world that hinted at a world led by business derivatives too and that too was a very alarming prediction. Let us begin with a new level of consciousness with full knowledge about the world of business and management and let us have a desire to start to this end. This needs dramatic attitude shift that Jim Young talks about in the first article of this volume.

A handwritten signature in black ink on a light beige rectangular background. The signature reads "Manideepa Patnaik" in a cursive, flowing script.

Manideepa Patnaik

Editor in Chief

To Manage or to Lead? That is the Question.

In this article Jim Young admonishes us to abide by the inner spiritual voice to understand the world and the businesses that we do that run the world – be it financial businesses, material businesses or spiritual businesses . Absence of ego consciousness about these businesses leads to absence of divinity expected to be present in these areas of existence and that results in evils in the businesses we do, which impact our lives locally and globally. This article advises us to set to learn the meaning of “Return of the Jesus” with the awaited dramatic attitude shift as a device to save the world. Define leadership – hearing inward – Young says - and ask yourself whether you want to lead the world or manage the world. It’s your world today and the choice is yours to decide how you want to govern your business. Prosperity will be yours- Young affirms.

These days, the world of business suffers from one economic crisis after another. Seemingly, the more entrepreneurial have instant strategies for managing our affairs—even for making a financial killing—during these times. Yet, it’s largely because we have governed our workplaces with quick and easy methods that we’re in this financial mess. And those for whom we are responsible in the workplace suffer not only financially, but

psychologically and emotionally, as well. There must be another way, a better way...and there is! But the way I'd suggest is founded on an entirely different foundation for living—not just for living but for living prosperously.

What we need in these dramatic times is an equally dramatic change in the way we conduct our lives. The dramatic change I speak of is one rarely used as a management strategy. Actually, it's rarely used at all—which is why we feel incomplete, empty and disconnected, even when we manage to gain in our business dealings. The dramatic change of which I speak does not deal with managing. It deals with leading—leading from the inside, out. I'll take you through a different way of leading, no matter what your profession. We'll take it step by step, for it is so different as to require a dramatic shift in attitude toward life—and different philosophy about life. Indeed, living and leading from the inside, out, begins in a very different place. It begins with knowing how to tap into our intuition and leading from the Wisdom found there. It is inward where we find the limitless prosperity of ideas and ideals that truly serve us—and which spark us to lead with dignity, and with our highest integrity intact—all of which defines prosperity in a very different way.

I have used the term “intuition” in various writings to come from me, as well as in many presentations on similar topics. Whenever I ask participants if they have ever “heard” intuition speak to them, invariably 100% of the group affirms the connection. When I ask if following intuition has ever failed them, only one hand out of hundreds has been raised to indicate that intuition had failed her. For all the rest, following

the guidance of intuition worked perfectly for them, even if “what they sensed” felt like a strange or highly unusual step for them to take at the time. Upon further investigation, the person who said she had been misled by her intuition—only once, mind you—confessed that she had feared that the intuitive suggestion wouldn’t be the right thing to do, so used her intellect instead—and *that* decision had failed her. Interesting: she had blamed intuition, when she had instead trusted fear. With this sudden insight, her answer to my question instantaneously shifted to the affirmative. This leads to a question: If intuition never fails us, why do we utilize some outer authority, which often fails us and keeps us enslaved to its endless attempts?

Then, there are those who insist that intuition is nothing more than a different form of consciousness, established through practice and development of the intellect. It strikes me that this position comes from living out of belief—which is always limiting in some fashion—and the voice of linear-rationalism, and what is incorrectly termed objectivity. To keep it simple, intuition is the voice of soul, the omniscient, omnipotent, omnipresent substance or principle that makes up the universe. This voice of soul is, has been and always will be, ever-present. To paraphrase a friend, the intuitive, “felt sense” is one in which we *know without knowing how we know*. This indelible voice needs no development at all. This indelible voice is complete in every way, and inseparable from spiritual life itself. It’s not that we need to develop our intuitional capacity. We need only surrender to our innate awareness of all that is, instead of cowering to the overemphasis on belief and overdeveloped intellectual bias.

For many, the difficulty in accepting this simple, eternal construct lies in the misapplication of rationality to an irrational Truth, Spiritual essence—Wisdom. The misapplication imprisons the one doing the seeking—the one looking for an answer where it cannot be found. Seeking outside of spiritual reality is a clear expression of residing in ego consciousness, both feet solidly planted. Ironically, what one is seeking is already immediately present, brought to awareness simply by letting go of striving for what is known on a much deeper level, and listening—really listening, in our heart of hearts. Yet, for many if not most, seeking continues, as though their own simplistic means would bring them peace, when all it reinforces is a continual striving, and a feeling of incompleteness. Truth—witnessed as inner peace and a sense of completeness—is discerned by reconnecting with itself, found only deep within our heart of hearts. This connection cannot be made by striving or seeking; the eternal connection can be made only by letting go of striving and our sense of self-importance, and letting Awareness inform the Universe with its ineffable, Loving Way.

One can no more solve or truly understand irrational experience through some rational explanation than rational treatise can be treated through subjective, irrational exposure—spiritual awareness. One requires intellectual judgment, while the other needs nothing at all. When we quit struggling to explain all of life rationally on a linear plane, and surrender to the innate no-thing-ness of intuitional heart knowing—heart Wisdom—awareness serves us with a giant dose of spiritual, non-linear, unfettered, eternal Truth, even if

only for the moment sudden awareness allows it to enter our experience.

Awareness, in this context, is far deeper than the simple acknowledgment that it is either hot or cold outside. Awareness, in the context of intuition, does not require nor can it be explained with words; neither does it access what we normally would call free will. What transpires in experiencing intuition is the sudden awareness—on a spiritual level—of the only real translation of Life. Once this deeper understanding of one's non-personal Wisdom comes into play, what is thought to be one viable choice among others—called by most, free will—disappears into the sensitivity that there is no other viable choice for us but the one we hear with spiritual ears. It's only by living from the need to feed the ego—living out of fear—that we feel we are separate from all else and thus disconnected from our own real essence. Indeed, it is fear that erroneously perpetuates the misconception of free will and choice. Contrarily, the Truth heard as heart Wisdom—called gnosis by the Gnostics—is clear and profound. Information is power—gnosis is the voice of *empowerment*. Choice and free will thus disappear in the Truth that there is only one reality, and this single reality is what frees us to demonstrate Truth, instead of error, faithfully into being.

I have used the term intuition interchangeably with enlightenment, Christ consciousness, insight and the still, small voice. No matter which term is used, being aware of the still, small voice fuels transcendence—transcending from intellectual understanding to experiencing the one and only meaning of life from a spiritual foundation or principle. This

one and only meaning is spiritual Wisdom, and its purpose—what it is that *inspires* us—so we can *expire* it, faithfully extend the voice of Wisdom out into the Universe. This is the proverbial, “breathing life into being” spoken of in Scripture.

On the other hand, many, for example, take enlightenment to be something we achieve after much hard work and study, like a medal we receive for winning some kind of race. Enlightenment, much like miracles, does not come in larger and smaller packages, or from some “magnificent outer force.” And we don’t develop enlightenment, as if it were a spiritual muscle. Enlightenment, truly, is indeed like miracles. When living spiritually, enlightenment is an extraordinarily ordinary occurrence, not something exceptional in its witness within a mind-boggling system of linear rationalism. Enlightenment is a never-ending understanding that comes from experiencing intuitional Wisdom. There is no greater or lesser, no larger and smaller, no sudden feeling that “I’ve arrived.” When we allow awareness, rather than seeking or exercising intellectual pursuit, to guide our lives, at the same time we part the veil that keeps the Truth of our Being from us. Truth is not a secret something we get to witness only once in a while, and only under certain conditions. Nor is Truth governed by an entity outside us, and therefore something ordinarily kept secret from us. The experience of Truth *seems* like it is secret because it is we who have infrequently accessed it by getting out of our own way and letting Truth simply be what it is, so awareness can light the way. It is our insistence on self-importance that blinds us—it is the erroneous belief that we know best that keeps Truth secret from us.

When I use the term Christ consciousness as a synonym for intuition—or even insight, for that matter—the intention is to further clarify what the spiritual Master, Jesus, admonished us to utilize. Jesus did not call us to follow or worship him, the man, in order to achieve our salvation. Rather, Jesus admonished us to abide the loving way of listening to and demonstrating spiritual awareness, inner sight, or in-sight, intuition—*as The Way—as The Christ*. By separating himself from the laws of the day—laws that stressed more of what can be called “spiritualizing the ego”—Jesus focused only on his inward journey, staying aware of inspirational Wisdom as guidance—his Truth—each step of the way. Thus the Christ, as a spiritual metaphor, becomes the eternal Wisdom found only inward. Thus, it’s not that the Christ will one day return; instead, it’s that we can return to the Christ anytime we wish—anytime and anywhere.

When the word Christ is paired with consciousness, it is not intended to mean that it is tied to the intellect or some psychological construct. Rather, when the term Christ consciousness appears, it means that in the spiritual or symbolic world the *only* consciousness is that which Wisdom generates. Wisdom, Christ consciousness, thus speaks to the reality that affords us with the experience and demonstration of our eternal Truth. Truth is the ineffable, infinite and eternal reality, equated with the awareness of the essence of life from a spiritual foundation.

I have also conveyed life to be the infinitude of potentiality awaiting only awareness and demonstration. Potentiality is maintained by our unawareness. Once awareness is exposed

by parting ways with our alliance with, and reliance upon, the limitations of linear-rationalism, potentiality witnesses to its innate reality. Indeed, inspiration leads the way. Each intuitional, inspirational “knowing” is what ignites spiritual awareness. In the parlance of the linear-rational world, these “sparks of life” come from some source separate from us, and they start a chain reaction, should we choose to follow them. Scripture says it this way: “In the beginning was the Word. The Word was with God. The Word was God.” Many take this to mean that some outer force guides us, and this outer force is something we have learned to call God.

In the spiritual tongue, what initiates demonstration of the eternal Truth is intuition, the vibration that resonates as inspiration, insight, a sudden aha moment. Linearly, we think of inspiration coming to us from somewhere else, thus it would have a past tense applied to it—it *was* somewhere else *before* it came to us. In a spiritual context, this eternal Wisdom, expressed in what is labeled insight, intuition or inspiration, has always existed. Wisdom seems to appear now and again largely when we are paying no attention to outer authority, which leaves room for awareness to come to light.

Indeed, the continuum of infinite, immortal Life is occasionally interrupted by a brief stroll into a body of highly limiting thought. For it is this omnipotent, omniscient, omnipresent awareness that is the God we are to worship, and not some likeness of ourselves we have constructed for our own purposes, whatever those may be. It is this God—spiritual awareness—that is our savior. It is this God and this God alone, that we are to worship—are to abide. By abiding Truth,

Wisdom, in any of its forms, we arrive at spiritual integrity. Without fail, we demonstrate our spiritual integrity with our entire mind (heart knowing), with all our heart (passion) and with all our strength (our convictions). This God—spiritual awareness—is the God that saves us from the limits we place on ourselves by harboring the beliefs we have garnered from living a self-important existence.

When we have tired of the chaotic existence garnered from relying on outer authority—those many voices we have utilized to construct our beliefs and opinions—we finally admit, “I know nothing.” It is this admission that we really know nothing at all, which epitomizes humility on a spiritual level. Once we do acquiesce or surrender to spiritual awareness, our lives leave behind the drama associated with an identity falsely held. The vacuum left behind by our sincere declaration is suddenly filled with one experience after another of spiritual awareness. Worry and stress, fear and anxiety inhabit us no longer. The curtain rises on the stage we call life, and grace plays itself abundantly into the Universe. At last, we connect with—and live from—the joy that fills our hearts and the peace that fills our minds.

Thus leadership is defined. Would you rather manage or lead? Go inward to hear the answer—silence is the language God speaks. Listen—and lead. Prosperity is sure to follow.

A Successful Cultural Integration

Abstract

This article discusses the case of cultural integration and cultural change processes in a merger and acquisition scenario. The focus of the project is on various tangible and intangible issues and concrete steps taken to resolve such issues between two different cultures. The factors discussed are based on empirical findings and literature that proved to corroborate these findings in the analysis and insights based on these findings. It is argued that cultural integration takes place by mutual trust that can be built by shared goals, by dialogue, by looking for shared norms, monitoring and handling deviance.

Introduction

There was a study conducted by Harvard University about success ratio of various acquisitions done over a period of time. It was shockingly revealed that about 80% of the acquisitions failed. Of these failures 60% to 80 % of the business combinations undergo a slow and painful demise because of ignoring Cultural Integration.

When we acquire a company, it ought to be a merger of two different corporate cultures, mindsets & values. It is actually

like marriage. If culture is not taken care of, it can prove to be a decisive point to the success or failure of the new entity.

Moreover, as per an ATKearney Research Study, the acquiring entity often tries to impose its own systems, values and strategies on the acquired one, thus eroding the latter's values. This is done without an evaluation about which culture would be the more suitable for the new organization. This puts great stress on the employees of the acquired company, who find it difficult to disassociate with old values and incorporate new ones. This may lead to resentment and rivalry.

Key factors while going for an M&A are usually:

- Due diligence
- Confidential agreement
- Designing strategies for the new business
- Handling financial implications

However, the employees are more or less kept out of the process and that is where the issue starts to simmer.

Company Profile

We are a first generation group that started in 1985 with the launch of a Polyester texturing yarn unit at Achhad, Maharashtra. In 1993, it had a maiden foray into manufacturing of terry Towels at Vapi, Gujarat. It diversified into large diameter steel pipe manufacturing catering to Oil & gas sector in 1996 and ever since it has never looked back and has grown from strength to strength.

Today it is a US\$ 3 billion Group and is an amalgamation of expertise, resources, opportunities and engineering excellence. With global leadership position in Line Pipe and Home Textiles, its marquee client list includes most of the Fortune 100 Companies operating in Oil & Gas and retail sector like Chevron, Exxon Mobil, Wal-Mart, Target amongst others.

Supported by some of the largest Financial Institutions / Banks (Temasek - Govt. of Singapore, HSBC, Standard Chartered Bank, Goldman Sachs, ICICI venture, State Bank of India) and strong foothold in over 50 Countries, with over 24,000 employees & 100,000+ shareholders, we are one of India's fastest growing conglomerates.

The Need

As earlier mentioned we are into a leadership position in the large diameter pipes. The raw material for making a steel pipe is either a steel plate or a coil. Since these are high pressure pipes, the material is X-70, X-80 or even higher grade of steel. Unfortunately, there are not many retail players in the world who have the expertise to make such plates and coils.

As such, we decided to have our own state of the art Plate & Coil Mill. However the issue of raw material still remained, as by virtue of having an in-house facility, we were able to take care of timely supplies of the right quality of plates & coils, but the raw material to make a plate or coil i.e. steel slabs was still an issue.

Acquiring Company

This was a part of a very large conglomerate having interests in aluminum, copper, iron ore mines, telecom, cement, textiles and retail having a group turnover of 28 billion USD and an employee base of over 0.13 million. The Unit was a producer of DRI and HBI. In fact this is the only plant in the world to produce both DRI and HBI from the same reactor. The plant is situated in a coastal district of Maharashtra with an installed capacity of 0.9 Million Tons PA.

They were primarily in the Non-Ferro segment and as such this unit (that was essentially in the Ferro segment) was not a part of their core business strategy. As such this unit had been on the block for sale for quite some time.

To cater to the need of its Plate Mill, We decided to acquire this unit, enhance its production and have an integrated steel plant of 1.5 million tons PA to produce slabs.

The Merger and Acquisition Process

This group was a fairly seasoned and old conglomerate that had tweaked its HR policies over time to cater to the interests of its large employee base. It also ranked # 1 Best Employer by the Hewitt – Economic Times survey 2007. In short they were perceived to be a better employer as compared to us.

After their Head HR announced the decision to hive-off this unit, there was a palpable tension amongst the employees as

they always hoped that their unit would be acquired by a bigger group like Tata or ArcelorMittal. Moreover they had never heard of us, so the first reaction was what is going to happen to the employees?

So far HR was never a part of any discussions, evaluations or meetings with them. After they sensed the problem, their Unit Head called up our Director Corporate Affairs, who was a party to the deal who in turn called me and informed that apparently there has been a issue related to their employee's perception about our group and I needed to go to that unit as soon as possible to set the things right.

This was the brief and I did not have any clue as to what the real issues were. Any how I took hold of a group presentation that we usually used to give to the new joinees and started adding things that could have been relevant to their employees.

A Good Beginning

I planned the trip along-with one of my Technical Directors and reached their at around 2.30 pm. Our experiences were as follows:-

- We were asked to wait before meeting the Unit Head
- Very cold reception
- Asked us to finish lunch and then meet him
- No one accompanied us for lunch in the guest house

When we returned back from lunch, we met him again and he shared information regarding some issues that have been raised by their employees and in order to effectively resolve the issues we wanted to give a presentation to all concerned.

He informed us that as per their system, we would first have to give a presentation to their Functional Heads then to the HODs, the Management staff and then to the Union office bearers.

We nodded our heads and waited for the Functional Heads to come in the Unit Head's room. There were two of them and after we exchanged greetings, I started giving the presentation. When I started the atmosphere was tensed with each of the FH starring at us as if we had just arrived from Moon, but slowly as I moved from one slide to another starting with the evolution of the group to the speed with which we have acquired #1 or #2 positions in both of our major verticals – the frowns started converting to normal faces.

The presentation included the following:-

- An AV covering the growth journey of the group
- A recording of “Boss's Day Out”, a program featuring our Chairman that was aired on NDTV Profit few weeks back
- Introduction of the promoters
- Evolution of the group & the current financial statistics
- Current list of key investors
- List of our valuable clients
- The market share rank in both Textiles as well as Steel Pipes

- No. of awards/accolades received from National & International Institutions including a Sustainability Award from Wal-Mart
- A glimpse of the short term and long term plans of the group
- Why did we buy their Unit, because of location, gas based DRI as well as scope for enhancement of production subsequent to availability of natural gas that was in the offing.

After the introduction of the group, I had covered the rationale for this acquisition as the unit was an important ingredient in our overall process chain to make world class large diameter pipes.

Towards the end I had covered employee related information. Some of the salient features are as follows:-

- Existing Manpower Strength – over 18000 spread over various locations
- Some of our good HR practices especially in the area of employee engagements such as:-
 - Tie up with AIMA for higher education including reimbursement of complete fees after successful completion of the course
 - Tie up with Akanksha, a NGO to provide mentorship to some of their under privileged adolescents
 - Starting of two kinder-gardens for the children of our workers at one of the major locations

- Tie up with Lijjat *Papad*, an organization that trains the women in the making of *Papad* (a snack that is popular in India and people like to take this along-with the main course meal) and later on supply dough to them and buy back the *Papad* from them.
- Our Performance Management System
- Other major benefits/perquisites to the employees
- Some of the growth stories with names and current levels

After this there were at least two slides that covered our commitment not to tweek with any of their existing benefits unless we are able to better them.

After I ended the presentation, the atmosphere had changed and the FHs started participating in the discussions. They gave me couple of good inputs in terms of re-arrangement of some of the slides as well as addition/deletion of some of the inputs. I thanked them and then returned to the guest house to do the needful.

Next day morning they had called the HODs that were around 40 – 45 in no. but before that I had an important assignment in my mind.

In any existing set-up that has been reasonably established, any employee would be perturbed in the case of any sell out, especially when the buyer is not a well known (bigger than the subject unit/co.) entity. In such an eventuality, the employees would first and foremost be airing their grievances/issues to none other than their existing HR Department. So in case I am

not able to win over the HR Department, my chance of winning over the majority of the employees was bleak.

In this case, unfortunately they did not have a Functional Head – HR, so there was no chance for us to meet and share our strategy as in the case of the other two FHs whom we had successfully brought to our side. So I met the DGM – HR and asked him about the general perception of the employees about this take-over. He was up-front and gave me a complete picture of the employees and the kind of grape-vine flowing. The key issues of employees as per him were related to their retirements etc. and if we are able to satisfy them on this single point, we had won the battle. I thanked him and sought his co-operation in resolving any issue. I also met his peer who was responsible for the employee relation. I assured him that I have a plan to meet the office bearers of the union on my next visit and also told him that I would seek his co-operation.

Around 11 am we had the first meeting with the HODs. The flow of presentation was almost same and I started with the AV and then the presentation. The Director technical explained the rationale of buying this unit and our future plans to make slabs. The HODs had couple of questions and we answered the same. Our biggest success point was our employee engagement program wherein we had tied up with AIMA to do management courses including an MBA by distance learning program. Since these employees were based in a remote location, they sensed a sea of opportunities to enhance their qualification and in turn seek better opportunities for themselves. More so our decision to start the presentation with an Audio-Video was also yielding

results as “Seeing is believing” and no amount of talking could have convinced them about our spread as well as stature.

Towards the second half we had a bigger group comprising of all the management staff (around 250 employees). We gathered in a large hall and I started the presentation with AV followed by Boss’s day out. The NDTV recording had its desired effect as it showed a common man’s perspective of our Chairman, who they felt was also a human being like them. Moreover they were missing this aspect in their present set-up as they had never even seen their Chairman.

The Core Issues

This group was much more vocal and many guys asked questions ranging from their own benefits to their future. The volley of questions that I faced is collated below:-

- What will happen to their accrued retiral benefits
- What will happen to their *Nischint Plan* (an insurance that takes care of the family by paying a annuity in the unfortunate even of a demise of employee)
- Will some of the more beneficial policies such as step-up gratuity plan be continued
- What will happen to the band system
- How will they get opportunity in the proposed project
- Where will we get the raw material from
- What is the contingency plan for raw material as well the Natural Gas

- What about various perceived benefits that they see in the new group, would they continue to have the best of both
- There has never been any growth in the previous regime; going forward, will there be growth for me?
- Will you tweak anything related to my mobile phone, its bill, canteen service, colony maintenance, colony school subsidized fees etc.

We responded to each of the question with complete sincerity as well as adding little bit of humor wherever possible. In the end, it seemed that we had done our bit and the employees are by and large in for it.

Now these unit people had some of their counterparts sitting in their Mumbai office. Without wasting any further time, we wanted to ensure that even those employees are touched upon; some of them were quite senior belonging to Marketing, Raw Material etc.

As such, we started from the unit and reached their Mumbai office rather late in the evening and we repeated our show and addressed their issues as well. The issues were more or less similar and I had in fact covered some part of it while giving the presentation but there were couple of issues that were related to their movement to our office as and when the deal is finalized from the court of law.

Some of the issues raised were as follows:-

- Whether they will get any extra commuting allowance, in case the difference in distance from their residence
- Number of holidays
- Will they get compensation for foregoing Fourth Saturday off, as we have only second Saturday off
- What will happen to the drivers who are on their personal pay roll
- What will happen to the peons attached with them

We responded to these queries again with sincerity and said “No” wherever we were sure and wherever we were not too sure, we asked for some time.

When we reached back office the next day, we met our Chairman, who wanted a first hand information on what transpired the previous day. We gave him the whole perspective and also recommended that we will have to handle the integration rather wearing kid gloves. Our Chairman also asked me about my perception of the status of their current level of motivation level. I responded that my first impression is not all that good but I promised him that I would come back to him in near future with complete details.

This was sometime in June 2008 and we were given to understand by our Legal & Company Secretary function that the formal acquisition would happen in around 6 months or so, since the acquisition was to be approved by the shareholders of their company. Fortunately there was no need for us to seek our shareholders approval as our group’s steel company was not listed.

After their share holders would approve of this transaction, our company would form a JV with their company and we would have to deposit the whole sum of the total transaction deal to an escrow account and then the combined entity would approach the High Court for approval of this arrangement, subsequent to which we would formal acquire this unit.

Winning over the Worker's Union

As promised to the IR head in the unit, I went back after few days to have my maiden interaction with the office bearers of the union. Before meeting with them, I wanted to have a one-o-one with the IR Head, as I wanted to be absolutely clear of the ground realities lest I unnecessarily start a new issue. So before meeting them, I met him for half an hour. He shared the following with me :-

- They had one Union that was affiliated to a political party of the State
- The Union President was an outsider, a District level President of the same political party
- The Union President was a reasonable guy who understood rationale and precedence issues in IR
- The unit had a good IR scenario and not seen any stoppage of work for the past 4 – 5 years
- They had the usual practice of a three year settlement and the current settlement was due for renewal since 1st April 2008 and the negotiations were going on in a peaceful manner

- As a part of a progressive group, they also wanted the union to be involved in this important milestone so as to co-operate in the future
- The Union members wanted to assess our worker related practices and other statutory compliance issues

I thanked the Head IR and asked him if he would also be there, he responded in affirmation. I had already modified the presentation little bit to suit my audience level and had included lots of CSR related work that we had been doing.

I started the presentation with my lucky mascot, the movie and recording of NDTV – Boss's Day Out. In order to ensure that my audience understands each and every aspect, I narrated certain critical information in Hindi. After the movie, I started with the presentation and too all of them through our current clientele, current business turn-over, good HR practices as well as opportunities for the employee to improve themselves.

I had not expected that they would be so overwhelmed. In hindsight, I think probably they never communicated and given importance the way they got that time, as their group was far superior in many aspects otherwise. Anyways, I had done my bit and was quite pleased the way things had unfolded. But what came the very next moment while we were still preparing to leave the presentation venue.

One of the office bearers told me, probably after quick consultation amongst themselves, that they would wait for our company to takeover and till then they would not hold the meetings that were being held currently to decide on their charter of demands. I was totally clueless on how to handle this

veiled intention from the union. Certainly we wanted all the pending issues to be settled before we take over the unit and the union member's remark was not in good humor. I looked at the Head IR and he winked at me signaling that I should not worry unnecessarily. I shook hands with all the members and came out.

The Real Planning

So far we did not have any definite strategy to take care of the cultural integration and had been approaching each issue as it came, but now I wanted to strategize so that we are able to ensure a seamless integration and weed out any issues in the budding stage only.

Accordingly I called for a meeting of all the stake holders of both the companies. The agenda was plain and simple "How to move forward together". The meeting was timely called for as this was the right time as I had already an insight about their culture, expectations as well current level of motivation. The meeting lasted for almost more than four hours wherein we deliberated on various options and towards the end, we had an action plan. The action plan contained the following ingredients:-

- a) It was important to instill a sense of confidence amongst the employees and ensure that their personal issues like retivals, current benefits and perquisites would be assured by us.

- b) In order to do the same effectively, it was suggested that their current Head HR should issue an individual letter to all the employees stating clearly this fact.
- c) We should have more interactions, that would mean I should plan more trips to the unit and so should more colleagues from our side.
- d) "Seeing is believing". As such there should be planned trips of the majority of the HODs, some select employees as well as an escorted trip for the union office bearers.
- e) Since the current production was to be enhanced, we should make a joint team of Managers from both sides to take necessary steps.
- f) Another joint team would be formed to take necessary steps to take care of the proposed project.
- g) Our group was having certain review mechanism in place. It was decided to have uniformity across the group; the new unit would also follow the same mechanism.

Necessary timelines and responsibilities were fixed and we decided to meet every Monday morning at 11.00 am to take stock of the things.

So far so good, I thought. But there were still couple of things that were yet not addressed. For e.g.:-

- We had not yet planned any joint get-together.
- The unit had a beautiful colony where almost 80% of the employees stayed.

- The unit also had a CBSE affiliated school – we had yet not made any inroads in neither the colony nor the school, both very important ingredients to ensure we are able to take care of the families as well.
- I was yet to plan a significant move to ensure that our most important link the HR team of that unit was singing the same tune
- Plan to ensure a great welcome to their HO staff as and when they start operating out of our office – however that was still at least 6 months away.

I had planned for a visit to the unit every fortnight. During my next visit to the unit, I planned a visit to the colony as well as the school.

It was a beautiful colony with practically all necessary amenities such as a small swimming pool. It was a picturesque place with small hills and a circular road connecting the outer and inner side of the colony.

The school was also very well made with a beautiful play ground. It was till 12th standard and had close to 700 students. The Principal was recently appointed and seemed all set to look forward to our proposed merger. Since I was already associated with the existing CBSE affiliated school of our group, I asked her to remain in touch with me for any assistance as she was also new. She informed me of an upcoming event in a month's time and asked me to be present for the same. That was something I had been looking for and gave her my concurrence.

Winning over the HR fraternity

In that visit I had also planned for a unique way to mingle with the HR fraternity and make inroads to ensure they speak our lingo that was so necessary for overall success of the integration.

I met the Head HR, who by then was showing signs of looking forward to his own progress by virtue of this amalgamation. Since I was relatively quite senior than him I asked him to assemble all the HR & IR team members in the conference hall. He asked for half an hour to do the needful and also asked me the agenda of the same. I told him that this is going to be just an introductory meeting since I would like to meet all the members.

We met upstairs in the conference room and there were a good 25 – 26 employees gathered. I started by my own introduction and then asked each one of them to introduce themselves briefly. After that I narrated my experience when I had introduced “Learning Curve” in my group. Learning Curve was essentially a forum wherein all the HR fraternity in the group used to meet for collective learning. In each meeting one of the members that was pre-decided in the previous meeting, would give a presentation on one topic and the audience would ask questions to bring home the subject. It had phenomenal success especially in the remote places as each team member would become richer by the end of the session.

The HR team there was obviously no different and they jumped on this session. I told them that the next meeting would be held

after a fortnight and we also quickly decided on the topic and the presenter, who incidentally was the HR Head himself.

But I wanted to give them a flavor of what they could expect, so I quickly decided to speak impromptu on a topic that was quite dear to me “Competencies”. It was a real treat for them as I gave those couple of examples and actually involved each and everyone in some sort of deliberations on the topic. The meeting lasted for over 2 hours and in the end when I sought their feedback about that meeting. They were almost in tears as they had not experienced anything like that ever. Being part of a relatively larger group, probably their Corporate HR was busy in doing better things than concentrate on such basic things.

Any which ways, I had achieved my objective and in one stroke had ensured that all the HR & IR fraternity would speak our lingo.

In my next meeting, I started my interaction with all the HODs. I decided to meet them one-to-one basis so as to have better personalized interaction and also to give them a chance to speak out without any fear or peer pressure.

I met some 35 – 40 HODs and also formed my opinion on the key stake holders as well understand the work culture they were following. Based on my interaction I prepared a report giving scores to all concerned and sent to my Chairman as promised. I definitely had the benefit of having a good interaction with them that I could use in future.

As the saying goes “Well begun is half done”. Since we had put up a review mechanism and met every Monday at 11.00 am without fail, all the points that we had initially decided, started showing progress. Meanwhile our MIS expert had already put in place a robust format and decided on the frequency of each report. Certain critical reports such as daily production & dispatches were tweaked and the local MIS guy was asked to send the report by 10.00 am each day and other financial reports that were already existing were also changed to suit our requirements with periodicity fixed depending upon the importance.

The production enhancing team was also formed and started meeting periodically. They decided to work collectively on various steps that would eventually result in enhancing the production level from current 600,000 Tons PA to 900,000 Tons and then to 1.5 million TPA. They took all the necessary steps such as:-

- o To thrash out issues relating to putting the second reactor on fire simultaneously along-with the first reactor
- o Expedite release of Natural Gas that was due to be released
- o Organize the additional raw material from the vendors
- o Re-arrange the logistic support that would be required to handle the additional finished goods at the jetty.

Meanwhile, the school had its cultural function as planned and we were invited. I was asked to speak few words on the occasion. I grabbed this opportunity and gave a detailed view of our existing school as well as the future plans. I also told the

gathering that we would like to ensure that this school also reaches the pinnacle of its success rate and should aim at getting at least the Best School of the entire State.

The Final Deal

These formal and informal interactions continued and slowly but steadily we could sense the changes in the approach of their key people. Meanwhile the wage settlement was also finalized and I was called by the Unit Head as well as the Head IR for sharing the final numbers. Though the numbers appeared slightly on the higher side but I kept quiet and asked them to go ahead as there was little I could have done at that juncture to correct the same.

Sadly though after few months, recession had hit each and every industry hard and our group was no different. Soon there was a media report stating that we might not be able to fulfill our commitment to buy this unit. This single news gave a large blow to all our efforts towards cultural integration.

In order to effectively do the damage control, we sent a mail to all HODs from our Chairman's desk refuting all these allegations and reiterating our commitment to acquire this unit as soon as the Honorable High Court gives its verdict in favor of the deal.

The High court had been approached by certain lobbyists' who were against this deal. These lobbyists comprised of few share holders amongst others. Fortunately for us the High Court gave its verdict in the favor of the deal and gave a final date of 22nd May 2009 as the D – day.

The deal clearly spelt out the following:-

- All existing employees except the current unit Head would become employees of the new entity.
- The existing unit with its colony, school, club, guest house and shopping center along-with the jetty were part of the deal.
- A Temple and a hotel that was also part of the existing Management were to be retained by them
- Certain staff that were working in the Hotel & temple administration were to be part of the existing unit
- There would be a ban of 2 yrs from the said date to seek employment with the previous group.
- The balance sheet of the unit was to be divided into two parts i.e. from 1st April 2009 to 22nd May 2009 and from 23rd May 2009 to 31st March 2010 with all profit/loss of the period till 22nd May 2009 to be transferred to the previous group.

Merger Integration

We decided to have a mega informal interaction wherein our Chairman, Our Managing Director as well the Executive Director flew in and landed right outside the main gate in a Chopper. First all of us went to the temple to pray and then came to the plant. We had a visit that lasted for over 3 hours of the complete facility including the colony as well as the jetty.

Later on our Chairman had an informal meeting with all the HODs in their conference room. In the meeting he took

introduction from all the members of the unit as well as members that had accompanied him. Later he shared his insights of the way the group is functioning, its philosophy as well as information on the enhancement of the current production levels and proposed project.

In the same meeting our Chairman also unveiled “Mission 100 days”. The idea was to motivate the employees to ensure enhancement of the existing production level from 0.6 Million Tons PA to 0.9 Million Tons PA. He also announced that this is a test of all of us and we have to prove our critiques wrong by achieving the project.

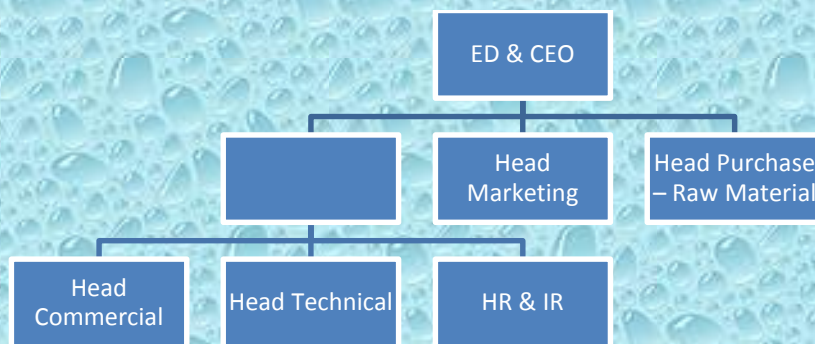
The employees were all charged up but I wanted to ensure that this motivation lasts and culminates in the enhanced production levels with the right costing.

So I decided to call in an expert to have a motivational workshop that was titled quite aptly “Power of Responsibility”. It was a day the Managers would have remembered for a long time as they had never witnessed anything like that ever before. After the day was over, the Managers were charged like never before and roaring to complete the task at hand. The local HR also decided to call that trainer again for the lower levels as well.

Since the Unit Head had to return back to his parent group, we requested the previous Management to let him continue for 90 days period within which time frame we were to recruit a person for the role and with few days overlap the new incumbent would be ready to run the show.

Post Merger Integration

We selected a President level candidate who was a commercial guy but had handled a company as COO in the past. He joined and I took him to the plant to introduce him to the outgoing Unit Head as well as rest of the team. We had a formal meeting and he spent some time with the Unit Head as well as other members of the team. Eventually the new President spent close to a month before taking the overall charge of the plant. We had also changed the organisational structure slightly to keep the interest of all the players and also to ensure that the new incumbent graduates to that level. The revised Organisational chart showing the direct reportees was as follows :-



Earlier all the functions including Marketing and Purchase were also reporting to the Unit Head, but we had taken a calculated decision to have both these functions report to ED & CEO and the Unit Head taking care of all unit related activities.

Our Chairman had launched “Mission 100 days” on 23rd May 2009, the day we took over the reins of this unit and within the next 60 days, the second reactor was completely overhauled

that was crucial to get the targetted production level of 0.9 Million TPA.

The raw material purchase team had organized the enhanced raw material that was required and so were the efforts put in by the logisics and shipping team. Each one of the respective team members had put in exemplory efforts to ensure the production is enhanced. Not to miss the efforts put in by the liasion person to ensure we get the natural gas without which it was simply not possible to make the extra DRI.

All pieces of jig-saw puzzle fell into place and the team was able to start the second reactor succesfully that had never been fired till date. The whole atmosphere was full of excitement and every one was looking forward to the moment when both the reactors would fire simultaneously. Our Chairman sent a mail to all congratulating the succesful firing of the second reactor. After exactly 6 days we got the big news that both the reactors had started firing simultaneosuly. With that the production numbers started climbing up and reached the magic figure of 2700 Tons a day making it to over 0.9 MT PA.

It was an ecstatic moment for all of us who had worked tiredlessly to ensure there is a full integration of different cultures, value systems and ethos.

Meanwhile as per our commitment that we had done right in the begining and even our Chairman had reiterated, we decided to follow some of the good practices of the unit elsewhere in the group. Some of these practices were :-

- WCM (World Class Manufacturing) practices that was a shade better than TQM and this unit had even won few prizes as well. The person who was incharge of this section was made to go elsewhere in the group, especially in the Steel vertical and asked to initiate the process.
- Their Suggestion/Kaizen Scheme was slightly customized to cater to the group's needs and launched elsewhere in the group
- They had a good practice of "Meet Your HR" wherein periodically HR would meet a section or Department and listen to their issues. We decided to dovetail this as well.
- Their GCM (General Communication Meeting) was an excellent tool wherein once in a month all employees gather at a place and they have a structured presentation about the performance of the unit for the given period followed by an open house.

For the Steel Project, some 30 odd senior management people were recruited and started the commissioning of the project. A common team as decided earlier was created as some of the existing personnel from the operations side were also transferred in the projects team. The commissioning work went on stream as planned.

We also sent some four teams including thge union office bearers to our biggest facility wherein we had five manufacturing units in a singlke complex covering over 3000 acres of land. Special care was taken to ensure a befitting

welcome to all the team members. It was a memorable event for all of them as they came back with first hand information on our state of the art units. Soon the word spread around and the perception of the employee's towards our group started taking a firm shape.

Six months down the line, we successfully compelled the PMS (Performance Management System) of all the employees as per the new entity's system and deliberately care was taken that we do more than justice. Also at the same time we looked at integration of all the policies that were quite different from the rest of the group. After careful deliberations with all the concerned we came to the following conclusions :-

- The eligibility of leave needed to be same across the group so it was decided to compensate all the affected employees by adding no. of days of reduced leave in their salary as a special allowance.
- Other retiral benefits such as step-up Gratuity Scheme needed to remain unchanged as cost of stopping that scheme was a whopping amount
- It was also agreed to continue with the insurance coverage of the parents of the employees as well as Personal Accident policies

Company's Merger

On 9th Oct 2010, HR Anexi, a leading HR Advisory and OD Consulting organization – in association with Blessing White, a global consulting and training firm was engaged by us to find out the motivation level of the employees of the new entity.

It was an online survey, wherein the following was explored :-

- How do employees feel about their jobs?
- Who wishes to stay or leave – and why?
- What drives their performance?
- What most impacts their satisfaction?
- Does the manager play a meaningful role in this?
- Are employee talents being fully utilized?
- Are employees clear about the organization's goals?
- Do Leaders positively promote Employee Engagement?

Our HR team was quite enthused and were hopeful of getting a good core averaging 6 to 7 on a scale of 10. Only by next weekend we would get to know the final score, but we are keeping our fingers crossed and hoping for the best as we had put in our best efforts and the financial and production numbers were for everyone to see.

Conclusion

Arguing that a multidimensional approach is necessary, the author distinguishes between majority and minority perspectives, between enforced and chosen processes of integration/segregation, and between social and cultural dimensions. It is only if all these dimensions and their inter-relationships are taken into account that a sufficiently nuanced (complex) description is possible

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Health Insurance Distribution for THE BPL in Jammu Region: Issues, Challenges and Solutions

Abstract

Health status of a population is now considered an important economic indicator of development for any economy. It is now seen as a development issue, rather than just a medical one. Health services have a major influence on the well-being of individuals and societies, and are an important part of a nation's politics and economy. Traditionally, tied agents have been the primary channel for insurance distribution in Indian market targeting majorly the middle segment of people who can afford an insurance policy and are residing within their approach, resulting in creating a niche of population having insurance cover over un-certainties in the region. None of the companies emphasized on lower class of people as well as those residing within rural areas of the state. Now-a-days, with the change in current marketing scenario, private players as well as government bodies has started to cater the lower class segment people with their product mix (offerings), but everybody has resulted serious market failure with in J&K state. In this context, this study is an attempt to find out what are the issues involved in Jammu & Kashmir as far as health insurance distribution is concerned. This study also tries to identify the different challenges associated with it. Finally, its deals with providing solutions to insurance providers for better equitable and easy

access of health insurance for lower class of people and even for those who are residing in interiors or rural areas of the Jammu region.

Key Words: *Health Insurance, Distribution, CBHI, and J&K region.*

Introduction

Health is a basic need along with food, clothing, shelter, and education and is a precondition for productivity and growth. Health services have a major influence on the well-being of individuals and societies, and are an important part of a nation's politics and economy. Health interventions can lead to economic growth and reduce inequality in developing countries. Ill health and poor access to health services are increasing seen as major dimensions of poverty. Health is a human right, which has also been accepted in the constitution. Its accessibility and affordability has to be insured. While the well-to-do segment of the population both in rural and urban areas have acceptability and affordability towards medical care, but at the same time, it cannot be said about the people that who belong to poor segment of the society.

Health Insurance in Global Perspective

For most people living in developing countries "health insurance" is an unknown word. It is generally assumed that, with the exception of the upper classes, people cannot afford such type of social protection. This is a pity as also poor people demand protection against the financial consequences of

illnesses. For most people living in poor developing countries, illness still represents a permanent threat to their income earning capacity. Beside the direct costs for treatment and drugs, indirect costs for the missing labor force of the ill and the occupying person have to be shouldered by the household.

Health insurance schemes are an increasingly recognized factor as a tool to finance health care provision in low-income countries. Given the high latent demand from people for health care services of a good quality and the extreme under-utilization of health services in several countries, it has been argued that social health insurance may improve the access to health care of acceptable quality. Where the alternative forms of health care financing and cost recovery strategies like user fees, has been heavily criticized, the option of insurance seems to be a promising alternative because there exist possibility to pool risk transferring, unforeseeable health care costs to fixed premiums. Recently, mainly in Sub-Saharan Africa along with a variety of other countries, a non-profit, mutual, community-based health insurance schemes have emerged. An ethic of mutual aid, solidarity and the collective pooling of health risks characterize these schemes. In several countries, these schemes operate in conjunction with health care providers, mainly through hospitals in the area.

Health Insurance in India – Current Scenario

As per the latest available estimates based on large sample survey data on household consumer expenditure, 27.5 per cent people lived below poverty line in the country based on Urban Rural Population (URP) Consumption in 2004-05.

In rural areas, the poverty ratio was estimated at 28.3 per cent whereas in urban areas it was 25.7 per cent, stated V. Narayanswamy, Union Minister of State for Planning and Parliamentary Affairs in Rajya Sabha. Orissa had the highest 46.37 per cent of people lived below poverty line while Jammu and Kashmir figured with the lowest 5.43 per cent below poverty line. The percentage population below poverty line in Jharkhand was 40.35 while that of Gujarat was 16.75 per cent, according to the data released. <http://business-standard.com/india/news/about-275-people-live-below-poverty-line/379163/>

Health care financing in India can be considered almost unique in several respects. One, the share of public financing in total health care financing in the country is considerably low - just around 1% of GDP compared to the average share of 2.8% in low and middle-income countries or even relative to India's share in disease burden. Two, the beneficiaries of this limited public health financing are not only the poor having limited public spending, but also the well-off section of the society. Third, over 80% of the total health financing is private financing, much of which takes the form of out-of-pocket payments (i.e., user charges) and not any prepayment schemes. Relying on out-of-pocket payments is not only inefficient and less accountable than other methods of financing, but it is also iniquitous to the poor on whom the disease burden falls disproportionately more, who are more susceptible to disease and who are most likely be pushed into the poverty trap. The World Bank (2002) estimates that one-quarter of all Indians fall into poverty as a direct result of medical expenses in the event of hospitalization. One of the important challenges faced by

Indian health policy experts is that how to convert predominantly private out-of-pocket spending into health insurance premium, whereby this amount is collected from a much larger group of insured individuals rather than from the limited number households affected by illness. Another important challenge is that how to provide health insurance to the people who cannot afford to pay (full) premium.

In India, individuals and families having low incomes faces significant barriers in accessing quality healthcare. Public health facilities suffer from poor management, low service quality, and weak finances. On the other hand, private health facilities are expensive, resulting people to borrow or sell assets to meet hospitalization costs. Around 24% of all people hospitalized in India in a single year fall below the poverty line due to hospitalization (World Bank, 2002). An analysis of financing of hospitalization shows that large proportion of people had to borrow money or sell assets to pay for hospitalization (World Bank, 2002). At the same time, recently, insurance companies have shown little interest in offering health insurance products to poor groups.

For the low-income people, insurance was never considered an option in the past. They were assumed too poor to save and pay premium. Hence, the government assumed the responsibility of meeting health care needs of the poor. One could argue that if government pays for the poor anyway, why think of insurance at all. Instead, why does government not continue providing free health services to the poor, as in the past? Well, the strategy of free public health provision has not worked well in most states. Shrinking budgetary support to the public health services, inefficiency in provision and unacceptably low quality of these services are reflective of this.

Even in states like Tamil Nadu where public health care provision is reasonably developed, and may even get better as the decentralization process deepens, there are reasons for introducing health insurance. First, it is being increasingly realized that even low-income people can make small periodic contributions, which can add up to a significant amount, thereby taking some financial burden off from the already strained state revenues. Second, the insured individuals would have an option of going to either public or private service provider, which in turn would generate competition among providers for better services. Finally, health insurance can be used to promote certain desirable behavior, for example, the Aarogya Raksha scheme of Andhra Pradesh links family planning to health insurance.

Health insurance for the poor can take different forms. It could be community based (examples to follow) or non-community based (like Jan Arogya policy of the government). Community Based Health Insurance (CBHI) can itself take several forms. Two types of CBHI schemes that are observed in India are Firstly, where an NGO acts as an intermediary between a formal insurance provider and the insured community (for example, SEWA in Ahmadabad, ACCORD in Nilgiris) and secondly, where the NGO itself provides insurance to the target community. In the latter case, the NGO may itself be the health service provider (for example, Sewagram Hospital) or may have an arrangement with the health service provider (for example Tribhuvandas Foundation).

All these forms currently exist in the country but only in small pockets. These forms need to be explored. Each of these forms may be relevant depending on the local conditions that vary considerably across regions. For a diverse country like India,

there cannot be a single model. Indeed, CBHI schemes could be designed in a number of ways after considering socio-economic characteristics of the target population, health profile of the population, and the health risks prevalent in the region. Even within states, different districts can have different altered and modified schemes. This call for scientific approach with good experimentation that can be fine-tuned subsequently as experience accumulates. The decentralization process initiated in the country with the 73rd and 74th Constitutional Amendment aimed at promoting local bodies like Panchayati Raj Institutions (PRIs) in the rural areas and Nagar Palikas in the urban areas, raising the hopes of being able to reach the poor through community based initiatives with some subsidy to those who cannot afford the costs. The real benefits of CBHI lies in keeping the transaction costs low, in scheme design suited to the community needs, in influencing health behavior through health education, and in influencing the supply of health care. Popularizing insurance among low-income people requires conveying the idea, canvassing for it, collecting premium, and verifying claims and then reimbursing these claims. In case of formal providers, all these functions typically take up significant part (at least 20%) of the premium amount. In CBHI schemes, such costs are low as to 5-6%. This is because community members' performs many of these tasks themselves. Besides, in poor communities, financial barrier is only one of the barriers in accessing health care.

Often, there are many non-financial barriers that must be overcome through the design of schemes, which ought to take into account characteristics of the community. All these aspects can best be handled if the scheme is community based. Additionally, the problems of adverse selection and moral

hazard that arise due to informational asymmetries can be reduced by making use of local knowledge that is readily available among people living in close communities. CBHI scheme is more appropriate in reducing informational asymmetries. CBHI schemes also help in influencing provision of health services. By its very nature, CBHI scheme can be designed to meet health care needs that are specific to a community. By this reckoning, Jan Arogya type of policy, which is not tailored to the needs of the target community, cannot be hoped to be very successful. As there is no community participation in the scheme, leading to be a subject matter to abuse. Generally, CBHI scheme is organized through an NGO that is conversant with the target community. A CBHI scheme is that where an NGO mediates between community members and the formal insurance provider seems to combine the participatory feature with the efficiency aspect characteristic of the formal insurance provider. However, some forms of CBHI also have important limitations. For example, where an NGO itself provides insurance (acts like an insurer), the ability of NGO to have a pool of well diversify risk is limited. This in turn restricts the ability of NGO to cover or insure variety of risks faced by the target population. Moreover, where CBHI schemes are critically dependent on external funding, extending the reach of these schemes then depends on the amount of such funding available. Furthermore, either the insurance schemes launched by national or state-level governments when elections are in sight tend to be populist or vote-catching play. Since such schemes have to be renewed every year, these tend to be dropped once the elections are over. It is to be seen if universal health insurance scheme belongs to this category.

This situation exists in a scenario where health care is financed through general tax revenue, community financing, out of pocket payment and social and private health insurance schemes. India spends about 4.9% of GDP on health (WHR, 2002). The per capita total expenditure on health in India is US\$ 23, of which the per capita Government expenditure on health is US\$ 4. The total health expenditure is around 5% of GDP, with a break-up as public expenditure (0.9%), and private expenditure (4.0%). Private expenditure further classified as out-of-pocket (OOP) expenditure (3.6%) and employees / community financing (0.4%).

It is thus evident that public health investment has been comparatively low. In fact as a percentage of GDP, it has declined from 1.3% in 1990 to 0.9% as at present. Furthermore, the central budgetary allocation for health (as a %age of the total Central budget) has been stagnant at 1.3% while in the states it has declined from 7.0% to 5.5%. Nearly 10% of Indians currently have health insurance, out of that, more than 80% of the population utilizes private sectors for medical care. Unfortunately, medical care becoming costlier day by day and it has become almost out of reach of the poor people. One possible consequence of this could be pushing these families into a zone of permanent poverty. There are also concerns about problems in accessibility and use of subsidized public health facilities for the poor in Jammu region. Most poor households, especially the rural ones, reside in backward, hilly, and remote regions where neither government facilities nor private medical practitioners are available. They have to depend heavily on poor quality services provided by local, unqualified practitioners and faith healers. Further, wherever accessibility is not a constraint, the primary health centers are

generally found to be either dysfunctional or providers of low-quality services. The government claims to provide free secondary and tertiary care does not stand up; in reality, patients charged for various services. Regulations need to be both on the health care provision as well as on the supply of insurance.

Community Based Universal Health Insurance Scheme

In India, financing of health services may choose between public financing through general taxation or private financing through health insurance. Public finance is justified where equity concerns override the efficiency objective. Private insurance has certain pitfalls such as leaving out low-income individuals who may not be able to afford the premium, and denying coverage to people who are sick and limiting the coverage for high cost conditions or services. In country like India where public health care suffers from poor management, low service quality, weak finance and lack of responsiveness to patients needs; demand for development of health insurance is likely to bring about improvement in the public health care system.

Generally, there are four types / forms of health insurance existing in India.

- (1) Voluntary health insurance schemes or private-for-profit schemes;
- (2) Employer-based schemes;
- (3) Insurance offered by NGOs / community based health insurance, and
- (4) Mandatory health insurance schemes or government run schemes (namely ESIS, CGHS)³

1: Voluntary Health Insurance Schemes or Private-for-Profit Schemes

In voluntary health insurance, buyers are willing to pay premium to an insurance company that pools people with similar risks and insures them for health expenses. The key distinction is that the premiums are set at a level, which provides a profit to third party and provider institutions.

³ In addition to that, health insurance arrangements may fall into the one of three models: (a) The Intermediary Model, (b) The Provider Model, (c) The Manager Model

2: Employer-based schemes

Employers in both the public and private sector offers employer-based insurance schemes through their own employer-managed facilities by way of lump sum payments reimbursement of employee's health expenditure for outpatient care and hospitalization, fixed medical allowance, monthly or annual irrespective of actual expenses, or covering them under the group health insurance policy.

3: Insurance offered by NGOs / community-based health insurance

Community-based funds refer to schemes where members prepay a set amount each year for specified services. The premium are usually flat rate (not income-related) and therefore not progressive. Making profit is not the purpose of these funds, but rather improving access to services.

4: Mandatory health insurance schemes or government run schemes

Mandatory health insurance is an earmarked fund set up by government with explicit benefits in return for payment. It is compulsory to certain groups in the population and the premium is determined as per income (ability to pay basis) rather than related to health risk. The benefit packages are standardized and contributions are earmarked for spending on health services. The government-run schemes include the Central Government Health Scheme (CGHS) and the Employees State Insurance Scheme (ESIS).

Prior to the announcement of the proposed community based universal health insurance scheme by the finance minister of India, various states governments were contemplating to launch a health insurance scheme for its poor population. State governments intensified their efforts when Central government made similar announcement in the budget 2002-03, but did not take off. Without sufficient knowledge base, the state governments were trying to enter into an arrangement with the medical services providers, public insurance companies and the target community; whereby, insurance companies would reimburse treatment costs of the target community and the governments would subsidize the premium to the insurance company for the insurance sold to the target community.

Some state governments had thought of paying the premium through their general revenues, while others had planned to cross-subsidize premium by bringing state government employees also under Mediclaim policy (Punjab and West Bengal governments were thinking alone on these lines). With the recent announcement (in the budget 2003-04) made by the finance minister to launch “Community Based Universal Health Insurance” scheme for the low-income people, state governments have put off their plans.

Before analyzing the scheme launched recently, let us first look at some of its important features. The scheme comes in three different flavors: (i) Rs. 1 per day per year for an individual, (ii) Rs. 1.5 per day per year for a family of up to five members, and (iii) Rs. 2 per day per year for a family of up to seven members. Given this, the bias towards family enrolment, as opposed to individual enrolment, is obvious. What are the benefits provided?

Scheme provides medical expenses up to Rs. 30,000 per family in case of hospitalization. It will compensate for the loss of livelihood @ of Rs. 50 per day up to maximum of 15 days if earning member falls sick. Nominee will receive Rs. 25,000 in case of death of the earning head of the family due to accident. In all these flavors, the government provides a subsidy of Rs. 100, which remains fixed, whether an individual buys the insurance, or a family of five or of seven. While the scheme is open to anybody who wants to participate in it, the subsidy is given only to the BPL families. Moreover, scheme is designed to cover poor individual/family on Indian streets and even those who are members of some group or the other such as cooperative societies, bidi workers, handloom weavers etc. In other words, the proposed scheme is a group insurance scheme with membership of at least 100 families. The scheme is not designed to cover the entire BPL population, at least not in the initial phase. If the scheme survives and does not get extended to include other BPL families, state governments would then need to think of reaching those poor who are not a part of any occupation-based or any self-help group for which the scheme is currently intended.

Some other salient features of the scheme are: (i) individuals between the age of 3 months and 65 years can join the scheme, (ii) total hospital expenses that can be reimbursed under the scheme for any one illness can be up to Rs. 15, 000 with a cap on the amount payable for different types of hospital expenses, (iii) a number of illnesses / situations are excluded, for example, maternity insurance is not included, and (iv) claims will be settled either by an intermediary called third party administrators (TPA's) or by the insurance companies themselves. The scheme is expected to cover 10 million families

that are below the poverty line in the first year. The government subsidy is capped at Rs. 1000 million.

Private Health Insurance in India

Unlike most OECD countries where private/social health insurance is the main source of health care financing, in India, and more generally in developing countries, most private insurance is a supplementary service. Health insurance, whether social and private, whether formal or informal, is extremely limited in India. Existing health insurance schemes in India are mandatory schemes, private (voluntary) schemes, employer based insurance, and the schemes in the NGO/voluntary sector. All these schemes put together cover about 110 million people or about 11% of the population. This number falls far short of the private health insurance potential that is estimated anywhere between 400 and 500 million people.

Although a number of private insurance companies have entered after the liberalization of the insurance market in 2000, no significant change in health insurance has been observed either in terms of new health insurance products or in terms of the volume of business. The two health insurance products namely Mediclaim for the general public and Jan Arogya for the poor, launched prior to the liberalization, have not shown any significant growth either in terms of volume of business or in the number of policies sold post liberalization. The new general insurers have introduced slight variations of the existing Mediclaim and the new life insurers have introduced some health riders to their life policies. However, their volume of

business is negligible and scope of existing health insurance schemes remained limited.

Health Services Scenario in Jammu & Kashmir

The overall health scenario of the state is crying for proper planning and management. There are 3690 health care institutions, 4 medical colleges, 10,600 beds in Jammu & Kashmir state. The Kashmir province has a Medical University Sher-e-Kashmir Institute of Medical Sciences with 700-bedded hospital and an undergraduate medical college with additional 260 beds affiliated to it. Some other affiliations includes Government Medical College and hospitals associated to it (710 bedded SMHS Hospital, 410 bedded Lal-Ded Maternity Hospital, 150 bedded Children's Hospital, 175 bedded Bone & Joint Surgery Hospital, 350 bedded Chest Disease Hospital, 100 bedded Psychiatric Disease Hospital and Chitranjan Mobile Hospital), one Dental College, 30 bedded G.B Panth General Hospital, 6 District Hospitals, 22 Sub-District Hospitals, 120 Allopathic Dispensaries, 111 Medical Aid Leprosy Hospital and 1 Emergency Hospital, besides 1 Asian College of Indian Medical Sciences. The Jammu province has two Medical Colleges and associated hospitals, 6 District hospitals and a chain of Primary Health Centers, Allopathic Dispensaries, Sub-Centers and a number of Medical Aid Centers. Ladakh region has two district hospitals and a number of PHC's, Allopathic Dispensaries and Medical Aid Centre's.

Each region has a number of Unani Dispensaries (Indian system of Medicine) that supplement the health care delivery system in the state. Like other states, J&K health care is supported by private sector, which includes small hospitals, Nursing Homes,

Polyclinics, private practitioners, Faith healers and Quacks. Quacks play havoc with the lives of people particularly women and children. Kashmir has been passing through very difficult circumstances since 1989 due to persistent disturbances and unrest. The Health Care Delivery System is one of the worst hit services. The exodus of healthcare professionals from the valley created a vacuum during early 1990s adversely affecting the basic health services. The already inadequate health infrastructure further added to the miseries making the people vulnerable to various diseases and other forms of deprivation. The exodus of healthcare professionals coupled with lack of good governance has led to collapse of systems including the Health care delivery in general and Rural Health Infrastructure in particular. Lack of specialists - Anesthesiologists, Gynecologists, Radiologists and other technical staff at District Hospitals has rendered these essential services ineffective. Similarly, some PHC's and dispensaries have become non-functional. This has resulted in heavy overcrowding in teaching hospitals in Srinagar. Some hospitals like Children Hospital & District Hospitals need adequate infrastructure, essential equipment and lack of maintenance of biomedical equipment, which affect the quality of medical care. Poor immunization facilities and Cold Chain Systems, frequent interruptions or lack of proper electricity supply result in inadequate coverage and unsatisfactory services besides causing damage to sensitive biomedical equipment.

Women's health has not received proper attention of policy makers, as there is a single maternity hospital in Kashmir catering to whole population of this province. Mental Health is the most neglected area. In spite of ten, fold increase in psychiatric diseases due to ongoing conflict, tremendous

stressful conditions, overwhelming fear and uncertainty during the last 11 years. No attention paid to expand such services not to speak of up-gradation and modernization of existing facilities. Emergency care including trauma and disaster management service is available only in Srinagar and Jammu cities. Towns and rural areas hardly have any such facility and have to transport the patients to long distances, which at times results in avoidable deaths on the way. The Golden Hour is lost in travelling these long distances.

Improper implementation of National Health Programmes is highly discouraging. Backward classes like Gujjars and Bakarwals and residents of remote areas have limited access to health services in general and specialist care, in particular. Drug misuse is on the rise. Easily available over-the-shelf drugs including tranquilizers, sedatives and mood elevators besides alcohol, cannabis and tobacco are proving detrimental to the health of lot of young people. Family Welfare services are inadequate and even lack credibility. Availability of wide range of services has not been ensured. Social marketing is need of the hour.

However, population stabilization is very important to prevent the outstretching of limited resources, but health promotion and disease prevention have not received the desired inputs in the state. Common health problems are similar to other regions of developing nations. Infectious disease - water borne disease, hepatitis, respiratory tract infections, tuberculosis, eye infections, skin infections due to poor hygiene and overcrowding take their toll. Non-communicable diseases including cardiovascular diseases, hypertension, neurological disorders, and cancer particularly of gastrointestinal system, peptic ulcer, chronic obstructive airway diseases, and endocrine

problems including diabetes, iodine deficiency, cataract, infertility, urogenital disorders and malnutrition are common. HIV/AIDS infection though not a major public health problem should receive proper attention to avoid any catastrophe. Otherwise, heavy price shall have to be paid for complacency. 79% of the Jammu and Kashmir population lives in rural areas. The age distribution is typical of high-fertility populations that have recently experienced some fertility decline, with relatively high proportions in the younger age groups and a slightly smaller proportion age 0 – 4 than age 5 – 9. 37% of the population is below age 15 and 5% is age 65 and above. The overall sex ratio for the defacto population is 955 females for every 1,000 males. The sex ratio is 969 in rural areas and 902 in urban areas, suggesting that rural to urban migration in Jammu and Kashmir has been dominated by males.

In J&K, an equal proportion of household 50% each use public medical sector and private medical sector services when a household member gets sick. In Jammu & Kashmir 50% of households members usually receive treatment from public sector when they get sick. The remaining 50% usually receive treatment from the private medical sector. Use of private medical facility is much higher in urban area. As per NGHS-2, most women are generally satisfied with the health care they received, virtually all the women received the service they went for. Average waiting period is 30 minutes in public sector, 29 minutes in private sector. In J&K 66.3% report that the staff talked to them nicely compared to the national average of 72.9%. 69.8% reports that the staff respect their need for privacy compared to national average of 78.4%. Only 57% rated the facility as very clean compared to 67.1% of national average. Over all, only 1% of women received a home visit from

a health or family planning worker during the 12 months preceding the survey. Overall, vast majority of households generally uses a few types of health providers as a source of treatment. Private doctors 30%, govt/municipal hospitals 19%, CHC (Community Health Centers) rural hospitals, PHC's 18%, government dispensaries 9%, private hospitals/clinics 8%. Use of private medical facility is much higher in urban area. In urban areas, 70% households visit private medical sector. In rural areas, both public and private sectors are used. Public sector facilities (56%) are the main source of health care for higher proportion of rural households.

Use of Health care services is strongly influenced by the standard of living of the household. 65% of households with high standard visit private medical sector for treatment compared with 46% with a medium standard. Notably use of the public medical sector for health care in J&K is higher i.e. 50%, compared to the all India average of 29%. Overall private sector facility appear to provide better quality services than public sector facilities and women living in urban areas receive better health services than women living in rural areas.

The second National Family Health Survey (NFHS-2), conducted

in 1998–99, provides information on fertility, mortality, family planning, and important aspects of health, nutrition, and health care. The International Institute for Population Sciences (IIPS) coordinated the survey, which collected information from a nationally

Particulars	Required	In position	shortfall
Sub-centre	1666	1907	-
Primary Health Centre	271	375	-
Community Health Centre	67	85	-
Multipurpose worker (Female)/ANM at Sub Centres & PHCs	2282	1794	488
Health Worker (Male) MPW(M) at Sub Centres	1907	-	-
Health Assistant (Female)/LHV at PHCs	375	27	348
Health Assistant (Male) at PHCs	375	89	286
Doctor at PHCs	375	451	-
Obstetricians & Gynaecologists at CHCs	85	28	57
Physicians at CHCs	85	44	41
Paediatricians at CHCs	85	17	68
Total specialists at CHCs	340	135	205
Radiographers	85	59	26
Pharmacist	460	557	-
Laboratory Technicians	460	396	64
Nurse/Midwife	970	403	567

(Source: RHS Bulletin, March 2008, M/O Health & F.W., GOI)

representative sample of 90,303 ever-married women in age 15–49 from all 26 states of India at the time of the survey. These states comprise more than 99% of India’s population. Promotion of maternal and child health has been one of the most important components of the Reproductive and Child Health Programme of the Government of India. One goal is for each pregnant woman to receive at least three antenatal check-ups plus two tetanus toxoid injections and a full course of iron and folic acid supplementation. In Jammu and Kashmir, mothers of 83% of the children born in the last three years, preceding NFHS-2, received at least one antenatal check-up (much higher than the national level of 65%), and mothers of 66% of children received at least three antenatal check-ups. 71% of women received iron and folic acid supplementation during their pregnancies, the majority receiving an adequate supply and consuming the supply they receive. An even higher proportion of mothers received the recommended number of tetanus toxoid vaccinations (78%). Women in disadvantaged socioeconomic groups, in particular, illiterate women, and women with a low standard of living are less likely to be covered by each of the three recommended types of antenatal care than other women’. Although there is not much difference by region in antenatal care coverage, women in the Jammu region are somewhat less likely than women in the Kashmir region to have received an antenatal check-up.

The Reproductive and Child Health Programme encourages women to deliver in a medical facility or, if at home, with assistance from a trained health professional and to receive at least three check-ups after delivery. During the three years preceding NFHS-2, only 36% of births in Jammu and Kashmir were delivered in a medical facility. 51% were delivered in the

woman's own home and 12% in her parents' home. Trained health professionals assisted with the delivery in 42% of cases. A Dai (a traditional birth attendant) assisted 50% of deliveries and 7% were attended only by relatives, friends, and other persons who were not health professionals. Only 11% of births delivered at home were assisted by a health professional. Postpartum check-ups are not common for non-institutional births in Jammu and Kashmir. Only 28% of births that took place outside a medical facility were followed by a postpartum check-up within two months of delivery. Overall, these results show that health services during pregnancy are reaching a large majority of women in Jammu and Kashmir; however, most women are not receiving health services during delivery and in the postpartum period. 35% of children under age three years are underweight, 39% are stunted, and 12% are wasted. Despite the fact that all of these measures are lower for Jammu and Kashmir than for India as a whole (47%, 46%, and 16% for underweight, stunting, and wasting, respectively), poor nutrition remains a serious problem in Jammu and Kashmir. Under-nutrition is much higher in rural areas than in urban areas and is particularly high among children from disadvantaged socioeconomic groups. While underweight and wasting is more common in the Jammu region, stunting is more common in the Kashmir region. Boys are slightly more likely to be malnourished (as indicated by the three nutritional status measures) than girls. Findings from NFHS-2 also suggest that iron deficiency is a serious problem in Jammu and Kashmir. 71% of children in age group of 6 – 35 months are anemic, including 39% who are moderately anemic and 4% who are severely anemic.

Child immunization is an important component of child-survival programmes in India, with efforts focusing on six serious but preventable diseases like tuberculosis, diphtheria, pertussis, tetanus, polio, and measles. The objective of the Universal Immunization Programme (UIP), launched in 1985–86, was to extend immunization coverage against these diseases to at least 85% of infants by 1990. In Jammu and Kashmir, only 57% of children in age group of 12–23 months are fully vaccinated, another 33% have received some but not all of the recommended vaccinations and 10% have not been vaccinated at all. 86% of children in age group of 12–23 months have been vaccinated against tuberculosis, 72% have received three doses of DPT vaccine, 74% have received three doses of polio vaccine, and 69% have received the measles vaccine.

One reason why immunization coverage is relatively low in Jammu and Kashmir is that dropout rates for the series of DPT and polio vaccinations remain a problem. For both the DPT and polio series, 86–88% of children received the first dose but a much smaller %age, 72–74, received all three doses. A lower proportion of children in age group of 12–23 months have received all the vaccinations in rural areas (53%) than in the urban areas (73%), in Kashmir region (53%) than in the Jammu region (61%). Notably, male children are much more likely to have received all vaccinations than female children (61% compared with 50%). In addition to full immunization, it is also recommended that children under age five years should receive oral doses of vitamin A every six months starting at age nine months. 36% of children in age group of 12–35 months have received any vitamin A supplementation, and only 23% received a dose of vitamin A in the six months preceding the survey. 61% of currently married women in Jammu and Kashmir

report some type of reproductive health problem, including abnormal vaginal discharge, symptoms of a urinary tract infection, and pain or bleeding associated with intercourse. Among these women, about two out of three have not sought any advice or treatment. These results suggest a need to expand reproductive health services, as well as information programmes that encourage women to discuss their problems with a health-care provider. Only about half of the households in Jammu and Kashmir (53%) use cooking salt that is iodized at the recommended level of 15 parts per million. The consumption of adequately iodized salt is highest, 80% or higher, in large cities, among Sikh households, and among households with a high standard of living. Half the household respondents in Jammu and Kashmir said that household members usually receive treatment from the public medical sector when they get sick and the remaining half said that they usually receive treatment from the private medical sector. Use of the private medical sector is much higher in urban areas and rises sharply with household standard of living.

The health care structure is dominated by private sector in Jammu & Kashmir region. Private companies are charging more leading poor people to spend a large amount of money and resources on medical care. Therefore, the poor have to borrow funds at high interest rate to meet both medical expenditure and other household consumption needs, which carries them into indebtedness.

Following are the different NGO operating in the state:

- Ashi - Jammu,
- Bharti Vidya Mandir - Kishtwar,
- Central Institute of Technology Hind Social Welfare - Srinagar,

- Compassion - Rajouri,
- Dr. Ambedkar Welfare Trust - Rajouri,
- Global Green Peace Kashmir - Srinagar,
- Hujatiya Islamic Library - Baramulla,
- Human Welfare Foundation - Anantnag,
- ICDRC - Jammu,
- Imam Hussain A. S. Foundation - Srinagar,
- Jandk Sai Star Society - Jammu,
- J.K. Developmental Action Group - Srinagar,
- JRC Home For Handicapped Udheywala - Jammu,
- Kargil Development Project - Kargil,
- Kargil Educational Development Society - Kargil,
- KGECL- Srinagar,
- Kishtwar Child Welfare - Kishtwar,
- Ladakh Buddhist Association - Jammu And Kashmir,
- Ladakh Ecological Development Group - Ladakh,
- Ladakh Environment And Health Organization - Ladakh,
- Leh Nutrition Project - Ladakh,
- Mission Green - Jammu,
- Mohammadie Charitable Trust - Budgam,
- Mother India - Jammu,
- Mother India Movement Of Technical Help And Education In Rural India - Jammu,
- National Students Welfare Association - Doda,
- Pagah - Jammu,
- Rerf - Jammu,
- Rotary Club Of Kashmir - Srinagar,
- Rural Mission Educational Society - Budgam,
- Sapna Gramen Udyog - Bishnah,
- Shaktipunj - Kathua,

- She Hope Society - Srinagar,
- Skarchen Org - Leh Ladakh,
- Step - Singhpora,
- The Himalayan Ecological And Conservation Research Foundation - Jammu,
- The Law Society - Srinagar,
- Uni Tech Rural And Urban Development Society - Jammu,
- Women Era Dev Organization - Jammu,
- Young Star Cricket Club - Doda,
- Yuva Sahaara - Rajouri

Literature Review

The role of health insurance distribution on Economic growth of host country has received considerable attention in recent years, especially in the context of poor countries or states. Recently, a number of empirical studies have been done to understand the role of health insurance on economic growth. Many studies have discussed the impact of health Insurance on Economic growth a few of them discussed below:

The study by Indrani Gupta and Mayur Trivedi (2006) reported that, in recent year there has been a growing interest in India in exploring the mostly untapped potential of health insurance as a tool for improving the health of the population, especially vulnerable groups through various forms of coverage viz. Social Health Insurance, Voluntary Health Insurance, Community Health Insurance. WHO (2005) explained Health insurance is a promising tools for financing health care expenditure which can lead to economic growth and reduce inequality in developing countries. In another study by Sujatha Rao (2004) reported that strategically, there are three sets of policies that India needs to

immediately undertake for enhancing health status and well being, expanding access and reducing impoverishment and also achieve the objectives of quality, efficiency and equity. These are (i) Restructure the supply-side -improve efficiencies in the public health system and regulate the private sector, (ii) Restructuring the financial systems, and (iii) Strengthen demand side by co-opting the community-based schemes. ACCORD is a local non-governmental organization, staffed by a group of professional and adivasi youth. Established in 1986, it works exclusively for two indigenous groups, 'the adivasis' of Gudalur taluk, Nilgiri district, Tamil Nadu.

In a similar study by Devadasan, Manoharan, Menon, et al., (2004) reported that ACCORD has been able to increase the access of the poor healthcare, mainly due to the existing solidarity in the community, the affordable premium, the comprehensive benefit package and minimum administrative bureaucracy. An interesting study by Devadasan, Ranson, et al., (2004) shown that community health insurance as an interim strategy to finance the health care of the people. The authors investigated the impact of one such project, viz., Self-employed Women's Association's Medical Insurance Fund. They documented a mean reimbursement rate of 55.6% while 11% of the claims were rejected. It was also found that reimbursement more than halved the percentage of catastrophic hospitalization (>10% of annual household income) and hospitalization, resulting in impoverishment. They were a trade-off between maintaining schemes' financial viability and protecting members against catastrophic expenditures. Authors concluded, schemes such as this can protect the poor households against uncertain risk of medical expenses and can be implemented in areas where institutional

capacity is too weak to organize a nation-wide risk pooling. However, the research is silent on how to motivate people to organize such schemes, within their respective communities. The study by Rajeev Ahuja (2004) advocated in favor of community-based insurance arrangements. According to him, “if the introduction of evidence based medicine trickles down to other providers that are used more often by the poor, they get benefited from the improvement in quality in the private sector; and if public subsidy to the non poor who join health insurance decreases, greater public resources may be available for providing subsidies to the poor”. Further, the author stated that neither market mediated, nor government provided insurance is an appropriate way of reaching the poor, and formal insurance providers can reign in to save the low-income population. At the same time, developments in formal health insurance market need to be guided, to minimize cost escalation of healthcare provision in India. He also argued that all forms of Central Bureau of Health Insurance (CBHI) that currently exist in our country, are only operating in small and isolated pockets and need to be explored. Each of these forms may be relevant depending on the local conditions that vary considerably across regions. He said that for as diverse a country like India, there could be no pan India model. Even within the states, depending upon the socioeconomic characteristics of the target population, on its health profile, and on the health risks prevalent in the regions, we can have different schemes for different districts. This calls for further investigations and fine-tuning of the community characteristics, but Ahuja clearly stated that in CBHI costs can be kept low and hence suggested CBHI as the most appropriate scheme for

India. However, the author did not mention how universalization of CBHI is possible.

In a different study by Ulhas Jajoo and Anant Bhan (2004) reported that the government of India had announced a Universal Health Insurance Policy exclusively for the below poverty line people. The Universal Health Insurance Policy at a premium ranging from Rs. 1 to Rs. 2 per day is available to groups of hundred or more families. The family under the scheme means the earning head, spouse and up to a maximum of three dependent children and dependent parents. The policy covers people from the age of three months to 65 years. The scheme provides reimbursement of the hospitalization expenses up to Rs. 30,000, a cover of Rs. 25,000 for the death due to accident of the earning head of the family, and a disability cover if the earning head of the family is hospitalized due to an accident or illness at the rate of Rs. 50 per day of hospitalization up to a maximum of 15 days after a waiting period of three days. However, this lucrative policy did not make much headway in rural areas of Jammu region. Till date, some sort of health insurance has covered not even 1% of the rural population of the state.

On contrary, Javid A. Chowdhury (2004) criticized Unbundling of Hospital Inpatient Services (UHIS) in various aspects. According to the author, the approximate premium charged under UHIS is likely to be very short of the requirement for viability. To have any impact, the government subsidy would have to be substantially increased and that too not limited. Only to the poorest section, the composition of subscribers would be steeply skewed towards those with very high health risk if the increased subsidy were limited to only the poorest section. It was argued that the insurance scheme is most

required for the poor for unorganized sector, and the exclusion of all pre-existing diseases would effectively defeat the principal purpose of the scheme.

The study by Ranson K. and Acharya A. (2003) indicated that many health insurance schemes suffer from poor design and management fails to include the poorest-of-the poor, have low membership and require extensive financial support. Other issues relate to sustainability and replication of such schemes. In a similar type of study by Mishra P. K. (2003) suggested social insurance and voluntary insurance for the upper and middle income group population as the two dominant forms of financing health care. The state's role is primarily to develop an appropriate legislative framework to appoint an independent regulator, and to formulate procedures and regulations to avoid well-documented market failures. Another study by Ranson M. K. (2002) stated health insurance is a mechanism that allows for pooling of resources to cover the costs of future unpredictable health related events. Its offers individual and household protection against the uncertain risk of catastrophic medical expenses in exchange for regular payment of premiums. This regular small amount of payment helps the poor people in avoiding high out-of-pocket expenditure at the time of hospitalization.

In a study by Ellis R. (2000) reported that Health insurance scheme offer a hope for reducing the financial burden caused by sickness to a larger segment of the low-income population. In a similar vein, Duggal R. (1999) explained to have better health insurance services the role of state is extremely important because in the most advanced countries the role of state is more effective than centre. The study by Johannes Jutting (1999) reported that "Community based health

insurance is an emerging and promising concept, which addresses healthcare challenges faced in particular by the rural poor". Jutting's analysis on Senegal shows that in poor environment, insurance programs can work: Members of mutual health organizations have a higher probability of using hospitalization services than non-members, and pay substantially less when they need care. An interesting study by Visaria and Gumber (1994) said more than 90% of Indian population and almost all the poor are not covered under any health insurance scheme. Their health care needs are met primarily through direct out-of-pocket expenditure on services provided by the public and private sectors. However, various studies on the use of health care services show that the poor and other disadvantaged groups (scheduled castes and scheduled tribes) are forced to spend a higher proportion of their income on health care than the better off. For the disadvantaged, the burden of treatment, especially inpatient care, is disproportionately heavy.

An earlier study by Roemer and Maeda (1976) argued that health insurance typically covers a small proportion of the population. Usually, the higher wage earners in today's economy represents a net addition to a country's health care resources, and by example helps to raise the standards of health care for those outside the scheme, especially the urban and rural poor.

Objectives of Study

1. To find out the issues involved in Jammu & Kashmir as far as health insurance distribution is concerned.
2. To identify the challenges in distribution of Health Insurance in Jammu Region.
3. To identify reason why the traditional channels of distribution of health insurance failed to create any momentum among the rural poorest masses of Jammu & Kashmir region; and to identify ways for Health Insurance providers in having better equitable and easy access to lower class of people those who resides in interiors or rural areas of the Jammu region.

Objective 1

What are the different issues involved in Jammu & Kashmir as far as health insurance distribution is concerned?

The different issues involved in resulting non-effective health insurance distribution for the poor people within Jammu region are:

- Inefficiency in public health provision,
- Low quality of public health insurance services,
- Imposition of user charge for very poor people,
- Problem of moral hazard,

- The functioning of TPA's in India has been far from satisfactory,
- Majority of poor people remain outside the health insurance system,
- Community based insurance scheme suffer from poor design and management and lack of financial support,
- Inadequate information regarding health insurance, ailment, procedures & treatments, costs & outcome,
- The Low Level of Medical Penetration in India,
- The fund utilization under immunization is low for the year 2008-09. During the year, the state action plan was approved for Rs. 97 lakhs; however the state could utilize only Rs. 35 lakhs.

Objective 2

To identify different challenges paved in way of J&K Government in distributing health insurance for poor within Jammu region.

These are some of the identified challenges in front of J&K Government in distributing health insurance for poor in Jammu region are:

- How to convert predominantly private out-of-pocket spending into health insurance premium where this amount is collected from a much larger group of insured individuals, rather than from those limited number households affected by illness?
- What are the effects on poor people who are unable to give the full premium?
- How to provide health insurance to the poor who cannot afford to pay (full) premium?

- What problem can arise if government will give free premium to poor people?
- How to introduce insurance schemes on basis of criteria like viz. people lies below poverty line, person who adopted family planning?
- How to set premium based on economic backgrounds of the peoples?
- How to employ different insurance model?
- How to maintain coordination among multiple agencies?
- How IRDA will introduce separate set of rules for insurance companies?
- How to subsidize fully for the BPL SC/ST landless population and partially subsidized for BPL non-SC/ST population?
- How to distribute health insurance amongst poor people through public finance?
- What role does the central government plays in encouraging health insurance within the state?
- How to maintain the Healthcare Infrastructure and to remove disparity between rural and urban areas with respect of number of hospitals, including primary health centers, dispensaries etc?
- How to increase spending on Healthcare as a percentage of GDP because the per capita total expenditure on health in India, at average exchange rate, works out to US \$27 in the year 2003. Government's health expenditure accounts for less than one-fourth of total health expenditure in India. With limitations in public healthcare spending, private sector has a major role to enhance the healthcare infrastructure in India.

- How to increase foreign insurance player's contribution in distributing HI within interiors of region?

Analytical Framework

Here, an attempt is made to understand why the traditional channels of distribution of health insurance failed to create any momentum among the rural poorest masses of Jammu & Kashmir region. In-depth interviews conducted for the purpose. In order to address issues and challenges as far as the health insurance is concerned; the features of the most vulnerable group of population of rural Jammu & Kashmir were analyzed.

About 500 respondents were surveyed from different rural areas of Jammu region (as declared by J&K Government) like Satwari, R.S. Pura, Dansal, Bishna, Akhnoor, Bari Brahmana etc., after profiling them on parameters like income, number of dependents and the ratio of medical expenditure to their disposable income. Respondents surveyed belong to very low-income category where the per capita income is below Rs. 500, the average ratio of medical expenses to the total disposable income is 16%. This suggests that the medical expense is quite high in this segment as compared to their disposable income. The respondents in this cluster are 89% illiterate, or semi-literate. A majority of them do not have health insurance.

For analysis of this study, data is collected from 'Ministry of Health'- Government of India, Bulletin of the World Health Organization, National Health Account, CMIE (Centre For Monitoring Indian Economy), various insurance companies and NGOs, Union Budget, annual report of IRDA (Insurance Regulatory Development Authority), Human Development

Report, Rajaya Bhavan of J&K, and from J&K government official website. <http://jammu.nic.in/>

For the said purpose, the process of stratified random sampling method is used. The sample is selected by first identifying the below poverty line households. The information on income is collected from the Census Report (2001) published by the government of India. The voter's list published by the Election Commission of India is used for choosing the households of the respective area and a random sampling technique is used to select the households. The data collected are then subjected to chi-square test to test the significance at 95% level of confidence of the hypotheses developed. Chi-square Test is used to judge the acceptance of community-based health insurance among the BPL population in Jammu Region. However, the analysis is based on a small sample and accordingly, the error due to bias is not ruled out. The results of this analysis can be interpreted as follows:

Based on the replies of 500 respondents of for statements (1 – 4) of the questionnaire, following hypotheses were developed:

H₀ : The respondents take financial help from the neighbours / community to bear the financial burden of catastrophic medical expenses, hence there is no need to build up community fund.

H₁ : The respondents take financial help from the neighbors / community to bear the financial burden of catastrophic medical expenses, hence it is needed to build up community fund.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-1

Observed Frequencies			
	Community Fund Needed	Community Fund not needed	Total
Financial help from the neighbors or community	345	57	402
No need of financial help from the neighbors or community	43	55	98
Total	388	112	500

Data Table-2

Expected Frequencies			
	Community Fund Needed	Community Fund not needed	Total
Financial help from the neighbors or community	312	90	402
No need of financial help from the neighbors or community	76	22	98
Total	388	112	500

Calculation of (χ^2) by using the formula

$$(\chi^2) = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² / Fe
aA	345.0	312.0	33.0	1092.2	3.5
bB	43.0	76.0	-33.0	1092.2	14.4
cC	57.0	90.0	-33.0	1092.2	12.1
dD	55.0	22.0	33.0	1092.2	49.8
					79.74

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is more than the tabulated value at 5% level of significance, so we reject the null hypothesis. Hence, we conclude that the respondents take financial help from the neighbors / community to bear the financial burden of catastrophic medical expenses, hence requirement is there to build up community fund.

Based on the replies of 500 respondents of for statements (5 – 8) of the questionnaire, following hypotheses were developed:

H_0 : The respondents who want community fund, but do not want to contribute Rs.365 per year for the purpose.

H_1 : The respondents who want community fund and are ready to contribute Rs.365 per year for the purpose.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-3

Observed Frequencies			
	Agree to contribute Rs. 365 per year for the Community Fund	Not agree to contribute Rs. 365 per year for the Community Fund	Total
Want community fund	305	105	410
Do not want community fund	40	50	90
Total	345	155	500

Data Table-4

Expected Frequencies			
	Agree to contribute Rs. 365 per year for the Community Fund	Not agree to contribute Rs. 365 per year for the Community Fund	Total
Want community fund	282.9	127.1	410
Do not want community fund	62.1	27.9	90
Total	345	155	500

Calculation of (χ^2) by using the formula

$$(\chi^2) = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² / Fe
aA	305.0	282.9	22.1	488.4	1.7
bB	40.0	62.1	-22.1	488.4	7.9
cC	105.0	127.1	-22.1	488.4	3.8
dD	50.0	27.9	22.1	488.4	17.5
					30.94

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is more than the tabulated value at 5% level of significance, so we reject the null hypothesis. Hence, we conclude that the respondents who want community fund are ready to contribute Rs. 365 per year for the purpose.

Based on the replies of 500 respondents of for statements (9 – 12) of the questionnaire, following hypotheses were developed:

H₀ : The respondents who want community fund, but do not want to contribute Rs. 547.5 per year for the purpose.

H₁ : The respondents who want community fund and are ready to contribute Rs.547.5 per year for the purpose.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-5

Observed Frequencies			
	Agree to contribute Rs. 547.5 per year for the Community Fund	Not agree to contribute Rs. 547.5 per year for the Community Fund	Total
Want community fund	124	291	415
Do not want community fund	34	51	85
Total	158	342	500

Data Table-6

Expected Frequencies			
	Agree to contribute Rs. 547.5 per year for the Community Fund	Not agree to contribute Rs. 547.5 per year for the Community Fund	Total
Want community fund	131.1	283.9	415
Do not want community fund	26.9	58.1	85

Total	158	342	500
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Calculation of (χ^2) by using the formula

$$(\chi^2) = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² / Fe
aA	124.0	131.1	-7.1	51.0	0.4
bB	34.0	26.9	7.1	51.0	1.9
cC	291.0	283.9	7.1	51.0	0.2
dD	51.0	58.1	-7.1	51.0	0.9
					3.34

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is less than the tabulated value at 5% level of significance, so we accept the null hypothesis. Hence, we conclude that the respondents who want community fund are not ready to contribute Rs. 547.5 per year for the purpose.

Based on the replies of 500 respondents of for statements (13 – 16) of the questionnaire, following hypotheses were developed:

H_0 : The respondents who want community fund, but do not want to contribute Rs.730 per year for the purpose.

H_1 : The respondents who want community fund and are ready to contribute Rs.730 per year for the purpose.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-7

Observed Frequencies			
	Agree to contribute Rs. 730 per year for the Community Fund	Not agree to contribute Rs. 730 per year for the Community Fund	Total
Want community fund	115	302	417
Do not want community fund	30	53	83
Total	145	355	500

Data Table-8

Expected Frequencies			
	Agree to contribute Rs. 730 per year for the Community Fund	Not agree to contribute Rs. 730 per year for the Community Fund	Total
Want community fund	120.9	296.1	417
Do not want community fund	24.1	58.9	83
Total	145	355	500

Calculation of (χ^2) by using the formula

$$(\chi^2) = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² / Fe
aA	115.0	120.9	-5.9	35.2	0.3
bB	30.0	24.1	5.9	35.2	1.5
cC	302.0	296.1	5.9	35.2	0.1
dD	53.0	58.9	-5.9	35.2	0.6
					2.47

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is less than the tabulated value at 5% level of significance, so we accept the null hypothesis. Hence, we conclude that the respondents who want community fund are not ready to contribute Rs. 730 per year for the purpose.

Based on the replies of 500 respondents of for statements (17 – 20) of the questionnaire, following hypotheses were developed:

H₀: The respondents want that the funds should be managed by the members of panchayat as they have credibility for them.

H_1 : The respondents do not want that the funds should be managed by the members of panchayat, as they not have credibility for them.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-9

Observed Frequencies			
	Credibility	No Credibility	Total
Should be managed by Gram panchayat members	61	45	106
Should not be managed by Gram panchayat members	57	337	394
Total	118	382	500

Data Table-10

Expected Frequencies			
	Credibility	No Credibility	Total
Should be managed by Gram panchayat members	25	81	106
Should not be managed by Gram panchayat members	93	301	394
Total	118	382	500

Calculation of (χ^2) by using the formula

$$(\chi^2) = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ² / Fe	(Fo-Fe) ² / Fe
aA	61.0	25.0	36.0	1294.8	51.8
bB	57.0	93.0	-36.0	1294.8	13.9
cC	45.0	81.0	-36.0	1294.8	16.0
dD	337.0	301.0	36.0	1294.8	4.3
					85.98

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is more than the tabulated value at 5% level of significance, so we reject the null hypothesis. Hence, we conclude that the respondents do not want to manage their community fund by Gram Panchayat, as they have no credibility for them.

Based on the replies of 500 respondents of for statements (21 – 24) of the questionnaire, following hypotheses were developed:

H₀ : The respondents want that the funds should not be managed by the members of community those who are elected for the purpose as they have no credibility for them.

H₁ : The respondents want that the funds should be managed by the members of community those who are elected for the purpose, even though they have no credibility for them.

Based on responses of 500 respondents, following observed value table is constructed.

Data Table-11

Observed Frequencies			
	Credibility	No Credibility	Total
Should be managed by community members	325	65	390
Should not be managed by community members	50	60	110
Total	375	125	500

Data Table-12

Expected Frequencies			
	Credibility	No Credibility	Total
Should be managed by community members	292.5	97.5	390
Should not be managed by community members	82.5	27.5	110
Total	375	125	500

Calculation of χ^2 by using the formula

$$\chi^2 = \sum_{i=1}^N \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Computation of Test Static (χ^2)

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² / Fe
aA	325.0	292.5	32.5	1056.3	3.6

bB	50.0	82.5	-32.5	1056.3	12.8
cC	65.0	97.5	-32.5	1056.3	10.8
dD	60.0	27.5	32.5	1056.3	38.4
					65.66

Decide upon level of significance and degree of freedom

Degree of Freedom (d.f.)_{0.05} = (N-1) (K-1) = (2-1) (2-1) = 1

Determine critical value and compare with calculated (χ^2) value

Tabulated (critical) value of χ^2 for 1 d.f. at 5% level of significance is 3.84

Deduce business research conclusions

Since the calculated value of χ^2 is more than the tabulated value at 5% level of significance, so we reject the null hypothesis. Hence, we conclude that the respondents want that fund must be managed by the members of community those who are elected for the purpose even though they have no credibility for them.

Interpretation of Results

Issue 1

The first assumption was that there is always need for raising fund for community - based schemes as the financial condition of the respondents are not good. They often required financial assistance from the neighbors / community to bear the financial burden and catastrophic medical expenses. In this regard, an attempt has been made to determine the association between the attributes, financial indebtedness from

neighbors / community (due to catastrophic medical expenses) and raising the community fund for community-based schemes. From the results it is evident that the value of chi-square in this case is 79.74 which is high than the table value (3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted, i.e., there is a strong association between the attributes 'financial indebtedness from neighbors / community (due to catastrophic medical expenses)' and the 'need for raising community fund'. Therefore, it can be concluded that with 95% level of confidence, the respondents take financial help from the neighbors / community to bear the financial burden of catastrophic medical expenses and hence, it is essential to raise community fund for the purpose of community-based schemes. Another attempt was made to determine how much the respondents are capable of contributing to the community fund. Initially, we assumed that there exists homogeneity within respondents, as they would agree to contribute Rs. 730 per household per year to raise the community fund. The chi-square result is 2.47, which is much lower than the table value (3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is accepted. Therefore, it can be concluded that with 95% level of confidence, the cluster is not homogeneous, in agreeability of paying Rs. 730 per household per year, to raise the community fund. Hence, the minimum contribution to raise the community fund should be less than Rs. 730 per household per year.

The next text was to judge the homogeneity of the cluster in the issue that the respondents are agreeable to contribute Rs. 547.5 per household per year to raise the community fund. The chi-square result is 3.34, which is lower than the table value

(3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is accepted. Therefore, it can be concluded that with 95% level of confidence, the cluster is not homogeneous in agreeability of paying Rs. 547.5 per household per year to raise the community fund. Hence, the minimum contribution to raise the community fund should be again less than Rs. 547.5 per household per year.

In the final attempt, the homogeneity of the cluster was tested in the issue that the respondents are agreeable to contribute Rs. 365 per household per year to raise the community fund. From the results, it is evident that the value of chi-square in this case is 30.94, which is higher than the table value (3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, it can be concluded that with 95% level of confidence the cluster is homogeneous in case of agreeability to pay Rs. 365 per household per year for raising community fund. Hence, the cluster, to raise the community fund accepts the minimum contribution of Rs. 365 per household per year.

Issue 2

Next issue discussed is of fund management. The question concerned was whether the panchayat could be an option to manage the community-raised funds. In this regard, an attempt was made to judge the homogeneity of the cluster in question of credibility of the panchayat members to them as well as the acceptability of the panchayat members for the purpose. From the results, it is evident that the value of chi square in this case is 85.9, which is higher than the table value (3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is rejected

and the alternative hypothesis is accepted. Therefore, the cluster is not in homogeneous standpoint, regarding the null hypothesis. Hence, it can be concluded that with 95% level of confidence the respondents of this cluster do not accept the panchayat members as the fund managers as they do not have confidence in them.

Now we need to look for an option as respondents does not trust panchayat, so finally, an attempt was made to identify an alternative option for fund management. The homogeneity of the respondents regarding the credibility of the respondents towards the community members was tested. From the results, it is evident that the value of chi-square in this case is 65.66, which is higher than the table value (3.84) of chi-square at 5 degree of freedom. Hence, the null hypothesis is rejected, and the alternative hypothesis is accepted. Therefore, the cluster is not in homogeneous in this issue. Therefore, it can be concluded that with 95% level of confidence, the respondents want that the funds to be managed by the members of the community—those who are elected for the purpose, as the respondents have credibility for them.

Apart from the above analysis, some other interpretations were also made while writing the paper such as:

Interpretation 1

Developments on the health insurance front will not leave the poor unaffected. Though private insurance companies are not expected to provide voluntarily health insurance cover to the BPL segment, the poor may still get affected because of the influence that development of health insurance will have on

the supply of such services. Furthermore, the poor may also directly benefit if insurance regulations designed specifically to achieve redistribution and equity objectives. At the minimum, the government must ensure that: (i) the liberalization of insurance market provides value for money for the direct beneficiaries, and (ii) the poor are not adversely affected by the liberalization. However, the government can definitely aim higher by ensuring that the poor too benefit from the developments in health insurance. There are both potential benefits and risks associated with it. Development of health insurance would influence supply of health services in terms of its both quality and price. It would also influence the extent of public funds available for subsidizing the poor. The potential benefits and risks are formally listed below:

Potential Benefits:

- If the introduction of evidence-based medicine trickles down to other service providers that are used more often by the poor, the poor could benefit from the improvement in quality in the private sector;
- If public subsidy to the non-poor who join health insurance decreases, greater public resources may be available for providing subsidy to the poor

Potential Risks:

- The gap between the poor access at present and the required access may increase with cost escalation;
- As the non-poor make a switchover from public to private hospitals there is risk of political support for public financing getting reduced which would affect the poor by excluding them from quality care given by private market

or by deteriorating quality and weakening support for public services.

The poor might get benefit from the expansion of private providers, if the supply of health care expands due to increase in affordability resulting from health insurance. However, if prices grow faster than delivery capacity, cost escalation may even expand the existing gap between the poor and the required access to health care. All this is unpredictable, since it depends on the supply response of health care and the model of health insurance implemented in the country. Regarding the latter, it is clear that an indemnity/fee-for-service system will unavoidably result in a severe cost escalation; whereas, a managed care which coordinates financing and delivery of healthcare would probably be capable of maintaining costs under control. Managed care by containing of unnecessary treatment helps in containment of costs and thereby makes health insurance more affordable to larger number of people; provides incentives for improving healthcare delivery; promotes preventive care such as medical check-ups, immunization and so on.

Interpretation 2

Q1. Why has the scope of existing health insurance schemes remained limited?

Two important reasons cited are: (i) poor product design, and (ii) lack of vigorous marketing of the products to sensitize the public in need for health insurance. The existing health insurance schemes are indemnity based products wherein the payment to the health provider is first made by the sick

individual and this amount is later reimburse (partly or fully) by the insurance company to the insured individual. A large section of population, who cannot afford such large payments at the time of illness, even if these payments are reimbursed later, does not feel attracted to this type of insurance. Furthermore, the scheme provides reimbursement only in case of hospitalization, not for out-patient care, or for allopathic treatment, or for treatment as per alternate system of medicine. Reimbursement of hospital expenses exposes the policyholders to the “service” of insurers, which is far from satisfactory. Coming to the second reason, when the public is not much aware of the need for health insurance, vigorous marketing of schemes becomes essential for popularizing the scheme. Finally, health insurance is not demanded for its own sake but for reducing financial barrier to health services. In rural and remote areas where supply of health services particularly inpatient facilities is weak, demand for insurance naturally gets constrained.

Q2. Why has health insurance business remained underdeveloped in India?

Why no reputed global health insurance company entered in the game?

Answer: Establishment and development of private health insurance are linked with government policies, directly or indirectly. The most important impediments arise from the supply side i.e., from the side of health care providers. Lack of standards for diseases and treatment procedures (and where these standards and procedures exists, their adoption is lacking); absence of rating and credentialing of the providers; non-existence of centralized database, standardization of

billing, claims and proposal forms are some of the problems facing the health care industry.

On the insurance regulation side too there are some issues affecting the development of the market. For example, the minimum capital norm for exclusive health insurers is deemed lower than what is currently prescribed. Similarly, solvency margins and reinsurance requirement appropriate to health insurance, which is less volatile than property and the casualty insurance, are deemed different from those applicable to other lines of general insurance business. Currently, such requirements that apply to general insurance business apply to health insurance as well. Similarly, there are no minimum capital requirement and solvency norms for health care providers interested in establishing and running managed care schemes. Besides, current Medicaid policy that distorts the balance between price adequacy and coverage restricts the ability of competitors to come up with products that are more balanced. Once the entry barriers are removed, additional regulations need to be put in place for the smooth functioning of health insurance business. Even though, insurance regulations meant to ensure fairness, efficiency, and financial accountability in health insurance are similar to those applicable to general insurance business, health insurance business always involves additional regulations. These relate to meeting social objectives of access, adequate benefits, and consumer responsiveness. Typically, insurers tend to develop a number of underwriting and pricing practices to avoid accepting high-risk people. This kind of market segmentation is economically efficient, but considered socially unacceptable. Often regulators ensure that equal access is available to the players in health care sector so that companies cannot exclude

high-risk individuals or costly pre-existing conditions. Moreover, health insurance contracts are typically more complex than other insurance contracts. Regulators need to ensure that consumers understand the provisions of the contracts and they are written in a manner understood by the buyers.

Since health insurance is closely linked to health care provision, interventions required to correct these problems call for a coordination with other arms of the government such as the Ministry of Health and Family Welfare, and bodies like Medical Council of India, and from the regulators. Finally, government role in promoting or impeding private health-related investment is a key element in the growth of private health financing and delivery. Unless these issues are dealt with one cannot expect any significant development to take place in health insurance business in the country.

Interpretation 3

The way, in which the Community Based Universal Health Insurance Scheme is designed, it cannot be termed as a community-based scheme. The scheme is so designed as to keep the transaction costs low, but here too the presence of TPA's limits the scope of reduction in transaction costs, because the scheme lacks "community character" and the other potential benefits of community based scheme cannot be reaped. Furthermore, a universal standard package of costs and benefits take away the needed flexibility in designing a scheme appropriate to local conditions.

As the scheme expected to cover 10 million families that are below the poverty line in the first year, the government subsidy capped at Rs. 1000 million. Assuming all 10 million families are

covered, the resource mobilization that can be effected is in the range of Rs. 3650 million to Rs. 7300 million, with considerable variation in the claims liability. An important point to note is that the scheme is designed on the assumption that even the poor can contribute some payment towards their health security and the amount that is sought to be mobilized is significant. If this scheme is to be made available for the entire BPL population of about 300 million, the extent of resource mobilization that could be effected is quite significant indeed. Assuming average family size to be 5, there would be 60 million poor families (Assumption: 300 BPL populations). If each family pays premium of Rs. 540 (i.e., Rs. 1.5 X 365) per year, the total premium amount would be Rs. (540 X 60) 32,400 million. Of this amount, the government contribution by way of subsidy (of Rs. 100 per family) would be Rs. 6000 million. Therefore, the amount that could be mobilized from the BPL population would be around (Rs. 32,400 million - Rs, 6,000 million) Rs. 26,400 million. If we compare this figure with the amount estimated of Rs. 40,000 million, around 65% of the funds can be mobilized from the people themselves. However, there is a catch here. These estimates only pertain to hospitalization costs; whereas, the costs involved in case of health insurance are higher as it also provides for wage loss. In principle, both public and private insurance companies can participate in the scheme. In reality, participation of private insurance companies seems unlikely, especially when there are other more lucrative areas still to be tapped.

Prior to liberalization, when insurance was a public monopoly, launch of such a scheme would have made perfect sense. Indeed, two health insurance products—Mediclaim and Jan Arogya - were launched at that time, and we are all too aware

of the dismal record of these products. Now with competition at the market place, wouldn't encumbering public insurers put them at a disadvantage? Even though the subsidy is being paid by the government to cover for any possible shortfall, it is unlikely to attract even the public insurance companies because firstly, claims liability under the scheme is open ended; whereas, the government subsidy is capped. Secondly, the public insurers showed total disinterest even when similar scheme called as "Janraksha" announced in the budget 2002-03.

Suggestions

Conceptually, a society can be thought of consisting of two groups of individuals, those who can afford to buy health insurance that promises a certain minimum level of benefit, and those who cannot afford to buy the minimum benefit on their own and need some public subsidy. As mentioned, development of private health insurance takes care of those who can afford to buy insurance. For those who cannot afford it, an alternate approach with some public subsidy are suggested. Health insurance is a mechanism that provides health protection when people actually need it, and thereby, enables people to spend wisely and judiciously. Health insurance is a system of assurance to make contingencies of health care expenses. It is a protection against financial loss by unforeseen sickness. It is an arrangement that helps to defer, delay, reduce or altogether avoid payment for health care incurred by individuals and households. However, while operationalizing the idea, this conceptual distinction is blurred. Government's attention is confined only to those who are

below the poverty line. While those below the poverty line definitely need to be covered with government support, the non-BPL population with low-income also need to be covered, with or without government support, but market insurance is likely to bypass this section as well. An important policy question here is that how best to target and reach this section of the population? One way is to redefine the BPL population to include low-income people as well. Another approach is to include non-BPL population also in the scheme meant for BPL population with lower level of subsidy.

Even though the government's approach is to support voluntary insurance rather than to expand the existing social insurance schemes, the following approaches may be suitable for the different sections of the society. For the upper and middle-income group people, social insurance and voluntary insurance are suggested to be the two dominant forms of financing health care. State's role is primarily to develop an appropriate legislative framework, to appoint independent regulator, and to formulate procedures and regulations to avoid well-documented market failures. Even for low-income people who are employed in the formal sector, social insurance may be a better way of providing health protection. However, an alternative approach is needed for BPL people working in unorganized sectors. One approach suggested in the literature, which is relatively straight forward, is to create a sickness fund for this section of society. The fund can be used to cover all hospitalization expenses of such families in public facilities as well as in designated private facilities. T. N. Krishna estimates the size of fund required to cover hospitalization costs of 300 million BPL populations. Assuming 4% of BPL population require hospitalization every year and the cost per episode (at 1995-96

prices) is Rs. 2,100, the size of fund comes to Rs. 25,000 million per annum which was revised in 2003 and arrived at Rs. 40,000 million required for covering hospitalization cost per annum of the BPL population. If, instead of directly bearing the cost, government if provides them health insurance, the demand on government funds may come down significantly as insurance helps in some resource mobilization from the people themselves.

In financing health services, a country may choose between public financing through general taxation or private financing through health insurance. Public financing is justified where equity concern overrides efficiency objective. Where the opposite is true, Emphasis is more on the private insurance market. Equity considerations in private insurance market can generate inefficiency and market failure as it involves tradeoffs between desired distribution and the distorted incentives that accompany such redistribution. Therefore, where equity is the prime consideration, it can best be achieved under public financing. In practice, no health financing system is either purely public or private. Countries where private health insurance dominates, some public financing can still be observed. Similarly, some private insurance can be seen even in a public funded health system. All insurance systems, public or private, must strike a balance between economic efficiency and equity.

The choice between public health financing or private insurance is hardly available to countries like India because of their governments' limited ability to marshal sufficient resources to finance health spending, and also because the nature of employment (where majority of workers are self-employed, or do not have a formal employer or steady employment) is such

as to provide little scope for payroll taxes. Given this, heavy reliance on private spending is necessary for financial reasons, notwithstanding the declared policy of the state to provide universal, comprehensive primary health services to the entire population. Private spending may also be desirable on efficiency grounds, but the form that bulk of private spending takes need to change from out-of-pocket payments to private insurance.

Insurance or pooling of risks through prepaid schemes has a number of advantages. Besides being more equitable, it is one of the significant drivers of improvement in the healthcare provision by encouraging investment and innovation. In addition, it helps improve the quality and efficiency of public health care system by continually benchmarking it. Private insurance has certain pitfalls too, such as: 1) leaving out the low-income individuals who may not be able to afford premium, 2) denying coverage to people who are sick, and 3) limiting the coverage for high-cost conditions or services. In a country like India where public health care suffers from poor management, low service quality, weak finances, and lack of responsiveness to patients' needs and demands; development of health insurance is likely to bring improvement in public health care system. Even the private health sector in India that has grown in an undirected fashion, with virtually no effective guidance on the location and scope of practice, and without effective standards for quality of care or public disclosure on practices and pricing (World Bank 2002).

Development of health insurance will necessitate the improvement in private sector as well. The pitfalls associated with private health insurance can be reduced through appropriate regulation up to the extent that certain % of

population can be covered through private health insurance. Development of health insurance will tend to reduce the need for government financing of secondary and tertiary care. This would help government to develop and maintain smaller and well-targeted system of health care financing to serve people who would not have access to private insurance, and to address public health priorities such as immunizations that are quasi-public goods. Before launching any major health initiative, there ought to be a well-articulated vision of health care system for the country, and public health policy must be devised to realize that vision. Ideally, certain basic health services, including inpatient care, must be made available to every member of the society. These services must be paid through insurance, which means that every member must have health insurance cover or at least have access to health insurance, with government subsidizing insurance premium, in full or in part, for those who cannot afford it. For the upper-and middle-income people, private health insurance market with effective and sound regulation can take care of health financing. However, with the development of private insurance market, only half the country's population can at best be reached. The other half, which consists of low-income population (30% of the population below the poverty line and another 20% living close to this line) is likely to remain outside the ambit of private health insurance unless there is an explicit social obligation in this respect, which can come only from insurance regulator. Health insurance per se, suffers from problems like adverse selection, moral hazard, cream-skimming and high administrative costs. This is coupled with the fact that in the absence of any costing mechanisms, there is difficulty in calculating the premium. There is also a need to evolve criteria

to be used for deciding upon target groups, who would avail SHI scheme/s and also to address issues relating to whether indirect costs would be included in health insurance or not. Health insurance can improve access to good quality health care only if it is able to provide health care institutions with adequate facilities and skilled personnel at affordable cost. Given this scenario as a challenge, Indian policy-makers must find ways to improve upon the existing situation in the health sector and to make equitable, affordable and quality health care accessible to the population, especially to the poor and the vulnerable sections of the society. It is in a way inevitable that states reforms' its public health delivery system and explores other social security options like health insurance. Implementing regulations would be one, but by no means, the best mechanism is to contain provider behavior and costs. This can be done only by developing mechanisms where government and households pools together their funds. This could be one way of controlling provider behavior.

There is an urgent need to document global and Indian experiences in social health insurance. Different financing options need to develop for different target groups. The wide differentials in the demographic, epidemiological status and the delivery capacity of health systems are a serious constraint to a nationally mandated health insurance system. Given the heterogeneity of different regions in India and the regional specifications, one would need to undertake pilot projects to gather more information about the population to be targeted under an insurance scheme, and develop options for different population groups. Health policy-makers and health systems research institutions, in collaboration with economic policy study institutes, need to gather information about the

prevailing disease burden at various geographical regions in order to develop standard treatment guidelines, to undertake costing of health services, to evolve benefit packages, to determine the premium to be levied and subsidies to be given; and to map health care facilities available with institutional mechanisms, needed for implementing health insurance schemes. Skills building for the personnel involved, and capacity building of all the stakeholders, would be a critical component for ensuring the success of any health insurance programme. The success of any social insurance scheme would depend on its design; implementation and monitoring mechanisms set in place, and it also call for restructuring and reforming the health system, and developing the prerequisites to ensure its success.

Healthcare Delivery System needs radical changes to make it comprehensive, effective, accessible, affordable based on principles of equality and equity. Investing in health should be a top priority. Measures should be taken to reduce the poverty, which is a great killer. Sustainable development is essential. There is an urgent need to restructure the health services by applying epidemiological principles including Healthcare Needs Assessment. Moreover, District Health system should be strengthened. District hospitals must be upgraded to act as teaching centers where internship and residency programmes can be started to attract faculty and resident doctors. While paying due attention to health infrastructure, duplication of services and mismatch of resources should be avoided. Birthing Centers should be established in specified areas to prevent maternal & child mortality. Sentinel surveillance centers and public health laboratory support is required to control emergence of infectious disease. Most important change

required in the Hospital & Health Services is professional management without which resources will continue to go down the drain. Accountability, transparency and bottom-up planning will go a long way to improve the functioning of health care institutions. Health Information System needs desired attention, as there is lack of authentic, accurate, timely and adequate health information in the state. Quality assurance programmes are required both in hospital and health services. In-service training programmes need greater attention to enhance the knowledge and skills of health professionals.

Primary Health Care and Emergency Medical Care should be made available to all free of cost. There should be more emphasis on Reproductive & Child Health. Tertiary care should be privatized or provided on cost basis (charges). Referral System needs to be introduced and strictly implemented. Greater inputs are required for disease prevention and health promotion. Provision for safe drinking water and proper sanitation. Develop networks of healthcare facilities by combining all the three levels of care through telemedicine, environmental protection and pollution control must be further strengthened. Private sector needs proper regulatory measures. This all needs a strong political will.

Health insurance scheme for the poor should take care of not just the inpatient or hospital care, as designed in the proposed scheme, but also of the outpatient care. It is often suggested that insurance be provided only for inpatient care and that outpatient care be left outside the ambit of insurance. The reasons given are: that people can, by and large, afford outpatient care because it is relatively inexpensive; it is the inpatient care that pushes them into poverty trap; that administratively it is difficult to include outpatient care; and,

that out-patient care would lead to cost escalation. Ideally, both inpatient care and outpatient care be covered, and the decision of whether or not a patient needs hospitalization be professionally made and should not be a function of whether the patient has health insurance cover or not. For this reason the UNDP sponsored experiments on community-based health insurance, launched recently, have addressed the issue of outpatient care as well. Community character of CBHI schemes is used to tackle the problem of outpatient care as well. However, with the launch of universal health insurance scheme, it is not clear how this would affect the prospects of an NGO negotiating a health insurance package for and on behalf of a target community with the public insurance companies. Where an NGO itself provides insurance to the target community, insurance sector reforms do not directly affect formation of such schemes, though appropriate regulatory changes needed to encourage such grouping that positively affect their formation. The scope for introducing such changes is greater now than prior to liberalization.

Now, with the introduction of competition, companies serve only those segments and introduce those products that are profitable in descending order of magnitude to the company. Typically, providing insurance to the poor is not profitable and insurance companies are unlikely to take up this moral obligation on their own volition. Furthermore, even public insurers that have mostly entered into such commitments may no longer be willing to do so as competition in the market intensifies. The regulator imposed uniform obligation across all formal insurers can then improve the prospects of NGO-mediated CBHI or non-community based scheme for the low-income people. The current social and rural sector obligation

imposed by the Insurance Regulatory and Development Authority (IRDA) is on the insurance business in general and does not specifically apply to health insurance. Furthermore, this obligation does not require insurance companies to subsidize premium. This obligation is just to ensure that some amount of insurance activity also moves to rural areas and does not remain confined to big cities and towns.

In the past, public insurer cross-subsidized the policies meant for the disadvantage sections of the society. Now, for cross-subsidy to work properly, a uniform social obligation needs to be imposed on all insurance companies and not only on public insurers. Such an obligation would then come from the regulator and not from the government. The regulator, for example, could mandate all insurance companies to offer “basic” benefit package covering maternal, preventive, catastrophic and chronic care at standard prices to the poor, especially in rural areas with some subsidy from the government. In this case, the regulator may limit exclusions, mandate guaranteed renewal, and make accreditation of service provider public. Here too NGOs can play a crucial role as an intermediary between the private insurers and the community. Whether having a cross-subsidy obligation uniformly on all insurance companies is the best (most efficient) way of reaching the poor is an open question. Generally, subsidy that comes from general revenue of government is the most progressive.

Moreover, if prepayment schemes run by charity hospitals are also brought under the insurance regulator’s supervision, this can give a boost to such managed care arrangements. If the legal constraint becomes a real obstacle for the expansion of managed care oriented health insurance, the indemnity model

may de facto get encouragement, resulting in cost escalation and reduction in the potential market for private insurance.

Conclusion

India is a low-income country with 26% population living below the poverty line, and 35% illiterate population with skewed health risks. Insurance is limited to only a small proportion of people in the organized sector covering less than 10% of the total population. There is no mechanism or infrastructure currently for collecting mandatory premium among the large informal sector. Even in terms of the existing schemes, there is insufficient and inadequate information about the various schemes. Data gaps also prevail. Much of the focus of the existing schemes is on hospital expenses. There continues to be lack of awareness among people about health insurance. In spite of existing regulation in some States, the private sector continues to operate in an almost unhindered manner. The growth of health insurance increases the need for licensing and regulating private health providers and developing specific criteria to decide upon appropriate services and fees. In the current debate on health of poor, health insurance is made out to be panacea for all the ills facing the poor. Health insurance, no doubt, has emerged as an important financing tool as it promises to mobilize some resources from the people themselves i.e., those who buy insurance, but health insurance, which strengthens demand side, makes sense only when the supply of health care is reasonably well developed. Where this is not so, health insurance is meaningless.

The supply of health care in the rural and remote areas of country is far from satisfactory. Although public health care

centers are pervasive, these centers have degraded overtime in most states due to lack of funds, accountability and so forth. Any attempt of introducing health insurance for the poor, must be accompanied by revival of health care facilities at these centers. The need for stepping up public health spending emphasized in many expert studies. Unfortunately, the launch of the scheme is not accompanied by either an increase in public health expenditure or any commitment to reorient the public health system, and this seems to suggest lack of seriousness in providing health security to the poor. Finally, both the provision and access to health care services should be a part of a bigger health strategy, which includes other public health programs such as safe drinking water, sanitation, family planning etc., as each of these are important determinants of health outcomes. In other words, a comprehensive approach needed with the view to understand how the development of private health insurance in the country is likely to affect the poor.

Currently, public health services in Jammu region are not up to the mark and inefficient, save for a few selected pockets: private health care is unregulated and voluntary health care is scattered, unstructured, unregulated and has limited reach. Health care provision needs to be strengthened and streamlined, if health insurance for the poor is to be developed in a big way in Jammu region. Today there is need for injection of substantial resources in the health sectors to ensure affordability of medical care to all. Therefore, HI is an emerging important financing tool for improving the access to health services for poor. That is why WHO (World Health Organization), World Bank, Central Government, and State Government's realized that HI is important tool for improving

health care in India. So the Government (central and state), private sector like ICICI Lombard, Bajaj Allianz, Royal Sundaram, NIC (National Insurance Corporation), GIC (General Insurance Corporation), Oriental Insurance Company (OIN), United Insurance Company (UIC), life Insurance Corporation (LIC) and different NGO's are providing different types of voluntary insurance schemes in Jammu & Kashmir State for the development of both regions.

Scope of Further Research

Since data on HI expenditure for Jammu & Kashmir was not available in public, so this study could not show the impact of health insurance in GDP of Jammu & Kashmir economy. If in near future we get access to data, we will use ordinary least square (OLS) to show the impact of health insurance on economic development of Jammu & Kashmir region. Further, we planned to undertake causality analysis by taking help of Granger Causality test for showing how health insurance is the cause of economic development of Jammu & Kashmir region. Finally, we will undertake co-integration and Vector Error Correction Mechanism to know whether relationship between health insurance is a long term or short-term phenomenon.

Research can be done further to study:

- How subsidies for the poorest in a community can be designed, to preserve the incentives for a viable management of the schemes and thus achieve the optimal targeting.

- To identify other promising measures to fight social exclusion in access to social protection in low-income environments.

Limitations of the Study

Firstly, random sampling technique was used for collecting data. Secondly, data collection cannot be made from all rural and backward areas of Jammu region due to financial and academic constrained. Lastly, the entire analysis conducted is based on qualitative data due to unavailability of quantitative data i.e. in binary (1 or 0) format.

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Indian Capital Market

Contemporary Developments and Procedure

Abstract

One of the important reforms Indian markets witnessed in the recent past is the introduction of issuing shares through the book building process which aims at proficient price sighting, which captures significant market share from other alternatives in recent years. Apart from the differences, all the mechanisms have one thing in common that is, pricing-relevant information is obtained directly from prospective buyers in the primary market. The paper attempts to see how. Book building mechanism is a transparent and flexible price sighting method of IPOs in which price of securities is fixed by the issuer company along with BRLM on the basis of feedback received from investors as well as market intermediaries. The IPOs issued through book building process fare both in short-run as well as in long run. Results indicate that the IPOs are under-priced as is evidenced by the positive listing day returns and are outperforming the market in the subsequent months. However, after two years of listing they generate negative returns. This finding is consistent with the IPO performance literature from the other countries. The key difference between book-building and other IPO methods is that the book-building method gives

underwriters control over the allocation of shares whereas others do not .This paper shows how the book building mechanism is been introduced in Indian stock market and its competence as compared to other alternative mechanisms.

Introduction

The function of the financial market is to facilitate the transfer of funds from surplus sectors (lenders) to deficit sectors (borrowers). Normally, households have investible funds or savings, which they lend to borrowers in the corporate and public sectors whose requirement of funds far exceeds their savings. A financial market consists of investors or buyers of securities, borrowers or sellers of securities, intermediaries and regulatory bodies. Financial market does not refer to a physical location. Formal trading rules, relationships and communication networks for originating and trading financial securities link the participants in the market.

The Capital market

The capital market consists of primary and secondary markets. The primary market deals with the issue of new instruments by the corporate sector such as equity shares, preference shares and debt instruments. Central and State governments, various public sector industrial units (PSUs), statutory and other authorities such as state electricity boards and port trusts also issue bonds/debt instruments. The primary market in which public issue of securities is made through a prospectus is a retail market and there is no physical location. Offer for subscription to securities is made to investing community. The secondary market or stock exchange is a market for trading and settlement of securities that have already been issued. The investors holding securities sell securities through registered

brokers/sub-brokers of the stock exchange. Investors who are desirous of buying securities purchase securities through registered broker/sub-broker of the stock exchange. It may have a physical location like a stock exchange or a trading floor. Since 1995, trading in securities is screen-based and Internet-based trading has also made an appearance in India.

Initial public offering

(IPO), also referred to simply as a "public offering", is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

There are at least three distinct mechanisms available for an issuing firm. Fixed price offer, book building, auctions and a composite method viz., fixed price offer/book building. In some countries only one of these methods is available whereas in some other countries firms may have a choice. In a fixed price offer the price will be set by the issuer in consultation with the merchant banker prior to the offer and allocation. In case of excess demand shares will be allotted on a prorata basis or on a lottery of draws. In a typical auction

Investors are invited to submit bids indicating both the number of shares and the price they are willing to pay. From the bids the market clearing price will be determined. Then the shares will be issued to all the successful bidders at a uniform price¹ (popularly known as Dutch auction) set at the level of the bid of the lowest successful bidder. Book building entails soliciting investors to submit the number of shares they would like to buy and at a price that has to be in a specified

Price range once the books are closed the price will be set by the merchant banker. An important distinction between book building (free from regulatory restrictions) and auctions is the merchant banker has complete discretion in the allocation of shares once the price is arrived at whereas in auctions the pricing and allocation rules are to be announced well in advance of the bidding stage.

Literature review

Short and Long-run Performance of Book built IPOs in India

S S S Kumar

One of the important reforms Indian markets witnessed in the recent past is the introduction of issuing shares through the book building process which aims at efficient price discovery. The paper attempts to see how the IPOs issued through book building process fare both in short-run as well as in long run. Results indicate that the IPOs are under-priced as is evidenced by the positive listing day returns and are outperforming the market in the subsequent months almost up to twenty four months. However, after two years of listing they generate negative returns. This finding is consistent with the IPO performance literature from the other countries but in contrast with the first long run study on IPOs in the long run in India.

IPO Pricing with Book building and a When-Issued Market

Wolfgang Aussenegg, Pegaret Pichler, and Alex Stomper

We study IPO pricing in Germany to determine whether when-issued trading provides information that is useful for setting IPO offer prices, and whether such trading supplants.

Book building as a source of information, We find that when-issued trading reveals relevant information for pricing IPOs, and that, once when-issued trading has begun, book building is not a source of costly information for pricing. But book building does not appear to be fully supplanted as a source of pricing information. We find evidence consistent with book building being used to gather information prior to the onset of when-issued trading.

Book-Building System: Will It Really Help to Build the Market?

K. M. Zahidul Islam, Mohammad Moniruzzaman Siddiquee, Masud Ibn Rahman.

There are three widely practiced approaches in pricing the initial public offerings (IPOs), such as public offer, tender or auction and book-building. The key difference between book-building and other IPO methods is that the book-building method gives underwriters control over the allocation of shares whereas others do not. Apart from the differences, all the mechanisms have one thing in common that is, pricing-relevant information is obtained directly from potential buyers in the primary market. Book building, primarily used in North America in the 1980s, got momentum by the end of the 1990s, touched Europe, Asia and Latin America. However, public offer method is becoming less common worldwide except in smaller countries that rely mainly on retail investors. Auctions are rare these days. Book-building dominates the IPO pricing mechanisms because it results in higher net proceeds, enables smaller and riskier firms to access public equity markets, enables issuers to raise larger amounts of capital, provides liquidity for early investors, places shares with preferred types

of investors, and encourages underwriters to provide important aftermarket services, although book-building is widely believed to be an expensive process compared to other alternatives. However, only cost differences between book-building and other approaches are not sufficient to outweigh the benefits investors perceive. Recently the Securities and Exchange Commission (SEC) of Bangladesh is planning to introduce book-building system replacing the year old fixed price method. The SEC thinks that this will encourage good-performing local and foreign companies to float IPOs as they are ensured to have fair price for their shares. The critics, on the other hand, think that book-building will permanently throw out general investors from the capital market making the market fully .elite class... From the public policy point of view, SEC should not introduce such a system. In such a situation, SEC may continue with both the existing .lottery. method and the book-building in parallel as it is in the US, where book-building is used for larger IPOs and auction/public offer method for smaller issues or there can be a hybrid system of book-building and other IPO pricing mechanisms.

An Overview of the Indian Securities Market

Mitu Sinha and Golaka C Nath

The financial markets facilitate the reallocation of savings from savers to entrepreneurs. Savings are linked to investments by a variety of intermediaries through a range of complex financial products called “securities” which is defined in the Securities Contracts (Regulation) Act, 1956 to include shares, bonds, scripts, stocks or other marketable securities of like nature in or of any incorporate company or body corporate, government

securities, derivatives of securities, units of collective investment scheme, interest and rights in securities, security receipt or any other instruments so declared by the central government. The financial market in India has undergone significant changes keeping pace with the ever changing needs of the market participants. This has been possible with the measures like opening up the economy for investment and trade, decontrol of interest rate and exchange rate, setting up of sound regulatory institutions etc. This article makes a modest attempt to give an overview of the Indian Securities Market in India, focusing on the different market segments, players in the market, the market design and the regulatory framework.

Initial Public Offerings

Jay R. Ritter

In the 1990s, thousands of firms have gone public around the world. This article surveys the market for initial public offerings (IPOs). The process of going public is discussed, with particular emphasis on how contractual mechanisms deal with potential conflicts of interest. The valuation of IPOs, book building, price stabilization, and the costs of going public are also discussed. Three empirical patterns are documented and analyzed: short run under pricing, hot issue markets, and long-run underperformance.

The Book Building Mechanism of IPOs

SIDDHARTHA SANKAR SAHA

To keep pace with the globalization and liberalization process, the government of India was very keen to bring the capital market in line with international practices through gradual deregulation of the economy. It led to liberalization of capital market in the country with more expectations from primary market to meet the growing needs for funds for investment in trade and industry. Therefore, there was a vital need to strengthen the capital market which, it felt, could only be achieved through structural modifications, introducing new mechanism and instruments, and by taking steps for safeguarding the interest of the investors through more disclosures and transparency. As such, an important mechanism named as Book building in the system of initial public offerings (IPOs) was recognized by SEBI in India after having the recommendations of the committee under the chairmanship of Y. H. Malegam in October, 1995. SEBI guidelines recognized book building as an alternative mechanism of pricing. Under this approach, a portion of the issue is reserved for institutional and corporate investors.

Book building and Strategic Allocation

Francesca Cornelli and David Goldreich

In the book building procedure, an investment banker solicits bids for shares from institutional investors prior to pricing an equity issue. The banker then prices the issue and allocates shares at his discretion to the investors. We examine the books for 39 international equity issues. We find that the investment

banker awards more shares to bidders who provide information in their bids. Regular investors receive favorable allocations, especially when the issue is heavily oversubscribed. The investment banker also favors revised bids and domestic investors.

Objective of the Study

1. To overview the pricing mechanism in India, function of Book Building mechanism in India.
2. Evaluating the IPOs through book building mechanism in India for short run

Mechanisms for Pricing IPOs

In an IPO, the issuers not only market and distribute the shares, but also determine a price at which the securities can be sold. There are three globally practiced methods for IPOs pricing, such as (1) tender or auction, (2) public offer (fixed price, open offer or universal offer), and (3) book-building. The following section discusses three methods along with a few variations

Auction requires the allocation of shares to be based on bids, without regard to any past relationship between certain bidders and the auctioneer. Then securities are priced and allocated according to explicit rules. Under auction or the open offer system, underwriters are free to do road shows and to ask for indications of interest. However, the auction's discriminatory pricing structure discourage bidding, making it difficult for underwriters to assess demand and limiting

offering size; and due to low institutional involvement, pricing in the auctions was more heavily affected by market conditions than by fundamental value.

By fixed price mechanisms, we mean contracts where the offer price is set relatively early, before much information about the state of demand is known. Then orders are taken from investors who typically pay in advance for part or all of the shares that are ordered. In public offer, the issuer is allowed to price the shares as he/she wishes. The basis for the price is explained in an offer document (e.g., prospectus) through qualitative and quantitative statements.

This offer document is filed with the stock exchanges and the registrar of companies. The open offer normally includes fairness rules which allow discrimination only on the basis of order size that may increase the cost of financing for issuers

Book building is a process of price sighting. The issuer discloses a price band or floor price before opening of the issue of the securities offered. On the basis of the demands received at various price levels within the price band specified by the issuer, Book Running Lead Manager (BRLM) in close consultation with the issuer arrives at a price at which the security offered by the issuer, can be issued. Book-building is a process by which an underwriter attempts to determine at what price an IPO should be offered based on demand from institutional investors. An underwriter builds a book. By accepting orders from fund managers indicating the number of shares they desire and the price they are willing to pay. Hence the name, the book normally includes each bid submitted, the identity of the bidder, the number of shares (or dollar amount) requested, and any limit price. The book also shows the date when the bid was entered and any subsequent revision (or cancellation) of the bid. Underwriter retains sole discretion over allocation of the shares to investors.

Book Built in India

The main parties who are directly associated with book building process are the issuer company, the Book Runner Lead Manager (BRLM) and the syndicate members. The Book Runner Lead Manager (i.e. merchant banker) and the syndicate members who are the intermediaries are both eligible to act as underwriters. The steps which are usually followed

in the book building process can be summarized below:

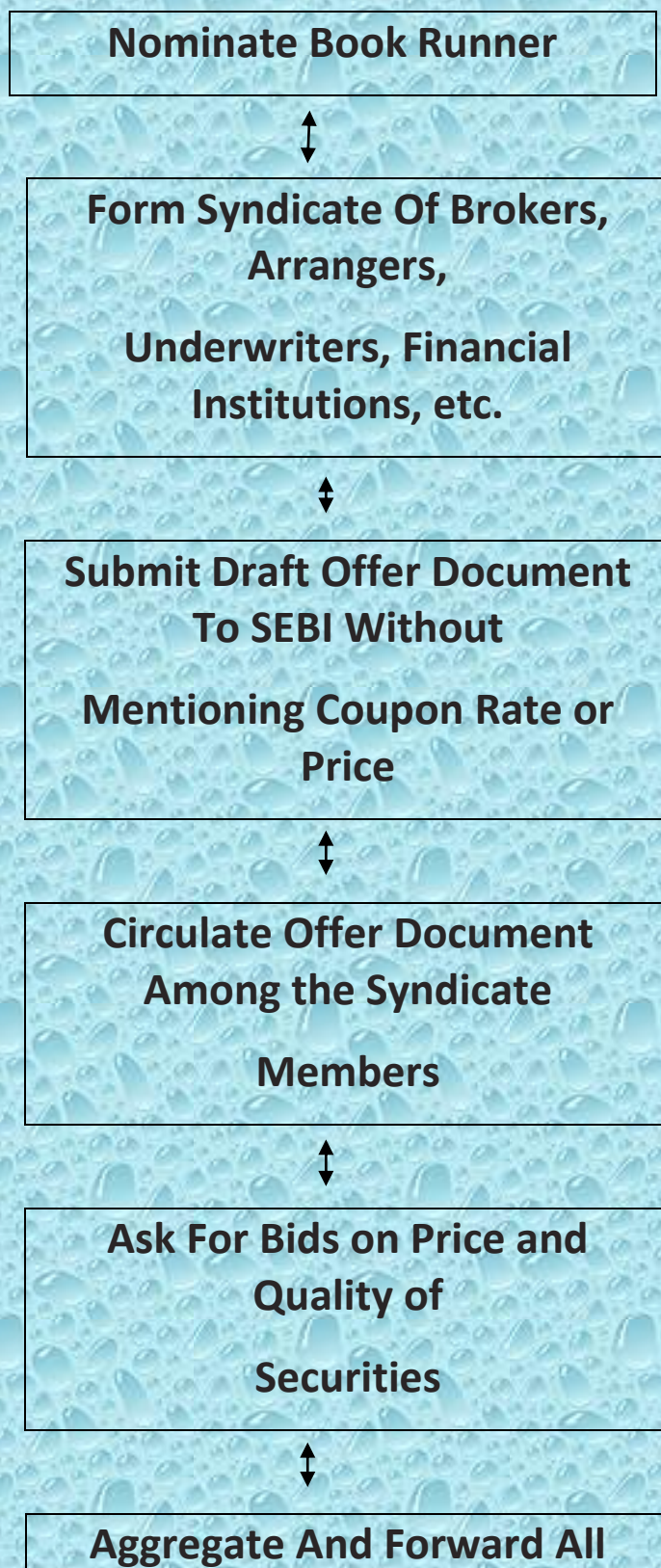
- The issuer company proposing an IPO appoints a lead merchant banker as a BRLM.
- Initially, the issuer company consults with the BRLM in drawing up a draft prospectus (i.e. offer document) which does not mention the price of the issues, but includes other details about the size of the issue, past history of the company, and a price band. The securities available to the public are separately identified as “net offer to the public”.
- The draft prospectus is filed with SEBI which gives it a legal standing.
- A definite period is fixed as the bid period and BRLM conducts awareness campaigns like advertisement, road shows etc.
- The BRLM appoints a syndicate member, a SEBI registered intermediary to underwrite the issues to the extent of “net offer to the public”.
- The BRLM is entitled to remuneration for conducting the Book Building process.
- The copy of the draft prospectus may be circulated by the BRLM to the institutional investors as well as to the syndicate members.

- The syndicate members create demand and ask each investor for the number of shares and the offer price.
- The BRLM receives the feedback about the investor's bids through syndicate members.
- The prospective investors may revise their bids at any time during the bid period.
- The BRLM on receipts of the feedback from the syndicate members about the bid price and the quantity of shares applied has to build up an order book showing the demand for the shares of the company at various prices. The syndicate members must also maintain a record book for orders received from institutional investors for subscribing to the issue out of the placement portion.
- On receipts of the above information, the BRLM and the issuer company determine the issue price. This is known as the market-clearing price.
- The BRLM then closes the book in consultation with the issuer company and determine the issue size of (a) placement portion and (b) public offer portion.
- Once the final price is determined, the allocation of securities should be made by the BRLM based on prior commitment, investor's quality, price aggression, earliness of bids etc. The bid of an institutional bidder, even if he has paid full amount may be rejected without being assigned any reason as the Book Building portion of institutional investors is left entirely at the discretion of the issuer company and the BRLM.
- The Final prospectus is filed with the registrar of companies within 2 days of determination of issue price and receipts of acknowledgement card from SEBI.

- Two different accounts for collection of application money, one for the private placement portion and the other for the public subscription should be opened by the issuer company.
- The placement portion is closed a day before the opening of the public issue through fixed price method. The BRLM is required to have the application forms along with the application money from the institutional buyers and the underwriters to the private placement portion.
- The allotment for the private placement portion shall be made on the 2nd day from the closure of the issue and the private placement portion is ready to be listed.
- The allotment and listing of issues under the public portion (i.e. fixed price portion) must be as per the existing statutory requirements.
- Finally, the SEBI has the right to inspect such records and books which are maintained by the BRLM and other intermediaries involved in the Book Building process.

Book Building procedure

Steps Involved in Book Building Process





Book Building (Regulatory Framework)

Book Building Guidelines Dated 14th Aug 2003

Eligibility Norms The existing eligibility norms of the issuers have been reviewed with an objective to strengthen the existing norms, to facilitate entry of mid-cap, small-cap new entrepreneurs to the primary market without exposing the public to undue risk, to maintain quality of issuer companies and also to keep fly by night issuers at bay. Accordingly amendments to SEBI (DIP) guidelines have been carried out. The amendments inter-alia include introduction of Net Tangible Assets and minimum number of allottees as additional criterion, appraisal route as an alternative to the mandatory book building route etc

Changes in Book Building guidelines

Book building is a facility given to issuer companies and merchant bankers to ascertain the demand and indicative price before the actual opening of the issue. SEBI has been reviewing the existing book building guideline on an ongoing basis, to make price discovery process more realistic, immune from artificial demand and more responsive to the market demand. The companies have now been given a flexibility of indicating a movable price band or a fixed floor price in Red Herring prospectus, definition of QIBs has been enlarged to include Insurance companies, Provident and Pension funds with minimum corpus of Rs. 25 crores. Further operational guidelines are amended thus shortening the interregnum between the closures of issue and listing/ trading of securities to T+6 (T stands for date of closure of issue).

Introduction of Green Shoe Option

Green Shoe option means an option of allocating shares in excess of the shares included in the public issue. It is extensively used in international IPOs as stabilization tool for post listing price of the newly issued shares. It is being introduced in the Indian Capital Market in the initial public offerings using book building method. It is expected to boost investors' confidence by arresting the speculative forces which work immediately after the listing and thus results in short-term volatility in post listing price.

BOOK BUILDING – MODEL TIME FRAME

T	T+1	T+2	T+3	T+4	T+5	T+6
Book Closed	<ul style="list-style-type: none"> Price Determination Determination of offer size 	<ul style="list-style-type: none"> Registrar draws the allocation list All entered bids assumed as valid 	<ul style="list-style-type: none"> Stock Exchanges approve the basis of allocation Final prospectus printed and dispatched CANs sent to QIBs Allocation details electronically communicated by Registrar/Company to brokers 	<ul style="list-style-type: none"> Pay-in (Only high-value) Bankers to confirm clearance of fund Board Meeting Stock Exchanges to issue the listing and trading 	<ul style="list-style-type: none"> Brokers account to be credited with shares Broker to credit shares to the demat account of investors 	Trading commences

				permission . Company to instruct NSDL/CD SL to credit shares to the demat account of brokers		
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Book Building Guidelines Dated July 30, 2008

Applications Supported by Blocked Amount (hereinafter referred to as “ASBA”)

1. In its continuing Endeavour to make the existing public issue process more efficient, SEBI has decided to introduce a supplementary process of applying in public issues, viz., the “Applications Supported by Blocked Amount (ASBA)” process. The SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as “the Guidelines”) have since been amended to provide for the ASBA process.

2. The ASBA process shall be available in all public issues made through the book building route. It shall co-exist with the current process, wherein cheque is used as a mode of payment.

3. The main features of ASBA process are as follows:

a. Meaning of ASBA: ASBA is an application for subscribing to an issue, containing an authorization to block the application money in a bank account.

b. Self Certified Syndicate Bank (SCSB): SCSB is a bank which offers the facility of applying through the ASBA process. A bank desirous of offering ASBA facility shall submit a certificate to SEBI as per the format given in Annexure I, for inclusion of its name in SEBI's list of SCSBs.

c. Eligibility of Investors: An Investor shall be eligible to apply through ASBA process, if he/ she:

(i) Is a "Resident Retail Individual Investor";

(ii) Is bidding at cut-off, with single option as to the number of shares bid for?

(iii) Is applying through blocking of funds in a bank account with the SCSB;

(iv) Has agreed not to revise his/her bid.

(v) Is not bidding under any of the reserved categories.

Such investors are hereinafter referred as "ASBA investors".

d. ASBA Process in brief: An ASBA investor shall submit an ASBA physically or electronically through the internet banking facility, to the SCSB with whom the bank accounts to be blocked, is maintained. The SCSB shall then block the application money in the bank account specified in the ASBA, on the basis of an authorization to this effect given by the account holder in the ASBA.

e. Obligations of the Issuer: The issuer shall ensure that adequate arrangements are made by the Registrar to the Issue to obtain information about all ASBAs and to treat these applications similar to non-ASBA applications while finalizing the basis of allotment, as per the procedure specified in the Guidelines.

f. Applicability of ASBA process: ASBA process shall be applicable to all book-built public issues which provide for not more than one payment option to the retail individual investors.

Details of “Applications Supported By Blocked Amount (ASBA)” Process

Sr. No.	Details of ASBA process	Timeline/ Due date
1.	<p>An ASBA investor, intending to subscribe to a book built public issue, shall submit a completed ASBA form1 to a Self Certified Syndicate Bank (SCSB) , with whom the bank account to be blocked, is maintained, through one of the following modes -</p> <p>(i) Submit the form physically with the Designated Branches (DBs) of the SCSB (“Physical ASBA”);</p> <p style="text-align: center;">or</p>	Bidding Period

	<p>(ii) Submit the form electronically through the internet banking Facility offered by the SCSB (“Electronic ASBA”).</p>	
2.	<p>The SCSB shall give an acknowledgement specifying the application number to the ASBA investor, as a proof of having accepted his/ her ASBA in a physical or electronic mode.</p>	Bidding period
3.	<p>If the bank account specified in the ASBA does not have sufficient credit balance to meet the application money, the ASBA shall be rejected by the SCSB.</p>	Bidding period
4.	<p>After accepting a Physical ASBA, the SCSB shall block funds available in the bank account specified in the Physical ASBA, to the extent of the application money specified in the ASBA. The SCSB shall then capture/ upload the following details in the electronic bidding system provided</p>	Bidding period

	<p>by the Stock Exchange(s) for the particular public issue:</p> <p>(i) Application number</p> <p>(ii) DP ID, Client ID</p> <p>(iii) Bid Quantity</p> <p>(iv) PAN</p> <p>In case of an Electronic ASBA, the ASBA investor himself/ herself shall fill in all the above mentioned details, except the application number Which shall be system generated. The SCSB shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).</p>	
5.	<p>The SCSB (Controlling Branch (CB) or DBs) shall generate a Transaction Registration Slip/ Order number, confirming upload of ASBA details in the electronic bidding system of the Stock Exchange(s). The Transaction Registration Slip/ Order number shall be given to the ASBA investor as a proof of uploading the details of ASBA, only on</p>	Bidding period

	demand.	
6.	In case an ASBA investor wants to withdraw his/ her ASBA during the bidding period, he/ she shall submit his/ her withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.	Bidding period
7.	The Stock Exchange(s) shall make available the updated electronic bid file to the Registrar to the Issue.	Bidding period
8.	The SCSB shall send the following aggregate information to the Registrar to the Issue after closure of the bidding period: (i) Total number of ASBAs uploaded by the SCSB (ii) Total number of shares and total amount blocked against the uploaded ASBAs.	T+1 (where T stands for closing date of the bidding period)
9.	The Registrar to the Issue shall reconcile the compiled data received	T to T+11

	<p>from the Stock Exchange(s) (as explained in para 7 above) and all</p> <p>SCSBs (as explained in para 8 above) (hereinafter referred to as the “reconciled data”).</p>	
10.	<p>The Registrar to the Issue shall then match the reconciled data with the depository’s database for correctness of DP ID, Client ID and PAN.</p> <p>In case any DP ID, Client ID or PAN mentioned in the bid file for ASBAs does not match with the one available in the depository’s database, such ASBA shall be rejected by the Registrar.</p>	T to T+11
11.	<p>The Registrar to the Issue shall inform each SCSB about errors, if any, in the bid details, along with an advice to send the rectified data within the time as specified by the Registrar.</p>	T to T+11
12.	<p>In case an ASBA investor wants to withdraw his/her ASBA after the bid closing date, he/ she shall submit the withdrawal request to the</p>	T to T+11

	Registrar to the Issue. The Registrar shall delete the withdrawn bid from the bid file.	
13.	The Registrar to the Issue shall reject multiple ASBAs determined as such, based on common PAN.	T to T+11
14.	The Registrar to the Issue shall finalize the basis of allotment and submit it to the Designated Stock Exchange for approval.	T+12
15.	Once the basis of allotment is approved by the Designated Stock Exchange, the Registrar to the Issue shall provide the following details to the CB of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the issuer's account within the timelines specified in the ASBA process: (i) Number of shares to be allotted against each valid ASBA (ii) Amount to be transferred from the relevant bank account to the issuer's account, for each valid ASBA	T+13

	<p>(iii) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the issuer's account</p> <p>(iv) Details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts.</p>	
16.	<p>SCSBs shall unblock the relevant bank accounts for:</p> <p>(i) Transfer of requisite money to the issuer's account against each valid ASBA.</p> <p>(ii) Withdrawn/ rejected/ unsuccessful ASBAs.</p> <p>The CB of each SCSB shall confirm the transfer of requisite money against each successful ASBA to the Registrar to the Issue.</p>	T+14
17.	The Issuer shall make the allotment.	T+15
18.	he Registrar to the Issue shall credit the shares to the demat account of the successful ASBA investors.	T+15

Research methodology

The sample in this study includes all the new equity issues offered through book building route on the Bombay stock exchange (BSE) from 2000 till May2009. The entire list of IPOs made through BSE is available on their web site (www.bseindia.com) however we have excluded the entire offer for sale issues, follow on public offers. For the listing day and the first five prices is taken into consideration. we collected the opening price and closing price of the IPO from the BSE web site and prime data website. In this study we examined the price performance of the IPOs in the short-run, where short-run means the performance of initial returns up on listing.

We estimate simple returns during the period between offer closures to listing. Simple returns are computed as:

$$\text{Returns} = \frac{\text{Opening/closing price} - \text{Offer price}}{\text{Offer price}}$$

These returns measure whether an investor gained (or lost) by buying the shares during the IPO at the offer price and selling at the prevailing price on the opening day.

Some Book Building issues in India during 2000-2009

S.NO.	COMPANY NAME (AS AT THE TIME OF ISSUE)	ISSUE OPENING DATE	OFFER PRICE (Rs.)	ISSUE AMOUNT (Rs.lacs)
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1	CADILA HEALTHCARE LTD.	09/02/2000	250.00	33493.50
2	AKSH OPTIFIBRE LTD.	28/06/2000	60.00	2682.00
3	MUKTA ARTS LTD.	10/07/2000	165.00	7499.91
4	MRO-TEK LTD.	04/09/2000	95.00	4368.20
5	PRITISH NANDY COMMUNICATIONS LTD.	04/09/2000	155.00	3650.72
6	TIPS INDUSTRIES LTD.	05/09/2000	325.00	8775.00
7	MID-DAY MULTIMEDIA LTD.	12/02/2001	70.00	4500.00
8	BHARTI TELE-	28/01/2002	45.00	83401.52

	VENTURES LTD.			
9	DIVI'S LABORATORIES LTD.	17/02/2003	140.00	4486.56
10	PATNI COMPUTER SYSTEMS LTD.	27/01/2004	230.00	43065.20
11	NEW DELHI TELEVISION LTD.	21/04/2004	70.00	10900.00
12	3I INFOTECH LTD.	30/03/2005	100.00	23000.00
13	ALLSEC TECHNOLOGIES LTD.	13/04/2005	135.00	4240.62
14	R SYSTEMS INTERNATIONAL LTD.	28/03/2006	250.00	11020.89
15	HOV SERVICES LTD.	04/09/2006	200.00	8100.00
16	REDINGTON	22/01/2007	113.00	14951.03

	(INDIA) LTD.			
17	FIRSTSOURCE SOLUTIONS LTD.	29/01/2007	64.00	44352.00
18	Vishal Information Technologies Limited.	21-Jul-08	150.00	NA
19	EDSERV SOFT	5-Feb-09	70.00	NA

Source: [www. Prime data base.com](http://www.Prime data base.com) and www. bseindia.com

Conclusion

Book Building process aims at fair pricing of the issue which is supposed to emerge out of offers made by various investors. One question may arise whether book building is the right mechanism for fair pricing discovery in IPOs? The answer may be in the negative because a floor price is fixed for the Book Building Since investors participate through Book Building process in making fair pricing of IPOs where there is no ceiling price, there should not be any floor price. Below which no bid can be accepted.

In addition to this, unlike international market, India has not reached the stage of development of the institutional framework to experiment with the book building process because retail investors (i.e. individual investors) are still now an integral part of Indian capital market. If the interests of the small investors are not safeguarded appropriately, this may be very dangerous to the primary capital market.

These companies book built issues-AKSH OPTIFIBRE LTD, MUKTA ARTS LTD and DIVI'S LABORATORIES LTD. have given proper returns to the shareholders as 22.6%,46.82 %,58.35% respectively but the other CADILA HEALTHCARE LTD, MRO-TEK LTD, PRITISH NANDY COMMUNICATIONS LTD, TIPS INDUSTRIES LTD and other few were trading at huge discounts to their issue price ranging between 30% to 50%.

Even though the book building mechanism in Indian capital market has not arrived with expected success but Indian capital market will also move, like international capital market, with sufficient success through Book Building process provided that lead merchant bankers (i.e. BRLMs), issuer company, regulators (i.e. SEBI), and investors all discharge their responsibility to the best interest of the investors.

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Innovative Financial Solutions for Agripreneurs in India: a Way Forward

Abstract

In India, agripreneurship is one of the key areas which could provide a major boost to the economic growth of the country. Majority of agripreneurs are facing problems related to financial management i.e. they are facing problems in arranging finances for starting or up scaling their business, in managing their finances or in optimal utilization of their finances. This is one of the biggest problems which inhibits the proper growth & development of agripreneurship. This paper focuses on finding the solutions and developing a framework which could be employed in general to solve the Indian agripreneurs' financial problems.

Key Words: *Innovative solution, agripreneurs, financial solutions*

Introduction

The importance of agribusiness could be judged from the findings of a study conducted by NCAP in which it is found that 24.4 per cent i.e. one-fourth of the total income of farm households is contributed by non-farm business. And furthermore for sub-marginal and marginal farmers, it increases to 33.9 per cent and 27.4 per cent, respectively. (BIRTHAL et al., 2007) In spite of availability of lots of raw materials agribusiness hasn't achieved its deserved place, because of lack of capital or ability to develop. (Viraphol, 2001) One of the main reasons could be better, higher and steadier return generated by the manufacturing sector, also agricultural investments are in many ways considered to be highly risky because of many reasons like weather, diseases, price fluctuations, and perishability etc. (HARRON, SHAMSUDIN & LATIF, 2001) The rest of this paper proceeds in following manner. Section 2 elaborates on various types of financial problems which agripreneurs are facing. Existing solutions are presented in Section 3. Section 4 discusses the innovative solutions proposed by the researchers along with two models which could be employed in general to solve the financial problems of Indian agripreneurs.

Financial problems faced by agripreneurs

Agribusinesses' biggest problem during economic stress is to create revenues to meet current financial obligations. (Parcell, 2001) In general conditions also agripreneurs face lots of financial problems as could be seen in the following tables derived from a recent research done by Karjari et al in 2009.

Table No.1 Problems faced by the trained agricultural graduates in establishing their agriclinics and agribusiness centers

Sl. No.	Particulars	No. of respondents	Percentage
1.	High rate of interest and lack of subsidy component in the scheme	83	93.25
2.	Lack of handholding support from the training institutions	72	80.89
3.	Bankers hesitate to finance	71	79.77
4.	NABARD and commercial banks will not give correct picture about the rate of interest, subsidy and collateral security	70	78.65
5.	Banks not responding to the proposals	69	77.52
6.	Many banks do not know about the scheme of AC and ABCs	67	75.28
7.	Lack of collateral security	65	73.03
8.	High margin money (25% of the total cost have to be borne by agripreneurs	61	68.53
9.	Lack of support from family	60	67.41
10.	Fear of collection of money from the farmers	59	66.29
11	Lack of support from family	60	67.41
12	Fear of sales	55	61.79
13	A lot of procedure is involved	53	59.55

	in getting bank loans		
14	Huge risk involved	53	58.42
15	Due to employment in private / public sectors	7	7.86

As can be seen, most of the problems are of financial nature and they have been faced by majority of agripreneurs. Specially the high rate of interest and lack of hand holding support from the training institutes, bankers resistance to finance and NABARD and other commercial banks non willingness to give correct picture about the rate of interest, subsidy and collateral security were the major problems faced by 83, 72, 71 and 70 agripreneurs which accounts to 93.25 per cent, 80.89 per cent, 79.77 per cent and 78.65 per cent respectively.

Table No.2 Problems faced by the sample agripreneurs in running their agriventure

Sl. No.	Particulars	No. of respondents	Percentage
1.	Heavy competition from well established and other old dealers in business	39	84.78
2.	Farmers asking the products on credit basis	36	78.26
3.	Non cooperation of the farmers	34	73.91
4.	Insufficient cash in hand while starting the business	31	67.39
5.	Illiteracy and lack of	25	54.34

	knowledge of the farmers		
6.	Average support from family (risk involved and new activity)	21	45.65
7.	Marketing and infrastructure	20	43.47
8.	Low investment	19	41.30
9.	No direct dealership from company	18	39.13
10.	Non possession of land for demonstration	3	6.52

As found above, we can also observe here that financial problems are of significant nature and are predominantly related to working capital management & capital expenditure type. (Karjari et al, 2009) High costs along with government duties and taxes make Indian agro products less competitive in world markets. The high cost of raw material, machinery and packaging material; poor technology in processing, packaging and distribution; inadequate and expensive air- cargo and shipping and port facilities, etc. All these factors inhibit the growth of this industry. (Goyal, 2006) This industry is badly affected because of existence of a large number of small farmers (the main and initial component of value chain) who are poor, undernourished, poverty stricken, depend on monsoons and, practice subsistence agriculture. As their risk-taking abilities are low, productivity declines. Poor market orientation and low value addition capacity, gives them low margins leading to low risk-taking abilities. (Sridhar, 2007) Also presence of large number of intermediaries in the agricultural

supply chain leads to limited scale of financing as well as higher risk, because of lack of control each of the players has on the supply chain. Furthermore financing is largely dependent on unorganized sources of credit due to bottlenecks in access, timeliness in availability and adequacy of credit from organized sources. This is because of the hurdles faced by banks in financing farmers due to their inability to provide adequate collateral as security and potential for default in the absence of an assured market for their produce. (Punjabi, 2007)

Companies in the food processing sector usually bear a steep cost of interest for the high risk perception associated with the nature of their operations. In contrast, agricultural supply chains in developed countries are well integrated/coordinated which leads to more control and less risk in the supply chain. (Punjabi, 2007)

The food processing enterprises primarily comprise of small and medium sized companies, (Punjabi, 2007) and finance is one of the critical inputs for growth and development of the micro, small and medium enterprises. Inadequate access to credit is a major problem facing micro, small and medium enterprises. This is because, on account of their low goodwill and little fixed investment, they find it difficult to borrow at reasonable interest rates. As a result, they have to depend largely on internal resources. Sometimes, they have to close down their operations due to shortage of funds. Also, there is little or no scope for expansion and growth due to dearth of capital. (Problems relating to MSMEs, 2010)

An elaborate report “Vision, Strategy and Action plan for Food Processing Industries”, Volume I, prepared by Rabobank, India for the Ministry of Food Processing Industries, Government of

India has mentioned few of the issues applicable specifically to food processing industry in India, these are:

1. Farmers are generally availing finance from unorganized sources, which is generally more expensive.
2. Food processing enterprises generally bear a steep cost of interest for their loans. Also because of several regulations like definition of priority sector lending, the Cooperatives Act and the Warehousing Corporation Act, and absence of well-developed risk mitigation tools etc., limits the availability of finance to this sector.
3. FDI in the food processing sector is low, constituting a mere 4% of total FDI in the period 1991-2004.
4. Government support in terms of various schemes is not very productive owing to several unaddressed need gaps of the industry along with practical overlapping of the various schemes.
5. The tax incidence (excise / customs, state taxes) in Indian food products is higher than many other countries. This has led to low affordability of processed products. (Vision, Strategy and Action plan for Food Processing Industries, 2004)

High unit cost, low demand and low capacity utilization are the reasons for sub-optimal growth of the food processing industry. Another major problem faced by this industry is the huge price difference between fresh and processed food, contrary to this in the developed countries processed and fresh food compare well in prices. (Punjabi, 2007)

1. Existing solutions of financial problems faced by agripreneurs

3.1 Indian Solutions

The findings of a research study, tells that agripreneurs prefer to link the training institute with financial institutions for loan

sanctioning, they want that banks should follow the guidelines of RBI in issuing loans and subsidy component should be included in the scheme. The other suggestions given by them were to concentrate more towards providing training on need based economically viable projects by putting trainees under *in plant* training for 15-20 days. (Karjari et al, 2009)

Box 1: ICICI Bank's financial solutions (Ananth, 2004).

ICICI Bank has initiated two models for financial inclusion of agripreneurs & rural customers, these are:

1. **Internet kiosks:** ICICI Bank has partnered with some of these internet service providing organizations for the creation of a large number of such kiosks. The strategy is to reach the poor at their doorsteps by delivering a suite of financial services through these kiosks. Currently, financial services have been rolled out in about 900 kiosks by ICICI Bank. Products such as Life & General Insurance

Two prominent & famous institutional arrangements in Indian agribusiness sector, namely, "*Anand*" pattern of cooperatives and "*e-choupal*" of ITC have received wide attention for the benefits they claim to have passed on to the small farmers. (Sridhar, 2007) Another solution proposed is the growth of organized retail which is expected to provide several advantages for agribusiness in form of new technical knowhow in marketing, reduction of inefficiency in the supply chain, improvement in quality of services to the consumers and creation of employment for the youth. It is also expected to help in achieving international quality standards and thus boost

exports, leading to increase in farmers' incomes. (Acharya, 2007)

Box 2: PRADAN's experience in India (Goldman, 2010)

Pradan a well known NGO in India, recognized that poultry is a growth area in India but that existing players in the sector were highly sophisticated. The organization spent 10 years researching and developing a decentralized small holder poultry business model which now involves thousands of poor women.

The model involved setting up individual women with their own broiler small holding at their homes. The women received loan finance from the government for the start up costs. They were grouped into associations which formed part of co-operatives and given 40 days intensive training covering an entire production cycle.

Pradan set up other co-operatives which mix and sell the feed to the producers and others which hatch the day old chicks as this was cheaper than buying in these inputs. There is a system of traders which collect the chickens from the women and take them to market. The co-operative employs supervisors, who visit the women producers to ensure the chicken's health and exercise quality control.

The co-operative helps to cushion the individual businesses from fluctuations in market prices and in times of crisis such as outbreaks of bird flu. The brand of the co-operative has succeeded in achieving recognition and popularity in the market place. The women attest to greater confidence and resilience from the experience of being part of a successful co-operative.

Government has taken several initiatives which have created a favorable environment for the growth of agribusiness. Several monetary concessions have been announced by the central and state governments. These include 100 per cent excise exemption for 10 years, 100 per cent income tax exemption for five years (later withdrawal in phases), and capital investment subsidy of 15 per cent (up to Rs 30 lakh). (Chengappa et al., 2007).It has also proposed a comprehensive Goods and Services Tax (GST) by 2010. This will serve to integrate the economy and make India a single common market. (Punjabi, 2007) In order to ensure easy and adequate availability of credit for ensuring sustainable growth of the MSME sector (in which most of the agripreneurs operate) the government has undertaken several measures: **Priority Sector Lending** Provision, establishment of Small Industries Development Bank of India (SIDBI), development of more than 100 Micro Finance Institutions (MFIs) by SIDBI etc. At the State level, State Financial Corporations (SFCs) along with the State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the sector. Credit Guarantee Cover Fund Scheme for Small Industries was launched jointly by the Government of India and SIDBI to ensure greater flow of credit to the sector without collateral security. Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs) was launched with the objective of doubling the flow of credit to this sector within a period of five years. (Problems relating to MSMEs, 2010)

The report prepared by Robobank, India proposes establishment of a special financial institution which would take holistic view of the needs of entire food supply chain & its

unique characteristics. Deem lending to food processing sector as direct lending, ensure adequate and timely credit to investors particularly for working capital, increasing the limit on enterprise size from Rs.5 crores to Rs.10 crores to qualify for priority lending, make warehouse receipts negotiable instrument, enhance priority sector lending to farmers with moratorium on repayment for 5 years, encouraging investments (both domestic & foreign) through incentive mechanism, simplified procedures and overall conducive investment climate. Rationalization of Central/State duties, taxes and levies on processed food, machinery etc so as to reach international bench marks and make Indian food globally competitive. (Vision, Strategy and Action plan for Food Processing Industries, 2004)

Global solutions

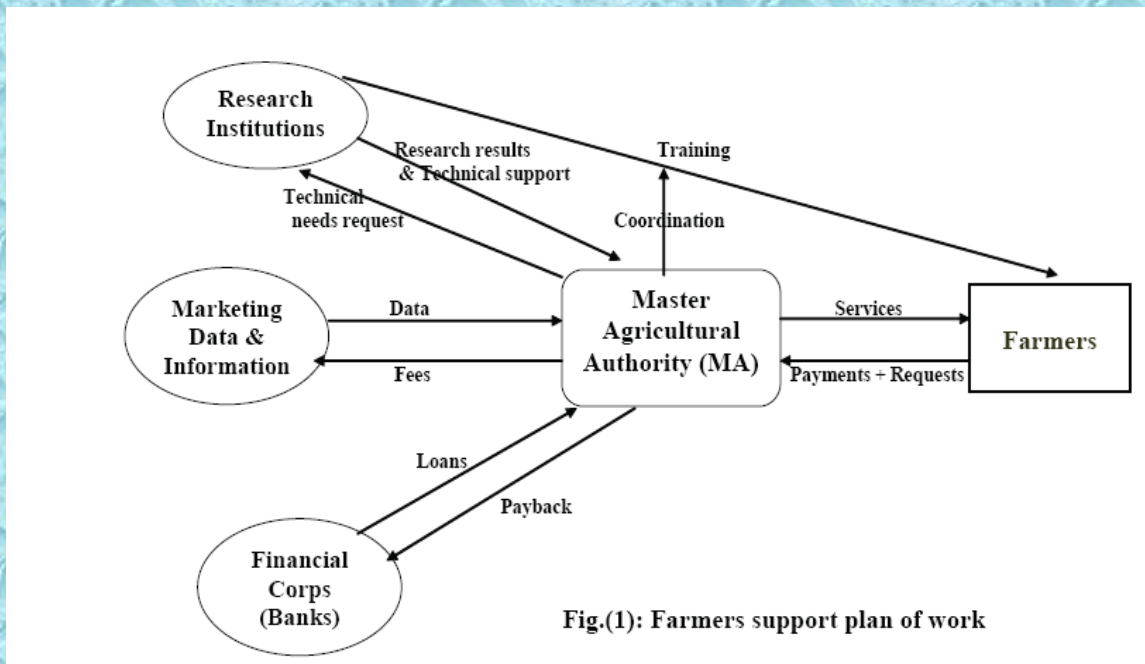
Malaysia – Government has decided that Investment by companies in their wholly owned subsidiaries for food production would be granted deductions equivalent to the amount of the investment as well as tax exemption of 100% on their statutory income for 10 years starting from the first year the company enjoys profit. Losses incurred before and during the exemption period are also allowed to be brought forward after the exemption period of 10 years. (Harron, Shamsudin & Latif, 2001)

Mozambique – An organization named GAPI worked with a marketing organization called Ikuru which represented 29 smallholder farmer associations totaling 13,500 farmers in all which had been supported for ten years by another organization called CLUSA. The smallholder farmer associations were able to borrow money wholesale from GAPI, using a

solidarity loan approach, whereby if one group defaults other groups have to make good the loan. The GAPI case study illustrated the use of solidarity loans with farmer associations with no collateral but with assets and skills which they use as a means of livelihood.

Tanzania - Tanzania Gatsby Trust (TGT)'s focus for poverty reduction is to support the small enterprise sector in Tanzania. TGT funds and supports a cotton and textile development program involving cotton farmers, the Tanzanian Cotton Board, the Ministry of Agriculture and cotton research centers. The programme aims to double the yields and catalyze value-adding such as manufacturing towels. (Goldman, 2010)

Egypt – A research conducted by Abdou, A. I. (2005) proposed a following institutional intervention for developing the agriculture & allied industries.



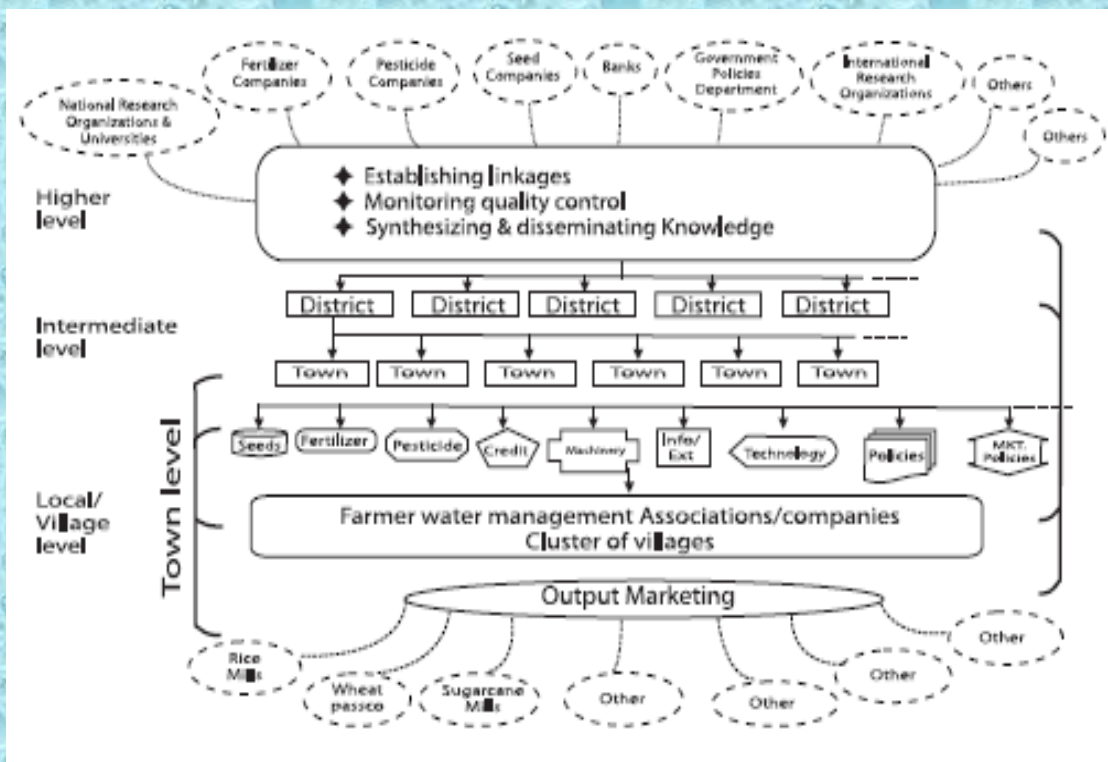
Source: Abdou, A. I. (2005)

As shown in fig. (1), required material should all flow, with feedback, from research institutions, statistical data and information collectors and financial corporations to and from

farmers via Master Agricultural Authority (MA).MA would directly contact the farmers and provide them with needed guidance, follow up implementation and carry back their complaints or new needs to the respective institutions. (Abdou, 2005)

South Asia – An elaborative model for Integrated Services Provision has been proposed by Hussain, 2004 especially for Pakistan. Following figure shows the model

Figure 2. Suggested framework for integrated service provision in agriculture in South Asia (with special



Reference to Pakistan).

The model proposes existence of an apex body of service providers, whose functions may include dissemination of research-based up-to- date knowledge, quality control and monitoring, attracting private investments in provision of inputs and services, establishing linkages with inputs and

service suppliers including financial institutions and facilitating linkages with output market channels; same arrangement is repeated at intermediate & local levels. (Hussain, 2004)

2. Innovative solutions & development of a solution model

The financial problems facing the agripreneurs can be listed as below.

1. Lack of financial literacy
2. Lack of collateral
3. Lack of non-financial services (marketing opportunity)
4. Lack of enabling policy and legal framework.
5. Transaction cost for both service providers and consumers

Development of an alternative model

Given the above problems, the agribusiness sector needs customized financial services so that the service providers as well as the beneficiary are benefited. Some potential solutions that need to be explored and empirically tested are.

- I. **New financing instruments** such as weather index-based insurance and micro insurance also have great potential for managing the risks faced by small farmers.
- II. **Bundling financial services with nonfinancial services** like marketing and extension services offers new opportunities for small farmers to increase their productivity and incomes.
- III. **Supportive infrastructure:** An enabling policy environment and legal framework, enforcement of rules and regulations, and a supportive rural infrastructure all contribute immensely to making sustainable access to finance a

reality.(<http://www.ifpri.org/publication/innovations-rural-and-agriculture-finance>)

- IV. **Issue of financial literacy.** The agripreneurs must be educated regarding the financial services available for them. They must be made aware of all schemes and projects for them.
- V. **Facilitating electronic payment systems.** The financial institutions can drastically reduce the transaction charges by the adoption of electronic payment system. This would encourage the banks and financial institutions to reach the agripreneurs situated in far-off areas.
- VI. **Branchless banking.** This technology can also significantly slash transaction costs for both service providers and consumers.
- VII. **Portable smart technology** to establish identification and monitor clients can significantly alleviate information asymmetries and help improve repayment rates.

Sustainable models of providing financial service to Agripreneurs

There is a need for devising alternative models of delivery of financial services to agripreneurs. Further alternative financial instruments must also be developed to overcome the deficiency in the financial instrument that does not stand fit for the agripreneurs.

We discuss here two alternatives that have been adopted successfully by similar institutions for providing financial services to customers located in remote areas and those who do not meet the basic criterion of selection for loan. The community based organizations substitute the need for collateral in the form of community membership whereas

the Muslim Aid's financial instrument provides a substitute for high interest rate that is asked by the financial service providers.

1. Community-based financial organizations (CBFOs)

As cited above, one of the biggest challenges for the financial institutions to lend to agripreneurs is the lack of collateral. CBFO provide a good alternative to the existing financial service providers. These are small groups owned by users and operated by them. These independent organizations provide financial services and are based in local communities. The group size varies from five to seven. It has been observed that these CBFOs flourish among people who are financially excluded.

2. Use of innovative financial instruments.

An innovative solution introduced by Muslim Aid in Sri Lanka (Saleem and Ahmad 2008) may be considered as an alternative to the existing financial services to the agripreneurs. This would help alleviate a lot of their problems and help the agripreneurship sector grow. The suggested model emphasizes on farmer participation throughout the process as a cooperative or association to increase the bargaining power of the individual and also to get a better value for their effort. The model has two stages. In the first stage an interest free loan (called Salaam) is given to the farmers to purchase the necessary accessories to start the paddy cultivation. While collateral is not needed like the banks, there needs to be a set of recommendations from the local mosque and community leaders who acted as guarantors. The second stage begins with a joint venture with a local miller/s to purchase the harvested paddy from the farmers, process it and sell the final product to the market with the profit being shared between the financier

and the miller on Mudharabah basis. It is anticipated that profit will cover the administration cost of the salaam loan. Any additional profits are to be distributed back to the farmers thereby making the model a sustainable revolving fund. A mutuality based cooperative model of organizing the farmers is seen as the preferred alternative to improve their bargaining power on the one hand and to ensure proper end use of funds on the other.

The above models solve some of the glaring problems faced by the agripreneurs. The issue of high interest rates is solved through this model. No collateral is required which at times is impossible to be managed by the agripreneurs. The Muslim Aid has developed viable models in partnership with other institutions such as banks and insurance companies. This is potentially a win-win situation for all the stakeholders. The intermediary links the financial institutions to the agripreneurs and the financial institution is spared the risk of giving loan directly to them. This also reduces the overheads and service charge incurred by the finance institution.

Conclusion

Agripreneurship offers a great potential in terms of contribution to the economic growth. However they face vital challenges that are obstructing their free growth. A major part of their problems pertain to the financial services. The existing instruments and services are not quite suitable for them. So, there is a need to develop an innovative model to meet the needs of these agripreneurs. The models discussed must be explored further for their viability and feasibility and must be adapted to become sustainable.

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A Framework for ERP System Implementation: Socio - Technical Change Management Model Perspective

Abstract

The rationale of Enterprise Resource Planning (ERP) is to integrate all facets of the business enterprise under one suite of software applications. ERP standardizes the processes and makes information management effortless by integrating the various functional departments in the organization and making the information available at a centralized place. In doing so, managers are capable of insightful decision making and stay ahead of the competition. Successfully implementing ERP brings organizational change and competitive advantage to the organization. However the high cost of ERP systems in terms of investment and implementation, coupled with stories of high failure rate leads to the research question of successful ERP systems implementation. Currently success of ERP implementation is analyzed by way of its performance which can be perceived only at the end of the system implementation. Literature review cites a large extent of studies in ERP implementation analysis but there have been relatively few articles that have analyzed the ERP system performance during the implementation phase. This article

suggests a structured model based on organizational change to analyze the performance of ERP. Leavitt's socio-technical system model for organizational change is considered on the premise that ERP system implementation brings about change in social and technical aspects of an organization. The constructs of the new *framework model; organization, people, process and technology are adapted from the Leavitt's model which consists of the components; structure, people, task and technology. The proposed ERP systems implementation framework is formulated based on the new constructs and its associated attributes.

Key words: Enterprise Resource Planning (ERP) System, Organizational Change, ERP Performance, ERP Implementation, Leavitt's Socio – Technical System Model

Introduction

ERP is a centralized database repository software system that has made information management effortless by integrating the diverse functional departments of an organization with its stakeholders by providing a key resource such as information for their decision making. ERP is meant to replace the old systems, usually referred to as “legacy systems”, that provide support for specific functional areas Abdinnour-Helm, Lengnick-Hall and Lengnick-Hall (2003:258). In the past few years, ERP has become a “must have” system for almost every firm to improve competitiveness Yen and Sheu (2004: 207- 208). An ERP also referred to as an Enterprise System, “by its very

nature, imposes its own logic on a company's strategy, organization, and culture Davenport (1998:3).” Hence this research article proposes to use a concept oriented paradigm in the research. This paradigm proposed by Jacobs and Bendoly, 2003 :9) has been utilized to organize and make a clear distinction for future ERP research to the terminologies, ERP “Concept” and ERP “Systems”. They articulate that concept research would tend to focus more on the potential impact of ERP's performance on various business functions. In contrast, systems research would tend to focus on the intricacies of package and process design to meet such conceptual objectives. Therefore applying the paradigm of concept research, it becomes essential to predetermine the strategic and operational benefits that ERP brings by way of its performance in implementation. Thus, ERP is often considered to be a unique kind of technological change, one that is capable of significantly transforming organizations Boudreau and Robey (1991:291-299).

Hence successful implementation of ERP systems is a considerable challenge to organizations, since ERP system has significant intervention that affects organization, people, processes, and technology. Implementation of ERP is often said to be more organizational development than technological development, and it is more about people than about processes and technology Bingi, Sharma and Godla (1999: 7-15). Relatively limited studies exist of a comprehensive framework which systematically analyses the progress of ERP

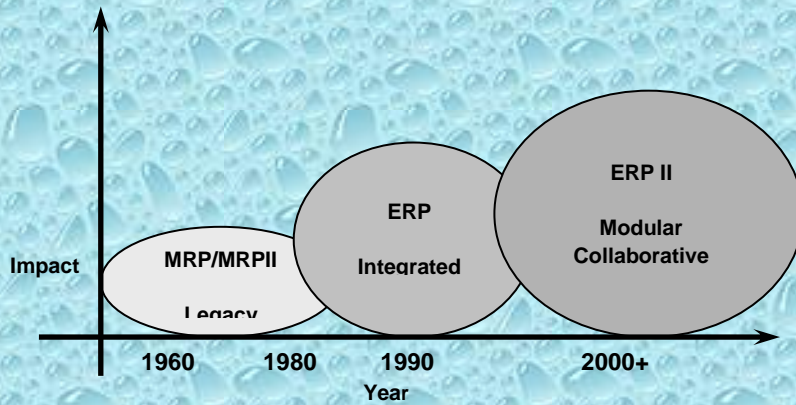
system throughout different phases of implementation considering the social and technical dimensions of the organization. Hence the objective of this research paper is to conceptualize the socio – technical system theory and Leavitt’s organizational change diamond model (1965) to analyze the performance of ERP implementation and suggest the need of a framework for effective ERP implementation in organizations. The following section describes ERP from “concept” perspective. The section explains how ERP implementation impinges on the social and technical dimensions and brings about the organizational change which affects performance of ERP.

ERP Implementation Performance: An Organizational Change Perspective

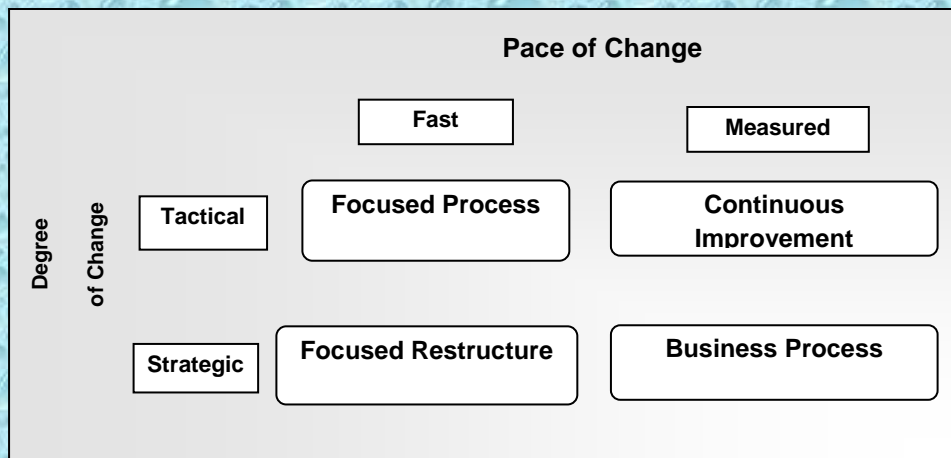
One of the earliest legacy systems was Manufacturing Requirements Planning (MRP). The “application software was the state-of-the-art method for planning and scheduling materials for complex manufactured products (Jacobs & ‘Ted’ Weston Jr., 2007).” Materials Requirement Planning (MRP II) an appended version included more functions. These legacy software systems worked in isolation catering to the requirement certain functional departments. However effective utilization of enterprise resources is the key to competitive advantage for any organization. Hence an organization can achieve this objective by providing information to the stakeholders. Information, an imperative resource to any organization is centralized through an ERP system and

seamlessly provided across functional departments to the managers to make key decisions, tactical and strategic. ERP has replaced legacy Information Systems (IS) as a centralized database system of the organization. The one tool that innovative and progressive organizations have come to increasingly depend on in this endeavour is ERP solutions Rao (2000: 81- 88). ERP software can be an integrated package of applications or can be implemented by way of various modules for instance supply chain management, customer relationship management, product lifecycle management, vendor management system and procurement system functionality to achieve best Management Information Systems practice. The next generation of ERP systems known as ERP II, a term coined by Gartner Group, describes it as software that works on collaborative processes internally and external to the organization Zrimsek (2002:2). As a result, most companies installing enterprise systems will need to adapt or even completely rework their processes to fit the requirements of the system (Davenport, 1998: 1-12). ERP reflects an innovative business strategy; the adoption of ERP involves business process improvement, best practices implementation, intra-enterprise integration and inter-enterprise coupling Berchet and Habchi (2005: 588–605) (“Figure 1”). Davenport (1993: 1-12) in his article suggests that, while organizations are planning a degree of change that is strategic then the pace of such a change will be fast through focused restructuring and can be measured through business process innovation (“Figure 2”).

Focused restructuring necessitates an analysis of the interventions on ERP; organization, people, process and technology. Hence efficient implementation of ERP can bring about such organizational change and competitive advantage to the organization through process reengineering. Organizational change represents a huge part of a successful ES project Davenport (1998:1-12).



“Figure 1” Evolution of ERP



“Figure2”: Alternative Approaches to Operational Change

Source: Davenport (1993)

Literature study shows that most organizations which implement ERP do not find success. Meta Group reports 70 percent failure rate of ERP implementation projects. However adopters have not been intimidated by risks of implementation which is illustrated by the boom in ERP market; AMR study predicts an 11% CAGR for the ERP market through 2011. Newman and Zhao (2008) say, "Implementing ERP is also associated with high risks and many companies have been threatened with bankruptcy after their ERP projects failed". Major reasons attributed are poor analysis of the requirements for system implementation in terms of change in scope, prolongation of the project time and budget overruns. Billions of dollars are being spent in implementing various information technology (IT) tools by many organizations around the globe in their pursuit to excel in their respective industries Palaniswamy and Frank (2002: 53- 69). Many organizations have struggled with these ERP implementations and have not achieved the efficiencies and cost savings as originally planned Okrent and Vokurka (2004:637-643). The success of ERP implementation has substantial benefits to organizations due to large scale tangible and intangible benefits that it brings to the organization. Shang and Seddon (2000) conducted a comprehensive review of the benefits of ERP implementation and categorized them into five dimensions such as; Operational, Managerial, Strategic, IT Infrastructure and Organizational. Their empirical results explain that all

organizations derived benefits from at least two of the five categories, and all the vendors' products had returned customer benefits in all five categories. Organizations implementing ERP systems either customize the software to fit the existing business processes or reengineer the processes of the organization to fit the best practices adopted by the vendors while developing their software. Result of such an implementation process is a success or failure for organizations, since customization according to (Koch, 2003) will slow down the project, introduce dangerous bugs into the system and make upgrading the software to the ERP vendors next release excruciatingly difficult, because the customizations will need to be torn apart and rewritten to fit the new version. (Rettig, 2007:21-27) adds, "Customizing the already complex ERP software created yet more complexity and even larger risks". In order to take advantage of the 'best practices' embedded in ERP systems, vendors commonly suggest that companies restructure (or re-engineer) their business processes (Newman and Zhao, 2008). The implementation of ERP becomes an occasion to rethink and change the organizational model, and ERP software becomes an enabler of the new organizational model Markus, Tanis, and van Fenema (2000: 42-56).

Research Methodology and Objective

There is paucity of research literature that evaluates the performance of ERP on a phase by phase basis using an organizational change framework. Ambiguity exists, since a unified framework to analyze the performance of ERP

implementation is not pursued by organizations. The objective of the research paper is to build on prior frameworks and models and thus develop a structured model and identify the constructs and the associated attributes of ERP implementation. This framework would guide in measuring the performance of ERP implementation at every stage rather than do a post facto analysis.

This paper presents the review of literature across disciplines such as Information Science, Operations Management, Strategic Management and Management Information Systems by collecting data from refereed journals and conference proceedings. Descriptor keywords: ERP, ERP implementation, ERP implementation frameworks, ERP organizational change were used in the search option. This research article is theoretical and aims to develop a new framework based on Leavitt's model to analyze the performance of ERP system implementation. This new framework is used to understand the influence of the constructs and its attributes on the performance of ERP system implementation. This articles framework is based on the socio – technical theory of organizational change. The key therefore is to develop a comprehensive model that would analyze the performance of implementation at every stage.

Socio - Technical System: Conceptualization of Leavitt's Organizational Change Model

Theoretical Background

To investigate ERP transition as organizational change, it is necessary to appreciate the different dimensions used in theories about organizational change Boudreau and Robey (1999: 291-299). In this study the two broad dimensions considered for analyzing the performance of ERP implementation are social and technical (Bostrom & Heinen, 1977: 11-28). While describing a Socio – technical System approach (Bostrom & Heinen, 1977:17-32) say that “a work system is made up of two jointly independent, but correlative interacting systems — the social and the technical. The technical system is concerned with the processes, tasks, and technology needed to transform inputs to outputs. The social system is concerned with the attributes of people (e.g., attitudes, skills, and values), the relationships among people, reward systems, and authority structures. It is assumed that the outputs of the work system are the result of joint interactions between these two systems.” This "interactionist" approach arguably remains the dominant one for the study of implementation of IS in organizations Sarker (2000: 195-205). Since IS under study in this research article is ERP, it would be relevant to consider the Leavitt's model, where the organization is conceptualized as a diamond and shows relationships between various aspects of the organization in

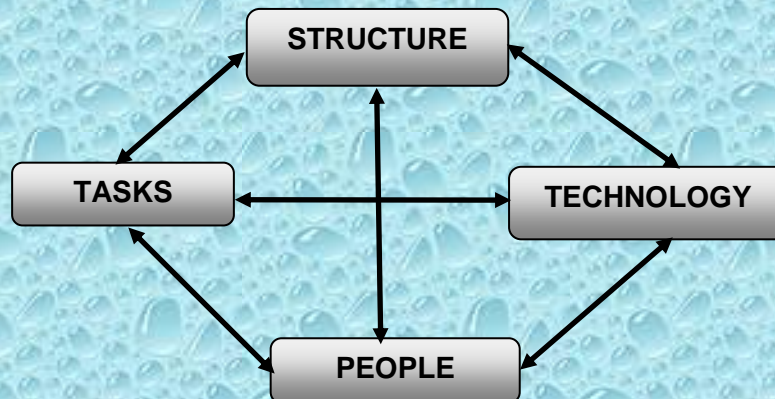
four different organizational dimensions: Task, People (Actors), Technology, and Structure. The (“Figure 3”) represents the Leavitt’s diamond model for socio-technical change and is represented at the end of the next sub-section. This framework is adapted in this research study since it has its foundation in the IS organizational behavior literature. According to Leavitt, these four variables are highly interdependent and a change in one variable will result in changes in the others Lytinen, Mathiassen, and Ropponen, (1996:53-68). The following section details the need to use this model in the context of ERP implementation.

Conceptualization of Leavitt’s Model

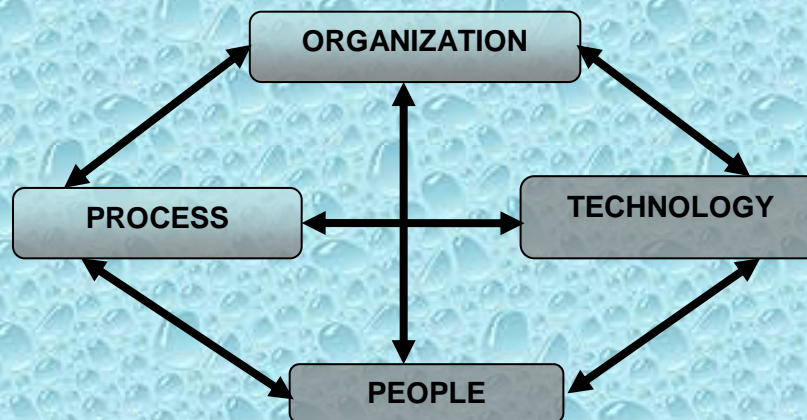
ERP implementation is a complex and difficult process that can potentially reap enormous benefits for successful companies and be disastrous for those organizations that fail to manage the implementation process Holland and Light (1999: 30-36). Introduction of an IS involves changing the organization’s technology component which automatically triggers changes in the other components of the organization Sarker (2000:195-205). In ERP systems, as compared with applications more limited in scope, the number and complexity of agents and functions and the interplays between them are usually very high Te’eni (2005:1-21). ERP implementation is a collaborative process and the intervention created by the technology triggers requirements of change in the social elements of the organization. Just as there are information requirements that the social system poses to the technical system, there are

organization requirements that the technical system poses to the social system Lee (2004:1-26). In technological changes, while accurately predicting the performance of ERP system to be implemented is not feasible, the organizational impact ERP creates by way of its performance and the interventions on variables such as organization, people, processes, and technology can be analyzed through a socio- technical theory Leavitt's model. Such a model, "is relatively simple, and it can be adapted across a set of contexts as demanded by the idea of hierarchical organization (Lyytinen & Newman, 2006:1-49)." The model views an organization as a multivariate system of four interacting and aligned components - task, structure, actor, and technology that builds up the technological, the social, the organizational or the strategic/ task cores of the organization Lyytinen and Newman (2006:1-49). In this research article, the framework was adopted with modification which included replacing the construct task with processes and the construct, structure with organization. The modified components are processes, organization, people and technology respectively, all other components actors (people) and technology remains the same which provide an enhanced fit to the problem situation. The reason for the adjustment being, the components, process and organization plays a critical role in ERP implementation due to essentiality of standardized processes and the impact of sub-components such as top management support, culture, communication having a drastic impact due to ERP system implementation. In this paper, we

propose such an improvisational model for managing technological change (“Figure 4”). The new framework model can be likened to a roadmap that guides the organization in avoiding the gaffe at the end of an ERP project. In the following section we discuss components (constructs) and its sub - components (attributes) through the new structured model.



“Figure 3”: Leavitt’s (1965) Model for Socio – technical Change



“Figure 4”: Improvised Leavitt’s Model for ERP Performance Analysis

An Improvised Structured Conceptual Framework Model for ERP Implementation

The new components; organization and processes and existing components, people (actors) and technology of Leavitt's Model adapted to the need of the research article will be herein referred to as constructs of the new framework. A construct is a conceptual term used to describe a phenomenon of theoretical interest Edwards and Bagozzi (2000: 155-174). Each construct is defined and how the construct affects the performance of ERP implementation is explained in the section below:

Discussion of constructs in the new Leavitt's framework model

People (Actors): the employees in the corporation responsible for carrying out the daily tasks of the company associated with organizational goals Grant and Mergen (1996: 43-60)

Top management, project champion, steering committee, implementation consultants, balanced and empowered implementation team or project team, vendor–customer partnership, and vendor support are some of the players who need to work in cohesion to the ERP performance (Somers and Nelson, 2004: 257–278; Sarker, and Lee, 2003: 813–829).

Technology: is the computer hardware and software, techniques, methods, tools, manufacturing and engineering equipment used in the execution of the tasks to produce products and services Grant and Mergen (1996: 43-60).

The technological variable in ERP context includes appropriate business and IT legacy systems, software development, testing and troubleshooting (Holland & Light, 1999:30-36; Nah, Lau, and Kuang, 2001:285-296; Sumner, 2000: 317–327)

Process: A business process is defined as a set of logically related tasks that use the resources of an organization to achieve a defined business outcome Grover (1995). A business process is the way work gets done in an organization Davenport (1998:1-12); has a goal and is affected by events occurring in the external world or in other processes Hammer and Champy (1993).

ERP can be viewed as a special case of IT adoption in which business process changes are highly critical to the outcomes of its adoption (Law and Ngai, 2007: 387-406).

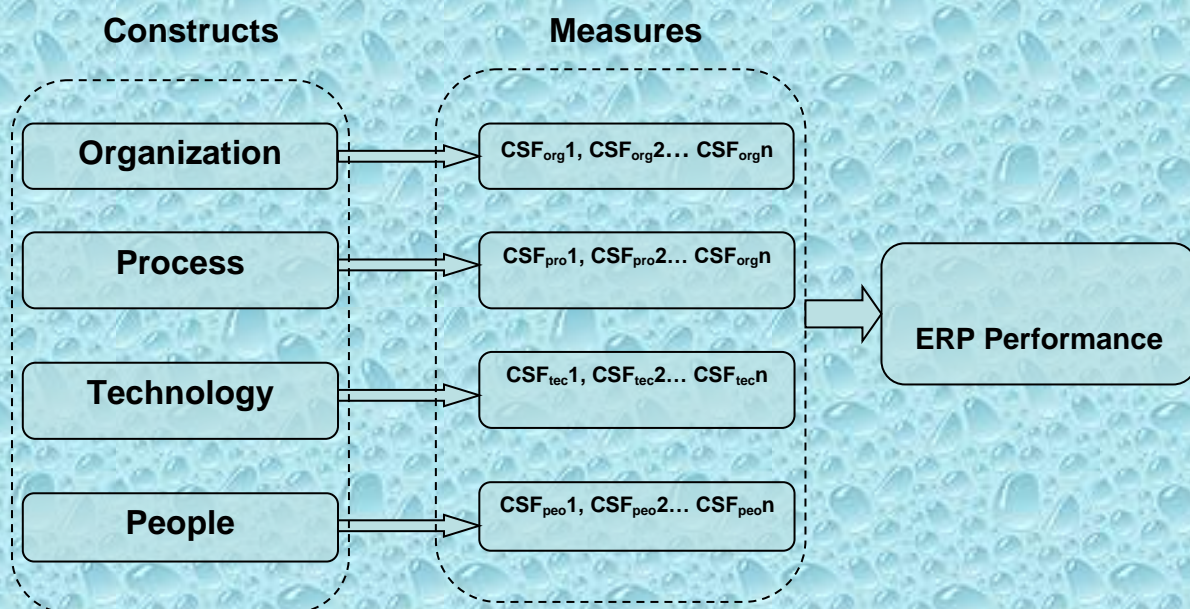
Organization: Definitive factors that act in synergy to achieve stated performance measures through technologies, social structures, cultures and physical structures that exist within and respond to an environment. (Ein-Dor and Segev, 1982: 55-68) in their study with organizational context as one of the construct found that organizations with successful IS implementation were illustrated by measures such as use of the systems by managers in the organization, formal organization, well understood and quantifiable processes., and data availability. Sarker and Lee (2003: 813–829); refer to social

enablers strong and committed leadership, open and honest communication as the attributes to be studied in IS implementation.

Motwani, Subramanian, & Gopalakrishna, (2005: 529–544) in their study ERP implementation had chosen constructs such as culture, departmental communication and cooperation, vision, clear goals and objectives, leadership, learning type, cultural readiness, change agents and leadership, risk aversion, open communications, cross-functional cooperation, change management.

The above sub - section detailed the four constructs. The constructs will be operationalized using attributes which will be known as Critical Success Factors (CSFs) in this research. The CSF methodology is a procedure that attempts to make explicit those few key areas that dictate managerial or organizational success Boynton and Zmud (1984:17-27). This research article considers article titled “Critical Factors for Successful Implementation of Enterprise Systems” authored by Nah, Lau, and Kuang (2001:285-296): as the reference article. The authors have conducted a literature review and have narrowed eleven CSFs for successful implementation of ERP. The CSFs are: ERP teamwork and composition, top management support, business plan and vision, effective communication, project management, project champion, appropriate business and legacy systems, change management program and culture, business process reengineering and minimum customization, software development, testing and troubleshooting, monitoring

and evaluation of performance. These CSFs or the “measures, also known as indicators or items, are observable, quantifiable scores obtained through self-report, interview, observation, or other empirical means (Edwards & Bagozzi, 2000: 155-174).” Hence the new conceptual framework model to analyze the performance of ERP implementation consists of four constructs drawn through literature review are operationalized and synthesized through the eleven measures as represented in “Figure 5”.



“Figure 5”: New Conceptual Framework Model for ERP Implementation

Conclusion and Further Research

The purpose of this paper has been to present a theoretical study in developing a structured conceptual model based on socio - technical system theory and proposes a framework based on new constructs and operationalized the same through eleven measures known as CSFs. The conceptualization of

Leavitt's model to analyze the performance of ERP implementation necessitates the need for organizations to study the interventions (constructs) and its measures to plan for organizational change and analyze the performance of ERP during its implementation. Though the results are for ERP it can be generalized for other ERP application modules. As part of further research we propose to validate the measures identified for each of the four constructs through the developed improvised conceptual framework model and measure the same empirically.

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Positive Organizational Behavior

A Focus Group Study

Abstract

The present study explores Positive Organizational Behavior and its perceived strengths/relevance in organization setting. The research conducted is based upon focus group methodology to investigate the Positive Organizational Behavior and related concerns among corporate employees (n=27). The findings indicate that employee's perception of Positive Organizational Behavior is limited to happiness, success, failure and gratitude. It was also found out the employees acknowledge the power of positive behavior however, highlighted the negative effect of workplace stress. Consequently, leading to inability to experience happiness, success and express gratitude. Stress was primarily related to competitive environment and people management. The study identifies the concern of the employees. It suggests

theoretical as well as practical implications of Positive Organizational Behavior for competitive corporate. The article identifies future research areas and provides limitations of the study.

Introduction

The large segment of employees in India complains about unfulfilling life. The present paper aims to make Positive Organizational Behavior (POB) instrumental in dealing with issues faced by the employees. The concept of Positive Organizational Behavior is emerging one in the field of organization behavior. This concept of positive organizational behavior in organization or corporate world is originated from positive psychology movement. The term positive organizational behavior is defined as “ the study and application of positive oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement in today’s’ workplace’ (Luthans, 2002, p.59). Various constructs are included by various authors into the domain of the positive psychology and thereby positive organizational behavior. Some of the primary constructs are self-efficacy, confidence, optimism, hope, faith, resiliency, happiness,

love, courage, subjective well-being, gratitude and wisdom. The movement of positive psychology is linked back to the work of Martin Seligman (Peterson and Seligman, 2004) who argued against the negative preoccupation of psychology. Seligman along with Csikszentmihalyi (Seligman and Csikszentmihalyi, 2000) introduced three levels of positive psychology. Valued subjective experiences like contentment, satisfaction and hope were placed at level first. At second level, individual positive traits were emphasized. Traits like, an individual's capacity to love, to forgive, to help and to empathize etc. At last and third level; broader positive goals were emphasized, where the focus was on the community and larger institutes. Collective traits like civic virtue, altruism, responsibility were placed at third level. The implications of positive psychology for the organizations are very much evident from levels summarized by Seligman and Csikszentmihalyi, particularly from the third level.

Most of the work on positive organizational behavior is on the western population. Secondly, the research in the area of positive organizational behavior in is its infancy stage in Indian organizational setting. Therefore, both from the theoretical as well as practical perspective it is important to understand what

and how employee view positive organizational behavior. The findings might make a most of the positive organizational behavior for the benefit of the entire industry and economy of the country.

Review clearly indicates that POB constructs like self efficacy are positively related to work related performance (Wood, Mento and Locke, 1987), Optimism (dimension of POB) is positively related to leadership traits (Chemers, Watson, May,2000; Wunderley, Reddy, Dember, 1998), Hope is positively related to achievement and coping (Curry,Snyder, cook, Ruby, Rehm 1997). Review of literature provides very clear evidence for the positive relationship between positive organizational constructs and work related outcomes. However, most of the studies are conducted on the western samples. Constructs like happiness, faith and hope are influenced by social and cultural factors. Therefore it is important to explore how Indian employee view the very same concepts what meanings they hold of these variables.

Despite the success of positive psychology in other domains, most of the execution of the Positive organizational behavior models in organization settings has been ineffective. Considering the fact that POB is still emerging in the field of organization behavior

hence not largely accepted by the profit driven corporate. Wong and Davey (2007) attribute this to faulty procedures and lack of expertise in the application part. For a successful implementation of positive psychology at workplace, it must have commitment of top management. It cannot be implemented without the support of senior management. It is assumed that right implementation of positive psychology can benefit the organization by reducing the human resource management cost and by increasing efficiency and effectiveness of the employee. Lyubomirsky, King and Diener (2005) suggested a conceptual model to account for findings suggesting that happy individuals are successful across multiple life domains, including marriage, friendship, income, work performance, and health. It was argued that the happiness–success link exists not only because success makes people happy, but also because positive affect engenders success. Three classes of evidence: - cross-sectional, longitudinal, and experimental were to test the model. It was found out that happiness is associated with and precedes numerous successful outcomes, as well as behaviors paralleling success. It was also indicated that positive affect is hallmark of well-being and cause of the desirable characteristics, resources and successes correlated with

happiness. Positive psychology has met with criticism and attacked from various corners. It has been argued by researchers that positive psychology lack of consistency towards the aspect of negativity (e.g., Held, 2004). Considering, the ambiguity surrounding the relevance and application aspect of positive organizational behavior the study aims to explore as to why employees find positive organizational behavior construct relevant/irrelevant.

Research Objective

1. The objective of this study was to explore the (select) dimensions of positive organization behavior among service sector employees.
2. The perceived relevance/irrelevance of positive organizational behavior constructs.

Research Methods

The research is based upon the focus group interviews. This technique was identified by Torn and McNichol (1998). The focus group interviews are largely used in social sciences research to identify the unexplored variables. The focus group interview is described by Kreuger (1988) “a carefully planned discussion

designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment (p.18). Participants are encouraged to participate in the discussion. This discussion is loosely structured and the moderator plays the role of facilitator in the focus group interview. Three focus group interviews with randomly picked up employees (n = 27) were conducted. Numbers of employees were kept constant in each focus group interview. Representatives from all the designations were considered for focus group interview. Demographic details of the focus groups are given in Fig: I.

In the study conducted following questions were asked one by one:-.

- (1) What positive organizational behavior means to you?
- (2) Stepwise exploring the POB dimensions?
- (3) Do they find POB relevant for organization? Why or Why Not?

The main objective of the researchers when conducting the interviews was to put people at their ease so they would feel comfortable with expressing honest and open answers. Anonymity was also assured. Participants were assured that under any circumstances their identity would not be revealed. Prior

information about the general topic areas that the focus group would be addressing was provided to participants. To avoid the fear of unknown and to allow free participation, participants were provided information regarding research. The participants were made to sit in circular position

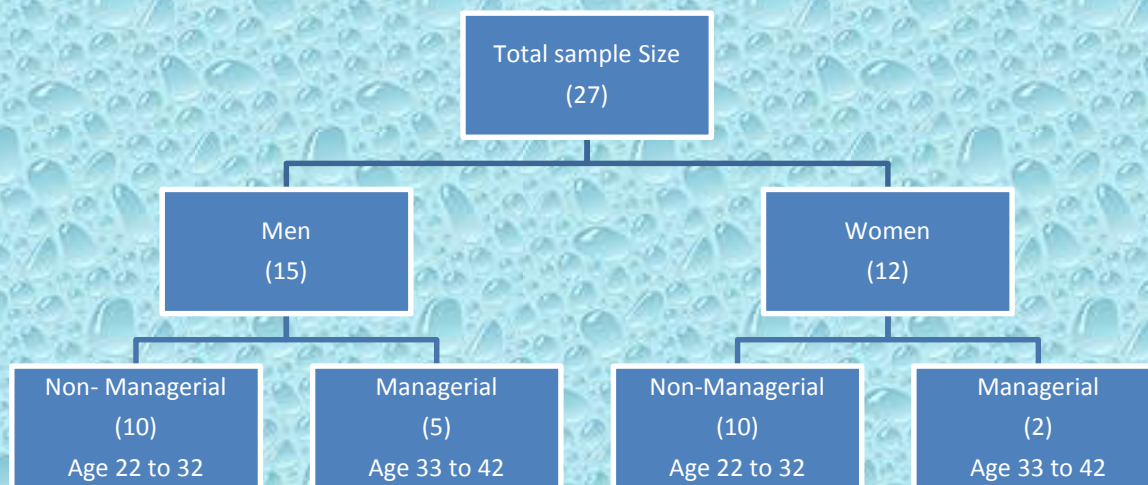


Figure: 1 Demographic Details of the focus groups

so that everyone can actively participate in the group discussion. Four volunteer were selected to play the role non-participant observers. Before the focus group session the arrangements were made for all the participants to sit in a circular position. The arrangements were also made for Non-participant Observers and Facilitator so that the Facilitator and Non-participant observer can

perform their roles successfully. All three sessions lasted for 30 minutes. The participants after participants reported of feeling better and happy. The participants enjoyed focus group interview thoroughly as they were experiencing it for the first time. These participants got an opportunity to express themselves and felt important that they are being heard.

Data analysis

The transcripts of the focus group interviews were subjected to content analysis using the guidelines of Burnard (1991). The transcripts after careful readings were organized into general themes. Responses were categorized into themes and subthemes. Meaning units or descriptors of the categories were identified. The irrelevant contents were ignored. The purpose here was not to generate theory rather to get insight into the existing dimensions of positive psychology.

The findings

The study provides a very rich qualitative data on positive organizational behavior. The two broader themes emerged from this study: the dimensions of the positive organizational behavior as perceived by the corporate employees and relevance of

positive organizational behavior. The emerged meaning of dimensions of positive psychology shares some similarities as well as differences with existing review of literature. This reflects the influence of rapid change in society and the life style. As mentioned before to build rapport on lighter note, the FGD was initiated on what employees think of positivity. The majority of the participants viewed positivity as peace, love and being loved, faith in religion, courage and at the end moving on with life. For example a participant said:

“Positivity is peace whatsoever the experience may be”.

Positivity is about being calm and peaceful. The other participants thought that positivity is about being loved and to love people. Positivity is about ability to be in sink with the environment and people. It is about being optimistic and having self-confidence. If one can face the world, people and life with his/her head high then it is positivity. Some participants viewed the concept of optimism as unrealistic and stated that life is about courage to accept the mistakes and working over the mistakes. To make things work one need to work hard and struggle hard. This was followed by view that optimism is also about contentment, self-esteem and keeping hold on life during low timings. In the

process it was found stated unanimously by participants that problems are not end of the world. Faith and hope was found to be very important ingredient of the positivity. One participant stated that faith in God is equally important. This participant shared her views on the religion and importance of religion. One participant raised a question:

“Why it is so that small kids are always happy and smiling whereas we adults are always waiting for something to happen”.

Positivity is to Love and Being Loved: - Participants stated that positivity is about loving people and getting love in return. Whenever this balance is disturbed it leads to negativity. Love was found to be the most important call for positivity.

Positivity is Peace: - Positivism is about feeling peaceful. Too much of excitement is not good as it seems; one has to be in the flow of life. Being peaceful and calm is the core of positivity.

Positivity is faith in Religion: - Religion is very important ingredient of life. Religion teaches you about faith, love, hope, gratitude, peace and tolerance. Therefore religion is one word which symbolizes everything.

Positivity is Self-confidence: - Life throws so many challenges at you. If one has got self- confidence and ability to face problems. Life will automatically bring out all good things if one walks with determination and confidence. Love and Money will automatically follow.

Positivity is facing problems: - Positivity is not about just seeing good side or being good, feeling good rather it is about facing problems, making things right.

Positivity is Unrealistic:-If a problem makes somebody negative then positivity is fake.

Positivity is about having control: - Positivity is about controlling one's life. If you get carried away by things around you then it is not positivity. Therefore control was one of the themes of positivity found in this group session.

Positivity is goal oriented Life: - Positivity is about setting goal and then achieving it. If one cannot set and achieve goal then it will bring stagnation in life leading to negativity, hopelessness and disoriented approach.

Positivity is about doing well: - Positivity is connected to being good. If one is having clear intention towards life and honest

towards oneself and others then positivity will automatically follow. This way one will be guilt free and stream of consciousness would be pure and uncontaminated.

Positivity is about fortitude and courageous attitude: - Participants stated that one should have courage to live. One should have faith to go with head high to solve problems of life instead of sitting in front of problems. A daring and fearless approach towards work and people can take one very high in life.

Positivity is moving on and with life: - Positivity is about growth, about flow and moving on. There is no point sitting in past and answering when, why and how. Live every movement and moving on is one the theme emerged in life. The major themes which emerged are happiness, success, failure and gratitude. The happiness brought mixed opinions from participants.

The topic of happiness brought smile on everybody's face.

Participant stated:

“for me happiness is the money. If you have money you can greatly control your life”.

This perspective did not have consensus. Other participants stated that it is not money rather love of friends and family which about being happy. Another participant said:

“happiness is about good job, good partner and money.

Group members talked about love and intimate relationship with a relatively high intensity. Few participants stated that love gives a hope, something to look forward to, extreme excitement and emotional high. The discussion brought out the following perspectives of happiness:

Happiness is about having Money: - Money is mantra for today. Money gives one power and authority to fulfillment of wants and desire. If one has money you can get love as well as money. Money is happiness, and it can be converted into any form.

Happiness is about having Love: - Love gives you happiness. Being in love, getting love is the ultimate truth. Love gives you power and strength to get money and other things. A broken heart takes out physical and mental strength.

Happiness is about power: - The belief that one has power, authority and control can bring lots of complex and dynamic

things in the world very straight and clear. Control in life gives a sense of satisfaction and thereby happiness.

Happiness is about work and life balance: - For day to day life as long as one manage to maintain a balance in personal and professional life, this balance reduces stress and frustration which automatically leaves you happy.

The previous discussion brought lead to the emergence of the concept of success and failure... A participant said:

“If you are following the principle of nature then love, money and success will come itself”

Now the theme of failure emerged with success and on this everyone started speaking collectively. One participant stated that the impact of losses reduces with the passage of time and one learns to deal with the losses in respect to the time framework. It was supported by other participants that people always move on with life. There is no point in crying over split milk. One participant came up with philosophical dialogue and said:-

“There is no point worrying over two things. One which we can control and one which we cannot. We should not worry over the one we can control as in this situation we need to act rather than worry. There is no point over worrying on things which we cannot control. Since we cannot control, therefore leave to god and destiny. *Jo hoga so dekha jayega*”.

A participant said that ultimate aim is to feel good about one; there is no point in cribbing. People discussed about the problems they face. One of the participants said:-

“I do not understand all these things, I just simply live and when problem comes, I try to face them or solve them. If I do not, I cry for a day or two, then gradually live come on track itself. The more you think more you get trapped in is”. I simply do my job”.

The emerged perspective on success and failure are as follows:

Success

Success is about achieving set goal: - success is about setting targets and achieving the. This result is growth, leading to sense of achievement which further leads to love and happiness. This goal achievement was found to be anything like getting love of

friends, money or any other materialistic or non-materialistic aspect.

Success is about being happy: - It was found out that as long as one is happy, it is success in itself. Some people find happiness in small activities of day to day life. Such people do not need to search for anything else in life.

Success is synchronization with everything around: - Connection with oneself and things around other is success. One feel connected this is sign of healthy life. Being in touch with society, its norms, values, and relationships is success.

Success is having money and status in the society; - It was found out that one cannot be devoid in society. Money and status is the society criterion of success. Therefore money and status were found to be two most important aspect of success.

Success is daily life process: - success is about living every moment and living in present.

The study revealed that Failure is about Resilience and causes distrust. It was found out that life would be nothing and zero without failures. Failure gives strength and ability to cope up. Failure is the way to growth. Participants also realized that

failures, especially continuous failures causes distrust, a shaken belief in everybody around. If not handled properly could lead to abnormal disorders. Failure was also seen as antonym of positivity. It was not the exact outcome rather the feeling/perception of being failure which was found to miserable and hurting. It was also found that people at their level use all their resources to cope up with failures. Participants realized that failure is not the dead end street rather a part of life. The importance of moving on in the life was highlighted.

Gratitude

The participants invariably thanked their parents and friends for making their life beautiful. There were two three participants who did not thank their parents rather just thanked their friends. In this task of showing gratitude participants realized that there are so many things which participants have which others do not have and they took it for granted. Expressing gratitude is fulfilling experience and positive experience. It leads to happiness.

Gratitude affirms those things which are lacking are still there, and in reaching for gratitude no one is saying that one ought to put on rose-colored glasses to obscure those shortcomings. But

most of us tend to focus so heavily on the deficiencies in our lives that we barely perceive the good that counterbalances them. There is no limit to what we don't have and if that is where we put our focus, then our lives will inevitably be filled with endless dissatisfaction. Gratitude opens the heart and that's why it provides a fine orientation equally to the inanimate, human and divine dimensions of the world. A simple and effective way to practice gratitude is by making giving thanks part of everyday life.

Gratitude is the creative act to notice and paying attention to the moments of life. The participants thus got benefit from the present session which was experiential and memorable for each and everyone who was present in the session in whatsoever the role.

Relevance/Irrelevance of POB

The themes emerged under this category were helplessness, individual disposition as causal factor, and productive. Participants stated that they have to struggle in maintaining work-life balance, Meeting deadlines, Talking to all sorts of people, especially the cold one leaves depressed for the whole day, Half-Yearly performance appraisal interviews, High self-expectation

and Commuting problem. In the diverse workforce participants have to continuously bear with the cultural shock and in adapting the changing expectations of people around them in order to get accepted. The study revealed that POB might not be relevant as its constructs are largely individual oriented. Some employees do well under all kinds of environment whereas other succumbs to minute challenges. Organization can certainly make HR practices more employees' friendly if that contributes to POB. There was consensus that happy, optimistic, peaceful and hopeful employees would perform better. Employees perceive that in cut throat competition it is difficult for anybody to be at ideal state of mind.

Discussion

The Objective of this study was to explore the dimensions of positive organization behavior. The results are consistent with the existent body of research from the west. It contradicts the eastern philosophy of happiness, success and failure. It also to some extent contradicts the existential and humanistic school of thought. Participants associated positivity with materialistic things. Some participants stated that positivity is about loving people and getting love in return. Whenever this balance is

disturbed it leads to negativity. Love was found to be the most important call for positivity. Courage on the other hand was the will, persistence to follow the path which one has chosen and stand by it. It was also found out that courage and acceptance which are contrary to each other are both significant aspect of a positive and meaningful life. Religion came out as another very important ingredient of life. Religion teaches you about faith, love, hope, gratitude, peace tolerance. Therefore religion is one word which symbolizes everything.

The other unintended findings suggest that here is no straight relationship between positivity, hope, faith, success, failure, love rather it is a complex mechanism. These things are interrelated and cause and effect is difficult to even imagine. In corporate world where there is so much pressure, work profile, deadlines, daily commuting to make matter difficult affairs at office was another problem. The importance of love and money came out as a major factor. Acceptance, [spirituality](#), [mindfulness](#), and human [psychology](#), usually refers to the experience of a situation without an intention to change that situation. Acceptance does not require that change is possible or even conceivable, nor does it require that the situation be desired or approved by those

accepting it. Indeed, acceptance is often suggested when a situation is both disliked and unchangeable, or when change may be possible only at great cost or risk.

The themes of gratitude are confirming the existing research on gratitude. In one research it was found out that those who kept gratitude journals on a weekly basis exercised more regularly, reported fewer physical symptoms, felt better about their lives as a whole, and were more optimistic about the upcoming week compared to those who recorded hassles or neutral life events (Emmons and McCullough, 2003). Beside this those who regularly attend religious services and engage in religious activities such as prayer reading religious material score are more likely to be grateful. Grateful people are more likely to acknowledge a belief in the interconnectedness of all life and a commitment to and responsibility to others (McCullough et. al., 2002). In a narrative study, people who write about being indebted to others reports higher levels of anger and lower levels of appreciation, happiness, and love relative to people who write about being grateful to others (Gray and Emmons, 2000). People with a strong disposition toward gratitude have the capacity to be empathic and to take the perspective of others. They are rated as more

generous and more helpful by people in their social networks (McCullough, Emmons, and Tsang, 2002).

When participants came into the group and interacted freely with other participants, they recreated those difficulties which brought them together. The group session was very effective in promoting positive behavior among participants.

The second objective discusses about the perceived relevance of POB. Employees were not optimistic about the practical aspect of POB. Employees perceive POB is against the profit making principles of organization which is not so. POB is about harnessing the true potential of an individual. Considering the boundaries of the study this aspect could not be dealt with. Employees believe that positive employees are good performer and they attribute their success to the respective employee rather to any of the organizational factors. The reasoning behind this argument was that good performers survive whatsoever be the environment whereas the bad one does not perform despite healthy environment. These findings suggest that employee's even at the most senior level hold partial optimistic view of POB. They understand its relevance but doubt as to how it could be executed and made instrumental.

The study has theoretical as well as practical implications. It clearly indicates that POB hold different meaning to different people. Therefore, its application and generalization require caution. Secondly, this study highlights the concerns of organizations pertaining to process and procedures of POB. This clearly throws gaps in the area of POB at the ground level. This research to a fair extent also manages to answer as to why organizations resist the POB process and procedures. Education and involvement might overcome this resistance in the coming era.

Limitations and Suggestions

The study was conducted at small sample size. In a small scale exploratory study, it is not possible to make generalizations from the findings. The transferability and applicability of these findings on other settings is low. The sampling methods used might have introduced some errors due to subjectivity involved. In focus group interview, it is not certain that participants expressed their feeling truly and honestly. Only limited information was obtained in the present focus group discussion. Some of the participants might not have expressed their true opinion to avoid social disapproval. Authors like Garfinkel (1967), Milgram (1974), and

Sherif and Sherif (1964) have described the social phenomenon of conformity to the beliefs and norms of the group. Therefore, to counter these effects, empirical studies could be used with Focus group interview. The limitations of these studies were mitigated by the experienced focus group moderator. All the inaccuracies were corrected. Participants were given a stamped addressed envelope to forward their additional comments, if they wished to make. None of the participants reported any additional comments.

Conclusion

The present study brings out some interesting finding and paradigm in the conceptualization of the dimensions of positive psychology. The concept of happiness and love which is traditionally believed to be in aligning self with environment was refuted. People seek happiness from the external environment. The employees of profit driven organization a cut throat competition find it difficult to express gratitude and are always susceptible of the other people around them. It blocks the way for positive psychology and its dimensions. However, participants appreciated the concept of positive psychology but they were pessimistic if this could be successful in the organization setting.

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Employee Engagement and Directions for Change Case of Sapient Distils

Abstract

This paper investigates the current trends and essentials that organizations must consider to actively engage their workforce. Consistent communication, employee involvement, building trust and supporting real-time recognition are key elements to successful employee engagement. Positive outcomes of engagement include increased productivity, loyalty and better alignment to company's goals. A list of recommendations and a case study from Sapient distils best practices from within the organization.

Introduction

Jack Welch, ex-CEO of General Electric once famously said - "without everybody embracing what we want to do, we haven't got a prayer" summing up the importance of engaging employees to align to the organization's goals. Organizations today face innumerable challenges including overcoming economic and business changes and managing varied workforce demands. That apart engaging employees is more complex with an explosion in social media tools and usage,

increasing information overload, waning attention spans and a war for talent.

Engagement Takes Centre stage

Employee engagement has taken centre stage in the recent past with a host of consulting firms claiming to have cracked the code with well researched concepts and artefacts. For example, Hewitt sums up their understanding with the Stay-Say-Strive model and defines engagement as the 'state of emotional and intellectual involvement in a group or organization - the extent to which an organization has captured the hearts and minds of its people'. Organizations also commit a lot of time and resources to participating in best places to work studies in order to reflect high levels of engagement that improve their chances of attracting the best people.

What does Engagement Mean?

The Gallup organization describes employee engagement as the 'the involvement with and enthusiasm for work'. According to Development Dimensions International, 'engagement is the extent to which people enjoy and believe in what they do, and feel valued for doing it.' Watson Wyatt explains it as 'the combination of commitment and line of sight'. The Corporate Leadership Council defines engagement as 'the extent to which employees commit to something or someone in their organization and how hard they work and how long they stay as a result of that commitment'. Four focal points of commitment – day to day, team, manager and organization emerge from two broad types of commitment – rational and emotional. The

outcomes of engagement are discretionary effort and an intention to stay.

While consultants and academicians spar on a worthy definition, the implications for communicators and organizations are barely understood. Gallup distinguished employees based on their engagement levels ranging from 'engaged' to 'actively disengaged'. Some research firms coin creative ways to represent the profile of engaged employees based on their contribution and satisfaction – core contributors, lost believers, aligned sceptics, loose cannons, silent listeners, hamsters, crash and burners. It is important to revisit the reasons for declining engagement scores and relook at drivers that can change the way organizations keep employees connected.

Why Should Organizations Bother?

Global research reports such as the Edelman Trust Barometer highlight falling engagement levels within organization which face newer challenges such as globalization of business, new age technology, an increasingly diverse workforce and greater market pressures. There is a power shift in information sharing and credibility. According to the Trust Barometer, opinion leaders also consider rank-and-file employees more credible spokespeople than corporate CEOs (42% versus 28% in the US). Trust in “regular employees” and “colleagues” is growing, and is already significantly higher than information conveyed by a CEO. This may mean that the way internal communication is perceived may dictate how committed employees are within an organization.

To stay ahead, organizations need to tap their employees' talents and market trends such as changes in the social media landscape. Organizational programs and policies that address employees' needs and concerns and demonstrate caring and supportive environment are likely to motivate employees to reciprocate with higher levels of engagement. Development Dimensions International believes that organizations understand that people are a key asset and they have an overwhelming impact on the company's growth. The right work environment usually translates into improved motivation and enhanced or discretionary effort; which in turn leads to business success. There are however ways to build engagement and Hewitt's survey on 'Cost Reduction and Engagement' mentions that executives need to focus on planning, communicating better, measuring engagement impact and retaining talent. Those companies that communicate proactively are much surer of measuring engagement and better equipped to handle any downturns.

Five Strategies to Engage Your People

1. Involve Employees in Decision Making

The Engage Group in the UK recently discovered through their study that 'including' rather than 'talking at' people was the most effective way of engaging employees to improve business performance. The findings confirm a direct relationship between an organization's financial performance and employees' commitment to contribute effort. The essence of the study is that people are more committed when they are involved in change.

Similarly, a study by Gallup in 2009 among 1,003 U.S. employees arrived at the conclusion that if supervisors focus on their peoples' strengths and actively engages rather than overlooks, the greater the chances of employees rallying for the organization's cause. 'What's working' – Mercer study on worker insights highlights that employee engagement is no more about just the employee's intent to leave. The employee's commitment to the organization and motivation to contribute to the organization's success plays a significant role. Among the key drivers are trust in senior management, organizational perception for customer service and fair pay. Not surprisingly, among the least valued factors in the continuum were benefits, compensation and performance management.

2. Effective Communication Key to Success

Watson Wyatt's 'Global Work Attitudes Report' indicates that if engagement is high, so is financial performance. It highlights that the main drivers of employee engagement are similar around the world: effective communication, a clear customer focus and confidence in the strategic direction and leadership of the organization. It is therefore recommended that senior leaders proactively communicate, explain their thinking behind key decisions and organizational changes. It is also expected that managers and leaders personalize communication to improve trust and credibility. By regularly seeking feedback and employee inputs in the decision making process helps engage them better. Frequent recognition is known to be a relevant engagement lubricant and Towers Perrin underscores the influence of managers in inclusive communication and building trust through the power of recognitions.

3. Managers as Communication Ambassadors

The manager's role in positively impacting engagement is widely accepted. A study by the Society of Human Resources Management found that managers or the immediate supervisors have a mission to build and sustain a workplace environment that fosters engagement and also attracts potential employees. Employees' emotional commitment to the job, organization, team and manager has been found to determine stronger performance. Also managerial style has a significant impact on trust, respect and leadership and is one of the factors that influence engagement. A study by Development Dimensions International highlights that among the top key components of engagement are communication and accountability. This emphasizes the highlighting the managers' responsibility in engaging employees. Having a competent manager community and a comprehensive communication strategy are vital to an organization's engagement initiatives.

A well crafted reward and recognition program that is fair, clear, outcome driven and real-time supports a manager in improving commitment and productivity. That said, the manager is also expected to be attentive (listen intently), receptive (be open to suggestions and acknowledge value of what is heard) and responsive (demonstrate interest to take action). It is know that people show increased levels of respect and trust for managers who regularly 'uplift' their employees with informal and formal confidence building measures.

4. Demonstrate your commitment to corporate social responsibility

A research by Kenexa suggests that an organization's active participation in corporate social responsibility efforts has a significant influence on employees' engagement levels and how they perceive senior management. The research bases itself on the premise that those companies that win the hearts and minds of their top talent will be able to deliver value over both the short and long terms'. Bhattacharya, C. B., Sen, Sankar & Korschun (2008) in their study emphasized that employees like to work for social responsible companies because it gives them the opportunity for personal growth. CEOs that were polled ranked 'CSR' 2nd in importance only to 'reputation and brand'. Those who identify strongly with the company, view its success as their own. Employees who noted their organization's commitment to social responsible behaviour were motivated to work harder and be more productive. The benefits for the organization included high levels of employee commitment and dedication to excellence at work.

Embrace social media to engage employees

In their book 'First, Break All the Rules: What the World's Greatest Managers Do Differently' the authors Marcus Buckingham and Curt Coffman articulate how communication is a vital element in energizing a flagging workforce. Overcoming information overload and getting employees to manage their work and by providing necessary tools helps to motivate and engage.

The research proposes a model – Develop-Deploy-Connect taking into account alignment, capability, performance and commitment. According to Aon Consulting, employers are unable to keep pace with the way employees communicate and hence do not know how to engage them. With growing social media interest it no more about what we communicate with employees but how we do so. There are lessons for leadership to absorb newer trends in social networking and mobile telephony to appeal to their younger generation at the workplace. Recommendations to involve and create a culture of sharing and peer to peer communication include instant messaging, podcasts, virtual training, blogs, internal social networks, wikis and social sites.

Deloitte's 2008 talent report quotes a couple of relevant surveys – a Conference Board study which highlights open and two way communication as one of the top three expectations of employers. Another study from MIT which reinforces the social engagement aspect – 'people are five times more likely to consult a co-worker for information than a corporate system'. 'Who you know' matters more than just 'what you know', a shift from our earlier understanding of knowledge and importance within an organization.

These pointers are crucial for organization to remodel the way communication needs to get created, shared and viewed. Social media tools will play a defining role in building trust and transparency, drive engagement and help measure the impact of how employees view their employers. There are very few organizations that take employee feedback and actively drive recommendations from consultants. Look up a case study of Sapient to know of how the organization involves and integrates its people to win loyalty.

Helping employees understand their role in the organization's growth, channelizing their creative energies and allowing freedom at work can deliver results for organizations who want to win the engagement battle.

The Sapiant Way – A Case Study

At Sapiant, a global services company founded in 1990, the commitment to help clients transform their businesses for today's digitally centric world is top priority. The organization believes in aligning its people to the company's goals and understands the importance of keeping everyone on the same page when it comes to meeting its objectives. From its unique 3 day integration workshop and strategy called Sapiant Start to its performance linked assessment program, from its 'localized' rewards and recognition initiative to its wide reaching alumni connection - the organization ensures that every person imbibes the Sapiant culture. By keeping its internal programs consistent across all levels and all geographies it retains its unique identity and the clients' experience of Sapiant.

Sapiant's culture hinges on Strategic Context, a framework of common purpose, vision and set of values that connect every Sapiant person to the company's future. This aligns its people to a common and shared goal and their efforts are contributing to a bigger cause. The key differentiators of Sapiant are its focus on internal communication, involving people in key decision making, extensive leadership-people connection, open and transparent work environment, its corporate social responsibility commitment, sharing ownership with the

manager community and its consistent measurement of engagement.

Due to its focus on engagement, it ranks globally amongst the most engaged companies in the BT Mercer 'Best Companies to Work' as well as the 'Great Places to Work' surveys. Its reputation as a great place to work is also significantly enhanced by being featured amongst NASSCOM's Top 100 innovators.

Below is a snapshot of a few internal initiatives that drive engagement at Sapien.

Strategic Internal Communication Approach: Effective internal communications drives Sapien people to change behaviors. It shares relevant and compelling communication to get people to move from awareness to understanding and action. Specifically, for change management initiatives that affect a large portion of Sapien people, a toolkit is shared that outlines communication practices at Sapien. A strong partnership between Public Relations, Internal Communications and the leadership ensures that Sapien people receive significant information about big changes, such as acquisitions and leadership transitions real time. Through telephonic debriefs, Town Halls and e-mails Sapien's leadership effectively cascade the information with the help of managers to everyone in the company within a matter of hours.

Consistent Leadership Connect Town Halls: Every quarter the senior leadership and Office Leads commit time to engage with its people, Share Company updates, take feedback and answer questions face to face. The management believes it is vital to have everyone on the same page. The Town Hall conversations cover the company strategy, the impact of people practices, the

company's progress against goals, recognitions and office level updates.

People Forums: People from different career levels meet up on a recurring basis to interact, engage, and drive initiatives and connection with peers and the organization. The forums such as the manager, director and technology sessions strive to align to the company's charter and the Leadership Team's goals. These are also opportunities to groom future leaders by allowing people to take accountability and initiative. Apart from this gathering, the Leadership Team frontends an initiative called the 'Lessons in Leadership' which allows people to interact with leaders, get advice on growing leadership skills and connect on a personal level with leaders.

Consistent communication through plasma TVs: Across offices plasma TVs play a roll-up of key company updates in a timely and consistent format. Every week the information is refreshed with a dedicated team monitoring and releasing content on company branded templates. The plasma screens are placed at vantage locations near the reception areas to ensure the information is relayed effectively. Also the slides are pictorial and timed to give people sufficient opportunity to absorb key messages.

The People Portal: The Sapient People Portal, represents a key step in the company's commitment to keep its people better connected and informed, and provides an intuitive, easy-to-use experience. A major benefit is its ability to communicate important messages from management in a timely and efficient

manner. The People Portal is unique in the manner the company involved the entire company in its conception and development. Over 40 teams made up of over 100 Sapient people submitted design entries, which were voted on by the entire company. Many of the designs provided key functional ideas and specifications that have been incorporated into the winning design.

Sapient's company newsletter, the Sapient Connection: The weekly internal newsletter, emailed to every Sapient person and posted on the landing page of the People Portal, highlights new messages from leadership, as well as corporate news and success stories from offices worldwide. The newsletter received than three times the number of articles submitted and much wider readership than its predecessor. The Sapient Connection is now more accessible with a pdf format that is e-mailed to those who are at client locations and are unable to view the People Portal from a remote site.

People Portal Communities: Sapient believes in frequent and open feedback. It encourages people to leverage the current trend in social networking to help foster a sense of community between people and leadership. The People Portal includes online Sapient Communities, which have become a valuable tool for sharing information and insights in real time and fostering a sense of community across teams, practices, offices worldwide. Leaders can now connect with their people through postings, articles, and discussion threads.

Social Media Usage: Sapient creates CEO 'You-Tube' style videos to share company updates and progress against

objectives set. The video medium is an ideal communication tool that allows the company to share information in a consistent and timely manner. Feedback on this new format has been extremely positive; people feel the video format helps them connect more easily (than an e-mail bulletin, for example) to leaders' new ideas. Similarly, leadership blogs written by a pool of leaders share experiences and personal learning from the workplace. The blogs capitalize on their 'personality' within the organization, provides an opportunity for leaders to be heard and allows open interaction. It is measured through the number of direct comments from readers, fruitful conversations and increased engagement. The posts range from the leaders' business interactions to the team's charter, from recent industry trends to the company's people volunteering initiatives. The leadership accesses and manages the blogs in a DIY (do it yourself) model with e-mail communication templates to share updates after they post their entries. The company recently launched a Sapient India Face book group (www.facebook.com/sapientindia) to build on the success of its social media strategy, which already includes Sapient Interactive groups on Face book and LinkedIn. The Sapient India Face book group is designed to help the company create brand awareness, showcase its culture and provide a community forum where Sapient people can share important company milestones and engage others in relevant discussion. The page reached 861 fans in a short span of 5 months.

'Non-Business' Distribution Lists: The company allows people to operate subscriber led distribution lists which appeal to special interest groups. The leadership monitors and observes posts and responds to comments and feedback which impact the organization. The lists are self-moderated and the

moderators propose guidelines so that only relevant communication is shared. Close to 1/3 of the company use the lists and many claim that it increases their chances of getting good deals as compared to the traditional route of newspaper advertisements. Through peer reviews people are able to get quick feedback on courses, real estate, banking needs among others.

Engagement Measurement: The company conducts a company-wide 'pulse' designed to assess the quality of how its people experience Sapient. The Engagement Survey using qualitative and quantitative questions assesses the company's performance against a set of unchanging key measures. It measures various aspects of Sapient and gives Company, Support Teams, as well as Account, Project and Practice Leadership insight into what we are doing well today and what we need to change and improve. Apart from that Sapient conducts periodic Focus Group sessions designed to gather qualitative and anecdotal information from Sapient people about their thoughts on Sapient's culture. Culture Champions approach people directly to participate in these in order to ensure a representative mix of domains, career stages, tenures and roles in each office are covered. Regular periodic 'pulse' checks are also conducted to get a sense of people and preempt attrition. The focus covers key themes: leadership, recognition and fun, connect to company, nature of work and growth. Using a proven discussion grid the inputs are captured for developing an action plan and shared directly with leaders.

Recognition Program: Sapient not only has a dedicated resource to oversee its recognition program it also makes

improvements to the way award recipients are selected and celebrated. It applauds extraordinary effort and success across the organization consistently. All recognition programs are localized to ensure easier connection, faster distribution and smoother processes. The program is linked to the organization's objectives and recognizes high performance. There are awards ranging from a spot recognition to a companywide honour for business development and living the core values.

Career Framework: Sapien invests in career tools to build readiness among its people for rapid growth and expansion into new markets. With an updated, integrated, holistic and standardized set of tools for talent management that better reflect its current and future business requirements, the company is well positioned to meet the needs of both the business and the inspirational needs its people. Online tools support peoples' understanding of their competencies, areas of improvement and career levels they can move to.

People Led Office-Level Programs: Celebrations assume different dimensions at the local Sapien office level and are a blend of social, leadership-based and even, family-oriented celebratory gatherings, to recognize the value and impact that our people have on the organization. Sharing successes at the workplace with people's families make celebrations even more meaningful. Through office-level social meets, leadership-people interactions and family gatherings we place a strong emphasis on recognizing the value and successes that our people bring across the organization in varying degrees. Budgets are allocated via the Office Leads who involve people for the office level programs.

Emphasis on CSR: We believe that corporate social responsibility (CSR) relates to the way organizations integrate social, environmental, and economic concerns into their values, culture, decision making, strategy and operations, thereby establishing better practices within the organization, creating wealth, and improving society. Sapient is interested in CSR as a way to 'give back' to the communities that we operate within while improving morale and engagement within our organization. We actively support the programs which fundamentally help improve lives. The programs are unique since it is people led and the organization plays the role of enabler with resources and support. The 'enactors' are the employees who choose, design and implement initiatives that impact society.

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Formatting guide to Authors for IJBD

[Guidelines for authors]

The title of your paper goes here

Abstract

In this paper we describe the formatting requirements for papers to be published in the International Journal of Business Derivatives, and we offer a number of suggestions on writing style for readership.

Every submission should begin with an abstract of no more than 200-500 words. Papers written in any language other than English should begin with a detailed English abstract of not more than 500 words. The abstract should be a concise statement of the problem, approach, and conclusions of the work described. It should clearly state the paper's contribution to the field. The abstract should use 10 pt italic Arial non-bold, aligned left, single line space.

Key Words: *Typically three to five keywords should be taken from your submission, given in 10 pt italic Arial, aligned left, single line spaced.*

Introduction

Papers published in the International Journal of Business Derivatives (IJBD) will be collected, published and distributed online (at present) at the IJBD website. Papers submitted must follow the format of this document.

The easiest way to do this is using this template and replacing the content with your own text and graphics, being careful not to add any new styles or redefine the template styles. You may want to open this document in Word (or equivalent software)

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Material on each A4 page should be aligned left, with a 2.54 cm margin right around. It is important to check these margins even if you use this Word template, because they might have been overwritten by your local settings.

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For the online edition of JMP, there is no restriction to pages. However as per the international standards, the total word limit may be a maximum of (but not restricted to) 10,000 words; depending upon the Editors’ recommendations. For the upcoming print version, the full papers should be no longer than 5 000 words, including title and references.

For your paper to be accepted it must be formatted as a Microsoft Word file (.doc or .rtf), of 10 mb or less, including diagrams (if any). To avoid uploading problems ensure that there are no spaces or punctuation in the filename, and that there are 40 or less characters before the.’doc’ file.

Formatted Text

Use text that is aligned left and single spacing between sentences. Carefully format your submission using the following styles: Normal text. Use a 10-point Arial font.

Formatting guide to Authors for IJBD

Title and authors

The title (Arial 14-pt bold) is centered. Authors' names (Arial 12 pt unbold) and affiliations (Arial 10-pt unbold) are entered on the covering page. Please add your postal address and e-mail address using the same style as for authors.

Abstract and keywords

Every submission should begin with an abstract of about 200-500 words in the normal text style but italicized. The abstract should be a concise statement of the problem, approach, findings, and conclusions of the work described.

Page numbering, headers and footers

Do NOT include headers, footers or page numbers in your submission. These will be added when the publication is assembled.

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The headings of sections should be in Arial 12-pt bold using sentence case, i.e. only the initial letters of the first words and proper names capitalized.

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The headings of subsections should be in Arial 10-pt bold using sentence case, i.e. only the initial letters of the first words and proper names capitalized.

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The heading for sub-subsections should be in Arial 10-pt italic with initial letters capitalized as with sections and subsections above.

Figures/Captions

Figures and tables should be inserted at the appropriate point in your text. Each figure should have a figure caption in Arial 9 point bold font. They should be numbered (e.g., “Table 1” or “Figure 2”), centered and placed beneath the figure or table. The words “Figure” or “Table” should be spelled out (e.g., “Figure” rather than “Fig.”).

Accepted papers will be published online in color. On submission, your final files should include color graphics. Whenever possible, we recommend that images follow the specifications below:

Size: minimum 1000px wide by 800px high Resolution: minimum 72dpi File type: JPG, GIF or TIFF

Include image credits where applicable. Should a paper be selected for publication, the author will be contacted to supply higher resolution graphics suitable for online and print specifications.

If you have research projects or project material that fit IJBD's scope and is not listed in the above specifications,

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Please make sure that your paper is written in clear, readable **English** language. With regard to spelling and punctuation, you may use any of the aforementioned languages consistently throughout your paper.

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Hyphenation is optional. To ensure suitability for an international audience, please pay attention to the following:

Write in a straightforward style. Use simple sentence structure. Try to avoid long sentences and complex sentence structures. Use semicolons carefully.

Use clear and unambiguous language. Although academic depth is required, academic jargon should be avoided.

It is important that you write for a general audience.

Briefly define or explain all technical terms.

Explain all acronyms the first time they are used in your text, thereafter they may appear as acronyms e.g. International Journal of Business Derivatives (IJBD), thereafter IJBD.

Clarify local references.

Use unambiguous forms for culturally-localized concepts, such as time, dates, currencies and numbers (e.g., “1- 5-99” or “5/1/99” may mean 5 January 1999 or 1 May 1999, and “seven o'clock” may mean 7:00 am or 19:00).

Be careful with the use of gender-specific pronouns (he, she) and other gendered words (chairman, manpower). Use inclusive language (e.g., she or he, s/he, they, chair, staff) that is gender-neutral. Alternatively, try and structure sentences in such a way that gender specific pronouns are avoided.

Conclusion

By adhering to this guideline, you help IJBD Secretariat in reducing their workload and ensuring an impressive presentation of your research paper. We thank you for your cooperation and look forward to receiving your paper.

Acknowledgements (Optional)

We thank all authors, committee members, and volunteers for their hard work, etc.

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If you use endnotes, be aware that different versions of the software change the styles, creating some inconsistencies. You may modify the styles to produce the references as shown here.

References and Citations

The Harvard system of citation should be used. This is the reference format that you see illustrated at the end of this paper. References should be published materials accessible to the public. Internal technical reports may be cited only if they are easily accessible (i.e. you give an Internet address within your citation). Proprietary information may not be cited.

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An acknowledgement within the body of your paper will include the name of the author, the date of publication and the page numbers, e.g. Anderson (1987:73-74).

When a book or journal article has been written by two or more authors, the ampersand, &, is used only when the textual reference appears in brackets, e.g.: “The death penalty is no deterrent to crime” (Black & Green, 2002:15).

For three or more authors, cite all the authors in the first reference. Subsequent citations use et al., e.g. Black, Brown, White and Green (2003:424-425) note that ... (first textual reference).

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Van Schalkwyk, H., Viviers, D.A. & Van Aswegen, E.S. 1986. *Language communication - English: language skills and practical communication for students, public servants, professional people and businessmen*. 2nd ed. Johannesburg: McGraw-Hill.

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