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DRIVE

From Guest Editor...

THE GOLD (Silver, Metals and Crude oil) RUSH!



CA Rajiv D Khatlawala

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For the past few weeks (*or months if you prefer,*) the word 'commodities' has become synonymous with the word 'bullish'! Every now and then, you see newspaper headlines screaming '*Gold at new high , Silver at 31 year high, Crude Oil set to hit \$130, Metals on a rally*' ...and so on.

While most traders and investors and also analysts seem to be busy analysing movement of stock markets, they have just, more or less,

failed to identify and capture the moves in commodities. In fact a couple of years back, in public programs we had hinted investors to look at commodities as an asset class. Those who did, would be 'laughing their way to the bank'!

Our view is, that now it is too late to 'enter' these markets. But at the same time, it is equally important to track commodities. Why? Well, in our trading workshops, we have been training participants on why, and how, the world's financial markets –Equity-Debt-Commodities-Currency market are knitted together and how the traders and investors can actually 'read' these market linkages and therefore anticipate moves in individual markets. The commodities markets are 'telling' us something and it will be important for investors to 'listen'

The world over, and especially in emerging markets, inflation is a big worry for the governments.

The rise in Crude oil and also bullion will only aggravate the situation. Most developing nations are net importers of oil and a 10% rise in crude oil prices in three weeks (!), is something which cannot and should not be ignored.

One major reason, I presume, which has led to the commodities Bull Run is the excess liquidity around the world since 2008. Basic economic theory says that if liquidity is allowed to stay in the system, then the 'velocity' of money itself can aggravate inflation, even though the quantum of money remains the same. The world over, governments have refrained from taking back the excess liquidity and in the process, most global money and fund managers have driven prices of physical and 'non-physical' assets to newer highs.

When this rally would fizzle out is anybody's guess, but I shall lookout for signals from the market itself (yes, in this too we train our participants)! For those who trade in commodities, you may want to check the price charts of Industrial metals which are giving fresh break outs! You may book partial profits in bullion and shift some money into Industrial metals!

Disclaimer

This article is not recommendatory but is only for educative and analytical purposes. The Author or ValueTrade Academy Pvt. Ltd will not be responsible for any actions taken by readers on basis of above. We request you to use your own judgment before acting on the above.

From the Chief Editor's Desk

Advanced Diploma in Global Business

In today's competitive business world, everyone is expected to have something more than his/her academic excellence. It has been observed since the beginning of 21st century that employers at multinational companies and foreign universities seek their employees as all round developed personalities. Along with the theories that students learn during their three or five years of graduation and post graduation, they are expected to have idea something about everything. That's where Advanced Diploma in Global Business (ADGB) comes in.

ADGB concentrates on Academic enrichment through practical knowledge. Here, students will get benefit of internship at various business sectors of India and other countries. During three years span of their study at SEMCOM they participate in many curricular as well as extra-curricular activities, which help them in their all round development. ADGB has 12 different modules which include Personality Development Programmes, Workshops on different subjects, Domestic Industrial Tours, International Industrial Tours, Best Business Idea Contest, Ad-Making Contest, Internship in India, abroad or at multinational companies, Students participation in Social services, their participation in different intra-college as well as

inter-college events, book reviews and article reviews. If a student invests collective 15 hours for an activity, he/she will get a credit for that activity; likewise 60 hours = 4 credits.

ADGB gives students a global mileage in their respective fields. Competitions such as BBIC and Ad-making make students aware about the cotemporary trends in business world. Industrial tours at different firms of India and abroad widen their scopes at international market where they come across to real situations of business that they study as their theory subjects. Likewise in internship programme, they will get firsthand experience of their respective fields. Through such modules of different activities and their internships, social services, industrial tours; ADGB provides them access to prevailing developments, tendencies and nature of global business, which would enable them to match steps with new emerging trend in business worldwide.

Dr Nikhil Zaveri
Director & Principal, SEMCOM

SEMCOM Updates

Preliminary Examinations

Preliminary examinations for Second Semester students of BCOM, BBA, BBA-ITM and BCA from 1st April to 9th April were held in the beginning of the month. It has been the tradition of SEMCOM to hold preliminary examination to orient students with the pattern of the university examination. All students performed with their best efforts in the examination. In Preliminary examination, students are trained to write papers of every subject as per the university examination timings. The results of preliminary examination show that they are all set to go for university examination. We wish them all the best for their university examinations.

Sardar Patel University Examination:

SEMCOM students appeared with full preparation and awareness of the concerned subjects for Sardar Patel University Examinations for SYBCOM, TYBCOM, SYBBA, TYBBA, SYBBA-ITM, TYBBA-ITM and 4TH YR-ITM, which were held in the month. The University examinations were commenced on 31st March, 2011.

SEMCOM students of Second Semester BCOM, BBA, BBA-ITM and BCA have appeared their Second Semester's University examination. The examination for BCOM, BBA and BBA-ITM

began on 21st April whereas for BCA, the examination commenced from 25th April. They are looking forward for the better result according to their preparation.

Article

CROUCHING DRAGON V/S ROARING TIGER

Dr Shuvasri Das

Lecturer, SEMCOM

Why India and China matter?

China and India are the two emerging economic powers of Asia – and quite possibly the future for the global economy. Globalization has raised the productivity of both the countries and the two economies together represent 40 percent of the global labour supply and 6.7 per cent of the global output which is 21 per cent in terms of Purchasing Power Parity.

In the long term perspective, the huge surplus in India's and China's working age population has forced the world economy to recognize their roles in the global competitive dynamics. Both markets are highly integral to business strategy of Multinational Companies and are viewed as structural drivers for global production and disinflation. By 2015, it is forecasted that India's GDP will cross U.S \$ 2 trillion mark while China's will surpass U.S \$ 6 trillion, driven by the powerful combination of favourable demographic structural reforms and globalization. The two economies are expected to be the domestic growth stories for the coming decades.

Although China and India have different growth models, they have both been “success stories” of globalization. This success has been defined by the high and sustained rates of aggregate and per capita national income. The Chinese economy has grown at an average annual rate of 9.8 per cent for two and a half decades, while India's has grown at around 6 percent per year over the same period. While China is typically described as the “workshop” of the world due to its expansion in the manufacturing led growth, India is defined as the “office” of the world because of its service based development model.

There are some superficial attributes common in both the countries such as large population covering substantial geographical areas, regional disparities, relatively high rates of growth over the recent period and so on but the institutional conditions in the two economies remain quite different.

India Vs. China -

Economic differences leading to different growth models

India is a “mixed” developing economy with a significant private sector participation from Independence onwards. One of the problems of the so called planned economy in India is the

inability of the state to make the private sector behave in ways that fit in with the plan allocations of the state. At times this leads to a mismatch between production and demand.

In China, in spite of the sweeping economic reforms since 1979, state control over macroeconomic balances remain substantial. Therefore Chinese government has the continuing ability to ensure quick macroeconomic corrections whenever required. Furthermore, due to the state owned enterprises, township and village enterprises in production, the state has better control on the supply and demand dynamics.

In India, the financial sector is typical of the mixed economy and even bank nationalization did not lead to comprehensive government control over the financial system. The financial liberalization in 1990s has further led to deregulation of the financial sector leading to emergence of private sector and foreign banks along with the public sector banks.

But the financial system in China still remains heavily under the control of the state, despite recent liberalization and the sale of some shares to foreign investors. Four major public sector banks handle the bulk of transactions in the economy over the past several decades.

The higher growth in China has essentially occurred because of the much higher rate of investment in China. The investment rate in China has fluctuated between 35 and 45 per cent, compared to 20 to 26 per cent in India (very recently increasing to 35 per cent).

A critical factor that has led to rapid industrialization in China is the infrastructure investment, which has averaged 19 per cent of GDP compared to 2 per cent in India from the early 1990s. China could afford to have such a high investment due to the huge inflow of Foreign Direct Investment (FDI) into the country. (China being the second largest recipient of FDI in the world at present).

In terms of economic diversification, and structural change, China has followed the classic industrialization pattern, moving from primary to manufacturing activities in the past 25 years. This could be possible due to its high domestic savings rate, high and fixed investment, huge inflows of FDI and major efforts on the infrastructural front. As a result the industrial share of China's GDP has risen from 42 per cent to 47 per cent from 1990 to 2009 while India's has remained almost stagnant from 23 to 26 per cent.

In India, by contrast, the move has been mainly from agriculture to services in terms of share of

output, with no substantial rise in manufacturing. The services share of India's GDP increased from 41 per cent in 1990 to 55 per cent in 2009 – well in excess of the lagging performance of China's service where GDP share increased from 31 per cent in 1990 to 40 per cent in 2009.

Another major difference relates to trade policies and trade patterns. Chinese export growth has been rapid, involving aggressive increases in world market shares. This export growth has largely been based on the manufacturing boom, cheap labour, excellent and heavily subsidized infrastructure, resulting from high infrastructure investment. Therefore it has been an attractive location for export oriented investment.

India's rate of export growth has been much lower and exports were not an engine of growth until recently. The main reason for this was sluggish growth and lack of quality assurance in the manufacturing sector and minimal infrastructural development.

Both the countries have a positive demographic trend (a high working age population), but this favourable demography needs to be converted into virtuos cycle of acceleration and growth.

China has managed to convert its growing working age population into a virtuos loop of creating productive jobs which it translates to savings, investment and growth since the early 1980s.

China had undertaken much less trade liberalization than most of the developing countries and its entry into WTO was as late as in December, 2001. That is why the manufacturing employment grew rapidly until recently and employment losses were not much due to import competition.

In India, manufacturing led job creation especially in potentially high volume industries like food, textiles and leather which could give gainful employment to relatively poor, under educated rural workers have never been prioritized. While IT enabled services have mainly offered employment to the elite graduates of India's prestigious institutes of higher education.

Again the 1990s liberalization has resulted in employment losses due to displacement of industries especially in small enterprises due to import competition.

Future Prospects

In terms of future prospects, surprisingly both economies end up with very similar issues despite these major differences. There are questions of the sustainability of their growth models.

The current pattern of expansion in China is based on a high export accumulation model which requires constantly increasing shares in world market and high investment rates. This model is challenged by global economic and financial crisis which may have adverse effects on manufacturing exports.

Indian IT enabled service growth model raises another question of sustainability, apart from questions about whether it will be enough to transform India's huge labour force into higher productivity activities.

Conclusion

Thus both the economies now need to fine tune their development strategies by expanding their economic power bases.

The threat to India's growth is its poor infrastructure which needs effective mobilization of capital so that the process of infrastructural development in the country can be stream lined. Another challenge to India's growth is the potential bursting of asset bubble.

India has experience an enormous growth in its stock and property markets mainly through price appreciation in response to low interest rates. India must pursue the policies that encourage expansion of asset bubble rather than contain it. It is because this low interest rate environment can be the most important factor for increase in foreign capital inflow which in turn can boost investment, reduce current account deficit and contain inflationary pressure by appreciating the currency.

The challenges to China in sustaining its high growth are different. The fundamental weakness of the Chinese economy is low consumption. The household consumption is only 40 per cent of GDP which is excessively low by any standards. China needs to find ways to shift wealth from the Government sector to the household sector which will automatically improve the consumption in the economy. The labour wages are also low due to labour surplus and government controlled labour union which has kept consumption low. Therefore there also needs to be attention paid to the wage growth to enhance the national income through the working of the multiplier. China needs to rebalance the economy by addressing the issues of wealth, income and security that have caused the household sector to shrink relative to the overall economy.

At present both the economies are dealing with short term issues that appear to be an imminent threat to growth but its time there needs to be heed given to long term implications in crafting the macro policy so that in the coming decades we can see both these economic powerhouses develop and reform as their respective models of growth for other Asian countries to emulate.

Article

Consumer Protection

Mr Ankur D Amin

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Ordinarily every person is a consumer because he uses or consumes economic goods and services. A person is not only a consumer when he buys and uses groceries or automobiles or clothes but he is also a consumer when he makes use of educational opportunities offered in a school or obtain legal advise from a lawyer, medical services from a physician. The 'Consumer' may be defined as a person or group of persons who taxes, succeeds, buys, hires, for him or for his family's final use.

Today the principal consumer theory is the consumer sovereignty which sets out from the primariness of consumption. Consumer Sovereignty refers to the right of the consumer to buy or not to buy.

Consumerism is not a new phenomenon. According to Philip Kotler, consumerism is a movement seeking to augment the rights and powers of the buyers in relation to sellers. Consumerism is a growing social force which asserts the rights of consumers and seek to protect these rights by

- Educating the consumers about their rights
- Pressurizing the government to protect the consumers
- Making the business more honest, efficient, responsive and responsible.

In the consumer movement spearheaded by Ralph Nadar in the U S that has been the main motivating force behind the growth of consumerism throughout the world. That consumers have certain rights got accomplished with the proclamation of **President John F Kenedy on March 15, 1962** of his bill of human rights incorporating the four consumer rights. Therefore 15th March is now celebrated as “International Consumer Day”. After that International Organisation of Consumer Unions (IOCU) has defined more consumer rights which are as follows.

1. Right to Safety: Right to be protected against products, production process and services which are hazardous to health or life.

2. Right to be informed: Right to get facts needed to make an informed choice or decision
3. Right to choose: Right to have access to a variety of products and services at competitive prices.
4. Right to be heard: Right to be represented so that consumer interests receive sympathetic consideration in formulating and execution of economic policy.
5. Right to basic needs: Food, shelter, clothing, health care and education.
6. Right to redress: Right to a fair settlement of just claims.
7. Right to Consumer education: Right to acquire knowledge and skills to defend his rights.
8. Right to a healthy environment: This right involves protection against environmental problems over which consumer has no control.

The United Nations Guidelines on Consumer Protection:

Through the efforts of IOCU the attention of the economic and social council was drawn to problems of consumer protection after extensive discussions ranging over two years, the councils submitted the draft guidelines based on following objectives which is adopted unanimously by UN General council on 9th April, 1985.

- To assist countries in achieving of maintaining adequate protection for their population as consumers;
- To encourage high levels of ethical conduct for those engaged in the production and distribution of goods and services to consumers;
- To assist countries in curbing abusive business practices;
- To facilitate the development of independent consumer groups;
- To encourage the development of market conditions.

Exploitation of Consumers in India:

The list of instances and kinds of exploitation through malpractices adopted by businessman are as follows:

1. Adulteration: It is the outcome of the shortage economy, spices, milk, sugar, butter, ghee, pulses are liberally mixed with a large duplicate contents.
2. Warranties and Guarantees: Warranties and guarantees are present in bold print but taken away in fine print. Even in case of consumer durables, warranties are either inadequate or defective.
3. Hazardous or Unsafe products: The range of such products vary from toys, bicycles, cooking ranges, ovens, tv etc.
4. Underweight: Another way of exploitation of consumers is underweight. It is resorted to in many ways including soaking vegetables and sugar, using heavy containers and manipulation of seals.
5. Duplicate Products: Some cheats are always busy to find out the duplicate products having no merits. These products are sold in rural areas.
6. Bogus and Misleading Advertisements: More often than not, the advertisements are defective more misleading, exaggerated and offensive,

health and beauty aids and consumer durables are those products of which tall claims are very common.

7. Sales Promotional Tactics: there are several sales promotional tactics like discount of gifts, reduction sales, economy size, coupons or draw etc., adopted by businessman to mislead the consumer.
8. Service: In contrast to commodities services are abstract. They cannot be easily identified as good or bad. The service of hospitals, banks, hotels, transportation, insurance, etc., is very poor.

Consumer Movement in India:

The consumer movement started in 1904 in India. Inspired by the Consumer Rights Bill passed on 15th March, 1962 by American President John F Kennedy and some enlightened housewives formed the Consumer Guidance Society of India in 1966. Similarly, under the leadership of Late J R D Tata and Late Ram Krishna Bajaj some progressive manufacturers and traders came together and formed the Fair Trade Practices Association in Bombay in March 1966. These two historic events started the modern consumer

movement in India. Thereafter in the year 1974 Sri Bindu Madhav Joshi started Akhil Bhartiya Grahak Panchayat in Pune. This organisation organized agitations successfully. From the seventies voluntary organisations in the field of consumer protection have gradually but steadily been emerging in all parts of the country. At present there are more than 500 such organisations render assistance to the consumer. Some list is given below.

- The Consumer Association in India (1959)
- Fair Trade Practice Association (1966)
- The Consumer Guidance Society of India-Bombay (1966)
- Consumer Education & Research Center (CERC)- Ahmedabad (1978)

Consumer Protection Act, 1986:

An act to provide for better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters concerned therewith. There are three

govt agencies working to protect and to redress the disputes of the consumers.

1. The Central Consumer Protection Council
2. The State Consumer Protection Council
3. Consumer Dispute Redressal Agencies
 - a. Consumer Dispute Redressal Forum- "District Forums"
 - b. Consumer Dispute Redressal Commission- "State Commission"
 - c. National Consumer Dispute Redressal Commission- "National Commission"

A great political scientist of UK said "It is not the good law, that is important, but it is good administrators." Therefore, in India we need better educated consumers to bring out worthy consumerism and not a mere a law.

Our Former Prime Minister Pandit Nehru once said "Laws and Constitutions do not, by themselves, make a country great. It is the enthusiasm, energy and constant effort of the people that make it a great nation"

BOOK REVIEW

Dr Ajayraj M Vyas

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Name of the book

ENTREPRENEURIAL DEVELOPMENT (Edited Book)

Author / Editor

Shivganesh Bhargava

Publisher, Price & Pages

Response books (unit of Sage Publications),

Rs. 625.00, 423 pages

About the author / Editor

Shivganesh Bhargava is a professor at IIT, Bombay in the area of H.R.M., O.B. & Entrepreneurship. He was earlier with IIM Ahmedabad and Lucknow. He has a vast teaching experience and has won awards like V.K.R.V.Rao award in management, Young scientist award by ICSA and MPCOST. He has number of contributions to national and international journals. Besides Entrepreneurial Management, he has also authored books like Transformation Leadership; Value based Management for Indian Organization and Developmental Aspects of Entrepreneurship.

Review

In today's economy, technical and business skills are not enough to operate a business. Entrepreneurial skills are also required to anticipate changes, identify opportunities and

create a high performance working environment according to the realities demanded by the global companies. An organization can make a product which is a challenge for the competitive business, and can survive in the competition for the longer time, only, if the organization knows how to create an entrepreneurial mindset of the people involved in the production. More over capable entrepreneurial leaders are always required for steering the business and motivating employees to have uninterrupted growth in the global competition. Hence the role and importance of entrepreneurial leadership and entrepreneurial management becomes important for students as well as professionals.

Keeping in mind the aforementioned discussion, in order to analyse, explain and forecast the behavioral aspects of entrepreneurs or would be entrepreneurs as well as to study the effects of the various uncontrollable factors affecting the entrepreneurial growth and development and to make the valid justification of the existing theories and modals the need was there to have an comprehensive book not on the subject matter of entrepreneurial development but on entrepreneurial management, where in the practical applications of certain pertinent aspects of entrepreneurship can be dealt very deliberately as well as it emerges as a new field of study in

management to face contemporary challenges. Entrepreneurial Development, an edited book by Shivganesha Bhargava serves this purpose very well.

Shivganesha through his edited book “Entrepreneurial Management” has made a very humble and ethical effort to meet the objective identified. The book is a collection of 14 pieces of literary work done by some of the eminent academicians within India and outside, beautifully presented in form of articles, case studies and research paper. The contributors are from the academic filed representing prestigious management & engineering institutes of India and abroad like IIMs, IITs, NIT, BITS, Bhartidasan University, Bangalore University & University of Singapore. The contributors have covered almost all the areas of entrepreneurship. Some of them are given below:

1. Women entrepreneurship.
2. Expectations from entrepreneurs.
3. Industrial Entrepreneurship.
4. Performance of SMEs
5. Microenterprises.
6. Sustainable growth of SSI through entrepreneurship.

7. Entrepreneurship and economic development.
8. Emerging importance of entrepreneurial management for economy.

In order to support the work done by the various contributors and to justify the objective identified, the editor has made it possible to present certain information on entrepreneurial aspects through systematically designed 73 tables and 20 figures in the book. Editor has also placed in the beginning of the book, a list of abbreviations so that the readers of the book may not have any confusion regarding abbreviated form of words.

I personally had come across many books on entrepreneurship. But then, according to me this is a different piece of work. Following are couple of reasons to support this:

1. This book covers all the areas of entrepreneurship.
2. The book is less of definitional nature and more of fact finding.
3. Here in one book only you get idea of various aspects of entrepreneurship with facts and figures, hence no need to refer different books.
4. This book comprises papers with diverse approaches and methodologies like survey, field

study, case study, experience base learning and theoretical.

The society has to create entrepreneurial leaders, who not only remain at the top but also give a support to nation's economy for its holistic growth. This is possible only through inculcating positively, the concepts of entrepreneurship in the youth of India. This book, does so to a great extent. This book is for all such readers who are connected with management or entrepreneurship in some way or other. Finally I would recommend the book for all the institutes running U.G. or P.G. programmes in the area of Entrepreneurship Development to place this book as a ready reckoner in their libraries. The professionals should give a space to this book in their desks along with the other business books.

MY VOICE: Making of a Hero or Champion

Mr Sunil V Chaudhary

Lecturer, SEMCOM

The word hero reminds me of all those who stood against injustice and fought for just causes. Mahatma Gandhi, Sardar Vallabh bhai Patel, Pundit Jawaharlal Nehru and all the freedom fighters are heroes who fought for the independence of our country from the then British Rule. Those who struggled for the Independence of our country would have dreamt of independent, progressive, self reliant and economically advanced India. Their dreams have been realized to some extent but still lot needs to be done. The two words which will remain common in human history are challenges and heroes who worked to overcome those challenges. The challenges which we face are in form of poverty, illiteracy, hunger, inequality, cleanliness, hygiene, rising population and rampant corruption. It is good to see that we still have people who are working for the progress of our country and are trying to protect just causes of morality, ethics and honesty in public and private life.

Heroes are not defined by their designation, status, wealth but they are known by their deeds or work. The attributes of a hero or champion are:

- Courage: This is the most important attribute of a person, because without courage, it will be difficult to face challenges of life.
- Self Reliant and Self Confident: The person must have full faith in his or her abilities and skills.
- Ethics: The person must have good sense of what is fair and what is unjust.
- Health: Good health provides the energy to be utilized in pursuit of good causes.
- Intelligence: Intellect here means courage, common sense and being ethical in public and private life besides having expert knowledge of any discipline or having verbal, numerical and reasoning skills.
- Perseverance: The person must have the determination to face and overcome all the hurdles and challenges in pursuit of good causes.
- Spirituality: This is the most vital element, which teaches us that entire mankind and the entire Universe is one, and connects us to almighty god.

Many other attributes can be added to define heroes or champions, but the most important qualities they must possess are courage, good ethics, intelligence and spirituality.

Contributors:

“DRIVE” is regular monthly e-news letter published by **SEMCOM**. This e-newsletter deals in all aspects of management, commerce, economics, technology and Humanities. It is open for all students, alumni, teachers and professionals dealing with above stated areas.

Your contribution in the form of research papers, articles, review papers, case studies are invited for publication. All papers received by us will be published after the approval of our Editorial Team.

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