SJBIR

ISSN (online) : 2319-1422

SAARJ Journal on Banking & Insurance Research (SJBIR)

Published by
South Asian Academic Research Journals
A Publication of CDL College of Education, Jagadhri
(Affiliated to Kurukshetra University, Kurukshetra, India)

SJBIR ISSN (online) : 2319-1422

Editor-in-Chief : Dr. Priti Pandey

Impact Factor	:	SJIF 2018 = 5.97
Frequency	:	Bi-Monthly
Country	:	India
Language	:	English
Start Year	:	2012

Indexed/ Abstracted : Ulrich's Periodicals Directory, ProQuest, U.S.A.
EBSCO Discovery, Summon(ProQuest), ISC IRAN
Google Scholar, CNKI Scholar, ISRA-JIF, GIF, IIJIF

E-mail id: sjbir@saarj.com

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The vision of the journals is to provide an academic platform to scholars all over the world to publish their novel, original, empirical and high quality research work. It propose to encourage research relating to latest trends and practices in international business, finance, banking, service marketing, human resource management, corporate governance, social responsibility and emerging paradigms in allied areas of management including social sciences , education and information & technology. It intends to reach the researcher's with plethora of knowledge to generate a pool of research content and propose problem solving models to address the current and emerging issues at the national and international level. Further, it aims to share and disseminate the empirical research findings with academia, industry, policy makers, and consultants with an approach to incorporate the research recommendations for the benefit of one and all.

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DOI MUNBER: 10.5958/2319-1422.2019.00015.8

IMPACT OF INNOVATIONS ON INDIAN BANKING SECTOR

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ABSTRACT

Indian banking sector tap the lives of millions of people and it is rising at a quick pace. Banking industry in India is confronting number of challenges like varying desires and opinion of customers, new policy from time to time and immense advancement in technologies. The stress of meeting these challenges has forced banks to modify the old methods of conducting business. The paper focuses on how the technology has altered the visage of banking in India. India's banking industry has witnessed a number of key financial innovations in the past decades which showed the way to incredible enhancement in services and operations of banks. A range of advancement in banking and financial segment are Electronic Clearing System, Real Time Gross Settlement, Electronic Fund Transfer, Debit cards and Credit cards, ATMs, mobile banking, online banking and various others. Banks have spent greatly in taking up of these advancements. The need of hour is to design such a system that encourages the efficiency of investment in innovations and widens the gap between revenues and costs involved with reference to technological up gradation.

KEYWORDS: *Banking Industry, Financial Innovations, Technologies.*

INTRODUCTION

Banks have traditionally been in the forefront in attaching technology to improve their products, services and efficiency. The development of information technology has a gigantic effect on development of banking services. Customer can access their bank account, buy financial products and services online and can transfer funds as well with the help of internet banking. This is called "transactional" online banking (Sathye, 1999). Internet banking is nothing more than traditional banking services delivered through an electronic communication backbone, viz, Internet. As a result of wide use and availability of computers and internet, banks is using internet as a channel for receiving instructions and delivering their products and services to their customers. The range of products and services offered by different banks vary widely both in their content and sophistication. It is equally important that banks should give due consideration to the security and privacy related matters concerning the use of internet banking. It is very difficult for both the customers and the banks to determine the best approach to use of online banking. Slowly but steadily, the customers in India is moving towards Internet banking. Karake Shalhoub (2002a and 2006b) has studied a number of US-based pure play firms and has identified two main categories i.e. privacy and security as the main determinants of trust in electronic commerce/internet banking. In India a s well trust plays an important factor for the success or failure of internet banking facility. Privacy has long been defined as the right of a person to be left alone and to be able to have control over the flow and disclosure of information about him or herself (Warren and Brandeis, 1890). Some of the earliest studies in the field considered 35-plus customers are adult (Al-Alawi, 2005) and some 50-plus segment of the population as "adult" market JIBC August 2010, Vol. 15, No.2 - 3 - (Bartos, 1980). In this study adult person is considered having the age of 18 years of above. In India, generally people of 18 years and above are more technology savvy and they use more of internet facilities. Purpose of this paper is to gain an understanding of the acceptance of online banking in an Indian market where the 70% population reside in rural areas and 30% population reside in urban area of the country (Gerrard and Cunningham, 2003). In this paper investigation will be done on the customer perception towards internet banking.

FINANCIAL INNOVATION

Financial innovation is answer to continued existence of banks in modern banking atmosphere. The significance of financial innovation is extensively acknowledged. Many leading researcher, including Miller (1986) and Merton (1992), have stressed the significance of products and services in the financial field. Innovative thoughts are apparent in varied industries and in diverse forms. For example innovation in product development has been used by banks. Right from the commencement stage of financial transformation innovations have been playing significant role in restricting financial exclusions and developing the methods of rendering banking services to community. Financial innovation has been used to portray any change in the level, range and delivery of financial services.

New products, build up improved process, and apply more valuable solution for progressively more multifaceted financial problems are essential due to increase in competition. These financial innovations are an outcome of numeral Government policies, tax policies, liberalization, privatization, globalization, assimilation with the international financial market and mounting risk in the domestic financial market. Financial innovation is the procedure in the course of which value is added to the already available products that accomplish the customer requirements.

According to John Finnerty, "Financial Innovation involves the design, the development, and the implementation of innovative financial instruments and processes, and the formulation of creative solutions to problems in finance". A range of advancement in banking and financial segment are Electronic Clearing System, Real Time Gross Settlement, Electronic Fund Transfer, Debit cards and Credit cards, ATMs, mobile banking, online banking, utility bills payments etc. and various others value added services.

Immense competition between the banks has redefined the notion of the whole banking system. The banks are searching for innovative methods not only to magnetize but also to hold the customers and achieve competitive benefit over their competitors. The banks are also seeking innovative sales modus operandi and sophisticated marketing paraphernalia to achieve domination. The core driver of this transformation is varying customer requirements and expectations. Customers in urban India would not like to kill time in long queues and expend hours in banking transactions. This has resulted in the development of ATMs, mobile banking and net banking along with accessibility of banking service at the doorstep of the customers. The advancement in Information technology and communications has changed the functioning of banks entirely.

REVIEW OF LITERATURE

Financial innovations lower cost of capital, reduce financial risks, improve financial intermediation, and hence welfare enhancing. The primary function of financial system is to facilitate the allocation and deployment of economic resources in an uncertain environment (Merton, 1992). Financial innovation is helpful in ensuring smooth functioning and improves the overall efficiency of the system by minimizing cost and reducing risk. More generally, financial innovation has been a central force driving the financial system toward greater economic efficiency (Merton and Bodie 2005).Avasthi & Sharma (2000-01) have analyzed in their study that advances in technology are set to change the face of banking business. Technology has transformed the delivery channels by banks in retail banking. It has also impacted the markets of banks. The study also explored the challenges that banking industry and its regulator face. B. Janki (2002) analyzed that how technology is affecting the employees' productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concludes that technology is the only tool to achieve their goals. Technological change and the advent of the internet are among the most dramatic and challenging areas of change for the sector. Technological innovations have shown the increased productivity as stated by Rishi and Saxena (2004). Study identified that technological innovations in the banking sector in industrialized countries have been shown to increase productivity of banking industry around the world. Arora(2003) highlighted the significance of bank transformation. Technology has a definitive role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various banks in India. Hua G. (2009) investigates the online banking acceptance in China by conducting an experiment to investigate how users' perception about online banking is affected by the perceived ease of use of website and the privacy policy provided by the online banking website. Jalan, B. (2003), IT revolution has brought about a fundamental transformation in banking industry. Perhaps no other sector has been affected by advances in technology as much as banking & finance. It has the most important factor for dealing with the intensifying competition & the rapid proliferation of financial innovations. Mittal, R.K. & Dhingra, S.(2007) studied the role of technology in banking sector. They analyzed investment scenario in technology in Indian banks but this study was related to the time period before the Information Technology Act and at that time technology in Indian banks was very low. But both the researchers nicely presented their views. Padhy, K.C. (2007) studied the impact of technology development in the banking system and he also highlights the future of banking sector. The core competencies will provide comparative advantages.

From the above reviews it is observed that the banking industries itself adopted various innovative schemes for furtherance of their business and to attract more and more customers. These has resulted their sustainability and keep their brand image even in the competitive environment. Further, technology is one of the important segments where maximum stresses are provided for dissemination of innovative ideas and it is observed that major innovation took place in this field in recent years.

OBJECTIVE OF THE STUDY

- To study the contribution of innovations in the development of Indian banking.
- To study the challenges faced by Indian banks in the changing situation.

INNOVATIONS IN BANKING SECTOR

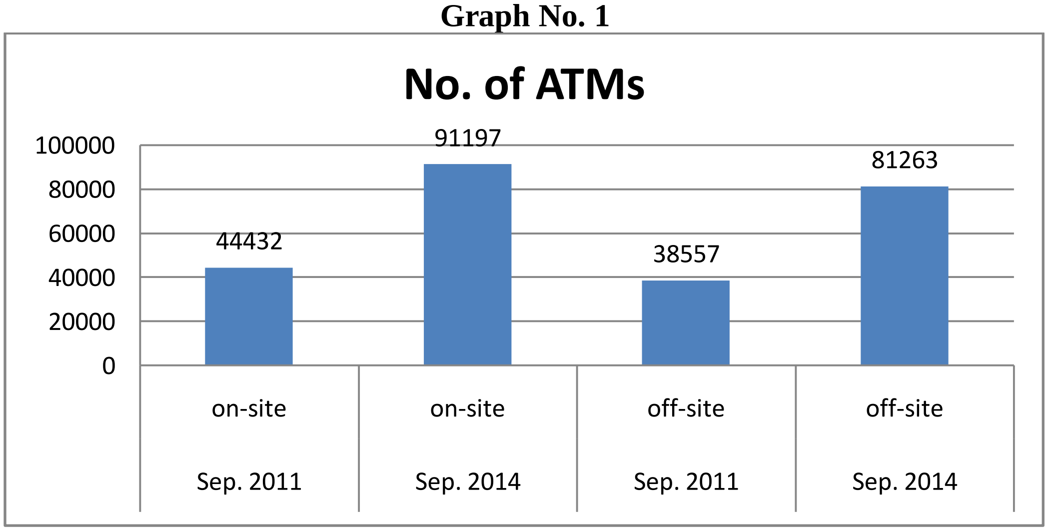
Automated Teller Machine (ATM)

An Automated Teller Machine (ATM) is a computerized telecommunications device that performs both cash and non-cash transactions in a totally secured environment. The transaction includes deposits, withdrawals, balance enquiry, transfer of funds between accounts, bill payment etc.

ATM can be located in the bank premises or anywhere outside bank premises. Banks need not acquire consent of the RBI for setting up of ATMs at branches and extension counters. They can also set up offsite ATMs without RBI consent.

However, banks should get a license from the regional office of DBOD (Department of Banking Operations and Development) of RBI, before operational zing the ATM, so as to conform to the Section 23 of the Banking Regulation Act.

Graph No. 1



Source: Report on Trend & Progress of Banking

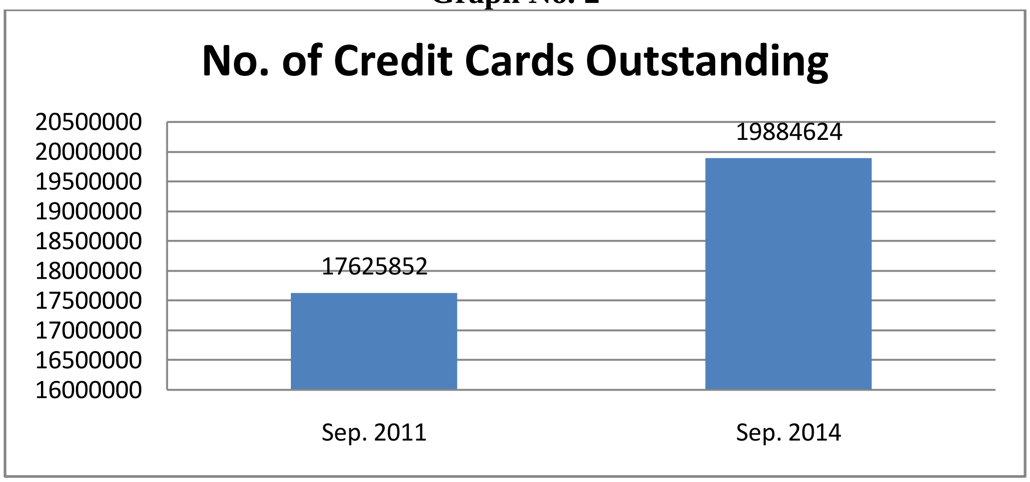
The above indicates that the number of on-site as well as off-site has increased in last three years. The increase is number of ATMs is more the two times.

Debit Card and Credit Card

A debit card is an electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services. This removes the need for bank clients to go to the bank to remove cash from their account as they can now just go to an ATM or pay electronically at merchant locations. This type of card, as a form of payment, also removes the need for cheques as the debit card immediately transfers money from the client's account to the business account.

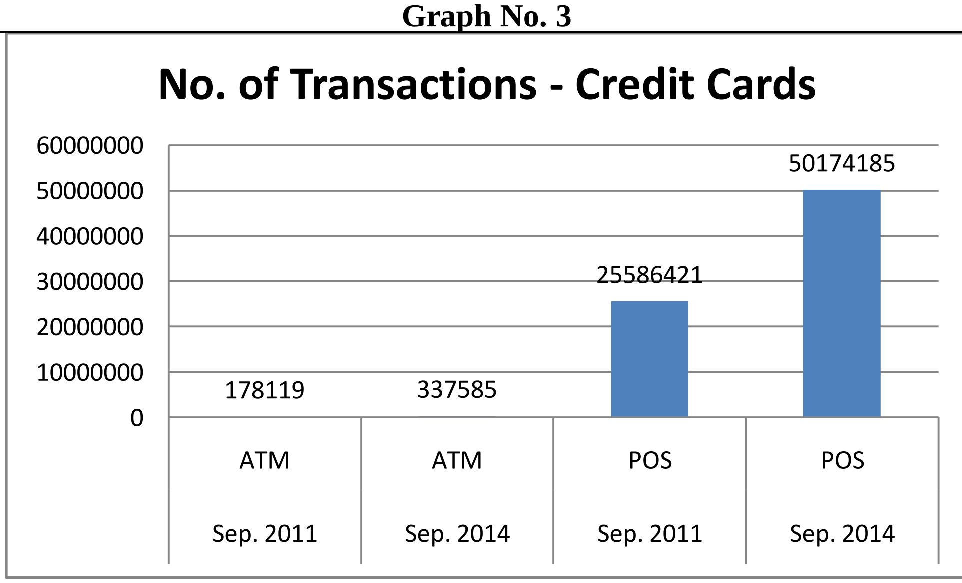
A credit card is issued by a financial company giving the holder an option to borrow funds, usually at point of sale. Credit cards charge interest and are primarily used for short-term financing. Interest usually begins one month after a purchase is made and borrowing limits are pre-set according to the individual's credit rating.

Graph No. 2



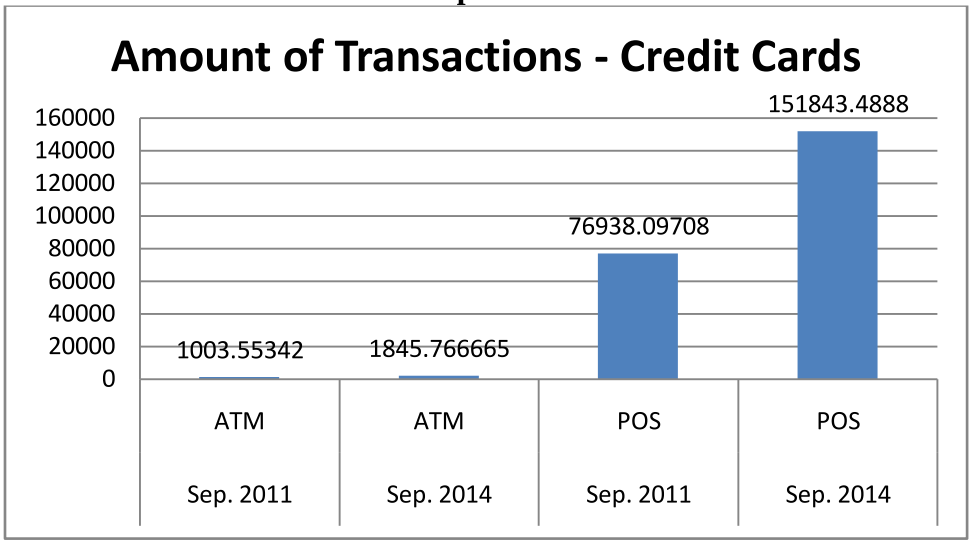
Source: Report on Trend & Progress of Banking

Graph No. 3



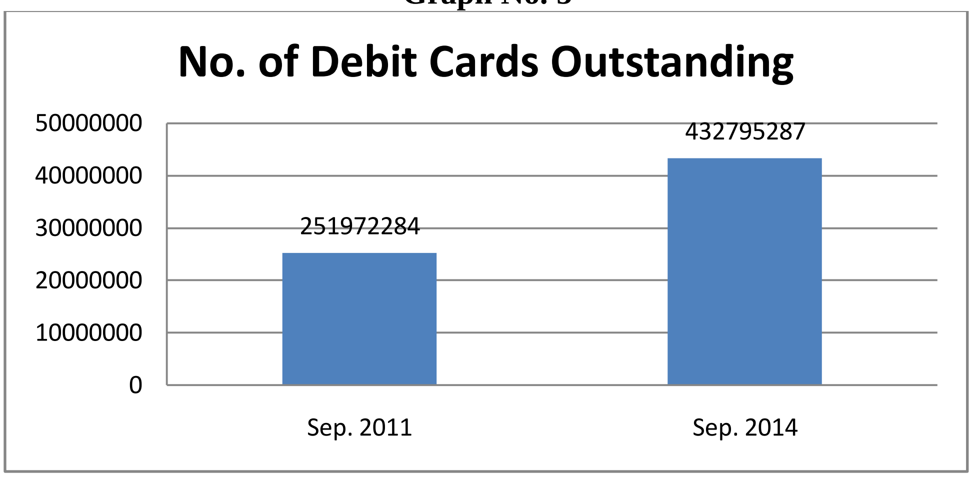
Source: Report on Trend & Progress of Banking

Graph No. 4



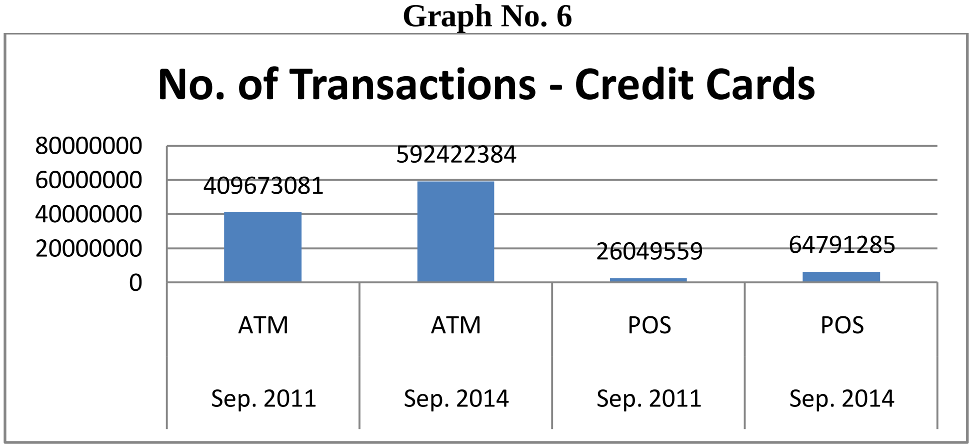
Source: Report on Trend & Progress of Banking

Graph No. 5



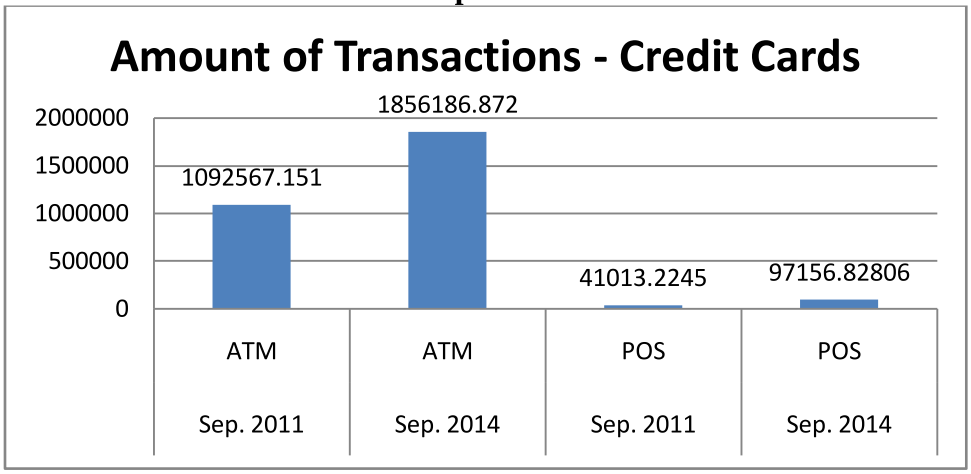
Source: Report on Trend & Progress of Banking

Graph No. 6



Source: Report on Trend & Progress of Banking

Graph No. 7

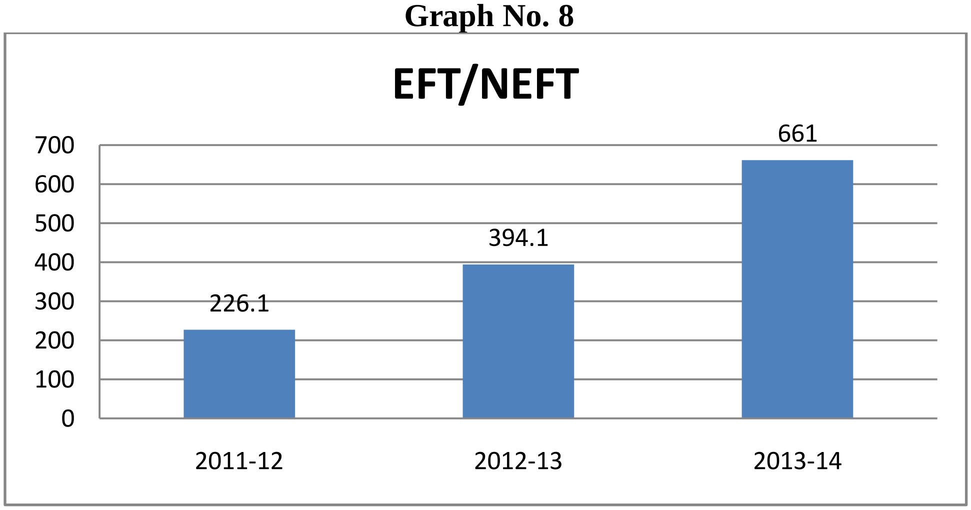


Source: Report on Trend & Progress of Banking

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company can approach his bank and make cash payment or give instructions to transfer funds directly from his own account to the bank account of the receiver. Complete details such as receiver's name, bank account number, account type, bank name. Branch, name, city etc should be furnished to the bank at the time of requesting for such transfer. RBI is the service provider for Electronic Funds Transfer (EFT). The fund transfer normally takes place on the same day or at the most the next working day depending upon the time of time of request made for fund transfer.

Graph No. 8



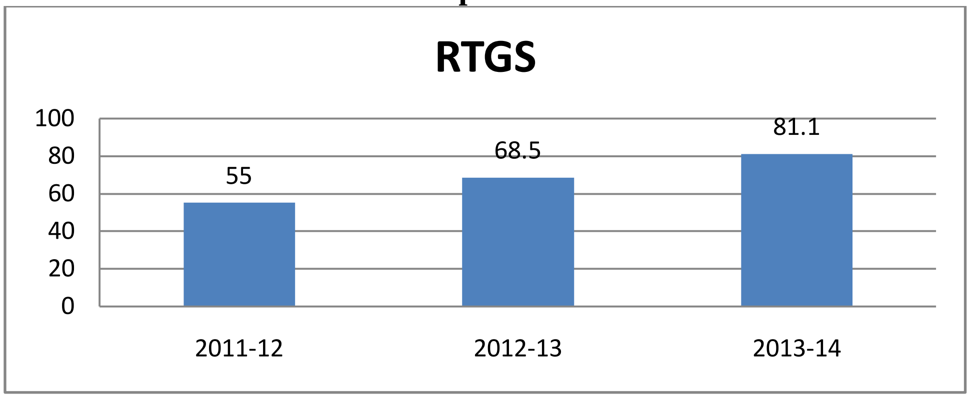
Source: Report on Trend & Progress of Banking

The above graph shows that that the amount transferred using EFT/NEFT in the year 2013-14 is almost 3 times as compared to the amount transfreed in the year 2011-12

Real Time Gross Settlement system (RTGS)

Real Time Gross Settlement system (RTGS) is a fund transfer mechanism where transfer of money takes place from one bank to another on a 'real time' and on gross basis. The transactions are settled as soon as they are processed. RTGS system is primarily for large value transactions.

Graph No. 9



Source: Report on Trend & Progress of Banking

The above graph indicates that the amount of amount transferred through RTGS is increasing year by year. In the year 2013-14 the amount of fund transferred using RTGS is more than 1.5 times as compared to the year 2011-12.

CONCLUSION

The banking sector of India has tremendous potential to grow. The number of ATMs has doubled over the past few years, with more than 100,000 in the country at present (70 per cent in urban areas). They are estimated to further double by 2016, with over 50 per cent expected to be set up in small towns. Also, the reach of mobile and internet banking is big. At the start of 2013, only 2 per cent of banking payments went through the electronic system in the country. Today, mobility and customer ease are viewed as the most important factors for expansion and banks are constantly exploring latest technology, with terms such as mobile solutions and cloud computing being used with greater reliability. Nevertheless, Indian banking industry is facing various and frequent challenges like escalating competition, systemic transformation to bring into line with the international standards. This has compelled banks to revamp their strategies and processes in order to stay in competition in this vibrant situation. Banks have to take up a holistic approach to accomplish the varying requirements of customers and to capture an enhanced market share. Developing new products and services with low cost is the key to success. In-depth analysis of customer's expectations plays a extremely significant role in devising innovative strategies, products and services.

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SAARJ Journal on Banking & Insurance Research (SJBIR)

(Double Blind Refereed & Reviewed International Journal)

DOI MUNBER: 10.5958/2319-1422.2019.00016.X

CHANGE LEADERS: HOW THEY STRIVE FOR SUCCESS

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ABSTRACT

In today's global economy, the answers to sustaining success are not found in getting closure; they are found in moving forward to sustain and expand an organization's reputation for excellence. The best leaders do not just want a good year; they want to further and enhance a dynasty. The best don't just initiate change; they make change work over and over again as the business grows and changes. As a result, there is an unsettling truth about leadership in the future; the change leaders' race will never be over. The great game of leadership is no more likely to be finished than your family's favourite television soap opera. Instead, organizations and the men and women who lead them will have to be ready to keep inventing the future. As markets mature, leaders are left with a choice—to be change masters or change blockers! Far too many begin to put up roadblocks to change, deny threats or competition and embrace entitlement! Change masters see business maturity as in invitation to refocus, retool and reinvent the organization to better serve customers.

KEYWORDS: *Economy, Leader, Change, roadblocks, Organization.*

INTRODUCTION

Manage the Leadership Tensions Involved in Making Change Work

Change masters focus less on enduring answers and more on managing the leadership tensions. Instead of looking for one-dimensional trends that will briefly dominate the future only to fade into history, leaders work to harness the constant tension of forces that will always be part of a change leader's journey. Seemingly contradictory forces—valuing the past and embracing the future, driving a vision but being open to strategic innovation, being tight where you can and loose where you need to invest, majoring in accountability and support—these and other dynamic tensions, once mastered, will give you an edge in continuing to invent the future for your people and your organization.

In the fast lane of constant change, all must be challenged to get on board in order to shape its desired course. Instead of trying to relieve stress by giving people the promise of calm after the next change and then watch the trust take a dive when the next change is announced, be honest—"We are never going to be finished with change. Be excited! You will never be bored again! Who wants the "good old days" when we are creating the *new good old days* for your organization! Every leadership book talks about embracing change! Where is the tension here? It's time for a little straight talk—*not every change is for the better!* While it is true that every improvement is the result of change, *not every change* is an improvement. The past has value, and it can be a source of inspiration and continuity. At the same time, the past shouldn't have an automatic veto. You need to take the best from the past and best from the future to forge your way into the future. That means turmoil. If you ever felt that certain people in your organization were designed to frustrate you, you are probably right. Somewhere in the struggle for the best strategy you will need to keep the *change agents* and the *status quo seekers* talking together to get *the best out of both*. Neither has a lock on truth! Leaders must learn to value and learn from both groups to find their way. You don't want a change frenzy that creates an overworked, cynical workforce; you want to promote strategic change that makes a difference to your customers.

Use Your Vision, Mission and Business Goals as a Flexible Compass

In the midst of uncertainty, it is critical that the leaders focus on stronger execution of strategy in pursuit of delivering consistent results. They need to sustain a sense of urgency and speed while being able to remain flexible in pursuit of those results. That means that whether the future brings boom times or economic down times, the best leaders keep harnessing the natural tension created by driving the current vision while still being open to the *innovative happy accidents* that usher in new strategic opportunities that customers demand. Have a firm belief in your current business goals but balance that focus with a rock-solid commitment to strategic innovation and enabling technology. Change masters who are both focused *and* flexible value business strategy *and* surprise.

> *The key to your impact as a leader is your own sincerity. Before you can inspire others with emotion, you must be swamped with it yourself. Before you can move their tears, your own must flow. To convince them, you must yourself believe.*
> – Winston Churchill

Driving your vision helps provide hope and focus for your future. An honest look at current reality helps energize that vision and gets your people motivated to move. People crave a meaningful direction and a leader who keeps the organization moving. Instead of expecting or waiting for a perfect laser-focused vision, work with key stakeholders to stake out a direction and then work with your people to refine that vision as you move. Stay collaborative and open to adjustments to keep the vision compelling. The biggest difference between a vision and a hallucination is the number of people who can see it; involving your stakeholders keeps the vision theirs. The companies with the most confident and committed leaders who are deep within the ranks are the companies that make change work.

Commitment to Values Helps Build and Sustain Trust in a Cynical and Competitive World

> *Leaders must scrupulously guard their organizations' integrity so that employees have a basis for pride. Then managers can step forward and declare their own feelings about the values of service, not as a strategic position in the marketplace, but as a personal ethical necessity.*
>
> – Ken Macher

To win business in any industry, aggressive business goals are established. Living up to those commitments remains a challenge. Trust is a critical but fragile asset that has long-term payoffs for leaders, for their people and for the organization. In a cynical and competitive world, trust must be built and managed. Instead of avoiding problems, effective leaders manage the promise and deliver experience of their customers and colleagues. They confront problems quickly and keep managing the expectations of others. When disappointments occur, use them as opportunities to show that you are a problem solver, not a problem evader.

For change leaders, values and integrity are always in. Live your organization's core values as you make your way through the change journey. Core values help direct your strategic choices. They are both your anchor in the rough sea and the lighthouse that helps illuminate a positive and principled course. It is your foundation for anything you build. It is what you stand for and what you hold yourself accountable to maintain no matter what the cost. This provides the internal measuring system leaders need to be consistent and build trust. This firm foundation allows you to stand up to the tough decisions all leaders face.

Change Leaders Sell the Need for Change

Kurt Lewin described the change process as unfreezing-moving-refreezing. Your job as leaders is to ***unfreeze*** the status quo before you sell any strategic change to your people. When you wait for a crisis to be your catalyst for change, you seldom have the resources or time to do it well. Resist trying to sell people on new solutions when they don't even have an awareness of ***the need to change.*** Keep asking yourself, "What can I do to generate an awareness of the need to change while they still have the time and the resources to make change work? How do I become an eye-opening translator of the advantages for strategic, service-driven change?" While noting the cost of doing nothing, sell the value and hope involved in embracing change as a way of life. Music in a movie creates anticipation. As leaders, you are called to be the music for your people. Remember, fear and hope are both good motivators.

Use Experience and Lifelong Learning to Drive Change

If you are going to break the grip of the past, you must seize control of the schools. Change leaders will continue to value experience, but they won't value employees or leaders who *rest in* their expertise. Change is driven best through learning. The best leaders want to attract new employees with the right skills and help existing employees refocus and retool their skills. Everyone talks about learning organizations, but they forget that the best organizations value learning *and* unlearning. They must learn new competencies and unlearn habits that constrain them. If your people are committed to maintaining yesterday's skills, they are not available to learn what will help them create tomorrow. You need to be the *Chief Learning and Unlearning Officer.*

Unleash the Power of Story in Building a Changing Organizational Culture

In a changing world, leaders will need to help teams relearn the optimism advantage. This is not a call for motivational hype. Research suggests that flexible optimists persevere even in the presence of obstacles and negative outcomes. They perceive failures as temporary setbacks, rather than final verdicts. Victory comes most often to the steady and dependable. We value leaders who have an optimistic view of the future, but we ***don't like*** Pollyanna! Good leaders promote a healthy tension; they balance the hope of strategic success with a realistic assessment of the obstacles that must be overcome to reach it. Selling any change requires leaders who believe in their associates' abilities to accomplish their mission. Cultivate your strategic changes every day with a good dose of hope and optimism. You build hope by pointing to successes.

Care Enough to Confront and Use Resistance as Course-Correction Data

As we look to the future, the most exciting environments expect a lot from their teams and they offer strong support. Change cultures are built on strong accountability and clear, candid communication. Excellence must be rewarded and poor performance must not accepted. Loyalty to an employee should never mean acceptance of consistent poor performance. If you keep all of your people in the midst of significant change, it's a near miracle or bad management. As an executive ready to invent the future, avoid avoidance. Be known as a problem solver, not a problem evader. Build an organizational culture that is open to confront *all* problems quickly.

Just because people resist change, doesn't mean that they are wrong. Honor resistance and search it for truths. When leaders experience resistance, too many leaders make the other person the problem. Encourage people to speak up quickly, and be ready to listen when they do. As my great uncle, Harvey Swanson, used to say, "When one person calls you a horse's ass, don't worry. When four people do, go out and buy a saddle!" The higher you go in the organization, the more zeroes you may have to add to that number, but make sure you are known as a listening leader. When the heat is on and you're wrong, admit it quickly.

CONCLUSION

Within the traditional management and leadership paradigm, it is thought that the leader should control everything, so that everything turns out according to plan and there are no unwanted outcomes. Moreover, the assumption that everything can be controlled leads to the thinking that change is a predictable process and leaders can choose how a transformation effort will turn out, and this premise underlies much of the organisational change literature emphasizing the steps that leaders should take or the behaviours they should display to drive transformations. Within this paradigm, in a transformation context, the leader plays the role described by Higgs & Rowland as "shaper", one who personally controls what gets done, sets the pace for others, and expects others to follow their example. The leader is expected to be responsible for shaping a transformation through a top-down process and managing it according to a detailed step-by-step plan. The leader is thought to know what is right and necessary for the organisation, and it is thought that people will embrace the change agenda if they are similarly informed. Thus, resistance of the people to making the changes they are told to, is interpreted as the need for stronger leadership in the form of more guidance and education. This is largely in line with the view of leadership that the leader plays a directive role and holds much influence over his followers.

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SAARJ Journal on Banking & Insurance Research (SJBIR)

(Double Blind Refereed & Reviewed International Journal)

DOI MUNBER: 10.5958/2319-1422.2019.00017.1

COMPARATIVE ANALYSIS OF RISK, RETURN AND DIVERSIFICATION OF MUTUAL FUND

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ABSTRACT

Mutual Funds have become a widely popular and effective way for investors to participate in financial markets in an easy, low-cost fashion, while muting risk characteristics by spreading the investment across different types of securities, also known as diversification. It can play a central role in an individual's investment strategy. With the plethora of schemes available in the Indian markets, an investors needs to evaluate and consider various factors before making an investment decision. The present investigation is aimed to examine the performance of safest investment instrument in the security market in the eyes of investors. Five mutual fund large cap scheme have been selected for this purpose. The examination is achieved by assessing various financial tests like Sharpe Ratio, Standard Deviation, Alpha, and Beta. Furthermore, in-depth analysis also has been done by considering return over the period of last five years on various basis, expenses ratio, corpus-size etc. The data has been taken from various websites of mutual fund schemes and from www.valueresearch.com.The study will be helpful for the researchers and financial analysts to analyze various securities or funds while selecting the best investment alternative out of the galaxy of investment alternatives.

KEYWORDS: *Finance, Low-Cost Fashion, Diversification, Alternative*

INTRODUCTION

Mutual Funds over the years have gained immensely in their popularity. Apart from the many advantages that investing in mutual funds provide like diversification, professional management, the ease of investment process has proved to be a major enabling factor. However, with the introduction of innovative products, the world of mutual funds nowadays has a lot to offer to its investors. The industry broadly caters to all types of investors depending on their risk return preferences. A mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. Mutual funds offer several advantages over investing in individual stocks, including diversification and professional management. A mutual fund may hold investments in dozens of stocks, thus reducing the risk associated with owning any particular stock. A Mutual Fund is a pure intermediary that performs a basic function of buying and selling securities on behalf of its unit holders. Mutual Fund is a body corporate which pools up the money from different types of investors and invests those funds on behalf of the investors in diversified securities. In other words, a mutual fund allows an investor to take a position indirectly in a basket of assets. A majority of investors are quite content in simply analyzing the appreciation in the net asset value (NAV) of their investment. They are not much more concerned about the risk associated with the investment alternative. Risk measure mostly deal with the character of a fund's returns and the manner in which these returns have been achieved.

Equity funds

Equity funds have the objective to provide capital appreciation over a long term. A major portion of their investments is in equities which provide potentially superior returns than other avenues of investment. Equity schemes offer potentially the best possible returns among all mutual fund schemes but carry the highest risk as well. The equity funds are high on the risk scale as the share prices are volatile. These funds try to reduce the risk by diversifying the investments in different types of shares. One of the greatest advantages of equity funds is instant diversification Also, it is usually easier and less expensive to invest in equity funds than to buy each and every stock in a fund‘s portfolio. Equity funds are also cheaper they're a way to avoid the often higher transaction costs and lower liquidity associated with trading individual stocks. The present research will explore the measures of risk and return for the selected mutual fund schemes.

LITERATURE REVIEW

Harry Markowitz (1952) provides a theory about how investors should select securities for their investment portfolio given beliefs about future performance. He claims that rational investors consider higher expected return as good and high variability of those returns as bad. From this simple construct, he says that the decision rule should be to diversify among all securities, securities which give the maximum expected returns. His rule recommends the portfolio with the highest return is not the one with the lowest variance of returns and that there is a rate at which an investor can increase return by increasing variance. This is the cornerstone of portfolio theory as we know it.

William Sharpe (1964)' and John Lintner (1965f separately extend the work of Markowitz. They show that the theory implies that the rates of return from efficient combinations of risky assets move together perfectly (will be perfectly correlated). This could result from their common dependence on general economic activity. If this is so, diversification among risky assets enables investors to escape from all risks except the risk resulting from changes in economic activity. Therefore, only the responsiveness of an asset return to changes in economic activity is relevant in assessing its risk. Investors only need to be concerned with systematic risk [beta], not the total risk proposed by Markowitz.

Veit and cheney (1982)' investigated the ability of mutual funds managers to adjust the risk level of funds to leverage the ability to time the market. They test the null hypothesis that alphas and betas are the same in bull and bear market using annual data for 74 funds over the 1944-78 periods. The sample was sub-divided into balanced funds, income and growth to examine differential effects by investment objective.

The financial express investment magazine, (1997)' conducted a study jointly with Value Research, a pioneer in tracking mutual funds in India shows that the bond funds have emerged as winners, while equity funds plunged deeper into red.

The Intelligent Investor (2000)' a leading business magazine conducted a Comprehensive survey of mutual fund performance 1999 to help the investors to choose the funds that best suits their needs. The survey is based on data source from credence, the Mumbai - based monitor of mutual fund performance, with a cutoff date for the survey of December 31, 1999. The methodology and the performance parameters they used are; The three months return and one-year return is calculated by taking the percentage change in net asset values, adjusted for rights, bonuses and dividends, if any in the interim. The three-year and five-year returns are likewise adjusted and annualized.

Blake David and Timmermann Allan (2003) in their assessment “Performance Persistence in Mutual Funds: An Independent Assessment of the Studies Prepared by Charles River Associates for the Investment Management Association” believed that there is a reasonable case for arguing that risk-adjusted past performance data should be included in the FSA’s Comparative Tables. They argued that this is not because of the traditional argument over whether superior performance might or might not persist, which we regard as inconclusive, but rather because of the evidence that inferior performance seems to persist. They considered that it is important for investors to have easy access to reliable information on underperforming funds so they can modify their investment strategies accordingly.

Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

OBJECTIVES OF THE STUDY

The present study aims to achieve the following objectives by considering the main objective as to select the best Mutual fund among selected eight schemes during the period of study:

A. To compare and analyze the best Mutual Fund schemes of select mutual fund players.
B. To compare the growth in Mutual Fund schemes with Industry average.
C. To find out the best Mutual Fund scheme in terms of return over the selected period of study.
D. To suggest the means to improve return by investment in mutual funds.
E. To compare the risk associated with the mutual fund schemes.

RESEARCH METHODOLOGY

The present investigation is aimed to examine the performance of safest investment instrument in the security market in the eyes of investors i.e., mutual funds by specially focusing on equity schemes. Five mutual fund schemes have been selected for this purpose. The examination is achieved by assessing various financial tests. To carry out the research following methodology is adopted:-

Data collection

The present research is a study of examining and analyzing selected mutual fund schemes by using different financial and statistical tools. The Large cap schemes taken for this purpose are:

- HDFC Top 200 Fund (G)
- DSP-BR Top 100 Equity - RP (G)
- ICICI Pru Top 100 Fund -Inst –I
- Franklin India Blue chip (G)
- Birla SL Frontline Equity -A (G)

This study compares five funds launched by public sector, private sector, and foreign mutual fund players in India. The schemes have been selected using deliberate sampling method subject to the criteria mentioned as under:

A. All the funds are taken as per the ranking done by CRICL
B. Considering corpus size of AMC 25 crore to 1000 crore
C. The funds that have been consider as the minimum investment 500 and maximum 100000 Rs.
D. The performances of funds are calculated on the bases of their risk and return.
E. Closing Net Asset Values (NAV)of the selected funds are taken on Monthly basis

The study is exclusively based on secondary data, which has been collected from various websites, journals and fact sheets of various mutual fund schemes published by them time to time.

Tools and techniques

The collected data have been analyzed on basis of returns of last one month, six months, one year, three years, and five years. Various statistical and financial techniques namely, Standard Deviation and Sharpe ratio has been used to measure volatility of returns, and returns per unit of risk respectively. Furthermore, Coefficient of determination (R2), Expenses ratio and Corpus size of funds have also been evaluated. In addition to these tools, various tables and graphs has also been used to make the data presentable and easy to understand.

(I) Sharpe's Ratio

Sharpe ratio reflects the additional return over the Risk-Free return per unit of its variability. It is basically return per unit of risk. The rule states that higher the Sharpe ratio, the better the fund's performance is in relation to the amount of fluctuation. It can be explained through the formula:

$$\boldsymbol{S = RP - Rf\ / sp}$$

Where, S = Sharpe's Index;

rp = average monthly return of fund;

rf = risk free return Risk free return (rf) is taken as 3.40% per annum

(II) Standard Deviation

It is possibly one of the most common risk measure used in assessment of portfolios- be it of mutual funds or any other investment product. It is used to measure the variation in the individual return from the average expected return over a certain period. Standard deviation is used in the concept of risk of a portfolio of investment. Higher the Standard Deviation means a greater fluctuation in expected return.

$$\boldsymbol{\sigma} = \sqrt{}(\boldsymbol{Y} - \boldsymbol{Y})/\boldsymbol{N}$$

Where, Y = fund return

(III) Beta (β)

Beta Measure reflects the systematic risk assigned to each of the schemes, Beta of the Index is always being 1 (with itself). Beta of a risk-free investment is zero. More the Beta value, the higher the degree of Correlation with the market index and the fund will be.

$$\boldsymbol{\beta} = \boldsymbol{n\Sigma XY} - (\boldsymbol{\Sigma x \Sigma y}) / \boldsymbol{n\Sigma x} - (\boldsymbol{\Sigma x})^2$$

Where, X =Index return

Y = fund return

(IV) Jensen's Alpha (Differential Return)

Jensen's Alpha reflects the return that is expected for the scheme given the risk exposure of the scheme and compares that with the return actually realized over the period under study. If the actual return of the fund is more than the return as predicted by its Beta, then it has a positive alpha, and if it returns less than the amount predicted by Beta, the fund has a negative alpha. A fund's return and its risk both contribute to its Alpha value. The higher a funds' risk level, the greater the returns. It must generate in order to produce a high Alpha which becomes more volatile. Systematic risk can be reduced through proper diversification of the portfolio of the fund.

$$\alpha = \boldsymbol{Y} - \boldsymbol{\beta X}$$

Where, X =Index return;

Y = fund return

(V) R-Squared

R-Squared measures the co-relation between returns generated by a fund and its benchmark index. This is indispensable in ascertaining the reliability of the beta of a fund. It is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. R-squared values range from 0 to 100. An R-squared of 100 means, that all the movements of a fund are completely explained by movements in the index. A high R-squared (between 85 and 100) indicates the fund's performance patterns have been in line with the index. A fund with a low R-squared (70 or less) doesn't act much like the index.

ANALYSIS AND INTERPRETATION

The data collected of selected mutual fund schemes have been analyzed into two parts:

A) Analysis on the basis of returns over the period of time

Returns are calculated periodically on the basis of various time periods after that rankings have also been provided to the selected equity schemes. Returns of Last:

I. One Month
II. Six Months
III. One Year

IV. Three Years
V. Five Years

B) Performance evaluation of Selected Funds

Performance Evaluation has been done on the basis of risk and return evaluation.

I. Corpus Size
II. Beta
III. Alpha
IV. Standard Deviation
V. R-Squared
VI. Expenses Ratio

C) Analysis on the on the bases of diversification

One of the main advantages of investing in mutual funds is risk diversification. Thus, fund managers have different risk levels to achieve financial schemes objectives. A diversified fund contrasts with specialized or focused funds, such as sector funds, which focus on stocks in specific sectors such as biotechnology, pharmaceuticals or utilities, or in particular regions such as Asia or Europe.

ANALYSIS OF LARGE CAP SCHEME

Large cap funds are those mutual funds, which seek capital appreciation by investing primarily in stocks of large blue chip companies with above-average prospects for earnings growth. Generally, companies with a market capitalization in excess of Rs 1000 crore are known large cap companies. Investing in large caps is a lower risk-lower return proposition (vis-à-vis mid cap stocks), because such companies are usually widely researched and information is widely available. The selected large cap funds are:

- HDFC Top 200 Fund (G)
- DSP-BR Top 100 Equity - RP (G)
- ICICI Pru Top 100 Fund -Inst –I
- Franklin India Bluechip (G)
- Birla SL Frontline Equity -A (G)

A) Analysis on the basis of returns over the period of time

Returns are calculated periodically on the basis of various time periods like monthly, six months, one year, three years and five years. After that rankings have also been

Provided to these selected equity-diversified mutual fund schemes. These are stated below:

- HDFC Top 200 Fund (G)
- DSP-BR Top 100 Equity - RP (G)
- ICICI Pru Top 100 Fund -Inst –I
- Franklin India Bluechip (G)
- Birla SL Frontline Equity -A (G)

Returns of Equity Mutual Fund schemes as on July 2012

Scheme	HDFC Top 200 Fund (G)	DSP-BR Top 100 Equity - RP (G)	ICICI Pru Top 100 Fund -Inst –I	Franklin India Bluechip (G)	Birla SL Front line Equity -A (G)
Fund Class	Large Cap	Large Cap	Large Cap	Large Cap	Large Cap
Ranking	Rank 2	Rank 2	Not Ranked	Rank 2	Rank 2
Scheme Asset	11381.1	3109.35	20.13	4516.35	2900.75
Minimum Investment	Rs.5000	Rs.5000	Rs.100000	Rs.5000	Rs.5000
AMC/Fund	HDFC Asset Management Co. Ltd.	DSP BlackRock Investment Managers Limited	ICICI Prudential Asset Mgmt.Co. Ltd	Franklin Templeton Asset Mgmt. (India) Pvt. Ltd.	Birla Sun Life Asset Management Company Ltd.
Latest NAV	201.863	98.444	19.99	212.827	84.53
3 Months	1.30%	0.20%	2.70%	0.60%	2.30%
6 Months	14.60%	12.10%	15.60%	12.00%	13.60%
1 Year	-5.20%	-3.20%	3.60%	-2.00%	-4.50%
2 Years	2.40%	2.70%	7.60%	4.60%	1.60%
3 Years	12.70%	11.40%	14.70%	13.00%	11.80%
5 Years	10.60%	8.30%	8.20%	8.10%	8.00%

Source: calculated data

Table explores the returns of selected funds over a period of time for different periods. In terms of last one year returns i.e. from August 11 to July 12; ICICI Pru Top 100 stood at number one with the maximum returns of 3.60% during the selected period. It is followed by Franklin India and DSP-BR Top 100 fund with the returns of -2.00% and -3.20% respectively. Birla SL Frontline Selected has given returns -4.50% over that period. HDFC Top 200 Fund has given the least return -5.20%. But in long run i.e. for the period of five years HDFC Top 200 Fund (G) has performed well among the selected scheme. During the period of study Franklin India Blue chip (G) has the highest NAV value 212.827.

B) Performance evaluation of Selected Funds

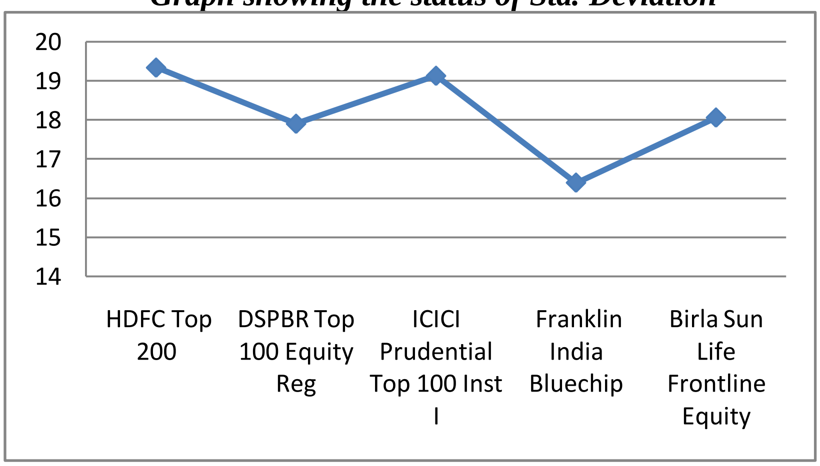
Performance Evaluation has been done on the basis of risk and return evaluation. For this purpose Standard Deviation, Beta Alpha, Sharpe-Ratio and R-Squared are calculated, which are tabulated below after the detailed calculations:

Analysis of volatility and return per unit of risk

Fund Name	Fund Risk Grade	Standard Deviation	Sharpe Ratio	Beta	Alpha	R-Squared
HDFC Top 200	Avg.	19.34	0.4	0.91	4.14	0.95
DSPBR Top 100 Equity Reg	Low	17.9	0.36	0.84	3.11	0.95
ICICI Prudential Top 100 Inst I	Below Avg.	19.13	0.48	0.91	5.57	0.97
Franklin India Bluechip	Low	16.39	0.43	0.78	4.04	0.96
Birla Sun Life Frontline Equity	Avg.	18.06	0.35	0.86	3.02	0.97

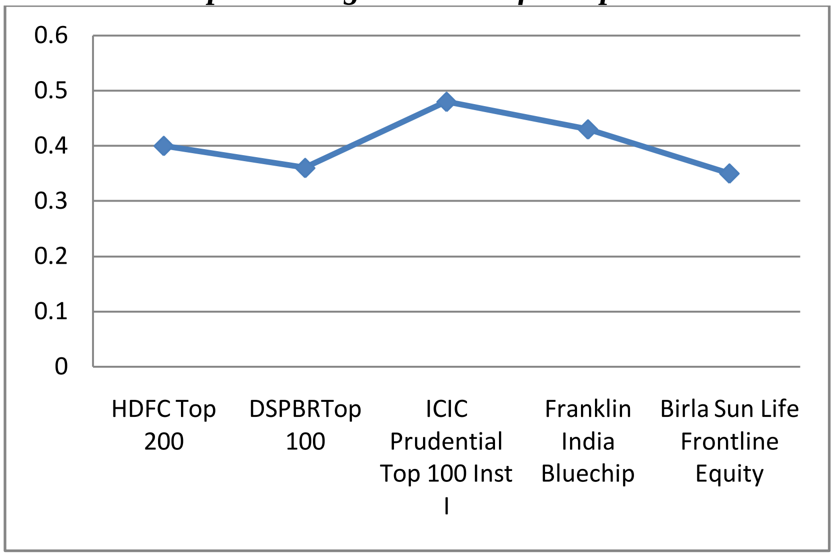
Source: calculated data

Graph showing the status of Std. Deviation



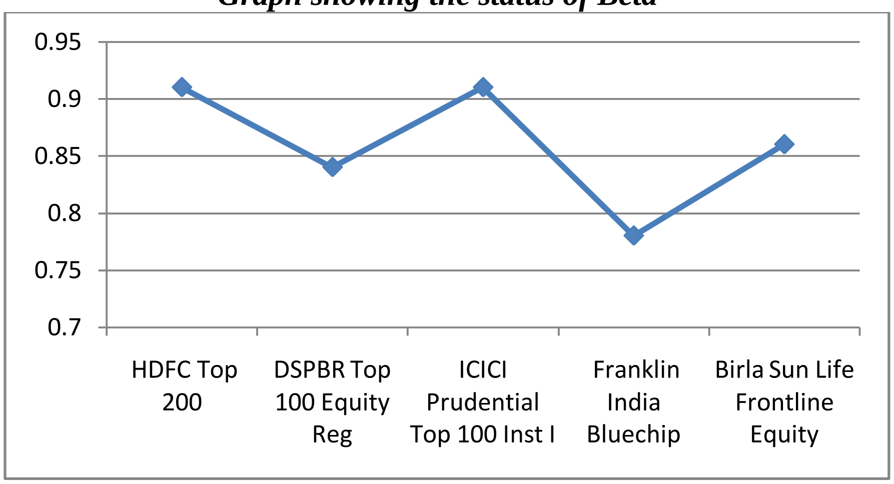
Higher the standard Deviation means a greater fluctuation in expected return. The most volatile fund is HDFC Top 200 as it is having the standard deviation of 19.34, which is followed by ICICI Prudential Top 100 Inst19.13 and Birla Sun Life Frontline Equity18.06. It indicates that out of the selected schemes the most risky fund is of HDFC Top 200. As the standard deviation is an unsystematic risk which is not going to minimize through diversification. It is beyond the control of investors.

Graph showing the status of Sharpe Ratio



Sharpe ratio reflects the additional return over the Risk-Free return per unit of its variability. In terms of returns, the scheme i.e. ICICI Prudential Top 100 Inst I is having maximum returns per unit of risk (0.48). Followed by Franklin India Bluechip (0.43) and HDFC Top 200 (0.40). Least return provider is the fund which is having the maximum risk in terms of std. deviation and beta, i.e. Birla Sun Life Frontline Equity (0.35).

Graph showing the status of Beta



Beta of the Index is always being1 (with itself). Beta of a risk-free investment is zero. More the Beta value, the higher the degree of correlation with the market index. The statement regarding risk is supported by the calculation of beta. Again HDFC, ICICI prudential, and Equity provedthe most risky schemes as they are having maximum of beta (0.91, 0.91, and 0.86 respectively). Least risky scheme Franklin India Blue-chip in terms of Standard Deviation and Beta. Beta is a systematic risk that can be minimized through diversification.

C) Analysis on the on the bases of diversification

Diversification is a technique that reduces risk by allocating investments among various financial instruments, industries and other categories. It aims to maximize return by investing in different areas that would each react differently to the same event. The table shows the allocation of fund in different sector of the selected large cap equity schemes.

Allocation of funds in different sectors

Scheme	**HDFC Top 200 Fund (G)**	**DSP-BR Top 100 Equity - RP (G)**	**ICICI Pru Top 100 Fund -Inst –I**	**Franklin India Bluechip (G)**	**Birla SL Frontline Equity -A (G)**
Top 5 holdings	SBI, Infosys, ITC, ICICI Bank, Tata Motors (D)	TCS, Reliance, Wipro, Kotak Mahindra, BPCL	Infosys, Reliance, Bharti Airtel, ICICI Bank, Sun Pharma	Infosys, ICICI Bank, Bharti Airtel, HDFC Bank, Reliance	ICICI Bank, ITC, Infosys, Reliance, Larsen
Weight age to top 5 holdings	30.43%	29.30%	42.74%	30.93%	23.07%
Top 3 Sectors	Banking/Finance, Technology, Oil & Gas	Banking/Finance, Technology, Oil & Gas	Technology, Pharmaceuticals, Oil & Gas	Banking/Finance, Oil & Gas, Technology	Banking/Finance, Technology, Automotive
Weight age to Top 3 Sectors	44.96%	46.72%	48.83%	42.67%	43.88%

Large cape mutual funds are expected to offer the advantages of Diversification, Market timing and Selectivity. In the sample, ICICI Pru Top 100 Fund -Inst –I is found to be highly diversified fund and because of high diversification it has reduced total risk of the portfolio. Whereas, Birla SL Frontline Equity -A (G) is low diversified and because of low diversification its total risk is found to be very high.

CONCLUSION

Observation of the results found on the basis of several calculations indicates that out of the five selected Large cap mutual fund schemes, in short-run ICICI Pru Top 100 Fund -Inst –I manages to be at number one in terms of returns over the period of last one month and six months as well as in long run at number one position in terms of the returns of last five years. As far as the financial risk parameters are concerned Franklin India Blue-chip was found least risky in terms of the results of Beta (0.78) & Standard Deviation (16.39) and in terms of returns ICICI Pru Top 100 Fund -Inst –Imanage to earn the maximum returns per unit of risk, i.e., Sharpe ratio (0.48). Further research could aim to extend the data set to include more equity diversified mutual funds, and also to enlarge the time scope to investigate whether the market has changed (improved) over time.

SUGGESTIONS

The main objective of investment is to get return from investment from the mutual funds. An investor should take following points into consideration to earn good returns:

- An investor should assess his risk profile before investing in any fund.
- To select a fund with good past records of returns. Usually an investor should select a fund, which isless volatile.
- An investor should select a portfolio of three to five funds which are less volatile in nature, and a good track record of consistent returns.
- For selection of a good fund, investor can compare the return of the fund with the industry average and benchmark indices. The fund which outperforms the both can be selected for investment.
- Investors should review their portfolio of mutual funds from time to time. Investors should try to keep their investment for a longer period of time so as to ensure that they can beat market volatility.
- Last but not the least; investor can withdraw funds according to his needs and purpose.

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SAARJ Journal on Banking & Insurance Research (SJBIR)

(Double Blind Refereed & Reviewed International Journal)

DOI MUNBER: 10.5958/2319-1422.2019.00018.3

"BRIEF HISTORY OF INSURANCE WITH SPECIAL REFERENCE TO INDIA"

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ABSTRACT

In today's time, human life is full of risk. Insurance is the device to minimize and compensate losses arising out of various hazards to the economic and business activities in a specific or global economic system. The paper addresses the origin and history of insurance. The paper explains the Indian insurance market scenario prior to and after economic liberalization that took place in the 1990s. The paper also deals with the introduction of IRDA and the role of IRDA in the Indian Insurance markets.

KEYWORDS: *Insurance, Market Scenario, IRDA, Economic Reforms, Indian Insurance*

1. INTRODUCTION

Insurance is a social device to reduce or eliminate risks of loss to life and property. It is a provision under which a prudent man makes against inevitable contingencies, loss or misfortune. Insurance works on the basic principle of risk sharing. A device to minimize and compensate losses arising out of various hazards to the economic and business activities in a specific or global economic system"[1] The Principle meaning of insurance is to share the loss of each member of society based on the probability of loss to their risk. It is the method to provide security against losses to the insured. Insurance provides financial protection against a loss arising out of happening of an uncertain event. Premium amount procedure by insurance companies, which also act as trustee to the pool.

A person can avail this protection by paying a premium to an insurance company. The systematic pool through contributions made by persons seeking to protect themselves from common risks. Any loss to the insured in case of the happening of an uncertain event is out of this pool.

1.1 Insurance Contract

The International Accounting Standards Board (IASB) while circulating the International Financial Reporting Standards for Insurance (IFRS) in March 2004 stated the definition of insurance contract given below; -

"A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if specified, uncertain future event (the insured event) adversely affects the policyholder."[2] As insurance is a contract of good faith, the proponent is bound by fully disclose to the insurer all information about the contract and not only that which the proponent thinks necessary. The Non-disclosure, suppression, misrepresentation of information, or intention to defraud etc., which is leading to the materialisation of contract in insurance will be an automatically discharge the insurer from all contractual liabilities. The organisation agrees to pay a fixed premium and in return, the insurance company agrees to meet any losses, which fall within the terms of the policy. This is the risk transfer mechanism and which is one of immense value not only to industry but also to individuals.[3]

The contract that makes it obligatory for the insurer to pay the claim based on a specific, ensure a future event that adversely affects the insured or the policyholders and other instruments that do not transfer significant insurance risk is also to be treated as financial instruments under the relevant international accounting standards norms of the country.

2.1 RESEARCH METHODOLOGY

The paper is a detailed study of insurance history and its market in India. The researcher selected the qualitative approach to study the history of insurance and its market situations in India, especially during pre and post economic reform periods. The paper is based on secondary data, for which the researcher has used both published and unpublished data for the study.

2. 2 Objectives of Study

The Objectives for the study is mentioned below; -

1. To understand the term insurance and its contract in Indian insurance markets.

2. To know the history and the origin of insurance and its impact on Indian insurance markets.

3. To Study the important role of IRDA (Insurance Regulatory Development Authority) in Indian Insurance markets.

2.4 Origin and History of Insurance

2.5 Origin

The Insurance appears simultaneously with appearances of human society. There are two kinds of economies in human societies; Money Economics (With market, Money, Financial instrument) and the other is non-money or Natural Economies. (Without money, market, and a financial instrument) the second type is more ancient from the first. In such an economy and community, it is said Insurance in the form of people helping each other. The Chinese and Babylonian traders practiced the method of transferring or distributing, long ago by traveling treacherous river rapid they would redistribute waves across many vessels to limit the loss due to single vessel's capsizing.

The Babylonians developed a system, which was recorded in the famous code of Hammurabi 1750 BC, and practiced by early Mediterranean sailing merchants, if a merchant received a loan to fund his shipments, he would pay the lender an additional sum in exchange for leader guarantee to cancel the loan or shipment be stolen. Achaemenian Monarchs were the first to ensure their people and made it official by registering the insuring process in governmental notary offices.

2.6 History

Thousands of years later, the inhabitants of Rhodes invented the concept of the general average. Merchant whose goods shipped together would pay a proportionally divided premium, which is to reimburse any merchant whose goods was lost during the storm. In 600 AD, the Greeks and Romans introduced health and life insurance. Separate insurance contracts came into existence in Genoa in the 14^{th} Century for the ensuring pools backed by pledges of landed estates.

Insurance became more sophisticated in the post - Renaissance Europe, and specialized varieties of development. Towards the end of the 17^{th} century, London was growing importance as a Centre for trade increased demand for marine insurance. Mr. Edward Lloyd opened a coffee house, which becomes a popular haunt of ship owners, merchants, ship captains, and thereby reliable sources of latest shipping news. Today, Lloyd coffee house remains a leading source in marine insurance.[4]

2.7 Indian Insurance Markets prior to Economic Reform

Insurance regulation formally began in India through the passing of two acts, the Life Insurance Companies Act of 1912 and the Provident Fund Act of 1912. However, the first comprehensive legislation with the Insurance Act of 1938, which provided strict state control over insurance business in the country. The decision of nationalization of life insurance business took place in 1956 when 245 India and foreign insurance provident societies were first merged and then nationalized. It paved the way towards the establishment of Life Insurance in order to raise the much-needed funds for rapid industrialization and self-reliance in heavy industries. General Insurance followed suit and in 1968. The Insurance Act for a social cause to control over the general insurance business amended. Subsequently, in 1973, the Non-life insurance business nationalized and the General Insurance Business (Nationalization) Act, 1972,[5] came into existence.

During the period, 1972-1991 awareness emerged that the unprecedented developments in science and application technologies led to the major issue of change in the insurance sector in India. The Indian government understood that Indian insurance development is not possible in isolation and various private insurance companies should enter the insurance market in India by allowing free flow of investments, technical knowledge, and workforce for development in the insurance sector in India.

2.8 Indian Insurance markets during Economic Reform

Since 1991, the economic reform in India opened up the insurance market to private companies in terms of global context. The process of globalisation in insurance sector involved the gradual removal of exchange barriers and the free flow of insurance services, along with wider access to information and technology services for the insurance sector in India lead to an expansion of insurance business in India. Globalisation and liberalisation process benefited the Indian insurance market.

It opened new investment opportunities for life and pension fund managers, and with it came regulations governing the solvency and investment norms to safeguard the interest of the policyholders. Indian insurance market became a competitive market, companies started to offer a better yield to policyholders and annuitants.

This also brought sophistication in the process of portfolio management techniques to the Indian insurance sector. The government of India appointed the Malhotra committee in 1993, which recommended the private sector to enter the Indian insurance market. The Government accepted recommendations and allowed the private sector to offer insurance cover to Indian citizens as per IRDA act 1999.

The following table is given below briefly depicts the Chronological Evolution of the Insurance Sector in India:-

TABLE 1 CHRONOLOGICAL EVOLUTION OF INSURANCE INDUSTRY IN INDIA

SR. NO.	YEARS	EVENTS
1.	1818	Oriental Life Insurance Co. established in Calcutta.
2.	1870	The first insurance company, Bombay Mutual Life Insurance Society, came into existence.
3.	1907	The Indian Mercantile Insurance Limited came into existence.
4.	1912	Life Insurance Companies Act and the Pension Fund Act of 1912. Beginning of formal insurance regulations.
5.	1928	The Indian Insurance Companies Act passed to collect statistical data on both life and non-life.
6.	1938	The Insurance Act of 1938 passed; there was strict state supervision to control frauds.
7.	1956	The Central Government took over 245 Indian and foreign life insurers as well as provident societies and nationalized these entities. The LIC Act of 1956 passed.
8.	1957	The code of conduct by the General Insurance Council to ensure fair conduct and ethical business practices came into existence
9.	1972	The General Insurance Business (Nationalization) Act passed.
10.	1991	The Beginning of economic liberalization
11.	1993	The Malhotra Committee was set up to complement the reforms initiated in the financial sector.
12.	1994	Detariffication of aviation, liability, personal accidents and health, and marine cargo products
13.	1999	The Insurance Regulatory and Development Authority (IRDA) Bill was passed in the Parliament.
14.	2000	IRDA incorporated as the statutory body to regulate and register private sector insurance companies. General Insurance Corporation (GIC), along with its four subsidiaries, i.e., National Insurance Company Ltd., Oriental Insurance Company Ltd., New India Assurance Company Ltd., and

		United India Assurance Company Ltd. was made India's National reinsurer.
15.	2005	Detariffication of the marine hull.
16.	2006	Relaxation of foreign equity norms, thus facilitating the entry of new players.
17.	2007	Detariffication of all non-life insurance products except the auto third-party liability segment.

Source; - ***Report Indian Insurance Industry (CII)***
(Confederation Indian Industry) Sept 2010 Edition Pg 06

3. Indian Insurance Market Scenario since Economic Liberalisations

India's rapid rate of economic growth over the past decade has been one of the most significant developments in the global economy. This growth traces its origin in the introduction of economic liberalization in the early 1990s, which has equipped India to exploit its economic potential and substantially raise the standard of living of its people. Together with other financial services, insurance services contributed 7% growth to the country's GDP in 2009. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructural development and concurrently strengthens the risk-taking ability of the country. Further, insurance has been a notable employment generator, not only for the insurance industry but has also created significant demand for a range of associated professionals such as brokers, Insurance advisors, agents, underwriters, claims managers and actuaries.[6]

3.1 Indian Insurance Markets Scenario in India

The insurance industry market in India has been visibly progressed since the time the businesses regulated and the concentrated in the hands of a few public sector insurers. The shift from the public sector to the private sector has brought about major changes to the industry. The new era of insurance development has seen the entry of international insurers, the proliferation of innovative products, distribution channels, and the raising of supervision standards.

Three Important phases for the Indian insurance market is mentioned below -

- The period post-sector liberalization, like Phase I, has witnessed an unprecedented surge in the sales of insurance products, with the industry recording 24.2% in annualized premium equivalent during the financial year 2000 - 2005. The insurance industry, in its first phase of development, has been relying on regular capital infusions from the promoters as its lifeline. High new business strain and expanding distribution networks have resulted in accounting losses across the industry. In order to meet their commitment towards claim settlement and reserve creation, promoters, have been into Investing additional capital, resulting in "Cash Burn." The tradeoff between "Growth" and "Profitability" was heavily inclined.
- The next four to five years can be termed as Phase II, which saw players focus on an expanding product range, developing innovative products and building a robust distribution channel. During this period i.e. the financial year 2005 –2009, the industry grew at 25.9%. Insurers were shifting weight from the Phase I philosophy of "Growth versus Profitability" to the Phase II mantra of "Profitable Growth." As a result, the focus shifted from "Growth" to "Profitability," with product pricing becoming more rational based on assumptions that are more conservative.

Product innovation continued and traditional policies gained some foothold in an otherwise ULIP driven market.

- The Indian life insurance industry stands at the threshold of launching its Phase III growth. The phase by bringing the industry to a stable position and ensuring “Stable Profitable Growth.”[7] Most large players will look to decelerate the pace of distribution growth and increase their focus on the retention of channel partners as well as improve channel productivity.

The insurance companies are working towards improving persistency in the general insurance market. IRDA has introduced certain regulations to help improve disclosures, profitability, and capital as well as ensure consumer protection. Further, the regulator is amid finalizing the norms for the Initial Public Offering (IPO) of insurance companies. In a sector where none of the players came into existence, the IPO of insurance companies could be a milestone in the future growth of the sector. Risk management plays a very critical role in the insurance business. The government, regulator and the insurance companies a focus on maintaining a favorable environment for sustainable growth, the higher contribution of the industry to economic development and the increasing reach of insurance to the underdeveloped areas of the country. India is fast emerging as one of the world’s most dynamic insurance markets with significant untapped potential. The insurance sector plays a critical role in a country’s economic development. It acts as a mobilizer of savings, a financial intermediary, a promoter of investment activities, a stabilizer of financial markets and risk managers. The life insurance sector plays an important role in providing risk cover, investment and tax planning for individuals; the non-life insurance industry provides a risk cover for assets. Health insurance and pension systems are fundamental to protecting individuals against the hazards of life, and India, as the second-most populous nation in the world, offers significant potential for that type of cover. Furthermore, fire and liability insurance is essential for corporations to safeguard infrastructure projects and investment risks. Private insurance systems complement social security systems and add value by matching risk with price perspective. The appropriate risk pricing is one of the most powerful tools for setting the right incentives for the allocation of resources, a feature that is the key to a fast-developing country such as India. By the nature of its business market, insurance is associated with savings and investing tools. Life insurance and non-life insurance accumulates a significant amount of capital over time, which can be invested productively in the economy.

The growing demand for insurance around the world continues to have a positive effect on the insurance industry across all economies. India, being one of the fastest-growing economies (even in the current global economic slowdown), has exhibited a significant increase in per capita and disposable income. Increasing disposable income, coupled with the high potential demand for insurance offerings, has opened many doors for both domestic and foreign insurers in the Indian insurance markets.

3.2 Insurance Regulatory and Development Authority (IRDA)

The Insurance Regulatory and Development Authority (IRDA) is an autonomous body to regulate and develop the business of insurance and reinsurance in the country in terms of the Insurance Regulatory & Development Authority Act, 1999. The Authority was constituted on 19 April 2000 vide Government of India's notification no. 277. The key objective of the Authority is to promote market efficiency and ensure consumer protection. Law, under Section 20 of the IRDA Act, has required the authority to furnish an annual report on its performance and other related issues to the Central Government.[8]

3.3 Functions of IRDA[9]

The statutory functions of the Insurance Regulatory and Development Authority's functions include -

- Registration (licensing) including renewal of registration of insurance companies.
- Licensing of insurance intermediaries like agents, surveyors and loss assessors, third party administrators- health services, brokers etc.
- Accreditation of agent is training institutions.
- Monitoring all non-tariff products ("file and use") including pricing of products, terms, and conditions thereof etc.
- Supervision of the functioning of the companies and intermediaries including a review of company annual statements.
- Formulation of regulations enforcement of discipline.
- Market conducts surveillance.
- Consumer education and assistance.

3.4 Role to Develop Insurance Market by IRDA

The IRDA Authority has taken a pro-active role in the establishment of a vibrant insurance market in the country. The market regulation by prudential norms, the registration of players who have the necessary financial strength to withstand the demands of a growing and nascent market, the necessity to have fit and proper persons-in-charge of businesses, the implementation of a solvency regime that ensures continuous financial stability. The presence of an adequate number of insurers is required to provide competition and choice to customers. All these steps lead to the establishment of a regime committed to the overall development of the market.

The development of the insurance market and improvement in the insurance density and insurance penetration leading to an adequate social security and life protection, the authority has prescribed rural and social sector norms in respect of insurance business underwritten by the companies, so IRDA monitors smooth functions of insurance business in India.

4 CONCLUSIONS

In order to conclude, India is improving economic fundamentals, which will support faster growth in per capita income in the coming years, which will translate into stronger demand for insurance products. It is also worthwhile to note that it generally takes longer for life insurance demand to reach saturation than non-life insurance (in terms of rising income elasticity). Based on the growth assumption provided by Swiss Re Economic Research & Consulting, that window of opportunity in India's insurance market will remain wide open for a prolonged period. India is widely expected to remain one of the fastest growing emerging insurance markets in the world. The mobility of people, ideas, information, and financial capital means that the government should take more careful note of the economic consequences of their regulation and tax decisions in the future. The effect would seem to be drive regulation and taxation towards convergence. Markets, governments, and businesses value consistency in government policy. Inconsistency hobbles the competitiveness of national firms and markets. Deregulation will permit deeper financial services integrations that will call for greater integration of financial services regulations. The idea of deregulation will continue to yield less government involvement in many aspects of financial service operation in India. Thereby there should be enhanced regulation in selected areas, especially insolvency, the competition of law, and market conduct. The government will have to evolve a new standard for dealing with innovative risk financing alternatives. A nation tax system should not be the basis for allocating international risk-bearing capacity. Tax and regulatory arbitrage are problems that in times of liberalized international financial services market should cure. New forms of protectionism norms in the 21st Century. It should be behind the border measures that impede true equality of competitive opportunity for foreign entrants and that hinder liberalization efforts should become a center stage of issues in the international trade agenda and ultimately multilateral services negotiations.

The effective means of addressing these issues is to embed regulatory principles to those set into a general agreement on trade and services. These principles could be the basis against which national governments and trading partners assessed regulation.

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