



GUJARAT TECHNOLOGICAL UNIVERSITY

MEETING THE CHALLENGES OF A GLOBALISED MARKET

**PERSPECTIVES OF CORPORATES,
FINANCIAL INSTITUTIONS,
GOVERNMENTS, EDUCATIONAL
INSTITUTIONS AND CIVIL SOCIETIES**



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FOREWORD

Developments in the way information can be gathered and disseminated around the world, at incredible speed, has changed the way most of the businesses operate today. It is becoming increasingly difficult to find companies that have a secure market share, or goals, objectives, and priorities which last longer than a month or two.

The lives and experiences of a large majority of people are grounded in local and national contexts and conditions. Yet those lives are being shaped by events, decisions and politics beyond national borders. People pay taxes for local and national healthcare. But some of the gravest threats to health arise from infectious diseases that respect no borders. People may vote for governments on the basis of their economic and fiscal policy. But the policies are heavily constrained by a global environment of financial flows, trade and investment, over which the national government may have only a marginal influence. Ours is a world of shared risks and common opportunities. The realities of mutual dependence and growing interconnection require a careful study of the environment, as it exists, of the directions and the pace at which it is changing and of the policies and forces, which can modulate the change.

If a shared vision leads to collective action, we can succeed in overcoming global problems. While we have developed new methods of communication and travel, the processes of building larger structures of human management, which can inspire wide-spread loyalties, has been a painfully slow process. The world is stuck in the Westphalian¹ system of nation-states. There were large multi-ethnic and multi-lingual administrative structures, like the British Empire and the Ottoman Empire. But they could not create a common historical context, in which every one could take pride.

French state was able to create a nation-state through creating a wide-spread public instruction system in French (even though, according to Hobsbawm, at the French revolution in 1789, 12-13% spoke French fairly and only about 50% spoke some French².) Many of the other states, created after the dissolution of the colonies of the 19th century, are struggling to become nation-states. The larger entities like European Union and the United Nations have not yet been able to take collective action as effectively as is required for facing new challenges. When meeting the global challenges is not possible at the global level, every nation-state is required to manage the system within its own boundaries, by coordinating with multi-national institutions, wherever possible. This may insulate, at least to some extent, the corporate houses, educational institutions and civil society institutions, located within the nation-state, from adverse effects of global challenges. But if the corporate houses, educational institutions and civil society institutions are multinational entities, and if the policies in different nation-states are not in harmony, the challenges may become more complex.

The goal of 'prosperity for every one' was not feasible in earlier ages, even though it was voiced by many philosophers. A combination of technological developments, peace and security, financial stability and international trade have made it possible today. There is an ancient Indian prayer³, which is recited by many Indians every day:

ॐ सर्वे भवन्तु सुखिनः
सर्वे सन्तु निरामयाः ।
सर्वे भद्राणि पश्यन्तु
मा कश्चिद्दुःखभाग्भवेत् ।
ॐ शान्तिः शान्तिः शान्तिः ॥

(O God, may all be happy.

May all be free from disease.

May every one see what is 'good'.

May no one suffer.

O God, let there be peace, peace, peace.)

¹Treaty of Westphalia (1648)

²Eric John Ernest Hobsbawm, a British Marxist Historiographer (1917-2012)

³http://greenmesg.org/mantras_slokas/vedas-om_sarve_bhavantu_sukhinah.php

Today due to technological development, ‘the world can provide enough to satisfy every one’s needs for living a life of dignity, but not enough for every one’s greed’⁴. Now when it is possible that every one may be able to live a life of dignity and freedom, the issue is whether we shall be able to manage globalization in a creative way to meet the goal.

The UN Millennium Summit of 2000 declared eight Millennium Development Goals, which were to be achieved by 2015. Agreement on common goals was a rare moment when the whole of the human-kind came together to voice a shared objective. However the follow-up conference in 2010 showed that the progress has been less than expected due to the failure of unified or even coordinated action by all the governments and due to the weakness of the UN system.

We do not have the luxury of possessing a framework for organization of the world’s affairs effectively. Nor do we have a philosophical underpinning for creating it. The Marxist philosophy has failed to create a utopia, it promised, in spite of the huge tolls in human suffering offered to the gods of Marxism in the Stalin’s gulags and the ‘famine’ in China during the sixties. Ayn Rand’s philosophy, outlined in ‘Atlas Shrugged’ and other writings of hers, has a miniscule but passionate following. But during the last fifty five years, after the publication of the book, her followers have not been able to generate a coherent and actionable roadmap for creating a world, of the kind she had described in her books.

In the turbulent world of today, while the over-riding goals of creating a new world-order have become a part of the fuzzy past, the world is moving inexorably and at an increasing pace towards globalization of all aspects of human life

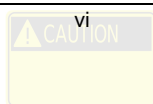
Globalization has brought to the fore issues, which can only be solved through a global action. If every nation and sub-nation could avoid short-cuts and adopt the longer but more effective Gandhian path, we can deter International terrorism. We can stop the spread of infectious diseases only through global action. Jointly we can slow down global warming. The attacks on Internet can only be prevented by a unified global structure. Creating gated and secure communities, which may be unaffected by the misery outside, is both costly as well as ineffective. The only way out is to continue to work at all levels, starting from individual level and going towards global action. In some cases, individual action by nearly all the governments and some coordinated efforts have been taken in a crisis situation. A recent example is of the global melt-down in 2008. It began in USA and the governments of the whole of the world and the multinational institutions have been working to cope with the storms it has caused in every region on the earth. On September 15, 2008, Lehman Brothers Holding Inc filed for bankruptcy, the world realized that the US government, burdened with an unprecedented large public debt, would not rescue companies, which had become one of the pillars of the world’s economy. However soon the governments found that the slide-down could not be allowed to continue and huge-packages to save crumbling firms or to save the whole of the national economies became necessary.

The crisis called attention to major excesses of leverage and poor liquidity management. Basel III aims to address these problems to make the system more resilient. It retains the core feature of the Basel framework, i.e., the capital charge system with multiple risk weights. It identifies numerous problems that contributed to or emerged during the crisis and proposes new and often more detailed rules in the hopes that these will avoid a recurrence of such problems. It constructively addresses some problems but it also adds greatly to complexity. In doing so, it overrides management discretion in many areas with internationally agreed rules and formulae designed to be appropriate for all regulated institutions in all countries. The transition period for its main elements is extremely long.

From Indian Banks’ point of view, RBI already had Statutory Liquidity Ratio (SLR), as a regulatory mandate. The statutory liquidity portfolio of Indian banks is constituted only for moderate risks and it is excluded from leverage ratio. The tier I capital of many Indian banks is comfortable (more than 8%) and their derivatives activities are not very large. So leverage ratio cannot be a binding constraint for Indian Banks.

The net effect that Basel III will have on Indian Banks is that these Banks will have to find additional sources of capital. This is not going to be easy even though banks have been told to ensure compliance in a phased manner commencing from January 2013 and ending on January 2015.

⁴Based on a remark attributed to Mahatma Gandhi by a first-hand witness, Pyarelal, in a chapter entitled “Towards New Horizons” in Part II of “Mahatma Gandhi –The Last Phase (1958 and later editions)”.



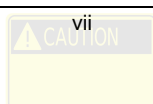
The issue of whether the government should infuse the additional capital in public sector banks (PSBs) and the issue of cost-benefit trade-off and the opportunity cost of the capital to the government are areas of study.

This Proceedings is bringing together the work that the researchers, who are studying these larger issues, have presented at the conference. I guess the hope is that such studies will lead to more rational policies at every level so that we are able to have a better world tomorrow.

Akshai Aggarwal

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PREFACE

Globalisation has become a basic theme to work upon in today's economic scenario. When a nation wants to outperform in areas of development, it can't but to take notice of current global situations. As of today, no economy whether developed or developing ignore to brainstorm upon surging global issues in order to sustain it. Now a days, corporate houses, financial institutions and even educational institutions are thinking and making decisions at global parameters. It seems that national boundaries have become lines on maps only. "Vasudev Kutumbakam" meaning the Whole World Is My Family, is becoming a truth in this context. Thus, this elicits our motto for this conference on ***Meeting the challenges of a Globalised Market: Perspectives of Corporates, Financial Institutions, Governments, Educational Institutions & Civil Societies***.

Prominent academicians like Dr. Hemant Trivedi, Director, PDIPM, Gandhinagar, Dr. Kiran Joshi, Profesor, MS Patel Institute of Management, MS University, Baroda, Prof. Varun Arya, Director, Aravali Institute of Management, Jodhpur Dr. Wankhede G.G., Professor and Chairperson, Center for Higher Education, School of Social Sciences, Dean, Social Protection Office, Tata Institute of Social Sciences, Mumbai, Dr. Arvind Gupta, former Professor, Institute of Rural Management, Anand, Dr. C.S. Adhikari, Dean Academics, ITM Kharghar, Mumbai, Dr. Sarla Achuthan, Director, B.K. School of Management, Ahmedabad, Dr. J.P. Joshipura, Director, Som Lalit Institute of Management, Ahmedabad, Prof., Dr. Kiran Joshi, Professor, MS Patel Institute of Management, MS University, Baroda, Dr. S.O. Junare, Director, NCIM and dean, Faculty of Management, Dr. S.C. Reddy, Director, Marwadi Institute of Management, Rajkot and Dean Faculty of Management, GTU have brought clarity of thoughts regarding various parameters of our discussions.

Corporate leaders like Mr. Shashikant Patange, Head HR, Linde Engineering India Pvt. Ltd, Mr. S.K. Rajjada, President (Corporate HR and Management Services), Piramal Glass Ltd., Mumbai (Chair Person), Mr. B.K. Basu, CEO, LNT Sargent Ltd, Dr. V.R. Narasimhan, CEO, Kotak Mahindra Pension Fund, Mumbai, Mr. Rajat Dutta, Executive Director, Motilal Oswal Investment Advisors (P) Ltd., Mumabi, Shri D.C. Anjaria, Director, GSFC, GIFT and former Director, Standard Chartered Bank, Citi Bank, (Chair Person), Dr. Jinesh Panchali, Sr. Vice-President, FTKMC, Mumbai. Mr. S.R. Kulkarni, Head (HR), LNT Power, Baroda, Vibhuti Bhatt, Director, One Advertising Ltd., Ahmedabad, Dr. P.V. Desai, Managing Director, PLACON CMS Pvt. Ltd. and Academic Advisor, Ahmedabad Management Association gave us those professional inputs & outlooks which can provide us some real line of actions.

We specially acknowledge great contribution of Prof. Samo Bobek of University of Maribor, Slovenia, Emeritus Professor A.D.V. de S. Indraratna, President Sri Lanka Economic Association, Dr. Juergen Schneider, Germany, member of Pan-Pacific Business Association, Nebraska, USA, and the International Forum of Consulting Science, Zurich, Switzerland, Prof. Dr. Ulrich Schaermeier, Vice Dean, UAS Bielefeld, Department Business and Health Care, Dr. Mumel Damijan, Professor and Dr. Pisnik Korda Aleksandra, Assistant Professor, University of Maribor, Faculty of Economics and Business, University of Maribor, Slovenia.

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I am grateful for constant support & guidance of Dr. Akshai Aggarwal, Hon'ble Vice-Chancellor, Gujarat Technological University, Ahmedabad, Dr. J.K. Patel and Dr. Devanshu Patel, Parul Arogya Seva Mandal, Waghodia, Baroda. I acknowledge the support from all officers of Gujarat Technological University led by Dr. Gitesh Joshi and in particular, Prof. Almas Juneja, Mr. Hemanshu Raval, Ms. Krutika Desai and Ms. Hema Rajput of Conference wing of GTU and all faculty members and staff of Parul Institute of Management and Research, PIET-MBA, PIM and Staff of Parul Trust. My special thanks are to all experts who carried out blind reviews. I am indebted to all members of International Advisory Committee and Indian Advisory Committee of the conference who lent their guidance and support throughout the conference. I must acknowledge invaluable support rendered by Smt. Shakun Aggarwal in organising the conference in multiple ways.

Dr. P.G.K. Murthy
Convener for Second International Conference
Dean, Faculty of Management,
Gujarat Technological University and
Director, Parul Institute of Management and Research





Dr. J.K. Patel, Chairman
Parul Arogya Seva Mandal
Limda, Waghodia, Baroda, India

MESSAGE

I am very glad to note that Management Institutes of Parul Group in collaboration with Gujarat Technological University, Ahmedabad are organizing Second International Conference on *Meeting the Challenges of a Globalised Market: Perspectives of Corporates, Financial Institutions, Governments, Educational Institutions and Civil Societies* on 23rd, 24th & 25th January 2013 at GTU Campus, Chandkheda, Besides Vishwakarma Engineering College, Ahmedabad. It gives me immense pleasure to see active interaction of prominent academicians from India and abroad and top notch professionals from Corporate Sector at the Conference spread over Three days. The conference has gained greater popularity with eminent personalities from different Universities of different countries like Sri Lanka, Germany, Slovenia, Israel, Mexico have submitted their papers for the conference. The theme of conference has direct relevance to all sections of society. I wish that deliberations of the conference are fruitful and beneficial to all the delegates of the conference.

Vision of Parul Arogya Seva Mandal is to be “Gurukulum–par-excellence” and organizing International conference is a step in that direction.

I am happy to note that Conference Proceedings are being published by Excel Publishers with ISBN: 978-93-82062-91-2 adding credibility to the Conference. I wish that the Conference is a grand success.

Dr. J.K. Patel

