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MULTI-DISCIPLINARY JOURNAL

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CMR JOURNAL OF INNOVATION AND RESEARCH

(Internationally Peer Reviewed Multi-Disciplinary Journal)

Volume 2, Issue 1, Jan-June 2016

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From the Editor's Desk...

It gives me immense pleasure to bring out Volume 2 (Issue 1) of 'CMR Journal of Innovation and Research'. We have received contributions from academicians and practitioners from India and abroad. It has been our consistent effort to keep the journal contemporary and multidisciplinary. Therefore, 'CMR Journal of Innovation and Research' has selected articles, case studies, and book reviews on emerging trends in multidisciplinary areas. This issue includes interesting research papers on diverse areas.

The first paper, 'Microfinance Outreach and Financial Sustainability: A Simultaneous Causality Analysis' by Ganka Daniel Nyamsogoro explores the relationships between financial sustainability and microfinance outreach with specific focus on causality and trade-off between these two.

The second paper 'The Culture and Trends of Seventh Day Adventist Youths: A Comparative Study of India and Kenya' investigates the role of secular forces in shaping the culture and trends of Seventh day Adventist youths in Kenya and India.

The third paper 'World Petroleum Markets, Oil Price Shocks and OPEC Stability' explores the various geopolitical and economic factors that influence the pricing of oil in the global markets; it also studies the impact of volatile oil prices on the economies of oil exporters and importers.

The fourth paper 'Socio –Economic Conditions of the MGNREGS Beneficiaries: With Special Reference to Krishna District, Combined Andhra Pradesh' socio economic conditions of the beneficiaries under MGNREGS

Apart from research papers on Management and Technology, this issue includes one case study – focusing on the management issues and challenges faced by Bangalore and Hyderabad International Airports to enhance the conveniences of travelers.

The book review covers on the booming startup culture in India enabled by the two popular initiatives by the Government of India – 'Startup India' and 'Make in India'. The editorial team of CMRJIR expresses its gratitude to the contributors. We hope our readers will enjoy and benefit immensely reading this issue. We look forward for your continued support and valuable comments.

B.S.Patil
Editor-in-Chief
CMR Journal of Innovation and Research

MICROFINANCE OUTREACH AND FINANCIAL SUSTAINABILITY: A SIMULTANEOUS CAUSALITY ANALYSIS

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Abstract

Microfinance outreach and financial sustainability have been considered to be competing dual goals on which, attaining one may affect attaining the other. This paper explores the relationships between financial sustainability and microfinance outreach to determine the existence of simultaneous causality and a trade-off between the two leading to a mission drift. The paper uses four-year panel data from survey of 98 rural microfinance institutions in Tanzania. We found that there exist simultaneity endogeneity relationships between breadth of outreach and financial sustainability. When the endogeneity relationships are considered, there is no evidence to support mission drift. However, when the endogeneity relationships are ignored, there is strong indication of mission drift.

Key Words: Outreach, Mission Drift, Financial Sustainability, Endogeneity.

1. Introduction

Microfinance is the provision of small-scale financial services to economically active poor. Considering the roles played by small-scale financial services in the overall economic development, microfinance has been considered one of the potential poverty reduction tools in achieving the millennium development goals. Studies in microfinance however have reported that microfinance institutions are no longer focusing on providing small-scale financial services. It has been claimed that strife to attain financial self-sufficiency leads the microfinance institutions to drift away from their initial mission of poverty reduction to selling bigger loans.

This paper explores the relationships between financial sustainability and microfinance outreach to determine the existence of simultaneous causality between the two and explains whether or not there exists a trade-off between the two leading to a mission drift. The remaining parts of this paper are structured as follows: Section 2 provides the theoretical background and empirical theory on the relationships between microfinance outreach and sustainability thereby indicating the linkage and interdependence between the two. Section 3 contains the methodology. The section covers the data, the model and analysis approach used. Study findings are presented in Section 4. The last section is conclusion.

2. Theoretical Background

2.1 Financial Sustainability: Financial sustainability refers to the ability of a microfinance institution to recover its operating costs from its operating revenues. That is, the ability to make profit from its operations. Accounting profitability is used as a measure of financial sustainability. The assumption is that an MFI is a growing concern, capable of keeping up-to or improving its current performance. Financial sustainability is measured in two stages namely operational self-sufficiency (OSS) and financial self-sufficiency (FSS). While the OSS measure of financial sustainability considers amortized subsidies as part of revenue used to cover the operating costs, the FSS excludes subsidies of any kind in its computation. However, the FSS includes some income and expenditure adjustments based on the assumption that the capital was raised at market rates (CGAP, 2003), the main aim being to assess whether the MFI is able to sustain its operations in the absence of any subsidy. This follows the accounting capital maintenance concept that profit is a residual or excess of income over expenditure. The expenditure includes costs required to maintain the current level of operation without eroding owners' equity.

2.2. Microfinance Outreach: Microfinance outreach is an important measure of the impact of microfinance on poverty reduction (Hulme and Mosley, 1996). It takes into account the number of poor clients served by microfinance institutions. In a wider perspective however, microfinance outreach can be viewed through a five dimension framework developed by Schreiner (2002). The five dimensions are: breadth of outreach; depth of outreach; cost of outreach; scope of outreach (types of products), and length of outreach.

2.2.1. Breadth of outreach: The breadth of outreach refers to the number of clients served by a microfinance institution (Ledgerwood, 1999; Navajas et al., 2000; Woller and Schreiner, 2002; Hishigsuren, 2004). Various studies have used either the number of borrowers or number of clients as measures of microfinance breadth of outreach (Woller 2000; Woller and Schreiner, 2002; Hishigsuren, 2004; Hartarska, 2005; Kyereboah-Coleman and Osei, 2008; Mersland and Strøm, 2008; Hermes et al. 2008; Mersland and Strøm, 2009). It is generally assumed that the larger the number of borrowers or clients the better the outreach.

2.2.2. Depth of outreach: The depth of outreach refers to the value the society attaches to a net gain of a given client (Navajas, et al., 2000). Hulme and Mosley (1996), assert that without the poor, a supposed MFI is no longer different from a bank. Their argument is that; outreach should not be measured just by total number of clients but it should rather be based on the number of poor clients. This is because, in the total number of microfinance clients there could be some who are non-poor. According to Ledgerwood (1999), the number of clients as a measure of outreach considers

only the total number of clients served from various products of an MFI without taking into account their relative level of poverty. Microfinance's loan size (average loan size) has been used as a proxy measure of depth of outreach (using relative level of poverty). Smaller loans could indicate poorer customers (Schreiner, 2001; Woller and Schreiner 2002; Hartarska, 2005; Adongo and Stork 2006; Cull, et al., 2007; Mersland and Strøm, 2009).

The loan size, however, should be used with caution. As Woller and Schreiner (2002) have put it, 'the average loan size may not measure what we think it measures' because there is no evidence to support it apart from the current evidence that only non-poor apply for larger loans (Woller and Schreiner 2002; Dunford, 2002). Moreover, when there are varying terms to maturity as asserted by Schreiner (2001), the average loan size can lead to misleading conclusions. This comes from the fact that the finance is the exchange of resource through time, and thus, measures of loan size should account explicitly for the passage of time.

While the 'average loan size' is widely used as a measure of depth of outreach (Hulme and Mosley, 1996; Woller and Schreiner 2002; Hartarska, 2005; Adongo and Stork, 2006; Cull, et al., 2007), Woller et al., (1999) suggest the use of 'variability in loan size' or 'median loan size' which they consider to be superior measures to 'average loan size'. Their argument is that the 'average loan size' is crude and flawed. That is, it does not consider the relative number of the poorest with small loan sizes. Moreover, the majority of microfinance clients may be average poor or non-poor whose loan sizes are relatively large and, therefore, could easily influence the computed average loan size figure.

However, using variability in loan size or median loan size requires disaggregated data which may not be readily available. Under such circumstances, researchers use average loan size as proxy measure of depth of outreach. As Woller (2002b) asserted, the average loan size is "both generally accepted and widely available, so it is the best we have to work with ..."

2.2.3. Cost of outreach: The cost of outreach to an MFI client refers to interest rate paid and other related costs as a result of receiving financial services from an MFI. It is a cost of loan to a borrower. According to Navajas, et al., (2000), the cost of outreach is the highest amount the borrower would agree to bear to get the loan. It follows, therefore, that, the lesser the cost of outreach, the more clients will be willing to join the microfinance (all things being equal). Interest charges could be used as a measure of cost to clients (Mersland and Strøm, 2008).

2.2.4. Scope of outreach (MFIs Product ranges): Scope of outreach refers to different types of products offered by microfinance institutions. They include savings, credit, insurance

cover, and house loans (LOGOTRI, 2006) depending on economic, environment and customer needs. The larger the range of products, the larger the number of clients (breadth of outreach) will be expected to be served by the microfinance institution. It has been reported that the demand for saving facilities far exceeds the demand for loans (Woller 2002). Savings and deposits to microfinance institutions, especially member based MFIs, make a larger and more reliable source of capital for these MFIs. Moreover, non-loan products like savings and deposits could be more useful to poor clients as these products do not need demonstration of credit worthiness.

2.2.5. Length of outreach: To serve the poor, the microfinance institutions have to exist for a reasonably long period of time. MFIs can attain this through either subsidization (welfarists' view) or sustainability (institutionists' view). With loan graduation scheme, where borrowers move from relatively smaller loans to larger loan amounts, the length of outreach is an important factor in promoting higher repayment rates on the part of the borrowers. This is because if borrowers feel that the microfinance institution will not continue to give loans, they will not have any incentive to repay their current loans. Schreiner's dimensions of outreach have been used in other studies to explain determinants of financial sustainability (Woller and Schreiner, 2002; Woller 2006; Mersland and Strøm 2008). The same are also used by the USAID when evaluating the performance of microfinance institutions (Mersland and Strøm 2008). The major measures of outreach however are the breadth of outreach and depth of outreach. Due to lack of sufficient data to measure all of Schreiner's dimensions of outreach, most often when microfinance outreach is mentioned, it refers to breadth of outreach (Conning, 1999; Woller, 2002b; Brau and Woller, 2004; Nyamsogoro, 2011) and when microfinance mission drift is mentioned, it is in connection with the depth of outreach (Brau and Woller, 2004; Arun, 2005). In this study therefore, we use breadth of outreach as a major measure of microfinance outreach and depth of outreach as a measure of microfinance mission drift. The next subsection presents the empirical theory on the relationships between microfinance outreach and financial sustainability.

2.2.6. Microfinance outreach vs. financial sustainability:

Microfinance literature suggests that outreach and sustainability depend on each other. Their relationship is two-way with each one of them determining the other (Fruman and Paxton, 1998; Woller and Schreiner 2002; Cull et al., 2007). That is, while outreach may bring about sustainability, the sustainability enhances outreach (Navaajas, et al., 2000). The literature on how outreach relates to financial sustainability focuses first on how outreach affects financial sustainability, and second on how the financial sustainability affects microfinance outreach. Copestake (2004) for example, asserts that profitability is necessary to sustain both breadth and length of outreach in search of improving poor people's access to

financial services. Copestake's assertion implies that financial sustainability positively affects the breadth of outreach. Moreover, the institutionalists' view of sustainability is that financial sustainability will help microfinance institutions to serve a broad client base at a large economy of scale (Brau and Woller, 2004; Nyamsogoro, 2011). This suggests that, all things being equal, financial sustainability drives the level of microfinance outreach. It has been reported that sustainability affects outreach (Navajas, et al., 2000) and that the market for microfinance cannot be saturated if MFIs are not making profits (Schreiner, 2000). The argument put forward is that without profits MFIs will be unable to sustain their operations (Schreiner, 2000).

Other studies indicate how depth of outreach and breadth of outreach affect financial sustainability. The literature on how depth of outreach affects financial sustainability indicates both negative and positive effects. The negative effect is what is commonly known as mission drift. That is, smaller loan sizes reduce profitability and larger loans enhance it. In other words, there exists a trade-off between making profit (financial objective) and reaching the poorest (depth of outreach) also called social objective (Von Pischke, 1996; Hulme and Mosley, 1996; Paxton and Cuevas, 1998; and Conning, 1999; Olivares-Polanco 2005; Adongo and Stork, 2006; Makame and Murinde, 2006; Hermes and Lensink, 2007; Hermes et al., 2008). The measure used to indicate the mission drift is the average outstanding loan size. Smaller loan size indicates greater depth of outreach while larger loan size implies lesser depth of outreach.

Studies have reported that MFIs that target the poorest borrowers have "higher staff costs per dollar loaned" which implies reduced profitability, Conning (1999). These MFIs also generate revenue sufficient to cover just 70% of their full cost (Morduch, 2000). This implies that in order to achieve sustainability, the MFIs that target poorer borrowers 'must charge higher interest rates' (Conning, 1999). Charging higher interest rates, which could lead to more profitability, but may however, price the poorest out of the microfinance services and thereby adversely affecting the attainment of the social objective of the MFIs (Morduch, 2000).

Contrary to mission drift claims indicated in the literature reviewed above, other studies have found no evidence to support the claim. Although delivering small loans to the poor and the relatively hard-to-reach clientele is 'inherently costly' (Conning, 1999; Hulme and Mosley, 1996), a recent study by Cull et al., (2007) indicates that institutions that provide smaller loans are not less profitable on average compared to those providing bigger loans. The findings by Cull et al., (2007) are in line with Adongo and Stork (2006) that smaller loans are not associated with lower financial sustainability. Moreover, a study by Mersland and Strøm (2009) reported that although the increase in average profit tends to increase average loan, there is no evidence to support mission drift. Microfinance literature also indicates that breadth of outreach

may affect financial sustainability. According to LOGOTRI, (2006), the number of borrowers is the biggest sustainability factor. Thus, larger numbers of clients would enable an MFI to become more sustainable. It has been argued that “two objectives are paramount for a rural financial institution to be successful: financial self-sufficiency and substantial outreach to the target rural population.” That is, a successful microfinance institution is expected to have high outreach (breadth of outreach) and at the same time be financially self-sufficient. This suggests a positive relationship between financial sustainability and microfinance outreach. The study by Woller (2000) on nine village banks also found that the number of borrowers and cost per borrower were among the variables that are highly correlated with financial self-sufficiency. However, in another study, Woller and Schreiner (2002) report that the number of borrowers had no significant impact

on financial self-sufficiency. This finding is supported by a finding by Hartarska, (2005). The difference in findings between Woller (2000) and Woller and Schreiner (2002) could be attributed to methodological differences in the two studies. While Woller (2000) used a bi-variate correlation, studies by Woller and Schreiner (2002) and Hartarska (2005) used multiple regression analysis approach. The two should not necessarily give the same result. These findings indicate that the number of borrowers may or may not affect the financial sustainability of an MFI.

This study analyzed the relationships between breadth of outreach and financial sustainability to determine whether there exists simultaneous causality. The next section presents the methodology used in this study.

3. Methodology

This paper examined the relationship between microfinance outreach and financial sustainability. We considered the endogeneity relationship to determine bi-directional causality between outreach and financial sustainability. The paper also compared the results when endogeneity relationships are considered with results obtained by Nyamsogoro (2011), using similar data set without considering endogeneity relationships as it has been done in other studies like Cull et al.,(2007); and Strom and Mersland, (2010).

3.1. Data Collection: This study covers a period of four years from 2004 to 2007. Both primary and secondary data were collected from ninety-eight rural MFIs made up of ninety-five member-based MFIs (SACCOs and SACAs) operating under the rural financial services programme (RFSP), and three NGOs. The ninety-five member-based MFIs (MB-MFIs) were randomly selected from three geographical area strata namely, northern area, central area, and southern area. The three NGO MFIs are those that have branches in rural areas. The branches have branch-specific characteristics which are different from each other with separate branch accounting records. Each branch was considered as a stand-alone financial unit for data analysis purposes. Previous studies (e.g. Hartarska and Nadolnyak, 2008) have used branches as units of study to capture branch-specific variables. In total, data was collected from 116 units (including the branches) for analysis. Primary data was collected via questionnaires administered during fieldwork in 2008 and the secondary data was obtained from financial statements of the MFIs.

3.2. The Model Specification: The relationship between financial sustainability and the breadth of outreach creates a simultaneity endogeneity problem whose solution requires the use of simultaneous equation models. According to Wooldridge (2006), the leading method for estimating si-

multaneous equation models is the method of instrumental variables. Therefore, the instrumental variables regression for panel data has been used in this study. Two panel regression models were estimated. In the first model, an attempt was made to determine how financial sustainability affects breadth of outreach. In the second model, the effects of outreach on financial sustainability were determined with considerations of the endogeneity relationships. The two models estimated are:

$$\begin{aligned}
 (1) \quad \ln borrowers_t &= \alpha + \beta_1 FSS_t + \beta_2 \ln loanind_t \\
 &+ \beta_3 \ln loanagr_t + \beta_4 mfiage_t + \beta_5 reguled_t + \epsilon_t \\
 (2) \quad FSS_t &= \alpha + \beta_1 \ln borrowers_t + \beta_2 capstruc_t + \\
 &\beta_3 intrate_t + \beta_4 \ln costpborr_t + \beta_5 \ln stalind_t + \\
 &\beta_6 \ln stalgr_t + \beta_7 \ln costpborr_t + \beta_8 prodtype_t \\
 &+ \ln avoutloan_t + \beta_9 \ln mfi size_t + \beta_{10} female_t + \\
 &\beta_{11} reguled_t + \beta_{12} educarea_t + \beta_{13} agrlarea_t \\
 &+ \beta_{14} \ln T2matind_t + \beta_{15} \ln T2matgr_t + \epsilon_t
 \end{aligned}$$

Where: FSS is the financial self-sufficiency, and $\ln borrowers$ is the natural log of the number of borrowers; they are the dependent variables. Alpha are constant terms; Beta is measure the partial effect of independent or explanatory variables in period t for the unit i (MFI); Xitsare the independent variables; and Epsilon is the error term. The variables, both dependent and independent, are for cross-section unit i at time t , where i = MFIs (1 to n), and t = one to four.

The FSS was obtained by dividing adjusted financial revenue by total operating expenses and financing expenses together with loan loss provision expenses and expense adjustment. The expense adjustments made were to deduct the amortized amount of subsidies as adopted by the MFIs surveyed. The adjustments were meant to indicate whether or not the microfinance institutions are able to cover their costs without any subsidization also assuming that the cap-

ital is raised at commercial rates (Balkenhol, 2007; CGAP, 2003). The effects of taking off the subsidies however were very small due to the fact that most of MFIs surveyed did not have substantial amount of subsidies during the period under which the study was undertaken. Moreover, the concessional loan amounts were also not substantial, making the effect of cost of capital adjustment not to be felt.

The two simultaneous equations were estimated using two-stage least square (2SLS) regression. In Equation 1, where number of active borrowers' variable is a dependent variable, one of the explanatory variables is the FSS. In Equation 2, where FSS is a dependent variable, the number of borrowers' variable is one of the explanatory variables. The instrumental variables (instruments) were used to estimate the value of the endogenous variables FSS and number of active borrowers in the first-stage of the 2SLS regressions before using the same as regressors in the second-stage. Several control variables like number of installments for both individual and group lending, gender, capital structure, location, and term to maturity were also used.

Variables used as instruments were selected based on expert judgment. The judgment was based on the first regression output on determinants of FSS. Variables that appeared to be insignificantly affecting the FSS were given first pri-

ority of being considered as instruments for outreach. The instruments for the FSS are repayment rate (reprate) and risk cover ratio (riskcoverratio). The reprate indicates the loan repayments as a percentage of the amount outstanding. The risk cover is the ratio of loan-loss reserve and the portfolio at risk. The instruments for the breadth of outreach are: the minimum loan amount for both individual and group loans (minloangrandminloangr respectively); MFI age (mfi-age); and MFI regulation status (regulated). Table 1 presents variable description.

3.2.1. Model diagnostic: instrumental validity was checked to ensure that consistent estimates are obtained. Both instrumental relevance and exogeneity was examined. Existence of weak instrumental variable (IV) problem in Equation 1 and 2 using F statistic for joint significance of the instruments was investigated. The F statistic in a first-stage regression of the endogenous regressor of less than 10 indicates weak instruments. This is a widely used rule of thumb (Cameron and Trivedi, 2009; Stock and Watson, 2007). The F statistics for the FSS instruments was 7.95, while the one for the breadth of outreach instruments was 226.49. Applying the rule of thumb, the F statistics indicated that the instruments for the FSS were weak while the ones for the breadth of outreach were not.

Table 1: Variable Description

S/N	Variable standard name	Description	Variable name in Regression model	Variable description as used in regression model	Expected effect on FSS
1.	Capital structure	Various sources of fund making up the capital structure of an MFI	capstruc	Equity as a percentage of total capital	+
2.	Cost per borrower	Operating expenses/average number of active borrowers	Incostpbor	Natural log of the cost per borrower	-
3.	Average loan size	It is a ratio of outstanding loan portfolio over number of active borrowers	Inavoutloan	Natural log of the average loan size	+
4.	Minimum loan size for individual loan	The minimum or smallest loan size that an MFI lends to individual borrower	minloanindi	Minimum loan amount for individual lending	-
5.	Minimum loan size for group loan	The minimum or smallest loan size that an MFI lends to a borrower with group lending	minloangr	Minimum loan amount for group lending	+
6.	Instalments for individual lending	Number of instalments per a given loan for individual lending	instalind	The number of instalment for individual lending	+/-
7.	Instalments for group lending	Number of instalments per a given loan when group lending is used	Ininstalgr	Natural log of the number of instalment for group lending	+/-

S/N	Variable standard name	Description	Variable name in Regression model	Variable description as used in regression model	Expected effect on FSS
8.	Term to maturity for individual lending	The maximum time period that the loan is allowed to remain outstanding. It is the duration within which the loan should be paid.	lnT2matind	Term to maturity for loans given to individuals	+
9.	Term to maturity for group lending	The maximum time period that the loan is allowed to remain outstanding. It is the duration within which the loan should be paid.	lnT2matgr	Term to maturity for loans given to groups	+
10.	Borrowers	Number of individuals who currently have an outstanding loan balance with an MFI.	lnborrowers	Natural log of the number of borrowers	+
11.	Interest rate	The rate of interest charged on outstanding loan	intrate	Rate of interest charged by an MFI	+
12.	MFI size	The size of MFI is measured by value of its assets	lnmfsize	Natural log of total assets of an MFI	+
13.	MFI age	Years since its establishment to when the evaluation is considered. It also measures the length of outreach	mfiage	Age of an MFI	+
14.	Geographical location (southern area)	Geographical location of an MFI	agrlarea	Dummy variable: 1 if agricultural area; 0 if Dry area (central zone)	+/-
15.	Geographical location (northern area)	Geographical location of an MFI	educarea	Dummy variable: 1 if northern zone; 0 if Dry area (central zone)	+/-
16.	Type of MFI	Type of MFI by ownership: Member-based (MB-MFIs) and NGOs	mfi type	Dummy variable: 1 if MB-MFI; 0 if NGO	+
17.	Female	Percentage of female clients served by an MFI	female	Percentage of female clients served by an MFI	+
18.	Microfinance products	Types of products offered by an MFI	prodtype	Dummy variables: 1 if loan only; 0 if loan and savings	+
19.	Staff cost per dollar loaned	Staff salaries divided by the amount of loan disbursed	lnstcostpdol	Natural log of the staff cost per dollar loaned	+/-
20.	Regulated	Microfinance regulation status	reguted	Dummy variables: 1 if regulated; 0 if not	+/-

With weak FSS instruments, the properties of the general case of IV estimator (2SLS) could be very poor, and the estimator severely biased (Verbeek, 2004). Econometrics literature suggests the use of generalized method of moment (GMM) estimator or limited-information maximum likelihood (LIML) estimator (Cameron and Trivedi, 2009; Verbeek,

2004; Greene, 2003). These two estimators are asymptotically equivalent to 2SLS but they have better finite-sample properties than 2SLS. Thus, the GMM estimator was used to analyse the effect of FSS on the breadth of outreach using FSS instruments. The results were compared with GMM and LIML estimators. The comparison revealed that, although

they differ slightly in coefficients and t-statistics, the level of significance on how the independent variables affect the dependent variable are exactly the same. Moreover, the F-statistic for weak identification test in the GMM estimator was 14.183, which is above 10, and therefore, the FSS instruments passed the weak test under the GMM estimator. Over-identifying restrictions were used to test for instrument exogeneity where there was heteroskedasticity. The null hypothesis that ‘the excluded instruments were valid instruments’ was tested. The test statistic for variables excluded in FSS and outreach models were not statistically significant for FSS and outreach instruments respectively. These instruments were therefore considered as valid instruments. After, confirming the validity of the instruments, tests were conducted to check if endogenous regressors’ effects on the estimates were meaningful. That is, whether or not the FSS and outreach variables are really endogenous. The null hypothesis that regressors were exogenous was test-

ed using the Wu-Hausman F test and Durbin-Wu-Hausman Chi-square test. The p-values of the test statistics were statistically significant indicating that the FSS and outreach are endogenous variables and that the simultaneous equation models were the appropriate model to be used.

3.2.2. Random effect vs. fixed effect model: This study used panel data models to estimate the relationships among variables, thereby taking care of the omitted variables. To check which of the two (RE and FE) models provided consistent estimates, the standard Hausman test was used as suggested in econometric literature (Hsiao, 2007; Baltagi, 2005; Greene, 2003; Gujarati, 2003). The Hausman test was used to test the null hypothesis that RE provides consistent estimates compared to FE model. The test results for the two models were not statistically significant (at 5% significance level). Thus, the null hypothesis that RE provides consistent estimates was not rejected.

4. Random Effects vs. Pooled OLS Model

The researchers further checked for the appropriateness of using the RE model as opposed to pooled OLS. The advantage of using pooled OLS as opposed to the RE model especially when there are no random effects is that we are not “attempting to allow for non-existent within-group autocorrelation” and we can take advantage of “finite-sample properties of OLS instead of having to rely on asymptotic properties of random effects” (Dougherty, 2006). The researchers used the Breusch and Pagan Lagrangian multiplier test for random effects in this study. The test statistics for both mod-

els were statistically significant which indicated existence of random effects. We, therefore, rejected the null hypotheses that there were no random effects. This indicated that the pooled OLS regression would not have been appropriate (Cameron and Trivedi, 2009; Dougherty, 2006; Verbeek, 2004). Thus, the researchers selected the RE panel models. The models however, suffered from heteroskedasticity problem. To remedy the problem, the researchers estimated the models using heteroskedastic robust standard errors.

5. Econometric Results:

5.1. The Effects of FSS on Breadth of Outreach: The econometric results based on Equation 1, testing the impact of FSS on the breadth of outreach indicate that, the overall Wald statistic for the outreach model is statistically significant at 1% significance level. Thus, the hypothesis that all coefficients are equal to zero was rejected. The results are summarized in Table 2. The results revealed positive statistically significant relationships between breadth of outreach

and microfinance profitability (FSS) implying that an MFI that is financially sustainable would perform better in breadth of outreach than an MFI, which is not. That is, the more profitable the MFI becomes, the higher it will achieve the breadth of outreach. This confirms the institutionists’ view that financial sustainability will lead MFIs to operate at larger economies of scale and enable them reach more clients (Braun and Woller, 2004).

Table 2: Econometric Results on the Effect of FSS on the Breadth of Outreach

Variable	Coefficient	Robust Std. Err.	P>z
FSS	0.8255423	0.40576280	0.042**
minloanind	0.0000187	0.00000633	0.003***
minloangr	-0.0000155	0.00000084	0.065*
mfiage	0.0760564	0.03920290	0.052*
reguted	-1.0248550	0.39948910	0.010**

R-Sq

Centered= 0.2069

Uncentered = 0.9471

***significant at 1%; ** significant at 5%; * significant at 10%

Other factors that affect the breadth of outreach as indicated in the econometric results are: the minimum loan size for individual loans and the age of an MFI, which were positively related to the breadth of outreach and the minimum loan size for group loans and MFI regulation, which were negatively affecting the breadth of outreach.

5.2. Determinants of Financial Sustainability with Endogeneity: The econometric results based on the second equation (EQ.2) on how breadth of outreach affects the financial sustainability indicate that, the overall Wald statistic for the FSS with endogeneity, or instrumental variables (IV) model is statistically significant at 1% significance level. Thus, the hypothesis that all coefficients are equal to zero was rejected. Details are provided in Table 3.

The coefficient of the breadth of outreach variable (lnborrowers) is negative and statistically significant at 5% significance level. This indicates that, the positive change in the number of borrowers will reduce the level of financial sustainability. The significance of the coefficient of this variable

is in line with Nyamsogoro (2011). However, it contradicts the findings by Hartarska (2005) and Woller and Schreiner (2002) who found no significant impact. It is also contrary to the findings by LOGOTRI (2006) that reports the large number of borrowers as the biggest sustainability factor.

The finding of this study implies that increased number of borrowers in itself does not improve financial sustainability of microfinance institutions. This situation can be better understood especially when the increase in the number of borrowers is not matched with the increase in staff productivity. When MFI staffs are inefficient, the increase in the number of borrowers will reduce loan repayment rates, increase default rates and, as a result, the operating costs become higher compared to the benefits brought about by the increase in the number of borrowers. Thus, although, the FSS affects positively the breadth of outreach due to economy of scale and creating a broader capital base, the increase in number of borrowers, if not matched with the increase in staff productivity, will reduce the financial sustainability of the MFI.

Table 3: Econometric Results for Determinants of FSS with Endogeneity

Variable	Coefficient	Robust Std. Err.	P>z
lnborrowers	-0.9435438	0.4321179	0.029**
capstruc	1.6250980	0.4490070	0.000***
intrate	2.1851210	0.6337234	0.001***
instalind	-0.0941095	0.3336270	0.005***
lninstalgr	0.3759829	0.1370775	0.006***
lncostpborr	-0.7168825	0.1305175	0.000***
prodtype	0.4083109	0.1948695	0.036**
lnavoutloan	0.1019614	0.2075333	0.623
lnmfsize	0.8789847	0.3680283	0.017**
lnT2matind	0.2799212	0.1075181	0.009***
lnT2matgr	-0.1853205	0.1118050	0.097*
lnstcostpdol	-0.959501	0.0776769	0.217

R-Sq

Within = 0.2927

Between = 0.4185

Overall = 0.3505

***significant at 1%; ** significant at 5%; * significant at 10%

Moreover, contrary to the findings in Nyamsogoro (2011) where endogeneity problem was not considered, no evidence of mission drift was found in this study. The average loan size variable (lnavoutloan), a measure of depth of outreach and, therefore, an indicator of mission drift is positive as in Nyamsogoro (2011) but statistically insignificant. This is in line with Mersland and Strøm (2009) that although the increase in average profit tends to increase average loan, there is no evidence to support mission drift.

The positive coefficient of depth of outreach tends to support the findings by Gregoire and Tuya, (2006) and Gonzalez (2007) that larger loans are associated with higher cost efficiency and, therefore, profitability. However, its insignificance in affecting the FSS contradicts (Morduch, 2000;

Woller and Schreiner, 2002; Adongo and Stork, 2006) that profitability relates to selling bigger loans. The finding is in line with Cull et al., (2007) that institutions that provide smaller loans are not less profitable on average compared to those providing bigger loans.

Table 4 provides a detailed comparison of the coefficients, standard errors, and their significance of the determinants of the financial sustainability with instrumental variables (as in this study) and without instrumental variables. Comparing the regression output when endogeneity problem is considered and when it is not the researchers' similar results except for the average loan size. The coefficients of other variables have the same sign after considering the endogeneity problem.

5. Conclusion

We conclude that the financial sustainability and breadth of outreach affect each other. While the financial sustainability improves the breadth of outreach, the breadth of outreach reduces the financial sustainability. Moreover, when endogeneity relationships between financial sustainability and the breadth

of outreach are not considered, there may be inconsistent evidence on the existence of mission drift. Caution might be taken when reporting mission drift as the existence or non-existence of mission drift could be culminating from different methodological approaches used to assess the same.

Table 4: Determinants of FSS with and without Instrumental Variables

	FSS Without IV	FSS With IV
capstruc	1.182*** (4.09)	1.625*** (3.62)
intrate	2.308*** (4.31)	2.185*** (3.45)
lnstcostpdol	-0.132 (-1.59)	-0.0960 (-1.24)
instalind	-0.0604* (-2.19)	-0.0941** (-2.82)
lninstalgr	0.322** (2.63)	0.376** (2.74)
lncostpborr	-0.533*** (-5.36)	-0.717*** (-5.49)
prodtype	0.270* (2.20)	0.408* (2.10)
lnavoutloan	0.367*** (4.02)	0.102 (0.49)
lnmfsize	0.290* (2.37)	0.879* (2.39)
lnborrowers	-0.263* (-2.17)	-0.944* (-2.18)
lnT2matind	0.289* (2.28)	0.280** (2.60)
lnT2matgr	-0.259 (-1.96)	-0.185 (-1.66)
_cons	-3.266** (-3.02)	-4.880** (-3.20)
R-Sq: Within	.3523	.2927
Between	.5785	.4185
Overall	.4531	.3505

t statistics in parentheses | * p<0.05, ** p<0.01, *** p<0.001

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THE CULTURE AND TRENDS OF SEVENTH DAY ADVENTIST YOUTHS: A COMPARATIVE STUDY OF INDIA AND KENYA

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Abstract:

Cultures differ in terms of preferences, lifestyle, trends and behaviours. The Seventh day Adventist youths form a sub-culture among the Christianity. Religious youths are expected to behave, eat, walk, dress, or believe differently from the other free cultured youths. It is in this perspective that this paper investigates if the culture and trends of seventh day Adventist youths have been influenced by secular forces. The study intends to discover what makes the Seventh day Adventist youths different from the other youths of this digital generation. The present paper explores on the SDA youths' beliefs and their participation in transforming the society.

This paper took into consideration youths from two countries, (Kenya and India) delimited to the Seventh day Adventist church. The survey was conducted by the use of interviews and questionnaires. Descriptive and observation methods were used. Simple random sampling was used to distribute the questionnaires to the youths. The sample focused only the youths between 18-30 years of age. The sample size of 450 respondents was collected; 225 from Kenya and India respectively. Percentile analysis was used, hence tables and figures to report the results.

Key Words: Youths, Culture, Trends, Seventh day Adventist, and Transformation.

Introduction

Every society has youths whom they regard as tomorrow's better legacy lived. Parents want to train up their children how to cope with the society after they are gone. The legacy left by ancestors becomes the greatest mentor of the youths as well as the present society. Youths and their culture in the digital generation seem to be in their own world far from what their forefathers lived. However, in every generation, there is a teacher and a lesson plan and a degree to be graduated. This paper looks at the culture of the Seventh day Adventist youths

in Kenya and India with more emphasis on their activities to the society, their beliefs and behaviours.

1.1. The Trends of the Indian Youths in the Cities: The trend of moving from the villages to look for jobs in the cities is something that is common in third world countries like India and Kenya. Due to the education the youths have received, they are mostly the ones who earn lots of money from the IT companies that are all over in the cities. In describing the youth trends, three important things describe

the Indian youths: 1.) Parties, 2.) Joy riding, 3.) Dressing, Saldanha, (2002), wrote about the youths in Bangalore metropolitan city of South India. He reports that, to celebrate a birthday or some other occasion, up to a lakh (100,000 rupees) is spent among a few extremely rich friends to put up a party, often in a fancy hotel. Guests get in with invites and pay nothing for the music, drink and food. Midday parties and private parties in general, are welcome in this city with due tight security and also the fact that during the afternoon it is far easier for teenagers to lie. Girls especially always need to legitimate their absence at home. This is a clear indication that in India, the trends of music and movies, drinking, parties, reckless spending among the high cast youths, are part of the youth culture in India.

Joy Ride is the most exciting thing in India, especially when the youth is joy riding with the fiancée. For urban youth, driving around without a clear destination has been a practice embedded with much sub cultural meaning ever since the car became widely available as a consumer product. In the car, while driving, music is a necessity as a gift of entertainment with the friends. This music is usually played louder than at home, and loud music urges the driver to speed up, and speeding up makes the outside seem even more hectic. In the car, you can smoke and drink and have fun as much as you wish.

About the dressing of the Indian youths, Saldanha, (2002) affirms that dressing up in India is traditionally connected to religious ceremony. If boys and girls dress up to go out to pubs, clubs and parties, this has little to do with the formal, vernacular dressing usually put to please their parents. Most Indian parents are conservatives of the Indian cultural dressing. But this issue is one that changes greatly when these youths go to the cities. The Indian youths have borrowed the western culture of dressing e.g. girls dressed in T-shirts and jeans. But this is not anymore in the cities alone, but already spread even in the villages. Dressing to the youths is almost becoming a matter of an individual's choice in many homes.

1.2. The Trends of the Kenyan Youths: Kenya is a third world country whose youths want to do everything just like the western youths. The tribes in Kenya each with different cultures today they speak too little to the youths of the post-modern era. Behaviours and practices of the youths of today are not the same as they were ten years ago. However, the challenges of the youths in Kenya are almost similar to those of India since both the countries are developing countries. Problems such as unemployment, robbery, drug abuse, abortion, AIDS, suicide, poverty, corruption, among many others are mostly indulged into by many youths. The many expectations of the parents here are lost as they see their youths deviate from their goal or go astray yet they can't do anything. The Kenyan culture is open and in most

cases, for youths over 18 years, the parents have no much voice about what the youths do. Some of the trends of the Kenyan youths are such as;

1.2.1. Their language: This is one of the things that makes the youths of Kenya different. The language of the youths varies from one age group to the other. The language called "Sheng" is the mixture of different languages to make unique vocabularies that are known to a particular age group alone. These vocabularies may be coming from day to day conversations and updated within a period of time. This is just to identify themselves, hence making it hard for those who don't belong to their sub-culture in understanding or following the conversations. This can be used even in the presence of the parents, yet the parents don't understand if uninformed.

1.2.2. White-collar jobs: Youths don't stay in one place for long before they move. This migration is mostly caused by the issue of employment. Most youths don't want to do any job that will make them look dirty or downgraded before their peers. Working in offices, even when they are not well educated, is always the desire of the youths. So they keep on changing the jobs, moving from one place to another in search of the same.

1.2.3. Identity: This is mostly due to the tribal challenges and the image of the tribe thus the youths never want to identify themselves according to their culture. They have forsaken their cultures, and adopted the western culture which seems to accommodate all the youths from different cultures. This makes their dress, language, food, drinks, and many behaviors the same. Their cultural heritage is never exposed wherever they are with other youths. There is a great difference between ancient days' youths and those of today regarding this identity. Muchira (2001) confirmed that in days past, personality development of the youth was not solely the responsibility of the parents but that of the extended families as well. Grandparents used to counsel young people on matters such as: sexual behavior, other society roles, values and traditions. They did so through storytelling, proverbs, songs, etc. This is no more taking place today since the youths have all moved to the cities in search of jobs. These lessons are what left the identity of the youth significant. Instead, the youths are now taught in a western cultural context which makes them fit to live only in the cities but not in the villages. The western culture has made the youths to hate their traditional cultures, even those that were good. This makes the youths not willing to identify themselves with a certain culture rather than that of being in the youth culture.

1.3. Seventh Day Adventist Youth Culture: White (1881) says that if the influence in our colleges/ universities is what it should be, the youths who are educated there will be enabled to discern God and glorify Him in all His work; and while engaged in cultivating the faculties which God has given them, they will be preparing to render Him more effi-

cient service. This is a clear indication that those who study at the Seventh day Adventist are called into a unique culture.

Talking about music and the youths, White (1930) says that every talent of influence is to be sacredly cherished and used for the purpose of gathering souls to Christ. Young men and young women should not think that their sports, their evening parties and musical entertainments, as usually conducted, are acceptable to Christ. All our gatherings should be characterized by a decided religious influence. If our young people would assemble to read and understand the Scriptures, asking, "What shall I do that I may have eternal life?" and be united upon the side of truth, the Lord Jesus would let His blessing come into their hearts. This shows that the Seventh day Adventist youths are not advised to indulge in secular music, parties, and entertainment of all sorts that does not praise God and help them to grow their character to do service to the community.

Dressing and adornment of the seventh day Adventist youths is also expected to be different from other youths. White (1875) writes to the youths; "Dear youth, a disposition in you to dress according to the fashion, and to wear lace and gold for display, will not recommend to others your religion or the truth that you profess. People of discernment will look upon your attempts to beautify the external as proof of weak minds and proud hearts. Simple, plain, unpretending dress will be a recommendation to my youthful sisters. In no better way can you let your light shine to others than in your simplicity of dress and deportment. You may show to all that, in comparison with eternal things, you place a proper estimate upon the things of this life. Now is your golden opportunity to form pure and holy characters for heaven. You cannot afford to devote these precious moments to trimming and ruffling and beautifying the external to the neglect of the inward adorning. Those adorning let it not be that outward adorning of plaiting the hair, and of wearing of gold, or of putting on of apparel; but let it be the hidden man of the heart, in that which is not corruptible, even the ornament of a meek and quiet spirit, which is in the sight of God of great price."

Youths of the Seventh day Adventist church have a unique behavior that identifies them. Following the Bible and the principles of the bible, Adventist youths are molded to fit their gospel of simplicity. White (1930) says that the young have many lessons to learn, and the most important one is to learn to know themselves. They should have correct ideas of their obligations and duties to their parents, and should be constantly learning in the school of Christ to be meek and lowly of heart. While they are to love and honor their parents, they are also to respect the judgment of men of experience with whom they are connected with the church. Secretariat, (2002) authenticate that the Seventh day Adventist youth are growing up in a society that emphasizes tolerance and acceptance of everyone's views,

everyone's ideas as a primary value. This can be positive, in that it can cause young people to be more open to others, more flexible, less rigid and judgmental, more accepting of diversity than those of earlier generations. The drawback, however, is that youth, even committed Christian youth, is far less likely to see biblical values and standards as absolutes that apply to everyone in every situation. This affects the choices they make in their individual lives since it is easier than ever to rationalize, "This rule doesn't apply to me in this situation." It also affects the way they view other people and the world around them they are far less likely to condemn sin. Amid this, the role of the Seventh day Adventist church is to understand the postmodern world in which its youths live and emphasize its positive aspects, while at the same time pointing the youths to biblical truth, which have remained unchanging throughout thousands of years of shifting worldviews and philosophies.

To deal with that drawback, the seventh day Adventist youths have some unique trends that promote their character and develop them to be better citizens. Adventist Youth club (AYs) and the Master Guide club. These two clubs help the youths learn at the same time participate in community development activities. Activities done by these two youth clubs are aimed to contribute to their growth socially, mentally, and physically and spiritually.

Talking about the aim of the Adventist Youths club, Secretariat (2002) writes that the mission of Youth Ministry of the Seventh day Adventist Church is to lead youths to understand their individual worth and to discover and develop their spiritual gifts and abilities. This is done by equipping and empowering youths for a life of service within God's church and the community. And to ensure the integration of youth into all aspects of church life and leadership in order that they might be full participants in the mission of the church. The purpose of this ministry is to win, train, and commission and hold the youth, ages 6-30. So, the twin goals are to lead youth into a saving relationship with Jesus Christ and to train them for service to others.

Secretariat, (2002) explains that master guide is a class which prepares the youth for leadership roles with Adventurer and Pathfinder age children. Because of its closely connected work with Adventurers and Pathfinders, this class is seen as a transition between Adventurer/Pathfinder ministry and Senior Youth Ministry. It is expected that all those in the Master Guide Club are or will be active in church activities relating to Adventurer and Pathfinder age children. As senior youth, they find, nurture and grow with other senior youth, but primarily they work with Adventurers or Pathfinders. Adventurer and Pathfinder age activities are not limited to club activities, but may also involve other activities for these children and youth—Sabbath School, Vacation Bible School, Child Evangelism, etc. In this club too, the youths take part in different activities which they will use in helping the church to minister to the youths outside the church.

They go camping, learning survival techniques, hard labour, discipline, singing, praying, and preaching among many activities. They are expected to have communication skills, storytelling skill, creativity, leadership skills among many others. This means that these are evangelists for the children and the youths.

1.4. Contribution of Seventh Day Adventist Youths to the Society: Every society that has the youth is full of hope, manpower, and ideas. The Seventh day Adventist youths also come from the society where their contribution needs to be felt. Having the right and true education, they need to put it into practice to make an impact on the community. The present world needs youths who are principled and faithful in service to the society.

Nash (2016) explains the work of Jesus by using the expression “touching the untouchables”. Not showing partiality, the youths of this church want to treat the untouchables of India as important as anybody else. This desire is investigated to find out if it meets the expectations and if the society benefits through these services.

According to White (1903) the purpose of Seventh – day Adventist Education is to prepare youths for a life of service. Gina (2006) agrees with white by saying that the level of outreach and service an institution takes part in is a direct gauge of how authentic the spirituality of the campus

is. This is to mean that spirituality and service are co- partners. Seventh day Adventist education, according to Smith (2009) involves training not only for this life, but also for the life to come. Experiencing the joy of serving others leads to a lifetime commitment that will continue into eternity. A life of service is the truest and noblest life that man can live. It is in a life of service only that true happiness is found. And that is what we want for our students: training and experiences that provide glimpses into the joy of putting others first and living to serve them and to serve God.

A community that lacks social development is a dead community. Gama (2009) explains that subjective experience of feeling ill is not always matched by an objective diagnosis of disease. Health instability sometimes is not medical but social illness. Thus, the definition of the concept of health in its constitution is; an ideal state of complete physical, mental, emotional, spiritual, and social well-being, but not merely the absence of disease or infirmity. Obiri, Chandrashekhar, and Dange, (20016) affirm that the impact of the Seventh day Adventist believers is felt by their beliefs and practices. They mention longevity, Sabbath keeping, health message and vegetarianism as the unique contributions of the Adventists to the society. They proclaim that to heal the society is to engage in social work in order to meet the needs of the social illness of the less fortunate in the society.

2. Sociological Theories

There are many theories which explain why everything happens the way it does. The present paper has considered some of the theories that are interconnected to the present paper. Some ideologies from these theories were used to interpret the variables and to draw inferences of the study.

2.1. Field Theory: This theory examines social fields, which are social environments in which competition takes place (e.g., the church may be referred as Field in this case). It is concerned with how individuals construct such fields, how the fields are structured, and the effects the field has on people occupying it in different positions. Neumann (2005) presents Lewin’s idea that to understand or predict behavior, the person and his environment have to be considered as interdependent factors. This theory deals with all aspects of individuals in relationship with their surroundings and conditions, particular behaviors and developments of concerns, particular point in time, driving force which moti-

vates one to make the changes required, restraining forces that prevent one from making the required changes, and the equilibrium. In this respect, this paper investigates how the seventh day Adventist youths are helpful in bettering the fields.

2.2. Postmodernism Theory: This theory maintains that the society is ever-changing along with the assumption that truth is constantly subject to change. A post-modern theorist’s thinking is that there is no and can never be any kind of absolute truth. Facts and falsehoods are interchangeable; what is accepted as truth today could easily be proven wrong tomorrow, and vice versa. They also maintain that all religions deserve equal recognition. To a postmodern thinker, morality is individualistic hence any morality that is imposed by another, is to be distrusted. (Roble 2010)

3. Need and Importance of the Study

This paper is helpful since it investigates the role played by the youths in developing the society. There is a great need to understand if the society feels the need of the church among them. There are so many Christian denominations, but this paper brings to light the uniqueness of one among

them: the Seventh-day Adventist church. Being a foreign religion, this paper finds it important to investigate how this church impacts, developing countries like Kenya and India especially in the area of community development.

4. Objectives of the Study

This study was conceptualized to find out the role of the Seventh day Adventist youths to the society. The present paper, therefore, assumed the following objectives as outlined below:

1. To study the contribution of the Seventh day Adventist Church to the youths in Kenya and India.
2. To find out the active participation of the Seventh day Adventist youths in Social work and community development projects in the society.
3. To study the response of the society in regard to the impact which the Seventh day Adventist youths make to the society through their contribution.

Table 1: The Age of the Youth at the time of Baptism

			Variable standard name					
			.00	13-17 years	18-20 years	21-30 years	Not sure	Total
University	Kenya	Count	93	87	37	24	5	246
		% within University	37.8%	35.4%	15.0%	9.8%	2.0%	100.0%
	India	Count	25	116	46	12	5	204
		% within University	12.3%	56.9%	22.5%	5.9%	2.5%	100.0%
TOTAL		Count	18	203	83	36	10	450
		% within University	26.2%	45.1%	18.4%	8.0%	2.2%	100.0%

The table 1 above shows 118 (26.2%) of the total number of youths did not respond. The majority of the youths from both countries 203 (45.1%) is baptized at the age of 13-17 years. This was made up of 87 (35.4%) from Kenya and 116 (56.9%) from India. The youths of 18-20 years reported 83 (18.4%) and those of 21-30 years recorded 36 (8.0%) baptisms. There were 10 (2.2%) who still couldn't remember what age they had when they were baptized. This trend shows that at the age of 13-17 years, the youths start to discover their purpose in life, hence start playing an active role in contributing to improve the society. Baptism implies that they accept the Adventist youth trends, forsaking their bad behaviors and worldly cultures and trends hence joining the family of God in giving service to the

society in obedience and honor to God's command. If the majority of youths is baptized at the age of 13-17, it simply implies that this church meets their needs that is why they chose to be followers. Postmodernism influences many youths, but those who confirm their faith through baptism have found identity with the church and have accepted the truth. It is appropriate to conclude that the seventh day Adventist youths are not postmodern thinkers despite the fact that they accept some ideas of postmodernism. They have a culture of their own and that culture is enjoyed through their service to the society, and in their church circles. Objective 2: To find out the active participation of the Seventh day Adventist youths in Social work and community development projects in the society.

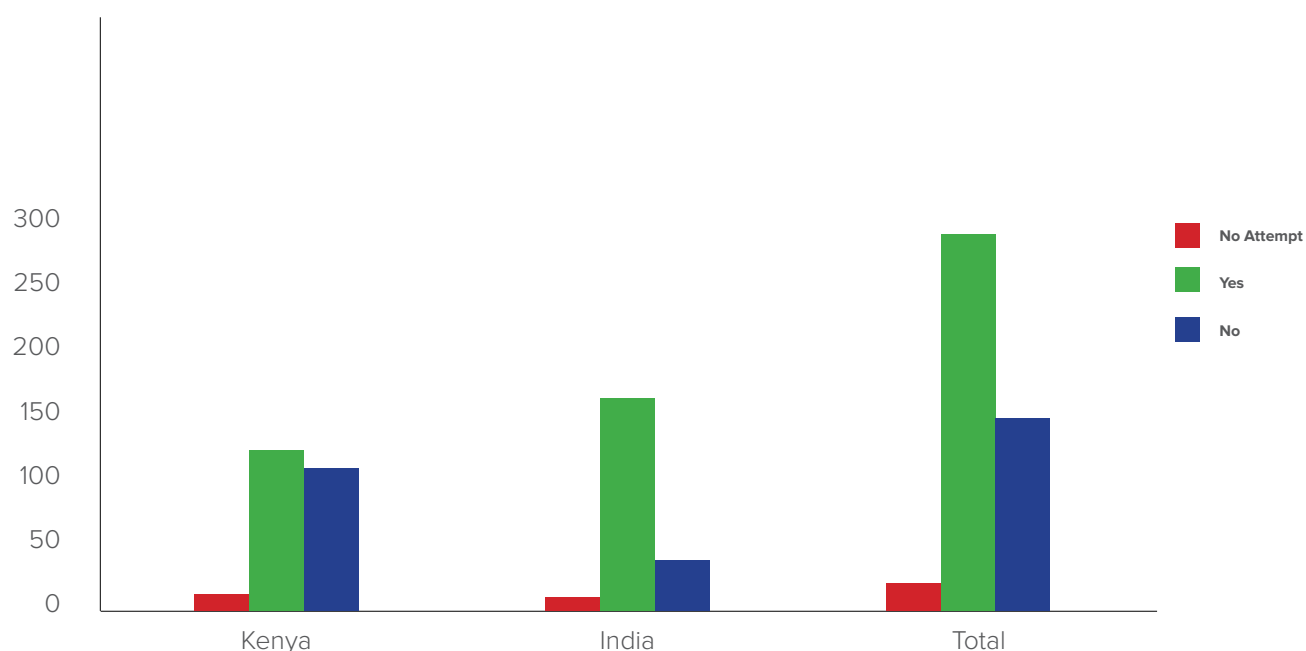
Table 2: Contribution of Youths in Communal Work

			Item 9					
			.00	Poor	Fair	Good	Excellent	Total
University	Kenya	Count	6	21	63	112	44	246
		% within University	2.4%	8.5%	25.6%	45.5%	17.9%	100.0%
	India	Count	1	27	45	106	25	204
		% within University	0.5%	13.2%	22.1%	52.0%	12.3%	100.0%
TOTAL		Count	7	48	108	218	69	450
		% within University	1.6%	10.7%	24.0%	48.4%	15.3%	100.0%

In table 2 shown above, 48.4% of the total sample graded their contribution in communal work as “good” which was the highest in both the countries. The other 15.3% graded their contribution as excellent. The rest 24% said that their contribution was fair, and only 10.7% responded that their

contribution was poor. This means that the majority of the youths are positive that their contribution to the society is good. This category of youths sees themselves as the contributing agents towards the community development. Their weekly participation in the social work is shown in the figure 1 below.

Figure 1: Participation of the Youths in Social Work



According to figure 1 above, Kenyan youths recorded 121 (49.2%) of their youths who take part in social work weekly. India has more than three fourths of their sample population 162 (79.4%) admitting that they take part. The sample showed 283 (62.9%) of the youths from both countries who responded “Yes” they participate weekly in social work to make the society better. This implies that the majority of the youths are active participants of society development pro-

grammes. However, 4.7% of the respondents did not give their opinion regarding this inquiry. Out of this statistic, it is very clear that the majority of India’s Seventh day Adventist youths take part every week to do something for the society.

Objective 3: To study the response of the society in regard to the impact which the Seventh day Adventist youths make to the society through their contribution.

Table 3: The Church’s Contribution to the Society

			Item 9					
			.00	Poor	Fair	Good	Excellent	Total
University	Kenya	Count	6	21	63	112	44	246
		% within University	2.4%	8.5%	25.6%	45.5%	17.9%	100.0%
	India	Count	1	27	45	106	25	204
		% within University	0.5%	13.2%	22.1%	52.0%	12.3%	100.0%
TOTAL		Count	7	48	108	218	69	450
		% within University	1.6%	10.7%	24.0%	48.4%	15.3%	100.0%

Table 3 above disclosed the agreement in opinion between the Kenyan and Indian respondents. A total of 218 (48.4%) responded said that Adventist youths’ contribution to the society was “good”. This comprised of 112 (45.5%) of the response from Kenyan youths and 106 (52.0%) from India. However, 108 (24.0%) view their contribution to be “Fair” and 69 (15.3%) said that it was Excellent. It was just 48 (10.7%) of the whole population who feel that youths’ contribution to the society was poorly regarded. The sum of those who re-

sponded “excellent” and “good” forms the majority’s opinion. This clearly indicates that the contribution of the seventh day Adventist youths to the society is significant. This implies that their contribution supports them to develop and at the same time, the society feels satisfied and confident of their behaviors and practices. This confirms that according to field theory, this church works to develop its community and environment.

6. Findings and Conclusion

This paper finds out that many youths who are baptized members of the seventh day Adventist church in Kenya and India are more vibrant in the church activities and service to the society. According to research done by Dahl (2013) about the western youth’s response to church issues, he found that young Adventists hold rather conservative opinions regarding drugs and tobacco, but disagree regarding rock music, dancing and watching movies. In reference to the Norwegian youths, this means that the youths chose the music they listen to. Despite the standards of their church, youths have a say regarding their taste of music. Also, baptisms are not a must to the western youths; they will attend church but are not committed baptism and the church ac-

tivities. Comparing these results, this paper finds out that the youths of Kenya and India are better contributors to the society in terms of their influence and beliefs.

In both Kenya and India, seventh day Adventist youths who are devoted to the service of the church to the community are the baptized members of the church. This paper realized that India does better in the involvement of the youths for social work than it does Kenya. However, there is a need for improvement in the manner and style of their contribution in order for the society to benefit more. At the same time, the Seventh day Adventist church in Kenya should use their university students more in doing social work.

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WORLD PETROLEUM MARKETS, OIL PRICE SHOCKS AND OPEC STABILITY

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Abstract:

The paper under review analyzes the world petroleum markets, oil price shocks and the OPEC stability. It also studies the oil price dynamics which are influenced by changes in pricing systems. The impact of global financial markets on oil trade, geo-political and environmental factors have also been dealt with at length. The OECD (Organization for Economic Cooperation and Development) has a major share in the global demand for oil as they contribute significantly to the dynamics of petroleum markets sizably. The other aspects dealt with in the study include recent studies on oil markets developments, economic characteristics of few OPEC countries and effects of oil price shocks on industrial production, oil supplies securities, oil weapons and oil nationalism, OPEC production policies, world oil demand and its effect on oil prices, oil reserves and production, petroleum product demand, effects of oil price shocks on the global economy, growth of world economy and the oil markets developments.

Key Words: World Petroleum Markets, Oil Price Shocks, OPEC Stability, Oil Reserves, Oil Market Developments.

Introduction

The oil market dynamics and volatility of oil prices are controlled by structural changes in petroleum markets and its pricing systems. The dynamics are the cause of uncertainties of the oil market movements. In fact, oil prices have been more volatile when compared to other commodities in major markets across the world. There is a constant increase in demand for oil in the international markets and more importantly in the major developing countries due to rapid economic growth. Oil has a significant share in the global energy-mix, and its important role in the world economic developments cannot be sidelined. There is an increased interest in studying the different aspects of dynamics of petroleum markets, particularly after the oil price shocks of 1970's and 1980's (Barsky and Kilian, 2004). The dynamics of petroleum sector is further complicated (Barrel and Pomerantz, 2004) due to turbulences in oil markets particularly in the 1990's, recession in the south-east Asian countries, which led to continuous spiraling rise in oil prices and persistent tight markets due to reduced output from OPEC. It is also felt that the OECD (Organization for Economic Coopera-

tion and Development) has a major share in the global demand for oil and further investigations into the petroleum markets of OECD would contribute to understanding the dynamics of petroleum markets sizably. Thus, any significant changes in demand for oil from OECD countries would result in ripples in the global petroleum markets. According to IEA(2007), there is a fast-growing demand for energy and oil in the developing nations like China, India, Middle East and OECD countries consuming about 60 percent of the global oil supply. The OECD countries dominated the oil markets with a 55 percent share of the global oil demand in 2011. According to economic theory, there is an equilibrium relationship between the demand for crude oil, income and oil prices. Further, there is a long-run relationship between:

1. the inventory of oil and its prices,
2. oil consumption and its inventory,
3. short-run disequilibrium in oil demand and supply,
4. changes in the inventory resulting in a close relationship between the oil prices and oil stocks.

2. Recent Studies on Oil Market Developments:

There have been several research studies on oil markets developments like the one by (Atkins, 2005) wherein the econometric techniques have been used to solve the endogeneity of the variables relating to a single dynamic simultaneous structural econometric model of the linear type of demand for oil. Studies have shown that the dynamic simultaneous equation model is considered to be difficult to solve due to lack of proper and adequate economic theory to provide dynamic specific solutions to complex economic relationships emanating from the dynamic structural econometric model. However, the empirical time series studies on

oil market developments underline the lasting relationship between the important variables of oil markets.

Recent empirical studies on market developments and oil price fluctuations by (Hamilton, 1983; 1988; 1996; 2000; Mory, 1993; Mork, 1994; Lee, 1995; 2001; Sadorsky, 1999; Davis and Haltiwanger, 2001; Cunado and De Gracia, 2003; Huang, 2005; Lardica and Mignon, 2005) attest to the effects of oil price fluctuations on macroeconomic variables. Research studies (Spatafora and Warner, 1995) examine the symmetric and linear effects of the terms of trade or oil price shocks on economic growth.

3. Economic Characteristics of a Few OPEC Countries and Effects of Oil Price Shocks on Industrial Production:

The asymmetric or non-linear effects of oil price shocks on economic growth of various countries especially the oil exporting countries having a direct bearing on their institutional set up. The country specific factors account for variations in oil prices and its impact on economic activities of these countries in a big way. According to Hausmann and Rigobon (2003), the governing bodies of a country need to delink fiscal expenditures from current revenue in order to insulate the economy from oil price volatility. One approach is to create an oil revenue fund to manage the oil revenues.

Macroeconomic policies need to be adopted to insulate the economies from oil price volatility. This in turn would stabilize the economies and promote economic development. The economies of OPEC countries – Indonesia and Saudi Arabia need to be studied in order to examine oil price – output relationship among these countries by applying ‘Granger Causality Tests’. It is a well-known fact that oil prices affect industrial production of various economies. The Persian Gulf States depend heavily on revenue generated from renting the state-owned petroleum reserves to fund their development efforts and generous welfare policies. Saudi Arabia plays a leading

role among OPEC countries, and ranks as the leading exporter of oil; it has nearly 25 percent of the world’s proven petroleum reserves. Petroleum accounts for more than half of Saudi Arabia’s GDP, 90 percent of its exports revenue and 75 percent of government income for the country.

Although oil represents an estimated 63 percent of consolidated government revenues, prudent macroeconomic stabilization measures like expenditure management, openness to trade, fiscal sector reforms, and creating an enabling environment for productivity growth have been able to provide diversified and dynamic growth opportunities for Indonesia.

The Iranian economy is heavily dependent on oil revenues and oil exports which constitute about 75 percent of its exports. Table 1 reflects the scenario of real oil prices, industrial output growth rate and investment ratio (gross capital formation to nominal non-oil GDP) for the period 1970-2005. The entire period is divided into four sub-periods corresponding to various oil busts and booms; the sub-period 1970-1973 is associated with low and stable oil prices, followed by the oil boom period 1974-1985, and the oil bust period 1986-1999, again followed by the boom period 2000-2005.

Table 1: Selected Economic Indicators 1970-2005 (Period Average)

Country/Variable	1970-1976	1974-1985	1986-1999	2000-2005
Iran				
Investment Ratio	22.3	28.6	23.4	38.1
Output Growth Rate	6.1	1.1	2.6	5.3
Saudi Arabia				
Investment Ratio	8.1	29.4	18.3	21.4
Output Growth Rate	3.9	2.1	4.0	7.5
Indonesia				
Investment Ratio	21.4	24.7	26.8	19.9
Output Growth Rate	7.3	6.5	5.4	5.1
Real Oil Prices (US \$/Barrel)	8.6	39.9	19.9	35.4

Source: World Development Indicators (WDI) and OPEC Bulletin.
Note: Oil prices are based on constant 1995 prices.

From Table 1 it is observed that the impact of oil price fluctuations has been more pronounced in Iran and Saudi Arabia than Indonesia. During the boom period, the average investment ratio has increased sharply in Iran and Saudi Arabia. Output growth has been characterized by remarkable volatility in Iran and Saudi Arabia and Indonesia is less vulnerable to oil price fluctuations.

Iran, Saudi Arabia and Indonesia followed different trade, institutional and macroeconomic policies. In Iran and Saudi

Arabia, oil prices play a pivotal role in influencing the fluctuations of output both in the short and long run. Policy makers in these countries must deploy institutional mechanisms to manage oil booms and busts through expenditure restraint, self-insurance and diversification. To achieve sustainable growth in the future, Iran and Saudi Arabia must take policy measures that substantially enlarge and diversify their economic base.

4. Oil Supplies Securities, Oil Weapons and Oil Nationalism:

Energy supply securities issues have a direct bearing on the world energy supply and demand conditions. In the earlier years following World War II, researchers were of the view that the world was running out of oil. Later on, new discoveries of oil fields in Iraq and Venezuela gave rise to the opinion that the oil was available in plenty and there was no dearth of this resource. The security of oil supply became real and permanent as a result of 1973 events. OPEC emerged as the sole producer of oil in international trade. Oil weapon is a blunt instrument. It is not possible to embargo a group of countries without significant cuts in oil production. Friendly oil importing countries suffering from the cuts which would begin to put diplomatic pressures on the nations wielding the oil weapon. Oil is no longer the only fuel eliciting supply concerns. Natural gas is one of the alternative energy sources. Consumers would like to purchase petroleum products at the lowest possible price continually over time. Producers would like to supply at a price that maximizes their profits. Import dependence is neither a sufficient nor a necessary condition for security of supply of oil. Most countries are dependent on imports for diverse commodities, goods or services. Security concerns arise due to the dependence on a commodity that does not have an immediate substitute in uses that are critical to the economy. Oil is one such fuel which cannot be replaced immediately by such commodities on a larger scale. Terrorism is widely perceived as a threat to the security of oil supplies. In countries like Iraq, terrorism

has caused damage to the securities of oil production, processing and transportation. In Nigeria, supplies of oil have been severely disrupted due to damage in oil production and processing assets. Oil nationalism is perceived as a threat to the securities of oil supplies. The oil nationalism wave became more prominent and involved many countries like Venezuela, Kuwait, Abu Dhabi, Qatar, Saudi Arabia, Iran, Iraq, Algeria and Libya way back in 1970's. Oil nationalism arises in producing countries, but not in developing countries. Such resources should not be left in the hands of the foreigners because national interest is involved in it. Oil and gas are not only considered as exhaustible resources but also represent the main economic resource of the GCC countries. The implications for the securities of oil supplies arise in two ways. Firstly, there would be a confrontation between the government and the company and secondly the private oil companies may be discouraged to invest in a troublesome country thereby affecting future supplies of oil. The Middle East happens to be a region with large share of world oil exports and surplus production capacity. In 1973 due to the Arab-Israeli war there was a disruption in supply and a structural change in the world petroleum industry leading to the emergence of a strong OPEC. In 1990, disruption due to the Iraqi invasion of Kuwait also caused oil prices to rise. However, there was no significant impact on oil prices in 2003 when the US and its allies invaded Iraq.

5. OPEC Production Policies

Production policies are the instruments OPEC countries used to influence world oil price movements to a considerable extent. The decision on changes in quota movements of individual OPEC countries affects the world oil price movements. In 1998, OPEC reduced production quotas on several occasions, but the oil prices kept falling. In 2007, OPEC reduced quota levels and this coincided with a period of rising oil prices. In fact, the quota policy is not a threat to the security of oil prices.

Although, energy policies both on domestic production and consumption have a role to play, international policy is of great relevance. The OECD could start with a re-drafting of the energy charter for foreign oil and gas investments to make it substantially even-handed in its requirements. Surplus production capacity is an important buffer. The costs of carrying surplus capacity could be borne by OPEC.

6. World Oil Price and OPEC Output:

OPEC exerts a considerable influence on world oil prices and controls the production of oil through its quota systems. Oil is an exhaustible resource and its price dynamics is affected by its scarcity. OPEC was positioned as an important force in the world oil market for the two oil shocks in 1970s; a lot of studies have dealt with the movements in oil price resulting from oil market dominated by OPEC. Lou Cheng(2001) confirmed the impact of OPEC output on oil price and suggested that OPEC should strengthen its co-operation with oil consuming countries to keep the stability of the oil market. Li Yi (2003) advocated that OPEC has the power to control the movement of oil price by adjusting its production. Zhong-Ying (2006) considered that although OPEC has played an important role in the movements of

oil price, it ignores the responsibility to stabilize the oil market by devoting its energies to maximize its members' joint profits as a cartel. The influencing ability of OPEC was also measured by econometric evidences. Kaufmann(2005) built a co-integration model with the variables of oil price, OPEC output, OPEC quotas, OECD oil reserves from 1986 to 2000 and it is implied that the oil price co-integrated with other variables and OPEC output is the Granger cause of oil price and not vice versa. The empirical analysis from research studies by Zhong-Ying (2006) indicate that the two variables i.e. oil price movements and OPEC output co-integrate and Granger cause each other, OPEC output still has considerable power over price in short-term but with lower intensity and time lag.

7. World Oil Demand and Its Effect on Oil Prices:

A long-term explanatory factor for increasing oil prices could be the decline of the world reserve base. The reserve to production ratio maintains the world's ability to maintain current production based on proven reserves. The cyclic and the short-term factors have resulted in growth of demand and upward movement in oil prices. The factors accounting for the high price of oil are increase in GDP growth rates in many countries, declining value of US dollar, changing structure of the oil industry, OPEC policies and persistently low levels of US crude oil and gasoline inventories. The demand patterns for world oil and oil products show significant diversity among the countries, regions and product groupings. The demand pattern/data depicts that the oil market is international in scope

and governed by the demand for oil. Oil is a tangible international commodity whose ownership and ultimate destination is determined by market forces once it leaves the producing country. Oil prices are linked to the levels of economic activity in the industrial nations. Oil price tends to be volatile due to variations in business cycles. Since its creation in 1960, OPEC has had a strong influence on the price of oil through its member nation quota system. Oil has been subject to supply disruptions due to political instability as well as technical factors. World oil transactions are traded in US dollars which affects the value of the dollar in world currency markets as well as the magnitude of international reserves held by petroleum importing and exporting nations around the world.

8. Oil Reserves and Production:

The long-term ability of the oil market to meet demand depends on the magnitude of available oil reserves. Proven reserves are an important category of reserves. Proven reserves can be recovered with high probability under existing technological and economic conditions. Proven reserves can be augmented through exploration and development of new discoveries through technological improvements as well as through the existence of more favorable economic conditions. Thus, all of the above factors contribute to augmenting the proven reserve base. The level of proven reserves is inversely propor-

tional to production of oil. As production increases, the level of proven reserves declines. As new oil discoveries are made, recovery technologies improve; the stock of proven reserves increases. Thus, a standard measure of the potential availability of oil is the reserves to production ratio(R/P). Thus, R/P can be interpreted as the number of years that the existing reserve base can sustain the current levels of production. The table below shows the Oil Reserves and Production Ratios for selected years in various countries.

Table 2: Oil Reserves and Production Ratios in Selected Years

Countries	1983	1993	2003
World	31.6	42.5	41.0
US	7.0	7.7	11.3
North America	14.6	17.9	12.2
South & Central America	25.5	42.9	41.5
Europe & Eurasia*	Incomplete	16.2	17.1
Middle East	76.4	92.3	88.1
Africa	32.9	23.8	33.2
Asia-Pacific	21.4	18.6	16.6

Source: BP Statistical Review of World Energy, June 2004 for 2003 & 1993. US Energy Information Administration, International Energy Annual, 1983.

Note: Europe & Eurasia data incomplete due to lack of USSR data for 1983

From Table 2, it is observed that the reserve position of the ratio shows that the world had access to more reserves in 2003 than in 1993 or 1983. Reserves in 2003 totaled 1.147 trillion barrels, in 1993, they were 1.023 trillion barrels and in 1983 they were 723 billion barrels. This represents a 12 percent increase in reserves for the decade since 1993 and a 36 percent increase compared to 1983. Similarly, world production was greater in 2003 at 76.7 million barrels per day (b/d) than in 1993 when production was 66 million barrels per day (b/d), or 1983 when production was 57.9 million b/d. This represents an in-

crease in production of over 32 percent compared to 1983. On a regional level, the most important change between 1993 and 2003 was the weakening reserves position of North America and the reserve position of the US. The declining reserve position of North America in general meant that new major discoveries of oil were absent and the US continued to depend on the world market, the OPEC and Persian Gulf for a large part of its supply. The Middle East, especially Saudi Arabia continues to be the largest holder of reserves in the world.

9. Demand for Petroleum Products:

Product demand analysis reveals that there are regional and country differences in the mix of oil based products consumed. Gasoline, distillates and fuel oil are the main products. At the global level, gasoline comprises 31.6 percent of consumption, distillates 35.7 percent, fuel oil 12.2 percent and other products 20.5 percent. The consumption pattern of United States differs from the world averages. The US demand is 46.2 percent gasoline,

29.3 percent distillates, 3.8 percent fuel oil and 20.7 percent other products. The mix reflects the use of oil as a transportation fuel. Europe has different preferences in transportation fuels compared to the US. Distillate consumption is 44 percent and gasoline is at 24.4 percent. The Asian pattern of product demand, especially China's includes a larger portion of demand - 13.8 percent in case of China is dedicated to fuel oil.

10. Effects of Oil Price Shocks on the Global Economy:

Oil price shocks have a stagflation effect on the macro economy of an oil importing country; they slow down the rate of growth and reduce the level of output resulting in recession. Oil price hike acts like a tax on consumption. The impact on growth and prices of an oil shock depends on many factors;

- The size of the shock both in terms of the new oil price and the percentage increase in the oil price,
- The shocks persistence which would depend on political and economic factors,
- The dependency of the economy on oil

- Policy response of monetary and fiscal authorities.

While the post 1973 recession period has been associated with oil shocks, not all oil shocks lead to a recession. Further, there are several concerns like:

- High oil prices will exert a significant drag on the world economy,
- Political shock and terrorism in the Middle East may lead to a reduction in oil supply, an additional surge in prices and another oil price triggered recession,

- Oil price shocks would lead to an increase in inflation in the global economy,
- Increases in demand driven by global economic recoveries would lead to sharp increases in oil prices,
- Oil supply is relatively inelastic in the short-run, unless OPEC has substantial spare capacity that it brings on line to meet growing demand,
- Maintaining a successful cartel overtime is difficult, as high prices tend to encourage production outside the cartel and thereby reduce demand,
- Oil prices are set in US dollars, but the US dollar price of oil is not dependent on the value of US dollar relative to other currencies,
- A supply shock that increases oil price often has an impact on the relative value of major currencies i.e. US \$, Yen and Euro. The currencies of countries that are more dependent on oil tend to weaken.
- The oil price has some elements of asset price whose current price depends not only on current demand and supply conditions but also on expectations of future demand and supply.

11. Growth of World Economy and the Oil Markets Developments

After the great recession of 2009, the world economy gradually recovered in 2010. The world GDP rate has been estimated to be 4.7 percent during 2010. Unbalanced growth levels across the global economy became more pronounced during 2010. The export driven economies i.e. developing countries enjoyed very high growth levels whereas the OECD countries grew at a much lower rate. This imbalance in growth rates has been highlighted by several G-20 member countries as well as the IMF. The main

contributor to global growth was developing Asia, particularly China and India. They contributed more than 40 percent of growth in 2010. Table 3 reflects the world economic growth rates during 2009 and 2010. Table 3 below indicates that the world economic growth rates for the year 2009 and 2010 for various countries shows a linear relationship, as the Pearson Correlation Coefficient ranges between -1.0 to +1.0.

Table 3: World Economic Growth Rates 2009-2010 (Percent Change Over Previous Period)

Countries	2009(X)	2010(Y)
OECD	-3.5	2.8
Other Europe	-5.4	-0.3
Developing Countries	2.3	6.0
Africa	2.6	4.4
Latin America & Caribbean	-0.2	5.4
Asia & Oceania	3.3	6.7
Asia Pacific	0.1	7.7
OPEC	1.0	3.5
China	8.7	10.3
FSU	-7.2	4.2
Total World	21.4	4.7

Source: OPEC Annual Report, 2010.

Returns the Pearson product moment correlation coefficient, r , a dimensionless index that ranges from -1.0 to 1.0 inclusive and reflects the extent of a linear relationship between two data sets.

Concerns about a double dip recession gave way to a more optimistic outlook in 2010. The principal support to global demand during the year was the strength of the emerging markets. Growth in the non-OECD slowed toward the end of 2010 as the impact of fiscal stimulus packages and the inventory cycle faded. Among emerging economies BRICs led the growth. BRIC countries, especially China and India continued to enjoy solid rates of growth by the end of 2010. The higher rate of growth was also

maintained during 2011. Most countries of Sub-Saharan Africa also experienced significant economic expansion during 2010. Growth in Asia and Australasia was estimated to be 6 percent in 2010. In 2010, the oil price and persistently high government spending in oil producing countries lifted growth again in the Middle East North Africa. Table 4 reflects the comparison of OPEC and non-OPEC developing countries during 2009-2010 with regard to trade statistics.

Table 4: Comparison of OPEC and Non- OPEC Countries during 2009-2010

Trade Statistics	2009(X)		2010(Y)	
	OPEC	Non-OPEC	OPEC	Non-OPEC
Real GDP Growth Rate (%)	1.0	2.3	3.5	6.0
Petroleum Export Value (\$ bn)	575.3	200.3	709.0	265.3
Value of Non-Petroleum	195.9	2115.9	190.6	2681.2
Oil Exports as % of Total Exports	74.6	8.7	78.8	9.0
Value of Imports(\$bn)	547.3	2457.2	602.3	3142.6
CAB(\$bn)	97.9	63.9	186.9	-2.1
Average Reference Basket Price(\$/bn)	61.1	0	77.5	0
Crude Oil Production (m b/d)	28.7	10.3	29.2	10.5
Reserves (\$ bn excl. gold)	942.5	2208.2	990.3	2457.3

Source: OPEC Annual Report 2010.

PEARSON Corr Coeff(2009X,Y) 0.675867

PEARSON Corr Coeff(2010 X,Y) 0.587484

Returns the Pearson product moment correlation coefficient, r, a dimensionless index that ranges from -1.0 to 1.0 inclusive and reflects the extent of a linear relationship between two data sets.

The trade statistics of both OPEC and Non-OPEC for the years 2009 and 2010 shows linear relationship as the Pearson Coefficient ranges between -1.0 to +1.0.

Table 5 reflects the OPEC Members Real GDP Growth Rates during 2009-2010.

Table 5: OPEC Members Real GDP Growth Rates 2009-2010 (in %)

Countries	2009(X)	2010(Y)
Algeria	2.4	4.0
Angola	0.6	4.5
Ecuador	0.2	2.5
IR Iran	1.2	2.6
Iraq	4.2	5.0
Kuwait	-4.0	2.9
SP Libyan AJ	1.0	3.2
Nigeria	6.0	6.5
Qatar	9.0	15.0
Saudi Arabia	0.1	3.6
UAE	-2.5	2.2
Venezuela	-3.1	-1.3
Average OPEC	1.0	3.5

Source: BP Statistical Review of World Energy, June 2004 for 2003 & 1993. US Energy Information Administration, International Energy Annual, 1983.

Note: Europe & Eurasia data incomplete due to lack of USSR data for 1983

The OPEC members' real GDP Growth rate for the years 2009 and 2010 shows a linear relationship as the Pearson Coefficient ranges between -1.0 to +1.0.

12. Conclusion

The paper analyzes the world petroleum markets, oil price shocks and the OPEC stability. It is seen that the oil price dynamics are influenced by changes in pricing systems. The impacts of geopolitical and environmental factors are the major concerns of the world petroleum markets affecting oil prices. It is also felt that the OECD (Organization for Economic Cooperation and Development) has a major share in the global demand for oil and further investigations into the petroleum markets of OECD would contribute to understand the dynamics of petroleum markets sizably. Thus, any significant changes in oil demand by the OECD countries would result in ripples in the global petroleum markets. There have been several research studies on oil markets developments wherein the econometric techniques to solve the endogeneity of

the variables relating to a single dynamic simultaneous structural econometric model of the linear type of demand for oil have been estimated. It is seen that oil prices affect industrial production of various economies. Thus, a standard measure of the potential availability of oil is the reserves to production ratio. The reserves to production ratio can be interpreted as the number of years that the existing reserve base can sustain the current level of production. The product demand analysis reveals that there are regional and country differences in the mix of oil based products consumed. Oil price shocks have a stagflation effect on the macro economy of an oil importing country resulting in slow down of the rate of growth and thereby reducing the level of output leading to recession.

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SOCIO –ECONOMIC CONDITIONS OF THE MGN-REGS BENEFICIERIRES: WITH SPECIAL REFERENCE TO KRISHNA DISTRICT, COMBINED ANDHRA PRADESH

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Abstract:

*The National Rural Employment Guarantee Act is an epoch making event in the history of independent India. There is much that the NREGA promises from the perspective of women's empowerment as well. Most boldly, in a rural milieu marked by stark inequalities between men and women in the opportunities for gainful employment afforded as well as wage rates NREGA represents action on both these counts. The act stipulates that wages will be equal for men and women. Andhra Pradesh and Panchayat have been very vigilant in spreading awareness about NREGA through radio, poster, television, notice board on gram sabhas Vision Mahatma Gandhi NREGA seeks to enhance the livelihood security of the women in rural areas of the country by providing at least 100 days of guaranteed wage employment in every financial year to every women whose adult members volunteer to do unskilled manual work., etc. The manifold functions taken up by MGNREGA members range from identification of projects to supervision of works and submission of records for wage disbursement. The objective of the Study is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every poor labours whose adult members volunteer to do unskilled manual work. This work guarantee can also serve other objectives generating productive assets, protecting the environment, empowering rural women, reducing rural urban migration and fostering social equity, among others. **The main of objective of the paper is to study the performance of labourers in generating employment in the study area.***

Keywords: MGNREGS, Empowering, Productive, Equity, Income levels.

Introduction

Gandhi's statement holds even today with around 70 per cent of the country's population still living in rural areas. Gandhi laid strong emphasis on a self-sufficient village, decentralization of economic and political powers and development of village industries . He believed in the human capital model of development which shifts the emphasis from physical capital formation to human capital formation and from industrial development to rural development, as a basis for overall development . The human capital model of development seems most appropriate

for a labour-surplus developing country like India, where a lot of underdeveloped human resources, having a high potential for development exist. Hence, this is the path India should choose to bring about overall sustainable development. In India, one of the biggest hurdles to socio-economic development and mass welfare is the ever increasing disparity between the rich and the poor. In a recent report released by the Planning Commission of India, 22.7 percent of Indians live below the poverty line out of which 75 per cent of the population lives in rural areas. The

National Rural Employment Guarantee Act (2005) is introduced with the very purpose of bridging this gap and empowering the rural poor by increasing their buying capacity and making them more self-sufficient.

A substantial reduction in poverty can be achieved only if there is determined effort on the distribution of income and consumption in favour of poorer sections of the population. This call for significant increase in employment opportunities in rural areas. Governments with Central assistance are self-targeting and the objective is to provide enhanced livelihood security, especially of those dependent on casual manual labour. At the State Level, the Government of Maharashtra formulated the Maharashtra Employment Guarantee Scheme, 1972-73 and Maharashtra Employment Guarantee Act, 1977 to provide wage-employment to those who demanded it. The Employment Guarantee Scheme to be implemented under the NREGA is not the first wage employment programme, prior to this; India had 56 years of experience of other rural employment programmes to be implemented in the country. The government of India has implemented a series of wage employment programme

right from the 1960s when the first programme, Rural Works Programme was introduced.

Puja Dutta et.al., (2012) examines the performance thus far of the MGNREGS in meeting the demand for work across states. They examine the evidence for India as a whole using the household-level data from the National Sample Survey (NSS) for 2009-10. They confirm expectations that the demand for work on MGNREGS tends to be higher in poorer states. This appears to reflect the scheme's built-in "self-targeting" mechanism, whereby non-poor people find work on the scheme less attractive than do poor people.

Sheshrao Maruti et.al., (2012) from their assessment say that the possibility of the scheme becoming a distant dream for bottom of the pyramid cannot be ruled out due to the problems associated with its implementation. Therefore, there is an urgent need to make all-out efforts to see that the scheme gets implemented in all its real spirit. Then only one can proudly say that the "MGNREGA is Hope of the Poor". In nutshell, "It is like virus in the computer system, one has to remove virus, before it removes our files by adopting suitable anti-virus".

2. Brief History

Mahatma Gandhi NREGA was launched in 200 select districts on 2.2.2006 and was extended to 130 additional districts during 2007-08. All the remaining rural areas in the country have been covered under the Act w.e.f. 1.4.2008. Presently, Mahatma Gandhi NREGA is being implemented in all the notified rural areas of the country.

Need for the Study:

MGNREGS aimed at helping the poor women's to improve the farm incomes through participatory technological interventions, application of eco-technologies, ICT-enabled knowledge system, value chain and market linkage, and building their capacity, are being implemented now. This underlines the need for the study. In the backdrop of planning for eco-

nomic development in the context of spreading globalization impact, a study of the contribution of MGNREGS adds to the literature on development for equality and betterment of women belonging to the Scheduled Castes and Scheduled Tribe communities who form a special class of under privileged villagers.

Objectives of the Study:

The objective of the study is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every poor labourers whose adult members volunteer to do unskilled manual work. This work guarantee can also serve other objectives: generating

productive assets, protecting the environment, empowering rural women, reducing rural urban migration and fostering social equity, among others. The main objective of the paper is to study the performance of labourers in generating employment in the study area.

Increasing women's participation in MGNREGA

States	Women person-days (% of total person –days in the state)					
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Andhra Pradesh	55	58	58	58	57	58
Assam	32	31	27	28	27	25
Bihar	17	28	30	30	28	29
Chhattisgarh	39	42	47	49	49	45
Gujarat	50	47	43	48	44	45
Haryana	31	34	31	35	36	36
Himachal Pradesh	12	30	39	46	48	60
Jammu and Kashmir	55	58	58	58	57	58
Jharkhand	32	31	27	28	27	25
Karnataka	55	58	58	58	57	58
Kerala	32	31	27	28	27	25
Madhya Pradesh	43	42	43	44	44	43
Maharashtra	37	40	46	40	46	46
Odisha	36	36	38	36	39	39
Punjab	55	58	58	58	57	58
Rajasthan	81	82	80	83	83	74
Tamil Nadu	55	58	58	58	57	58
Uttar Pradesh	17	15	18	22	21	17
Uttara Khand	30	43	37	40	40	45
West Bengal	18	17	27	33	34	32
All India	40	43	48	48	48	47

Source: Mahatma Gandhi Rural Employment Guarantee Act (Official Website) www.mgnrega.nic.in

The above table shows increasing women's participation in MGNREGA in India till FY 2006-07 to FY 2011-12. It is observed from the above table that the highest in 48% of the women participation. Total throughout India in the FY 2008-09, 2009-2010, FY 2010-11. In the period 2006-07, and 2007-08 Tamil Nadu has highest percentage of women's days and also Jamu and Kashmir has lowest percentage of women days in the

period 2008-09, 2009-10 and 2010-11, Kerala has highest percentage of women days in the year 2011-12, Kerala has highest percentage of women days and also Uttar Pradesh has lowest percentage of women days. Finally observed that Kerala has highest percentage of women days and also Jamu and Kashmir has lowest percentage of women days

TABLE 2

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Total FY 2006-07 to FY 2011-12
	200 Districts	330 Districts	All Rural Districts	All Rural Districts	All Rural Districts	All Rural Districts	
Women	36 (40%)	61 (43%)	103.6 (48%)	136.4 (48%)	122.7 (48%)	101.1 (48%)	561 (47%)
Average person days per employed in women	43 days	42 Days	48 Days	54 Days	47 Days	42 Days	***

An Overview of the Performance of MGNREGA (FY 2006-07 to FY 2011-12)

Source: Mahatma Gandhi Rural Employment Guarantee Act (Official Website)
www.mgnrega.nic.in

Above table shows an overview of the performance of MGNREGA FY 2006-07 to FY 2011-12. It observed from the above table that the highest districts in the throughout country all districts in the FY 2008-09, 2009-10, 2010-11, 2011-12, remaining FY 2006-07 200 Districts, 2007-08 330 Districts

women participation. Broadly, all the women workers of the India have been participation of in FY wise highest in 2009-10 (48%) and Lowest is 2006-07 (40%) next remaining FY is rapidly increasing. Second thing is average person days per employed in women highest ratio in FY 2009-10 (54 days) Lowest days in FY 2007-08, 2011-12 in (42 days). Finally the women generated for employment in 2006-07 to 2011-12 in (47%) in the total financial years.

TABLE 3

Women work and wage Earnings in MGNREGA in Andhra Pradesh Analysis 2010-2011 to 2012-2013:

Name of the District	2010-11		2011-12		2012-13	
	Women working	Women wages(Rs. in.Lakhs)	Women working	Women wages(Rs. in.Lakhs)	Women working	Women wages(Rs. in.Lakhs)
Adilabad	3,13,152	9926.86	2,21,653	6997.75	2,70,972	10349.38
Anantapur	3,24,309	10667.92	2,33,772	10793.46	2,67,994	11679.31
Chittoor	2,02,611	6384.68	1,55,334	5926.60	1,64,117	6817.73
Kadapa	2,39,772	5361.67	2,15,197	8027.92	2,31,423	8402.84
Karimnagar	1,42,262	2637.38	1,53,611	3748.78	1,76,904	3853.11
Khammam	2,26,004	8398.60	1,70,582	6545.41	1,76,402	6369.32
Mabubnagar	3,87,149	9228.13	2,61,815	6084.41	3,01,568	7220.70
Medak	2,92,667	7037.09	2,07,994	6179.28	3,02,266	9398.59

Nalgonda	1,68,420	2622.77	1,61,956	3852.15	1,96,297	5160.39
Nizamabad	3,56,826	9347.71	2,77,570	9565.21	3,07,492	9222.84
Rangareddy	4,06,599	11771.09	2,96,649	9118.03	3,57,822	11614.26
Vizianagaram	3,02,711	9051.52	2,09,626	5981.71	2,51,020	7862.50
Warangal	4,75,176	11941.38	3,67,363	9815.26	4,63,104	15331.28
East Godavari	2,81,045	12120.13	1,87,466	4726.66	2,40,822	7693.36
Guntur	3,52,656	9234.93	2,59,897	7808.96	3,14,614	9597.19
Kurnool	1,40,367	4228.38	1,21,982	4931.85	1,34,794	5051.70
Nellore	1,74,405	4039.34	1,59,078	4922.09	1,64,020	4701.45
Prakasam	3,33,102	13119.69	3,00,533	13547.33	3,39,904	19227.29
Srikakulam	3,00,200	9322.70	2,59,281	10816.73	2,83,647	11453.24
Krishna	3,24,201	12568.97	3,01,017	14328.92	3,36,522	16008.31
Visakhapatnam	5,15,183	10695.08	3,41,037	7692.30	3,80,052	8744.32
West Godavari	1,81,125	3955.04	1,40,083	3741.09	1,53,987	3610.93
Total	64,39,942	1,83,661.04	50,03,496	1,65,151.92	58,15,743	199370.05

Source: www.nrega.nic.in

The above table denotes women work and wage earnings in MGNREGA in Andhra Pradesh during the period 2010-11 to 2012-13. In the year 2010-11, Visakhapatnam district has highest working women and Kurnool district has lowest working women. In the year 2010-11 wages for women, Prakasam district has highest wages earnings for women and also Nalgonda district has lowest wage earnings. In the year 2011-12, Warangal District has highest working women and Kurnool District has lowest working women. In the year 2011-12, Krishna District has highest wage earnings and West Godavari District has

lowest wage earnings, in the year 2012-13, Warangal District has highest working women and Kurnool district has lowest working women, in the year 2012-13, Anantapur district has highest wage earnings and west Godavari district has lowest wage earnings. Finally, Warangal District has highest working women in the period 2011-13 and 2012-13, and also Kurnool District has lowest working women in the same period. West Godavari District has lowest wage earnings for the period 2011-12 and 2012-13.

TABLE 4

Participation of women in MGNREGA in Andhra Pradesh 2012-2013

Name of the District	Cumulative person days generate for women	% Cumulative person days generate for women in total
Adilabad	369320	53.87
Anantapur	290887	53.30
Chittoor	272432	57.21
Kadapa	5836733	63.52
Karimnagar	297254	69.38
Khammam	122518	55.69
Mabubnagar	199454	60.35
Medak	262663	59.96
Nalgonda	413393	67.06
Nizamabad	454823	61.69
Rangareddy	228882	55.40
Vizianagaram	826958	58.81
Warangal	191475	60.03
East Godavari	212091	49.40
Guntur	98131	48.63
Kurnool	641452	54.68
Nellore	68357	55.08
Prakasam	100114	61.57
Srikakulam	509277	62.80
Krishna	1639422	56.50
Visakhapatnam	530102	54.89
West Godavari	110175	53.12
Total	6962838	58.22

Source: www.nrega.nic.in

The above table shows women employment generated under the MGNREGA in Andhra Pradesh till 2011-2012. It observed from the above table that the highest cumulative person days is 6962838 in total our Districts in Andhra Pradesh in the financial year 2011-2012. Cumulative person days in total 58.22

generated for women followed by kadapa and Nizamabad districts. The highest cumulative person days generated in Kurnool district 641452 in cumulative person days in 54.68. Cumulative person days generated for women followed by Srikakulam and East Godavari districts.

TABLE 5

Cast composition of the women workers in Gampala Gudem AP

VILLAGE	Cast composition of the women workers			
	SCs women	STs women	Other women	Total
Gosaveedu	46 (33.82)	25 (43.86)	29 (27.10)	100
Meduru	41 (30.42)	21 (36.84)	38 (35.51)	100
Vinagadapa	49 (36.03)	11 (19.30)	40 (37.38)	100
Amireddy Gudem	36 (45.33)	57 (19.0)	07 (35.67)	100

Source: Results of the Field Survey

For the purpose of the study 100 respondents from each village has randomly selected. Above table is devoted to analyze the extent of participation of SC, ST and other women in NREGS. Broadly, all the sample workers of three villages have

been divided into three categories viz. Scheduled Castes (SCs) Scheduled Tribes (STs), and other castes (OCs). In the study, the proportion of SCs is 45.33 percent STs 19.0 percent, and OCs 35.67 percent.

Conclusion

MGNREGA has positive impact on gender and gender empowerment. Women have benefited both as individual and community. Women are benefited individually because they are able to earn independently, spend some money for their own needs, contribute in family expenditure etc. The gained benefits of women as community can be understood by increased presence in the gram sabha, increasing number of

women in speaking out in the meetings, increasing capacity of interaction etc. But the poor implementation across the nation (such as lack of child care facility, worksite facility and illegal presence of contractors) accrued the gender sensitiveness of this act mainly in Andhra Pradesh state. Certain initiatives and changes should be taken to remove these barriers. The valuable gains should not be derailed for poor implementation.

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CASE STUDIES:

CAN WE BACKTRACK?

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1. Preface:

A bright sunny afternoon and seated inside her plush glass chamber, Ms. Preetika Roy, CEO of Mady Group of Institutions (MIM) ponders over the issue of management of her Institution. The office walls were adorned with several awards that the Institution had received. The Institution, since its inception in 1993, has seen lots of ups and downs. MIM has grown from a humble beginning to an organization with branches across India. Coping with the thoughts of her success, she receives a mail from a student of her Kanpur campus, which reads

“Ma’am, it is to inform you that we have sought admission at ‘Mady Institute’ with lot of hopes, but it is disheartening to mention that the happenings at MIM during the last one year, has put the institute to shame. We would request an intervention from your side to save Mady Institute”

Ms. Preetika Roy, is well aware of the said issues that are prevalent at the Kanpur campus, but she too is helpless to resolve the same. However, she feels there is one issue that requires her immediate attention: how to regain the lost glory of Mady Group of Institutes.

Looking at the urgency of the matter, Preetika called an emergency meeting of the top management of MIM group. As an immediate measure, the management sacked MIM-Kanpur Director on charges of corruption. Preetika knew that sacking the Director was not a long-term solution, as they sacked one director in past but it did not help much in improving the situation. The situation demanded a change in the overall approach of management including systems, policies and practices. She knew that the growing dissatisfaction among the students not only had an adverse impact on the reputation of MIM-K but also resulted in a major financial loss to the institution.

But it was easier said than done to accomplish the desired at MIM. The termination of two consecutive directors from the Kanpur campus on the charges of corruption may be a coincidence but from a management perspective, it is important to understand the role of the organizational recruitment policy and other managerial decisions and the extent to which they are responsible for this situation.

2. MIM History

The Mady Institute of Management (MIM), was established in 1993 and, has seen lots of ups and downs since inception. However, in response to the rapid increase in demand for management education, the group setup five management education institutions in different locations across India.

MIM Group offers full-time Master of Business Administration (MBA) programme through its’ main campus in New Delhi and other four campuses at different locations. As per statutory requirements in India, all the programmes were approved by All India Council for Technical Education (AICTE), a regulatory body of Government of India for maintenance of quality standards in technical education.

MIM-Kanpur Campus (MIM-K), which was estab-

lished two years back, is located in the suburbs of Kanpur and has 35 employees on board. Establishment of the new management institution involved a number of challenges related to infrastructure development, access to quality human resources and compliance to regulatory processes among many others problems. However, the previous learning of MIM group in establishing and operationalizing the management institute helped in easing out the roadblocks.

Despite a good start, MIM-K couldn’t make an impact in the society when compared to other institutions in the MIM group. Some blamed frequent changes in the leadership as the main cause affecting growth. Others believed that it was simply due to lack of standardized operating procedures.

3.The Problem in this Context

MIM-K governing body appointed Mr. A.S. Arora as its' first director. Mr. Arora was a retired officer of higher civil service, having wide network with relevant stakeholders. Establishing a new institution required an action oriented leadership with strong administrative and networking capacities. Looking at the dearth of such leaders in academic institutions, Mr. Arora became the first choice. Upon joining the position, Mr. Arora found the system with not much potential to contribute, particularly in view of his rich leadership experience in a number of diversified organizations. However, he continued to be in role till the completion of regulatory formalities, as the process needed a full-time director to be in place.

MIM management knew that role of the leader was to 'link the performing sections for better results' than to 'perform himself at functional level academic role'. However, in view of pressing demand from some sections of MIM-K, management appointed Mr. Iqbal, a young professional, as head of the academic division. The role of Mr. Iqbal was to look after all the academic activities of the organization and assist Mr. Arora. Since Mr. Arora preferred not to be involved in day-to-day operations of MIM-K, Mr. Iqbal performed all the leadership functions at the institute. Consequently, he turned out to be the person with all the authority and power in the organization but without a formal leadership designation.

The MIM-K was in the beginning phase and this meant a lot of regulatory procedure compliance, infrastructure development activities and maintaining strong external stakeholder relations. Mr. Iqbal was the leader on ground. He also displayed his keen interest in these activities. Soon with increasing involvement, Mr. Iqbal's leadership influence could be sensed in both academic and administrative issues. The head office also found it convenient to rely on Mr. Iqbal for all organizational matters. However, the employees could not accept his leadership for both administrative and academic positions. The common per-

ception of leadership in Indian institutions emphasizes on separation of the 'administrative' and 'academic' leadership roles. Although looking at the general leadership skill requirement, the validity of this perception can be debated but one has to follow what works in the context. The natural power-politics in the organization resulted in unrest. The increasing influence of Mr. Iqbal was not accepted well by all, particularly those who saw him as a potential competitor to their respective ambitions. When this issue spun out of control, the head office appointed a young Assistant Manager, Mr. Razaq Ahmad as administrative assistant at its branch institute. Mr. Ahmad was a person with a very pleasing personality and had many qualities of a good leader. He was perceived to be good for all administrative works. Ahmad was qualified, experienced and well connected to the headquarters. Because of his cordial nature at the workplace and his leadership influence, he developed a cordial relationship with the employees at MIM-K as well as with other sister units. The power again came to play and this time the conflict started between Ahmad and Iqbal. There was an internal competition. Leveraging on strong relationship with employees, Mr. Ahmad managed to gradually gain power from Iqbal. Soon, a case was made against Iqbal and he was terminated on the grounds of financial irregularities. In such a tense working condition, Mr. Arora relinquished from the post of Director.

The departure and termination of two heads of the institute plunged the organization into a crisis. While the search for the full-time director was on, Mr. Ahmad went ahead to declare himself as the self-appointed director of the Institute.

A year's time had elapsed for the head office to appoint a full time director and the institute was plagued with the mess created by lack of good institutional management in the past. The new Director is faced with a number of problems related to smooth running of the Institute.

4.The Challenges

The reporting and communication was not very clear at MIM-K and it affected many employees. The role of CEO was not clearly defined and in the absence of a full-time director, employees neither had the clarity or courage to approach the CEO directly. The employees could not accept the leadership at MIM-K level due to their perceptions about the efficiency and competencies of the leader on the ground.

The organizational setup was also perceived to be heavy headed. This triggered stress and dissatisfaction among employees. Eventually, the students also suffered and often expressed their dissatisfaction. It all had impact on the brand image of the institution.

While analyzing the problem in detail Ms. Preetika wondered if it was her failure to set a clear and transparent role for the governing board i.e. top management of MIM. There was no internal coordination in the organization. On the one hand,

employees approached top management for everything while on the other side individuals came and soon tried to position themselves as leaders. Preetika thought if she appoints a right person to the position and design a clear communication channel; it could help to improve the situation. There was always a question on the organizational structure, as it involves frequent decision-making regarding activities such as resource allocation, coordination and supervision. The lack of defined processes and procedures also created challenges in terms of controlling the performance. Another strategic issue, which Preetika found challenging was whether MIM-K has to be another McDonald i.e. replicating MIM model in totality or it should have an independent system and culture within overall MIM culture. Or it was simply human resource management issues i.e. recruitment, selection, training and development not adequately aligned to institutional priorities?

Should she consider it as an issue of misuse of power, as position of power can be misused for personal gains? If so, how can the misuse of power be reduced? The MIM had no control on misuse of the power, as communication channel between headquarter and the employees was very poor. No employee had an easy access to the head office to share their grievanc-

es before it turns out to be a disaster.

Preetika knew that the task was not simple. She must analyze the issues and find the solution to change the existing situation, which appeared more like a change management problem than just leadership or authority issues alone. Let's help Preetika to find a good solution for MIM-K.

5. Emerging Issues Due to the Challenges

- 1. Work Culture:** The work culture of the organization has been adversely affected due to the above discussed challenges. Frequent termination of the heads has created a lot of confusion among employees and students; the employees are facing difficulties adjusting with the proclaimed director; every employee in the system tries to claim that he is very near to the authority at the head office. In the absence of a mature leadership the routine functioning of the campus has also suffered: the result is no regular classes, absenteeism, delay in depositing fees, delay in payment of salary, useless gossiping, dirty politics against each other and lack of trust between the employees and management.
- 2. Faculty and Student Morale:** The employees of the organization have been highly depressed by the bad management of the campus for the last two years. Employees are not at all satisfied with the role of head office and the stu-

dents of the campus are highly de-motivated and thus there is an increase in indiscipline on the campus.

- 3. Operational Effectiveness:** The organization is facing the problem of trust and good relationship between the head office and branch office since there is no proper coordination between Kanpur campus and head office. The new director is facing the problem of operational effectiveness. The organization is facing problem of bad management of accounts resulting in NIL balance for recurring expenses.
- 4. Overall Growth:** It is a tough task to save the organization and without proper management. It is opined that the branch organization will perish.
- 5. Regaining Brand Image:** The Kanpur campus of MIM is facing the biggest challenge of brand image. Taking into account the above situation, answer the following questions.

6. Questions

1. Give a brief account of the management challenges discussed in the case and state the measures the head office should take to avoid such situations repeating in the future.
2. Discuss the issues of recruitment policy of MIM for their top executives.
3. Give the various reasons behind the problems of MIM campus.
4. In your opinion, how do management decisions affect the organizational culture and morale of the people?

7. Teaching Notes

The case under reference has various management related issues, i.e. recruitment policy, management of branch office, importance and role of top executives, merit based recruitment, authority, responsibility, and accountability and how the termination of the employees affect the brand and morale of the organization.

8. Suggested Discussion Topics

1. The management challenges discussed in the case are related to the role of Board of Directors, organizational structure, system and process in the organization the misuse of authority, the balance between authority, responsibility and accountability and also human resource management issues i.e. recruitment, selection, training and development not adequately aligned to institutional priorities.
2. The recruitment should be done with proper analysis of the job profile of the Director as well as the Administrative Officer. Mr. Iqbal and Mr. Ahmad both are not clear about their responsibility and accountability.
3. One of the most important reasons behind the problems in the organization is the frequent termination of heads of branch office by the top management. It has had an adverse impact on the morale of the organization. It has also affected the brand image. Along with this, lack of seriousness of the top management, poor decision making, unhealthy recruitment policy, lack of coordination between responsibility, authority and accountability, lack of control and monitoring policy are the main reasons of failure.
4. The management decisions affect the organizational culture and morale of the people because the various issues discussed in the case create a type of insecurity among employees and students. It affects the trust between the employees. It affects all basic needs of the employees and leads to dissatisfaction.

BOOK REVIEW

NEW IDEAS IN STRATEGIC THINKING AND MANAGEMENT: A KNOWLEDGE TREE OF NEW AGE MANTRAS - Shiv K. Tripathi

This book is the latest addition to Subhash Sharma's scholarly series on Indian management. Those who are familiar with the author's other popular titles may find this book as a natural extension to his previous books comprising of a series of new concepts and models; they combine holistic strategic thinking and solution development for various challenges. For those who are new to Indian management literature. The book also offers a novel approach of analysis of strategic problems and solution development. The easy to understand language and smooth flow of inter-related concepts make the reading a must for anyone who likes to approach strategic problems with multiple perspectives.

Organized in five sections and sixteen chapters, the book approaches the complex strategic analysis issues in view of emerging global sustainable development priorities and, thus, making it highly relevant in current organizational environment. Balance of macro and micro strategic perspectives with strong foundation of individual ethics, sets the work different from other contemporary literature on related issues. Based on the analysis of different strategic analysis tools and frameworks, the author offers a fresh perspective in repositioning and extending the tools with a much wider application potential. The concept of 'moon ocean strategy' is an example of how the limitations of other similar approaches have been effectively addressed in building a more comprehensive framework. In the absence of 'so-called' scientific evidences, the scholars from 'scientific school' may question the applicability of these concepts. But one must remember that sometimes, the strong conceptualization provides a basis for long-horizon impact and evidences and, therefore, the suggested

concepts should be taken in that spirit.

The first part of the book comprises four chapters and focuses on the issue of knowledge creation with emphasis on knowledge-consciousness linkage. The chapter on meditative research presents a research typology, which moves beyond the conventional classification of quantitative and qualitative research and highlights the higher level of creative-meditative research. The last decade has witnessed a rise in critiques of existing social science research approach by questioning the 'as it is' adoption of 'epistemology' from the natural sciences. The creative-meditative approach offers a higher order research approach to complement existing approaches. The author explains the framework using Diva (lamp) metaphor and provides an interesting interpretation of scientist to artist to 'rishi' researcher path.

The chapter on geometry of consciousness highlights the need for combining two routes to consciousness i.e. the matter route and the spirit route. The author explains how these two routes are converging towards new 'consciousness studies' to shape the modern 'Scientists-Risihis'. Knowledge development in modern social science, although considered to be neutral and objective, is often questioned for 'bias-free' knowledge development. Combining the 'consciousness', infuses a higher order scientific objectivity; a much desired improvement area in the research. Using different mathematical symbols and figures, the author emphasizes the need for integrated thinking through 'omega circle'. SHARMAN circle of consciousness highlights seven tempers of mind. Linking this to Bloom's Taxonomy can help in developing insights in terms of required frame of consciousness for accomplishing specific knowledge goals. Finally, conceptualization

of wisdom circle combines art, philosophy, science and spirituality in one framework. Creativity in expression makes the presentation interesting.

In the third chapter, the focus is on knowledge generation windows. The author highlights the need for total knowledge management (TKM) by combining the explicit and tacit knowledge. While linking the knowledge of practitioner and academia through a 2X2 classification system, the author offers an interesting 5 step- knowledge building process, starting from routine operational knowledge to the higher order 're-see' knowledge development stage. This becomes the basis for differentiating 'knowledge' from the 'truth'. Both 'knowledge without character' and 'science without humanity' are considered as deadly sins by Mahatma Gandhi. Gradual evolution to re-see stage of knowledge development appears a right framework to integrate knowledge, character, science and humanity through consciousness based knowledge development.

The fourth chapter on three paradigms of management is an example of how the different levels of knowledge development process has contributed to the emergence of different approaches to management i.e. American, Japanese, Indian and new age management. It is interesting to see that the Indian management is characterized by Higher Order Purpose of Existence (HOPE), which is a natural outcome of spirituality and consciousness based knowledge development. However, for more sustainable new age management, the author proposes to synthesize the best of these approaches into one.

The second part of the book is organized around the broader macro level perspectives on strategic thinking with emphasis on Indian social and economic context. The fifth chapter stresses the need for holistic development by combining the forces of market, state, society and the self. The inclusion of 'self' is a unique approach to analyze the strategy context. The chapter stresses that for holistic development of nations' happiness must be integrated with conventional indicators of resources, income and consumption. To measure any nation's holistic development, the author presents 'holistic score-card' framework.

Chapter six logically builds on the argument of why the social and economic structure in the world should be viewed as coconut instead of pyramid or flat-structure. Looking into the sources of India's soft power, the chapter highlights how 'capillary action road' to development can complement the 'corporate action path' and 'grounded praxis path' to development. Finally, in the seventh chapter, which is also the concluding chapter of the second part of the book, the author highlights a very interesting 'chapati making' model to analyze economic growth. Moving beyond the conventional left or right philosophies of economic development, the author emphasizes on the need to include 'soil and soul' as essential dimensions for balanced and inclusive development.

The third part of the book comprises five chapters. This section presents a number of strategic analysis tools and models covering both the strategic planning and implementation. Models and tools draw insights from existing knowledge in the subject area of strategic management (SM) for organizing the SM process. Use of innovative strategic analysis tools complement the conventional models and make it more comprehensive with process in-built considerations of synergy and contextual impact. Chapter eight provides the details of proposed 'BEST' model of SM, focusing on behavioral, economic, strategic and technical dimensions. It is quite interesting the way macro level economic and technological issues have been combined with micro level behavioral considerations and organizational level strategic outcomes in a dynamically interactive way. The BEST can also be used for changing industry scenario analysis. The BEST cube combines both the CK Prahalad's core competence and Michel Porters' five forces framework to shape an innovative tool, which can be used as a tool to analyze competition, competitiveness and performance at the same time. The author has linked competitive advantage to stakeholder happiness, which is a novel approach to bring the sustainability considerations in SM process.

Chapter nine offers analytical framework for analysis of strategy influencing factors. Building on authors' previous work, the proposed CINE matrix combines both internal and external factors with emphasis on their nature i.e. controllable and non-controllable. The proposed approach for applying CINE analysis at different levels of supply network complements Michael Porter's value chain or value system analysis, as it offers also the analysis of underlying factors that contribute to value at different levels. The interesting suggestion provided to apply the matrix makes the learning interesting. Chapter ten explains the concept of forward engineering in detail. The integration of rational-analytic with intuitive-creative approaches makes forward engineering distinct from the other approaches. The author has suggested METRIC strategic analysis for improving competitiveness. A number of innovating scenario mapping tools like FATE analysis, SO-SO window, SPOT analysis, etc. bring the contextual flavor in the process of SM. The proposed managerial science, forms the basis for forward engineering, it combines the knowledge and action, as suggested in Srimad Bhagwad gita, to make continuous improvement through cycle of learning, de-learning and re-learning.

The Chapter on Enterprise Performance Improvement System (EPIS) can be considered as an advanced version of current approaches to integrated performance management and control. The strategic analysis tools discussed in the previous chapter forms the basis for developing an EPIS in the given system, which in turn can be used to drive the FATE through continuous learning and improvement, a wonderful combination of Kaizen and strategic management. Chapter twelve presents a model and analytical tools

for organization development and management (ODM). The KPCL model explains the dynamics of forces and resources in shaping the modern organizations. VSP vector analysis, which can be considered as an advanced and more comprehensive version of McKinsey's 7s framework, provides an analytical framework to map the inter-relationship among the different elements in the organizations, which can guide the process of institution building and managing the radical changes.

Part four of the book, which comprises three chapters, elaborates the different ethical principles and concepts that act as foundations to shape the sustainable organizations. Chapter thirteen presents a number of ethics concepts for desired corporate behavior. Using TCP principles, the author presents a holistic worldview as a foundation for a new corporate model and links it to different approaches of ethics i.e. teleological, deontological and virtue ethics. In the proposed corporate model, the author links the vision of market, society and self, making it more realistic with wider stakeholder integration.

Chapter fourteen stresses on the character competence of the organization and presents the individual, organization and market ethics in an integrated manner. Linking the different levels of ethics, the author has conceptualized an integrated IOM framework based on holistic business view. The section on character competence moves beyond core competence and develops logical arguments on why we need to return to basic ethical routes to develop ethical organization in the changing world.

Chapter fifteen on holistic performance card of the orga-

nizations presents an integrated performance management framework, which partly draws insights from Balanced Scorecard. Links to higher order ethical and social responsibilities of the organization makes the approach more integrated in terms of measuring the ethical performance of the organization.

Finally, chapter sixteen, which is the only chapter of fifth and final section of the book, presents the concept of 'moon ocean strategy'. Moving beyond the conventional 'red ocean' and 'blue ocean' strategic approaches, the author elaborates how the moon ocean approach is a perfect fit for emerging global business environmental realities. Establishing interesting linkages between the type of strategy approach to strategic management, the author concludes that the Rishi approach to management leads to moon ocean strategy, which is beyond the myopic competitive considerations and forms the path for a higher order purpose for organization existence. Overall, it is an interesting book with a number of novel thoughts and ideas with systematic and scientific reasoning and thought-flow. It is important to note that this is, at least in my knowledge, the first well-organized strategic management book, that relies heavily on indigenous wisdom. Some of the concepts and models are extensions or modifications of conventional strategic management models. However, these models have been complemented with Indian management wisdom and thus, shape a well-knitted strategy framework for developing responsive, sustainable and ethical organizations. A must read for both academics and practitioners alike.

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9. References Examples

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