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Linkage between Efficiency of Assets Management and Profitability during the Post-Liberalization Era : A Study on Select Companies of Indian Public Sector

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The public enterprises being an integral part of the Indian economy have been facing challenges during the post-liberalization era relating to deregulation, globalization and liberalization adopted by the central government. In fact, public sector undertakings have to reorient their strategies to survive in the highly competitive environment of present day scenario, when the matter of designing appropriate strategies for improving efficiency of assets management in accomplishing the wealth maximization objective of corporate is of utmost importance. The way in which assets are managed can have a considerable impact on profitability of the company. The efficiency with which assets are managed is gleaned from turnover ratios. In fact, it is an empirical question whether a high value of turnover ratio has a positive influence on the company's earning capacity. In this backdrop, the present study seeks to analyze the linkage between efficiency of assets management and profitability of ten selected public sector enterprises during the period from 1997-98 to 2011-12.

Keywords : Public Sector, Liberalization, Efficiency, Assets Management, Profitability.

Introduction

The Public Sector Enterprises (PSEs) have been playing an important role in making a strong foundation of industrial development of the country and contributing significantly towards the growth of the Indian economy especially during the post-independence scenario. In fact, the PSEs have been performing a significant role towards the development of infrastructure especially in economically backward areas of the country. But with the advent of liberalisation, privatisation and globalisation the PSEs have been forced to reorient their strategies for managing the turbulence arising out of tremendous competition in the post-liberalization era. Some of them have been able to adapt

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Examining the Profitability of Value Stocks in Indian Stock Market – An Empirical Analysis

Jaspal Singh* & Kiranpreetkaur*

Using the data on stocks listed on Bombay Stock Exchange for the period spanning from 1996 to 2010, the present paper intends to examine the relevance of stock selection based on tangible book value rule of Benjamin Graham in Indian capital market. This valuation metric is aimed at buying the securities whose prices are lesser than the tangible book value of the assets of the company. The returns derived from the stocks meeting the criterion are analyzed using one sample T-test, capital asset pricing model (CAPM). The results revealed that the portfolio selected on the basis of this criterion provided significantly positive mean market adjusted returns in maximum number of years when the holding period of the portfolio is extended from 12 months to 24 months. The significant abnormal returns derived through CAPM model, however, cannot be considered conclusive due to lesser explanatory power of the model. Nevertheless, the portfolio showed lesser volatility than the market portfolio thereby implying that the fund managers can also use it as an investment tool for risk management due to lesser risk and positive market adjusted returns.

Keywords : Value investing, Benjamin Graham, Net Current Asset Value Rule, One Sample t-test, Capital Asset Pricing Model.

Introduction

The basic aim of any investor is to maximize its return and minimizing the risk involved. In order to maximize the returns of the investors, Graham and Dodd (1934) introduced an approach towards investing, whereby the securities that have higher intrinsic value than their market price are bought and held by the investors. The basic premise of value investing is to invest in stocks that are trading below their true value (or intrinsic value). The difference between the stock's intrinsic value and the market value is called as margin of safety. The investor must invest in the stocks which have significant gap in its market price and the intrinsic value so that the margin of safety can protect him in the event of a huge downturn. According to Graham and Dodd (1934), "A company's intrinsic value is assessed through the tangible book value of the company and

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Employee Empowerment in Indian Banks : An Empirical Study

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The aim of the present study is to assess and compare the level of employee empowerment among managers of public sector, private sector and foreign banks operating in India. Employee empowerment was measured with respect to two dimensions viz., 'participative decision making' and 'self-efficacy'. The results of the study revealed that the level of overall employee empowerment were found at moderate level in the three banking sectors that too without significant variation. The same is the case with 'participative decision-making'. 'Self-efficacy' was also found at moderate level but with significant difference between the three banking sectors. It was found at significantly higher level in private sector banks followed by public sector banks and foreign banks operating in India.

Keywords : Employee Empowerment, Participative Decision-making, Self-efficacy, Indian Banks.

Introduction

In today's highly competitive marketplace, HR professionals and managers must ensure that 'people practices' of their organizations are designed to give employees the skills, capabilities and motivation to win over in every situation. One way to achieve this objective is to empower employees for optimum performance and job satisfaction. Employees should be empowered because it is through empowerment that an organization will develop a culture which reflects employee commitment in order to survive, grow, compete and face challenges posed by globalization with confidence (Sahoo, Behera & Tripathy, 2010). When employees experience empowerment and see the impact their jobs are having on the organization, they identify more with the goals of the organization and as a result are more committed to it (Elloy, 2012). Empowerment allows employees to assume different roles and responsibilities in the organizations and thus exert a greater influence at work while enjoying increased autonomy. Empowerment is thought to leave employees optimistic, involved, committed, able to cope with adversity, and willing to perform independently and responsibly (Hardy & Leiba-O'Sullivan, 1998). According to Kanter

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Empirical Testing of CAPM for Central Public Sector Enterprises in India

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This paper focuses on the estimation of the Central Public Sector Enterprises (CPSEs) return for the period of 1993-94 to 2012-13 using the Capital Asset Pricing Model (CAPM) framework and also to compare the CAPM return with that of the annual return. The PSEs are selected on the basis of the companies consistently quoted in the BSE stock exchange for the period of 1993-94 to 2012-13. The paper attempts to compare the select public enterprise returns with that of the private enterprises operating in the same line of activity. Further, this study uses the stock market price index, BSE Sensitive Index to represent the general market. In literature, the test of CAPM was carried out by using 'realized' return of stock on the assumption that the expectations are on average and assumed to be constant. Further, the paper points out that by a suitable reformulation, the test of CAPM based on realized return coincides with the test of CAPM based on expected values of stocks. Hence this study attempts to carry out the tests of CAPM on realized stock return. The analysis shows that the majority of the PSE stocks under analysis have not rewarded investors appropriately.

Keywords : Annual Return, Capital Asset Pricing Model, BSE Sensex, Realized Stock Return, Central Public Sector Enterprises.

Introduction

Central Public Sector Enterprises (CPSEs) in the 1970s and 1980s were directed towards achieving the goals of the government at the helm and ignoring the concept of business and profit motive. Dictated by the pragmatic compulsions of the Liberalization, Privatization and Globalization (LPG) in the post-liberalisation scenario, PSEs are being subjected to the forces of market discipline which has a loaded message to perform or perish. Ever since the deteriorating fiscal deficit followed by the gradual withdrawal of budgetary support of the government during the 1990s compelled the PSEs to generate its own resources for its sustenance and to provide returns on the investment made by the government. Additionally, crippled by the lack of timely upgradation in technology sans the requisite manpower talent, the PSEs

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Performance Evaluation of Micro-insurance Activities : An Empirical Study

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Consequent on the introduction of a regulatory framework for the development of a micro-insurance market in India by the IRDA in 2005, the life insurance companies have started offering micro-insurance products. The present study, on the basis of information available for 2012-13, tried to evaluate the performance of six life insurers in respect of their micro-insurance activities. The efficiency estimates have been calculated using bootstrap DEA which enables the comparison of both point and interval estimates of efficiency.

Keywords : Micro-insurance, DEA, Bootstrap, Performance Evaluation.

The background

In the Indian economy, a substantial section of the population is excluded from the benefits of financial system due to poverty, illiteracy and a host of related factors. It is generally agreed that provision of micro-insurance can enable the weaker section of the society to shield themselves from the income/wealth loss shocks in a significant manner. Micro-insurance can be defined as a financial arrangement made by a service provider for protecting the low income segments of the society against specific risks like loss of life/income/property etc. at an affordable cost. While micro-insurance activities in India were present since the nineties because of initiatives taken by NGOs/trusts/hospitals, a comprehensive approach to develop the micro-insurance market was not seen due to the absence of any market regulator in the insurance sector. The vacuum was sought to be filled up by the Insurance Regulatory Development Authority (IRDA) through the introduction of rural social sector obligation in the IRDA Act, (2000) and later on by promulgating the IRDA Regulations on Micro-insurance. In the subsequent years, the life insurance companies active in the Indian market introduced a slew of products to promote the growth of micro-insurance market in India. Against this backdrop, the objective of the present study is to benchmark the performance of life insurance companies engaged in micro-insurance activities through Data Envelopment Analysis - a non-parametric approach. However, the present study also seeks to provide a statistical interpretation of the results through the use

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Trends in Asset Management Efficiency in Maharatna Central Public Sector Enterprises : A Cross-Sectional Analysis

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The Central Public Sector Enterprises (CPSEs) have been a strategic lever for Indian economic development in post-independence periods. Since liberalisation, CPSEs have been exposed to competition from domestic and multinational corporations and has to reorient business strategies and benchmark their performance with the best practices prevailing in the global environment. A large number of studies have been carried out on the analysis of financial performance of Indian public sector enterprises in which along with other aspects of financial performance the efficiency of asset management has been considered. However, in the post-liberalisation period the issue connected with the efficiency of asset management of the companies belonging to the Indian public sector has not been addressed with due importance. Moreover, the outcomes derived from the studies so far made on the topic are contradictory in nature and therefore, the studies have not been able to provide any definite conclusion. Further, no significant study has so far been conducted to deal with the same matter relating to the Maharatna CPSEs in India in the recent times although these enterprises have been making remarkable contribution towards developing the Indian economy. In this backdrop, the present paper attempts to make a cross-sectional analysis of the Maharatna CPSEs in respect of the efficiency of their asset management during the period 2004-05 to 2013-14.

Keywords : Maharatna, Asset Management Efficiency, Value Generating Capability.

Introduction

A company usually utilises its funds in two ways : (a) by making investment in fixed assets and (b) by making investment in working capital. So, the value generating capability of the company largely depends on the efficiency with which fixed assets and working capital are managed. In other words, the success of a company stems from the skilful utilization of its funds. Generally,

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Talent Development Process of CPSEs : A Reflection on Practices and Requirements

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Globally organizations are now facing the challenge of competition and sustainability. Operating environment in organizations, across the globe is also getting increasingly complex for continuous change in technology, and business processes. To manage such complex operating environment, organizations now leverage their talent pool. But talent pool need not represent all cross-sections of employees of the organization, it may consist of those few employees, who are more productive, efficient, and contribute even at exceed expectations level of performance. In India, developing the talent pipeline for ensuring continuity of talent supply within the organization is always an integral business practice for Tata, HUL, ITC, and public sector enterprises like SAIL, ONGC, NTPC, BHEL, etc. Other organizations followed the practice of lateral hire for meeting their time to time talent requirements. However, with increased spate of competition particularly after global mobility of talents, many organizations have now changed their traditional practices, and focus on incubating talent in-house for building their talent pipeline. This paper tries to focus on talent development practices of Indian organizations and then suggest the ideal talent development practices with more inclusive approach. This study is based on direct compilation of information through successive visits and interaction with the HR team members of two CPSEs, who are operating for more than fifty years. No standard questionnaire was used, rather understanding of the organization specific issues were through structured discussions.

Keywords : Human Capital, Talent Retention, Talent Acquisition, Talent Development, Talent Pipeline, Talent Management.

Introduction

Human capital concept *per se* is a transition from control to commitment approach in human resource management literature. Organizations invest in human capital to get incremental change in their business results. Often organizations use the term human capital management interchangeably with talent management. Viewing people as a resource for the organization embeds with our mindset of exploitation. Contrarily viewing people as capital

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Legal Issues in Payment and Settlement System : Implication for Banking Industry

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Banks play an important role in the economic prosperity of a nation. The health of the economy is closely related to the soundness of its banking system. Indian banking structure has undergone remarkable changes since the beginning of financial reforms in 1990. Technology has enabled banks to overcome the barriers of time and space in extending their services to the customers which had an impact on Indian payment and settlement systems. The present paper make an attempt to study the legal aspects of payment and settlement act and to analyse the performance of different types of payment systems in India and its overall impact on the banking sector. It is found that the RBI is taking significant steps towards ensuring the smooth progress of the payment system in India and the Payment and Settlement Systems Act, (2007) and the Payment and Settlement Systems Regulations, (2008) framed thereunder are providing the necessary statutory backing to the RBI for undertaking the oversight function over the payment and settlement systems in the country. The study further found increase in different types of e-payments in the country. But still more efforts are required to encourage the use of e-payments.

Keywords : Bank, Payment, RBI, System, Technology.

Introduction

Banks play an important role in the economic prosperity of a nation. The health of the economy is closely related to the soundness of its banking system. Indian banking structure has undergone remarkable changes since the beginning of financial reforms in 1990. After reforms, the Reserve Bank of India (RBI) has laid special emphasis on technology infusion in the day-to-day operations of banks. Technology has enabled banks to overcome the barriers of time and space in extending their services to the customers. By and large, banks in India are using Information Technology (IT) not only to improve their own internal processes but also to increase facilities and services to their customers. IT has transformed the Indian banking by opening new cost saving, risk reducing and profit-making strategies.

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Productivity Analysis of Public Sector Banks and the Regional Rural Banks in India

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The paper is an attempt to understand the comparative productivity picture of Public Sector Banks (PSBs) and the Regional Rural Banks (RRBs) in India. The study unveils that PSBs position is better in branch productivity, staff productivity, employee and branch-wise income and expenditure in comparison to Regional Rural Banks in the country. Comparative profit scrutiny of the two banks signifies that PSBs average per branch profit is more than 10 times of the RRBs in the country. Similarly, the average profit per employee in PSBs is 3.75 times more than the profit per employee of RRBs. Overall, it focuses that RRBs are lagging behind in comparison to Public Sector Banks in the productivity performance and it needs more understanding of banking business operations in the rural and backward areas. Productivity in PSBs and RRBs has a huge gap and RRBs need to think explicitly to reduce the existing gap of yield.

Keywords : PSBs, RRBs, Productivity, Staff, Branch, Income, Expenditure, Profit.

Introduction

The Government of India entered in the banking business after the nationalization of the Imperial Bank of India which is presently known as State Bank of India. The major phase of bank nationalization took place in 1969 when 14 major banks were brought under the control of the government. The straightforward motive behind the bank nationalization was to expand banking branches and to provide financial services throughout the nook and corner of the country. It was thought that, to develop rural India banking sector must reach to all classes of people in the country, although till then banking facilities were highly concentrated in the urban and city areas and were primarily adored by the rich section of the society. It was a major step in the Indian banking history especially in the expansion of commercial banking branches in rural areas and the strengthening of rural economy through financial mobilization. Simultaneously along with the already existing co-operative banks and commercial banks in the country, government also contemplated the need for establishing a new kind of financial institution primarily targeting the bottom

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