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**EDITOR  
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## CONVENTIONAL WAR UNDER NUCLEAR SHADOW INDIA-PAKISTAN SCENARIO

Dr. Suresh Dhanda

Associate Professor, Department of Political Science

S. A. Jain College, Ambala, Haryana, India

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### ABSTRACT

*India and Pakistan, the two countries of South Asia, have been involved in constant conflict since their independence. This confrontation became especially dangerous after 1998, when both the countries conducted a series of nuclear tests and showed the world their ability to build nuclear weapons. They have fought three full-scale wars in 1948, 1965 and 1971, and one limited war at Kargil in 1999. The occurrence of border skirmishes and terrorist attacks are also very common in their bilateral relations. As long as the relations between the two remain hostile, and suspicion exists, prevention of conventional conflict is a difficult task. This conventional conflict, at any level---full scale or limited, carry the potential for escalation from one level to another and then ultimately to the prospects of nuclear exchange. And the terrorist activities have more potential in this direction. This paper attempts to enquire into the circumstances between India and Pakistan which may lead to inadvertent escalation or compel the leaders to think seriously about the use of nuclear option during the conventional war. The paper analyses all the three scenarios of conventional war-----all-out, limited and cold start.*

**Key Words:** All Out Conventional War, Limited War, Cold Start Doctrine, South Asia, Nuclear Escalation.

India and Pakistan are trapped in an antagonism that has changed very little since their independence in 1947. What makes their relationship unique among inter-state rivalries is that the terms of their disputes and the accompanying images remain largely fixed. Perceptions that are steeped in history and the emotional trauma of partition often matter far more than any objective reality that involves valid estimates of real and present danger. Perceptions often become self-fulfilling. Opinions in Pakistan widely hold that India is intent upon undermining and humiliating Pakistan, and would, if it could, reabsorb all of the sub-continent's Muslims. Indians feel that Pakistan is fanatical in its determination to repay India for past defeats, including the loss of East Pakistan, and would like to seize Kashmir in a proxy war. Authorities in New Delhi also view Pakistan as responsible for making efforts to set Islamic World against India, in order to create a hostile political, military and economic bloc. In turn, Pakistan points to what it sees as evidence of India's hegemonic ambitions and expansionism at the expense of all its smaller neighbours. The failure of India and Pakistan to create confidence building measures (CBMs) and a normalization of relations reflect prevailing high degree of mistrust and reveal the existence of suspicions between them. Thus, both the countries are locked into an increasingly expensive political and military competition that

ignores the opportunity of utilizing the scarce resources for welfare purposes.

The perpetual cold war between India and Pakistan has turned into full-scale hot wars in 1948, 1965 and 1971. Besides these full-scale wars, they have indulged once in a limited confrontation at *Kargil* in 1999. During all the three full-scale wars neither India nor Pakistan was having any missile or nuclear capability, but now the situation is not only different, but also dangerous. Both are now nuclear weapon states after the successful nuclear tests of 1998. These tests have led to a new strategic situation that is bound to have long-lasting implications for both the countries of South Asia in particular and for the international community in general.<sup>1</sup> Unlike in the past, any future war between the two countries, no matter howsoever limited it might be, will have the potential to escalate into a full-scale nuclear war in the light of the changed strategic environment.<sup>2</sup> In any future crisis between India and Pakistan, factors like incorrect reading of the adversary's intentions, inaccurate assessment of political objectives, poor intelligence about combat strengths, unexpected conventional attack by either side, and nuclear accidents are likely to play role as major sources of conflict escalation. Moreover, since 2001 both the countries have accelerated their missile programmes, which is likely to have grave implications not only at the regional level but also at global level.<sup>3</sup>

Though the "bolt out of the blue" nuclear attack seems implausible between India and Pakistan but there are three levels of conventional conflict that recent events make entirely plausible which could sow the seeds of nuclear escalation (i) an all out conventional war (ii) limited conventional war for circumscribed purposes and (iii) unconventional or low intensity war employing guerilla warfare through clandestine methods.<sup>4</sup> An unconventional or low intensity conflict may escalate into a limited conventional conflict, as did *Kargil* through India's response in 1999, and a war that opens as a circumscribed conventional operation may escalate to one that broadens into a major conventional war---the potential manifested in India's "*Prakram*" mobilization in 2002, and in Pakistan's counter mobilization.

#### **All-Out Conventional War**

As long as the Indo-Pak relations remain hostile and mutual suspicion exists, war may reoccur, and the terrorist activities have more potential in this direction. This war, at any level, carry the potential for escalation from one level to another and then ultimately to the grim prospects of nuclear exchange. Pakistan, despite its overall size, is strategically vulnerable to a fully mobilized Indian conventional invasion mounted simultaneously in separate corridors along its north-south axis, and also vulnerable to naval action that could embargo traffic into and out of its port.<sup>5</sup> Pakistan's geographically confined main lines of communication between the main port of Karachi in Sindh province to the South and the Punjab heartland in the north could be severed by a large scale, air supported armored incursion. The vulnerability is further accentuated by the proximity of Pakistan's key urban centers in Punjab, particularly Lahore, just few kilometers from the border and potential subject to long range artillery from Indian soil. On the other side, Southern Punjab and Sindh of Pakistan are just fifty to sixty miles from Rajasthan border mainly a desert terrain. Traversing this with armored columns given close air support, Indian forces could sever Pakistan's North-South main railway and road links between Rahimyar Khan and Sukkur. Such operations have been the part of Indian military force planning, doctrine and exercises since the tenure of General K. Sunderji in mid 1980s. This major conventional war scenario of cutting Pakistan in two could be amplified by an Indian naval blockade of Karachi and Gwadar. Such action was hinted at by Indian naval

preparations and movements in the Kargil war in 1999, and on a larger scale during the full military mobilization of 2001-02.<sup>6</sup> A major conventional war, unfolded on these lines, will put an intense international pressure on India to stand down and withdraw its forces behind the international border. This international pressure may work, but it might fail. If India were to set aside international pressure and continues its operation to achieve quick results, which may cause a Pakistani loss of territory, its military defeat or political submission, which will be the crossing of “red-lines” in Pakistani perception, then its leadership almost certainly would deploy combat ready nuclear forces and seriously consider how to apply its nuclear option. Though, Pakistan never declared its nuclear doctrine officially and authoritatively but some responsible persons in Pakistan have declared informally and unofficially some ‘red-lines.’ According to Pakistani General, Khalid Kidwai, Pakistan would resort to nuclear weapons’ use in the event if (i) India attacks Pakistan and conquers a large part of its territory (ii) India destroys a large part either of its land or air force (iii) India proceeds to the economic strangling of Pakistan and (iv) India pushes Pakistan into political destabilization or creates a large scale international subversion.<sup>7</sup> Another Pakistani authority, Tariq Mahmud Ashraf, a retired Pakistani Air Force officer defined Pakistan’s ‘red-lines’ as under: - (i) Penetration of Indian forces beyond a certain defined line or crossing of a river. (ii) Imminent capture of an important Pakistani city like Lahore or Sialkot. (iii) Destruction of Pakistan’s conventional armed forces or other assets beyond an unacceptable level. (iv) Attack on any of Pakistan’s strategic targets such as dams or nuclear installations like *Tarbela, Mangla, Kathua, Chashma* etc. (v) Imposition of blocked on Pakistan to an extent that it strangulates the continued transportation of vital supplies and adversely affects the war waging stamina of the country. (vi) Indian crossing of the line of control (LOC) to a level that it threatens Pakistan’s control over Azad Kashmir.<sup>8</sup> Though, these red lines have never been officially declared but reflect obvious Pakistani sensitivities.

Similarly, if India deploys its nuclear weapons in response then Pakistan’s reaction could be very stark. It could either seek help from abroad, if possible, or fire a nuclear weapon in an uninhabited area as warning shot or devise a tactical nuclear attack on Indian conventional military to break its momentum. Once any nuclear strike is carried out, then it will be almost impossible to halt the conflict without further nuclear attack. Even high profile terrorist action would create much more intense pressure on decision makers if it is to occur when the opposing armed forces are already mobilized and ready for conventional war. There would be a temptation to assume that terrorist act was a covert extension of the other side’s military campaign, even though this act could be quite independent and different.

It is also possible that during the conventional warfare both Indian and Pakistani military planners would feel compelled to take precautions against the other side escalating to the nuclear level. But even after that, Pakistan will be apprehensive of an Indian conventional pre-emptive campaign to destroy nuclear assets before they could be used. Similarly, India would be worried about Pakistani leaders contemplating a nuclear decapitation attack. And if either side becomes convinced that its opponent is preparing a nuclear decapitation attack, howsoever remote it may be, both sides might feel compelled to strike first.

It is not necessary that future Indian pre-emptive or disarming strike will only be nuclear. A conventional disarming strike based on initial surprise, and then on an extended air campaign against those Pakistani strategic nuclear assets that may be stored in fixed sites is at least

theoretically conceivable. Such a campaign probably could not quickly find and target mobile nuclear missiles already dispersed in the field or even camouflaged nuclear capable aircraft at dispersed air- strips. But such a campaign might be aimed at destroying strategic nuclear weapon components in storage sites, if all those sites are known or identified early in the course of operations. The objective would be to prevent nuclear weapon assembly and mating with strategic delivery systems. Indian conventional air strikes against air bases and other high value military facilities in Pakistan are part of its military planning and could be unleashed as punitive measures to a severe provocation, as prelude to a punitive invasion on the ground, or as further retaliation for a Pakistani conventional response to an Indian punitive attack. Pakistan's efforts in recent years to augment its anti-aircraft defences could make a difference, but it is not clear they could blunt a determined offensive air campaign. Air defense systems would also be early targets for suppression in an air campaign. This scenario is not only theoretically conceivable but also conforms to India's military air mission during a full-scale conventional war. How successful India would be in this, faces a number of imponderables. Pakistan's nuclear storage facilities presumably are below ground and well camouflaged, and probably concentrated in Northern Punjab amidst ground forces that could be mobilized quickly to counter commando raids. In addition, Indian intelligence means might be successful over time in identifying critical sites that have distinctive signatures associated with nuclear weapons. For Pakistan to be sure it can defeat this Indian objective, it presumably had emergency dispersal procedures for dedicated aircraft and missile delivery systems, and may be prepared, even under attack, to keep moving nuclear weapon assets and delivery systems out of harmful way. But movement of these systems under such duress could shorten their fuse. If these Pakistani efforts of dispersal and concealment of aircraft and mobile missile systems were only partially successful and significant attrition of these strategic assets occurred, it could lead Pakistan to "use it or lose it" mentality, and Pakistani leadership would almost certainly consider threatening to use surviving strategic assets for retaliation before all were lost. Even if India contemplates conventional pre-emptive attacks on air bases and other ground based military facilities, Pakistani strategic nuclear assets are likely to come under attack as well. For its part Pakistan could launch long- range air attacks on Indian airfields or logistical infrastructure similar to the events during 1965 and 1971 wars, or even use ballistic missiles. Its aircrafts and longer- range ballistic missiles have sufficient range to hit many targets in India's Western region where India may have strategic forces stationed. Such air attacks could be in the form of pre-emptive attacks or interdiction to limit the support for Indian ground forces.

#### **Limited War Scenario**

If a scenario of limited war is considered, the chances of nuclear escalation would be much less than from a major or all-out conventional conflict mentioned above. But there is hardly a chance that limited conventional war may not convert into a major and all-out conventional war. Rather later probability is stronger. After the *Kagil* crises of 1999, India announced the doctrine of "limited war" to avoid the dangers of nuclear escalation during the all-out conventional war. The doctrine was presented by the then Indian Defense Minister in a seminar on January 24, 2000.<sup>9</sup> This doctrine of limited war under the nuclear umbrella was to be waged in the strategic space between Low Intensity Conflict (LIC) and full-scale conventional war. In response, Pakistan also announced the creation of a nuclear command

apparatus on February 2, 2000, and delineated the roles and responsibilities of all organs of the state. But it avoided making any formal comment on doctrinal use aspects, perhaps deliberately to deter against aggression, conventional or nuclear.<sup>10</sup> Periodically, however, Pakistani officials have declared informally the parameters and factors that would be considered by the employment committee of the national command authority.

Theoretically, a war can be limited through various measures adopted by concerned parties or adversaries. First, limits can be set on political and military objectives, which will certainly limit the war up to a significant extent. Second, geographical limits on the war zone can limit the war on specific areas. Third, some restrictions can be placed on the type of weapons to be used during the warfare. Such a limit would reassure the adversary about controlling possible escalation. Fourth, a time limit can be placed on the war by stating that military operations can be called off when the adversary complies with certain demands.

In case of South Asia, it is worth noting that past wars between India and Pakistan have exhibited none of these limits, with one exception. And the exception was India's terminating of 1971 war immediately after Pakistan's forces laid down arms in Bangladesh. In previous wars, India has reserved and exercised the right to take the battle into Pakistani territory in response to an attack on Jammu and Kashmir.<sup>11</sup> All available resources, including the navy, were employed in previous Indo-Pak wars, and all weapon systems available were utilized. Neither country imposed a time ceiling on the war. Neither side threatened civilian populations during the wars. A significant factor in these conflicts, however, was that neither side posed an existential threat to the survival of the other. But now the overt acquisition of nuclear weapons by both the countries has altered the context of military conflicts between them. It has substantially raised the threat of a nuclear conflict if another war is fought, whether full-scale or limited, between the two countries.

The Indian analyst Major General Ashok Krishna explained four basic options of limited war for India: first option is to attack across the international boundary or line of control (LOC), but to keep the objective limited. The second option is to attack the selected points along the LOC, presenting Pakistan with the option of escalating by responding with a riposte. The third option is to capture and hold a critical area along the LOC. The final option is to carry out the surgical strikes across the border and then return.<sup>12</sup> In fact, the main focus of limited war option, at the time of its inception in 1999, was along the LOC region of *Kashmir*, with effects of the *Kargil* war fresh in mind. The main thrust was on the feasibility of using limited military strikes to interdict infiltration from Pakistan, and to attempt to destroy or shut down so called terrorist training camps believed to be located around Mujaffarabad in the western and most heavily populated part of Pakistan-held Kashmir, adjoining Punjab province. The operational concept for such strikes apparently involved combined fighter aircraft, ground attack sorties and helicopter-borne special force operations intruding across the LOC without warning.<sup>13</sup> These strikes might be accompanied by artillery barrages immediately across the LOC, ostensibly attacking infiltration routes but also tying down opposition infantry forces locally. The primary objective of these strikes may be political to draw world attention to the problem of terrorist infiltration into India and to force Pakistan to clamp down *jihadi* organizations. But Pakistan may retaliate with some form of artillery and air strikes at least on Indian military posts near the LOC, and perhaps with fighter air craft sorties against Indian security forces staging areas deeper in *Kashmir*, to satisfy its own public that it has means and



the will to retaliate against India. And this retaliatory action of Pakistan, which is quite natural, may lead the limited war to all-out war.

In fact, the concept of Indian surprise air attacks on terrorist training camps in *Azad Kashmir* assumed a far higher sensitivity after certain serious incidents like operation *Prakram*, September 11 and particularly the incidents of 13 December 2001 and Mumbai attacks. If India conducts surprise air attacks on localities near Mujaffarabad, while working on its limited war concept, it would bring Indian aircrafts or copters only minutes away from such sensitive defence related facilities in Pakistan as the Kathua uranium enrichment plant or nearby nuclear storage facilities. Pakistan may perceive it in the sense that these Indian attacks directed ostensibly against terrorist targets might cover expended strategic attacks on Pakistan's nuclear assets. So there is a high risk of escalation in limited war doctrine as it did not regard inadvertence to be of any significance. In 2001-02, India was prepared to take the risk of coercing and even attacking Pakistan despite full knowledge of Pakistan's nuclear capability. A section of the Indian leadership was convinced that Pakistan will have a hard time operationalizing its nuclear first use doctrine in a limited conventional war. They believe, however, that the same is not true about conventional force retaliation. According to this logic, Pakistan would find its nuclear deterrence useless in this limited war scenario. However, Indian confidence regarding the possibility of escalation control, the predictable outcome of a war, and the faith of Indian leaders in the safety of nuclear weapons on full or near full alert status raises the question of whether India fully realizes the possible repercussions of its mobilization. It seems clear that the international political climate worked against any escalation or war in South Asia. Reciprocal conventional force deployment by Pakistan led to a standoff that made it strategically difficult to fight a limited war, unless the war was expended, and that was not feasible.<sup>14</sup>

The doctrine of limited war is ambiguous and uncertain in South Asia because it leaves many questions unanswered.<sup>15</sup> For example, how would the political and military leadership in India and Pakistan plan and conduct limited war against each other? Can they ultimately limit political and operational objectives? The answers to these questions remain uncertain; as one side's limited political and military objectives could be viewed as unlimited and unacceptable by the other. If a nuclear first strike from Pakistan is to be avoided after a limited war is started, how will Indian political and military salencies be conveyed? If Pakistan wishes to avoid escalating a limited conflict with a nuclear strike how would it cope with an outcome which is militarily or politically unfavourable? Indicating the geographical limits of war would detract greatly from operational needs, while identifying political limits will allow the adversary to better plan its response. Under these circumstances, how victory would be quantified in political and military terms? In *kargil* war, which was on much smaller scale than a limited war, India was able to define its geographic salience by announcing that its forces would not cross the LOC in Jammu and Kashmir. That immediately placed serious limits on operational plans and forced a high casualty rate on the Indian army. A number of former senior military officers started criticizing publicly the government's self-imposed limitations at the cost of military casualties. This criticism placed the government under pressure and it started moving its major combat forces to operational locations, as preparations for widening the conflict, if necessary. That in turn placed the Pakistani military leadership under pressure and forced it to think about the nuclear weapons option. Though, the *kargil*

conflict ended but it left a burning question behind it that future wars between India and Pakistan, whether limited or full scale have a potential threat of nuclear exchange. So at the moment, both official pronouncements and published doctrine fail to clarify how the two sides will limit a future conventional war. There is also no perceptible change from past patterns in Indian and Pakistani approaches of fighting a conventional war. The way the two countries fought previous wars throws some light on how they could escalate to the nuclear threshold.<sup>16</sup>

Although, nuclear forces are not kept on an alert status during peace-time as compared to those of cold war period, but in an unfolding crisis, as it is clear from above discussion, the imminent possibility of conventional war could compel India and Pakistan to keep nuclear weapons in as close to a “ready state” as possible without being visible. The state of preparation of weapons thus would be directly proportional to the state of tension and crisis. To avoid being caught unprepared, in the event that a conventional war begins to go badly, both sides are likely to begin their nuclear forces to alert state at virtually the same time that they assemble their conventional forces. From this point on, the danger of inadvertence would become very real. In this situation, Indian declaration of no first use would become practically irrelevant.

The Indian declaration of “no first use” of nuclear weapons becomes irrelevant even in certain likely scenarios as observed by Indian defense analyst Jyotirmoy Banerjee.<sup>17</sup> Scenario one, suppose India is losing heavily in a conventional war with either Pakistan or china or both. Can India stop itself from using battlefield nuclear weapons? Scenario two, if India uses the doctrine of “launches-on-warning”, it will be highly relevant in the event that Indian radars detect incoming hostile missiles or bombers or both. What will India do? Will it wait till they devastated it or let fly its second-strike forces at once? If India waits in order to stick its pledge of “no-first-use”, it may suffer an unacceptable damage even to its second-strike capability. If, on the other hand, India launches on warning, this will be cutting its pledge too thin. There will remain not even seconds to properly asses the threat under “launch-on warning”. India’s hair trigger reaction will undergo the risk of an enormously avoidable spasmodic nuclear war, in case the warning on incoming hostile missiles turns out to be false. Radar and other sensors are, after all machines. Like all machines, they can go, and have gone wrong.<sup>18</sup> Scenario three, if India receives information that the enemy is about to launch, then India launches its own strike to pre-empt the enemy’s first strike. This doctrine of pre-emption is also dangerous. While under normal political circumstances this scenario may seem a bit far-fetched especially given India’s “no-first-use”, but under crisis conditions fact has a tendency to overtake fiction. Again massive time constraints upon assessing a threat and pondering will dominate. In this way, all the three scenarios make the Indian “no-first-use” doctrine irrelevant and raise the issue of nuclear dangers in the sub-continent.

### **Cold Start Doctrine**

After the doctrine of “limited war” a new concept characterized as “cold start operation” is also emerging in India since its withdrawal from operation *Prakram* in 2002 without launching even limited strikes.<sup>19</sup> The concept trades on the value of having mobilized operational forces always ready to conduct limited punitive strikes against Pakistan under the threshold of Pakistan’s red lines. The cold start strategy calls for a rapid deployment of integrated battle groups comprising of army, air force and, if needed, navy to conduct high intensity operations. The objective is to reach across, or circle around, Pakistan’s concentrated

defensive positions and firepower on selected targets deeper into the Pakistan territory, and to do so quickly. After achieving their initial objectives, the intruding forces would secure, hold and facilitate reinforcement of a band of occupied territory, or withdraw before the main conventional ground forces could move to engage. So a rapid deployment and quick securing of limited objectives can be used to achieve limited political objectives before international interference kicks in or before the conflict spirals out of hand into a nuclear exchange. The proponent of this doctrine, perhaps, hopes that this new operational level doctrine will have the strategic outcome of deterring Pakistan from pursuing its proxy war agenda. Although there has been no official response on this cold start type of strategy from Pakistani side, but it is certain that Pakistan will not ignore India's decision to achieve limited war objectives through this new strategy. There is every reason to expect that Pakistan will make its own innovation in response to cold start. As India enhances its ability to achieve a quick military decision against its neighbour in a future conflict, Pakistan will come under increasing pressure to rely on its nuclear arsenal for self defence. An operational cold start capability could lead Pakistan to lower its nuclear redlines, put its nuclear weapons on a higher state of readiness, develop tactical nuclear weapons, or undertake some equally destabilizing course of action. Waging limited war through this cold start doctrine can pose a number of challenges to political leaders attempting to achieve their aims through the use of force. In fact, these challenges create the dilemma while using this doctrine in practice.

Moreover, at present, it is not necessarily clear where a cold start type limited military operation would be directed: against *jihadi* training camps in *Kashmir* or their support bases in *Punjab* and *Sindh*? In pursuit of militants crossing the Line of Control? Against vulnerable parts of Pakistan as part of a response to a terrorist attack within India? There appears to be an assumption behind the cold start doctrine that punishment inflicted by limited conventional strikes can persuade Pakistan to halt its support for *Kashmiri* militants. Yet whether this level of punishment can be inflicted without crossing Pakistan's nuclear threshold remains uncertain. The gap between civilian political leadership and military personnel may also raise confusion regarding the execution of the plan. Civilian political leaders may design a tightly integrated strategy with clearly defined objectives, but they must devolve responsibility to the military to execute their strategy. Confusion, opportunity and local initiative may prompt military officers to act in ways that exceed or even run contrary to the broader political goals established by the state's policy makers. The particular geography of South Asia also poses a challenge to implementation of cold start type limited war. Given Pakistan's lack of strategic depth, even small incursions employing the cold start doctrine's bite-and-hold strategy could pressure Pakistan to escalate the conflict. The effects of the security dilemma and the relative incentives to overreact to an opponent's actions are easily magnified in this relatively compact geographic space. Hence, all these factors combine to make the notion of a cold start in South Asia a risky proposition.

### **Conclusion**

Despite the hope of proliferation optimists, the growing nuclear arsenal of India and Pakistan has raised the risk of nuclear exchange. The conventional war fighting is the most dangerous proposition in this regard. The nuclear capabilities of India and Pakistan have increased the stakes of letting conventional hostilities run out of control. Nuclear weapons have not, so far, deterred either side from risk-taking with sub-conventional war, threats of conventional war,

and military brinkmanship. The prevailing India-Pakistan hostilities and suspicion are sufficient reasons for the beginning of conventional war. As long as such possibilities exist the chances of nuclear exchange cannot be ruled out. This conventional war, at any level----all-out or limited, carry the potential for escalation from one level to another and then ultimately to the use of nuclear weapons. And the terrorist activities have more potential in this direction. Though, certain other doctrines like 'limited war' and 'cold start' have also been invented to fight war under nuclear shadow by India but with risk of nuclear escalation. Inadequate warning capabilities, lack of efficient command and control arrangements, exclusive military control over nuclear weapons in Pakistan, and strained relations between the two are combined to raise the risk of inadvertent or unintended nuclear exchange during a conventional war fighting.

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## STRATEGIC DIMENSION: AN AREA OF CONVERGENCE BETWEEN INDIA AND ASEAN

Jyoti Singh

Junior Research Fellow, Department of Political Science,  
Kurukshetra University, Kurukshetra, Haryana, India

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### ABSTRACT

*The India – ASEAN relations that started in the early 1990s was one of bonhomie. As the cold war ended, the uncertainties arising out of the collapse of India's trusted friend and supporter, the Soviet Union and the emergence of a unipolar world dominated by the United states gave a contain jolt to the hitherto prevailing structure of India's foreign policy. India was forced to explore other options, both regionally and globally, in search of preserving and promoting its economics and strategic interests, and there, the eastern neighbors offered a promising area of engagement. The ASEAN, with Japan, Korea and China put together, constituted economically the most dynamic regions not only in Asia but the whole world. Indian policy makers could not ignore this region particularly under the new situation when India was in dire need and desperate search for new opening for its 'liberalising economy'. The India leadership therefore came up with a concept of ideas called the "Look East Policy" of India, which was an active economic policy of engagement with these Southeast Asian countries. This was implemented as an official initiative in achieving three objectives: first, to renew political contacts and understanding with ASEAN member states; second, to achieve enhanced economic interaction including investment and trade and third, to strengthen defence and strategic links with these countries to achieve better understanding. In this paper an attempt has been made to find out the question what was the nature of the security concerns that emerged between India and ASEAN in the context of the conditions in the region that have arisen from the end of the cold war?*

**Key Words:** Look East Policy, Defence Cooperation, Maritime Security, Asia-Pacific.

India's defence policy meanwhile, had traditionally focused on preparing for a war with Pakistan and China, and managing internal security threat such as terrorism and insurgencies, mainly from Pakistan based militant. Since the late 1980s, however, India's naval and air power build up in the Andaman and Nicobar island bases indicated New Delhi's interest in securing the sea lines of communication (SLOCS) in the Indian Ocean and Arabian Gulf. This interest has grows with India's trade with East and Southeast Asia, especially following the implementation <sup>1</sup>of its 'Look East Policy' in the 1990.<sup>1</sup> In the Post-Cold war era it became imperative for India to dispel fears about its military expansion in an otherwise traditionally non-hostile ASEAN region. Also, Southeast Asia itself witnessed a sea change in the political

atmosphere. The Cambodian issue was no longer contentious and Vietnam perceived as a potential ally rather than an enemy by ASEAN. Nor could India's military might in the emergent Asian balance of power be ignored any longer. Contrary to the previous perception, the Southeast Asian nations began to look upon India as a power that could play a kind of 'balancing role'. It was in India's interest to ensure that Southeast Asia would not be dominated especially by China once it became obvious that the superpower would reduce their presence, which coincided with a similar thinking with Southeast Asia.<sup>2</sup> As Babtyal says, India – ASEAN mutual security concern is guided by two broad factors: first, reconciling US military supremacy in the Asia-Pacific; and second to balance the ascending power of China in the region.<sup>3</sup>

Keeping all this in view, India began to embark a closer defence ties with the countries of Southeast Asian. India's strategic engagement with Southeast Asia in both multilateral and bilateral. A multilateral level, India is an active participant in the regional security mechanism, the ASEAN Regional Forum and since 1995 the Indian navy has been hosting a biennial naval gathering called MILAN at Port Blair. There were several objectives of those joint naval exercises with Southeast Asia Countries. According to Shukla, besides, intended to balance China's influence, it was obviously underscoring India's emergence as a major player in the Asia – Pacific region. It was also likely to stem the flow of arms across the Bay of Bengal insurgents in the Northeast and it also demonstrated the Navy's ability to operate far from home<sup>4</sup>.

At the bilateral level, Defence relations between India and Singapore, including visit by defence officials and training at each other defence academies, have been going on for a long time. However, intense bilateral defence cooperation that has developed only after 1993, the annual exercises have expanded from simple naval maneuvers to advanced air, surface and subsurface exercise since 2005, have been upgraded to Singapore-India Maritime Bilateral Exercise (SIMBEX). Singapore was the first among the South-East Asian states to become operationally involved with the Indian navy with their SIMBEX exercise taking place mostly in the Bay of Bengal, but also in the South China Sea at the times. An important military operation that followed the 1998 defence agreement was the 11-day ASW (Anti-Submarine joint Warfare) exercise between the two navies in the Andaman Sea, which was independent of Singapore participation in MILAN. Singapore is the only country that has the rare distinction of going access to the training facilities at the Southern Naval Command in Kochy, in addition to other training facilities. Apart from joint naval exercises between the two, Singapore has already made use of India's missile in its inventory.<sup>5</sup> In 2003, both sides signed an upgraded bilateral Defence cooperation Agreement, which sought to deepen the ongoing military cooperation, facilitate personal exchanges, defence courage, intelligence sharing etc. The Singapore and Indian Air force also conducted joint exercises at Gwalior in 2004 and in the same year participated in the multinational air exercises in Alaska, conducted by the US Air Force. Singapore is the only country that trains all three wings of its military in India. Another sign of the maturing defence ties between then was the signing of the 2007 Joint Military Exercise agreement. It allows Singapore air force to train at Indian military bases in Kalaikunda, West Bengal, for five years, in return for payment and the understanding that the Singapore air force maintains and upgrades the Indian facilities provided. This military agreement is significant because it is the first time the Indian government has allowed the stationing of foreign troops on its soil. In November 2008, a three week long joint air force

training exercise was conducted, which Singapore, Ministry of Defence Considered as yet another significant milestone in bilateral defence relations.<sup>6</sup>

In 1993 MoU on defence cooperation enabled Malaysia to train its air force personnel for Russian MiG-29 aircrafts that it had procured. The signing of the MoU led to the creation of the Malaysia – India Defence Committee (MIDCOM), jointly chaired by the two defence secretaries, focusing on the training of Malaysian military personnel in India. It met in February 1993, May 1997 and January 2001. The Malaysian and Indian Navies have also been conducting exercises on a regular basis. For instance, in May 2008, and June 2010, vessels from both navies conducted live – firing and anti-piracy exercises in the Malacca strait, demonstrating their mutual interest in keeping the vital strait safe.<sup>7</sup> The otherwise important bilateral defence cooperation was revived under a new 2008 deal under which India once again trained Malaysian pilots to operate Su-30s. India has also agreed to consider the possibility of cooperation in joint maintenance and use of 'Scorpene' submarines. During Prime Minister Manmohan Singh's visit to Malaysia in October 2010, both countries agreed to enhance their cooperative security relationship including cooperation in counter-terrorism, the establishment of a JWS (Joint Working Group) and the Indian defence industry's participation in the soon-to-be established Malaysian Defence and Security parks.<sup>8</sup> Malaysia – India Defence Cooperation meeting at the level of Defence Secretary are held regularly. The 9<sup>th</sup> meeting of the MIDCOM was held in Kuala Lumpur in January 2012. Service chiefs from both countries regularly exchange visits: India's Chief of Air Staff visited Malaysia in Feb, 2012 and Malaysia's Chief of Army and Navy both visited India in April 2012. Both sides send naval ships and delegations to the bi-annual LIMA (Malaysia) and MILAN (India) regional events. India is also participating in the cooperative mechanism on the Strait of Malacca and Singapore (SOMS) and contributed to two of the six IMO Projects for enhancement of navigational safety and environmental protection in Straits.<sup>9</sup>

The defence cooperation between India and Indonesia, which began with an agreement in 2001, is rapidly growing. During the visit of the Indonesian President, Susilo Bambang Yudhoyono in November 2005, the two countries agreed to hold annual senior officer level strategic dialogue, with the first meeting to be held in the first half of 2006. A MoU on cooperation between the countries' diplomatic training institutes has also been signed. India has been providing training to Indonesian military officers under the ITEC (Indian Technical and Economic Cooperation). Indonesia has also been sending its forces to India for training purposes. Under the newly established Joint Defence Cooperation Committee (JDCC) mechanism, a number of activities, which include exchanges of naval officers for training in their respective institutions, are on the anvil. If the planned Indonesian acquisition of Russian Kilo-class submarines materializes, India is likely to play a key role in training the Indonesian navy.<sup>10</sup> The Indian Defence Minister A K Antony visited Indonesia from 15-17 October, 2012, to take part in the first ministerial level biennial defence dialogue between the two countries. The last meeting of the Joint Working Group (JWS) was held on December 13-14, 2011 in Semarang, Indonesia. Both sides have also signed an Extradition Treaty and a Mutual Legal Assistance Treaty in Criminal Terrorism and Jungle warfare in India earlier this year. India's Defence Minister, A K Antony proposed that Indonesia and India should continue the joint exercise between the two armies on a mutually agreed frequency. Similarly, the two navies are regularly conducting coordinated maritime patrols (CORPAT).<sup>11</sup>



While Vietnam's eagerness engage India in a security role continued throughout the 1990s, the major upswing in defence relations between the two states came in 2000 when the Indian Defence Minister George Fernandes signed a new defence protocol which was more comprehensive and included an institutionalised framework for regular discussion between the two defence ministers, naval exercises between the two navies and coast guards, and training of Vietnamese air force pilots by the Indian. A joint declaration on the strategic partnership was signed in 2007. With this declaration, Vietnam was the first country in Southeast Asia and the second in Asia-Pacific (after Japan) that officially established strategic relations with India.<sup>12</sup> Noteworthy is the training that Indian soldiers get Vietnam in guerilla warfare. With the supply of several spare parts, Vietnam can prolong the life of many of its Patya class ships. Several forms of strategic dialogues between the two countries have been established. Vietnam – India political consultative meeting was held for the first time in 2006 and the fourth meeting was held in New Delhi in October 2009. As a result, the first strategic dialogue meeting between Vietnam and India took place in New Delhi on October 15, 2009. The second strategic dialogue and fifth political consultative meeting between Vietnam and India was held in Vietnam in August 2011.<sup>13</sup> India and Vietnam have also built strategic partnership, including extensive cooperation on developing nuclear power, enhancing regional security and fighting terrorism, transnational crime and drug trafficking. Vietnam has also welcomed Indian Navy ships in their region which would enhance India and Vietnam military relations. Vietnam has also welcomed Indian support for a peaceful resolution of the territorial disputes in the South China Sea.

India's move to forge close relations with Myanmar is motivated by a desire to counter China's growing influence as a regional leader and enhance its own influence and standing. Concerns and tensions increased in India's over China's extensive military cooperation and involvement in developing parts, naval and intelligence facilities and industries, specially the upgrading of a naval base in Sittwe, a major seaport located in close to the eastern Indian city of Kolkata.<sup>14</sup> The growing political comfort between India and Myanmar can be judged by the fact that India is the only foreign country to which Yangon has started sending its naval ships for periodic exercises and to participate in the MILAN naval exercises since the mid-2000s. Defence relations and cooperation have been marked by regular exchanges of high-level visits and bilateral military exercises. The recent visit of Indian Prime Minister to Myanmar was in April 2012. Military training too has been an agenda of bilateral defence cooperation. In a significant move, during the visit of General Min Aung Hlaing, can commander in Chief of Defence services of Myanmar to India in August 2012, India once again offered to train Myanmar's Army personnel.<sup>15</sup>

Similarly, Thailand and Philippines too have shown interest in holding Joint naval exercises with the Indian Navy and the first round of maritime exercise was conducted in May 1995. The navies of Thailand and India have been regularly conducting coordinated exercises in the areas adjacent of their international maritime boundary lines and biennial exercises near Phuket. Thailand also uses Indian facilities for training purposes. After acquiring its aircraft carrier, it turned to the Indian Navy to train its pilots for flying the sea Harriers. An agreement was signed between Philippines and India in 2012 to provided for exchange of military training expertise and information, exchange of military instructors/observer and visits of military aircraft and naval vessels.

Beyond ASEAN, India has also developed close strategic understanding and cooperation with China, Japan and Korea. India and China signed a "strategic and cooperation Partnership for Peace and Prosperity in April, 2005". It started conducting Joint Naval exercises between them. Last joint naval exercise that took place between the two nations was at Kunming in the year 2007 and at Belgaum in 2008. An agreement was made on 4 September 2012 between India and China to boost defence ties during the visit of Chinese Defence Minister Gen. Lian Guangle to India and his meeting with his Indian counterpart A.K. Antony.<sup>16</sup> The result of this meeting happened to that both sides agreed to strengthen border security cooperation between the troops in order to maintain peace in the border area.

In terms of security cooperation, Japan and India in recent times have confined themselves to energy security, maritime security and enhanced contacts between the Armed Forces of both countries. Regular exercises visit between the two Coast Guards through meetings of head of Coast Guards, mutual visits of Coast Guard ships and holding of combined exercises are very vital for both India and Japan in strengthening their respective security perimeters. Prime Minister Manmohan Singh's visit to Tokyo in 2008 gave further filip to India-Japan security relations, which regulated in India and Japan signing a significant declaration on security cooperation towards making their partnerships an essential pillar for future architecture of the region. In 2012, naval vessels of both sides made mutual port calls and Maritime Self Defence Force (MSDF) visited India. Coming into force of the Regional Cooperation Agreement on Combating piracy and armed robbery against strips in Asia and reaffirming to enhance cooperation in respect of Anti-piracy counter measures under its framework are welcome measures in this directions.<sup>17</sup>

With South Korea the convergence of interest started after signing a MoU on Defence Logistics and Supplies in the year 2005. In May 2007, India and South Korean Defence Minister held their first ever consultations on 'matters of mutual interests' and agreed to strengthen cooperation on training of armed focus personal exchange of visits and strengthening the mutual cooperation between the Coast Guard of two countries. This partnership has become appreciably more intense and diversified in the recent years, and has been elevated to the level of 'strategic Partnership' during the visit of RoK President Lee Myung- bak to India in January 2010. Former President Pratibha Patil's visit in March 2012 would help further strengthen the strategic partnership between the two countries.<sup>18</sup> Apart from military cooperation, there is a strong case for both countries to cooperate in defence trade since South Korea possesses sophisticated military technology.

India-Southeast Asia defence relations have become an important aspect of the Asia-Pacific security landscape, and something that is likely to grow from strength to strength ,signaling that India has emerged as a critical and integral player in Southeast Asia. This is a result of India's rise as one of the major players in the world and a healthy to the worlds "so called" superpowers. There is a huge potential for both of them in security areas. Because of the common maritime boundries both should try to develop a safety net for the security of sea lanes. Both India and ASEAN should try to increase their cooperation in combating the non – traditional security threats like terrorism, poaching, trafficking, piracy, misuse of sea boarder etc. If India has to emerge as a major player in the Asia-Pacific, it has to have not only a vision of its economic future , but also a vision of its future strategic role in the region.

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## INDIA AND SOUTHEAST ASIA AN ANALYSIS OF INDIA'S LOOK EAST POLICY

Dr. Suresh Dhanda

Associate Professor, Department of Political Science  
S. A. Jain College, Ambala City

and

Dr. Pardeep Kumar

Associate Professor, Department of Political Science  
Geeta Institute of Law, Panipat

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### ABSTRACT

*Intensification of the economic linkage with the ASEAN has quietly led India into a second phase of its 'look East policy'. Phase I of the policy was characterized by trade and investment linkages. Phase-II is marked by arrangements for free trade areas and establishing institutional economic linkages between the countries of the region and India. The broader agenda of Phase II also focuses on security cooperation including joint operations to protect sea lanes and pooling resources in the war against terrorism. The military contacts and joint exercises that India launched with ASEAN started on a low key basis in the 1990s are now expanding into full fledged defence cooperation and it has also reached to the level of training of defence personnel and trade in military equipments. For the sake of clarity, the paper is divided into four parts. The first part analyses the economic relations between the two in trade, investment and joint ventures. In the second part, political relations have been discussed including bilateral agreements, dialogue mechanism and political visits. Third part focuses on the progress in strategic relations between the two. Finally, the concluding remarks have been made with the hope that India and Southeast Asia will strengthen their relations with more enthusiasm and utmost care.*

**Key Words:** ASEAN, Southeast Asia, ARF, Economic Relations, Political Relations, Strategic Relations, Look East Policy.

The civilizational and cultural links between India and the countries of Southeast Asia date back thousands of years and are still visible today in their architecture and religion. But ideological differences precluded the development of close political ties for most of the Cold War. It was only after the collapse of the Soviet Union that Indian Prime Minister Narasimha Rao decided to engage Southeast Asia by initiating a new chapter as 'look east policy, in Indian foreign policy paradigm as part of a broader effort to liberalize the country's economy in an increasingly globalized world. The Look-East Policy portrays a strategic shift in India's vision of the world and India's position in the rapidly developing global economy. Since the inception of the Policy, India and ASEAN have embarked upon multiple bilateral, regional and sub-regional initiatives for the flourishing and pursuit of the Policy.

## ECONOMIC RELATIONS

The Look East Policy gave a tremendous boost to economic ties between India and Southeast Asia. A number of institutional mechanisms and provisions have been put in place to promote economic exchanges in the fields of trade, Foreign Direct Exchange and joint ventures.

**Trade:** The trade relations between India and countries of the ASEAN region though quite old were not quantitatively significant. In 1970-71, India's total trade with the world was of the order of Rs. 3106 million of which ASEAN accounted for 1.87 per cent only. ASEAN's share in India's exports and imports during that year were 2.65 and 1.12 percent respectively. The trade balance, though not very significant, was in favour of India and continued to be so till 1976-77. In 1977-78 ASEAN's share in India's exports and imports went up to 3.76 per cent and 5.02 percent respectively turning the trade balance against India from that year. Again, the trade deficit was not very large but India continued to have adverse balance of trade with ASEAN till 1991-92.<sup>1</sup>

During 1990s the reason for development in bilateral trade between India and ASEAN was the positive signs shown by the then Indian government in 1990's to liberalise the economy and move towards fewer government controls leading to a more competitive and open economy. This was looked upon with great anticipation by the ASEAN states. Further the global recession, which started in the wake of the second oil price, hike also stimulated ASEAN states' interest towards India.<sup>2</sup> From 1992 onwards, ASEAN on the basis of its higher exports enjoyed favourable trade balance with India. It implies that though India could increase its exports to ASEAN but simultaneously its imports also increased. The 'look-East policy' made positive impact on India's trade with ASEAN in value terms.<sup>3</sup>

Since then, there is considerable development in bilateral trade between these two regions. This is evident from table 1, 2 and 3 and figure 1 and 2 given below.

**Table 1**

**India-ASEAN Bilateral Trade (Export) (1993-2002) (Value in US\$ million)**

Sr.	Country	1993-94	1994-95	1995-96	1996-97	1998-99	1999-00	2001-02
1.	Vietnam	25.11	52.54	118.86	117.57	125.26	126.7	213.11
2.	Indonesia	210.54	249.11	633.07	592.90	185.23	326.83	527.46
3.	Philippines	52.19	89.19	137.85	185.55	118.71	143.76	242.57
4.	Malaysia	221.62	257.01	375.75	531.98	321.63	435.42	756.52
5.	Singapore	673.90	691.03	861.70	977.51	517.33	692.01	948.70
6.	Thailand	319.46	364.75	451.97	450.60	320.92	457.26	620.76
7.	Brueni	0.38	2.16	6.93	6.29	0.36	-----	2.78
8.	Laos	0.21	0.11	0.30	0.41	-----	-----	3.10
9	Mynmar	19.30	20.32	28.84	40.17	32.1	-----	47.58
10.	Cambodia	-----	-----	-----	-----	4.2	-----	11.00
	<b>Total</b>	<b>1522.71</b>	<b>1726.22</b>	<b>2615.27</b>	<b>2902.95</b>	<b>1625.74</b>	<b>2181.98</b>	<b>3373.58</b>

**Source:** Government of India, Ministry of foreign affairs, India and ASEAN dialogue partnership, New Delhi, 1997, P-16; FICCI Summit on 17<sup>th</sup> October 2002 and 18<sup>th</sup> October 2002 at Hyderabad, organised by FICCI.

**Table 2**

**India-ASEAN bilateral trade (Import) (1993-2002) (Value US\$ million)**

Sl.no.	Country	1993-94	1994-95	1995-96	1996-97	1998-99	1999-00	2001-02
1.	Vietnam	39.28	39.62	14.84	1.75	8.88	8.01	18.55
2.	Indonesia	107.23	289.07	440.71	608.98	828.92	991.97	1016.36
3.	Philippines	5.33	10.56	20.52	16.76	36.60	-----	89.60
4.	Malaysia	223.53	539.65	862.75	1030.91	1610.38	2059.34	1112.26
5.	Singapore	561.71	807.12	1064.00	1080.94	1383.85	1508.28	1270.30
6.	Thailand	51.27	153.95	162.18	199.42	273.05	321.34	415.14
7.	Brunei	0.00	0.11	0.04	0.06	5.5	-----	0.34
8.	Laos	0.00	0.53	-----	-----	-----	-----	-----
9.	Myanmar	108.46	133.72	155.16	168.65	0.73	-----	170.0
10.	Cambodia	-----	-----	-----	-----	0.56	0.81	1.09
<b>Total</b>		<b>1096.81</b>	<b>1854.33</b>	<b>2720.17</b>	<b>3107.47</b>	<b>4148.47</b>	<b>4889.75</b>	<b>4093.64</b>

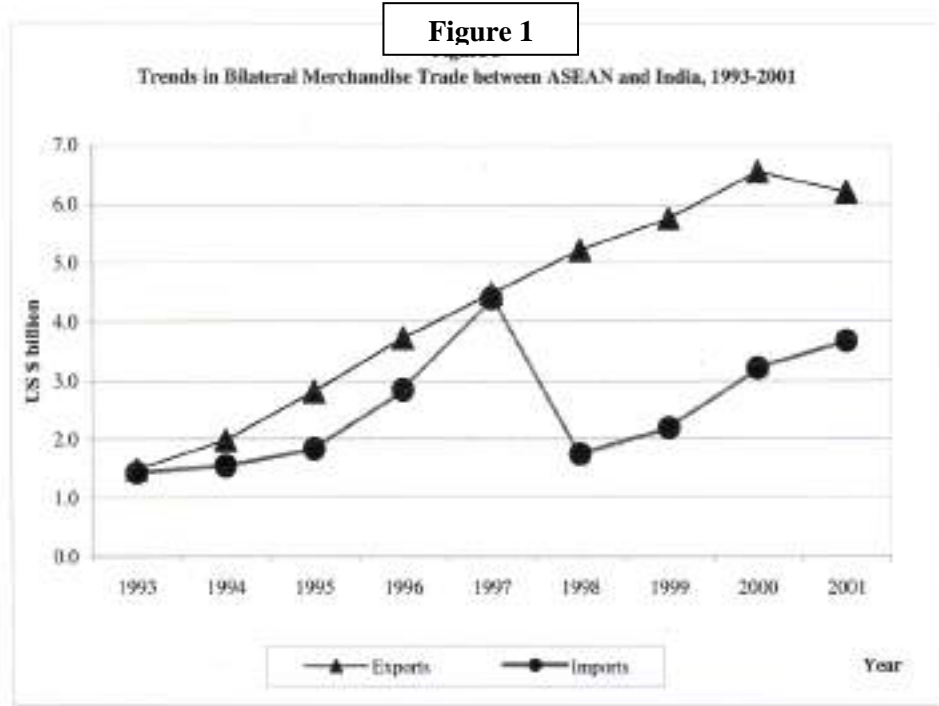
**Source:** Government of India, Ministry of foreign affairs, India and ASEAN dialogue partnership, New Delhi, 1997, P-16; FICCI Summit on 17<sup>th</sup> October 2002 and 18<sup>th</sup> October 2002 at Hyderabad, organised by FICCI.

**Table 3**

**India-ASEAN Bilateral Trade (2003-2010) Value : US \$ million**

Sr N.	Country	2002-03	2003-04	2004-05	2005-06 *	2006-07 *	2007-08	2008-09	2009-10
1	Singapore	---	---		8779.06	11538.15	15501.83	16099.79	14046.74
2	Malaysia	2404	3183	3383.07	3577.47	6595.53	8588.16	10604.75	---
3	Thailand	1090.20	1440.75		2286.89	3193.28	4111.80	4642.14	4671.68
4	Indonesia				4388.31	6214.92	6985.42	9226.17	11720.03
5	Philippines	----	----		730.16	747.77	824.87	998.54	1061.84
6	Myanmar	---	---		636.66	923.09	994.45	1150.60	1497.77
7	Vietnam	---	---		822.06	1153.07	1783.77	2147.31	2360.76
8	Brunei	---	---		43.82	293.68	237.67	415.16	453.09
9	Cambodia	3.20	15.31	19.53	24.97	53.67	56.40	49.61	50.60
10	Laos	---	---		5.58	2.74	3.97	9.52	36.98
	<b>ASEAN In US\$ bn</b>	<b>9.7 bn</b>	<b>13.25 bn.</b>	<b>15 bn</b>	<b>23 bn</b>	<b>30 bn</b>	<b>39.08</b>	<b>45.34</b>	<b>50</b>

Sources: Directorate General of Commercial Intelligence and Statistics (DGCI&S), Kolkata, [www.IBEF.org/ India & ASEAN2.htm](http://www.IBEF.org/India%20&%20ASEAN2.htm); Neak Samsen, Exploring Mekong-Ganga Relationship: Trade and Investment Between Cambodia and India, CUTS International, July 2005, p.p. 17-21; Export Import Data Bank, Ministry of Commerce and Industry, Govt. of India; [http://www.ibef.org/artdispview.aspx?in=31&art\\_id=26362&cat\\_id=400&pge=3](http://www.ibef.org/artdispview.aspx?in=31&art_id=26362&cat_id=400&pge=3); [http://www.ibef.org/artdispview.aspx?in=31&art\\_id=26362&cat\\_id=400&page=3](http://www.ibef.org/artdispview.aspx?in=31&art_id=26362&cat_id=400&page=3); [http://articles.economicstimes.indiatimes.com/2011-02-23/news/28625847\\_1\\_india\\_asean-bilateral-trade-free-trade-agreement](http://articles.economicstimes.indiatimes.com/2011-02-23/news/28625847_1_india_asean-bilateral-trade-free-trade-agreement) <http://www.india-aseanbusinessfair.com/pdf/Singapore.pdf>; <http://www.india-aseanbusinessfair.com/pdf/Malaysia.pdf> <http://www.india-aseanbusinessfair.com/pdf/Thailand.pdf> <http://www.india-aseanbusinessfair.com/pdf/Indonesia.pdf> <http://www.india-aseanbusinessfair.com/pdf/Philippines.pdf> <http://www.india-aseanbusinessfair.com/pdf/Myanmar.pdf> <http://www.india-aseanbusinessfair.com/pdf/Vietnam.pdf>; <http://www.india-aseanbusinessfair.com/pdf/Brunei.pdf> <http://www.india-aseanbusinessfair.com/pdf/cambodia.pdf> <http://www.india-aseanbusinessfair.com/pdf/Lao.pdf>



Source: ASEAN Secretariat (2003)



Source: Export Import Data Bank, Ministry of Commerce & Industry, Govt. of India



Figure 1 and table 1 & 2 reveals trends in bilateral trade between ASEAN and India between 1993 and 2001. While ASEAN's exports to India increased four-fold continually from US \$ 1.5 billion to US \$ 6.2 billion over this period, its imports from India more than doubled from US \$ 1.4 to US\$ 3.7 billion over the same period. ASEAN's imports from India also registered a continuous increase except the crisis years of 1997-98. Available data for 1993, 1996 and 2001 indicates that India's share has more than doubled from (0.7 to 1.7 percent) in ASEAN's exports in 2001 compared to that in 1993, while its share in ASEAN's imports has also doubled (from 0.6 to 1.2 percent) over the same period.<sup>4</sup> India's trade with ASEAN countries rose from US\$ 2.5 billion in 1993-94 to US\$ 9.7 billion in 2002-2003. In 2003-04 India-ASEAN trade about US\$ 13.25 billion, over 5 times the 1993-94 figures trade figure of US\$ 2.5 billion. India's export to ASEAN was US\$ 5.8 billion while imports about US\$ 7.4 billion in this period; balance of trade was in favour of ASEAN.<sup>5</sup> According to the Directorate General of Commercial Intelligence and Statistics (DGCI&S), Kolkata, India-ASEAN trade figure was more than US\$ 30.64 billion in 2006-07 (table 3). India's exports to ASEAN countries increased from US\$ 10.41 billion in 2005-06 to US\$ 12.56 billion in 2006-07, registering a growth of 20.67 per cent. India's imports from ASEAN countries increased from US\$ 10.88 billion in 2005-06 to US\$ 18.08 billion in 2006-07, registering a growth of over 66 per cent. ASEAN accounted for 9.49 per cent of India's imports and 9.95 per cent of India's exports during 2006-07.

**Foreign Direct Investment:** Like trade, foreign investment during 1980s and 1990s played important role in shaping rapid economic development of the ASEAN. Singapore, was the most favourable investment destination among developing countries. The principal attractions of ASEAN were rapid industrialization, export orientation, policy of openness, progressive and positive attitude towards foreign investment. On the basis of number of investments approved, the cumulative ASEAN number of FDI and technology agreements in India during 1991-2002 has been 866, i.e. about 4.6 percent of total agreements which India entered with all other countries. Out of these 542 were financial and 324 were technical agreements. Singapore's share among ASEAN-5 total agreements (with India) was about 65 percent, followed by Malaysia 17 percent and Thailand with 12 percent. Philippines's and Indonesia's share in these approvals were 5 and 2 percent respectively. India's overall FDI outflows are hardly noticeable during 1985-2000. To make it clear, in 1986-91 the annual FDI outflows has been US\$3 million and in 1992-2000 it is US \$ 85 million. Singapore has been most favourable destination since 1991 as evident from India-ASEAN FDI approvals from 1991-2002 which was 4.58 per cent of India's total FDI approvals and out of which Singapore alone accounted for 3 per cent and in 2006 accounted for 5.6 per cent of total FDI approval in India. However, India's overall FDI in ASEAN was insignificant and most of that was concentrated in Singapore specifically in infrastructure, IT sector and petrochemicals.

Malaysia is 2<sup>nd</sup> largest investor in India among ASEAN members and India is 7<sup>th</sup> largest investment destination for Malaysia but actual mutual investment outlook is quite disappointing because Malaysia accounts only 3 per cent of total FDI in India and India accounts only for 1 per cent of total FDI in Malaysia. India's investments in Thailand are mainly in high tech and capital intensive areas and have risen 110 per cent in first quarter of 2007 as compared with previous year figure for same period. Total FDI inflow from India to ASEAN in 2007 was US\$ 1,466.2 million which was 2.0 per cent total of FDI inflow to

ASEAN. In 2008 FDI inflow from India to ASEAN showed a negative growth of -52.4 per cent with a value of US\$ 698.6 million. However, this year shows a decline in total FDI inflows to ASEAN. Year 2009 showed a positive growth in total FDI inflow to ASEAN as FDI inflow from India with value US\$ 983.6 million which accounted for 2.5 percent of total FDI inflow to ASEAN as evident from Table 4.<sup>6</sup>

**Table 4**

FDI Inflow from India to ASEAN (2007-2009) Value in US\$ million

YEAR	Inflow from India	Total inflow to ASEAN	India's Share to total net inflow	Year-on-year Change
2007	1,466.2	74,395.3	2.0	
2008	698.6	49,499.8	1.4	-52.4
2009	983.6	39,623.0	2.5	40.8
2007-09	3184.4	163,518.1	1.9	

**Source:** ASEAN Foreign Direct Investment Statistics Database. [www.aseansec.org](http://www.aseansec.org)

**Joint Ventures:** India- ASEAN investment in the form of joint venture started in 1960s; these are of industrial as well as commercial nature and are mainly concentrated in Malaysia, Thailand, Singapore and Indonesia. India is 18<sup>th</sup> biggest investor in Indonesia. India Indonesia joint ventures are mainly in the areas of petrochemical plants and township developments. Malaysian joint ventures are mainly concentrated in infrastructure especially in highway development. In 2010 Malaysian companies were engaged in 28 projects worth US \$ 1.8 billion in India and over 10 Indian companies were operating in Malaysia in near about 60 joint ventures. Singapore and India were having nearly 50 joint ventures in 1995. Now Singapore is involved in projects in electronic & telecommunication, cargo development, ware housing and software technology parks like Madras Corridor Project and International Tech Park Ltd. Bangalore.<sup>7</sup>

The deepening of ties between India and ASEAN is reflected in the continued buoyancy in trade figures. India's trade with ASEAN countries has increased from US\$ 30.7 billion in 2006-07 to US\$ 39.08 billion in 2007-08 and to US\$ 45.34 billion in 2008-09. In 2008-09, India's exports to ASEAN totalled US\$ 19.14 billion and India imported goods worth US\$ 26.3 billion in 2008-09 from ASEAN, according to data released by the Ministry of Commerce and Industry.<sup>8</sup> Two-way trade has reached to the figure of US\$50 billion in 2010 with both sides witnessing higher exports. India's exports to the region went up to \$22.3 billion while imports increased to \$27.8 billion.<sup>9</sup> Presently, India-ASEAN trade has reached to the figure of U. S. \$ 70 billion in 2012.

The FTA is part of the Framework Agreement on Comprehensive Economic Cooperation signed with ASEAN in 2003, which included goods, services and investments and is to be functional by 2016. The FTA is significant for the reason that it is the first multilateral trade agreement entered into by India. The India-ASEAN Free Trade Agreement (FTA) for trade in goods was finally signed, on 13 August 2009 at Bangkok, after six years of negotiations, on the sidelines of a meeting of Economic Ministers of ASEAN. The FTA in goods is effective from January 1, 2010. This FTA eliminated tariffs for about 4000 products (which include electronics, chemicals, machinery and textiles) out of which duties for 3200 products will be

reduced by December 2013, while duties on the remaining 800 products will be brought down to zero or near to zero levels by December 2016. FTA in Service and Investment was signed at ASEAN-India Summit held at Phno-Pneh, Cambodia on 19 November 2012.

This agreement opens a 1.7 billion consumer market to the member countries with a combined GDP of \$ 2.75 trillion as of 2008. The ASEAN-India investments reached US\$ 5 billion in 2008. The likely beneficiaries in India are the exporters of machinery, steel, oilcake, wheat, buffalo meat, auto components, synthetic textiles, refined petroleum products, organic chemicals, pharmaceuticals, gems and jewellery. The signing of the AIFTA Trade in Goods Agreement comes at an opportune time as part of the region's response over the growing concern of a global economic and financial crisis. The AIFTA could serve as a vehicle to help sustain the region's growth that would benefit and improve the welfare of peoples of ASEAN and India, as well as the East Asian region. Despite the challenges prevailing in global and regional trade, ASEAN-India bilateral trade continues to grow at impressive rates. From 2006-2008, trade in goods between ASEAN and India increased at an average annual rate of 28 percent, the fastest among ASEAN's major trading partners. The share of ASEAN-India trade in relation to total trade of ASEAN and India continued to increase, and India remains ASEAN's seventh largest trading partner.<sup>10</sup> India and ASEAN are continuously reaching the trade target set by them. India-ASEAN trade reached the target set by the leaders at the 6th India-ASEAN Summit in 2007 at Singapore of US\$ 50 billion by 2010. India-ASEAN trade in 2010 stands at US\$ 50.33 billion with India's exports accounting for USD 22.52 billion and imports accounting for US\$ 27.81 billion. India-ASEAN trade grew by a healthy 22% over the previous year. "With the coming into force of the India-ASEAN Trade in Goods Agreement trade target of US\$ 70 billion by 2012 set by the leader at 7<sup>th</sup> Indi-ASEAN Summit in Thailand in October 2009 is also achieved. During 2011-12 India-ASEAN trade has shown 41% growth. At India-ASEAN Summit held at New Delhi on 20-21 December 2012 a trade target of US\$ 100 billion has been set for 2015.

#### **POLITICAL RELATIONS**

From being adversaries on opposite sides of the great political divide during the cold war era, India and Southeast Asian nations began to review and re-examine their relationship in the 1990s. The two sides were willing and ready to get rid of the historical baggage of the cold war era and look into a new and dynamic partnership. Now India was no longer a part of the Soviet bloc and ASEAN was not clinging onto the coat-tails of the U.S. ASEAN could see enormous potential and opportunities in trade and investment ties with India while New Delhi was ready to embrace free market economy. There was realization that decision making in India was largely political, and economic ties were determined by political equations. Developments during the Cambodian crisis provided a major opportunity for ASEAN and its member states to observe India more closely and increase interaction with her at the official and political levels. During International Commission on Cambodia, India played a key role in resolving the Khmer crisis and worked closely with ASEAN and the West to negotiate the Paris Conference and treaty that resulted in an international agreement on Cambodia in 1991. This paved the way for a greater U.N. role in facilitating Cambodia's return to the international arena and its subsequent experiments with democracy. India played a leading role in holding and monitoring the first ever democratic election in the kingdom in 1993. With these

developments and a congenial climate for fostering closer ties, India and ASEAN took a fresh look at each other.

It was in 1991 that India's 'Look East Policy' coincided with ASEAN's 'Look West Policy', and India was made a 'Sectoral Dialogue Partner' in January 1992 and a 'Full Dialogue Partner' in December 1995. A year later India joined the Asian Regional Forum (ARF) and its status was raised to the summit level partner in 2001. Framework Agreement on Comprehensive Economic Cooperation was signed with ASEAN in 2003 which includes goods, services and investments and is to be functional by 2016. The India-ASEAN Free Trade Agreement (FTA) for trade in goods was finally signed on 13 August 2009 at Bangkok, after six years of negotiations, on the sidelines of a meeting of Economic Ministers of ASEAN. Negotiations for agreements on services and investment sectors have commenced only in October 2008 and are yet to be completed.

India has adopted multi pronged diplomacy to strengthen the political relations with ASEAN members. Efforts were made to maintain closer relations between the countries of Southeast Asia and India through various ways and means like bilateral agreements, India-ASEAN Dialogue Mechanism & India-ASEAN summits and high level political visits from India to ASEAN member countries and vice versa. To forge deeper bilateral relations India signed various agreements with individual countries of ASEAN. Double Taxation Avoidance Agreement (DATT) 1994, Comprehensive Economic Cooperation Agreement 2005 and Memorandum of Understanding for Army-to-Army Exercises 2005 are some of the important agreements signed with Singapore. Showing Indian culture and cuisine, through 'India Evening' hosted in "Indian Show" in Singapore from January 14-16, 2011 is also an evidence of solid bilateral political relations of India and Singapore. Agreement on Cooperation in Science and Technology 1998, Trade Agreement 2000, Agreement (CECA) July 2011 and Cultural Exchange Programme for 2010-13 are a few of many other agreements which are signed between India and Malaysia. India has also inked some agreements with Thailand. To name a few are Agreement on Peaceful Uses of Atomic Energy 2000, Framework Agreement for Establishing a Free Trade Area between 2003 and MOU on Cooperation in the area of Renewable Energy 2007. The proposal for India-Thailand-Myanmar trilateral cooperation in the roads sector is also an indication of strong emerging relations among these nations. The Indonesia has also a special place in India's efforts to establish bilateral relations with ASEAN countries. The most fitting manifestation of Indonesia's special place to India was the welcome of President Sukarno as the chief guest on our very first Republic Day in 1950 and it is no wonder that the same honour has been extended to President Susilo Bambang Yudhoyono to mark the 60th anniversary of India-Indonesia relations.<sup>11</sup> In the contemporary period, relations between the two countries have come perceptibly closer. There has been a regular exchange of high level visits with Presidents Wahid (2000), Megawati (2002) and Yudhoyono (2005) paying State Visits to India and with return visits from Prime Minister, Dr. Manmohan Singh who attended the Golden Jubilee commemoration of the Bandung Conference in April 2005.<sup>12</sup> Similarly, numerous other agreements were also inked with rest of the countries of ASEAN like Laos, Vietnam,

To conduct and maintain smooth political relations a dialogue mechanism was also evolved which encompasses four areas: (i) ASEAN Post Ministerial Conferences (PMCs) (ii) ASEAN-India Senior Officials' Meeting (iii) ASEAN-India Joint Cooperation Committee (JCC) and

(iv) ASEAN-India Working Group. India was granted status of regional dialogue partner in January 1992 in four areas as a result of the improvement in its political relations in these countries, later on India's position was elevated to full dialogue partner in December 1995. Going on this track on strategic front India was also made a member of ASEAN regional forum (ARF) on July 23, 1996.<sup>13</sup> The Meeting of ASEAN and Indian Senior Officials on the establishment of Sectoral Dialogue between ASEAN and India was held in New Delhi on March 16-17, 1993 which recommended for the establishment of the ASEAN-India Joint Sectoral Cooperation Committee to coordinate the ASEAN-India Sectoral Dialogue Relations in the areas of trade, investment and tourism. The Fifth ASEAN Summit in Bangkok in 1995 decided to upgrade this to Full Dialogue Partnership. The full Dialogue Partnership was followed by India's participation at the ASEAN Post Ministerial Conference in Jakarta in July 1996. At that Conference, the ASEAN and Indian Ministers outlined a vision of a shared destiny and intensified cooperation in all fields. Pursuant to this decision on ASEAN-India Dialogue Partnership, an ASEAN-India Joint Cooperation Committee (JCC) was established. The JCC is a key institutional mechanism for providing substantive content and implementing programmes of cooperation. Although comprehensive, the JCC will focus on actualising ASEAN-India cooperation in trade and investment, science and technology, tourism, infrastructure-, human resource development and people-to people interaction. As Full Dialogue Partner, since 1996, India has been participating at the ministerial level in the ASEAN Post Ministerial Conferences (PMC), held in end of July every year, after the main ASEAN Ministerial Meeting. At the 7th ASEAN Summit, held on 5-6 November 2001 in Brunei Darussalam, India's status was upgraded to summit level partner. During 2nd India-ASEAN Summit (Bali, Indonesia, 8 October 2003) India and ASEAN concluded three documents--(i) *The Frame work Agreement for Comprehensive Economic Cooperation* (ii) *ASEAN Treaty of Amity and Cooperation* and (iii) *Adoption of the Joint Declaration on Cooperation in Combating International Terrorism*. In addition, proposal was made to organise an India-ASEAN Motor car Rally as a demonstration of India's geographical contiguity with ASEAN and to draw attention for the need to better road connectivity between India and ASEAN.<sup>14</sup> After that numerous India-ASEAN summits were held time to time to further consolidate India-ASEAN relations. Further, the India-ASEAN Special Commemorative Summit was held on 20-21 December 2012 in New Delhi on the proposal of the Indian prime minister to mark the 20 years of association. Significant aspect of the Summit was the vision statement agreed between India and ASEAN. The East Asia Summit (EAS) has also provided a platform for dialogue on broad strategic, political and economic issues of common interests and concerns with the aim of promoting peace, stability and economic prosperity in East Asia. EAS is held annually after annual ASEAN leaders' meetings. The first summit was held in Kuala Lumpur, Malaysia on December 14, 2005 and the 7<sup>th</sup> East Asia Summit was held at Phnom Pneh, Cambodia on 20 November 2012. During the summit the ongoing tensions arising from the territorial disputes in the South China Sea and the disputes in the East China Sea (the Senkaku Islands/Diaoyu Islands) overshadowed the effort to advance the trade and economic arrangements between members of the Summit.<sup>15</sup>

Interest of India and Southeast Asia in each other is also revealed by bilateral political visits. Political leaders of India paid visit to ASEAN countries in order to boost political and economic relations. Reciprocally political leaders of member countries of ASEAN also paid visit to India. This is evinced from table 5 and 6 given below-<sup>16</sup>

**Table 5**

**Visits by Indian Political Leaders to ASEAN countries after 1991**

1. President	Vietnam	24-25 April 1991
2. President	Philippines	28 April to 1 May, 1999
3. Prime Minister	Indonesia	31 August to 5 Sept 1992
4. Prime Minister	Thailand	7-9 April, 1993
5. Prime Minister	Vietnam	5-7 September, 1994
6. Prime Minister	Singapore	7-9 September, 1994
7. Prime Minister	Malaysia	2-5 August, 1995
8. Prime Minister	Malaysia	May, 2001
9. Prime Minister	Malaysia	2003
10. Prime Minister	Thailand	2003
11. Prime Minister	Thailand	August, 2004
12. Prime Minister	Laos	November 2004
13. Prime Minister	Indonesia	April 2005
14.. Prime Minister	Malaysia	12-14 December 2005
15. Prime Minister	Philippines	14 January 2007
16.. Prime Minister	Singapore	21 November 2007
17. President	Cambodia	December 2007
18. Prime Minister	Thailand	24 October 2009
19. Vice President	Myanmar	2009
20. President	Cambodia	September 2010
21. Prime Minister	Malaysia	28 October 2010
22. Prime Minister	Vietnam	30 October 2010
23. President	Cambodia	September 2010

**Sources:** R. S. Yadav, *India's Foreign Policy: An analysis* (New Delhi : Kitab Mahal Publication, 2004), p. 460; Institute of Peace and Conflict Studies, New Delhi, Special Report No. 40, 41, 42,43,46, <http://www.ipcs.org>; Press Information Bureau, Government of India. <http://pib.nic.in>; and Ministry of External Affairs, Government of India, <http://www.meaindia.nic.in>

**Table 6**  
**Visits by ASEAN Political Leaders to India after 1991**

1. President	Singapore	21-30 November, 1993
2. President	Indonesia	27-30 March, 1994
3. President	Philippines	2-5 March, 1997
4. Prince	Thailand	7-21 April, 1992
5. Prince	Thailand	27-30 March, 1994
6. Prince	Cambodia	16 December, 1996
7. Prime Minister	Thailand	3 October, 1991
8. Prime Minister	Malaysia	31 March, 1993
9. Prime Minister	Singapore	23-31 January, 1994
10. Prime Minister	Malaysia	27-30 March, 1994
11. Prime Minister	Cambodia	18-19 January, 1996
12. Prime Minister	Malaysia	2-5 March, 1997
13. Prime Minister	Vietnam	7-9 March, 1997
14. Prime Minister	Thailand	November 2001
15. Prime Minister	Thailand	2002
16. Prime Minister	Malaysia	October 2002
17. Prime Minister	Malaysia	December 2004
18. Prime Minister	Singapore	June 2005
19. Prime Minister	Thailand	2005
20. President	Indonesia	November 2005
21. President	Philippines	3-6 October 2007
22. Prime Minister	Cambodia	December 2007
23. Prime Minister	Thailand	2007
24. President	Cambodia	December 2007
25. General Maung Aye	Myanmar	April 2008
26. Prime Minister	Malaysia	19-23 January 2010
27. President	Indonesia	26 January 2011

**Sources:** R. S. Yadav, *India's Foreign Policy: An analysis* (New Delhi : Kitab Mahal Publication, 2004), p. 460; Institute of Peace and Conflict Studies, New Delhi, Special Report No. 40, 41, 42,43,46. <http://www.ipcs.org>; Press Information Bureau, Government of India. <http://pib.nic.in>; and Ministry of External Affairs, Government of India, <http://www.meaindia.nic.in>

In addition to this, delegates of these countries had also visited both regions to enhance mutual cooperation. Besides government-to-government interaction, steps were also taken to develop relations on non-governmental organisations (NGO's) level as in the context of Southeast Asia, NGO's have also a major role to play. In this context the Indian institute of defence studies and strategic analysis (IDSA) and council of security and cooperation in Asia pacific (CSCAP) have been helping members since 1994.<sup>17</sup> Due to this reason IDSA has been participating in all meetings of working committees and permanent committees. The discussion of these committees reflects common issues in which both India and ASEAN remain interested.

### **STRATEGIC RELATIONS**

The broader agenda of Phase-II Look East Policy also focuses on security cooperation including joint operations to protect sea lanes and pooling resources in the war against terrorism. The military contacts and joint exercises India launched with ASEAN started on a low key basis in the 1990s are now expanding into full fledged defence cooperation and it has also reached to the level of training of defence personnel and trade in military equipments. Malacca Straits is main point of maritime security cooperation between India and Malaysia in recent times. India's security cooperation with Singapore dates back to mid- 1960s however it was not until 2003 that a defence cooperation agreement was signed between two countries. This agreement led to setting up of an India-Singapore Defence Policy Dialogue. A Joint Working Group on security between India and Thailand was set up in 2002 and was institutionalized in 2003. India and Philippines signed MoU for defence cooperation in 2006 during President Dr. A. P. J. Abdul Kalam's visit to Philippines.

Southeast Asia-Indian defence relationship can be understood at two levels. First, the bilateral defence ties between individual Southeast Asia states and India. Second, the multilateral collaboration between ASEAN as a regional bloc with India as well as involvement of ASEAN member-states in various defence activities that are largely multilateral in character. During 2<sup>nd</sup> India-ASEAN summit in October 2003 "*ASEAN Treaty of Amity and Cooperation*" was signed by India and "*Joint Declaration on Cooperation in Combating International Terrorism*" was adopted. During 3<sup>rd</sup> India-ASEAN summit Prime Minister signed agreement on "India-ASEAN Partnership for Peace, Progress and Shared Prosperity".

While the Indian navy's efforts gathered momentum in the 1990s but it was in 2000 when Indian navy, for the first time, conducted operations as far east as the South China Sea. While many perceived this to be a challenge to Chinese naval hegemony in what they have come to claim as their own territory, the Indian navy also conducted bilateral exercises with the People's Liberation Army navy.<sup>18</sup> Besides the ARF, ASEAN member-states and India have also participated in other multilateral initiatives. For example, Singapore has participated in the MILAN series of naval exercises off the Andaman and Nicobar Islands that have been held biennially since 1995. The ASEAN member-states that participated in the '*MILAN*' exercises held in February 2010 included Singapore, Indonesia, Malaysia, Thailand, Brunei, Vietnam and Myanmar.<sup>19</sup> The annual Western Pacific Naval Seminar [WPNS] established common communications procedures among Asia Pacific navies in 2001 and facilitated the sharing of information on piracy.<sup>20</sup> In 2006, Singapore became the Information Sharing Centre for the Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia [ReCAAP].<sup>21</sup> Such regional efforts to improve maritime security would in turn



complement existing defence ties between India and ASEAN member-states. In September 2007, Singapore participated in *Exercise Malabar*, a naval war game in the Bay of Bengal, alongside Indian, American, Australian and Japanese naval vessels.<sup>22</sup> Of watershed significance in Southeast Asia-India multilateral defence cooperation was India's participation in the inaugural ASEAN defence ministers meeting + 8 (ADMM +8) forum, held for the first time in Hanoi in October 2010. The first ADMM was held in 2006 and it was only in the May 2009 ADMM meeting that it was agreed to form the ADMM + Plus forum which culminated in the ADMM + 8, including India as a member (the others being Australia, China, Japan, New Zealand, South Korea, Russia and the United States). At the ADMM + 8, India was represented by Defence Minister A.K. Antony. While this is not the first time that an Indian defence minister has participated in a Southeast Asian forum - India has been participating in the Shangri-la Dialogue since 2003, - India's inclusion in the ADMM + 8 is a clear indication that it is regarded as a crucial security player in the Southeast Asian region<sup>23</sup>.

The ARF, established in 1993, is an annual multilateral dialogue between representatives from 10 Association of Southeast Asian Nation states and 17 other countries, including the United States, Canada, Russia, and the European Union. India was made a part of ARF in June 1996. ARF is a three tiered framework process comprising- Track-I, which includes activities to be discussed and addressed by member countries, Track-I ½, activities approved by ARF and involving scholars and officials from member states acting in their personal capacity; and Track-II which provides a non-governmental forum for academics, scholars, researchers to interact in their private capacity with a view to developing structured regional processes.<sup>24</sup> It is a key forum for security dialogue in the region, aimed to encourage discussion of regional security issues between its members and promote peace, security and stability in the Asia-Pacific. 19<sup>th</sup> ARF meeting was held at Phnom Pneh, Cambodia on July 12, 2012. A major focus in the regional forum and other ASEAN ministerial-level meetings held in Cambodia—including the ASEAN Plus three meeting between ASEAN nations and China, Japan and South Korea, an ASEAN-US Foreign Ministers' Meeting, and the Second East Asia Summit—was ongoing disputes over maritime claims in the South China Sea. China, the Philippines, Vietnam, Malaysia, and Brunei have competing territorial claims to islands in the South China Sea, which is the location of important international shipping lanes and reportedly vast reserves of natural gas and oil. Tensions over maritime claims have increased recently, with a naval standoff from April to June between China and the Philippines in the contested Scarborough Shoal, and protests from Vietnam over China National Offshore Oil Corp's recent call for oil exploration in waters claimed by both Vietnam and China.<sup>25</sup> At the India-ASEAN Special Commemorative Summit held in New Delhi on 20th and 21st December, 2012 participating nations underlined the need for cooperation on maritime security, a move that comes amid growing tension between China and other claimants in the potentially oil- and gas-rich South China Sea.<sup>26</sup>

## **CONCLUSION**

In the present scenario, three sets of policy options best suit to India's interests in the ASEAN-led East Asian deliberations- sustained engagement, multilateral activism and agenda-implementation. India - ASEAN cooperation needs to be put on a fast track as enough has been spoken, discussed, interpreted. ASEAN and India already have the institutional diversity in place to address NTS and global commons issues. They now have to creatively link these

institutions to deliver desired outcomes. India and ASEAN specifically need to focus on Investment in regional and trans-regional public goods, for example, disaster early warning systems, disease surveillance and monitoring systems, trans-boundary water management initiatives, regional power pools, R & D in cyber security, and transnational gas pipelines. Partnerships should be fostered between Indian organizations and the ASEAN Centre for Energy to create markets for renewable energy and the adoption of models of sustainable habitats. They should establish joint knowledge centres or supporting regional knowledge networks to work on NTS issues, emerging health (CD and NCD) issues, and governance around global commons and resources. India-ASEAN engagement that began with a strong economic emphasis has now also become increasingly strategic in its content, political dialogue between the two has grown, consultations in regional forums have intensified, and defence and counter-terrorism cooperation have expanded. Thus India and ASEAN could succeed in converging their respective ‘vision2020’ and March together beyond the year 2020 by drafting shared Asian Vision.

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## GOVERNMENT ATTITUDE TOWARDS PRESS DURING THE CIVIL DISOBEDIENCE MOVEMENT IN PUNJAB

Dr. Mahender Singh  
Associate Professor, Department of History  
Dayanand Postgraduate College, Hisar, Haryana, India

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### ABSTRACT

*The press played important Role in developing national consciousness among the masses during freedom movement of India. During the Civil Disobedience Movement, our nation was passing through an intense struggle against untold suffering to the masses, and the press had to put the situation before the public. It became an effective instrument of the nationalists, both in transmitting the message of freedom to the masses and raising public consciousness of the nationalist struggle. In Punjab, number of newspapers and periodicals of all kinds, in existence at the beginning of the year 1930, were 420. It is noteworthy that 143 periodicals were started or revived during the year while 138 papers stopped their publications. During the year 1931, 154 periodicals were started or revived and 140 stopped their publication. Thus at the end of 1931, the total number of newspapers and periodicals of all kinds in existence was 439. During 1932, 158 new or revived newspapers and periodicals were launched and 150 ceased publication leaving a net addition of eight to the 439 which were in existence at the beginning of the year. The total circulation of paper in Punjab in 1929 was 5,94,025 and it rose to 5,98,475 during 1930. In 1931, the total circulation of all papers rose upto 7.2%. But in 1932, the circulation remained almost same with that of the last year, the increase being .005% only. Government attitude towards press was hard and undemocratic. Government passed five ordinances to check press and also used emergency powers. Due to use of emergency power by government news papers faced many problems. These papers were banned by the existing government.*

**Key Words:** National Movement, Freedom Struggle, Civil Disobedience, Indian Press, Press Ordinance.

Indian freedom struggle has its own importance in the history of the world as it lasted for almost nine decades. It inspired countries of Asia, Africa and Latin America to get rid of their imperialistic power. This freedom struggle of India was fought against most powerful imperialistic power of the world at the time. People from different regions, religion, class, caste were involved in this movement.

Different ideologies, principles, policies and means were used to fight against the colonial power. Freedom was the outcome of the continuous efforts by the congress courage and sacrifice of the revolutionaries, the policy of truth and non-violence of Mahatma Gandhi, stringent efforts of Subhash Chandra Bose.

It is clear that the subject of Indian National Movement was the vast and extensive and research has been conducted on its various facets. But there remain certain issues and areas

which need to be explored. Role of press in Indian Freedom Movement is one of them. In this paper an effort is being made to bring out the role of press in Indian Freedom Movement in Punjab during Civil Disobedience movement.

The press played important Role in developing national consciousness among the masses during freedom movement of India. During the Civil Disobedience Movement, our nation was passing through an intense struggle against untold suffering to the masses, and the press had to put the situation before the public. It became an effective instrument of the nationalists, both in transmitting the message of freedom to the masses and raising public consciousness of the nationalist struggle.<sup>1</sup>

In Punjab, number of newspapers and periodicals of all kinds, in existence at the beginning of the year 1930, were 420. It is noteworthy that 143 periodicals were started or revived during the year while 138 papers stopped their publications. During the year 1931, 154 periodicals were started or revived and 140 stopped their publication. Thus at the end of 1931, the total number of newspapers and periodicals of all kinds in existence was 439. During 1932, 158 new or revived newspapers and periodicals were launched and 150 ceased publication leaving a net addition of eight to the 439 which were in existence at the beginning of the year.<sup>2</sup> The total circulation of paper in Punjab in 1929 was 5,94,025 and it rose to 5,98,475 during 1930.<sup>3</sup> In 1931, the total circulation of all papers rose upto 7.2%.<sup>4</sup> But in 1932, the circulation remained almost same with that of the last year, the increase being .005% only.<sup>5</sup>

#### I

In March 1930, and again in April 1930, Punjab Government informed the Central Government that tone of the press had become worse than it had been for many years before.<sup>6</sup> The Press in Punjab constituted the greatest danger to peace of the province. Not only this the government alleged that attempts to reduce troops and police from allegiance by press appeal were also made.<sup>7</sup>

In 1930, the Government of India decided to revive the powers of the Press Act of 1910. So the Indian Press Ordinance No. II of 1930, was issued accordingly on 27<sup>th</sup> April 1930.<sup>8</sup> The Ordinance re-established a system of security demands and enhanced officials' ability to seize publications. The new restrictions were to cover an assortment of printed matter, not just "blatant sedition". Securities could be seized and books banned if writers incited "hatred", intended to influence troops, put persons "in fear", caused annoyance, or tampered with the law and payment of revenue.<sup>9</sup> The Ordinance was as vague, comprehensive, elastic and repressive as human ingenuity could make it. Its powers were so wide that the journalists felt restive and urged strongly that the Draconian idiot should be repelled.<sup>10</sup> Pandit Madan Mohan Malviya called it an obnoxious Ordinance.<sup>11</sup>

To protest against the Ordinance, Lahore papers suspended publication for two days.<sup>12</sup> On 2<sup>nd</sup> May 1930, the Hissar Bar Association unanimously resolved that the Press Ordinance would deprive the public of one of its elementary rights, viz. the freedom of a free press and expression. It was detrimental to the best interest of the public and the government, in as much as communication of accurate information and correct news at such a critical period in the

country was beneficial to the government and public alike, whereas dissemination of misleading and false news was likely to produce panic in the public mind and lead to consequences disastrous to the peace of the country. The Association, therefore, requested the government to recall the Press Ordinance immediately.<sup>13</sup>

Under the Press Ordinance, which was applied with great vigour, during the year 1930, the Punjab Government demanded securities from 32 papers and 31 printing presses, launched 29 prosecutions under Section 3 of Act XXII of 1922, and administered 49 warnings and proscribed 59 publications.<sup>14</sup>

The proscribed literature included pamphlets in Hindi, Urdu, Gurumukhi, books, collections of poems, journals, handbills, pictures, leaflets, magazines, manifestoes, posters, daily newspapers, weekly newspapers, biweekly newspapers which were published at Lahore, Jagadhri, Karnal, Lyallpur, Rawalpindi, Amritsar, Sialkot and Multan.<sup>15</sup>

As a result of the Ordinance, several of the supposedly "Worst" of the vernacular newspapers immediately ceased publication because the keepers of the presses in which they were printed refused to take any risks. Their circulation, as a Government report remarked, depended on the violence of their writing and it was obvious that they could not live under a system which provided for the prompt punishment of such writing. Among these papers were the *Akali-te-Pardesi*, *Asli-Quami-Dard*, *Arya Vir*, *Desh Sewak*, *Dharam Vir*, *Guru Ghantal*, *Haqiqat*, *Insaf*, *Kesari*, *Kirti*, (Urdu and Gurumukhi) *Kirpan Bahadur*, *Mastana*, *Paras*, *Tarjuman-i-Sarhad* and *Vir Sandeshi*.<sup>16</sup>

## II

To evade the provisions of the Ordinance, Congress adopted the device of issuing cyclostyled periodicals, daily bulletins or sheets such as the Congress Bulletin, Punjab Congress and the *Azad Kirti* started from Lahore and Amritsar respectively, the object of which, as the Government considered, was the dissemination of malicious abuse of its authority, alarmist or false rumours and mis-representations, grossly seditious matter and unscrupulous propaganda in favour of the Civil Disobedience Movement. Government decided to check this by taking powers to forfeit copies of any news-sheets and news papers which were not compiled under the provisions of the law and also to forfeit the machines, other than the declared presses, on which such bulletins or news-sheets were produced. The Unauthorized News-sheets and Newspapers Ordinance was accordingly promulgated on 2<sup>nd</sup> July 1930 to remain in force for the duration of the Press Ordinance which it supplemented.<sup>17</sup>

In Punjab, the News-sheet and Newspapers Ordinance was defied by distributing Congress bulletins to the public at Lahore and Rawalpindi.<sup>18</sup> In Punjab, the tardy processes of the ordinary law were entirely inadequate to discourage the publication of false and seditious articles and the mere existence of the Press Ordinance was sufficient to prevent. Among the newspapers which ceased publication on the issue to the Ordinance and later on restarted were the organs of the extremist Sikh Party, the *Akali-te-Pardesi* and *Asli Quami Dard* which were then engaged in an attempt to fan the embers of the bitterness aroused by the *Sisganj affair* and which published the Parbandhak Committee's exhortation to celebrate the martyrdom of Guru Tegh Bahadur by the recitation of a prayer for the destruction of the British Empire.<sup>19</sup>



The necessity for a fresh Ordinance was emphasized due to the issue of new publications, of what the Government considered, edited by half-educated and irresponsible youths. Among those were *The Comrade*, an organ of the Hindustani Sewa Dal and *The Jai Review* which were intended to ventilate the grievances of Political prisoners. Such papers could not have come into existence if the Press Ordinance had been in force as their proprietors were men of straw incapable of depositing the substantial security which would have been demanded from them.<sup>20</sup>

The articles which were published were divided by a Government report into the following clauses:<sup>21</sup>

- (i) Articles bringing His Majesty's Government into hatred or contempt.
- (ii) Articles promoting Civil Disobedience.
- (iii) Articles Vilifying political officials.
- (iv) Articles attacking Jail officials.
- (v) Articles spreading class hatred.
- (vi) Articles vilifying Indian Princes.
- (vii) Articles with objectionable headlines inciting revolutionaries to murder Police officers.

Articles of such virulence appeared as they indicated that the ordinary law had no terrors for editors who were bent on creating disaffection against the government.<sup>22</sup> The tone of the Press had deteriorated to such an extent that it started giving an open support to terrorism.<sup>23</sup>

In the meantime, the first Round Table Conference met at London. In Punjab, no paper was satisfied with the selection of delegates invited to the Conference as they were not the real representatives of the country. The speeches made at the Round Table Conference were not well received. Hindus, Muslims and Sikh papers, however, urged the delegates to press the view points and protect the rights of their respective communities.<sup>24</sup> The press condemned the federal form of government. The Tribune remarked, "Federation minus Dominion status and responsible government, would be a hollow mockery, a colossal shame, which no patriotic Indian would touch with a pair of tongs. The Inqulab averred: "The federation which the British and the Hindus are supporting is nothing but a unitary form of government. The Muslims do not want such a federation."<sup>25</sup>

### III

Under the above circumstances, Punjab Government suggested in December 1930 that it was the high time to bring these mischievous organs under control.<sup>26</sup> The Government of India in agreement with local governments also recognised the necessity of the renewal of the powers conferred by these two ordinances. The Indian Press and Unauthorized News-sheets and Newspapers Ordinance (X of 1930) was accordingly promulgated on the 23rd December 1930.<sup>27</sup> This Ordinance included powers for the control of printing presses and of unauthorized newspapers and news-sheets.<sup>28</sup>

In Punjab, the Ordinance had the effect of again silencing the *Bande Matram*, *Tharthal*, *Piyam-i-Jang*, *Desh Sewak*, *Kirti*, *Akali-te-Pardesi*, *Partap*, *Milap*, *Kirpan Bahadur*, *Quami Babor Sher*, *Tarjuman-i-Sarhad*, *Fufau* and of reducing the issues of the *Vir-Bharat*.<sup>29</sup> Under the Ordinance, in Punjab, nine presses and nine newspapers were asked to deposit securities but only one Press<sup>30</sup>, viz. Virzanand Press (Lahore) and two newspapers, viz. *Milap* (Lahore) and *Vir Bharat* (Lahore) deposited the securities.<sup>31</sup>

Later, on Punjab Government alleged that the tone of the press had again deteriorated after the repeal of the Press Ordinance in March 1931, i.e. after the Gandhi-Irwin pact.<sup>32</sup> All the papers, as mentioned earlier, which were silenced by the issue of the Second Press Ordinance in December 1930, reappeared and most of them were devoted to the cause of revolution as preached by the Naujawan Bharat Sabha and the Kirti Kisan Sabha, organizations which more or less openly repudiated the doctrine of non-violence. Such newspapers generally denounced the Congress settlement with the Government of India as a betrayal of those who were struggling for freedom. Many of them supplemented their articles with crude but inflammatory illustrations which appealed to an illiterate, extensive and easily excitable public.<sup>33</sup>

The execution of Bhagat Singh and his two companions on 23<sup>rd</sup> March 1931 was taken advantage of to keep up the spirit of youngmen. Columns after columns were written in the eulogy of Bhagat Singh, Sukh Dev and Rajguru, which were meant to inspire other youngsters to follow their footsteps and acquire immortal fame.<sup>34</sup> It, therefore, was suggested that the Press Ordinance should be promulgated immediately.<sup>35</sup> The Government of India, however, did not consider it necessary to take any such action at once.<sup>36</sup>

#### IV

Ultimately the Government of India felt the necessity of controlling the Press once again, and in October 1931, the Indian Press (Emergency Powers) Act was passed. It came into operation on 12<sup>th</sup> October 1931. It provided provisions against the publication of matter inciting or encouraging murder or violence. Similar to the 1910 and 1930 legislation, the Act empowered local Magistrates at their discretion, to require publishers and printers to deposit security of up to rupees 1000. The local governments were empowered to take action against any publisher or printer suspected of printing or publishing material which might be construed as incitement to commit crime.<sup>37</sup>

In Punjab, the Act was condemned everywhere. The Press throughout the Punjab observed strike on 14<sup>th</sup> October 1931 as a protest against the passage of the measure. A protest meeting was held at Lahore. The Punjab journalists mustered in full strength to voice the feelings of protest and resentment at the passing of the Press Act, in spite of the united opposition of the elected members of the legislative assembly and the entire press of the country. Owing to the observance of the strike in response to the call of the Punjab Journalists' Association, a large number of proprietors, editors and members of the local newspapers and newspaper presses, were present at the meeting and some of them made eloquent speeches condemning the

bureaucratic measure which aimed at the curtailment of the liberty of the Indian Press and was calculated to stifle legitimate criticism of the official misdeeds.<sup>38</sup>

Dr Satyapal said that even during the truce period, the government had brought forward such a Press Bill in flagrant breach of the Gandhi-Irwin Pact. The Press Act showed that the government were once more preparing themselves to launch a vigorous campaign of repression. He added that it appeared that the government did not believe that the Round Table Conference would succeed.<sup>39</sup> Master Yash Pal, 12 year old son of Mahashaya Khushal Chand of the *Milap* made a pathetic appeal to the people to uphold the dignity and liberty of the Press.<sup>40</sup>

In Punjab, under the Indian Press (Emergency Powers) Act, 1931 upto 31st December 1931, two papers viz. *Kirpan Bahadur* (Amritsar) and *Rozamch Ahrar* were asked to deposit Securities. *Kirpan Bahadur* did not deposit the security and ceased publication. The *Rozamch Ahrar* deposited the security.<sup>41</sup> Of the presses, again, only *Kirpan Bahadur* Press (Amritsar) was asked to deposit security for printing an article published in the newspaper of the similar name praising revolutionaries executed or punished under the law. The security was, however, not deposited and the press was also closed down.<sup>42</sup>

After the failure of the Round Table Conference and Gandhi's return from England, the confrontation between the Congress and the government again started. As mentioned earlier, this time, however, the government acted quickly. The Emergency Powers Ordinance expanded the 1931 Press Act to deal with material on Civil Disobedience.<sup>43</sup> Later on in December 1932, it was again replaced by the Criminal Law (Amendment) Act, 1932.<sup>44</sup>

In Punjab, under the Indian Press (Emergency Powers) Act, 1931, securities were demanded from 91 keepers of printing presses and 164 publishers of newspapers by 31<sup>st</sup> December 1934 of the keepers 34 were Hindus, 28 Muslims, and 29 Sikhs of the publishers of newspapers, 67 were Hindus, 50 Muslims and 47 Sikhs. The Securities were declared forfeited in three instances.<sup>45</sup> It may be added that no securities were demanded from any Europeans and Anglo-Indians.<sup>46</sup>

In addition to action taken under the Press Act and Press Ordinances, the Punjab Government took action under Section 121, 124-A, 131, 292 of I.P.C.; 198 Cr. P.C. and Sections 3/12/, 5/12, 5/15 and Section 2 of the Foreign Relations Ordinance. Thus a large number of editors, Printers and publishers were convicted for publishing various seditious articles, poems, pamphlets and books.<sup>47</sup> The policy of proscriptions under Section 99-A of Cr P.C. and Section 19 of the Indian (Emergency Powers) Act continued in the years 1931, 1932, 1933 and in 1934 also. The total number of proscriptions was about 110 by November 1934.<sup>48</sup>

Thus, from the above account it is clear that the Government adopted all sorts of measures to control the press so that it can not be used effectively for spreading disaffection against it and to help the Congress in its Civil Disobedience Movement.

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## HONOUR KILLING - A CONDITION OF FEAR PSYCHOSIS

Vikramjit Singh

Associate Professor, Department of Political Science  
Dayanand Postgraduate College, Hisar, Haryana, India

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### ABSTRACT

*The Indian social system is very diverse and complex bearing old age customs and social values. With the advent of independence, founding fathers of constitution adopted western legal and political institutions in traditional Indian society which led to clash between modernity and tradition. Honour killing is an outcome of this clash. The killings in any form cannot be justified. To overcome this problem this has to be understood in rural social background. The parents feel that if their children make inter-caste marriages the social guns will be turned towards them and because of this fear psychosis they kill their loving sons and daughters without any repentance. The need of the hour is to start social movements to create awareness in society that inter-caste marriages is natural phenomenon and it should be welcomed by all segments of society. The change should come from within the society.*

**Key Words:** Fear Psychosis, Honour Killing, Khap Panchyats, Constitution, Western Institutions.

India is known for its rich and composite culture. Multi-lingual, multi-religious, in fact multi-culturalism defines the cultural ethos of India. The freedom fighters and first generation political leaders were well aware of the importance of centuries old social values and tried to protect the beauty of diverse and composite cultures through various constitutional means, which of course were based on western political and social values. They were in know of the fact that these modern politico-legal institutions have to work in traditional Indian social set up, so they blended the modernity with tradition which is clearly reflected in separation of political and social legislations. Political legislations are uniform for all the citizens of India irrespective of their social identity but social legislations are based on the age old social customs and traditions of a particular social identity. Hindu Marriage Act is the clear manifestation of the social legislation. This Act has been carved out to follow the Hindu customs in matter of marriages and other related rituals. No legislation be it constitutional, political or social is final. It needs amendments with the passage of time. Social legislation (Marriage Act) is also not an exception to it. If the constitution of India can be amended for more then a hundred times in sixty years of its inception then why can marriage act be not amended?

The recent developments of the role of khap panchayats and honour killings can be seen as a clash between modernity and tradition or a clash between political and social set up. With the passage of time the political set up got updated due to political developments but social set up remained stagnant as it lacked progressive social movements which could have brought social

change and due to lack of social change gap between the two widened. As a result the modern political system based on western social values is not able to function in the traditional Indian social set up and tries to impose western social values on the Indian social system hence it is imposition that is being resisted by major segments of Indian society. If we contemplate the causes of the 1857 war of independence, it becomes very clear that the people were not ready to accept the progressive social changes which were brought through western legislations. So this makes one thing clear that social change must be brought by the internal social forces and it must also be piecemeal, abrupt change and western political imposition may be treated as alien and as an attack on the social and cultural identity. The social crisis in form of honour killings can be studied in this perspective.

Honour killings are manifestation of violence and can never be justified in any form. What can be a matter of honour and pride for a parent in killing their own children? This can be considered as the saddest and darkest time for them. Not only human being but even animals, which lack the faculty of rationality, love their offspring the most. It is toughest to kill the one to whom you love the most. Even then human beings, who possess the faculty of rationality, are committing this social sin. The Indian parents are considered as the most affectionate and loving parents in the entire world because they never live for themselves but always for their children. When such parents killing their own children without any feeling of repentance, so we can understand the gravity of the problem that something is very seriously wrong somewhere. Our first task then is to figure out the factors responsible beneath this deadly situation. Which social forces and social background instigate and compel the parents to kill their own children? It will be unfair if we draw conclusions sitting in AC rooms in Metros or people of intelligentsia class with western commitments sitting before glammers news channels calling them Taliban or Jallaads, it is the oversimplification version of very complicated crisis.

The pertinent question that arises here is that whether we as enlighten citizens of country want to understand and overcome this social crime, we will have to move towards villages and try to study and understand the social fabric of the rural folk and the social conditions under which parents are committing this sin. The social environment in rural areas becomes suffocating for the young children. Their deviation or resistance to these age old norms invites wrath on them because parents feel a sense of alienation and recognize these young people to be guilty for disturbing the social order. The root cause of such killings may be traced in social identity crisis. They start feeling guilty for the disturbance of social fabric and fear the loss of social identity. The social guns of the community turn towards such families in form of boycotts, family comments and break of social ties and this social harassment and fear of the loss of social identity become unbearable for them. It is this fear psychosis that compels the parents to eliminate and sacrifice their own loving sons and daughters to regain the social identity and to fill the social gap generated by their children. By committing such sins the parents want to prove that they are very much the part and parcel of the very social system.

To overcome this social crisis we will have to be Indian and try to understand the situation in context of Indian rural folk rather than imposing external factors in form of western political legislation. The western means will not prove very effective. The piecemeal social change must come from within. The social organizations that have acceptance in rural areas should come forward to spread awareness among the rural people. The need of the hour is to awaken the rural folk through social movements and this is only possible through social leaders of the

rural folk. The Arya Samaj movement in Haryana and other parts of country has always played a vital role as social reform movements. It can be considered as first mass social organization in rural as well as in urban areas that supported inter-caste marriages. Most of the inter-caste marriages were always performed in Arya Samaj mandirs and people accepted them.

The role of Khap Panchayats can be very crucial in organizing social movements in villages to stop such social crime if they can play a progressive role as they have a long history of launching social movements to reform the rotten traditions. When these panchayats can prohibit the liquor in the villages and force the government to bring liquor prohibition Act, when they can be effective in marriage reforms by lessening the expenses of marriage parties then why can they not play a vital role in awakening the masses for not killing their own children? The khaps also have progressive leaders who have played very crucial role in reforming outdated traditions and brought progressive social change. Such leaders should come forward in forefront to curb the anti-social elements from khaps and play positive role to root out this heinous crime of killing young boys and girls. Although khap panchayats are non-institutional social organization but it is the only organization which has social acceptance among rural people. It will also wash out the misconception created by media and some other segments of the society that they are backing these killings. Mahatma Gandhi well said that real India resides in villages and the problems of these villages must be sorted out by the rural people themselves and this is well supported by the famous phrase of Harold James Laski “we can never sharpen the pencil by axes.”



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## ENVIRONMENTAL CONSCIOUSNESS THROUGH LITERATURE: A STUDY OF WILLIAM WORDSWORTH'S NUTTING

Suresh Kumar  
Assistant Professor, Department of English  
Dayanand Postgraduate College, Hisar, Haryana, India

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### ABSTRACT

*The present paper intends to highlight the role of literature in spreading environmental consciousness among students and to make them concerned about deteriorating local and world environments. In this regard literature can help us in many ways and can be explored with different approaches. Eco-criticism is such one such approach which explores the relation between literature and the biological and physical environment. William Wordsworth's 'Nutting' helps us to some extent to think about human environmental interaction and ecological destruction. The poem very clearly and powerfully portrays the attack of mankind upon nature and its prevention.*

**Key Words:** Nature, Environment, Ecology, Eco-Criticism.

The role of education in raising environmental consciousness is very important. With the increasing urgency of environmental issues, it is the need of the hour to make everybody conscious about these issues and especially our younger generation. After all as today's youngsters mature into adulthood, possibly they are going to face many of the environmental problems being dealt with today. What's more, the rate at which the world is developing means the young people of today might have to deal with such issues on a more serious level in the coming years. But raising consciousness about environmental issues is not just about a lesson implementing a way of thinking in a youngster's life. So how can we go about of their lives with a consciousness about the environment? There has to be an emotional relation with and response to nature and not merely a rational intellectual one. There can be different ways to do it.

The present paper intends to highlight the role of literature in spreading environmental consciousness among students and to make them concerned about deteriorating local and world environments. In this regard literature can help us in many ways. The world of literature can be explored with different approaches. Various theories can be applied to the study of literature. There have been different approaches and theories through which literature has been viewed in different contexts. But there is a particular theory which as a term was coined in the late 1970's by combining 'criticism' with a shortened form of 'ecology'. This term is known as eco-criticism i.e. the critical writings which explore the relations between literature and the biological and physical environment, conducted with an acute awareness of the devastation being wrought on that environment by human activities.

Ecocriticism also looks closely at the human nature interaction in texts. It assumes that nature and human culture are mutually influential. Texts that explore this mutual influence are

supposed to embody an ecological consciousness. It focuses on the link between nature and literature. This particular approach makes us raise certain questions: How are we carrying our responsibility towards the planet when we read literature? Is there an ecological vision in that particular text? And many more such questions. Critics have often claimed that the rise of the ecological consciousness and practices begins with romantic age. The Romantic poetry engages some urgent issues that we face today about the relationship between human consciousness and ecology.

As this theory opens up some critical questions, it also provides some suggestions. In this context William Wordsworth's 'Nutting' helps us to some extent to think about such questions and also about human environmental interaction and ecological destruction. The poet, a grown up man of 38, recalls and narrates an incident from his early boyhood days. He tells how one morning he left home on a nutting expedition. He remembers 'forcing' his way through the uncultivated countryside, until he comes to 'one dear nook/Unvisited'. There were no cruel signs of nature's devastation by man. It is, he remembers, 'A virgin scene' and stands there awhile 'Breathing with such suppression of the heart/ as joy delights in'. This idyllic state of enjoyment and happiness lasted only for a short while and soon with his deliberate act of merciless ravage he deformed and defiled the green bower. But the scene of destruction troubled his conscience and filled him with a feeling of guilt. The poem ends with a moral: we should adopt a 'gentleness of heart' in relation to nature, 'for there is a spirit in the woods.'

Now the point is that the act of devastating a scene from nature is a lesson to Wordsworth and the question arises here what drives Wordsworth's speaker to destroy nature in order to fulfill a desire? This is in a sense, is the core ecological question, perhaps the only question along with the related question: how can we prevent this destruction? 'Nutting' depicts Wordsworth's inability as a young boy to fully appreciate nature, causing him to destroy it. Addressing his sister, he writes to poem as a warning of what happens within oneself when one does not fully appreciate nature. In his youth, the speaker was tempted by the wealth that nature holds to control his desire to destroy it. His defilement of nature, however, disturbs him, causing him to question the value of material wealth and realize the importance of nature.

An ecocritical reading might notice, for example, the way in which William Wordsworth's poem seems to be structured around a series of oppositions : before/after; nature/human; wilderness/cultivation; and most explicitly, 'virgin' nature and its destruction and desecration by the boy. But it might also reckon with the way in which the destruction of the bower is in fact prefigured in the description of nature before the attack: in a sense, nature has already been desecrated, even in its representation as wilderness. Nature is always contaminated by the human and by language. Death, after all, is present in the opening lines: 'It seems a day', the poem begins, One of those heavenly days which cannot die/ I sallied from our cottage threshold. It seems that it cannot die, yet it is already in the past tense: thus there is already an intimation of morality hanging over the day in question. It is indeed as if in Wordsworth's 'sallied', 'sullied' might also be heard, so sallying forth would already be a sullyng. The speaker describes his younger self as being 'Trick'd out in proud disguise of Beggar's weeds', as if his whole bearing and 'Motley' appearance is a kind of 'trick'. It is as if his clothes are the socially and culturally constituted other of fruitful, productive, desirable nature, as if they are 'weeds': and as if humanity is a beggar to nature. In fact humanity has always been a beggar to nature to fulfil its needs. Wordsworth's presentation of nature in 'Nutting' is, as we

have seen, ambiguous; 'nature' is where the boy is not; but for the poet to register nature he must have experienced it, nature must be humanized and in being humanized it is contaminated, destroyed.

An ecocritical reading might foreground those strange lines towards the end of the poem about the boy. 'Exulting, rich beyond the wealth of the kings' While also feeling 'a sense of pain' when he sees what he has done; and it might consider the lines as a reflection on the way that both public and private wealth are dependent on the exploitation and ultimately the destruction of nature. Society has been accumulating wealth through ecological destruction from many centuries. From this perspective, the poem would seem to encapsulate a pattern to the point at which the very existence of the society is undermined as a result of that wasting of the environment, which is a part of nature, in an eco-unfriendly way.

It can be said that Wordsworth through this poem articulates a vision of human integration with nature. We can trace the origins of our current ecological thinking with such an analysis of literature. Hence, literature does make us dwell on the need of saving our environment from destruction. It is only through environmental consciousness, we can understand interdependence and interrelatedness of nature and humanity. And literature can play a very important role in increasing awareness especially among our younger generation about the environmental challenges and environment friendly life style.

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## FICTION AND TRUTH: A STUDY OF J. M. COETZEE'S DISGRACE

Manjeet Singh,  
Assistant Professor, Department of English,  
Dayanand Postgraduate College, Hisar, Haryana, India

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### ABSTRACT

*The paper is to investigate the role of fiction in the present society and to understand the changing dimensions in its present order. Fiction is considered as the best narrative of present ethos. At its best Coetzee make the genre itself a mode of self analytical. Coetzee in Disgrace (though a fiction) questions the entire historical and political identity of a nation state and keeps on looking at it in order to question its very structure. As a postmodern and poststructural critic Coetzee uses allegory as a medium and to express the complexity of the society and of the individual. Coetzee challenges the very basics of social foundation and reinvestigates the role of confession in the present postmodern society. Confession as a base needs to be re-understood and reshaped since we are living in a society which has changed since then.*

**Key Words:** Allegory, Apathied, Post-apathied, Fiction, Postcolonialism.

J. M. Coetzee, the South African novelist and Nobel Laureate, among the contemporary novelists, is perhaps the only one who is rigorously engaged in exploring the ontological, epistemological and other issues crucial to the fictional discourse. This engagement is primarily for making his "authorial position", choosing his own voice of articulation and, in particular, locating himself in the complex historical past and in the fractured social present of post-apartheid South Africa. For a novelist like him the stakes are very high as in Per Wastberg's words: "to write is to awaken counter voices within oneself and to dare enter into dialogue with them... to imagine the unimaginable" is the writers' duty. As a post-modern allegorist, Coetzee knows that novels that do not seek to mimic reality best convince us that reality exists."

Since Coetzee is both a postmodern and postcolonial writer, allegory works for him in both ways described above. Coetzee's novels are double-sided allegories: on the one hand, they constitute allegories of prior modes of discourse, wittingly inhabiting them in order to deconstruct them and to divest them of their authority, on the other hand, they are self-reflexive allegories, which refer to their own status as speech acts engaged in a process of subject construction. In Coetzee's novels allegory allows, not for an ideal time, but for a space between past and future, taking into account both history as discourse and history as event. A 'Self-reflexive' text can be defined as a structure which 'look back at itself . . . and which sometimes breaks the boundaries between itself and the world'. Similarly a piece of self-reflexive work can also allow a text to make reader aware that what they read is actually not

‘real life’ but a representation. Self-reflexivity is both an expression of and a basic requirement of modern rationality and self-consciousness.

Allegory is a recurring theme in both post colonial writing and criticism. Semiotics, one of the branches of literary theory with which Coetzee is familiar, places great emphasis on allegory, in its implication that all language and all literature is allegorical in that it constitutes a network of deferred meaning. In this account, the literary work comprises allusions to a referent that is unattainable.

Coetzee’s writing would be received as a response – usually, though not always, an oblique response - to the post-colonial era. There is also a broader colonial resonance in the theme of ‘European ideas writing themselves in Africa’, but in Coetzee’s work this has inevitably attracted censure from those impatient for political change in late and then post-apartheid South Africa, who felt that the novelist had a duty to engage overtly with the world of history and politics. That sense of a political purpose has waned somewhat since the demise of apartheid and the democratic election of 1994. Yet Coetzee has continued to be a target of criticism where he has been perceived to be failing in his public ‘duties’. Coetzee’s writing – perhaps internalizing the sense of constraint in South African society – has been dominated by specifically literary questions, and does not produce the more obvious gesture of engagement and commitment that some commentators called for.

Yet Coetzee’s apparently oblique engagements embody its own gesture of resistance, specifically a resistance to the idea that literature must supplement – and so be touched to – an agreed history ‘out there’. Coetzee works on the principle that the novel should not supplement history, but establish a position of rivalry with it. Coetzee’s resistance of ‘history’ should be seen as a challenge to this consensus rather than reluctance to engage with the problem of historical representation.

In a talk ‘The Novel Today’, Coetzee addresses the problem in an apparently confrontation manner. He argues, “In time of intense ideological pressure like the present when the space in which the novel and history normally coexist like two cows on the same pasture, each minding its own business, is squeezed to almost nothing, the novel, it seems to me, has only two options: supplementary or rivalry.” (‘The Novel Today’, 4) The crucial point here is that Coetzee locates his argument in the contemporary political scenario, and shows his commitment with the interrogating forces; “Rivalry with historical discourse with produce a novel that operates in terms of its own procedures and issues in its own conclusions, not one that operates in terms of the procedures of history and eventuates in conclusions that are checkable by history.” (‘The Novel Today’, 5)

A concentration on the development of novelistic form - also a response to a precise political moment - embodies a rivalry with a pointed dialectical agenda, for such a novel would ‘evolve its own paradigms and myths; in rivalry with history, which may consequently be demythologized.

Traditionally understood, allegory substitutes one plane of significance for another. Thus allegory is a mode originally used by the victims of religious or political persecution as a device for concealing transgressive, or heretical ideas. Yet this clearly is an insufficient explanation of Coetzee’s use of allegory. Perhaps a traditional understanding of the device of

allegory had a bearing on how Coetzee's work was assessed by the South African: as too indirect to represent a threat to the state.

Coetzee is quite clear that such a flat use of allegory has become anachronistic: 'the game of slipping Aesopian messages past the censor is ultimately a sterile one, diverting writers from their proper task in postmodernist expression. However, allegory becomes a highly self-conscious mode which advances a radical investigation of its own grounding. In Coetzee's novels this form of self-analysis or 'undoing' of allegory often serves to blur the distinction between the two parallel planes of significance – the allegorical and the literal referent. Coetzee's allegories are self-reflexive also.

Postcolonial allegory supplies the context for this more generalized and abstract theory at postmodern allegory, suggesting how the mode can perform pointed textual decolonization. For Stephen Slemon, post-colonial allegory cultivates historical revisionism, since images of received history are alluded to through a process of allegorical correspondence, enjoining the reader in dialectic of discourses. Readers are invited to read received history alongside the fictional engagement of it, thus unsettling our perception of stability in the historical record.

What makes this unstable form of allegory both more complex, and necessary, from a post-colonial point of view, is that a more static idea of allegory can be associated with the colonial project, as Slemon shows. Just as traditional allegory could be decoded when read alongside the correct master code, so did colonists, in a reverse impulse, project onto the objects of colonization their own master codes of interpretation.

It is this tendency, as a root impulse in imperialism, that requires the radical interrogation of allegory as a viable mode in post-colonial writing. Throughout his oeuvre, Coetzee has repeatedly used an ambivalent form of allegory – as a mode written partly against itself with the benign effect of exposing the hidden tendency of colonial thinking.

All Coetzee's novels enact ideas drawn from Derridean deconstruction. Derridean deconstruction implies a principle of textual free play, freed from an originating author or pre-given meaning. Coetzee's implicit engagement with this idea, however, also implies a deconstruction of the idea of dissemination itself.

Coetzee is arguing for a position that has affinities with a broader post-colonial revision of history. In his talk, he goes on to discuss the novel and history as different kind of competing discourse, suggesting that his own role as a novelist is to counter the claims of history to primacy. Yet the extent to which this is also atypical of postcolonial revisionism must also be considered. Where the usual model is one in which a displaced or hidden history resurfaces in the process of decolonization, Coetzee appears to be making a more fundamental challenge to the idea of history. In the battle with 'history' there is also an interrogation of historical forces.

Entering into this phenomenon J. M. Coetzee's *Disgrace* raises certain questions, which need to be investigated by the society. Coetzee's *Disgrace* being a self-reflexive text investigates its own questions. When *Disgrace* first appeared in 1999, many criticized it as a bleak critique of post-apartheid South Africa. Hence self-reflexivity is the only mode and fiction the only medium through which he has to move beyond the paralyzing effects of history.

The hope of Truth and Reconciliation Commission (TRC) set up in 1994 to help establish a multiracial democracy in South Africa was that confronting the perpetrator, the white South



African, with his own actions would bring about confession and repentance. In *Disgrace* at least some members of the committee investigating Lurie's case may be taken to represent the TRC's project of reconciliation through confession and remorse. Lurie has little hesitation admitting his guilt, but he neither expresses nor feels remorse. On the contrary he rejects one suggestion that there is anything "constitutionally wrong" with him or his desire for a young woman like Melanie whom he has raped. Thus he refuses the wish of the committee for a genuinely felt sense of remorse rather than just an admission of guilt. The crucial distinction here is between 'doing wrong' and 'being wrong', and it is the later term's more fundamental characterization of his self that Lurie adamantly refuses.

Lurie's confession is simply an admission of guilt, a confession without remorse, which is to say it is not a real confession. Coetzee shows the irrelevance and meaninglessness of confession for secular society. The guilty person in the classical works engages in an endless regression of confession and self-examination, and such an act of confession becomes a defense for him. For Coetzee, however, confession is a product of the age of faith, and for modern postcolonial secular society it has little meaning or value. Coetzee thus projects "the structural incompatibility of confession in a secular context."

To Coetzee, the TRC project was in principal self-defeating because although it meant to empower victims by getting them to tell the stories of the enormous brutality and violence they suffered at the hand of the whites, it also sought to minimize the shame of the oppressors to prevent their withdrawing from the process of confession and reconciliation. For Coetzee TRC project was psychologically simply too arbitrary and mechanical to deal with the complex problem. Some critics have argued *Disgrace* is an implicit critique of the project of the TRC.

Lurie, a secular liberal scholar and critic, points out the infinite regress of confession in the committee's wish to his sincerity articulated: "I have said the words for you, now you want more; you want me to demonstrate their sincerity." Those before whom one confesses can always ask for more proof of sincere remorse, and this demand can in principle become an endless obligation for the confessant. Coetzee has criticized such an act of confession in his essay on the subject where confession becomes endless in itself, leading to a kind of infinite regress since the self cannot come to rest "without the possibility of self-deception".

Lurie's views of himself, his society, and his liberal-romantic affirmation of the Enlightenment are brought into crisis through his experience of his daughter, Lucy. It does not take her long to see her rape, as psychic, physical, and economic retribution for her historical complicity in the apartheid. For her to exist as white middle class young woman in post-apartheid South Africa with a piece of land is to have resources impossible for the victims of apartheid. Her possession of that small holding testifies to her father's economic and social standing during the period of government sanctioned segregation. After the rape, Lucy has little difficulty grasping the economic ramifications to the transfer of power that occurred with the emergence of post-apartheid South Africa.

While Lurie does not think he is personally liable for apartheid's evils, Lucy recognizes that apartheid was a catastrophic social, economic, and cultural undertaking that caused immense human suffering. Lucy understands the new historical situation in South Africa: without losing their privilege, the white population in the country areas is reduced to engaging in warfare.

She sees her father's and his advocating a strategy meant to defend their privilege. Lurie wants Lucy to own a pistol and take shooting lessons. Lucy finds this strategy to be not only an extension of the apartheid era but also completely irrelevant to the post-apartheid South Africa.

For Coetzee radical Metafiction is the only means to bring to bear one's experience as it does away with the "real" or in his words illusionism. Coetzee's writings are therefore a form of situational Metafiction that obtains its allegiance to the metropolitan tradition as well as his complex postcoloniality. His works therefore impose ambiguity in order to signify in its doubleness certain truth in/of writing. The truth that reaches beyond the factual, according to Coetzee unfolds in writing, since it "is related to silence, to reflection, to the practice of writing".

Coetzee affirms that the novel of traditional liberal positivism and realism cannot produce this form of truth, as the changed situation requires a degree of reflexivity. According to him this sort of reflexivity is necessary to expose the facticity and political underpinning that governs the conditions of writing. Thus this "writing self" or "self reflexivity" attempts to arrive at this truth by drawing upon the skepticism and "truth" claims of poststructuralism in a quest to discover the ethical significances of the novel. This quest sets Coetzee's vision for a new humanism on the basis of an equal and reciprocal exchange. Such a vision calls for a critical self-examination and an unflinching awareness.

The problem of authority in South African scene of writing brings the notion of agency and the writer's relationship with his social environment into focus. The ability to write within a complex postcoloniality, in particular, in the South African context, is not only to resist colonial power but also settler colonialism. Disgrace is thus Coetzee's attempt at imagining an individual resolution to the problem of post-apartheid contemporary South Africa in its entanglements with the legacies of the apartheid era. He is, of course, too aware of the complexities of his society to extend and generalize that solution to the whole community, for South African history is too problematic to allow for utopian resolution.

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## FACTORS AFFECTING E-COMMERCE ADOPTION IN RETAIL SECTOR: A REVIEW

**Ravinder Pal**

**Research Scholar, Department of Management Studies**

**Deenbandhu Chhotu Ram University of Science & Technology, Murthal, Sonipat, Haryana, India**  
**and**

**Dr. Anil Khurana**

**Associate Professor, Department of Management Studies**

**Deenbandhu Chhotu Ram University of Science & Technology, Murthal, Sonipat, Haryana, India**

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### ABSTRACT

*E-Commerce has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. E-commerce stands for electronic commerce involves buying and selling of goods and services through the electronic medium. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of economic infrastructure. The new battleground is e-retailing. A large number of consumers frequently use the Internet for shopping purposes but it is not clear what drives them to shop online. This study captures the important factors affecting the use of e-commerce in retail sector, success and effectiveness of e-retailing sites that could eventually guide research in this area and prove beneficial for researchers and e-retailers.*

**Keywords:** E-commerce, E-business, E-retailing, ICT, B2B, B2C.

Electronic commerce refers to the transaction of goods and services through electronic communications. There are two basic types of e-commerce: business-to-business (B2B) and business-to consumer (B2C). In B2B, companies conduct business with their suppliers, distributors, and other partners through electronic networks. In B2C, companies sell products and services to consumers. While some use e-commerce and e-business interchangeably, but both are different concepts. In e-commerce, information and communication technology is used in inter-business transactions (B2B) and in business to consumer transactions (B2C). On the other hand in e-business, ICT is used to enhance one's business. It includes any process that a business organization conducts over a computer mediated network.

According to a definition by Laudon "E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals."

The integration of information and communications technology (ICT) in business has revolutionized relationships within organizations and those between and among organizations and individuals. The growth of the Internet has already impacted upon most sectors of the economy, for example defence, banking, manufacturing, healthcare and education. It facilitates new types of information based business processes for reaching and interacting with customers-online advertising and marketing, online, order taking and online customer service

etc. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading and trading partners, areas that typically add significant overheads to the cost of products and services.

E-retailing should be understood as a service that delivers different goods, ordered through the Internet as well as fax or phone to a place defined by the customer. In this context e-shopping is a form of virtual retailing as opposed to the usual stationary business. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office.

E-commerce presents one of the greatest opportunities and challenges in retail. Changes in technology, the rise of the Internet and the critical need to attract, train and retain talent, make the job one of the most challenging in retail today. E-commerce is a huge domain on conducting business over internet and e-retailing is a part of it. The Internet can be harnessed by retailers for the provision of information, the facilitation of two-way communication with customers, the collection of market research data, the promotion of goods and services and ultimately the on-line ordering of merchandise. In particular, this new communication medium offers the opportunity for retailers to expand into global markets, or to enter completely new market segments. To succeed in electronic retail requires an effective strategy for both B2C and B2B operations, seamlessly integrating existing channels to market with new complementary channels, and whatever the future holds. The cost effective and well managed integration of existing systems with new systems and new technologies is one of the major challenges that retailers face today in moving towards the future. Retailers have made e-retailing a strategic priority and are pursuing B2C initiatives like ever before. The retailers currently use their web sites to provide information to their customers and offer online retailing. Usually, the areas of technology innovations for achieving competitive advantage in the retail industry are supply chain and customer interactions. Supply chain efficiencies enable retail organizations to lower costs and provide better responses to customers, ensuring profitability of the business. Consider that the retailer has released a new promotion for a particular product with a pre-calculated expected response from the consumers.

**Research Methodology:**

The objective of this conceptual study is to build upon the finding of previous exploratory, qualitative research, which identified a number of critical factors affecting e-commerce adoption in retail sector.

**Review of Literature:**

E-commerce web sites provide a lot of information to online consumers about products and services from anywhere in the world and from different sources other than solely from the product seller. The combination of less time available for shopping, limited information-processing capability and the explosive amount of information on the web has, however, led customers to demand more control, less effort and greater efficiency during shopping. Specific information available to support consumer search, and multiple search, value-added information at a commercial website can be an important incentive for people to shop online and increase shopping enjoyment. The value of the product, the shopping experience, the quality of service offered by the website and the risk perceptions of Internet retail shopping are major determinants affecting actual buying behaviour of consumers. (Jarvenpaa and Todd

1997). The retailer's Web site acts as a platform for interaction between an online retailer and a buyer. Web site design elements and aesthetics, the audiovisual impact, and customization affect consumer psychographics and consumer interest in buying online. Ease of navigation, quick loading times, and an accurate product/service delivery system are essential elements to interact the consumers. The retailer should provide details about the product/service alternatives available, features, and price, as well as information about delivery schedules, warranty services, return and exchange policies, post-sales service, and related technical support. (Sangeeta sahney 2008). Online shopping thought to be pleasurable and satisfying to consumers when the retailer sites are fast, uncluttered, and easy-to-navigate. Uncluttered and easy-to-navigate sites economize shopping time. Moreover, general help functions include information about navigating the store or the use of ordering features like a shopping cart function. Most online shopping stores provide a product search engine, site map, and navigation sequence guidance function to help consumers' searching and purchasing. (Szymanski and Hise, 2000). Online retail sites provide screened and comparison information for alternatives, consumers may reduce the cost of information search and the effort in making purchasing decisions. Moreover consumers make their final decision mainly with information provided electronically by the online store. (Wolfenbarger and Gilly, 2001).

Design features of web page affect consumers' online buying decision. In order to respond to the customers' desire for control and convenience, web stores design is an efficient system to enable consumers to easily find what they need, learn more about it and quickly make a purchase decision. (Baty et.al 1995). Homepage presentation is a major antecedent of customer satisfaction. Logical support, technological characteristics, information characteristics and product characteristics; are also predictive factors to satisfaction. (Ho.C.F et.al 1999). The number of links to other websites attract visitor traffic and make commercial web pages popular. High daily hit-rate is strongly influenced by the number of updates made to the website. (Dholakia and Rego 1998). Website of retail company can attract more customers and higher sales by adding store navigation features, including additional products in the store, adding a frequently asked questions section and providing a feedback section for customers. (Lohse and Spiller 1998). The websites of retail company usually have four key dimensions; information content, design, security and privacy. Though all these dimensions have an impact on the purchase intention but security and privacy have greater impact on the purchase intent of online buyers. (Ranganathan et.al ,2002). The drivers and barriers of e-commerce adoption becomes increasingly important for a new entrants and incumbents. Companies can improve their strategies by better insight into entry determinants. Therefore, awareness of the industry evolutionary dynamics is important. (Zhu et al. 2003). Firms with better financial and technological resources are more likely adopters of e-commerce due to uncertainty in its nature. Competitive pressures and impositions by trading partners are important factors in the adoption decision. (Iacovou et al.1995). Ghosh (1998) reported that it was difficult for executives at most companies to estimate the value of their internet investments. Thus, the internet channel was considered quite risky and profit potential was uncertain. Zhu et al. (2003) applied the technology-organization-environment (TOE) theoretical framework to the adoption of electronic business at the firm level in eight European countries and observed that technology competence, firm scope and size, consumer readiness, and competitive pressure are significant adoption facilitators. Advertising intensity is another important factor that can act as barriers to adoption of the online channel. When

advertising intensity is high, many firms have high advertising expenditures and high sunk costs lead to less entry (Sutton 1991). Latcovich et.al (2001) observed that as the market expands, advertising expenditures rise and this discourages entry of new firms. However, higher advertising intensity may grow the size of the market making it more cost effective for new firms to pay the higher cost of entry since now the potential returns are higher.

Zhu et al. (2003) observed that firm size has been consistently recognized as a factor affecting entry in online channel. Since, the entry requires capital resources and large firms have more resources to bear the early risks associated with the uncertainty of the e-commerce investment and have more power in negotiating favourable terms with trading partners. Larger firms are more likely to achieve economies of scale that would bring faster return on their e-commerce investment. Delacroix and Rao (1994) expected that a strong density dependence effect will be observed in retailers' entry to the online channel due to high uncertainty environment. They explained vicarious learning as part of the explanation of density dependence, which means as learning by imitating what others do or avoiding others' mistakes. The greater the number of firms, the greater the opportunities to learn. These indicators lead to the expectation that as more retailers open internet stores, the channel becomes more attractive prompting even higher entry rates.

Customers attitude plays an important role in online shopping decision. Wu (2003) described attitude as "a person's relatively consistent evaluations, feelings and tendencies toward an object or idea". Attitude could be developed from personal experiences and learning with reality. The author identified four factors that could influence attitude; demographic profile, purchase preference, benefit perception and lifestyle. Relevant demographic factors Education level, higher income bracket and age of a consumer also influence his/ her online shopping behaviour. Younger generation tends to become more online shoppers because of their knowledge in computer technology as opposed to the older generation. One possible reason to do online shopping by high income group is that their easy accessibility in credit card facilities which motivates or allows them to do so. (Sulaiman et al., 2008).

Haque et al. (2006), observed that income level of consumers plays significant role in online shopping. The attitude of families with highly monthly income tend to have positive attitude towards online shopping compared to families with lower monthly income. However, they found no conclusive evidence that education level as an important determinant of online shopping behaviour. There is significant influence of gender on attitude towards online shopping behaviour. Male shoppers tend to become more online shopper compared to female shoppers due to the high commitment on work and study. On the other hand, female shoppers tend to be recreational shoppers and would prefer to do their shopping using the conventional way. (Gupta et al., 1995; Haque et al., 2007).

Situational factors helps to understand consumers' motivations to engage in online shopping. A wide variety of situational aspects can moderate the relationship between attitude and consumers' intention to shop on the Internet; time pressure, lack of mobility, geographical distance, need for special items and attractiveness of alternatives.(Monsuwe et.al 2004). Convenience and Accessibility are important attributes of online shopping to most consumers, because it provides consumers the comfort of their home environment and saves time and effort. Online shopping is an excellent opportunity, especially for those consumers who have a small amount of free time owing to their extended working hours. They can shop any time of

the day or night. Thus, the situational factor “time pressure” has an attenuating impact on the relationship between attitude and consumers’ intention to shop online. Because the Internet is time saving and accessible 24 hours a day, this becomes the main drive for online shopping and attitude toward Internet shopping is less important. (Wolfenbarger and Gilly, 2001). A second situational factor is “lack of mobility” plays a significant role for those consumers who are not able to shop in traditional stores owing to an illness or other immobilizing factors, have the ability to shop on the Internet to full fill their shopping goals (Avery, 1996). Furthermore, for consumers who have to travel large distances to stores that provide them with the articles needed, shopping on the Internet is a viable alternative to overcome this “geographical distance” (Monzuwe et.al 2004). Next situational factor “need for special items” of consumers’ intention to shop online matters for those consumers who need to acquire tailored products, like special sized clothing or large sized shoes, that are not available in conventional stores, shopping on the Internet is an option for them to purchase these special items anyhow(Wolfenbarger and Gilly, 2001). Finally, the last situational factor that moderates the relationship between attitude and intention is “attractiveness of alternatives”. In case consumers are drawn by the attractiveness of a certain store in their neighbourhood that, for example, sells the same products as the online store, the relationship between attitude and intention will be attenuated. The reason for this is that the consumer, although he might have a positive attitude toward online shopping, is lead by the strong attractiveness of the brick-and-mortar alternative. Therefore, he will choose to shop offline, despite his positive attitude toward shopping on the Internet. (Monzuwe et.al 2004)

The internet channel presents a better opportunity to maximize product information for certain product categories, hence companies’ objective should be to maximize product information. (Keeney 1999). Firms required plenty of outside information to judge its potential to take benefits of e-commerce opportunities. When market uncertainty is high, businesses tend to gather more information from the environment in order to better predict future market trends. (Wu et al. 2003). There is a possibility that different marketing skills are required for a virtual store. Retailers are concerned to get consumers to visit their physical stores and to extend, in many cases, the time they spend in the store. Repeat visits and long stays are also desirable in the virtual world. The techniques to improve the “stickiness” of virtual stores may, however, have to be different to those in the real world. (Zott et.al 2000)

There is a difference of shopping experience between online shopping and in a physical retail store, that is “store atmospherics”. Which means the physical aspects of a store; such as colours, music type, music volume and layout of products. Store atmospherics have a direct effect on customer mood and behaviour. (Engel et al., 1990)

Ability, benevolence and integrity constitute the main elements of trustworthiness. Ability refers to skills, competencies and characteristics that a seller has in a specific domain, need to convince buyers of the competence of their companies in the Internet shopping business. Benevolence is the extent to which the seller is perceived by the buyer as wanting to ‘do good’. Sellers have to convince buyers that they genuinely want to do good things for buyers, rather than just maximize profit. Integrity refers to the buyer’s perception that the seller adheres to a set of principles which the buyer finds acceptable. A buyer with a high propensity to trust will more likely be a potential customer than a buyer with a lower propensity (Mayer et al. 1995). Attitude and the risk perception affects the consumer's intention to buy from the store. The size of the store and its reputation also affect consumer trust towards a specific web



store. The level of trust is positively related to the attitude toward the store, and inversely related to the perception of the risks involved in buying from that store (Jarvenpaa et al. 2000). Internet shopping involves more uncertainty and risk than traditional shopping. In the virtual environment, a consumer cannot physically check the quality of a product before making a purchase, so trust is a major issue and there are four categories of trust related issues: personal information, product quality and price, customer service, and store presence. (Kim and Benbasat 2003)

If consumers need to pre-trial the product under consideration, or have the necessity to feel, touch or smell the product, then their intention to shop online is low as well. However, in case of standardized and familiar goods, or certain sensitivity products that require a level of privacy and anonymity, consumers' intention to shop on the Internet is high (Grewal et al., 2002). Lack of trust, security and privacy is one of the most frequently cited reasons for consumers not shopping on the Internet. Since this shopping medium is relatively new and most of them have only little experience with it, shopping on the Internet provides a challenge to many consumers. Consumers cannot physically check the quality of a product or monitor the safety and security of sending sensitive personal and financial information while shopping on the Internet. Violation of consumers' trust in online shopping, in terms of privacy invasion or misuse of personal information, negatively influences attitude toward online shopping and leads to reluctant behaviour among consumers to shop on the Internet in future occasions. Whereas a high level of security and privacy in the online shopping experience has a positive effect on consumer trust, owing to the lowered risk involved with exchanging information. (Lee and Turban, 2001) Many online purchasers said that they would not shop on a particular website next time if they had an unpleasant experience with it. On the web, shopping enjoyment is positively and significantly related both to attitudes and intentions toward shopping on the web (Eighmey, 1997). Online buying behaviour affect by a mix of consumer shopping orientation and perceived channel utilities. There are four types of consumer shopping orientations; recreational, experiential, convenience and economic and three perceived channel utilities; communication, distribution and accessibility(Li et al. 1999). Consumers' decisions whether or not to shop online are also influenced by the type of product or service under consideration. Some product categories are more suitable for online shopping than other categories such as books, videotapes, CDs, groceries, and flowers since quality uncertainty in such products is virtually absent, and no physical assistance or pre-trial is needed. (Grewal et al., 2002)

Hurdles suggested by Stern (1999) include: an unproven financial model; high merchandise return rates; establishing customer trust; distribution costs; bounded rationality and the different cognitive process between fun and routine purchases.

**Conclusion:**

It has been shown that any company operating in retail sector and having a positive view of the viability of the Internet, when coupled with an appropriate strategy, level of commitment, infrastructure and capability, have the greatest influence on Internet adoption. Such insights are of particular importance when many organisations are making the transition from a relatively limited to a more extensive web presence. A Traditional retail company can become modernized if it can extensively apply IT to enhance productivity and international competitiveness by developing e-retailing sites.

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## FACTORS AFFECTING PERFORMANCE OF REGIONAL RURAL BANKS (RRBs) IN INDIA: A STUDY OF LITERATURE REVIEW

Dr. Vinod Kumar  
Assistant Professor, Department of Commerce,  
Sri Venkateswara College, University of Delhi, Delhi, India

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### ABSTRACT

*The importance of the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said “real India lies in villages,” and village economy is the backbone of Indian economy. Without the development of the rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in India. Regional Rural Banks (RRBs) were established in October 2, 1975 and are playing a pivotal role in the economic development of the rural India. The main goal of establishing Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural laborers and even small entrepreneurs. The present study is a modest attempt to make an appraisal of the rural credit structure and the role played by RRBs in the development of rural economy. The objective of this paper is to study the factors affecting performance of RRBs in India. The study is diagnostic and exploratory in nature and makes use of earlier studies for reviewing the literature. The study finds and concludes that RRBs in India has significantly improved rural economy.*

**Key Words:** RRBs, Rural Credit, Credit-deposit ratio, RBI, Financial Liberalization

Regional Rural Banks (RRBs) have been in existence for around 38 years as a part of Indian financial and banking sector. The origin of RRBs may be seen as a unique experiment as well as experience in improving the efficacy of rural credit delivery mechanism in India. Further, keeping in mind the local peculiarities, an effort was made to integrate commercial banking within the broad policy framework towards social banking through joint shareholding of Central Government, the concerned state governments and the Sponsoring bank.

The genesis of RRBs may be traced for the need for a stronger institutional arrangement for providing rural credit. The institution of RRBs was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. Although the cooperative banks and the commercial banks had reasonable records in terms of geographical coverage and disbursement of credit, in terms of population groups the cooperative banks were dominated by the rural rich while the commercial banks had a clear urban bias.

The Banking Commission (1972) recommended to setup an alternative institution for rural credit and finally Government of India (GOI) formed RRBs – a separate institution basically for rural credit on the basis of the recommendations of the working group under the Chairmanship of Shri M. Narashimham. Initially, five RRBs were setup on 2<sup>nd</sup> October, 1975 under a Presidential Ordinance, followed by the promulgation of RRBs Act in April, 1976. The RRBs have been identified as scheduled commercial banks under the Reserve Bank of India Act, 1934 and are authorized to transact banking business as defined in the Banking Regulation Act, 1949. The RRBs were required, in particular, to undertake the business of providing credit facilities to the poorer sections of rural society, generally known as the target group. The first five RRBs were setup in five states: in Haryana, West Bengal, Rajasthan (one each) and two in Uttar Pradesh, which were sponsored by different commercial banks. RRBs were started in 1975 to cater to the needs of rural economy of India. They pay particular attention to the credit requirements of small farmers, artisans and agricultural workers. They operate mainly at the district level. RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. The capital of RRBs is contributed by the Central Government, concerned State Government and a sponsor bank in the ratio 50:15:35. This paper reviews the literature on factors affecting performance of a commercial bank in general and also in the context of RRBs.

#### **REVIEW OF LITERATURE**

As far as the Indian Banking sector is concerned, there is no dearth of research reports or study groups constituted by the Reserve Bank of India (RBI) or Central Government. However, the literature available in the working and performance of RRBs in India is available in limited way. RRBs though operate with a rural focus are primarily scheduled commercial banks with a commercial orientation. Beginning with the seminal contribution of (Haslem, 1968), the literature probing on the factors influencing performance of banks recognizes two broad sets of factors i.e. internal factors and factors external to the bank. The internal determinants originate from the balance sheets and profit and loss accounts of the bank concerned and are often termed as micro or bank-specific determinants of profitability. The external determinants are systematic forces that show the economic environment in which the operation and performance of financial institutions may be affected.

A number of explanatory variables have been suggested in the literature for both the internal and external determinants. The typical internal determinants employed are variables e.g. size and capital (Akhavein, Berger and Humphrey, 1997; Domirguc Kunt and Maksimovic, 1998; Short, 1979; Bikker and Hu, 2002 and Goddard, Molyneux and Wilson, 2004).

Molyneux and Thornton (1992) found a negative and significant relationship between the level of liquidity and profitability, Bourke (1989) in contrast, reported an opposite result. One possible reason for the conflicting findings may be the different elasticity of demand for loans in the samples used in the studies (Balachander, Staunton and Balashanmugam, 2004).

Credit risk is found to have a negative impact on profitability (Miller and Noulas, 1997). This result may be explained by taking into account the fact that more the financial institutions are exposed to high-risk loans; the higher is the accumulation of unpaid loans implying that these loan losses have produced lower returns to many commercial banks (Athanasoglou, Brissimis and Delis, 2005). Some of the other internal factors found in the literature are funds source

management and funds use management, capital and liquidity ratios, the credit-deposit ration and loan loss expenses (Bell and Murphy, 1969; Kwast and Rose, 1982).

As far as the external factors of bank profitability are concerned the literature distinguishes between control variables that describe the macroeconomic environment, such as inflation rate, interest rates, and cyclical output and variables that show market characteristics. The latter refer to market concentration, industry size and ownership status. Among the external determinants which are empirically modeled are regulation (Edwards, 1977), bank size and economies of scale (Benston, Hanweck and Humphrey, 1982), growth in market interest rates as a proxy for capital scarcity and government ownership (Short, 1979). The most frequently used macroeconomic control variables are the inflation rate, the long-term interest rate and the growth rate of money supply.

Revell (1979) found the issue of relationship between bank profitability and inflation. The study noted that the effect of inflation on bank profitability depends on whether banks' wages and other operating expenses increase at a faster pace than inflation. Patel and Shete (1980) of the National Institute of Bank Management (NIBM) made a valuable analysis of performance and prospects of RRBs. The study gave a comparative picture of performance in deposits, branch expansion and credit deployment of the co-operative banks, commercial banks and RRBs in a specified area. This study was an eye opener for many researchers engaged in this field of rural credit.

Rajkumar (1993) found that there was an enormous increase in deposits and outstanding advances of RRBs and suggested to increase the share capital and ensuring efficient use of distribution channels of fiancé to beneficiaries. Jai Prakash (1996) conducted a study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursal of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient. Naidu (1998) conducted a study on RRBs taking a sample of 48 beneficiaries as rural artisans in Cuddapah district of Andhra Pradesh under Royal Seen Gramin Bank. The study was concluded that the beneficiaries were able to find an increase in their income because of the finance provided by the bank.

NABARD (2012) published a study of RRBs viability and revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advance. The proportion of the establishment costs to total cost and expansion of branches were the critical factors which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems and as such there was no need to rectify these and make them viable. The study suggested improvement in infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in operation.

Sinha, Tanmay, Orlanda and Nilotpal (2013) in a field study of five RRBs found that non-priority sector advances increased sharply in the second-half of the 1990s for all the sample banks. Of these 4 banks have a significant 25 percent of their portfolio invested in non-priority sector loans? The interviewed RRBs managers agreed that this was a deliberate strategy to

improve viability. Non-priority sector advances are mostly collateralized and therefore carry low risk; they are generally market-based and of a higher value extended to higher income clients or to low income clients through deposit and jewelry linked loans and banks have freedom to charge cost-covering interest rates on non-priority sector advances. The bank managers candidly accept that the RRBs have been able to raise their profitability by refusing to serve low-income clients.

### **CONCLUSION**

Regional Rural Banks plays a key role as an important vehicle of credit delivery in rural areas with the objective of credit dispersal to small, marginal farmers & socio economically weaker section of population for the development of agriculture, trade and industry. But still its commercial viability has been questioned due to its limited business flexibility, smaller size of loan & high risk in loan & advances. Rural banks need to remove lack of transparency in their operation which leads to unequal relationship between banker and customer.



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## **FACTORS AFFECTING ADOPTION OF INTERNET BANKING**

**Pooja Jain**  
**Assistant Professor**  
**Sri Venkateswara College**  
**University of Delhi, Delhi, India**

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### **ABSTRACT**

*Information technology services are considered as the key driver for the changes taking place around the world. Internet banking (IB) is the latest and most innovative service and is the new trend among the consumers. The shift from the formal banking to e-banking has been a 'leap' change. The present research studied the factors influencing the consumer's adoption of internet banking which include demographic factors, perceived usefulness (PU), perceived ease of use (PEOU), perceived cost, compatibility, perceived risk (performance risk, financial risk, social risk, time risk and security risk), perceived benefit, perceived behavioral control (PBC) and subjective norms.*

**Key Words:** Internet Banking, Perceived Risks, Perceived Benefit, Technology Acceptance Model.

Revolutionary development in Information and Communication Technology (ICT) in the past 20 years has impacted individuals as well as businesses in a profound way. It is an invaluable and powerful tool driving development, supporting growth, promoting innovation and enhancing competitiveness (Bauer 2005; Chau 1996). Industrial and service sectors have witnessed a rapid shift particularly in the last decade under the pressure of some forces affecting the marketing environment. One of the major forces behind these developments is technology, which is breaching geographical, industrial, and regulatory barriers, creating new products, services, market opportunities and developing more information and systems-oriented business and management processes (Liao and Cheung 2002). In the world of banking, the developments in information technology have had an enormous effect in development of more advanced payment methods and more user-friendly banking services. Internet banking and other electronic payment systems are new, and the development and diffusion of these technologies by financial institutions is expected to result in a more efficient banking system. This technology offers institutions alternative or non-traditional delivery channels through which banking products and services can be delivered to consumers more conveniently and economically without diminishing the existing service levels. Internet banking (IB) is such a delivery channel that deserves special attention from financial institutions, policy-makers, researchers, and academicians owing to its enormous potential from the viewpoint of banks, businesses, and retail consumers. This research has, therefore, focused on the internet banking phenomenon with particular reference to technology acceptance models.

With the rapid diffusion of the Internet, banking in cyberspace is fast becoming an alternative channel to provide banking services and products. Now, commercial banks in India are trying to introduce internet banking systems to improve their operations and to reduce costs. Internet banking is thus emerging as a radical technological innovation with potential to change the structure and nature of banking by speeding up communication and transactions for clients. Despite all their efforts aimed at developing better and easier internet banking systems, these systems remained largely unnoticed by the customers, and certainly were seriously underused in spite of their availability. Therefore, there is a need to understand user's acceptance of internet banking and a need to identify the factors that can affect their intention to use internet banking. This issue is important because the answer holds the clue that will help the banking industry to formulate their marketing strategies to promote new forms of internet banking systems in the future.

The most recent innovation to occur within the banking industry has been electronic distribution channels and, more specifically, internet banking which represents a means of revolutionizing and modernizing this traditionally stagnant industry (Bradley 2000). There is no doubt that the revolutionary developments in information and communications technology will transform the banking industry. Internet banking, despite the uncertainties about its future, will be an important part of this transformation. To date very little consideration has been given to researching these factors locally, and perhaps this is why internet banking has not been more widely exploited in this country. The objective of this study is to identify the factors influencing the adoption of internet banking and discuss their impact on the adoption of internet banking.

#### **FACTORS AFFECTING ADOPTION OF INTERNET BANKING**

Past researches have empirically found positive relationship between perceived usefulness (PU) and perceived ease of use (PEOU) as critical factors on the use of internet banking (Daniel 1999). Davis (1989) defines PU as the degree to which a person believes that using a particular system will enhance his or her job performance. In addition, PEOU refers to the degree to which the person believes that using the system will be free of effort. Perceived usefulness, reflecting a person's salient belief in the use of the technology, will be helpful in improving performance. Perceived ease of use is a person's salient belief that using the technology will be free of effort (Taylor and Todd 1995). According to Venkatesh (2003), PU and PEOU are determinants of the behavioral intention (BI). Previous studies (Lee 2009; Tan and Teo 2005) have suggested that PU and PEOU will have a significant impact on a user's adoption of internet banking. The relationship between PU and PEOU is that PU mediates the effect of PEOU on attitude and intended use. This means that while PU has a direct impact on attitude and intention to use, PEOU influences attitude and intention to indirectly through PU.

It is suggested that perceived risk is more powerful at explaining consumers' behavior since consumers are more often motivated to avoid mistakes than to maximize utility in purchasing (Bradley 2000). Previous studies suggest that perceived risk is an important ingredient in consumer decision making process regarding the adoption of information technology (Almaghribi 2010; Benamati 2007). Additionally, Munhurrun and Naidoo's (2008) findings revealed that reliability and security were perceived as the most important dimensions in internet banking transactions that influences satisfaction and behavioral intentions. The more people feel secure, the more they will adopt internet banking. According to Cooper (1997) and

Daniel (1999) the factor affecting the acceptance and adoption of new innovation is the level of security or risk associated with it.

Various studies on consumer perceptions of risks were conducted in the context of internet banking (Tan and Teo 2000; Im, Kim and Han 2008; Wu and Wang 2005), but the perceived risk variable has only been modeled as a single construct. When the perceived risk is modeled as single construct, it fails to reflect on the characteristics of the perceived risk (Lee 2009).

Lee (2009) conducted a study on perceived risk in the context of Internet banking (online) banking adoption. The perceived risk was divided into five facets (performance risk, social risk, financial risk, time risk and security risk), which provided a more in-depth understanding of the characteristics of risks regarding internet banking (Lee 2009).

As defined by Lee (2009), these five risks for internet banking can be described as follows:

- **Performance risk:** refers to losses incurred by deficiencies or malfunctions of internet banking servers. According to Littler and Melanthiou (2006), a malfunction of a banking server would reduce customers' willingness to use banking services, and a similar notion applies in the context of internet banking.
- **Security/privacy risk:** is defined as a potential loss due to fraud or a hacker compromising the security of an internet banking user. In a similar study, Luarn and Lin (2005) used the construct 'perceived credibility', which is defined as the extent to which a person believes that using internet banking will have no security or privacy threats.
- **Time/convenience risk:** refers to a loss of time and any inconvenience incurred due to the delays of receiving payments or the difficulty of navigation (finding appropriate services and relevant commands).
- **Social risk:** refers to the possibility that using internet banking may result in disapproval by one's friends/family/work group,
- **Financial risk:** is defined as the potential for monetary loss due to transaction errors or bank account misuse.

Lee (2009) found that all five risks: security, financial, time, social and performance risks, emerged as negative factors in the intention to adopt internet banking. However, social risk was found to have an insignificant effect on the intention to adopt internet banking

This study enlarges the scope of the adoption decision by including both negative (perceived risk) and positive factors (perceived benefits) simultaneously. According to Lee (2008), there are two main types of perceived benefits, which can be categorized as direct and indirect advantages. Direct advantages refer to immediate and tangible benefits that customers would enjoy by using internet banking e.g., financial benefits, faster transaction speed, and increased information transparency. Indirect advantages are those benefits that are less tangible and difficult to measure e.g., 24-hour service, more investment opportunities and services, such as stock quotations and news updates.

Wu and Wang (2005) revealed that perceived cost is normally a major concern when a technology is first introduced. According to Ching and Ellis (2004) adoption will be driven by the perceived costs and benefits inherent in the particular innovation. The cost of an innovation has many components like initial investment costs, operational costs, and

utilisation costs.

Innovation Diffusion Theory (IDT) by Rogers (1962) includes five significant innovation characteristics: relative advantage, compatibility, complexity, trialability, and observables. These characteristics are used to explain the user adoption and decision making process. Research has suggested that only the relative advantage, compatibility, and complexity are consistently related to innovation adoption (Agarwal 2009). Relative advantage is similar to perceived usefulness, whereas complexity is similar to perceived ease of use. So, an additional antecedent found to be significant in determining consumers' intention to use internet banking services is compatibility (Wu and Wang 2005). Compatibility is the degree to which the innovation is perceived to be consistent with the potential users' existing values, previous experiences, and needs (Lee 2005). High compatibility will lead to preferable adoption.

In terms of a consumer-oriented service, the consumer-relevant groups around the individual may influence the individual's adoption. Chau (2003) suggests that the adopter's friends, family, and colleagues/peers are groups that will potentially influence the adoption of internet banking. Subjective norms have been found to be more important prior to, or in the early stages of innovation implementation when users have limited direct experience from which to develop attitudes (Hartwick and Barki 1994; Taylor and Todd 1995). Subjective norms refer to "the person's perception that most people who are important to him think he should or should not perform the behavior in question" (Fishbein and Ajzen 1975). It is related to intention because people often act based on their perception of what others think they should do.

Another important factor which is considered important is perceived behavioral control (PBC). PBC refers to the factors that may impede the performance of the behavior. This definition encompasses two components. The first component is "self-efficacy" and is defined as an individual's self-confidence in his or her ability to perform a behavior (Bandura 1977, 1982). The second component is "facilitating conditions" and it reflects the availability of resources needed to engage in the behavior (Triandis 1999). An individual confident in having the skills in using the computer and the internet banking and having easy access of technological resources and infrastructures would be more inclined to adopt internet banking. This is because the individual is comfortable in using the innovation.

Researchers (Karjaluoto 2002) considered demographic variables to be a significant factor for adoption of internet banking. Demographic factors are frequently used as a basis for understanding consumer characteristics (Block and Roering 1976). The demographic characteristics include age, sex, income, occupation, education (Kotler 1982). Several studies have been conducted to profile the internet banking consumer's demographic characteristics and the results of these studies suggest that innovators who belong to the high income category are normally initial users of the internet banking (Flynn and Goldsmith 1993; Gan, Clemes, Limsombunchai, and Weng 2006). Further, Sakkthivel (2006) reveal that the profile of an internet banking user tends to be young, male, well educated, and earning an above-average income. The theoretical model is graphically presented in Figure 1.

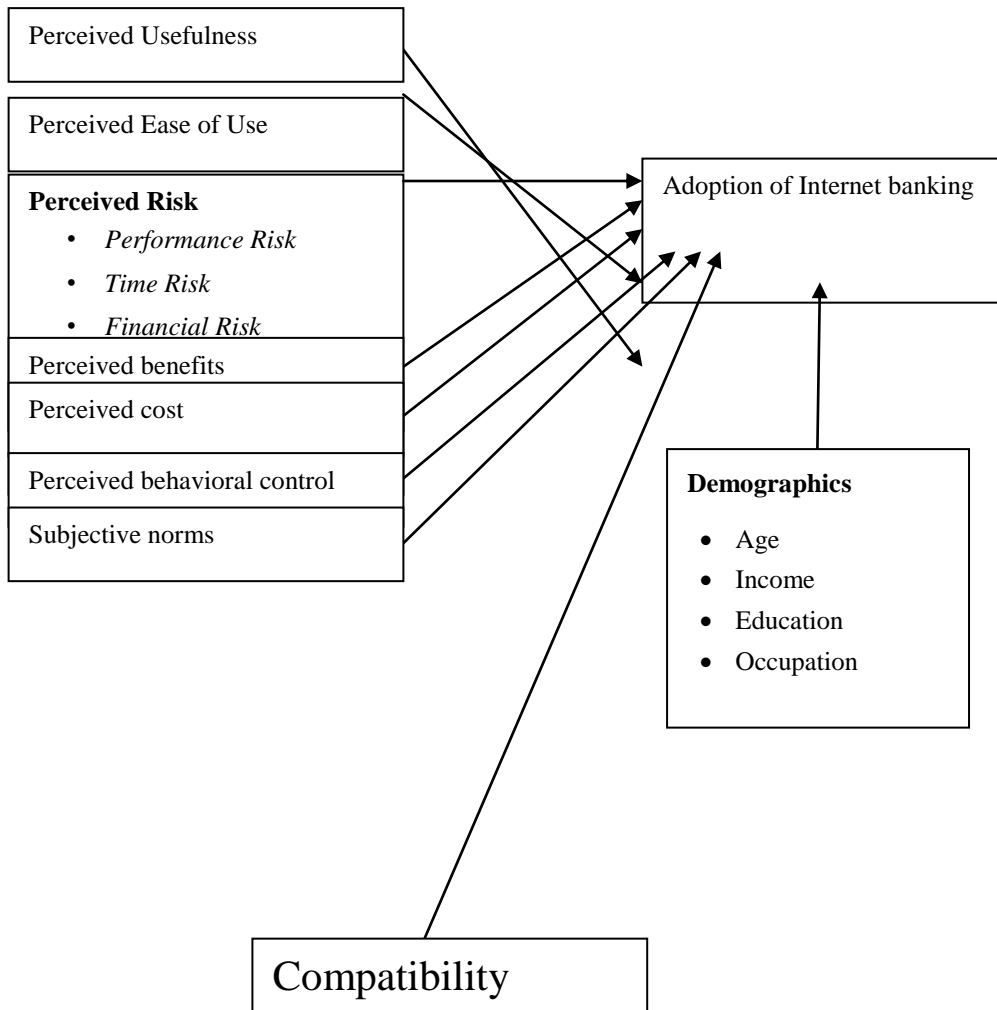
This study addresses the gap in the literature with regard to explaining and predicting consumers' intentions to use internet banking, separate from its associated technologies and services.

This study attempts to provide a useful picture of the current market for internet banking in India. The study identifies the factors involving demographic factors, perceived usefulness (PU), perceived ease of use (PEOU), perceived cost, compatibility, perceived risk (performance risk, financial risk, social risk, time risk and security risk), perceived benefit, perceived behavioral control (PBC) and subjective norms affecting the decision to adopt internet banking.

Virtually every step in the proposed online transaction process requires consumers to interact with Web sites and use internet technologies. Since intention to transact entail technology use, it is justifiable to consider the variables of the various technology acceptance models in identifying the factors influencing the adoption of internet banking.

The above factors have been derived from the various technology acceptance models. The next section presents the theories and models developed in different disciplines and used in predicting, explaining, and understanding individuals' acceptance and adoption of new products or technologies.

Figure 1: Factors affecting Internet banking adoption





## **TECHNOLOGY ACCEPTANCE MODELS**

Fishbein and Ajzen's (1975) TRA (theory of reasoned action) model is an especially well researched intention model that has proven successful in predicting and explaining behavior across a wide variety of domains and should, therefore, be appropriate for studying the behavioral intentions of consumers to adopt an innovative product or service. In their conceptual framework, Fishbein and Ajzen (1975) specified three major determinants of behavior: behavioral intention (BI); attitude and subjective norms. They explained the behavioral intention model using these three major variables in a hierarchical sequence to facilitate understanding. They postulate that: (i) an individual's BI is the immediate determinant of behavior; (ii) his/her attitude and subjective norm are mediated through BI; and (iii) his/her behavioral and normative beliefs are mediated through attitude and subjective norms respectively.

Although TRA has gained wide acceptance in the behavioral sciences and the literature due to its well integrated paradigm, the likelihood that a person will actually perform the specific behavior has been questioned by many researchers(e.g., Warshaw and Davis 1985; Davis 1989). For example, in a situation where there is a gap between BI and actual behavior, lower correlation was found between BI and actual behavior in the studies (Bonfield 1974; and Harrell and Bennett 1974).

Because of the limitations of the theory of reasoned action, proposed the theory of planned behaviour (TPB). The central factor of the theory of planned behavior is the individual's intention to perform a given behavior. The main difference between these two theories is that the TPB has added Perceived Behavioral Control (PBC) as the determinant of behavioral intention, as well as control beliefs that affect the perceived behavioral control. Though it may be difficult to assess actual control before behavior, TPB asserts that it is possible to measure PBC people's perception of the ease or difficulty in performing the behavior of interest" (Ajzen 1991).

In a further extension of TRA, Davis (1986) introduced the technology acceptance model (TAM), which described an individuals' acceptance of information technology. The goal of TAM is to provide an explanation of the determinants of computer acceptance among users. TAM suggests that perceived usefulness (PU) and perceived ease of use (PEOU) are the two most important factors in explaining individual users' adoption intentions and actual usage (Davis 1989). TAM does not include TRA's subjective norms (SN) as a determinant of BI. TAM posits that PU is influenced by PEOU because, other things being equal, the easier a technology to use, the more useful it can be. Consistent with TRA, TAM suggests that the effect of external variables on intentions is mediated by PEOU and PU.

Taylor and Todd (1995) criticized TRA and TPB stating that the models require individuals to be motivated to perform a certain behavior. Furthermore, TPB introduced one variable (PBC) as an answer to all non-controllable elements of the behavior. Beliefs behind the (PBC) were aggregated to create a measure for it. This aggregation has been criticized for not identifying specific factors that might predict behavior and for the biases it may create. Taylor and Todd (1995) introduce decomposed TPB to provide a better understanding of behavior.

Specifically, the decomposed TPB model first introduced by Taylor and Todd was used since it was found to have better predictive power compared to the technology acceptance model

(TAM) and traditional TPB models. The argument of our empirical study is that internet banking is a technological innovation and thus the decomposed TPB model gives a more satisfactory explanation of adoption intention.

Further, Taylor and Todd commented that, in comparing the two versions of TPB, “we believe that there is value added as a result of the decomposition, in terms of increased explanatory power and a better, more precise, understanding of the antecedents of behavior. Thus, in our view, the decomposed TPB is preferable to the pure form of the model.” In comparing the model to TAM, Taylor and Todd commented that, if the sole goal is the prediction of usage, then TAM might be preferable. However, the decomposed TPB provides full understanding of usage behavior and intention and may provide more effective guidance to IT managers and researchers interested in the study of system implementation.

The decomposed TPB model uses constructs from the innovation literature (e.g., relative advantage, compatibility). It also explores subjective norms (e.g., social influence) and perceived behavioral control more completely by decomposing them into more specific dimensions. It provides a comprehensive way to understand how an individual’s attitude, subjective norms and perceived behavioral control can influence his or her intention to use banking services on the internet banking. The framework postulates that a person’s intention to adopt e- banking is determined by three factors. They are (a) attitude, which describes a person’s perception towards e- banking; (b) subjective norms, which describe the social influence that may affect a person’s intention to use internet banking; and(c) perceived behavioral control, which describes the beliefs about having the necessary resources and opportunities to adopt internet banking. Intention to adopt e- banking services, in return, is expected to affect the actual adoption of internet banking.

TAM also suffered from a number of limitations such as measurement of usage by relying on respondents’ self-reporting and assuming that self reported usage reflects actual usage, type of respondents, only limited guidance about how to influence usage through design and implementation, the explanatory power of the model and the inconsistent relationship among constructs. In an attempt to overcome these limitations, TAM2 was developed to cover for the absence of moderators in the original TAM.

TAM2, an extension of TAM, includes additional key determinants of perceived usefulness and usage intention constructs which are meant to explain the changes in technology acceptance over time as individuals gain experience in using the targeted technology. The new model incorporates additional theoretical constructs covering social influence processes (subjective norm, voluntariness, and image) and cognitive instrumental processes (job relevance, output quality, result demonstrability, and perceived ease of use).

Wu and Wang (2005) combined TAM2 and innovation diffusion theory (IDT) by Rogers (1995), in a study focused on investigating the drivers of mobile commerce. In IDT, Rogers (1995) defines diffusion as the process by which innovation or perceived new technology is communicated through certain channels over time among members of a social system. Rogers (1995) proposed and defined the five attributes determining the rate of adoption of new technology as follows:

- Relative advantage: is the extent to which the innovation is perceived as better than the technology it replaces, including technical performance, cost, risk, or other attributes;

- **Compatibility:** is the extent to which an innovation is perceived as being consistent with the existing values, past experiences and needs of potential users,
- **Complexity:** is the level of difficulty in understanding and using the technology;
- **Observability:** is the extent to which the results of a new technology can be observed or visible to others;
- **Trialability:** is the ability to try or experiment with the performance of new technology on a limited basis.

Since TAM (Technology acceptance Model) and TPB (Theory of Planned Behavior) have been used in many studies to predict and understand user perceptions of system use and the probability of adopting an online system (Gefen 2003; Hsu 2006; Wu and Chen 2005), they are the most appropriate tools for understanding internet banking adoption.

### **CONCLUSION AND IMPLICATIONS**

It has been widely recognised that demographic factors have a great impact on consumer attitudes and behavior towards internet banking. Age, education level, income and occupation are the most influential demographic variables affecting internet banking usage. Typical internet banking users tend to be well educated, relatively young and are high income earners. (Karjaluoto 2002).

Perceived usefulness and perceived ease of use are significant factors in influencing the attitude and intention to adopt internet banking. As we know from previous researches also, perceived usefulness is always an important determinant of attitude in TAM, and it may mediate the influence of perceived ease of use on attitude. Indeed, perceived ease of use has long been recognized as a basic requirement for system design. Easy-to-use internet banking is important for all customers. Banks should aim to make their internet banking as simple and easy to use as possible so that customers do not perceive them as being complicated or difficult to use. It provides insights for developers to design an internet banking system interface, websites, processes, and programmes and for banks to formulate strategies in offering services. Websites should be user-friendly with clear instructions for users. The use of illustrations is advised and will be embraced by all levels of users. There is a need to further enhance mechanical resources within the structure of the main internal framework. That is to say, if internet banking becomes popular, there would be problems generated by the influx of banking transactions being made at the same time. Banks need to look into better equipping their systems with more powerful and advanced computer technologies.

Another key factor, which will drive the use of internet banking, is perceived benefit. Any addition in tangible or intangible benefits of internet banking transactions can motivate consumers to use the service. Thus, an important feature in promoting internet banking is the emphasis on the perceived benefits related to online transactions. Promotions could be held at branches, offering prizes to customers who sign up and use the online facility. Banks offering internet banking should launch campaigns to direct awareness to potential adopters. Issues such as fear of the lack of privacy and security, together with relative advantages of using internet banking should be highlighted to alleviate fears and educate potential customers to the advantages. Awareness should be created about the differences in traditional and internet banking charges through advertisements on radio, television and newspapers.

Risk perceptions by potential adopters are negatively related to the adoption of internet banking. Therefore, banks providing internet banking should actively address these negative perceptions. To boost confidence and enhance the efficacy of using internet banking services, demonstrations via video presentations could be made at bank branches to showcase the user-friendliness of such services. In order to overcome consumers' negative perceptions about internet banking risks, banks should promote the benefits of the service, such as convenience and cost-effectiveness, and should begin a marketing campaign that makes internet banking the new buzz word. These initiatives will help customers familiarize themselves with the bank and its internet banking services.

#### **LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

The antecedent constructs included in the study are not exhaustive. Past studies have suggested certain other variables such as trust, internet prestige, web design/features, internet experience are considered important in studying the factors influencing internet banking. Accordingly, these dimensions could also be researched in future.

While this study has identified two external factors (perceived risk and perceived benefits) influencing consumers' adoption of internet banking, it is important to recognize the cultural and national limitations of these findings. This is because cultural differences have been found with respect to how individuals respond to a potential risk (Bontempo 1997; Weber and Hsee, 1998). Moreover, according to Tse' research (1988), individual's cognitive propensity to risk differs across culture and is likely to affect the perceptions of the presence of risks as well as the evaluation of the risks. In other words, the customers' acceptance of internet banking may be indirectly influenced by cultural differences. However, this phenomenon needs further investigations and validations. Hence, the replication of this study on a wider scale with different national can be undertaken in future.

Finally, by using a longitudinal study in the future, we could investigate our research model in different time periods and make comparisons, thus providing more insight into the phenomenon of internet banking adoption.

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## IMPACT OF FOREIGN DIRECT INVESTMENT IN INDIA IN TERMS OF SPILLOVERS

Ashish Gupta  
Research Scholar  
National Dairy Research Institute  
Deemed University, Karnal, Haryana, India

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### ABSTRACT

*FDI is considered to be the tool for putting the economy on a trajectory of higher growth. The paper aims to examine the role of FDI in promoting development in India. It attempts to review that spillover effects from FDI could either be positive or negative. Impact of FDI in terms of spillovers depends on the source and it's as difference in economic, financial and institutional environment of the source lead to important differences in their nature of operations. The paper tries to find out the impact of FDI in terms of spillovers in India in terms of spillovers in Pharmaceutical and retail industries. Also appropriate policy interventions are suggested towards how FDI can be more effective for development.*

**JEL Classification: F210.**

**Key Words:** Foreign direct investment, Spillover.

During the early nineties, India faced severe foreign exchange and balance of payments crisis. The policy makers realized that the solution is to adopt a liberal policy regime. The New Industrial Policy (NIP) resolution passed in 1991 abolished industrial licensing. The prime motive of the policy makers in the adoption of the NIP has been to attract foreign direct investment in various sectors. Due to the liberalization policies adopted by the Indian government since the beginning of the 90s, the foreign direct investment flows have increased steadily. The growing presence of foreign firms may be attributed to the liberalization, deregulation and macroeconomic stabilization policies adopted by the Indian government. Therefore, the role of foreign investment in terms of spillovers has come to the center stage in India's industrial development. It has been claimed that the foreign subsidiaries poses a challenge to the domestic firms through its superior technology and other firm specific advantages. At the same time domestic firms can benefit from the externalities. The role played by FDI in terms of spillovers in Developing countries like India has been one of the fiercely debated issues. Recent surveys of the literature have concluded that the spillovers of FDI to domestically owned firms could be either negative or positive.

### Review of Literature:

In this study a review of a sample of literature has been undertaken in which the various studies provide their arguments, regarding the impact of FDI in India in terms of spillovers, on the basis of cross-country comparisons, case studies, surveys, theoretical and empirical literature reviews, econometric methods, hypothesis testing etc. Various studies have been conducted by social scientists, financial institutions and agencies which highlight the impact of FDI in host countries.



In Indian context, amongst the various studies done highlighting the impact of FDI in terms of spillovers in India, the studies by [R.Smeets(2008), V.Kathuria(2001), D.Clercq, J.Hessels and A.van stel(2008)] have argued that there exists positive spillovers from the presence of foreign-owned firms. S. Bhaumik(2003) concludes that the extent of spillover effects in terms of both quality of technology and knowhow remain uncertain as most of the firms investing in India have small R&D budgets and they do not provide significant training to their employees in Indian affiliates. R.E. Lipsey and F.sjoholm argue that the evidence for positive spillovers is not strong and said that evidence on spillovers is mixed. N. Kumar (2000) in his study found that FDI is affected by structural factors such as market size, extent of urbanisation, quality of infrastructure and also policy factors. R. Banga (2003) in her study found that US firms have larger spillover effects on the exports of domestic firms than japanese firms. After examining various studies we see that FDI have had a mixed record of performance in India. This divergence among scholars regarding the impact of FDI arises as there are differences in sample periods and methodologies used by them.

**Relevance of the study:**

Whether FDI is good or bad for India has been a highly controversial issue. So, through this paper, an attempt has been made in knowing how Indian economy can exploit FDI more efficiently. The study also aims to find whether there are structural and other constraints encountered by inward FDI in India. This topic relates to development as traditionally a substantial body of literature has grown around the view that FDI has been a major source of positive spillovers and plays an important role in enhancing the export intensity of industries which further leads to development of the economy. But now there have been many other recent studies which argue that the evidence on spillovers is mixed which may be detrimental for the development.

**Retrospection of Economic performance:**

India's development strategy after Independence stressed the importance of government regulation of the economy and planned industrialization. It was considered as inward looking and highly interventionist approach. The salient features of these policies include import protection, complex industrial licensing requirements, and substantial public ownership of industries, especially heavy industries, among others. Trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were highly restricted. In the case of capital goods and intermediates, imports were restricted with import licenses. The criteria for issue of licenses were non transparent with long delays and corruption.

These restrictive policies remained until the 1970s. However, amidst growing dissatisfaction about its results, there was a gradual shift in the focus of India's development strategy toward export-led growth during the 1980s. Seeing the experience of many East Asian countries in achieving high growth and poverty reduction through policies that emphasized greater export orientation and encouragement of the private sector, several liberalization measures were adopted during the 1980s and 1990s. Industrial licensing was eased and import restrictions were brought down. The Foreign direct investment (FDI) inflow picked up. It increased from a mere US \$ 97 million in 1990-91 to US\$4,673 million in 2003-04. There was tremendous reduction in tariffs and non-tariff barriers and also in the protection to Indian industries

(Ahluwalia, 2002) (Joseph and Reddy). Foreign direct investment (FDI) is investment done directly in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Starting from a baseline of less than \$1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, USA and UK were among the leading sources of FDI. The 1991 liberalization measures in the form of major structural reforms including trade and foreign investment liberalization were undertaken to attract more FDI along with other economic liberalization policies. Multinational enterprises (MNEs), with their technological and managerial skills and knowledge about international marketing conditions, are expected to improve the productivity as well as export performance of host country firms by creating certain positive externalities known as ‘spillovers’. Technology spillovers are the beneficial effects of new technological knowledge on the productivity and innovative ability of other firms and countries. Technology, once invented, can be used and diffused internationally with small added cost but substantial added benefits. Technological research and innovation is mostly undertaken by firms and governments in the leading world economies that are also the world technological leaders. Then technology diffuses to the rest of the world through the main channels of trade, foreign direct investment (FDI). The spillovers from FDI through MNEs have attracted considerable attention in recent times technological knowledge can be used by producers other than the inventor to increase their productivity. Hence it generates two types of benefits called “spillovers”.

- i) First, new technological knowledge can be used in any country to produce more efficiently or higher quality goods. This spillover increases the labor productivity of the country that adopts it.
- ii) Second, technological knowledge can be used in any country to produce new ideas or new applications in research and development (R&D). This increases R&D effectiveness in receiving countries.

It has found in various studies that spillovers from the presence of foreign firms are not uniform for all the firms in host countries.

#### **Pharmaceutical industry:**

Indian pharmaceutical industry provides a unique example of a late industrializing country successfully building domestic capabilities in a highly competitive knowledge intensive industry. The industry which was not having any technological base to start local production during 1960s, has made significant technological transformation during 1970 to 1990 to achieve a near self sufficiency in raw materials to start production from as basic stage as possible. It has also achieved a high degree of self-sufficiency with regard to its requirements of basic raw materials and intermediates. One important component of policy intervention that made this transformation possible is related to foreign investment in the industry. To begin with, during the period 1948-1970 the industry was largely dominated by foreign direct investment (FDI) firms, accounting for about 80 percent of domestic production of formulations. During this phase of FDI domination there was little international transfer of

technology to the industry. In few of the cases where domestic enterprises made attempts to start local production were denied access to technology through legal adjunction obtained by FDI firms under the Patents and Designs Act, 1911. Realizing that inward FDI under a strong patent regime has not been conducive to the indigenous technological development in the industry, India shifted to a new patent regime in 1970. To ensure that FDI firms transfer technology several measures were taken. In 1991, apart from the changes in industrial policies like abolishing licensing system, removing phased manufacturing and technology transfer requirements, the impending changes in the patent regime, FDI policy has been considerably liberalized. This change in the attitude of Indian government towards FDI firms stems from the realization that the foreign investments not only provide financial resources but also are a source of technical, managerial and organizational knowledge which are largely not available in the economy. The knowledge brought in by FDI firms ultimately spilled to the rest of the economy contributing to the productivity growth in the domestic sector. Against this background the study by Pradhan, J.Prakash (2004) examines the nature of relationship between the presence of foreign firms and local productivity growth in Indian pharmaceutical industry. Their hypothesis stated that the productivity of domestic enterprises depends on several firm-specific factors besides the spillover effects from the presence of FDI firms. The model considered the following possible independent variables to explain the firm-level productivity growth like technology, capital intensity, imports, exports, firm age and foreign presence. As the relationship of productivity with technology and exports is likely to exhibit bi-way causation, the study has introduced measures in one period lagged form. Two proxy variables has been used for the presence of FDI firms in the industry: (1) the share of sales of FDI firms to total industry sales (SPIL1) and (2) the share of R&D expenditure of FDI firms to total industry R&D expenditure (SPIL2). The first and second measures respectively capture foreign participation in the product market and technological efforts in the industry. However, foreign presence will not affect all domestic firms equally in an industry. A domestic firm with higher market power proxied by the size of its sales may be more sensitive to the presence of foreign firms than a domestic firm with a low status. To capture this an interaction variable has been constructed by interacting SPIL1 and size of the firm (SPIL1\*SIZE). An interaction term between SPIL2 and R&D intensity (SPIL2\*RDINT) of domestic firms has also been included in the study to capture the inter-firm differences in the ability to de-codify and absorb the FDI spillovers. Of the two measures of FDI spillovers, none of them are observed to have any significant and independent effect on the efficiency growth of domestic pharmaceutical enterprises. The variables turned out to be statistically insignificant. The model provided weak evidence that domestic firms with higher market power represented by sales only benefit from competitive spur to efficiency thrown by the presence of foreign firms. Further, domestic firms to benefit from the innovative activities of foreign firms depend crucially on their own R&D activities. The research found that the presence of foreign firms per se may not be important for productivity growth in the domestic sector. It is only when domestic firms have already grown large or have been engaged in innovative activities that the FDI spillovers work. This finding brings out that mere encouragement and openness to FDI doesn't automatically ensure that the host economy benefits from the presence of FDI firms.

### **Retail industry:**

The retail industry in India has often been hailed as one of the sunrise sectors in the economy. India is the second most attractive retail destination' globally from among 30 emergent markets (A T Kearney). With a contribution of 14 percent to the national GDP and employing 7 per cent of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy.

The retail industry comprises organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate backed hyper-markets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low cost retailing, for example, the local 'kirana' shops, owner operated general stores, paan/beedi shops, convenience stores, handcart etc. Unorganised retailing is by far the prevalent form of trade in India constituting 98 percent of all retailing trade, while the organised trade accounts for the remaining 2 percent. Estimates vary widely about the true size of the retail business in India. Organised retail is still in the stages of finding its feet in India even now. Though organised trade makes up over 70-80 per cent of total trade in developed economies, India's figure is low even in comparison with other Asian developing economies like China, Thailand, South Korea and Philippines, all of whom have figures hovering around the 20-25 per cent mark. These figures quite accurately reveal the relative underdevelopment of the retail industry in India. One of the principal reasons behind the explosion of retail outlets and its fragmented nature in the country is the fact that retailing is probably the primary form of disguised unemployment/underemployment in the country. Given the already overcrowded agriculture sector, and the stagnating manufacturing sector, and the hard nature and relatively low wages of jobs in both, many million Indians are virtually forced into the services sector. Here, given the lack of opportunities, it becomes almost a natural decision for an individual to set up a small shop or store, depending on his or her means and capital. And thus, a retailer is born, seemingly out of circumstance rather than choice. This phenomenon quite aptly explains the millions of small shops and vendor. Retailing is by far the easiest business to enter, with low capital and infrastructure needs, and as such, performs a vital function in the economy as a social security net for the unemployed. India, being a free and democratic country, provides its people with this cushion of being able to make a living for oneself through self employment, as opposed to an economy like China, where employment and entrepreneurship are regulated. One could brand this sector as one of 'forced employment', where the retailer is pushed into it, purely because of the paucity of opportunities in other sectors. There is an essential difference between FDI in greenfield sectors such as BPO and manufacturing and in retailing. In the former it will create jobs, but in the latter it will eliminate jobs. Thus, while FDI in most sectors might even have beneficial outcomes in terms of job creation, in the retail sector it will have a catastrophic effect on the employment generated by the small retail sector in India.

Proponents of FDI in retail trade talk of how ultimately the consumer is benefited by both price reductions and improved selection, brought about by the technology and knowhow of foreign players in the market. This in turn can lead to greater output and domestic consumption . But nevertheless it cannot mitigate the important factor against FDI driven

modern retailing in that it is labour displacing as it can only expand by destroying the traditional retail sector.

Opening the retailing sector to FDI means dislocating millions from their occupation, and pushing a lot of families under the poverty line. Plus, one must not forget that the western concept of efficiency is maximising output while minimising the number of workers involved which will only increase social tensions in a poor and as yet developing country like India, where millions are still seeking gainful employment. This dislocated and unemployed population has to be accommodated somewhere else. But by looking at the growth rates of labour in manufacturing and industry, it is difficult to accommodate such a large number. Agriculture already employs nearly 60 per cent of our total workforce, and is in dire need of shedding excess baggage. That leaves us with manufacturing as the only other alternative. Retailing is not an activity that can boost GDP by itself. It is only an intermediate value adding process. If there aren't any goods being manufactured, then there will not be many goods to be retailed.

**Conclusion:**

It is evident that the impact of FDI in terms of spillovers depends on the source and the type of FDI as difference in economic, financial and institutional environment of the source of FDI lead to important differences in their nature of operations. The type of the investment should be such which enhance the export intensity of industries and which minimises the chance of FDI crowding out domestic investments. It has also been found that although the magnitude of inward FDI has increased but in the absence of policy directions, the bulk of them have gone into services and consumer goods industries bringing the share of manufacturing and technology intensive industries down. So, FDI flows must be regulated and channelized towards those firms which have technological capability to decode the spilled knowledge.

It is easily understandable find that there can be constraints not only in host countries but also in home countries which prevent FDI to be more effective. As it can be seen, though India's (host country) large population base is an advantage but her low income level, low levels of urbanisation and relatively poor quality of infrastructure act as constraints for FDI in India's development.

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## ENVIRONMENTAL IMPLICATIONS OF E-COMMERCE- A REVIEW

Ravinder Pal

Research scholar, Department of Management Studies  
Deenbandhu Chhotu Ram University of Science & Technology, Murthal, Sonipat, Haryana, India

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### ABSTRACT

*Internet and e-commerce are re-shaping and transforming the way in which the distribution of marketable goods is organized. The concept of e-business began to grow in 1994, with the introduction of the Internet to the public. E-commerce stands for electronic commerce involves buying and selling of goods and services through the electronic medium. There are accelerating trends for the implementation of e-commerce as an extra trading channel, through which products are marketed and sold globally via the access of the Internet. This is expected to bring changes over the traditional shape of urban infrastructure in terms of production systems, logistics systems, transportation systems, packaging systems, warehousing systems, etc. This intuitively leads to environmental implications that we need to investigate and acquire adequate knowledge before environmental abatement measures become difficult to implement in the future.*

**Keywords:** E-commerce, Environment, ICT, B2B, B2C

Electronic commerce refers to the transaction of goods and services through electronic communications. There are two basic types of e-commerce: business-to-business (B2B) and business-to consumer (B2C). In B2B, companies conduct business with their suppliers, distributors, and other partners through electronic networks. In B2C, companies sell products and services to consumers. While some use e-commerce and e-business interchangeably, but both are different concepts. In e-commerce, information and communication technology is used in inter-business transactions (B2B) and in business to consumer transactions (B2C). On the other hand in e-business, ICT is used to enhance one's business. It includes any process that a business organization conducts over a computer mediated network.

According to a definition by Kalakota & Whinston "The transformation of an organization's processes to deliver additional customer value through the application of technologies, philosophies and computing paradigm of the new economy."

There are accelerating trends for the implementation of e-commerce as an extra trading channel, through which products are marketed and sold globally via the access of the Internet. This is expected to bring changes over the traditional shape of urban infrastructure in terms of production systems, logistics systems, transportation systems, packaging systems, warehousing systems, etc. This intuitively leads to environmental implications that we need to investigate and acquire adequate knowledge before environmental abatement measures become difficult to implement in the future. We are witnessing serious obstacles to implementing environmental measures for several urban concerns such as noise in cities, air pollution, electronic waste due to reasons such as high costs, difficulties in rebuilding the existing infrastructure etc. The Internet is just one form of Information Technology. Whereas

the personal computers, cables, software, etc. are the equipment of the Internet, the application side (the use) of the Internet comes in many aspects of daily life: chatting, researching, mailing, advertising, trading, presenting oneself, etc.

**Research Methodology:**

The objective of this conceptual study is to build upon the finding of previous exploratory, qualitative research, which identified a number of critical factors affecting environment due to e-commerce.

**Literature Review:**

Stein and Sweat (1998) emphasised the communication aspect of e-commerce under which companies can accurately predict consumer demands by receiving real-time information from customers, suppliers and manufacturers. This would help companies to maintain the optimum level of inventory at the retail level and replenishing them on a just-in-time basis. This could decrease the space needed to store excess inventories, thereby minimising the environmental impacts of warehousing: the consumption of open spaces by warehouses; the materials used to build them; and the energy needed for heating, cooling and lighting.

Mathieson (1998) found that mass customisation is possible by using internet because it facilitates information exchange between companies and individual customers. The internet and innovative production technologies are helping companies to manufacture products specifically designed for individual consumers. Customisation enables producers to manufacture the products that are needed by customers thus reducing product waste or slashing inventories by reducing stockpiles of soon-to-be obsolescent equipment and machines. Mass customisation could have profound environmental benefits for reducing the energy and construction waste associated with the warehousing of products.

Romm et al. (1999) has focused on the impact of the Internet on U.S. energy consumption comparing two time periods, one is from 1992-1996 (pre internet era) and another time frame is after 1996 (post internet era). They concluded the positive impacts of the e-commerce on environment in e-retailing sector in business-to-consumer e-commerce, for instance, a warehouse can contain far more products per square meter than a retail store. Warehouses themselves also typically use far less energy per square meter than retail stores. Thus, products sold over the Internet would likely consume less energy per product than traditional retail-based sales. An e-commerce retailer also helps to reduce the GHG emissions due to reduced distance driven by him as comparison to customer as e-retailer uses to deliver the goods to the consumer's home. Another benefit of e-commerce on environment is use of energy efficient computers. The average PC and monitor use about 150 watts of power; this dips to 50 watts or less in energy-saving modes. Printers and peripherals also do not increase this average very much. Laptop computers, a key growth segment, are particularly low energy users; some new laptops use under 30 watts. Moreover, computers are getting more energy-efficient every year because of steady improvements in technology driven in part by the growing market for portable equipment and by the IT sector's desire to reduce its environmental impact.

Matthews *et al.* (2001) conducted a case study for book retailing sector in USA to know the impact of e-commerce upon environment. They have performed a life cycle assessment study and analysed different delivery systems to assess the environmental and cost impacts. With LCA tool, they have looked at the life cycle of book retailing for both traditional retailing and



E-commerce from the publisher to the customer's home, considering the energy consumption and gaseous emissions from different activities: transportation, packaging, production, fuel production, et al. They found that the E-commerce sales have a cost advantage and environmental benefits. There were some assumptions made to set the boundary analysis of the LCA tool itself, e.g. all transportation in traditional retailing is carried out by the truck system and return rate for best-selling books was set as 35% and made the calculations accordingly.

Frans et.al (2001) presented a report on the environmental implication of information and communication technologies identified three effects. The first order effects were pollution created from the production of information communication technology products and resources used, electricity consumed by electronic equipments and e-waste generated. Second order impacts were positive impacts on environment like dematerialisation (getting more output from fewer resources) virtualisation (substitution information goods with tangible goods) and demobilisation (substitution of communication at a distance for travel). The third order impacts were indirect effects mainly through the stimulation of more consumption and higher economic growth and impacts on life style and value system called rebound effects.

Danial.Z.Sui et.al (2002) concluded that Transportation is main cause of the carbon dioxide emissions in traditional businesses but by using e commerce techniques, number of vehicles reduced resulted reduction in level of carbon emission. E-commerce applications are the means of conducting business without actually commuting. Business may further reduce their carbon foot print with the help of e commerce by allowing their employees work in virtual office, shopping online and working from home which reduces the number of commuters on the road. Moving towards the paperless society would be advantageous for deforestation which contributes to global warming. The ease of online shopping itself causes people to buy more which results as a negative impact of e commerce in terms of energy consumption, faster delivery requirements tend to create a situation in which trucks are moving half empty. The consumption of energy increases in using trucks and airlines as a medium of transportation due to faster deliveries demanded by customer.

Romm (2002) confirmed that the growth of information technology is the main factor of reduction in energy intensity, which increased efficiency in the processes and required less energy than traditional methods. The research concluded that Internet Economy is more likely to be environment friendly, cost-efficient, and energy-efficient than the traditional economy.

Siikavirta.H (2003) conducted a study in Helsinki metropolitan area of Finland to know environmental effects of e-commerce in electronic grocery shopping (e-grocery) home delivery service because of its direct and indirect potential for reducing the Green House Gas emissions in the food production and consumption system. The results were carried out by using simulation model indicated that home delivery service creates significant potential for traffic reduction. It is possible to reduce the GHG emissions generated by grocery shopping by 18% to 87% compared with the situation in which household members go to the store themselves.

Romm *et al.*, (2003) revealed that the internet helps companies and organisations to reduce energy costs and Greenhouse Gas (GHG) emissions by providing them with tools and strategies that can improve the environment, while increasing profits and productivity. E-materialisation of paper alone holds the prospect of cutting energy consumption by about

0.25% of total industrial energy use. By 2010, e-materialisation of paper, construction, and other activities could reduce US industrial energy and GHG emissions by more than 1.5%.

Tehrani.S.M.et al (2005) conducted a survey among a number of customers in a district of Tehran to know the effect of local home shopping on environment. They found that if customer shift to online shopping system as comparison to traditional shopping, energy consumption and air pollution can be controlled. According to calculations carried out in this research, resulted that 88 percent reduction in fuel consumption and 20.12 tons per year of air emissions is possible due to e-shopping. The logic behind these savings is due to change in responsibility of transportation of groceries shifted from customer to on-line's transportation system.

Gay et al. (2005) concluded that e-commerce is more environmentally beneficial to the world than the traditional method of purchasing and delivery due to the efficient e-commerce logistical systems that minimize travel and space in the transport of goods, and the reduction of waste from excess inventory common to traditional commerce. Results of this study suggested that Over a quarter of the air pollutants in traditional commerce result from the consumer vehicles travelling to and from retail stores, which can be controlled by B2C home delivery system.

Lifang peng et.al (2005) explained three positive effects of e commerce on environment consisting primary effects, secondary effects and tertiary effects. The primary effects of the Internet is to prevent the release of large amount greenhouse gases in the world by reducing the building energy intensity because Internet promotes sharing of infrastructure like equipments and networks and the companies involving in e commerce providing online advisory services, online billing systems do not need physical locations. Secondary effects come from diversified applications in warehousing, inventories, transportation, packaging etc. Many organisations use the internet to improve the communication between companies and its departments. It allows the company to better utilize its existing manufacturing capacity for large investments without making any kind of additional investments. In e-commerce, companies may experience larger numbers of orders with smaller size than experienced in the conventional purchasing system. Tertiary effects of e-commerce promote paperless office or society and pollution less environment. It is possible when companies use digital communication for placing orders, sending bills, paying bills and so on. E-commerce changed customer purchasing behaviour and they move for online shopping and retailing. Therefore e commerce prevents the release of large amount of green house gas emission by using on line services instead of using paper.

Christian (2006), analysed the benefits of e-commerce and interpreted these benefits as myths based on study of the Wuppertal Institute for Austria, Germany, Japan, the Netherlands and the US, concluded that major benefit of e-commerce is to reduce the environmental pollution due to lesser travel work of employees, as they widely use latest techniques of communication as e-mails but the reality is that Tele-workers make up only a small share of the total workforce. Moreover Tele-work can generate new social relationships and hence the need for more travelling means more pollution. The work related travel consist only a small amount of the total carbon dioxide emissions. Second myth is that information economy is weightless and dematerialized which reduces environmental impacts. The energy and resource intensities of the information and communication technology sector are indeed lower than the one of the

total economy but the ICT sector constitutes only a small portion of the total value added and fossil fuel combustion is still the dominant activity of modern industrial economies. Another myth is that virtual products allow resource, energy, and transport savings but burning digital music on compact discs and DVDs, printing digital articles and books etc. results in rebound effects that cause new material and energy impacts.

Weltevreden et.al (2008) conducted their research to know the implications of B2C and C2C commerce on personal travel and freight transport in Netherlands. They found that e-shopping led to a net reduction in the number of shopping trips and distance travelled by consumers only in B2C, whereas C2C led to a net increase in the number of trips and distance travelled by consumers. The fact that the Internet has created a new market where consumers can easily buy and sell second hand items is the major cause of this net increase in personal travel. But due to low share of online sale in retail sector B2c and C2C e-commerce had a limited net effect on personal travel. As far as freight transport is concerned, B2C and C2C e-commerce led to more freight transport but again it largely depended on the type of product. For instance freight transport was not increased in financial products and tickets that were ordered online, because these items are delivered digitally or delivered by conventional postal services. Online buying of other items in the B2C category on the contrary had a relatively large impact on freight transport. They finally concluded that In terms of trips, the net increase in freight transport largely outweighed the net reduction in personal travel.

**Conclusion:**

As all these studies focussed on the important effect of e commerce on environment, We can conclude that home delivery services for online groceries could play a critical role in reducing car use for shopping, as they release the customer from carrying home what they buy. The problem is that today's home shopping examples still represent experimentation of state of the art information technology. Generally there was a decline in profitability of sole e-business companies, and the result is that most of the online food shopping solutions today are predominantly locally organized. Most involve groceries being picked and packed at an existing super market and local depot and the service is usually offered over a fairly compact area. As a matter of fact, one of the most serious problems of online grocery is home delivery, and this has also a deep impact on costs, in fact theoretically speaking, it would be possible to sell grocery on the internet for a cheaper price but with the same margins of traditional shops. But in order to achieve this goal, the logistic solution becomes critical, both between the producer and the retailer and between retailer and the consumer – which in this case recalls the problem of home deliveries. Clearly, today it is still unlikely that home delivery services will replace other forms of goods transport, but however they will play an increasingly important role in the future, with the expansion of business to business e-commerce. Today all the most successful examples of online selling companies like dell currently make very extensive use of human distribution. This can have a number of important effects in the society. Beside the direct economic consequences, there could also be other social benefits, as service can improve options for those having problems getting to the shops, like elderly or disabled or those living in remote areas. Although e-commerce applications are expected to become more and more common, there is a lack of knowledge about the effects of e-business and about the aspects mentioned above.

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## A STUDY OF WEAK, SEMI-STRONG AND STRONG FORMS OF MARKET EFFICIENCY: REVIEW OF LITERATURE

Jai Prakash  
Research Scholar, Department of Economics,  
Maharishi Dayanand University, Rohtak, Haryana, India

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### ABSTRACT

*There is no dearth of studies on weak-form of market efficiency. The studies have been carried out by using different statistical models and have delivered mixed results. There are few studies, which state that Indian stock market is weak-form efficient and there are some others which negate this theory. Many studies have been made on testing semi-strong form of efficient market hypothesis (EMH) in relation to event announcement like dividend, bonus, right issue, option listing, stock split, block trading, annual earnings, etc. During the last five decades, a large number of tests on the relevance and applicability of the random walk hypothesis and EMH is carried out in many developed and developing economies. Seasonality or calendar anomalies such as month of the year and day of the week effects has remained a topic of interest for research since long time in developed as well as developing countries. The study concludes that the Indian stock market follows these three forms of market efficiency.*

**Key Words:** EMH, Random Walk, Weak-form, Semi-Strong form, Strong form.

The EMH, popularly known as the Random Walk Theory, is the proposition that current stock prices fully reflect available information about the value of the firm and there is no way to earn excess profits (more than the market overall) by using this information. The term market efficiency is used to explain the relationship between information and share prices in the capital market literature.

Fama classifies market efficiency into three categories namely, weak-form, semi-strong form and strong form. In its weak form, EMH states that the stock returns are serially uncorrelated and have a constant mean. In other words, a market is measured weak-form efficient if current prices fully reflect all information contained in historical prices, which implies that no investor can devise a trading rule, based solely on past price patterns to earn abnormal returns. A market is semi-strong efficient if stock prices rapidly reflect any new publicly available information and strong-form efficient if prices reproduce all types of information whether available publicly or privately (Fama, 1965).

Turn of the year, month, week and holidays are reported to have consistently generated abnormal equity returns, unrelated to the attendant risks, at the developed stock markets and are identified as calendar anomalies. Fama (1965) reported Monday's variance to be 20 per cent greater than other daily returns. The earlier tests of the weak-form of EMH are concerned with the predictability power of past returns. It indicates that future returns cannot be

forecasted from past returns data since the current returns are considered to contain all information that is incorporated in historic data. Fama (1991) has extended the coverage from the predictability power of past returns only to the general area of tests for return predictability, which also covers seasonal in returns and the forecasting ability of variables like dividends, firm size and or interest rates. Following by Fama's theory and comprehensive empirical work of efficient capital market, a plethora of studies were devoted to testing validity of the weak-form of the EMH. A large number of these researches has centered on developed markets. Empirical studies test the EMH in terms of the null hypothesis that there is no serial correlation. In the short-run, when stock returns are determined over periods of days or weeks, the general evidence against market efficiency is a presence of positive correlation in stock returns. However, recent studies on autocorrelation in stock returns have shown mean reversion in stock prices.

Laurence (1986) examined by applying both the runs and autocorrelation test on the Kuala-Lumpur Stock Exchange (KLSE) and the Stock Exchange of Singapore (SES). The study used price observations of the individual stock from the period 1973 to 1978 for both KLSE and the SES. The results of both tests suggested that both markets are not weak form efficient.

Parkinson (1987) examined and tested the validity of the weak-form efficiency of the Nairobi Stock Exchange using monthly prices of individual companies for the period 1974 to 1978. The result of the runs test showed that the 50 companies in NSE, 49 exhibited fewer numbers of the runs that expected, therefore, the hypothesis of random walk is rejected.

Lee (1992) examined whether weekly stock returns of the United States and 10 industrialized countries such as Australia, Belgium, Canada, France, Italy, Japan, Netherlands, Switzerland, United Kingdom, and Germany follow a random walk process for the period 1967-1988 by employing variance ratio test. The study found that the random walk model is still appropriate characterization of weekly return series of for majority of these countries. Broca (1992) presented unequivocal evidence as to the day-of-the-week effect and concluded that the trading strategy based on this evidence is ineffective when compared to a naive 'buy and hold' strategy. The study presented the evidence using the BSE NATEX daily returns measured as percentage change that the lowest mean returns occurred on Wednesdays in contrast to developed markets where Mondays showed the lowest returns.

Bailey (1994) examined the early evolutionary stage of both the Shanghai and Shenzhen stock markets return and risk. The study used share prices of nine companies listed in Shanghai and Shenzhen exchanges and found that B-share display no or little correlation with international index returns. The results suggested that B-share can be considered good diversification investment for foreign investors and confirms the effectiveness of market segmentation in A-share and B-share markets.

Harvey (1995) studied the volatility and returns predictability of six Latin American, eight Asian, three European and two African emerging stock markets and found presence of strong serial correlation in the stock returns which cause them more predictable. Due to recent liberalization in many developing countries, increasing studies have focused on predictability of return behavior and major of the studies on examining the validity of random walk hypothesis in the emerging stock markets.

Jayadev (1996) evaluated the performance of two growth oriented mutual funds namely Master-Gain 1991 of Unit Trust of India and Magnum Express of SBI Mutual Funds. The study period spanned from June 1992 to March 1994 and employed the risk adjusted performance measures suggested by Jenson, Treynor and Sharpe in order to evaluate the performance of mutual funds. It is concluded that both the mutual funds do not perform better than their benchmark indicators. It also concluded that Magnum express is found to be highly diversified while Mastergain is low diversified. Moreover, the fund managers of both the funds are found to be poor in market timing and selectivity.

Chang and Ting (2000) examined the validity of weak-form efficiency of the Taiwan stock market for the period 1971-1996 by using variance ratio test. The study used the weekly, monthly, quarterly and yearly returns of the value-weighted stock price index. The results rejected the random walk hypothesis with weekly returns, but not with monthly, quarterly and yearly value-weighted market indexes.

Lee, Chen and Rui (2001) investigated the time-series features of stock returns and volatility in four of Chinese stock exchanges. The study used daily returns of Shanghai A-share and B-share and Shenzhen A-share and B-share indices for the period 1990 to 1997. Applying the variance ratio test, the study observed that Chinese stock market do not follow a random walk hypothesis. The results indicated that stock returns are not independent and identically distributed in Chinese stock market. Moreover, the study found the presence of negative serial correlation in return series indicating the possible mean reversion in returns. The study also suggested that mean reversion in Chinese stock returns is likely stem from thin trading.

Smith and Ryoo (2003) investigated the random walk behaviour in five European emerging markets using variance ratio tests. The study employed weekly data of index prices in local currency for the period April 1991 to August 1998. According to the results, in four of the markets, Greece, Hungary, Poland and Portugal, the random walk hypothesis is rejected because returns have autocorrelated errors. The positive autocorrelation is found in four of the markets, while in Turkey and the Istanbul stock markets are found to follow a random walk. The study claimed that this might be deriving from the fact that the Istanbul stock market being larger and liquid compared with the other four markets. However, evidence from other studies, which use variance ratio tests, suggested that relatively large size on its own is neither necessary nor sufficient for a market to follow a random walk.

Hassan, Haque and Lawrence (2006) examined and conducted a test of efficiency in seven European emerging stock markets. The study used International Finance Corporation's weekly stock index data for the period December 1988 through August 2002. Several methods used in this study including Ljung-Box Q-statistic, runs, and variance ratio tests. According to the results, except Greece, Slovakia, and Turkey, markets in Czech Republic, Hungary, Poland and Russia are found to be unpredictable.

Thanou (2008) examined the overall performance of 17 Greek Equity Mutual Funds over the period from 1997 to 2005. This study employs the Capital Asset Pricing Model (CAPM) methodology and all the methods which are used in this study are within CAPM evaluation theory. In this study, Sharpe and Treynor indexes have been calculated in order to find the significant difference in ranking between up and down market conditions and Jenson's measure is being employed in order to analyze the performance of fund managers. The study

concluded that only two mutual funds out-performed the market and two funds under-performed the market at 95 per cent significant level. The study also concluded that the overall performance of the fund is found to be somewhat equal to that of market but the fund manager's ability of market timing is found to be poor.

Pichardo and Bacon (2009) examined the effect of Lehman Brother's Bankruptcy on the overall market by taking stock price's risk adjusted rate of return for 15 selected brokerage firms. Statistical tests proved that the bankruptcy had a negative impact on stock price's risk adjusted rate of return for the 15 firms, which supported the semi-strong market efficiency theory. The bankruptcy continued to affect the market even after the event.

Earl and Bacon (2011) examined the semi-strong form of EMH by analyzing the impact of the failure announcement of Federal Deposit Insurance Corporation (FDIC) bank on the stock price returns of Bank Holding Companies. The period covered under this study is from 13th Feb 2009 to 16<sup>th</sup> Jul 2010. The study employed the Standard Risk Adjusted Event Study Methodology over the sample of 36 FDIC bank failure announcements which have been taken from publicly traded Companies which are traded on NYSE, NASDAQ or OTC. The study concluded that the market shows the negative signals on and around the bank failure announcements which suggested that the Bank Holding Companies cannot earn abnormal return and the management and stock holders have fear of FDIC bank failure announcement.

Ajao and Osayuwu (2012) analyzed and tested the weak form of efficient market hypothesis in the Nigerian capital market. The scope of the study consist of all securities traded on the floor of the Nigerian Stock Exchange and the month end value of the all share index from 2001 to 2010 constitute the data analyzed. The serial correlation technique of data analysis was used to test for independence of successive price movement and the distributive pattern while runs test was used to test the randomness of share price movement. The result of the serial correlation showed that the correlation coefficients did not violate the two-standard error test. Furthermore, the Box Ljung statistic shows that none of the serial correlation coefficients was significant and the Box pierce Q statistics shows that the overall significance of the serial correlation test was poor while the result of the distribution pattern shows that stock price movements are approximately normal. On the basis of these findings, the study concluded that successive price changes of stocks traded on the floor of the Nigerian Capital Market are independent and random, therefore, the Nigerian Capital Market is efficient in the weak-form.

Choudhry (2000) examined the week day patterns in return and volatility of seven emerging markets including India. For the Indian market, using the daily data of returns from January 1990 to June 1995, the study obtained a positive Friday effect in returns and a positive Thursday effect in volatility. Thomas and Shah (2002) analyzed the Indian stock market index from April 1979 to June 2001 by using 26 budget dates. The study found that in some years, post-budget returns are positive, in other years post-budget returns are negative; on an average, there is no clear pattern about movement in the Index after budget date. The study did not provide no evidence of over-reaction or under-reaction prior to budget date or immediately after it. Thus, the study concluded that the information processing by stock market participants is rational and that the Indian stock market is semi-strong efficient. Gupta (2003) examined the semi-strong efficiency of the Indian Stock market over the period from 1995 to 2000 by employing event study. The study involved a sample of 145 bonus issues, in



order to examine the announcement effects of bonus issues on equity share prices in India. The study concluded that the Indian Stock market was semi-strong form efficient.

Mishra (2005) examined 46 bonus issues from June 1998 to August 2004 and results found that there are significant positive abnormal returns 5 days prior to the event but within 2 days of the event the market corrects the speculation built up with prices fully showing the public announcement available. The study concluded that the Indian stock market is semi-strong efficient. Gupta (2006) used the event methodology on 50 companies comprising CNX Nifty, which announced their quarterly earnings for the quarter ended March 31, 2004. The study employed the board meeting date as the event date and also used 61 event windows i.e. 30 days before and 30 days after the event date. The study has divided sample into good news and bad news announcements. In the good news, the study found that the stock prices turn positive 3 days before the announcement (T+3) and remain positive till 13 days after the event day (T+13) indicating that Indian stock market is not semi-strong efficient.

Malik and Mittal (2007) analyzed the penny stocks to revisit the concept of EMH in India by employing Runs Test and Serial Correlation. The study was based on daily price observation of 30 penny stocks for a period of one year ending on 31st March, 2006. It is concluded that penny stock prices behave randomly and independently over a short period of time.

Dhar, Satyajit and Chhaochharia (2008) analyzed the impact of the information relating to the announcement of stock split and bonus issue on stocks listed on National Stock Exchange (NSE) by employing event study. Both the events, i.e. stock split and bonus issue, reflect significantly positive announcement effect. For bonus issues, the abnormal return was about 1.8 per cent and for stock splits it was about 0.8 per cent. Thereby the study supports the view that Indian Stock Market is efficient in semi-strong form. Pradhan, Das and Mishra (2009) examined the efficient market hypothesis (EMH) in its weak form by employing the unit root test on the sample of daily stock returns of National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The sample period lies from January 2007 to July 2009. The study revealed that Indian Stock market is not weak form efficient.

Khan and Sana (2010) found that with every moment in the FII's investments, there was an instant reaction over the BSE and NSE allowing no scope to the investors to outperform the market and hence, the study concluded that the FII's investments had significant role in achieving semi-strong form of efficiency of the Indian capital market. Chakraborty (2011) examined the semi-strong form of pricing efficiency of the Indian stock market in relation to the impact of the stock split announcements on the price behaviour of the related stocks using a sample of 17 constituent stocks of S & P CNX Nifty that witnessed stock split announcements at different times in the period from February 2000 to January 2010. The analysis based on the average abnormal returns of the stocks clearly revealed that no statistically significant abnormal return is created on and around the stock split announcement day. This supported the semi-strong form of pricing efficiency of the market. But while considering the cumulative average abnormal returns for certain time intervals in the event window of 41 days, the study found some inconsistency in the results. The cumulative average abnormal returns in the shortest time interval (day 1 to day 5) in the post-event period and in two intervals around the event day viz. day-10 to day 10 and day-15 to day 15 are found statistically insignificant providing no scope to the investors to consistently outperform the market. This also evidenced the semi-strong form of pricing efficiency of the market. Kumar

and Kumar (2012) analyzed the market efficiency of Indian capital market in its weak form based on NIFTY of National Stock Exchange (NSE) by using the daily closing values of the NIFTY over the period of 1<sup>st</sup> January 2003 to 31<sup>st</sup> March 2011. It is found that Indian capital market neither follow random walk model nor is a weak form efficient.

#### Conclusion

No doubt that there are number of studies on the efficient market hypothesis to test the randomness of stock prices of individual companies but still there are enough gaps in the study regarding to test the random walk of equity market indices around the globe in present era. Therefore the Indian markets have been selected to test the market efficiency Some of the pertinent literature is scanned by the researches through various research papers which show that many research studies have been conducted to test the efficiency of the Indian stock market with respect to the efficient market hypothesis. After reviewing various studies conducted on equity markets the researchers have observed that very few researches are made specifically on testing the strong form, semi-strong form and weak form market efficiency of EMH in Indian Capital Market related to equities.

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## INDIA'S LOOK EAST POLICY: CHALLENGES AND OPPORTUNITIES

Jyoti  
Junior Research Fellow,  
Department Of Political Science,  
Kurukshetra University, Kurukshetra, Haryana, India

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### ABSTRACT

*The Look East Policy of India, framed by Narsimha Rao government in the early nineties is a substantial manifestation of India's focused foreign policy orientation towards Southeast Asia; an immensely resourceful and flourishing region. Today it has become increasingly important element in India's foreign policy .It gave a new direction and provide a decisive shift in India's traditional focus on foreign policy. India's Look East Policy has acquired critical momentum and strategic depth. Both the regions have cultural and civilizational linkage and have common interests in various fields as like trade and tourism, investment, joint ventures including counter-terrorism, climate change and natural disaster relief. Both are major players in global economy and can contribute to the future development of Asian region. The Asia-Pacific region would also benefit from a closer partnership between India and ASEAN. While the impetus for mutual cooperation is strong, forging a strong partnership in the 21<sup>st</sup> century will require ASEAN and India to overcome several formidable challenges and seize key opportunities with cooperation and a wider vision. In this paper, an attempt has been made to demonstrate the growing cooperation between India and ASEAN in various fields as well as with the problem in their way of cooperation. Thereafter, the paper will end on the discussion on the areas of convergence between India and Southeast Asian Countries.*

**Key Words:** India, Southeast Asia, economic, political and strategic dimensions.

Developments in the neighbourhood provide an important input in the formation of foreign policy of any country. It is because factors like past legacies, geopolitical setting, socio-economic conditions, ethnic issues, societal composition, nature of borders, political stability etc. influence neighbours in a very significant manner. Besides, domestic external milieu (both regional and global) works as a key factor in the formation of any country's foreign policy<sup>1</sup>. The end of the cold war and simultaneous growth of globalization are indicatives of such a change, as they have changed the political and economic structure and process of the world in a substantial manner. India is no exception to such phenomenon. The disintegration of Soviet Union (1991) and development in Eastern Europe (1989) affected the global structure significantly. It is not only led to the end of cold war, but also carried serious implications for all countries of the world. India and Southeast Asia too would not remain unaffected by this phenomenon<sup>2</sup>. The qualitative and structural changes brought about by the end of the cold war

led to new orientations in the foreign policies of India and the countries of Southeast Asia. On the one hand, India starts moving towards Southeast Asia to build strong economic, strategic and political ties with them. And on the other hand, Southeast Asia, by leaving all inhibitions of the past came closer to India to develop warm and friendly relations with it<sup>3</sup>.

Situated in the Asian subcontinent, South-East Asian nations forms the second ring of neighbouring states for India. India is not a stranger to southeast Asian states and to the regions beyond it, because of her deep historical, cultural and maritime bonds with them.<sup>4</sup> After independence, India looked forward to carving role for herself in the Asian continent. Nehru as the philosopher and architect of independent India's foreign policy, in general and its Asia policy in particular was aimed at building Asian solidarity. He took in to account the aspiration of a new independent and resurgent Asia.<sup>5</sup> Speaking in the Asian Relation Conference in New Delhi, in March 1947, he observed that, 'We are of Asia and the people of Asia are nearer and closer to us than others. India is so situated that she is the pivot of western, Southern and Southeast Asia. In the past, her culture flowed to all these countries and they came to her in many ways. These contacts are being renewed and the future is bonds to see a closer union between India and Southeast Asia<sup>6</sup>.

Nehru's vision was based on three assumptions. First, he asserted India's geo-strategic centrality to Asia; second, its deep historical and cultural ties with Southeast Asia; and third, he believed that India's naturalist/non-aligned policy had a considerable appeal in Southeast Asia because the decolonized and newly independent countries of Asia would like to keep away from great power's rivalries and conflicts.<sup>7</sup>

But with India's obsession towards Pakistan and with its preoccupation with China, the Southeast Asian region did not figure much in its foreign policy till the early 90s. The Indian leadership viewed ASEAN as an American "imperialist surrogate". While ASEAN dubbed India as the "surrogate of Soviet Union".<sup>8</sup> The signing of Friendship Treaty (1971) with Soviets, India's stand on Afghanistan and India's recognition of Hang Samarin Government in Vietnam (1981) - led to further estrangement between India and ASEAN. India's decision not to participate as a dialogue partner in 1980 was a further setback.<sup>9</sup>

The next phase of India – ASEAN relation that started in the early 1990s was one of bonhomie. The crisis like situation India faced on both economic and political front was catalyst to begin a new era. A solid beginning was made to liberalise the economy and a new foreign policy agenda was set in motion. ASEAN was one of the prime targets for economic, political and strategic interaction.<sup>10</sup> And the results were dramatic: India became a sectoral dialogue partner of ASEAN in 1992. In 1995 this was upgraded to full dialogue partnership. But India's Look East Policy did not develop in vacuum. Compulsions of both of them have brought them closer to each other. For India, ASEAN has emerged as a promising area in trade, investment, joint venture, tourism etc. and it has emerged as a major economic space. For ASEAN too, India has emerged as a very attractive destination for its exports of goods services, technology and capital because of its large and sound human resources base. India's policies of economic reforms, liberalization process, with democratic form of government coupled with availability of cheap labour and scientific and technical manpower is looked upon by Southeast Asian countries as a better place for investment. Besides these, the end of Cold War, disintegration of Soviet Union, the globalization of national economies, Asian

financial crisis, China's involvement in Southeast Asia created momentum for India's Look East Policy.<sup>11</sup>

The policy gave an opportunity for resourceful India to come out of regional politics and play a global role in forging partnership with the east befitting the size, population resource and economic development in India.

A close scrutiny of India's Look East Policy reveals that it was not simply meant to improve relations with Southeast Asia. There were a number of other dimensions too. First, the Look East Policy was a multi dimensional, multi-faceted and multi-pronged approach to establish strategic, political and economic links with many individual countries of ASEAN. Second, it was an attempt to carve a place for India in the larger Asia – Pacific. Third, the Look East Policy was also meant to work as a show case for India's economic potential for investment and trade.<sup>12</sup> A multi-dimensional approach and the progress that India's Look East Policy has achieved can be briefly explained.

### **Bilateral Relations**

India has strengthened its bilateral relations with all the Southeast Asian countries in the last two decades since launching of Look East Policy. Among the older ASEAN members, Singapore has emerged by far as the most important bilateral partner of India followed by Malaysia, Indonesia; Vietnam.<sup>13</sup> High level visits of heads of states from most of these nations have been taken place. Apart from this dual track diplomacy, people-to-people contacts have also been encouraged to cement the ties between India and Southeast. Promotion of trade, tourism, cultural activities, academic exchanges etc. have been enhanced to develop friendly contacts between the common men of two regions.<sup>14</sup> Special attention is being paid to the CMLVs (Cambodia, Laos, Myanmar, Vietnam), countries where there is enough scope and opportunity for India to extend its influence.<sup>15</sup> India has entered a few bilateral FTA (Thailand and Malaysia) and economic cooperation agreement (Indonesia, Malaysia and Singapore). Of all Southeast Asian nations, Myanmar has special place from India's strategic and security perspective as Myanmar is the land bridge between India and ASEAN.<sup>16</sup>

### **Institutional Linkages**

Institutionally, India has accepted as a sectoral Dialogue Partner by ASEAN in January 1992 and full dialogue partner in December 1995. India participated for the first time at the Post-Ministerial Conference (PMC) of ASEAN in Jakarta in July 1996 and ASEAN Regional Forum (ARF) with deliberate on the security and political concern of the Asia Pacific.<sup>17</sup> In 1997, India along with some of the South and Southeast neighbours, also established a sub-regional grouping called Bay of Bengal Initiative for Multi-Sectoral Scientific, Technological and Economic Cooperation (BIMSTEC) to promote rapid economic cooperation in the areas of trade, investment, tourism, fisheries, agriculture, transportation links and human resource development.<sup>18</sup> Besides BIMSTEC, India's interaction with its eastern neighbours also take place in the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) established in 1997. In 2000, India and the Mekong basin countries of Southeast Asia namely Thailand, Myanmar, Laos, Kampuchea and Vietnam established a Mekong-Ganga Cooperation (MGC) forum with India.<sup>19</sup> India became ASEAN's Summit Level Partner in 2002. A framework on CECA (Comprehensive Economic Cooperation Agreement) was concluded in 2003 during the Bali ASEAN Summit. India became a member of East Asia Summit (EAS) in 2005. Since

2006, India has become a member of Asia-Europe Meeting (ASEM). To further integrate itself with the regional economic structure, India signed a Free Trade Agreement (FTA) in August 2009. India also became a member of ASEAN Defence Minister's Meeting (ADMM) in May 2010.<sup>20</sup> Thus India has achieved notable success in securing institutional integration with the region under the Look East Policy.

### **Strategic Engagement**

Since the beginning of the second phase in the LEP, the question of strategic engagement and defence cooperation has been stepped up India's policy of strategic engagement with the eastern neighbours has developed various aspects. There are high-level political and military exchanges and visits where broader regional and global security issues are discussed. Then there are naval and other services (Air Force, Army) visits and exercise.<sup>21</sup> The Southeast Asian Countries like Indonesia, Malaysia, Vietnam, Singapore, Thailand are currently engaged in a massive defence modernization and also providing markets for Indian products and services.<sup>22</sup> India is also setting up training facilities and military academies there. In August 2008, India offered to setup Air Force Academy in Laos. The Kalaikunda Air Force Base in India's West Bengal state was leased in October 2007 to Singapore for five years for training purpose. Beyond ASEAN, India has also developed close strategic understanding and cooperation with Japan, Australia, Korea and China.<sup>23</sup>

### **Economic Cooperation**

Economic dimension has acquired a significant place in India's relations with ASEAN. It was important for India to extend the domestic and regional economic cooperation with ASEAN, as this region seemed to be the most appropriate arena due to economic development of East Asian economies, mainly the five economies Malaysia, Singapore, Thailand, Indonesia, Philippines, were recognized as the economically most vibrant economies.<sup>24</sup> After according Sectoral Dialogue Partnership to India, the ASEAN – India Joint Sectoral Cooperation Committee (AIJSCC) was set up in March 1993 which identified four areas for cooperation viz. trade, investment, tourism and science and technology.<sup>25</sup> Economic cooperation between India and ASEAN has been increased over the period of 1995 to 2010, which clearly indicates that the policy of liberalization and openness has helped strengthening India's ties with ASEAN. Today, India's trade with ASEAN has grown impressively since the pursuance of LEP – from US \$2.3 billion in 1991-92 to \$50 billion in 2010-11. Today, Singapore stands out as India's largest trading partner in ASEAN with FDI approximately 9%, followed by Malaysia, Indonesia, Vietnam.<sup>26</sup> Country-by-country analysis of the bilateral trade between India and ASEAN countries shows that two way trade has increased by 13 sectors, viz. minerals fuels, oils, distillation products, organic chemicals, plastic and articles, thereof, rubber and rubber products, gems and jewellery, iron and steel, articles of thereof, electronic equipment etc.<sup>27</sup> Joint Ventures are another areas of investment between India and ASEAN countries. The crowning glory of the Look East Policy is the signing of the India-ASEAN Free Trade Agreement on 13 August 2009 at Bangkok. It will offer huge growth opportunities to both India's trade with ASEAN as well as Japan, Australia and the Republic of Korea. Because of its economic potential, economic reforms, it will also give a further boost to not only India's economic growth but also to its relations with the East Asian neighbours.<sup>28</sup>



### **Challenges**

Undoubtedly India's Look East Policy, has acquired critical momentum and strategic depth. There is now much greater mutuality of interest, interdependence and evident mutual convergence. India's present upgraded summit level dialogue with the ASEAN countries, China and Japan give her an opportunity to safeguard and further her national, regional and global interest and to build an Asia-Pacific of which India is an integral part, in partnership with the countries of the region. Despite enormous progress, India lags behind by other great powers in terms of geo-political or economic importance. The insufficiency of confidence-building measures, policy predictability, transparency and mutual understanding in the realm of regional security cooperation is a troubling thought.

To make the 'look east policy' a success, India will have to face several challenges which may stand on her way. Southeast Asia and India's neighbouring South Asian regions are fast becoming a major hub of trans-national crimes. They shared global and regional concerns on non-traditional threats to security like terrorism, trafficking in narcotics and drugs, and smuggling in small arms, safety of maritime routes, piracy etc. are emerging as new areas of mutual concerns.<sup>29</sup> China's growing economic and strategic presence and influence in the region, makes a diversified relationship with India necessary for Southeast Asia. The problem would however arise if and when China starts arresting itself on these countries. As this assertion increase, India's presence in the region may come under pressure.<sup>30</sup> Another problem is Asia's most critical strategic triangle is the one constituted by India, the U.S. and China. These relationships cannot be free from competition and tensions. Each one among them will try to influence this region more than other. China is particularly worried about the growing strategic understanding between India and the US aimed at constraining China's emerging strategic presence and stake in the region.<sup>31</sup>

India – ASEAN relation still lack depth content and direction. At the political and strategic levels, India has not been able to build and capitalize an emerging convergence with Southeast Asia unlike China, Japan and South Korea which are far ahead of India.<sup>32</sup> India and ASEAN share common land and maritime boundaries. Instability in one region can affect the other. Unfortunately, natural disaster, epidemics, local turmoil and tensions, environmental degradation, common maritime space and the exploitation of natural resources have become factors that have aggravated the problem. Because of lack of regional trans-border infrastructure, separatists and criminal elements are able to use each other's territory for wrong purpose.<sup>33</sup> India's road to diplomacy involving a trilateral India – Myanmar – Thailand highway project, the establishment of land and air links while facilitating trade, may also create new problems associated with cross-border migrants and refugees.<sup>34</sup>

### **Prospects**

India has to maintain a close relationship with the region by working on the areas in which both the countries are interested (in the development of economic interaction particularly through her dialogue partnership with ASEAN). One important area to which the two regions must pay attention is to develop institutional linkage.<sup>35</sup> With increasing competition and the need to remain ahead in this era of knowledge-based globalised economy, ASEAN and India must expand and deepen their economic linkages. ASEAN and India should work closely under the Framework Agreement on Comprehensive Economic Cooperation to realize their

economic potential in trade in goods and services and investment as soon as possible. By doing so, ASEAN and India could enhance their respective attractiveness as FDI destinations and increase their competitiveness as producer, exporter and service provider in the global market place.<sup>36</sup> India and ASEAN, through the ARF and other multilateral fora, should also address non-traditional security threats or trans-national crimes such as maritime security, trafficking in drugs, arms smuggling and human trafficking. ASEAN and India should also work together to curb the proliferation of nuclear technology and materials.

India should pay more attention to the CLMV countries which are economically under developed. These countries can provide enough scope and opportunities to India. India should grant special concessions and extend most favoured nation tariffs for enhancing bi-lateral trade with these countries.<sup>37</sup> India can further enhance relations by the promotion of education in collaborating with Southeast Asian countries. Besides offering seats in India, the feasibility of establishing high quality educational institutions and professional institutes like the IITs, engineering, medical college, could be examined.<sup>38</sup> Energy security is another area of common concern to both of the regions. ASEAN and India should look into promoting sustainable and optional utilization of energy, and alternative source of energy.<sup>39</sup> ASEAN and India should also look at expanding air, sea and land transport linkage to promote trade, tourism and other economic activities.

India should make efforts to bring tourist from ASEAN. The tourism receipts are highest for Malaysia, and after Malaysia it, is for Singapore, Thailand, Philippines, Indonesia and Myanmar. In India, various places of Buddhist interest like Bodh-Gaya, Sarnath, Nalanda and places of Muslim interest like Taj Mahal, Ajmer, Hyderabad, Fatehpur Sikri etc. can promote people to people contact, India should try to attract the tourist from ASEAN so as to bring forging currency for India. India and ASEAN should develop extensive people-to-people interactions involving exchange programmes among youth, media personnel, academics, business people, government officials and artists and literati. More exchange of visits at the grassroots level can take place.

India's Look East Policy, while intended to Asia-Pacific engagement, launched in the early 1990 has acquired critical momentum and strategic depth. There is now mutuality of interest, interdependence and evident mutual convergence. And because of robust cultural and civilizational connections between ASEAN and India in the past and the common interests that both parties share today means that there is significant potential for the development of a strong partnership for tomorrow. But the potential of the relations must be carefully cultivated by policy maker's strategists as southeast is likely to remain a viable foreign and security policy option for India in its quest to establish its geo-political and economic prowess in the year to come. It will require bold decisions, innovative policies, and smart politics on the part of ASEAN and Indian leaders in order to both get past potential obstacles as well as push through initiatives that provides opportunities for enhancing the relationship. Both India and ASEAN should try to get strong their relations. That will be beneficial not only for them but for the peace, progress and prosperity of the Asia –Pacific region.

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## INDIA MALAYSIA RELATIONS SINCE 1990s

Dr. Pardeep Kumar

Assistant Professor, Department of Political Science,  
Geeta Institute of Law, Karhans, Samalkha, Panipat, Haryana, India.

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### ABSTRACT

*India and Malaysia have a long history of trade and cultural relations. Diplomatic relations between India and Malaysia were established in 1957 and the two countries celebrated the 50<sup>th</sup> anniversary of the foundation of their diplomatic engagement in 2007. Both are the common member of various fora such as the NAM, the G-15, the G-77, the Commonwealth, the WTO, ASEAN Regional Forum (ARF), the East Asia Summit and the Indian Ocean Rim-Association for Regional Cooperation (IORAC). Bilateral trade has increased from US\$0.6 billion in 1992 to US\$13.32 billion in 2012. The trade has more than doubled from US\$5 billion to US\$13.32 billion between 2005 and 2012. Given that the total trade between the two nations was only \$12.3 billion in the January to November 2013 period, against Malaysia-China trade of \$95 billion, the Minister of International Trade and Industry for Malaysia, sees a huge opportunity to grow the relationship.*

**Key Words:** Bilateral, CECA, MIDCOM, MoU, IORAC, Joint Venture.

Though, bilateral relations have generally been cordial, the enthusiasm to engage deeper has remained absent for a long period. Bilateral ties have, however, improved during recent years due to the convergence of mutual interests in an economically globalizing world. Regular exchanges of high level visits have also contributed to the improved relations. P V Narsimha Rao in 1995 and Atal Bihari Vajpayee in 2001 visited Malaysia. Prime Minister, Manmohan Singh visited Malaysia in 2005 to participate in the First East Asia summit. Similarly various Malaysian Prime Ministers have also visited India. Dr. Mahathir in 1994 For G-15 meetings and in 1993, 1996, and 2002 for bilateral visits. Malaysian Prime Minister Dr. Mahathir bin Mohammad paid a state visit to India from 19-22 December 1996 to receive the 1994 Jawaharlal Nehru Award for International Understanding. Dr. Mahathir also delivered the First India-ASEAN Lecture instituted under the Full Dialogue Partnership with ASEAN. During the official visit of the Minister of External Affairs to Malaysia on 18 and 19 August 1996 ports, power and highways were identified as three areas where Malaysian expertise can be beneficial to India.

India-Malaysia cooperation also has its regional and international dimensions. Both are the common member of various fora such as the NAM, the G-15, the G-77, the Commonwealth, the WTO, ASEAN Regional Forum (ARF), the East Asia Summit and the Indian Ocean Rim-Association for Regional Cooperation (IORAC). India has always been extremely supportive of Malaysia's active role in NAM while Malaysia also extended its support in favor of India's status as an observer nation in the ASEAN. However, during the tenure of Mahathir Mohammad, the nature of India-Malaysia relations remained extremely complex due to his attempt to 'be more Malay than the Malays.' Mahathir, due to his partly-Indian origin, was forced to choose a delicate balance in bilateral ties because his closeness with India could

have aroused Malay nationalistic sentiments against him. However, despite domestic political compulsions, Mahathir was in favor of economic and defense cooperation with India. This is evident from the fact that during his tenure Malaysia also got its air force pilots trained on MIG-29s in India. During the Vajpayee's visit to Malaysia in 2001, a positive sign in India Malaysia relations was seen when Malaysia changed its previous view on the Kashmir issue and accepted the Indian position that the issue could be resolved only through bilateral negotiations. However, Indo-Malaysian bilateral relations deteriorated in 2003 when some Indian IT professionals, working in Malaysia's Multimedia Super Corridor project were harassed and charged as illegal migrants. Following strong criticism from the Indian government, the Malaysian government conveyed its apology to India. Thereafter, Prime Minister Badawi's landmark visit to India in 2004 stimulated the bilateral relationship and opened new vistas for India-Malaysia cooperation. His visit culminated in the signing of 12 agreements and MoUs covering wide ranging cooperation in the areas of satellite technology, biotechnology, IT, infrastructure, education, and research. In a meeting with Prime Minister Badawi on sidelines of ASEAN-India Summit in December 2005, Prime Minister Manmohan Singh suggested for a Special Purpose Vehicle (SPV) to fund infrastructure projects on government-to-government basis through Malaysian Khazanah. Malaysian Minister of Finance II Yakcop visited India in May 2006 to discuss and develop the idea of the SPV further. Foreign Ministers of both countries head the Joint Commission, which held its 4th meeting in New Delhi in February 2007. The Limkokwing University of Creative Technology, in association with the High Commission of India and Indian Council of Cultural Relations, held an Odissi Dance Performance Night at the University's Hall of Fame to commemorate the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between India and Malaysia. The warm and cordial atmosphere throughout the evening, where high ranking foreign officials of India and Malaysia intermingled with Limkokwing's staff and students, was a testimony of the long-standing friendship and excellent relations that exist between Malaysia and India. As a leading global university of the world, Limkokwing University is conscious that Malaysia attaches great importance to its relations with India, especially where the longstanding relations are bound by history, culture and economic imperatives. Over the past 50 years, the bilateral cooperation between Malaysia and India in areas such as science and technology, transportation, defence, agriculture, labour, culture and tourism have been intensified.

Air links have improved significantly following a bilateral agreement in 2007 to increase the seat capacity to six major destinations in India and a provision for multiple destinations and designating any number of airlines to operate on the India-Malaysia routes. India is the sixth largest source country for inbound tourism to Malaysia with about 600,000 Indian tourists visiting Malaysia in 2009, an increase of 9% over figures of 2008. Malaysia is the tenth largest source country for foreign tourists visiting India with 115,794 Malaysians visiting India in 2008.

There are about 150,000 legally recruited Indian workers in Malaysia in both the skilled and semi-skilled category. This includes about 10,000 expatriated employed in IT, manufacturing, banking, etc. A bilateral MoU on Employment and Welfare of Workers signed in January 2009 establishes an institutional framework to deal with issues concerning Indian workers. A Joint Working Group at the Secretary level held its first meeting in March 2009, and this was followed by a meeting of Middle Level officials in October 2009.

Malaysian Prime Minister Dato' Sri Najib paid a landmark state visit to India from 19-23 January 2010. During his visit he expressed his wish to see a qualitatively new relationship between two countries. About 2000 Indian students are studying in Malaysia, while an estimated 3000 Malaysian students are studying in India. A MoU on Higher Education was signed on 20 January 2010 during PM Najib's visit to India. India offers about 30 slots under ITEC and 25 under the Colombo Plan. A new Indian Cultural Centre (ICC) has been opened in Kuala Lumpur on 10 February 2010 to promote cultural relations with Malaysia. Progress in India-Malaysia relations is also evident from various agreements and memorandum of understanding signed between them as given below.

**Bilateral Agreements With Malaysia:**

Cooperation in Science and Technology	12 September 1998
Trade Agreement	October 2000
Exemption of the Visa requirement for holders of Diplomatic and Official Passports	14 May 2001
Avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to Taxes on Income	14 May 2001
Agreements in cooperation on Information Technology between NASSCOM (India) and PIKOM (Malaysia)	December 2004
<b><u>Memorandum of Understanding signed with Malaysia:</u></b>	
Defense Cooperation	1993
Air Service Operation	12 September 2000
Mutual Cooperation Relating to Investment, Construction, Privatization and Management of Seaports in India	14 May 2001
Cooperation on Information Technology and Services	14 May 2001
Cooperation in the field of Civil Service, Personnel Management and Public Administration	14 May 2001
Between Securities Commission of Malaysia and the Securities and Exchange Board of India in relation to Assistance and Mutual Cooperation	14 May 2001
On Space Technology between Antrix Corporation (ISRO) and MEASAT Satellite Systems Sdn Bhd.	December 2004
Technical Services Agreement concerning Hyderabad International Airport between Hyderabad International Airport Ltd and Malaysia Airport Holdings Bhd.	December 2004

Malaysia has one of the largest communities of People of Indian Origin in the world, numbering close of 2 million (about 8% of Malaysia's population). The overwhelming numbers are Tamil speaking, with significant Telugu, Malayalee and Punjabi speaking minorities. PIOs from Malaysia have been sending the largest contingents to the Pravasi

Bharatiya Divas. The Prime Minister, Dr. Manmohan Singh, during his visit to Malaysia in December 2005 met Indian Community in Malaysia and said that the Government is committed to taking further the reform process that emphasized caring for the common man and ensured that no one is left behind and included all sections of society. Speaking at a meeting with the Indian community in the Malaysian capital of Kuala Lumpur, the Prime Minister said that Malaysian firms were now participating actively in the Indian economy and that the bilateral trade was growing satisfactorily.

Prime Minister, Dr. Manmohan Singh has a reception by the Indian Community at Kuala Lumpur during his visit to Malaysia on 28 October 2010 to attend 8<sup>th</sup> India-ASEAN Summit. In his speech Dr. Manmohan Singh said that the Malaysian Indian community holds a very special place in our hearts. It represent the largest gathering of people of Indian origin in the world. The Pravasi Bharatiya Diwas is now a full-fledged mechanism for reaching out to our overseas community and Malaysian delegation is usually one of the largest and most active delegations at the annual Pravasi Bharatiya Diwas. Prime Minister announced a contribution of Rs 5 crore to augment the Indian Scholarship Trust Fund, which will raise the corpus to Rs. 7.55 cr. The Fund was set up by Pandit Jawaharlal Nehru in 1946 to provide assistance to Malaysian Indian students. At the request of the Indian community in Malaysia, Dr. Manmohan Singh also announced 20 scholarships for Malaysian students to pursue courses in traditional system of medicine in India. The respect that non-resident Indians have earned abroad, including in Malaysia, is a matter of pride for all Indians. As a government we will continue to provide all assistance to the community in Malaysia through our High Commission in Kuala Lumpur.

During his visit to Malaysia in October 2010 Prime Minister Dr. Manmohan Singh had official talks with Malaysian leaders. Prime Minister Dato' Sri Najib and Dr. Manmohan Singh agreed on the framework for a strategic partnership. The Joint Statement outlines a road map for enhanced contacts between two countries at the political, business and people-to-people levels, based on our shared values of democracy and multiculturalism. Both leaders agreed to work closely with each other on regional and international matters of common interest, including on combating the scourge of terrorism. Both leaders successfully concluded negotiations for a Comprehensive Economic Cooperation Agreement. Dr. Manmohan Singh said that this Agreement will transform our economic engagement in a substantive way. India-Malaysia CEOs Forum was formally launched to encourage direct interaction between business and industry in each other's countries as well in third countries. Both leaders agreed to further enhance exchanges in the fields of tourism, civil aviation, culture, higher education and labour. List of MoUs/Agreements signed on 27 October 2010 between India and Malaysia during the visit of Hon'ble Prime Minister Dr. Manmohan Singh.

#### **List of Agreements signed between India and Malaysia in October 2010**

1. Agreement towards implementing Comprehensive Economic Cooperation Agreement (CECA) between India and Malaysia on 1st July 2011
2. MOU on Cooperation in the Field of Traditional Systems of Medicine.
3. MOU for cooperation in the field of Tourism.
4. MOU for Cooperation in the field of IT & Services



5. Agreement between CSIR of India and UNIK of Malaysia on Research and Development Collaboration.
6. Cultural Exchange Programme for 2010-13

Malaysia's Prime Minister Mohd. Najib visited India from 20-21 December, 2012 to attend the ASEAN-India Commemorative Summit in New Delhi. He was accompanied by Foreign Minister, Minister of International Trade & Industry and Minister in the Prime Minister's Department. External Affairs Minister of India, Shri S.M. Krishna, visited Malaysia from 2 to 5 May 2011 to co-chair the 5th Joint Commission meeting with his counterpart, Foreign Minister Dato Seri Anifah Aman. He also met the Malaysian Prime Minister and Home Minister during this visit. The two sides also hold regular consultations between the two Foreign Ministries at the level of Secretary / Secretary General. Both countries have agreed in principle to establish a mechanism for cooperation on counter-terrorism. A bilateral Extradition Treaty was signed in January 2010 and a Treaty on Mutual Legal Assistance in Criminal Matters was signed in March 2012.

India is Malaysia's largest trading partner among countries of the South, excluding ASEAN and China. The balance of trade is heavily in favour of Malaysia. During 2004, total trade between India and Malaysia was the highest ever at US\$ 4.29 billion registering a significant growth of 35% over 2003. While exports registered a phenomenal growth of 92%, imports increased only by 20% during the same period. The bilateral trade between India and Malaysia during 2002-03 was to the tune of US\$ 2.4 billion and it increased three-fold during 2006-07 to the tune of US\$ 6.7 billion. During 2006-07, India's exports to Malaysia stood at US \$ 1.3 billion and imports from Malaysia at US\$ 5.3 billion. Bulk of Malaysia's exports to India is crude palm oil, constituting almost 30 per cent of Malaysia's total exports. If the oil component is kept out then the rise in trade is a meager 5-7 per cent.

Malaysia is the second largest trading partner for India within ASEAN and India is the largest trading partner for Malaysia from among the countries of South Asia, excluding China. During 2009, India was Malaysia's 12th largest import source and 11th largest export destination. India's imports from Malaysia, in the recent past, have largely been in commodities such as mineral fuels and machinery and transport equipment, while export commodities have been food items and manufactured goods. Bilateral trade among the two countries amounted to US\$ 10.6 billion during 2008-09, an increase of 23.48 per cent over 2007-08 figure of US\$ 8.5 billion. India exported goods worth US\$ 3.42 billion to Malaysia in 2008-09 according to data released by the Ministry of Commerce and Industry.

**Table - 1**  
**India- Malaysia Bilateral Trade**

(Value US \$ Million)

YEAR	2004-05	2005-06	2006-07	2007-08	2008-09
<b>EXPORT</b>	1,084.06	1,161.86	1,305.22	2,575.26	3,419.97
<b>% growth</b>		7.18	12.34	97.31	32.80
<b>IMPORT</b>	2,299.01	2,415.61	5,290.31	6,012.90	7,184.78
<b>%growth</b>		5.07	119.01	13.66	19.49
<b>TOTAL TRADE</b>	3,383.07	3,577.47	6,595.53	8,588.16	10,604.75

Source: Ministry of Commerce, Government of India.

Indians play an important role in promoting tourism in Malaysia. Following a 7.1 per cent growth in revenues from Indian tourists in 2009, Malaysia expects 650,000 visitors from India in 2010, according to the Director General of Malaysia Tourism. Moreover, Indian biotech companies are increasingly looking at making investments in Malaysia. Malaysia is positioning itself as a cost-competitive country and a regional hub for global biotech companies. It is attracting Indian companies with a large number of sops including a 10-year tax holiday, duty exemptions, customised incentives for large investments, access to ASEAN markets through free trade agreements and no restrictions on equity.

**Table - 2**  
**INDIA'S TOP 10 COMMODITIES OF EXPORT TO MALAYSIA**

Value in US\$ million

Sr. No.	Commodity	2008-09	2009-10	%Growth Malaysia
1.	Meat and edible meat offal	110.98	143.89	29.65
2.	Edible vegetables and certain roots and tubers	71.54	89.73	25.42
	Edible fruits and nuts; Peel or citrus fruits or melons	5.76	7.68	33.41
3.	Coffee, tea and spices	79.97	101.79	27.29
4.	Cereals	282.86	121.23	-57.14
	Oil seeds and olea fruits; grains, seeds and fruit; industrial or medicinal plants	49.82	70.28	41.07
5.	Mineral fuels, mineral oils and products	148.84	367.35	146.81
6.	Inorganic chemicals; organic or inorganic compounds of precious metals, or rare earth metals	21.13	41.06	94.32
	Organic chemicals	193.80	225.23	16.22
7.	Pharmaceutical Products	21.06	36.11	71.45
8.	Natural or Cultured Pearls, precious or semiprecious stones	56.52	64.48	14.08
9.	Iron and Steel	53.94	98.34	82.33
	Articles of Iron and Steel	108.79	72.45	-33.40
	Copper and articles thereof	249.61	91.83	-63.21
	Aluminium and articles thereof	101.09	57.96	-42.66
	Zinc and articles thereof	80.79	64.14	-20.62
	Electrical Machinery and Equipment	142.91	111.64	-21.88

Source: Ministry of Commerce, Government of India

**Table - 3**

**INDIA'S TOP 10 COMMODITIES OF IMPORT FROM MALAYSIA**

Value in US\$ million

Sr. No.	Commodity	2008-09	2009-10	%Growth Malaysia
1.	Animal or vegetable fats and oils; pre edible fats	502.85	788.60	56.83
2.	Mineral fuels, mineral oils; mineral waxes	3,389.49	1,605.08	-52.65
3.	Inorganic, organic chemicals	109.77	67.97	-38.08
	Organic chemicals	307.17	248.57	-19.08
	Miscellaneous chemical products	160.70	132.69	-17.43
4.	Plastic and articles thereof	103.32	115.76	12.03
5.	Wood and articles of wood	414.76	505.87	21.97
6.	Iron and Steel	138.57	91.22	-34.17
	Copper and articles thereof	72.59	82.20	13.24
	Tin and articles thereof	55.29	44.04	-20.35
7.	Electrical machinery and equipment	544.75	500.63	-8.10
8.	Ships, boats and floating structures	107.71	78.95	-26.70
9.	Optical, photographic, checking precision, medical or surgical instruments	48.16	52.31	8.61
10.	Furniture; Bedding, mattresses	54.89	46.41	-15.44

Source: Ministry of Commerce, Government of India.

Bilateral trade has increased from US\$0.6 billion in 1992 to US\$13.32 billion in 2012. The trade has more than doubled from US\$5 billion to US\$13.32 billion between 2005 and 2012. In 2012, bilateral trade has shown a growth of 7.3% year-on-year to reach US\$13.3 billion (as compared to US\$ 12.5 billion for the year 2011). Trade remains significantly imbalanced in favour of Malaysia (India's exports are US\$ 3.83 billion, Malaysian exports are US\$ 9.5 billion). Based on direct investments Malaysia is the 19th largest investor in India with cumulative FDI inflows valued at US\$ 618.37 million from April 2000 to September 2013. Indian companies have invested about US \$ 2.05 billion (from 1980 to August 2013). Indian companies that made major acquisitions include Reliance Industries Limited, Ballarpur Industries Limited, Larsen & Toubro and WIPRO. There are over 100 Indian companies including 70 Indian joint ventures operating in Malaysia. In addition, there are more than 50 Indian IT companies operating from Malaysia. IRCON International Ltd. has been actively engaged in the development of railways in Malaysia since 1988, and it has successfully completed a double tracking project (Seremban – Gemas) worth over US \$1billion on 31st July 2013

Interest of India in defence cooperation with Malaysia is from the point of view of both economic and strategic aspects. Besides, a seller-buyer relationship with respect to military hardware, India and Malaysia can also cooperate to secure the Malacca Straits through joint patrols and other activities. India's expertise in maritime security can be useful for protecting

the narrow channel of the Malacca Straits from emerging nontraditional security threats in Southeast Asia.

Malaysian-Indian defence interaction has intensified since 1980s when Malaysia purchased the Russian-built MiG-29 aircraft. India has played a key role in training Malaysian pilots and has provided logistical support for the maintenance and operation of the MiG-29s and *Sukhoi* fighters ever since. India- Malaysia defence relations have steadily grown over the years from military training to include supply of defence equipment and enhanced security dialogues. The first MoU on defence cooperation between the two countries was signed in February 1992, paving the way for widening the scope of bilateral cooperation to include joint ventures, joint development projects, procurement, logistic and maintenance support. The signing of the MoU led to the creation of the Malaysia-India Defence Committee (MIDCOM), jointly chaired by the two defence secretaries, focusing on the training of Malaysian military personnel in India. It met in February 1993, May 1997 and January 2001. In 2001, the SCMC was set up to provide fresh inputs for the MIDCOM in order to address micro-level military issues, and to generate ideas for further military cooperation. Malaysia, like Indonesia, has also benefitted from the ITEC programme organised by the Indian armed forces. In 2004, Prime Minister Abdullah Badawi visited India and reiterated the need to engage India in defence cooperation even though a defence agreement had been signed in 1992. While the primary areas of cooperation have been in the field training exchanges, visits by armed forces officers and visits of naval ships, India has been a regular participant in the Langkawi International Maritime and Aerospace (LIMA) exhibition, and Malaysia has also participated in the *Defexpo* in New Delhi. The Indian defence production network, which has become highly sophisticated in recent times, can be geared up to play a greater role in Malaysia's requirements for its defence modernisation programmes. The Malaysian and Indian navies have also been conducting exercises on a regular basis. For instance, in May 2008 and June 2010, vessels from both navies conducted live-firing and anti-piracy exercises in the Malacca Strait, demonstrating their mutual interest in keeping the vital strait safe. In January 2008, Indian defence minister A.K. Antony, undertook a "very successful" visit to Malaysia and met with the Malaysian prime minister, deputy prime minister and foreign minister, and agreed to further expand the scope of defence cooperation. In the defence deal signed in January 2008, India was to deploy 31 air force personnel to train Malaysian air force pilots and technicians for the next two years beginning February 2008. India also offered to help Malaysia maintain its *Scorpene* submarine fleet. The Indian defence minister's visit was soon followed by visits by the army and air force chiefs in February and August of 2008 respectively. In January 2010, Malaysian prime minister Najib Tun Razak called on prime minister Manmohan Singh in New Delhi to bolster bilateral relations and witnessed the signing of numerous MoUs including an extradition treaty and enhanced defence cooperation between the two states. India and Malaysia concluded the second India-Malaysia Strategic Dialogue which was held in January 2010 in Kuala Lumpur where they agreed to boost bilateral relations which both sides have agreed have been functioning "below optimum levels". During prime minister Manmohan Singh's visit to Malaysia in October 2010, both countries agreed to enhance their cooperative security relationship including cooperation in counter-terrorism, the establishment of a JWG and the Indian defence industry's participation in the soon-to-be established Malaysian Defence and Security Park. Malaysia-India Defence Cooperation meetings at the level of Defence Secretary are held regularly; the eighth meeting of the MIDCOM was held

in March 2010 and the 9th meeting of the MIDCOM held on 16- 17 January 2012. Indian naval ships regularly make port calls in Malaysia; in March and May 2011 the ICGS Sankalp and the INS Ranvijay visited Port Klang and Kota Kinabalu respectively, and in August the INS Airawat and the 1st Training Squadron of the Indian Navy (INS Tir, INS Krishna and ICGS Veera) made port calls at Port Klang. India is also participating in the Cooperative Mechanism on the Straits of Malacca and Singapore (SOMS) and contributed to two of the six IMO Projects (Project 1 and Project 4) for enhancement of navigational safety and environmental protection in the Straits

Institutional arrangements have been made between India and Malaysia for trade and economic cooperation which include an India-Malaysia Joint Commission, chaired by the respective Foreign Ministers, which was established in 1992. The Joint Commission has so far held four meetings (1992, 2000, 2002 and 2007). Various trade exhibitions have been organized to promote economic ties between India and Malaysia:

- India Trade Promotion Event ‘Incredible India 2003’ was held at Kuala Lumpur from 2-6 December, 2003 in association with India Trade Promotion Organization (ITPO), Clothing Manufacturing Association of India (CMAI), FICCI and CII.
- An exclusive Indian Engineering Exhibition (INDEE 2008) was held in Kuala Lumpur for the first time from 25 to 27 September 2008. About 170 Indian engineering companies participated in the event. The inaugural of the Exhibition was held together with the Malaysia India Economic Conference.
- Thirty five Indian exhibitors took part in the Expo Cintai Malaysia (ECM) 2008, the 7th Malaysia International Trade & Consumer Fair, held at Malaysia International Exhibition and Convention Centre (MIECC) from 3 to 7 December 2008. Indian products displayed at the Expo included garments, textiles, handicrafts, fashion jewellery, pearls, etc. The event was organised by the Chinese Chamber of Commerce & Industry of Kuala Lumpur and Selangor (KLSCCCI), Kuala Lumpur. The High Commission of India was an associate partner of the event, and also set up a separate booth during the Expo.

The first meeting of the India-Malaysia CECA Trade Negotiating Committee (TNC) was held on 4-5 February 2008 in Kuala Lumpur. The second meeting of the TNC was held in June/July, 2008 in New Delhi. The Third Meeting of the TNC is expected to be held shortly. Deputy prime minister of Malaysia Mr. Mohd Najib during his visit to India in June 2010, at the roundtable session to mark the launch of the Malaysia India CEO Forum organised by the Confederation of Indian Industry (CII) and the Asian Strategy and Leadership Institute on 9 June, 2010, said referring to the discussions for a Comprehensive Economic Cooperation Agreement (CECA), initiated after Prime Minister Dr Man Mohan Singh’s visit to Malaysia in December 2004, much of the benefits of the CECA will depend on our willingness to open up significant areas of our economy to each other, in a manner that is mutually beneficial, anchored on our respective comparative advantages and sustainable in the longer term. “While the role of the government is to create a conducive environment for economic activity and growth, it is incumbent on the private sectors of both countries to identify and seize the opportunities that are created through the opening of markets,” said Mr. Mohd Najib. He said that there is ample scope for further trade ties between India and Malaysia, though the bilateral trade between India and Malaysia was \$3.29 billion and the cumulative Indian investment in Malaysia since 1980 was estimated to be over \$345.8 million, he said there was

scope for further increase. He said that the Malaysian government was keen on opening up palm oil cultivation in India but noted that the ministry of commodities in Malaysia was grappling with the Indian tariff structure. Pointing out that the small and medium enterprises (SMEs) sector in Malaysia was poised for a vibrant growth, he said that the Malaysian government was keen on cross-border SME joint ventures. Following the successful conclusion of an ASEAN-India FTA, Malaysia has become the perfect launching pad and a gateway for Indian businesses to enter the lucrative ASEAN market.

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## SUSTAINABLE DEVELOPMENT OF INDIAN AGRICULTURE

Priya

Assistant Professor,  
Department of Geography,  
Govt. College, Nalwa, Hisar, Haryana, India.

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### ABSTRACT

*Sustainable development implies economic growth together with the protection of environmental quality, each reinforcing the other. Thus, it helps in maintaining a balance between the human need to improve lifestyles and feeling of well-being on one hand, and preserving natural resources and ecosystems, on which we and future generations depend. India is being recognized as the global power in the key economic sectors with consistent high economic growth and but there is slow growth observed in the agriculture sector. Agriculture holds the most important position in Indian economy where two-thirds of population lived in villages that are fully engaged in agricultural practices. Agriculture is a key sector for all other economic activities and plays a significant role in the overall socio-economic development of India. Since quite some time, agriculture sector, as a whole, has been confronted with numerous challenges linked to food and energy crisis and degradation of natural resources. Therefore Sustainable agriculture is vital to meet our agricultural needs, with the environment friendly practices and ensures safe and healthy agricultural products.*

**Key Words:** Sustainable Development, Agriculture, Sustainability, Food, Energy, Crisis.

The term Sustainable development was used by Brundtland Commission defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. In recent times India has been witnessing a blinding pace of growth and development. But in last few years the term “sustainable development” prevalence positively. Sustainability rests on the principle that we must meet the needs of the present without compromising the ability of future generations to meet their own needs. In spite of fast growth in various sectors, agriculture remains the backbone and thus, occupies the most important position in Indian economy. It is one of the largest enterprises in India, which continues to dominate the change in economy through its links of various sectors of production and markets. Importance of agriculture in a country like India is not likely to decline due to concerns for food security, employment, rural poverty and availability of wage goods (Vyas, 2003). Now, agriculture contribution to gross domestic product (GDP) is around one sixth, it provides employment to 56 per cent of the Indian workforce. Also, the forward and backward linkage effects of agriculture growth increase the incomes in the non-agriculture sector. The growth of some commercial crops has significant potential for promoting exports of agricultural commodities and bringing about faster development of agro-based industries.

Thus, agriculture not only contributes to overall growth of the economy but also reduces poverty by providing employment and food security to the majority of the population in the country and thus it is the most inclusive growth sectors of the Indian economy (Dev, 2011). This sector also contributes significantly to sustainable economic development of the country. The sustainable agriculture development of any country depends upon the judicious mix of their available natural resources. Therefore there is need to tackle the issues related to sustainable agriculture development.

### **Sustainable Agriculture**

In simple terminology, “Sustainable Agriculture” involves the processes that would enable us to meet the current and long term societal needs for food, fibre and other resources, while maximising benefits through the conservation of natural resources and maintenance of ecosystem functions. The priority of exalting human capabilities at the individual (farmer) level and ensuring food security at the national level, through efficient and equitable use of resources are compatible with the concept of, Sustainable Agriculture”.

Sustainable agriculture development integrates three main goals i.e. environmental health, economic prosperity and livelihood sustainability. Therefore, stewardship of both natural and human resources is of prime importance. Stewardship of human resources includes consideration of social responsibilities such as working and living conditions of farm families, the needs of rural communities, and consumer health and safety both in the present and the future. Stewardship of land and natural resources involves maintaining and enhancing this vital resource base for the long term.

In the process of agricultural development, the adoption of modern technologies have had many positive effects and reduced many risks in farming, but there have also been significant costs. Prominent among these are top-soil depletion, groundwater contamination and depletion, environmental degradation, decline in farm sizes, continued neglect of the living and working conditions for farm households, increasing costs of production, and the disintegration of economic and social conditions in rural communities. Hence, a growing movement has emerged during the past few decades to question the role of the agricultural establishment in promoting practices that contribute to these crucial problems.

### **Economic Sustainability**

For agriculture to be sustainable it should be economically viable over the long term. Conventional agriculture involves more economic risk than sustainable agriculture in the long term. Sometimes governments are inclined to view export-oriented production systems as more important than supply domestic demands. This is not right. Focusing on exports alone involves hidden costs: in transport, in assuring local food security, etc. Policies should treat domestic demand and in particular food security as equally important to the visible trade balance. It is a popular misconception that specific commodities promise high economic returns. But market production implies certain risks as markets are fickle and change quickly. Cheap foreign food may sweep into the national market, leaving Indian farmers without a market. As a World Trade Organization signatory, the Indian government is under pressure to deregulate and open its economy to the world market so it cannot protect its farmers behind tariff walls. The main source of employment for rural people is farming. Trends towards specialization and mechanization may increase narrowly measured "efficiency", but they

reduce employment on the land. The welfare costs of unemployment must be taken into account when designing national agricultural support programs. Sustainable agriculture, with its emphasis on small-scale, labour-intensive activities, helps overcome these problems (Sengupta and Sonwani, 2012).

### **Social Sustainability**

The social sustainability of farming techniques is related to the ideas of social acceptability and justice. Social sustainability focuses reducing poverty for people especially the rural poor, filling the gaps between the “haves” and “have-nots” feed a feeling of social injustice among those who feel neglected and excluded from development opportunities, as well as from better-off sympathizer from outside. Sustainable agricultural practices usually are based on local social customs, traditions, norms and taboos, so local people are more likely to accept them and adapt them to their own needs also seeks to build on it and enrich it with appropriate information from outside. In traditional agriculture, women traditionally bear the heaviest burdens in terms of labour. Sustainable agriculture attempts to ensure that the burdens and benefits are shared more equitably between men and women. Sustainable agriculture improves food security by improving the quality and nutritional value of the food, and by producing a bigger range of produce throughout the year. Traditional society in India is riven by wealth and caste distinctions. Sustainable agricultural interventions consciously target the less well-off, and empower them so they can organize and speak with their own “voice”, so promoting dialogue and democracy. (Sustainet)

### **Ecological sustainability**

Many traditional and most conventional farm practices are not ecologically sustainable: they overuse natural resources, reducing soil fertility, causing soil erosion, and contributing to global climatic change. Sustainable agriculture has several major advantages over both traditional and conventional practices.

Sustainable agriculture improves fertility and soil structure and prevents erosion, increases the organic matter content of the topsoil, so raising its ability to retain and store water that falls as rain, involve mixed cropping, and raising the diversity of insects and other animals and plants, reduces or eliminates the use of hazardous chemicals replacing with a variety of biological and agronomic measures and the use of natural substances. Conventional agriculture contributes to the production of greenhouse gases in various ways: by reducing the amount of carbon stored in the soil and in vegetation, through the production of methane in irrigated fields, and through energy-intensive activities such as the production of artificial fertilizers. Adopting sustainable agriculture would reduce these impacts significantly.

### **Indian Agriculture Sector**

Indian agriculture contributes to 8% global agricultural gross domestic product to support 18% of world population on only 9% of world’s arable land and 2.3% of geographical area. Agriculture sector is the mainstay of the Indian economy, contributing about 15 per cent of national Gross Domestic Product (GDP) and more importantly, about half of India’s population is wholly dependent on agriculture and allied activities for their livelihood (GOI, 2011).

The Indian government's policies have always emphasized food grain self-sufficiency, which has not necessarily coincided with agricultural sustainability. The growth of agricultural production and productivity, which had risen significantly during 1970s and 1980s, declined during 1990s. These slowdowns have worsened since 2000; both overall agricultural production and food grains production have shown negative growth rates in 2000-01 to 2002-03 periods (GOI, 2002). Moreover, this sector is a supplier of food, fodder, and raw materials for a vast segment of industry. Hence the sustainable development of Indian agriculture is considered to be a necessary condition for "inclusive growth".

Indian agriculture production is closely related to sufficient and wise water management practices. Most of the agriculture practices in India confined to a few monsoon months. During the monsoon season, India is usually endowed with generous rainfall; although not infrequently, this bountiful monsoon turns into terror, causing uncontrollable floods in different parts of the country and ultimately affecting agriculture production.

The use of modern varieties, irrigation and fertilisers were important aspects of higher growth in crop production in the country. The crop output growth model indicates that the enhanced capital formation, better irrigation facilities, normal rainfall and improved fertiliser consumption will help to improve crop output in the country. Therefore, from a level of about 52 million tonnes in 1951-52, foodgrains production rose to above 241.5 million tonnes (4<sup>th</sup> Advance Estimates) in 2010-11 (GOI, 2011b).

#### **Impact of Economic Reform on Indian Agriculture**

Since the early 1990s, liberalization and globalization have become core elements of development strategy of the government, which had indirect policy implications and impact on Indian agriculture. As a part of economic reforms agricultural markets were freed, external trade in agricultural commodities was liberalized and industry was de-protected to create more competition thereby reducing input prices and making terms of trade favourable to agriculture. "These measures would create a potentially more profitable agriculture, which would be able to bear the economic costs of technological modernization and expansion" (Singh, 1995).

The reforms have improved terms of trade in favour of agriculture but growth in agricultural sector has fallen short of targets and has been well below that of non-agricultural sectors. Productivity gains from the Green Revolution technology have reached a plateau in many regions, causing per capita food grains production to decline, which has serious implications for food and nutritional security, poverty alleviation, rural development, farm incomes and rural-urban equity. One of the important strategy challenges for faster, sustainable and more inclusive growth (9.0-9.5% growth rate) in the 12th Five Year Plan under structural changes and unfavourable global economic environment requires a significant acceleration in growth (4.0 to 4.5% growth rate) in agriculture. But, the growth in agriculture in the 11th Plan is likely to be around 3.2 percent per year, which is higher than 10th Plan growth rate but lower than the target (4.0%) for 11th Plan. Agricultural growth has always been an important component for inclusiveness, and recent experience suggests that high GDP growth without high agricultural growth is likely to lead to acceleration in inflation in the country, which would adversely affect the larger growth process (GOI, 2011). However, to achieve between 4 and 4.5 percent average growth in agricultural sector in the Twelfth Plan period adequate efforts on the part of the government are required. However, the new programmes launched

during the 11th Plan such as National Food Security Mission and Rashtriya Krishi Vikas Yojna have made significant impact on foodgrains production in the country.

### **Issues & Challenges**

Risk and uncertainty are inescapable factors in agriculture. The uncertainties of weather, yields, prices, government policies, global markets, and other factors can cause wide swings in agricultural income.

Slow agricultural growth is a matter of concern as most of India's population is dependent on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low (Dwivedy, 2011). Poorly maintained irrigation systems and lack of good extension services are among the factors responsible. Farmers' access to markets is hampered by poor roads, rudimentary market infrastructure, and excessive regulation (India Country Overview, 2008).

The key challenges to be addressed are: weakening of input delivery and local agri-governance systems, increasing risk in agriculture due to weather, prices and trade policies, small, declining and fragmented holdings, growing marketing inefficiencies and increasing agri-waste, limited employment opportunities in non-farm sector. These challenges can have serious implications on the farm income and the future of Indian agriculture.

Indian agriculture is characterized by small holdings that are often overmanned, resulting in disguised unemployment and low productivity of labor. Illiteracy, the root cause of farmers' poor socioeconomic condition, lack of technical knowledge and awareness are also responsible for low productivity, adding to the problem of poverty among farmers. Other causes are the slow progress in implementing land reforms, inadequate or inefficient finance and marketing services for farm produce and inconsistent government policy.

Adoption of modern agricultural practices and use of technology is inadequate, hampered by ignorance, high costs and impracticality in the case of small land holdings. In India, farming practices are too haphazard and non-scientific.

There are a few major problems with surface irrigation. Irrigation facilities are inadequate and there is no effective system management for how much water is stored, how much is used for irrigation or what value can be added to this water. Unique geo-climatic conditions make India vulnerable to hazards and disasters, both natural and human-induced. Common natural hazards are floods, cyclones, landslides, forest fires, avalanches, earthquakes, tsunamis and pest/disease outbreaks in plants and animals. Manmade disasters include fire, spurious seed, fertilizers and pesticides and price fluctuation. Drought, which is characterized by lower than normal precipitation and slow onset, is a progressive phenomenon caused by soil conditions and atmospheric changes over a period of time. Agriculture in India and many other developing countries depends on the monsoon because irrigation facilities are not fully developed.

### **Conclusion**

Agriculture in India is the pivotal sector for ensuring food and nutritional security, sustainable development and for alleviation of poverty. It is the key sector for generating employment opportunities for the vast majority of the population. It is impossible to achieve sustainable development without applying sustainable agriculture on a large scale. The relationship

between agricultural production and eradication of extreme poverty and hunger is very strong: agriculture is the very basis for food security. The challenge for Indian agriculture, to put simply, is to increase production, while minimizing environmental impact. This includes conserving and protecting the quality of the resources that determine the performance of agriculture. The trajectory of Indian agriculture and its associated environmental problems has brought about recognition that future agricultural growth and productivity will have to occur simultaneously with sustainability of natural or human resources.

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## **Book Review**

**Mahender Singh, Haryana Mein 1857: Jan Vidroh, Daman avam Lok Chetna, Vivek Prakashan Hisar, Haryana, India. 2009, pp 228, Rs.300/-**

**Reviewed by**  
**Vikramjit Singh, Department of Political Science**  
**Dayanand Postgraduate College, Hisar, Haryana, India**

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It's my pleasure to get opportunity to get review the book *Haryana Mein 1857: Jan Vidroh, Daman avam Lok Chetna*, written by Dr. Mahender Singh, Associate Professor, Department of History, Dayanand Postgraduate College, Hisar. This book presents the role of Haryana in 1857 revolt. In this field this is the first book which provides historical documents about the consciousness of the people of Haryana regarding the First war of Independence. It is my belief that the nature of the author has provided a new dimension to this movement. The uni-dimensional character of history has created a big loss to our heritage. In this book the author has tried to develop a multi-dimensional view about the historicity of 1857, and contribution of freedom fighters of Haryana. This historical sketch by the author will open new avenues for research about the sacrifices made by our forefathers.

This book has been divided into six chapters, in the first chapter of the author has laid the foundation of the book and the establishment of British Empire, its extension and insight into the policies of Britishers. This chapter provides information on the geographical conditions of Haryana of that time.

In the second chapter the causes of the revolt of 1857 has been discussed extensively that how the desperate and masses of Haryana were forced to adopt the path of revolution because of the exploitative character of British Empire. The Third chapter describes the names and numbers of Indian Princely States, and enlightens us how these princely States participated in the revolt of 1857. We also get rich information about the kings, their wealth and social status in the Princely States.

The fourth chapter is about the nature of the colonial character, and mental status of the colonial founders. It also provides the sense of exploitative character of the British rule in India and its impacts on Indian society in general and Haryana in particular. The Fifth chapter is directly related with the Second and Third chapters and describes the growing consciousness among the masses against British rule. The Last chapter concludes the book and gives a live picture of the revolution of 1857. This book is very valuable and helpful for not only the researchers but also for a layman to simply understand the revolution of 1857 and the sacrifices made by our ancestors.



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**KARHANS, SAMALKHA (PANIPAT)**

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