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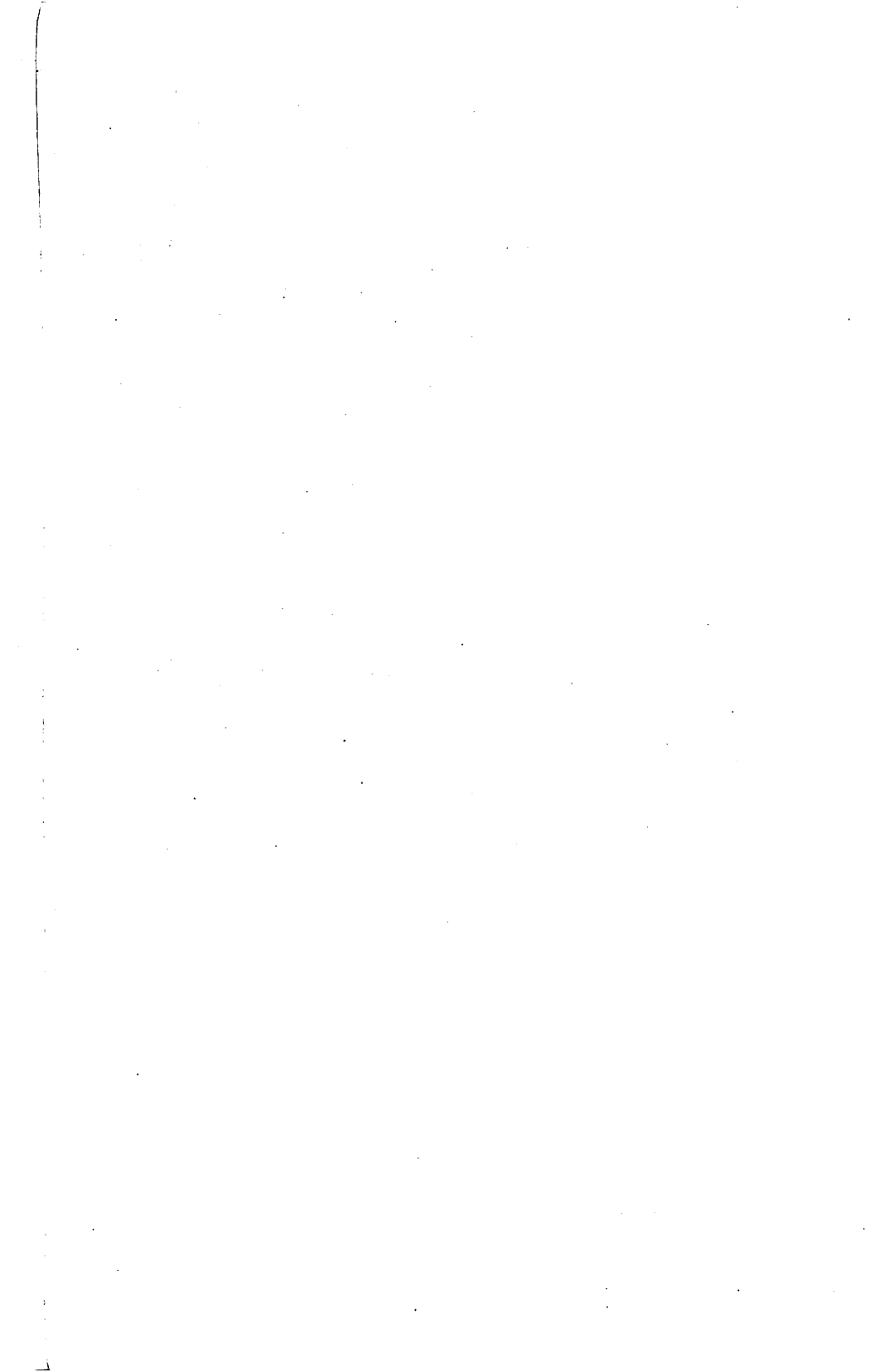
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N. B. : In this issue of 'genesis', an effort has been made to publish a few research papers relating to 'Economic reform and its impact on various fields'.



ECONOMIC REFORM AND TRANSITION IN CHINA

**Dr. Gopal Bordoloi*

1. From Market to Plan to Market Again :

Dramatic changes took place in the world economic scenario during the course of the twentieth century in the form of appearance as well as disappearance of state socialism or centrally planned economy. Till the beginning of the century, laissez faire capitalism or market economy remained the monopoly economic system in the world. However, between 1917 and 1950, a large number of countries in the Central and Eastern Europe led by former Russian empire deliberately broke away from market economy and made effort at building an alternative economic system based on centralize production and resource allocation. China, northern Korea and Vietnam joined the process subsequently. So vast was this experiment that it virtually transformed the economic and political map of the globe. Though the emergence of planned or command economy as an alternative economic system posed a challenge to the monopoly status of market economy; it's failure to sustain marked the beginning of an end to the challenge towards the mid part of the same century. The 'plan failure' resulting from fundamental inefficiencies in-built in planning itself set a reverse course in motion; the same countries which once de-linked themselves from market, made a volte face and started rebuilding markets and reintegrating themselves into the world economy. For transition from plan to market, erstwhile command economies resorted to economic reform, a process

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which is expected to help a 'regulated' economy to transform into a market economy capable of providing sustainable growth in living standards. Almost every country of the contemporary world are implementing economic reform of some form or other, but what distinguishes the reform initiatives of the transition economics from those of others is that it involves fundamental changes from one mode of production to a completely different one (World Bank, 1996).

The starting point, speed, scope, strategy and path followed, reasons for adopting reform and initial conditions prevalent at the time of launching of reform were not uniform among the transition economies and so was the post-reform performance. Compared to other transition economies, China's reform experiment during the last quarter of the past century yielded excellent results. The country maintained a near double-digit growth rate of GDP, single-digit inflation rate, substantially reduced the poverty level, built up a huge foreign exchange reserve, attracted massive flow of FDI and significantly improved the share in world trade. In short, reforms apparently helped China in leaving the hangovers of the dead-end economic strategy of the past far behind and move towards the set goal of establishing a vibrant socialist market economy. This write up is a modest attempt at outlining China's successful experiment at transition through reform following the gradualist approach. The question sought to be addressed is whether the success is attributable to favourable initial conditions or choice of policy and the contention is that it is the outcome of a 'chance mix' of the two.

2. Prereform Features of Transition Economies :

The transition economies had some common as well as some country-specific features prior to launching of reform. Stagnancy in GDP growth, industrial sector and monetary overhang were the common features. All transition economies were cost-ineffective economies producing poor quality products in insufficient quantities, particularly consumer

durables and had weak relation between money supply on the one hand and price level and income on the other. In respect of Agriculture, east Europe suffered from stagnancy while it was a relatively booming sector in China. East European countries were industrial economies and suffered from moderate to high inflation while China was semi-industrial and was virtually free inflationary pressure. (Agarwal and Sengupta, 2000).

Unlike their east European counterparts, Chinese reformers were neither dissatisfied with the single-party communist rule nor by the absence of western style of democracy or compelled by severe macro-economic crisis to opt for reform. What prompted the Chinese leadership to adopt reform was the mounting frustration with the inordinately slow pace of growth and lack of modernization in the economy (Ray, 2002). The reform path followed by China and east European counterparts were diametrically opposite. East European economies adopted the 'big bang' or radical path wherein as many reform measures as possible are included in the package with a view to replacing central planning with the rudiments of a market economy in the shortest possible time or in a single bold leap. In contrast, China followed the gradual, evolutionary path which can be aptly described using Deng Xiaoping's words 'feeling the stones to cross the river'. This gradual, cautious approach imply launching of reform in a phased manner on the basis of experimentation, starting with localized experiment in a few selected repressed sectors and then expanding gradually as experiment succeeds to other sectors over a period of time (World Bank, Op.cit).

3. China's reform initiatives :

China officially launched economic reform in December 1978 after Deng Xiaoping and his associate survivors of the Liu Shaochi clique established firm control over China's communist party and consolidated political power. The new leadership realized the weaknesses of Soviet style planning and were convinced about the need for reform, but had no blue print or

set model to follow. Being in a position to choose the content and set the pace of reform, the leadership opted for experimentation, adopting what turns out as successful. Following gradual, evolutionary path, China went through several stages of 'combining plan with market' in order to achieve the cherished goal of establishing a vibrant socialist market economy over time (World Bank, Op.cit).

Reform was first introduced in agriculture in the form of 'decollectivisation'. The possibility of getting enhanced output by assigning land to households for private farming and allowing them to retain output in excess of the required procurement quota than what could be obtained through collective farming was realized, experimented and success of the experiment prompted the leadership to introduce household responsibility system throughout the nation replacing collective farming. Price reform in the form gradual deregulation or freeing of markets was also introduced under a dual-track system first in agriculture, subsequently extended to other sectors. The system involves allowing free market to develop parallel to controlled market and encouraging gradual decontrolling of more and more prices. (World Bank, Op.cit).

Privatisation of state owned enterprises (SOEs) in the usual sense of divestiture of SOEs to private hands was not in China's agenda for industrial reform; for, privatisation to the Chinese reformers means creation of a non-state sector only where market forces operate. In the early 1980s, effort was made at revitalizing SOEs by providing some autonomy along with hardening of budget constraints and infusion of competition (Ram Mohan, 2004). Contract responsibility system was introduced in 1987. The 15th CCP National Congress in 1997 and its 4th Plenum in 1999 modified the guiding principle of SOE reform from revitalization to developing multiple form of ownership structure (Wu, 2000). For large SOEs restructuring mostly took the form gradual conversion to modern corporate houses while buying of shares

by managers and workers in accordance with their wage was the common form in respect of small and medium sized SOEs.

Since the early 1980s, effort was made at setting up a macro control mechanism for devising and implementing monetary and fiscal policies. Banking sector reform was introduced in 1983; Peoples' Bank was converted to a Central Bank of China; four specialized banks of the country were converted into commercial banks. Tax reform was introduced in 1994; laws for Peoples' Bank of China and commercial bank were passed in 1995. However, the financial system, by and large, remain flawed.

The open door policy pursued since late 1970s in respect of foreign trade and investment has two component viz gradual relaxation of restrictions on foreign exchanges and encouragement to foreign investment. Current account convertibility of Yuan was also introduced.

Other measures of reform introduced includes steps for development of non-state sector, reform in legal and educational systems, downsizing of bureaucracy and incorporation of private property rights and the rule of law explicitly in the Chinese constitution (Ray, Op.cit).

4. Success Story :

China's experiment at transition through gradual reform path turned out to be a successful one. The Chinese economy underwent fundamental changes in the form of changing ownership structure; there has been progressive decline in the dominance of state sector and consequent rise in the importance of non-state sector in the economy. Reform initiatives has enabled China so far to firmly establish the rudiments of a market-based socialist economy. Between 1978 and 1999, the share of the state sector in gross national industrial output declined from 77.6% to 28.5%; consequently, the share of collectively owned and private sector went up respectively from 22.2% to 38.5% and from meager 0.2% to 33.0%. The

composition of national retail sales during the same period reveal decline in the share of State and collectively-owned sectors from 54.6% to 24.3% and from 43.3% to 18.2% respectively, while those of private sector went up significantly from meager 2.1% to 51.5%(Wu, Op.cit).

Along with the change in the form of ownership structure, the performance of the economy became impressive. Over the past two decades beginning 1978, the GDP continued to grow at an annual rate of little less than 10 percent, life expectancy went up by about 10 years, the percentage of rural poor went down from nearly 60 to 11.5 by international poverty line in 1999, rural per capita real income more than quadrupled while urban income trebled in 1997. China's status in the international economic and trading system greatly improved. The volume of foreign trade as percentage of GDP went up from 10 in 1978 to over 35 in 1996, implying a near four-fold increase in China's share in world trade. The trade balance also improved, from deficits during 1970s and 1980s to surplus in 1990s. The FDI flow in US dollar jumped from near zero on 1978 to 1.8 billion in 1986 and then to over 45 billion in 1997(Ray, Op.cit). In short, the progress achieved during the last quarter of the 20th century has been spectacular.

5. Explanation of the success – Initial condition versus policy choice :

One set of explanation of China's success runs in terms of initial favourable conditions that prevailed in China at the time of launching of reforms. These were :

- i. The economy being predominantly agrarian, the task of reform was relatively easier;
- ii. The less comprehensive and more decentralised planning system was conducive for the growth of large number of locally-owned smaller firms, specially township and village enterprises (TVEs);

- iii. Preponderance of small SOEs made subsequent SOE restructuring relatively easy;
- iv. China was free from foreign debt servicing problem and foreign exchange crisis;
- v. The prosperous, non-resident Chinese business community, specially from Hongkong and Taiwan, responded to the new opportunities opened in China in a big way along with capital and technology;
- vi. The abundant supply of cheap, disciplined labour attracted massive flow of FDI and encouraged outsourcing of industries into the Special Export Zones set up in coastal region;
- vii. Launching of massive stabilisation programme before the start of liberalization was not necessary as China was free from severe inflationary pressure;
- viii. China had very high rate of domestic savings, around 35% of GDP in 1979(Ray, Op.cit).

An alternative explanation of the success runs in terms of policy choices by the Chinese leadership. But neither of these explanations, on their own, are adequate and China's success appears to be the result of a combination of the two. Initial conditions or antecedent causes helps in explaining why reform is adopted, while policy choices best explain how reforms are implemented(Sujianguo, 2000).

It appears that the initial favourable conditions must have contributed towards the success, but China's unique reform strategy – its content, timing, sequencing and implementation – surely played a much bigger role(Ray, Op.cit). Garnaut(2004) also observed that over and above the favourable initial conditions, Chinese reformers 'stumbled' upon a growth strategy that proved very effective; the absence of a blue print was virtue. To him, the confidence of the Chinese leadership in some general direction of the movement and their bold decision to adopt reform without waiting to have a clear picture of the path ahead also contributed towards the success.

6. Challenges ahead :

It may not be entirely out of place to refer to the views of the orthodox left ideologist on the prospect of China's reform initiatives. To them, adoption of reform and the decision to open up and integrate into the world economy is bound to bring disaster to China in the form of heavy international debt, chronic inflation, uneven development, endemic corruption, cultural regression and moral decline, rapid polarization and real problems in gaining and maintaining a market share for exports. To quote Hinton (2002): "The final result of China's current opening to the world market and growing dependence on the world finance is more likely to be a new semi colonial status, one that puts China in a passive position, at the mercy of its creditors and of every adverse trend in the world economy. It can hardly lead to an autonomous, self-generating, stable economy capable of providing a reasonable level of prosperity for all Chinese people".

Contrary to such gloomy forecast, China has so far succeeded in maintaining an impressive near double-digit growth rate of GDP, keeping inflation rate at single-digit, improving status in the international economic and trading system, building huge foreign exchange reserve and attracting massive FDI flow. But past performance certainly offer no guarantee for repeat performance in future. The possibility of sustaining such high growth rate appears to be very remote because the scope for productivity growth through simpler technology, particularly in agriculture has already saturated; high and growing domestic savings rate may not continue in future and the flow of FDI inflow may slow down once various concessions and incentives are withdrawn. Besides, the progress of reform in certain fronts left much to be desired – the high debt-equity ration in Chinese enterprises, gradually falling ratio of revenue to GDP, flawed financial system, failure of market to emerge as primary allocator of economic resources are some of the examples. Moreover, the economy is facing growing urban unemployment, rising interpersonal and interregional

inequality, serious environmental degradation are posing challenge to the reformers. Another area of concern is inadequate development of infrastructure. The task before the reformers include introduction of environment-friendly improved technology in different sectors, removal of the flaws in the financial system including making commercial banks more commercially oriented, developing educational and the legal system, introducing corporate incentive mechanism based on management performance and addressing the mounting economic problems that cropped up in the economy. All these are easy said than done; hence the possibility of reforms to slow down a bit can not be overruled. However, China's economy may continue growing at a fairly rapid rate, at least for some time in the immediate future, slowing down of reforms notwithstanding. As regards future policy, Wu (Op.cit) believed that the policies formulated at the 15th CCP National Congress and its 4th Plenum should be pursued in letter and spirit and concerted effort should be made at deepening the reform. ■■

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A VISION AND A STRATEGY FOR DEVELOPMENT OF THE RURAL ECONOMY OF ASSAM

**Madhurjya Prasad Bezbaruah*

Introduction :

With 87.09 percent of population located in rural areas (as per 2001 census), Assam is one of the least urbanised states of India. Obviously a vision of developed Assam is not possible without the vision of its developed rural economy. Agriculture being the mainstay of the rural economy in Assam, as elsewhere in India, a prosperous agriculture will have to occupy a central place in that vision of prosperous rural economy of Assam.

The broad picture depicted by trends in macroeconomic indicators however does not inspire a lot of confidence about the prospect of vigorous growth and rapid strides towards such prosperity. As per Planning Commission estimates, the proportion of rural population living below poverty line in Assam was 40 percent in 1999-2000, next only to the ratio for Orissa and Bihar among the 16 major states of India for which survey data were available. More disconcerting is the fact that the ratio for Assam registered a small increase between 1993 and 2000 while for all the other 15 states it had gone down. The yield of rice, the principal crop of the state, was recorded to be 1555 kg.s per hectare¹ in 2003-04 – the figure stands at a level about 25% below the all-India average. While the farm sector growth has not had any significant acceleration, there are no indications of rural non-farm economy emerging as a vibrant alternative source of employment and livelihood. As per the 57th

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1. Page 8, Handbook of Agricultural Statistics 2004-05, Directorate of Agriculture, Government of Assam.

round of National Sample Survey relating to the year 1999-2000, unemployment rate among rural population was far higher in Assam (21 per thousand) than at the all India level (5 per thousand)². Meanwhile population pressure on land has continued to mount leading to steady decline in the average size of operational holding (which was already 1.17 hectare by 1995-96)³.

In view of such sluggishness of the rural economy, the question naturally arises whether a vision of a prosperous rural society of Assam in 15 years hence is realistically conceivable. An affirmative answer to this question is possible because of the following reasons.

- The key natural resources of land and water are yet far from fully utilised in Assam. Abundance of surface and ground water remains to be exploited for irrigation and other productive uses. Cropping intensity has reached barely 150%. There is scope for more intensive use of cultivable area through increased cropping intensity as well as through greater use of yield increasing inputs like fertilisers and HYV seeds. Similar scope exists for other allied activities such as fishing and livestock rearing.
- There are ample evidences that people in rural Assam respond positively to incentives and opportunities. Increased production of rice following expansion of irrigation capacity under *Sambridha Krishak Yojana* in different parts of the Brahmaputra Valley, the spurt in tea production in the small scale sector in Upper Assam in the 1990s, use of local resource based micro irrigation systems popularly called the *dheki*-pump in western Assam are examples of peoples inventiveness

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2. Table 16.4, Economic Survey Assam 2004-2005, Directorate of Economics and Statistics, Government of Assam.
 3. Assam at a Glance, Economic Survey Assam 2004-2005, Directorate of Economics and Statistics, Government of Assam.

and response to incentives and opportunities. That the economy has stagnated despite this is because of our failure to extent success spatially and temporally. This failure has more to do with our inability to organise and sustain the necessary infrastructure and institutional support than to lack of initiatives on the part of farmers and other agents in the rural economy.

- West Bengal, with agro-climatic conditions similar to Assam but with even more severe population pressure on agricultural land as indicated by smaller average size of operational holding, has emerged as one of the fastest growing states of India in recent years. This has become possible, despite a declining trend in the industrial sector in the state, because of the state's fantastic record in agricultural growth and rural development. With adequate dose of investment and an institutional set-up in place to see that the investment is effectively deployed and people's initiatives are capacitated rather than disabled, there is no reason why Assam should not emulate this neighbouring state.

Bolstered with these reasons for optimism, I venture into depicting a vision of socio-economically robust Rural Assam in the next section. The strategy to achieve this vision and the implementation mechanism for the strategy are discussed in the subsequent two sections. In the concluding section the sources for funding of the action plan for achieving the vision are explored.

The vision

The vision of the rural society of Assam attainable by 2020 may include the following components:

- Deprivation of all rural households from the basic needs of drinking water, shelter and sanitations is eliminated.

- Access to primary health care is achieved for all.
- All children acquire functional literacy and get the basic and quality education to be able to access opportunities in the increasingly knowledge based economy of the future.
- All villages get connected to communication network and remain accessible throughout the year.
- All villages not only get electrified but also benefited from uninterrupted power supply in adequate voltage.
- Farm production takes place at near potential levels. Rural employment not only expands in volume but also diversifies with agro processing, trading and catering various productive services to the modernised farm sector emerging as important economic activities. With increased affluences of the rural population, consumption related services also take a boost and add to the growth and diversification of rural employment.
- With widespread participation in the upswing of the rural economy, disparities across gender and groups, such as castes and tribes, get markedly reduced.

The Strategy for realization of the Vision

In essence the strategy for rural development of Assam can be a simple two pronged approach comprised of (a) acceleration of income and employment growth through facilitation of fuller utilisation of production potentials, and (b) elimination of deprivation of people from the basic facilities of drinking water, shelter, sanitation, elementary education and primary health care by directly providing these services.

The income and employment generation process will be spearheaded by farm sector growth which can arise from fuller exploitation of technical possibilities in combination with better

use of natural resource base.⁴ Apart from direct employment in the farms, increased farm production will generate income and employment in related activities through backward and forward linkages. Backward linkages will force higher activity levels in provision of sectoral infrastructure like irrigation and services like input supply, extension and repair and maintenance of farm equipment. Forward linkages will induce growth in storage, processing and trading of farm products. Thus farm sector growth will lead to mutually reinforcing growth in income and employment in both farm and non-farm economic activities in rural areas. With the growing affluence of the rural population, consumption related services would also receive a boost and add to the growth and diversification of rural economy and employment.

However the above-mentioned farm-sector-led growth will critically depend on improved rural connectivity through

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4. Though some of the advanced regions of the country might have actually over exploited the existing technological know-how, there is ample scope for reaping of gains from fuller exploitation of the technology package in regions such as the Eastern India and by such sections of the rural society as the small and marginal farmers. The approach paper to the 10th Five Year Plan notes, "The intensity of private capital is increasing at a faster rate for green revolution areas and for large farmers. The weight of fertilizers, pesticides and diesel that accounted for mere 14.9 percent of total inputs in 1970-71 in the country increased to 55.1 percent in 1994-95. For a large farmer in commercialised region it could be as high as 70 percent.... Whereas the need for resources to purchase these inputs has been increasing, the marketable surplus has been increasing at a slower rate to absorb this. It is not surprising that repayment of loans is such a problem in Indian agriculture and has even led to suicides in some cases. A better strategy would be to concentrate on small and marginal farmers and on eastern and rain fed areas where returns to both labour and capital are high." (p. 28, *Approach Paper to the Tenth Five Year Plan 2002-2007*, Planning Commission, Government of India, New Delhi, 2001)

quantitative and qualitative expansion of road and telecommunication network. Without improved connectivity rural markets will remain fragmented and increased farm production will be a bane rather than a boon for the farmers as prices of the products are likely to collapse from over supply. The farm-sector-led growth strategy thus pre-supposes that rural markets are integrated to the regional, national and global markets so that farmers need not produce only that which will be absorbed in the local market but can specialise in such production activities for which his resource base is most suited and for which he is adequately rewarded.

Direct action will have to be taken to eliminate people's deprivation from such basic needs as drinking water, shelter, sanitation, primary health care and elementary education. Special delivery mechanisms will have to be designed for encompassing people in special problem sectors such as flood-prone areas, interior hills and also for such sections of population as those internally displaced due to violence, and women and children in the fringes of the society. Action in this area will help directly in achieving the goals of development by mitigating human misery arising from deprivation from these basic facilities. Moreover by building human capabilities, such action will also enable the masses to be more productive players in the dynamics of growth. This in turn will not only enhance long-term growth prospect of the economy but will ensure wider diffusion of gains of the growth process among different sections of the Society.

Implementation Mechanism

In the implementation of the above-mentioned strategy of rural development, specific roles have been envisaged for the different agents such as individuals and households, the community, the non-governmental organizations (NGOs) and the State and the Central governments.

The State government will have to directly intervene to put the necessary institutions and basic infrastructure in place. The

Panchayati Raj will have to be instituted in full spirit. A good part of West Bengal's success in rural development is attributed to empowerment at the grassroots through establishment of strong *Panchayati Raj* institutions⁵. In Assam there is great hesitation and delay in setting up the Panchayati Raj system as per the 73rd Amendment Act of the Constitution and transferring of the due administrative and fiscal power to these institutions has been dragged over a long period of time. Besides accomplishing grassroots level empowerment, establishing roads and telecommunication systems linking villages to the broader network will have to be direct responsibility of the state government. Power connection to each village will also have to be provided. These critical areas will remain deficient without active state government initiatives. In most other spheres of the rural economy the state government's role will be of that of a facilitator.

Community action has to be channelised through elected *Panchayats* or similar other village level institutions. These bodies will have to be empowered and entrusted to oversee all village level community based development activities, such as construction and maintenance of intra-village roads,

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5. "A notable feature of West Bengal success story is that this (the success in the rural development and agricultural productivity growth) was preceded by a series of institutional reforms. Limited redistribution of surplus land to poor and small farmers, strengthening the rights of the tenants and successful implementation of Panchayat system at the grassroots level are some of the changes that marked a clear shift in the agrarian policy in West Bengal during the late (nineteen) 70s and 80s. Panchayats were involved in various developmental activities such as planning of tube-well development at the local level, management of minor irrigation schemes, agricultural extension work etc...." Renuka Pillai, 'An Analysis on Paddy Productivity Growth in West Bengal and Orissa', Indian Journal of Agricultural Economics, October-December 2001 : p 620.

management of village primary schools and health centres, management of other common resources like forest, wasteland, water bodies, execution of specific rural development programmes right from selection of beneficiaries to completion of the tasks and so on.

Production activities will be organized in a market oriented manner. Households and individuals will operate as individual market agents. Market forces will guide their production and consumption decisions and buying and selling operations. But co-ordination and co-operation between these operators may be required in many areas for their mutual benefit. Farmers may be encouraged to form their co-operatives and peer societies to address their common problems and exploit the advantages from co-ordination and co-operation. Such bodies should be allowed to come up as spontaneous peer organization and should not be led into existence by government over-enthusiasm.

NGOs are/may be operating in many different specific areas. Their role in the development process can be broadly viewed as one of enabling people through spread of awareness, networking among social activities for greater leverage and inducement to initiate actions socio-economically beneficial to the rural community.

Financing of the Strategy

The necessary financial resources for implementing the above laid out strategy for rural development will have to be harnessed from a variety of sources such as governments, international donor agencies, financial institutions and private savings.

Funds for public investments in rural infrastructure and provisions of basic facilities can be sourced from the growing central allocations for rural development programmes and infrastructure projects. For instance, funds can be obtained for

construction and maintenance of rural roads under *Pradhan Mantri Gram Sadak Yojana*. Many of these schemes are centrally sponsored, though some of the schemes require certain amount of matching grant from the state governments. But what is of great importance is proper implementation of projects under these schemes. While faltering in implementation may lead to drying up of funds from such sources, successful and timely implementation is likely to ensure renewed flow of funds under such programmes.

The international donor/ funding agencies can also be roped in to meet shortfall of funds, especially for delivery of basic services. For instance, programmes in which the target beneficiary segments are children and women, organizations like UNICEF can be approached for funding.

Since the production activities in both farm and non-farm sectors will be carried out primarily by market-oriented agents, private investments along commercial lines will have a significant role to play in successful implementation of the strategy. However funding of private investment in the rural sector will perhaps be more difficult to organize, at least in the initial stages in which investment requirements will be large and the households in general will not have enough internal resources to fund them. The credit institutions need to step up their operations in rural areas so as to meet the various types of credit needs of the rural farm and non-farm production units. But even if the delivery of institutional credit picks up, the credit institutions are unlikely to be able to cater to the entire credit needs of the rural society. A large number of rural households often require small to medium credit for both production and consumption purposes which the bank may find expensive and imprudent to cater to. In the absence of suitable credit institutions in this segment, households are often left with no choice but to depend on non-institutional sources such as moneylenders who usually charge extremely high interest rates.

While the non-institutional credit market may be meeting the immediate credit need of rural households, in the longer run the high cost of such credit aggravates poverty and reduces investment capabilities of households. For the cause of rural development, financial institutions can intervene in this segment by setting up their own micro-finance credit schemes and/or by supporting other micro-finance credit schemes to operate effectively. ■■

FAMILY OWNED BUSINESS—A POWERFUL ECONOMIC FORCE (A Case Study)

****Dr. Ashima Sharma Borah***

Introduction :

Industrialization through entrepreneurship development is today considered the most effective means of achieving economic growth of a country with its various regions in a balanced manner. Industrial development cannot however, progress without development of entrepreneurship. This promotion and development of small industries are considered to be very important, (particularly from August 6,1991 where the main focus was on small scale industrial sector in the industrial policy measures) at least in solving the unemployment problem, with less capital investment, with the increased number of unemployment especially among the educated youth in our Country, seems to feel the requirement of need based skills which is necessary for making self-employment a better and effective ones. It is disheartening indeed to find youth qualified professionals not been employed gainfully.

Taking the above case into consideration a study has been done on greater Guwahati under Kamrup district of Assam. Assam is one of the North Eastern States of India which is economically not sound in comparison to the other parts of India. In order to throw some light regarding its economic status of this back ward region, an effort has been made to highlight the role played by the entrepreneurs (nascent) engaged in family and privately held business, and the extent of

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their success in this regard. It is seen that most of the business in the united states are family owned. With the right mix entrepreneurial spirit and family cohesion, a family business can be a powerful economic force as well as a rewarding way of life. Steve Zucleerman, the President of a third-generation family firm, states, "Dad worked hard. He taught me honor, affection, and values".¹

This study is therefore a modest attempt to find out the factors which are associated with the success of the nascent entrepreneurs in relation to the family and private business. The constraints and challenges are also discussed and the required recommendations are given.

Objectives of the Study :

The study conducted in the Greater Guwahati area of Assam has the following objectives.

- 1) To study the present role played by the entrepreneurs (nascent) in the family business.
- 2) To study the extent of professionalism in the family business.

Methodology :

This study is mainly based on primary data collected from 100 entrepreneurs, who are alumni of K. C. Das Commerce College of greater Guwahati, Assam. These entrepreneurs are engaged in their family business, some of them got associated to business from an early age and some only after completion of graduation.

The sample entrepreneurs' educational background was mainly commerce. The data were collected through face to face interviews with the entrepreneurs and with the help of a structured questionnaire. The year of conducting the survey was January 2005 followed by another survey on November 2005. To create more representativeness, two surveys were conducted within a gap of 9 months. The survey was based on random

sampling method covering the four directions of the Guwahati city.

Secondary data were also used in the study and was collected from the quarterly publication of the Indian Commerce Association. The Indian Journal of Commerce, Reports, Books on family business, Foreign Journals and Publications.

Literature Review :

A family business is a firm or company in which the family has a strong influence in the day to day running of the business. Also Family Business can be defined as an enterprise, which in practice is controlled by one or more members of a single family and / or families related by marriage (Barry 1975, Allied Irish Bank 2001). The commonality between family business is that they represent most of the owners assets (Ward 1987)². Whilst this may be an adequate description of how the business operates on paper, the 'business of family' has become a much more complex subject globally.

One outstanding quality of the Indian business family is the complete surrender of individuality of the member to the general welfare of the family and its activities. This Surrender of personal vanity and ambition in the larger interest of the family and, by extension, the community results in a unique sense of competition rather than in conflict. There is a virtual absence of fratricidal conflict. The customs and conventions governing the individual within his family and the community are further strengthened by the interdependence of its members, socially, politically and most importantly, economically.

Extent of Professionalism in the Family Business :

The family firm is an economic and social entity and as such it must respond to the changing business environment. Recently this environment has been characterised by an enormous growth in knowledge with associated technological

developments and equally rapid increases in the demand for customised products (*Piore and Sabel, 1986 ; Hladik 1988)³. Responding positively to environmental pushes, will require a change in role for business founders. If new technical marketing and management skills are needed to meet new challenges, founders must delegate. They cannot rely solely on their existing expertise. Taking this into consideration, one of the findings of the study reveals that, the nascent entrepreneurs with formal technical qualifications could do better than their founder family members. It was found out that the entrepreneurs somehow manage to acquire the knowledge on Accountancy and money handling skills, which is more important requirements than technical knowledge, and technically skilled manpower is hired instead.

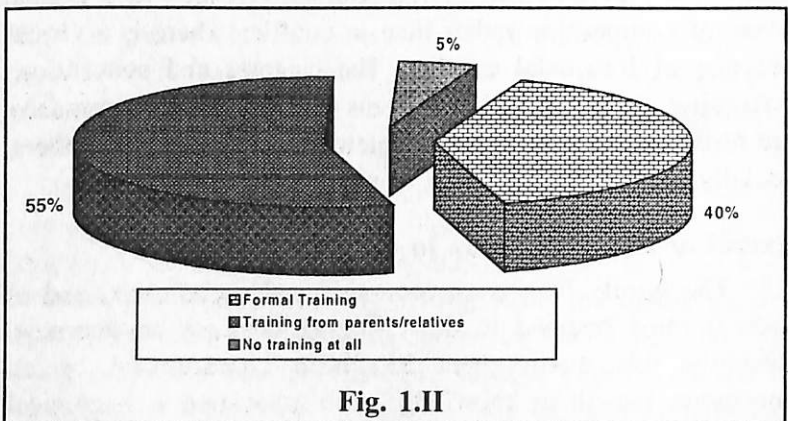
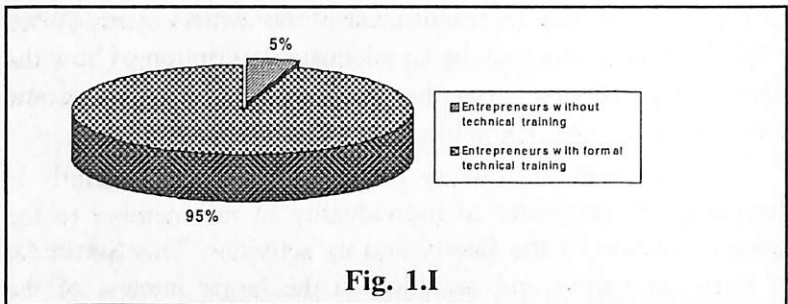


Fig. 1.I. depicts that 95% percentage of Entrepreneurial without having any technical knowledge, managing the business. In the West, it is different. Sons are expected to find themselves jobs and join the family firm only after they have worked elsewhere for a few years. This trend is so well entrenched that Lansberg⁴ says he runs special educational programmes for companies with vast dealership networks. These dealerships are family owned and dealers' children do internships with other dealers as part of the careers planning for succession. There is no similar system in India, although some scions serve internships with foreign collaborators.

Fig. 1.II depicts the percentage of sample is 55% who has acquired training from parents or relations and has been doing their family business. 40% of the sample did not undergo and sort of training, informal or formal and only 5% of the sample replied that some sort of formal training was acquired by them from business point of view.

Therefore, it becomes utmost necessity that these kind of business be promoted with all efforts in order to improve the economic graph of a region or country, particularly in terms of providing employment opportunities to the educated youths.

As there is no formal record of performance of family business in Assam, an effort has been put into to depict at least the principal characteristics of the unregistered SSI in Assam.

TABLE - 1
DISTRICT-WISE PERCENTAGE DISTRIBUTION OF PRINCIPAL CHARACTERISTICS
OF THE UNREGISTERED SSI IN ASSAM

Sl. No.	District Name	No. of unregistered Units	Market Value of Fixed Assets	Original Value of P & M	Employment	Gross Output	Export	Net Worth
1.	Kokrajhar	0.35	0.61	0.37	0.23	0.32	2.97	0.45
2.	Dhubri	1.32	1.23	1.36	1.83	0.94	0.00	1.95
3.	Goalpara	2.36	3.67	2.34	2.65	1.14	0.00	1.84
4.	Bongaigaon	2.31	1.53	2.08	2.30	1.12	0.71	1.09
5.	Barpeta	1.05	0.88	1.13	1.06	0.49	0.95	0.60
6.	Kamrup	22.34	29.56	30.88	24.95	15.50	19.60	29.01
7.	Naibari	2.41	2.13	2.64	2.14	1.25	0.00	1.95
8.	Darrang	2.62	4.06	3.94	2.05	1.58	0.00	2.74
9.	Morigaon	1.06	0.80	1.08	0.91	0.22	0.00	0.77
10.	Nagaon	7.16	5.62	6.29	6.84	4.42	0.00	6.53
11.	Sonitpur	15.30	14.47	12.27	16.06	48.44	64.98	13.58
12.	Lakhimpur	1.71	0.77	1.02	1.93	0.63	0.00	2.85
13.	Tinsukia	8.20	6.96	7.72	7.88	3.50	0.00	5.59
14.	Dibrugarh	13.47	11.22	7.31	9.68	4.29	0.00	7.74
15.	Sibsagar	2.85	2.26	2.63	3.42	1.31	0.00	1.35
16.	Jorhat	0.95	3.48	2.61	0.97	8.15	0.00	13.29
17.	Golaghat	6.38	3.11	4.19	5.18	2.36	0.00	1.95
18.	Karbi Anglong	2.43	1.04	1.95	4.31	1.78	0.00	2.86

Table 1 clearly shows that how important it is to give preference to these sector of business as it provides employment to the youths. (backward classes) particularly Kamrup district (the study district) shows a percentage of 24.95% which is the highest in comparison to other districts of Assam. Therefore this percentage can be increased if and only more efforts are taken to enhance the technical expertise in the family business and the Entrepreneurs (nascent) has an important role to play in this regard.

Challenges faced by Family Business :

- ★ Regarding the role and responsibilities of a professional manager in the family business there is a general feeling that the family business in a deprived working environment for the professional manager, although Statistics do not seem to back this contention. However, professional managers do well if they are able to acculturate themselves to the value System of the Indian family business and are often compensated for the apparently lower salaries through a parallel set of financial and social incentives. One of the entrepreneur reveals an interesting story regarding succession matters. The sample entrepreneur has a reputed Bakery in Guwahati, Assam, the famous 'Sheikh Brothers' when asked about employing professional manager from outside or so, in reply it was stated that one of the brother favored employing a professional while the others commented that they prefer their business to remain within the family. Despite of an awareness of the desirability of managing succession they, and many more family firms seem to have grave difficulty in addressing these important matters.
- ★ The Indian family business spends much time and effort managing the external forces in society that can make life more or less difficult. Indian laws till 1991 were hostile to the growth of family business and a huge bureaucracy was created to enforce these laws.

- ★ Internalization of family business is yet to gear up, interference or mixed reactions by the family business regarding appointment of professional manager or so acts as a hurdle in the development of the business. A study of Dr. Jill Thomas and Mr. Chris Graves of University of Adelaide (2006 June, Melbourne ICSB Conference, Australia) reveals that the sample firms of the study followed a traditional pathway to internationalization. Their (sample firms) first steps were unplanned and reactive to external events consisted of gradual incremental stages of international growth, initially focussed on physically close countries, marketed existing and modified product lines through agents and distributors and were financed out of internally generated funds. It was also seen in their study that appointment of a manager with the requisite capabilities can only lead the business towards internationalization.
- ★ Problems may arise if there are several children who want to manage the company. In a Research paper submitted in the ICSB Conference Melbourne by Shelley Van Eeden of Nelson Mandela Metropolitan University (South Africa), an investigation was done on Sibling Partnership and was found in the study that working with one's Siblings in a family business partnership can have a decided competitive advantage, but approximately half of all Sibling partnerships result in failure.

Conclusion and Recommendation :

Given that the economic vibrancy of most nations is focused on the role of family and privately held business, it is both desirable and valuable to pursue our understanding of the factors that may influence such endeavors. From the study, it revealed that the nascent entrepreneurs can contribute a lot to their ancestral business, hence leading to economic growth. Also it is observed that higher education increases the livelihood of being a nascent entrepreneur.

However, the more important of our findings from this survey are reproduced below :

- ★ 40% of the sample are doing business without any formal technical training, 55% acquired informal training from their parents or relatives and only 5% some how managed to acquire some sort of formal training for smooth functioning of the business.
- ★ The nascent entrepreneurs are willing to attend training programmes in the priority area like marketing, finance quality assurance, technology management etc., but not interested in long-duration training programme conducted away from their premises. The most preferred duration is 2-3 hours, preferably on weekends. There is a clear preference for short on-campus training programmes.
- ★ The nascent entrepreneurs showed more interest in getting their B.Com degrees rather acquiring technical expertise for managing their ancestral business.

The founder members of the family must pursue for training in technical areas to their children. They must at least ensure that their children works outside their business at least for some time. It is a personal decision as well as a business decision, and only the entrepreneurs and the children can determine what is best.

The entrepreneur must decide whether any and all family members will be hired and whether they will be paid market rates or higher. Most experts advice that family members should not be hired unless they meet the same criteria as outside employees. There should be no false jobs for false applicants family members must have a genuine interest in the firm and must make genuine contributions in a real, well-defined job. Pay should be based on merit and should be based on market rates.

In the near future manufacturing and product development will either must be handed over to the specialist firm or the

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In the near future manufacturing and product development will either must be handed over to the specialist firm or the

Entrepreneurs (nascent) must undergo training programmes on various important technical areas. Only then the profitability of the firm will be enhanced thus leading to economic upliftment. ■■

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CORPORATE GOVERNANCE — CONCEPTUAL FRAMEWORK

**Bipul Ch. Kalita
Safiqul Haque
Monoj Kedia*

Introduction :

The great Indian master of political science Kautilya mentioned four functions of a king in his well known book Arthashastra — (a) Raksha or protection, (b) Vridhi or enhancement, (c) Palana or maintenance, and (d) Yogakshema or wellbeing or safeguard. It is the noble duty of the king to protect the person and property of his subject, to enhance their wealth, to maintain them and to safeguard their interest in general. This concept can be applied with equal force to company management for corporate governance (CG). The Board of Directors (BOD) are the rulers and shareholders and other stakeholders associated with the company are the subject. The company should be managed in a way that would protect the interest of shareholders, would increase the value of their wealth and their prosperity, would lead to the welfare of the society and would increase their accountability to them.

Corporate Governance :

Meaning — the Dictionary meaning of the word 'corporate' is a legally formed body. Therefore, a corporation is a legal entity which is created and guided by law. The word Governance implies the rule of guidance. Therefore, C. G. means rules of guidance through which a corporate entity is

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controlled or managed and supervise the affairs of the company. It includes the policies and procedures adopted by a company in achieving its objectives in relation to its shareholders, employees, customers, suppliers, regulatory authorities and community at large.

Definitions :

Many persons have defined Corporate Governance in different ways. However, the central theme of all the definitions conveys the same meaning. Some of the definitions are given below :

According to Sir Adrian Cadbury—“Corporate Governance can be ensured with its full transparency or disclosure of accounting and non-accounting information and company must make compliance statements for interested persons, this is possible through code of best practices.”

According to the Confederation of Indian Industries Report — “Corporate Governance deals with laws, procedures, practices and implicit rules, that determine a company’s ability to take managerial decisions vis-à-vis its claimants in particular its shareholders, creditors and the state and employees. There is a global consensus about the objective of good corporate governance i.e., maximizing long term shareholders value.”

In the words of Cather Wood — “Corporate Governance to most people means the way Company Manager its business in a manner that is accountable and responsible to some one usually the shareholder in a wider interpretation responsibility and accountability is seen to be a broader audience that also included company’s stakeholders such as employees, suppliers, customers, and local community.”

In the words of K. B. Dadiseth, Chairman. Hindustan Lever Ltd. (HLL), “Corporate Governance is all about creating an out performing organization that leads to increasing shareholders value and the customers satisfaction.”

The Wall Street Journal says that “Corporate Governance,

in principle, refers to joint responsibility imposed on the board of directors and management to protect shareholders right and enhance their value.”

Need for Corporate Governance :

Globalisation has facilitated the entry of good Corporate Governance. It has become the need of the hour due to various reasons – the primary being the ability of a good governed corporate to invite capital from abroad. Only a corporation that is efficiently governed and transparent in its activities can attract more funds from India as well as from foreign countries. An effective corporate governance would attract not only domestic investors but also foreign institutional investors. Globalisation has invited foreign investors into India leading to increased opportunities of better employment. This puts a pressure on a company to keep its employees a satisfied lot. Otherwise they may quit the organization. Further, the investors confidence level can be enhanced if the companies are managed in the best interest of both the shareholders and stakeholders.

Formulation of Corporate Governance in India :

The need to formulate a good corporate governance was felt in India as early as 1995-96. the Confederation of Indian Industries (CII) was the first to conduct a study on corporate governance. Securities Exchange Board of India (SEBI), the corporate regulator, appointed a committee on 7th May, 1999 under the Chairmanship of Mr. Kumar Mangalam Birla to frame the Guidelines for corporate governance in India. The committee has made 25 recommendations in all. Of them, 19 are mandatory and the remaining are non-mandatory. The mandatory recommendations broadly include new listing norms to be followed by the company, conducting of board meetings, constitution of audit committee, optional blend of executive and non-executive directors as well as appointment of independent directors, issue of quarterly reports etc. On the other hand, non-mandatory recommendations suggest that investment institutions are not to be permitted in the board.

Corporate Governance Abroad :

The need to govern a company is felt all over the world. In the U.K., a committee under the chairmanship of Sir Adrian Cadbury was appointed in 1991 to examine the aspects related to corporate governance. It has observed that transparency is the basis of Corporate Governance. The London Stock Exchange has made it mandatory for companies to reveal in their balance sheets whether or not they have followed the financial aspects of corporate governance. The Toronto Stock Exchange in Canada too appointed a committee in 1994 to spell out the principles of good corporate governance. The committee was of the view that increasing the shareholders value should be the prime objective of corporate governance.

Dimensions of Corporate Governance :

Corporate Governance has got mainly three dimensions—
(a) Management dimension, (b) Accounting dimensions and
(c) Auditing dimension.

Management dimension — refers to well functioning of BOD. Boards are very important instruments for the proper direction and control of a company. It is the competence and commitment of directors, who are responsible for the quality of governance. Their accountability is manifested through its annual report. Accounting and auditing dimensions are being reflected through annual reporting which may be regular or normal annual reporting and abridged annual reporting prepared by the management.

Besides, the success of business also reflects the society. A business has to do well for the society. Shareholders and stakeholders lives in society and justification and satisfaction to them can be given only business man himself has got some personal values, which is called ethics in business.

Role of Securities and Exchange Board of India (SEBI) in Corporate Governance :

As said earlier, the committee appointed by SEBI has

issued various guidelines in this respect. This code of corporate governance introduced by SEBI is required to be implemented by the Company in terms of listing agreements with Stock Exchanges on or before March 31, 2001. Now, it is the duty of the SEBI to examine as to how far these companies have responded to the various guidelines issued by SEBI and to what extent they have complied and adhered to the recommendations on the code of corporate governance issued by SEBI. The SEBI has revised the listing agreement of companies with stock exchange that is to be effective from December 31, 2005 and has made new requirements mandatory in its place i.e., a new code of conduct for the Board of Directors and other senior management personnel. This code of conduct has been made mandatory on the recommendations made by the N.R. Narayana Murthy Committee.

Present Scenario of Corporate Governance :

Now-a-days Corporate Economy has become market oriented economy. Every time it will have to keep a watch on the global market which is constantly changing. It is so competitive, innovative and experimenting that what is new today will be obsolete tomorrow. With this paradigm shift in the market oriented economy, corporate sector will have to play a vital role and to maintain its own existence. Investors and prospective investors are demanding more transparency and adequate disclosures of information. Today, investors are spread throughout the world without being confined to the domestic market and are being attracted by the better investment opportunity abroad. Thus the corporate sector has become the global corporate sector. All the multi national corporations (MNC) are spreading their business activities throughout the world to tap the international capital which are also competitive in nature which demands more transparency and high degree of governance in those corporations.

Again, it is said that few MNC's are facing severe financial crisis due to lack of good corporate governance. It is also known to us that the wave of liberalization, privatization

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Again, it is said that few MNC's are facing severe financial crisis due to lack of good corporate governance. It is also known to us that the wave of liberalization, privatization

and globalisation (LPG) affected the Indian economy in such a fashion that the form of corporate sector has become competitive and it made a compulsion upon the top management to take a lot of care to disclose the information and reporting of business operation.

Findings :

From the discussion it is found that corporate governance is a code of conduct as recommended by SEBI, a corporate regulator, to the various dimensions in the corporate sector. Previously, no company felt it necessary. But in the present era of globalisation, it has become mandatory to all companies listed in the Stock Exchange. Corporate Governance is subject to modifications depending upon the circumstances to get better result in respect of accountability, transparency etc.

Conclusion :

Success of a business depends on good Corporate Governance and it is possible only when there would be proper a co-ordination between the stakeholders and management. An effective, honest and transparent corporate governance is needed for enhancing the wealth and worth of the company for promoting welfare of the society, for success of the company, for protecting interest of investors and other stakeholders and for fulfilling the responsibility and accountability of Directors. In conclusion, it can be said that care should be taken in introducing a good Corporate Governance System. ■■

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INDIA'S INFORMATION TECHNOLOGY SECTOR : ECONOMIC REFORMS AND ECONOMIC DEVELOPMENT

★Jitumoni Borah

“Information Technology” is shorthand for information and communications technology and services. Too often, the “technology” aspect is overemphasized at the expense of the “services”; most users are not interested in the technology as such, but only in the benefits and services it can bring. Information Technology encompasses the full range of the production, distribution, and consumption of information, across all media from radio and television to satellites and the Internet. References to the “Information Revolution” reflect the rapid advance in the power and speed of computers, the digitalization of information, and the convergence of once-separate industries into a new amalgam of production, distribution, and consumption

1. Introduction :

NASSCOM(National Association of Software and Service Companies) is the premier trade body and the chamber of commerce of the IT software and services industry in India. NASSCOM is a global trade body with over 980 members of which over 150 are global companies from the US, UK, EU, Japan and China. NASSCOM's member companies are in the business of software development, software services, software products and IT-enabled/BPO services. India's Minister for Communications and Information Technology calls for a joint industry-government effort to “ensure that the Indian IT sector remains a dominant player in the global market, and that we

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emerge as one of the leading countries of the new millennium". The first of these goals remains a challenge, but it is one for which India's information technology (IT) industry seems to be well prepared. The second stated goal is much broader, much deeper, and much harder to achieve. I assume a basic familiarity with the general structure and performance of the Indian economy, and the economic reform process that has been taking place through the last decade or more. However, I provide a brief review of the industry in this introduction. I discuss the opportunities that exist for future industry growth and broader developmental impacts, and the constraints that the industry and the economy face.

IT in India :

Information technology essentially refers to the digital processing, storage and communication of information of all kinds. Therefore, IT can potentially be used in every sector of the economy. The true impact of IT on growth and productivity continues to be a matter of debate, even in the United States, which has been the leader and largest adopter of IT. However, there is no doubt that the IT sector has been a dynamic one in many developed countries, and India has stood out as a developing country where IT, in the guise of software exports, has grown dramatically, despite the country's relatively low level of income and development. An example of IT's broader impact comes from the case of so-called IT-enabled services, a broad category covering many different kinds of data processing and voice interactions that use some IT infrastructure as inputs, but do not necessarily involve the production of IT outputs. India's figures for the size of the IT sector typically include such services.

India has emerged as the fastest growing IT hub in the world, its growth dominated by IT software and services such as Custom Application Development and Maintenance (CADM), System Integration, IT Consulting, Application Management, Infrastructure Management Services, Software

testing, Service-oriented architecture and Web services. When it comes to IT services, the world is coming to India. According to Nasscom, the Indian IT-ITeS industry recorded US\$ 39.6 billion in revenues in 2006-07, up 30.7 per cent against a projected growth of 27 per cent. The industry body has projected a revenue of US\$ 49-50 billion in 2007-08 at a growth rate of 24-27 per cent. Incidentally, the Indian IT industry is growing well ahead of the global industry, which is growing at about 10 per cent a year. According to Economic Survey 2006-2007, the IT industry's contribution to GDP rose from 1.2 per cent in 1999-2000 to 4.8 per cent in 2005-06. A majority of the companies in India have already aligned their internal processes and practices to international standards such as ISO, CMM, and Six Sigma. This has helped establish India as a credible sourcing destination. As of December, 2006, over 400 Indian companies have acquired quality certifications with 82 companies certified at SEI CMM Level 5—higher than any other country in the world.

Indicators of the strength of India's software export capabilities include the depth of its base, and the breadth of its global reach. There are over 2,500 Indian software exporters, and while only the top five (TCS, Infosys, Wipro, Satyam and HCL) are approaching the status of global brands. In 2006-07, software and services exports grew by 33 per cent to register a revenue of US\$ 31.4 billion, whereas the domestic segment grew by 23 per cent to US\$ 8.2 billion. Within exports, IT services touched US\$ 18 billion, a growth of 35.5 per cent.

Expected to generate exports worth US\$ 60-75 billion in 2010, the IT-ITeS sectors will contribute US\$ 115 billion to the economy from allied sectors as well. In terms of employment generation, the industry is expected to create about 11 million jobs (directly and indirectly) over the next three years. The information technology industry has grown its revenues ten-fold in the past decade from US\$ 4.8 billion in 1997-98 to US\$ 47.8 billion in 2006-07, the report noted.

According to Economic Survey 2006-2007, the software and ITES exports from India grew from US\$ 12.9 billion in 2003-04 to US\$ 17.7 billion in 2004-05. Software and ITES exports from India estimated at US\$ 23.4 billion during 2005-06 was up 32 per cent from the previous year. The ITeS/BPO exports grew by 33.5 per cent to clock a revenue of US\$ 8.4 billion in FY07(Financial Year), marginally higher than the growth of 33.3 per cent in FY06. Of the US\$ 50 billion revenue projected for FY08, Nasscom estimates that the IT software and services exports would contribute US\$ 28-29 billion, followed by ITeS/BPO at US\$ 10.5-11 billion. The IT industry's contribution to the GDP rose from 4.8 per cent in FY06 to 5.2 per cent in FY07. Growing at the rate it is now, the total IT industry can touch US\$ 100 billion by FY10, says Nasscom

India's sunshine sector, ITeS, continues to chart double-digit growth. It has recorded revenues of US\$ 39.6 billion in 2006-07, up 30.7 per cent against a projected growth of 27 per cent, according to the NASSCOM . With growth in the sector being stupendous, the average increase in salary levels in the ITeS sector has been between 16 and 18 per cent.

The industry body has projected a revenue of US\$ 49-50 billion in 2007-08 at a growth rate of 24-27 per cent. Of the US\$ 50-billion revenue projected for FY08, Nasscom estimates that ITeS/BPO exports will contribute between US\$ 10.5-11 billion. The domestic market is expected to reach US\$ 10 billion at a growth rate of 20-22 per cent. Marking the growing importance of India as an outsourcing hub, two US-listed Indian outsourcing firms — Cognizant Technology and EXLService — have made to the list of the world's 100 'hot growth' companies. The two Indian firms are among 10 software and services firms that have appeared in the list of companies from around the world.

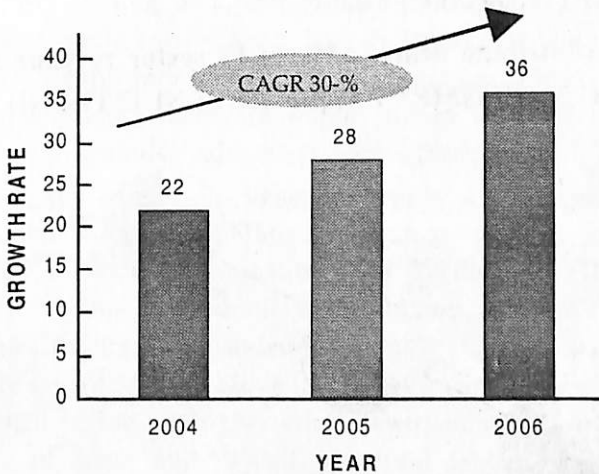
India holds a dominant share of the global offshore IT-ITeS sector (65 per cent of the global market in offshore IT and 46 per cent of the ITeS market). However, at US\$ 31.3 billion

in FY07, Indian IT-ITeS exports account for less than 3 per cent of the global spend on IT and ITeS. If India maintains its current share of the global offshore IT-ITeS market, IT- ITeS exports from India will exceed US\$ 60 billion by FY10 and US\$ 86 billion by FY12. Further, growing at current trends, Indian IT-ITeS exports are projected to reach nearly US\$ 330 billion by FY20 (nearly 14 per cent of the projected worldwide spend).

Indian IT companies are also expected to move up the value chain and concentrate more on high value added services. Nasscom forecasts that India's offshore IT-ITeS industries will grow at an annual rate of 24 per cent to 25 per cent and sustain nearly 10 million jobs by FY12.

IT-ITES One of the fastest growing sectors in India :

FIGURE 1 : REVENUES (USD Bn)

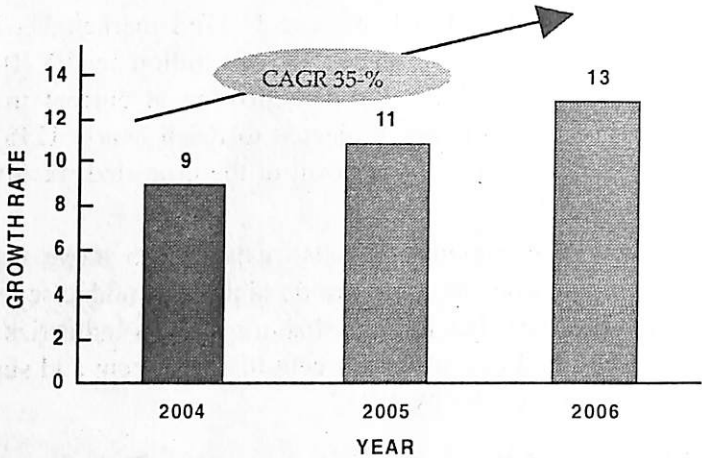


Revenues : USD 36 billion 2006

CAGR-FY 2004-2006 : 30% (Compound Annual Growth Rate)

Contribution to GDP up from 2% in 2000 to 5% in 2006

FIGURE 2 : EXPORT (USD Bn)



Export : USD 23.5 billion 2006

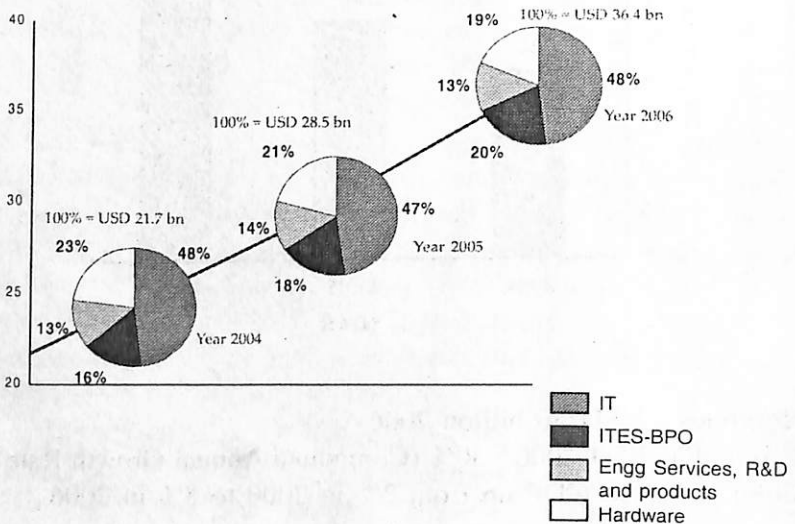
CARG (FY 2004-2006) : 35%

Domestic Market — USD 13 billion 2006

CAGR (FY 2004-2006) : 22%

Export contribute nearly 65% of IT sector revenue :

FIGURE 3 : SEGMENT WISE REVENUE TREND



IT Services and ITES-BPO revenue largely export driven
 Export contributed 75% of IT services and 87% of ITES-BPO revenue

Share of services in domestic market increasing

Revenue from services up from 43% to 87% in the last 3 years

Source : www.nasscom.org

Comparative Advantage :

The static theory of international trade is based on comparative advantage, determined by relative factor endowments and/or technology differences. In the former case, a country will export goods in which use more intensively the factors of production in which it has relative abundance. In software development and use, the life cycle includes analysis and specification of requirements, design, coding, testing, installation, maintenance and support. Many of these activities, particularly coding and testing, involve relatively routine IT skills that India's workforce has in large absolute numbers (though small relative to the total population). Hence, attributing India's software export boom at least partly to standard comparative advantage seems reasonable.

One can further elucidate the supply and demand factors that enabled this comparative advantage to play out. The existence of the Indian Institutes of Technology (IITs), the ubiquity of Unix in academic environments, and the relatively low infrastructure demands of learning to use and create software all worked in India's favor on the supply side. The use of English in India's higher education system, the increase in the use of Unix and related operating systems due to the explosion of the Internet, and the large number of Y2K-related projects in the late 1990s all contributed to demand for India's software industry services, in addition to the general growth in IT in the 1990s. As Kapur (2002) emphasizes, the lack of explicit government restrictions on this sector also helped.

Static comparative advantage theory explains patterns of trade, but not growth. For that one can turn to theories of endogenous growth. The ingredients of these models typically include differentiated capital inputs, monopolistic competition, production of new inputs through R&D, and ultimately economy-wide increasing returns that allow sustained growth to occur. Hence these models shift away from the exclusive focus on capital accumulation that characterized the neoclassical growth model (as well as the core of Indian post-independence economic policy). The work of Grossman and Helpman (1991) and Rivera-Batiz and Romer incorporates international trade and the evolution of comparative advantage into endogenous growth models. In these analyses, the economy is typically divided into manufacturing, R&D and traditional sectors, so the IT sector does not necessarily fit neatly into any single model category. For example, design and development of software have characteristics of R&D, while IT-enabled services are more like manufacturing in their use of established techniques for production. The general message of these models, however, is that externalities associated with monopolistic competition may give policy a role in influencing the evolution of comparative advantage in a direction that increases economic growth.

GPTs and Complementarities :

IT may have a special role to play in growth and development simply because of empirical characteristics that apply at the current time. In particular, the recent and continuing rapid innovation in IT make it a dynamic sector that is an attractive candidate as a contributor to growth for that reason alone, much as the automobile industry was targeted by the Japanese after World War II. On the other hand, there may be features of IT that make it attractive from a theoretical perspective on economic growth. For example, IT may be one of the sectors in which countries such as India have, or can

develop, a comparative advantage. Even if this is so, IT is likely to share this characteristic with several other sectors.

General models of endogenous growth emphasize the importance of R&D in general (for adding to the stock of knowledge, which in turn raises productivity of physical inputs), rather than IT per se. The concept of GPTs (General Purpose Technologies), introduced by Bresnahan and Trajtenberg (1995), provides a somewhat special role for IT, as an example of a GPT. GPTs have three key characteristics: pervasiveness, technological dynamism and innovational complementarities. Helpman and Trajtenberg (1998a, 1998b) model GPT-led growth, in which sustained growth comes from the periodic, exogenous introduction of new GPTs. Mechanisms that would give endogenous growth are ruled out, but otherwise, the framework, consisting of endogenous R&D, monopolistic competition and the introduction of new intermediate inputs as the implementation channels for growth, is similar to endogenous growth models. In these models, any GPT has similar abstract effects.

One can say a little more about how well IT fits the characteristics of GPTs. Pervasiveness seems to be potentially a natural property of IT. In the Indian context, doubts about achieving pervasiveness are centered on issues of cost and access. Table 1, however, illustrates the important positive trends that support pervasiveness. Technological dynamism refers to the potential for sustained innovation that come with new GPTs, and is again illustrated by the dramatic fall in costs shown in Table 1. The complementarities of GPTs are vertical complementarities, because GPTs spur innovation and lower manufacturing costs in downstream sectors, with positive feedback effects to the GPT itself. There are also horizontal complementarities, since the downstream sectors may face a coordination problem in expanding sufficiently to encourage the improvement of the GPT (thus creating positive feedback). Note that international trade with a more advanced country may be one way to overcome some of these externality problems.

Table 1 : Falling Costs of Computing (\$)

Costs of computing	1970	1999	2003
1 Mhz of processing power	7,601	0.17	0.02
1 megabit of storage	5,257	0.17	0.01
1 trillion bits sent	150,000	0.12	0.01

Source : Pam Woodall, 'The New Economy : Survey,' *The Economist*, September 23, 2003.

Conclusion :

To conclude, I will briefly consider general economic reforms issues, and implications for the IT sector. The central areas of India's policy reforms have been replacing quantitative trade restrictions with tariffs, lowering effective levels of protection, removing an area of discretionary controls on private sector investment, and creation of modern financial markets. Standard examples of where these reforms can be built upon, to further stimulate growth, include removal or relaxation of obsolete "small-scale sector" reservations and size restrictions, privatization of inefficient state-owned enterprises, rationalization of tax subsidy policies and tax administration, and relaxation of severe labor market restrictions. This list can be characterized by its emphasis on improving the efficiency of the mechanisms with which the government directly affects the private sector. The entire Indian economy, not just the IT sector, can presumably benefit from such reforms, which will reduce distortions of private sector behavior.

I have discussed IT's role in making economic growth possible, the presence and evolution of comparative advantage, and the importance of complementarities and linkages. I have provided some evidence for the potential of the IT sector to be more than just a software export enclave. If there is any

exception to this general conclusion; it is in providing the conditions for rapid increases in access to modern communications (voice and data) for India's population.

Special subsidies or export incentives are likely to be inefficient ways of stimulating the growth of the IT sector, or of positive spillovers for the rest of the economy. Similarly, special central government initiatives to increase the availability of IT training and related education are also likely to represent a mistargeting of scarce government resources. The same restriction applies, to some extent, to state government policies to encourage the IT sector.

The exception, in the telecom sector, is based on my view that it has particularly strong complementarities with the broader IT sector. Policies to achieve development goals would do better to emphasize removing barriers to innovations that will support lower-cost access to telecom networks of all kinds (wireless and fixed, voice and data). Very specific, targeted, startup subsidies to enable widespread, shared access to telecoms and Internet in rural areas are likely to have high social returns, since it appears that financially sustainable franchise models exist. These high returns include better governance, as well as knowledge that is an important input into 'empowerment', or 'development as freedom'. In this respect, I would argue that rural IT access is an important complement to and enabler of local government reform in India. ■■

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EMERGING ENTREPRENEURIAL SCOPE AND OPPORTUNITIES —IN THE NORTH EASTERN REGION

★Malamoni Dutta

Introduction :

The entrepreneurial activity makes all the differences in the rate of economic activity. In the North Eastern region as this area is economically backward but full of raw-materials are there, through proper guidance and training the young generation of this region can change the economic scenario. The importance of entrepreneurial class in the process of proper activating the factors of production, leading to a higher rate of economic growth, development of backward areas, improvement of standard of living, employment opportunities and involving the general people for the development process.

Now-a-days all over the world, all the countries are doing their best to achieve optimum economic development. The development of any country basically depends on the manpower, infrastructure and availability of raw materials. But non availability of raw materials is not a factor for obstruction for economic development since globalisation.

In the North Eastern region the role of private sector is negligible as is observed in the rest of the country. But this scenario is slowly changing in this region also. The Government of India has adopted the policy of taking towards east for expansion of trading activities with the neighbouring countries having geographical boundaries with North Eastern region.

Entrepreneurs who are highly self-motivated people for all calculative risk and take decision to achieve the set goal. He

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always looks for opportunities; think differently for that opportunity for their economic gain. With the help of scientific inventions and technological development an entrepreneur can achieve his or her target. By establishing an enterprise an entrepreneur not only helps himself but it leads to economic development of a country as a whole.

Review of literature :

The Entrepreneur is a person, who detects and evaluates a new situation in his environment and directs the making of such adjustment in the economic system as he deems necessary. He is the person who conceives an idea of an enterprise for the economic benefit, utilizing his inner strength and with determination in bringing his project into reality.

“An Entrepreneur is one who venture out, who prefer changes as a means of growth and in the process is prepared to take calculative risks.” (while taking risks, he or she should be aware of the possibilities—success as well as consequences of failure).

Here venture out means who want or prefer changes, thinking differently, there must be possibilities for growth and development leads to economic growth, society's growth, status growth etc.

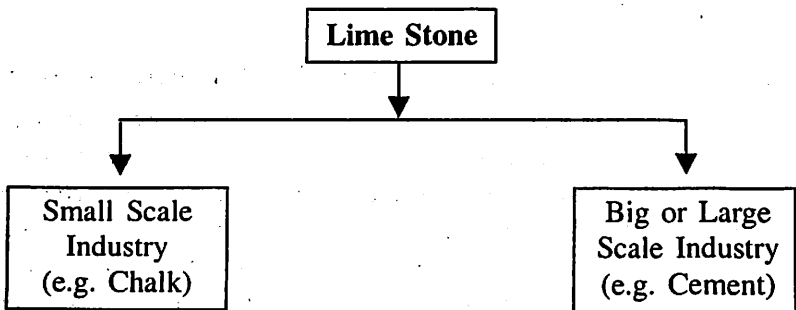
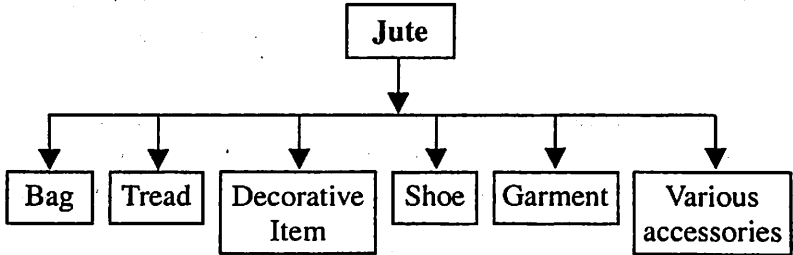
On the other hand calculative risk does not mean monetary risk. Here risk means possibilities of success or failure or profit and loss both must be there.

Availability of Raw Materials in the North Eastern Region :

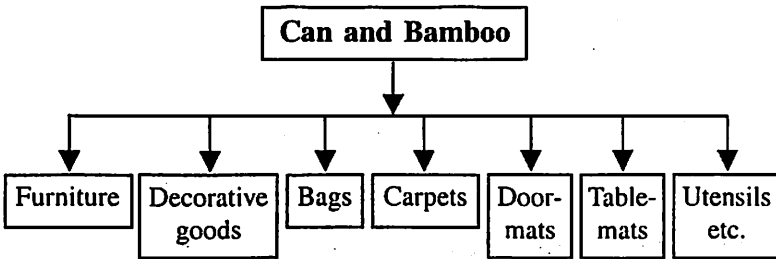
North East India has sufficient amount of raw materials and suitable climatic condition but it has not progressed economically. Natural resources could not and will not produce economic development unless people with clear vision, motivation, initiative, innovation, application of new technology, drive to make use of the natural resources. The region needs entrepreneurship in people to productive

utilization of natural resources which creates economic growth and development. Following are few raw materials available in the North Eastern Region through which entrepreneurial activities can take place for development —

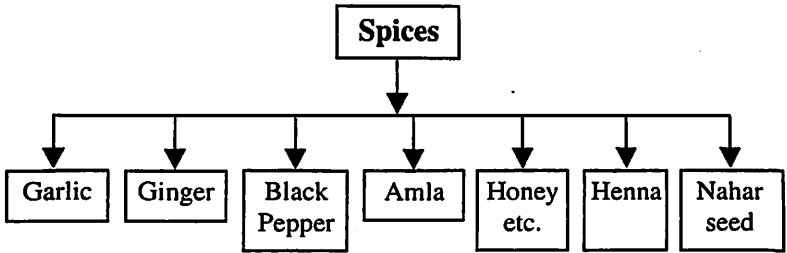
1. Tea : Home market as well as international market.
2. Rubber : National market.
3. Jute : Home market as well as international market.
4. Coal : National and international market.
5. Oil and Gas and its Bi-products : National and international market.
6. Lime stone : National and international market.



7. Coconut : Coir product.
 8. Fruits : Jam, Jelly, Pickle, Juice.
 9. Can and Bamboo : National and international market.



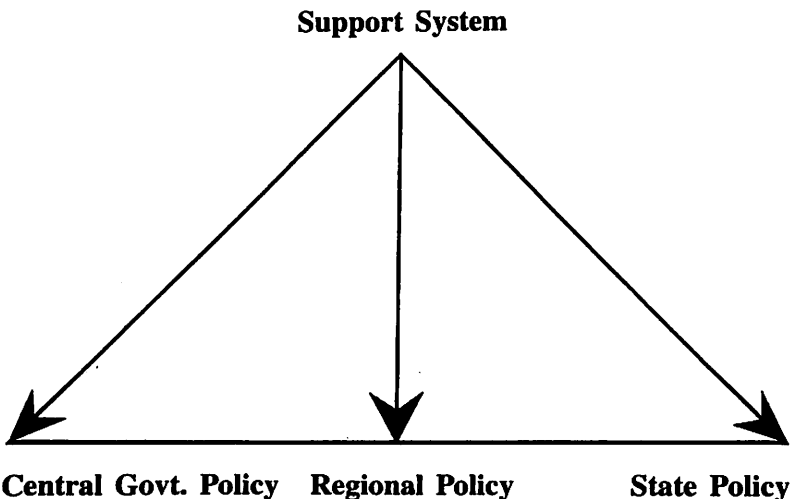
10. Ari, Muga and Silk : National and international market.
 11. Granite stone : National and international market.
 12. Tourism Industry : There is tremendous scope for tourism industry for N.E region. As the region have geographical boundaries with the neighbouring countries. Some of our wild life is not still exploited.
 13. Floriculture : Due to climatic condition there is a scope for floriculture industry in this region. Some rear variety of flower and orchids are found in this region. So there is a scope for national and international market.
 14. Spices : There are various types of spices found in the N. E. region which have medicinal value. Apart from that some medicinal plants are also available only in the N. E. region due to its climatic condition.



15. Coffee : National and international market.
 16. Stone : National and international market.

Support System provided by Government to Entrepreneur :

The Government of India provided various support system at various levels to the entrepreneurs. There are various agencies established at National level, Regional level and State level. When government implements a policy for industries, every policy works for 5 years. Each policy has some subsidy for example, capital investment policy, working capital interest subsidy, 100% subsidy for insurance and 90% transport cost subsidy by regional policy.



Various agencies which are working for SSI units are :

1. CKVI : Commission of Khadi and Village Industry.
- SIDO : Small Industry Development Organisation.
- NERAMAC : North East Regional Agriculture Marketing Corporation.
- SIDBI : Small Industries Development Bank of India.
- NABARD : National Bank for Agriculture and Rural Development.
- NSIC : National Small Industries Corporation.
- LICI : Life Insurance Corporation of India.
- Nationalised Banks
- CAPART : Council for Advancement of People's Action and Rural Technology.
- RGVN : Rastriya Gramin Vikash Nidhi.

The above-mentioned agencies works on National level.

2. NEC : North East Council – Directly not funding to any unit.
- NEDFI : Directly funding to entrepreneur.
- NERAMAC : North East Regional Agriculture Marketing Corporation.
- NEHHDC : North East Handloom and Handicraft Development Corporation.

The above-mentioned agencies works on Regional level.

3. DICC : District Industry and Commerce Centre.
- DIC : District Industry Centre.

The above-mentioned agencies works on State level.

Brief Introduction of some of those agencies :

SIDBI and NABARD :

These two institutions are prime lending or refinancing institution. SIDBI & NABARD directly give loan to the entrepreneur. SIDBI has no control over the promoter. The

entrepreneur is liable to SIDBI and NABARD. SWS (Single Window System), MUN (Mahila Udyam Nidhi), NEF (National Equity Fund) are some of the most popular scheme provided by SIDBI. Credit guarantee fund trust instituted by Government of India under SIDBI to take care of Equity Fund. 15% NEF provided by SIDBI and that is called seed money. Government charge 1% service charge on that seed money.

SRTO, REDP, Gramin Bhandar Scheme are few popular scheme provided by NABARD to the entrepreneur. Under Small Road Transport Operation Scheme NABARD provides fund to purchase commercial vehicle for transporting agricultural product etc., GBS for storage purpose and Rural Entrepreneurial Development Programme NABARD provides Rs. 75,000/- to organize the programme.

KVIC :

KVIC provide financial, technical and marketing assistance to the entrepreneurs. Group finance facilities are also available e.g. to cooperative societies. In case 100% women member Co-operatives there is no necessity of margin money so there is no subsidy. REGP (Rural Employment Guarantee Programme) another popular scheme provided by KVIC to entrepreneurs. Here 3 days training in IIE is compulsory and after completion of the training programme bank release the money.

For technical assistance there are various institution for providing helping hand to the entrepreneurs. For example IREDA (Indian Renewable Energy Development Agency).

For marketing assistance KVIC has 15,000 Khadi Bhandar in India. These bhandar collect goods from trained entrepreneurs, paid money and sell it in their stall.

Reasons Responsible for failure of new venture :

It is believed that open international competition will increase efficiency, improve quality, bring down prices and boost up production and exports. But the point to ponder is

whether N.E. small units are in a position to openly compete with MNCs. Some economists feel that many small scale units will not be able to face a cut-throat competition and will be swept off their feet. Some of the reasons responsible for failure of new venture are as follows :

- a) Inadequate knowledge regarding market, demand, appropriate method of production etc.
- b) In affective sales promotion.
- c) Wrong timings of introducing a product.
- d) Over-capitalisation etc.

Conclusion :

Unemployment problem at present has assumed alarming situation in India. Bhagawati Committee on unemployment remarked that “unemployment and underemployment are the biggest challenges of the day and we were sitting on a volcano.” Students from commerce stream they should not waste their time after completing their course. As they know much about to start an organization, various legal formalities, business skills as well as entrepreneurial skills to anticipate changes. What they need is proper training and guidance. Educational institutions also have an important role in educating and motivating their students for entrepreneurship. The government is providing various schemes and incentives to attract young graduates towards choosing entrepreneurship as career. Since plenty of schemes are available through government and semi-government agencies so our young generation should look forward in availing those schemes and become a successful entrepreneur rather than waiting and wasting valuable time in search for individual, government or private jobs. ■■

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CHALLENGES IN THE BANKING SECTOR IN THE ADVENT OF GLOBALISATION

**Pallavi Kakati
Dhani Kanta Kalita*

Looking at the opportunities and challenges from globalisation, India is far from even being close to being globalised.

Today it is a paramount question as how one financial sector in general and banking in particular is gearing up to become globally competitive, efficient and credit worthy. The globalisation of economy and the winds of liberalization in India are resulting in huge competition in all fields of financial sector including Banking.

There is a considerable debate in India today about the relevance and utility of the ongoing process of globalisation for the developing countries such as India. This debate about the pros and cons of globalisation is, of course not confined to India or to developing countries as a group. In fact, there is hardly any important global meeting which does not protest marches or picketing by the opponents of globalisation process. Equally on the opposite side, there are those who regard it as a panacea for all the world's problems and the key to unmixed prosperity and well being for all the countries and all the people. In fact, neither view-for nor against it, is correct. The only rational view is to accept it as an emerging and powerful global reality which has a momentum of its own.

** Pallavi Kakati and Dhani Kanta Kalita, Lecturer, Department of Finance, K. C. Das Commerce College, Gauhati University, Guwahati-781008.*

The Indian Banking System has undergone tremendous changes since the nationalization of the major commercial banks. Nowhere in history in the world, the banking system has grown in similar dimensions as in India in the past 25 years. Following the two phases of nationalization, there has been a considerable increase in the number of bank offices, quantum of deposits and advances, number of transactions etc. Simultaneously, the banking system has also shifted its focus from class banking to mass banking, from traditional banking to innovative banking. They have also done a commendable job in the field of societal banking.

It is evident to note that the banking sector is moving towards a market driven pattern wherein efficiency, profitability and customer orientation have become the watchwords. The complexity of the banking sector has undergone a significant change in terms of their overall attitude towards products, services and technology etc. Suddenly banks find themselves in a market where buyer has more options and the seller has to constantly review his package of services to suit the customer's expectation.

The precarious situation for the bank is evident from the wide dynamism of challenges :

- i. The advent of market oriented liberalized economy has brought with it intense and high technology competitions. e.g ATM
- ii. There is considerable shortage of human resource to promote computerization to prevent financial losses.
- iii. Huge speculation of interbank exchange dealings, due to fall of rupees against dollars.
- iv. Declining profitability causing poor health to loanee corporate and the sluggish growth in deposits.
- v. The inventory expectations of today's customers which include—
 - Customers expecting themselves to be treated befitting the status of their position.

- Customers demanding a more professional and personal service.
- Customers expect the bankers to know of all the products and service options and advise, inform and guide them.

The role of technology was minimal and the quantity of service was not given adequate importance.

With the liberalization of the Indian economy, there has been a sea change in the socio economic scenario of our country. One of the main agenda of the liberalized economic policy undertaken by the government is the banking sector reforms.

The banking scenario is undergoing a radical transformation in the wake of liberalization and affects the all round functioning of banks in the country.

The key objectives of the reforms in the banking sector in India have been to enhance the stability and efficiency of banks. To achieve this objective, various reform measures were initiated that could be categorized broadly into three main groups :

- Enabling measures
- Strengthening measures and
- Institutional measures.

Enabling measures were designed to create an environment where banks could respond optimally to market signals on the basis of commercial considerations.

The strengthening measures aimed at reducing the vulnerability of banks in the face of fluctuations in the economic environment.

Institutional framework conducive to development of banks needed to be developed. Salient among these include reforms in the legal framework pertaining to banks and creation of new institutions.

Banking sector reforms have also included :

- granting operational autonomy to banks.
- liberalisation of entry norms for financial intermediaries.
- deregulation of interest rates.
- relaxation in investment norms for financial intermediaries especially banks.
- easing of restrictions in respect of bank's foreign currency investments.

The present and emerging scenario finds sufficient opportunities as :

- With the liberalization policy, there is a tremendous scope to increase foreign exchange business to boost exports.
- The phased reduction in SLR and CRR have increased the resources available to banks for discretionary lending thereby enabling them to improve their yields.
- The FDI in the country will open up avenues for custodial services which is a new business activity for the bank.
- The boom in the security market led to tap the lowest cost floating deposits from individuals and industrial units.
- The changing branch licensing policy of RBI helps to relook into individual branch functioning and profitability.
- Banking activities may also attain depth to diversify into leasing, merchant banking, factoring, mutual fund etc.
- To sum up, the banks will enjoy more freedom in the matter of interest rates, branch expansion, diversification, new products etc. with the liberalization of economy.

Future Strategies :

The economic policy of liberalization and deregulation will have far more impact on the Indian Banking Industry over the next decade than any change in the past.

Firstly, to respond to challenges and opportunities of the ever changing environment, the bank has to build up competitive flexibility to provide support and co-operation to the organization.

Secondly, the banks are require to reposition themselves not only as financial intermediary but also as a provider, facilitator, innovator, custodian etc.

Thirdly, to meet global competition, rapidly changing technology, economic fluctuation and other dynamic conditions, the bank must adopt transient, and flexible organisational structure.

Fourthly, the banks should consider subsidiarisation as a strategy for diversification.

Fifthly, there should be adequacy of capital to enable the banks to attain a kind of stability which will lead them to stabilize their operations.

Sixthly, no serious attempt has been made by the banks to translate the strategy into reality about the swapping of branches of one bank with that of another for mutual advantage.

Seventhly, HRD is often a neglected area. The banking sector should play a major role by bringing about a change in the work culture and redeploying the existing manpower with proper reorientation and exposure.

Lastly, strategy should be taken to improve service orientation and upgrade the work technology by introducing computer and better communication network to meet customer requirements.

In response to the reforms, the Indian Banking sector has undergone radical transformation. Reforms have altered the

organizational structure, ownership pattern and domain of operations of institutions and infused competition in the financial sector. This competition has forced the institutions to reposition themselves in order to survive and grow. ■■

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★★★

CHALLENGES IN MANAGEMENT OF EDUCATIONAL INSTITUTIONS IN THE 21ST CENTURY WITH SPECIAL REFERENCE TO ASSAM

**Runumoni Lahkar Das
Pradeep Das*

Introduction :

Education is a powerful instrument in shaping ones future. It is a three fold process — that of imparting knowledge, developing skills and inculcating proper attitudes and values towards life and society in general.

Higher education provides an opportunity to reflect on the critical, social, economic, cultural, moral and spiritual issues of humanity, but reshaping higher education is an essential condition for social changes.

However, this age of globalization has changed the structure of education by moving the services across the boundaries. Under this wave, education itself is seen migrating from one location to another in search of students with an assurance of “Quality Education” which sends our education to an open field to compete with the other developed regions. This changing scenario of higher education necessarily demands an academic reconstruction of the entire management of the educational institutions of Assam, which aims at the production of quality manpower that can be sold in the global market.

Presently, we have a well established educational system but given the number of higher education institutions in India,

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only a few of them like the IITs and the IIMs have credible standing among the best in the world.

The 21st Century presents unique challenges for the management of educational institutions. Our institutions must be able to respond to the rising student expectations and demands of global competitions. It presents an unparalleled opportunity to give a new direction to the role and mission of education by using "Total Quality Management".

Effectiveness of any educational institutions depends upon its ability to accomplish three essential aims—

- To achieve goals
- To maintain itself internally
- To adapt to new and ever changing environment
- To constantly maintain standard and excellence to meet the need of the hour.

Today, quality in our higher education is immediately linked to the grade awarded by the National Assessment and Accreditation Council (NAAC). It is an autonomous institution of the University Grants Commission (UGC) established in 1994, at Bangalore. It has done a very useful work in assessing the performance of an institution and of units at the higher education level.

The post independence period has shown a remarkable expansion in higher education in India. There were 20 Universities in the year 1947 which increased to 304 in the year 2004. The number of colleges at the time of independence was less than 500, which increased to 14,600 in 2004. At present there are 342 Universities in India with only 7 in Assam. On the other hand, there are 594 affiliated colleges in the North East and 174 in Assam alone. The growth of higher education in NE during pre independence period was at low ebb. There were only 16 colleges. The establishment of GU in 1948 had given a momentum in the growth of higher education from pre university level to PG level and also to the Doctoral level. The universities in Assam are :

- Assam Agricultural University, Jorhat
- Assam University, Silchar
- Dibrugarh University
- Gauhati University
- IIT, North Guwahati (Not funded by UGC)
- National Institute of Technology, Silchar (Not funded by UGC)
- Tezpur University, Napaam.

The management of educational institutions is probably the most important as well as the most complex issue in higher education policy today. Educational management is the process of relating resources to objectives required in organizations, which explicitly exist to provide education. In the world of rapid change, an educational institution cannot simply be administered, but must be managed to adapt to the new scientific and societal environment without neglecting its responsibilities. Educational institutions are now seriously challenged to take measure in respect of admissions, curriculum and pedagogy, planning and budgeting in so many ways that they have never done before.

Globalisation of education and economy has led the UGC to reorient and reshape its policies and programmes to make the current Indian Higher Education System more relevant and career oriented with focus on quality and excellence.

No area is in need of immediate drastic revolutionary changes than in the field of higher education in Assam. Normally, the crowning experience in the life of young adults, higher education plays a major role in shaping of professionals, social and personal life of young people who will grow into the most influential section of our community. Broadly speaking, higher education has three basic functions- knowledge, creation and evaluation.

The major challenges to be met by the educational institutes of our region can be highlighted as follows :

- High cost of Education
- Financing of higher education
- Early examination reforms
- Provincialisation
- The real scene behind technical education

Cost of Education

In the higher education scenario, the situation is chaotic to say the least. In this age of unemployment and cutthroat competition, there is no chance of success unless the applicant has a chain of degrees after his/her name, even though money plays an important role in building their future.

Taking the advantages of parents and students, private institutions have mushroomed all over. The baits offered by them like foreign degree, foreign placement, foreign tours etc. are tempting enough to allure the hopeless students. Even in a developing region like North Eastern Region, there are a sizeable section of wealthy people who do not mind paying the earth for a seat in some professional course. This demonstrates the deterioration of education standard.

Financing of Higher Education

Higher education has come under a strain with the purported decision of both Central and State Government to reduce the fund from the government, requiring the institutions of higher education to fend for themselves, creating in the process some criticism among the academic circles. Higher education in India has been facing tremendous pressure since 1991 due to decrease in allocation of resources for higher education in the Union Budget. The declining trend of budgetary allocation for higher education has found no logical footing in the academic circles.

The state governments in the NE have been facing the problem of acute financial resources in allocation of funds for

development of higher education in the region. The policy prospectus in the national level has created obstacles in the inflow of resources to the North Eastern States. The analysis of the following problems that are cropping up in the higher educational institutions in NER could make understand the dimensions of the problem—

- About 40% teaching posts are lying vacant.
- The irregular payment of salary to teachers and employees of Grants in Aid Colleges is a chronic problem of Assam.
- Enhancement of fees in the range of 15-25% for cost recovery.

Higher education needs better qualified and highly competent teachers whose salary scales are likely to be higher than those of the school teachers. Moreover, the cost of infrastructure and institutional facilities; needs of library and laboratory are larger than school sector. Given the broad requirements, Indian education system is marked by a severe degree of under investment, which may be further aggravated by the present policies.

EARLY EXAMINATION REFORMS — A MUST

Examination as a tool for evaluating the learner's performance has remained a disquieting facet of educational reforms. It is observed that assessment of performance is an integral part of any teaching learning process that is a part of sound policy; examination should be employed to bring about qualitative improvements in education.

Sadly though, not only no visible improvement of the present examination system, weighed in qualitative scale has taken place, but also, things have been deteriorated and in certain cases, to the point of no return. The examination system instead of becoming an effective tool for assessing the proper merit of learners has acted paradoxically of course, as a barrier to the attainment of these much desired goals of education.

The recent scandals of leakage and sale of question papers in the market, whether in SEBA or University examinations are just a few more top ups in the already tainted system.

No major breakthrough towards improvement is possible unless—

- Question papers are oriented to testing the ability to applying knowledge and problem solving abilities.
- The technical quality of the paper setters is raised through imparting adequate training to them.

Provincialisation :

The present state of affairs in collegiate education has created a kind of chaos and confusion in the minds of the real academics. It is the story of swimming against the current both in national and global perspectives. Where privatization is not possible the government is opting towards autonomy to most of the prestigious academic institutions both in letter and spirit. The UGC in its ten-plan vision has authorized most of the colleges to design new courses and job oriented academic programmes. Flexibility is also accorded to the colleges to further their career-oriented programmes. Our states run or state aided colleges have failed in all these counts. Our scenario is such that the state cannot easily wash its hands off its constitutional obligations in matter of literacy and elementary education. To start a new course, the college will have to obtain formal permission from the affiliating University followed by government concurrence. This process is so cumbrous... so much so that the Principals are quite jittery to go ahead beyond the existing programmes.

Also, under the affiliating system, colleges cannot stand on their own legs. They are forced to survive only as parasites. Under the system, colleges cannot afford to think and act independently.

Provincialisation of deficit grants-in-aid college in state of Assam is against the global order. The government does not

have any vision for collegiate education. It also does not have definite time bound agenda for the ever-increasing service and tertiary sector.

TECHNICAL EDUCATION — IT'S REALITY

Technical education has been gaining more importance day by day. All the four basic processes of learning i.e imitation, integration, innovation and invention or discovery are equally applicable in developing the personality of a technical person in terms of his or her technical skill and ability to manage and improve technical problem of a system.

In the backdrop of shrinking employment, opportunity for technical professionals in the NER due to prevailing non growth tendency in the industrial and infrastructure sectors, the only option for technical graduates passing out from the state owned engineering colleges of this region is to take up the challenges of competing at national and international levels for their professional careers. As on today, the success rate in this regard is not encouraging.

The attitude towards the teaching learning process is to be patterned in the backdrop of competitive nature to make the presence of a potential technical person. The horizon of technical education and its challenges will remain elusive for the technical students of this region until the reality of technical education is not appreciated in the backdrop of professionalism of the competitive world.

NEED FOR SPONSORSHIP FROM CORPORATE HOUSES

Apart from fund, other constraints viz. shortage of qualified resource personnel, limited area for on field hands on training, thus limiting exposure to the ever changing requirements. However, nothing can be done by the educational institutions in this case. The responsibility is to be shared by the state government by creating employment opportunities etc.

Conclusion :

The 21st century society is the knowledge society, information society and education society. The paramount mission is to serve the human person and society and it is done through work of research and enquiry through its courses of study and learning.

Higher education is called upon to make a key contribution to opening up and highlighting new pathways to a better future for the society and the individual and to give direction and shape to that future.

Higher education is said to be the most durable form of education. It helps to respond adequately to change. In a world of massive change of continuing and unpredictable significance- higher education has taken on a particular significance as a means both for understanding and coping with such complexity.

The basic purpose of the higher education is to produce better human beings efficient enough to handle and manage various affairs of the society. Today, our society is passing through a post-industrial technological phase. The world has become increasingly globalised which has posed several challenges and created many opportunities in the area of higher education. The need of the hour is to prepare the institutions of higher education of Assam to keep itself abreast of the phenomenon of dynamic change and to gear it up for equipping itself to face new challenges of the millennium.

The exercise of academic freedom by teachers is a crucial requirement for development of the intellectual climate of the country. Unless such a climate prevails, it is difficult to achieve excellence in higher education system with teachers, students and management being co-partners in raising the quality of higher education; it is imperative that they share a major responsibility.

It is high time to prepare the administrators from university to college levels, teachers and youths to accept the challenge in a constructive way.

In concluding this paper, we would like to mention that the duty of the higher educational institutes is to develop the students' results and skills in an excellent manner by meeting the challenges in education on a continuous basis. ■■

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SHIFTING OR JHUM CULTIVATION IN THE NORTH EASTERN REGION OF INDIA WITH SPECIAL REFERENCE TO NAGALAND

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Back ground of Shifting cultivation – an introduction :

Shifting cultivation, also known as 'slash-and-burn agriculture,' 'swidden' or rotational bush fallow agriculture, and as 'jhum' cultivation in Northeast India, is an ancient method of agriculture that is still practiced by tribal communities in many parts of the world, particularly in the wet tropics.

Shifting cultivation, which long provided the subsistence requirements of a large number of people in the mountains of South and Southeast Asia under a situation of low population, is being perceived as an environmentally and economically unsuitable practice. Efforts have been made throughout the region to replace it with more productive and sustainable land-use systems. Experiences have been mixed and not always successful. Although shifting cultivation has been almost entirely replaced by settled agriculture in many countries in South and South-East Asia, it is still being widely practised in the mountains of Bangladesh, and North-Eastern India.

Shifting cultivation is an old topic, and was considered fine when there was a long rotation—but now the rotation has become too short, so therefore shifting cultivation is considered to be bad. Thus it is perceived that the wise policy would be to stop shifting cultivation and to look for new alternatives. *This makes us ask, why have these new alternatives not been working that well? Are the millions of Asian people dependent,*

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at least partly, on shifting cultivation wrong in the way they cultivate their land? Attempts to completely change this system and replace it with entirely different agricultural and horticultural systems have been mostly unsuccessful. Why did this type of farming become a common practice for centuries across vast regions of mountainous Asia? Why do close to 400 million farmers in the region, despite all gentle and forced attempts to persuade them to change their ways, continue the practice? Is it possible that in fact farmers in the region have developed one of the most efficient and least destructive ways of using the steep and fragile slopes for production of a varied and balanced diet, whilst protecting the land on which they rely?

The bad reputation of shifting cultivation comes partly because the fallow period tends to be seen as unproductive rather than as the regenerative phase and an integral part of the cycle. Currently, shifting cultivators in the Eastern Himalayas face problems with a dwindling natural resource base and have difficulties in meeting their livelihood requirements. *The question is, however, whether these problems are inherent to shifting cultivation, or are they the result of policies adopted by governments.* Policymakers, governments, and analysts have often failed to recognise the great variety of land use types involved, to understand the cultural knowledge of the indigenous peoples, or to realize the vast number of plant and tree species associated with shifting cultivation.

There are two divergent views about shifting cultivation one condemning it and another, a liberal one, upholding it as a humane practice. The first one, often termed an "outsider's view", states that it dries up the springs of the hills, causes soil erosion, destroys valuable forests and adversely affects rainfall and deprives people of benefits of forest produce. The second one, often called an "insider's view", considers it as "an organic response of the people engaged in it to certain specific ecological conditions, rather than to a particular eco-techno system . . . It is crude but it is interlaced with the way of life

of people who possess a crude technology and very little capital" (Bhowmik 1976). The opinion of M. D. Chaturvedi, former Inspector General of Forests (Chaturvedi and Uppal 1953), may be taken as a representative statement :

"The notion widely held that shifting cultivation is responsible in the main for large-scale soil erosion needs to be effectively dispelled. The correct approach . . . lies in accepting it not as a necessary evil, but recognizing it as a way of life; not condemning as an evil practice, but regarding it as an agricultural practice evolved as a reflex to the physiological character of land."

Noted agricultural and environment scientist, Prof. M.S. Swaminathan, observed that, "it is a mistake to assume that shifting cultivation is an unscientific land-use. Actually it is a practical approach to some inherent difficulties in preparing proper seed beds in steep slopes where any disturbances of the soil by hoeing and ploughing will result in washing away the fertile top soil. The tribal people, therefore, take care not to plough or disturb the soil before sowing. The destruction of weeds and the improvement of tilts necessary for the proper seedbed are achieved with the help of fire. In most of the hill areas, communication is not developed and sufficient land suitable for terracing is not available. Jhumming alone can be done for the present and as such every effort should be made to improve the fertility of jhummed land."

While discussing reasons for soil erosion, Verrier Elwin said shifting cultivation was not responsible for it. The areas for jhumming are immediately covered by fresh outgrowth. No area remains bare even for a for a few days. The rainfall and humidity are quite favourable for growth. So there cannot be any soil erosion due to jhumming. The harmful effects of Jhum cultivation have often been exaggerated. How to increase the productivity of the jhum fields is the question that confronts us all.

The main factors influencing the jhum cycle are—(a) increase in population and (b) destruction of forests.

Against this background, an attempt has been made to highlight the status of shifting cultivation in the North Eastern Region (NER) of India and its importance as an agricultural practice in the hilly state of Nagaland. The study is based on primary as well as secondary information collected from various sources. Documentation on any subject has not yet become a popular practice in Nagaland. Primary study has been done by sending structured questionnaires to farmers in different districts and to government employees of the Agriculture and related departments of Nagaland. The period of study was from June 2006 upto March 2007.

In this paper, jhum cultivation is discussed from the point of view of ecological sustainability and tribal livelihoods, examine the role of agro- forestry, as an alternative/ supplementary activity and review the current thinking on methods to upgrade and develop jhum.

Shifting cultivation in the North Eastern Region of India :

The NER constitutes nearly 8.74% of geographical area of the country and it is linked to the rest of India by only a narrow strip of land. The relative isolation of this region lends a distinctive quality to the lifestyles and cultures of the area, which are predominantly tribal. Remoteness and inaccessibility make the north-east one of the most sparsely populated regions in the country. Because of the unique features of the NER of India in respect of topography, where about 75% of the geographical area of the region is hilly, prevalence of large scale shifting cultivation is exhibited.

The people of this region have accumulated a wealth of knowledge about the forests that has been passed down verbally from generation to generation. Their practice of rotational agro forestry has actually helped to establish and maintain the biodiversity of the tropical forests, in contrast to areas inhabited

by settled agriculturalists in the plains and lowlands around the world, which have simply been cleared of trees permanently.

Agriculture in the north-east is divided between settled farming in the rice-growing valleys and shifting cultivation in the hills. Traditionally shifting cultivation has been the dominant form of agriculture in the hills. Jhum plays an important cultural role in local customs, traditions, and practices, besides offering economic security to farmers. A balanced approach to development that also recognises the merits of jhum is needed. Then, only this remarkable form of organic farming may persist into the 21st century.

The economics and efficiency of shifting agriculture had been studied in Meghalaya and other states of North East India by a team of scientists led by P. S. Ramakrishnan. These studies showed that, far from being primitive and inefficient, jhum is an ingenious system of organic multiple cropping well suited to the heavy rainfall areas of the hill tracts. The economic and energetic efficiency of jhum has been found to be higher than alternative forms of agriculture such as terrace and valley cultivation. This is mainly because terrace and valley cultivation needs expensive input such as fertilisers (which often get leached or lost in the heavy rainfall hill slopes) and pesticides, besides labour for terracing.

Shifting cultivation in Nagaland :

The State of Nagaland has an area of 16,579 sq. km with a population of 19, 88,636 as per the 2001 census. It lies approximately between 25°6' and 27°4' latitude, north of the equator and between the longitudinal lines 93°20'E and 95°15'E. The climate varies from sub-tropical to sub-temperate and the 2500 mm annual rain provides for a land that is teeming with a vast diversity of flora and fauna. The terrain is mountainous and covered mostly by forests which are among the richest in the Indian sub-continent, an example of mega-biodiversity.

Traditionally all the tribes and villages in Nagaland practice jhum cultivation primarily because the terrain makes terracing and irrigation difficult. Agriculture is the most important economic activity in Nagaland, with more than 90% of the population employed within it. Over 70 per cent of the inhabitants of Nagaland practise jhum cultivation. Principal crops include rice, corn, millets, pulses, tobacco, oilseeds, sugarcane, potatoes and fibres. However, Nagaland still depends on the import of food supplies from other states. Of the total geographical area an area of 7000 sq km is subjected to shifting cultivation, every year with average Jhum area cultivated by households varying from 0.52 to 5 ha. This is mostly concentrated in the districts of Mokokchung, Tuensang, Wokha, Zunheboto, Phek and Mon. In Nagaland only about 1700 Sq km of the land is suitable for terracing and irrigation. Major land use pattern in Nagaland is under shifting or jhum cultivation. Table 1 given as appendix at the end of the paper reflects this. In other areas, terraced rice cultivation (TRC) or combined Jhum and TRC are practiced.

This ancient farming method relies on cutting down trees and burning off new sections of land every few years as older plots become too exhausted to support crops. This unique practice of deforestation-crop-cultivation-forestation ensures food security and conserves forests and environment and also ensures sustainable development and helps the Nagas to maintain their ecology. The major challenge that the Nagas face today is how to adapt its land use pattern and production systems to the increased population and changing lifestyles, making them biologically and economically sustainable.

During the last four decades, the food grain production in Nagaland has shown an upward trend from 62,000 metric tonnes in 1964-65 to 386,390 tonnes in 2001-02. The productivity increased from 700 kg per hectare to 1300 kg per hectare over the period. However, the State is not self-sufficient in production of food grains. Non-traditional crops such as wheat, barley, spices, rubber and sugarcane are gaining

popularity in recent years, promising to convert agriculture from subsistence farming to a commercially viable activity. The land is extremely fertile and can produce the best quality of agro-based, horticulture and floriculture products through organic farming. The potential of Nagaland becoming an 'organic state', and for exports and foreign exchange, is real. Strategic initiatives in the fields of animal husbandry, fishery and sericulture could result in generation of resources and overall development of the rural economy.

The jhum system is well suited to the subsistence farmers living in the hills where rice may be intercropped with no fewer than 20 to 60 other species in one field. There is an intimate link between jhum cultivation and crop biodiversity. For example, in the past, 30 types of millets were cultivated in Viswema village; now several varieties have been lost due to the change from jhum to terrace cultivation. Normally, after two to three years of use, fields are left fallow to allow the soil to rejuvenate for five to 20 years, depending on the availability of land. With long periods of fallow (jhum cycles of 15–20 years), shifting cultivation in Nagaland can be sustainable (Ramakrishnan 1993).

This traditional system of cultivation is well adapted to the environment, and the people's knowledge of growing cereals and tree crops has enabled them to maintain an ecological balance. However when the population increased and the effects of industrialization have caused increased demand for saleable produce, the lure of money has caused the hill peoples to increase the area under shifting cultivation. The area of concern is the decreasing Jhum cycles due to the pressures of increasing population. Table-II given as an appendix shows the district-wise jhum cycles.

Biodiversity

Nagaland is very rich in biodiversity with abundance of animal, insect and plant species. The state boasts of the tallest

rhododendron and the tallest rice plant in the Guinness Book of world Records. Naga King Chilli is a contender for being the hottest chilli in the world. There are numerous rare and endangered species of plant and animal life in Nagaland's forests. The Blythe's Tragopan Pheasant, the State bird, and the Mithun, the State mascot, are themselves rare species in the world. The state has a great wealth of herbal medicinal and aromatic plants. Biotechnology and environmental research facilities need to be created on an urgent basis because Nagaland's biodiversity, although very rich, is also fragile and endangered due to increasing population and the pressure to bring more areas under cultivation. The potential of Nagaland's biodiversity contributing to the State's economy is immense.

Soil Conservation Practices in Nagaland :

There is a misconception that Jhum cultivators do not practice any soil conservation measures. The Naga farmers, in spite of the difficult terrain have developed a number of mechanical and vegetative barriers to sustain cultivation. For instance, the Angami and Chakhesang tribes construct boulder and stone barriers. They also plant nitrogen fixing alder trees in the fields to check soil erosion.

As a result of rapid population growth, soil yields and forest biodiversity have declined. It has therefore become necessary to develop alternative land-use systems. In 1995 the Nagaland Environment Protection and Economic Development (NEPED) programme set out to help farmers, improve the land-use system and protect forests. The continuance of jhum in the state is closely linked to ecological, socio-economic, cultural and land tenure systems of tribal communities. Since the community owns the lands the village council or elders divide the jhum land among families for their subsistence on a rotational basis.

Rich Forest Cover :

Out of Nagaland's total area, forests occupy an area of approximately 52%. The share of tree cover is even higher at

80.49%. In view of the unique land ownership system in the State, 88.3% of the forest are community or privately owned. 63% of this community forest is virgin, while the remaining 37% is degraded. The forests represent the richest natural resource of the State and has a wealth of herbal, medicinal and aromatic plants with tremendous economic potentials. The rich forest cover holds tremendous potential for bio-technological manipulations and also indicates the strength for a sustainable timber industry, especially through tree cultivation.

As such, forests play an important role in environmental stability and provide a variety of livelihoods to the Naga people. The measures taken by the State Government for promoting tree plantations have started giving dividends. Agro-forestry and social forestry are two important strategies which can help in striking a balance between providing livelihoods, sustainable exploitation of the forests and forest conservation. In agro-forestry two essential and related aims are the conservation and improvement of the site, and the simultaneous optimization of the combined production of a forest crop and an agricultural crop.

Agro-forestry can be effectively practiced on lands subjected to shifting cultivation, on mountain ecosystems, denuded of vegetation from biotic causes. Efforts are on to evolve and operationalise a modified and scientific system of shifting cultivation.

Findings of the Primary Study :

1. Responses came from 45 villages of 5 districts of Nagaland. These districts are Kohima, Mokokchung, Phek, Wokha and Dimapur.
2. Some of the respondents were farmers and some were government officials and functionaries working in the Agriculture Department, forest Department and Soil Conservation Department of the Government of Nagaland.

3. Almost 90% of the households possessed land that were under shifting cultivation.
4. Jhum cycles varied from 5 to 15 years though in most cases the cycle was between 7 to 12 years.
5. Corps grown were rice, maize and vegetables such as cucumbers, chili, beans, gourd, tomatoes and other corps such a soybeans, ginger, garlic, pulses yam etc.
6. In all cases Maize and Rice production which are their staple food were at subsistence level and was enough for domestic consumption only.
7. Vegetable production was sometimes surplus and was sold at local markets or the nearest urban center.
8. Almost the entire family would be involved in the process of clearing the field and during harvesting.
9. Normally irrigation was not required though in some cases minor irrigation techniques such as constructing canals from nearly streams and rivers were applied.
10. Soil Conservation methods such as counterbunding with wood and bamboo were practised.
11. In most cases fertilizers were not used although in a few cases compost was used and some of the villagers used common salt as weedicide but no other insecticide was used.
12. The yield remains more or less same after every harvest. Only in cases where the jhum cycle was reduced did the yield decrease.
13. In some of the cases where villagers could access financial loans, they went in for diversification of agriculture such as planting horticultural crops and tea plantation.
14. Most of the villagers expressed their satisfaction about the Jhum cultivation practices.

15. Most of the Government functionaries and officials of the various departments were of the opinion that Terrace Rice Cultivation would be a better option for food cultivation.

My Observation :

1. Vegetables were grown in the jhum fields and this has been in practice since time immemorial.
2. Records show that whenever Terrace Rice Cultivation has been initiated besides the main crops that is Paddy and Maize no other crops are grown.
3. Local traditions have ensured the very limited use of fertilizers and pesticides. (The level of fertilizer consumption in Nagaland was only 6 kg per ha of net sown area in 1990-91, which decreased to 4 kg during 2000-2001. This practice of harmony with nature and non-interference of the environment through artificial inputs gives Nagaland the experience and advantages to explore organic farming—Nagaland State Development Report, 2004).
4. The Government functionaries profess the superiority of Terrace Rice Cultivation in their responses since the technical training imparted to them instills such knowledge into them. Terrace Rice Cultivation could have been a viable option if the farmers could get financial aid / loans easily.
5. Jhum cultivation has not led to decrease in fertility of soil and decrease in yield. The dangers of soil erosion have been taken care of by the traditional knowledge of the farmers.
6. The maintenance of ecological balance and preservation of bio-diversity is not unduly threatened by Jhum cultivation. This form of cultivation has been devised over generations through the innate experience and

knowledge gained by the local tribes over the land, labour, environment resources available and the cropping requirements.

7. During the last four decades, the food grain production in Nagaland has shown an upward trend from 62000 metric tonnes in 1964-65 to 386,390 metric tonnes in 2001-02. The productivity has increased from 700 kg per hectare to 1300 kg per hectare over the period. However, the state is not safe sufficient in production of food grains. (Nagaland State Human Development Report, 2004)
8. The Government has been promoting Terrace Rice Cultivation as an alternative to Jhum by providing monetary and material incentives. But it is found that once the incentives were withdrawn the farmers return to Jhum cultivation. Since Terrace Rice Cultivation requires huge investments, which is beyond the financial capacity of the farmers, Jhum cultivation still prevails as the dominant form of cultivation.
9. Terrace Rice Cultivation is practiced in pockets of Kohima, Dimapur, Wokha and Phek districts but it is combined with Jhum cultivation.
10. The impact of modern scientific practices has not been appreciated, as most high external input technologies are not suitable for high altitudes and rain fed conditions.

Suggestions :

1. Efforts should be made to document indigenous practices of inter cropping, study the dimension of organic farming and understand the experience of local farmers in seed collection, raising saplings etc.
2. The Agro-forestry concepts build upon traditional practices and the encouragement of tea plantation by Government should become a normal feature in order to ensure regeneration of forests, improvement of the Jhum practices and enhancement of farmers income.

3. Maintain eco-balance through eco-restoratuion measures and environmental protection programmes.

Conservation of forests , soil and the state's biodiversity can be ensured by involving the people through forest extension and education. Compilation and documentation of the states biodiversity and patenting the unique knowledge and uses of this biodiversity may be a first step towards using it for generating economic wealth.

Sustainable development in Nagaland depends primarily on a balanced approach that includes biodiversity conservation, sustainable management of existing lands and forests, the exploitation of new forest resources, and adapting agricultural systems over time.

Conclusion :

Tribal people practicing shifting cultivation raise agricultural crops and trees simultaneously, as they need the former for food, and the latter to provide timber and bamboos for house construction, agricultural implements, fencing, etc., and also to provide a good burn when the land is opened for agriculture. They see no dichotomy between agriculture and forestry, and only wish to obtain an economically beneficial way of life from their land. The study of their methods will help to evolve better ways for the development of multiple cropping and inter-cropping, and of agroforestry.

Methods to be used in programmes for shifting cultivation control will not be uniform for all states or for all tribal people within any state. The object should be to produce the best return from the land, with the help of the people living there, as far as this is consistent with environmental factors. In programmes for shifting cultivation control, agro-forestry, which aims at the production of the best return from the land through integrated area development programmes, can be successful. With the help of institutional finance, it is possible to adopt agro-forestry programmes over a span of time and with the willing

participation of shifting cultivators, help them to improve their socio-economic status, and thus enable them to join the mainstream of the more advanced people of the country. The aim should be not to reject jhum, but for improving fallow by encouraging agroforestry in jhum fields. ■■

Land Use Pattern in Nagaland (table 1)

i. Total Area	Sq.km.	16.579
ii. Forest Cover	Sq. km	13.345 (80.49%)
iii. Forest Area	Sq. km	8.629 (52.04%)
iv. Area under Agriculture	Ha	3,89,120
a. Gross Sown Area	Ha	2,60,000
b. Net Sown Area	Ha	2,48,354
c. Area Sown More the Once	Ha	9,000
v. Area under Irrigation		
a. Irrigated Area	Ha	66,000
b. Net Irrigated Area	Ha	62,000
vi. Area under Shifting Cultivation	Sq. km	7000
vii. No. of Cultivators	in lakh	5.444
viii. No. of Agricultural Labourers	in lakh	0.338
ix. No. of Families Practising Shifting Cultivation		1,16,046

Source : (Basic Statistics of NER, 2002; Forest Survey of India 2001.) taken from "Nagaland State Human Development Report, 2004", published by Department of Planning & Coordination, Government of Nagaland.

(Table 2)

The following table shows the district wise average Jhum cycle :

Districts	Average Jhum cycle (years)
Kohima	9.35
Mokokchung	10.20
Wokha	7.87
Mon	8.41
Dimapur	4.73
Phek	9.71
Zunheboto	8.13
Tuensang	8.79
Average for Nagaland	8.40

Source : Village profile 2001, Department of Agriculture, Nagaland (taken from State Human Development Report, 2004, published by Department of Planning and Coordination, Government of Nagaland.)

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GLOBALISATION AND ITS IMPACT ON HIGHER EDUCATION

**Upasana Chakravarty*

Introduction :

Globalisation is a process through which an increasing free flow of ideas, people, goods, services and capital would lead to the integration of economics and societies.

After agricultural and industrial revolution, we are living through a knowledge revolution which has shaken the world by bringing changes at a great pace and to a great extent. This revolution has placed knowledge as the most important agent of development.

Through knowledge revolution, information technology and communication has rendered education portable, flexible, non-linear and student centre. Globalisation in education refers to integrating on international dimension into teaching, learning and service functions to the institution. It enhances quantity education which leads to transformation of individual and society towards higher physical, intellectual, emotional, aesthetic, moral and spiritual attainment.

Present Scenario of Higher Education in India :

In the present scenario of higher education in India, the education system has increased fourteen fold in terms of the number of the universities and thirty threefold in terms of the number of colleges compared to the number at the time of independence statistically, there are more than 300 Universities, institution of higher learning and deemed universities, out of which 95 deemed to be Universities, 13 institution of national

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importance, 19 Central Universities, 203 State Universities, 16,885 colleges including 203 autonomous colleges. The total no. of students enrolled in the formal system of education in universities and colleges 99.53 lakhs – 12.97 lakhs (13.3%) in university departments and 86.57 lakhs (86.97%) in affiliated colleges and 4.37 lakh teaching faculty employed making Indian higher education system second largest in the world. The Govt. of India has consistently increased its share in the total expenditure on higher education (90% approx.) to finance this expansion. But a significant point is that despite these impressive statistics, the higher education system is confined only to about 8% of Indian population in the relevant age group of 19-23 years, as compounded to more than 80% in developed countries. Which could not help in attaining the reasonable rate of 30% as envisaged in Vision 2020. Massification of HE is responsible for this expansion. There are severe resource constraints and at the same time quality of education of most of the Indian students has to face challenges posed by further education and employment market. HE system becomes more complicated by political pressures from regional, religious and caste-based groups also. The thrust of Globalisation is expected to push HE to face far reaching challenges. According to Manuel Castells, effects on the University will be more drastic than industrialisation, urbanization and secularization and is the biggest challenge that the University has ever faced. Globalisation has caused a major restructuring of the economy and government has to create new technology-based industries with a corporatist and technocratic framework. So higher education should be reformed in order to produce necessary technocrats. Globalisation poses two strategic points to HE system – i) 'Commodification'- the use of knowledge as a purchasable and saleable good, ii) 'Alternative providers' – with profit motive of higher education that are engaged in the transmission of knowledge using information and communication technologies.

WTO, GATS and Higher Education :

Today, because of 'Globalisation' HE is free from geographical boundaries and it has become possible to have innovative forms of translocation and transnational education such as multicampus institutions, franchised institutions, learning centres providing university degree, off campus education, distance learning, internet based distance learning etc. through which an enthused and well-informed student can access for a 'global market place' so far as HE is concerned.

The World Trade Organisation (WTO) established by replacing the General Agreement on Trade & Tariffs at the Uruguay Round in 1994 is a forum for corporate interest to push their agenda down the throats of developing countries without any democratic accountability.

The initiatives of WTO are expected to bring on the universities worldwide (the commercial pressure of the market place guided by the international treaties and legal requirements) and this may destroy the very objectives of achieving the goals of national development and identity of the HE system in general.

WTO facilitate educational products of all kinds to be freely exported from one country to another. Copyright, patent and licensing regulations, which are already part of international treaties would be further reinforced. However, it would become very difficult to regulate trade in academic institution, programmes and degrees across international borders. At present the jurisdiction over HE is entirely in the hands of national authorities.

The General Agreement on Trade in Services (GATS) covered in the WTO, also a product of Uruguay Round, is a legally enforceable agreement aimed at deregulating international markets in services including education.

Education under GATS Umbrella :

When the services have been provided either by the government partially or some prices are charged (as happens in

Education where some fees is charged), or provided by the private providers, they shall fall under the GATS rule.

GATS defines services trade as accruing via four modes of supply which are relevant to education.

Mode-1 Cross border delivery : Where education services delivered via internet (distance education, tele-education, education testing services)

Mode-2 Consumption abroad : Movement of students from one country to another for higher education (foreign students in US universities)

Mode-3 Commercial presence : Establishment of Local branch subsidiaries by foreign universities in other countries, course offering by domestic private colleges leading to degree at foreign universities, twinning arrangements, franchising.

Mode-4 Movement of natural persons : Temporary movement of teachers, lecturers and education personnel to provide education services overseas.

The main sub sectors under the GATS in the area of education are :

1. Primary education.
2. Secondary education.
3. Higher education.
4. Post-secondary technical & vocational, university degree or equivalent.
5. Adult education.
6. Other educational services.

India has received requests for opening up of services from several countries (like Australia, Brazil, Japan, New Zealand, Norway, USA, Singapore etc.) in education services in the new round of services trade negotiations (GATS 2000 round), which mostly focus on HE, adult education and other education services. USA has specified in training services and

educational testing services. All requests to India are for full market access and national treatment commitments in modes 1, 2 & 3. India has not made any offer in education services in the GATS 2000 Round due to sensitive public good nature.

India's import interests in education services :

Mode 1 :

- Prospects for distance duration and degrees from foreign academic institutions.

Mode 2 :

- Indian students studying in foreign universities (US, UK, Australia)
- Our 40,000 studying in US courses.
- Several thousands in Europe.

Mode 3 :

- Foreign institutions entering India through twinning and franchisee arrangements.
- Indian students getting foreign degrees, doing professional courses at local branch campuses of foreign institution in India.
- U.K based Wigan and Leigh College.
- Indian School of Business tie up with Kellogg, Wharton and London Business School
- NIIT tie up with ITT Educational Services , USA
- Tata Infotech tie up with Hertfordshire University, UK.

Mode 4 :

- Foreign faculty and scholars teaching in India.

Indias export interests in education services :

Mode 1 :

- Prospects for tele – Education in management and executive training
- Experience with distance learning, use of new technologies (IGNOU)

- Education process outsourcing with remote tutoring from India (along the times of efforts by carrer launbcher, educamp, datamatics etc).

Mode 2 :

- Students from developing countries studying in Indian engineering and medical colleges [around 5,500 students from Neighbouring developing countries (2001)].

Mode 3 :

- Setting up overseas campuses, franchising by Indian institutions.
- MAHE, BITS, Central Institute of English and Foreign Languages.
- Over 100 CBSE schools abroad, catering to Diaspora.

Mode 4 :

- Indian teachers, lecturers teaching abroad in Middle East, Africa, researchers/ scholars on visiting arrangements abroad.
- Some 10,000 secondary school teachers overseas.
- Recruitment of Indian teachers in Maths, Science, English.

There is a wide spread perception that India is obliged under the WTO to open up its Higher Education to foreign providers and to end public subsidies. This may bring adverse consequences to the quality and affordability of HE. But GATS does not require India to do anything at present in education services. It is worth nothing that India did not schedule education services in the Uruguay Round and Doha Round. So, India does not have multilateral obligation under the WTO to open up higher education services to foreign participation. Whatever liberalization has occurred in India such as allowing 100% FDI, an automatic route and permitting foreign participation through twinning, collaboration, franchising and subsidiaries, has been autonomously driven. The impact of opening up HE services is shaped not by the WTO but by

domestic factory including domestic regulatory framework and the state of the domestic education system in terms of quantity, quality, costs, infrastructure & finances. Domestic regulatory framework requires more effective registration and certification system, which present unapproved institutions from partnering, protect and inform consumers, enable good quality foreign institutions to enter the Indian market and create a level playing field between domestic and foreign institution so that the domestic institutions can compete effectively in the liberalized environment.

Opportunities & Threat of Globalisation :

Globalisation brings diverse & immense opportunities in the field of Higher Education in India. The remarkable development of information technology has promoted learners method of learning in both formal & distance modes. Distance education & virtual institutions- the industrialized form of education, is now taking place in India which is more cost effective. With one global world, the students who have failed to secure their seats in Indian premiere institutions can now go abroad to fulfill their aspiration. Because of fast growing information and communication technology, academicians get available resource materials as input for their research and publications on issues of international importance. This makes them competent enough with their counterparts anywhere in the world. System wise higher education reforms and incremental approach to liberalization of higher education helps India to take advantage of opportunities in the new global environment of 'lifelong learning, and 'learning society'- Globalisation has given more importance to decentralized educational governance and control with a view to raise motivation & accountability.

No doubt, India can benefit significantly from global revolution in Higher Education. But there on 'ifs and buts' appear to be the crux of the matter. There is threat for the erosion of rich and old culture of national values by adoption of alien culture through global media (such as television and internet). It has brought technological revolution promoted by

transport system, communication network etc and raised economic activity at the cost of ethnic identities both at local & regional levels and threats to the nation's integrity. Again, with the liberalization of the Country's economy, global market forces have generated new fears & dilemmas for Higher Education in India. Multinationals have been the location for many of their labour intensive operations, in order to take advantage of the low cost of educated labour. Commercialisation of education makes it costlier which may penalize the participation of brilliant students coming from poor background and at the same time converting students towards self centered personality. Commercialisation along with competition also involves risk of undermining the inculcation of higher values of sacrifice, service & commitment to the country—a loss that many be difficult to overcome.

Conclusion :

To convert these threats into an opportunity, it is essential to make some preparation such as urbanisation of rural areas providing all facilities to rural mass, equalization of access and opportunities, qualification of existing institutions to the international standards, nationalisation prior to globalisation etc. With these, we can expect a positive impact of globalisation on higher education. ■■

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