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# Book Review

**Editor's Note**

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

**Alleyne, Trevor, Inci Otker, Uma Ramakrishnan and Krishna Srinivasan; *Unleashing Growth and Strengthening resilience in the Caribbean*; International Monetary Fund, Washington D.C., USA, pp. 376, Price US$ 25**

The Caribbean Countries endowed with spectacular beauty had several decades of strong growth after their independence in the 1960s and 1970s. Strong growth was depicted by high "physical quality life index".However, in recent decade many of the countries in region have fallen into trap of law growth and high debt. The growth weakness is concentrated among tourism intensive Caribbean economics, which on an average grew by only 1.6% per year and only 0.8% in per capita. No single reason can explain the Caribbean growth slowdown Persistent domestic macroeconomic imbalances and structural impediments, adverse external shocks along with natural disasters, elevated government debt burdens constrained the ability of these economics to pursue countercyclical fiscal policy response. All these factors combines with high energy costs, violent crime, constrained access to credit, a high cost of doing business, and brain drain, have undermined growth prospects. As a result feedback loops, prevented these economies from benefiting fully from globalization and technological progress.

This book provide a timely analyses of the central economic and financial challenges faced by Caribbean policymakers and offered broad policy recommendation for resuming, their convergence toward the living standards of advanced economics. This book brought together the latest research on the Caribbean economics conducted at the IMF various Chapters in the book analysed the regions macroeconomic imbalances along with recent initiatives to address them. A few chapters examined structural impediments affecting competitiveness and growth in the tourism –intensive economics of the Caribbean. Editors of this book aimed at ,to stimulate policy dialogue and help policy makers, to overcome the challenges that hinder Caribbean economics from fulfilling their potential for growth and development, by tackling macroeconomic imbalances and structural distortions grow faster again. In chapter two, authors established association among different country's characteristics like tourism, government debts, high level NPA's, emigration o skilled people, high rates of violent crimes etc. Author suggested that policy priorities need to be tailored to individual country circumstances. In Chapter 3, the Caribbean shore of the global tourism market has been falling since the 1990s. Author of the opinion that this shrinking market share reflects a lack of diversifications across tourism source markets. Author argued that addressing Caribbean Competiveness Challenges is vital for reinforcing the role of tourism as a driven for robust growth in incomes and jobs in chapter four. Caribbean economics face high and rising sovereign debt levels that weigh on their prospects for strong and sustainable growth. High level of public debt reflected a conscious decision by making of these countries to compete for foreign investment by providing large tax incentives, which has led to significant revenue loss and in turn , to larger budget deficit and debt. In fact, these economies suffer from a vicious circle of high debt and low growth. In 2016, Caribbean government debt reached a median level of 81 percent of GDP. Authors tried to explain why Caribbean government debt remained so high.

Besides, authors in this book addressed to how the global financial crises and interaction commodity price cycle had affected Caribbean fiscal performance. How had tax competition in the Caribbean aimed at attracting foreign direct investment contributed to the fiscal malaise? What had been the role of two important public policy initiatives citizenship by investment programs and debt, restructuring in improving Caribbean fiscal health. In Chapter five, authors observed that natural disasters had affected Caribbean economics more than small states, causing physical damage averaging 24% of GDP per year.

McIntyre in chapter six examined the role of tax incentives in affecting Caribbean fiscal performance.McIntyre observed that tax incentives had supported investment had supported investment in the region , but had also imposed significant costs in for gene revenue. To reduce the fiscal cost of tax incentives and to make them more transparent, McIntyre recommended stream lining them and moving to rules based administrative arrangements. Gold and McIntyre in chapter seven, examined the role of citizenship programme. ECP's offer residency in exchange for substantial financial investment ECPs inflows yielded macroeconomic benefits. However author cautioned that growing reliance on the potentially volatile revenues can pose substantial challenges for small states.

Okwuokei and Van selim assessed the impact of recent debt restructuring operations in Caribbean. Debt restructuring operations were undertaken under IMF sponsored program. Authors indentified factors that increased the likelihood of a successful debt restructuring, including that created incentives for sustained prudent fiscal policy increased participation rates, mechanism that insulated government debt from the effects of natural disaster in chapter eight. In Chapter nine, Wong investigated how developing financial systems and expanding financial inclusion could support consumption and investment growth in the Caribbean. To safeguards the benefits of expended financial inclusion without jeopardizing financial stability, Wong understand the need for a strong framework for financial regulation and consumer protection .Authors in Chapter ten, highlighted the regions strong degree of financial connectivity ,which, when coupled within sufficient regional oversight and regulatory controls has amplified and spread financial distress .They also highlighted the importance of strong capital positions in the region banks and insurers.

Beaton and others examined the factors driving the rapid increase in NPLs across many Caribbean economics and proposed a strategy for their resolution .Authors were of the opinion that there is strong need to co-ordinate reforms and support these efforts with capacity building assistance from international financial institutions. In chapter twelve authors analysed the challenges faced by Caribbean financial system; the loss of CBRs. To address CBR risks ,authors had suggested Caribbean authorities to reinforce their anti- money ,laundering frameworks, and recommended that local banks explore ways to expand business volume available to their correspondent banks including through mergers of small banks McIntyre examined ,how reducing the regions elevated energy costs could enhance the business climate, external competitiveness and growth in chapter 13. McIntyre proposed measures to enhance energy efficiency and diversification towards renewable sources. He urged for greater private investment in energy infrastructure or public –private partnership. In Chapter fourteen, Wong analysed the role of brain drain and of remittances on Caribbean economic performance. The net effect on growth from emigration is negative but remittances partly mitigate these negative efforts. Wong had advocated reforms in home countries to improve the business climate and strengthen institutions, which would encourage people to stay while also facilitating the return of skilled and highly educated workers. Authors in Chapter fifteen, focussed on three costs ,public spending on security and the criminal justice system, private spending on security and social costs including the income forgone because of victimization and incarceration.

Readers of this book will have a diagnosis of the central economic and financial challenges facing Caribbean policymakers; weak micro and macro fundamentals. Objective of this book had been to emphasize the need for greater regional co-ordination in finding solutions to address the Caribbean economics would provide an impetus to sustained growth in incomes &jobs.

This book is must read for policy makers, students of economics, political science and of finance disciplines. This book is of utmost importance for students and researchers and teachers dealing with various issues and aspects of comparative economic development .This book will have special space in each and every academic library. This volume is a product of a group of technical experts in the IMF. I would like to thank IMF experts and other technical staff for bringing at this wonderful volume on the Caribbean region.

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**Parikh, Parag;** ***Value Investing and Behavioural Finance : Insights into Indian Stock Market Realities,*** **Tata McGraw Hill Education India, pp. 352 Price ₹899**

Well this seems to be the buzzword with everyone struggling to find the secret of taming the untamed stock markets. Quick money and rewards seem to attract everyone who enter the markets when they are rising but quick turnarounds leaves people high and dry. In the hindsight all plausible reasons appear good. But with foresight it is a few who can predict the movement with accuracy and it is these investors with good foresight that are able to make money for themselves and for others. But it is true that they have and will falter many times before they hit the bull's eye. People with strong skill sets also find it difficult to time the market. Given the large academic and nonacademic literature, research advices and experienced hands, investments in stock markets continue to be tricky. The book explores many such reason for success and failure in the stock markets through the lens of an experienced professional Parag Parikh.

The book contains twelve chapters each explaining value investing in the stock markets with behavioral biases that move and shake the markets. The first chapter is about success and failure. It describes why people fail, characteristics of human nature, what we strive for, unwillingness to delay gratification and success. The author begins with describing human nature that chooses to be lazy, greedy, ambitious, self interested, ignorant and vain. We often strive for security, comfort, leisure, love, respect and fulfillment. The Expediency factor makes us loose long term vision over short term gains. Self discipline as per the author is the key to success which need to be developed as a habit. The author stresses over building Intelligence Quotient and Emotional Quotient.

Chapter two on understanding behavioral trends concentrates on the evidence of equity returns, sources of returns, growth in earnings, making sense out of sensex, some key lessons and successful investing. The author argues that equity is less risky than fixed income securities as they offer a hedge to the rising inflation which eats away the fixed incomes. The author further divides the return into fundamental and speculative return. Fundamental is described with respect to the dividends received from the company and the speculative with respect to the increase in price of the stocks. The reason identified for speculative gains is greed and fear. With some data points the author tries to explain some point of return on equity and sensex which is very basic mathematics for investor to understand. Author further emphasizes that returns not only depend on the earnings of the corporation consitituting the Sensex but also on the changes in the PE ratio. He further states that it is the acquisition price that determines stock returns. He emphasizes that the market displays greed and fear for its swings are determined by prevailing sentiments in the environment. Author puts the person in focus and his personal discipline more supreme for investing in the stock markets. For successful investing it is necessary to understand that stock prices do not reflect only the fundamental value of a company but also the speculative value. To be informed and take informed decisions with being physically alert would help someone time the market. He further suggests not to follow the public sentiment. To be fearful when others are greedy and when others are fearful to be greedy.

Chapter three on behavioral obstacles to value investing talks about behavioural finance, asset allocation and risk aversion, investment styles and returns. The author describes behavioural finance and its relation with investing. He explains that wisdom is a product of factors like learning from one's own experiences and mistakes, using common sense, wisdom gained from literature of past successful investors, one's ability to control one's emotion and understand the emotion of others, discipline and ability to stay in the course in spite of all the temptations. He emphases that three integral sources of value are assets, earnings and growth. He distinguishes between value managers and growth managers. He explains what is value investing and growth investing with certain basics.

Chapter four on contrarian investing: The psychology of going against the crowd explains the concept of contrarian investing, why it difficult to follow and use of empirical study on conventional portfolio versus contrarian portfolio and case study on VST industries ltd to explain contrarian investing. A contrarian investor can be defined as one who attempts to profit by betting against conventional wisdom but only when the consensual opinion appears to be wrong. The psychological constraints are group thinking, false consensus effect, buyer's remorse, ambiguity effect, illusion of control, herding, myopic loss aversion, recency effect and confirmation trap. Then there are organizational constrains to contrarian investing.

Chapter five on growth trap talks about behavioural anomalies behind investors chasing fads and fancies, starting of the Indian equity cult, long term stock returns, examples of growth trap, differentiating between good investment and good business and what are the lesson for investors. Among the behavioural anomalies the author discusses the availability heuristic, go with the herd, overconfidence bias, bystander effect, peer pressure effect, information cascades, halo effect. There are few stock discussed to explain the meaning found opportunities and mispriced valuations.

Chapter six takes a look at commodity stock investing which is dependent on the price of the commodity. Simple fundamentals continue to plan an important role in investing in stocks of commodities. The cyclical effects need to be monitored not be swayed away by the low base effect. Conventional parameters of valuations to make investment decisions would indicate that if he would have bought shares of low cost producers with lower debt component. The author insists that investors investment guided with conventional parameters would suffer in their returns if they invested in commodity stocks for their production efficiencies and capital structure vary.

Chapter seven talks about investing in public sector units which continue to be undervalued and behavioural biases do not uplift the mood. Disinvestments can play the key to the enriching the stock value. The perception of the stock market is not very positive as for the political interference, risk and uncertainties, cyclical nature of business and uncompetitive nature of these firms. Market Capitalisation game that works in the market today. The author also looks at the BSE Sensex having representation of four giant PSUs like SBI, BHEL, NTPC and ONGC. A long term investor must not ignore the PSU stocks.

Chapter eight looks at the sector investing. Fundamental analysis plays the key role in identifying the sector in which to invest. Sectors that promise growth need to be selected. However with rapid growing sectors larger companies enter the sector which need to carefully investigated for when the profits become thin, companies are fast to disappear in thin air. The author concentrates on behavioural traits like representativeness, availability, herd mentality, anchoring, winner's curse, confirmation bias which play an important role in mispricing stocks in sectors. Sectoral bubbles need to be carefully looked into where the sector gains weight for which one needs to be careful. The author discusses various sectors and sectoral indices in the chapters and what shines and not shines in different sectors.

Chapter nine concludes that IPOs can be good investments when they are invested in bear markets instead of bull markets. They carry the charm of a new investment vehicle which can give higher returns. The listing of the IPO is what many times investor seek to understand their returns however good stock and companies are long term investment which can pay good returns. It is important to make wise decisions while investing in IPOs.

Chapter ten looks at index investing which many brokers would suggest is safer as it is a compilation of the best stocks in the market for a given stock exchange, sector or group. Representatives need to be carefully studied and often affected by systematic factors. The chapter discusses the ways and means a stock finds its position in the BSE 30. Since Sensex gives highest weightage to market capitalisation there are high chances of companies from the current hot sectors finding a place in the index. Index investing is supported by availability bias which means that the available information on index investing as a safe form of investing is so strong that people start believing it to be a fact. Besides there is no benchmark to judge the returns against. Comparisons on index returns can be made between the stock that replaced the old stock and return then and now. The author place before the reader a dates and stock which were replaced in Sensex which are about 42 replacements between 1979 to 2005. Also takes a count on Nifty. The author also talks about laggard portfolio which consist of stocks that have been replaced. He proposes to give the following lessons to the investors that avoid being a bait, avoid availability bias, be more courageous and do your own de-indexing. The chapter does not do new spring index investing and does not look into derivative investing which is fast picking pace.

Chapter eleven refers to the bubble trap that many investors fall into and lose their entire wealth. It focuses on Santayana, the philosphers saying that who do not learn from history condemened to repeat it. Financial community is believed to unable to learn from its past mistakes and continues to repeat it often. Excessive optimism and overconfidence are main causes of bubbles. A bubble often refers to the lack of intrinsic worth that can substantiate the current price of the asset. Often supernormal profits make people aggressive in their investing into specific stock and sectors that cause this bubble. The moment this optimism is over the common man finds no place to seek refuge for the loss of wealth. The following reasons are cited for possible bubble which are availability heuristic, excessive optimism, overconfidence, greed of investors, representative heuristics, envy and endownment effect. One can identify bubbles by expecting high PEs with high growth, movements across commodity stock not in tune with commodity price movements, Economic growth and company stock rise are dispropotional, too much media hype, sudden entry of less known firms and entry of more firms in specific sector are some of the essential means to check for possible bubbles. Lessons an investor must learn is that valuation matters most, avoid triple digit PEs, focus on valued stocks, avoid large little known companies, information asymmetry, recognise the theme of the bubble it does not past themes, do not stick to stocks and never short sell. Overall a good interwoven analysis of bubbles but one important theme is while investing recognise and assess fundamentals of the company stocks which would never betray any investor. Further peer group evaluations are also helpful while investing. A little more rigourous effort on describeing past bubbles would have help investors understand the bubble problem.

The last but not the least chapter twelve is on investor behaviour based finance. The authro reiterates that stock prices fluctuate not according to fundamentals of a company but according to what the investors think of those fundamentals. The author puts it beautifully as behavioural finance may be represented as 1+1+emotion=2 or 8 or 50 or 0. The author tries to understand investors and their behaviour. The author suggests that identifying and mapping investor behaviour leads to better understanding of the investor base. The more proactive the investor it would lead to informed decisions. It is necessary for the companies to increase faith and trust with investors. Stakeholder management can pay off with better trust management and less volatility in the stock.

Overall a book written in a simple and understanable manner for someone to pick up investing tricks. The lack of focus on fundamentals and technical analysis may make investors believe that investing is not heuristic given the amount of time, effort and money spent on and with portfolio managers to manage portfolio and promising returns. The dynamics of investing is complex which is simplified in this book and makes a good read for any first time investor or even students and professors of behavioural finance.

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**Parikh, Gautam H.; *Handbook of Indian Securities*; 2014, Bloomsbury India, Delhi, India, pp. 375, Price ₹ 2,700**

India competes with all the Asiapacificcountries for investment though foreign Direct Investment (FDI) and Foreign Institutional Investment (FII). To attract greater investment Government of India has lowered the corporate tax rates and improved the ease of doing business in India. Regulatory reforms, greater accountability of corporate officers, harmonisation of accounting standards, implementation of Goods and Services Tax (GST) and a host of other measures are likely to increase the investment coming to India. These investments come to India in the form of financially engineered products like fertilizer bonds, oil bonds, foreign currency convertible bonds, participatory notes and others. This book is an excellent attempt to explain the various instruments available for investors and why should they be chosen. This volume is dedicated to examine various forms of equity including equity linked securities such as convertible bonds and differential voting rights. Case studies have been provided to explain the genesis of these securities, the benefits to the companies and investors subscribing to these securities.

Initial public offers (IPOs) in India have been discussed in detail. Concepts like fixed price regime versus book building regime, underwriting agreement, Offer for sale, IPO eligibility relevant assets, dividends, IPO pricing, objects of issue,contract formation, withdrawal of offer, minimum public shareholding, Quid pro Quo and Second order effects provide a reader a complete understanding of IPO markets. Right issues have also been discussed. One can learn what a right's issue is, how a rights issue is differentiated form options and warrants, standby agreements, approval process, letter of offer and transaction costs of a right's issue. The author has also done data analysis for 13 private sector rights issues and 3 public sector rights issue. The case study of the Catholic Syrian bank is very interesting. The fair value of INR 165 per share and a discount of 27% is still not clear but this definitely prevented ahostile takeover by Federal bank.

Secondary issues or follow on public offers have also been discussed. Privatisation in India has taken place without access to capital market by Auction sales or strategic sales. Privatisationin India with access to capital market takes place by Initial Public Offers and Secondary Issues. One can learn about primary drivers of privatisations, national investment fund, secondary drivers of privatisations, the effect of privatisation on capital markets, two classes of secondary issues, the Government's dilemma, board for reconstruction of public sector enterprises, barriers to exit, the option to default, principal and agent and corporate governance issues after privatisation. The author finds the board of directors committed to respective ministers and not to the companies where they serve.Hence, a number of times the board approve and ratify the ministry's decisions.

Investment banks outside India issue three types of participatory notes with the underlying assets as ordinary shares or bonds or derivatives. Unregistered foreign institutional investors are capture customers of the offshore participatory market. The Participatorynotes business is capital intensive and multinational. Many complexities arise when participatory note traders become insolvent as the value of underlying asset may significantly change in turbulent markets. The transaction costs offshore are greater than transaction costs onshore in participatory notes. Participatory notes in physical commodities like gold, oil etc. is also on upcoming area of business. Mauritius and Singapore are operatingas tax heavens for India. Hedge funds, private equity funds and mutual funds channel their capital through the tax heavens. However, this inflow is resulting in loss of tax revenue for Indian authorities. Alternative to participatory notes are the India depository receipts (IDR) for shares. However IDRs increases the costs by dual listing in public companies. An interesting case study of IDR issued by Standard Chartered Plc has also been discussed. Issuance of IDRs does not provide any competitive advantage to issuers as it is nether unique nor special.

Foreign currency convertible bonds (FCCBs) have also been discussed. These are equity linked debt securities which paysinterest and principal in the foreign currency. They help Indian companies to acquire foreign currency at low interest rate. They can also be referred as a special case of external commercial borrowings. However, FCCBs are traded securitiesbut external commercial borrowing is not traded and is not easily transferable. The currency risk can be hedged with futures and forwards. For hedging the default risk one may use credit linked notes or credit default swaps. However, one may suffer from the risk of maturity mismatches while hedging.

The author has also discussed bonus shares. These shares are issued by convertingreserves into capital. How issuance of bonus shares is different from stock splits can be learnt from this book. Empirical analysis on 29 bonus issues in 2012 has also been discussed. It was observed that there is cyclicality in issuance of bonus shares. Issuance of bonus shares does not relate in any manner with economic performance of the company or the country.

Differented voting rights (DVRs) refers of issuance of several classes of equity shares with different rights as to voting. Some shares are issued with larger cash dividends but reducing voting rights. They are most suitable for institutional investors following dividend capture strategy. Example of four companies that have issued DVRs helps a reader to relate the topic in context of Indian companies. The case study on Tata Motors DVR is interesting. The author has discussed the topic very nicely covering both mid- capitalisation companies and large market capitalisation companies.

The three types of preference shares namely cumulative, convertible and participating have been discussed. Preference share are highly diverse and lack a uniform structure. The concepts of dividends, voting rights,absence of secondary market, lock-in and redemption all in the context of preference shares has been discussed. Case study of Ispat industries is very insightful. Preference share are issued in case of joint ventures, special situations and crises situations. Mostly, preference shares are non-tradable with only a few companies getting them listed. The author has also touched up on the private sale of equity in the form of qualified institutional placement (QIP). However, QIP is subject to almost six statutes which make their operation complex. The sector is plagued with over regulation and compliance. One the flip side, this has also increased the demand for legal services in India.

On a whole this is an excellent book recommended as a reference reading to those who are part of Indian financial system. Investment managers, Investment advisors, Brokerage firms, Professors and students would thoroughly enjoy learning the nuances ofvarious Indian securities. The practical case studies used to explain the concepts is very interesting.

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**Bhakar, S.S, Amitabha Maheshwari, Sneha Rajput and Chanda Gulati;** ***Mastering Supply Chain Intricacies for Market Leadership (Volume 2)*****; Bharti Publications, Delhi, India, pp. 246, Price ₹ 1,195**

Supply Chain plays a vital role in delivery of goods or services. Changes in the demand pattern, exchange rate fluctuations and spread of contagious diseases makes it necessary for companies involved in supply chain to be agile.Things may go wrong especially for global firms having limited knowledge of local laws and following international practices.Hence, this industry has to take into account the diversity of culture, language, ethics and executive conduct of the country it operates in. To run a successful supply chain management company one needs to "Segment customers based on needs, customize logistics networks, listen to market signals and plan accordingly, differentiate products closer to customer, source strategically, develop supply chain technology strategy and adopt channel spanning measures. The edited book has discussed research related to Supply Chain Management in four sections. The first section is concerned with financial management aspects of Supply Chain Management. Tracking supply chain with financial flow indicators results in creating efficient systems. One can read an interesting case study on institutional financing of agriculture in J&K. The impact of crude oil price fluctuation on inflation and stock markets is also very insightful. A positive relationship was observed between crude oil price and inflation.

Section two focuses on marketing management aspects of supply chain management. One can learn about the influence of parents in buying behaviour of children, student enrolment and infrastructural status, advertising and brand image, internet banking and customer satisfaction in this section.Virmaniand Dash found that products used by children are mostly decided by themselves. The influence of children in decisions for family purchases is increasing. The influence was found more in nuclear family structures.Sikarwar,Bhakar and Agrawal by studying the advertising actions of LIC and ICICI prudential found that emotions embedded in the advertisement have different impact on the brand image.

Section three is focussed on Human Resource Management. Readers can learn about latest research in employee motivation, Human Resource Information Systems, Job Satisfaction and Hygiene factors.For Mc Donald it was found that one of 10 workers in US has at one time or the other worked at this iconic food store but most of the workers leave the job within four to five months due to low wages. Despite such high attrition Mc Donald trains 55000 employees every year.Apart from low wages, there exists no union at Mc Donald. There also exists lack of communication between employees and management. Working on the weaknesses would improve motivation of employees. This may lower the attrition rate and cost of training incurred at Mc Donald.Parmar and Agrawal feel that future of Human Resource Development is based on Human Resource Information System (HRIS) and use of technology. It will facilitate accumulation and processing of data for better HR intervention. Kapoor and Sharma found that eve teasing affects job satisfaction. Complaints are often not made to prevent from becoming scapegoat. Fear of loss of job also contributes to let issues remain unresolved. Vyas and Bajpar found that hygiene factors like interpersonal relationship, salary, working condition and job security have a positive impact on performance of an employee.

Section four covers miscellaneous areas of management not covered in the above sections. One can read about Small Scale Industries in India, MNCs, Innovation and Entrepreneurship, wireless Network Techniques, Indian Automotive industry, Open Source Digital Library, Adult education and Primary Education.A range of diverse areas of management have been covered in this section.Sudan deliberates the concentration of small scale units in urban industrial complexes limiting its penetration across country. Being labour intensive, small scale units contribute in equitable distribution of income and in skilling unemployed. Efforts related to credit availability and skill development should be made based on data. Skill development should focus on reduction in costs. Steps should also be taken to improve the efficiency and functioning of small scale sector units.Chaurasiya, Parmar and Chaurasia feel that through entrepreneurship one can increase nation's income, employment and production. Bhanot, Kayumi and Mehta share the list of different activities like faculty development programs, workshops, talks, meeting, MOUs, Business Plan competition and awareness camps that can facilitate entrepreneurship development. Shrivastava, Dantre and Maheshwari recommend that while choosing wireless network techniques, energy level of each node and energy needed to transit the data should be taken into consideration. Paliwal,Agrawal and Sodhi found codeIgniter to be a light weight, fast and secure web application.

Overall this is an excellent reference book for those interested in Supply Chain Management. Researchers would enjoy reading this book.

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**Rao, K Srinivasa;*Transformation of Public Sector Banks in India: The Challenges in the Journey*; September 2019, Notion Press, Chennai, India, pp. 277, Price US$ 12.49**

The banking sector is the lifeline of the economy and plays an influential role in supporting economic growth. The book presents an exceptional and exhaustive analysis of the transformational journey of Public Sector Banks (PSBs) in India. The book highlights among other things the historical perspective, regulatory regime, corporate governance practices, technological transformation, leadership, role of the regulator in the changing business environment. The book details in issues such as evolution of banking system, consolidation process, asset quality, IRAC norms, post IBC enactment, technological shift and diversification, ICT delivery channels, core banking solutions, internet banking and finally it throws light on the future prospects and challenges that it throws banking sector in India is expected to face. The author has captured the issues critically to create awareness and benchmark with global standards.

In the first chapter, the author explains about the evolution of banks, organizational structure, social controls, regulation, nationalization process, etc. The branch expansion programme of establishing lead banks and adoption of service area was discussed in the Nariman Committee report in 1969, setting up NABARD in 1982, introduction of district credit committees, credit portfolio and service quality by bringing in health code systems by RBI were also discussed. The banking sector reforms were started in 1991 through the introduction of the LPG programme by the government. RBI appointed the Narasimham Committee which recommended implementing the prudential standards, operational flexibility, autonomy, benchmarking international best practices, and shift from the accrual system to revenue realization which were highlighted in chapter two. The major challenge for PSBs was to shift from manual process to technology intensive environment which was not appreciated by the employees. The Rangarajan Committee recommended the technological up gradation of banking by migrating to CBS platform, ICT delivery channels, payment gateways, CRM, ALM, etc which were highlighted in chapter three and four.

The role of banking in economic development by way of operations and employment generation has been tremendous. To meet the demand, organizational restructuring of banks has been proposed in the areas of physical structure, delivery services, redefining workflows and use of technology to minimize operation cost which has been discussed by the author. The author further highlighted the role of business process reengineering in transforming internal processes by reducing the transaction time, securing the data, quality and efficiency. This process further supported banks to provide services on real-time basis.

A critical perspective on the merger experience in India, contrasting with global experience of consolidation has been an interesting factor portrayed by the author. Amalgamation of the seven associate banks of State Bank of India with SBI has been a strategic move by the government. The author meticulously analyzed the complete process of merger and their desired outcomes. One of the key challenges for PSBs is the NPA management. To overcome the problem, the regulator has introduced asset quality norms and brought innovative methods to recover NPAs. The banks also have introduced strategic debt restructuring schemes for identifying wilful defaulters. To support these initiatives, Credit Information Bureau (India) Ltd has also been issuing the rating scores to banks on certain important parameters. The chapter identifies key reasons that spiked NPAs and their recovery position after implementing the asset quality ratio the (AQR) to monitor credit. These issues were dealt by the author by quoting relevant cases in the sixth, seventh and eighth chapters.

Further, chapters nine, ten and eleven highlight Basel framework for strengthening the risk management architecture among PSBs. The banks were mandated to have internal capital adequacy assessment policy to increase the significant use of capital as a buffer to absorb unexpected risk. A detailed mention on types of risks and how to mitigate them are discussed. The Basel II highlighted minimum adequacy, supervisory review process, market discipline whereas, Basel III talked of enhanced capital adequacy requirements through common equity tier 1 and unsecured subordinated debt in tier 2 which are to be complied by PSBs by 2020. In the current scenario the transition to migrate to Basel III norms is painful for PSBs are they are facing problems while complying with Basel II framework.

The focus on the Corporate Governance (CG) in PSBs has been dealt in chapter twelve. The chapter elaborates how CGs significantly imbedded the best practices while strengthening disclosures, risk governance framework, defining roles and responsibilities of directors, benchmarking with global bans, streamlining compensation management system for key personnel and increased visibility to stakeholders. The PSBs attract huge talent, managing the quality has always been a challenge. The mushrooming growth of private sector banks and attractive compensation and benefits have left PSBs to think on various innovations to retain the talent. Of late PSBs have realised that on-size fit all would not work in the current scenario and established a structured talent management system with requirement identification, mapping skill sets, strong promotion and retention policy. Efficient leadership hierarchy, importance of metrics in determining the career progression, proper succession planning mechanism, incentivizing high performers were also discussed by the author in consecutive chapters. The final chapter of the book deals with the future prospects of banking industry in India. The author mentions about the new schemes of reforming PSBs including mission INDRADHANUSH, and the EASE (enhanced access and service excellence) schemes. There is a mention on the importance of ease of quantitative lending, potential of technological innovations in order to increase the capacity building in banks for achieving accelerated transformation.

The author has very comprehensive views of the traditional and shadow banking industries. With his experience as a banker for more than three decades, the author could narrate and place before the audience a real picture of the banking scenario in India. The book is divided into fifteen chapters. The first five chapters talk about the evolution of banks and their organisational structures. The next five chapters highlight on banking operations in terms of asset quality management, innovations, risk management, etc. The last chapter highlights on best practices, corporate governance, leadership and talent management.

The book is recommended to practitioners and policy makers who wish to know the transformational journey of banking scenario in India. It helps the students, perusing specialization in banking, as a reference book. It maps the developmental challenges of PSBs in expanding the outreach to unbanked hinterland in order to fulfil socio-economic needs of financially excluded sections. It is a must read for all those who wish to gain a more insightful perspective on issues related to the banking sector and to understand how re-orientation of PSBs has been aligned for meeting the changing competitive ecosystem.

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