Management Focus

முகாமை நோக்கு

Volume - XIV

Management Students' Union
University of Jaffna

MANAGEMENT FOCUS

Volume - XIV

Joint Editors

Mr. J. Arthur Clive

Miss. D. Dione Chinska

Management Students' Union

Faculty of Management Studies & Commerce

University of Jaffna,

Sri Lanka.

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MANAGEMENT FOCUS

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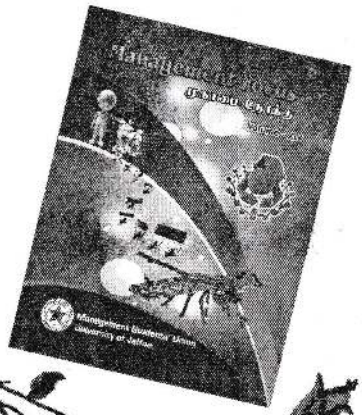

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Department of Management Studies

Our Mission

Our graduates will be amongst those who exercise effective leadership in tomorrow's business world due to their ability to sense possibilities

To think along different perspectives and the smart way of doing things and with a sense of responsibility and innovation create strategic thinking in the market place.

University of Jaffna

Vision

Our vision is to be the leading centre
of excellence in
teaching, learning, research and scholarship

Mission

Our mission is to be a leading centre of academic excellence in producing intellectual, professionally competent and capable graduates to meet the emerging needs of the national and international community with special emphasis on the social, economical and cultural needs of Northern Sri Lanka.

Goals

To be a leading centre of excellence in higher studies
To carry out research to broaden the knowledge frontier
To prepare graduates to foster intellectual environment with national orientation
To promote studies to meet the needs of the communtiy and the nation

Vice Chancellor's Message

I am happy to give this message to "Management Focus"-2011.

Management is blend of science and art. Management has to be done with brain as well as with heart. Management Studies have developed into several branches such as Human Resource Management, Financial Management, Marketing etc. The graduates passing out from the faculty have great job opportunities and they have to develop their soft skills to face the world. The students have to member that they have to contribute to the development of their faculty to the level as other Management Faculties in the country.

Producing this magazine is important to the student to develop their creative skill and I congratulate the students for publishing such quality magazine. I also recommend that each magazine should be published in the Management Faculty Web site.

Prof.(Ms.)V.Arasaratnam,
Vice-Chancellor,
University of Jaffna.

Message from Dean

I am very happy to give this message to the "Management Focus" the 14th issue of the magazine which is a creative endeavor of the Management students Union(MSU) of the Faculty of Management Studies & Commerce University of Jaffna, Sri Lanka.

This annual magazine provide platform to the students and staff to share and document their valuable contribution. To meet the challenge of the contemporary world, it is our responsibility as academics to enrich the knowledge contribution through evidenced base information. Further, it indues student to develop their perseverance, initiative capacity, and leadership skill and also it will help to create congenial academic environment and a good relationship with all staff.

I wish to congratulate all members of the Management Student Union, particulary to the editorial members of the magazine.

My best wishes are always with you.

Prof.T.Velnampy
Dean,
Faculty of Management Studies & Commerce.

Message from the Patron

I wish to send this message on the occasion of the release of 14th Volume of Management Focus by Management Student Union of faculty of management studies and commerce, University of Jaffna. I congratulate management students' for their continuous effort for delivering this 14th Volume in their student's life period.

This journal carries interesting materials that stimulate the undergraduate students to add value of their knowledge. This focus touches different new angles and the reader would be in period to refer different new views of this series.

My best wishes are with the students to continue this effort in future as well.

Mrs.T.Sivaskaran
Co-ordinator,
Department of Management Studies.

Message from the Senior Treasurer

I consider it a privilege and pleasure to send this congratulatory message for the eventful publication of the magazine "Management Focus". The publication of the magazine is really an uphill task which calls forth the exercise of prudence and patience and the accomplishment of the task of such a magnitude hinges on the collaborative sprit of the participant whose commitment is of an indispensable necessity for the appraisable success of it.

I think it is incumbent on me to individually thank everybody for his or her indefatigable industry with an unwonted intellectual interest which I do verily believe has contributed immeasurably to the successful publication of this magazine which carries several articles comprehensively dealing with various subjects associated with HRM,FM, Marketing management and allied subjects of academic interest and professional value.

Mr.James Robinson
Senior Treasurer,
Management Students' Union,
University of Jaffna.

Message from the President

It is with great pleasure that I issue this message to our 14th volume of Management Focus.

Today's ever changing business environment is mix of both challenge and opportunity so we have to be more efficient to achieve our objective smoothly. Our Management Focus is now being released with the effort of all our students. It motivate our students and train their mind to think well. Our magazine provides an opportunity for the students to experience a relationship with community. The we firmly believe that all this magazine users can gain knowledge on current global environment.

In this context, I would like to express my sincere thanks to all who have involved and guided us to publish this valuable magazine. My special thanks to students and staff who have contributed with the articles.

My Best wishes and regards for all those who are concerned in this successful journal publication.

Mr.M.Sabesan
President,
Management Students' Union,
University of Jaffna.

Message from the Secretary

It gives me pleasure to send this message on the occasion of publishing of Management Focus 14th volume"

In this dynamic and challenging world the role of management is closely linked with human life and organization. Therefore we have to change ourselves to meet new challenges for this we should expand our knowledge. I hope the volume-14 will help who are hungry to know much about the current challenges and make them ready to face the challenges. Our union is proud on releasing this asset on time.

"Best wishes for a bright future"

P.Antony poulson
Secretary
Management Students' Union
University of Jaffna.

From Editor's Desk

Today the role of management has become one of the major contributory factors to profit or non- profit oriented industries. In a fast moving world due to technology and environmental changes competition has arisen up to the par, management thoughts give a hopeful potential opportunity to solve problems even in a risky situation.

The main thrust of our management studies has been to achieve human excellence; to shape the personality of individuals through a host of extracurricular and co- curricular activities, and instilling in them the moral values. Thus, the Management Focus (Volume 14) reflects how the faculty has been able to live up to its aim, providing quality education to the students.

It was formed to provide various facilities, where to learn certain things on new era, remind some important things in an innovative manner at the same time it also may provide solutions for present and future problems faced in business and other firms through appropriate suggestions.

D. Dione Chinska
Management Students Union,
University of Jaffna.

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Monogram...

Contents

The Role of Knowledge Management in E-Government

Prof. M. Nadarajasundaram
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E-Government is a multidimensional activity, as such; it should have a broad definition in order to cover a wide E-Government framework which includes:

- Internal, external and relational transformation.
- Enable interaction of internal and external users including citizens, business, other government organizations, and employees.
- Capability of executing several application domains such as E-services, E-democracy, E-administration.

The World Bank defines E-Government as follows:

"E-Government is the government owned or operated systems of information and communication technologies that transform relations with citizens, the private sector and/or other government agencies so as to promote citizens' empowerment, improve service delivery, strengthen accountability, increase transparency, or improve government efficiency."

Knowledge Management (KM) has a key role in e-government. It is needed to facilitate information exchange and transaction processing with citizens, as well as to enable inter-government knowledge sharing and integration. Knowledge management solutions as described in the previous section employ portal/s, virtual community, document management, and knowledge discovery solutions. In any situation, challenges to successful knowledge management occur as in the lack of motivation to share, lack of task orientation of KM solutions, information overload, and insufficient inter-operability.

Patterns of growth for e-government evolve through phases of broadcasting, interaction, transaction, and finally integration.

According to Wagner (2003):

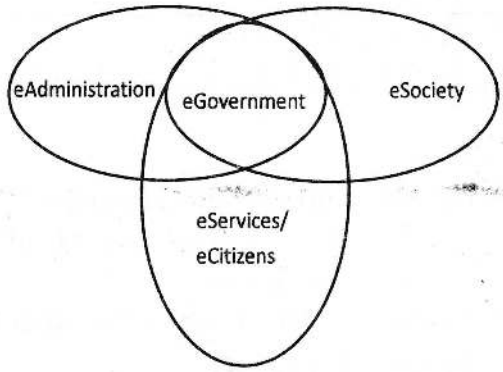
- In the ***broadcasting*** mode, the government's presence consists of static web pages and one-way communication.
- In ***interaction*** **mode**, websites are able to exchange information or services with citizens.
- At the ***transaction stage***, citizens can carry out financial transactions. This requires more processing capability, plus payment gateways and security implementation.
- Finally, e-governments reach ***integration*** when departments collaborate in significant ways to avoid duplication of efforts and enable "one-stop" interaction with citizens.

Domains of E-Government

Ndou (2004) describes the domains of e-Government as follows:

1. **Government to Citizen (G2C):** Interactions range from the delivery of services and the provision of welfare and health benefits to regulatory and compliance oriented licensing. G2C allows customers to access government information and services instantly, conveniently, from everywhere, by use of PC, Web TV, or mobile phone. It also their participation in local community life by email or online discussion forum.
2. ***Government to Business (G2B)***: It allows e-transaction initiatives such as **E-Procurement** and the development of an electronic marketplace for government. Online transactions with government reduce red tape and simplify regulatory processes. This also creates opportunities for businesses and government to partner together.
3. ***Government to Government (G2G)***: It refers to the relationship between national, regional and local or foreign governmental organizations. Online communication and cooperation allows government agencies and departments to share databases, resources, pool skills and capabilities, enhancing the efficiency and effectiveness of processes.
4. ***Government to Employees (G2E)***: G2E is an effective way to provide e-learning, bring employees together and to promote knowledge sharing among them. It is also a tactical mechanism for the implementation of government goals and programs as well as human resource management, budgeting and accounting.

According to Heeks (2001), the full exploitation and implementation of these complex webs of inter-relationships requires three main application domains for e-Government, shown in the following figure:



Domains for e Government

E-Administration for automation and computerization of administrative tasks and for realization of strategic connections among internal processes, departments and functions.

E-Citizens and e-Services to realize connections and interrelationships among governments and citizens and to deliver automated services.

E-Society to enable relationships and interactions beyond boundaries, among public agencies, private sector and civil community in general.

The traditional bureaucratic paradigm, characterized by internal productive efficiency, functional rationality, departmentalization, hierarchical control and rule-based management, is being replaced by competitive, knowledge based economy requirements, such as: flexibility, network organization, vertical/horizontal integration, innovative entrepreneurship, organization learning, speed up in service delivery, and a customer driven strategy. (Ho, 2002).

The paradigm shift from Bureaucracy to e-Government is depicted in the following table:

Paradigm Shifts in Public Service Delivery

	Bureaucratic Paradigm	E-Government Paradigm
Orientation	Production costefficiency	User satisfaction and control, flexibility
Process organization	Functional rationality, departmentalization, vertical hierarchy of control	Horizontal hierarchy, network organization, informal sharing
Management principle	Management by rule and mandate	Flexible management, interdepartmental team work with central coordination
Leadership style	Command and control	Facilitation and coordination, innovative entrepreneurship

	Bureaucratic Paradigm	e-Government Paradigm
Internal communication	Top down, hierarchical	Multidirectional network with central coordination, direct communication
External communication	Centralized, formal, limited channels	Formal and informal direct and fast feedback, multiple channels
Mode of service delivery	Documentary mode and interpersonal interactions	Electronic exchange, non face to face interaction
Principle of service delivery	Standardization, impartiality, equity	User customization, personalization

Source: Ho (2002)

Osborne and Gaebler (1992) referred to citizens as customers for governments, and since the new paradigm of public administration is to effectively regulate and facilitate, the speedy, accurate and timely opportunities availed by ICT is a solution to modernize administrative practices and management systems.

Opportunities and Challenges faced by a government in implementing e-Government Opportunities accrued by E-Government are:

- Cost reduction and efficiency gains
- Quality of service delivery to businesses and customers
- Transparency, anticorruption, accountability
- Increase of the capacity of government
- Network and community creation
- Improvement in the quality of decision making, and
- Promotion of the use of ICT in other sectors of the society

The main challenges faced by a government in implementing E-Government are:

- ICT infrastructure *(e-readiness, computer literacy, telecommunication equipment)*
- Policy issues (*legislation*)
- Human capital development and lifelong learning *(skills, capabilities, education, learning)*
- Change management (*culture, resistance to change*)
- Partnership and collaboration *(public/private partnership, community and network creation)*
- Strategy *(vision, mission)*
- Leadership role (*motivate, involve, influence, support*)

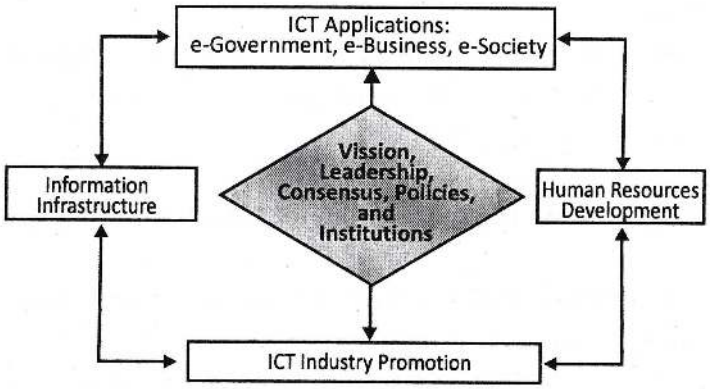
E-Sri Lanka and Knowledge Management Initiatives

Michael Tiemann, VP, Red Hat says: "Sri Lanka has, in my estimation, one of the most mature and robust e-governance initiatives of any of the countries I have visited to date". Rainford (2009) describes this initiative as:

1. **The design of E-Sri Lanka** is based on the need to take a more holistic approach to development using ICT. In other words, economic and social development is the overall objective with ICT merely playing the role of an enabler of development. ICT interventions undertaken in one sector alone, most commonly in government, will not result in achieving the desired objective, and instead ICT must be utilized to simultaneously impact a number of inter-dependent components to enable and catalyze long term development. To achieve this, a multi-stakeholder approach is critical to ensure broad ownership and long term sustainability across the various sectors.

The schematic model describing this initiative is shown in the following figure:

Design of e-Sri Lanka



Source: ICTA

The overall objective of e-Sri Lanka is to harness and exploit ICTs for achieving broad based growth across key sectors of the economy and society, in support of the overall development goals of economic growth, equity and peace building.

1. **Project Appraisal Document,** World Bank (2004) indicates the expected outcomes of e-Sri Lanka as:

- A more effective, citizen-centered and business-friendly government.
- Empowerment of the rural poor, disadvantaged groups, women, and youth through increased and affordable access to information and communication tools.
- Developed leadership and skills in ICT.
- Employment in the ICT and IT enabled services (ITES) industry.
- Enhanced competitiveness of user industries and services.

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The Application of Balanced Scorecard in Business Organization

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Introduction

Balanced scorecard plays a key role in formulating strategies in the business organizations. In today's competitive world, most of the organizations use the balance scorecard to measure the performance of the organization on the basis of traditional financial figures as well as non financial measurements. That is, organizations use balance scorecard to predict future financial success with the help of financial as well as non financial measurement. Balance scorecard was developed in 1992 by Kaplan and Norton. They proposed balanced scorecard as a kind of managerial system which assist the organization to carry out the strategies. It is a most influence management instrument, which helps the organization to measure performance. The balance scorecard helps the organization for the long term investment in customers, employees, in new product development and in system.

Definition of Balanced scorecard

Balanced scorecard is a performance measurement tool that incorporates both financial and non-financial performance measures into organizational management systems to translate organizational visions and strategies into performance objectives. It aims to "balance" the financial outcomes of an organization with internal and external issues of human performance that focuses on corporate strategy in four different perspectives which are shown below:

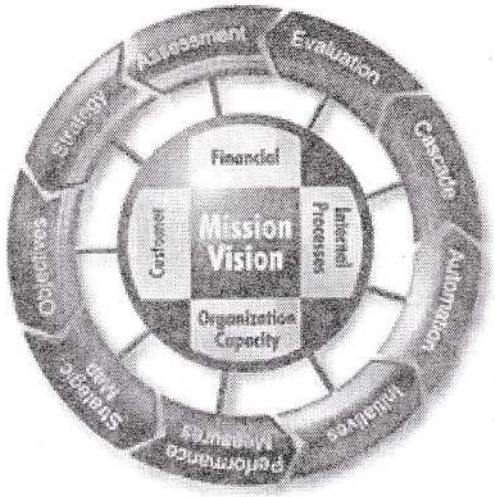
- Financial Perspective: It determines an organization's progress towards desired financial results and measures the best results that the business provides to its share-holders.
- Customer Perspective: focuses on customer needs which can satisfy

their satisfaction that will eventually create value for customers and more likely to generate desired financial results.

- Internal Business Perspective: concentrates on the performance of the key internal processes that drive the business and identifies internal business processes that enable the firm to meet the expectations of customers in the target markets and shareholders.
- Learning and Growth Perspective: directs attention to achieving future success by discovering new and better strategies. Managers identify opportunities for enhancing the capabilities of employees, information systems and operating procedures.

Building & Implementing a Balanced Scorecard (Nine Steps to Success)

A key benefit of using a disciplined framework is that it gives organizations a way to connect the various components of strategic planning and management meaning that there will be a visible connection between the projects and programs that people are working on, the measurements being used to track success, the strategic objectives the organization is trying to accomplish and the mission, vision and strategy of the organization.



Framework of Balanced scorecard

Step 1: Assessment- Scorecard building process starts with an assessment of the organization's Mission and Vision, challenges (pains), enablers, and values.

Step 2: Strategy- Elements of the organization's strategy, including Strategic Results, Strategic Themes, and Perspectives, are developed by workshop participants to focus attention on customer needs and the organization's value proposition.

Step 3: Objectives- The strategic elements developed in Steps One and two are decomposed into Strategic Objectives, which are the basic building blocks of strategy and define the organization's strategic intent.

Step 4: Strategy Map- The cause and effect linkages between the enterprise-

wide Strategic Objectives are formalized in an enterprise-wide Strategy Map.

Step 5: Performance Measures- Performance Measures are developed for each of the enterprise-wide Strategic Objectives.

Step 6: Initiatives: Strategic Initiatives are developed that support the Strategic Objectives.

Step 7: Automation- The implementation process begins by applying performance measurement software to get the right performance information to the right people at the right time.

Step 8: Cascade- The enterprise-level scorecard is 'cascaded' down into business and support unit scorecards.

Step 9: Evaluation- An Evaluation of the completed scorecard is done.

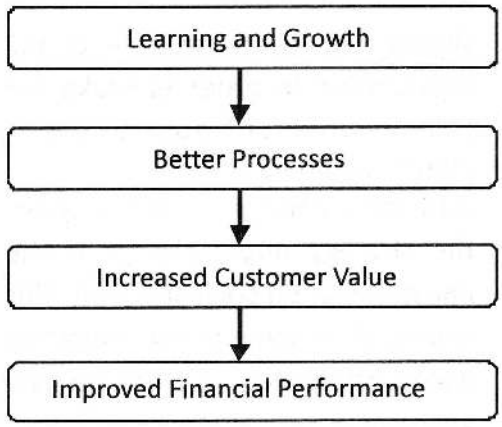
In addition to measuring current performance in financial terms, the Balanced Scorecard evaluates the firm's efforts for future improvement using process, customer, and learning and growth metrics. The term "scorecard" signifies quantified performance measures and "balanced" signifies that the system is balanced between:

- short-term objectives and long-term objectives
- financial measures and non-financial measures
- lagging indicators and leading indicators
- internal performance and external performance perspectives

The Four Perspectives: Cause and Effect Relationship

The four perspectives as mentioned above are highly interlinked. There is a logical connection between them. If an organization focuses on the learning and the growth aspect, it is definitely going to lead to better business processes. This in turn would be followed by increased customer value by producing better products which ultimately gives rise to improved financial performance.

The Cause and Effect relationships among the four perspectives



Challenges of implementing balanced scorecard

- **Too few measures**

  The organization will fail to obtain a balance between leading and lagging indicators or financial and non-financial indicators when too few measures in each perspective are constructed. An appropriate mix of outcomes (lagging indicators) and performance driver (leading indicators) of the company's strategy should be evolved for a good balanced scorecard.

- **Lack of senior management commitment**

  Senior management should support and lead defining the project as performance measurement. The whole organization should be involved in the implementation process. Strategy and action to support implementation must be shared with every member of the organization in order to make the balanced scorecard to be effective.

- **Time Consuming**

  During the implementation process, the strategy might change if the implementation takes too long. This will result in some of the indicators becoming obsolete and requires new indicators.

Benefits of Using the Balanced Scorecard

This tool is being used by several organizations throughout the world because of certain advantages this scorecard has been able to deliver which are cited below:

- It translates vision and strategy into action.
- It defines the strategic linkages to integrate performance across organizations.
- It communicates the objectives and measures to a business unit.
- It aligns the strategic initiatives in order to attain the long-term goals.
- It aligns everyone within an organization so that all employees understand how they support the strategy.
- The scorecard provides a feedback to the senior management if the strategy is working.

Potential Pitfalls of Balanced scorecard

The following are potential pitfalls that should be avoided when implementing the Balanced Scorecard:

- Lack of a well-defined strategy: The Balanced Scorecard relies on a well-defined strategy and an understanding of the linkages between

strategic objectives and the metrics. Without this foundation, the implementation of the Balanced Scorecard is unlikely to be successful.

- Using only lagging measures: Many managers believe that they will reap the benefits of the Balanced Scorecard by using a wide range of non-financial measures. However, care should be taken to identify not only lagging measures that describe past performance, but also leading measures that can be used to plan for future performance.
- Use of generic metrics: It usually is not sufficient simply to adopt the metrics used by other successful firms. Each firm should put forth the effort to identify the measures that are appropriate for its own strategy and competitive position.

Conclusion

The Balanced Scorecard is therefore a very important strategic management tool which helps an organization to not only measure the performance but also decide/manage the strategies which are needed to be adopted / modified so that the long-term goals are achieved. Thus, in other words, the application of this tool ensures the consistency of vision and action which is the first step towards the development of a successful organization. Also, its proper implementation can ensure the development of competencies within an organization which will help it to develop a competitive advantage without which it cannot expect to outperform its rivals.

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Brand Equity

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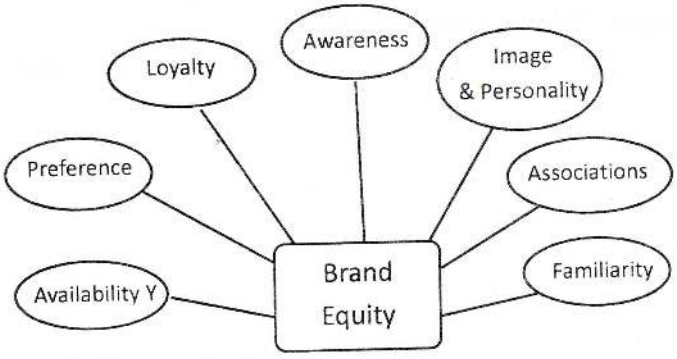
Introduction

Brand equity is widely-used term that encompasses the potential of the brand to generate superior cash flow for the business. Sometimes this potential is unrealized and can be observed only in customer preference metrics; some-times it is realized and can be observed in customer purchase behavior.

Brand equity refers to the intangible value that accrues to a company as a result of its successful efforts to establish a strong brand. A brand is a name, symbol, or other feature that distinguishes the company's goods or services in the marketplace. Brand equity is one of the factors which can increase the financial value of a brand to the brand owner, although not the only one. Elements that can be included in the valuation of brand equity include: changing market share, profit margins, consumer recognition of logos and other visual elements, brand language associations made by consumers, consumers' perceptions of quality and other relevant brand values.

Figure 1: Brand Equity Model

The traditional brand building process in Brand Equity Model



The brand equity represents the value of a brand, which is established following criteria:

- the level of loyalty towards the brand
- the notoriety of the name
- the perceived quality
- strong associations with the respective brand
- other possession of the brand: patents, registered marks, relations in the distribution channels

The value of a brand establishes the positive differentiation that the name of the brand has over the clients' reactions with the product and service.

The **brand equity** refers to an intangible good that depends of the consumer associations. There are 3 perspectives from witch this concept can be analyzed:

- **Financial perspective**. A method of evaluating the brand equity is determining the premium price witch a brand has for a generic product
- **Brand extensions**: A successful brand can be us for launching additional brands related to that one.
- **Starting with the consumer.** A powerful brand encourages the positive attitude of the consumer over the product

Managing Brand Equity

It is stated that a powerful brand has to pass through 3 stages:

1. **Introduction** launching of a quality product with the strategy of using the brand for launching other products. The positive reaction of the consumer is important
2. **Elaboration** the attempt of making the brand easy for the consumer to remind of end developing a repetitive use. Also the consumer needs to remember easily the positive evaluation he made
3. **Fortifying** the brand has to have a positive image, build in time, for straitening the position he has in the mind of the consumer.

In the case of a company with many products, we can approach a variety of strategies:

- **Single brand identity** a separated brand for each product. For example, Procter & Gamble has many brands: Tide, Cheer, Bold etc.
- **Umbrella** all the products are under the same brand. Example: Sony
- **Multi-brand categories** different brands for different categories of product.

Equity Engine SM

Equity Engine SM is developed by Research International. Essentially, it expresses brand equity as a combination of

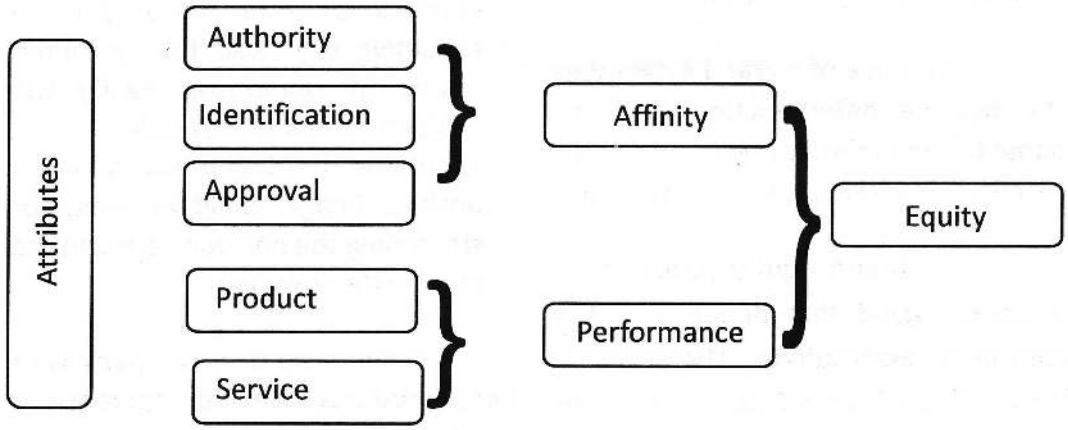
- The functional benefits delivered by the brand (performance) and
- The emotional benefits (affinity).

A further layer of analysis that expresses performance as a function of product and service attributes, and affinity as a function of

The brand identification- the closeness customers feel to the brand, The brand approval - the status the brand enjoys among a wider social context of family, friends, and colleagues, and

The brand authority- the reputation of the brand

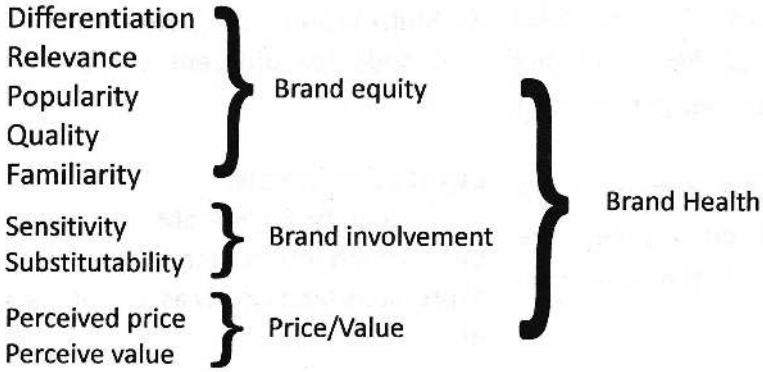
Figure 2: Equity Engine



Equity Engine incorporates a form of conjoint methodology that establishes the price premium that a brand's equity will support while still maintaining a "good value for money" rating from customers.

Equity Builder

Figure 3: Equity Builder



Equity Builder methodology is developed by the Ipsos Group. Importantly, it situates a brand's attitudinal equity (measured in terms of differentiation, relevance, popularity, quality, and familiarity) in the context of the degree of customer involvement with the category in question.

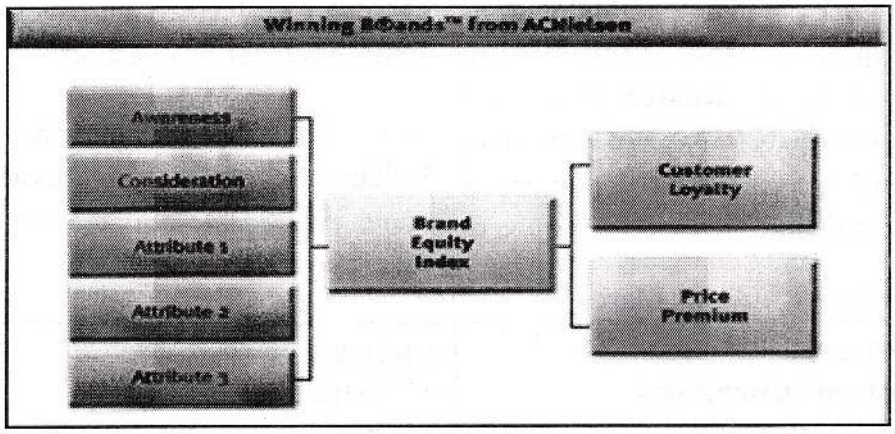
Similar to Equity Engine, Equity Builder also explicitly addresses how brand equity translates into perceived value and price.

Table 1: Brand Building Matrix

EXPERIENCE • Customer perceptions • Customer service • Actions of sales & delivery people etc. • Brand evolution over the years, changes to any aspect of the brand must reflect the changing market demands	QUALITY • Tastes & levels of service • Ingredients & raw materials used etc • Product/service durability • Guarantees and warrantees • Cutting edge technology
IDENTITY • Strong & visible • Memorable names • Logos & colors • Sponsorships • Packaging etc. • Shelf position & display • Vehicle displays and branding • Corporate uniforms	COMMUNICATION • PR & Advertising strategies • Quality letterheads & writing materials. • Internet presence • News Releases, sponsored press articles etc. • Other verbal and non -verbal means used in communicating

Winning Brands

Winning Brands is the methodology developed by ACNielsen. In contrast to the attitudinal approach to brand equity measurement embodied in the other approaches described, Winning Brands begins from a behavioral observation of brand equity. Brand equity is measured in terms of a customer's frequency of purchase and the price premium paid. Once favorable behavior is observed, the methodology seeks to analyze the attitudinal characteristics of those customers.



Conclusion

Brand equity is the customer subjective and intangible assessment of the brand, above and beyond its purely perceived value. In a market where many products are rather similar the brand can have a large effect on whether customers want to buy the product and what price they're willing to pay. Brands therefore add more and more value to the basic product or service. Brand equity creates a relationship and a strong bond that grows over time. It is often so strong that it compensates for performance flaws, such as an out-of-stock situation, poor customer service, a product that falls apart, inconvenient store hours or a higher-than-average-price. In the end, you want to deliver good quality and good value, innovation, relevant differentiation, convenience, and accessibility with your brand. Building brand equity is like building a close friendship. It requires a consistent relationship over time, trust, and an emotional connection.

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Can a MARKETING Degree Land you a Good Job Prospects?

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Introduction

Will a Bachelor of Business Administration degree in marketing give you job openings? Where can you work with such a degree and how?

There are many routes you can take when you graduate with a degree in marketing. You can go into corporate marketing (the internal marketing functions of an organization), marketing consulting (be a part of a firm that gets hired/contracted to do short-term or long-term marketing projects for other companies), advertising (determining the strategies behind messaging, communications, creative, media purchases, etc. for other companies), public relations (image development and event management for other companies), and so much more.

In general, starting salaries in the marketing field can vary greatly depending on which path you choose and how good you are. The range of monthly salaries for entry-level marketing positions can go as low as 15,000 LKR to as high as 30,000 LKR. If you can prove you're smart, have done some solid marketing-related initiatives during college, and you're personable, charming and engaging in conversation, you will probably land in the top 10% of a pool of marketing candidates.

Otherwise, most marketing graduates land in jobs that are more like marketing assistants or marketing analysts. Marketing assistant jobs are not marketing jobs; they're administrative and task-oriented roles. Marketing analysts is a good way to get started in a corporate marketing function, and over time this role can lead to much more lucrative paths.

What are some possible career options for someone who has a marketing degree?

You have a huge number of options. Almost every organization on

the planet needs good marketing people. Basically, figure out what kinds of things you are interested in and look for organizations in that industry. Some specific ones that come to mind:

- Technology - Product Management for an internet company
- Advertising - Advertising rep for an agency
- Non-profit - community outreach coordinator and marketer
- Mobile - marketing management

Of course, if you are just getting out of school you will be looking at entry level positions.

What kind of jobs can you get with a Business marketing degree?

What kind of jobs can you get with a Business Marketing degree? What is the average salary for employees who have this degree? What should I do to prepare myself for this career?

An interesting degree. Most likely, your coursework will consist of a Business Administration core with a Marketing concentration, while the concentration will focus on public relations, marketing analysis, maybe even some stats.

Business Marketing is fairly focused on the marketing aspects of business. This means that positions in management are probably shut off to you (unless it is a management track position in a sales division)

The exact type of work you will do will depend upon your qualifications. The more technical your background, the more will be opened to you. Someone, for instance, has a background in English (no business classes) and does web design and copywriting work. Someone have a strong background in economics and statistics, and who do modeling, forecasting and analysis of marketing data.

If you have language-based background (writing, speaking, presentations), this will open different doors than one that is more technologically-focused (database analysis, programming EViews, Excel, SAS, SQL, PeopleSoft). A blend of both would be awesome, but is hard to do.

An alternative option may be to major in the area that suits your interests most strongly - ie, Business Communication, Information Systems, Finance - and get an MBA to allow you to

do more technical work. Remember that an MBA is preferred for even entry-level positions in business; it is easier to get a job with a bachelor's in a highly technical or abstract field such as Computer Science, Math, Finance or Accounting.

Starting salaries depend upon the city, but will generally be around in a metropolitan area - 25,000 in the Midwest, 35,000 in Colombo, etc. Of course, salary will increase with experience and expertise. Especially, a native or at least advanced fluency in a foreign language (particularly Spanish, Chinese, Japanese or French) will help boost this potential and provide you with international exposure.

Let's say you're sitting at your computer preparing to type in a search term that will find you the marketing job you so richly deserve. If you type in "marketing jobs" you'll get 100,000 hits and you'll be ready for retirement by the time you plow through them all. You'll need to be a little more specific. Marketing jobs crossover into sales, into advertising, into public relations and communications, all terms that are too general to produce meaningful results. Typing in "agency" might narrow the field a bit - agency account coordinator, agency account executive, agency account supervisor, agency client services manager - if it's agency work you're seeking. Agencies tend to require agency experience and if you don't have that they're likely to start you at the front desk performing clerical duties.

An advertising or public relations agency can be both the business end and the creative part of an advertising campaign, developing strategies and producing everything from graphic design and copy-writing to event planning and press releases. These sorts of marketing jobs tend to involve some combination of artistic abilities, writing talent, and organizational and analytical skills.

"Media" might produce a useful search, as in media planner, media buyer, media coordinator and media research analyst or media supervisor. This could translate into either agency work or an in-house position developing media plans, analyzing target audiences, negotiating advertising rates and tracking results. You will need to understand all the ins and outs of print ads, TV, radio, brochures, direct mail and Internet exposure.

Maybe you would like to work the website and e-mail circuit, in which

case you will be seeking marketing job titles such as online marketing director, online promotions manager, online/interactive media planner and search engine specialist. You are likely to need some technical skills requiring knowledge of pop-ups, banners and SEO.

Maybe you would like to work the website and e-mail circuit, in which case you will be seeking marketing job titles such as online marketing director, online promotions manager, online/interactive media planner and search engine specialist. You are likely to need some technical skills requiring knowledge of pop-ups, banners and SEO.

How to Find Marketing Jobs

It is possible to find marketing jobs in a variety of places. Here are some to begin your search.

- While still working on your marketing degree in University, apply for any internships you hear about. Internships often work into full time jobs after graduation.
- Search online job sites, including those like hot jobs, top jobs, Monster and CareerBuilder, and those specifically targeted to marketing majors.
- Network with other students, coworkers, and professors. They may know of an opening before it is posted on a job board.
- Join a professional organization. You can even join many during your campus years for a reduced membership rate. Your membership often includes job search tips and access to job boards.
- Hire a recruiter. Looking for a job can be a time-consuming experience. Recruiters can reduce the time needed to find the right job for you.

Job Search Results: Marketing: View all Marketing jobs

- Marketing Coordinator
- Application Product Specialist
- Product Marketing Manager
- Marketing Manager, Communications and Content
- Public Relations Manager -
- Marketing Analyst - Marketing Research
- Field Marketing Representative

Marketing/Communications Coordinator

- Application Product Specialist
- Product Marketing Manager
- Marketing Manager, Communications and Content
- Public Relations Manager

- Marketing Analyst - Marketing Research
- Field Marketing Representative-
- Recruitment Media Campaign Manager
- Director of Business Development
- Product Marketing Director
- Product Marketing Director
- Director of Marketing and Product Line
- Associate Manager, Marketing
- CEO Marketing Manager
- Product Consultant / Consumer Business

Conclusion

The modern world there are huge demand for marketing field f jobs and IT based jobs.forcasting for future is very important in job marketing and make sure to build up us as marketable graduate with higher competence.

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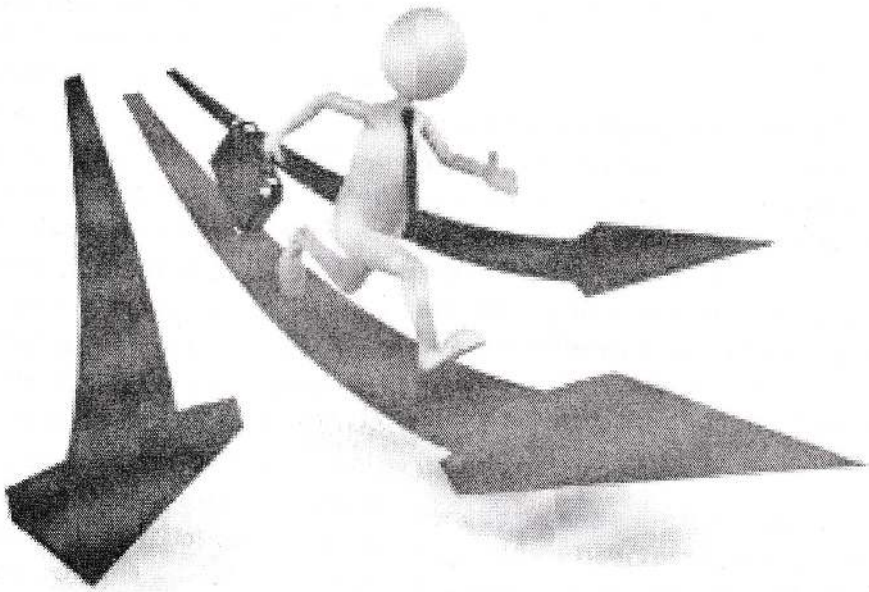

Marketing moves Green

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Introduction

The global changes in the environment are becoming critical not only for the consumers but also for the businesses across the globe. Many consumers now display concern about environmental deterioration. Increasin-gly often they ask how much impact a product will have on the environment during its lifespan or during disposal. This is the major impetus for green products and green marketing.

Green marketing is an attempt to characterize a product as being environmentally friendly. In general green product are made from recycled content and / or designed for reuse, recycling or remanufacturing. They are usually non-toxic, energy efficient, and durable. However, green is a relative term and depends on the individual situation.

Green marketing can be defined as, *"All activities designed to generate and facilitate any exchange intended to satisfy human needs or wants such that satisfying of these needs and wants occur with minimal detrimental input on the national environment."*

It incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modified advertising. Other similar terms are used such as Environmental Marketing & Ecological Marketing.

Importance of Green marketing

Man has limited resources on the earth, with which he/she must attempt to provide for the worlds' unlimited wants. There is extensive debate as to whether the earth is a resource at man's disposal... In market societies where there is "freedom of choice", it has generally been accepted that individuals and organizations have the rights to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants, both of individuals

and industry, as well as achieving the selling organization's objectives.

Green marketing offers business bottom line incentives and top line growth possibilities. While modification of business or production processes may involve start-up costs, it will save money in the long term. For example the cost of installing solar energy is an investment in future energy cost savings.

The Four Ps of Green Marketing / the Green Marketing Mix

When companies come up with new innovations like eco friendly products, they can access new markets, enhance their market shares, and increase profits through marketing mix. Like conventional marketers, green marketers must address the 'four Ps' in innovative ways.

1. **Product:** A producer should offer ecological products which not only must not contaminate the environment but should protect it and even liquidate existing environmental damages. The ecological objectives in planning products are to reduce resource consumption and pollution and to increase conservation of scarce resources.
2. **Price:** Price is a critical and important factor of green marketing mix. Most consumers will only be prepared to pay additional value if there is a perception of extra product value. This value may be improved performance, function, design, visual appeal, or taste. Green marketing should take all these facts into consideration while charging a premium price.
3. **Place:** A distribution logistics is of crucial importance; main focus is on ecological packaging. Marketing local and seasonal products e.g. vegetables from regional farms is easier to be marketed "green" than products imported. Marketers looking to successfully introduce new green products should, in most cases, position them broadly in the market place so they are not just appealing to a small green niche market.
4. **Promotion:** Promoting products and services to target markets includes paid advertising, public relations, sales promotions; direct marketing and on-site promotions. Smart green marketers will be able to reinforce environmental credibility by using sustainable marketing and communications tools and practices.

Reasons for Firms Using Green Marketing

There are several suggested reasons for firms increased use of Green Marketing such as:

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.

4. Competitors' environmental activities pressure firms to change their environmental marketing activities.
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behavior.

For green marketing to be effective, they have to do three things.

1. Being genuine means that organizations are actually doing what they claim to be doing in their green marketing campaign and that the rest of their business policies are consistent with whatever they are doing that's environmentally friendly.
2. Educating customers isn't just a matter of letting people know they are doing whatever they are doing to protect the environment, but also a matter of letting them know why it matters.
3. Giving their customers an opportunity to participate means personalizing the benefits of their environmentally friendly actions, normally through letting the customer take part in positive environmental action.

Green products and its characteristics

Promotion of green technology and green products is necessary for conservation of natural resources and sustainable development. It includes following characteristics:

- Those are originally grown,
- Those are recyclable, reusable and biodegradable,
- Products with natural ingredients,
- Containing recycled contents, non-toxic chemical,
- Contents under approved chemical,
- That do not harm or pollute the environment,
- That will not be tested on animals,
- That have eco friendly packaging i.e. reusable, refillable containers etc

Benefits of Green Marketing

Many companies want to have an early-mover advantage as they have to eventually move towards becoming green. Some of the advantages of green marketing are as given below:

- It ensures sustained long term growth along with profitability.
- It saves money in the long run, It helps companies market their products and services keeping the environment aspects in mind. It helps in accessing the new markets and enjoying competitive advantage.
- Most of the employees also feel proud and responsible to be working for an environmentally responsible company.

Challenges in Green Marketing

- Green products require renewable and recyclable material, which is costly.
- Requires a technology, which requires huge investment in research and development.

- Water treatment technology, which is too costly.
- Majority of the people are not aware of green products and their uses.
- Majority of the consumers are not willing to pay a premium for green products.

Conclusion

Green marketing methods produce highly effective results. As resources are limited and human wants are unlimited, it is important for the marketers to utilize the resources efficiently without waste as well as to achieve the organization's objective. So green marketing is inevitable. There is growing interest among the consumers all over the world regarding protection of environment. Green marketing is a marketing strategy that can help organization get more customers and make more money. But only if they do it right.

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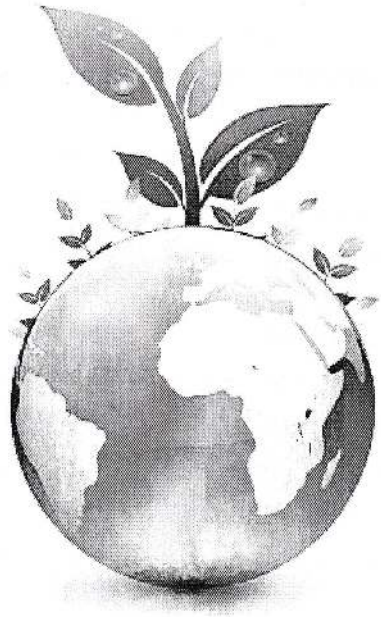

Social CRM for the Success of an Organization

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Introduction

CRM involves the management and enhancement of customer relationships with the help of a large quantity of data about individual customers and a set of tools to interpret and make use of such data. Putting a "social" hat on CRM means to use information and communication/ interaction in social media to enrich traditional CRM practices. In other words, social CRM merges social media with traditional CRM, both to create a more 360-degree view of the customers and to interact with customers in a more proactive and engaging fashion.

Social CRM is customer relationship management fostered by communication with customers through social networking sites, such as Twitter and Facebook. A social network brings a new element into CRM because now instead of just dealing with data and information it is dealt with conversations and relationships. These conversations and relationships take place not just from company to consumer, but also from consumer to consumer.

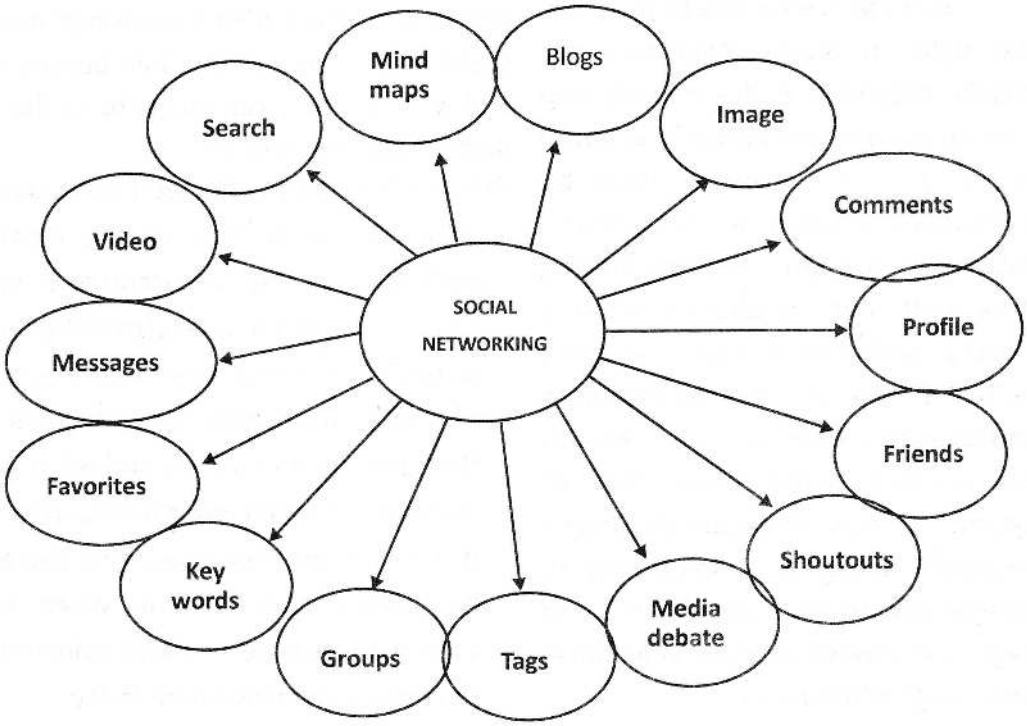
Here are some examples of social CRM in action:

- A business or even a customer creates a fan page for a company or product in Facebook.
- A business can quickly get information out to users who are interested in the company or its products.
- A business can follow conversations about its brand for real-time market data and feedback.
- A customer can easily tell a company and everyone else about their experiences with the company, whether those experiences are good or bad.

- A business can respond very quickly to negative feedback, attend to customer problems and maintain, regain or rebuild customer confidence.
- A customer can use social networking sites to offer ideas for future products or tweaks to current ones.

The Importance of Social Customer Service and Social CRM

No longer is traditional media by itself an effective way to reach customers. It takes dedication to the many new mediums of customer engagement to truly reach your desired audience and stay connected in the right ways. In the same sense, customer service can no longer be tied to only traditional means. As business and marketing becomes further entwined into the use of social media and digital engagement, so must customer service and CRM.



Many businesses forget this point as they establish their voice in the digital age. Just as it is important to be where customers are and offer them value, it is equally important to provide them support and quality customer service, especially when it is publicly seen! Social CRM, particularly through Facebook customer service, can be an excellent way to turn publicly posted negative reviews into a platform to demonstrate customer service. At the very least can show a personalized care and quick response to other customers, but it may even be able to change the minds of those who were unsatisfied.

So what is essential to do social CRM right? It is important to really consider customer service in every step of your plans both on- and offline. Social media is often only viewed by businesses as a means to connect with customers for positive marketing interactions, but it also helps for a valuable customer service. Facebook and Twitter both can be amazing tools to connect with customers, but they can also publicly demonstrate lack of customer service and negatively affect a company's brand. It is important to maintain quality and a consistent brand image to ensure satisfaction at all times and through all mediums.

How Social Media Affects the Business

The modern business world has changed so much over the last few years that sometimes it pays to take a moment out just to, fully digest everything that has happened. When we do this, one of the factors that really stands out is the degree to which social media affects the way we do business.

Although social media has been with us for a few years, many businesses have yet to fully comprehend how it has changed the business landscape, while others have embraced all it has to offer. Whichever camp a business falls into, it is well worth their while to consider how social media is impacting their business and whether they can adapt to further harness all it has to offer.

- Social Media has affected businesses at a core level. One of the most striking ways this has occurred is in the creating of a new level of dialogue between business and customers. This is a much more open dialogue that ever existed before and what is more, it is a much more transparent. It is no exaggeration to say that there has never been a time when a business could be so easily affected by consumer opinion than today.

- Businesses that fail to grasp this can be left open to serious reputation damage to the extent that reputation management strategies should place a significant proportion of focus on social media. The reason for this is simple: if a business offers poor service, those affected often do not complain to a company they complain about it. They do this using social media with the potential to reach hundreds of thousand or even millions of people. Marketing initiatives have been affected by social media to the same extent as reputation management.
- The number of professionals who are now active on social media has significantly increased. This is because social media sites have become vital networks for business communication and keeping in touch with connections. They also exert great influence on the decision making process and are therefore integral to business plan formation.
- Younger customers/clients are increasingly more likely to read blogs and/or follow Twitter accounts than they are to read more traditional media. This means that companies must maintain a presence on the key social media networks in order to ensure they are reaching all demographics.
- Social media is the quickest and easiest way to gather opinions from customers/potential customers and to react accordingly to market demand. This process also engenders increased customer loyalty as users feel part of the process.

Comparing Traditional and Social CRM

Jacob Morgan, coauthor of "Twittfaced," describes the difference between traditional customer relationship management (CRM) and social CRM

- Social CRM is an extension of CRM, not a replacement so some of the tenets of traditional CRM remain as important as ever.
- Make no mistake about it though - even though the benefits will be mutual, to make this work, the business organization has to be realistic and acknowledge that the customer is now in the driver's seat.
- It also changes the purpose of CRM from managing relationships with customers to engaging the customers.
- This new model is no longer based on just the constant improvement of products and services. At this stage businesses need to be aggregators of

products, services, tools and consumable experiences - so that the customer has what they need to sculpt their own involvement with the company that they've chosen to be involved with.

- *In the longer term, the model will be* (hopefully) a company that's sufficiently transparent, institutionally structured and culturally ready to collaborate and innovate directly with the customers.

Conclusion

The key to successful Social CRM is to engage the customer. This requires back and forth communication between the business and the customer by engaging and replying to their comments, posts and updates. Not only does this personalize the relationship, *but it also builds a level of trust and* customer loyalty. It also ensures that you are getting the relevant message across to the customer. The bottom line is that Social CRM transfers the control over to the customer, but in turn earning their trust. Quick and frequent communication will engage the customer and will grow your business!

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Banks' responsibility in Customer and society as whole

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Introduction

Normally People earn money to meet their day-to-day expenses on food, clothing, and education of Children, housing, etc. They also need money to meet future as well. The necessity of saving money was felt by people even in olden days. They used to hoard money in their homes. With this practice, savings were available for use whenever needed, but it also involved the risk of loss by theft, robbery and other accidents. Thus, people were in need of a place where money could be saved safely and would be available when required. Banks are such places where people can deposit their savings with the assurance that they will be able to withdraw money from the deposits whenever required. People who wish to borrow money for business and other purposes can also get loans from the banks at reasonable rate of interest.

Purpose of Banks

Bank is a lawful organization, which accepts deposits that can be withdrawn on demand. It also lends money to individuals and business houses that need it. Banks also render many other useful services like collection of bills, payment of foreign bills, safe-keeping of jewelries and other valuable items, certifying the credit-worthiness of business, and so on. Banks accept deposits from the general public as well as from the business community. Anyone who saves money for future can deposit his/her savings in a bank. Businessmen have income from sales out of which they have to make payment for expenses. They can keep their earnings from sales safely deposited in banks to meet their expenses from time to time.

On deposits, banks give interest, which adds to the original amount of deposit. It is a great incentive to the depositor. It promotes saving habits among the public. On the basis of deposits banks also grant loans and advances to farmers, traders and businessmen for productive purposes. Thereby banks contribute to the

economic development of the country and well being of the people in general. Banks also charge interest on loans. The rate of interest is generally higher than the rate of interest allowed on deposits. Banks also charge fees for the various other services, which they render to the business community and public in general. Interest received on loans and fees charged for services which exceed the interest allowed on deposits are the main sources of income for banks from which they meet their administrative expenses.

The activities carried on by banks are called banking activity. It facilitates business activities by providing money and certain services that help in exchange of goods and services. Therefore, banking is an important auxiliary to trade. It not only provides money for the production of goods and services but also facilitates their exchange between the buyer and seller. You may be aware that there are laws which regulate the banking activities in our country. Depositing money in banks and borrowing from banks are legal transactions.

The potential for banks to create environmentally and socially conscious business practices

In general all banks play an intermediary role in the economy; because of this the possibility for banks to contribute to sustainable development is potentially profound. Banks have extensive and efficient credit approval systems, which gives them a comparative advantage in knowledge (regarding sector-specific information, legislation and market developments). Banks are well seasoned and well equipped to weight risks and attach a price to these risks; because of this banks can fulfill an important role in reducing the information asymmetry between market parties. This is important not just to consumers but also to depositors. When depositors allow a bank to invest for them they are able to assume that the bank will know which investments will maximize their returns. Conventional banks are legally bound to maximize return for their clients. If clients are concerned with more than simple return they may need to turn to an ethical bank to find ways in which they can gain return while keeping to their own moral concerns.

Some businesses externalize costs onto the environment and society. An example of this would be water pollution. A wood mill, for example, could dump its waste into a local river instead of paying to dispose of it properly. This costs falls into public who uses this water; the costs could come in the form of poor health or as a cost to

the local water treatment plant. In order to create more equitable distribution of costs amongst consumers, the environment, and businesses, banks can raise interest rates or apply tariffs on loans given to clients with high environmental risks. This tariff differentiation by banks will stimulate the internalization of environmental costs in market prices. Meaning that companies would pay more if their business caused extensive environmental damage; taking some of the cost off of society as a whole and putting it on the company. Through such price differentiation, banks have the potential to foster sustainability. This potential would be determined by the extent to which all banks worked in unison to create similar regulations that would result in the loss of access loans that treat the environment and/or society as an externality.

Through their intermediary role, banks may be able to support progress toward sustainability by society as a whole, where environmental and social front-runners would pay less interest than the market price for borrowing capital, while environmental laggards would pay a much higher interest rate. Banks can also develop more sustainable products, such as environmental, social, or ethical investment funds. In addition, there is great scope for banks to improve their internal environmental performance. In creating environmental and social screens, banks can promote socially/ environmentally-geared companies and penalize those who do not conform to these standards. However it is important that these different possibilities (i.e. social/environmental screens, ethical products, and internal environmental practices) be used as a package. If not, there is a danger that banks could simply do the things that make them look the most ethical (i.e. advertise their recycling program) while not changing other areas that would have a larger impact. If the changes are solely driven by customers, the bank will be pressured to offer preferential treatment to what depositors deem as desirable, but will have limited ability to punish undesirable action. Governmen-tal regulation, initiated by an informed and involved public would be an effective way to ensure that all banks follow socially accepted morals and ethics.

Customer protection

The business of banks, crucially depends on trust and customer confidence. In turn, confidence depends on the extent of the safety of transactions, which requires prudence

of banking operations as well as protection to customers. Conventionally, regulators have been concerned mainly about prudence, as prudent banking will finally promote customer protection. However, as a result of the recent financial crisis, the regulator's attention is also increasingly drawn to explicit customer protection and rights of customers in relation to their transactions with banks. In promoting customer protection the following would be need to be looked,

- **Availability of documents on all services, separately;**
  Separate key facts Document containing all relevant information in the form of a brochure/leaflet written in plain language for each and every service should be available when making an offer or recommendation to a customer.
- **Clear terms and conditions in all agreements**
  Clear statements, terms and conditions minimize disputes and help customers make informed decisions.
- **Ethical advertising in the media;**
  The public generally tends to believe in advertisements and expects the results/benefits in the same manner as revealed in the advertisement. Ethical advertising with actual facts ultimately enhances public confidence in the bank.
- **Display information in all banking outlets;**
  Displaying information such as interest rates applicable to deposits and advances, exchange rates and details of the financial ombudsman etc. in the branches and other outlets of the bank, can accelerate customers in taking early decisions.
- **Healthy sales promotion and recovery methods by collecting agents:**
  This will protect the integrity of customers, leading to confidence building in relation to the performance of the entire industry.
- **Proper grievance-resolution mechanism:**
  An efficient and effective internal mechanism to handle customer complaints needs to be established.

Conclusion

Regulatory intervention to safeguard customers' interests: In Sri Lanka, at present the financial Ombudsman scheme helps in resolving customer complaints Parallel to the development of the banking industry in Sri Lanka, the protection of the

customers of banks is also considered to be an area that requires the Central bank of Sri Lanka plans to launch 'Customer Charter' with the primary objective of introducing rights and obligations of customers and fair banking practices. The Charter would also mandate banks to develop a Code of Conduct for its officers which could be made available for customers as well.

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Charge Free Combined ATM Facility

Thanapalsingam Arulprasth
2005/BAD/10
Final year
Management Studies (HRM)

Introduction

As we know ATMs are electronic machines, which are operated by customers by themselves to make a limited transaction from a bank. To use an ATM facility a customer has to be provided an ATM card with the PIN number from the bank. The ATM card is a plastic card, which is magnetically coded. It can be easily read by the machine. The operation is simple as insert the card and entering the provided PIN number.

ATMs provide 24 hour service round the clock. The customer can withdraw cash up to a certain limit during any time of the day or night it provides services without or less error other than human errors. Otherwise you have to go to the bank for everything even for a small withdrawals or transaction at the same time only for a limited time period of days which is only available in common working hours. It provides convenience to the customers.

Now-a-days, ATMs are located at convenient places, such as at super markets, Institutions etc. and not necessarily at the Bank's premises. It is to be noted that ATMs are installed off-site (away from bank premises) as well as on site (installed within bank's premises). ATMs provide mobility in banking services for cash withdrawals. It enables great help to travellers. They need not carry large amount of cash with them. They can withdraw cash from any city or state, across the country and even from outside the country with the help of recommended ATMs. It does not only help the customers it also helps to reduce the work pressure on bank's staff and avoid anonymous crowd and rush inside banks as well as it premises with privacy in banking transactions of the customer.

Now we are chasing the technology to adopt the current world. We are getting a lot of benefits and convenience from ATMs. But the

banking world has to look further than what needed for the current world to satisfy the financial services of the customer particularly developing business country like Sri Lanka.

Inconvenience service from early ATMs

The banking institutions should make availability to the customers to use and be satisfied with banking technology and getting to understand what the customer needs and act as per the demands. The banks should pay special attention to convenience by providing the customers with electronic banking service at points which can easily be accessible. For instance, some ATMs should be installed in super-markets, learning institutions and medical centres. The banks' management should also improve their ATM systems so as to minimize customers' time consumed to get the required service. This will improve the efficiency in the service delivery hence boosts customer confidence.

We can suggest some innovative technology to attract and providing convenience to the customer. In a Place like Jaffna peninsula we haven't got enough ATM's for the customer convenience, People often feel difficult to find an ATM to get use of it, and even if they have found it they are still looking for particular ATM. For an example a Jaffna University student wants to withdraw money from Hatton National Bank who uses a CAHLINE card which is distribute by bank without any combined service providers he /she is unable to get to such single ATM provider at the certain area, but even they can find a Bank of Ceylon ATM at the entrance of the University, it cannot be used by other bank ATM card holders without a service provider such as Master or VISA.

This is where we think that, why can't we use both (HNB & BOC) bank cards in a same ATM? Will you be happy if you can use your both HNB & BOC ATM cards in a same ATM, and having charge free of interbank transaction. If go further, more than two banks allowing the electronic transactions in a same ATM. It means that same ATM works for more than one bank. Commercial bank customer can consider as a Commercial bank ATM at the same time Hatton National Bank customer can see it as a HNB ATM.

Need for Combined ATMs

We can call as "ATM5" with the benefits of 5 banks ATM. When I think this is like a dream in Sri Lanka because

there should be much cooperatives within the Banking industries also with the innovative technology. That we say "go together cannot be separated".

But it is mostly suitable for the foreign banks because of its narrow activities than local banks but for gaining competitive advantages with local banks they can form such ATMs for the customer convenience. We already have seen this kind of ATMs in Singapore with the inter-bank transaction facilities of Singapore's eight Qualifying full banks. ATM[5] is an inter-bank network in Singapore, connecting the ATMs of six of Singapore's eight qualifying full banks, with the non-participating QFBs being BNP Paribas and ICICI. As of 2006, there are 170 atm[5] ATMs island-wide. The network was established in April 2005. atm[5] is also one of the few inter-bank networks that does not charge its customers for transactions via another member bank's ATM, having removed all inter-bank transaction charges on April 4, 2006.

Conclusion

As representative of the citizens of Jaffna with the current positive outlook, normal life is gradually returning to Jaffna. Those who left due to the war are now returning to their homeland. Some companies have already started their operations in Jaffna and a large number of people have expressed great interest in setting up businesses. The people of Jaffna are pleased to see Bank taking the initiative to provide people with up to date banking technology, and getting their work done in a very competitive and effective manner. As result, there should be several innovative technologies play in the banking industries. It is interest to see that few banks have already started to modify their service by combined ATM at the moment in Sri Lanka.

Asset Securitization

Balachandran Thushyanthini
2007/BAD/91
Final year
Management Studies (FM)

Introduction

The subject of securitization was embedded with such complexity, no one, not even its creators fully understood the diffusion of risk, let alone the simultaneous concentration of systematic risk. However, assets securitization enables banks and other financial institution to allocate capital more efficiently, access diverse and cost effective funding sources, and better manage business risk by using the securities or capital markets to fund fraction of the loan portfolio. Indeed, the successes of non-banking securities are forcing banks to adopt some of their practices. Further, the growing competition with in the banking industry from specialized firms that rely on securitization puts pressure on traditional bank to use securitization to streamline their credit and origination business as much as possible. Securitization has a fundamental impact on banks and the financial service industry.

The traditional mortgage model involved a bank or financial institution originating a loan to the borrower and retaining the credit risk. However, with the advent of securitization, the traditional model has given way to the "originate to distribute" model, in which banks essentially sell the mortgages and distribute credit risk to investors through mortgage-backed securities. Securitization meant that those issuing mortgages were no longer required to hold them to maturity. By selling the mortgages to investors, the originating banks replenished their funds, enabling them to issue more loans and generating transaction fees.

Asset Securitization

Securitization can be defined as a financing tool. It involves creating,

combining and recombining categories of assets and securities into new forms. Assets, loans, receivables, etc, from multiple sellers or obligors are pooled and repackaged, underwritten and sold in the form of asset backed or other securities. Securitizations provide financing for the sellers of the assets. These assets backed securities are collateralized or backed by the pooled assets. The investor, therefore looks to the cash flow from the purchased assets for repayment. A typical securitization involves the creation of a special purpose vehicle that issues multiple classes of equity and debt securities consisting of one or more tranches of investment grade debt and one or more tranches of non investment grade debt and equity. The risks associated with the underlying asset pool are allocated among the various tranches utilizing various forms of credit enhancement.

Securities issued by the special purpose vehicle in a securitization transaction are referred to as assets backed securities as the investors rely on the performance of the assets that collateralize the securities. They do not take an exposure either on the previous owner of the assets or the entity issuing the securities. Cleary, classifying securities as asset backed seeks to differentiate them from regular securities, which are the liabilities of the entity issuing them. In practice, a further category is identified securities backed by mortgage loans. Such securities are called mortgage backed securities. The most common example of mortgage backed securities is securities backed by mortgaged housings loans. All securitized instruments are either mortgage backed securities or assets backed securities.

Need for Asset Securitization

The securitization process allows banks and financial institution to separate financial assets from credit, performance and other risks associated with the banks themselves. As a result, the amount of capital required to finance the pooled assets may be proportionally less than that for the bank as a whole. The reason being the bank's overall capital costs must take into account all of the collective risks and uncertainties associated with its operations. In addition, securitizations convert illiquid loans or assets that cannot be easily sold to third party investors into liquid, marketable securities. Thus, securitization allow the movement of investments from less efficient debt markets to more efficient capital markets, resulting in lower funding costs.

Different forms of Securitization

- **Fully amortizing structures**

  Fully amortizing structures designed to closely track the repayment of the underlying loans that amortizes through scheduled principal and interest payments. In fully amortized structure, principal is returned to investors throughout the lifecycle of securitization. As a result, this structure may face greater prepayment risk if the underlying loans are prepaid sooner than expected. This is called full amortization securitization.

- **Revolving debt**

  Works well with controlled or revolving amortize structures. During a revolving period, only interest payments are made. Proceeds from repayments of the underlying receivable are used to purchase additional receivables. This structure is intended to provide investors with a relatively predictable payment stream. Ones the revolving period has ended, investors receive defined periodic principal payments. In a variation of this structure, principal is returned to investors after the revolving period in a single payment. This is called controlled or revolving amortization.

- **Floaters**

  Under this structure securities are sold on floating interest rates which are adjusted periodically. The structure can be used for both amortizing assets and revolving assets. Usually, floaters include interest rate swaps to protect investors against disparities in the interest rates for the assets backed securities and the underlying assets.

- **Sequential pay**

  A sequential pay securitization creates multiple tranches of securities with different maturity periods. Normally, the shortest average life tranche receive 100% of principal payments until the tranche is repaid in full. Then the next tranche is paid, and so on. In variations of this structure, at some point over the life of the securitization, payments shift from sequential to prorate or from pro rata to sequential upon the occurrence of certain credit events.

- **Collateralized debt obligation**

  A collateralized debt obligation is a type of securitization consisting of a pool of bonds or loans. The underlying pool of bonds or loans are often actively managed and traded by professional collateral managers.

Collateralized debt obligation can be broadly classified into two categories, namely, cash flow and market value. In cash flow collateralized debt obligation, the ratings of the various tranches of offered securities are based on the underlying pool's ability to generate sufficient cash flows to pay interest and principal on the issued securities. In contrast, market value collateralized debt obligation are rated on the market value of the underlying pool of bonds or loans and are market to market on a regular basis to ensure sufficient collateral to pay interest and principal.

- **Asset backed commercial paper**

  Asset backed commercial paper programmes can be used to finance the assets of one or more sellers and can either be single or multi seller conduits. Asset backed commercial paper programmes issue short term commercial paper, but may nevertheless hold assets with much longer maturities. As a result, credit enhancement and liquidity facilities play important roles in asset backed commercial paper programmes. The credit enhancement facilities will provide either full or partial coverage of credit, liquidity, interest rate and legal risks present in the conduit. Partial protection functions at two levels: loss at the asset level and loss on a programme wide basis on any asset pool. Liquidity facilities in the form of a liquidity loan agreement or liquidity asset purchase agreement are used to protect investors from timing difference in cash flows. Liquidity facilities also cover commercial paper rollover risk.

Benefit of Asset Securitization

- **For Originator**

  By converting an on balance sheet lending business into an off balance sheet fee income stream, which is less capital intensive, securitization improves returns on capital. Securitization is also instrumental in lowering borrowing cost, releasing additional capital for expansion or reinvestment purposes, and improving asset or liability and credit risk management, depending on the structure used.

- **For Investors**

  Securitized assets offer a combination of attractive yields, secondary market liquidity and more protection through collateral overages and guarantees by entities with high and stable credit ratings. Since their payment streams can be structured

to meet investors' particular requirements, securitized assets also offer a measure of flexibility. Due to structured credit enhancements and diversified asset pools, the investors need not have a thorough understanding of the underlying loans. This has been probably the single largest factor, which has facilitated the growth of the structured finance market.

- **For Borrowers**

  Securitization makes borrowing costs lower for both individual and corporations. Financial institution can re deploy funds available from realization of previous loans. As a result, new funds can be raised from the capital markets and savings can be passed on to the borrowers in terms of reduced borrowing costs. Securitization also reduces financing costs for corporations. Mortgage backed securities and assets backed securities normally have high credit ratings which make them less risky and lowers interest rates for the originating firm. Thus the savings are passed on to the customer as lower lending rates. Securitization facilitates geographic dispersion of capital to region where credit options are scarce. Traditionally, local financial institutions provide credit in the areas they operate in. However, through securitization of loans, the lending institution can infuse more capital for new loans for borrowers in locations other than its own.

Conclusion

Securitization can have the advantages of enabling lending to take place beyond the constraints of the banking system, the process could lead to a decline in the total capital employed in the banking system, thereby increasing the financial fragility of the financial system as a whole. With a substantial capital base, credit losses can be absorbed by the banking system. However smaller that capital is, more the losses must be shared by others. This concept especially applies to the countries where banks have traditionally been the dominant financial intermediaries.

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Investment Opportunity in Gold ETF

Thuraisingam Ravivathani
2007/BAD/65
Final year
Management Studies (FM)

Introduction

There are large numbers of investment avenues for servers in Sri Lanka. Securities ranging from risk free instruments to highly speculative shares and debentures are available for alternative investments.

Gold exchange-traded funds (ETFs) which may be new for Sri Lanka, but will gain in popularity as investors become aware of the benefits of investing in gold paper as opposed to holding it as jewelers.

Gold is seen as a symbol of security and a sign of prosperity. **Sri Lankan** consumers consider gold jewelers as an investment and are well aware of gold's benefits as a store of value. Gold is also recognized as a form of money in **Sri Lanka**, a tradable liquid asset. Gold investment has been in the culture of **Sri Lankan** tradition and has been on rise amongst the modern investors as well due to the financial uncertainty and inflationary pressures.

Why invest in Gold?

We love gold, almost every Sri Lankan home has a little of it. For centuries, gold has remained an auspicious gift, whether it's for a new born baby or for a newly married couple. We all know how gold gets passed down generations and has proved to be a good investment over decades.

Gold counters the effects of inflation and currency fluctuations, and also has performed as an economically secure asset during times of recession. During difficult times, gold has not only retained its value but performed much better than most of other asset class. In times of inflation Gold has been insurance for the portfolio and has prevented value erosion. In short, portfolios containing gold are generally regarded as more robust and less volatile than those that do not.

Gold's most enduring benefit is its ability to stabilize a portfolio and protect it against market fluctuations. Historically, gold prices have shown better stability even during periods of crisis, as compared to other investment types. Most experts advise investing in gold as a "must", since gold creates a robust portfolio that withstands market fluctuations. Gold has provided stable returns in the long run.

Various ways to invest in Gold

Investment in Gold can be done in two ways either in physical form (Gold coins and bars through bank and Jewelers) or in non physical form (Gold ETFs, Gold Fund of Funds, etc through brokers or authorized entity).

What are Gold ETFs?

Exchange Traded Funds (ETFs) are open ended mutual funds that are passively managed and most of them seek to mirror the return of an index, a commodity or a basket of assets. ETFs are listed and traded on stock exchanges like stocks. They enable investors to gain broad exposure to indices or defined underlying asset (commodity) with relative case, on a real-time basis, and at a lower cost than many other forms of investing.

Gold ETFs provided investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on stock exchange.

Each unit is approximately equal to the price of 1 gram of Gold. But, there are Gold ETFs which also provide a unit which is approximately equal to the price of ½ gram of Gold.

Gold ETF is the smarter way to invest in gold.

- **No premiums or making charges**

  You end up paying a premium for gold coins & bars purchased from banks and jewelers charge extra as making charges. With GOLD ETF, you don't have to pay any premium, making or delivery charges. Yet whenever needed, you can also exchange them in multiples of 1kg units for 0.995 purity

- **No worries of theft**

  You always worry about the safety of your gold and also end up paying for bank lockers. Buying Gold ETF is purchasing gold in electronic form. You buy them just like you buy stock of any company from your broker. With

Gold ETF, since your gold is now in demat form there are no worries of theft and you also save on locker charges.

- **Easy to sell**
  Unlike gold coins and bars, which the banks don't buy back and most jewelers only offer to exchange but dont buy back. Gold ETFs can be sold anytime through your broker at transparent prices available for view at stock exchange's website. And unlike other forms of gold, you get the same price for your Gold ETF.

Each Gold ETF unit is roughly equal to the price of 1 gm of gold. Over time, you can build up your gold portfolio to the level you want, just as you would with your bank or jeweler, only this is easier.

To buy Gold ETF, call your broker *you need to register yourself with a broker having membership with SE, fill up the form, open an account and start buying GOLD ETFs.*

Convert ETFs into physical gold

You will be permitted to redeem your ETFs in the form of physical gold as long as you hold the equivalent of 1 kg of gold in ETF form, or in multiples thereof. So if you are a big buyer of physical gold, it makes sense to compare the Gold ETF (plus brokerage costs) with the cost of buying physical gold (plus custody, insurance, VAT and wealth tax). You may find that buying Gold ETFs and then either selling them for cash or redeeming them in kind may be more flexible and cost- efficient for you.

Liquidity of Gold ETFs

Since Gold ETFs are actively traded on exchange, one can easily liquidate his or her position any time during the market hours. Authorized Participants appointed by the companies also help in providing liquidity by creating or redeeming ETF units based on demand or supply.

Who will guarantee the purity of Gold bought as Gold ETF?

The authorized custodian (safe keeper) sources gold from approved refiners on behalf of investors. The amount of physical gold held by the custodians in all schemes is of fineness (purity) of 995 parts per 1000. In other words, this gold is 99.5 per cent pure. This degree of purity is also called as 24 carat gold in general parlance (to be exact - 23.88 carat). What's more the gold held with the custodian is fully insured.

Costs involved in trading Gold ETF

Since the ETFs are traded like stocks on exchange, the costs involved are similar to trading in equities. The transaction charges in Gold ETFs are lesser than that of trading in equities A Fund Management Fee also charged.

Who can invest in Gold ETFs

Due to unique structure of ETFs, all types of investors-individual, corporate, institutional - invest in Gold ETFs. Some Stock Exchange Members (Brokers) will offer Systematic Investment Plan (SIP) to their clients. You can discuss about this with your broker to decide upon an investment schedule suitable for your needs. Otherwise, you can invest regularly by purchasing a fixed number of Gold ETF units every month or at a time of your convenience.

Price difference among gold ETF

The price difference among gold ETF could be due to the following reasons:

- **Active trading:** Since Gold ETF is traded on exchange where market dynamics changes every moment. Due to this market dynamics the prices of the ETF differ from its NAV.
- **Expenses:** Since expenses incurred to run Gold ETFs are accrued by selling some gold holdings. Thus the NAV prices are readjusted against the expenses incurred. The higher the expenses, the lower would be the NAV, and consequently the trading price of the ETF.
- **Cash Component:** The differential returns between the cash holdings and physical gold can affect the NAV (Net Asset Value) of the fund and hence its price.

Risks Involved in Gold ETF

- Mutual Funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objective of the scheme will be achieved.
- As with any investment in securities, the NAV (Net Asset Value) of the units issued under the ETF can go up or down depending on the factors and forces affecting the Bullion Market, Capital Market and Money Market.
- The name of the Gold ETF doesn't indicate the quality of the scheme or its future prospects and the returns. Investors should study the terms of offer carefully and consult their investment advisor before investing the scheme.
- ETFs will be a new concept in Sri Lanka compared to other parts of the world.

- The sponsor of the mutual fund is not responsible or liable for any loss or shortfall resulting from the operation of the fund beyond the initial contribution made by it of an amount of Rs 1 Lac towards setting up of the Mutual Fund.
- Investors are not offered any guaranteed or assured returns.
- The scheme NAV will react to the Bullion Market movements. The investor could lose money over short periods due to fluctuation in the schemes NAV in response to factors such as economic and political developments, changes in interest rates and perceived trends in Bullion market movements and over longer periods during market downturns.

Conclusion

If you want to protect yourself against inflation, deflation, stock market weakness and potential currency problems -- in other words, if you want to hedge financial uncertainties, there is only one portfolio item that will serve you in all seasons and under most circumstances -- gold coins and gold ETF. Make sure you do your homework on the company with which you choose to do business, and make sure that the gold ownership vehicle you choose truly reflects your goals and aspirations.

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Foreign Direct Investment in Sri Lanka

Miss. S.Srithanusa
2007/BAD/80
Final year
Management Studies (FM)

Introduction

Foreign Direct Investment (FDI) is a long-term and non-debt creating financial flow that helps to increase aggregate investment of a country. Unlike other capital flows, FDI embodies many desirable features such as transfer of technology and development in human capital through transferring managerial and marketing skills etc. Further, FDI helps facilitate global integration, infrastructure develop-ment, and technology innovation, while creating employment opportunities and new markets. FDI plays a crucial role in industrial development of the developed and developing countries alike and can help in boosting economic growth through, for example total factor productivity.

What is foreign direct investment?

Foreign Direct Investment is any form of investment that earns interest in enterprises, which function outside of the domestic territory of the investor.

FDIs require a business relationship between a parent company and its foreign subsidiary. Foreign direct business relationship gives rise to multinational corporations. For an investment to be regarded as an FDI, the parent firm needs to have at least 10% of the ordinary shares of its foreign affiliates. The investing firm may also qualify for an FDI if it owns voting power in a business enterprise operating in a foreign country.

When two or more companies share ownership of an FDI, the operation is a joint venture. When a government joins a company in an FDI, the operation is called a mixed venture, which is a type of joint venture.

Types of Foreign direct investment

Foreign direct investment can be broadly classified into two types:

- Outward FDIs
- Inward FDIs

This classification is based on the types of restrictions imposed, and the various prerequisites required for these investment.

An outward- bound FDI is backed by the government against all types of associated risks. This form of FDI is subject to tax incentives as well as disincentives of various forms. Risk coverage provided to the domestic industries and subsides granted to the local firms stand in the way of outward FDIs, which are also known as 'direct investments abroad'.

Different economics factors encourage inward FDIs. These include interest loans, tax breaks, grants, subsides, and the removal of restrictions and limitations. Factors detrimental to the growth of FDIs include necessities of differential performance and limitations related with ownership patterns.

Determinants of FDI

The FDI investments in developing countries are governed by various factors, which can very well be called determinants of FDI. These determinants are related to the laws and regulations of the country, general business environment, administrative procedures, resource cost structure, and even factors like proximity to the investing country, and cultural ties between two-party countries. These factors form a complex set of considerations. It is difficult to identify a single factor in isolation which can fully explain competitiveness of a country in attracting FDI.

Benefits of FDI

In the global economy today, we see many developing countries competing for foreign direct investment. FDI is said to be an important factor for spurring the development of a nation.

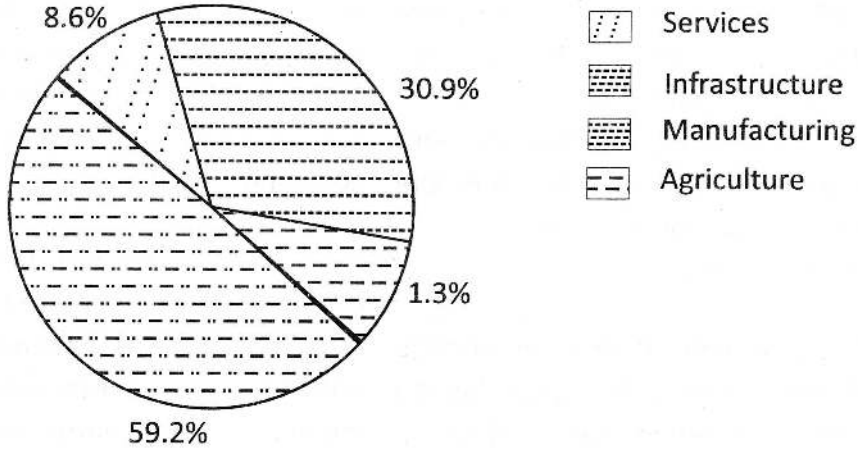
- Multinational investment brings in new technologies and new methods of doing business, and increases the set of employment opportunities available to local workers. It can serve as a powerful force for increasing the skills of the labour pool.
- FDI helps the host country to build and / or expand various networks such as procurement and marketing networks, through the existing organizations of the Multinational corporation (MNC).
- FDI increases the host country's foreign exchange earnings through export expansion.

- FDI also brings the potential for linkages to the domestic economy and increased domestic economic activity through purchase of local inputs and the production of inputs for use by local producers.
- FDI is highly prized in developing countries for giving a boost to significant economic growth through technology transfers, employment generation, international business relationships, and management and training modernization, in addition to the underlying cross-border investment itself.
- The benefits from FDI tend to generate an overt competition among different developing economies for attracting foreign investments.
- Foreign investment can supplement domestic capital resources in a developing economy, enabling higher rates of growth.
- A developing country, which invites FDI, can gain a greater foothold in the world economy by getting access to a wider global market (Integration into global economy).

FDI Flows in Sri Lanka

The FDI, including loans, during 2010 decreased to US dollars 516 million from US dollars 601 million in 2009. As FDI is long-term in nature, the impact of the global financial crisis on foreign equity and debt inflows continued to have an effect on the FDI. However, the increase in the reinvestment of retained earnings indicates signs of recovery in FDI.

Sector-wise Composition of FDI in Sri Lanka



FDI inflows to Sri Lanka during 2010, has fallen by about 14 per cent to US dollars 516 million, from US dollars 601 million during 2009. Data on Sri Lanka's FDI inflows in 2010 reveals that about 59 percent came into infrastructure development projects, while manufacturing and services sectors attracted about 31 percent and 9 percent, respectively, and that in agriculture was marginal.

FDI Prospects for Sri Lanka

Sri Lanka has substantial scope for improvement of FDI inflows into the services and agriculture sectors, in the context of recovering trends in global FDI flows. FDI growth prospects are higher for primary and services sectors in coming years. As Sri Lanka has already embarked on a programme to promote tourism in the post-conflict era, tourism related FDI needs to be strengthened further. In the meantime, more FDI needs to be attracted to areas such as education and, research and development (R&D) in order to ensure sustainable economic growth over the medium-to long-term.

The agriculture sector seems to have been largely unexplored, so far, as a potential investment area in Sri Lanka. There is growing interest among the international organizations in promoting investment opportunities in the agriculture sector, as they begin to foresee some likely threats, given the forecasts of the United Nations on world population growth (reaching 7 billion by 2012 and 9 billion by 2050). Such projections of the world population growth point towards toughest policy challenges in feeding the world, particularly, in the context of increasing scarcity in land and water, let alone any adverse effects due to climate change.

Meanwhile, potential in the manufacturing sector could also be enhanced, by directing FDI towards more focused areas such as information and communication technology, and low-carbon industries; not only because there is growing interest among transactional companies into these areas, but also these can facilitate the expansion of productive capacity and upgrade export competitiveness, which are key to achieving sustainable economic growth.

Sri Lanka has taken several progressive measures in order to promote financial openness and to enhance the investment climate, moving beyond more conventional measures such as offering costly tax

concessions, supplying of unskilled labour at low cost etc. The Central Bank announced some major relaxation of foreign exchange transactions recently, while various legislation are in the pipeline to facilitate an investment friendly climate, such as strategic investment law.

There still are some concerns over FDI prospects across the globe because of the fragility in global economic recovery. Further, while the liberalisation policies may certainly help attract FDI inflows, the fiercely competitive environment among FDI recipient countries, would be a challenge. As such, emphasis is needed on continuous basis to strengthen the macroeconomic performance of all sectors of the economy, leading to a sustainable economic growth over the medium to long-term.

Conclusion

FDI specially is important for Sri Lanka's economic growth. Sri Lanka has a substantial potential to improve FDI inflows particularly into the services and agricultural sectors. It helps in economic development of the particular country where the investment is being made.

In developing countries, the FDI is increasingly seen as a useful source of funds. It has many benefits over other forms of foreign investments that make it attractive for a developing country which always has resource limitations and looks upon foreign investments to bridge the demand supply gap.

It is an important source of non-debt inflows along with financial resources brings in new technology and management expertise. It can become an important vehicle for economic growth by bringing new skills in workers, integrating economy internationally by linking external resource markets, and providing new markets for domestically produced products. It also plays an important role in the creation of new employment and economic revitalization,

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The Need for a New World Financial Institution to Meet the World Future Demand.

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Introduction

Since the 1970's, global has experienced a number of financial crises. These include sovereign debt crisis of 1982-1984, Mexican peso crisis and Russian financial crisis the early 1990's, Argentina's financial crisis in the early 2000's, and the East -Asian financial crisis of 1997-1998. The global financial crisis began with the sub-prime mortgage crash in the United States (US). The crisis, originating in the US soon spread throughout Europe and Asia. Finally, all countries, even those less immersed in the globalised economy were affected by the crisis. There is unanimous opinion that the present financial crisis is the worst since that of the 1930s. Its affect is greater since the world is more globalised and world population has grown much bigger. Therefore the global economy has been experiencing severe financial difficulties since 2008. The crises have revealed weaknesses in the regulatory and supervisory frameworks in many countries, failures in risk management systems of large financial institutions, and a breakdown in market discipline. Reforms are needed on many fronts to address these weaknesses, so that we can protect the financial system against future crisis.

The origin of the IMF

With the bitter experience of the Great Depression and Second World War, allied nations created multilateral development and monetary institutions for reconstruction, development and stabilisation in the 1940's. Among the institutions created, international monetary fund has been the key institution established to provide surveillance and assistant in maintaining monetary stability since the 1940's. The IMF was born at the Bretton Woods conference held on July 1-22, 1944, in the Bretton Woods, New Hampshire, in the United States of America (USA), in

the aftermath of Second World War. The IMF was basically entrusted with the responsibility of overseeing the balance of payments and exchange rates of member countries. A mechanism was crated for it to provide required assistance to member states to stabilise the balance of payments and exchange rates by financing external deficits. By construction, IMF was an international monetary institution that ensures global financial stability through monitoring and assisting when member states experience external deficits, rather than an international development financing institution.

Criticisms against the IMF's current role in the Global Economy.

Though the IMF was indirectly linked to the United Nations (UN) system, it is actually independent from and far distant to the IMF. While the system is based on the principal of 'one member one vote', the IMF is entirely structured on a different basis. There, the members' votes are proportional to their subscription quotas which are assigned according to their size in the world economy. Therefore, the voting system is highly unfavourable to the majority of its members who are developing nations. In September 2009 the percentage share of its leading members were as follows; the US- 16.77, Japan-6.02, Germany -5.88, the U.K and France -4.85 each, China-3.66, Itally-3.19. This means the US has a virtual veto power as important decision require a majority of 85% of votes. In comparison developing nations such as Sri Lanka (which has 0.3% of votes) have no say at all. So, they are forced to seek the patronage of the US, Japan and EU. This is big democratic deficit of the IMF (and other Bretton Woods Institutions).

Current IMF structure of governance and decision making appears to have crated many problems. Lack of accountability has been seen as a major problem in IMF's operations. The IMF structure provides for two channels of accountability, namely, the Board of Executive Directors in which most consumer member states are indirectly represented, and the Board of governors in which governors appear to have inadequate knowledge of specific oppressions of IMF. This has created many consequences. The IMF staff and management are alleged to be operating without effective accountability. This has created uncertainty about the operational and policy related responsibilities of the IMF. It is also accused of performing its functions

without any formal mechanisms through which accountability can be maintained. The IMF has crept into many areas mandated to the World Bank, United Nations and other international development financing Institutions since the 1970's.

The IMF's lending has also been under severe criticism. The initial task of IMF was to monitor member countries adherence to pegged but adjustable exchange rates and to provide temporary loans to resolve balance of payment problems. However, the IMF created a trust fund in 1970's to make law interest loans to poor countries, and also provided them with traditional stand by loans, allowing countries to draw loans on various conditions. In 1980's, this loans were packaged and labelled as structural adjustment facility, which enabled the IMF to drastically change the domestic policy environment of developing countries. These policy interventions have been seen as undesirable for most countries. This particular facility was renamed in 1999 as Poverty Reduction and Growth Facility. Another facility that was created in 1960;s Compensatory and contingency Financing Facility, makes more conditionality loans to countries with temporary shortfalls in exports. The extended loan facility introduced in 1975 makes longer terms loans to countries with structural payment problems. The Supplementary Reserve Facility introduced in 1998, which is a high loan facility, provides contingent credit line.

All these lending facilities characterise a patchwork approach to providing surveillance and monitoring in order to maintain stability under flexible exchange rates. These developments also show that IMF has been moving away from its original mandate as an international monetary institution that ensured monetary stability to an international development institution that provides lending for various structural changes and development activities. The IMF was not restructured after the collapsed of pegged exchange rate regime to meet the needs of multiple exchange rates adapted by various countries

One of the salient failures of the IMF since 1970's has been its inability to foresee financial crises, even though IMF was created basically to monitor and prevent crises. The IMF's surveillance has not succeeded since 1970 under the mutable exchange rates practised by various countries. It has

conditionally failed to spot warning signals of trouble in almost countries-poorer, emerging or advanced countries since all have experienced a number of financial crises for the past few decades. The IMF has failed to create early warning systems with the view to creating financial stability.

Proposed Reforms

In order to resolve the existing problems in the IMF, a number of things have been proposed. First, two extreme groups propose to abolish the IMF. One group, pure liberal, argues that market is the most efficient and best for allocating resources, so that, an institution like IMF is not necessary. Other group is of the view that international organizations are merely used by rich nations to keep poorer and weaker developing countries in their place. This group emphasises the importance of nationalistic institutions compared to international organizations. Though it is possible to abolish the IMF, it is impossible to eliminate the need for an international monetary institution. International trade and finance require corporation among countries, not unilateral actions.

The second idea is to change the policies of the IMF. It is proposed to limit the IMF's operations to its original mandate. It must confine itself to an international monetary institution rather than an international development assistance institution. Limiting the scope of IMF activities would also curtail mission creep. The emerging consensus is that the IMF should not be involved in financing the structural transformations of individual member countries and should not be in the business alleviating poverty. These things should be left to World Bank, UN system, and other development financing institutions. However, for this to be effective, the structure of the IMF must be reformed. In this light, some proposes a comprehensive reform programme to rationalise the activities of the IMF

In short term, The IMF executive board must be made more responsive to its developing country member states. For this purpose, executive board must be restructured so that it includes adequate developing country representation. At present, there is an informal practice of allowing member state's governor or his or her representative to attend the executive board.

It is also proposed that IMF must eliminate conditionality by substituting market interest rates for law cost loans. The persistent borrowing by some countries underscores the need to reform these practices. Low interest

loans have not done any good to developing countries. Low interest loans of international financial institutions have made most poor countries highly indebted, because law interest loans accompany many undesirable and inappropriate policy prescriptions. Developing countries would rather be allowed to borrow as necessary at market rates for financing external deficits without conditions so that they themselves will find ways to repay their debt. This will enable developing countries to make and implement policies and programmes appropriate to their domestic realities.

It is also well-known that the IMF has failed to prevent financial crises either at global or individual country level. The IMF must be vigilant about the singes of financial deterioration in member states. It must activate the early warning systems to take necessary precautions to prevent financial crises. A significant amount of resources of the IMF needs to be diverted to undertaking economic research on forecasting.

Conclusion

The existing deficiencies in the IMF structure and decision making process reveal a need for a new world financial institution, that serves the needs of the current globalised economy. In which, Developing countries need to have adequate and reasonable representation in decision making process and the biasness in decision making process against poorer consumer countries must be eliminated. This implies that consumer member states must be allowed a greater freedom for policy choices. This new world financial institution must be a strong monitory institution rather than development financial institution. In this sense, John Maynard Keynes's initial proposals for introducing a global single reserve currency along with pegged exchange rates system, establishing a World Central Bank and international clearing union ought to be seriously rethought. These arrangements should facilitate the freer markets and globalised economy.

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நம்பிக்கை அலகுப் பொறுப்பாட்சியூடாக என்னால் இலாபமடையமுடியுமா?

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நம்பிக்கை அலகுப் பொறுப்பாட்சி என்றால் என்ன?

"சில வருடங்களுக்கு முன்னர் பங்குப் பரிமாற்றகத்தைச் சுற்றி மிக்க பரபரப்பு காணப்பட்டதை நான் அவதானித்தேன். ஏனக்கு ஓர் நண்பர் இருந்தார். அவர் அவரது முதலீடுகளிலிருந்து பெருந்தொகையான பணத்தை இலாபமாகப் பெற்றுக் கொண்டிருந்தார். எனக்குப் பங்குச் சந்தையைப் பற்றிய எவ்விதமான அறிவும் இருக்கவில்லை. எனவே நான் அவரிடம் இதைப் பற்றி அறிவுரை கேட்டேன். அவரே என்னை நம்பிக்கை அலகுப் பொறுப்பாட்சிகளுக்கு அறிமுகப்படுத்தி வைத்தார்.

நம்பிக்கை அலகுப் பொறுப்பாட்சி என்பது ஓர் இலகுவான எண்ணக்கருவாகும். உங்களால் சொந்தமாக வாங்குவதற்கு கட்டுப்படியாகாத சொத்தொன்று உள்ளது என கற்பனை பண்ணிக் கொள்வோம். எனவே நீங்கள் உங்களது நண்பர்கள் சிலரைச் சேர்த்து ஒவ்வொருவரும் ஓர் பங்களிப்பினை செய்கின்றார்கள். ஆதன் பின்னர் நீங்கள் அந்தச் சொத்தினை கூட்டாக வாங்குகின்றீர்கள்.இச் சொத்தின்" பெறுமதி அதிகரிக்கும் போது இதனை இலாபத்திற்கு விற்று இந்த இலாபத்தில ஒவ்வொரு அங்கத்தவரும் ஒரு பகுதிக்கு உரித்துடையவர்களாவார்கள்.

நம்பிக்கைப அலகுப் பொறுப்பாட்சியும் இதே போன்றது தான். ஒரு வித்தியாசம் என்னவெனில் நண்பர்களுக்குப் பதிலாக இங்கு நீங்கள் பல நூறு ஏனைய முதலீட்டாளர்களோடு சேர்ந்து கூட்டாக முதலீடு செய்துள்ளீர்கள். நீங்கள் தெரிவு செய்யும் நம்பிக்கை அலகுப் பொறுப்பாட்சியைப் பொறுத்து நீங்கள் முதலீடு செய்யும் சொத்துக்கள் பங்குகள் திறைசேரி உண்டியல்கள் அல்லது ஏனைய பிணையங்களாக இருக்கலாம். உங்களது நண்பர்களுடனான முயற்சியைப் போன்றே சொத்தின் பெறுமதி அதிகரிக்கும்போது நீங்கள் இலாபமடையலாம்."

நம்பிக்கை அலகு (Unit Trust)

இது முதலீட்டு நிதியத்தினை பிரதிநிதித்துவப்படுத்தும் நம்பிக்கை அலகுகளை பொதுமக்களுக்கு வழங்கித் திரட்டப்படும் முதல் நிதியினைப் பல்வேறுபட்ட முதலீட்டுத் தேக்கங்களில் (Portfolio Investement) முதலீடுசெய்து காத்திரமான முதலீட்டுத் திரும்பல்களை அதன் அலகு உரிமையாளர்களிடையே (Unit Holders)பகிர்தளித்தளிணைக் கருதும். இங்கு நம்பிக்கை அலகு என்பது முதலீட்டு நிதியத்தின் சம அளவிலான கூறு அல்லது அலகு ஆகும். இந்நிதியம் நம்பிக்கைப் பொறுப்பு உறுதி (Trust Deed)மூலம் நிர்ணயப்படுத்தப்பட்டு நிதி முகாமைத்துவக் கம்பனியினால் (Fund Management Company)முகாமை செய்யப்படுகின்றது.

நம்பிக்கை அலகுப் பொறுப்பாட்சி ஒரு வகையான சேமிப்பா?

"ஆம் ஆனால் சேமிப்பு என்பது மிகவும் தெளிவற்ற மற்றும் பொதுவான பதமாகும். நம்பிக்கை அலகுப்பொறுப்பாட்சியை ஓர் முதலீடாகக் கருதுவது மிகச் சிறந்ததாகும். முதலீட்டாளர் (சேமிப்பவர்களுடன் ஒப்பிடும்போது) தெளிவான இலக்கு

களையும் இலட்சியங்களையும் கருத்துக்களை யும் கொண்டுள்ள மக்களாவார்கள். அவர்கள் தங்களுக்காக தமது பணத்தை சாமர்த்தியமான விதங்களில் பயன்படுத்துவார்கள்."

எனவே நம்பிக்கை அலகுப் பொறுப்பாட்சி ஓர் நல்ல முதலீடா?

"நீங்கள் நீண்ட கால நோக்கத்தில் பார்த்தீர்களானால் இதற்கான விடை அனேகமாக எந்நேரமும் ஆமாம் என்பதே. நம்பிக்கை அலகுப் பொறுப்பாட்சிகள் சந்தையை அடிப்படையாகக் கொண்டவை. சந்தைகளில் விலைத் தளம்பல்கள் காணப்படுவது உண்மையே. ஆயினும் வரலாற்றுப் போக்கானது எந்நேரமும் உயர்வடையும் தன்மையைக்கொண்டுள்ளது டன் தொடர்ச்சியாக பணவீக்கத்தையும் வங்கி வட்டியையும் விஞ்சியுள்ளது. உதாரணமாக பங்குச் சந்தையை எடுத்துக்கொள்வோம். கடந்த பத்தாண்டுகளில் பல உயர்வுகளும் தாழ்வுகளும் காணப்பட்டன. ஆயினும் அது கணிசமான அளவு வளர்ச்சியை அடைந் துள்ளது.

நம்பிக்கை அலகுப் பொறுப் பாட்சிகள் தமது முதலீட்டுத் தேக்கத்தினை பன்முகப்படுத்துதல் நட்ட அச்சத்தினைக் குறைப்பதற்கும் சீரான வருமானத்திற்கும் சிறந்த உபாயமாகும். நீங்கள் உங்களிடமுள்ள அனைத்து முட்டைகளையும் ஓர் கூடையில் போடவில்லை.

நம்பிக்கை அலகுப் பொறப்பாட்சிகள் உயர்ந்த தகமையுள்ள நிபுணர்களினால் முகாமைப்படுத்தப்படுவதுடன் இவர்கள் தங்களது முழு நேரத்தையும் சந்தையிலுள்ள சந்தர்ப்பங்களைக் கற்பதுடன் ஆய்வினையும் மேற்கொள்கின்றார்கள். இவர்களால் சந்தை யின் சராசரிச் செயற்திறனையும் விஞ்சக்கூடிய தாகவும் அமையலாம்.

உங்களால் பொறுப்பேற்கக்கூடிய நட்ட அச்சம் மற்றும் உங்களது நிதியில் குறிக்கோள்களை அடிப்படையாகக் கொண்டு பலதரப்பட்ட நம்பிக்கை அலகுப் பொறுப் பாட்சிகளில் தெரிவினை மேற்கொள்ளலாம்."

நம்பிக்கை அலகுப் பொறுப்பாட்சியொன்றில் நன்மைகள் என்ன?

பல விதமான நன்மைகள் காணப்படு கின்றன. "இது வெகுமதியளிக்கக்கூடியவை. நம்பிக்கை அலகுப் பொறுப்பாட்சியொன்று வங்கி வட்டி வீதத்திலும் பார்க்க விரைவான வருமான வளர்ச்சியைக் கொடுக்கும். நான் ஐந்து வருடங்களுக்கு முன்னர் நம்பிக்கை அலகுப் பொறுப்பாட்சியில் முதலீடு செய்ய ஆரம்பித்தேன். எனினும் நான் எனது பணத்த ின் ஒரு பகுதியை வங்கியில் வைத்திருந்தேன். எனது நம்பிக்கை அலகுப் பொறுப்பாட்சி முதலீட்டின் வளர்ச்சியானது எனது நிலை யான வைப்பிலிருந்து கிடைத்த வளர்ச்சியிலும் பார்க்க மிகவும் அதிகமாகக் காணப்பட்டது.

இது மிகவும் செலவு குறைந்தது. நீங்கள் நிலத்தில் முதலிடுவதாயின் மில்லியன் கணக்கிலும் நிலையான வைப்பாயின் இலட்சக்கணக்கிலும் தேவைப்படும். ஆனால் நம்பிக்கை அலகுப் பொறுப்பாட்சியில் முதலீடு செய்வதற்கு மிகவும் சொற்பமான ரூபா 1000 தேவைப்படும்.

இது நெகிழ்சித் தன்மையுடையது. நம்பிக்கை அலகுப் பொறுப்பாட்சியில் என்னிடம் எப்போது பணம் இருக்கின்றதோ அப்போது முதலிடலாம் எனக்கு பணம் எப்போது தேவைப்படுகின்றதோ அப்போது பணத்தைப் பெற்றுக்கொள்ளலாம். எவ்வித தண்டப் பணமும் இன்றி. இதனை ஆதனத்து டன் அல்லது நிலையான வைப்புடன் செய்து பாருங்கள் நம்பிக்கை அலகுப் பொறுப்பாட்சி யின் வருவாய்கள் வரியிலிருந்து விடுதலை யுள்ளவை. அனேகமான சந்தர்ப்பங்களில் உங்களது நம்பிக்கை அலகுப் பொறுப்பாட்சி முதலீடுகளிலிருந்து கிடைக்கும் வருவாய்கள் உங்களால் வைத்திருக்கப்படக்கூடியவை."

வெவ்வேறு வகையான நம்பிக்கை அலகுப் பொறுப்பாட்சிகள் என்ன?

"பல தெரிவுகள் உள்ளன. இவற்றில் பிரதானமானவற்றை நான் உங்களுக்கு விளக்குகின்றேன். வாழ்க்கையில் காணப்படும் அனேகமான காரியங்களைப் போல இங்கும்

நட்ட அச்சத்திற்கும் வெகுமதிக்கும் இடையில் ஓர் ஈடுகட்டல் காணப்படுகின்றது.

பாதுகாப்பு தான் உங்களது பிரதான கரிசனை என எடுத்துக்கொள்வோம். உங்களுக்கு உங்களது முதலீட்டிலிருந்து ஓர் சீரான வருவாய் தேவைப்படுகின்றது. அப்படியாயின் நீங்கள் பிரதானமாகதிறைசேரி உண்டியல்களில் முதலீடு செய்யும் ஓர் நம்பிக்கை அலகுப் பொறுப்பாட்சியைத் தெரிவு செய்யலாம். இவை அரசாங்கத்தின் பிணையங்களாதலால் உண்மையிலேயே நட்டமேற்படுவதற்கு எவ்வித சந்தர்ப்பமும் இல்லையாயினும் உங்களது வருவாயானது ஒப்பீட்டளவில் மெதுவாகவும் ஸ்திரமாகவும் காணப்படும்.

அதிகளவு நட்ட அச்சத்தினை பொறுப்பேற்காமல் நீங்கள் திறனான வருவாயினைத் தேடுகின்றீர்களா? நீங்கள் உங்களது பிள்ளைகளின் கல்விக்காக சேமித்துக் கொண்டிருக்கலாம். சுமநிலையான முதலீட்டுத் தேக்கத்தினைக் கொண்ட நம்பிக்கை அலகுப் பொறுப்பாட்சிகள் ஓர் உகந்த சமரசமாகும். ஆவர்கள் பங்குரித் துடமையில் 60% முதலிடுவார்களாயின் அது வளர்ச்சிக்கான சிறந்த சாத்தியத்தையும் திறைசேரி உண்டியல்களில் 40% முதலீடுவார் களாயின் அது ஓர் திடமான நங்கூரத்தினையும் வழங்கும்.

நீங்கள் அசாதரணமான வளர்ச்சிக்கான சாத்தியத்திற்காக தேவையாயின் சில சவால்களை எதிர்கொள்ள துணிச்சலுடையவர் என எடுத்துக்கொள்வோம். நீங்கள் அந்த விளையாட்டு வாகனத்தை முதியவராவதற்கு முன்னர் அனுபவிப்பதற்கான ஆற்றலை அடையவேண்டுமென விருப்பம் கொண்டுள்ளீர்கள். ஆப்படியாயின் நீங்கள் உங்களது பந்தயத்தை முற்றுமுழுதாக பங்கு உரித்துடமையை அடிப்படையாகக் கொண்ட நம்பிக்கை அலகுப் பொறுப்பாட்சியில் அதி உயர் செயற்திறனுக்காக கட்டலாம்."

நான் எப்படி ஓர் நம்பிக்கை அலகுப் பொறுப் பாட்சியைத் தேர்ந்தெடுப்பது?

"முதலாவதாக உங்களது நிதிக் குறிக்கோள்கள் என்னவெனவும் உங்களால் பொறுப்பேற்க விருப்பமான நட்ட அச்சத்தின் வகையினையும் அடையாளக் காணுங்கள். பின்னர் பல்வேறு நம்பிக்கை அலகுப் பொறுப் பாட்சிகளை விசாரித்துப் பாருங்கள். ஆவர்கள் உங்களுக்கு ஓர் விளக்க விவரக் குறிப்பினை அனுப்பிவைப்பார்கள். புல ஆண்டுகளாக அவர்களது முதலீட்டாளர்களுக்கு அவர்கள் உருவாக்கியுள்ள வருவாயைச் சோதனையிடுங்கள். நம்பிக்கை அலகுப் பொறுப்பாட்சிகளைப் பொறுத்தளவில் கடந்தகால செயற்திறனானது ஓர் பயனுள்ள வழிகாட்டியே தவிர ஓர் உத்தரவாதமல்ல என்பதை ஞாபகத்திற் கொள்ளுங்கள்."

நம்பிக்கை அலகுப் பொறுப்பாட்சியொன்றில் எவ்வளவு பணத்தை நான் முதலீடு செய்யவேண்டும்?

"ஓர் நம்பிக்கை அலகுப் பொறுப் பாட்சியைப்பொறுத்தவரையில் மிகவும் சிறந்த காரியம் என்னவெனில் இதில் முதலீடு செய்வதற்கு உங்களுக்கு பாரிய அளவு பணம் தேவைப்படாத. நான் ஏற்கனவே கூறியது போல் நீங்கள் சிறு தொகையான ரூபா 1000 த்துடன்ஆரம்பிக்கலாம்.

நம்பிக் அலகுப் பொறுப்பாட்சியின் நெகிழ்ச்சித்தன்மையில் பயனடையுங்கள். நீங்கள் ஒரேயொரு தடவையில் பாரிய தொகைப் பணத்தை முதலீடு செய்யத்தேவையில்லை. புதிலாக நீங்கள் உங்களுக்குப் பணம் கிடைக்கும்போது ஓர் காலப்பகுதியில் உங்களது முதலீட்டைக் கட்டியெழுப்பலாலம். ஓர் சேமிப்புக் கணக்கைப் போல ஆனால் உயர்வான வருவாய் சாத்தியத்துடன். ஓர் நம்பிக்கை அலகுப் பொறுப்பாட்சியை குறுகிய கால முதலீடாக நினைக்கவேண்டாம். ஒரு மாதத்தில் அது ஓரளவு இலாபத்தைக் கொடுக்கலாம் கொடுக்காமலும் விடலாம். எனவே நான் உங்களது தினசரி வாழ்க்கைக்குத் தேவையான பணத்தை ஓர் நமபிக்கை அலகுப்

பொறுப்பாட்சியில் முதலீடு செய்யுமாறு அறிவுறுத்தமாட்டேன். ஆனால் இதனை ஓர் நீண்ட கால முதலீடாகப் பாருங்கள் நீங்கள் ஏமாற்றமடையமாட்டீர்கள்.

உங்கள் சேமிப்பில் என்ன விகிதாசாரத்தை ஓர் நம்பிக்கை அலகுப் பொறுப்பாட்சியில் முதலீடு செய்வது என்பது உங்களது நிதிச் சூழ்நிலைகளிலும் உங்களது குறிக்கோளிலும் தங்கியுள்ளது. உங்களுக்குள்ள பலவிதமகன தெரிவுகளில் சேமிப்புக் கணக்குகள்இ நிலையான வைப்புகளஇ நிலம் என்பவற்றுடன் இதுவும் ஒன்றாகும். ஒவ்வொன்றையும் கவனமாக கருத்திற் கொண்டு இவற்றிலுள்ள அனுகூலங்களையும் பிரதி கூலங்களையும் சமநிலைப்படுத்தி அதன் பின்னர் தீர்மானிக்கவும்."

நம்பிக்கை அலகுப்பொறுப்பாட்சி முதலீடுகளுக்கு வரி அறவிடப்படமாட்டாது என கூறினீர்களா?

"ஆம் நான் கூறினேன். தற்போது நம்பிக்கை அலகுப் பொறுப்பாட்சியில் முதலீடு செய்வதிலிருந்து கிடைக்கும் பங்கிலாப வருவாய்களும் மற்றும் மூலதன இலாபங்களும் வரி அற்றவை. இவ்விடயத்தில் உங்களுக்குமேலதிகத் தகவல்கள் அல்லது அறிவுரை தேவைப்படின் நீங்கள ஓர் வரி தொடர்பான நிபுணரது ஆலோசனையை நாடுங்கள்."

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Combating Global Money Laundering and Terrorism Financing

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Introduction

Money laundering and terrorism financing are financial crimes that are becoming an increasing global problem since the 1980s. As a result, the Financial Action Task Force (FATF), a 33 member organization whose main responsibility is to develop an international standard for anti-money laundering and combating of terrorism financing, was established, and the first internationally recognized Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) program was established.

Today anti-money laundering and counter terrorism financing compliance is a regulatory requirement promoted by several conventions and international treaties. Compliance is required to:

- Meet international obligations and needs to combat money laundering and financing of terrorism,
- Maintain good relations with foreign and international organizations,
- Avoid financial penalties, and
- Maintain reputation

In its simplest form, an anti-money laundering and counter terrorism financing compliance requires an entity to:

- Implement an organizational anti-money laundering and counter terrorism financing program,
- Verify the identity of customers before providing them with designed services, and
- Report suspicious as well as certain specifically defined transactions.

Anti-money laundering and counter terrorism financing compliance is an information intensive activity. The accuracy, completeness and timeliness of the information used in the program are essential for the success of the program. Information risks, such as,

breach of confidentiality and integrity, lack of availability, uncertainty of authenticity and the ability to repudiate information-related activity can affect the success of the program. Therefore, risk management of information and related technology becomes an essential part of the anti-money laundering and countering terrorism financing programs.

Money Laundering and Terrorism Financing

Money laundering is a process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities. Money laundering enables criminals to maintain control over their illicit proceeds and ultimately to provide legitimate cover for the illegal source of the illicit proceeds. This means that proceeds from criminal activities is converted into assets that gives it an appearance of legitimate money.

Money laundering is an international scourge and the failure by the authorities to prevent the laundering of the proceeds of crime will enable criminals to benefit from their illegal activities, thereby making crime a viable proposition.

The Financing of Terrorism is defined as an offence established when a person "by means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they will be used in full or in part, in order to carry out a terrorist act or activity".

While similar methods are used for both money laundering and terrorist financing, and proceeds of money laundering may be used in the terrorist financing, the two processes do not share the same goal. The goal of money laundering is to conceal the source of illegally obtained funds. The goal of terrorist financing is to collect and provide funds for terrorist activities.

The Need to Combat Money Laundering and Financing of Terrorism

It is recognized throughout the world that it is essential that criminals be prevented from making the proceeds of their criminal activities legitimately converting funds from 'dirty' to 'clean' money. Criminals will seek to make use of the international financial system if they are to benefit from the proceeds of their crime.

Like money launderers, terrorists misuse the financial system. In order to achieve their objectives, they have to obtain and channel money in an apparently legitimate way. However, while the money involved in the money laundering process always stems from a crime and is therefore always "dirty", money channeled to terrorist groups or individuals may originate from crime or from legitimate sources. Regardless of the origin of the money, terrorist organizations will use the financial system in a similar way as criminal organizations in order to obscure both the source and the destination of their money.

The Organizational Anti-Money Laundering and Counter Terrorism Financing Program

Many countries have imposed mandatory reporting requirements for large transactions to respective reporting authorities. For example, in the United States of America, there is a requirement to report all transactions over USD 10,000 to the Internal Revenue Service. Similarly, in Sri Lanka transactions over LKR 1,000,000 have to be reported to the Central Bank's Financial Intelligence Unit (FIU). Most banking and financial systems possess the capability to identify and generate automated reports of these transaction. However, experienced money launderers do not conduct large transactions that result in drawing attention to them. It is the responsibility of the financial institution to implement suitable procedures and systems to:

- Identify sanctioned and suspicious customers and transactions, and
- Report sanctioned and suspicious transactions to appropriate authorities.

The Role of Information Technology in the Compliance Process

There is an on-going attempt to subvert the anti-money laundering and countering terrorist financing programs. These attempts are becoming increasingly sophisticated. Therefore, access to timely, accurate and relevant information is critical to successful anti-money laundering and countering terrorist financing program. This requires efficient use of information related technologies to filter customer data and inspect this data for anomalies.

Typically, technology used in the anti-money laundering and countering terrorism financing uses rule-based analytics capable of name analysis and profiling of transactions. For example,

the frequency and size of transactions and flags to indicate that a certain person is on a watch list were used to identify transactions that potentially could be related to money laundering and terrorism financing activity. However, detection based on such rules and analytics can be subverted using smaller and distributed transactions and using associates to conduct transactions. To ensure that such subversive activity is detected, intelligence capabilities such as link analysis, peer group analysis and time sequence matching should be integral to a good anti-money laundering and countering terrorism financing technology implementation.

The Role of Information Risk Management

Anti-money laundering and countering terrorist financing programs are information intensive. The use of inaccurate information, for example something as simple as a mis-spelt name or a name with alternate spelling can result in a severe compliance breach. A premature release of information may result in the inability to prevent a suspicious transaction. Many other information risks can affect the integrity of an otherwise successful anti-money laundering program. Therefore, is it important to ensure that information risk is managed throughout the anti-money laundering and counter terrorist financing program.

Information risk management is the application of the generic process of risk management to information assets and the information environment. All aspects of information risk, the risk of breaches of confidentiality, integrity, and availability on information as well as non-repudiation of information-related activity are applicable in the anti-money laundering and countering terrorist financing information management environment. Other information-related risks can include breach of privacy and data protection legislation.

Due to the sensitive nature of the anti-money laundering and countering terrorist financing information environment, an active approach to information risk management should be adopted. Information is subject to various vulnerabilities and threats. These could be inherent to the information systems as well as deliberate attempts of subversion. Internal risk management frameworks, information governance frameworks and information security management programs should be used to create a

secure environment for storing, processing transmitting and achieving of information used in the anti-money laundering program.

Conclusion

There are global obligations and compliance requirements imposed on governments and various commercial and non-commercial entities to identify and report suspicious transactions that may support money laundering and terrorism financing activities. Anti-money laundering and counter terrorism financing reporting programs are highly information intensive. Breach of information attributes, such as, confidentiality, integrity, availability authenticity and non-repudiation can impact the outcomes of these programs resulting in penalties, reputational loss and negative impacts on international relationships. Therefore, it is important to ensure that an effective information risk management program is in place to support the objectives and integrity of these programs.

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Reduce the Risk in Investment through the Derivative Instruments.

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Introduction

Generally the purpose of the financial risk management process and the financial risk audit in particular, is to determine the risk an organization faces and the appropriate tools for managing those risks. The risk management tools can be divided into five broad categories. They are organizational structure, measurement techniques, reporting methods, risk limits and derivative instruments.

Derivatives are generally used as an instrument to hedge risk, but can also be used for speculative purposes. For example, a European investor purchasing shares of an American company off of an American exchange (using U.S. dollars to do so) would be exposed to exchange-rate risk while holding that stock. To hedge this risk, the investor could purchase currency futures to lock in a specified exchange rate for the future stock sale and currency conversion back into Euros.

Risk

Every investment is characterized by return and risk. A person or institution making an investment expects to get some return from investment in the future. The expected return is the uncertain return that an investor expects to get from his investment. But the realized return is the certain return that an investor has actually obtained from his investment. The investor makes the investment decision based on the expected return from the investment. The actual return realized from the investment may not correspond to the expected return. This possibility of variation of the actual return from the expected return is called as risk.

For example, When you invest, you take certain risks. With insured bank

investments, such as certificates of deposit (CDs), you face inflation risk, which means that you may not earn enough over time to keep pace with the increasing cost of living. With investments that aren't insured, such as stocks, bonds, and mutual funds, you face the risk that you might lose money, which can happen if the price falls and you sell for less than you paid to buy.

Derivative Instruments

Derivative instruments, such as options, futures & swaps, do provide private sector risk managers with a very precise method for controlling some of these risks. In fact, the reason for the explosive growth in the use of derivative securities in the past two decades has largely come from the desire of companies to actively adjust the level of financial risk that they bear. This instrument includes;

1. Futures contracts
2. Forward contracts
3. Option contracts
4. Swap agreements &
5. Cap & Floor agreements.

1. Futures contracts

A Futures contract is an standardized agreement that requires a party to the agreement either to buy or sell something at a designated future date at a predetermined price. The something that the two parties agree will be bought & sold is referred to as the underlying for the contract or simply the underlying. The basic economic function of futures markets is to provide an opportunity for markets participants to hedge against the risk of adverse price movements.

Financial futures can be classified as;

1. Stock index futures
2. Interest rate futures &
3. Currency futures.

2. Forward contract

A forward contract, just like a futures contract, is an agreement for the future delivery of the underlying at a specified price at the end or a designated period of time. Futures contracts are standardized agreements to the delivery date and quality of the deliverable and are traded on organized exchanges. A forward contract differs in that it is usually nonstandard zed (that is, the terms of each contract are negotiated individually between buyer and seller), there is no clearing house and secondary markets are often nonexistent or extremely thin.

In their favour, forward contracts do not suffer from basis risk, they are not restricted by the imposition of standardised contracts, boasts, in many

cases 24-hour/day trading, and are not open to potential squeezes.

3. Option

An option is a contract in which the writer of the option grants the buyer of the option the right, but not the obligation, to purchase from or sell to the writer an asset at a specified price within a specified period of time (or at a specified date). The writer, also referred to as the seller, grants this right to the buyer in exchange for a certain sum of money, which is called the option price or option premium. The price at which the asset may be bought or sold is called the exercise price. The date after which an option is void is called the expiration date.

As with a futures contract, the asset that the buyer has the right to buy and the seller is obligated to sell is referred to as the underlying.

When an option grants the buyer the right to purchase the underlying from the writer (seller), it is referred to as a call option, or call. When the option buyer has the right to sell the underlying to the writer, the option is called a put option, or put.

Valuation of option

The factors that affect the time value of an option are:

- The value of the underlying asset;
- The exercise price;
- The time value of money;
- The expected volatility in the value of the underlying asset; and
- The time to maturity.

4. Swaps

A swap is an agreement whereby two parties (called counterparties) agree to exchange periodic payments. The dollar amount of the payments exchanged is based on some predetermined dollar principal, which is called the notional amount or simply notional amount. The dollar amount each counterparty pays to the other is the agreed-upon periodic rate times the notional amount. A swap is an over-the-counter contract. Hence, the counterparties to a swap are exposed to counterparty risk.

These instruments are based on an agreement between two counterparties to exchange a series of cash flows. The cash flows are almost always calculated by reference to the behavior of an index and are scaled by an agreed nominal principal. Swaps are

now available on interest rates, currencies, equity, credit, property, weather indices and, of course, many types of commodities.

5. Cap and floor agreements

There are agreements available in the financial market whereby one party, for a fee (premium), agrees to compensate the other if a designated reference is different from a predetermined level. The party that will receive payments if the designated reference differs from a predetermined level and pays a premium to enter into the agreement is called the buyer. The party that agrees to make the payments if the designated reference differs from a predetermined level is called the seller. When the seller agrees to pay the buyer if the designated reference exceeds a predetermined level, the agreement is referred to as a cop. The agreement is referred to as a floor when the seller agrees to pay the buyer if a designated reference falls below a predetermined level.

In a typical cap or floor, the designated reference is either an interest rate or commodity price. The predetermined level is called the exercise value. As with a swap, a cap and a floor have a notional amount. In general, the payment made by the seller of the cap to the buyer on a specific date is determined by the relationship between the designated reference and the exercise value. If the formar is greater than the latter, then the seller pays the buyer an amount delivered as follows:

Notional amount x (Actual value of designated reference Exercise value) If the designated reference is less than or equal to the exercise value, then the seller pays the buyer nothing.

For a floor, the payment made by the seller to the buyer on a specific date is determined as follows. If the designated reference is less than the exercise value, then the seller pays the buyer an amount delivered as follows:

Notional amount x (Exercise value Actual value of designated reference). If the designated reference is grater than or equal to the exercise value, then the seller pays the buyer nothing.

Conclusion

Each instrument has its own characteristics, which offer advantages in using them but bring with them disadvantages. The disadvantages may not always be apparent to the end user

and these days it is crucial that end users are made aware of the risks associated with the derivative contracts they enter into and are made aware of the instrument's appropriateness for the purpose it.

There should be a framework that identifies and assesses the risks of reserve management operations and that allows the management of risks within acceptable parameters and levels. The risk management framework should apply the same principles and measures to externally managed funds as it does to those managed internally. Risk exposures should be monitored continuously to determine whether exposures have been extended beyond acceptable limits. Reserve managers should be aware of and be able to account for potential financial losses and other consequences of the risk exposures they are prepared to accept. The risk management framework should also address risks associated with derivative financial instruments and other foreign currency operations. To assess the risk and vulnerability of the reserve portfolio, the reserve management entity should regularly conduct stress tests to ascertain the potential effects of macroeconomic and financial variables or shocks

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Impact of Bonus Issue on Share Value

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Introduction

The stock market is a market there securities such as shares, debentures etc. Companies which use mechanism of the stock market to raise debt or equity capital commonly enter the stock market through issuing shares or debentures to the public. Such market is divided into two markets. First is the primary market, the market for new shares or debentures issue. In the primary market security is purchased directly from the issuer. Then the secondary market, It is a market in which an investor could either buy or sell shares and debentures from or to another investor, subsequent to the original issuance in their primary market.

The basic Stock Price Model of Gorden's (1959) shows a policy of paying out more stock dividend will raise bonus issue of the next period which will tend to increase the price of the stock. However raising bonus issue means that less money is available for investment. Thus bonus issue has two affects one is opposing effects. An optimal bonus issues this opposing force and maximizes the price of the stock. And the other one is in addition to reinvestment need a number of other factors influenced the bonus issue in practice. The goal of corporate entities is to maximize the value of share investment in the firm. Managers pursue this goal through their investment and financing decisions. Investment decisions involve with selection of positive net present value projects while financing decisions involve with selection of a capital structure that would minimize the cost of capital of firm. Apart from the investment and financing decisions, managers need to decide on regular basis whether to payout the earning to shareholders, reducing the agency problem (Jensen and Meckling, 1976).

Bonus shares

Bonuses are the free share allocated by the company to the existing share holders by capitalizing the reserves of the company. It has the effect of increasing the number of shares. But the share holders retain their proportionate ownership in the company because issue of bonus share increases the paid-up capital and decrease the reserves of the company. So Bonus share doesn't result in cash inflow on outflow.

Object of bonus shares

A Company issue stock dividends for any following reasons.

- **To conserve cash**
  Issue of bonus shares doesn't involve the payment of cash.
- **To Finance an expansion programs.**
  By the issue of bonus shares corporate savings become permanent capital of the company.
- **To lower the rate of dividends**
  The rate of dividend may be reduced after the issue of bonus shares.
- **To Enhanced prestige.**
  The company which issue bonus share will have increased credit standing in the market.
- **To widens the market.**
  Issue of bonus shares increases the floating stock and there by the market for shares.

Bonus Issues and Informational Content

A bonus issue is a "free" issue of shares, without a subscription price, made to existing shareholders in proportion to their current investment. A company can distribute bonus shares by using retained profits (stock dividends) or accumulated capital reserves. In Sri Lanka, the majority of companies prefer to issue the bonus from accumulated capital reserves, or from a combination of both capital reserves and retained profits. That a bonus issue does not alter shareholder wealth was primarily put forward by Miller and Modigliani (1961). For an example, a company plans to finance a bonus issue from retained profits. The company is just required a simple book entry to allocate retained profits into paid-up capital in the shareholders' funds section of the company balance sheet. Alternatively, a company that decides to realize a bonus issue by using accumulated capital reserves needs only to adjust the accumulated capital reserves into paid-up capital. The company does not receive any cash and its financial position remains the same. The modification triggered by the bonus issue is that the number of outstanding shares is adjusted by the bonus issue ratio, therefore, the price of the shares declines according to the

same bonus issue ratio. The total market value of the shares or the values of the shares that are held by each investor should remain unchanged. Sloan (1987) provided Australian evidence that bonus issues do not affect shareholders' wealth.

However, in practice there may be an increase in share price following the announcement of a bonus issue. Such an increase can occur because the announcement of a bonus issue may have beneficial informational content (Peterson 1971). Shareholders are aware that, after the bonus issue, companies usually raise dividends per share above the extent necessary to maintain the same total dividend payout. This, in turn, indicates the confidence of management in the company's future. Consequently, the share price may increase in response to this information. Also, management may believe that reducing the market price per share to a reasonable level can facilitate transactions and this may increase the demand for the company's shares. If this were true, the market value of the company's equities would increase. An alternative way to reduce market price per share is a stock split, which represents a reduction in the par value.

Impact of bonus issue announcement on share price

Bonus issue is the most import factor to determine the share price the perception of bonus issue are seen as signal from the company to the financial market and shareholders. Bonus issue as a signal about managers' assessment of future earning of current investment of the firm at the same time If they decide to increase current level of bonus issue it informs that level of is perceive and increased profitability in future.

However if they reduce the existing level of bonus issue it implies the downward assessment of future profitability of the firm. This notion is understood by the market and reacts according to bonus issue announcement by the companies. An announcement of increases in bonus issue induces a possible positive market reaction and in consequence an increase in share price, while an announcement of reduction of bonus issue induce a negative market reaction and in consequence a share price.

The relationship between Bonus issue announcement and risk

The announcement-period (positive) market reaction to a bonus

issue increase is significantly related to the subsequent decline in systematic risk. The bonus issue increases may be an important element of a firm's long-term transition from growth phase to a more mature phase. In the long run, bonus-increasing firms with the largest decline in systematic risk also experience the largest increase in price over the years, suggesting that the market reaction to bonus issue changes may not incorporate the full extent of the decline in the cost of capital associated with bonus issue changes.

Firms that decrease bonus issue, on the other hand, experience significant *increases* in earnings growth rates in the following years. Dividend changes signal changes in profitability in the same direction. The price reaction to bonus issue increases and bonus issue decreases suggests that investors interpret these changes as positive or negative news, as the case may be, about the firm. If the positive or negative news is not about changes in future profitability, however, what else could it be? One possibility is that dividend changes convey information about changes in discount rates. By definition, fundamental news about a firm has to be either about its cash flows or about its discount rates. If the good news in a bonus issue increase is not about future cash flows then it may be about systematic risk.

Conclusion

In real world, bonus issue announcement is important to the shareholders because of its tax effect and information content. First the public should consider bonus issue announcement and earnings per share, when they invest share in the Colombo Stock exchange because if they consider the dividend announcement trend, they invest effectively. If they don't invest effectively, thus public consider earning per share changes in order to invest suitable shares. Stock brokers consider bonus issue announcement and earnings per share of is for his customers efficiently. Financial and non financial companies consider the earning per share and bonus issue announcement of the company in order to keep the company image and customer satisfaction. Hence, firm should not pay bonus if they have any positive net present value project in hand however, Walter (1956) and Gordon (1959 and 1962) showed that valuation of stock depend on the expected future earnings. If company

pays out all the earnings to the share holder's funds for future investment will decrease and bonus issue may not increase in the future.

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Multicultural Employees in Workplace

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Introduction

Because of the growing technology and faster transportation, the world is getting smaller every day, leaving plenty of opportunities for businesses to expand their products, services and staffs on a global scale. However, when business grows to a global level it brings of new challenges. One of such challenges is that multicultural workplace which is comprised of people with widely differing backgrounds. For businesses with a very diverse workplace, successfully juggling a multicultural staff can make or break the bottom line.

Culture is an interwoven system of customs, morals, traits, traditions and values shared by a group of people or a society. It provides people with a common heritage, and it links them through shared experiences and joint learning. Cultures exist on scales of large as well as small, extending from countries, regions, city, village and etc. Cultures provide people with a sense of self-identity and community, and they greatly influence actions within the workplace.

In a country like Sri Lanka where different cultural people are living together several organization may have come a cross to see different people from different area with different background working together and need to be worked together for certain reasons. Therefore it is a common thing one which is important to a firm to use it in a proper way to be successful and survive in a competitive business environment.

What is multicultural workforce?

A multicultural workforce is one in which a wide range of cultural differences exist among the employees

in the organization. While a number of major and minor traits are used to describe cultural differences, the most common traits used to identify the level of multiculturalism evident in a given workforce often boils down to "age, gender, ethnicity, physical ability, race and so on. Companies vary in level of multiculturalism. Those that have easily detectible and wide-ranging cultural differences within their workforces are more often described as multicultural companies or workforces.

Effect of Multicultural Employees in work place

A coin as two sides likewise multicultural workforce also have two sides which are positive effects and negative effect this consequences arise depending on the way multiculturalism as been handled by the organization. Here the theme is to identify the beneficial and improve it at the same time try to reduce or eliminate adverse effect form multiculturalism. Although the transition to a multicultural workplace could result in issues related acclimation for workers and their employers,

Benefits of Multicultural Work-force

Multicultural organizations have an advantage in attracting and retaining the best available human talent. When organizations attract, retain and promote maximum utilization of people from diverse cultural backgrounds, they gain competitive advantage and sustain the highest quality of human resources.

- **Relationship within employees**
  Employees exposed to different viewpoints and cultures in the office or workplace will be more likely to practice toleration. Employees who are tolerant of different views are more likely to cooperate with one-another or reach a compromise when differences exist. This can have a profound effect on employee relations, making it possible for employees of different cultures to not only coexist, but also thrive.

- **Opportunity to learn and grow**
  Employees who become aware of the culture of others in the workplace may want to learn more about that culture. A curiosity about someone else's culture can lead to a lifelong or a short-term pursuit of learning. Knowledge of another culture will stimulate tolerance in the workplace and also encourage workers to use knowledge of other cultures when they do their jobs.

- **Cultural Awareness**
  Employees who are exposed to others' ideas and points of view will

learn to think outside the box when faced with a problem. For example When a worker has been exposed to beliefs of someone whose ideas seem new to him, he can begin to reflect on the narrowness of his view and how it adversely affects his ability to think and solve problems. Multiculturalism allows all workers contribute based on their own cultural background, experience and other qualifications. When a variety of viewpoints are thrown into the problem-solving new mix and innovative solutions can be reached.

- **Range of capturing**

Companies that have a culturally diverse workforce may benefit from such diversity because they create a workforce with a larger social network than just one ethnic group. This can generate an interest for products and services in many ethnic communities within the larger community. Businesses that offer goods and services that appeal to several ethnic groups are more likely to benefit from a multicultural workforce whose members can communicate with people in those ethnic groups.

Adverse Effects of Multicultural Workplace

Even though there a number of benefits, because of too much diversity in problem-solving groups can be dysfunctional Diversity increases ambiguity, complexity, and confusion. Diverse organizations may have difficulty converging meanings, may find it hard to reach a single agreement, and have difficulty agreeing on courses of action.

In many organizations, diversity can produce negative dynamics such as ethnocentrism, stereotyping and cultural clashes. These negative dynamics can in turn combine with imbalanced power structures to create work disadvantages mostly for women and minorities.

The diversity movement has the potential to polarize different social groups and harm productivity while breeding cynicism and resentment, heightening intergroup frictions and tensions, and lowering productivity, just the opposite of what managing diversity is intended to accomplish.

And also higher turnover and absenteeism are problems faced by diverse organizations. In the absence of

effective diversity management, culturally diverse workgroups may have certain dysfunctional outcomes such as miscommunications, longer decision times, lower member morale and lower team cohesiveness than culturally homogeneous workgroups. The negative consequences of diversity can reduce creativity and innovation, problem solving, and workgroup cohesiveness As a result, this reduce market share, profitability, and achievement of organizational goals.

The potential for intergroup conflict is greater in culturally diverse workgroups than in culturally homogeneous workgroups. When there is tension between the goals or concerns of one party and those of another, intergroup conflict increases. For example, conflict results when majority group members see an incident of racioethnic injustice as "isolated," while minorities see the single event as part of a pattern of oppression that is imbedded in the social system.

How to Manage & Motivate a Multicultural Workforce in Workplace

Managing and motivating employees who represent different cultures can be exciting and challenging job, supervisors and managers must understand how cultural differences inspire organizational excellence.

- **Avoiding offensive terms**
  Avoiding offensive terms when referring to race, gender, or ethnocultural background. Then looking at other cultural differences, such as distinct generations, language, communication and work preferences. Asking employees to identify differences they believe and applying to them individually. Taking notes of employee differences and the ways that employees express what makes them unique.

- **Establish neutral codes of conduct**
  Find out the best way of communicating with each person. Some value directness and others find it rude. Some avoid asking questions because they consider it humiliating, so must make extra efforts to ensure that they understand directions. Each culture has its own set of customs and acceptable mannerisms.

- **Continuous monitoring**
  Establishing and maintaining systems that can continually monitor

the organization's policies and practices to ensure that it continues to be a good environment for all employees. Therefore conducting an employee survey to learn more about employee preferences in terms of work styles, the ways supervisors and managers provide feedback and working schedules and conditions. Though it is easy to find out employee responses to determine what motivates and demotivates most employees.

- **Flexible work environment**

  A positive development for all workers could have particularly beneficial to people from non-traditional cultural backgrounds because their approaches to problems are more likely to be different from past norms. Global markets may be more accessible to some organization if they have multilingual or bilingual employees who are familiar with markets needed to be taped. Always try to adjust the work to fit the people, rather than expecting people to tailor their needs and cultural attitudes to the job.

- **Training programs**

  Making special efforts to help people from minority groups achieve status in the organization. If dealing with employee's personnel matters or try to recruit, promote must train people from other backgrounds so they are represented in all areas and levels of the workplace.

- **Cross-Cultural relation**

  Facilitating cross-departmental focus groups and encouraging candid and fluid exchange of ideas, concepts and experiences among employees who otherwise would not interact with one another. Bringing cross-cultural workers together is not an easy endeavor and as such it takes a special set of competencies. Firm should hire a consultant with the expertise to bring it to some sort of cross-cultural skills training to educate staff members about how to get along with co-workers from other ethnic backgrounds.

- **Form multicultural discussion groups**

  Another way of integrating a multicultural workforce is to form discussion groups made up of members from various cultural factions to discuss differences. This will help employees to gain a better understanding of each other.

- **Encourage interaction outside of work**

  Support events that let staff members get together socially; these give them a chance to get to know each other better through social events such as a picnic, softball games, volleyball leagues, other sports activities as well as Christmas parties, year-end parties and etc. It can be tremendously useful in getting employees of different ethnic and cultural backgrounds together and providing them with opportunities to learn about one another.

- **Maintain an open door policy for all employees**

  Asking employees for suggestions on certain thing and decision because they feel comfortable approaching due to their familiarity with various cultures. Using employees comments to assign job tasks and responsibilities congruent with their personal and professional interests.

Conclusion

Managing diversity is a broad and complex issue. Leaders face formidable challenges in building a multicultural organization that truly values diversity. To be successful, managers need to unlearn practices rooted in an old mind set, change the ways organizations operate, shift organizational culture, revamp policies, create new structures, and redesign human resource systems. As people are affected both visibly and invisibly by their cultures, conflict can result from the inevitable misunderstandings. To overcome multicultural misunderstandings, smart business managers may take the time to learn about and understand the differing cultures represented within their workplace and train employees from different cultures on how best to communicate with each other on the job.

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Need for Change in Training and Leadership Development

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Introduction

Employees are in place; Benefits are on track, HR technology is up-to-date and got an effective retention strategy. All indications are that organization is poised for growth. Without a plan for an existing talent specifically, the right leadership future may not look as bright as it could. The war for talent is on. Although experts don't agree on the magnitude or exact future of the talent crisis, they do agree that the issues of attracting and retaining employees are growing more critical. The globalization of our business world makes skilled workers prime recruiting targets of companies around the world and, as baby boomers retire and take their experience and leadership skills with them, there are fewer younger workers in line to take their place. The best organizations will attack the war for talent on many fronts as they source, hire, train and manage employees. Most importantly, they will make sure to provide leaders throughout the organization with the tools and the training to lead the charge.

Modernizing training and leadership development

Every organization has different circumstances, but the predominant need is to look deeper into the organization. To identify leadership potential early on and to build that leadership capability that will be needed today, as well as in the future. That's why many organizations are closely examining their training and development efforts. They can't do it in a vacuum; they need to be aware of today's trends. Here's an overview of a few.

- **Changing delivery methods**

  It's no surprise to learn that technology is driving huge changes on the training and development front. According to current

estimates, most for today's instruction for training is still by teaching, but about few of that is remote, mostly online other than this computer-based training with no live instructor (e.g., Compact Disks). At the same time other training programs are on-the job, self-study or other means. It all demonstrates the growing range of options available to meet employees' needs and preferences. Even though the current move in organizations has been to offer training on Compact Disks, web based training is not far behind. The delivery of training is definitely changing. Classroom training is no longer always the way to go. Use of technology being able to train at your own pace on the internet which is cheaper and a lot easier on employees' schedules. There is a time and place for different types of training. When you need to teach content, the Internet is a good choice but if you need to practice skills, evaluate actual behavior and give feedback, you really need to get a group together.

❖ **Performance consulting on the rise**

Today, very few organizations offer trainer leder classes as the only, or even major, solution to organizational challenges and opportunities anymore. The emphasis is now being placed on providing a range of potential solutions, including in-depth needs assessments. Training alternatives like coaching, planned change consultation, interventions, facilitated planning sessions and large group processes. The training is often custom designed around stated outcomes congruent with the business strategy. Organizations should think very strategically about their training and development offerings, making sure that each offering really supports the business goals. Every facet of HR from how they select people, promote them, train them and evaluate them should be focused on a clear target those competencies needed to be effective in the role and which support the business strategy.

❖ **Faster delivery and just-in-time training**

Time is money and with the extreme pace of business today, many organizations wants training delivered faster than ever. Instead of two-day training, they want it done in one day, and instead of one-day training, they now want half-day

sessions. There's a huge push to be very concise and to teach only what's required for improvement today not what employees will need in ten years. That doesn't mean that just-in-time training should be shelved. Organizations should definitely rely on just-in-time training to help meet their current business goals but they also need training that helps prepare for tomorrow. They need to find that balance between immediate needs and those employees will need for the future.

- **Realization that training volume does not equal success**

  In the past, HR professionals assumed that providing training would automatically lead to greater productivity but that assumption is under a lot more scrutiny now. HR needs to take a little more time to do its homework and do several things to identify the exact type of behavior change that leads to productivity and performance outcomes, identify which employees have those types of skills or the potential to develop them and select targeted training programs that will be a catalyst for that behavior change.

- **Increased measurement of impact through Results**

  While looking at any function within the organization sales, marketing, finance and they all have very hard metrics. And yet, it's much more difficult to come up with good, hard metrics demonstrating a return on a training investment. To do so, organizations need good measurement tools to know where they are starting, where they want to end up and a good dashboard to allow them to see if they are getting there. The good news is that there are plenty of quality tools out there specifically, a combination of up-front assessment tools (to zero in on good leadership candidates), competency modeling (to identify employees' leadership models),workshops and mentoring programs(to provide feedback and coaching) and 360-degree feedback tools (to verify that behavior changes are actually taking place).

- **Taking succession management to the front lines**

  Organizations today need front-line and middle managers who keenly understand the business and who accept leadership accountability for driving results, managing teams, developing talent and leading

change. More and more organizations are recognizing the need to identify who has leadership potential in their front-line workers and for middle management to identify and accelerate development of potential front-line leaders not in the technical skills, but rather in the relationship skills as well as team building. This type of succession management has been happening at the executive levels for a while, but now organizations are starting to recognize the necessity at lower levels, as well.

- **Development plans are becoming increasingly individualized**

Gone are the days in which training efforts were merely a catalog of classes. Today's experts recommend interacting with potential internal and external customers to learn their individualize needs, and then develop custom content to help them achieve the desired outcome. It's important to focus on individual development plans and have quarterly follow-ups on those plans to make sure on seeing actual behavior change that demonstrates that plan is being followed. At the same time firms must also consider the areas the individual is motivated to improve on. If someone hates conflict or hates crunching numbers, it would be really hard to develop someone's skills there. But when we know what really motivates them and tie those motivators back to their performance outcomes, it makes training go much more smoothly.

- **More virtual team leadership**

Another recent trend is the rise of virtual team leadership, particularly in the realm of IT Think about it. Most large organizations have an IT groups and more than a few have chosen to outsource various technology support functions to other countries. However, once the team is geographically dispersed, some organizations are having trouble working as a team. The problem isn't necessarily technology. After all, there's plenty of video conferencing and web-based software that can help. The problem lies more with the lack to be effective a leader need to get the team to agree on mutual objectives, bound arise, roles, communication and conflict resolution. This's not a technology issue. It's a matter of team leadership the art of understanding team is exploding dynamics and

using the right people skills. Organizations in this dilemma often dynamics and using the right people skills. Organizations in this dilemma often need a two-fold solution. First teaching people how to become better team leaders and understand the dynamics of an interdependent team.

Conclusion

In the end it all comes down to knowing what are the organization needs, when it needs it and who will be leading it. By paying attention to the latest training and development trends, firm can better leverage employee training efforts to make the largest possible impact on organization for years to come.

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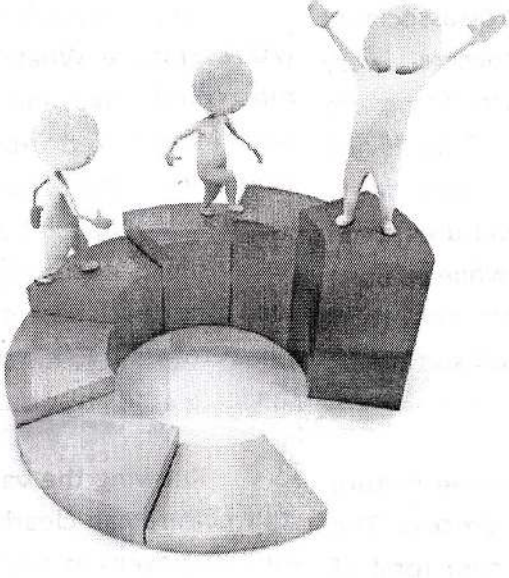

Creating a Positive Corporate Culture

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2007/Bad/13
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Introduction

Organisational culture is generally considered to be the behaviour patterns, values and underlying assumptions which are characteristic of the way in which an organisation operates. More colloquially it is described as "the way we do things around here". Culture is the organisation's underlying social architecture. The culture of an organisation has been shown repeatedly to be associated with its performance/ success. Every organization has a culture. Some are more positive than others. Schools and religious organizations have fairly positive and stimulating cultures. Even gangs have cultures that, while positive to their members, are generally considered by the rest of society as negative.

Building a values-based culture is an evolving, long-term process. The workplace culture is the sum total of everything people say and do, and particularly what the leaders and managers of the organisation say and do. When organisations commit to their values and standards (i.e. both management teams and employees) they get the kind of results people want in terms of financial performance, productivity, morale and employee retention.

In a study done by David Maister (2001 Practice What You Preach) the most productive and profitable firms had established not just positive workplace cultures but true communities, where people felt a mutual sense of responsibility and obligation to support each other, each accepting his or her fair share of the responsibilities and challenges the organisation faces.

Knowing the various aspects of your culture can clearly guide you and your employees to a better understand-

ing of your goals, visions, and approaches to increased productivity, perhaps with the use of valuable technology. Culture influences the way we think, what we do, how we work, and what is acceptable in the company environment. Three groups of attributes of a corporate culture stand out:

Beliefs, stories, and experiences: When a new hire begins, what are the stories he is told about the organization? About the people? About past events? What was made those events not worthy? Who are the company heroes and what have they accomplished that garnered them such a positive reputation that it deserves to be respected? More importantly, can these behaviors be emulated by others?

Goals, norms, and history: Anecdotal surveys show that the overwhelming majority of employees are clueless about their overall company goals. While it's true that most know they should do a good job, many are unclear about the specifics and the nuances. Sure, the goal of the Ford Motor Company is to make cars, the local mattress factory to produce bedding, and the accounting company to prepare your tax returns, but to what degree of quality? And what about customer service? Where in the company environmental equation does that fit?

Norms define and describe what is acceptable: "the way things are done around here" from the simple to the complex.

History, like experience, provides a basis for behavior. It helps employees distinguish between what has been tried and succeeded and those things that were attempted but failed; it allows workers to move beyond past failures through to innovation and achievement.

Symbols, values, rituals: Symbols are crucial icons or signs that tell the observer, visitor, and even the employees something about the organization. Nameplates and logos on doors, windows, walls, and stationery tell every person seeing them something about the company. A sparkling floor says that the company takes pride in its appearance and providing a clean environment for all workers.

However, having a great work-place culture can appear to be rare and creating one is elusive and near impossible for some managers. People are often frustrated by their culture,

companies also tend to create cultures where workers feel encouraged to balance work *and* their personal lives.

There are many reasons to create a positive work environment. Employee satisfaction is among them. But the bottom line is economics. Retaining employees saves money. Among the reasons cited for employees leaving jobs after a short time is workplace culture. Employees are willing to leave if their employer doesn't create a culture that provides choice, balance, development and care.

Retaining employees will become even more important in the next decades, expert says. The available pool of workers is projected to shrink as Baby Boomers retire over the next few decades.

The most successful companies make employee retention a long-term goal. Managers who get the best from their employees inspire a positive workplace.

A positive culture energizes employees to excel in their jobs and supports them to meet their personal needs and goals.

Experts point to these six fundamental characteristics of positive workplaces:

Trust, respect and fairness: A culture of trust means that everyone will have more honest conversations, will challenge one another and people will be willing to take more risks together.

Open and honest communication: Open communication should be practiced across all departments. Employees should communicate openly with management and vice versa. Companies that were upfront with employees about the recession and kept them informed about financial realities were rewarded by employees who were more willing to share the burden of pay cuts, furloughs or other belt-tightening measures.

Rewards and recognition: Companies should recognize and reward achievement in both monetary and non-monetary ways. It's important for companies to demonstrate that they care about their workers. They should be heard, respected and recognized for the work they do.

Learning and development: There should be opportunities for employees to develop news skills and advance. Today's employees have no interest working an unchallenging, tedious job or working for an employer "that

Effective Time Management Strategy

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Introduction

The more you give, the more you get this is the adage for effective time management as well. Not only you get more money when you give them out, the time spent carefully is the time saved! For the children and the older people, there's virtually no end of time. They don't rush or crave for anything, the way people do the major part of their lives. We have never enough time and there's the need to have more. We are always after something or someone or seem to owe time to others from our bosses to our families. Time is such a valuable resource, so we need to make sure that we spend it wisely and carefully. Careful use of our time triggers the need of good time management.

Take Your Time to Plan Your Tasks

You plan to implement. Time spent on planning and organizing your goals will save at least some amount of time when you actually realize your plan. Planning your weekend shopping saves you the shopping rut, and you are saved the wastage of time. Shopping trips without a list, doing errands without prior planning, tasks not wisely laid out often result in wasted time. We all know this is true and yet we still rush forward in a hurry to get something done. Take your time, plan your tasks and see the results.

Involve Others in Your Time Management

If you are planning for your home or workplace, it will save you much time involving other crucial stakeholders in your planning and prioritizing. At times, this helps to cut slack and helps you attend to the essentials and share the work. Share the wise ideas others have to offer. They'll help you achieve your goals. Even others can benefit from sparking new ideas from you. Often, simply talking things

over with a sympathetic audience can help you think more clearly. You will always gain from sharing your work as well as the planning.

Meditate

Reflecting on your day's work and your goals give you better insights as to proper time management. No matter how busy your life or hectic your schedule is, you must take time to mediate. Take time off to clear your mind from all clutter, focus your energy and rebuild your strength. This mental exercise can revitalize you and help you accomplish more when you swing back into action.

Mediation allows you the much-needed breathing space, so that you can think, prioritize, brainstorm ideas that leads you to a fresh new start. Even if you do not have brainstorms from taking this time off, it will definitely recharge your energy.

Evaluate

Accomplishing tasks need meticulous attention and constant evaluation. Regularly evaluate your priorities and goals to see if things are on track. There may be some accomplished tasks that can now permanently mark off your list or can be set aside until a later date. Perhaps you have achieved certain goals resulting in a change of other priorities. Alternatively, there may be the possibility that you have learnt something along the way that caused a number of shifts in your priorities and goals. Proper introspection and evaluation give you a sense of accomplishment if you look back on what you have achieved and the goals you have reached so far.

The process of TIME for time management pays for itself. When you plan to get more out of time, that may cost you time for planning and organization, but eventually it helps you gain time through efficiency and prioritization. Good time management means less stress and more time on your plate.

Do you utilize the time you already have in hand! That's the tragedy most of the people who are in need of time management don't even bother to utilize time they already have at their disposal. Still, if you need to know more about spending time logically and beneficially, explore the simple four-step plan named "TIME". They can really make a difference in your day, your life, and your attitude towards time!

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Innovation for today's Organization

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Introduction

Innovation is not science or technology, but value it is not something that takes place within an orgainzation but a change outside. Managing innovation will increasingly become a challenge to management, and especially to top management and a touchstone of its competence. Innovation in a business enterprise must therefore always be market focused.

An innovative organization is an organization that innovates systematically and sustainably in everything it does. Technically 'innovation' is defined merely as 'interducing something new', there one no qualifiers of how ground breaking or world - shattering that something needs to be only thats is needs to be better then what was there before. Thus innovation a different thing to different people.

An innovative organization engages everyone through out the organization in the task of developing and implementing new ways to reach the organization's goals, and everyone indeed includes everyone from the child executive to front line workers. Getting the chief executive to be innovative ought n't to be too difficult. Aftger all, the chief executive wasn't repeatedly promoted to more and more sophisticated responsibilities. Without a few creative ideas along the way we expect that the chief executive of a business division or a government agency will be innovative.

Innovative Strategy

Like all Business strategies, an innovative. Strategy starts out with the Question "what is our business and what should it be?" But its assumptions regarding the future one different from the assumptions made with respect to the ongoing business. There the assumption is that present product lines and services, present market and

present distribution channels, present technogies and process will continues.

The first objective of a strategy for the ongoing business is to optimize what already exists or is being estabilished. The ruling assumption of an innovation strategy is that existing product line and service, existing market and distributions, channels, existing technologies and processes will sooner or later and usually soon go down rater than up. The governing device of a state for the ongoing business might therefore be said to be "Better and More". For the innovative strategy the device has to be "New and different".

Second in a strategy of innovation is the clear recognition that innovation efforts must aim high. It is just as difficult, as a rule, to make a minor modification to an existing product as it is to innovate a new one.

Innovative strategy therefore aims at creating a new business rather than a new product within an already established line. It aims at creating new performance capacity rather than improvement it aims at creating new concepts of what is value rather than satisfying existing value expectation a little better. The aim of innovating efforts is to make a significant difference. What is significantly different is not a technical decision. It is not the quality of science that makes the difference. It is not how expensive and undertaking it is or how hard it is to bring it about.

The innovative attitude

Innovation, the process of developing new products, process and services and is important to small business development and consequently, innovative attitude has been suggested as a key component of entrepreneurial orientation.

Innovative attitude is a self direction should be seen as a value type that is most relevant to creativity and innovations. This is because it includes creativity item, and because its broader goal is one's independence is thought and action as expressed in the items of exploration free choice to follow one's own interests which would seem to be a creative personality core value.

The innovative organization, that resists stagnation rather than change, is a major challenge to management, private and public. that such organizations are possible, we can assert with confidence. There enough of

them around. But how to make such organizations general, how to make them productive for society, economy and individuals alike, is still largely an unsolved task.

Conclusion

There is every indication that the period ahead will be an innovative one, one of rapid change in technology, society, economy and institutions. There is every indication, therefor that the innovative organization will have to be developed into a central institution for the last quater of the twentieth century.

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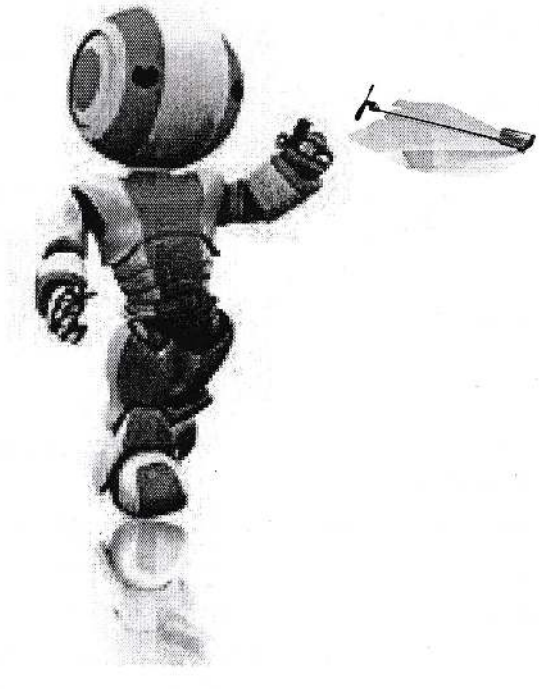

Japanese 5s' concept in the work place

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Introduction

5S is the name of a workplace organization methodology that uses a list of five Japanese words which are *seiri, seiton, seiso, seiketsu* and *shitsuke*. When Translated into English, they all start with the letter "S". The list describes how to organize a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order. The decision-making process usually comes from a dialogue about standardization which builds a clear understanding among employees of how work should be done. It also instills ownership of the process in each employee.

The Origins of 5S

5S developed in Japan. We first heard of it as one of the techniques that enabled what we then termed 'Just in Time Manufacturing'. The Massachusetts Institute of Technology's 5-year study into the future of the automobile in the late 1980 identified that the term was inappropriate since the Japanese success was built upon far more than components arriving only at the time of requirement. John Krafcik, a researcher on the project, ascribed Lean to the collective techniques being used in Japanese automobile manufacturing; it reflected the focus on waste in all its forms that was central to the Japanese approach. Minimized inventory was only one aspect developed by ***Hiroyuki Hirano*** within his overall approach to production systems.

Phases of 5S

There are 5 primary phases of 5S: sorting, straightening, systematic cleaning, standardizing, and sustaining. Additionally, there are three other phases sometimes included; safety, security, and satisfaction. Let us now go

through each "S" and understand how it can help us have an organized work place

Sorting (*Seiri*)

Eliminate all unnecessary tools, parts, and instructions. Go through all tools, materials, and so forth in the plant and work area. Keep only essential items and eliminate what is not required, prioritizing things per requirements and keeping them in easily-accessible places. Everything else is stored or discarded.

Straightening or setting in order / stabilize (*Seiton*)

There should be a place for everything and everything should be in its place. The place for each item should be clearly labeled or demarcated. Items should be arranged in a manner that promotes efficient work flow, with equipment used most often being the most easily accessible. Workers should not have to bend repetitively to access materials. Each tool, part, supply, or piece of equipment should be kept close to where it will be used in other words, straightening the flow path. *Seiton* is one of the features that distinguish 5S from "standardized cleanup". This phase can also be referred to as *Simplifying.* The ultimate goal is that if anyone needs something they could get it within 30 seconds at your workstation.

Sweeping or shining or cleanliness / systematic cleaning (*Seiso*)

Clean the workspace and all equipment, and keep it clean, tidy and organized. At the end of each shift, clean the work area and be sure everything is restored to its place. This makes it easy to know what goes where and ensures that everything is where it belongs. Spills, leaks, and other messes also then become a visual signal for equipment or process steps that need attention. A key point is that maintaining cleanliness should be part of the daily work not an occasional activity initiated when things get too messy.

Standardizing (*Seiketsu*)

Work practices should be consistent and standardized. All work stations for a particular job should be identical. All employees doing the same job should be able to work in any station with the same tools that are in the same location in every station. Everyone should know exactly what his or her responsibilities are for adhering to the first 3 S's.

Sustaining the discipline or self-discipline (*Shitsuke*)

Maintain and review standards. Once the previous 4 S's have been established, they become the new way to operate. Maintain focus on this new way and do not allow a gradual decline back to the old ways. While thinking about the new way, also be thinking about yet better ways. When an issue arises such as a suggested improvement, a new way of working, a new tool or a new output requirement, review the first 4 S's and make changes as appropriate.

Other phases

Safety: A sixth phase, "Safety", is sometimes added. There is debate over whether including this sixth "S" promotes safety by stating this value explicitly, or if a comprehensive safety program is undermined when it is relegated to a single item in an efficiency-focused business methodology.

Security: A seventh phase, "Security", can also be added. In order to leverage security as an investment rather than an expense, the seventh "S" identifies and addresses risks to key business categories including fixed assets (PP&E), material, human capital, brand equity, intellectual property, information technology, assets-in-transit and the extended supply chain.

Satisfaction: An eighth phase, "Satisfaction", can be included Employee Satisfaction and engagement in continuous improvement activities ensures the improvements will be sustained and improved upon. The Eighth waste Non Utilized Intellect, Talent, and Resources can be the most damaging waste of all.

How to implement the 5s concept in the work place

Step 1: Start with the Leadership Team

- As with any improvement effort, implementation of the 5S's must be driven from the top of the organization.
- Only Top Management can create the environment needed and give the effort the visibility and importance it needs for long term viability.

Step 2: Build the Infrastructure

- The 5S effort should fit within an organization's existing improvement structure.
- Divide & conquer by establishing 5S subcommittees for Communications, Training, Project Support, and Best Practices.

Step 3: Launch Communications

- Conduct short, focused, and frequent communication sessions with all employees on the what, why, how, when, and who of the 5S initiative.
- Deliver the message in several formats including group meetings, using the organizations' intranet or website, bulletin board postings, and internal newsletters.

Step 4: Train Teams in 5S Techniques

- Develop a plan to train everyone in basic 5S concepts and then supplement the generic training with just-in-time training in work-area-specific practices.
- Note that the initial teams may need to be trained in problem-solving techniques and root cause analysis.
- Additionally, there may be a need to provide training for the leadership team in communication skills, recognition strategies, and facilitation skills.

Step 5: Begin 5S Pilots

- Select areas that need the 5S's (and that you project will be successful in adopting 5S practices) as pilot areas. What is learned in the pilot areas will be used to help develop a full roll-out plan.
- The first pilot work areas to receive 5S treatment should be ones with high visibility. For example, select work areas in which nobody wants to work because they are so congested or dirty.

Step 6: Establish Best Practices

- Creation (and use) of a Best Practices Database can help multiply the impact of 5S successes by providing the means to share successes throughout the organization.

Step 7: Develop a Full Roll-Out Plan

- After completing the initial pilots and before involving the rest of the organization in the 5S effort, step back and evaluate how the pilots went.
- Get ideas from members of the pilots about how to strengthen the 5S process and use those ideas to develop a roll-out plan.
- A comprehensive roll-out plan defines the sequence of events, establishes roles, responsibilities, and performance measures.

Step 8: Continually Evaluate & Adjust

- As with any process, as lessons are learned, make improvements to the 5S effort.
- Modify and strengthen the infrastructure, select new tools to add to the "arsenal," develop

improved methods to measure and communicate progress, and challenge work areas to constantly improve.

What can an individual gain from 5S'

- **5S' Makes Your Workplace More Pleasant**

  In practicing 5S, you have to start from discussing and agreeing with your colleagues what items are necessary and unnecessary. Then, you have to discuss and agree what to put where for efficient use by everyone. And, you have to clean the workplace together with your colleagues. Such process will foster better human relations among you. In addition, you will see favourable changes in the working environment as 5S' progresses. Improve human relations and working environment will make your workplace more pleasant.

- **5S' Makes Your Work More Efficient**

  If you have to look for something and if you have to spend so much time finding it, you are not only wasting your time. You are wasting your energy and morale, too. On the other hand, if everything at your workplace is arranged in good order and easily available for use, your work flow will always be very smooth.

- **5S' Improves Your Safety**

  A clean and tidy working environment where everything is properly placed, clear instructions are readily available and no one throws anything is a safer place to work in. Practice of 5S' improves your own safety and You can enjoy your work more with less risk.

- **5S' Improves Quality of Your Work and Your Products**

  People affect environment. On the other hand, the environment also affects people. If you are accustomed to work in a clean and tidy environment, you can develop your sensitivity so that you can feel and identify and defect in work. On the contrary, messy and untidy environment will adversely affect your sensitivity. Therefore, good environment will improve quality of your work. It is quite natural that quality products comes only from clean and well organized workplace.

What can a company gain from 5S'

5S' is not only a matter of housekeeping. It is an integrated approach for productivity improvement

and ensures P.Q.C.D.S.M. to the company which practices 5S.

- **P**: 5S increases PRODUCTION
- **Q**: 5S improves QUALITY
- **C**: 5S reduces COST
- **D**: 5S makes DELIVERY on time
- **S**: 5S improves SAFETY
- **M**: 5S improves MORALE

Prerequisites for successful implementation of 5S' Programme

- Participation by all people
- The programme requires top management's commitment
- The top level should take leadership of the programme
- The programme should be supported by all
- 5S' programme should be self-sustaining
- The top level should make a periodic factory tour in person
- The programme should generate sufficient impact at the initial stage
- Implementation of 5S' should go hand-in-hand with other Kaizen programmes

Conclusion

How many times have you been frustrated and confused while searching an important file, paper, receipts or even a pen in your littered drawers and cupboards at your work place? You face common problem. If you desire to overcome this confusion and frustration of constant searching then 5S is the concept that you should apply at your work place. 5S is a Japanese concept that consists of five simple steps that will help organize the work place in a systematic manner and give you the opportunity to utilize the saved time for formulating innovative ideas. A clean body fights away all diseases, while a clean work place fights all confusions. 5S simple means are, Seri (Sort), Seiton (Set in Order), Seiso (Shine), Seiketsu (Standardize) and Shitsuke (Sustain).

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How Sri Lankan culture impact on the Entrepreneur's Activity

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Introduction

As we move forward into the 21st Century it is important to reflect on the great contributions that entrepren-eurs have made to the well being of our people and the wealth of our economy. Entrepreneurs occupy a central position in a market economy. For it's the entrepreneurs who serve as the spark plug in the economy's engine, activating and stimulating all economic activity. The economic success of nations worldwide is the result of encouraging and rewarding the entrepreneurial instinct. A society is prosperous only to the degree to which it rewards and encourages entrepreneu-rial activity because it is the entrepreneurs and their activities that are the critical determin-ant of the level of success, prosperity, growth and opportunity in any economy. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities. Entrepreneur is the person who undertakes the risk of the enterprise in search of profit and who seeks opportunities to profit by satisfying as yet unsatisfied needs. Entrepreneurs seek disequilibrium, a gap between the wants and needs of customers and the products and services that are currently available. The entrepreneur then brings together the factors of production necessary to produce, offer and sell desired products and services. They invest and risk their money and other people's money to produce a product or service that can be sold at a profit.

Entrepreneurs are sometimes given stereotypes. Some are consider being larger than life figures that enjoy every second they live. Many are portrayed as greedy heartless people who will do anything to make their business a success. Now maybe some

entrepreneurs are like this, but it is impossible to put a large number of people into the same group. The majority of entrepreneurs are different than an average person; they tend to have different characteristics.

Certain Characteristics Found In Entrepreneurs Are such as:

- Entrepreneurs are disciplined and can hold them self accountable.
- Entrepreneurs are a ball of physical energy.
- Entrepreneurs like to be in control.
- Entrepreneurs are very confident and believe in themselves.
- Entrepreneurs they love what they do and know their market.
- Entrepreneurs are very passion about succeeding in life.
- Entrepreneurs always learn from their mistakes and don't make it twice.
- Entrepreneurs are willing to keep learning new skills.
- Entrepreneurs are good leaders and can lead a team to complete a common goal.
- Entrepreneurs will take a risk on new opportunities.

Entrepreneurs in Sri Lanka

Socio-cultural behavioral patterns in Sri Lankan are critical to understanding entrepreneurial activity and the relevance of the psychological norm for Entrepreneurship in the west-individualism, in which personal achievement is a primary goal. Entrepreneurs' performance and output to the society in Sri Lanka as a major influence depended on culture and society as whole such as:

Sri Lankan Society and Culture

- **Cultural ethos in Sri Lanka**

  Sri Lankan social values are formed by the influence of a) Sinhalese, b) British colonization and c) independence and democracy. The heritage of traditional cohesive self-sufficiency, National pride, caste dignity and the familial system are rooted in the feudal system and the code of conduct of The Sinhalese Buddhist civilization. In the British era, class identity, written rules and regulations, and work for salary influenced the feudalistic values. Both the Sinhalese civilization and the western colonization have predominantly influenced the Sri Lankans' worldview and social elements. Independence created another influence in which more demanding behaviors of groups emerged as increasing concepts of human rights and freedom in Sri Lanka.

- **Human nature**

  Within the historical legacy of feudalism, Sri Lankan self-esteem is identified with family. Sri Lankans think in terms of collective and not individual values as society is not built on the individual but on the family. It comes naturally for Sri Lankans to put the focus on combined interest of the family. The Sri Lankan cultural orientation is supported by shared values which function as the basis of shared behavior.

- **Sri Lankan education**

  The Sri Lankan education system aims to prepare students for government employment (Nanayakkara, 1984). It encourages individual dependency and generates a lack of self-confidence for engaging in self-employment or challenging job opportunities.

- **Public attitude**

  Societies in Sri Lanka are always expecting social responsibility and sharing attitudes, rather than favoring quick. Achievement of higher expectations by individuals in business provides favorable economical effects in the country.

Conclusion

The western bureaucratic system developed during the British colonial period is still utilized in few Sri Lankan administrative service and government sector. This bureaucratic approach is cautious and noncommittal. It depends on seniors making decisions. There is little social support and protection accorded by colleagues and social isolation is easy to encounter.

This work culture, which is individualistic, structuralized and inactive, conflicts with a social culture that seeks to maximize collective socialization. The entrepreneurial drive of successful entrepreneurs results from a desire for social power through social fulfillment and social achievement, and is different from the western ideology of motivation rested on a desire for individual self-fulfillment and goal achievement through the rational entrepreneurial processes. Cultural values have helped to shape entrepreneurial drive, therefore entrepreneurship development strategies and programs need to be reassessed, emphasized their alignment with values and beliefs in the context of Sri Lanka.

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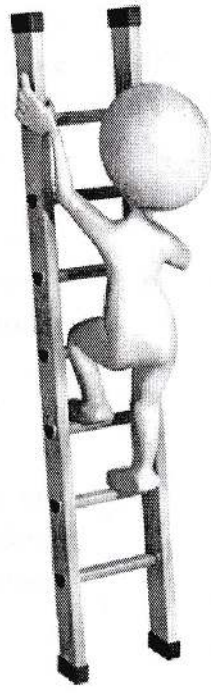

Guidelines to open a LCB or LSB in Sri Lanka

Pirathayini Thavaraja
2007/BAD/58
Final year
Management Studies (FM)

Introduction

Guidelines to open a new bank in Sri Lanka. The purpose of this article is intended to provide general information on the regularity framework applicable to the prospective applicants on the procedures for obtaining a license to carry on banking business in Sri Lanka. And also it gives a bright description on the licensing procedures in the case of a company to be formed for the purpose of carrying on banking business & policy considerations adopted by the CBSL, and clearly explains main prudential requirement to be complied with by licensed bank.

Applicability of the guidelines:

These guidelines are applicable with regard to the applications made to the Central Bank of Sri Lanka (CBSL) to establish Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs), only locally incorporated banks. These guidelines are for guidance and are not binding.

Applicable laws:

These Guidelines shall be read together with the Banking Act No. 30 of 1988, the Monetary Law Act No. 58 of 1949 and the Companies Act No. 7 of 2007, as amended from time to time, and the Directions, Circulars and other regulations issued by the Central Bank of Sri Lanka from time to time. The amendments to the Banking Act as of date are by Acts No. 39 of 1990, No. 33 of 1995, No. 2 of 2005, No. 15 of 2006 and No. 46 of 2006.

Licensing Procedure

Applicable provisions of the Banking Act: In terms of Sections 2 and 76A to 76D of the Banking Act, the business of an LCB or an LSB, respectively, can be carried on only under the authority of a license issued by the Monetary Board,

with the approval of the Minister of Finance. The licensing procedure is contained in Sections 3 to 5 of the Banking Act.

Format of the application: An application for a license shall be made in writing to the Monetary Board of the CBSL on the basis of a specimen obtained from the Bank Supervision Department of the CBSL.

Documents/information to be submitted with the application:

❖ *In the case of a company to be formed for the purpose of carrying on banking business*

- A certified copy of the draft Memorandum and/or Articles of Association of the company to be formed or the draft Constitution or any other document associated with the formation of such company; and
- A statement containing the names, addresses, occupations and qualifications of the persons proposed as directors, and if a chief executive officer (CEO) has been identified, details of such officer.

❖ *In the case of a company formed before the date of the application and which intends to commence banking business*

- A certified copy of the Memorandum and/or Articles of Association of such company or the Constitution or any other document associated with the formation of the company together with the proposed amendments, if any; to such documents;
- A statement containing the names, addresses, occupations and qualifications of the current directors and any directors proposed to be nominated or appointed, and of CEO of such company;
- A copy of the audited balance sheet and profit and loss account of the company for the preceding three years; and
- A certified copy of the Certificate of Incorporation of the company.

❖ *In the case of an application by a bank incorporated outside Sri Lanka, in addition to the documents specified above-*

- A written undertaking, supported by a resolution passed by the Board of Directors, stating that the company or body corporate shall, on demand by the Central Bank of Sri Lanka, provide such funds as may be necessary to cover all obligations and liabilities incurred by the branch in carrying on banking business in Sri Lanka; and
- A certificate from the regulatory authority of the country in which the bank is incorporated stating that

permission has been granted for the bank to establish a branch in Sri Lanka.

- *In addition to the above, a feasibility report supported by at least a five year business plan relating to the establishment of the proposed bank should be submitted along with the application.*
- *On receipt of the application, the Director of Bank Supervision may, where deemed necessary, require the applicant to furnish such other documents, information or other particulars.*

Issue of Letter of Provisional Approval:

After consideration of the documents and other investigations, if the Monetary Board is satisfied that the application may be approved in principle, the Board may issue a Letter of Provisional Approval. This will be valid for the period stated in such letter, which shall not exceed a period of twelve months. During this period the applicant should take all necessary preliminary measures specified therein. The issue of a Letter of Provisional Approval does not bind the Monetary Board to issue a license.

Issue of a License:

An applicant upon complying with the conditions specified in the Letter of Provisional Approval may request the CBSL to issue the license. The Monetary Board being satisfied that a license may be issued to an applicant to carry on banking business may with the approval of the Minister of Finance issue a license to such applicant. A licensed bank should commence business within nine months of the issue of the banking license.

Licensed banks shall pay an annual license fee. The fees applicable for the year 2012 are based on the total assets of the proposed bank:

Total assets as at end of the previous year	License fee
Above Rs.200 bn	Rs.20 mn
Rs.125 bn - Rs.200 bn	Rs.15 mn
Rs. 75 bn - Rs 125 bn	Rs.10 mn
Rs. 25 bn - Rs.75 bn	Rs. 5 mn
Less than Rs. 5 bn	Rs. 2 mn

Evaluation Criteria

The Monetary Board, based on the policy considerations and the legal requirements as detailed below, evaluates the merits of each application to open a new bank on a case-by-case basis. For this purpose, the applicant should satisfy the Board in particular on the following:

- validity and acceptability of documents/information submitted;
- financial status and history of the company;
- financial standing, experience and suitability of the directors, CEO and other senior officers;
- the adequacy of the capital of the company and the ability to raise adequate capital;
- ability to cover all obligations and liabilities incurred in the conduct of business and to comply with the provisions of the Banking Act; and
- Compliance with the provisions of the Banking Act in relation to the application.

Proposed Board of Directors: The proposed Board of Directors should comply with the 'fit and proper' criteria for the appointment of Directors as indicated under section 42 of the Banking Act No. 30 of 1988 as amended by the Banking Act No. 2 of 2005.

Initial Capital:

LCBs: -

- Rs. 3.0 billion (Current)
- Rs. 2.5 billion from 01 January 2012
- Rs.3.0 billion from 01 January 2014

LSBs:

- Rs. 2.0 billion (Current)
- Rs. 4.0 billion from 01 January 2012
- Rs. 5.0 billion from 01 January 2014

Requirements of the Banking Act :- Locally incorporated banks:

- It should be a Public Company registered under the Companies Act, No. 7 of 2007.
- The Memorandum/Articles of Association of the Company should set out as a primary object, the carrying on of banking business as defined in the Banking Act.
- The Memorandum/Articles of Association should not provide for forms of business other than those specified in Schedule II or Schedule IV to the Banking Act to be carried on by the Company depending on whether the application is for an LCB or LSB, respectively.
- The capital of the company should not be less than Rs. 3.0 billion or Rs. 2.0 billion as the case may be and refer section 4.2.7 for subsequent requirements.
-

- The Company cannot have a foreign shareholding in excess of the limit established from time to time by the Monetary Board. (At present, there is no restriction applicable.)
- No company, incorporated body or individual can hold more than a percentage of the issued share capital of the company as determined by the Monetary Board. (At present, the limit has been determined as 15% of the issued share capital carrying voting rights in a bank.) Further, any person or nominee of such person, partnership, company or corporation cannot acquire more than 10 per cent of the issued share capital of an LCB without the approval of the Monetary Board, given with the concurrence of the Minister of Finance.
- No company, together with its subsidiaries, its holding company etc. can hold more than a percentage of the share capital of the company as determined by the Monetary Board. (At present, the limit has been determined as 15% of the issued share capital carrying voting rights in a bank.)
- No individual, together with his close relations and companies in whom he has a substantial interest, can hold more than a percentage of the issued share capital as determined by the Monetary Board. (At present, the limit has been determined as 15% of the issued share capital carrying voting rights in a bank.)
- The directors of the company should not be subject to any disqualification specified in the Banking Act Direction No. 11 and 12 of 2007 on Corporate Governance for Licensed Commercial Banks and Licensed Specialized Banks respectively.
- The Secretary of the proposed bank should fulfill the requirements of Section 43 of the Banking Act.
- The CEO and the other officers performing executive functions of the proposed bank should be fit and proper persons to hold such positions as specified in Section 44 of the Banking Act.

All licensed banks are required to comply with, inter-alia, the following prudential and regulatory requirements;

Capital Adequacy: Presently, in terms of the Directions No. 9 of 2007 for LCBs and Directions No. 10 of 2007 for LSBs issued in line with Basel II Capital Accord, the CAR to be maintained is 10% of total risk weighted assets with a core CAR not less than 5%.

Liquidity: Currently, LCBs are required to maintain Statutory Liquid Assets of an amount not less than 20% of total liabilities.

Maximum amount of accommodation:

- A single customer 30% of capital base
- An individual, his close relations and companies in which he has substantial interest 33% of capital base
- A company and its related parties 33% to 40% of capital base depending on the banks' CAR and the credit rating of the bank and the customer.

Governance: The Direction Nos. 11 & 12 of 2007 on corporate governance for LCBs and LSBs, respectively, are effective from 1 January 2008.

Mandatory Lending: All banks are required to ensure that at least 10% of their lending is directed to the agriculture sector.

Rules on "Know Your Customer and Customer Due Diligence": The banks should report to the Financial Intelligence Unit all cash transactions and electronic fund transfers exceeding Rs 1.0 mn.

Disclosure of Financial Statements: LKASS 32, 395 and LKFRS 9 will be implemented with effect from 01.01.2012 and all the disclosure of financial statements should be in line with these standards.

Sri Lanka Deposit Insurance Scheme: All banks are required to join the Sri Lanka Deposit Insurance Scheme commencing 1 October 2010. In the event the license or registration of a member institution is suspended or cancelled by the Monetary Board, depositors will be compensated up to a maximum of Rs. 200,000 per depositor and depositors will be entitled to such benefits from 1 January 2012.

Integrated Risk Management Framework: The Direction No. 7 of 2011on Integrated Risk management Framework for Licensed Banks is effective from 5 October 2011.

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Sri Lanka Rupees Devaluation 3%

Mahendran Sabesan
2007/BAD/70
Final year
Management Studies (HRM)

Introduction

There have been significant confusion and controversy over the exchange rate since the budget devalued the rupee on November 21. Admittedly, it is not an easy issue to understand. Sometimes even econo-mists get the mechanics of exchange rate adjustments wrong. There are complexities that are not easily comprehended. This article deals with Microeconomic considerations and how it affects a group of persons colour views on depreciation.

Devaluation of rupee by 3 %

The 3% rupee devaluation by Rajapaksa when delivering his budget speech on November 21 of 2011 seemingly took everyone by surprise, not least CBSL, whose policy at that time was no devaluation despite pressure on the exchange rate (ER) being brought to bear led by rising oil import bills.

President Mahinda Rajapaksa, who is also the Finance Minister, in his budget presentation on November 21 proposed a 3 percent devaluation of the rupee aiming to increase the competitiveness and exports out of the country.

"We need to reduce the import cost and increase export revenue. When our currency has strengthened, our trading partners' currencies have depreciated. So I propose to devalue the currency by 3 percent with effect from today," Rajapaksa said.

Central Bank Governor Ajith Nivard Cabraal confirmed the devaluation would go through on Tuesday. The central bank controls exchange rate movement with a trading band, with one state bank selling and another buying.

Comments from different persons

"We think that the exchange rate adjustment was a step in the right direction and should help support Sri Lanka's export competitiveness and safeguard its reserves over the medium term"

-The International Monetary Fund (IMF)-

"It will make Sri Lankan exporters more competitive compared to their regional peers, because a lot of Asian currencies have depreciated, and if that leads to more exports that will be more positive for the balance of trade"

- Nick Nicolau, chief executive of HSBC in Sri Lanka-

"There was some initial panic from offshore investors who wanted to sell their rupee-denominated treasury securities, but were unable to get a rate quote after the shock announcement halted dealing in its tracks"

-Currency traders

"we strongly believe that a competitive exchange rate is vital for the development of the export sector which would bear on Sri Lanka achieving the investments (domestic and foreign) and growth targets set out in the policy document of the government."

-The Ceylon Chamber of Commerce-

"The depreciation of the currency increases the rupee value of foreign debt repayments and with the high debt payments to foreign agencies the government will have to pay a huge amount of rupees. However, the depreciation the revenue side will also increase making the government a net gainer."

-The economists -

Confusion arising from Devaluation of rupee by 3 %

There have been considerable confusion and controversy over the exchange rate since the budget devalued the rupee on November 21. Then there are contextual considerations that add to the complexity. Ideological issues obscure the economics even more and form the basis of evaluating changes in the exchange rate. Pragmatic economic considerations and realities of international trade are often the least considered.

One of the reasons why people get the exchange rate issues confused is

the terminology itself. A depreciation or devaluation connotes an action that is unfavourable or undesirable. Appreciation of the currency appears a favourable development in total disregard to the functions of an exchange rate. Some get it wrong because they are committed to an ideological position that devaluation is bad economic policy. Oppositions in parliament would generally oppose devaluation or depreciation of the currency as there is political mileage in opposing depreciation, as consumer prices rise.

The confusion with respect to the recent devaluation was even more this time around. There is an additional controversy as to whether the devaluation should have been the responsibility of the Central Bank and whether it is the practice to announce it in a Budget? Was the devaluation effected without the knowledge of the Governor and the Monetary Board of the Central Bank? The all important question is, however, whether the devaluation of the currency would help reduce the trade deficit and ease the balance of payments problem.

The exchange rate

First and foremost we must be clear as to what the exchange rate means?

The exchange rate is the price of one country's currency expressed in terms of another country's currency.

In other words, it is the rate at which one currency can be exchanged for another. For example, the higher the exchange rate (the higher the amount of Sri Lankan rupees) for one US dollar, the lower the relative value of the Sri Lankan rupee. For example, if 100 Sri Lankan rupees are needed at one time for a US dollar and later Rs. 110 exchanges for a US dollar, we say the value of the rupee has depreciated.

What requires to be defined is the equilibrium exchange rate that is sometimes called the realistic exchange rate. The equilibrium exchange rate is the rate at which a country's exports and imports balance over a period of time. If at a particular exchange rate the country suffers persistent trade deficits, then that currency is described as overvalued. A correction in the exchange rate (depreciation) is needed to bring the country's trade into closer balance. A country's exchange rate has to be relative to the exchange rate of other countries, especially its trading partners.

It is because Sri Lanka was having a large trade deficit that there was a need to depreciate the currency.

Because imports were so much more than exports, there was a demand for dollars to pay for these imports. Therefore there was a need to devalue the rupee.

The devaluation will increase import prices. There is no doubt about it. That was in fact the objective of the devaluation. This is why some politicians who do not have any remedy for the trade deficit oppose the devaluation.

The increases in prices of imports are expected to decrease import expenditure. Whether there would be a significant curtailment of import expenditure depends on a number of factors that economists call the elasticity of demand.

The devaluation is also expected to improve the country's export competitiveness by reducing export prices in foreign markets and increasing profit margins of exporters. The devaluation was essential as other countries that compete with us on exports had depreciated their currencies and therefore our exports were relatively more expensive.

Devaluation or depreciation?

The change in the exchange rate has been called depreciation sometimes, devaluation at other times. What is depreciation of a currency and how does it differ from devaluation? The depreciation of the currency is the adjustment of the exchange rate so that more of your currency is needed to exchange for a unit of the foreign currency. For instance, if the rupee -US dollar exchange rate is Rs. 110.50 = $ 1 and it changes next week to Rs. 112.65 = $ 1 and the week after to Rs. 114 = $, 1 this is a depreciation of the currency. The opposite phenomenon when the amount of rupees exchanged for a dollar becomes less is known as an appreciation of the currency.

Devaluation is when a country changes its exchange value by a fairly large amount at once. For instance in November 1977, Sri Lanka devalued the currency from about Rs. 5.95 = US $ 1 to Rs. 16 = US$ 1. This was a devaluation of the rupee. Since then the value of the rupee has gone down gradually. This gradual change in the value has been a depreciation of the currency. The rupee had depreciated from Rs. 16 to a U.S. dollar in 1977 to about Rs. 110 to a U.S. dollar, when it was devalued by 3 percent on November 21. The opposite action of reducing the amount of units of a currency to be exchanged for a unit of foreign currency is known as a revaluation.

Central Bank responsibility on exchange rate

It is no doubt the responsibility of the Central Bank to manage the exchange rate. However, despite the massive trade deficit the Central Bank did not allow the rupee to depreciate as the Central Bank took the position that the external finances were sound. Therefore the depreciation of the rupee that was a means of coping with the trade deficit was resisted by the Central Bank. It spent about US$ 1 billion before the devaluation to defend the value of the rupee. There was obviously a difference of view between the approach of the Central Bank and the Finance Ministry with respect to the exchange rate. That was the reason for the devaluation of the rupee by the government. There is continuing pressure to depreciate since the devaluation on the rupee.

Although the country has a large foreign exchange reserve, these have been developed largely through foreign borrowings, rather than earnings. Expending these to defend the rupee is a serious mistake. The International Monetary Fund (IMF) has warned the Central Bank that this policy could lead to a financial crisis. They have pointed out that some Latin American countries faced a financial crisis by following such interventionist policies in the foreign exchange market.

Will the devaluation improve the trade balance?

Whether the devaluation is adequate to improve the trade balance significantly is not an easy question to answer. Quite apart from the extent of the devaluation, there are other factors that may limit the adjustment. About 24 percent of import expenditure is on oil imports. The curtailment of the amount of oil imports would be necessary to make a dent on import expenditure. This is difficult to achieve as oil imports are needed for electricity generation, public transport and as energy for industries. Government expenditure on oil is likely to be high as government vehicles and air transport is a significant expenditure. Devaluing the currency alone will not improve the trade balance. There is a need to curtail consumption. In the case of food imports that account for about 12 percent of import expenditure, the government expects the price increases to result in import substitution. This, however, is likely to take time. The most forceful argument for devaluation was to ensure the competitiveness of exports. The question here is whether the extent of depreciation would be

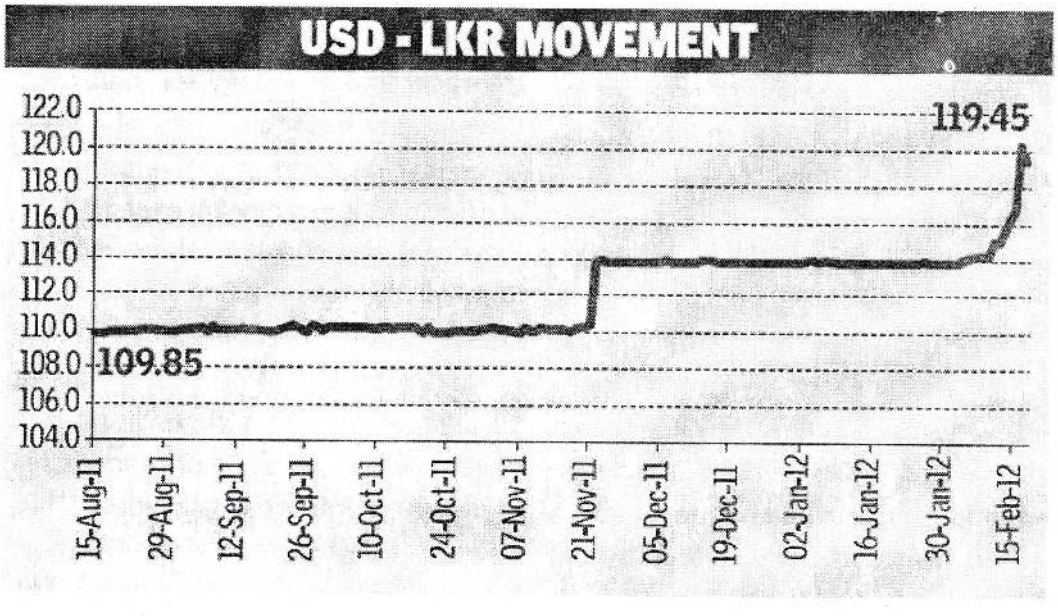
adequate to ensure that the real effective exchange rate would ensure competitiveness.

The exchange rate of competitors and the rate of inflation would matter in ensuring a competitive exchange rate.

Conclusion

The devaluation of the rupee was needed to ensure export competitiveness. The continuous management of the exchange rate to ensure export competitiveness is essential for a country so dependent on exports. A reduction in exports could affect the economy seriously as a decline in exports could affect economic growth, employment and incomes.

A realistic exchange rate that encourages exports and reduces import expenditure is the rationale for the depreciation of the rupee. Those opposed to the devaluation have an obligation to suggest how the trade balance could be contained by other means.



The next professional Called as "NETWORK MARKETING"

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2010/BAD/159
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Management Studies

Introduction

Network Marketing, also known as *Multi-Level Marketing (MLM)* is a legitimate business model that uses direct selling and relationship referrals as a method of selling a company's products or services. In typical networking model, individual associates (often referred to as distributors) essentially contract or act like a franchisee to the parent company and are paid a commission based on the volume of product or services that are sold as a result of their own organization's efforts.

To fully appreciate this home-based business opportunity, it encourages people to look at it from the perspective of both the company as well as that of the business operator.

The simplest explanation of network marketing is that it is a method of marketing that utilizes independent representatives to reach potential customers that a company otherwise would not reach with traditional online or offline marketing methods. In order to accomplish this, network marketing companies and their associates recruit individuals I.E. "their sales force," just like other companies and franchises, have done for years,

Today there are millions of people around the world building this unseen industry called network marketing. The DSA (Direct Selling Association) reports that there are over 13 million people in the U.S involved in direct selling. "You do not see them but they are everywhere, some probably right in your own neighborhood. It is a business in which common people can invest a small sum of money and rise to staggering levels of financial reward and personal freedom". Each day millions of people report to work, where our employer leverages our time to build his or her business and financial future.

In Network Marketing it could help and assist the people to building their business. It is also leveraging their time, with each of us is gathering customers along the way.

Hence that name Network. The people get paid for this because it is assisting, coaching and helping them to establish their business.

Just like your employer leverages your time, through network marketing you can leverage the time of others. What does this mean? employer in a service industry with 100 or more employees. That has a labor rate of 600 rupees per hour. The goal of our employer is to keep each employee active and busy for each hour paid. Out of this once all the costs of doing business are factored in such as wages paid, health insurance, unemployment insurance, federal taxes, state taxes, permits, maintenance, housekeeping, the list just goes on and on. The employer may get to keep 50 to 100 rupees per hour of that labor rate.

In Network Marketing, People have their initial start up costs anywhere from just a few rupees to several hundred rupees. Where most network marketers fail is they feel that they don't need a marketing budget for advertising, they don't seek out the education required to succeed.

One of the important things to remember is, **you are in a real business,** you no longer have a boss holding you accountable. Your network marketing success or failure is dependent upon you and your actions.

Your primary task will be to gathering customers for your products or services. To help and assist others get started in their own business partnered with you. You are looking at a business model that will take 3 to 5 years to produce the kind of results you're looking for.

So don't give up your day job just yet. **It will require 5 to 20 hours of consistent time and effort** each week to build a successful Network Marketing Business. It will require a marketing budget, most people do not even consider this.

This is a real business this is your business, not a get rich quick overnight program, although it has been hyped by a great many naive marketers and web sites.

Network marketing is based on word of mouth advertising which is the most effective form of advertising. Think about it when you go out, watch a great movie, you will go out and tell people about it.

In network marketing there is no need to advertisement and started telling everyone how much you saved. This is the power of word of mouth advertising. Major advertising agencies and companies count on this. This is one of the things that we do as network marketers. The major difference is that we get paid for our word of mouth advertising. One of the most often asked questions is, will I have to sell products and services? The answer is of course yes. Think about it, no one likes to have a salesman or women come to the door and sell them products right. We hate to go to the automobile dealers, where we are swarmed with 5 different sales people all trying to get you to buy from them right!

Is Network Marketing a Pyramid Scheme?

If not, what's the difference between network marketing and a pyramid scheme?

Let people guess, somebody has just approached you and asked you to join their network marketing business and your instant thought was - is this one of those pyramid Scheme?

people made the right decision to do some research and be concerned, because pyramid schemes are illegal and can put you in to a lot of trouble. The good news is that network marketing or multi-level marketing is a legitimate and legal business model. The differences between network marketing and pyramid schemes, including a checklist of things to look for.

To start with we will review the similarities and then work to distinguish the two.

Generally, the initial concern for people when introduced to a network marketing opportunity is when they see the compensation plan which resembles a pyramid in shape. Instantly they fear the worst as they draw a resemblance to illegal pyramid schemes. The truth is that this pyramid structure is the same as every other sustainable business model across the world.

Pyramid Scheme (illegal scam)

A pyramid scheme can be defined as a fraudulent money-making scheme that is based on a non-

sustainable business model that involves the exchange of money primarily for enrolling other people into the scheme without a legitimate product or service being delivered. Eventually the number of new recruits fails to sustain the payment structure and the scheme collapses with most people losing the money they paid in.

In a more practical sense, probably the easiest way to identify pyramid schemes is firstly there is no legitimate product or service involved (ie you do not get a legitimate product in return for your initial investment). The second way to identify pyramid schemes is that you do not get a financial return unless you have successfully introduced a number of new recruits into the pyramid. Basically, pyramid schemes concentrate on the money that you could earn by recruiting new people into the pyramid and generally ignore the marketing and selling of any products or services.

Network Marketing (legitimate, legal business model)

The concept behind network marketing is a distribution model that allows a company to sell their products directly to the consumer. Choosing to use a word of mouth approach (networking) instead of advertising through traditional streams (eg media). Therefore instead of paying the media for advertising, network marketing companies are structured to reward distributors through commission in return for selling their products and finding new customers.

Therefore the main focus of a network marketing company is product distribution. In fact, in a legitimate network marketing company, distributors are ***not*** required to recruit new distributors in order to earn a commission, they can earn money purely by selling the company's product. Although distributors can choose to sell the company's products to earn their commissions, not everybody wants to be a sales person and therefore choose to recruit more distributors into their organization as a means to build their referral base. Not only does this create a group of loyal customers, it also allows you to leverage the efforts of others to create a residual stream of income.

Why Would Companies Choose to use the Network Marketing Distribution Model?

Just like any other company that sells goods or services the ultimate goal of a network marketing company is to

make sales and increase its customer base. In a traditional manufacturing company who sell their products to the general public there is normally a large amount of costs associated with advertising and distributing their product (ie the middleman is responsible for a lot of the cost), before it is then sold at a retail outlet who again add a profit margin.

Instead of using the traditional method of manufacturing and delivering their products, MLM companies choose to bypass the middleman, selling direct to the customer. They use referrals and a word-of-mouth approach to develop their customer base as opposed to a large advertising budget and as such the money that would normally go to the middleman and advertising can now be used to reward business operators (distributors) a commission for helping the company to make a sale.

There are a number of reasons why many companies are now choosing to use this increasingly popular business model. Firstly, it allows start up companies to build a customer base through referrals without having to try to outspend their competitors advertising budget. Essentially network marketing levels the playing field and allows small businesses the same opportunity as their competing international heavy weights. It also allows the manufacturing company to build a relationship direct with their customers creating better customer satisfaction and loyalty. Selling direct to the customer and bypassing the middleman also helps the customer to save money (without compromising quality), which additionally makes their products more appealing.

So how are we as a network marketer different? We recommend products or services that we like and personally use. If we know it's good and personally use it, recommending it to our friends and family is very easy. Today's economic conditions, *network marketing* is still the best work at home business you could ever start!

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CAMPARI

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Introduction

Borrowing money from a bank to finance your business is a lot harder than getting a loan to buy a new car or to improve your home.

Banks have a number of tough rules that you need to know before you approach them for a loan, and these rules have become more stringent as a result of the credit crunch.

All the lending organizations have various methods of codifying these issues into user friendly menemonics. The most common are CAMPARI, MARS, PARSER, AND CCC PARTS. Here lets concern our selves with CAMPARI:

CAMPARI lending principles are a set of guidelines used by banks and some investors to structure how they go about making lending decisions. An awareness of the CAMPARI lending principles are useful for business owners for writing & presenting their business plans. They can be used as a check list to make sure everything is included and as a way of anticipating questions from lenders.

CAMPARI is a technique by which the viability of a proposal is assessed and evaluated within the bank. By applying this techniques lenders are able to make objective judgements about the appropriateness of a proposal.

CAMPARI stands for:

- Character
- Ability
- Margin
- Purpose
- Amount
- Repayment
- Insurance

❖ Character

The assessment and judgements on the customers character, if based on an objective and fair evaluation, can be an important contribution to the final assessment. Therefore when a bank

staff talk to the customer, they should attempt to draw out information from them that will help in making good assessment.

- Creditability
  - This covers not only the honesty of the customer but also how tenable a proposal appears to be.
- Financial Record
  - An important indicator to use in judging a customer's character is their financial history.
- Personal Background
  - One of the major areas which you should gather information relates to the personal history of a customer.
- Current Commitments
  - It is important to establish whether or, not a customer will become financially overstretched. If they take on a borrowing commitment.
- Current Assets
  - The other side of the coin is to see what financial back-up a customer has to support the loan repayments.

❖ Ability

Ability should be looked at in the widest possible sense, including the productive, financial and technical ability of individuals and the business as a whole.

❖ Margin

In order to be a profitable, the bank must ensure that the margin it makes on its lending matches the degree of risk involved the lender must consider the following:-

- The interest rate; (how much over base rate)
- Commission
- Fees

❖ Purpose

It is important for lenders to be certain about the real purpose of the finance. In order to be satisfied about this, a lender will wish to explore with the customer the reasons for the lending application in some detail.

❖ Amount

It is very important to ensure that a loan is for the right amount. The lender will want to verify that "The customer can justify that the amount requested is actually needed"

❖ Repayment

From the Bank's point of view, this issue is crucial and any lender will want to verify the commercial viability of the product or, service that will be funded.

The main question that has to be answered is:-

"Will sufficient funds be generated to pay the interest charges and repay the capital"

❖ Insurance

Obtaining security is the means by which the Bank insures itself against the risk of non-payment. However, the sale

of the security by the Bank is rarely straight forward in practice.

In case the lending goes wrong and repayment plans do not work out, the lender must consider what, if any, guarantees or back-up security will be required by the bank to recover its capital and interest charges in the unfortunate event of non-payment.

Security can be by way of the assets of the business, such as freehold buildings, or personal assets of the directors. The bank might also wish to here a life policy as security, particularly if there are key personal.

Using CAMPARI enables lenders to concentrate on particular aspects of a business and to ensure that all relevant areas which can materially affect the assessment of a proposal are carefully considered. Once a lender has completed an analysis based on CAMPARI a clear picture should emerge as to the quality of the business. However; In order to make a balanced decision there are wider aspects of the business and the way it operates which should also be considered. These aspects can be dealt with in a similar way to CAMPARI.

Conclusion

Once the available information has been assembled, an evaluator of the proposition can be a made. This should be done in two stages.

1) An assessment of the feasibility of the borrowers plan for repayment. If the proposal is not viable, it is pointless in continue.
2) A critical Appraisal of what might realistically go wrong the likelihood of such events occurring and the effect on the banks position.

The aim of this evaluation is to establish the risk involved. Listing the pros cons of a proposition is often helpful. More reliance should be placed on fact evidence than on estimates and opinions.

Once lending has been made, the risk lies in the way the customer handles any problems that might arise. The lender's evaluation should concentrate on understanding the borrower's risks and assessing the ability of the borrower to deal with them.

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Moving towards a new business Era

Vethanayagam Senthuran
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3rd Year
Management Studies

Introduction

Are you an avid writer? Do you enjoy the flexibility to set your own hours doing what you enjoy? You should consider becoming an online freelance writer.

Writing for an online audience has a number of perks. Online writing is one of those businesses you can get into without leaving your house.

Many people dream of a career that allows them to work from home. Rather than setting an early alarm each morning, fighting through rush hour traffic or spending money on expensive business attire, a job from home mean flexibility and the freedom to control your own schedule. As the idea of working from home is so popular, there are countless people who try to turn the dream into a reality. However, many home business ultimately fail or don't provide enough income to be considered successful ventures. Thankfully there are several home businesses that are growing quickly and offer plenty of opportunities to succeed from home.

Getting started as an online writer

What goals do you intend to set for your online writing business? Don't launch your business before you can answer that question. As you start to figure out your goals, make sure you can answer the following:

- **What kind of writing do you want to get into?**
  There are many styles of online writing. Some writers provide SEO copywriting services to help websites drive their search engine traffic. Others writers specialize in writing engaging blog articles. Still others write sales copy. There is no reason you can't write in a variety of

fields. The important thing to do is find your own voice and know what works for you. The most important thing is to make sure that you don't try to market yourself for writing services you don't have the right skills for. Recognize your best talents so you can put your best foot forward with all your clients.

- **What topic do you want to write on?** You need to know what kinds of topics are going to work best for you. As a freelance writer myself, I have written on personal finance, entrepreneurship, news in the medical industry, internet marketing, online poker and a variety of other topics. You should obviously consider the topics you are familiar with or have some background in. However, you don't necessarily need to limit yourself to these niches. You can easily educate yourself on a number of different topics and get started on amazing projects. Just make sure that you don't pass yourself off as an expert in a regulated field that you don't have the credentials for.

- **What can you offer your clients?** You want to be realistic about what you can do for the people you work for. This isn't only a matter of practicality, but also one of ethics. When you market yourself, you need to focus on what you really have to offer. Be honest with yourself about your strengths and weaknesses.

Once you have identified what you want as an online writer, you need to get started.

Pursuing your career

Starting a career as an online writer is going to take a lot of work. You might find it is a little hard getting started, but you will definitely find it worth your while. You just need to have a little patience.

First, you are going to need to create a portfolio of writings samples. I got started by writing a few guest posts on other sites. Many sites will want to see samples of your work before even looking at a submission they don't intend to pay you for. Often, the easiest way to get started is to create your own blog.

The bottom line is that you need to start your writing career by actually writing!

Once you have started your career as a writer, there are a variety of

ways you can start locating clients. You can consider the following:

- **Go to online marketplaces such as elance or freelancer.com**

  I personally don't use these sites, because they have a lot of clients looking to pay low rates for the work they are asking. However, many people have gotten good results from them.

- **Look at jobs boards at sites like Problogger**

  These sites offer a lot of great opportunities for bloggers and copywriters. The gigs tend to pay better and usually result in a long-term work project. When you applying for these sites, you want to have at least three compelling writing samples to showcase.

- **Start networking**

  One of the greatest ways to get in touch with other bloggers and sell your work is through networking. If you are working as an online writer, I suggest you start your networking process on social networking sites. Facebook, Twitter and LinkedIn are the obvious places to start. You can also participate in blogging communities and engage with bloggers directly. Once you've established a firm connection with other great bloggers, you can pitch your services. You will need to take more initiative, but you can get many clients that aren't asking for their services. Many great bloggers don't waste their time posting on jobs boards or going to elance. They want great writers and will look for people within their own contacts.

Conclusion

It might seem obvious that working from home is an ideal way to earn a living. Rather than spending lots of money on commuting and expensive attire, it is possible to log into work from your home and never have to step foot in an office. With rapidly rising career opportunities for home businesses in the area of writing, customer service and administrative work, there are lots of potential options for every individual.

Message of Gratitude

Each issue focuses on a single theme and provides a forum for a wide range of professionals and others interested in strengthening management solution.

Our gratitude first goes to the great support from Vice Chancellor, Dean, Senior Lecturers for the valuable contribution for this enchanted magazine.

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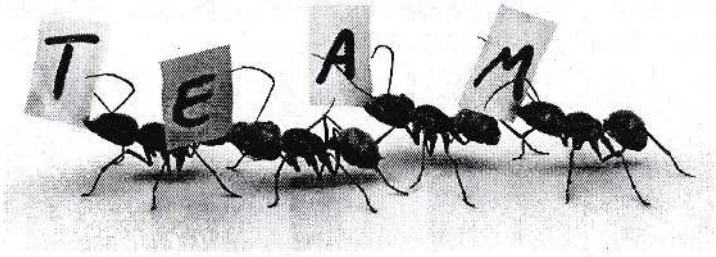

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