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Research Article

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Employees Stress Level: A Study on Bank Professionals in Bhutan

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Abstract

This study intends to understand organisational role stress experienced by employees of banks in Bhutan. In this study, Organisational Role Stress (ORS) scale developed by Pareek (1993) is used, which studies ORS from ten dimensions. Data are collected from 56 full-time employees working in two major banks (Bank of Bhutan and Bhutan National Bank) in Bhutan. Results reveal that employees have moderate level of work stress. Of which, female employees are more stressful than their male counterpart, young employees are under more stress than old employees and employees with high educational qualification are more stressful. The study may help organisations to deal with and manage effectively employee's occupational stress.

Key Words: *Organizational Role Stress, Occupational Stress, Work Stress, Bank Professionals in Bhutan*

1. Introduction

In the fast changing business environment, stress among the employees becomes one of the major issues in organisations across the globe. With emergence of globalisation, liberalisation and privatisation, the conventional working pattern of all sectors (especially the tertiary sector) have changed drastically and these affected the employees. And the banking sector is of no exception. The banking sector also experiences the similar changes which left employees to experience occupational stress.

In Bhutan, the banking system is undergoing a gradual change especially with the opening of the sector for foreign banks. Indian based bank, *Punjab National Bank Limited* (PNBL) has entered into Bhutanese market in collaboration with local partner. Probably, Bhutan can see more foreign banks in its territory in near future. Further the government of Bhutan is also making efforts to improve its economy which depends upon the improved functioning of the banking sector as well. These changes forced the existing players to rethink on their strategy, functions etc. As a strategy to prepare for the changing global scenario, both the banks (BoB and BNBL) have been focusing on areas of customer services, human resources development and technology up-gradation, etc. (Gyamtsho 2009). Although the changes are brought to improve the sector but it may also have some negative effects and one of them can be the perception of the role stress by employees of the sector.

The term "Stress" has been defined by different scholars in different ways over the years. However, in the present research, stress can be considered as the psychological state which arises when the resources of the individual are not sufficient to cope up with the demands and pressures of the situation. Health Safety Executive (HSE) of UK defines stress as an undesirable response of people caused by tremendous pressures or other types of demands placed upon them. It arises when people get worried, over-pressured and cannot

deal with. Thus, stress is a condition which happens when one realises the pressures on them, or the requirements of a situation are wider than their recognition that they can handle. Stress is not necessarily bad in and of itself. Although stress is typically discussed in a negative context, it also has positive value (Cavanaugh, *et al.* 2000). According to Danna and Griffin (1999), stress has significant economic impact on individuals and organisations. Some amount of stress is good and leaves positive impact, but beyond a limit, leaves negative effect on the quality of life of the individual (Testa and Simonson 1996).

2. Occupational Stress / Role Stress

Occupational stress or role stress has become a major concern for many organizations. Its effect on organizations can be tremendous. Work-related stress is currently one of the greatest challenges to the health of working people and to the healthiness of their work organisations (Cox, *et al.* 2002). Stress is the conflict and tension due to the roles being enacted by a person at any given point of time and the stress caused by enactment in the context of organisations are called organisational role stress (Pareek 2003). It is the condition that people experiences when presented with the work demands and pressures and are not matched to their knowledge and abilities to cope up with. Role stress develops when an individual feels that he is not competent to undertake the role assigned to him effectively. Stress has a positive effect on employees' performance if they can cope up with the given work environment or situation. But the moment when the stress level exceeds certain threshold results negatively on employees and on organisations. It results in low employee morale, high accidents rates, high rate of absenteeism and attrition, decreased productivity and low job satisfaction (Longenecker *et al.* 1999; Gianakos 2000; Halfield 2005; NASSCOM 2005).

Occupational stress is very common in contemporary organisation and researches reveal that both individual and organisational factors contribute in its development (e.g. Oke and Dawson 2008). Poor work organisation, that is, the way organisation design jobs and work systems, and the way organisation manage them, can cause work stress (World Health Organization 2003). Other factors that contribute in occupational stress are work environment, management support (Loghan and Ganster 2005), work family conflicts, work over load (Anderson 2003; Stamper and Johlke 2003), time pressure, a demanding boss, unpleasant co-workers (Robbins *et al.* 2007). Workplace interpersonal conflicts and negative interpersonal relations are also prevalent sources of stress. O'Driscoll and Beehr (1994) in their research found that work overload, career opportunities, role ambiguity and role conflict and working with diversified personalities as stressors in the organisation. Other factors that give occupational stress are changing technology, redundancy and inadequate availability of resource (Aziz 2003). Some other researchers also reveal that stress level and degrees varies in different categories of professions and employees. Pestonjee (1988) in his working paper '*A Study of Role Stresses in Top and Middle Management*' concludes that "Middle managers scored significantly higher on Inter Role Distance (IRD), Personal Inadequacy (PIn), Self Role Distance (SRD) and Resource Inadequacy (RIn). Role related stress in middle managers was found to be significantly higher than top managers". Aziz (2003) reports that RIn followed by Role Stagnation (RS) and IRD are the factors that contributed highest to overall stress among IT professionals in India. For women employees in the Indian IT sector, RIn are the highest contributing factor to overall stress followed by Role Overload and Personal Inadequacy (Aziz 2004).

3. Rationale and Hypotheses of the Study

Bhutan is making gradual changes in banking sector with the intention to make huge improvement in the sector. The sector is focusing on to deliver the quality services with the introduction of new technology, products and services, process and systems, etc. The role played by employees becomes equally significant here. Employees will deliver their best services; will become more innovative, motivated, etc. when they have bearable stresses especially related to their work. There is plethora of studies in business literature examining the organisational role stress in the banking sector in different countries. But probably no study has been undertaken on organisational stress in Bhutanese context. The present study is an attempt to fill this gap. Thus the purpose of the present study is to examine role stress in employees of banking sector in Bhutan. The study will be helpful for the banking sector in the country in terms of increased understanding of occupational or role stress and to manage it in better and useful manner. It may act as information and source for further research as well.

Hypotheses

- H₁: Employees are facing role stress in their organisations.
- H₂: Organisational role stress will differ significantly between males and female employees.
- H₃: Organisational role stress will differ significantly between two age groups of employees.
- H₄: Organisational role stress will differ significantly between high and low education categories of employees.
- H₅: Selected personal characteristics will have significant influence on organisational role stress.

4. Methodology

4.1. Participants and Procedures

The respondents in the present study are the full-time employees working at different positions in two major banks in Bhutan – Bank of Bhutan (BoB) and Bhutan National Bank Limited (BNBL), situated in Thimphu, Phutsholing and Gedu. Data are collected randomly from a total of 56 employees which includes male (59%) and female (41%) working in both the banks. All the respondents are intimated about objectives of the study and questionnaires are given when respondents agreed on to response willingly. It is also emphasised that information provided by them on the questionnaire would be confidential so as to ensure anonymity.

4.2. Measurement

In order to achieve the objectives of the study, organisational Role Stress Scale (ORS-Scale) developed by Pareek (1993) is used. Reliability is calculated from the questionnaire and it is found to be .83 (alpha coefficient). The scale consists of 50 items which include 10 different domains mentioned and defined below.

1. Inter Role Distance (IRD): Conflict between the organisational and non-organisational roles.
2. Role Stagnation (RS): Feeling of being stuck in the same role. It results into perception that there is no opportunity for one's career progression.
3. Role Expectation Conflict (REC): Conflicting expectations or demands by the different role senders i.e. the significant others who have expectations from the role.
4. Role Erosion (RE): Feeling that functions that should belong to incumbent's role are being transferred / performed or shared by other roles. It is a feeling of responsibility without power.
5. Role Overload (RO): Feeling that too much is expected from the role than what the occupant can cope with. It has two aspects – quantitative and qualitative.
6. Role Isolation (RI): Lack of linkages of one's role with other roles in the organisation.
7. Personal Inadequacy (PI): Lack of knowledge, skills or adequate preparation to be effective in a particular role.
8. Self Role Distance (SRD): Conflicts of one's values and self-concepts with the requirements of the organisational role.
9. Role Ambiguity (RA): Lack of clarity about expectations of others from the role, or lack of feedback on how performance is regarded by others. It may be in relation to the activities, priorities, norms or general expectations.
10. Resource Inadequacy (RIn): Non-availability of resources needed for effective role performance.

The obtained data are interpreted on the basis of the following norms of the scale. If total score ranges: from 0 to 49- there is absence of feeling no to minimum stress; from 50 to 99- there is feeling of low to moderate amount of stress depending whether the score is near to 50 or 99; from 100 to 149- there is feeling of moderate to high level of stress depending whether the score is near to 99 or 149, and from 150 and above- there is feeling of high to very high level of stress depending whether the score is near to 150 or 200.

5. Result and Discussion

The data obtained are analysed by using SPSS 12.0 and the hypotheses are tested by using descriptive statistics, t-test and multiple regression analysis.

Table -1:

Means of overall and Gender specific factors' effects of stress in bank employees

Variables	Overall Mean	Gender	Mean	Std. Deviation	t-value	Significance
IRD	8.09	Male	7.57	4.55	-1.849	.049*
		Female	9.68	3.33		
RS	7.12	Male	6.42	4.02	-1.211	0.23
		Female	7.63	2.69		
REC	9.58	Male	9.27	4.57	-0.66	0.511
		Female	11.05	3.83		
RO	8.32	Male	9.33	3.56	0.236	0.814
		Female	7.1	3.79		
RE	7.28	Male	7.14	5.19	-0.505	0.615
		Female	7.78	3.15		
RI	7.17	Male	8.37	4.1	0.767	0.446
		Female	6.57	3.07		
PI	8.37	Male	7.83	3.53	-1.862	.047*
		Female	9.73	4.59		
SRD	5.66	Male	5.62	4.35	-0.093	0.926
		Female	5.73	4.2		
RA	7.67	Male	8.46	4.35	-0.378	0.707
		Female	6.89	4.08		
RIn	9.63	Male	10.98	4.7	1.231	0.222
		Female	8.42	4.87		
ORS	88.54	Male	87.03	32.42	-0.558	0.579
		Female	94.63	25.71		

*significant at the 0.05 level

5.1. Overall Level of Stress on Bank Employees

Result in the above table (table – 1) clearly reveals that employees are experiencing role stress in their organization (M = 88.54). Thus the first hypothesis is supported. Bank employees in the study reported moderate amount of stress with respect to their work. The present finding is in line with the findings of other studies carried out on bank professionals in other parts of the world (e.g. Bashir and Ramay 2010). A huge and multi field literature points a lot on key factors, such as, work environment, management support, work load, etc. in determining stress, the work can be (Loghan and Ganster 2005). In Bhutan, moderate amount of stress by employees could be that work places and the organisations are becoming complex and more demanding on their employees as banking sector in Bhutan is undergoing transformation with the objective to improve the sector in terms of bringing more efficiency,

more productivity, more value addition, sustainable growth, etc. Some of the areas where bank employees are experiencing moderate level of stress (as found in the result) are IRD (M = 8.09), REC (M = 9.58), RO (M = 8.32), PI (M = 8.37), and RIn (M = 9.63) which are very close to the mean value of each dimensions (M = 10). Inter role distance (IRD) refers to the conflicts between the organisational and non-organisational roles. Employees may be encountering conflicts caused by their roles in the workplace and their family and social roles, which may be incompatible, leading to stress. Role expectation conflict (REC) is also found as a major factor creating stress among employees. REC refers to the conflicting expectations or demands by the different role senders. It is possible that employees may not be able to meet the needs of their family and society, colleagues and others because these people are posing conflicting demands on the employees leading to their stresses. Each type of people may have their own expectations and role requirements and employees are finding themselves torn with these expectations.

Role overload (RO) also found as one of the reasons of stress among employees. Employees may be experiencing too many expectations from their role that employees can cope with. Bank employees may be getting roles and responsibilities that exceed their capability to complete the job, thus making employees to think job taxing. It is also possible that employees are being given more amount of job or they are getting job which needs more mental power than they have. It is assumed in the role theory literature that individuals take on (or are assigned) more roles than they have the time, energy, or resources to handle, which results in role overload (Turner 2002). Individuals have only a finite amount of resources to devote to role performance. Resources become taxed when an individual's total role obligations seems to be demanding. Personal Inadequacy (PI) is also found as a factor of stress in the employees in the study. It is possible that changes in structure and functions of bank may not have been synchronised with the required level of changes in the employee's knowledge, skills, attitude, etc. to effectively perform their roles leading to feeling of stress. Resource inadequacy (RIn) refers to people's belief that they do not have adequate resources such as lack of supplies, personnel, information, historical data etc to perform their roles effectively. Possibly banking sector in Bhutan does not have the required human resources which in turn increases the work on the existing staff thus leading to work overload, or may not have enough infrastructure to deliver their services effectively.

5.2. Gender Differences on Stress of Bank Employees

The present finding (table -1) also reveals that there is no significant difference in feeling of stress between male and female, thus refuting second hypothesis. It shows that both male and female are experiencing almost similar level of stress in the workplace. Mean value for male and female is (M = 87.03) and (M = 94.63) respectively, which indicates that both male and female are experiencing moderate level of stress in the organizational life, but women are more stressful than their male counterpart. Various explanations can be ascertained for this difference such as an environment of differential perception and treatment to male and female employees, unable to maintain proper work-family balance, lack of proper skills and knowledge to cope with the new strategies and business process, unable to meet the expectations of important stakeholders, feeling of worthlessness etc. Few studies have examined the effect of workplace hostility toward women as it impacts employees who are not targets, but merely observers, of this behaviour (Miner-Rubino and Cortina 2004). Another factor may be the gender dynamics of work environment. Research by Bond *et al.* (2004) suggests that gender segregated jobs negatively affects both men and women.

Result also shows that it is the two dimensions of stress– inter role distance ($t = -1.849$, $p = .049$) and personal inadequacy ($t = -1.862$, $p = .047$) where we find statistically significant differences in the perception of stress in two sexes. Female are experiencing higher level of stress than male in both above mentioned dimensions of stress. Female are experiencing more inter role distance probably they have to play organisational roles as well as they have to do work at house; whereas men has less responsibility towards their house hold work and this probably leads to experience more stress in female. Managing the interface between one’s job and various roles and responsibilities off the job is considered as another potential source of stress (Cooper, *et al.* 2001). Similarly in the area of personal inadequacy, male are experiencing less stress than female. It means that female is comparatively less competent than male to deal with the job requirement efficiently. Female may not be as skilled as male and this may be creating a problem in discharging their responsibilities thus leading to the perception of stress. A number of earlier studies have emphasised that working women in general face higher stress levels (e.g. Bhattacharya and Basu 2007). Study conducted by Lehal (2007) also concludes that women employees in banking sector are more stressful than the male employees. Lim and Teo (1999) identify several factors at the workplace which generate stress among women and among them is guilt and dissatisfaction for being less attentive to family and fear of making mistakes.

5.3. Effects of Age Group on Stress of Bank Employees

Table - 2: Means of Age group specific factors’ effects

	Age	Mean	Std. Deviation	t-value	Significance
IRD	30 & Below	7.16	4.55	.190	.850
	Above 30	6.96	3.93		
RS	30 & Below	7.08	3.48	1.141	.257
	Above 30	6.04	4.13		
REC	30 & Below	6.77	4.20	.525	.601
	Above 30	6.20	4.94		
RE	30 & Below	8.55	3.22	4.640	.000**
	Above 30	4.92	3.10		
RO	30 & Below	7.51	4.76	.576	.566
	Above 30	6.84	4.66		
RI	30 & Below	6.75	3.87	1.850	.068
	Above 30	5.04	3.56		

PI	30 & Below	8.28	3.54	2.950	.004**
	Above 30	5.60	4.01		
SRD	30 & Below	6.10	4.13	1.248	.216
	Above 30	4.80	4.44		
RA	30 & Below	7.02	3.91	.961	.340
	Above 30	6.00	5.03		
RIn	30 & Below	8.12	4.50	1.236	.220
	Above 30	6.68	5.20		
ORS	30 & Below	73.36	27.72	1.934	.057
	Above 30	59.08	34.26		

** Significant at the 0.01 level

Result in table – 2 reveals that there is no significant difference in the perception of stress between two age groups of employees, thus disproving third hypothesis of the study. But a closer look at the above table reveals that older employees (above 30 yrs.) are experiencing less work stress than younger employees (30 yrs. and below) including in all dimensions of the work stress in the study. Younger employees are facing more stress because they may be facing more difficulty in adjusting themselves with the changes in the structure and functions of banking system as compared with the older employee. It is also possible that younger employees are not trained enough to deal with the job requirements. There may also be the possibility that there is a mismatch of job requirements with the employees' values and interest and because of that younger are feeling more stress. Fresh employees are entering into the organization with the perspective, orientation, vision etc. which if not close to the organization's perspective and values and this breaks their motivation and commitment which in turn leads to feeling of stress. Other reason could be the nature of work and the amount of work. Normally it happens that more experienced, which happens with the increase in age in the specific organization, are more comfortable in work and more adjusted in the organization than younger employees and this leads to less stress in older employees.

Going further in depth i.e. in what dimensions both group of employees differ in their perception of stress significantly. Result revealed that role erosion ($t = 4.640$, $p = 000$) and personal inadequacy ($t = 2.950$, $p = 004$) are the two areas where both age group have differences in their perception of stress. Younger employees have high mean value than the older employees. It means that younger employees are having stress because they feel that their roles and responsibilities are being performed or shared by other employees. Reason could be that younger employees may be feeling a sense of incompetence probably because they are not trained and developed themselves at the level to carry out their job properly.

5.4. Effects of Education Level on Stress of Bank Employees

Table – 3:

Mean of education level and stress in bank employees

	Education	Mean	Std. Deviation	t-value	Significance
IRD	Below 12	5.70	2.94	-.623	.536
	Graduate & Above	6.60	4.39		
RS	Below 12	5.60	1.95	-.456	.650
	Graduate & Above	6.16	3.84		
REC	Below 12	5.00	2.98	-.958	.342
	Graduate & Above	6.45	4.60		
RE	Below 12	5.20	2.61	-1.716	.091
	Graduate & Above	7.37	3.83		
RO	Below 12	5.80	2.82	-.988	.327
	Graduate & Above	7.41	4.99		
RI	Below 12	4.80	3.32	-1.182	.242
	Graduate & Above	6.43	4.11		
PI	Below 12	5.20	2.93	-1.919	.060
	Graduate & Above	7.39	3.38		
SRD	Below 12	5.30	3.05	.039	.969
	Graduate & Above	5.24	4.21		

RA	Below 12	3.80	3.25	-1.886	.064
	Graduate & Above	6.50	4.30		
RIn	Below 12	3.40	2.36	-1.940	.059
	Graduate & Above	7.75	4.54		
ORS	Below 12	49.80	16.03	-1.715	.091
	Graduate & Above	67.35	31.46		

The present study is also designed to understand the perception of stress in bank employees with respect to their educational qualification. In the present study, all employees have been categorized in two groups of educational qualification (1) employees who have education up to 12th and (2) employees having higher education, i.e. graduate and above. Result (table 3) reveals that both groups differ in terms of work stress but difference is not statistically significant, thus disproving fourth hypothesis of the study. However a closer look at the above table clearly indicates that employees with higher education are experiencing more stress than employees with lower education in almost all dimensions of work stress. Reason could be that employees with higher educational qualification are given more responsibility, or may have complex, unstructured and ambiguous nature of work. It is also possible that organization have more expectations from these employees as compared with the employees with low education, thus leading to the perception of more stress.

6. Selected Personal Characteristics and organisational Role Stress

The present study also intends to find out the effect of selected personal characteristics on the perception of work stress. In order to know the effect, we need to focus on regression analysis presented in table- 4 below.

6.1. Regression Analysis

Table – 4:
Summary of multiple regressions for ORS as a function of selected personal characteristics

Variables	Standardised Coefficients	t – value	Significance
Age	-.291	-2.674	.009
Sex	.153	1.279	.205
Education	.435	4.040	.000
Tenure	.039	0.323	.747
R = .489	R ² = .239		
Adjusted R ² = .195	F = 5.423, p = .001		

Dependant variable: ORS

Above regression table (table – 4) indicates that selected personal characteristics significantly predicts overall organisation role stress in employees. This finding proves the last hypothesis of the study. Adjusted R² is found to be 0.195, which implies that 20% variance in overall work stress is attributed to selected personal characteristics, taken collectively. F value is found significant (F = 5.423, P = .001). The table also reveals that two dimensions of selected personal characteristics i.e. employee's age ($\beta = -.291$, p = .009) and educational qualification ($\beta = .435$, p = .000), are significantly predicting work stress in organisation. Negative β value of age dimensions indicates that with the increase of age of employees, experience of level of stress goes down. This finding also supports the findings with respect to the third hypothesis of the study. This may be probably stress gets reduced with the increase in age as employees become more experienced and skilled which help them to deal with the work requirement efficiently and also employees get adopted with the work situation. Educational qualification is found to be positively and significantly related to the work stress. It means higher qualification is associated with the higher work stress. Reasons could be that of employees with higher qualification is entrusted with the more or complex work, high expectations from the organisation, lack of proper feedback systems, lack of proper infrastructure, etc. Robbins *et al.* (2007) also emphasis the role of personal factors such as age, hierarchical level, and functional assignments etc. in influencing role stress.

7. Conclusion

The current study reveals that employees of banking sectors of Bhutan are having moderate level of work stress. It is also found that women have more stress compared to male employees. Young employees are found to be more stressful than the old age employees and employees with higher qualification are experiencing more stress than the employees of lower education qualification. It is also found that employee's personal characteristics play significant role in the perception of stress in the organizational life. Although certain amount of stress is considered to be good for the productivity and growth of the organization (e.g. Spielberger 1979), but if this situation prevails for long time, may affects employees' performance. Therefore the findings of the present study can assist management to know where to draw the line between work and stress and manage it properly. This finding also reveals that management need to take care of their female employees and employees with higher educational qualification to use balanced approach in distribution of work and also need to look for development of skills and competencies for both female and young employees.

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Note: The usual disclaimers apply.

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Demonstration Effect among the students of GCBS

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ABSTRACT

This paper is motivated by the work of James S. Duesenberry in which he tries to figure out human behaviour of excessive consumption without looking at his income. The paper however, highlights the importance and effectiveness of student's consumption pattern in a college scenario by taking Gaeddu college as a particular area of study but the results of the research can be related to all college students. The research also identifies the factors that may determine student's behaviour towards the consumption of products other than their basic necessities. It also aims at possibly solving the problems of student's uncontrollable spending habits and finding out ways in which students can manage money and find more effective and economical ways of spending. The research was conducted with regard to Duesenberry's demonstration effect which is based on the theory that people's buying behaviour is influenced by others and not simply people around them but those that they look up to. The possible causes of student's uncontrollable spending habits have been identified and analysis has been done by drawing nine parameters that are likely to have an impact on the student's buying behaviour and collecting responses through questionnaires.

Key words: Income, demonstration effect, spending habits, students etc.

1. INTRODUCTION

Bhutan has changed in terms of modernization and economic growth over the past century. Experiencing a great increase in the number of small and medium enterprises and with a growing economy, free flow of goods, services, investment and flow of capital, the Bhutanese market has been flourishing with a variety of products. The study mainly focuses on imported fast moving consumer goods (FMCGs) such as shoes, clothes, groceries, cosmetics, toiletries, mobile phones, laptops,, etc., and their effect on the consumption pattern of Gaeddu College of Business Studies (GCBS) students in line with the study of James Duesenberry's "demonstration effect".

James.S, Duesenberry defines demonstration effect as the effects on the behavior of individuals caused by observation of the actions of others and their consequences (Duesenberry, 1949). Demonstration effect was discovered by James S, Duesenberry and is also popularly known as Duesenberry effect. It mainly states that the buying behaviour of an individual is based on the behaviour of those people in his or her social group. It mainly includes those individuals who are likely to have a strong influence on them like friends, relatives and colleagues. What kind of reaction is produced by looking at a friend's new mobile phone or laptop, or looking at hostel rooms that are furnished well than one's own?

This leads to a feeling of dissatisfaction with what one owns, leading to an action by eliminating such dissatisfaction by increasing one's expenditure.

Gaeddu College has a total population of 963 students in BBA and B.Com and the establishment of the institution has made Gedu a potential market for business in FMCGs. An educational institution such as Gaeddu College is a right place to experiment Duessenberry's "demonstration effect", because like any other colleges students here portray different kinds of buying behaviour. The theory states that one's consumption pattern or behaviour as a consumer is affect by the behaviour of those around oneself.

The study mainly focuses on what actually influences students to spend so much i.e. the need to fit in with their peers, the need to compete and the need to raise one's standard of living because one's friend is also doing so, thereby fulfilling the concept of Duessenberry's Demonstration Effect. In addition to this concept the study also focuses on the key role that marketing mix factors plays in influencing students' consumption. Because with increase in competition, sellers put so much effort in marketing products and give importance to intricate details such as popularity of the place of where the product is available, how attractive they make the same kind of product that some else is selling and what special services they provide. All these factors have a huge impact on customer's choice of product because it is all about playing the mind game. Therefore, the marketing mix factors are related to the demonstration effect because the mix factors make products popular and give them a sense of branding and branded products are what people look for to get a sense of satisfaction.

2. OBJECTIVES OF THE STUDY

- i. To identify the determinants of Duessenberry's Demonstration Effect on the Gaeddu College students' consumption pattern.
- ii. To study the effectiveness of the Demonstration Effect in the consumption pattern of the students.
- iii. To study the marketing mix factors (Four P's) that influence Gaeddu College students' buying behaviour.

3. METHODOLOGY OF STUDY

This research is mainly done through primary data consisting of structured questionnaires and one open ended questionnaire, personnel interviews and through observations. The targeted population consists of both male and female students of Gaeddu College of Business Studies and is conducted in Gaeddu College of Business Studies, Gedu under Chhukha Dzongkhag. A random sample of 280 students is selected from 963 students in the college and the method used is based on Yamane's random sampling method (Yamane, Taro. 1967).

$$n = N / (1 + N * e^2)$$

Where;

n = sample size

N = total number of students in the college

e = assumed probability of error i.e. 5%, it is a 95% confidence level which states that 95% of the total respondents will give an honest answer

$$n = 963 / (1 + 963 * 0.05^2)$$

$$= 282.6119$$

This research focuses on 70 random students from each semester resulting to a total of 280 respondents.

Data analysis was set according to the need for preparing the report. The tools used are as follows:

Percentage method to study the income level (their total pocket money for one month from their family plus the stipend they get from the college) of the students. To find out the commodities that students get attracted to or

- Microsoft Excel to find out how each of the identified parameters has its contribution towards the effectiveness of the demonstration effect among the students of GCBS.
- Z-test for the purpose of testing the hypothesis. The formula used is;

$$z = \frac{p - \Pi}{\sqrt{\frac{p(1-p)}{n}}}$$

Where, p = Proportion of respondents for Disagree and Strongly Disagree to total respondents

Π = Probability of Demonstration Effect being effective

n = Number of respondents

4.1 DATA ANALYSIS AND FINDINGS

In the first part, the entire analysis was made from the data collected through personal interview and mass observation. It explains about the identified parameters or determinants that affect the demonstration effect among the students. These parameters are as follows:

- **Peer influence/Group influence**

This has been learnt to be one of the reasons for the presence of demonstration effect because college is a place that students have to share their rooms. As all the students are not from the same back ground, their possessions and belongings may not be the same. This means that each student will find something in their friend's belongings that they don't possess. Ultimately there is a desire to have what their friends have. Sometimes though a student may not have that desire they purchase similar things to fit in with the group. Thus, demonstration effect plays its role in a dorm room scenario.

- **Ego/Self Esteem**

Every human being's personality constitutes of a superego and ego level and college is one of the places that revitalize ego and self esteem. This also has its contribution to demonstration effect because the way a student spends money is also determined by his or her need to build up self esteem among friends. The clothes you wear, the food you eat, the mobile phones and laptops that you own creates an image or defines you in public.

- **Parents**

Parents play a very important role in framing their children's spending habits. The products that they buy for their children when they were younger for example the toothpaste, body lotion or the cereals for breakfast or the pocket money that they send their children also makes a huge difference in how much and on what students spend their money. Therefore, parent's monthly income and savings also have an impact on their children's spending pattern.

- **Fashion**

In this modern world everything changes so fast and fashion is also one of them. A product that one buys today might get out dated after few months or even weeks. Colleges are places where fashion battles can be witnessed every day. Fashion and the need to keep oneself updated with latest outfits or accessories is a prime concern of the younger age group, mostly students. Sometimes students buy on credit to meet their expenses.

- **Sociability**

Socializing has become a need and most important in places like colleges and to do that one should be liked by the group that they try to fit in and for that they have to adopt the behaviours of that group. For example if a new girl who comes to the college in a naughty boy shoes and carries a school bag, she would become a laughing stock. so to fit in the group, she should wear fashionable shoes and carry a hand bag.

- **Advertisement**

Every new product is shown through advertisement and it has different mediums like television, newspaper, magazine, brochures, etc. These are easily accessible to the students and when they see different products than they are tempted to buy what is shown.

- **Influence of developed countries (e.g. Korean style)**

These days it has become a trend to the youth to dress up like the Koreans. They even learn their language and habits. As television is one of the easiest mode, students are influenced by the lives of the Koreans celebrities. They want to dress like them, keep hair styles like them. So the culture of the developed countries has a great impact on the lives of the student.

- **Celebrity influence**

It is said that celebrities play a huge role in defining one's choice of products and especially those people who belong to the younger age group. It has become a trend for advertisements to include happening actors and musicians in commercials. It may be an

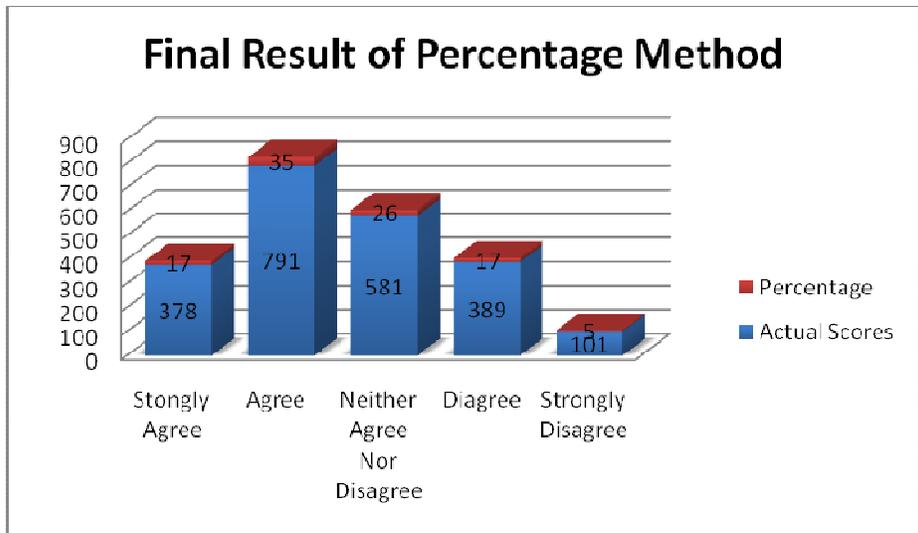
expensive investment but using celebrities has twice the impact on the audience as compared to an ad that is done without a celebrity.

The Four P's

The four P's, show buyer's decision in selecting a particular product and a seller's influencing power is interconnected to one another. Businessmen normally use the marketing mix factors to attract customers. The diagram also gives importance to the fact that buyer's choices are also affected by the culture they follow, the society they live in and also their personal and psychological beliefs

The main content of this part is to explore whether the identified determinants exhibits the existence of demonstration effect among the students of Gaeddu College of Business Studies.

See table 1 at appendix

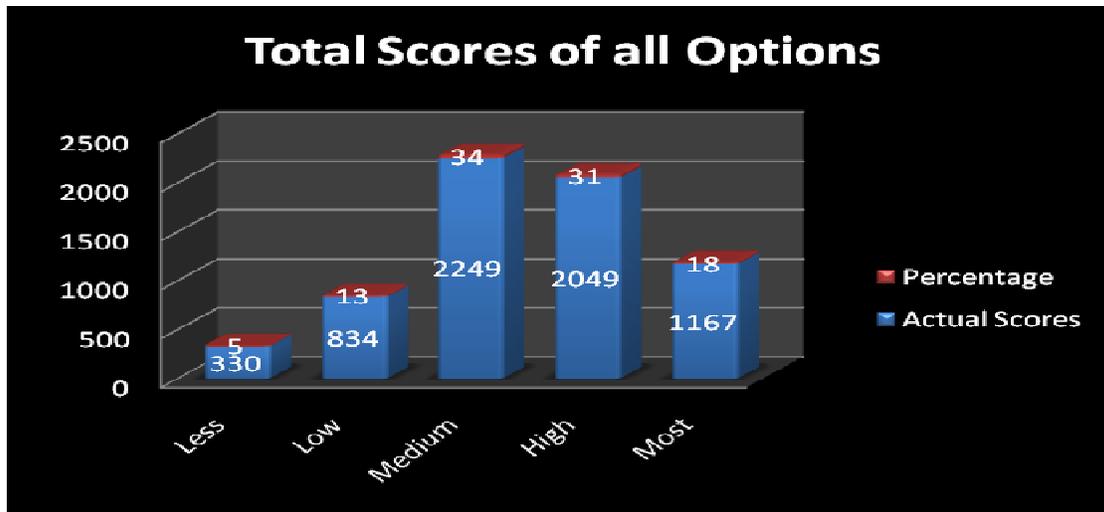


From the total of 280 respondents, 17% (or score of 378) of them strongly agree that all the parameters have greater influence over the consumption pattern among the GCBS students as given by James Duesenberry in his theory about the demonstration effect. In addition, majority (35% or score of 791) of the total respondents agree that all the factors or the determinants of the study have effect on the consumption pattern of the college students as per the theory. On the other hand, 22% (17% D + 5% SD) disagree that these factors have an effect on their consumption pattern.

Now as a little more than half of the respondents, 52% (17% SA + 35%A) feel that these factors or determinants have an effect on the consumption pattern it is concluded that demonstration effect is very effective among the students of GCBS.

The Marketing Mix Analysis: Part B

See Table 2 at appendix



As discussed, the marketing mix analysis studies the 4Ps (elaborate the 4ps again for clarity) while deciding the purchasing habit of the students. For this purpose we have taken the grand total scores of 4Ps and calculated its percentage to further simplify it. From this we can say that 34% of the respondents shared that marketing mix factor will have neutral effect on the demonstration effect among the GCBS students.

We can see that 49% (31% high + 18% most) respondents believe that place, product, promotion and price factors is very important while considering the consumption pattern and the buying decisions while 18% (5% less + 13% low) shared that 4Ps are not very important for the same. Since the students are aware of the importance of 4Ps, they will try to be rational about their purchasing habit and then act upon it. Buying decisions by the students will be logical and realistic thus, controlling demonstration effect and enhancing their academic performance and stress level. Therefore, 4Ps taken as a whole and if students considers it properly before taking consumption decision, then demonstration effect among the GCBS students will be controlled.

4.2 Hypothesis Testing:

Hypothesis testing is conducted to find out whether demonstration effect has an impact on the stress level of the GCBS students which could in turn have an effect on their performance level.

Setting up the hypothesis

H_0 = Demonstration Effect is not effective in GCBS

To check whether each of the parameters/determinants identified has effect on the effectiveness of Demonstration Effect, we have following null hypothesis. We have framed hypothesis for marketing mix and divided the eight determinants in two groups – Internal Pressure (Ego and Self Esteem, Fashion and Sociability) and

External Pressure (Peer Influence, Advertisement, Cultural Influence, Celebrity Influence and Parental Influence).

H₀= Internal pressure does not affect the effectiveness of Demonstration Effect in GCBS

H₀= External pressure does not affect the effectiveness of Demonstration Effect in GCBS

H₀= Marketing Mix factors does not affect the effectiveness of Demonstration Effect in GCBS

H₁= Demonstration Effect is effective in GCBS

The alternative hypothesis for the marketing mix factors, internal pressure and external pressure are;

H₁= Internal pressure affect the effectiveness of Demonstration Effect in GCBS

H₁= External pressure affect the effectiveness of Demonstration Effect in GCBS

H₁= Marketing Mix factors affect the effectiveness of Demonstration Effect in GCBS

Setting up of significance level (α)

The significance level is taken as 5%. The main reason behind selecting the significance level at 5% is that we have assumed this percentage of the total respondents will give either false responses or ignore some of the questions put forwarded in the questionnaire format. At this significance level, our confidence level stands at 95% (computed below) meaning that this percentage of the total respondents will give true information or will be sincere in answering the questions.

Determining the critical/confidence region

The formula for choosing the critical region is;

100(1- α) % where, α = significance level

Therefore critical region= 100(1-0.05) %

$$= 100*0.95\%$$

$$= 95\%$$

Therefore, the confidence or the critical region for the purpose of testing our hypothesis is determined at 95%.

Computations

The formula we have used for testing the hypothesis testing is that of z test as follows:

$$z = \frac{p - \Pi}{\sqrt{\frac{p(1-p)}{n}}}$$

Where, p = Proportion of respondents for Disagree and Strongly Disagree to total respondents

Π = Probability of Demonstration Effect being effective

n = Number of respondents

For Internal Influence

As we have divided the determinants into two groups – internal and external pressure, we have separate hypothesis testing for all the determinants under these two heads as:

H₀= Internal pressure does not affect the effectiveness of Demonstration Effect in GCBS

a. Ego and Self Esteem

$$z = \frac{p - \Pi}{\sqrt{\frac{p(1-p)}{n}}}$$

$$p = \frac{40}{280} = 0.143$$

Therefore,

$$z = \frac{0.143 - 0.5}{\sqrt{\frac{0.143(1-0.143)}{280}}} = -17.85$$

Since, the computed value of $z = -17.85$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance for two-tailed test, therefore the hypothesis is rejected. Hence, there is a significant effect of ego and self esteem on the effectiveness of demonstration effect in GCBS. From this we can say that ego and self esteem will strongly affect the Demonstration Effect among the GCBS students since the variation is too strong in terms of the z value (difference of 15.89 or more).

b. Fashion

$$p = \frac{74}{280} = 0.264$$

Therefore,

$$z = \frac{0.264 - 0.5}{\sqrt{\frac{0.264(1-0.264)}{280}}} = -8.91$$

Since, the computed value of $z = -8.91$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of fashion on the effectiveness of demonstration effect in GCBS. The variation in terms of fashion is high and this can conclude that Demonstration Effect is fairly strong in terms of fashion among the GCBS students. The changing

fashion will tend to affect the consumption pattern among the students contributing to demonstration effect, but in the case of GCBS, consumption pattern is low in terms of influence from changing fashion.

c. Sociability

$$p = \frac{21}{280} = 0.075$$

Therefore,

$$z = \frac{0.075 - 0.5}{\sqrt{\frac{0.075(1 - 0.075)}{280}}} = -30.36$$

Since, the computed value of $z = -30.36$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of sociability on the effectiveness of demonstration effect in GCBS. The greater variation in the critical value of z is because of the fact that most of the respondents feel that demonstration effect is very effective in GCBS in terms of sociability factor. The general perception of the student is that getting along with the society and the people is necessary to uplift ones social status. These perceptions of the students force them to increase their degree of consumption pattern aligning with that of people around them, contributing to high degree of demonstration effect effectiveness.

For External Influence

H₀= External pressure does not affect the effectiveness of Demonstration Effect in GCBS

a. Peer Influence

$$p = \frac{71}{280} = 0.254$$

Therefore,

$$z = \frac{0.254 - 0.5}{\sqrt{\frac{0.254(1 - 0.254)}{280}}} = -9.28$$

Since, the computed value of $z = -9.28$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of peer influence on the effectiveness of demonstration effect in GCBS. We feel that one's friend is one of the influential characters in our lives to change our buying decision. The variation in the critical value of z indicates that there is significant effect of peer influence on the effectiveness of demonstration effect among the GCBS students.

b. Advertisement

$$p = \frac{63}{280} = 0.225$$

Therefore,

$$z = \frac{0.225 - 0.5}{\sqrt{\frac{0.225(1 - 0.225)}{280}}} = -11.22$$

Since, the computed value of $z = -11.22$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of advertisement on the effectiveness of demonstration effect in GCBS. From the computed value of z at 5% level of significance, effectiveness of demonstration as a result of advertisement is moderately high.

c. Cultural Influence

$$p = \frac{110}{280} = 0.357$$

Therefore,

$$z = \frac{0.357 - 0.5}{\sqrt{\frac{0.357(1 - 0.357)}{280}}} = -3.57$$

Since, the computed value of $z = -3.57$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant affect of cultural influence on the effectiveness of demonstration effect in GCBS. Critical value of -3.57 shows that the demonstration effect as a result of foreign cultural influence is effective in GCBS but the effectiveness is not very high compared to other factors of consumption pattern among GCBS students.

d. Celebrity Influence

$$p = \frac{81}{280} = 0.289$$

Therefore,

$$z = \frac{0.289 - 0.5}{\sqrt{\frac{0.289(1 - 0.289)}{280}}} = -7.96$$

Since, the computed value of $z = -7.96$ is more than the critical value of $z = \pm 1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of sociability on the effectiveness of demonstration effect in GCBS. With the same assumption like others, it can be said that the effectiveness of demonstration effect does prevail in GCBS in terms of celebrity influence to consume but the degree of effectiveness is slightly lower.

e. Parental Influence

$$p = \frac{30}{280} = 0.107$$

Therefore,

$$z = \frac{0.107 - 0.5}{\sqrt{\frac{0.107(1 - 0.107)}{280}}} = -2.27$$

Since, the computed value of $z = -2.27$ is more than the critical value of $z = +/-1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of parental influence on the effectiveness of demonstration effect in GCBS. Since there is not much variation between the computed critical value and the actual critical value at 5% level of significance, it can be concluded that the effectiveness of demonstration effect is temperate regarding the parental influence to consume among GCBS students.

For Marketing Mix

H0= Marketing Mix factors does not affect the effectiveness of Demonstration Effect in GCBS

i. Place factor

$$p = \frac{307}{1837} = 0.167$$

Therefore,

$$z = \frac{0.167 - 0.5}{\sqrt{\frac{0.167(1 - 0.167)}{1837}}} = -38.28$$

Since, the computed value of $z = -38.28$ is more than the critical value of $z = +/-1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of place factor on the effectiveness of demonstration effect in GCBS. Demonstration effect as a result of place factor influencing purchasing decisions of GCBS students is very high because the variation/difference between the actual and computed z value is very high. This indicates that consumption pattern of the students are predominantly determined by place factor where they feel comfortable due to location proximity, décor of the store, etc.

ii. Price factor

$$p = \frac{99}{1048} = 0.095$$

Therefore,

$$z = \frac{0.095 - 0.5}{\sqrt{\frac{0.095(1 - 0.095)}{1048}}} = -45$$

Since, the computed value of $z = -45$ is more than the critical value of $z = +/-1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of price factor on the effectiveness of demonstration effect in GCBS. Since the computed value of z is -45 , we feel that demonstration effect is very effective in terms of product factor because we feel that students of GCBS do not consider the price factor very seriously while making purchase. They do not reason with the price of the product while purchasing, rather they go for other factors to decide their purchasing decision.

iii. Product factor

$$p = \frac{212}{1914} = 0.111$$

Therefore,

$$z = \frac{0.111 - 0.5}{\sqrt{\frac{0.111(1 - 0.111)}{1914}}} = -55.02$$

Since, the computed value of $z = -55.02$ is more than the critical value of $z = +/-1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of product factor on the effectiveness of demonstration effect in GCBS. We feel product factor is very important while doing purchase but the general perception of the students' of GCBS states that product factor is not that important. The computed value of z value at -55.02 , we feel that demonstration effect due to product factor is very effective.

iv. Promotion factor

$$p = \frac{546}{1830} = 0.298$$

Therefore,

$$z = \frac{0.298 - 0.5}{\sqrt{\frac{0.298(1 - 0.298)}{1830}}} = -20.20$$

Since, the computed value of $z = -20.20$ is more than the critical value of $z = +/-1.96$ at 5% level of significance, therefore the hypothesis is rejected. Hence, there is a significant effect of promotion factor on the effectiveness of demonstration effect in GCBS. In this case, the demonstration effect is very effective due to the fact that computed value of $z = -20.20$ which is comparatively higher as compared to the actual critical value of ± 1.96 at 5% level of significance or the confidence level.

Final decision to hypothesis testing

The decision to our hypothesis testing is regarding our main hypothesis. Since all the support hypothesis of the identified parameters and the marketing mix factors are rejected with hypothesis testing using z-test, the main hypothesis is rejected. This indicate that our null hypothesis “*Demonstration effect is effective in GCBS*” will be accepted but the fact remains that there is variations in computed value of z and he actual value of z at 5% level of significance contributing to varying degree of effectiveness of Demonstration effect given by James Duesenberry.

4.3 CONCLUSION

Demonstration effect has long been a theory used by researchers to understand the interdependence of individuals and how they can be each other’s source of influence. This research has studied the presence of this effect among the students and the possible outcomes of the effect. It has also studied the basic human behaviour when it comes to buying products and their desire and what would possibly invoke these desires.

The research concludes to be a source of information to the students of GCBS and students from other colleges in understanding the factors that influence their buying behaviour. It also aims at serving as a guide to the students to keep track of their spending and to learn the ways in which they can spend smarter and save better. Through the analysis and the findings in the research concludes to serve as a platform for GCBS students to further conduct researches on the James.S, Duesenberry’s demonstration effect so that the theory may be applied in other subject matters.

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Appendix 1

TABLE 1

Scores

	SE*	%	F*	%	S*	%	PI*	%	Ads*	%	C*	%	Ce*	%	P*	%	Total	%
SA*	51	18	45	16	95	34	37	13	18	6	32	11	24	9	76	27	378	17
A*	116	41	84	30	124	44	98	35	106	38	60	21	94	34	109	39	791	35
NAD*	73	26	77	28	40	14	74	26	93	33	78	28	81	29	65	23	581	26
D*	31	11	59	21	18	6	62	22	52	19	80	29	62	22	25	9	389	17
SD*	9	3	15	5	3	1	9	3	11	4	30	11	19	7	5	2	101	5
	280		280		280		280		280		280		280		280		1000	

(SA=Strongly Agree, A=Agree, NAD=Neither Agree nor Disagree, D=Disagree, SD=Strongly Disagree, SE=Self Esteem, F=Fashion, S=Socialability, PI=Peer Influence, Ads=Advertisement, C=Culture, Ce=Celebrity, P=Parental In

Appendix 2

TABLE 2

	Place		Product		Promotion		Price				
	Scores	%	Scores	%	Scores	%	Scores	%			
Less	83	5	64	3	152	8	31	3	330	5	1
Low	224	12	148	8	394	22	68	6	834	3	3
Medium	705	38	549	29	700	40	295	28	224	3	3
High	501	27	701	37	440	24	407	39	9	4	3
Most	324	18	452	24	144	6	247	24	116	1	1
Total	1837	100	1914	100	1830	100	1048	100	662	9	8

PROBLEMS AND PROSPECTS OF BHUTANESE FILM INDUSTRY

By:

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ABSTRACT

The upcoming Bhutanese Film Industry seems to have potential to act as a medium to exhibit the Bhutanese culture around the world if it captures a part of share in the international market. However, there are many factors which would hurdle its growth. This research identifies four factors namely, quality of the films, piracy issues, theatre constraints and lesser audience, which seem to hurdle the growth of Bhutanese film production at current phase. In this research, the researchers studied about, to what extent these factors affect the film productions, based on the opinion of viewers, producers and governing bodies. The viewers in this research comprises of the viewers within the city of Thimphu only. This is with the assumption that it represents the typical character of the Bhutanese film viewers. Considering these views, the research has found out that the quality, piracy and audience do exist in the Bhutanese Film Industry and it affects on an average but the problem of theatre shortages is affecting the growth of film industry with relatively greater magnitude.

Keywords: *Bhutanese Film industry, piracy, quality, theater constraints etc.*

1. Introduction:

Media is fairly a young development in Bhutan and it plays a very vital role in the emergence of the entertainment branch popularly the Bhutanese Film Industry. As article in trekkingbhutan.com (2009) reports that the concept of the media, as a player in the growth of modern society began in Bhutan in mid 1980s, with the establishment of first Bhutanese newspaper, Kuensel and the Bhutan Broadcasting Station. It further states that in recent days, Bhutanese media has grown in all its forms and also as the Constitution of Bhutan enables the establishment of freedom media, Bhutan's media policy is the sable press in a competitive environment. Hussain (2007) observed that government emphasizes that the media must continue to grow in professionalism to fulfill its role as to Inform, Educate and Entertain' the people of Bhutan. And to do so media is joining hands with the infant Bhutanese film industry because films are considered as one of the strongest channel through with a wide range of people irrespective of their differences gets informed resulting in both the fulfillment of the media responsibility towards the government as well as the good sale of the films.

With the development in infrastructure, technology and many other things all around the world it seems to result in the dramatic change in the overall performance of the businesses irrespective of its size and type. When asked to the producers through our interview about the changes taking place in Bhutan, her film industry is also not backward; it

has come a long way from the making of colorless Gasa Lamay Singye to the modernized and colorful films Gasa Lamay Singye - II. Bhutan being largely isolated and having less exposure to the outside world until recently, Bhutan's dalliance with films began only in 1989 (Hussain, 2007).

According to Sherub Gyeltshen, general secretary of MPAB with the making of a film titled Jigdre in the year 1997 it has transformed the movie scenario in Bhutan as it led to the introduction of an industry and also gave the star the status of the actor. Also with the Khyentse Norbu's film titled Phorpa or the Cup - a true story of a young Buddhist monk's impious obsession with watching the world cup soccer finals on TV - actually gave the Bhutanese Film industry's introduction in Hollywood (Hussain, 2007). Moreover, it also talks about it bringing home, awards from the Pusan, Munich and Toronto film festivals and the film maker was popularly recognized as 'a born filmmaker'.

Digital camera plays a major role for the Bhutanese film production according to a cameraman in Yoezer Drayang Production. With the population of only about 700,000, Bhutan has just one cinema in Thimphu which was set up in around 1969 according to the theatre manager of the same theatre and seven others in different parts of the country came up later. Most of the films in the past were based on the traditional folklore, legends, culture and history, however, Hussain (2007) challenges the view that the Industry now has step into modernization bringing the movies with the fusion of both Hollywood and Bollywood which proves very influential on Bhutanese youth today.

Ugyen (2007) discussed that Bhutanese Film industry with a budget amounting to 50 million in Ngultrum and 1.2 in dollars has about 100 producers with 55 among them from the association and around 200 people including the crew members earning their livelihood from the infant film industry in Bhutan. In addition to that Bhutanese film industry was able to influence Bhutan's youth to such an extent that, young talents of Bhutan prefer the film line as their career.

Even though a lot of changes have taken place in the industry, it has been observed that the commitments of the producers and zeal to make films based on the country's culture and tradition is given the highest priority. Since the establishment of the industry, it has now become an important part of every one's life as it brings so much entertainment and awareness to the people in all aspects. This has enabled the industry to hold an event popularly known as "The Bhutan National Film Awards" which is organized by the Motion Picture Association of Bhutan where various actors entertain their viewers with various dances blazing the night with full swing (Ugyen, 2007). Each year the awards tend to break the records as the numbers of film that compete for the awards almost doubled compared to the previous years.

Bhutanese movies have caught the attention of the audience at large thus setting a higher standard for the Bhutanese Film Industry. With the emergence of new technology and professionalism in the Film Industry, researchers expect that more and more Bhutanese Movies would break into the Global Market in future. There is a potential in Bhutanese Film Industry to create an employment opportunity to major chunk of Bhutanese youth in various area of filming profession, and potential to exhibit the Bhutanese culture worldwide and contribute to the growth of Bhutan's GDP. However, we can sense that there are certain problems that hurdles the upcoming film industry which need to be addressed. These facts

have created an interest in making this research on the Problems and Prospects of the Bhutanese Film Industry and to provide a picture to those concerns about its development.

The observations were made to conduct this research and framed four factors, particularly for this research, which seems to affect the Bhutanese film industry, although researchers believed there may have others too.

- i. Quality of the films produced
- ii. Piracy issues in the Bhutanese Film Industry
- iii. Less number of theaters
- iv. Lesser audience

i. Quality of the Films Produced

It has been observed that the Bhutan's film maker seems to lack sufficient skills and qualified knowledge when compared to the other country. Owing to this they may not be able to provide the audience with quality movies. One such evidence is producers in other countries are able to make the movies in Celluloid format and in Bhutan people make it in Digital Format which makes the difference in the quality. It also says that Celluloid is at least 8 to 9 times more expensive and of high quality when compared to the Digital format.

ii. Piracy Issues in the Film Industry

Dorji & Yeshey (2009) argued that due to the result of uncontrolled violation of copyright laws in Bhutan, pirated versions of Bhutanese movies and music albums have flooded the market. They added that the film producers and local artists were feeling frustrated, as they are likely to incur huge losses due to non-payment of royalties. Thus, the piracy has been considered as a leading issue and problem affecting Bhutanese Film Industry in this research.

iii. Less number of theaters

It would not be wrong to deduct that Bhutan lacks the theater facilities as it is well known to every one. Despite having an available film produced, most of the films are screened in the schools and colleges. As of now Bhutanese Film Industry have only two theaters in Thimphu, one in Phuentsholing, two in Paro, one in Samdrup Jongkhar and one in Samtse. So less number of theaters is also one of the problems faced by the Bhutanese Film Industry as per the observation.

iv. Lesser audience

Bhutanese Film Industry seems to face a disadvantage of limited audience for Bhutan being a very small country with a population approximately about 700 thousands. In addition to it, most of the people seems not able to get access to the movie theaters as major portion of

our citizens are located in the remote part of Bhutan where there may not have such facilities. Lesser audience could also be resulted from the poor interest shown by the Bhutanese youth. Since most of the Bhutanese youth today are exposed to the foreign movies, they usually tend to comment about the low quality of the Bhutanese films and tend to comment that the Bhutanese movies are mostly copied from foreign movies. For example: people talk about the Bhutanese film titled “The Rose” has been copied from a Korean movie titled “ My Sassy Gal”, “ Rangdel and Yangdon” from “Romeo and Juliet”, and many more.

2. Objective of the study:

1. To identify the problems that hurdles on the growth of Bhutanese Film Industry
2. To study the magnitude of the problems identified
3. To study the future prospects of Bhutanese Film Industry through addressing such problems

3. Research methodology:

This research is an exploratory research which tries to answer the above objectives by asking to 274 persons. This includes the viewers (172), producers, artists, directors, and regulatory authority. Officials from three organizations of BICMA, MPAB, and IPD were interviewed for acquiring other necessary information regarding Bhutanese Film Industry. Researchers have used the Statistical Package for Social Science (SPSS) version 11.0 to process the data and generate the tabulations and graphical presentations. On other hand, the voice of the interviewee is recorded in the Cell Phone during the time of the interview. Researchers have summarized the points by categorizing the common points in one heading and presented through their quotations.

The Karl Pearson’s Chi Square (χ^2) has been used to test the Hypothesis. Chi Square is one of the commonly used non-parametric tests and as such no rigid assumptions are necessary in respect of the type of population (Kothari, 2004, p.236). Since the questionnaire was not normally distributed, Researchers considered it as non-parametric and thus Chi-Square has been used to see whether their observed frequencies agree the expected frequencies through the technique of test of goodness of fit.

As discussed by Gupta (2005), if the calculated Chi Square value is lower than the Table value at particular level of degree of freedom (n-1) and significance level (0.05 in most of social researches), the observed frequencies are well fit with the expected frequencies and thus our assumptions are true (p.454). Kothari (2004) points out that in order to induct the Chi Square the following conditions must be satisfied (p.238):

1. Observations recorded and used are collected on a random basis.
2. All the items in the sample must be independent
3. No group should contain very few items, say less than 10
4. The overall number of items must also be reasonably large
5. The constraints must be linear

Having satisfied all these conditions, Chi Square test has been inducted to test the hypothesis. : (a) Quality, (b) Piracy, (c) Theatre and (d) Audience.

- (a) H_0 = Bhutanese Films suffers from low quality
 H_1 = Bhutanese Films have quality
- (b) H_0 = Bhutanese Film Industry is free from piracy
 H_1 = Bhutanese Film Industry faces piracy problem
- (c) H_0 = Bhutanese Film Industry has enough theatres
 H_1 = Bhutanese Film Industry face Theatre shortage
- (d) H_0 = Bhutanese Film Industry have less audience
 H_1 = Bhutanese Film Industry have audience

4. Analysis and findings:

4.1 Quality in the Bhutanese Films

The quality in this research pertains to the artists involved and the technology used while shooting the movie. The qualities of the artists are generally inborn talent but they can be groomed through trainings. When it comes to the quality of the technology, it is basically determined by the type of technologies used in film making. The Producers in the interviews accepts the statement of Robert (2009) that in the advanced countries, almost all the movies were made in a celluloid format while those made in Bhutan are all in digital format. Quality has huge effects on any product being marketed. Even while marketing a movie, the quality of the movie tends to determine the success of the movie in the market. Thus, keeping in mind the importance of quality in the movies, hypothesis has been made in this research stating that a Bhutanese film suffers from qualities issues.

It has been asked to the viewers' opinion on the existence of quality in the Bhutanese movies. After collecting the data we found that the null hypothesis was rejected which ultimately brought to the conclusion that in overall, most of the viewers feels that the quality of the Bhutanese movies is good as of now. The ratings given by the viewers are shown below in Table 1.

Table 1: Ratings for the quality of the Bhutanese movies

Condition	Frequency	Percent	Cumulative Percent
Valid Very low	4	2.3	2.3
Low	14	8.1	10.5
Average	87	50.6	61.0
High	32	18.6	79.7
Very high	11	6.4	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

Out of 172 people, 24 of them do not watch Bhutanese movies which equals to 14%. From the remaining people who watch Bhutanese movies, 11 of them felt that the qualities of the Bhutanese movies are very high. This comes to be 6.4%. Another 18.6% percent feel that the quality in the Bhutanese Movie is high. From 172 viewers, 50.6% percent which comes out to be 87 viewers feel that the quality in the Bhutanese movies is just on an average. 14 viewers or 8.1% feel that the quality in the Bhutanese Movies is low while 4 viewers or 2.3% of the viewers feel that the quality of the Bhutanese movies is very low. From these, researchers have concluded in general that the quality of the Bhutanese movies is good.

The producers stated that though the movies made so far do not meet the international standards, the quality had improved drastically when compared to the early ages of the Bhutanese films. Rinchen Namgay, one of the producers said, "We can't screen our movies in the theatres outside Bhutan due to the Poor quality" The producers claim that the main reason behind the lower quality in the Bhutanese Movies is due to unavailability of the equipments while shooting a movie starting from the type of cameras they use. Kinzang Wangchuk, a director and the proprietor of Yoezer Multimedia said, "The Bhutanese film makers can also meet the international quality but the returns in the Bhutanese markets are unable to meet the cost required for the quality." Despite being unable to meet the international quality, the quality of the Bhutanese movies is coming up which is a positive sign for the Bhutanese film industry for its future prospect. However, for the trainings of crew and shooting scenes, all the producers suggests a need of Film City in Bhutan which would help them in minimizing the costs.

In the interview with Sherab Gyeltshen, the General Secretary of MPAB, the Government of Bhutan is also helping the film crews by sending them to international seminars such as the Asian Academy of Film and Television (AAFT) in Film City, Noida in the year 2007 where the Bhutanese delegation included some of the members of MPAB. The Bhutanese delegation was selected by BCCI in collaboration with the MPAB. Similarly, the members of MPAB have attended a seminar in Thimphu which was held from 1/10/10 to 10/10/10. This seminar was conducted by a group of experts from Happy Valley Theatre based in Austria. So, conclusions can be made that the government is also actively participating in order to bring up the quality of the Bhutanese movies.

4.2 Piracy Issues

The Term ‘Piracy’ is defined in Oxford Dictionary as “the use or reproduction of another’s work without permission.” Piracy has been recognized as one of the main uncontrollable problem in the film and audio producing industry in all the parts of the world. Even the Hollywood and Bollywood movies are badly facing the piracy problems as researchers reviewed a literature.

People were made to rank on to what extent does the piracy problem exists in the Bhutanese film industry and Table 2 has been obtained:

Table 2: Level of Piracy Issues in Bhutanese Film Industry

Conditions	Frequency	Percent	Cumulative Percent
Valid Very low	5	2.9	2.9
Low	19	11.0	14.0
Average	51	29.7	43.6
High	51	29.7	73.3
Very high	22	12.8	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

It was found that there is equal proportion between numbers of people who feels piracy problem is at average, and who feels that piracy problem is high. However, majority have rated above the average which means that the piracy problems do exist in Bhutanese Film Industry. The possible reasons could be because some of them lack knowledge about the concept of piracy.

Through the survey, researchers have tried to find out from where do most of the people watch the Bhutanese movies and have found the results in Table 3:

Table 3: From where viewers watch the movies most of the time

	Frequency	Percent	Cumulative Percent
Valid From the Theatres	65	37.8	37.8
From my own laptop/desktop	33	19.2	57.0
At home through CD/DVD players	45	26.2	83.1
Any other	5	2.9	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

Although majority of people watch the Bhutanese Movies from the Theatres, there still exist some who watch from their own laptop/desktops at home. These movies probably might be the pirated ones in support of aforementioned statement. Hence it is concluded that the piracy do exist even in Bhutan as how the piracy exist with Indian and Chinese film industry as discussed by Roberts & Delta (2007). On other hand, through researchers' daily observations, almost all the students of Gaeddu College of Business Studies (GCBS) are having minimum two to three unauthorized movies in their laptops which support the point. Phuntsho Rabten, one amongst other film producers who were interviewed, states "There are no offices that I have visited which does not have a soft copy of the Bhutanese Movies on their Desktops". Sherab Gyeltshen, the General Secretary of MPAB, Further opined that as the technologies are getting more and more sophisticated such movie clips can be transferred without a wire through a thin air. Therefore it is impossible to eradicate the piracy if every one does not take a step against it. Hence, it seems as an expectation of the MPAB that all the citizen of Bhutan should take a responsibility in minimizing the piracy and save the growth of Bhutanese film industry.

There are 26% of people who watch Bhutanese movies from CD/DVD. Owing to this, researchers are interested to see from where they purchase such disk. Hence Table 4 was obtained.

Table 4: From where do you purchase the Bhutanese Movie (e.g. CD/CVC)?

	Frequency	Percent	Cumulative Percent
Valid From Bhutanese markets	55	32.0	32.0
<i>From cross boarder markets</i>	<i>23</i>	<i>13.4</i>	45.3
I don't buy at all	70	40.7	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

From Table 4, 23 of the people said they purchase the Bhutanese Movie from the cross border area which proves that the rejection of the null hypothesis was correct. Moreover, 70 of them said they don't buy at all which seems that they watch by sharing from others. Such shared might be from those who have purchased either from the Bhutanese markets or across the border. There are also 55 people who said they purchase the disk within the country. However, it cannot be ensured whether this CD/DVD is pirated or not.

Producers accept that there are many pirated Bhutanese movie CD/DVD available across the Indo-Bhutan borders. However, they feel that eradicating the piracy issues across the border area is difficult from them and hence, the government should take active role in it.

Interview has been conducted with Mr. Sonam Wangchuk, the Director of Intellectual Property Division (IPD) along with the Joint Director to discuss about the current scenario of piracy. They stated that the Copy Right Act of Kingdom of Bhutan, 2001, is applicable within the Bhutanese territory only. Therefore, it is difficult to go their hand beyond the territory. They, however, added that there is possible for them to have a discussion with the Indian Government for protecting such piracy but the question of how did the violators get the copy is unexplained from the producers. Moreover, the consumer of such pirated copy being the Bhutanese citizen it became awkward to have discussed. They opine that the distribution channel of the producers seems ineffective and leaking the copies. This therefore becomes the responsibility of producers themselves to have proper distribution channels.

The constant efforts are found to be made by the IPD to minimize the piracy issues which are arising within the Bhutanese territory. Jigmi Wangchuk popularly known as Jigmi Ring, an actor, states "government is trying it best against the piracy but no success". According to the Director of IPD, it is the notion of the producers that every thing should be done by the government but in fact, the film makers have legal tools themselves, and they have to frame strategies to trace out from where their movies are being leaked and get pirated. The Joint Director of IPD cites an example "as how you catch the thief yourself and hand over to the police, producers have to catch out the infringer themselves and then bring it to us for necessary action".

4.3 Theatre Constraints in Bhutan

While testing the Hypothesis that film producers are not facing the theatre shortage, the hypothesis got rejected satisfying the point that the present number of theatre is a problem to the growth of Film Industry. The survey question has obtained the result shown in Table 5 from the general public regarding whether the current number of theatre seems very low, low, average, high or very high.

Table 5: Ratings for the present Movie Theatre in Bhutan

	Frequency	Percent	Cumulative Percent
Valid Very low	18	10.5	10.5
Low	69	40.1	50.6
Average	30	17.4	68.0
High	27	15.7	83.7
Very high	4	2.3	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

From Table 5, majority of the people opined that the present number of movie theatre is insufficient. It is found that 40.1% of the people have rated 'low' regarding the number of theatre. And there is only 2.3% who supported remarkably on theatre existence in Bhutan. Therefore from Table 8, it has been concluded that maximum weight has been given to 'low' and minimum weight has been given to 'high'.

Sherub Gyeltshen, General Secretary of MPAB stated in interview "till now there is no government support in solving the theatre problem. The government agrees to provide land for constructing theatres in each Dzongkhag but the place is not yet fixed." Majority of the film producers added that one problem in Bhutanese Film Industry is theatre where they have to wait in queue for more than 3 to 4 month to screen their movies.

"MPAB and BIMCA have made a proposal to government for theatre construction but still not put into action" adds Sherub Gyeltshen. He added that they raise this issue in every meeting in MPAB but there seems to have no solution as they have to depend on government for land and for financial support. However, it was found that MPAB and BICMA are trying level best to bring more theatre.

As per the opinion collected from the viewers a conclusion is drawn that for the majority of the viewers feels existing number of theatre is low. Similarly for producer, theatre is the main problem for their business. Researcher also opines that there need to have other theatres because Bhutanese film industry is in childhood stage, it need to grow and go internationally.

4.4 Audience turnover for Bhutanese movies

As always say that the ability to gain more customers makes business success, this research find out whether the Bhutanese film industry is lacking their customers or not. Setting the hypothesis stating there are low viewers (customers) for Bhutanese Movies, and

hypothesis got rejected. This means that there are people who like to watch Bhutanese movies.

Through the Questionnaire distributed to 172 people in Thimphu 86% of them turned to be the viewers of Bhutanese films against only 14% who never watch. This is shown in Figure 2. Further question has been asked to opine to what extent they think that the audience turn up for the Bhutanese movies every time. For this, the results have been obtained in Table 6.

Figure 1: Do you watch Bhutanese Movies

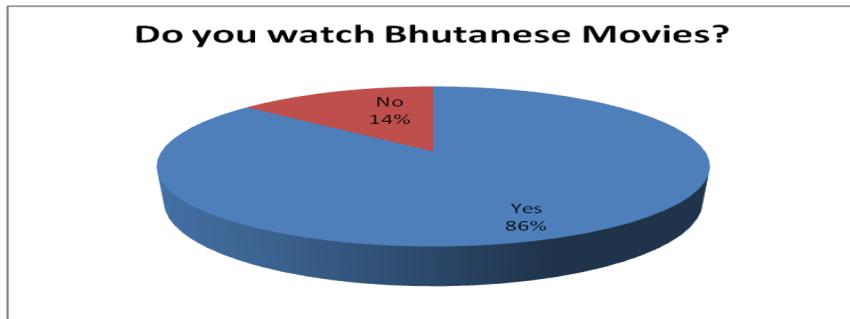


Table 6: Ratings of audience turnover for every show in Theatres

	Frequency	Percent	Cumulative Percent
Valid Very low	2	1.2	1.2
Low	12	7.0	8.1
Average	59	34.3	42.4
High	49	28.5	70.9
Very high	26	15.1	86.0
Who do not watch	24	14.0	100.0
Total	172	100.0	

Table 6 shows out of 172 respondents, 34.3% feels that the Bhutanese film industry has an average customer. 28.5% feel that the Bhutanese Movies has a good number of audiences and 15.1% of them feel that the number of audience who watch Bhutanese Movies is very high. Moreover, 7% of them feel that, there are a less number of people watching Bhutanese movies and very few opined that the number of audience is very low.

Major portion of the respondents have weighted above average with regard to the number of audience for the Bhutanese movies. It concludes that the Bhutanese Film Industry

is not really facing the low audience turnover. Theatre manager at Trowa Theatre opines that previously movies were screened once in every day of a week but today with the increase in number of audience the movies were screened twice in a day, i.e., one as evening show at 6:00 p.m and one at 9:00 p.m as night show. This indicates that the Bhutanese film industry has a good number of viewers.

In the interview, Director of Ken Den production, Jigme Wangchuck, said, “When I entered as a member of the Bhutanese Film Industry in 2003, there are less number of movies screened in Thimphu and film makers are lucky to have more number of customers but today there is a great competition amongst producers to attract more number of customers.” He further added that government is restricting them from making films that can attract more number of customers.

A vexing question is; are the Bhutanese youth interested in Bhutanese Movies? Through the survey out of 172 respondents 133 of them opines that Bhutanese youth are also taking interest towards the Bhutanese movies in these days. Dechen Dorji, a producer cum director, in an interview opines “our main target is the youth and we are making every film in line with their preference. However, we don’t have freedom to change the language and styles in the films which is liked by the youth rather we have to stick to the rules framed by BICMA.” Phuntsho Rabten another producer supports his statement saying “we have to present our film to the review board as they wants to put the Bhutanese Culture at the heart, preserve it, and pass the good message to the younger generation. This cut down the number of our customers who in fact want movies with so many disco scenes, romance and dramas that are irrelevant to Bhutanese context.”

Figure 2: Ability of Bhutanese Movies to meet taste and preference of viewers

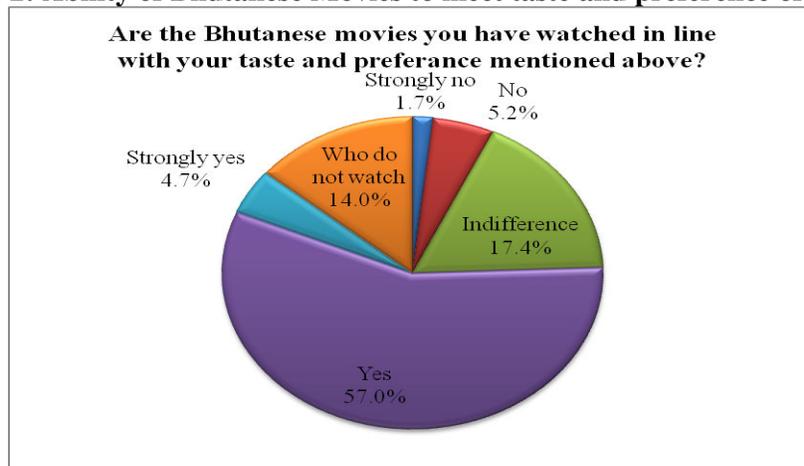


Figure 3 clearly shows the Bhutanese Film makers keep the public’s interest in mind while making films. Out of 172 respondents, 98 of them accept that Bhutanese movies which they have watched so far were in line with their taste and preference. This indicates that Bhutanese Movies were made keeping in view the interest of an audience.

This research therefore concludes that there is no much problem of audience to Bhutanese Movies since majority of Bhutanese Movie is in line with the taste and preference of the customers. This leads to reject the null hypothesis which states that there is lesser audience for Bhutanese Movies.

4.5 Hypothesis Test Result

Table 7: Karl Pearson’s Chi Square values

	Quality	Piracy	Theatre	Audience
Chi-Square ¹	159.465	59.907	82.860	82.023
d.f	5	5	5	5

As per the test statistics in Table 7, the calculated Chi-Square values for all the four factors are higher than the table value of 11.070 at the degree of freedom of 5 and significance level (α) of 0.05. Hence the entire null hypothesis mentioned above is rejected as mentioned by Gupta (2005) satisfying all four alternative hypotheses ignoring the Type-I error². Thus researchers came to a conclusion:

- a) Bhutanese Films have quality to some extent
- b) Bhutanese Film Industry do face piracy problem.
- c) Bhutanese Film Industry faces Theatre shortages.
- d) Bhutanese Film Industry has no significant problem in getting an audience.

The survey questionnaire for this research consists of a scale which range from 1 to 5 in order to measure, at what extent these factors exists in the Bhutanese Film Industry. In the scale, 1 represents very low, 2 represents low, 3 represents average, 4 represents high and 5 represents very high. 148 people, who watch Bhutanese movies out of sample size 172 people, gave the following ratings

Table 8: Central Tendencies of the given factors

	Quality	Piracy	Theatre	Audience
N	172	172	172	172
Mean	4.02	4.22	3.43	4.33
Mode	3	3 ³	2	3

¹ No cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 28.7.

² Type-I error refers to situation when H_0 is true but we have rejected.

³ Multiple modes exist. The smallest value is shown

Std. Deviation	2.149	2.143	2.438	2.069
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We can see from the above statistical table showing the various measures of central tendency and to the Mode in particular, that maximum people have rated average (i.e. 3) in case of Quality, Piracy and audience which means that these factors are affecting the Film Industry in average. However, the maximum people rated low in terms of Theatre which would mean that the theatre problem is affecting very hard.

5. Conclusion:

Besides being a very small and an isolated country, Bhutanese Films were able to make its mark in the international market although it may be temporary. So to make this appearance last long, BFI has to work harder on their difficulties like the four problems as indentified above and also on the other development

As said in the interview by Phuntsho Rabten, a producer of the feature film “The Song of Wind”, based on the content of the film, the Bhutanese industry can really get into the international market like Khentse Norbu’s “Travelers’ and Magicians” and ‘Phorpa’ or the Cup which actually gave the Bhutanese Film industry’s introduction in Hollywood and brought home an awards from the Pusan, Munich and Toronto film festivals.

Bhutan is well known for its rich and unique culture to the outside world as described by Hussain (2007). With this, Bhutanese Film industry has very good opportunity to prosper in the international market as BFI’s commitment towards enriching the country’s culture is seen as a trademark. Most of the producers feel that Bhutanese films can be very successful at international levels if the film makers were able to represent the nation in terms of culture and tradition. Rinchen Namgay, the producer of the film "Yethro Lham" said, "If the Bhutanese producers make films on legends such as that of “Pemi Tshewang Tashi”, it’s a guaranteed success at international market." Moreover, he stressed on the need of originality of the films. HE states an example on Ballad of “Pemi Tshewang Tashi”, where there is no need to borrow any songs for other movie and it can represent true Bhutanese culture to the world. But the problem is that the producers are not in the position to meet the cost required to make such movies.

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Globalisation and Jobless Growth

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Abstract

Globalisation in its current phase was expected to generate more employment not only directly but also indirectly through expansion of trade, income, FDI, etc. But for many developing economies of the world, this expectation could not be realised during the last two decades of its operation and in particular, it has resulted in to a jobless growth which often led to a voiceless and ruthless growth ultimately resulting into a futureless growth.

The question of human rights protection in the field of employment under globalisation for women in EPZs in particular, is also important. This includes feminisation of poverty and subsequent denial of human rights.

This paper introduces these problems and attempts to depict them at different levels and emphasises on the experiences of India which is the habitat of one-sixth of humanity. The paper organises as follows: Introduction; Globalisation and Jobless Growth- A Global Scenario; Globalisation and Jobless Growth- The Indian Case Study; and Conclusion and Policy Prescriptions to meet the Challenges.

Key Words: Jobless Growth, Truncated Globalization, and Feminization of Poverty

1. Introduction

The UN Report 2007 on the World Social Situation has highlighted on the crucial role of productive employment and decent work in reducing poverty and promoting social development. This Report, entitled 'Employment and Social Imperative', has examined the concept of full and productive employment and its relationship to socio-economic security highlighting the vital importance of employment in achieving the goal of poverty alleviation in particular. The term 'jobless growth' is a paradoxical one as our economic teachings predict a positive relationship between economic growth and creation of employment or jobs. And, it is also universally accepted that employment generation is the surest anti-dote to absolute poverty which is extremely difficult to remove through subsidies and/or doles. About globalisation, ILO has stated that 'our primary concerns are that globalisation should benefit all countries and should raise the welfare of all people throughout the world. This implies that it should raise the rate of economic growth in poor countries and reduces world poverty, and that should not increase inequalities or undermine socio-economic security

within countries (ILO 2004). In fact, globalisation is considered to be an integration process of national economies into the international economy and also as the engine of growth, technical advancement, raising productivity, enlarging employment and bringing about poverty reduction along with modernisation. But, unfortunately, today jobless growth is not merely a theoretical possibility, it is in fact a grim reality of increasing concern in the world of work in the last two decades since when globalisation has become a buzzword and the whole world has willingly or otherwise has accepted it as an established fact. The above report has examined the global trends of employment in this period and analysed jobless growth as one of the areas of increasing global concern to prove that this trend is resulting in most cases, in increased insecurity for workers. The impact of such trends of jobless growth on major social groups as well as the gender dimension of the changing labour market requires a thorough analysis. It has shown further that 'in the current phase of globalisation, labour markets have generated greater economic insecurity and greater levels of most acute forms of inequality, adversely affecting decent work and employment opportunities'. Hence it concludes that productive employment for all is not a policy option, but it is an imperative for the twenty-first century.

In our paper an attempt has been made to analyse the incidence of jobless growth as a consequence of the current phase of globalisation especially in the populous low-income developing countries like India. Of course, it does not mean that the process of the ongoing globalisation process has only negative impacts; but it is more or less clear that it does not affect all regions or all sections of the people throughout the world uniformly. Further, in many countries, the globalisation has been adopted as a package along with other requisites like privatisation and/or liberalisation (e.g., economic reforms programme of 1991 in India). Again, globalisation has been understood and interpreted differently by many and also implemented in different ways in different countries. This paper also tries to link this unhappy situation with other perverse forms of economic growth, viz., voiceless, rootless, ruthless and hence futureless forms of economic growth as defined more than a decade ago by the Human Development Report (HDR) 1995. In organising this paper, we shall after this introduction, discuss the global employment scenario under the globalisation era. In the next section we shall analyse the Indian case as it contains the largest number of poor in the world and extensive levels of open unemployment including underpaid, degraded, part-time, irregular and casual employment and disguised unemployment also. The final section is devoted to conclusion and policy requirements.

2. Globalisation and Jobless Growth: The Global Scenario

1995 is the year of acceleration of the on-going globalisation process with the formation of the World Trade Organization (WTO) which hopes for global prosperity through global expansion of trade in goods and services. It is really a coincidence that in the same year, the World Summit for Social Development at Copenhagen declared as its Commitment (No.3) 'to promote the goal of full employment as a basic priority...' Following this, the UN also has emphasised the role of productive employment in reducing poverty and promoting social development. After a decade, in 2005, in the World Summit, the world leaders again reiterated this as a central objective of their national and international policies. In 2006, the UN has included it as a target (goal 1) under Millennium Development Goals

(MDGs). However, this has its origin in the 1948 Universal Declaration of Human Rights, where it is stated (Art.23 (1)) that 'everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment'. But in reality we find that throughout the world, many people face sufferings 'in the form of unemployment and underemployment, poor quality and unproductive jobs, unsafe work and insecure income, loss of hard-earned rights, gender inequality, exploitation of migrant workers, lack of representation and voice, and inadequate protection and solidarity in the face of disease, disability and old age' (UN 2007). In 2006, 1.4 bn workers were earning below \$2 per day and as many as 507 mn workers (including over 200 mn youth) lived below the \$1 per day poverty line and 130 young people are illiterate. Out of 650 mn people with disabilities, about 470 mn are of working age, and they are most likely to be unemployed or underemployed. It is estimated, as relevant statistics are often missing, that the indigenous people constitute 15% of the world's poorest though they constitute only 5% of the total population. And all these statistics after two decades of ongoing globalisation are not at all encouraging, saying the least.

As noted earlier, the current globalisation process has affected the labour market with different sets of challenges for different categories of labour. This is however in built in the nature of the process itself as it affects different groups differently. It should also be mentioned that this globalisation is primarily meant for free movement of finance and capital and much less or nil for labour and in particular for unskilled labour. Branco Milanovic, an economist at the Carnegie Endowment for International Peace, has mentioned that globalisation means free movement of capital, goods, technology, ideas and people. Any globalisation that omits the last one is partial and not sustainable (Datt and Sundharam 2007). This has prompted many to call this as a truncated globalisation (Sen 2004) compared with the process observed in the ancient period with completely free movement of capital and labour. As currently it is agreed that knowledge is power, the globalisation process is almost sure to favour the skilled, employed, educated, rich, strong, organised, urban, sophisticated and the capitalist at the cost of the unskilled, unemployed, uneducated, poor, weak, unorganised and marginalised, rural, tribal and the labourer. Consequently we note that under the present scenario, while the former groups dominate and gain, the others lose. Some of the social groups are more vocal and thus more visible, while others are voiceless and invisible. Thus, as the above figures show, the joblessness could not be cured under globalisation; it has accentuated the inequalities among various groups. This pattern of jobless growth therefore has also led to voiceless growth for the vulnerable groups of the society including workers and unemployed, women, migrants and other marginalized categories of people and it is urgently required that their views on matters affecting their lives are properly heard.

There has been also a decline in formal employment in many parts of the world as there has been external labour market flexibility for the sake of competitiveness and this flexible system has been also unstable leading to contractual and unprotected employment for a majority of workers. In contrast with the conventional economic theory, economic growth is found to be no longer associated with the growth of formal employment and informal activities are growing both in absolute and relative terms. This feature results in casualisation of labour associated with insecurity of labour both in job and in social life. The constant insecurity makes the worker further voiceless as he/she does not want to object changes in job conditions including loss of existing rights and/or benefits, out of fear of losing their jobs. The long tradition of social security slowly built up over the years with the development of the concept of welfare state is now getting fast eroded with the present policy of

marketisation, privatisation and deregulation of social services. Short term contracts, outsourcing and subcontracting are fast replacing the permanent nature of jobs with right to form trade unions. While all these policies are reducing labour costs, it is really doubtful if these are increasing labour productivity especially in the long run. The associated social costs also need not be overlooked as they can accumulate grave social tensions and disruption. For instance, in some areas, youths are unable to marry as they are not getting decent and permanent employment necessary to maintain their families. Even contractual jobs are not easily available in countries with high levels of unemployment. As a consequence there are rising cases of sex violence and related crimes even in places which were considered safe for women so far.

A few other factors are relevant in this context to show the tilt in the balance of power against the labourer. (i) The new emergence of agency labour for short term work assignments where the worker has no attachment to a particular company. Such moving workers do not develop any sense of collective bonding and hence do not possess any bargaining power.(ii) So far as the level of open unemployment is concerned, it is estimated (ILO 2004) that 'for the world as a whole, ... (it) has increased over the last decade to about 188 million in 2003'. Of course the results are varied over regions. In Latin America between 1990 and 2002 these rates were 6.9% and 9.9% respectively while they were 3.6% and 6.5% for South East Asia while Japan experienced a rise from 2.1% to 5.8%. The rates are highest for Sub-Saharan Africa (increased from 13.7% in 2000 to 14.4% in 2002) and Middle East and North Africa (the corresponding figures being 17.9% and 18%). Between 1995 and 2002, these rates went up also for East Asia (3.1% and 4.0%) and South Asia (2.9% and 3.4%), but declined for EU (10.5% and 7.6%) and remained unchanged for USA at 5.6%. This also amply proves that globalisation has not only been a case of jobless growth for most of the developing countries including the developed country like Japan, but also it has been beneficial for the EU and did not hurt USA.(iii) Another controversial aspect of globalisation is transferring jobs by the MNCs of high income countries to low income labour surplus economies which engender fear and insecurity among workers of the rich countries altering fundamentally the balance of bargaining power between the workers and employers. Perhaps without this feature, USA would have experienced a decline in her unemployment rate.(iv) The question of rising working hours for the workers is also no less important in this context. An ILO study by Lee and Messenger (2007) estimated that 614.2 mn workers, i.e., 22% of the global workforce, are working 48 hours per week. However in the services sector where it is difficult to regulate working hours, many people are working for much longer hours violating the legal limit of 8 hours per day. Such labour exploiting situation in a major economy puts pressure on other countries to follow such inhumane practice in the interest of competitiveness. Thus lowering the labour and hence the production cost make the consumer happy but he will have to feel otherwise when he works as a worker in the production process.(v) There is no doubt that employment of women has gone up in this era. But at the same time it is also clear that they have been absorbed mainly in the informal sector as casual, temporary, part-time and unskilled workers and in many cases are subjected to inhuman working conditions and sexual harassment. The issues of child labour and migrated workers are also important in this context.(vi) A non-economic issue of convergence of values and cultures under the impact of globalization is extremely important for the very large section of humanity mainly living in developing countries. This convergence tends to transform the diversity of cultures and values into a single pattern, viz., the uni-polar world economic order. The items under this convergence process is actually all-pervasive and includes dress design, food habits, language and writing patterns, family outlook, language and expressions, music and art preferences, many legal provisions to suit global trend and a

number of other areas. Diversities are considered as spices of life. In our physical environment we try to protect our bio-diversity which sustains the eco-system. But in the human society we are following a different course at present.

3. Globalisation and Jobless Growth: A Case Study of India

India is the second most populous country of the world, and have started officially the globalisation process in 1991 as one the three components of the strategy of economic reforms, the other two being liberalisation and privatisation although since the mid1980s she actually started the globalisation process in the form of liberalisation of international trade. India adopted the policy of economic reforms in the face of a serious balance of payment crisis and as dictated by the IMF and World Bank. This process of globalisation got accelerated since 1995 when India became one of the founding members of the WTO. As we have discussed the rationale of including the case study of India in the first section of this paper, it is high time to analyse its impact on the different sectors of the Indian economy with special importance on the employment sector.

Analysing globalisation and its impact on India we may take into consideration the remarks made by the World Commission on the Social Dimension of Globalisation (WCSDG) set up by the ILO about the experience of globalisation throughout the world. It says that “the current path of globalisation must change. Too few share in its benefits. Too many have no voice in its design and no influence on its course..... We wish to make globalisation a means to expand human well-being and freedom and to bring democracy and development to local communities where people live” (ILO 2004). About one of the principle aims of globalisation to expand trade in goods and services, the WCSDG has commented that “the trade expansion did not occur uniformly across all countries, with the industrialised countries and a group of 12 developing countries accounting for the lion’s share. In contrast the majorities of the developing countries did not experience significant trade expansion. Indeed most of the least developed countries, a group that includes most of the countries in sub-Saharan Africa, experienced a proportional decline in their share of world markets - despite the fact that these countries have implemented trade liberalisation measures” (WCSDG 2004). This shows that the trade expansion expected from globalisation and hence the resulting expansion in employment generation did not take place in many countries of the world and it might have even gone down in some sub-Saharan countries.

In case of India we note that the merchandise exports during the period 1990-2003 increased at an annual rate of 9.1% compared to the world average rate of 6.1% in this period. Thus so far as the exports growth rate is concerned, India performed better than the world average. But India’s share in world merchandise exports improved only marginally from 0.51% in 1990 to 0.73% in 2003. However, if we combine India’s exports in the merchandise and the services sectors, this share improved from 0.53% in 1990 to 1.0% in 2003 as India’s performance in services sector exports was relatively much better. Even here considering the size of India’s economy, her gain is much smaller than that of South Korea, Mexico and China.

In the background of this increase in exports from India, the increase in imports from abroad has been far greater. Throughout the period 1990-1 to 2005-6 trade balances were

always negative with an increasing trend with a net positive balance in invisibles coming to rescue in this situation. This clearly shows that the foreigners have been able to penetrate the Indian market more effectively than Indians have been able to access the foreign markets. The present increasing negative trade balance(-4.9 in 2004-5 and -6.4 in 2005-6 as percentage of GDP at market prices observed from Economic Survey, Government of India 2006-7) is also of much concern which led to the reappearance of a negative balance in the current account.

Another important aspect of globalisation is to achieve a greater flow of foreign investment in the form of foreign direct investment (FDI) and foreign portfolio investment (FPI). During 2000-01 and 2005-6 the share of FDI was 46.1% and that of FPI was 53.9% showing that less than half of the amount of total foreign investment was available for increasing productive capacity which can enhance the level of employment and more than half of it are of highly volatile and undependable nature. So far as the FDI inflows are concerned it is noted that during January 1991-March 2004 nearly 69% accrued to five high priority sectors namely Energy, Telecommunications, Electrical Equipments(including computer software and electronics), Transportation and Metallurgical industries, most of which are not employment intensive and with falling employment elasticity. In other words the impact of FDI inflows in India on employment generation in this period has been also not appreciable (Economic Survey 2003-4). Further actual FDI inflows reveal a wide gap between FDI approvals and actual inflows. In fact, it has been 26.8% in the ten listed sectors attracting highest FDI approvals. This huge gap only highlights the slow progress in the actual help rendered by the FDI to promote development and hence employment in India. If globalisation has to make an impact and prove its effectiveness, the gap between approved FDI and actual inflows must be reduced. The situation has been complicated since 2000 when there have been FDI outflows as some Indian firms have been establishing investment projects in other countries. Hence there has been a sizeable reduction in the net FDI inflows, which is the real factor to increase the rate of investment, productivity and employment of the Indian economy from this source. An overview of the world situation in FDI inflows shows that nearly two third of it has gone to benefit the developed countries, while the share of India has been, as per the World Investment Report 2004, a minuscule amount of 0.8% in 2003. It has been further demonstrated by ILO (2004) in its report titled 'A Fair Globalisation: Creating Opportunities for All', shows that in the decade of nineties the distribution of FDI inflows to developing countries has been highly unequal as only 12 countries could corner 74.7% of the FDI inflows leaving the remaining 25.3% only for the whole set of 176 countries and territories. This distribution of FDI has been utterly unfair for India as she does not find a place within this group of twelve countries even though she accounts for 16% of the world population. The role of MNCs for using FDI to enhance their economic power has been mentioned in the ILO Report 2004 where it has been observed that by transferring production processes to the developing countries, the FDI investment is used to nullify the comparative cost advantage of such countries in cheap labour and raw materials in most cases. The Report says "Communication technology revolution, coupled with declining transport cost made the growth of far flung multi-country based production of goods and services both technically and economically feasible" (WCSDG 2004). It is therefore not also true that FDI inflows are all growth-oriented and employment generating as preached by the pro- globalisation lobby. In fact the MNCs and their affiliates actually strengthen their stranglehold over the global production system.

In India the period under economic reforms is usually identified as one of jobless growth as the employment situation in India like many other developing countries has

worsened in the era of globalisation. If we compare the pre-reform period of 1983-94 with the post-reform period of 1994-2000, then it is clearly observed that the growth of employment has come down from 2.04% per year to only 0.98% annually in the latter period. Sector wise, agriculture, mining & quarrying, electricity, gas & water supply have accounted for negative rate of growth of employment and the community, social & personal services sector registered a sharp decline from 2.90 % to 0.55% only. This was the consequence largely of a negative growth rate of employment in agriculture which was neglected during the reform period and which absorbed about 65% of total employed workers. Further by imposing a continuous ban on recruitment in the public sector units and also not filling up even the positions vacated by retirement of public sector employees, the level of employment growth was drastically curtailed in the public sector enterprises. This has been revealed in the Report (2001) of the Task Force on Employment Opportunities appointed by the Planning Commission, Government of India.

Like many other countries in India also globalisation pushed workers from the organised sector to swell the ranks of workers in the unorganised sector leading to often lower wages and accompanying benefits and lower job security. In this acceleration of the process of informalisation of the economy, a process of casualisation of work force has started and the data from the National Sample Survey show that the proportion of casual workers increased from 28.7% in 1983 to 33.2% in 1999-00. In a study on lockouts in India (Datt 2003) it has been shown that in the era of globalisation the following results were observed by using the instrument of lockouts :- (a) downsizing the firms to reduce the so-called surplus labour, (b) increase in overall production and productivity by increasing workload per worker, (c) reduction in the payment of statutory dues and other benefits through greater casualisation of work force, (d) to force workers to accept 'no work no pay' for the entire period of lockout, (e) to force stringent norms of work even in violation of existing Industrial Disputes Act, and (f) to weaken trade unions. In the organised sector also an increasing number of jobs are assuming characteristics of those in the unorganised sector. In a study comprising about 1300 firms in 10 states of India and covering nine manufacturing groups, it was found that most of the increase (by over 2%) in total employment between 1991 and 1998 was accounted for by temporary casual contract and other flexible categories of workers (Deshpande; *et.al.* 2004). It may be said that globalisation has accelerated the process of proletarianisation of labour. The bargaining power of trade unions being reduced, collective bargaining is being substituted by concession bargaining in order to protect the workers from job losses. The rise in the militancy of employers is reflected in the fact that in the pre-reform period of 1976-90, the man-days lost due to strikes and lockouts were 54.9% and 45.1% respectively. For the post-reform period 1991-00, these figures respectively became 60.8% and 39.2% with average duration of lockouts being 2.5 times the duration of strikes (Datt 2003).

Various other features are also becoming evident under globalisation along with jobless growth. These are increasing income inequality throughout the world, slowing down the process of poverty reduction, feminisation of labour in low wage jobs, weakening of the welfare state in favour of market when goal of full employment and decent work being sidelined. In this context the double standard of the developed countries has been exposed by Stiglitz (2002) to show that they are using globalisation to their advantage. In his words, "the western countries have pushed poor countries to eliminate trade barriers, but kept up their own preventing market access to the developing countries. Under the WTO since 1995 the net effect was to lower the prices for the products produced by some of the poorest countries

relative to what they paid for their imports. The result was that some of them were actually made worse off". A direct result of such policies has been the large number of suicides committed by cotton growers in India in recent years.

Let us discuss briefly these issues mentioned above. The public perception in this context is that globalisation has resulted in high degree of concentration of wealth. The ILO has commented that those endowed with capital and other assets, entrepreneurial ability and education and skills are in increasing demand, have all benefited. On the other hand the poor, the assetless and unskilled workers are the losers. In India also the estimates of growth rates in per capita expenditure during 1993-94 to 1999-00 point to a significant increase in rural-urban inequalities. Regarding social deprivation also it is noted that the proportion of population below poverty line among the deprived classes are much higher than those in case of other categories. The natural rights of the tribes on forest land and forests being encroached by the corporate houses under globalisation is causing serious disadvantage to both income and employment of tribes. The WCSDG has also commented that "the goal of full employment and achieving decent work for all receives low priority in current international policies". Globalisation is propagating competitiveness in the name of efficiency, a euphemism for cost cutting and promotion of the share of capital in the production process adversely affecting the share of labour in national income. It has quoted a participant in the Philippines dialogue that, "there is no point in a globalisation that reduces the price of a child's shoes but cost the father his job". The rural and informal economies remain on the margins and the result is persistent poverty. The most employment creating sector of small enterprises are unable to take the advantage of globalisation. There is no doubt that globalisation has weakened the welfare state in favour of the markets but the markets also have failed in many areas specially in the rural sectors as globalisation has bypassed agriculture in India, the principle source of livelihood of over 60% of the population. In the name of privatisation the MNCS under globalization has replaced the public monopolies with private monopolies. As globalisation lacks social responsibilities it is vitally necessary to change the present situation in which "government reigns, but global capital rules". The markets have a place but the task is to place the market in their place. The task of ensuring decent work is a task of restoring the state its rightful place in development (Reddy 2004).

4. Conclusion and Policy Prescriptions

In this context the ILO has suggested that the current globalisation process should possess a more human face. For this purpose there should be an agenda for a fair and inclusive growth. What we need a proper macro-economic and employment generation policy, improving the productivity of employment specially in the informal sector through promotion of skill development with the help of organisations of the working poor, with an emphasis on the development of the social sector and promotion of a balanced regional development. About India the WCSDG has mentioned that the lives of the educated and the rich had been enriched by globalisation but the benefits had not yet reached the majority and new risks have cropped up for the losers - the socially deprived and rural poor. Such a situation needs remedial action to achieve the target of a fair globalisation. Under the current macro-economic policy in India, the employment generation has not been a concomitant of accelerating growth rates. While there has been a growth in the employment of urban and educated section of the people, the major source of employment became dry. It is necessary

to improve the productivity of employment also as the main problem in India is underemployment and not open employment. As regional disparities have widened in India under globalisation it is necessary to put more emphasis on the development of backward states to achieve the goal of a more balanced regional development. To save the poor from exclusion from the benefits of globalisation which has increased the need for acquiring skills, it is necessary for the state to increase public investment in social sector. As human development is conducive to economic growth it is vital to adopt a policy framework to promote employment growth, social security, education, health care and effective poverty reduction program through employment generation and asset creation. In India since 2005 the National Rural Employment Guarantee Act has been enacted for the rural population and this is the major step towards the realisation of the right to work. If properly implemented this step can go a long way to mitigate the challenges of the ongoing process of jobless growth and lead to permanent eradication of poverty from the country. We may conclude in the words of John Haris (2005) that, “ India has such a huge domestic market that it need not rely on the overseas market for growth but to realise that potential, people need to have incomes”. Only a fair globalisation can help to promote growth and employment simultaneously.

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Note

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Integration of SAARC Nations: Growth, Trends and Challenges

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Abstract

South Asia is emerging as the most promising and energetic region in the global economy. Expansion of domestic economies, rising opportunities for incomes and investments, growing of financial markets, greater pursuit of peace and stability are major driving factors of the current pace of growth in South Asia. Economic growth of the region has picked up at the faster rate in the last two years. Seven out of eight countries in the South Asia region have registered economic growth rates over 6 percent a year, making it one of the dynamic regions in the world.

According to Global Economic Prospects of the World Bank, real GDP growth in South Asia which was at 5.7 percent in 2009 is poised to take leap to 6.9 percent in 2010 and to 7.4 percent in 2011. As compared to other regions, the prospect for South Asia seems to appear much brighter in the near future. Financial markets encompass institutions, financial products, market mechanism and services, which can be convenient tools to build common economic market. Financial market in the SAARC region will be a powerful mechanism to foster economic development and enhance quality of life of the people in our respective countries. This paper tries to highlight the latest trends and developments of SAARC nations, especially the role of India in the bloc.

Key Words: *Integration, Export Trade, Tariffs, SAFTA*

1. Introduction

The South Asian Association for Regional Cooperation (SAARC) was founded in 1985 by the seven countries, viz. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. While Afghanistan joined recently in 2005 and became the eighth member of SAARC. South Asia has the largest population, home to 1.5 billion people (World Bank 2008). Despite of its political differences, ideology and instability, the region has registered at an average of 6 percent annual GDP growth rate in the last 20 years (refer to Table 1 and Appendix 1). Cooperation among the SAARC nations is based on the five principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of the member states and mutual benefit. Regional cooperation is seen as a complement to the bilateral and multilateral relations of SAARC member states.

South Asia, with more than 1.1 billion people, is one of the most densely populated regions in the world. Population density is 275 people per sq km which is six times higher than that of the world average population density. This region is the home of 23 percent of the world's population comprising an area of only 4.8 percent of the total global land. Considering the market-size in terms of population, SAARC is one of the largest economic blocs in the world. This region covers almost 67 percent of the low income population of the

world economy. South Asian economies are mainly based on agriculture and therefore, land is an important resource. The region that occupies 4.8 per cent of the world's total land area, displays an extraordinary diversity of landforms due to climatic regimes, latitudes, altitudes and topography. Land, in South Asia, is under immense pressure as agriculture, urban land and wild areas all compete for the same resource.

Central Asia saw growth plummet for a second year, to 2.7% from 6.1% in 2008, with all countries putting in a weaker performance. Southeast Asia's growth slowed sharply to just 1.2% in 2009, the weakest outcome since the Asian financial crisis of 1997–98. South Asia was somewhat different. Growth in 2009 inched up to 6.5% from 6.4% in 2008 but only India and Afghanistan saw gains. Continued fiscal stimulus and monetary easing in India over the years, alongside an improving global environment, prompted large capital inflows as investor and consumer confidence got strengthened. But, due to one factor or the other, the growth in the Asia Pacific pulled back to 2.3% in aggregate in 2009 from 5.4% a year earlier.

South Asia's rebound since March 2009 has been strong. South Asia is poised to grow by about 7% in 2010 and nearly 8% in 2011. Thanks to the strong recovery in India, good performance in Bangladesh, post-conflict bounce in Sri Lanka, recovery in Pakistan, and turnarounds in other countries, including Afghanistan, Bhutan, and Maldives. The recovery is being led by rising domestic confidence and is balanced in terms of domestic versus external demand, consumption versus investment, and private demand versus reliance on stimulus.

Table: 1
Socio-economic figures of South Asia

Item	South Asia	Low Income Countries (US\$ 975 or less)	High Income Countries (US\$ 11,906 or more)	World
Land area (million sq km)	4.8	18.7	33.6	130
Population (billion)	1.1	1.0	1.1	6.7
GNI per capita (current US\$)	1473	558	43279	60355
GDP (current US\$, trillion)	1470	565	43310	60557
Literacy	72.9	76.6	98.5	86.4
Life expectancy	64.09	58.96	79.81	68.95
Exports (% of GDP)	21.4	33.9	28.9
Imports (% of GDP)	28.2	47.1	28.9
Merchandise trade (% of GDP)	41.3	74.9	50.8	52.5

Source: Data compiled and calculated from World Development Indicators database, The World Bank, April 2008

2. Need for Integration

Integration is necessary to meet the challenges of globalisation. Global economic integration facilitates the importance of capital and intermediate goods that may not be available in a country's home market at comparable cost. Similarly, global markets improve the efficient allocation of resources. In addition, countries gain better access to financing, and the suppliers of capital— institutional investors and/or individual savers— receive better returns on their investments. Worldwide integration also allows for the rapid transfer of ideas and technology, which are critical ingredients of today's knowledge-based economies.

The objectives, principles and general provisions contained in the SAARC Charter are as follows:

- To promote the welfare of the peoples of South Asia and to improve their quality of life;
- To accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potential;
- To promote and strengthen collective self-reliance among the countries of South Asia;
- To contribute to mutual trust, understanding and 2 appreciation of one another's problems;
- To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- To strengthen cooperation with other developing countries;
- To strengthen cooperation among themselves in international forums on matters of common interests; and
- To cooperate with international and regional organizations with similar aims and purposes.

2.1 Prerequisites for Effective Integration

Effective integration cannot be achieved without the presence of certain fundamentals. These include:

- Convergence of market forces;
- An enabling environment, which includes political will transformed into common understanding;
- Socio-economic compatibility and cultural acceptability;
- Initial harmonization and eventual unification of the legal and regulatory regimes;
- An effective institutional framework for implementation; Judicial recognition and support; and Professional cooperation and support, e.g. through bodies like SAFA and the South Asian Federation of Exchanges (SAFE), a forum launched by the bourses in South Asia to promote the development of securities markets in region, which establish and maintain common values and standards and provide critical services to the corporate sector and capital market. The inception of SAFE certainly marks an important milestone in the march of South Asian capital markets towards regional and global integration.

2.2 South Asia's Intra-regional Integration

South Asian countries individually, they are likely to gain even more by expanding trade and cross-border investments with each other—enlarging the South Asia market. A larger South Asian integration, if policies and institutions needed to do so can be improved, could also provide an important platform to reduce real trade costs and behind-the-border barriers in the region, which would then attract greater investment and integration with East Asia—enlarging dramatically the gains. The acceleration of bilateral trade and investment arrangements will be central, where India plays an important role (refer to Table 2 and Appendix 1), and private-sector cross-border investments will be key the instruments. The challenge will be for the region's largest and fastest-growing economy. India, to extend quickly such bilateral benefits of closer trade and investment with all its neighbours and to ensure that implementation is faster. But these agreements can go only so far, and a key role will need to be played by *private-sector, business-to-business transactions*, in expediting and enlarging such intraregional trade, leveraging such bilateral agreements.

The potential for such intra-regional trade is large—the current levels of about 5 percent share of intra-regional trade, in total, could quadruple to about 20 percent with such supportive policies, by some estimates. The more likely and faster way to do so is by expanding bilateral trade and investment relations—helping support the eventual goal of formal intra-regional trade cooperation arrangements (the SAPTA and its transition to SAFTA).

A sharp slowdown of economic growth punctuated in 2008 and 2009 as a result of the global financial crisis; the slowdown was more marked in some countries than in others. The region is now recovering rapidly. From 2007 to 2009, growth fell by close to 3 percentage points. It is now expected to recover to nearly 7 percent in 2010 and 8 percent in 2011—close to pre-crisis levels, and quicker than earlier anticipated.

Table 2
India's Foreign Trade with Economic Region

South Asian Association For Regional Cooperation (SAARC)	Exports including Re-exports (in lakhs) April 2010	Imports (in lakhs) April 2010
Bangladesh	917450	98356
Bhutan	42402	59345
Maldives	31512	825
Nepal	486365	168854
Pakistan	585536	105801
Sri Lanka	789852	125155
Total	2853117*	558336*

Source: DGCIS, India's Foreign Trade by Economic Region, 2010

India's GDP grew by nearly 9 percent annually in 2002–07, reflecting overall investment rates that climbed to 37 percent (compared to 25 percent in the 1990s), and financed by rising domestic savings. Investment rates elsewhere remained at about 25 percent of GDP. Bangladesh saw a pickup but smaller rise in growth and private investment, and it finances its growth easily with growing remittances and exports. Bhutan's growth was led by large hydropower projects, with little external vulnerability because long-term external inflows (from India) financed such projects. Nepal was the only country with large savings and external surpluses, but it was unable to achieve faster growth and investment dynamism; rising remittances went into non-traded housing and land markets. In contrast, the sources of faster growth in Maldives, Pakistan, and Sri Lanka were relatively well grounded, but the economies saw increasing reliance on foreign savings (external deficits) and experienced greater vulnerability (reflecting growing fiscal deficits). Insecurity and conflict also rose in the region, especially after 2001, and it affected countries in South Asia to varying degrees. Natural disasters took their toll, such as the tsunami (affecting India, Maldives, and Sri Lanka in 2004); earthquakes (affecting Pakistan in 2005); floods (affecting Bangladesh, India, and Nepal in 2007); and droughts (affecting India in 2009 and Pakistan in 2001). But, the South Asia is rebounding to higher growth of 7.0 percent in 2010, rising to nearly 8.0 percent in 2011—slightly below pre-crisis levels. It is driven by a combination of return of greater “optimism” in private consumption and investment, as a result of the effects of the stimulus packages and of the global recovery, especially in capital flows, trade, and tourism.

3. Current Scenario: SAPTA

The South Asian Preferential Trade Agreement was intended as the first step in the process to support Regional Economic Integration. The effectiveness of SAPTA was poor. As far as trade liberalisation is concerned; the approach adopted is top down reduction of tariffs up to 20% in two years of implementation of SAFTA. Its main objective is to Free Trade within the South Asian Region.

Table: 3
Average MFN Tariff Rates Applied in the Eight South Asian Countries

Country	WTO Membership	Year	Total average Tariff	Agriculture	Non Agriculture
Afghanistan	Non Member	2008	5.6	5.8	5.5
Bhutan*	Non Member	2007	21.9	41.4	18.9
Bangladesh	Member	2008	14.8	17.6	14.3
India	Member	2008	13.0	32.2	10.1
Maldives	Member	2008	20.4	18.3	20.7
Nepal	Member	2008	12.7	14.8	12.4
Pakistan	Member	2008	13.5	15.4	13.2
Sri lanka	Member	2008	11.2	25.5	9.0

Note: 2008 data was not available

Source: Compiled from WTO (2008)

Under the SAFTA, it is understood that over time the sensitive list of commodities will be reduced to ensure a more open trading system in the region. Until then the SAFTA members retain the Most-Favoured Nations (MFN) tariff rates for the items included in their respective sensitive list, and these are often quite significant, especially for agricultural products. Since agricultural produces dominate the export baskets of South Asian countries, high tariff rates on these items seriously inhibit intra-regional trade. Table 3 shows the average MFN tariff rates applied in the eight South Asian countries for 2008.

The South Asian region as a whole has been a relatively protected region in the world. In particular, India is considered to be the least open in terms of the average applied tariff rate. In case of Bhutan and Maldives, the rates of Tariff are high as compared to other SAARC nations. Pakistan has to slash down its maximum tariff to around 15 percent against 10% recommended by the World Bank in their tax policy. In case of Sri Lanka Sri Lanka's simple average tariff rate was 11.4 percent in 2007. Import bans and restrictions, services market barriers, import taxes, import fees, import licensing, restrictive standards and regulations, non-transparent government procurement, weak enforcement of intellectual property rights, export subsidies, and corruption add to the cost of trade.

3.1 Limited Duty-Free Imports among SAFTA Members

As noted earlier, South Asian countries send the bulk of their exports outside the region; especially to developed country markets like EC, US, Canada and Japan. This is especially marked for the large countries of India and Pakistan. For the small LDCs, including Afghanistan, Bhutan and Nepal, however, India is a leading destination market. For example, India is the first largest export market for Afghanistan, but imports from Afghanistan face a weighted average MFN tariff of 35.9 percent in India and 70 percent imports into India were duty-free. India has a PTA with Afghanistan, a few items get preferential treatment. On the other hand, the Indo-Nepal free trade agreement is probably the most liberal of all, yet the weighted average MFN on Nepalese imports is 10.3 percent, and 96 percent of these imports into India are duty-free (refer to Table 4 and Appendix 1).

Increasing trade with East Asia is becoming important. East Asia is now home to the third-largest regional market, with a combined GDP of US\$6 trillion (versus South Asia's combined GDP of US\$1.5 trillion). It has already become the biggest partner for South Asia.

Table: 4

Major Export Markets of South Asian Countries and Duties Faced

<i>Country</i>	<i>Major markets (by bilateral imports)</i>	<i>Year</i>	<i>Value of Imports (mln US\$)</i>	<i>MFN weighted average of traded TL</i>	<i>Value of duty free Import (%)</i>
Afghanistan	India	2006	75	35.9	70.1
	Pakistan	2007	54	13.4	0.0
	European Community	2007	21	0.5	100
	Turkey	2007	12	35.0	2.8
Bangladesh	European community	2007	6,886	11.6	100
		2007	3,410	15.5	6.4

	United states	2007	502	17.2	100.0
	Canada	2006	210	8.8	35.1
	India				
Bhutan	India	2006	150	6.9	100.0
	Honk Kong	2007	66	0.0	100.0
	Thailand	2006	2	13.7	0.0
	European Community	2007	1	2.5	100.0
India	European Community	2007	31,863	4.6	59.6
		2007	22,299	4.1	71.1
	United States	2007	13,399	2.1	70.3
	China	2007	6,881	0.0	100.0
	Hong Kong				
Maldives	Thailand	2006	61	5.0	0.0
	European community	2007	51	16.5	100.0
		2007	9	3.9	100.0
	Japan	2006	4	7.2	0.1
	India				
Nepal	India	2006	337	10.3	96.0
	European Community	2007	111	6.8	100.0
		2007	88	6.0	59.8
	United states	2007	14	3.2	69.3
	China				
Pakistan	European Community	2007	4,308	8.8	16.4
		2007	3,510	10.6	10.2
	United States	2007	1,068	5.3	18.8
	China	2007	625	0.0	100.0
	Hong Kong				
Sri Lanka	European Community	2007	2,510	8.1	99.9
		2007	2,001	13.3	19.6
	United States	2006	227	10.0	84.5
	India	2006	181	11.8	41.9
	Russian federation				

Source: Compiled from country pages, WTO (2009)

3.2 Global Trade

According to the latest monthly data from international monetary fund's (IMF) international Financial Statistics (IFS) in January 2010, world exports showed a positive growth of 20.4 per cent. This was in line with the rise in world commodity prices. There has been strong convergence among the world exports and the exports of advanced economies and emerging and developing economies during May 2009 to November 2009.

4. Conclusion

South Asia is the home to one of the oldest civilisations of the world. South Asia could also more aggressively liberalize services trade and investment. Such liberalisation should not be limited to more visible champions, such as IT and BPO sectors, but should also extend to backbone services—in finance, domestic transport, wholesale distribution, and other professional services—permitting entry on an MFN basis and encouraging competition. The organisation was designed to improve both the economic and social progress of its member states. Covering at least 1.5 billion people across India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, the Maldives and Afghanistan, SAARC is one of the largest regional organisations in the world. By lowering the trade and transactions costs within this setting, South Asia would benefit by lowering trade barriers to levels similar to East Asia and extending them to all countries to reduce the potential for trade diversion. This would accelerate its South-South trade potential, in light of the global rebalancing.

A growing emphasis on attracting foreign investment and seeking access to new markets in SAARC states indicates that economic progress is central to the future of South Asia. SAARC, however, is likely to play only a limited role in that future because of India's considerable position of power over the other SAARC states. SAARC was expected to be an instrument for the "promotion of peace, progress and stability in this part of the world. It can also enhance our sovereignty and foster peace, freedom and social justice among member states. Individual South Asian countries are already relatively well positioned and are making good progress, as far as formal trade agreements are concerned. Deepening reforms and supporting macroeconomic stability, working with International Finance Corporation (IFC) to improving investment climates, continue scaling up infrastructure partnering with the private sector; supporting the domestic financial sector.

Note: The usual disclaimers apply.

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Appendix I

A.1 Real GDP growth and sectoral growth (percent change from a year earlier)

	1991-00	2004/05	2005/06	2006/07	2007/08	2008/09
SOUTH ASIA (GDP growth)	5.3	7.3	9.0	9.0	8.6	6.1
Bangladesh (GDP growth)¹	4.8	6.0	6.6	6.4	6.2	5.7
Agriculture	3.2	2.2	4.9	4.6	3.2	4.6
Industry	7.0	8.3	9.7	8.4	6.8	5.9
Services	4.5	6.4	6.4	6.9	6.5	6.3
Bhutan (GDP growth)	5.1	7.5	6.7	13.2	11.7	6.2
Agriculture	1.7	1.4	2.5	1.9	0.4	1.4
Industry	6.1	5.5	5.4	28.1	21.0	5.2
Services	7.8	12.7	11.0	6.8	7.8	9.7
India (GDP growth)	5.6	7.5	9.5	9.7	9.2	6.7
Agriculture	2.9	0.0	5.9	3.7	4.7	1.6
Industry	5.7	10.3	10.2	12.7	9.5	3.9
Services	7.1	9.1	10.6	10.2	10.5	9.8
Nepal (GDP growth)	5.0	3.5	3.4	3.3	5.3	4.7
Agriculture	2.5	1.8	1.8	1.0	4.7	2.2
Industry	7.8	3.0	4.5	3.9	1.9	1.8
Services	6.4	3.3	5.6	4.5	7.1	5.8
Pakistan (GDP growth)	4.0	9.0	5.8	6.8	4.1	2.0
Agriculture	4.4	6.5	6.3	4.1	1.1	4.7
Manufacturing	4.4	15.5	8.7	8.3	4.8	-3.3
Services	4.5	8.5	6.5	7.0	6.6	3.6
Maldives (GDP growth)	8.3	9.5	-4.6	18.0	7.2	6.3
Agriculture	2.7	2.9	12.2	-0.7	-14.9	-4.5
Industry	10.0	12.9	3.0	10.6	10.1	8.4
Services	9.0	9.7	-8.3	24.0	9.1	6.7
Sri Lanka (GDP growth)	5.2	5.4	6.2	7.7	6.8	6.0
Agriculture	1.9	0.0	1.8	6.3	3.4	7.5
Industry	6.8	5.4	8.0	8.1	7.6	5.9
Services	5.8	6.7	6.4	7.7	7.1	5.6

Sources: World Bank staff estimates for GDP growth; sectoral growth data come from a combination of country sources and World Development Indicators.

“Importance of business linkage in the marketing of Handicraft product: A Case Study of Handicraft Industry in Manipur”

By

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&

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Abstract:-

Handicraft industry is a major industry, and source of employment for rural as well as urban Manipur and India. But this industry has a big issue of sustainability in the present micro-and macro economics environment. To sustain in the present competitive environment, business linkage has been adopted as a strategy to make the industry competitive in terms of productivity and help better marketing. One of the main problems of handicraft industry is lack of marketing capability on the part of craftsman. This paper will study the importance of business linkage for sustainable growth of handicraft Industry and examine the type of business linkage which is prevailing in Manipur. The impact of business linkage type like commercial subcontracting, joint venture, buyback, arms length market transaction, licensing etc on the profit and sales of handicraft industry in Manipur are also examined. Logit model is used to examine the impact of these variables on the growth of handicrafts industry in Manipur.

Key Words:- Rural Industrialization, rural development, Business linkage, Handicraft Industry

1. Introduction:-

In order to overcome the problems of unemployment and poverty and a higher incidence of migration of active population, the diversification of economy from subsistence to commercialized production of farm and non-farm products has been recognized among the most important alternative options and a necessary policy. But the scope for large scale diversification of non-farm economic activities is severely limited because of a number of factors. Problems in promoting non farm activities are lack of knowledge, lack of proper marketing facility, lack of finance, Raw material problem, lack of demand, lack of proper communication, Competition from organized sector, Lack of time, lack of technology, lack of common facility and lack of training Non farm sector.

Among the non-farm sectors, handicraft sector is a major industry which is promoting employment to masses. The Khadi and Village industry Commission is a main organization

which is taking the initiative of promoting rural industrialisation in India. According to the KVIC source there are about 4.1 lacs of handicraft workers in Manipur and the annual sales of this sector in Manipur was about Rs 142 crores. As a rural industrialization strategy in India, handicraft cluster center has been jointly initiated by UNIDO and Government of India in different parts of rural India.

1.1 Definition of Handicraft Industry:-

Handicrafts are mostly defined as "Items made by hand, often with the use of simple tools, and are generally artistic and/or traditional in nature. They are also objects of utility and objects of decoration."

1.2 Characteristic of handicraft industry

The important characteristics of handicraft industry are:

1. Most of the craftsmen in this industry are women, children and uneducated man and who stay in rural and semi-urban area.
2. They work in the lean seasons
3. Raw material is available abundantly.
4. Indigenous
5. Sustainable
6. It represents the authentic creative form of the state or community.

2. Problems of Handicraft Industry

Presently, the global market of handicraft is valued at US\$ 400 billion and India's share in the global market stands at 2% only. However, the handicraft industries in rural India economy registered an annual growth rate of 15% consistently over the last decade and it is estimated to grow at the rate of 42% over the next five years annually. Although, the Handicraft Industries in Rural India is witnessing steady growth over the last five years but its growth is hampered by certain bottlenecks, like the following;

- The manufacturing process does not compliments with orders of such products
- Use of primitive techniques
- High manufacturing cost
- Poor quality of products
- Product design and development to be aligned with the background and history of the craft, the producer and the market requirements
- Poor standard of raw materials
- Lack of standardized vendor and suppliers
- Lack of standardized raw materials
- Improper pricing of finished products
- Absence of proper incentives and schemes by the Government of India
- Unorganized investment patterns and lack of regular investors
- Lack of proper marketing channels
- Poor access to urban markets

In response to this situation, Governments and other national and international organisation have understood for some time that if Handicraft industry organized their production, information gathering, and marketing efforts they can reduce these individual risks. Specifically, by organizing into Group or cluster, handicraft firms will able to:

- improve their access to and reduce the cost of procuring raw materials through bulk-purchasing;
- increase their efficiency by sharing production skills and resources;
- enhance their product's quality and marketability through common production standards and market driven product specifications;
- increase access to available financing;
- obtain business development services (BDS) through embedded or fee-for service mechanisms or institutional support for time to time scheme of governments policy and programme; and
- improve their market position by having the quality, quantity, and types of products that multiple buyers demand.

Although the benefits are many, craftsmen are sometimes risk averse and suspicious of any activity that may encroach upon the sovereignty or internal operations of their business. This is particularly evident in saturated markets, where intense competition for limited contracts drives prices down and inhibits growth. Craftsman with limited economic options often develop a predatory/opportunistic competitive behavior, whereby any activity that remotely implies a limitation on their ownership rights is ill received.

To overcome the suspicion, risks, and potential pitfalls, the Government agencies like KVIC, NABARD, NEFDI and NGOs have been increasingly active in designing interventions that focus on bottom-line results, and activities that serve to diversify product-marketing channels through better linkage policy and programme between the firms and various other stack holders.

3. The Objective of the study:-

- i. To explore the kind of inter-firm linkages or network that exist between handicraft firm, buyer and other stake holders in handicraft industry of Manipur.
- ii. To study the impact of business linkage on the performance of handicraft industry

4. Business- linkage in Manipur:-

The term Business-Linkage encompasses production linkages, Micro-Macro policy linkages, international or TNC linkages, Institutional linkages. We again say business linkage as an integrated approach, which consist of the above four linkages for sustainable growth of MSME in developing world. The term production linkage means "Production linkages

include forward and backward linkages. Forward linkages are created as a consequence of the supply of products of SMEs to other sectors, and backward linkages are created due to the demand from the SME sector for intermediate or capital goods”.

Macro-micro policy linkages is terms as ‘These linkages relate to the multitude of effects that governmental policies (macro level policies such as fiscal policy, monetary policy and exchange rate policy) have on small enterprises’ operations’.

International linkages as “These linkages deal with the ‘interdependencies’ of national and international markets in which the small enterprises function”.

Lastly Institutional Linkages is term as ‘These involve the relationships among the different types of individuals and organizations that operate and interact with small enterprises’.

So, in the broader sense business linkage include all strategy, effort, and facility extended by Government agencies, International organization, institutions, large and small enterprises, private bodies etc. for the sustainable growth of the MSME.

Inter-organizational linkage is within the domain of business linkage and is important means of increasing the productivity and better linkage to market for MSME. A linkage is defined as any transaction, which takes place between two or more firms. It usually express a continual relationship involving recurrent transactions. The term ‘inter –firm linkage’ is traditionally used to cover all possible forms of economic relationships between firms operating within an economy (Wong 1991, 1992). Types of inter-firm linkages can be classified into :

(a) Contractual arrangements

Inter-firm linkages can be divided into different forms of contractual arrangements in accordance with the degree of control one party has over the other. A typical classification is as follows (Williamson 1975a, Casson 1987, Wong 1991):

Outright equity control (parent 100% subsidiary)

Joint venture (majority, 50-50 or minority)

Industrial co-operation agreement

Licensing and franchising

subcontracting

‘Arms length’ market relationship.

-‘spot’ market transaction

-‘longer-term’ recurrent contractual supplier-buyer relationship.

(b) Economic roles:

* Direct vertical backward linkages (buyer -induced); or

* Direct vertical forward linkages (supplier-induced)

(c) Interaction of contractual forms and roles.

The vertical backward linkage relationships involve essentially arms-length market

transaction between a large buyer and a SME supplier (subcontracting linkages are possible within these relationships). Any one of the contractual arrangements can be combined with either economic role (sellers, buyers) to produce a matrix of different linkage forms and subcontracting (buyer firm procuring supplies from suppliers through market transactions).

After reviewing the type of inter-organizational linkage, we will study its relevance in the context of marketing of rural handicraft products from Manipur. The main problems of handicraft industry in Manipur are lack of productivity and lack of marketing capability. We assume that the issues of productivity can be address by using horizontal networks of handicraft firms giving necessary support by government department, agencies, and other stack holders. At the operational level, we find that some handicrafts firms in Manipur has collaborate each other for (i) fulfilling the order, (ii) for sharing knowledge (iii) sharing of resources (iv). Sharing of manpower (v) sharing of expertise etc. The NGOs and government agencies in Manipur are helping the handicraft firms to make Self- help group and other group effort to increase the production capacity in Manipur.

The figure 2.a shows us the model of the horizontal network of the handicraft industry in Manipur. In the figure we assume that there are A,B,C,D..... firms which are having cooperative linkage among themselves and are getting the help from government agencies, NGOs, in terms of value addition of product, training, finance, capacity building, documentation etc.

It is evidence from the literature that vertical network like subcontracting has been us by several developing countries to increase the marketing capability of the respective industry. As an example

- 1.The Nike/Reebok and Asian footwear producers subcontracting network (Rosenzweig, 1994);
- 2.The Brazilian Sinos Valley and Mexican footwear subcontracting network (Ceiglie and Dini, 1999);
- 3.The lightening subcontracting network (Sarathy, 1996);

In our case, we do not find manufacturing subcontracting like the example given above, but we do find commercial subcontracting¹ in Manipur. The source of vertical linkage for our handicraft firms are

1. Large exporter in metros like Delhi, Bombay, Goa, Kolkatta etc.
2. Alternative trade organizations like NGOs, SHGs
3. Direct to independent retailers and whole sellers
4. Direct to Government showrooms like Panthoibi showrooms Delhi, Manipur handloom and handicraft emporium etc.

The Government agencies are helping the entrepreneurs in making the linkage by organizing trade fairs, seminars, exhibition, buyer-seller meets etc.

As a case of successful inter-firms linkage story in Manipur, I am citing the example of Women Income Generating Center (WIGC). WIGC is a Non-Governmental organization, established in 1996 which is having assistance from DC (Handicraft) Govt. of India and Women and child development, Ministry of Social welfare, Govt. of India and is active in the

rural area of six districts namely Bisnupur, Senapati, Chandel, Imphal East, and Imphal West district of Manipur. The craftsmen are mostly women and weaker section of the society. The Organisation is looking over 75 self-help groups and artisans under the umbrella of WIGC is about 1400. The support, extended to artisans and SHG are.

1. Training:- The WIGC is conducting regular training to artisans and SHG to improve design, quality, information sharing about the latest skills development etc. Recently a 15 days skill development programme (24 February-09 March 08) was conducted at the centre and a series of training programmes are on the pipeline for craftsman in Cane and Kouna . Now, under AHVY programme a training programme in embroidery, pottery, jewellery, woodcarving, and soft stone curving will be conducted from next year.
2. Marketing :- WIGC is acting as a supporting agent for marketing of craft products produce by craftsman in Manipur through many innovative idea. The organization encourage the artisans to produce creativity product made of cane and kouna and take the initiative of test marketing the new product through trade fair and other marketing channels of the organisation. So far the organization has test 180 different products made of cane and Kouna in the market, out of that 4 (Ladies bag, marketing bag, file cover, carry bag) products are successfully exploited commercially. WIGC is participating in many national and international fair and buyer-seller meet acting as a representative of 75 artisans SHG. The organization is also going for joint design development with other creative firms for joint production. Recently, the organization is organizing a craft bazaar at Wangjing Mela ground, generating a sales of about Rs 90 lacs . Now they got order for 50 thick kouna mats for Brazil, worth few lacs of Indian rupees.
3. Buyback:- WIGC is supporting the artisans by buying back the product made by them. By buying back the product the artisan are getting continuous source of income and are motivated to adopt handicraft as a full time profession.
4. Micro-finance :- The organization is having its own Micro-finance service center, which is extending the financial support to craftsman and self-help center. The mode of operation is payback in product i.e the loanee will borrow money and repayment will be in the form of product. By doing this the repayment is absolute and the relation between the client and server is in perfect harmony. As an example, the organization is doing a contract farming of Kouna at Nongpok Sekmai, where the farmer is taking credit for farming and the organization is counter guarantee buyback of the product, thus benefiting both the parties.
5. Constant feedback for improvement:- The management of the organization realize that the success depends upon the interaction between the parties, so in order to know the problems and continuous improvement of the process and people and organization the management, craftsman, and SHG members are regular meeting by conducting meeting, seminars, and workshop etc.

So, the success of this organization in marketing the products made by rural artisan is the result of series of innovative technique used by the management, for continuous supply of product by backward and forward integration of operation to local and international market. And for our analytical purpose we assume that the handicraft firms in Manipur are having commercial subcontracting, buyback, arms length market transaction, licencing, and joint venture.

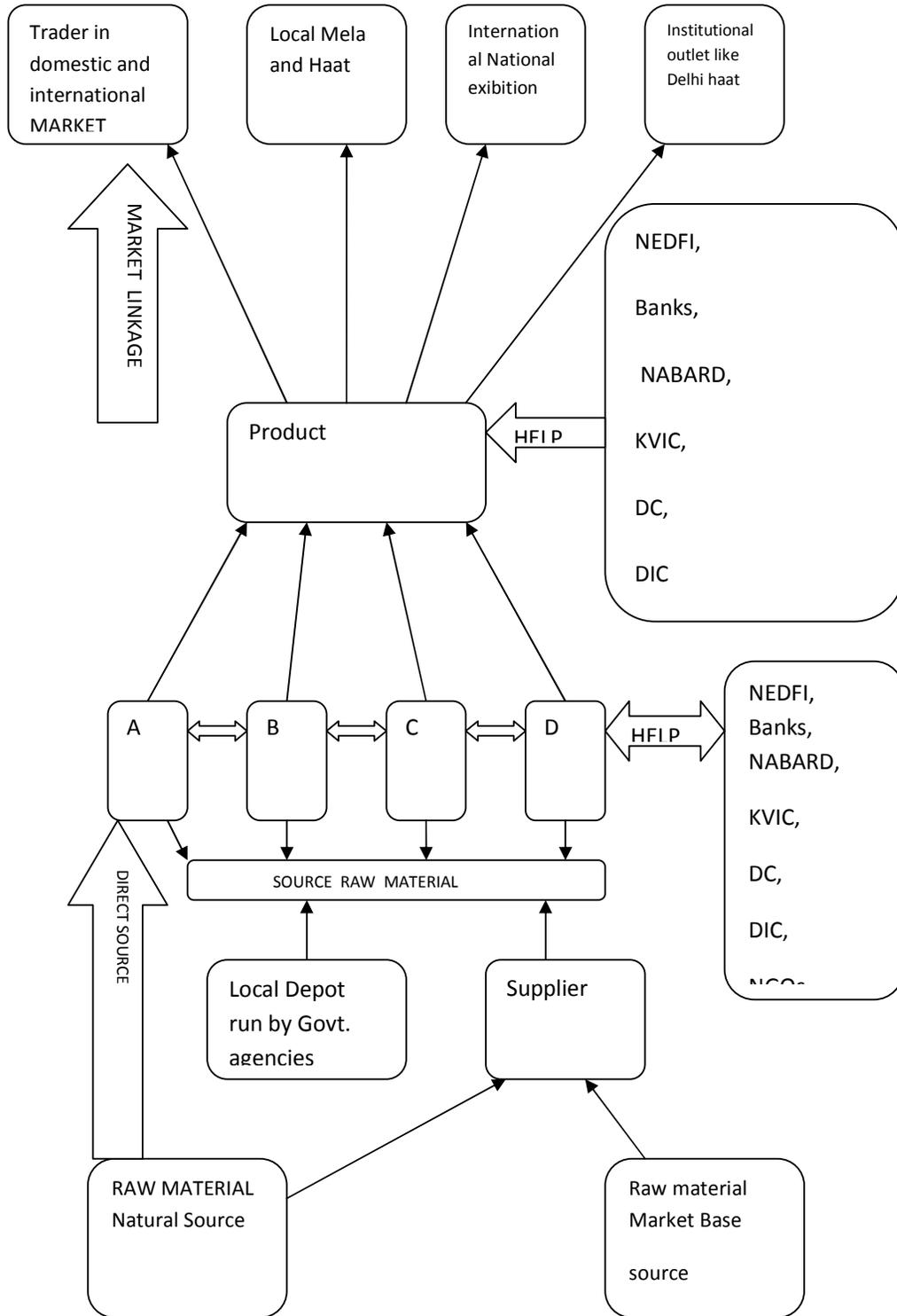


FIG.2.b INTER-FIRMS NETWORK MODEL FOR HANDICRAFT IN MANIPUR

5. Analytical Framework:-

5.1 Sample:-

A survey was conducted during 2005-07 to find the Entrepreneurs' personal profile, General profile of the enterprises, Entrepreneurial networks: networking, use of networking, network benefits, Sub-contracting linkages, Performance of the firms of handicraft industry (Cane and bamboo and Kouna). The number of enterprises taken for the study (N) is 200, spread over all the 9 districts (both hills and plain).

5.2 Growth of the firms:-

The performance of the firm is measured on the basis of sales growth and increase in profitability over a three -year period (Donckels and Lambrecht, 1995; Hansen, 1995; Ostgaard and Birley, 1996).

Growth of Sale = Having growth in sales from 2005 to 2007

Growth of profit = Having growth in profit from 2005 to 2007

5.3a Dependent Variable:-

Growth of sales :- Yes / No

Growth of Profit :- Yes/ NO

Independent variables

Commercial subcontracting Yes/No

Joint Venture Yes/No

Licensing Yes/No

Buy back Yes/No

5.4 Model

Logistic regression is useful for situations in which we want to predict the presence or absence of a characteristic or outcome based on values of a set of predictor variables. It is similar to a linear regression model but is suited to models where the dependent variable is dichotomous.

The *logit model*, which is based on the cumulative logistic probability function (F), can be specified as follows

$$P_i = F(\alpha + \beta X) = \frac{e^{(\alpha + \beta X_i)}}{1 + e^{(\alpha + \beta X_i)}}$$

Here e represents the base of natural logarithms, and α and β are the coefficients. X is the model matrix consisting of values of explanatory variables. P_i is the probability that an individual makes a certain choice, given X_i . For example, if an individual has external actors, the probability of having external actors is as:

$$P(\text{External Actors, Yes}) = \frac{e^{(\alpha + \beta X_i)}}{1 + e^{(\alpha + \beta X_i)}}$$

on the other hand, the probability that an individual does not have external actors is as

$$P(\text{External Actors, No}) = 1 - P(\text{External Actors, Yes}) = \frac{1}{1 + e^{(\alpha + \beta X_i)}}$$

The likelihood function then becomes:

$$L = \prod_0 \frac{e^{(\alpha + \beta X_i)}}{1 + e^{(\alpha + \beta X_i)}} \prod_1 \frac{1}{1 + e^{(\alpha + \beta X_i)}}$$

The procedure for obtaining estimates of α and β coefficients is to maximize L with respect to the parameters. This is called the *maximum likelihood method* (Agresti 1990, DeMaris 1992, Maddala 1983, Pindyck and Rubinfeld 1991).

Logistic regression coefficients can be used to estimate odds ratios for each of the independent variables in the model.

$$\mathbf{Log}(p_i / 1 - p_i) = B_1 + B_2X + B_3X_2 + B_4X_3 + B_5X_4 + B_6X_5 + u_i \dots\dots\dots(\mathbf{M1})$$

Where p_i is the probability of growth and $1 - p_i$ probability of no growth and B_i where $i = 1, 2, 3, 4, \dots\dots\dots$ are the coefficient independent terms, U_i an error. $(p_i / 1 - p_i)$ is known as the odds ratio is simply the odds in favor of getting a growth. The natural log of this odds ratio, is called the logit, and the model (1) is called the logit model.

However, it is hard to interpret the logit coefficients. Therefore, most people work out odds ratios and probabilities (Mukherjee *et al.* 1998, Norusis 1997). A zero coefficient in a *logit*

regression implies that an odds ratio is equal to 1 ($e^0 = 1$), corresponding to a unit change in the variable concerned. An odds ratio equals to 1 means that the corresponding probability is 0.5 ($e^0/(1+ e^0) = 0.5$). This indicates that **minus** coefficient in a *logit* regression predicts less probability than 0.5 (1/2), which implies that changes in the independent variable will have its less effect on the probability of choosing a given option at the midpoint of the cumulative logistic distribution. Therefore, corresponding probabilities can be calculated at the mid-point of the cumulative logistic distribution.

5.5 Statistical analysis:-

Variable		frequency	%
Profit	0	83	41.5
	1	117	58.5
Sales	0	68	34
	1	132	66
Commercial subcontracting	0	62	31
	1	138	69
Licensing	0	145	72.5
	1	55	27.5
Buyback	0	59	29.5
	1	141	70.5
Arms length	0	8	4
	1	192	96
Joint venture	0	193	96.5
	1	7	3.5

The data available from the survey (see table above) say that 69% of the respondent goes for commercial subcontracting, 27.5% for Lincensing, 70.5 for buyback, 96% for arms length, and 3.5% for Joint venture.

5.6 Impact of these five variables on profit of the handicraft firms in Manipur:-

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	JOIVEN	5.379	20.544	.069	1	.793	216.842
	COMSUB	3.283	.541	36.857	1	.000	26.656
	LINCEN	2.592	1.106	5.495	1	.019	13.355
	BUYBACK	2.582	.520	24.696	1	.000	13.225
	ARMENGHT	-1.720	.966	3.174	1	.075	.179
	Constant	-2.267	.966	5.508	1	.019	.104

a. Variable(s) entered on step 1: JOIVEN, COMSUB, LINCEN, BUYBACK, ARMENGHT.

We study the impact of these variable using SPSS10.0, and the model is found to be statistically significant and with a moderate goodness of fit as indicated by the model value of chi-square(p-value <.001, Nagelkerte $R^2 = 0.646$) . Even though the model is significant, the contribution made by the variables to the profit of the firm is in different degree. The odd ratio of each of the variable Joint venture(216.842 at p-value<.793), Commercial subcontracting(COMSUB) (26.656 at p-value<.000), Lincensing (LINCEN)(13 at p-value<.015), Buyback(13.225 at p-value<.00), arms length transaction(.179 at p-value<.075). The result of the above result shows us that joint venture and arms length transaction is not significant, this may be due no of respondent in Joint venture is too small (7) and in case of Arms length transaction the No of respondent is too large (192). In case of buyback, for 1 degree increase i.e addition of one respondent will increase the odd of profitability by 13.225 likewise 26.265 for subcontracting, and 13 for Lincensing. We can conclude that Subcontracting, lincising, and buyback have positive impact on the profitability and joint venture, arms length transaction has no significant impact on the profit of the firms.

5.6 Impact of these five variables on the sales of the handicraft firms in Manipur:-

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	JOIVEN	5.541	49.809	.012	1	.911	254.963
	COMSUB	1.827	.543	11.312	1	.001	6.216
	LINCEN	7.935	21.418	.137	1	.711	2793.922
	BUYBACK	3.402	.558	37.176	1	.000	30.033
	ARMENGHT	-.085	1.012	.007	1	.933	.919
	Constant	-2.866	1.052	7.417	1	.006	.057

a. Variable(s) entered on step 1: JOIVEN, COMSUB, LINCEN, BUYBACK, ARMENGHT

We study the impact of these variable using SPSS10.0, and the model is found to be statistically significant and with a moderate goodness of fit as indicated by the model value of chi-square(p-value <.001, Nagelkerte $R^2 = 0.630$) . Even though the model is significant, the contribution made

by the variables to the profit of the firm is in different degree. The odd ratio of each of the variable Joint venture(254.9 at p-value<.911), Commercial subcontracting(COMSUB) (6.656 at p-value<.001), Lincensing (LINCEN)(2793.922 at p-value<.711), Buyback(30.033 at p-value<.00), arms length transaction(.919 at p-value<.933). The result of the above result shows us that joint venture, LINCIN and arms length transaction is not significant. In case of buyback, for 1 degree increase i.e addition of one respondent will increase the odd of increase in sales by 3.402 likewise 1.827 for subcontracting, and 13. We conclude that Subcontracting, and buyback have positive impact on the sales and joint venture, arms length transaction and LINCIN has no significant impact on the sales of the firms.

6. Limitation of the study:-

1. Due to limitation of time we are able to collect and analyzed only a limited 200 sample.
2. Due to bad law and order situation in the state has greatly hampered the data collection process.
3. The concept of business linkage is new, and literatures are limited.
4. The method of data collection is purposive and confine only to certain rural clusters in Manipur.

Conclusion:- We came to know from the above fact that business linkage is an important factor for the sustainable growth of handicraft industry in Manipur. We are taking the case of WICG, to show that good inter-organizational linkage or relationship among craftsmen, government agencies, supplier, exporter, retailer, whole seller etc have able to sustain competitive pressure from other states. We have define the problems of handicraft industry, its characteristic, and its importance in the economic development of India and Manipur in particular. Business linkage has been reviewed in detail, and we take five inter-firm linkages type which are relevant to the handicraft industry in Manipur and applied statistical tools (Logistic regression) to test the significant of these five variables on the profit and sale of the handicraft firms in Manipur. We find that maximum of the firms in Manipur are going for Arms length Market transaction and the effective types of inter-firm linkage for profitability and sales are buyback and subcontracting (Commercial subcontracting). Encouraging the handicraft firms in Manipur to go for commercial subcontracting or buyback with big show rooms, design house, exporter, NGOs etc would be a right direction for the handicraft industry.

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Value Education and GNH- A general Perspective

By

Rajeeta Sapam

Abstract

This article is an attempt to draw the similarities of the concept of GNH educational policy introduced in Bhutan with the general view of Value Education in other countries. It also deals with some general observations of some values still practiced by the general people. Lastly a perspective of the possible consequences of the GNH educational programme is given.

1. Introduction

Society today is now battling the ill-consequences of industrialization, globalization, liberalization, consumerism, economic recession along with terrorism and ethnic wars in most parts of the globe. This gives rise to a question –whether educational goals are only limited to employability and functionality of individuals and least concern for social responsibility. Many educationists view value education as need of the hour today in this context. Value education is given different terms globally as moral education, character education, citizenship education, civic education and ethics education. However the underlying theme is need for educators in incorporating societal and personal values besides the course curriculum due to weakening influence of family and religious bodies. The need is felt all the more in management education as we wake up to the reality that purse strings of all sectors of society are directly or indirectly linked to media and marketing strategies and standards which by and large becomes accepted societal standards. To ignore this fact would be blindfolding ourselves to the present realities of both developing and developed countries. It may be noted that Khurana(2007) has made an indepth analysis of both professionalization phase, managerialist phase and marketization phase of American business schools which has been pivotal in legitimizing management as socially and publicly responsible occupation ,despite later trends to capitalize more on company profits ,enhancing their respective investment and shareholder value. There are lessons to be learned about the larger role of management education from credit crunch crisis, economic recession , enronitis¹ and other financial crisis past and present. This brings up the question whether there is a need for value education in business schools beyond their recent trend of philanthropic practices of funding organizations, events , scholarships as practice and actions cannot be watertight compartments in context of value education.

2. Concept of Value Education

Value Education, as it is generally used, refers to a wide range of learning and activities ranging from training in physical health, mental hygiene, etiquette and manners, appropriate social behaviour, civic rights and duties to aesthetic and even religious training. `Karma Ura (2010)'s GNH perspective of value education is, “The simplest idea of value education is about creating the emergence of a set of beliefs and attitudes as a person’s character and personality unfold, so that their beliefs will influence their behaviour and actions in a positive manner and direction”.

B.P. Khandelwal from a socio-cultural and pluralistic society angle views, “Value education in its most appropriate form should be related to the specific social and cultural contexts with reference to some universal and eternal standards applicable to all mankind. (B.P. Khandelwal,2001)”

‘Values education’ is broader and refers to any explicit and/or implicit school-based activity to promote student understanding and knowledge of values, and to inculcate the skills and dispositions of students so they can enact particular values as individuals and as members of the wider community. (Value Education Study, final report,Australia, August,2003)

“ Value education, its purpose being the promotion and development of values in the context of education as a lifelong process, to help individuals develop as responsible and caring persons and live as participating members of a pluralist society(Taylor,1995:24).” According to J. Mark Halstead, the core values underlying liberal education in educational institutes are the values of freedom, equality and rationality in the context of contemporary approaches to multicultural education and education for democracy. Singh, Karan (1996) in his contribution Education for the Global Society to The Delors Commission (International Commission on Education for the Twenty-first Century) Report Learning: The Treasure Within. UNESCO, Paris stated that “ Holistic education must acknowledge the multiple dimensions of human personality- physical, intellectual, aesthetic, emotional and spiritual -thus moving towards the perennial dream of an integrated individual living on a harmonious planet.”

According to Rodney F. Allen, the objectives of Environmental Value education are Reciprocity, equality, universality, empathy, factual knowledge, social ethical principles, personal ethical principles, moral judgements and resolutions and action which are a resultant of drives to fulfill basic needs(physiological, security, belonging, love, etc) and a product of interaction with social and natural environments.

In addition to the above said definitions, there are still numerous viewpoints given by educators from varied angles. So we can conclude that it is difficult to arrive at a single specific definition as in Physical sciences or Natural sciences. Thus value education can be summarized as an holistic education which encompasses wide dimensions of human personality –physical, intellectual, emotional, aesthetic and spiritual, its objectives of developing values such as positive beliefs and attitudes, social responsibility, compassion, freedom, equality, rationality, universality, empathy, personal ethical principles, morality, spirituality ; as a result of cumulative effect of the individual’s social, natural and educational environment and its ultimate goal is the task of making individuals responsible and active contributors in nation building and a peaceful world.

3. GNH and Value Education, a common focal point.

Value Education has been integrated into the education system in countries like Australia, Japan, Thailand, Singapore, Sweden, United Kingdom as well as some other European countries. Bhutan occupies a unique position in this context due to introduction of GNH(Gross National Happiness) Education policy and implementation.

The Concept of GNH is based on four pillars of culture, environment, socio-economic development and good governance supported by nine domains of GNH such as ecology, psychological well being, time use, education, health, community vitality, cultural diversity, standard of living and the good governance. The domain of ecology includes values of ecological degradation, ecological knowledge and afforestation. The domain of psychological well being refers to general psychological distress, emotional balance and spirituality. Domain of time use pertains to values of sleeping hours and working hours. The education domain includes values of educational

attainment, Dzongkha language, folk and historical literacy. Health domain relates to values of health status, health knowledge and health barrier. Community vitality is the domain which touches on values of family vitality, safety, reciprocity, trust, social support, socialization and kinship density. The dimensions of cultural diversity are within the context of dialect use, traditional sports, community festival, artisan skill, value transmission and basic precept. Under the domain of standard of living are values of income, housing, food security and hardship. Values of government performance, freedom and institutional trust fall within good governance domain. The objective of GNH is very much coherent with value education which works on individual all round development. The GNH values concerns with development of physical, emotional, intellectual, spiritual, as well as societal aspect of human being. Thus GNH is a holistic approach of implementing value education through national educational policies. GNH value promotion in educational institutes is a part of achieving GNH vision by the state. GNH values can be somewhat aligned to Buddhist philosophy of life which believes individuals should become good people, taken into consideration that Bhutan is a Buddhist Nation. The concept of happiness in Buddhism also emphasizes on benefit both for oneself and for others too.

4. General Observations on GNH

Karma Ura (2009) has given an overview on rationale of introduction of GNH concept in school system on the basis of research studies conducted on different strata of Bhutanese society and dzongkhags (Districts). His findings bring to notice decline of values listed under nine domains of GNH among Bhutanese nationals. Thimphu fared the lowest among other dzongkhags which brings to light the impact of modern education system on Bhutanese society. He also observes its negative impact the fact that Thimphu served as a role model of Bhutanese policies in all spheres and is also the hub of policy framing and implementation. However from an Indian point of view, it is quite heartening to see that students from grade 1 to 12 in all government schools get free access to education, have adequate room for physical development, uphold cultural (use of national /ethnic dress as school uniforms is a rare practice in Indian schools) and spiritual practices, lesser academic burden and adequate communication skills. Indian students in general are stuck up in neck to neck competition from pre-primary classes upto grade 12 which continues till higher education and has led to opening of psychological counseling cells for students. While debates for implementation of RTE (Right to Education Act) are still on, government school students still lack access to general school facilities and thus the wide disparity between access to higher education compared to private schools students as well as their academic performance and life skills. Creation of educated elites and Pseudo-reality westernized standard of living coupled with strong marketing strategies and media hype have been one of the major contributors in creating economic, social, cultural and political imbalances. It is an accepted fact that most educational policies in most countries are facing criticisms and oppositions from different quarters despite the repeated recommendations of educationists who favour value education as one of the solutions to these multiple societal problems. The beauty of GNH values lies in its unique outline which traces from actions and practices leading to inculcation of values in individuals. It is often a sorry state in most educational policies and programmes including the Indian curriculum which leaves educators in a fix in the implementation phase due to lack of policy based on ground realities of which policy framers often make a mistake.

The immediate impact of decline of environmental values is most visible to the human eye. Like most developing countries Bhutan is becoming a victim of health hazards of plastic waste products and its careless disposal methods too. This is undoubtedly an impact of the transformation of Bhutanese people from producers to consumers in the information age. But in terms of observation of cultural heritage students are seen to carry forward the tradition even in graduation stage as evident from cultural activities of students. Spirituality and religious practices still finds place in most Bhutanese citizens. In most countries this aspect end only in paper and not practice due to arguments of value neutrality in education. Traditional sports like archery and kuru(dart) are still popular games among young and old men apart from football and

basketball. The beauty of the game is enhanced with the cultural tinge of playing in national attire, traditional tent for refreshment, targets decorated with multicoloured small flags, singing and dancing to rejoice wins. This is a common sight to see Bhutanese men playing kuru or archery within small groups on Sundays the whole day for recreational purposes. Community values like family vitality, social support, kinship density and safety are still visible when most societies are transforming to nuclear families. Safety and security is a big question mark for Indian women but it is not a uncommon sight to see women traveling alone on the treacherous highway which becomes unpredictable as road blockades at times extend to more than 2 days. In this context the patience and perseverance of Bhutanese people is worth as they have mental preparedness to face hardships of road blockades without raising their voices aloud or complaining and blaming others, rather they can find solace by taking a sip of tea or drink or making a small campfire on the highway to warm themselves.

The GNH vision has similarities with Value Education programmes in other countries. The National Framework for Values Education in Australian schools (DEST,2005) with emphasis on comprehensive student well-being was launched to build a national value education programme with important projects related to best practice in schools, teacher education, parents and other stakeholders and resources. India's National Policy on Education(NPE) and Programme of Action (1992) emphasis on value oriented education and introduced value elements in school curriculum. At the government level, governing educational bodies NCERT, NCTE and UGC along with other educational institutes are involved in curriculum reforms, teacher orientation programmes and integration in other courses including teacher education and management. What is concerning the Indian Value educationists is lack of co-ordination, consistency and uniformity of its implementation at different levels of education starting from school to university level which could dilute the essence of value education. It is mentionable that many Indian religious organizations have academic institutions based on spiritual and moral values whose network of model schools are spread across other countries. Some of them are Living Values Education Programme (LVEP) of Brahma Kumaris World Spiritual University, Education in Human Values (EHV) by Sri Sathya Sai Institute, The Ramakrishna Institute of Moral and Spiritual Education (RIMSE), Chinmaya Society and few others are contributing to dissemination of value education. Thus, what is noticeable is lack of streamlining all these value education programmes into a single national policy of education. Sweden also makes value education part of school programme with the objective of developing democratic values in students. Thailand has also incorporated value education in the context of Buddhist Religious Education.

5. Conclusions

This is however an individualistic and general overview of value scenario in Bhutan. However, to arrive at any conclusions without empirical facts would be misleading. Bhutan is still in broad terms a peaceful country whose citizens have access to free school education, free health facilities, low pollution levels and low crime rates despite transportation problems due to rough mountain terrains and harsh climate. Thus there is definitely a need to assess the impact of GNH educational policies on both educators, students and professionals in the long run from different spheres of life on the basis of research findings. It may be a valuable contribution in the field of value education policy, research and practice. Thus in the advent of democratization and globalization phase in Bhutan, the introduction of GNH based education is rightly timed to prevent its ill-effects other countries faced or are facing due to lack of integration of social, cultural and materialistic values in the national development process. The success or failure of this educational project can only be answered by unfolding of the programme and evaluative study of

its impact in years to come. But it is surely a positive effort of Bhutan government to mitigate drawbacks that would result from globalization, industrialization, consumerism, information and media explosion as witnessed by most parts of the world especially in developing countries.

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Review and Reflections on the Moveable and Immoveable Property Act of Bhutan 1999

Kim Van der Borght

Abstract

The Moveable and Immoveable Property Act of the Kingdom of Bhutan of 1999 is an act dealing with secured loans using moveable or immoveable property as security for the loan.

This article reviews the main legal provisions of the Act and offers some suggestions on how to deal with issues of interpretation as well as with some provisions that could benefit from further analysis.

Key Words: Moveable and Immoveable Property; Bhutan; Loan; Security

1. Introduction

Despite its deceptive name, this Act deals mainly with rights and interests pertaining to the usage of moveable and immoveable property as an asset to secure or guarantee a loan. This is immediately confirmed by the second section that declares that this Act repeals Chapters 1, 2, 3 and 4 of the Law of Bhutan (NGA) Loan Act of 1981.

The subtitle of the Act provides a better indication of its contents as the Act relating to loans, mortgages and other security interests in moveable and immoveable property.

The Act consists of 7 parts:

Part I: General Provisions; Part II: Validity of Agreements' Part III: Attachments, perfection and priorities of security interests in moveable property; Part IV: Default – Rights and Remedies in respect of immoveable property (this title should be questioned when read in conjunction with the first section of the part); Part V: Mortgages (this Part will not be discussed in this article); Part VI: Registration; Part VII: Miscellaneous provisions (this Part will not be discussed in this article).

2. General Provisions

Section 3 defines the legal terms used in this act. Although it defines moveable property, it does not contain a definition of immoveable property. As the title of the Act makes a distinction between moveable and immoveable property, the differences between the two deserve some attention.

2.1 Moveable and Immoveable property

In Part I, an entire section is devoted to the definition of the legal terms. This useful section 3 'General Provisions' section provides the necessary tools for understanding the subsequent sections of the Act but a few questions remain.

Section 3 defines moveable property but it does not contain a definition of immoveable property. Section 3(i) provides that moveable property includes '*documents of title, goods, instruments, intangibles, money and securities and includes fixtures and additions but does not include building materials that have been affixed to immoveable property*'.* This definition leaves quite some room for interpretation.

In essence, the difference between moveable and immoveable property is simple. It is in the nature of the things. It is to be determined by the physical characteristics of the property. Can it be moved or can it not be moved? Such a distinction is easy to use and would mean that there is no real need for a further definition but the 1999 Act itself indicates that things are not so simple.

The definition in section 3(i) contains both tangible and intangible things. Goods are clearly tangible and moveable according to section 3(e) but instruments or securities are excluded from the definition of goods as they are intangible. Their physical characteristics are not relevant for their being and cannot serve as a determination of their moveable character. Is an instrument containing a right to an immoveable property not immoveable? The question of what is moveable or immoveable therefore deserves some further attention.

The title of the act makes clear those goods, rights; documents... have to be either moveable or immoveable. No third category exists. Why does the distinction itself exist?

2.2 The characteristics of immoveable property

As stated, the first observation is that immoveable property has a specific characteristic.

The first characteristic is physical. It is part of the surface of the earth or is attached to it. It has a stability that moveable goods do not possess. Moveable goods can be transported, lost, hidden or destroyed. The stability of immoveable property entails that it can be more easily controlled and regulated by the state/government. Immoveable property is easy to identify and is subjected to publicity (e.g. registration of legal interests).

The second characteristic is economic. The distinction developed in agricultural society was land was the main source of wealth. Immoveable property was therefore given special attention in law as it was the most valuable asset. The element of value has therefore been

element in the assessment whether a property is moveable or immovable. It is the economic value element that created the need to recognise intangible rights to immovable property as immovable.

A third characteristic is psychological. More trust is generally placed in immovable property. For example, as security for a loan, immovable property offers more safety as it cannot be taken away and it cannot be easily destroyed, stolen...

2.3 Categories of immovable property

The first and clearest category is all that pertains to the surface of the earth (e.g. piece of land) or is attached to it (e.g. buildings). The criterion of attachment deserves some further attention. The 1999 Act requires a durable attachment of property that is in its normal usage fixed to a specific location and cannot ordinarily be moved. The common example is buildings. But property that may have a durable connection to the land but is removed for its usage is excluded by the 1999 Act. As such, are goods that have not gained mobility through their relationship the surface of land are excluded, e.g. crops in the field or minerals in the soil or rock excluded. The latter fall under the definition of goods in section 3(e): as tangible moveable property including fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted.

In general law, a second category of property is deemed to become immovable by being fixed to the immovable property but Bhutanese law explicitly rejects fixtures as immovable and retains only building materials as immovable property. This means certainly those elements of the building that are essential for the structure of the building but may also include those elements that are integral to its functionality (e.g. in-built cupboards).

The third category is implicitly recognised by the 1999 Act and concerns intangible property. Section 3(g) defines intangible as all moveable property BUT excludes goods, documents of title, instruments, money or securities. Documents of title, securities, etc pertaining to immovable property is thus considered immovable.

2.4 Special terms related to moveable property

Collateral means *moveable property that is subject to a security interest (section 3(a)).*

Document of title means *any written document that purports to be issued by or addressed to a person who holds moveable property on behalf of another and purports to cover goods in the person's possession which are identified or which are fungible portions of an identified mass, and that in the ordinary course of business the document is treated as establishing that the person in possession of it is entitled to receive, hold and dispose the document and the goods it covers.*

Compare with the definition in the Commercial Sale of Goods Act (2000): "*Document of title*" means *any document that in the regular course of business is treated as adequately evidencing that the person is in possession of it or is entitled to receive, hold, and dispose of the document and the goods it covers.*

Goods are tangible moveable property including fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted but does not include documents of title, instruments, money and securities.

Compare with the definition of Goods in the Commercial Sale of Goods Act (2000): *Goods means all things (including manufactured goods) that are moveable at the time of identification to the contract for sale. "Goods" include animals and their unborn young. "Goods" also includes minerals, oil and gas, growing crops, and other things to be severed from real property, but it does not include the real property itself. Goods must both exist and identified before any interest in them can pass. Goods that are not both existing and identified are "future goods". (note that the English language version of the Sale of Goods Act uses American terminology, such as real property instead of immovable property).*

Proceeds means identifiable or traceable moveable property in any form which is delivered directly or indirectly from any dealing with collateral or the proceeds of collateral, and includes any payment representing indemnity or compensation for the loss of or damage to the collateral or proceeds of collateral.

Security interest means an interest in moveable property that secures payment or performance of an obligation.

In practical terms, a security interest is thus a right by a creditor to have a specific property sold to satisfy the debt owed to the secured party if the debtors are in default. In order to enforce a security interest against other creditors and in bankruptcy, the security interest must be properly created and perfected (discussed in Part III of the 1999 Act).

Secured party means a party who holds a security interest for the person's own benefit or for the benefit of any other person and for the purposes of Sections 32, 46 to 49, 54 and 55 includes a receiver.

2.5 Other legal terms

Debtor means a person who owes payment or other performance of the obligations secured, whether or not the person owns or has the rights in the collateral, and includes:

- (i) An assignor of an account, and
- (ii) A person who receives the debtor's interest in the collateral following a transfer, or a successor to a debtor's interest in collateral.

Default means the failure to pay or otherwise perform the obligation secured when due, or the occurrence of any event following which the security becomes enforceable under the terms of the security agreement.

Instrument means:

- (i) A bill, note, cheque, or any other writing that evidences a right to the payment of money and is of a type that, in the ordinary course of business, is transferred by delivery with any necessary endorsement or assignment, or

- (ii) *A letter of credit and an advice if the letter or advice states that it must be surrendered upon claiming payment thereunder.*

Money is a medium of exchange authorised or adopted by the Royal Government as part of the currency of Bhutan or by a foreign government as part of its currency.

It should be noted that the Royal Government decided on the validity of foreign currency as legal tender in Bhutan. Only if the foreign currency is accepted as legal tender in Bhutan can it legally be described as money. Foreign currency that is not recognised as legal tender in Bhutan should be considered a good that is sold and purchased. It is a good of a special nature but it is nevertheless a good. This does not diminish the definition of a good in section 3(h) of the 1999 Act.

Lease means an agreement to occupy and use land, space, structure, or equipment for a definite term in consideration of a payment usually in the form of rent.

2.6 Scope of Application – Substantive Application.

Section 4(1) of the Act defines the scope of application:

- (a) *The Act applies to every transaction that in substance creates a security interest. This application is without regard to the form of the transaction and without regard to the person who title to the collateral and includes, without limiting the foregoing:*
 - (i) *A debenture, floating charge, pledge, hypothecation;*
 - (ii) *An assignment, lease or consignment that secures payment or performance of an obligation*
- (b) *A transfer of an account even though the transfer may not secure payment or performance of an obligation*
- (c) *Every mortgage of immoveable property, and*
- (d) *Every loan agreement*

The terms in this subsection (ii) deserve some further consideration.

A debenture is a debt instrument that is not secured against collateral and thus only guaranteed by the integrity and reputation of the debtor. The agreement that creates a debenture is known as an indenture.

A floating charge is a debt secured against changing collateral (e.g. against the stock of a shop)

A pledge, in general terms, is a solemn promise (e.g. to repay a debt). It is then unsecured. But, it can also be a special kind of possessory security (pawn), where the assets which are being pledged need to be physically delivered to the beneficiary of the pledge (the *pledgee*). The pledgee has a common law power of sale in the event of a default on the secured obligations which arises if the secured obligations are not satisfied by the agreed time (or, in default of agreement, within a reasonable period of time). If the power of sale is exercised,

then the holder of the pledge must account to the pledgor for any surplus after payment of the secured obligations.

A hypothecation is a contract that creates an encumbrance or lien on collateral to secure a loan or mortgage. Hypothecation - also known as 'trust receipts' - are relatively uncommon forms of security interest whereby the underlying assets are pledged, not by delivery of the assets as in a conventional pledge, but by delivery of a document or other evidence of title. In business law, hypothecation is seen in relation to bills of lading, whereby the bill of lading is endorsed by the secured party, who, unless the security is redeemed, can claim the property by delivery of the bill.

The heading of subsection (a) makes clear that there are no requirements as to the form. The agreement can therefore be in writing or can be concluded orally. It deserves strong recommendation to conclude the agreement in writing to ensure that it can be proven easily.

A simple sale agreement does not establish a security interest and is not covered by this act but fall under the scope of application of the sale of goods act or other relevant legislation.

2.7 Scope of Application – Temporal Application

The 1999 Act is applicable to all agreements as defined in section 4(1) irrespective of whether such agreement has been concluded before the entry into force of the 1999 Act or thereafter.

A special transitional measure exists for agreements that predate the entry into force of the 1999 Act. For such agreements, the secured party had six months to register the security interest or mortgage. If such registration takes place, the secured party has the full rights as accorded by this Act as between the contracting parties as well as against any third party. If the secured party has failed to register the security interest or mortgage within the six month period, then the security interest or mortgage remains valid but will take a lower rank when it comes into competition with a security interest or mortgage validly concluded or registered under the 1999 Act. This lower ranking will only be applicable if the person registering a security interest or mortgage was in good faith, which is, if the person was unaware of the security interest or mortgage and make a search in central file of the registry system established under this Act.

2.8 Scope of Application – Exclusions

The 1999 Act is not applicable to a lien given by statute or rule of law. These are special circumstances defined by law or court judgment.

2.9 Part II: Validity of Agreements

3. Effectiveness as between contracting parties and third parties (section 6)

An agreement concerning a security interest, loan or mortgage is effective against the contracting parties and any third parties.

3.1 Delivery of a copy of the agreement (section 7)

The secured party shall deliver a copy of the agreement to the debtor within 30 days. If the secured party fails to do so, the debtor can obtain a copy through a Court order.

It can be questioned whether this is the most efficient way to ensure both contracting parties have a copy of the agreement. It may be worth considering requiring that at the moment of conclusion of the agreement, it is drawn up in as many copies as there are parties to the contract.

3.2 Failure to describe some of the collateral (section 8)

The 1999 Act aims to make the agreement effective wherever possible even if it has not been drawn up in a perfect form. Section 8 therefore provides that even if some collateral for a security agreement or land for a mortgage has not been described, the agreement will remain valid for whatever collateral has been described.

3.3 Guarantee agreements (section 9)

A guarantor to a security agreement, mortgage or loan agreement undertakes the same obligations of the debtor.

The secured party or guarantee alone has the choice to enforce the agreement against the debtor directly or against the guarantor. He need not go after the primary obligor (debtor) first. There is no obligation on the secured party/guarantee to exhaust its rights against the debtor first. In fact, if the guarantor offers better prospects for the fulfilment of the obligations in the agreement, the secured party/guarantee would be well advised to seek performance of the obligation (or payment) from the guarantor first.

3.4 Circumstances invalidating an agreement

3.5.1 Incapacity of a minor to conclude a contract (section 10)

A minor is defined by the law (section 10(3)). The current age is 18.

The Act provides that minors are protected by the Court. Therefore no loan to or from a minor is valid, nor is any agreement for the sale, lease, mortgage or other disposition of the property of a minor is neither effective nor enforceable unless it has been approved by the Court prior to execution.

Any attempt to conclude such an agreement without prior approval of the Court is a criminal offense punishable with a fine of up to half the value of the transaction.

3.5.2 Duress (section 11)

If a loan agreement has been entered into under duress by one of the parties, the agreement shall not be effective or enforceable. However, duress does not render the agreement automatically void. It becomes voidable through court proceedings.

A claim of duress must be made to the Court within 15 days following the day on which the agreement was executed. The limitation in time of using duress as a valid defence against the enforcement of such an agreement contributes to legal certainty and predictability of the legal status and situation. In some cases, it may lead to an unjust situation, e.g. where the duress is continuing after the execution of the agreement, this making it difficult for the party to address the Court. A compromise can be found in the English common law. English common law requires that the victim must seek rescission as soon as possible after the original pressure has ceased to operate. The most well-know precedent is a case known as *The Atlantic Baron* [1975]. Conceivably, section 11 of the 1999 Act has to be read in conjunction with section 22 of the 1999 Act (Application of principles of law and equity). The joint reading opens the possibility to interpret section 11 of the 1999 Act in similar fashion as the *Atlantic Baron* case, safeguarding legal certainty but ensuring that a victim of continued duress is not disadvantaged. Such an interpretation of the joint reading of section 11 and section 22 would promote an equitable outcome.

The consequence of duress according to the 1999 Act is that the amounts payable will be returned and the extortioner shall be liable to pay a fine equal to the amount of the agreement.

3.5.3 Gambling debts

As in many other jurisdictions, in Bhutan, agreements for the loan or repayment of debts incurred as a result of gambling are not effective or enforceable.

This can be contrasted, for example, with the UK. Until April 2005, the rules were the same as in Bhutan. The British Government then saw an opportunity to raise revenue from gambling by granting a licence to casino's (gambling halls). The UK Gambling Act 2005 makes gambling debts enforceable like any other form of borrowing.

3.5.4 Loans from non-Bhutanese

In line with some other jurisdictions, Bhutan restricts the control of foreigners over immovable property. It is therefore not allowed to use immovable property as collateral for a loan taken from a non-Bhutanese. If prior agreement has been granted by the Royal Government, then such a loan or mortgage agreement may be entered into.

If such a loan agreement or mortgage is entered into with a non-Bhutanese without such agreement from the Royal Government, then the loan must be repaid within 90 days on request of the Royal Government. Failure to do so will result in the property being forfeited to the Royal Government. The property will then be sold and the proceeds will go to the repayment of the loan.

3.5.5 Restrictions on Religious Articles

Certain religious articles cannot be pledged as collateral for a loan. The list of such items is established by the Cultural Properties Division of the Royal Government.

If an agreement is executed involving such a prohibited religious article, both parties shall be liable to pay a fine not exceeding one half of the amount involved in the transaction. The religious articles involved in the transaction will moreover be forfeited to the Royal Government.

3.5.6 Unenforceable provisions

Any provision in an agreement concerning a loan, sale, mortgage, lease or other disposition of immovable or moveable property which stipulate that upon default, a person's property is to be subject to harm, or that a person is to be imprisoned is not effective or enforceable.

Such provisions could be qualified as special forms of duress: duress to goods and duress to the person respectively.

3.5.7 Mortgage of Immoveable Property belonging to Monastic Bodies is not permitted

An agreement in respect to a mortgage of other encumbrance of immovable property belonging to a Monastic Body is not effective or enforceable. An exception exists for such agreements that have received prior approval by the Council for Ecclesiastical Affairs (Dratshang Lhentshog).

Both parties to such a prohibited agreement are guilty of an offence and liable to a fine not exceeding half of the amount involved in the transaction.

The immovable property that is subject of the agreement will be restored to the registered owner.

3.6 Interest

Unless otherwise provided in an Act of the Kingdom of Bhutan, persons are free to agree on the interest rate in an agreement up to 15 percent as a simple annual rate. Only registered financial institutions which have been duly licensed to extend credit can exceed this percentage.

Interest is defined by the 1999 Act as the amount by which:

(a) The total sum that the borrower is required to pay if the payments are made as they become due, including all such sums regardless of the purpose or reason for the payment or the time of the payment, exceeds,

(b) The sum actually received in cash by the borrower (plus insurance fees or other costs prescribed by regulation, if any, actually paid by the lender.)

Where no interest is stipulated and no evidence can be produced to the satisfaction of the Court of an interest rate being fixed, then no interest shall be chargeable or recoverable.

The interest has to be stated clearly as an annual rate. If the interest rate is stated in an other way (daily, weekly...), the equivalent annual rate must be stated in the contract. This annual rate cannot exceed 15 percent per annum for the period and no compounding will be permitted.

Any excess in interest as described in the circumstances above (section 17 (limit of 15 percent); section 18 (no interest payable because interest not stipulated); section 19 (any excess above simple annual rate) is recoverable. Such payments can be recovered back from the lender or deducted from any principal or interest that is still payable under the contract.

If the agreement is contested in court proceedings, the interest on the loan, security or mortgage agreement continues to accrue at the rate specified in the agreement until the time such judgment has been rendered and satisfied. If such a judgment or if a decree, rule of order of any Court in civil proceedings makes payable any sum, costs, charges or expenses, then this will be considered a judgment debt that is subjected to the same interest rate as specified in the underlying agreement for which the judgment was granted.

3.7 Custom and Equity

Except in so far as they are inconsistent with the express provisions of the 1999 Act, the principles of Bhutanese Customary Law and Bhutanese Common Law shall supplement this Act and will continue to apply. Such principles include but are not limited to the law relating to capacity to contract, principal and agent, fraud, misrepresentation, duress, coercion, mistake and other validating or invalidating rules of law.

3. Attachment, Perfection and Priorities of Security Interests in Moveable Property

Part III deals with legal steps required to make a security interest in moveable property effective after it has been created. In the process, we can distinguish four steps:

- (1) The creation of a security interest as between the contracting parties. This is not the subject of this Part III
- (2) Attachment is the legal act of connecting the security interest to the collateral
- (3) Perfection relates to making the security interest to the collateral known, making sure it receives the necessary publicity to makes third parties aware of the security interest in the collateral. This can be done e.g. through registration, but also through possession
- (4) Priorities regulate the order and rank of the holders of a security interest.

3.1 Scope of application of Part III (section 23)

Section 23 defines the scope of application as security interests in moveable property. It does not extend to the creation or assignment of an interest in moveable property.

It does not include a mortgage, charge or lease of immovable property, other than an interest in a fixture or an assignment of a right to payment under a mortgage, charge or lease where the assignment does not convey or transfer the assignor's interest on the immovable property.

3.2 Attachment (section 24)

A security interest although effectively established as between the parties (creation) is not enforceable against third parties unless it has attached.

A security interest attached whenⁱ:

- (a) The secured party or a person on behalf of the secured party other than the debtor obtains possession of the collateral; or when the debtor signs a security agreement that contains the description of the collateral sufficient to enable it to be identified.*
- (b) Value is given; and*
- (c) The debtor has the rights in the collateral*

Unless the parties have agreed to postpone the time for attachment, in which case the security interest attaches at the agreed time.

3.3 Future Advances (section 25)

The future advances clause can secure a security interest in any and all obligations now existing or in the future.ⁱⁱ

Section 25 provides that *a security agreement may secure advances of money, credit or other value to be made in the future.*

3.4 Perfection

3.4.1 Unperfected security (section 26)

Even though a security interest may have attached; a security interest in the collateral which has not been perfected

- (a) has a lower priority than the interest of a person,*
 - (i) who has a perfected security interest in the same collateral, or who has priority or a lien given under any other Act or by the rule of law, or*
 - (ii) who assumes control of the collateral through the execution of court order.*
- (b) Is not effective against a person who represents the creditors of the debtors;*
- (c) In documents of title, securities, instruments or goods is not effective against a purchaser of the same who gives value and receives delivery without knowledge of the security interest, provided the purpose of the transfer is not solely for securing payment or performance of an obligation.*

3.4.2 Perfection (section 27)

A security interest is perfected when,

- (a) It has attached; and*
- (b) All steps required for perfection,*
 - (i) By registration under section 29, or*
 - (ii) By possession or repossession under section 31, or*
 - (iii) By the rules governing temporary perfection under section 32, have been completed, regardless of the order of the occurrence.*

If a security has been perfected in any way permitted under this Act and is again perfected in some other way permitted under this Act, shall be deemed to be continuously perfected provided that there was no period between the first and the second perfection when the interest was unperfected. (Continuous perfection – section 28(1))

When a security interest is assigned or transferred, the person who receives the security interest assumes the perfection status the transferor has at the time of the transfer. (Assignees – section 28(2))

3.4.3 Perfection by Registration under section 29

Registration perfects a security interest in any type of collateral on condition that the registration statement is registered in accordance with the provisions of this Act and the regulations.

3.4.4 Perfection by Repossession (section 31)

Possession or repossession of the collateral by the secured party, or on the secured party's behalf by a person other than the debtor perfects a security interest in:

- (a) goods;*
- (b) instruments;*
- (c) securities;*
- (d) negotiable documents and titles; and*
- (e) money*

but only while it is actually held as collateral.

3.4.5 Temporary Perfection (section 32)

4.3.5.1 Temporary Perfection of instruments and documents of title (section 32(1))

When a person takes a security interest in an instrument or negotiable instrument of title and the security is documented in a written security agreement, then such security shall be deemed to be perfected for the first ten days after the agreement is signed.

4.3.5.2 Temporary Perfection of other moveables (section 32(2))

A security interest perfected by possession in moveable property that a secured party delivers to the debtor remains perfected for the first ten days after the collateral comes under the control of the debtor, provided the property is or,

- (a) Unlimited sale or exchange,*
- (b) Presentation, collection or renewal,*
- (c) Registration of transfer,*
- (d) Loading, unloading, shipping or transshipping, or*
- (e) Manufacturing, processing, packaging or otherwise dealing with goods in a manner preliminary to their sale or exchange.*

4.3.5.3 Ten Day Rule (section 32(3))

Once the ten days period has expired, the security interest must comply with the normal rules on perfection as provided for in the 1999 Act.

3.4.6 Perfection as to the Proceeds (section 35)

Where collateral gives rise to proceeds, the security interest also covers the proceeds. But if the proceeds are money, see section 32(2)(c)!

Where the security interest was perfected by registration when the proceeds arose, the security interest in the proceeds remains continuously perfected so long as the registration remains effective. If perfection as to the proceeds occurred in any way, the security interest in the proceeds remains perfected so long as the conditions of such perfection are met.

3.5 Rights and Responsibilities of the Secured Party over the Collateral

4.4.1 Responsibilities of the secured party in possession: reasonable care

A secured party in possession has a duty to take reasonable care of the collateral. Where a secured party is in (re-)possession of the goods, the secured party shall take reasonable care in custody and preservation of collateral in his possession. In the case of an instrument, reasonable care includes taking necessary steps to preserve rights against prior parties unless otherwise agreed.

The secured party thus has specific rights and duties if the collateral is in the possession of the secured party. A specific agreement can determine these rights and obligations. In the absence of such an agreement, section 33(2) lists them:

- (a) Reasonable expenses, including the cost of insurance and payment of taxes and other charge incurred in obtaining and maintaining possession of the collateral and in its preservation, are chargeable to the debtor and are secured by the collateral;
- (b) The risk of loss or damage, except when caused by the negligence of the secured party, is on the debtor to the extent of any deficiency in any insurance coverage;
- (c) The secured party may hold as additional security any increase or profits, except money, received from the collateral, and money so received, unless remitted to the debtor, shall be applied forthwith upon its receipt in reduction of the obligation secured; and
- (d) The secured party shall keep the collateral identifiable, but fungible collateral may be commingled mixed with like fungibles.

For the purposes of this section, *fungible goods and fungible securities are goods or securities, as the case may be, of which any unit is, by nature or business practice, the equivalent of any other like unit, and includes unlike units to the extent that they are treated as equivalents under a security agreement.* (section 33(3))

Responsibility of the secured party for loss or damage: Section 33(4) adds to section 33(2)(d) that the secured party is responsible for damage or loss if the secured party does not fulfil the obligations imposed by section 33(1) and (2).

The secured party is also responsible for preparing a list or itemised inventory of all property and its condition. This document must be signed by both parties. Failure to do so will lead to a rebuttable presumption that that inventory is accurate.

4.4.2 Responsibilities of the secured party in possession: furnish information (section 34)

The debtor or a person who has an interest in the collateral or who is an authorised representative of such a person, may require, by written notice, that the secured party is to furnish at the address specified in the notice, the following:

- (a) A statement in writing setting out, or approving or correcting the amount of the indebtedness, and the terms of payment as of the date specified in the notice;
- (b) A statement in writing, approving or correcting as of the date specified in the notice, a statement of the collateral or a part of the collateral as specified in a list attached to the notice, or
- (c) A true copy of the security agreement.

Section 34(2) further provides that the secured party must permit the person (or his representative) who has requested a true copy of the security agreement, to inspect the security agreement or a true copy of the agreement during normal business hours.

4.4.3 The secured party may use the collateral in limited circumstances (section 33(5)):

- (a) *In the manner and to the extent provided for in the security agreement;*

- (b) For the purpose of preserving the collateral or its value; or*
- (c) Pursuant to an order of the Court upon application by the secured party.*

3.6 Limitations of the rights of the secured party against good faith purchasers

Transactions of the sale of goods in the ordinary course of business do not transfer the (perfected) secured rights (section 36), unless the buyer also know that the sale constituted a breach of the security agreement

Transaction in the purchase of instruments (instrument, negotiable document of title, ..) encumbered by a security agreement and perfected by registration or temporary perfected under the Ten Day Rule (section 32) , gives the purchaser priority over the secured party if three conditions are met:

- (a) gave value for the interest purchased
- (b) purchased the instrument or negotiable document of title without knowledge that it was subject to a security interest; and
- (c) has taken possession of the instrument or negotiable document of title.

3.7 Priorities (section 38)

The rule in section 38 on priorities is an additional rule. Any more specific rules in the 1999 Act take precedence, e.g. the rules in sections 36 and 37.

The general rule states that if collateral is encumbered by more than one security interest is the temporal rule:

- (a) If the security interests are perfected by registration, the temporal rule applied: first registration takes priority
- (b) If perfection was achieved by registration for one security interest and in a different manner for another security interest, the security interest that was first perfected takes priority.

Additional clarification for the temporal rules includes:

- (a) If the security interest is continuously perfected (see section 28(1)), it shall be treated at all times according to the method by which it was first perfected.
- (b) Future advance: where subsequent advanced of money, credit or other value are made while a security interest is perfected, the security interest has the same priority with respect to each subsequent advance as it has with respect to the first advance.

3.8 Special Priorities

Liens for materials: where a person in the ordinary course of business furnishes materials or services with respect to goods that are subject to a security interest, any lien that the person has over the materials or services has priority over the perfected security interest

Crops: where a creditor provides funds to grow a crop and this security interest has been perfected, then this security interest in the crops or the proceeds from their disposition takes priority over other security interests in the crops. If more than one creditor has provided funds and has perfected their security interest, the security interest will be divided in accordance with the ratio of funds provided as compared to the total amount advanced.

Fixtures and additions:

- anyone who has a security interest in fixtures attached to moveable or immoveable property or additions, has priority over any person having a security interest in the property to which they are attached.
- Only in case of default, may such person having a security interest in a fixture or addition remove them, unless otherwise agreed.
- However, he shall reimburse the encumbrancer or owner of the whole building who is not a debtor for any physical injury caused by their removal.
- Such a person entitled to reimbursement may refuse permission for removal until adequate security is given for the reimbursement
- A person having an interest in the whole building and having a security interest with a lower priority than the person with a security interest in the fixtures or additions, may retain the fixtures or additions before removal, if he pays the secured party the amount owing in respect of the fixtures or additions.

4.7 Voluntary Subordination

A secured party may, in the security agreement or otherwise, subordinate its security interest to any other security interest and such subordination is effective according to its terms.

4.8 Transfer of the Rights in Collateral by the Debtor

The rights of the debtor in collateral may be transferred but such a transfer does not prejudice the rights of the secured party under the security agreement or otherwise.

4 Part IV Default – Rights and Remedies in Respect to Moveable Property

It should be noted that the title in English incorrectly refers to Immoveable property. Section 44 makes clear that this Part **applies only to moveable property**.

This part deals with the situation of default. As discussed in Part I under general provision, Default means *the failure to pay or otherwise perform the obligation secured when due, or the occurrence of any event following which the security becomes enforceable under the terms of the security agreement.*

This Act deals with secured debt. That is a situation where the creditor holds a security interest, i.e. *an interest in moveable property that secures payment or performance of an obligation.*

In practical terms, a security interest is a right by a creditor to have a specific property sold to satisfy the debt owed to the secured party if the debtor is in default. As discussed in the previous section, a security interest must be properly created, attached and perfected to be enforceable against the debtor and third parties.

When in default, the creditor has special rights to ensure repayment of the money or performance of the obligation in relation to moveable property. Section 46(5) provides that when the collateral is moveable and immovable, the creditor can proceed with the moveable OR treat both as immovable and proceeds under the rules and procedures applicable to immovable property.

How to recuperate money in a situation of default?

4.3 Appoint a receiver (section 47)

The receiver is appointed by the creditor or by the court according to the contractual rules or the instructions of the Court. The Court can always be applied to for further instruction and guidance as well as to the remuneration of the receiver or any other matter as the Court sees fit

4.4 Collection Rights (section 48)

Upon default, the creditor has the right to collect any proceeds from the collateral as payment for the debt or in lieu of the performance of the obligation. This include, giving notice to the holder or assignor of an account or an instrument to hand over the proceeds or to take control of any proceeds to which the secured party is entitled.

4.5 Right to take possession upon default (sections 49 & 50)

Upon default, the secured party can take possession without further formalities (no intervention of the Court required) unless taking possession requires violence or a breach of the peace

If the collateral is equipment and taking possession is not possible, the secured party may render the equipment unusable. This will be considered taking possession. Equipment are goods that are not inventory or that are not used primarily for personal, family or household purposes.

If taking possession is not possible in normal circumstances, the Court can issue an order that can be enforced with the help of the Royal Bhutan Police.

4.6 Disposal (section 51)

Upon default, the secured party may dispose of the property by public sale, private sale, lease or otherwise as long as it makes commercial sense (*'is commercially reasonable'*).

The secured party can dispose of the property as is or makes repairs, process, prepare for disposition (if commercially reasonable). The proceeds of the disposition will be used first to cover such repairs etc, then to repay the loan.

The secured party can wait with disposal for the right time in commercial terms.

4.7 Notice (subsection 51(4) to 51(10))

Before disposal, the secured party must give at least 30 days notice to all concerned. This includes:

- The debtor
- Anyone known by the secured party before the notice is given to be owner of the collateral or receiver of proceeds
- Anyone who has given prior notice to the secured party of their security interest in the collateral.
- Anyone who has given prior notice to the secured party of their interest in the collateral.

The notice includes:

- Description of the collateral
- Amount required
- Amount of expenses
- Statement that anyone with a security interest, an interest or a right may redeem the collateral after payment (see 51(4))
- Statement that unless payment is made, disposal will take place and debtor liable for deficiency
- Date, time and place of public sale, or date after which disposal is to be made

Notice is given in person or by registered mail to last known or usual address.

No notice required if:

- Perishable
- Rapid decline in value expected
- Can be sold on recognised market
- Cost of storage disproportionate

- If the Court so decides
- If all persons receiving notice agree
- If disposal through debtor's business

4.8 Distribution of surplus

First, if no other claims to the debtor

If written claims are received by the secured party, pay into Court

4.9 Deficiency

The debtor is liable for deficiency unless otherwise agreed in the security agreement.

4.10 Acceptance of collateral in lieu of performance

The secured party can accept the collateral in lieu of payment but must give notice as in subsection 51(4). If such persons consider they might be negatively affected, they should give notice within 30 days. The secured party must then dispose of the collateral. Such persons must be able to furnish proof of their interest to the secured party upon request.

The secured party can apply to the Court to be allowed to accept the collateral despite objections if:

- If the objection does not relate to an interest in the collateral
- If they proceeds of the collateral according to fair market value is less than the secured amount (and expenses)

Foreclosure: after 30 days, the secured part can take ownership in full satisfaction of the obligation secured. The ownership will not be encumbered by existing interests in the property.

After disposal, the buyer buys free of any interests

4.11 Redemption

Before disposal or before final acceptance by the secured party, any party eligible to receive notice can fulfil the obligations and take possession. If more than one party wants to redeem, priorities in accordance with their secured interest applies.

4.12 Any person with an interest can apply to the Court

The Court can take any and all measures, including recognising rights, relief obligations, extending deadlines, give directions, makes orders...

5 Mortgages

This Part deals with immovable property. It is outwith the remit of this article.

6 Registration

The Act establishes a central office for registration and branch offices, led by the Registrar and branch registrars. Registrar and branch registrars are public servants designated by the Royal Government.

6.3 Registration

A notice of a mortgage may be registered in the register in the appropriate Dzongkhag or City Corporation.

A security interest in moveable property may be registered in the appropriate registry office

A security interest in moveable property may be registered in the land registry if:

- The collateral is or includes fixtures or goods that may become fixtures or crops, or minerals or hydrocarbons to be extracted, or timber to be cut; or
- The security interest in a right to payment under a lease, mortgage or charge of immovable property to which the 1999 Act applies.

6.4 Effect of Registration

Where a notice has been registered, every person dealing with the collateral shall be deemed to have knowledge of the security interest.

No conveyance of immovable property encumbered by a mortgage may be registered by the Land Registry unless there is prior written permission of the mortgagee. Sanction for the Dzongkhag or City Corporation registering conveyance without a certificate from the registrar immediately prior to the conveyance that there is not mortgage encumbering the immovable property, engenders liability for the mortgage for the Dzongkhag or City Corporation.

No transfer of vehicles encumbered with a security interest can be registered by the Surface Transport Authority without prior written permission of the secured party. Sanction for the Surface Transport Authority when registering conveyance without certificate of the registrar immediately prior to the conveyance declaring the vehicle free of any security interest: liable for the debt secured by the vehicle

For sanctions: mortgagee or secured part is entitled to a Court order enforcing payment

6.5 Certificate and Certified copies

Upon request of any person, the registrar can issue a certificate whether a property is subject to a security interest. Existing registers are:

- Land records index
- Individual debtor name index
- Business debtor name index
- Motor vehicle identification number index

The certificate is issued upon payment of the fee and is considered proof (in the absence of evidence to the contrary)

The registrar may include information in the certificate relating to a property, debtor or vehicle identification number that is similar to the name or number to which the inquiry was made

A certified copy of the registration document may be requested upon payment of the fee. It shall have the status of proof (in the absence of evidence to the contrary).

6.6 Registration by delivery of the registration document

Registration is effected by delivery of the registered document in the prescribed form.

Errors do not invalidate the registration if no reasonable person is likely to be misled materially by the error or omission.

6.7 Discharge

When the payment has been made or the obligation performed, or when part of the collateral is released from the security interest after part payment or performance, such collateral can be discharged at the request of any person having an interest.

Request is made to the secured party or mortgagee who will deliver - within 15 days - a registration change statement, or a notice of (partial) discharge.

6.8 Removal of information from registration system by registrar without notice

- If the registration is no longer effective
- Upon receipt of a registration change statement discharging the registration
- Upon receipt of a Court order

6.9 Removal of information from registration system by registrar with notice

The registrar shall give notice to the secured party before removing the information related to a registration change document if:

- The document does not set out the correct information or file number as set out in the registration statement or registration change statement to which it relates
- The document does not set out the name of the debtor as that name if set out in the registration statement or registration change statement to which it relates

7 Miscellaneous Provisions

The Part is outwith the remit of this article

8 Conclusion

Despite its deceptive title, the Moveable and Immoveable Property Act of the Kingdom of Bhutan of 1999 provides a clear legal framework for loans that are secured by moveable or immoveable property. It is reassuring for any lawyers that the Act also contains some scope for interpretation but it deserves recommendation that some uncertainties would be clarified by a legal amendment or, probably more likely and more desirable through practice and judicial interpretation. We hope that some of the suggestions made in this article could prove useful in this regard.

End Notes:

The usual disclaimers apply.

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* Extracts taken from sections or complete sections of the Act or other Acts are printed in italics.

ⁱ Compare with section 9(203b) of the United States Uniform Commercial Code: UCC 9-203(b):

- (a) The secured party must give value;
- (b) The debtor must have rights in the collateral; and
- (c) The debtor has authenticated (e.g., signed) a security agreement.

See further: Robert K. Weiler, Basics of Creation and Perfection of Security Interests under 9 of the Uniform Commercial Code, Presented by to the Onondaga County Bar Association (September 2006).

ⁱⁱ Compare Robert K. Weiler, Basics of Creation and Perfection of Security Interests under 9 of the Uniform Commercial Code, Presented by to the Onondaga County Bar Association (September 2006)

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