

# managementVoice

(A Thrissur Management Association Publication)

## TMA'S ACTIVITIES MOVE INTO THE TOP GEAR



Analysis of Union Budget 2021: A joint programme with The Chamber of Commerce, Thrissur and Thrissur Branch of SIRC of ICAI



National Management Day Celebration: 'Digital Transformation of India' Padma Bhushan Kris Gopalakrishnan (Co-Founder Infosys & Chairman, Axilor)



Mr. Harsh Pati Singhania (President, AIMA, Vice Chairman & Managing Director, JK Paper Ltd.) addressed TMA's members on the topic "Transformation for Continuity"



TMA Presidents Meet honoured Past Presidents of TMA



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(Opinions expressed in this journal are those of the authors and need not be endorsed by TMA.)

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*"Any deviation by the Indian government from the path of fiscal prudence will further pressurise the 10-year benchmark yield given the limited scope of help from the central bank. +And that, as we have seen, can only make things more difficult for corporate borrowers who are now well-advised to get used to a period of belt-tightening."*

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*"Scientists say that a seemingly innocuous human behaviour triggers the release of endorphins, the body's natural feel-good chemicals which reduces stress, relaxes tense muscles and increases immune cells and infection-fighting antibodies, thus improving our resistance to disease. This natural phenomenon is encapsulated in the popular phrase "Laughter is the best medicine."*

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**Note:** Management Voice solicits original articles (published/unpublished) from its members. Kindly email your contributions to The Honorary Secretary at tma.tcr@gmail.com with "Article for TMA Voice" in the subject line.



# From The Chief Editor



## TMA's activities gather pace

The past couple of months has seen a flurry of activities at TMA, and we've tried to do our best to cover all of that in this issue of Management Voice. Here is a round-up of the articles we have lined up for your reading pleasure.

### Inside this issue

Once again, we are fortunate to have a host of contributions from our members, some of them making their appearance in these pages for the very first time.

In our regular "Policy" column, TMA's Past President and the MD & CEO of Manappuram Finance, Mr. V.P. Nandakumar, expresses the view that interest rates in India are likely to rise from here on. He notes that the "economy-wide decline in borrowing costs" over the past half-decade has been beneficial to industry and business across sectors and is one of the reasons why stock markets in India have done well recently. Against this backdrop, recent events hint at an unwelcome reversal of the trend in the offing. While the RBI has held rates steady since the last cut effected in May 2020, the action in the bond market points to rougher weather going forward.

Mr. K Ajit Kumar, former Chief General Manager with the Exim Bank and a newly inducted member of TMA, has contributed an article on the concept of Overseas Direct Investment (ODI). Unlike FDI which brings money into India, ODI is investment abroad by Indian Business entities. He shares his rich experience of handling such transactions at the Exim Bank, from coal mines in Australia to an ancillary unit set up by an Indian at the Mexico-USA border for supply of car wipers to Volkswagen.

"Leveraging good governance for the growth of business" is the title of the article contributed by CA. Sunil G. Nampoothiri. In the words of the author, "Irrespective of the size of business, effective governance system can assist the organization in achieving the stated objectives. However, resistance to change when we implement a good governance system can be the biggest impediment in implementing such a good governance system. We should be able to manage such resistance very scrupulously."

Dr. (Capt.) Suseela Menon R. (a retired professor of Sree Kerala Varma College and Director of Dhanlaxmi Bank) and Mr. Suresh Kumar I. N. (Head – Learning & Development, CSB Bank) have contributed a research paper titled "National Payment Corporation Of India: Driving Digital India Campaign Through Unified Payment Interface (UPI): The Challenges and Successes." The paper concludes that the customer has a positive attitude towards unified payment interface services and that there is relationship between various aspects of UPI services and customer satisfaction. Some of the problems faced by customers while using UPI services are also discussed in this study.

In the article, "Budgets and Stray Thoughts on Resource Management," Mr. N. Gopinathan makes the case that resource should be used judiciously. Merely because a resource is needed to satisfy the requirement of society to achieve certain programmes should not be a reason to over-use the resource without studying the consequences of such use. He notes that professionals in the field of commerce, industry, accounting, management and administration have a role to play in achieving a



just and balanced development agenda without compromising the just needs of the society but at the same time keeping a close watch on the actual resource position.

In our pick of articles from the HBR blog, we have Laura Empson and Jennifer Howard-Grenville writing on "How has the past year changed you and your organization?" They say that in the post-Covid world, leaders should not try to recreate their pre-Covid cultures. They talk about "liminality" as an in-between time, when perspectives shift, old certainties are challenged, and new ideas emerge. They cite real-life examples to show that people often return to work with unanswered questions and potentially incompatible expectations. Therefore, leaders need to recognize this and consider how to respond effectively.

Dr. P.A.Damodaran, a guest faculty at the Dr. John Matthai Centre, has contributed a comprehensive piece on stress management that goes into the causes of stress, its effects on the human body, and how it can be managed (by now, we all know stress is integral to life and cannot be eliminated). There is even a paragraph about stress management by organisations!

Finally, we have the usual complement of our President's message, the Secretary's report with its comprehensive record of activities of TMA during the last couple of months, and the Business and Management Quiz. A word of thanks to our sponsors whose advertisements keep this magazine going.

Happy reading!

**Ranjan Sreedharan,**  
Chief Editor

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# Message From The President



*Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greater thing in life is to keep your mind young.*

*Henry Ford*

## Esteemed Members of TMA,

**T**he COVID-19 period is almost over. The life of the people is back to normal. The year 2021 is the year of hope. We expect a turn-around in the economy very soon. The GDP, export and SENSEX are all moving ahead.

TMA 2021 started with a big bang. We are setting new standards of excellence for TMA. A lot of historical moments took place during these months. On 5th January, TMA could launch the book “Stock Market Wisdom” written by CA. T.S. Anantharaman. In the same meeting, we honoured our Vice President, Mr. K Paul Thomas who has been awarded The Global Sustainability Award 2020. Mr C.VR. Rajendran (MD & CEO, CSB Bank Ltd.), Mr. P K Vijayakumar (MD In Charge, Dhanlaxmi Bank), Mr. Murali Ramakrishnan (MD & CEO, South Indian Bank Ltd.) and Mr. V P Nandakumar (MD & CEO, Manappuram Finance Ltd.) were present on that occasion. It was a grand gala event for TMA.

In January 2021, TMA conducted three webinars to the benefit of the members of TMA. On 2nd February, TMA conducted a joint programme on budget analysis with Thrissur Branch of SIRC of ICAI and Chamber of Commerce, Thrissur. Mr. C.VR Rajendran (MD & CEO, CSB Bank Ltd.) CA Venugopal C Govind, and CA G Ramaswamy were the speakers for the programme.

Another achievement for TMA during February is the webinar by Padma Bhushan Kris Gopala krishnan along with the MD and CEOs of four commercial banks of Thrissur. This was also a brand building exercise for TMA. We could also conduct an International Webinar by Mr. Sachin Kul-karni.

In March 2021, we have four webinars by prominent personalities. They include Mr. Murali Ramakrishnan, MD & CEO, South Indian Bank Ltd, Ms. Rekha Sethi, Director General, AIMA, Mr. Harsh Pati Singhania, President of AIMA, Mr. J K Shivan, MD & CEO, Dhanlaxmi Bank Adv. C B Mukundan and Adv. Binitha C. The programmes on 17th and 24th March are joint programmes with Bankers’ Club Thrissur and the programme on 29th is a joint programme with Indo-American Chamber of Commerce.

As a social responsibility of TMA, we are instituting various awards and scholarships to the students as well as the business community in Thrissur and its environs. Prof. K G Ravi, Mr. Seejo Ponnore, Er. Vinod Manjila and Col. Pratap Chandran have come forward to setup different awards and scholarships to various segments of society. I cordially invite the members of TMA to contribute

generously so as to help the poor and downtrodden people of the society. The donations that you give to TMA are eligible for Income Tax Exemption.

When Mr. Sanjay Grover, Director LMA of AIMA, visited Thrissur Management Association Management House last year, he expressed an opinion that the TMA house is unutilized, especially for the activities of TMA. So, TMA organised a Management Development Programme on 26th February 2021. The resource person was Mr. Naresh S Warriar. The programme was well appreciated by the delegates. Nearly 30 delegates attended the programme. There were delegates from CSB Bank Ltd, South Indian Bank Ltd, Dhanlaxmi Bank Ltd, ESAF Bank Ltd, AquaStar, Hykon India Ltd. and so on and so forth. Our next MDP is planned during April 2021 by Mr. Ajit Paul.

Another historical achievement for TMA is obtaining the approval under section 80G(5)(vi) of the Income Tax Act,. We are very much obliged to CA. Sony C L (IPP), CA. T R Anantharaman, Mr. P K Vijayakumar IRS (Retd.) and CA. (Dr.) V Venugopal for obtaining this exemption. This will be definitely another feather on the cap of TMA.

Another glorious moment for TMA is the merger of ALERT with Thrissur Management Association. Because of the merger, the corpus fund of TMA will be crossing one crore. It is a dream come true. More members of ALERT will be joining TMA as Life Members. Because of the merger of ALERT with TMA, the present premises of TMA may not be sufficient to accommodate all the fixed assets like the shelves, chairs, computers, books .etc. transferred from ALERT. So it is time to seriously think of buying a more spacious building. The co-operation of all the members is solicited in order to meet our extended requirements.

I take this opportunity to thank all the past presidents, managing committee members and the members of TMA for the relentless support extended to the team TMA in its journey towards new horizons of achievements.

With warm regards,

**Dr. V M Xaviour**

President, TMA

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# Secretary's Report



Dear Member,

Greetings from TMA!!

I am delighted to present before you the various activities of TMA during the period from February 2021-March 2021

## Membership and Induction of New Members

The details of persons inducted to TMA during this period are:

### Life members

**1. Mr. Karthik Ramani, 2. s. Jitha Chummar, 3. Mr. CL Sojan, 4. Ms. Aiswrya KS, 5. Mr. Dileepan Balakrishnan**

## Managing Committee Meetings

During the period two Managing Committee meetings and one special Managing Committee meeting were held

## Extra Ordinary General Meeting of TMA

On 1st March 2021, an Extra Ordinary Meeting of TMA was held virtually for the adoption of proposed merger of ALERT academy with TMA. Around 40 members were attended this event. The EGM unanimously approved the merger of ALERT academy with TMA.

## Analysis of Union Budget 2021 – February 2nd 2021 jointly with The Chamber of Commerce, Thrissur and Thrissur Branch of SIRC of ICAI

Analysis of the Union Budget of 2021 was conducted by Thrissur Management Association jointly with The Chamber of Commerce, Thrissur and Thrissur Branch of SIRC of ICAI on 2nd February 2021. The speakers were **Mr. C.VR. Rajendran** (MD & CEO, CSB Bank Ltd.), **CA. G Ramaswamy** (Past President, Institute of Chartered Accountants of India, New Delhi) and **CA. Venugopal C Govind** (Sr. Chartered Accountant, Kochi). More than 150 members attended this event.

## ZOOM International Webinar ‘The Future is Bright; The Future is Orange’

TMA conducted a ZOOM Session on 19th February 2021 on the topic ‘The Future is Bright; The Future is Orange’ in association with 15th Management Day Celebrations. Mr. Sachin Kulkarni (Senior Vice President, FiServ) was the Chief Guest of the day. Around 100 Members attended this fabulous event.

## National Management day Celebration: ‘Digital Transformation of India’ followed by Virtual Round Table with Prominent Banking Heads of Thrissur.

As a part of the 15th Management Day Celebrations, TMA conducted a webinar on ‘Digital Transformation of India’ by **Padma Bhushan Kris Gopalakrishnan** (Chairman, Axilor & Co-founder, InfoSys) followed by a Virtual Round Table on the topic ‘Reimagining Financial Sector Through Fintech And Innovations’ on 22nd February 2021.



The participants of the Virtual Round Table were **Padma Bhushan Kris Gopalakrishnan** (Chairman, Axilor & Co-founder, InfoSys), **Mr. Murali Ramakrishnan** (MD & CEO, South Indian Bank), **Mr. K Paul Thomas** (MD & CEO, ESAF Small Finance Bank), **Mr. C.VR. Rajendran** (MD & CEO, CSB Bank) and **Mr. Shivan J.K** (MD & CEO, Dhanlaxmi Bank). About 200 members attended the event.

### **Management Development Programme**

On 26th February 2021, TMA organized a Management Development Programme on the topic 'Strategic Innovation: New Game Strategies for Competitive Advantage' at TMA Management House, Thrissur. The speaker was Mr. Naresh S Warriar, a renowned coach. About 30 delegates participated in this event from various organizations in and around Thrissur.

### **Leadership in Adversity: National Webinar in association with Bankers' Club, Thrissur**

Thrissur Management Association (TMA) jointly with Bankers' Club, Thrissur has organized a National Webinar on Leadership in Adversity by Mr. Murali Ramakrishnan (MD & CEO, The South Indian Bank Ltd.) on 17-March-2021.

Dr. V M Xaviour President of TMA presided over the meeting. Mr. Nishad Davis (Hon. Secretary, Bankers' Club Thrissur) welcomed all the members. Er. Vinod Manjila (Sr. Vice President TMA) introduced the chief guest and Mr. Pratap Varkey (Hon. Secretary, TMA) proposed the vote of thanks. Around 115 members attended the programme.

### **National Webinar in association with AIMA : Transformation for Continuity Address by Mr. Harsh Pati Singhania (President, AIMA) & Crisis as an Opportunity: Leading Revolutionary Change by Ms. Rekha Sethi (Director General, AIMA)**

Thrissur Management Association (TMA) has organized a National Webinar Transformation for Continuity on 18th March 2021. Mr. Harsh Pati Singhania (President, AIMA, Vice Chairman & Managing Director, JK Paper Ltd) was the chief guest of the evening.

Guest of Honour Ms. Rekha Sethi (Director General, AIMA) also addressed TMA Members on the topic Crisis as an Opportunity: Leading Revolutionary Change.

### **Establishment of 'Bad Bank': The Way Forward and Challenges National Webinar in association with Bankers' Club, Thrissur**

Thrissur Management Association (TMA) jointly with Bankers' Club, Thrissur has organized a National Webinar on **Establishment of 'Bad Bank': The Way Forward and Challenges** by Mr. Shivan J K MD & CEO, Dhanlaxmi Bank Ltd.) on 24-March-2021.

### **The Labour Law Code on Wages 2019 & Social Security Code 2020 National Webinar in association with Indo-American Chamber Of Commerce, Kerala**

Thrissur Management Association (TMA) in association with Indo-American Chamber Of Commerce, Kerala has organized a webinar on The Labour Law Code on Wages 2019 & Social Security Code 2020 on 29th March 2021.

Adv. C B Mukundan (President, Forum for Reforms in Corporate Laws (FRICL) & Adv. Binitha C Mukundan (Labour Law Consultant) were the session speakers of the programme. Around 103 members attended this session.

### **Presidents Meet**

TMA has organized a Presidents Meet (an event for remembering and honouring Past Presidents of TMA) on 9th March 2021 at Blue Serene Resort, Enamavu, Thrissur. During the function TMA honoured 18 past presidents and two executive directors of TMA. The event was attended by 42 members.

I look forward to writing you soon with more updates in the next issue of our prestigious journal  
With warm Regards,

**Prathap Varkey**  
**Hon. Secretary, TMA**

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By V.P. Nandakumar

# INTEREST RATES IN INDIA LIKELY TO RISE

An important development for the Indian economy in recent years has been the remarkable success achieved in lowering interest rates. This came about because the RBI has steadily cut its key policy rate since January 2014 when the repo rate had peaked at 8 per cent. The repo rate has now come down to 4 per cent (the lowest ever) for a total reduction of 4 percentage points over six years. During the global financial crisis of 2008, the repo rate had bottomed out at 4.75 per cent before starting to rise again. Incidentally, the RBI had tried to raise rates briefly from June to August 2018, when it increased the repo rate from 6 to 6.5 percent. However, the IL&FS crisis hit the economy towards the end of 2018 and there were no further hikes.

The RBI's move to cut interest rates over the last 3 to 4 years followed the decline in India's inflation rate and reflected its confidence in the government's ability to keep a lid on fiscal deficit. During its February 2021 meeting, the RBI left its benchmark repurchase rate at 4 per cent stating that it would maintain an accommodative stance

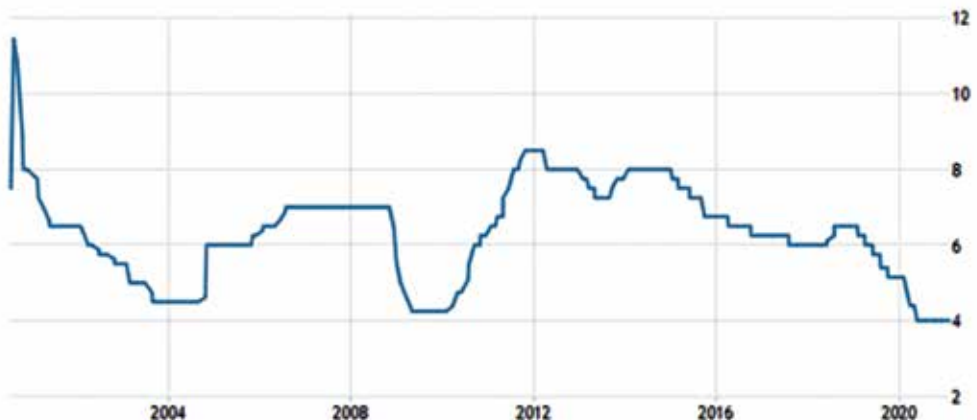
as long as necessary to support the economy hit by the COVID-19 crisis, while ensuring that inflation remains within the target going forward. The RBI revised its inflation forecast to 5 per cent from 5.2 per cent in H1 2021-22 and 4.3 per cent for Q3 2021-22. Meanwhile, the real GDP growth is projected at 10.5 per cent in 2021-22.

## RBI Repo Rates

The economy-wide decline in borrowing costs has been beneficial to industry and business across sectors and this is one of the reasons why stock markets in India have boomed recently. Against this backdrop, recent events suggest that an unwelcome reversal of the trend may be in the offing. While the RBI has held rates steady since the last cut effected in May 2020, it is the action in the bond market that points to rougher weather going forward.

## Warning signals from the bond market

Thanks to interest rates falling steadily since 2014,



the bond market participants enjoyed a rally in prices for much of the last four years. Yields had fallen from their peak of 9.10 per cent in April 2014 to 5.76 per cent in July 2020. The sustained decline in bond yield was mainly due to the easy monetary policy followed by the Reserve Bank of India (RBI) after January 2014, with the repo rate coming down from 8 per cent in 2014 to 4 per cent as of today.

The decline in bond yield (in other words, the rally in bond prices) came to a halt by December 2020 as the RBI neared the end of its easy monetary policy cycle. The RBI finds itself unable to push for further rate cuts despite the contraction in GDP for two consecutive quarters (following the pandemic) because of the risk of higher inflation on the back of increased borrowings by the government. Market participants expect that the RBI will likely increase the policy rate in 2H-FY21. The key factor underlining this view is the likelihood of inflation making a comeback, which would cause the RBI to normalize policy sooner than currently expected.

In the Union Budget presented in February, the FM budgeted for fiscal deficit at a much higher level than last year's budget given the pressing need to stimulate economic activities. However, because this necessarily involves higher government borrowing, the bond interest rate cycle turned, resulting in a spike in the cost of borrowing for the government as well as for the highly rated corporates. Yield on the 10-year benchmark bond went up recently. Since the Union Budget was unveiled, the benchmark yields have hardened to 6.20 in March (up by 42 bps). Even the yield on one-year T-bill has increased from 3.40% to 3.70% in February this year. The elevated fiscal deficit shown in the budget was not unexpected. After all, there is a clear need to revive the economy and channel investment into infrastructure, and it was expected that fiscal deficits would likely run higher than base for a couple of years or so. In the corporate bond market, two AAA-rated borrowers had to reduce the size of their debt issuances recently, due to the higher yield demanded by the market. Incidentally borrowing costs for large, AAA-rated PSU's have increased by 80-100 bps over the past few weeks.

These days, the bond markets and the RBI

are involved in a tug of war over the yield on government securities. The RBI chose to devolve several auctions on the underwriters last month as the market was demanding a higher yield. The RBI wants to keep the government's borrowing costs below 6 per cent, which market participants believe is less than the fair price. In this context, it may be mentioned that the increase in yield on government debt is not unique to India as almost all the large economies have witnessed rising yields on government bonds.

### **Risk of inflation – commodities and oil**

Fiscal stimulus in the advanced economies can be inflationary too, as we have begun to see in the commodities space where prices have firmed up. With prospects of faster than expected economic revival and with governments across the world loosening their purse strings to stimulate economic recovery, the risk of inflation is real although it may not be significant in the near term (i.e. over the next year). However, the current trends indicate that the period of low commodity prices may have come to an end. After Pfizer's vaccine announcement revived hopes of a quick end to our pandemic woes, global commodity prices started moving higher on hopes of increasing demand as the pace of economic activities picks up. Commodity prices started rallying from June 2020 onwards thanks to a post-pandemic recovery, rising global liquidity, and a weaker dollar. Steel, cement, coal, copper, aluminium, iron ore, are up by up to 75% since June 2020. Copper and tin prices hit their highest in nine years earlier in February, while crude oil continues to trade at a 13-month high.

Oil is a 'leading' indicator of growth in the global economy and in 2021, prices went up by 20 per cent within one month reflecting optimism about revival of growth. Moreover, greater compliance by OPEC+ members in respect of their agreed upon production quotas has also supported prices. In April 2020, in the immediate aftermath of the pandemic, the OPEC+ alliance decided to enforce a 10 million barrel per day (bpd) production cut till June 2020, which gave way to a cut of 7.6 million bpd until the end of the year, and now to a cut of 5.6 million bpd through 2021 until April 2022. Crude oil prices have risen more than 60 per

cent since November 2020 when the first vaccine announcement was made.

Staying with the outlook for crude oil prices, a further complication is that the new Biden administration in the US is very conscious about the environment. Many of its leading lights are opposed to fossil fuels and keen to force the pace of change towards renewable sources of energy. This is in marked contrast to the pragmatic approach of the Trump administration that had no qualms about encouraging oil prospecting onshore and offshore. While the long-term impact of a shift to renewable sources of energy would be positive, there are short term costs to be borne. Under Trump, on each occasion that oil prices rose above US\$ 60 to the barrel, shale oil producers would ramp up their output and keep a lid on prices. In fact, thanks to the rise of shale oil, the US had effectively become a net-zero importer of crude oil. But now, with a new dispensation under the influence of environmentalists and climate warriors, there is less likelihood of domestic shale oil producers stepping up their output to keep a check on OPEC's ability to raise prices. Against this backdrop, crude oil may well continue its rally to US\$ 80 and above, which does not bode well for India's battle against inflation.

### **The negative impact of rising yields**

The overshooting of the fiscal deficit in the past and the revised higher deficit estimated for the current FY 2021-22 will put further pressure on bond yields. The rising yield increases inflationary pressure (by pushing up costs for producers) and can lead to a slowdown in private investment and economic growth. As the supply of government bonds increases, it tends to "crowd out" private borrowers and forces up interest rates for them.

Banks are also adversely affected by rising yields as it erodes bond prices and the value of their existing bond portfolio. The higher mark to market losses that banks are forced to book will further erode their profitability at a time when it is already strained by non-performing loans. The cost of raising deposits for banks has also increased in recent months. Corporate entities are finding it harder to borrow from banks at competitive rates. Earlier, higher-rated corporate could borrow via corporate bonds at lower yields compared to bank borrowings. In a scenario of rising yields in the bond market, this window is also becoming costlier.

### **Outlook**

As in India, bond markets in the advanced economies have also witnessed rising yields (and falling prices). US government's fiscal response to the great recession of 2008 was to the tune of \$1.8 trillion, whereas the fiscal response to the pandemic has ballooned to \$6.1 trillion and counting. Recently, the US Treasury bond yield jumped from 0.53 per cent in July 2020 to 1.42 per cent in March (nearly 90 bps jump in less than six months). It must be noted that pre-Lehman the US treasury yield was nearly 5 per cent. In this context, any deviation by the Indian government from the path of fiscal prudence will further pressurise the 10-year benchmark yield given the limited scope of help from the central bank. And that, as we have seen, can only make things more difficult for corporate borrowers who are now well-advised to get used to a period of belt-tightening. □

*(V.P. Nandakumar is MD & CEO of Manappuram Finance Ltd. and a Past President of TMA. Views are personal.)*



# OVERSEAS DIRECT INVESTMENTS FROM INDIA



By K Ajit Kumar

**T**I had the opportunity to serve the Export Import Bank of India, an all India Financial Institution, for over 5 years at its apex level before my superannuation from the Banking career. Prior to that, I served State bank of India at its offices in India and abroad for about 30 years. In this short article, I would like to cover the concept of "Overseas Direct Investment (ODI)" i.e. Investment abroad by Indian Business entities.

The flow of direct investments to India, either inward or outward, reflects increasing integration of the Indian Economy with the world. In both the cases, it augurs well, especially, for a developing economy like India. While exports were hitherto the predominant instrument for Indian enterprises to reach global markets, the scenario has changed in the last decade with outward investments increasingly becoming one of the mechanism for globalisation of operations. The evolution of the economy from a controlled framework to a liberalised framework, took the Indian corporates to a growth trajectory outside India through organic growth. India is a net recipient of Foreign Direct Investment i.e. foreign investment flow in to our country is much higher than the Indian corporates investment outside. As per RBI data, the Indian ODI was valued at US \$20.9 billion in 2019-20, which is significantly lower than the all time high of US \$43.9 billion achieved in 2019-11.. UNCTAD reports, the total global ODI for 2019 at US \$1313 billion, Asia accounting for \$562 billion, Europe \$498 billion and North America US \$201 billion. The share of Asia has gone up from 26.1 percent in the world ODI in 2010 to little over 42 percent in 2019, thus becoming the world leader.

Export - Import Bank of India, encourages Indian companies to invest abroad for setting up manufacturing units and acquisition of overseas entities through Joint ventures or Wholly owned Subsidiary of Indian companies. The primary reasons for any Indian company spreading its wings in foreign markets are to access technology, raw materials, brand acquisitions etc. The key motivators for Indians to make overseas investments are:

- i) Forward Integration
- ii) Access to latest Technology
- iii) Backward integration
- iv) Technology transfer
- v) Taking advantage of FTAs/Tax treaties
- vi) Acquisition of strategic brands.

The Govt. of India acting through the RBI has liberalised the scheme for ODI.. RBI notifications and Foreign Exchange Management Act are the two important regulatory compliance s required for OD besides the compliance s required at the host country level .. RBI has simplified it so much so that deals up to US dollar 1 billion falls under Automatic Approval route subject to the condition that the proposed investment does not exceed 400 percent of the net worth of the company. The acquisition value if it exceeds US \$5 million, the share valuation need to be done by a category 1 Merchant banker registered with SEBI. or by an investment banker /Merchant Banker outside India. If the deal size exceeds US dollar one billion or the investment exceeds the net-worth requirement of 400 percent, clearance and prior approval from RBI need to be obtained.

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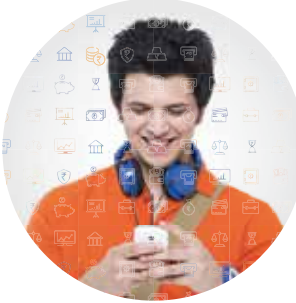
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- iii) Term loans to the WOS or JV abroad for meeting their capital expenditure or working capital requirements.
- iv) Guarantee facilities to overseas JV/ WOS for raising term loans or working capital finance.

The borrower has the option to raise the resources in any hard currency and also has the option to raise the loan in Indian Rupees on its parent company. Currency risk is an important factor and need detailed understanding of the associated risk, as that alone could be the reason for the company going bankrupt on a future date (as had happened to a few JVs in India who had availed Japanese Yen loan in the 1980's and again as early as 2000 when Yen interest rates were lower, and ECB's were availed in Yen)

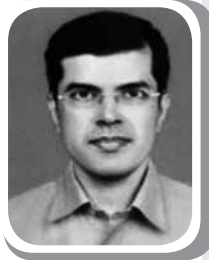
While the above may be a broad classification, each case need specific examination and Exim Bank has the expertise to guide, finance and conclude the deal. The major issue related to the deals are its careful structuring, valuation and drafting of agreements to effect the transaction.

Legal clearance is one of the most important aspect of these type of transactions. Agreeing to the documents by the Lawyers located at two different location speaking diverse languages at opposite time zones at times become too complex than the deal itself. The cost and time put on legal vetting differ from country to country. Exim Bank has a dedicated law department which has done a good number of ODI deals.

My tenure with EXIM bank gave me an opportunity to be part of the team for transactions done through the Bank. In one case we could do the entire deal in 20 days time for a prominent group in Chennai. Many large acquisitions have been done by Indian Banks under syndication arrangement. I had the opportunity to visit a few of the units acquired by Indian companies abroad, from Coal mines in Australia to an ancillary unit set up by an Indian company in Mexico for supply of car wipers to Volkswagen (this was located on the Mexican border abutting the US). While there are many success stories, a few failed due to regulatory changes (for example coal mines in Indonesia, sugarcane cultivation in Brazil), non-localisation of labour, and imposition of Indian management style. Understanding the country, its work culture, the legal system, and above all the management trust on the local people etc are the key drivers in making the deal a success. □

*Mr. K. Ajit Kumar is a former Chief General Manager of Exim Bank. He began began his career with the State Bank of India. He is a member of the TMA.*

# LEVERAGING GOOD GOVERNANCE FOR THE GROWTH OF BUSINESS



By CA. Sunil G. Nampoothiri

There is an unfounded belief among many in the business owners that good governance practices hinder the efficiency of running the business. Some people think that such best practices are for big corporates only. Governance and Compliance have been evolving as two full-fledged business functions contributing to the growth and sustainability of the business.

In India in 1990s the concept of good corporate governance emerged as a voluntary practice by few listed Indian Companies. Transparency, accountability, responsibility and fairness were the four pillars of corporate governance. Then SEBI brought in the concept of Corporate Governance into the listing agreement of companies. After the recommendations of Naresh Chandra Committee and Narayanamurthy Committee the concept evolved a long way from being a voluntary measure to a mandated requirement. In the SEBI guidelines for listing audit committee, conditions for the Board of Directors, whistle blower policy etc came in. Even in Companies Act 2013 various requirements for having independent directors, women directors and Corporate Social responsibility were included. Mandatory compliance of secretarial standards also was made compulsory. However, many of the good governance practices are still not mandatory for smaller organisations.

It will be quite interesting to explore how can we leverage on the good governance practices for growth and sustainability of the companies irrespective of the size and volume of business. In my experience efficient governance practices and robust compliance controls have found to be very good catalysts for long term sustainability of business.

## How good governance systems catalyses the growth.

### i. Better control at the top

A well-structured and knowledgeable Board of Directors and regular board meetings will enable the company in taking effective decisions in a timely manner. Such an empowered Board of Directors can advise and guide the investors for developing better strategies and managing the business efficiently. The change in Board on account of periodic rotation will infuse fresh ideas into the business.

### ii. Relationship with stake holders.

Well laid out policies, standard operating processes and controls will help building warm relationships with customers, suppliers, employees, investors and other stakeholders. This will augment the brand value of the company. All the stake holders will be more interested to deal with and employees will be more inclined to work with the company resulting in growth of brand value and reputation of the company.

### iii. Easier Inflow of new investments

Good governance practices can attract the prospective investors and raising of capital for the planned growth will be easier. Foreign direct investors, Venture Capital investors, institutional investors etc will be interested to invest in companies having best governance practices and compliance in place.

### iv. Risk management

Risk evaluation, assessment, treatment and monitoring is being governed in a more



systematic manner. Good governance practices reduce the impact of any risk event on the company.

v. Compliance

Effective governance system processes ensure a well organised compliance monitoring. The high levels of achievements of legal and regulatory compliance requirements enhances the credibility of the company among the investors and regulators. This will enable the company a smoother running of the business. It will also avoid penalties and fines due to non-compliance.

vi. Well Structured Financial Management

Good Governance sets up systems for management of finances of the company which results in well laid out accounting policies, practices, systematic cash flow management and efficient working capital management etc. This will help the company for optimum utilization of the limited financial resources.

**Governance system for a small and Medium enterprise.**

As briefed above an efficient governance system can help the company for growth and maximisation of investors wealth. Now, let us see what are the element for setting up a governance framework for a small and medium enterprise(SME).

- i. Segregation of roles and functions of Board, management and operations is first step. Clearly documented Delegation of duties to be set up. Effective delegation is one of the core concepts of management. Board has to spend enough time on strategies and oversight on the management.
- ii. Periodic Board Meetings has to be convened. Operational, Financials and compliance reviews have to be regular items of agenda. The management has to prepare comprehensive board note to the items transacted in the Board meeting and it shall be circulated well in advance along with the notice for Board meetings. Minutes of meetings to be compiled and

to be approved in subsequent meeting of Board of Directors'. The quality of minutes has to be ensured. Minutes shall be precise and clear which shall include key points of discussions and decisions made.

- iii. Committees of the Board like Audit Committee, Human resource and compensation committee etc can be made for assisting the Board of directors' depending on the size of the organisation or the volume of business.
- iv. Key Performance indicators. (KPI) Unless we measure we can't properly control anything. So robust KPI are essential for an effective governance system. KPI can be reviewed periodically and to be adjusted with respect to the changes in dynamic business environment.
- v. Setting up Policies and standard operating procedures: in line with laws and regulations. These policies are to be reviewed annually by the Board of Directors'. Policies and procedures will bring in clarity of thinking for smoother operations.
- vi. Insurance and risk management: Managing risk and uncertainties are very important to sustain the business for a long time. The Board of Directors' has to identify key risks of the organisation and make suitable decisions for treating the potential risks.
- vii. Succession planning at critical positions. Critical persons leaving the organisation has been one of the reasons for failure of many organisations. Especially in SMEs even the departure of any accountant may be very critical as he may be doing the entire gamut of finance, book keeping, compliance and risk management single headedly. So there should be a planning for succession of critical positions. The cost of succession planning is not material if we take the cost of failure of business.
- viii. Compliance Universe and Compliance calendar: Complying with various legal, regulatory, contractual or internal obligations are very vital for the existence





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## PRESIDENTS MEET: REMEMBERING AND HONORING PAST PRESIDENTS OF TMA AT BLUE SEREN RESORT, ENAMAVU, 9 MARCH 2021



Dr. V M Xaviour, President - TMA



Unveiling the portraits of all Past Presidents of TMA



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Honouring Past President Er. N I Verghese



Honouring Imm. Past President CA Sony C L



Honouring President Dr. V.M. Xaviour



Honouring Imm. Past President CA Sony C L and Imm. Past Secy. Mr. Seejo Ponnore for winning Best LMA Award 2019-20



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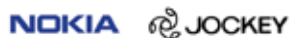
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## **NPCI: DRIVING DIGITAL INDIA CAMPAIGN THROUGH UPI - THE CHALLENGES AND SUCCESSES**



**Dr. (Capt.) Suseela Menon R**



**Mr. Suresh Kumar I N**

**Abstract:** Govt. of India in 2008, decided to establish the National Payment Corporation of India (NPCI) to promote all retail payment and settlement functions. NPCL functions under the direct supervision of the Payments and Settlement Systems Department of the Reserve Bank of India (RBI). Unified Payment Interface (UPI) and Bharat Bill Payment System are the most important services rendered by National Payments Corporation of India. Unified Payment Interface is the real time interbank payment system for monetary transactions. The UPI system is integrated with all the Commercial banks India. Consumers can participate in this facility and also fund can be transferred by various modes like virtual payment address, account number and IFSC, QR code etc. Our aim is to assess the impact of Unified Payment Interface System on customer satisfaction and also to focus on the role of National Corporation of India in promoting digital transactions.

**Keywords:** National Payments Corporation of India, Unified Payment Interface.

### **1. Introduction**

National Payment Corporation of India (NPCL) is the most important institution which accelerates the financial payments and channelizing various financial services. Ten promoter banks, namely SBI, Canara Bank, Punjab National Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, Citi Bank, HDFC Bank and HSBC, are regulating the functions of national payment corporation of India. Unified payment interface (UPI) and Bharat bill payment system are the most important services rendered by national payments corporation of India. Several UPI products help to the financial transactions like collect request and pay requests. It also facilitates for some non-financial services such as mobile banking registration, generate one-time password set PIN and raise queries. The system provides instant payments through mobile and other internet. It also facilitates more secure and convenient payment service for both sender and receiver channels. UPI Allow banks and other

players to innovate and offer a next level customer experience to make the electronic payments more secure for using. Bharat bill payment system is the major service area of national payment corporation. It is a RBI conceptualised system and one stop ecosystem for bill payment, providing an accessible any time anywhere bill payment service to every customer. The system provides reliability, safety and convenience to customers. While considering the above aspects it is clear that such an organization plays an important role in the Indian financial system. This study focused on customer perception towards UPI services and also made an attempt to analyse the problems of customers regarding the usage of UPI services.

### **2. Objectives of the study**

- Understanding the customer perception towards various aspects of UPI.
- Analysing the relationship between UPI aspects and customer satisfaction.



- Identifying major problems faced by customers regarding UPI service access.

### 3. Research methodology

The study follows descriptive and Empirical research methods. Both primary and secondary data are used in the study. The primary data was collected through questionnaire as a research instrument. Secondary data was collected from academic journals and books and websites. The sample size taken for the purpose of the study is 90 online banking customers. Simple random sampling is used as sampling technique and the study is conducted at Coimbatore city. Chi square test, t test, ANOVA and correlations are used for data analysis.

### 4. Review of literature

Somanjoli Mohapatra (2017) studied that the single interface across all NPCI systems besides creating interoperability and superior customer experience. The Unified payment interface seeks to make money transfers easier and quicker. The wide expansion in the usage of smart phones, the availability of an online verifiable identity, universal access to banking and the introduction of biometric sensors in phones will continuously encourage electronic payment systems for ushering in a less-cash society in India. The study also tries to explore the role and importance of UPI services in the digital Era.

Bijin Philip (2019) made a study on impact of UPI on customer satisfaction. The study focused on to identify the customer preference towards unified payment interface and analyse the impact of UPI services on satisfaction of the customers. Findings revealed that t customer has a positive attitude towards unified payment interface services and functions and there is positive relationship between education of the respondents and usage of UPI services. Educated person are more inclined to use the UPI services and they encourage more peoples in the adoption and usage of UPI services. Ravish Rana (2017) studied adoption of digital payment and influence on the education level of the customers. If a person has studied beyond matriculation and internet survey, he or she will be inclined to use the digital payment mode and digital operations. The study founded that in the areas where education level is high such as Delhi NCR and other metropolitan cities, the possibility of acceptance of digital payment is much higher than rural and semi urban areas. The growth of

users of Smartphone and internet accessibility in such area also facilitated the adoption of digital payment and much more penetration in the usage of such services. 5. Analysis and interpretation

#### A. Chi-square test

H0: There is no association between gender of the respondent and perception on UPI uses.

Table 1

Association between gender and perception on UPI uses

Gender	UPI USES	
	Chi-square	significance
	144.62	.000

Table 2

Significance difference between gender and perception on features of UPI services

No	Particulars	significance
1	Cost aspects	0.236
2	Safety and security aspects	0.813
3	Accessibility aspects	0.875
4	Convenience aspects	0.001
5	Customer benefit aspects	0.895

States the significance difference on the perception of customers towards various aspects of UPI services based on the gender of the respondents. The P value for each construct is greater than 0.05 except convenience aspects, which indicates the null hypothesis is accepted. Thus there is no significance difference the perception of customers based on their gender and various aspects of UPI services except convenience aspects.

#### C. Correlation analysis

H3: There is no relation between UPI aspects and customer satisfaction.

Dependent variable	Independent variable	Pearson correlation	significance
Customer satisfaction	Cost aspects	.550	.000
	Safety and security aspects	.647	.000
	Convenience aspects	.644	.000
	Accessibility aspects	.559	.000

Table 3

Relation between UPI aspects and customer satisfaction

Table 3 portrays the correlation between the dependent variable customer satisfaction and independent variable UPI aspects. Customer satisfaction has shown highest significant relation with P value.

D. Mean ranking

Table 4

Challenges faced by customers regarding UPI services

Challenges	Mean	Mean rank
Lack of e- literacy	3.48	1
Complexity in operation	3.12	2
Online privacy issues	3.02	3
Technological issues	2.68	4

From the above table it was clear that lack of e literacy is the major challenge faced by customers with mean 3.48 followed by complexity in operation. Technological issues are the least ranked challenge with a mean score of 2.68.

## 6. Findings of the study

- Gender of the respondents and use of UPI services are closely associated.
- Majority of the respondents are aware about the benefits of UPI services.
- There is a no significant difference in the opinion of features of UPI services except convenience aspects based on gender of the respondents.
- Dimensions of UPI services and customer satisfaction are closely related.
- Majority of the respondents agree with Lack of e literacy and complexity in operation is the most important problems related with UPI services.

## 7. Suggestions

- UPI is giving benefits like cash backs, discounts etc. Government should invest in "How to be a cashless" in form of seminars or TV advertisement.
- In India there is lack of internet connectivity in rural areas and some parts of urban areas. Government should invest in providing high speed

internet and accessibility in low cost. If internet connectivity will increase, then online fund transfer will also increases.

- Government should conduct more awareness programs for online and banking customers regarding various services offered by NPIC such as UPI, Bharat bill payment system etc.
- E-literacy campaigns should be implemented for removing the problems faced by customers while using such services.

## 8. Conclusion

An attempt is made to understand the perception of the customers towards UPI services and tries to identify the relationship between UPI service aspects and customer satisfaction. From this study it is clear that customer has a positive attitude towards unified payment interface services and there is relationship between various aspects of UPI services and customer satisfaction. Some of the problems faced by customers while using UPI services are also identified from this study. Government should conduct more awareness programs for online and banking customers regarding various services offered by NPIC.

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## **BUDGETS AND STRAY THOUGHTS ON RESOURCE MANAGEMENT**



Mr. Gopinathan Nedungote IFS (Retd.)

Each one of us is a good manager at our personal level. Many of us form part of institutions where also we try to be good managers. But whatever be your managerial calibre as an individual or as part of the institution, we all are under the State and the State subject each one of us to its own style of management. The State at the apex is the biggest manager especially resource manager. It is the biggest owner of vast resources. That being the situation, our wish is that the State be a benevolent, and efficient resource manager. The State through the process of planning attempts to manage resources through optimum, economic and efficient allocations. At least that is what the public believe or are made to believe. Budget is a tool which the State uses annually to ensure proper allocation and utilisation of resources. This article is an attempt to look at the process of planning and budgeting of the State from a slightly different angle focusing on natural resource management.

An annual exercise of the government - the Centre or the State - which is eagerly awaited by majority of the citizens is the budget proposals. It is something which generates lot of discussions, debates, analysis, predictions, projections, estimations and guesstimations amongst the intelligentsia and a mere feeling of "it is on us again" or "oh I am spared" amongst the common man. In any case, irrespective of one's position in the society, in private we try to assess only one thing - whether one is going to get more than what one is losing due to the budget proposals.

The budget proposals contain lots of promises, of goods and services. All such promised goods and services are reflected in quantity terms side by side with projections on monetary terms. The reflection of the proposals in monetary terms gives a better feeling of contentment and

appreciation amongst the public than when they are told only the quantity terms. For example, the expression rupees five thousand crores is earmarked for housing units is far more impressive and appreciable expression than the expression like one lakh housing units; although both convey the same meaning. So even when physical and financial projections are made available side by side, the attention is invariably on the financial projections which alone is capable of creating the mesmerising effect.

The underlying principle in any such promise in the budget is the presumption that the goods and services can be realised easily and the materials needed for realising these are in existence and once money is made available as projected in the budget, these materials are available for procurement. Both the State and the public feel confident about that.

Individuals also make long term plans and home budgets. Such budgets also project the items in terms of money and materials but will be more precise on material requirement and try to be realistic about the source of materials.

We identify any goods with its price only. But, the goods we procure or make are sourced from materials which are available in nature in raw form or as derivatives. For example, minerals, metals or oil are extracted from beneath the earth. Land is cultivated for getting agriculture products or horticulture products or other cash crops. Timber is sourced from earth.

Wind energy, solar energy or hydro power are harnessed from earth surface or sources around or far above the earth. So, for all the goods that are promised in the budget proposal, mother



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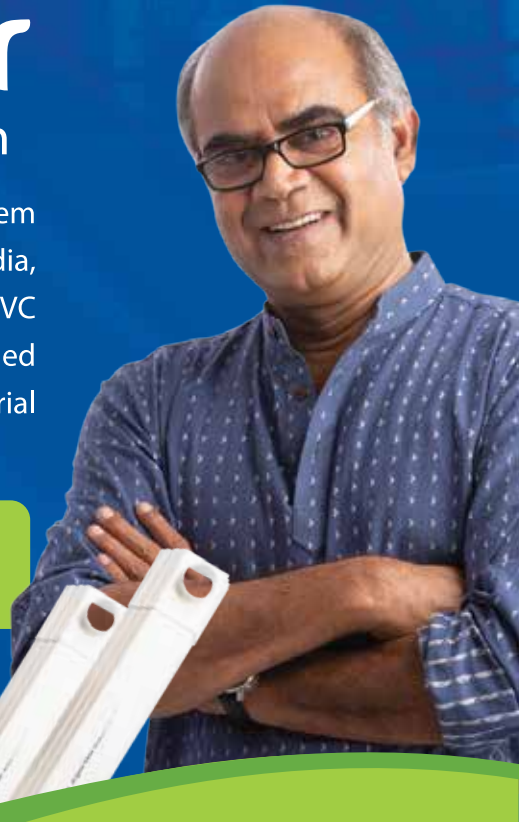
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earth is the ultimate source. Likewise, to a great extent, most services are also dependent on such goods in an indirect way. For example, travel service is dependent on aircrafts, aviation fuel, train coaches, diesel, coal etc. which are goods made of materials obtained from earth or extracted from earth. Likewise, medical services are dependent on medicines, the ultimate source of which will be natural resource. In a budget proposal of the state, the source of these are not explicitly stated. Everyone believes that these are available because these are recorded as available in the resource survey documents prepared by various government agencies from time to time.

Individuals or most institutions will have an inherent limitation in projecting the availability of most of the materials while budgeting because of non availability of data. There is a sanguine hope that they are easily and readily available in abundant quantity in nature and also that they are using the goods which are presently available in the market. The bottom line of presumption is that these materials are available in infinite quantity till eternity.

While the state of affair with regard to individuals or institutions are thus, let us see how the most important and powerful player in the process of budgeting i.e. the State, both Central government or State governments, express on such occasions. The state budgeting is in line with the long term plans mainly five year plans of the governments that give shape to the development needs in the society which may also include some development programmes to be undertaken by individuals and institutions side by side with the government activities. The State has all the necessary tools to collect the vital information required for any planning or budgeting i.e. details of the availability of resources, not only financial resources but most importantly material resources available in nature which goes into the building of goods or many services included in the budget. The State does possess such well documented and updated information in respect of most of the material resources available from nature. In formulating the budget proposal, the State might be depending on this information. But the state budgets reflect only allocation of financial resources, the source of such financial resources being by levy of tax, cess or borrowing etc. We are yet to come across any budget document listing the source or quantity

of the natural resource that form the basis for the goods and services included in any budget, the realisation of which are purported to be achieved through the financial proposals –taxes, cess etc. This is a crucial point which we miss in any budget.

The State is duty bound to bring development. In the process it has to use the available resources. In principle, such use is required to be a judicious use. Development is expected through realising the goods or the services as per the budget document. The goods are some materials extracted, or else derived from the material extracted from the Nature, i.e. from the earth. States go by the total expected availability statistics of the resources prepared by experts. It never does the exercise to find out how many more units can be accommodated in the available quantity of resource once a particular year's budget is prepared. In other words, States do not make yearly budget plans keeping in mind the larger canvas of total resource position minus resource expended over a period of time through various yearly budgets. Such a planning keeping the larger canvas in focus will indicate clearly the actual resource position after each year's budgeting and the approximate units it can support over a period of time. Such an exercise is seldom done. State can rush to finish the resources available or space its use by regulating the use.. The achievable units and the financial equivalents are projected in the budgets, but never the underlying actual resource position. The result will be a slow finish of natural resource over a period or a hasty finish in a short duration depending on the use as per the yearly budget proposals. Perspective plan vis a vis resource availability is seldom attempted. This is the main paradox in present day budgets as far as it relates to natural resources.

As an illustration, let us take the case of two important items in the Central or State budgets. These are buildings and roads. In the case of buildings, it may be housing units or other big buildings. Roads can be small village roads to express highways. The society perceives these two items as pleasing visible and valuable signs of development. The States are also happy to announce these items as major indices of development. No doubt, housing for the millions of homeless as well as road access to undeveloped interior areas are priority requirements and cannot be overlooked and there is no dispute

about it. Buildings and roads are two items which consume in bulk the natural resources. Apart from the consumption, the very concept of constructing buildings or locating the road alignments in certain areas are subject of intense debate on account of environmental issues these days. Leaving aside that point, let us view the building and road sector from the point of resource utilisation. Quarrying for extracting boulders, rubbles, metals, extracting sand from river beds (no more permitted in Kerala, instead M sand which again is a product of quarrying is the substitute for sand now), lime stone quarrying for manufacture of cement, iron ore mining for steel are all necessary for making available required materials mainly for construction of buildings, and to a lesser extent for construction of roads as well. Extraction of granite or marble or clay for conversion as flooring material for buildings is another major area of consumption. Thus the projects for construction of buildings and roads depend heavily on quarries and mines, rich natural resources extracted in huge quantities. The State may be having the list of homeless to be covered for housing or details of areas without road access required to be developed. But in all likelihood State would not have a perspective plan indicating the year to year plan for meeting the housing units requirement or road length that may be needed to be developed over a long period. On the face of fast changing policies, priorities and compulsions such an exercise may not be fool proof. More often, in the absence of these contingencies, the States projections are for very shorter periods which also may change quite often whenever there is a change in government. It is not that the State is not capable of making such a calculation. But, given the development history of working to achieve short term goals mostly to fulfil the election promises, States are not very serious about such an exercise. On the face of such an accepted and established situation, the State does not find a need for making an important calculation of how long the quarries are going to support the would be budgeted constructions in the coming years. Kerala State was comfortable with sand mining till few years back. Whatever be the reason – non availability or environmental consideration- the source abruptly dried up necessitating a switch over to M Sand. The switch over was also accepted without much discussion about the consequences. Who knows what is in store for the far too many quarries now operating in the State. In the case

of housing, there is another aspect also. Housing is such a sector, where the private enterprise is far more active than the budgeted and planned house construction programme by the State. The quantity of resource requirement for use in constructions by private persons may not be there in the accounts of the State. There may be exceptions, like construction by big corporates. These private constructions also depend on the same quantity availability of resources the State has relied upon for budgeting. In short, the large quantity needed for private construction work is simply not in the radar. Another issue is the size of housing units. State sponsored units will be having specified area restrictions. There is no such ceiling on the size of the private constructions. That is an added burden on resource base. Mercifully, there are not much road construction by private individuals. In short, in building construction or road construction it is virtual free for all as far as the use of the natural resources are concerned.

The instance of quarrying for buildings and roads is only one area of resource utilisation without any serious accounting. There are other resources also used liberally without any reliable account to show how much units per year and for how many more years they will last at the pace at which they are expended now. The paradox explained in respect of housing sector vis a vis quarrying will be visible in any other sector which use natural resources for development purpose. In short, most of our development activities which use natural resources are undertaken as if the resources are inexhaustible and ever lasting.

Therefore, if someone raise the point that there is a need to give a different orientation to the budget document based on actual available resource base, it is worth debating.. Why not budgets reflect the quantity availability of major resources that are available for extraction or use for which a demand has been raised through some proposals in the budget document. Such revelation can work as a pass book on resource availability and resource expending, something akin to the bank pass books held by the individual bank account holders. Such an information will give a clue to the administrators as well as the public the real state of affair, and the shape of things to come.

The idea is not to suggest a ban on use of resources. Definitely, for a country like India which

is on its development path, the use of natural resources for development is a necessity. But the question is, should that be a blind mechanical exercise based on a budgeted requirement alone or a judicious approach taking into account the perils of using the natural resources without any perspective planning. A resource availability-resource used-balance quantity type budget approach will definitely set a process of thinking for future seriously. The credit and debit system of resources if followed will act as an early warning mechanism and the State and the citizens may not be caught unaware. It will initiate or necessitate discussions for alternate plans for development, rationalisation of use of available resources, search for substitution for dwindling resources, hazards of use of substitutes, overall picture of environment over a long period of time, better accountability and above all scope for a well meaning public scrutiny. By no stretch of imagination can one feel complacent that by adopting a more detailed budget document as suggested above, there is going to be panacea. That is definitely not the idea of the suggestion. But such a document will definitely help in precisely warning very early about the direction in which the effects of programmes is heading, information on the resource position in general, and also a clue about how much and how long we can stretch before the breakdown point is reached. Early warning about a dwindling resource needed for a particular goods or service can help in searching for alternative goods or services, or a substitute to the dwindling resource. This is possible even through research. Early indications can generate discussions, prompt a study of the impact either environmental, social or financial because of the continuing use of the dwindling resource. Even if the indications are that future is going to be tough, the time availability will prepare the state and the citizens to adjust to the new situation.

Resource management is a challenging task. Especially when one start managing the dwindling resources which are required for basic sustenance of the majority, as in the case of housing. Unlike renewable resource like tree crops which can be regrown once or twice during our life time, the other resources like minerals, metals, oil etc. are not renewable in our life time. It may take thousands of years to have such resources on earth again. Even in the case of renewable resources, large scale removal even if it is for bonafide purpose

may cause environmental problems. For eg. deforestation or large scale felling of tree crops. Environmental impact of quarrying or sand mining is a topic hotly debated these days.

Resource should be used judiciously. Merely because resource is needed to satisfy the requirement of society to achieve certain programmes should not be a reason to over use the resource without studying the consequences of such use. In the case of use of dwindling resources, the managers ought to follow certain checks and balancing from time to time. Here it will be prudent to follow the four E principle. Four E stands for environment, economy, efficiency and equity. When the threat of depletion of any resource is noticed and programmes using such resources are inevitable, then we should first search for an option to scale down the projected quantity outcome of the programme. If that is not possible or acceptable, then we should search for substitutes for the depleting resource in question. This may be a long process needing research for a longer period. But the advance warning that the manager or society receives through the periodic resource stock position updates on account of the new budgeting process would give sufficient time for research or search for alternate resource. The M sand has come as an immediate substitute to the river sand. Although it has served the purpose in the short run, its long term environmental implications are yet to be studied because the time available for switching over was too short on the face of a rising demand. Then, there is a need to observe economy in use of resources, use the bare minimum needed for the purpose avoiding luxury use. Equally important is the efficiency in using such resource. If we can manage more than one use with same quantity of resource, that should be a welcome act. It should never be the other way round. Last but not the least is the equity in use of resource. We all should feel that the resource we use is a resource common to every living creature on the earth. The mere fact that one is paying for using large quantity of the resource because the person can afford to pay should not be a reason to permit such use beyond the threshold limit. The best example here is the grand size of dwelling units now constructed by many persons. Mostly they are far beyond the functional requirement by any standard. It is also a fact that many of these units are not being put to any use at all. A colossal waste of precious resource. Perhaps, a ceiling on

the total area permissible in house construction will help in reducing conspicuous over use of some dwindling resources. Luckily, there are indications that government has started thinking on such lines. There are many such areas where there is scope for rationalising the use of precious dwindling natural resources.

Above are some stray thoughts on resource management. The professionals in the field of

commerce,industry,accounting,management and administration have a great role to play in achieving a just and balanced development agenda for a long period without compromising the just needs of the society but keeping a close watch on the actual resource position. Let us hope for a budget document helping in such an endeavour sustainably □

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# HOW HAS THE PAST YEAR CHANGED YOU AND YOUR ORGANIZATION?

by Laura Empson and Jennifer Howard-Grenville

For organizations and individuals, the pandemic has represented a prolonged time of trial — what cultural anthropologists call a liminal experience. The term was originally used to describe a cultural rite of passage: Young members of a tribe were tested to their limits, both physically and mentally, to prepare them for the transition to adulthood. It's a concept that can also be applied to significant transitions in our organizational lives, including those brought about by the current pandemic.

A liminal experience has three core characteristics.

First, it involves a forced and prolonged separation from normal ways of being and doing — a physically and emotionally challenging dislocation from familiar roles and structures. So many of us have experienced this during the pandemic.

Second, although a liminal experience involves a prolonged break from the familiar, it does not fully replace it. It is both disturbingly different and confusingly similar. In the pandemic, organizations and their people proved that they could continue to provide “normal service,” while using radically different means to collaborate and deliver. At the same time, boundaries between employees' work and personal lives were all but erased.

Third, when the liminal experience comes to an end, those who have survived return transformed. When we finally emerge from our time of trial, we will have been changed in lasting ways we may not yet fully understand. The big question is: How can we make the most of those changes, both for ourselves and our organizations?

## Liminal Experiences

Liminal experiences are disturbing and disruptive,

but they also represent potent opportunities for reflection, discovery, and even reinvention. To make the most of these opportunities, we must first confront the diverse ways people will have been buffeted by their liminal experiences.

The pandemic has been a liminal experience for all of us, and at one level we've journeyed through it collectively. But our individual paths have been markedly different, of course — much rougher for some than others.

Consider how this time of trial has played out differently among the following professionals in the same firm.

**The CEO.** When lockdown came, Kurt abandoned his corner office, with its views of the city, and moved to his weekend cottage, with its views of the sea. The first month of lockdown played to his strengths. With adrenaline-fueled confidence in himself and his firm, he led his colleagues through a remarkable transition: They maintained their world-class client service without interruption. But as the pandemic dragged on, Kurt found himself feeling uncharacteristically uncertain — about the future, his firm, and even himself.

Before the pandemic, Kurt's mental health had always been as robust as his physical health. But months into the pandemic, feeling isolated from colleagues and alone in his cottage, Kurt recognized he was struggling. Meanwhile, his partners and staff were looking to him for reassurance.

He started writing a weekly blog for colleagues. Initially, it was very businesslike, but as time went on his tone began to change. Then one week he wrote a post about how he was really feeling. As soon as he pressed “send,” he regretted it, but within minutes his inbox filled with messages



from friends, colleagues, and strangers in the firm, at all levels, all over the world. They were offering support and some were sharing their own stories. Kurt had allowed them a glimpse behind his professional mask, and, to his astonishment, many seemed to like what they saw. Maybe his colleagues were changing — or maybe they were just feeling more vulnerable at the moment.

**The Partner.** Cheryl was the youngest in her cohort to make partner. Kurt had mentored her well, and she had always been able to achieve exceptionally high billable hours. Life had taught her that anything was possible as long as you planned carefully and worked hard. She had a high-performing team, a successful marriage, two wonderful children, and a big house in the suburbs. When colleagues said she fitted the firm's classic "insecure overachiever" profile, she laughed and said, "Who's insecure?"

But Covid was something she hadn't planned for and couldn't control. Not long after the pandemic hit, her au pair flew home. Then her husband lost his job and fell into a depression. To cope, Cheryl worked harder than ever, maintaining billable hours for herself and her team, taking care of her house, home-schooling her children. Then her father fell ill with Covid and died. Cheryl felt she had lost her anchor.

She responded by working even harder. Feeling at times overwhelmed by exhaustion and stress, she began to wonder how much longer she could carry on, or whether she should even be trying to.

**The Analyst.** Ajay joined the firm during lockdown. He was proud and excited to have won a prestigious graduate traineeship. In normal times, he would have begun work in one of the firm's prestigious offices, surrounded by his cohort of fellow trainees. Instead he found himself stuck working alone in his studio apartment in the city. He tried to understand how he should behave in his interactions with colleagues on Zoom but worried he was missing out on important unspoken messages. He knew he couldn't make any mistakes — the competition within his cohort was ferocious. Cheryl was his boss, but her attempts to be empathetic with him simply sounded as though she was reading from a script written by the HR department.

Ajay felt himself becoming disillusioned and

disengaging. To stop this happening, he started to make suggestions about how his team could work better in the digital environment, and Cheryl not only adopted some of his ideas but asked for more. Ajay's confidence grew, and he realized that he enjoyed the freedom of working independently.

### Questions from Liminality

Liminality is an "in-between" time, when perspectives shift, old certainties are challenged, and new ideas emerge. Kurt, Cheryl, and Ajay are all questioning aspects of their working lives and their organization that they previously took for granted. They are being challenged and changed in ways they may have not fully processed. And because culture is created by individuals working together, as they change, their culture will also start to change.

The personal will become organizational.

When Kurt returns to his big corner office, what kind of culture will he want to encourage in his firm? Will he try to initiate a post-pandemic dash for revenue growth, believing partners will be driven to out-perform one another and themselves, just as they have always done? Or will he choose to think about growth — his own and his colleagues' — at a more profound and personal level, and consider the new opportunities this may present to the organization?

Cheryl may be eager to return to the office, relieved to shut out the complications of her personal life — and she may emerge even more focused and determined to succeed. Or she may still use work to give her life meaning and purpose but no longer allow others to define what that purpose is. She may challenge her firm's cultural norms and values, which she had previously been socialized to accept unquestioningly.

When Ajay finally meets his colleagues face-to-face, will they be able to cope with his pent-up energy and creativity, his independent thinking, and his reluctance to be controlled? Or will Ajay be pressured to conform to the culture which previous cohorts of trainees have accepted as the price they need to pay to achieve success within the firm?

## Emerging Stronger

In the post-Covid world, leaders should not try to recreate their pre-Covid cultures. As the stories above illustrate, people will return with unanswered questions and potentially incompatible expectations. Leaders need to recognize this and consider how to respond.

Culture is comprised of the repertoire of practices and values that balance the goals of a business with the skills of its people, as it orients to the needs of those it serves. So when any of these — or indeed all — change, the repertoire must be refreshed.

Here are steps that leaders can take right now to prepare their organizations and their cultures to emerge stronger in the post-pandemic world.

Emergence gradually: Some will want to return to “normal,” reenergized and with renewed focus. Others may be exhausted and confused, needing time to process what they have experienced. Some may wonder if they should return at all. Emerging from a profoundly disruptive experience takes time. Employees need opportunities to integrate and reflect as they begin to adjust their work practices post-pandemic. After all, unlike a young adult returning to the tribe after a time of trial, there is no “normal” culture to return to. It will need to be rebuilt collectively.

Identify what to retain and what to discard. It will be important to retain some long-established cultural practices and beliefs, institutionalize others developed in response to the crisis, and discard those no longer fit for purpose. So you need to identify which is which. Take this one small example. The use of the chat function in on-line meetings has made it much easier for the previously silent to express their opinions. Yet

its informality and relative anonymity has also given rise to incivility and “heckling,” as normal rules of engagement have broken down. How can we retain the energy and inclusivity of the chat function while returning to more measured and moderated face-to-face interactions?

Don’t lose the liminal altogether. The pandemic’s social and economic toll will be immense and long-lasting. Amid the destruction, however, people and organizations have discovered unexpected strengths and opportunities. Liminality is like that. When the familiar and comfortable are no longer accessible, experimentation and reflection can come to the fore. Liminal experiences are incredibly potent for cultural reinvention. When we all return to more typical ways of working, we should remember that it’s possible to create temporary liminal experiences within our organizations that enable us to step away, reflect, and play with possibility.

If there is one enduring lesson that we all share from our liminal experiences, it is that disruption and ambiguity can yield valuable lessons, both personally and organizationally, and that we are capable of far greater adaptability than we may previously have imagined. The pandemic therefore represents an opportunity to build revitalized organizational cultures, and to emerge collectively stronger from our time of trial. □

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## STRESS MANAGEMENT



By Dr. P.A. Damodaran

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*“Man is nothing but a chain of moods that keep constantly changing, often without a trace of consistency. Man is, therefore, as strong as his weakest mood” - Hamsun*

In simple terms, stress is a state of mind in which one experiences fear and a feeling of helplessness. Any unpleasant change, any kind of threat, triggers stress reactions in an individual. Perception plays a major role in experiencing stress. It is usually said that situations are not inherently stressful, they are potentially stressful. It depends on how a person interprets a specific situation or event. One can say that pressure is in the situation but stress is in the person. Most stress is self-induced.

A simple definition of stress with reference to industrial and organisational psychology is as follows:

“Stress is a consequence of or a general response to an action or situation that places special physical or psychological demands or both on a person”. The sources of stress can both be individual and/or situational. Individuals respond differently to the same stressful situation very much like the proverb “one man’s meat is another man’s poison”

### Physiological symptoms of stress

1. Slowing down of digestion system. It happens on account of withdrawal of blood from the stomach for increased supply of it to the muscles and the brain.
2. Pounding of the heart on account of higher blood pressure and accelerated

supply of blood to various parts of the body.

3. Gasp for breath which results in increased intake of oxygen to aid in generating extra energy by oxidation of glucose in the body.
4. Muscles become tense to prepare the body to fight or flight (flee from the scene).
5. Mouth goes dry because of generation of heat by burning of the fat and glucose and perspiration increases for cooling the system.

### Factors causing stress

Before managing stress, it will do well to dwell on the factors causing stress. Broadly, factors causing stress are to be identified at the individual level, at the work place and in group related activities. At individual level, perception, fear of failure from previous experiences and lack of social acceptance and support may create stress. At workplace, poor working conditions, heavy workload, role conflict, role ambiguity and uncertainties associated with career planning and development may cause stress. In group related activities, absence of group cohesiveness and group conflicts may cause stress for the individuals who are part and parcel of a group. Very often it is observed that individuals experience stress because of the overlap or demands between the family and the work. These demands often result in work-family conflict situation. Such situations may affect the person’s ability to cope with the stress involved. This is because of the fact that trying to reduce stress in one area may

cause increased stress in the other.

Normally, we function in different spaces viz., the personal space, the primary family space, the secondary family space, the relationship space, the work space and the community space. We need to distribute emotional energy among all these spaces. If too much is spent on any one space, one will feel tiny and not nurtured enough in other spaces. This creates stressful situations in the case of an individual.

### Effects of stress

Broadly speaking, the effects of stress may be visible in three areas:

1. Physiological effects: These could take the form of increased blood pressure, excessive sweating, breathing and muscular problems and so on.
2. Emotional effects: These include anger, anxiety, nervousness, depression, low self-esteem and job dissatisfaction.
3. Behavioural effects: These are visible in the form of absenteeism, high labour turnover rates, alcohol dependency, drug abuses and so on.

### Stress and Job Performance

It is said that “like Janus, stress has two faces”. It is a good servant but a bad master. In other words, it can be one’s best friend or worst enemy. “Stress is the spice of life”, said Hans Selye, the first scientist who worked on stress. Here, we feel with Erich Fromm who said “conditions for creativity are to be puzzled; to concentrate; to accept conflict and tension; to be born every day; to feel a sense of life”. A certain amount of stress is necessary to achieve optimum output. Adequate amount of stress is necessary for motivation, growth, development and change. “The beneficial stress is often referred to as ‘Eustress’ whereas undue stress causes distress”. Each individual has a stress tolerance limit and when the limit is exceeded, the individual starts suffering. In other words, what is harmful is stress beyond one’s optimum stress level—the

level at which one’s motivation is the highest and one feels quite energetic and enthusiastic.

### Management of Stress

Managers need to have knowledge of the optimum stress level of their subordinates. This is a tough task as the level of stress will vary from situation to situation and from individual to individual.

With increasing incidence, various methods are available for individuals and organisations to manage stress. These methods could range from simple counselling sessions with the individual employee to programmes designed to help individuals understand stress response, recognise factors causing stress and adopt coping techniques to reduce the negative impact of stress.

Stress management methods are generally classified in to stress management by individuals and stress management by organisations.

### Stress Management by Individuals

Stress management techniques for individuals aim at:

- a) Eliminating or controlling the source of stress
- b) Making the individual more resistant to stress.

Some practical ways that can be used by an individual to manage stress include:

1. Analyse stress producing situations and decide what is worth worrying about and what is not.
2. Do proper planning and adopt good time management techniques.
3. Avoid overstretching oneself, exercise regularly, ensure an intake of balanced diet, build regular sleeping habits and generally take care of oneself.
4. Develop a positive attitude towards life and people.



5. Learn to relax and maintain a proper balance between work and personal life.
6. Practise and adopt relaxation techniques like breathing exercises, meditation, yoga and so on.
7. Develop alternative interests and satisfaction so that life is in balance between work and play.
8. Use stress as a constructive force to achieve an integrative lifestyle that encompasses a satisfying career, a happy family life and self-fulfilment.

### **Stress Management by Organisations**

Generally, stress management techniques used by organisations will vary with the nature of the work being carried out, time spent on the job, the breaks taken in between and so on. They aim at:

- a) Identifying and then eliminating the factors causing stress among employees.
- b) Helping employees to change their perception and understanding of work stress.
- c) Helping employees to cope more effectively with the consequences of stress.

Some of these techniques include:

1. Improve the physical environment.
2. Redesign jobs by changing workloads, deadlines, work schedules etc.
3. Take steps to avoid role ambiguity and role conflict at workplace.
4. Promote and encourage team building efforts among employees.
5. Conduct workshops on 'time management'.
6. Conduct training programmes in 'relaxation exercises'.
7. Organise career counselling and other

employee assistance programmes.

8. Design and implement programmes to promote good and healthy habits among employees.

Science says that life consists of various physical, chemical, biological, physiological and psychological activities that are being carried out simultaneously, in sequence and in stages which enable us to keep our show on the road. Research has given ample evidence to show that most of the human body can be seen as a combination of millions of chemicals reacting with one another. Elevation or depletion of any one of these chemicals interferes with the normal functioning of cells and tissues, resulting in a diseased state of the body. Restoration of their supply cures the disease. Exercise and meditation lead to the release of endorphins which produce a sense of calmness and pleasure. Scientists say that a seemingly innocuous human behaviour triggers the release of endorphins, the body's natural feel-good chemicals which reduces stress, relaxes tense muscles and increases immune cells and infection-fighting antibodies, thus improving our resistance to disease. This natural phenomenon is encapsulated in the popular phrase "Laughter is the best medicine".

In today's stress-ridden world, attempts to eliminate stress is almost like the futile exercise of cutting the head of a hydra (water-snake whose heads grew again when cut off). But we must make all out efforts to reduce the adverse impact of undue stress. Hope the following couplets would help in coping with stress-related situations:

'Life is but a give and take  
Of moments dear we partake  
Rough and tough the paths to tread  
Laugh at them without dread'. □

BUSINESS CLASS:

# MANAGEMENT AND BUSINESS QUIZ

By: teambizquiz@tma

1. After Pfizer and Moderna which COVID vaccine has been approved by US? This vaccine requires a single dose only.
2. What privacy feature that is standard currently in messaging platforms like Whatsapp may be discontinued in India due to government requirements?
3. On March 31, GAIL will move out of NSE-50 (Nifty). Which company will replace it?
4. With which NBFC is KKR India Financial Services going for an all-stock merger?
5. Who is the current Chairman of the IT industry body NASSCOM?
6. Name this startup promoted by Shashank Murali and others that provides a platform for students to connect with 1000s of senior executives including CEOs for career advice. This has recently been acquired by Unacademy.
7. In which NBFC have the Poonawalla family acquired a controlling stake and will be renaming it Poonawalla Finance?
8. Which is the No 1 UPI app currently in India on the basis of number of transactions?
9. Modern Foods, the company that makes Modern Breads has changed hands once again. Everstone has sold it to a Mexico based company that claims to be world's largest bakery company with operations in 33 countries. It had entered India earlier by acquiring Harvest Gold. Name it
10. ReNew Power instead of doing an IPO has merged into a US based company called RMG Acquisition Corp II. These kind of shell companies are a growing trend of avoiding IPO long winding process. What are these kind of companies called?

## ANSWERS: Business & Management Quiz

1. Johnson and Johnson
2. End to end encryption
3. Tata Consumer
4. InCred in which Anshu Jain, formerly of Deutsche Bank is one of the promoters
5. Pravin Rao, COO of Infosys
6. Tapchief
7. Magma Fincorp
8. PhonePe
9. Grupo Bimbo
10. SPAC – Special Purpose Acquisition Company





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