



# CASES IN MANAGEMENT

**EDITORS**

**DR. KIRTI DHARWADKAR**

**DR. PADMALOCHAN BISOYI**

**DR. BHUSHAN PARDESHI**

**PIMPRI CHINCHWAD EDUCATION TRUST'S  
S.B. PATIL INSTITUTE OF MANAGEMENT**

Pimpri Chinchwad Education Trust's  
**S.B. Patil Institute of Management**

# **“Cases in Management”**

**Editors:**

Dr. Kirti Dharwadkar  
Dr. Padmalochana Bisoyi  
Dr. Bhushan Pardeshi

## **“Cases in Management”**

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We hope this book will help the students to meet their learning requirements.

### **Dr. Kirti Dharwadkar**

Director (In charge)

PCET's S. B. Patil Institute of Management, Pune

### **Dr. Padmalochana Bisoyi**

Associate Professor

PCET's S. B. Patil Institute of Management, Pune

### **Dr. Bhushan Pardeshi**

Assistant Professor

PCET's S. B. Patil Institute of Management, Pune

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Mr. Rishikesh Kumar

# MANAGEMENT CONTROL THROUGH REWARDING EMPLOYEE: IMPACT ON EMPLOYEE BEHAVIOR

**Dr. Bhushan Pardeshi**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: bhushan3182@gmail.com

**Dr. Pranita Burbure**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: burbure.pranita@gmail.com

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*Acknowledgement: We thank and acknowledge the work of Mr. Abhijeet Bhaduri. He is the inspiration source and the central theme of the case study is derived from his book "Married but Available".*

## **Abstract:**

Abhishek Chandra a MBA in Human Resource Management designated as Assistant Manager HR in Balrampur Industries Ltd. Balrampur Industries Ltd. is the first newspaper print manufacturing company located at Balwanpur, Burhanpur District, Madhya Pradesh. The company surrounded by the Satpura ranges and forest. So, as the geographical location many times the snakes are found in the factories as well in the residential colonies. Due to the snake appearance in the factories, there is a loss of working hours or many times the workers or resident of colonies have lost their lives because of snake bite.

The company has appointed the Bhill community people on contract basis for restrict the snake movement. Dara was their leader. Abhishek is very keen to set up the management control system by rewarding and giving incentive to the employees for catching up the snake. The HR Director Pankaj Mittal was very unhappy with the scheme and concern about the scheme. But, it is not necessary that the scheme have positive as negative effect on the employee behaviour. The rewarding scheme started by him, turnout to be a negative reinforcement to the employees.

**Keyword:** Incentives, Rewards, Management control system, HRM practice, compensation.

**Learning Objectives:**

This case study facilitates to understand the followings:

- Understand the management dilemma, research question and investigation question, Identify the problem and formulate solution.
- To understand the significance of different types of management control system and HRM practices.
- To identify and discuss the different reasons for failure
- To evaluate the reason and design a new system to control the damage and the underlying problem.

**Introduction:**

Every HR Manager has the ability to impact employees' behavior through the system of incentives. Spend time understanding how incentives impact human behavior. Every promotion decision of the company does more to impact the culture of an organization than any poster or vision statement.

Abhishek Chandra the young talented MBA person recruited by the Balrampur Industries Ltd. two years back as Assistant HR Manager. In his MBA time he had studied the Management control system and HRM practices. The same way whatever learned in college days Abhishek was in a phase of establishing the informal management control system in the company through rewarding and incentives and certain rules and regulations and expect the integrity and harmony among the employees. As the company located in the Satpura ranges and the forest many times snakes were found in the factories or in colonies. Due to snake bite many workers or colony people were died. So, Abhishek decided to have the management control system to control the snake movement and death of people by starting a rewarding and incentive scheme. Managers always need to ask if they are rewarding someone for the right reasons. If you wish to reward someone just for showing up for work. For all you know people will expect a separate incentives to work, after they have shown up. They definitely need a punishment who does not work. This may be an example of a negative incentive.

**Company Background:**

Balrampur Industries Ltd. is predominantly famous for its newsprint paper mill and other paper products. Balrampur Industries Ltd. is first paper mill in the state inaugurated on 26 November 1976. The company was established by Balram Thakur now the company is run by the Thakur family and the second generation of the family has taken over the business. Balrampur is an industrial township in Burhanpur district in the Indian state of Madhya Pradesh and is centrally located in the ranges of Satpura. The Balrampur Industries Ltd. area is covered in 107 acres of land and township 1762 acres totalling 1869 acres of land. There is a well-developed township in Balrampur, which is equipped with all the facilities. The Company has 2164 residential quarters in the township. Presently, the Company has switched to Waste paper as basic raw material from original forest based and has thus been able to

reduce cost of production. The in-house modifications/alterations to the pulping plants have also helped in processing various quality of waste paper to manufacture Newsprint. Mills is meeting its 100% requirement from Captive Power generation. Though the company is run by the family but the family has recruited professionals to manage the business. The business is very professionally run by the family.

### **The Monday Afternoon:**

The post lunch session of Monday 17<sup>th</sup> May 2018, Abhishek Chandra (Assistant HR Manager of Balrampur Industries Ltd.) was sitting in his office surfing on Facebook and sipping tea to avoid dozing off. He always gets this humongous urge to sleep at about two o'clock, no matter what he is doing. The desire to take a nap keeps rising until it becomes a giant all-consuming wave. Regardless of time and place, he has to grab a tiny snooze. Couple of time, he have gone to the loo and snoozed while pissing, when sleep hits his nothing else matters. Anyway, he was hitting that famous two o'clock zone of numbness. He was woken up by the sound of Somshekhar shrieking hysterically. Abhishek ran out and saw Dara standing outside his office building, holding a vicious looking King Cobra. There were about fifty-sixty people possibly Bhills the Adivasi community with him. The snake was writhing in anger and had wrapped itself around Dara's arm. He had its head firmly in his hand, so no matter how hard the snake wriggled, Dara was safe.

Abhishek was wondered and asked Dara "Where did you find this snake? I thought this area is snake free. This is first time I have seen one since I joined". As Dara replied that, there are plenty of snakes around here but you don't see them. That is because the Bhills risk their lives to catch them and keep the employees safe and yet, after working for so many years we have not been made to feel a part of the company. After so many years, we are still working as temporary workers. We have come a long way from home land in search of a livelihood. We want to be on the permanent rolls of the company and not on the rolls of some contractor who uses Bhills to mow the lawns and keep the gardens snake free. We get no benefits. We cannot live in the houses in the workers colony; we have to live on the outskirts of the colony in dingy huts. Last year alone, four Bhills died by snake bite and they received no compensation, nor were their sons provided employment in the company. Can you truthfully say we have been treated fairly?

Very soon Abhishek realized that the situation was quickly turning into a no win scenario for him. His assistant Somshekhar was also helpless, to whom he relies most. Then, he remembered a advice and lesson given by his mentor Vijay Rawat from SPJ Institute of Management Studies, 'Never negotiate with a mob', he thought quickly and asked Dara to request the others to leave.

Dara used the opportunity to make another speech. He said 'they will leave. They are hard-working people. Promise me, sir that you will give us a patient hearing'. Abhishek promised that he will look into the matter, and asked Dara to handover the snake to his friend and come in office. He has something to Dara. Dara's son stepped up to Dara and held open a brown sack. In a flash Dara dropped the hissing king cobra

in and shut the bag tight and said “Son, take it home and give it to Amma. She knows what to do. I don’t want to see you playing with this one”.

### **The reward time:**

Dara walked into Abhishek’s office and looked at him curiously. Abhishek called Rao a senior clerk of her office and asked to handover five thousand rupees to Dara as a reward to catching a king cobra.

I will not take anything for myself. But I will distribute it among the two hundred Bhill families that live on the borderline of starvation. Thank you sir. Thank you for rewarding us. With a humble request to visit his home Dara got up and left the office.

That week two more Bhills brought in snakes to Abhishek. He gave them fifty rupees each. The following week a total of ten snakes were brought in. Abhishek wondered if they were the same one being brought in every day. So he got the men to leave the snakes in an old glass aquarium that was lying in her office.

The week after, there were twenty eight snakes. This was getting crazy. He set up a counter for an hour in the afternoon when snakes could be brought in. He prepared a rate card and started paying twenty rupees a snake, provided it is a poisonous species and ten rupees for non-poisonous species.

### **Aftermath:**

Pankaj Mittal the HR director was very uncomfortable with the idea of handing out money each time a snake was brought in, and with their being dumped in the aquarium. He was afraid the snakes would escape. So he put two security guards on duty to make sure such a thing did not happen. The week after, when sixty four snakes were brought in, including some that were clearly babies. Abhishek realized there was a problem, so he decided to visit the Bhills colony to find out what was going on?

### **Withdrawal of incentive scheme:**

The Bhills’ colony was on the outskirts of the township. Half naked children were playing with snakes under a tree. Abhishek was looking to Dara, Dara was speaking with a group of Bhills in their local language which Abhishek did not understand but with the help of some synonyms for fornication and some reference heard to those too. They saw Abhishek and went away, leaving Dara to face Abhishek. Abhishek peeked into the well and withdrew in horror. It was a snake pit with hundreds of baby snakes.

So, now “I know where those snakes are coming from. You are breeding snakes. That’s clever way to make money, Dara”. Abhishek questioned with a rising voice.

“The first day you paid us five thousand for one snake. Now you have made the rate twenty rupees. So the boys have had to breed snakes to get more money” Dara said softly.

“You must think I am crazy. The scheme is withdrawn, no more money for bringing in poisonous snakes. You can tell everyone that, tomorrow morning I will send back all snakes we have in the office aquarium. You can do what you want with them”. Abhishek walked off in a huff.

As soon as Dara made the announcement, a loud protest went up. But Abhishek want to show them who is boss. When he went back and told Pankaj Mittal what had happened, he rolled his eyes in horror and said that the scheme had been mistake to start with. What sort of behavior did you incentivize? You rewarded him for bringing in a poisonous snake. Five thousand rupees is nearly a month's salary for a worker. You showed them an easy way to make money. You even created a formal process around it. Then you lowered the amount you paid for each snake. So they had to breed more snakes to make the same amount of money. Now that you have withdrawn the scheme, they will just release all those snakes into the wild. Oh my God! You have destroyed the safety of this place in three weeks. This is really unforgivable. You will receive no increment this year. Pankaj Mittal added the last bit and went off angrily.

**Discussion Questions:**

- Based on your reading of this the case study, what sorts of skills and attributes do you think are needed to be a decision maker?
- Discuss the use of appropriate management control design to solve the problem of Balrampur Industries Ltd.?
- Suggest some reasons why the rewarding and incentive scheme failed?
- Design the Management Control System and HRM Practice to solve the problem.
- Do you think that the decision of Abhishek Chandra is the only responsible for the failure?

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## **CHEATING THROUGH CHIT FUND: A CASE OF SARADHA CHIT FUND SCAM**

**Dr. Amarish Padma**

Assistant Professor

Pimpri Chinchwad Education Trust's S. B. Patil Institute of Management  
Pune, Maharashtra, India

Email: mailtoamarish@gmail.com

**Dr. Swapnali Kulkarni**

Associate Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management  
Pune, Maharashtra, India

Email: swapnalik.2003@gmail.com

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### **Abstract:**

Non-banking financial companies are at all time high now days. Many such companies have started offering lucrative schemes by promising high interest rates and borrowing schemes to their investors. These schemes, generally termed as Chit Funds Schemes today have become the easiest choice of saving and borrowing technique. Investors are becoming the victims and taking high risks in name of such chit funds. People are not able to identify the difference between a registered chit fund company which are legal and safe and the Un-registered unorganized chit fund companies. This case study makes an attempt to depict the working principle of a recognized chit fund company/scheme, difference between registered and unregistered chit Fund Company thereby enhancing the awareness among people before making their choice and decision of choosing a chit fund scheme.

**Keywords:** Chit Fund, Saradha Chit Fund

### **Objectives of the study:**

The objectives of study are;

1. To study and analyze operandi of Saradha chit fund;
2. To know the role of Securities and Exchange Board of India (SEBI);
3. To suggest measures to prevent chit fund scams.

### **The Ponzi scheme:**

In the early 2000s, businessman Sudipto Sen set up the Saradha Group, and launched what the securities market regulator Securities and Exchange Board of India (SEBI) later categorized as a collective investment scheme. The Saradha Group used a consortium of companies to tap small investors, promising them very high returns.

Like in a classic Ponzi scheme, money was collected through a wide network of agents, who were paid commissions of over 25%.

In a few years, Saradha's raised about Rs. 2,500 crore. It built its brand through filmstar endorsements, investments in popular football clubs, ownership of multiple media outlets, and sponsorship of cultural events such as Durga Pujas. The scheme expanded to Odisha, Assam, and Tripura, and the number of investors reached close to 17 lakh.

### **How Saradha operated:**

“Sarada” Devi was the wife of famous spiritual guru Sri Sri Ramkrishna Dev (Swami Vivekananda's spiritual guru) and she is a highly revered spiritual icon not only in West Bengal but also in whole of India and even world. The cheats have used the name of Mother Sarada so that by the name of Sarada the ordinary people will put faith on the fund. The group used to collect money through agents with high commissions ranging from 15 to 20 percent and even in some cases 40% of the funds mobilized by them. They agreed to pay back unusually high returns. If a person invests Rs.1 lakh for 14 years he/she might get Rs.10 lakh by 14 years which was next to impossible by normal any other deposits (observed from field investigation). The same could fetch maximum Rs.3.50 to 4.00 lakh in case of a Bank or Post office deposit. On the other hand, sometimes the investors had been allured by promising flat or land in return of their deposits. Due to the exorbitant commission the number of agents rose to thousands and even lakhs Saradha began by issuing secured debentures and redeemable preferential bonds to the public in violation of SEBI rules that bar companies from raising capital from more than 50 people without issuing a proper prospectus and balance sheet. Companies must also have SEBI permission to operate, and must get their accounts audited.

After SEBI raised a flag in 2009, the Group diversified, opening 239 companies, and building a complex corporate structure. Through schemes involving tourism packages, forward travel and hotel booking, timeshare credit transfer, real estate, infrastructure finance, and motorcycle manufacturing, the Saradha Group continued to raise capital from ordinary people. The bulk of the investors put in around Rs 50,000 each. Many others invested through chit funds under the Chit Fund Act, 1982. Chit funds are regulated by the state government.

### **When the Saradha scam broke**

By 2009, politicians in West Bengal had begun to discuss Saradha's alleged fraudulent ways. In 2012, SEBI, which was already watching the Group, asked it to stop accepting money from investors until it got the regulator's permission. Alarm bells started to ring in January 2013, when for the first time, the Group's cash inflow was lower than its outflow — another classic event in a Ponzi scheme.

By April 2013, the scheme had collapsed, and investors and agents lodged hundreds of complaints with the Bidhannagar Police. Sudipto Sen fled West Bengal after writing an 18-page letter, in which he accused several politicians of arm-twisting him into making poor investments that led the company to collapse. An FIR was

registered, and Sen was arrested along with his associate Debjani Mukherjee in Sonmarg on April 20, 2013.

Investigations found the company had laundered investments in locations such as Dubai, South Africa and Singapore. Mamata Banerjee's government set up a Special Investigation Team (SIT) to probe the case after clubbing all the FIRs. Around the same time, the CBI began investigations in Assam after the state government handed over the probe to it. Based on state police FIRs, the Enforcement Directorate registered cases of alleged money laundering, and arrested several people.

In May 2014, the Supreme Court transferred all cases to the CBI, given the inter-state nature of the alleged scam. The SIT, which had by now conducted a year-long probe, had to hand over to the CBI all case papers, evidence, and the accused it had arrested.

### **The Trinamool connection**

Along with his brand, Sen had worked on building political relations. He had acquired media organisations and invested in the Bengali film industry. Actor and TMC MP Satabdi Roy and former Bollywood hero and Rajya Sabha member Mithun Chakraborty were Saradha's brand ambassadors. Then TMC MP Kunal Ghosh was appointed CEO of the media group in which Saradha invested Rs 988 crore and hired close to 1,500 journalists. By 2013 it was running eight newspapers in five languages. Ghosh was said to be drawing a salary of Rs 16 lakh per month.

Another then TMC MP, Srinjoy Bose, was involved in the Group's media operations. Then West Bengal Transport Minister Madan Mitra headed the Group's employees' union.

Saradha gifted patrol motorcycles to Kolkata Police. The government deployed and distributed ambulances and motorcycles sponsored by Saradha in Naxalism-hit areas of the state.

The Group allegedly also had connections with Congress leader and former union minister Matang Sinh, and the Assam BJP leader Himanta Biswa Sarma, who was then in the Congress. The ED questioned Sarma's wife Rinki in February 2015 for accepting money from the Saradha Group to run advertisements on her TV channel in Assam. The agency also questioned TMC MP Arpita Ghosh in the case.

The CBI questioned over a dozen TMC MLAs and MPs, and arrested Srinjoy Bose, Madan Mitra and Kunal Ghosh. Among those questioned were then TMC vice president and former West Bengal DGP Rajat Majumdar, Trinamool Youth Congress chief Shankudeb Panda, and MPs Satabdi Roy and Tapas Paul.

Mukul Roy, who was once among Mamata's closest confidants and is now with the BJP, was also questioned, as were the Assamese singer and filmmaker Sadananda Gogoi and former Odisha advocate general Ashok Mohanty. Former Assam DGP Shankar Barua committed suicide after CBI questioned him and searched his house.

### **Where top cop comes in:**

Kolkata Police Commissioner Rajeev Kumar headed the SIT constituted by the Mamata government, which investigated the Saradha case for a year. CBI has claimed that it has been trying to question the members of the SIT, including Kumar, for one

and a half years to get information on some missing evidence, but Kumar and his colleagues have been avoiding the agency.

CBI sources claim communication, notices, and summons to members of the SIT and the West Bengal Police asking for cooperation in the investigation have been sent on 18 occasions since September 2017, but no one has turned up for questioning. The sources say that the Kolkata Police and SIT officials have given ill health or personal engagements as reasons to stay away, and then asked for a mutually agreeable venue to sit and discuss the case.

According to CBI Joint Director Pankaj Srivastav, who is in charge of the Kolkata zone, Rajeev Kumar alone has been sent five notices and summons to appear before CBI since October 2017. The first of this summons was sent on October 18, 2017, and the latest one on December 8, 2018. To the last summons, the West Bengal DGP replied that queries could be sent in writing which would be replied to and, in case the need arose, a meeting could be arranged between the CBI and SIT at a “mutually convenient place”, CBI sources said.

According to CBI, the SIT had not handed over a diary of Sudipta Sen that has details of payments made to prominent people, apart from other evidence. “Our multiple requests to hand over all documents seized by the SIT have fallen on deaf ears. They have the diary, interrogation reports of several accused — some of them recorded on video — some pen drives, and material recovered from a bank locker owned by Sen. Several of these things were not brought on record by the SIT. We learnt of them during interrogation of the accused,” Srivastav told The Indian Express.

### **Research Questions:**

#### **Why do you think chit funds or ponzi schemes still persist in spite of many scams?**

There are two obvious reasons why such Ponzi schemes persist. One is regulatory overlap and confusion. Regulators work in silos, making it possible for fraudsters to come up with ingenious schemes to bypass individual regulators - also called "regulatory shopping".

The court notes that while SEBI has claimed that chit funds are not within its jurisdiction, it has also passed two orders directing the winding up of such schemes and refund of deposits. So there is now an urgent need for the highest authorities in the country to put in place a system that quickly spots any scheme seeking to raise money from large numbers of people by promising exceptional returns, and treats it as prima facie suspect and fit for quick investigation and regulatory action.

#### **How the Indian society has behaved and changed in response to inefficient governance and corruption in public life during the post economic reforms years?**

The analysis of the causes of change in society by applying methods borrowed from physical sciences has been around for a long time.

This effort has moved from the catastrophe theory of the 1970s (simplistically a theory of tipping points of large systems into disequilibrium or disarray), chaos theory of the 1980s (that sought to emphasize the link between seemingly unrelated variables

in determining unanticipated “shocks” to large systems like weather) to the currently in fashion “complexity” theory (ideal for India) that seeks to understand how order and stability in society arise from the interactions of many agents by applying a few simple hypotheses.

This can be applied to fundamental questions with which social scientists try to grapple: how do people in a free society make decisions, cast votes, make alliances and companies? What is the basis of network of social and business contacts? What drives politics of conflict and co-operation and enjoyment?

However, to expect physical science to provide a comprehensive theory of the functioning of society or provide pat answers to complex social and political problems would be a trifle absurd. Nevertheless, once we recognise its limitations, properly applied physical science can provide valuable insight in areas such as social, economic and civil planning, leading to better decision-making and a better understanding of the electorate by the politicians. It could also bring rationality in people’s expectations from society and its governance or control.

#### **What should investors do to prevent chit fund scam?**

- Check for the credibility and creditworthiness of the company and its promoters.
- Warn people about fraudulent companies & Report them to concerned authorities.
- Opt for state-run chit companies and go with firms with a long record and financially sound promoters.
- Understand the difference between Organised chit fund schemes which are required to register with the Registrar or Firms, Societies and Chits and money circulation schemes.
- Invest in a scheme with no incentives for subscribers to bring in more people to the scheme.
- Implementation of easy-to-use web-based Chit Fund Management system (CFMS)

#### **The Teaching Note:**

##### **Case synopsis**

Non-banking financial companies are at all time high now days. Many such companies have started offering lucrative schemes by promising high interest rates and borrowing schemes to their investors. These schemes, generally termed as Chit Funds Schemes today have become the easiest choice of saving and borrowing technique. Investors are becoming the victims and taking high risks in name of such chit funds. People are not able to identify the difference between a registered chit fund company which are legal and safe and the unregistered unorganized chit fund companies. This case study makes an attempt to depicts the working principle of a recognized chit fund company/scheme, difference between registered and unregistered chit Fund Company thereby enhancing the awareness among people before making their choice and decision of choosing a chit fund scheme. This paper is

based on the secondary data collected from government websites, interviews given by government officials and other published records.

## **2. Courses and levels for which the case is intended**

The case study is for Post Graduates management students from B School.

## **3. Teaching objectives**

Que.1 - Why do you think chit funds or ponzi schemes still persist in spite of many scams?

Que.2 - How the Indian society has behaved and changed in response to inefficient governance and corruption in public life during the post economic reforms years?

Que.3 - What should investors do to prevent chit fund scam?

## **4. Discussion questions and answers to those questions.**

## **5. Teaching Plan:**

The time period to be allocated within class for 75-80 minutes. Typical components of a teaching plan are the following:

- Class introduction: Key points to make in the class introduction. (10-12 min)
- Major topics: a listing of topics, a suggested order in which to introduce them, key questions within each topic area and identification of items that is important to get on the board. (40-45 min)
- Wrap-up points (10-15 min)
- Supplemental teaching components: Some cases come with supplemental material such as video clips, audio, or in-class exercises. (10-15 min)

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## INSURANCE AND INDIA

**Dr. Anishkumar Karia**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: kariaanish1@gmail.com

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### **Abstract:**

The insurance industry of India consists of 53 insurance companies divided into life insurance business and non-life insurers. The insurance industry plans to hike penetration levels to five per cent by 2020. The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US\$ 60 billion. The Indian insurance market is a huge business opportunity waiting to be harnessed. The Union Budget of 2017-18 has made provisions for the Insurance Sector. The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned guidelines for insurance companies in India

**Keyword:** Insurance, IRDA, Union Budget, ICICI LOMBARD.

### **Learning Objectives:**

This case study facilitates to understand the followings:

- To understand insurance sector in India
- To analyse Indian insurance sector
- To study environmental threat and opportunity profile

### **Introduction:**

The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 29 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd.

There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

### **Market Size**

Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes are expected to catapult this key ratio beyond 4 per cent mark by the end of this year, reveals the ASSOCHAM latest paper. India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US\$ 60 billion. During this period, the life insurance market is slated to cross US\$ 160 billion. The general insurance business in India is currently at Rs 78,000 crore (US\$ 11.44 billion) premium per annum industry and is growing at a healthy rate of 17 per cent.

The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

### **Government Initiatives**

The Union Budget of 2017-18 has made the following provisions for the Insurance Sector:

- The Budget has made provisions for paying huge subsidies in the premiums of Pradhan Mantri Fasal Bima Yojana (PMFBY) and the number of beneficiaries will increase to 50 per cent in the next two years from the present level of 20 per cent. As part of PMFBY, Rs 9,000 crore (US\$ 1.35 billion) has been allocated for crop insurance in 2017-18.
- By providing tax relief to citizens earning up to Rs 5 lakh (US\$ 7500), the government will be able to increase the number of taxpayers. Life insurers will be able to sell them insurance products, to further reduce their tax burden in future. As many of these people were understating their incomes, they were not able to get adequate insurance cover.
- Demand for insurance products may rise as people's preference shifts from formal investment products post demonetisation.
- The Budget has attempted to hasten the implementation of the Digital India initiative. As people in rural areas become more tech savvy, they will use digital channels of insurers to buy policies.

- The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:
- The Union Cabinet has approved the public listing of five Government-owned general insurance companies and reducing the Government's stake to 75 per cent from 100 per cent, which is expected to bring higher levels of transparency and accountability, and enable the companies to raise resources from the capital market to meet their fund requirements.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds, that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.
- Foreign Investment Promotion Board (FIPB) has cleared 15 Foreign Direct Investment (FDI) proposals including large investments in the insurance sector by Nippon Life Insurance, AIA International, Sun Life and Aviva Life leading to a cumulative investment of Rs 7,262 crore (US\$ 1.09 billion).
- IRDAI has given initial approval to open branches in India to Switzerland-based Swiss Re, French-based Scor SE, and two Germany-based reinsurers namely, Hannover Re and Munich Re.

### **Road Ahead**

- India's insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10.
- The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers.
- Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.
- Government has approved the ordinance to increase Foreign Direct Investment (FDI) limit in Insurance sector from 26 per cent to 49 per cent which would further help attract investments in the sector.
- The Insurance Regulatory and Development Authority (IRDA) recently allowed life insurance companies that have completed 10 years of operations to raise capital through Initial Public Offerings (IPOs). Insurance products are also covered under the Exempt-Exempt-Exempt (EEE) method of taxation, which translates to an effective tax benefit of approximately 30 per cent on select investments. In 2015, Government introduced Pradhan Mantri Suraksha

Bima Yojna (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJBY) to bring more people under the insurance cover.

- During the first half of FY 2016-17 the Life Insurance industry reported a 20 per cent growth in overall annualised premium equivalent with the help of both private players and Life Insurance Corporation.
- Per capita income and rural income are increasing. The number of middle class households (earning between US\$ 2,300 and US\$ 30,800 per annum) is estimated to increase more than fourfold to 234 million by 2025 from 113 million in 2005.
- Rising per capita income leads to increased spending on medical and healthcare services. Lifestyle diseases are set to account for a greater part of the healthcare market.
- Lifestyle diseases such as cardiac diseases, cancer and diabetes are treated with the help of biotechnology products, thereby boosting revenues of biotech companies.
- The growing GNI per capita, PPP of US\$ 6,020 in FY15 resulted in improved lifestyle due to increased purchasing power of customers for healthcare.

**Questions:**

1. Discuss the impact of Union Budget on Insurance industry
2. Prepare Environment Profile for ICICI LOMBARD.

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## **SPARK AUTOMOBILES LTD.**

**Dr. Anuradha Phadnis**

Associate Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: anuradhakampli@gmail.com

**Dr. Kajal Maheshwari**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: kajaljuly28@gmail.com

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### **Abstract:**

Spark automobiles Ltd., and Old Age Company was a 2 wheeler manufacturing company. Initially launched a moped named Spark and was doing well with a substantial sales and growth every year. Also introduced new model named Shine and made new technical advancements as per market need. Appointed new employee Mr.Ganesh Tripathy to take care of sales and marketing, so to face the competition for their new product. He performed well at initial years but then was disatisfied with reward system at the company and it affected his performance then.

**Keywords:** Performance, Reward system, Job Satisfaction

### **Learning Objectives:**

It is expected that the case will help the readers to understand the main contributing factors in employees' performance at workplace.

### **Introduction:**

Spark automobiles ltd. primarily is in the field of manufacturing of two wheelers. They manufacture and market mopeds. These are available in the brand names 'Spark' and 'Shine' where 'Spark' is their traditional product and 'Shine' is the improved version.

The company was started about 20 yrs ago. Their product 'Spark' enjoys a reasonably good reputation and they were comfortable in the market. However, with the entry of the new generation of fuel-efficient mopeds the company started losing its market.

They immediately started developing the improved 'Shine' but by the time they came out with this new model the competitors had already strengthened their position in the market.

The 'Spark' model was still acceptable by a segment of the market as it was the cheapest vehicle. 'Shine' is a new generation vehicle. It was costlier than Jet but its performance was much superior. It is compared favourably with the competitors' products; however it was yet to gain a foot hold in the market.

The company had to refurbish the marketing activities in order to get back their market share. They employed young sales engineers to launch a strong sales drive. Mr. Ganesh Tripathy, Btech and a diploma holder in marketing got selected and was put on the job.

Mr. Ganesh Tripathy started well in his new job. He was given a territory to contact the prospective customers and to book the orders. The company had introduced a new financial assistance scheme. Under this scheme, buyers were given easy loans. It was particularly advantageous for group booking by employees working in an organization.

Mr. Ganesh Tripathy was able to contact people in different organizations, arrange for group bookings and facilitate the loans. His performance was good in the first year and in the second year of his service.

The company had its own system of rewarding those whose performance happened to be good. They usually arranged a paid holiday trip for the good performer along with his wife. Mr. Ganesh Tripathy was accordingly informed by the marketing manager to go to Delhi with his wife on company expenses.

Mr. Ganesh Tripathy asked him as to how much it would cost to the company. The marketing manager calculated and told him that it would cost about 18000/-. He quickly asked him whether he could get that 18000/- in cash instead of the trip as he had better plans. The marketing manager countered this saying that it might not be possible to do so. It was not the trading of the company, however he would check with the personnel manager.

After a couple of days, Mr. Tripathy was informed that it would not be possible to give him a cash reward. Mr. Tripathy grudgingly went for the trip and returned. On his return, he was heard complaining to one of his colleagues his little daughter was also along with him.

The marketing manager and the personnel manager thought he was a bit too fussy about the money and some of his colleagues also thought so. During the subsequent days Mr. Ganesh Tripathy performance was not all that satisfactory which showed his lukewarm attitude towards his job and the subordinates.

### **Company Background:**

Spark automobiles ltd. is a 20 years old company, primarily is in the field of manufacturing of two wheelers. They manufacture and market mopeds. These are available in the brand names 'Spark' and 'Shine' where 'Spark' is their traditional product and 'Shine' is the improved version.

**Industry Background:**

The automobile industry is one of the most important drivers of economic growth of India and one with high participation in global value chains. The growth of this sector has been on the back of strong government support which has helped it carve a unique path among the manufacturing sectors of India. The automobiles produced in the country uniquely cater to the demands of low- and middle-income groups of population which makes this sector stand out among the other automobile-producing countries. This chapter analyzes the roles of government policy, infrastructure, and other enabling factors in the expansion of the automobile and automotive component sectors of India. In 2017, India became the world's fourth largest automobile market, and the demand for Indian vehicles continues to grow in the domestic and international markets. To meet the future needs of customers (including the electrical vehicles) and stay ahead of competition, manufacturers are now catching up on upgradation, digitization, and automation

**Discussion Questions:**

1. Where did the things go wrong?
2. Was Mr. Ganesh Tripathy too much money minded?
3. Was the company too bureaucratic?
4. Did the personnel manager handle the issue properly?
5. What is your recommendation to avoid such situations in future?

**Further Reading:**

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## NON-PERFORMING INDIAN PUBLIC SECTOR BANKS

**Mr. Sanjay S. Gaikwad**

Assistant Professor

MBA Department, Pimpri Chinchwad College of Engineering, Pune

Email: sanjaysgaikwad1@gmail.com

**Dr. Santosh Shinde**

HOD & Associate Professor

MBA Department, Pimpri Chinchwad College of Engineering, Pune

Email: santosh\_shinde1979@yahoo.co.in

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### **Abstract:**

Banking industry in India has evolved significantly over the last three centuries. The role of banking in country's development cannot be overlooked. Public sector banks hold almost one third of total assets of banking sector. These banks are playing essential role achieving regional economic growth of economy with balanced approach since their Nationalization. The high portion of stressed assets and NPA are the main reason behind declining profitability of banks, specially of public sector banks. As per RBI report, after long period of time efficiency of Public Sector Banks have been improved and they have net profit in their financial statements. The major reason behind this is growth rate in NPA's has declined as compare to previous years. The present case is an attempt made to have more insight on non-performing asset of public sector banks in India.

**Keywords:** Public sector banks, Non-Performing Assets, Operating Performance, Financial Performance, Mergers

### **Objectives of Case:**

1. To provide insight of public sector banks in India.
2. To highlight financial and operational performance of public sector banks in India.

### **Case Outcomes:**

#### **The students should able to**

1. Understand progress of public sector banks in India.
2. Know important ratios applicable for banking industry
3. Analyze and evaluate financial and operational performance of banks on different parameters using ratios.
4. Suggest strategies to improve banks financial performance.

**Introduction:**

Banking industry in India has evolved significantly over the last three centuries. The role of banking in country's development cannot be overlooked. Post-independence there was need of government regulated banking system. Towards the beginning of the 20<sup>th</sup> century the need for government-regulated banking system was observed. In 1934 British Government come up with the regulatory body for banking in India and they established Reserve Bank of India. Since independence banking structure in India has developed saving habits in their customers and also has served different sectors of economy by providing credit as and when require. It has also ensured economic growth of country. Banks have coordinated between savings and sectorial investment to achieve balanced growth of nation. Bank as an intermediary in financial system pools financial resources from people and redistribute for capital formation in the form of lending or investment. Indian Banking industry is supervised and controlled by Reserve Bank of India. Public sector and private sector banks held major market share in banking industry.

Public sector banks hold almost one third of total assets of banking sector. These banks are playing essential role achieving regional economic growth of economy with balanced approach since their Nationalization. As of April 2020, 12 Public Sector Banks are operating in India. All these banks have shown steady growth and progress in earlier years but in recent past they are facing tough time due to increased amount of stressed assets. The high portion of stressed assets and NPA are the main reason behind declining profitability of banks, especially of public sector banks. As per RBI report, after long period of time efficiency of Public Sector Banks have been improved and they have net profit in their financial statements. The major reason behind this is growth rate in NPA's has declined as compare to previous years. In view of this RBI has initiated lot of revival steps against NPA's, which include overcome on stressed assets, Prompt Corrective Action Framework (PCA), Asset Quality Review (AQR), Insolvency and Bankruptcy Code (IBC) etc. RBI has suggested that early recognition of bad loans and making provision against it will be useful for banks and this will show the prudence of banks. There were 11 Public Sector Banks under PCA before January, 2019. This number has been reduced to four which shows that financial health of PSB's is improving.

**Revolving Issues with Public Sector Banks:**

Most of the rural branches are running at a loss because of high overheads and prevalence of the barter system in most parts of rural India. The small branches of commercial banks are now faced with a new problem—a large amount of overdue advances to farmers. The decision of the former National Front Government to waive all loans to farmers up to the value of Rs. 10,000 crores has added to the plight of such banks. The commercial banks at present do not have any machinery to ensure that their loans and advances are, in fact, going into productive use in the larger public interest. Due to a high proportion of non-performing assets or outstanding due to banks from borrowers they are incurring huge losses. Most of them are also unable to maintain capital adequacy ratio. As far as advances to the priority sectors are

concerned, the progress has been slow. This is partly attributable to the fact that the bank officials from top to bottom could not accept nationalization gracefully, viz., and diversion of a certain portion of resources to the top priority and hitherto neglected sectors. This is also attributable to the poor and unsatisfactory loan recovery rates from the agricultural and small sectors.

As far as deposit mobilisation is concerned, commercial banks have been facing stiff challenges from non-banking financial intermediaries such as mutual funds, housing finance corporations, leasing and investment companies. All these institutions compete closely with commercial banks in attracting public deposits and offer higher rates of interest than are paid by commercial banks. One major weakness of the nationalised banking system in India is its failure to sustain the desired credit pattern and fill in credit gaps in different sectors. Even though there has been a reorientation of bank objectives, the bank staffs have remained virtually static and the bank procedures and practices have continued to remain old and outmoded.

The post-nationalisation period has seen a widening gap between promise and performance. The main reason seems to be the failure of the bank staff to appreciate the new work philosophy and new social objectives. Another problem faced by the commercial banks is bureaucratisation of the banking system. This is indeed the result of nationalisation. The smooth functioning of banks has been hampered by redtapism, long delays, lack of initiative and failure to take quick decisions. The smooth working of nationalised banks has also been hampered by growing political pressures from the Centre and the States. Nationalised banks often face lots of difficulties due to various political pressures. Such pressures are created in the selection of personnel and grant of loans to particular parties without considering their creditworthiness.

### **Mergers in Public Sector Banks:**

As per studies conducted, most of the mergers done in the past, have proved to be an overall success for the weaker banks although there are no concrete parameters to verify this observation. Hence going by the track record merger and acquisition in Indian banking have been fruitful for the Indian Economy. Mergers of banks began in India in the 1960s in order to bail out the weaker banks and protect the customer interests. After that in post liberalization period the quest to create an Indian bank that would be in the league of global giants had been continuing since 1990. SBI first merged State Bank of Saurashtra with itself in 2008. Two years later in 2010, State Bank of Indore was merged with it. In the phase of 2015-2017 five associates of SBI and Bhartiya Mahila Bank getting merged in SBI. The vision was to have strong banks rather than having large number of banks. This resulted in SBI being one amongst the 50 largest banks in the world.

With the mega merger announce on August 30, 2019, ten public sectors banks are now reduced into four large banks. The four sets of banks that have been created out of Canara Bank and Syndicate Bank merger; Indian Bank and Allahabad Bank merger; Union Bank of India, Andhra Bank and Corporation Bank merger; and the bank to be created after merger of Punjab National Bank, Oriental Bank of Commerce and United Bank of India. According to the Government this decision of making large

entities will make the Indian banks capable of meeting the higher funding needs of the economy and will help in acquiring the global scale.

The mega merger has left untouched six other banks out of which two are national banks and the four have regional focus. The untouched banks are Bank of India, Central Bank of India, Indian Overseas Bank, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank which will continue as separate entities as before.

The major reasons behind merger of public sector banks are larger Bank is capable of facing global competition, the merger will reduce the cost of banking operation, merger will result in better NPA and Risk management, Merger will help in improving the professional standards and decisions on High Lending requirements can be taken promptly. For the bank, retaining and enhancing its identity as a larger bank becomes easier. After the merger, benefits of merger are enormous and the biggest is generation of a brand new customer base, empowering of business, increased hold in the market share, opportunity of technology upgrade. Thus overall it proves to be beneficial to the overall Economy.

#### **Performance of Public Sector Banks:**

Though public sector banks are holding major proportion in total banking assets but their financial performance continue to remain unsatisfactory in recent past. These banks are facing lot of challenges internally and externally. Obligation like economic and social development has reduced their efficiency. Public sector banks objective is not only to earn profit but it also works as government vehicle for poverty reduction, employment generation, lending to priority sector, creation of fresh resources for social development, financial inclusion as so on. These banks have achieved success in all these parameters but on the cost of high proportion of non-performing assets and declined profitability.

The summary of financial performance of public sector banks for the period 2015 to 2019 is presented in following tables –

**Table 1: Key Assets and Liabilities of PSB's (in crore)**

<b>Year</b>	<b>Capital</b>	<b>Deposits</b>	<b>Borrowings</b>	<b>Advances</b>	<b>Investments</b>	<b>Fixed Assets</b>
2019	51059	8486215	761612	5926286	2702386	107318
2018	33154	8262322	847033	5697350	2791857	110041
2017	24311	8076781	721878	5557231	2554782	120031
2016	19194	7486177	790692	5593576	2248076	84147
2015	17095	7194192	644505	5476249	2056957	57860

**Table 2: Summary Income, Expenses and Profit of PSB's (in crore)**

<b>Year</b>	<b>Interest Earned</b>	<b>Other Income</b>	<b>Interest Expanded</b>	<b>Operating Expenses</b>	<b>Net Interest Income</b>	<b>Profit (Loss)</b>
2019	681779	94025	450613	175386	231165	- 66608

2018	660361	114756	455221	164206	205140	-85370
2017	680275	113789	479857	155185	200418	-11388
2016	690644	81899	492092	145513	198550	-17993
2015	676184	75597	480975	132365	195208	37539

**Table 3: Non-Performing Assets (Indicators) of PSB's (%)**

Year	GNPA	NNPA	Provisioning Ratio	Slippage Ratio	Priority Sector NPA	Non-Priority Sector NPA
2019	11.59	6.20	31.16	4.13	26.68	73.32
2018	14.58	9.30	30.39	9.42	20.94	79.06
2017	11.03	7.84	24.29	6.20	23.50	76.50
2016	8.54	6.49	28.50	7.23	23.30	76.70
2015	4.77	3.39	24.55	3.57	34.69	65.21

**Table 4: Asset Classification of Public Sector Banks (%)**

Year	Standard Advances	Sub-Standard Advances	Doubtful Advances	Loss Advances
<b>2018-19</b>	88.41	2.21	8.20	1.18
<b>2017-18</b>	85.42	3.49	10.22	0.87
<b>2016-17</b>	88.33	2.95	8.36	0.36
<b>2015-16</b>	90.73	3.44	5.55	0.28
<b>2014-15</b>	95.04	1.88	2.90	0.18

**Table 5: Key Ratios (Average) of Public Sector Banks (%)**

Ratio	2019	2018	2017	2016	2015
Cash - Deposit Ratio	5.14	5.60	6.07	5.26	5.32
Credit - Deposit Ratio	65.71	66.68	64.77	72.35	74.27
Investment - Deposit Ratio	32.69	32.69	33.00	31.14	30.50
Ratio of demand & savings bank deposits to total deposits	37.81	36.34	35.92	30.47	28.76
Ratio of priority sector advances to total advances	38.37	38.55	38.00	35.29	33.08
Ratio of secured advances to total advances	88.11	88.31	89.72	89.72	89.91
Ratio of interest income to total assets	6.97	6.93	7.54	8.14	8.48
Ratio of net interest income to total assets (Net Interest Margin)	2.23	2.03	2.14	2.30	2.40
Ratio of wage bills to intermediation cost	58.62	56.52	59.71	58.65	59.39

Ratio of wage bills to total expense	15.90	14.29	14.66	13.20	12.54
Ratio of wage bills to total income	13.24	11.78	12.21	11.26	10.35
Ratio of burden to total assets	0.84	0.57	0.66	0.92	0.81
Ratio of burden to interest income	11.98	8.14	8.59	11.36	9.57
Return on assets	-1.39	-1.17	-0.47	-0.13	0.43
Return on equity	-26.02	-21.80	-8.96	-3.50	6.69
Cost of deposits	5.11	5.27	6.01	6.56	6.88
Cost of borrowings	6.76	7.19	6.84	6.91	6.59
Cost of funds	5.16	5.34	6.05	6.57	6.88
Return on advances	8.28	8.12	9.08	9.63	10.12
Return on investments	7.11	7.11	7.88	7.75	7.62
Business per employee (in Rupees Lakh)	1707.80	1630.87	1477.82	1463.93	1449.79
Profit per employee (in Rupees Lakh)	-12.36	-12.84	-4.57	-1.61	4.31
Capital adequacy ratio	11.54	11.20	16.39	15.75	18.02

#### Questions for Discussion:

1. Comment on the financial and operational performance of public sector banks on different parameters.
2. How public sector banks can improve their financial health?
3. What are the reasons of Non-Performing Assets? Suggest remedial actions to overcome on the problem of Non-Performing Assets.
4. Does consolidation (merger) can eliminate the problems of Public Sector Banks?

#### Teaching Notes:

1. The financial performance of banks may be classified into short term solvency, profitability, asset quality and long term solvency. Cash deposit ratio and investment deposit ratios comes under short term solvency. Ratio of demand & savings bank deposits to total deposits, Ratio of net interest income to total assets (Net Interest Margin), Return on assets, Return on equity, Return on advances, Return on investments becomes the part of profitability group. Ratios like capital adequacy, total advances to total assets, debt equity ratio can be taken into long term solvency. The asset quality aspect of banks should be measured with gross NPA, net NPA, provisioning ratio and slippage ratio.

2. The operational performance also known as management efficiency of banks is measured with the help of credit deposit ratio, total expense to total revenue, different cost ratios, business per employee and profit per employee. It is expected that the trend in above ratios should be analysed and evaluated for at least previous five years for meaningful understanding of financial and operational performance. Even charting of the data can also be helpful.
3. Financial performance of public sector banks may be improved with the help of different measures on various frontiers. Different agencies like government, bank itself and no doubt customers are the main stakeholders of this process. The action plan may include legal provisions by government, controlled lending procedure, monitoring of advances, timely payment of instalment and interest by customers will play an important role in performance improvement. Again on non-financial parameters training and development of bank officials may work in certain situations.
4. The reason behind NPA includes, improper loan appraisal process, ineffective monitoring system, political pressure, diversion of funds for unproductive purpose, lack of accountability, poor follow-up mechanism and most of the time is wilful default is the main reason for NPA. The bank can different steps to reduce the level of NPA which include, proper legal documentation, appropriate hypothecation or pledge (cover / security), neutralising political pressure, training to bank officials, feasible loan target approach, unbiased loan appraisal process and effective monitoring and follow-up system will reduce the problem of non-performing assets.

## A QUALITATIVE STUDY OF GAS LEAK AT LG POLYMERS CHEMICAL PLANT, VISAKHAPATNAM

**Dr. Iram Ansari**

Assistant Professor

Pimpri Chinchwad Education Trust's S .B . Patil Institute of Management  
Pune, Maharashtra, India

Email: [iramansari@sbpatilmba.com](mailto:iramansari@sbpatilmba.com)

**Dr. Aishwarya Gopalakrishnan**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management  
Pune, Maharashtra, India

Email: [g.aishwaryaa27@gmail.com](mailto:g.aishwaryaa27@gmail.com)

**Dr. Lakshmi Jasti**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management  
Pune, Maharashtra, India

Email: [lakshmijasti76@gmail.com](mailto:lakshmijasti76@gmail.com)

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### **Abstract:**

The cause of the gas leak is unknown; nevertheless, LG Polymer's delay in contacting the relevant forum, as well as the apparent lack of appropriate permits required to operate such a business, might be considered negligent. People in Visakhapatnam, Andhra Pradesh, have been forced to deal with another life-threatening peril as India tackles the COVID-19 outbreak. A hazardous gas, suspected to be styrene, spilled from a chemical plant owned by LG Polymers Ltd. in the Visakhapatnam area on May 7, 2020, about 3 a.m., killing 11 persons and wounding several more. It was also revealed that the LG Polymers plant in Vizag lacked the necessary environmental approval to operate its petrochemical plant for a significant portion of its operation, from 1997 to 2019.

**Keywords:** Gas leak, Chemical plant, Styrene and Visakhapatnam.

### **Introduction:**

The Visakhapatnam gas leak, also referred to as the Vizag gas leak, was an industrial accident that occurred at the LG Polymers chemical plant in the R. R. Venkatapuram village of the Gopalapatnam neighborhood, located at the outskirts of Visakhapatnam, Andhra Pradesh, India. An indigenous company named Hindustan Polymers which was founded in 1961. The factory building occupied 214 acres and there were no houses in the area at that time. In 1978, the company was merged with McDowell & Co. Limited. Eventually, it was taken over by the South Korea-based LG Chem India Private Limited and called 'LG Polymers'.

**Statement of the problem:**

LG Polymers from where the lethal gas leaked makes polystyrene and co-polymers by using styrene, a flammable liquid gas, as raw material. Styrene, the gas leaked is an important commercial chemical, which is used in making plastics, paints, synthetic rubber, insulation, fiberglass, pipes, automobile parts, food containers and disposal cups. The tragedy at Vishakhapatnam happened because of leaking vapor from the styrene monomer (SM) gas storage tank at its facility. The gas reportedly spread over a radius of about 3km, affecting at least 5 villages and about 2000 people were evacuated.

**Research Questions:**

1. Was the tragedy manmade?
2. Was it the effect of systemic corruption?

**Research Methodology:**

The objective of this research is to examine an existing situation by describing it through experts opinions such as research scholars and news articles had considered. The research purpose is descriptive and the method used relies on a qualitative approach.

**Analysis and causes of the problem:**

The gas leak in a chemical plant in Visakhapatnam which left 11 people dead and around 1,000 hospitalized in the wee hours of Thursday raises serious safety concerns and more questions. Several victims have been battling for life at the Hospital. The Government of India should undertake every effort to prosecute the people responsible for the tragedy. According to the eyewitnesses, clusters of residences had come up around the plant. The factory engages 200 permanent employees and 300 contract workers. But there were only 20 workers at the time of the gas leak. Gross negligence and lack of training caused Vizag gas leak at LG polymers chemical plant.

**According to the NGT committee report, several key lapses were found that led to the disaster:**

- Tank was of an old design.
- No temperature or pressure monitoring done at the middle or the top of the tank where space was left for vaporization.
- Chiller system was switched off at 6 pm on the previous evening as a part of routine maintenance.
- Only temperature monitoring gauge was at the bottom of the tank.
- No interlock system arrangement between the temperature monitoring and refrigeration systems.
- No external water spray arrangement over the tank in case of temperature increase.

- Water sprinkler system was not automated. Manual sprinklers could not be accessed as it was a hazardous area.
- Siren alarms were not automatic, manual alarm system with controls in the hazard area- no warning could be issued.
- Unit could not access personal protective equipment-safety preparedness not there to respond to leak.
- TBC- Tertiary Butyl Catechol- which is an inhibitor chemical to slow down the reactions was not topped up since April 1 since there was no TBC stored at this site.

### **Results and Discussions:**

Experts opined that the incident was manmade because unskilled labor mishandled the maintenance work, also the required safety and technical parameters were not being maintained well. The investigators found a gross human negligence and violation of rules and law that led to the deadly disaster.

### **Recommendations:**

The experts recommended to the government that material from both the factory and the port should be cleared immediately. Union environment ministry and state pollution control boards suggested the company to take extreme precautions while restarting their units and to deploy veterinary experts to treat animals affected by the toxic gas. The Municipal Corporation instructed the people to cover their face with a wet cloth. It was also advised that the companies should have a clear-cut safety protocol, maintenance guidelines, start- up and shut-down procedures in place to prevent such disasters in the future.

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## **E-COMMERCE IN INDIA: REVOLUTION OF ONLINE RETAIL**

**Dr. Kajal Maheshwari**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: kajaljuly28@gmail.com

**Dr. Anuradha Phadnis**

Associate Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: phadnisanuradha@sapatilmba.com

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### **Abstract**

This reports origin of e-commerce and holistic present situation of online retail in India. Desk research and extant review of literature from reliable market research reports, books, journals and web has been done to decipher internet penetration, evolution of e-commerce and present scenario. Study observed that India is third largest country in terms of internet users. India will drive e-commerce in Asia pacific region after China and Indonesia. Reasons hampering India from finding place in global retail e-commerce index are also put in foreground. Sequential events leading to growth of different types of e-commerce in India are delineated into two waves to understand the evolutionary process. Out of total non-travel B2C e-commerce, online retail holds significant fifty percent share and its prospects for future growth are extremely positive. Businesses and researchers will find this chapter useful to devise future strategies to win and sustain e-commerce market in India

**Keywords:** Electronic Commerce, Market Size, Electronic commerce in India, online users, Investments/ Developments, Government initiatives, Major Players in India

### **Introduction:**

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 604.21 million as of December 2018. India's internet economy is expected to double from US\$125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by ecommerce. India's E-

commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.

**Market Size:**

Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017. Online retail sales in India are expected to grow by 31 per cent to touch US\$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall.

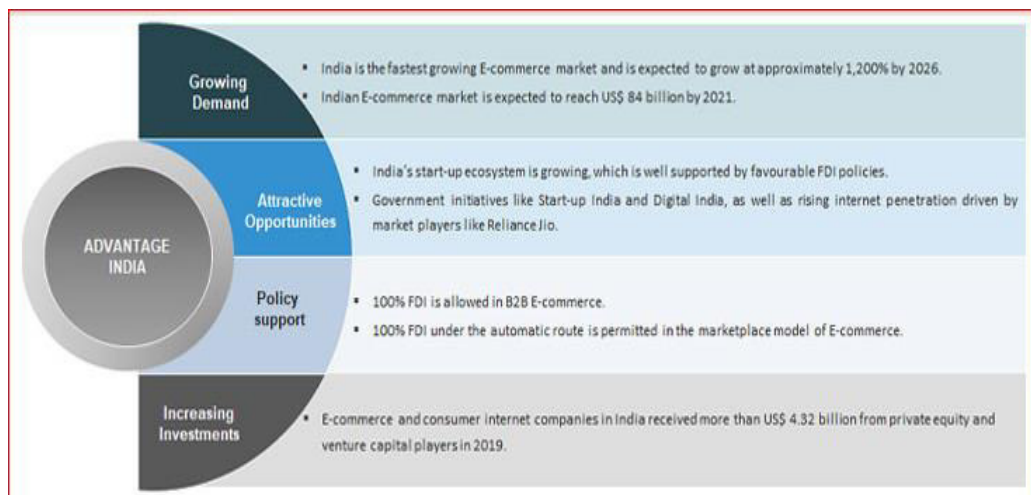
During 2018, electronics is currently the biggest contributor to online retail sales in India with a share of 48 per cent, followed closely by apparel at 29 per cent.

**Investments/ Developments:**

Some of the major developments in the Indian e-commerce sector are as follows:

- Flipkart, after getting acquired by Walmart for US\$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.
- Paytm has launched its bank - Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card
- As of June 2018, Google is also planning to enter into the E-commerce space by November 2018. India is expected to be its first market.
- Reliance retail is going to launch online retail this year. It has already launched its food and grocery app for beta testing among its employees.
- E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and 40 deals worth US\$ 1,129 million in the first half of 2018.
- Google and Tata Trust have collaborated for the project 'Internet Saathi' to improve internet penetration among rural women in India.

**E-commerce Sector in India**



- India's leading e-commerce marketplace.
- 100 million registered users.
- 21 state-of-the-art warehouses
- 10 million daily page visits.
- Turnover of Rs 30,931 crore (US\$ 4.43 billion) in FY19

#### **Government initiatives:**

- Since 2014, the Government of India has announced various initiatives, namely Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support growth of E-commerce in the country. Some of the major initiatives taken by the Government to promote E-commerce in India are as follows:
- Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October 2019.
- In February 2019, the Government of India released the Draft National e-Commerce Policy which encourages FDI in the marketplace model of E-commerce
- In order to increase the participation of foreign players in E-commerce, Indian Government hiked the limit of FDI in E-commerce marketplace model to up to 100% (in B2B models).
- Heavy investment made by the Government in rolling out fiber network for 5G will help boost E-commerce in India.
- In Union Budget of 2018–19, Government allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project to provide broadband services to 150,000-gram panchayats
- As of August 2018, the Government has been working on the second draft of E-commerce policy, incorporating inputs from various industry stakeholders.

#### **Road Ahead:**

The e-commerce industry has been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in e-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term.

#### **Major Players in India**

**Flipkart** was founded in October 2007 by Sachin Bansal and Binny Bansal. It is one of India's leading E-commerce marketplaces and is headquartered in Bengaluru. The company initially started as an online bookstore. Later, it also started selling other items such as movies and mobile phones. Now the company offers more than 80

million products spread across more than 80 categories. It has the capacity to delivery eight million shipments per month.

Flipkart Group raised an additional US\$ 1.2 billion from Walmart-led investor group in July 2020. Its valuation has reached US\$ 24.9 billion post equity round. Flipkart has pledged to completely transition to electric vehicles (EVs) by 2030 across its E-commerce value chain by partnering with Climate Group’s global electric mobility initiative, EV100.

**Paytm** One97's flagship brand is India's largest digital goods and mobile commerce platform - inspired and driven by a commitment to great consumer experience. Paytm is also a leading payment solutions provider to E-commerce merchants through its RBI approved semi-closed wallet. One97 delivers mobile content and commerce services to millions of mobile consumers through India’s most widely deployed telecom applications cloud platform. Headquartered in New Delhi, One97 is more than 4,500 people strong with regional offices in Mumbai, Bengaluru, Pune, Chennai and Kolkata and global presence across Africa, Europe, Middle East and South East Asia

**Infibeam Corporation Ltd** was incorporated on June 30, 2010 at Ahmedabad, Gujarat as a public limited company under the Companies Act 1956. It’s an E-commerce company focused on developing an integrated and synergistic E-commerce business model. The company owns and operates the Infibeam BuildaBazaar (BaB) E-commerce marketplace which provides cloud-based modular and customizable digital solutions and other value-added services to enable merchants to set up online storefronts. As part of the integrated E-commerce ecosystem, it operates Infibeam.com, a multi-category E-retail website. The company’s integrated business model enables it to provide comprehensive multi-channel and multiscreen value-added services to merchants.

### Info graphics





### Discussion Questions

1. Explain the growth of e-commerce in India.
2. Write the major E-commerce Sector in India.
3. What is the future of e-commerce industry?
4. Discuss the reason of growth in Indian e-commerce sector?
5. Examine the factors leading to growth of e-commerce in India.

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## TANISHQ JEWELRY: A PATH BREAKER

**Dr. Swapnali Amol Kulkarni**

Associate Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: [swapnalik.2003@gmail.com](mailto:swapnalik.2003@gmail.com)

**Dr. Amarish Padma**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: [mailtoamarish@gmail.com](mailto:mailtoamarish@gmail.com)

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### **Abstract:**

India's jewelry market is estimated to be worth Rs. 400 billion a year and the share to the organized sector – jewelry stores and brands managed by corporate houses – stands at about Rs 10 billion. Tanishq has a 40% share of the organized jewelry market and a 1 % bite of the overall jewelry pie. The brand has broken fresh ground in retailing by creating exclusive outlets with hitherto unknown in store ambience and hospitality touchstones. It has launched new collection at a quicker rate than its competitors, and conducted marketing promotions and fashion shows to enhance the shopping experience of consumers.

The Tanishq portfolio comprises a wide range of jewelry. One of Tanishq's more innovative ideas is to offer special schemes during various festivals. In sync with the Tata brand values, Tanishq is synonymous with trust and purity in a category that is fraught with questionable practices. Being a member of the Tata family has meant that it can leverage the group's well-earned reputation for ethics and values in a business where such attributes are critical to win the trust of consumers. Leadership and innovation are two of the other brand features that Tanishq is consistently identified with. These values have helped the brand bond with its consumers like no other Indian jeweler retailer.

**Keywords:** Jewelry market, product collection, variety, promotion, brand features.

### **Learning Objectives:**

This case study facilitates to understand the followings:

1. To understand the Indian Jewelry market
2. To know the market share of Tanishq in India

3. To study the various products of Tanishq
4. To analyze the services provided by Tanishq
5. To study the segmentation of Tanishq products
6. To study the key brand values of Tanishq

### **Introduction:**

The market for jewellery in India is second only to that for foods and the trade is built around so called family jewelers. Tanishq belongs to the House of Tata and true to the group's policy it aims at bringing in credibility and professionalism to the jewellery industry. India's jewellery market is estimated to be worth Rs 400 billion a year and the share to the organized sector – jewellery stores and brands managed by corporate houses – stands at about Rs 10 billion. This small but significant niche is largely the creation of Tanishq, a path breaking effort that has earned a well-deserved reputation for reliability and excellence, and for introducing pioneering concepts in an industry where tradition once ruled. The brand has a 40% share of the organized jewellery market and a 1 % bite of the overall jewellery pie. There are more than 3,00,000 independent, non-branded jewellery retailers in India.

Tanishq was a trial blazing endeavour to create a national retail chain that would provide consumers with jewellery of reliable worth and high design value. Its entry changed, in more ways than one, the way the Indian jewellery market operates. With 66 exclusive outlets spread across some 50 cities and a fully integrated jewellery manufacturing facility at Hosur, in Tamil Nadu, Tanishq has emerged as one of India's biggest retailers.

The introduction of "Karatmeters" – instruments that can be easily used by consumers to measure the purity of gold in a nondestructive manner-at its outlets is a key innovation that has developed tremendous equity for the brand. Another Tanishq novelty, one on which the brand's growth strategy is premised, is in the matter of differentiated designs, be they contemporary or traditional, Indian or international.

Modern retail values and principles in the selling of branded jewellery in India are almost completely the handiwork of Tanishq. The brand has broken fresh ground in retailing by creating exclusive outlets with hitherto unknown in store ambience and hospitality touchstones. It has launched new collection at a quicker rate than its competitors, and conducted marketing promotions and fashion shows to enhance the shopping experience of consumers.

Although the purchase of branded jewellery is still a new experience for a whole lot of Indians, the Tanishq brand enjoys increasing levels of consumer loyalty. In 2002, about one million people shopped at Tanishq stores all over the country. A highlight of the brand's success is that, while the jewellery market growth has declined during the past two years, Tanishq has recorded an annual growth of approximately 40%.

Besides catering to Indian consumers, Tanishq has successfully entered key export markets such as the US, the UK, the Middle East, Singapore and Australia. This is testimony to the brand's ability to craft products that meet the requirements of varied cultures and sensibilities. The brand Tanishq, like the Tata name, has established itself as an ethical brand, earning the respect and affection of its consumers.

The Tanishq portfolio comprises a wide range of jewellery, including 18-carat studded products, 22-carat plain gold products, silverware and coins. Tanishq is the first brand in the jewellery category to introduce collections designed exclusively for the modern Indian woman, especially working women. Among the Tanishq collection that have caught the imagination of consumers are Aria and Diva. Collection G, with a selection of over 90 designs, addressed the everyday jewellery needs of working women. Positioned as “9-to-5 jewellery”, the collection is stylish and modern and is designed to suit all forms of attire, western and Indian, casual and formal. The introductions of lightweight gold -jewellery that looked heavy but was light in weight and on the purse-marked another milestone in Tanishq brand history.

Tanishq retail boutiques are temples for the brand and are used as a platform for celebration, be it the launch of a new collection, a new marketing promotion or a festival. This gives Tanishq outlets a unique appeal and consumers an opportunity to heighten their shopping experience. One of Tanishq’s more innovative ideas is to offer special schemes during various festivals. Tanishq has also initiated a loyalty program called the Golden Harvest Savings Scheme, which offers buyers the benefit of getting more jewellery than what they have paid for. The scheme allows consumers to plan future purchases in advance and pay for them in easy installments.

In sync with the Tata brand values, Tanishq is synonymous with trust and purity in a category that is fraught with questionable practices. Being a member of the Tata family has meant that it can leverage the group’s well-earned reputation for ethics and values in a business where such attributes are critical to win the trust of consumers. Tanishq consumers can afford to take issues such as purity for granted, and they know they can depend upon the brand to deliver quality products all the time. The brand’s winning virtues in design and overall quality have shaped a class of discerning buyers who seek the best in jewellery products.

Leadership and innovation are two of the other brand features that Tanishq is consistently identified with. These values have helped the brand bond with its consumers like no other Indian jeweler retailer. Tanishq has deliberately moved away from mass media advertising and focused on store promotions to make the brand more accessible to consumer. This has been done to correct the consumer perception that the brand is highly priced and only meant for the rich and the famous. This approach has also ensured that Tanishq’s promotional approach is product led.

### **Company Background:**

Tanishq is a jewellery brand of India. It is a division of Titan Company, a company promoted by the Tata Group in collaboration with the Tamil Nadu Industrial Development Corporation (TIDCO). Tanishq's headquarters is at Bengaluru in Karnataka.

### **Tanishq in India:**

By the end of the 1980s, the Titan Company launched Tanishq in an attempt to earn its own foreign exchange, focused largely on exports. In the early 1990s, India’s exchange issue was fixed, and the Titan Company chose to focus the brand on the

Indian market. The first production plant launched in August 1992, and Tanishq's first store opened in 1996. Tanishq was the first jewellery retail brand in India. The first years of Tanishq recorded consistent losses. In 2000, Managing Director Xerxes Desai chose Bhaskar Bhat to succeed him. Starting in 2000, its net worth started to grow, and by 2003, Tanishq was among the top 5 retailers in India, and made up 40% of the Titan group's revenue.

In the early 2000s, Tanishq opened stores internationally, in the Middle East and in the United States (Chicago and New Jersey), but closed them before the end of the decade. Tanishq made the beauty pageant crowns for the Femina Miss India 2007. By 2008, Tanishq had 105 stores in 71 cities in India. In 2011, the Tanishq group launched the sub-brand called Mia for working women. In November 2012, Tanishq reached a landmark when it opened its 150th showroom in India

In April 2014, the brand started to export to the United Arab Emirates. In July 2014, Tanishq announced it ceased its gold deposit schemes to comply with the Companies Act 2013, schemes that enabled its clients to save up to buy gold, but launched it back just a few months later in a format that complied with the new laws.

By June 2014, Tanishq had 167 retail stores nationwide, and announced the opening of 30 more by the end of 2015. In May 2015, Tanishq enrolled Deepika Padukone to be the brand's ambassador.

In 2017, Tanishq launched a sub-brand called Rivaah targeting the wedding segment. In January 2017, the Titan group merged its Gold Plus stores with the larger Tanishq retail brand. In April 2017, Tanishq launched the sub-brand Mirayah to cater to women under their 40s. In December 2017, Tanishq launched the Aveer line, its first line of products for men.

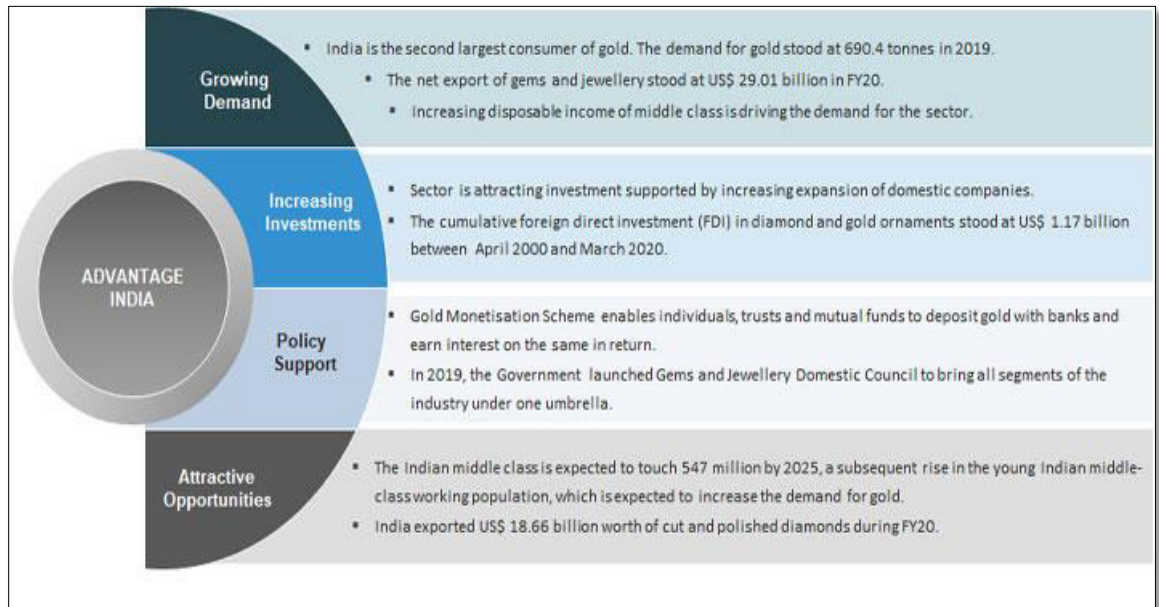
### **Industry Background-**

The gems and jewellery sector plays a significant role in the Indian economy, contributing around 7% to country's GDP and 15% to India's total merchandise export. It employs over 4.64 million people, which is expected to reach 8.23 million by 2022. One of the fastest growing sectors, it is extremely export oriented and labour intensive.

Based on its potential for growth and value addition, the Government declared gems and jewellery sector as a focus area for export promotion. The Government has undertaken various measures recently to promote investment and upgrade technology and skills to promote 'Brand India' in the international market.

India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by Government policies. Moreover, India exports 75% of the world's polished diamonds as per statistics from the Gem and Jewellery Export Promotion Council (GJEPC). India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). Government has viewed this sector as a thrust area for export promotion. The Indian Government presently allows 100% Foreign Direct Investment (FDI) in the sector through the automatic route. The

sector employs over 4.64 million employees, which is expected to touch 8.23 million by 2022.



Source: [www.ibef.org](http://www.ibef.org)

### Market size:

India's gems and jewellery sector is one of the largest in the world, contributing 29% to the global jewellery consumption. The sector is home to more than 300,000 gems and jewellery players. Its market size will grow by US\$ 103.06 billion during 2019–2023.

India's demand for gold reached 690.4 tonnes in 2019. India's gems and jewellery export stood at US\$ 29.07 billion in FY20. In the same period, India exported cut and polished diamonds worth US\$ 18.66 billion, thereby contributing 52.4% to the total gems and jewellery export.

India's import of gems and jewellery stood at US\$ 24.41 billion in FY20. India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to country's foreign reserves. The Goods and Services Tax (GST) will steer India's gold demand going forward.

### Investments/Developments

The gems and jewellery sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Consumers are demanding new designs and varieties in jewellery, and branded jewellers have managed to fulfil their changing demands better than the unorganised players. Moreover, increase in per capita income has led to an increase in sales of jewellery as jewellery is a status symbol in India. The cumulative Foreign Direct Investment (FDI) inflow in diamond and gold ornaments in the period April 2000 – March 2020 was US\$ 1.17 billion according to Department for Promotion of Industry and Internal Trade (DPIIT).

**Some of the key investments in this industry are listed below:**

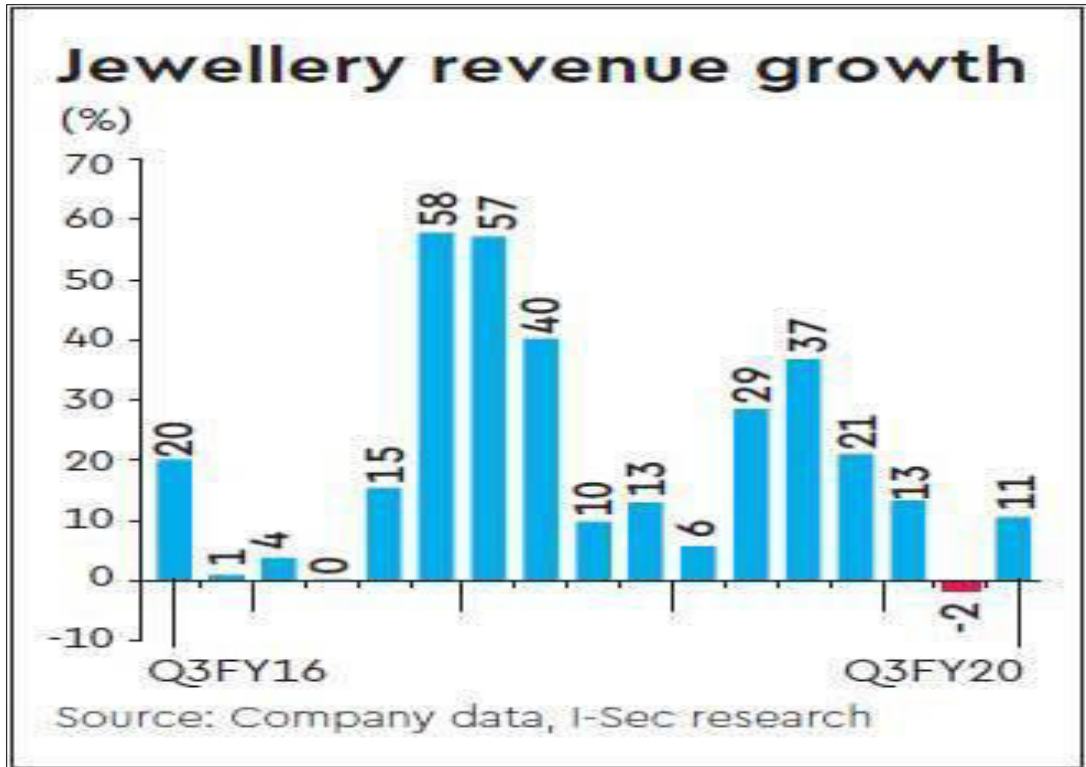
1. In April 2020, majority of the players in the Indian market like Malabar Gold, Tanishq, and Joyalukkas offered jewellery online for Akshay Tritiya.
2. Companies such as PC Jewellers, PNG Jewellers and Popley and Sons are planning to introduce a virtual-reality (VR) experience for their customers. The customer will have to wear a VR headset, through which they can select any jewellery, see it from different angles and zoom it to view intricate designs.

### **Government Initiatives**

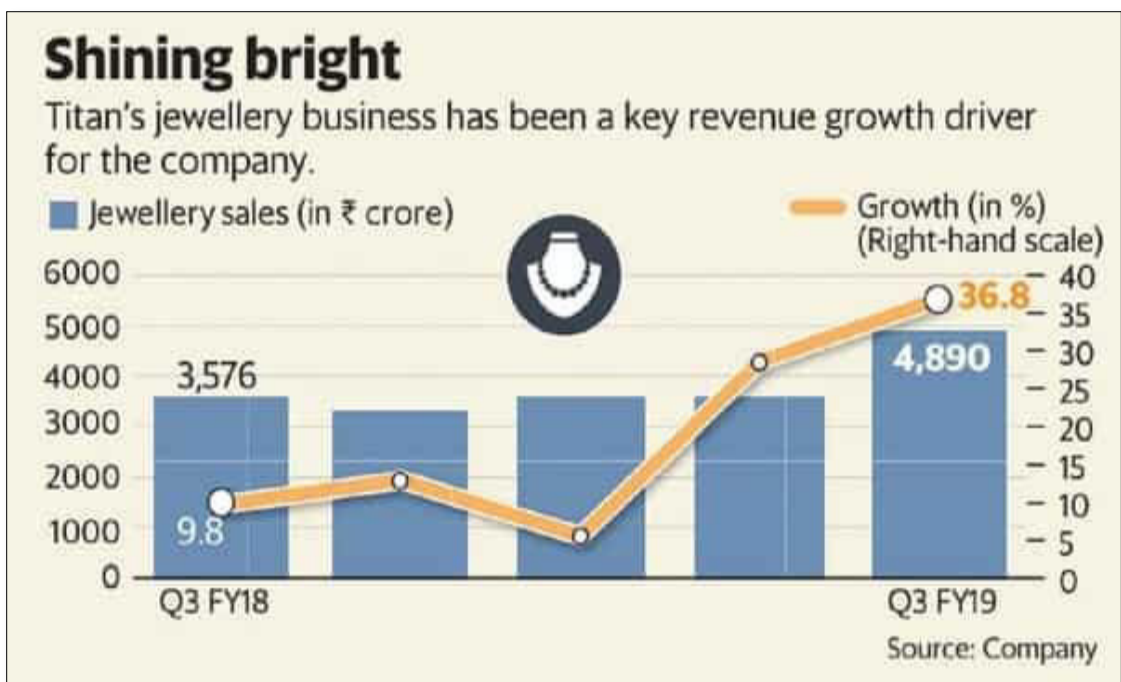
- Indian Government made hallmarking mandatory for Gold Jewellery and Artefacts. A period of one year is provided for implementation i.e. till January 2021.
- As per Union Budget 2019–20, the GST rate was reduced from 18% to 5% (\*5% without Input Tax Credit (ITC) for services by way of job work in relation to gems and jewellery, leather goods, textiles etc.
- The Bureau of Indian Standards (BIS) has revised the standard on gold hallmarking in India from January 2018. The gold jewellery hallmark will now carry a BIS mark, purity in carat and fitness as well as the unit's identification and the jeweller's identification mark. The move is aimed at ensuring a quality check on gold jewellery.
- The Gem and Jewellery Export Promotion Council (GJEPC) signed a memorandum of understanding (MoU) with Maharashtra Industrial Development Corporation (MIDC) to build India's largest jewellery park in at Ghansoli in Navi-Mumbai on 25 acres land with a capacity to have more than 5000 jewellery units of various sizes ranging from 500–10,000 square feet. The overall investment will be of Rs 13,500 crore (US\$ 2.09 billion).
- Gold Monetisation Scheme enables individuals, trusts and mutual funds to deposit gold with banks and earn interest on the same in return.

### **Road Ahead**

In the coming years, growth in gems and jewellery sector would largely be contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and designs. Online sales are expected to account for 1–2% of the fine jewellery segment by 2021–22. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of low-cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.



The above graph shows the ups and downs in sales of jewelry in Indian market. The other graph shows Tanishq’s jewellery business as a key revenue growth driver. The sale of Tanishq in 2018 was Rs. 9.8 crores which increased to Rs. 36.8 crores in 2019. However, in between the two sales the market witnessed a decrease in sales.



**Discussion Questions**

1. Discuss about the Indian jewellery market.
2. Discuss the various bases or criteria for segmenting consumer markets. Explain Tanishq's segmentation and positioning strategy.
3. What are Tanishq's key brand values or brand strengths? Explain.

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## LLLOYD RESTAURANT: MARKET SURVEY STRATEGY

**Dr. Padmalochana Bisoyi**

Associate Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: bisoyi.padma@gmail.com

**Dr. Bhushan Pardeshi**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: bhushan3182@gmail.com

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### **Abstract**

LLloyd Cristopher retired as a chief chef from ITC Maurya a 5 star hotel in New Delhi and returned to his hometown Kochi in Kerala. The Retirement days were not pleasurable for him; He found it difficult to settle back into the community. He realized that he needed a vocation to keep him occupied. His friend K. Balasubramaniam pondered over the problem, and suggested that considering Lloyd's expertise in exotic cuisine, he should think about setting up a restaurant serving non-vegetarian food. K. Balasuramaniam recalled a hotel industry report; the data definitely indicated a sound and profitable business opportunity. However, Lloyd was in dilemma and he doesn't want take risk. He was in opinion, before setting up a restaurant serving non-vegetarian food; a quick survey should be conducted. Lloyd was confused with how to proceed with the survey? What will be the sample design? What will be sample size and sampling technique?

**Keywords:** Sample design, Sample size, Sampling technique, consumer preference, restaurant.

### **Learning Objectives:**

This case study facilitates to understand the followings:

- Understand the basic concepts of sampling, sampling design.
- Explain the different type of probability sampling design-simple random sampling, systematic sampling and cluster sampling.
- Estimate the sample size required while estimating the population mean and proportion.
- To understand the significance of estimating sampling design and sample size.

### **Introduction:**

Lloyd Christopher spends almost 30 years working as chef in ITC Maurya. Lloyd was specialized in the Exotic food as well as Malayali food especially the non-vegetarian food like chicken curry, flaky porotta Alfaham and flatbreads like pathiri, naan, and khuboos. After working for so many years he retired as a chief chef from ITC Maurya a 5 star hotel in New Delhi and returned to his hometown Kochi in Kerala. However, the after retirement period for him was not pleasurable. He found it difficult to settle back into the community. He realized that he needed a vocation to keep him occupied; otherwise, he might go into depression. He was still clueless about what to do, when his friend K. Balasubramaniam visited him and asked him why he looked so morose. Lloyd explained his dilemma and asked his friend for advice, as K. Balasubramaniam understood Kochi and its people better.

K. Balasubramaniam pondered over the problem, and suggested that considering Lloyd's expertise in exotic cuisine, he should think about setting up a restaurant serving non-vegetarian food. The enterprise would be perfect; as Kochi hardly had any restaurant serving good non-vegetarian cuisine Lloyd liked the idea very much and thought the business would be lucrative and interesting. But before putting the idea into practice, he felt that it was important to have a rough estimate of the non-vegetarian population who went out for meals in a restaurant at least once in a typical week.

### **Indian Restaurant Industry:**

The Indian restaurant industry is worth Rs.75, 000 crores and is growing at an annual rate of 7%. The industry is highly fragmented with 1.5 million eating outlets, of which a little more than 3,000 outlets form the organized segment. However, the organized segment is rapidly growing at an annual rate of 16%. Quick service segment is the clear winner in the eating out market with a growth rate of 21%.

Organized Segment is expected to reach Rs.22, 000 crore by 2017, driven by:

- Rising disposable income
- Nuclear family structure
- Increasing working population
- Rapid urbanization and consumerism
- Increased private equity interest

"Indians on an average eat out lesser than 2 times a month, compared to 40 times in Singapore. Even a small increase in this number provides a huge market opportunity for restaurants in India."

### **Restaurants are the fastest growing business in Kochi**

Unique and rich culinary heritage is what makes Kochi a foodie's paradise. From the local chicken curry, flaky porotta, and schezwan dishes to the Arabic delicacies like Alfaham and flatbreads like pathiri, naan, and khuboos, the incredible and elaborate platter that Kochi offers is mind blowing. Even when Malayali food lovers refuse to

give up their all-time favourites of porotta and beef or puttu and kattan (black tea), they are ready to experiment with flavours and dishes that appeal to their taste buds. Food business has become one of the rapidly growing businesses in Kochi with lots of restaurants and hotels cropping up at many prime spots.

### ***Fusion flavors***

When the spiciness of Kerala dishes merge with the sophisticated flavours of continental cuisine it becomes a celebration of culture. Fusion hotels which serve interesting flavours, without losing the soul of the traditional cuisine, have become the favourites among those who are up to try out unique dishes. However, now even families like enjoying a cozy dinner at an amazing restaurant, with great ambience, that serves mouthwatering food.

### **The demography of Kochi**

K. Balasuramian recalled a hotel industry report, according to which Kochi population comprised Hinduism is majority religion in Kochi city with 43.78 % followers. Christianity is second most popular religion in Kochi city with 38.12 % following it. In Kochi city, Islam is followed by 17.56 %, Jainism by 0.17 %, Sikhism by 0.08 % and Buddhism by 0.08 %. It was known that generally, Muslims & Christian were non-vegetarian, Sikh also prefer to eat non-vegetarian whereas 32 percent of the Hindu population was non-vegetarian. Further, the result of a report on hotel industry had indicated that more than 2 percent of the population of the town ate out at least once a week.

### **The Field work – Research survey**

The data definitely indicated a sound and profitable business opportunity. However, Lloyd felt that before setting up a restaurant serving non-vegetarian food, a quick survey should be conducted. He wanted to carry out a survey of the households to understand their preferences for various cuisines. All the households were assigned a serial number. He decided to survey 1000 households. His plan was to contact 100<sup>th</sup> household in a particular locality and ask for their eating preferences.

### **Discussion Questions:**

1. What type of sampling design is being used in this case? Critically examine it and explain whether it could lead to any sampling frame error.
2. Suggest an alternative sampling design and the process to execute you design.
3. Suggest the possible sample size that should be taken out from each community and why?

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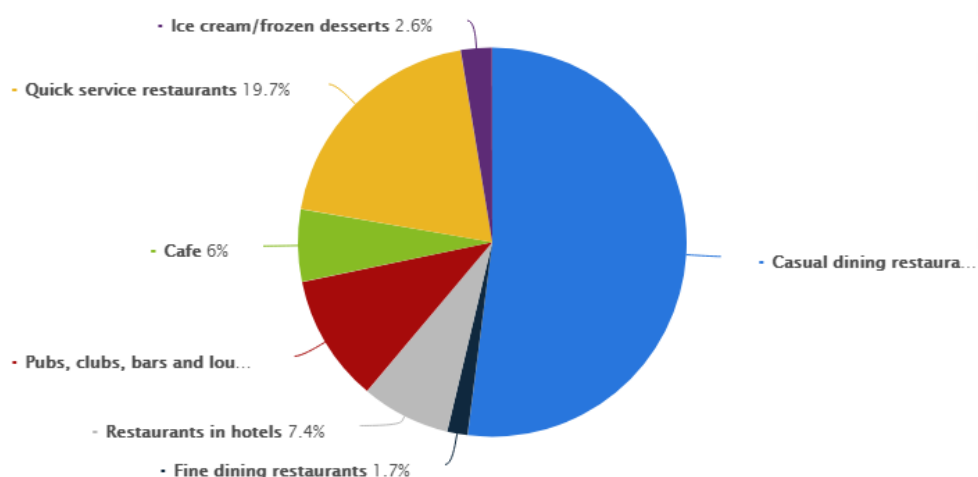
**Exhibit 1**

**Indian Restaurant Industry (Segment wise)**

Segment	Market Size (Rs Cr)	Expected Growth Rate
Quick service Resturants	4675	21.5%
Casual dining	2365	11.9%
Cafes	1265	12.3%
Fine dining	1045	12.0%
Pubs, bars, clubs and lounges	963	11.0%

**Exhibit 2**

**Market segmentation of the organized restaurant and food service industry across India in Year 2018-19.**



**Exhibit 3**  
**Valuation Multiples for the Indian Restaurant Industry | Publicly Traded Restaurant Companies**

India			
Segment	Companies	EV*/Revenue	EV/EBITDA**
Fine Dining Restaurants	Specialty Restaurants	3.8x	19.6x
Quick Service Restaurants	Jubilant Food Works	5.8x	31.7x
Worldwide			
Segment	Companies	Median EV/Revenue	Median EV/EBITDA
Fine Dining Restaurants	China Bistro, Cheesecake Factory and 3 other restaurants	0.9x	7.7x
Casual Dining Restaurants	Darden Restaurants, Buffalo Wild Wings and 15 other restaurants	1.0x	7.8x
Quick Service Restaurants	Domino's, Yum! Brands, McDonalds & 7 other restaurants	2.1x	9.9x

\*EV: Enterprise Value (measure of company's value) \*\*EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization (measure of company's profitability). CY: Calendar Year Ending December

Source: India - TTM Multiples as on 14 March 2013

**Exhibit 4**  
**Demography & Population of Kochi (Census 2011-2021)**

Kochi City	Total	Male	Female
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City + Out Growths	<b>633,553</b>	312,358	321,195
City Population	<b>602,046</b>	296,949	305,097

Description	Total	Percentage
Hindu	277,353	43.78%
Muslims	111,266	17.56%
Christian	241,486	38.12%
Sikh	517	0.08%
Buddhist	225	0.04%
Jain	1,090	0.17%
Others	410	0.06%
Not Stated	1,206	0.19%

**Exhibit 5**  
**Exotic Food Restaurant**



## MERGER BLUES

**Dr. Iram Ansari**

Assistant Professor

Pimpri Chinchwad Education Trust's S .B . Patil Institute of Management  
Pune, Maharashtra, India

Email: [iramansari@sbpatilmba.com](mailto:iramansari@sbpatilmba.com)

**Dr. Aishwarya Gopalakrishnan**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management  
Pune, Maharashtra, India

Email: [g.aishwaryaa27@gmail.com](mailto:g.aishwaryaa27@gmail.com)

**Dr. Lakshmi Jasti**

Assistant Professor

Pimpri Chinchwad Education Trust's S.B.Patil Institute of Management  
Pune, Maharashtra, India

Email: [lakshmijasti76@gmail.com](mailto:lakshmijasti76@gmail.com)

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### **Abstract:**

Mergers and acquisitions have always had an impact on companies in both positive and negative ways, but the impact on human resources and industrial relations is an intriguing topic to research. The case deals with one such merger between CGC Ltd and MDH Ltd, leading to a complete turnaround for industries and its employees. The existing unions and their problems related to recognition and representation had to be dealt with.

**Keywords:** Mergers, Acquisition, Collective Bargaining, Unions.

### **Learning Objectives:**

1. To understand the effect of Mergers and Acquisition on the Human Resources of an industry.
2. To understand the effect of M&A on industrial relations
3. To understand the problems associated with multiple Unions.
4. To understand Collective Bargaining importance

As part of a worldwide merger, CGC Ltd merged with MDH Ltd. Both businesses belong to the same industry. The boards of directors of the enterprises in the capital of one of Europe's countries decided to merge. In India, neither the local management nor the union had any voice in the situation. CGC Ltd offers its products directly to customers through its salespeople and a nationwide network of branches and depots. MDH Ltd sells its products through a wholesale or retail distribution network that

spans the country. Following the merger, it was decided to abandon the direct selling approach and close CGC Ltd's branches or depots, as well as the redundant workers (mainly sales and accounting personnel) through layoffs.

While CGC Ltd has three unions, one for factory workers, one for office workers, and one for sales workers, MDH Ltd has two unions, one for manufacturing workers and the other for office and sales workers. CGC Ltd elects union office bearers once a year, while MDH Ltd elects them every two years. CGC Ltd has stronger technology and a more skilled workforce compared to MDH Ltd, but its employees are paid lesser. CGC Ltd has a four-year collective bargaining agreement with the manufacturing workers' union, but not with any other union.

The strategy is to preserve a sense of equivalence with other types of workers so that office workers and salespeople do not feel tricked or robbed because the management changes their compensation unilaterally from time to time. Every three years, MDH Ltd signs collective bargaining agreements with both unions. CGC Ltd has a larger market share than MDH Ltd, but MDH Ltd makes more money. This is due to the fact that, while wages were greater, MDH Ltd's overheads were lower.

To ensure collective bargaining, the management desired a single union for both the plants' employees. It did not want a collective bargaining agent for the other two groups of workers in the amalgamated company, namely office and sales staff. With this goal in mind, it intended to restructure the workforce so that some operations could be outsourced and others could promote a major section of the workers to officers. Union leadership remained consistent at CGC Ltd (especially the plant workers union), but at MDH Ltd, it had changed three times in the previous ten years. MDH Ltd's union elections were won on the promise of increased salary and benefits. Despite the fact that the corporation merged, the unions did not. Members of the separate unions in corporations were hesitant to merge due to several historical considerations and complexities; instead, they intended to form a federation to coordinate their collective bargaining and other operations.

The unions were trapped in the diversity in the situation. CGC Ltd's workforce felt deprived following the merger since they lost their identity, some workers even lost their employment (about 30%), and they were paid lesser while being more skilled than the MDH Ltd's workforce.

### **Questions:**

1. Discuss the issues that are currently prevailing before the Management and Union. Suggest measures on how it can be tackled?
2. Highlight the issues related to the union structure arising out of the merger of companies CGC Ltd and MDH Ltd.

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## MARKETING AND DISTRIBUTION OF MUSHROOM

**Rishikesh Kumar**

Assistant Professor

Pimpri Chinchwad Education Trust's, S.B.Patil Institute of Management

Pune, Maharashtra, India

Email: [rishi131984@gmail.com](mailto:rishi131984@gmail.com)

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### **Abstract**

The global mushroom industry has expanded very rapidly in the last two decades by the addition of newer types of mushrooms for commercial cultivation. However, mushroom as a vegetable is yet to find regular place among the Indian consumers. Despite of favourable agro-climate, abundance of agro wastes, relatively low-cost labour and a rich fungal biodiversity, India has witnessed a lukewarm response in its growth. The lockdown has sparked new opportunity and fungi farms are mushrooming across the country. Many predict that mushrooms are the next high value agriculture crop which can transform incomes of small and marginal farmers. At present, the total mushroom production in India is approximately 0.13 million tons. From 2010-2017, the mushroom industry in India has registered an average growth rate of 4.3% per annum. Out of the total mushroom produced, white button mushroom share is 73% followed by oyster mushroom (16%), paddy straw mushroom (7%) and milky mushroom (3%).

**Keyword:** Consumer Awareness, mushrooms Market, Distribution Channel

### **Learning Objectives:**

This case study facilitates to understand the followings:

1. To understand the consumer awareness and distribution channel about the mushrooms market.

### **Introduction**

The global mushroom market was valued at 12.74 million ton (MT) in 2018 and is projected to reach 20.84 million ton (MT) by 2026, exhibiting a CAGR of 6.41% in the forecast period. Indian agriculture, as it exists today, has come a long way from its present image of being non-commercial and traditional in its methods of farming. In the present diet conscious era, mushrooms are increasingly considered as a future vegetable owing to its medicinal and nutritional properties and the consumer demand for mushrooms markedly expanded in the recent years. Mushrooms are considered as a potential substitute of muscle protein on account of their high digestibility (Pavel, 2009). In addition to protein, mushroom is an excellent source of vitamin-D which is not available in other food supplements (Pehrsson et al., 2003). Mushrooms are low in

calories, fat free, cholesterol free, gluten free and very low in sodium. Minerals such as potassium, iron, copper, zinc and manganese are high in fruit bodies. Scientific cultivation, however, started only at the beginning of the 20th century when pure cultures of mushroom were prepared from spore and tissue. The contribution of medicinal mushrooms in world trade has increased over last few decades. The research focusing on validation of medicinal benefits and number of trials on use of novel chemicals derived from mushrooms in cancer research has attracted attention of industry. Button mushroom accounts for approximately 95 % of total production and exports. Button mushroom is cultivated in temperate regions of Himachal Pradesh, Jammu and Kashmir, however the oyster, milky, paddy straw mushrooms are cultivated in the tropical and subtropical regions. Mushroom cultivation has become a business and export-oriented

### **Case Description:**

Aman and Amritesh are two enterprising youth. They have passed out from IIM, Indore. They thought instead of doing a job, they will launch fresh vegetables in Indian markets. Having learnt of the future conventional foods, they decided to venture into cultivation of mushrooms. Mushrooms are known to be the best alternative food for vegetarians. For Aman and Amritesh fund raising was a serious handicap for mass production. However, the first trial batch of mushrooms that they produced was bought by Ashoka Hotel in Mumbai. Further, the hotel placed orders for supply of 100 kgs every day. Now mushroom industry is run by small entrepreneurs, like Aman and Amritesh. Another big player M/s Organic Mushrooms, equipped with cold storage facility was more interested in the export market. Aman and Amritesh have set their sights high. They aim to sell mushrooms in a very big way all over India. Mushrooms have a great market potential and is a perishable food.

### **Status of Mushroom Production in India:**

Even as the mushroom production and consumption are on the rise in rest of the world, India witnesses a lukewarm response in its growth. Mushroom industry in India is overwhelmingly focused on white button mushroom which is a highly sophisticated and capital-intensive activity. The recent production data (official data of ICAR-DMR, Solan) showing that, the share of button mushroom in India is maximum amounting to 73% followed by oyster mushroom which contributes about 16%. There are two main types of mushroom growers in India, those who are growing white button mushroom round the year under controlled conditions and seasonal growers who are growing button mushrooms during the winter seasons in north western part of India.

### **Marketing of Mushrooms:**

Mushroom cultivation is a reliable and effective way for resource poor cultivators to grow nutritious food in a short space of time. It also provides an opportunity to generate a highly tradable commodity, thereby contributing to income generation. But, majority of the farmers fails to make profits out of their mushroom production

activity due to the poor marketing strategy (Shirur et al., 2015). Marketing of mushrooms in India is not yet organised. It is the simple system of producers selling directly to retailer or even to consumer, which has its own limitations. The production of mushrooms, mainly seasonal, has also exacerbated its marketing problems. There have been frequent reports of gluts in north Indian States during the winter months forcing the distress sale of the mushrooms. This reinforces that effort to increase the production without solving its marketing problems, would be counter-productive. Here are some approaches for successful marketing:

Exploring various marketing options for fresh mushrooms – depending on transport infrastructure, selling directly to local customers, local traders, markets, intermediaries, regional wholesalers, local restaurants, shops or farmer cooperatives. Adding value and increasing the shelf-life of the mushrooms by creating processed products, including dried or pickled mushrooms, sauces, teas, extracts, etc.

Becoming organized and teaming-up with other producers, to bulk up on volume and the variety of mushrooms, and attract traders regularly to enable reliable sales of the perishable produce. Identifying existing markets and trading routes, and identifying any niches to be filled (for example, organic mushrooms, fair trade or cooperative produce).

### **Opportunities for Mushroom Production in India**

India is not a major producer of any of the mushroom varieties, but it does cultivate all edible and medicinal mushrooms in one or other part, due to its diverse climatic conditions. India has a good combination of both the technical and non-technical manpower needed to operate the mushroom growing activities. Mushroom cultivation is based on recycling of agricultural residues, which are available in huge quantities in every corner of the country. Black carbon emission from biomass burning, is the second largest contributor to the current global warming. At present the areas with Rice Wheat cropping system of India is facing tough challenge to handle the mounting crop residues. Mushroom cultivation can effectively utilize these agro residues for production of protein rich food and plays crucial role in management of these agro residues.

The supply and demand gap in the world trade of mushrooms and the shrinkage of production in western countries due to high labor costs would result in better market prices for Indian mushroom producers. With a domestic population of more than 1.2 billion, India itself is a large market for mushrooms. The development of rapid infrastructure facilities and well-organized distribution network provides the greater scope for marketing of perishable products in order to meet domestic consumer demands. To be successful in both domestic and export market it is essential to produce quality fresh mushrooms and mushroom fortified value added products at competitive rates without any agro chemical residues. Efforts should also be made to exploit the commercial utilization of mushroom substrate left after cultivation for preparation of organic manure, vermi compost, briquettes, etc. One final reason for optimism concerning India's potential as a major mushroom producer is its strategic

geographical location, making it more convenient to export mushrooms to the Middle East, Southeast Asia and European countries

**Discussion Questions:**

1. How will you advise Aman and Amritesh, as how to increase the consumer awareness about this new food?
2. What would be your suggestions for distribution channel for mushrooms?

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