CHAPTER II

CORPORATE COMMUNICATION IN INDIA: A BRIEF STUDY

2.1 MEAN OF CORPORATE-

In the course of corporate communication its try to understand the mean of corporate which is originated from Latin word 'body' (corpus) and for 'forming in to a body' (corporate). Which emphasizing to see it 'internal' and 'external' communication disciplines. On the basis of this it is said that corporate communication starts from the perspective of 'bodily' organization as a whole when communicating with internal and external stakeholders. Today corporate is a channel of exchange of goods and service across the world. Now a day it is driven by the exchange of data and information. (cornellision)

Corporate is the base of Modern Corporation. So here is question raise what is corporation? According the dictionary meaning of corporation is "a large company or group of companies authorized to act as a single entity and recognized as such in law". It could be commercial, financial, public service, transportation, telecommunication, use public relation techniques in creating mutual understanding and goodwill of their corporate publics. There are so many things comes under corporation like shareholders, employees, customers, distributors, supplier, media and the government. All are these components do their works, customer demands quality of product and good service, media expect information, shareholders want dividend and profits. The diverse interest of each of them calls for a specific or specialized public relation communication program me to meet their demands and communication needs. Customers provide capital for pay salaries and create profits and stockholders, dealer, media and Government. All are the essential part of corporate public relation plan. Whole of this jointly make the image of corporate publics. (Reddy, 2009, p. 42)

Walter lippman wrote his famed Book 'Public Opinion' in 1922 during twentieth century need of modern industrialization for publicity makers and press agent to inform and persuade the general public and self their wares :-

"The development of publicity man is clear sign that the facts of modern life do not

spontaneously take a shape in which they can be known. They must be given a shape by somebody, and since in the daily routine reporters cannot give a shape to facts, and since there is little disinterested organization of intelligence, the need for some formulation is being met by those interested parties".

By the early 1900s, every organization realized that it had to be engaging through communication with a number of groups in its environment, including the general public and consumer markets to remain economically afloat. almost 150 years back when organization are used kind of communication techniques and disciplines to promote, publicize or generally inform relevant groups and individuals within society about their issues . In the beginning period of industrial revolution and continuing by the organization until1930, an era predominantly characterized by mass production and consumption. The type of communication that was operated greatly consisted of publicity, promotion and selling activities toward buoyant market. Until 1970 the 'Public relation' practitioners describe it with communication to stakeholders and public relation function largely consisted of communication with the press in most companies that time. Thereafter other stakeholders in which internal and external jointly demanded more information from the company, here communication started look as more than 'public relation'. That is the time when corporate communication was going to establish their roots and functions started to take hold. This new function incorporate all kinds of specialized disciplines including internal communication to employees, external communication to stakeholders, investor relation, media relation, corporate advertising, issues and crisis management, corporate branding, corporate design, and change communication and public issues. This new characteristic and discipline focuses to whole organization and major task how of it how present to itself to all its key stakeholders, both external and internal.

To understand historical perspective of corporate communication it is first understand communication management. Now as we know in term of way in which it is practiced in contemporary organization, is rising in historical circumstances and development. Because it' shaped the contemporary communication practice. If we see the history there are two dominant perspectives, public relation and marketing, appear on the domain. Corporate communication is a perspective upon communication management which see the not only the public relation and marketing in narrow perspective even

its see the whole range of communication disciplines and activities in conjunction.

2.2 COMMUNICATION MANAGEMENT

Cornellission suggest in their book corporate communication, theory and practice, that 'any kind of communication activity undertaken by an organization to inform, persuade, or otherwise relate to individuals and groups in its outside environment.' In the beginning of modernization society start their journey with framing and trade, later industrialization created more complex organization with more complicated needs. The large industrial corporation that emerged with the Industrial Revolution in United States and (US) United Kingdom (UK), and from there it's gradually spread out over rest of western world. After this revolution a lot of companies and firms originate which need to require professional communication officers to handling the promotions and publicity to in more organized way. Then, those large Industrial complex firms and society realized that effective communication techniques and campaigns needed to be developed by expert professional to get maximum benefits and maintain the support. These organization hired publicist, press agents, promoters and propagandist whose played sometime with the innocence of public in its longing to be entertained, whether deceived or not, and many advertisement and press release in those days were in fact exaggerated to the point where they were outright lies. While such tactics can perhaps now be denounced from an ethical standpoint, the 'Press agentry' approach to the general public was taken than time, simply organization and their press agent could get away with it. At the turn of nineteenth century Industrialist and capitalist felt that in western world no one and were immune to pressure from government, lab our or public opinion. That time the western world faced new challenges to their established ways of doing business. Origin of new medium of journalism called investigative journalism that was reveling the scandals associated with the power, capitalism and government corruption and raised public awareness of the unethical and sometime harmful practice of business. It was a step head toward born of corporate communication. Because of this there were so many organizations and industrialist hired writers and publicist to be spoke people for the organization. In the Decade of 1900-1910 , economic reform in the us US and UK and intensified public skepticisms brought it home that these writers, publicist, and

advertising agent were needed on a more continuous basis, and should not just be hired 'on and off' as press agent had been in the past. These communication practioners was not hired to served communication activities both public and market for organization as adhoc basis even working as full-fledged basis. Here two kind of communication act planted to see the communication activities of organization 1- Public relation 2- marketing. Both Public relation and marketing function have sprung from the understanding that has ever since become established in the industrialized world, namely that an organization, in order to prosper, need to be concerned with the issue of public concern, (i.e public relations) as well as with ways of effectively bringing products in the markets (i.e marketing). Both are separate functioning tool which is combined them in to new vision.

William Mandak, in 1978 highlighted the different ways of looking at the relationship between marketing and public relation. The view of public relation and marketing as distinct function had characterized much of twentieth century, the article 1978 emphasized, yet it predicted that a view of an integral paradigm would dominate the 1980,1990 and beyond as 'new pattern of operation and interrelation can be expected to appear in these (Marketing and public relation) functions.

Kotlar and Mindak described that marketing mean to say serve, and satisfy customer needs at a profit' while public relation in sense to produce goodwill with the company`s various publics so that these publics do not interfere in firm`s profit making ability'.

Marketing and Public relation as two functions that completely distinct in their objectives and tactics. But somewhere it become apparent over and again that there was at least some common ground or overlaps between them. In 1980 when cost was rising and impact of mass media advertising encouraged many companies to examine different means of promoting customer loyalty and building brand awareness to increase sales. Use of 'marketing public relation' publicizing of news and events related to the launching and promotion of products or services that thus effectively involves the use of public relation techniques for marketing purposes has ever since been widely used by organization. Marketing public relation was found not only to be a cost effective tool for generating awareness and imagery, but also to imbue the communication of the organization`s brands with credibility.

Some where many theorist and practitioner mention it like two separate form of all communication especially public relation are essentially asymmetrical in nature. The Dutch theorist Van der Meiden has explain in this respect that classical view the emphasize the exclusive position of public relation relative to marketing on the basis of mentioned distinction between symmetrical dialogue and asymmetrical persuasion need fundamental opposition. Viewing public relation as an in here symmetrical form of communication, setting it aside from marketing on that basis.

According to Vander der Meiden, in fact a form of false 'Puritanism, that in the face of reality of how communication actually works, is old fashioned and unrealistic'. However, he added that, despite the recognitions that all form of communication shares asymmetrical roots, there is no need for complete amalgamation or fusion between marketing and public relation. In other words, marketing and public relation are both asymmetrical in nature, but as Van der Meiden stresses, based on the apparent differences(in their objective, groups addressed and technique used) each still largely stands as function on its own. Whether in perspective of similarities between public relation and marketing, it is found that image assessment, customer satisfaction, corporate reputation, media strategy, corporate advertising, employee attitudes are present in both . Then here are overlapping between marketing and public relation.

Philip kitchen, a public relation academic, calls it the view of 'middle of the road' where both function are seen as distinct, but where they shares important similarities and complementary relationship. Many times corporate imagery , created through public relation programmers, can positively reflect upon the products brands of the company, thereby increasing the awareness of the product brands as well as adding an attribute the enhances consumer`s favorability of the brands.

2.3 IN INDIAN CONTEXT

When we see the history of corporate communication, have to go in public relation history which is started from period of two great epic of Hindu like Ramayana and Mahabharata period. In which sage Narad disseminated the information among God and Goddess, king and ruler in the motive of Lok Kalyan. Therefore it is 5000years

ago years, from there it supposed that public relation technique originate. In contemporary period it is find that somewhere it expansion of public relation and the term used like corporate public relation or corporate communication.

When England declared war against Germany on 4th August1914 and India under the rule of Britten could be silent of spectator in the war. During that India made magnificent response to the war effort (world war 1) and with the help of press Indian Government made deep impression and mobiles people`s support to win the war. Take press conference and keeping people well informed about the Britain`s war against Germany, and the Government set up number of central publicity Board as ahead quarter in Shimla 1914. Sir sanely Reed, Editor of Times of India, was appointed as Central Publicity Board`s head to look after the publicity and propaganda of the first world war, 'Public Relation' technique came in fashion. (Reddy, 2009, p. 45)

Public relation has long been, considered nurturing ground of corporate communication. Corporate communication and corporate public relation as the serious attempt by the corporation and other organizations to improve the public`s opinion of them in order to assure their freedom to operate as independently as possible. The extent of this freedom has varied widely, but we can legitimately date the consciousness required to believe in the importance of good public opinion to the era of the great railway barons of the second half of the 19th century.

It is the evolution of corporate communication in the age of semantic web. It is useful to reflect on the most important milestone of the discipline through the last 100 years of public relation. For while communication tool is available have changed radically, the business and social issues affecting the relation between corporation and stake holders have remained strikingly constant. (Michael B. Goodman, 2010)

There are some academic literature refers to public relation and communication in changing terminology. Similarly, the emphasis placed on certain nomenclature varies according to the country of origin. In the United Kingdom, but not in United States (although white and Mazur, 1995, reports Bernays as saying that public relation had attracted a negative image in the US by the late1960) public relation has become debased. What used to trade under the public relation is now known variously as

corporate affairs, Corporate Communication and public affairs.

Corporate Communication moved away from the secular public relation approaches of the 1970 and 1980s and moved into new areas of political roles and relationship between people and their economic environments. (Oliver S. M., 2004))

CV Narshimha Reddy describe three model of public relation in his book which is explained by Grunig and Hunt (1984). That is adopted by as the root of public relation in India.

2.3.1 The press a gentry/publicity model

Which is one way communication model from sender to receiver and purpose to make propaganda and communication.

2.3.2 Public information model

This is also one way communication model and used to disseminate information to public.

2.3.3 The two way asymmetrical model

Which is two ways communication model send information sender to receiver and from receiver to sender? It is used in scientific persuasion as propounded by Edverd L Bernays**.**

It is truly two way communications a sort of dialogue communicate between public and organization. But both can modify their attitudes and behavior as per the condition as a result of public relation activity. (page no. 48)

On the basis of above given model Narshimha Reddy divided it into three broad model which is carried the evolution of public relation in India.

2.3.4 Propaganda model- It is started from 1500 BC to end of east of Indie company rule 1858.

2.3.4.1 The Propaganda period (1500BC-1857AD)-

Public relations have started in India with propaganda. In ancient time the founder of

Buddhism great Gautama Mahavira, Hindu philosopher, Great religious leader uses their sermon to motivate and assimilate the people and create curiosity, respective faith in favor of their religion. They change the society and masses, attitude and learn the art of life with massages of their leaders. Contemporary rulers, those who had build upped empire in India like Mughal, Maurya, and East India company adopted the propaganda to preserve the rule of their respective government. The ancient and medieval king created faith by this propaganda technique by hook or by crook.it was simple one way communication.

CV Narshimha Reddy coated a statement by Garth S. Jowett and Victoria O Donnel in 1986 that 'Propaganda is a deliberate and systematic attempt to shape perceptions, manipulate cognitions and direct behavior to achieve a response that furthers the desired intent of propagandist''. It is simply explained that how propagandist use this technique in systematic way to achieve their motives and create influence on the masses and society. There was stone, seals, pillar edicts, iron pillars, marches, palm leaves beat of a drum folk arts developed in the propaganda age.

2.3.5 Publicity and public information model-

It is started from British India rule from1858 to 1947.

2.3.5.1 Publicity Era (1858-1947) –

It supposed to be second stage of Indian public relation that was began in 1858 in the end of East India company`s rule. It was the time when India was passed through great rebellion by Indian soldiers in 1857. The British Government used first time communication by newspaper through viceroy. The first model of publicity or public information established as editor`s room in 1858 and appointed first press commissioner in 1880. During First World War in 1914 established of publicity Board, publicity Bureau of Railway (1930), the Bureau of public information (1936), Directorate of Information and Broadcasting (1939), and in between Second World War the Department of information and Broadcasting, Government of India (1941), Press information Bureau (1946) were the great benchmark of the publicity model. At the same time Indian Government established a separate Directorate of inter services Public Relation in 1941. It was a step head toward light of 'public relation'. That was the first time Indian Government used term public relation. In 1945, first private

sector public relation division established by houses of TATA in Bombay which was first seed sown of public relation. In that period meant of publicity to changed war relation information in to public information or welfare information. Thus it could be say; this model has main function to disseminate the information to public.

2.3.6 Two way asymmetrical public relation model-

India have adopted Gruinig and Hunt (1984) communication US model but with a difference after Indian independence1947.

2.3.6.1 Public Relation period (Independence day, 1947)-

In 1947 when India got independent, first prime minister of India Jawaharlal Lal Nehru advocated the free flow of information. Mass communication was creating awareness about policies of the government and doing action of a democratic government. There was first step toward public relation taken by Government and create information and Broadcasting Ministry. Sardar Patel was the first minister took forward this and want it to use in inform, to educate, to entertain the public within the democratic process. In 1951 India started first five years planning for development, mass media that time in primary stage but taking action about all the policies and creating easy information accessibility for public. In that time information vaccum eradication perquisite for eradication of economic poverty. Few author like Narshimha Reddy supposed that pundits Jawaharlal lal Nehru was a real prophet of Indian mass communication. In 1952, started General election and emergence democratic institutions, in 1958, Establishment of public relation society of India (PRSI), in 1960, growth of public sector, in1969 nationalization of the scheduled bank, in 1991 new industrial policy and liberalization, there after the revolution of media, FDI in media and information and growth of communication technology was the development in public relation in India.

As a result of Globalization, Indian economy open for world trade thereafter the marketing war had started among the world economy. When multinational entered in India with foreign brands and India went to foreign market. There were new advertisements agencies established and have to fulfill the new communication challenges. So a kind of new environment started which promoted corporate communication.

In most of places a new word has found corporate public relation. So in between lots of confusion created to specific define the public relation, corporate public relation and corporate communication. The International Public Relation Encyclopedia defines corporate public relation as "Public relation for a company as a whole rather for any of its primary function, protecting the goodwill a company has already achieved and gaining additional goodwill in the process". It means public relation entirely applied as the whole incorporation to gain the goodwill and understanding the good relation with the public's used as a Corporate Public Relation. Somewhere it also has been described a communication process between organization and stakeholders. Corporate Public Relation covers Employees' relations, shareholders relation, customer relations, community relations, Media Relation, relation in crisis situations. In many cases it has been to see that corporation use public communication, public information, corporate communication considers substitution for public relation.

Narshimha Reddy stressed that not much differences between Corporate Communication and Corporate Public Relation. Both are applied for communication in corporation and relationship with the stakeholders. He clarify that when public relation become nonprofessional and failed to deliver goods and carried bad name, the corporate sector of US coined a new word for public relation as corporate communication when public relation being use only of media relation and lost its credibility for want of professionalism. There was no option for corporate world adopt corporate communication instead of public relation. (Reddy, 2009, p. 148)

2.4 PUBLIC RELATION PREDECESSOR OF CORPORATE COMMUNICATION: AN OVERVIEW

Edward L. Berneys considered one of the fathers of PR is believed to have contributed richly in reconciling the development of PR. His book Crystallizing Public Opinion that he wrote in 1923 laid down the principles, practice and ethics of the profession. In his view a PR practitioner was a "special pleader" with two big hurdles to overcome, viz., a) the public's reluctance to acknowledge a dependence on people or groups, b) the establishment of the profession itself.

In the midst of the Great Economic Depression of 1930s, the governments and organizations felt the necessity for proactive information about the policies and renewed outlook. The governments needed the tool of persuasive publicity for which various kinds of media were needed to reach out to stakeholders.

The Bolshevik Revolution of 1917 was indeed a manifestation of people's frustration with the tyrannical Czar and their desire to be free. It is however, a different matter that the USSR turned into a regimented society, until about six decades later, when people supported by the right leadership brought about *glasnost* followed by the disintegration of the country in to a number of independent states.

The advent of 20th century was marked by the invention of mass communication, beginning with the printing of newspaper, followed by the invention of radio, cinema and later television. The power of the pen came to be recognized when newspapers regularly carried stories on the seamier side of things- the evils of business, the corruption in politics, the double standards in religion, exploitation of children, women and Blacks. The journalists who were writing negative stories came to be known as the "muckrakers". Such articles had tremendous impact on the general public. The organizations and people, against whom such dispatches were written, felt the need to give their points of view, thus paving the way for the birth of Public Relations.

2.5 PUBLIC RELATION IN INDIA – THE PRE-INDEPENDENCE PHASE

India as a country has been through various upheavals, being invaded from outside from various races and countries for hundreds of years. India as an idea to India as an entity has always drawn much enthusiasm and intrigue. James Mill in his book History of British India (1817) divided the history of India into three distinct characteristics viz., Hindu, Muslim and British civilizations. Not many agree with this characterization. Some scholars have divided India to 'ancient, classical, medieval and modern periods'. Famous historian Romilla Thapar posits that a country can't be periodized based on rule alone. History needs to reflect 'significant social and economic changes which may not strictly related to change in the ruling power'. The coming of invaders from distinct religions, races and culture and settling down here

had its pros and cons. There is however no denying that in the melting pot, many races, languages and cultures got assimilated making India a culturally composite nation. India is an interesting case study for communicators, given the multiplicity of religions, culture, castes, languages and ethnicity. History is replete with examples of kings going incognito to feel the pulse of the people about governance and to listen to their grievances. Asoka, one of the greatest kings in India spread Buddhism far and wide through his emissaries. His iron pillars have stood the test of times that inscribe the obligations of the government towards its people.

The growth of PR as a profession in India has been a topic of much debate and deliberations. Many scholars have analyzed the historical evolution and growth of Public Relations in India from varied perspectives. JM Kaul, for instance, chronicles four stages of historical evolution of Public Relations, viz. early stage, the stage of conscious PR, the third stage of PR and finally Professionalism in PR. Similarly, Rahul Jain, in his paper PR Landscape, published by Global Alliance for Public Relations and Communication Management for information only categorizes the historical progression of Public Relations in India into three broad phases propaganda, publicity and public information and public relations in the modern post-independent India.

The process of professional public relations, it is believed started in the pre – independence era when the British Government needed to win over the support of the Indians towards World War I. It was also the time when family owned corporate houses such as Tata and Birla's were emerging on the scene.

The advent of Mahatma Gandhi on the political front changed the strategy of freedom struggle in the country then on. Non–violence, Civil disobedience, Satyagraha (Insistence on truth) were the new strategies that needed mass support and understanding from the Indian perspective. Mass media, especially newspapers played a great role in disseminating information and creating a national fervor among Indians.

The British Government too, felt the need to build the public opinion and disseminate information to the public through the media on World War I. It established a Central Publicity Board under the chairmanship of Sir Stanley Reed, the editor of the Times

of India, Bombay which was the first organized PR set-up in the country. Once the war ended the board was taken over by Central Bureau of Information in 1921. This bureau functioned as a link between the government and the media. One of its important functions was to scrutinize the negative and critical stories on the government appearing in the media. It also acted as a major tool of feedback for the government machinery. For the first time an Indian, Mr. J Natarajan of the Pioneer newspaper, Lucknow was appointed as its Deputy Principal Information Officer. In 1923, the Central Bureau was re-designated as the Directorate of Public Instruction and later in 1939, it became the Directorate of Information and Broadcasting.

2.6 ORIGIN OF PR IN INDIAN COMPANIES

Some scholars believe that in the initial stages, PR as a management's voice emerged more as a tool of 'liberal' philanthropy by the pioneering industrialists. Kaul gives the example of Tata Iron and Steel Company (TISCO) which went into production in 1912. From the very beginning, the Tata's were involved in community relations as they built the model town of Jamshedpur wherein they not only provided housing, water, electricity, free primary education, hospital and technical institutes, but also promoted social cultural and economic development of the community. Tata's have been the forerunners in introducing employee welfare schemes.

India at that period of time was fragmented into hundreds of kingdoms and principalities and it was not an easy task for the crusaders of the freedom movement, viz., various political leaders and political parties, Congress being the foremost to reach out to the length and breadth of the country in making people understand and participate in the freedom struggle against the British. Persuasive communication obviously played a great role. It may or may not have been seen as PR, but undoubtedly had its roots in it.

It was during this period that Tata opened their public relations department at their head office in Bombay (now Mumbai) in 1943. It also started a monthly publication next year for employee communication.

A systematic and organized practice of public relations in India some believe began with the Indian Railways. It was found that the building of railways for the purpose

of carrying raw materials from the hinterland to various ports in the country was proving to be an expensive affair and soon they realized that they had to introduce passenger traffic in order to recover the cost, which led to promotional messages for railways as a mode of commuting.

2.7 GROWTH OF PR IN THE POST-INDEPENDENT INDIA

After achieving independence from the British yoke in August 1947, the government of India set up a full-fledged Ministry of Information and Broadcasting, a premier agency for disseminating information to people at large on various welfare programs undertaken by the government. Successive governments have been criticized for using the state machinery for propagating the 'achievements' of the party in power. In times of crisis, the governments both at central and state levels have used the PR machinery to salvage their reputation. The redeeming thing however in India, that makes our democracy a robust one, is that we have a free and vibrant media that works as a watchdog in public interest and has constantly questioned the successive governments on their various decisions and unearthed many a scams. The Right to Information that came into existence in 2005, besides empowering the common man has been used vigorously by the media in India in pursuance of their investigative stories.

2.8 PRACTICE OF PUBLIC RELATION IN PUBLIC SECTOR

India opted for a mixed economy model after independence. Public sector however was conceived as a pro-choice of the Government. This guiding factor led to the passage of Industrial Policy Resolution of 1948 and followed by Industrial Policy Resolution of 1956. The 1948 Resolution envisaged development of core sectors through the public enterprises. The Government implemented policies based on import substitution industrialization and advocated a mixed economy where the government controlled public sector was expected to co-exist with the private sector. A decision at the top government level was taken around that time that all the central public sector enterprises (CPSEs) that now number about 250 would have a Public relations department headed by a professional. It was also conveyed to the public

sector chiefs that for informing and motivating the employees, every public sector undertaking under the Central government would bring out a house journal for employee communication.

When we look at the media scene in India from its Independence time until the 70s when many public sector companies were being set up, the television and radio were under the government control. Now with more than 350 news channels in the private sector also, Doordarshan competes with them but at the same time reflects government's perspective rather than being an independent news broadcaster. All India Radio still has the monopoly on the news. The print media has always been independent and vibrant and continues to be so. Efforts at gagging the print media from time to time have not really succeeded.

When India Got Independent in 1947, after that, India started so many planning toward in the direction of growth and development. From independent to close to decade of eighty India was growing under "Licence raj". Under this, lot of companies used to run to get the permit or possession from the government department for setting up or diversifying their business. In the shadow of this, bribery, red tape, lobbying of bureaucrats and politician was started. For this, companies started to appoint " PR executive or Liasoning executive" to look after these kind of activities and maintaining the network with official and politically. But in 1990, when the liberalization came and new kind of economies set up and multinational companies established their business and promoting their brands in Indian market, in that period the importance of PR increased and PR companies and his staff got opportunities for strategic communication advices or offering services to promoting the brands in Indian markets and set up their business. It was time that Public Relation industries grew in India with multi dimension and their business in multi crore which providing communication and strategic solution to business in India. Thus Public Relation moving towards the Corporate Communication. Their work expanding up as media marketing, management tool and professional. Now a day's these companies developed communication packages for some specific companies like Healthcare, Information technology, and financial service sector.

Therefore it can be said that Public Relation are the predecessor of Corporate Communication which used by the corporation or companies as per the necessity. As

per the vast untapped business in India established by the MNC, need for Public relation supplemented by the outside of the consultant. During after the post liberalization side by side there were so many environmental activities have done by some organization like CSE and Greenpeace, forcing the companies to make to flow of communication act fast. In this period Pepsi and Coca Cola incident took place. Pepsi were accused to using pesticides in manufacturing of drink as consequences, it was boycotts the heavy amount of consumers and Coca Cola accused by CSE, using highly contaminated underground water. These two incidents took both industries under problems. Then communication department of the companies take action in the crisis and communicated true things about their products to consumers through media managing, promotion, branding. So it was first time in India in term of Corporate Communication and started churning their PR wings. Both have the same objective to communicate the Indian consumer in top priority. A visionary company needs to keep its communications machinery well-oiled all the time and not for emergencies to crop up. It was the time when felt that old style of public relation

Function no capable longer to handling the kind of storm. The focus has shifted to effectively structuring this new public relation department to fit the function into the existing corporate infrastructure. (Argenti, 2007)

2.9 ERA OF ECONOMIC LIBERALIZATION:-

Indian Economy since the adoption of new economic policy in 1991. This had far reaching impacts on all spheres of life in India. There can be no concrete conclusions about their impact on Indian people. This turns out to be more of an ideological debate like Capitalism vs. Socialism. But there is no doubt in the fact that those reforms were unavoidable and very compelling. There was in fact, similar wave all across the globe after disintegration of USSR and end of the Cold War. Many Post-colonial democratic regimes, which were earlier sheltered by USSR, lost their umbrella. They had no option, but to fall in line to new unipolar world order dictated by USA. Even China in late 1980's adopted 'Open Door Policy' through which it liberalized its economy by shedding communist mentality completely. South East Asian economies also reformed their economy and started engaging more with global economy. These along with China, pursued export led growth whereas Indian

economy still relies almost wholly on domestic consumption. As per principle of economics, when a particular sector performs disproportionately higher than average growth rate, economic wealth starts concentrating into that sector. In this case that sector is Service sector. Within this sector, highest growth is marked by sectors such as financial services, Real estate services etc., which are least employment elastic. Consequently, Growth of past decade was limited to upscale areas of the countries as almost whole service industry, operates from these areas. Majority of India got spillover or trickle down growth from here. This accelerated migration to urban areas. This in turned created array of social problems associated with urbanization. It fundamentally changed pattern of Indian Society. Now we have ultra-modern and ultra-primitive society coexisting and conflicting with each other. On one side Social institutions like Personal Law boards, Khaps & kangaroo courts etc. tries to uphold their control over their respective community members, on other hand there is western wave pulling out these very members. Un doubted strongest revolution of new century has been one of Information Technology, which started in last years of past century. This revolution was different because it made globalization even more obvious and stark. It made possible transfer of real time human labor across nations, without transfer humans themselves. Further, it erased all boundaries which hinder free flow of information. This has benefited sharing, nurturing and development of knowledge in societies which earlier had access only to substandard or no updated information. As always package is coupled with some grim realities too.

Governments all across the world has lost their capacity to regulate and ward of against malicious, false, sensitive information and content. Rise of Islamic State demonstrates that, IT revolution has helped development of global Terrorist links more than anything. Moreover, explicit content is freely available on web, to which pre matured children have unrestricted access.

2.9.1 GDP growth rate –

India's annual average growth rate from 1990 – 2010 has been 6.6 % which is almost double than pre reforms era. GDP growth rate surpassed 5% mark in early 1980's. This made impact of 1990's reforms on growth unclear. Some believe that 1980's reforms were precursor to LPG reforms. Other things apart, it is clear that 1980 reforms led to crash of economy in 1991, which was remedied by LPG reforms which

were quite more comprehensive. It was IMF loan which gave government to adjust its economy. It was largest ever loan given by IMF. Initially there were global doubts on India's credibility for loan, but India has been so far a disciplined borrower.

2.9.2 Industrial Growth Rate –

Barring few years industrial growth rate has been not much impressive. Share of Industry still remains stagnantly low at 25%. Worst is that India has transitioned to be a service led economy, directly from an agrarian one. One expectation of this is end of policy of imports substitution which derived industrial growth up to 1990. Foreign companies got free access to Indian markets and made domestic products uncompetitive.

They obviously had better access to technology and larger economies of scale. India's position also lagged on account of Research and innovation. Import substitution required certain degree of investment and efforts in domestic production. It was carried out even when imports were cheaper. This resulted in good and better capacity building up to that time. This was coupled with constant technology denial by west, which further pushed government to spend on R&D. Technology Denial ended with liberalization and globalization. Till that time Indian Industry was better and modern than that of China. But in two decades China has surpassed India by huge margin in case of both Industry and innovation.

2.9.3 Impact on Small Scale in India

This impact shall be studied right from the beginning of colonization in 18th century. Colonization can be considered as 1st wave of globalization. In pre colonization era, India's textiles and handicraft was renowned worldwide and was backbone of Indian economy. With coming of industrial revolution along with foreign rule in India, Indian economy suffered a major setback and much of its indigenous small scale cottage Industry was destroyed.

After independence, government attempted to revive small scale sector by reserving items exclusively for it to manufacture. With liberalization list of reserved items was substantially curtailed and many new sectors were thrown open to big players. Small scale industry however exists and still remains backbone of Indian Economy. It

contributes to major portion of exports and private sector employment. Results are mixed, many erstwhile Small scale industries got bigger and better. But overall value addition, product innovation and technology adoption remains dismal and they exist only on back of government support. Their products are contested by cheaper imports from China. Policies of government toward SSI were covered in previous article access here and here.

2.9.4 Impact on Agriculture

As already said, share of agriculture in domestic economy has declined to about 15%. However, people dependent upon agriculture are still around 55%. Cropping patterns has undergone a huge change, but impact of liberalization can't be properly assessed. We saw under series relating to agriculture that there are still all pervasive government controls and interventions starting from production to distribution (here SPS and here – WTO). Global agricultural economy is highly distorted. This is mainly because imbalance in economic and political power in hands of farmers of developed and developing countries. In developed countries, commercial and capitalistic agriculture is in place which is owned by influential Agri corporations. They easily influence policies of WTO and extract a better deal for themselves at cost of farmers of developing world. Farming in developing world is subsistence and supports large number of poor people. With globalization there has been high fluctuation in commodity prices which put them in massive risk. This is particularly true for cash crops like Cotton and Sugarcane. Recent crises in both crops indicate towards this conclusively. Also there is global Food vs. Fuel confusion going on. Sugar and corn are used to manufacture ethanol which is used as fuel. In USA Corn is produced mainly for this purpose, as sugar cane is in Brazil. Now there are apprehensions that what if converting food into fuel is more remunerative for producers? More than 1 billion people still live in hunger, much more are just hand to mouth. It is futile to expect that free market will take care of these people, who don't have any purchasing power. Clearly, Agriculture is biggest market failure, but is rarely discussed for being so in WTO. Another global debate born out of globalization is one of GM crops. Here too powerful MNCs like Monsanto hold the key. USA allows unhindered use of GM crops, but EU bans it. In India field trails are going on. (It was discusses here) On the positive note, India's largely self-sufficient

and high value distinguished products like Basmati Rice are in high demand all over. Generally speaking, India is better placed to take up challenge of globalization in this case. If done in sustainable and inclusive manner, it will have a huge multiplier impact on whole economy. Worldwide implicit compulsion to develop Food processing Industry is another landmark effect of globalization. Apart from these, Farm Mechanization i.e. use of electronic/solar pumps, Tractors, combines etc. All are fruits of globalization. Now moving a step further, Information technology is being incorporated into agriculture facilitate farming.

2.9.5 Impact on service sector

In this case globalization has been boon for developing countries and bane for developed ones. Due to historic economic disparity between two groups, human resources have been much cheaper in developing economies. This was further facilitated by IT revolution and this all culminated in exodus of numerous jobs from developed countries to developing countries. Here US have to jealously guard its jobs as we guard our agriculture.

2.9.6 IT Industry

Software, BPO, KPO, LPO industry boom in India has helped India to absorb a big chunk of demographic dividend, which otherwise could have wasted. Best part is that export of services result in export of high value. There is almost no material exported which consume some natural resource. Only thing exported is labor of Professionals, which doesn't deplete, instead grows with time. Now India is better placed to become a truly Knowledge Economy. Exports of these services constitute big part of India's foreign Exchange earnings. In fact, the only three years India had Current Account surplus, I.e. 2000-2002, was on back of this export only.

2.9.7 Banking

Further in banking too India has been a gainer. Since reforms, there have been three rounds of License Grants for private banks. Private Banks such as ICICI, HDFC, Yes Bank and also foreign banks, raised standards of Indian Banking Industry. Now there is cut through competition in the banking industry, and public sector banks are more responsive to customers. Here too IT is on path of bringing banking revolution. New

government schemes like Pradhan Mantri Jan dhanYojana aims to achieve their targets by using Adhaar Card. Having said this, Public Sector Banks still remain major lender in the country.

Similarly Insurance Industry now offers variety of products such as Unit Linked Insurance plans, Travel Insurance etc. But, in India life Insurance business is still decisively in hands of Life Insurance Corporation of India.

2.9.8 Stock Markets

Another major development is one of Stock Markets. Stock Markets are platforms on which Corporate Securities can be traded real time. It provides mechanisms for constant price discovery, options for investors to exit from or enter into investment any time. These are backbone of free markets these days and there is robust trade going all over the world on stock exchanges. Their Importance can be estimated from the fact that, behavior of stock markets of a country is strongest indicator of health and future prospects of an economy.

These markets has thrown open wide array of associated services such as Investment Banking, Asset Management, Underwriting services, Hedging advice etc. These collectively employ lakhs of people all over India. Similarly there are commodities market which provides avenues for investment and sale of various eligible commodities.

2.9.9 Telecom Sector

Conventionally, Telecom sector was a government owned monopoly and consequently service was quite substandard. After reforms, private telecom sector reached pinnacle of success. And Indian telecom companies went global. However, corruption and rent seeking marred growth and outlook of this sector.

2.9.10 Education and Health Sector

It should be noted that food (Agriculture), Health and education (and to lesser extent banking) are among basic necessities, which every human being deserves and can't do without. Unfortunately, in developing countries there is market failure in all these sectors and majority of people can't afford beyond a certain limit (or can't afford at

all). Concept of free markets, globalization, liberalization etc. fails here miserably. Free markets provide goods and services to people who can afford paying for them, not to those who deserve and need these.

Now if we consider these sectors from angle of our inclination towards free markets, certainly there has been lot of progress. There has been world class education available in India and Deregulation has resulted in Mushrooming of private engineering and Medical Colleges. But in reality, this had far reaching devastating effect on society. These new colleges accommodate only a miniscule proportion of aspirants at very high costs. Recently, an Independent organization 'Transparency International' came out with report claiming that India's medical system is most corrupt in the world. This was no surprise, we all know from where it starts. High fees of education forces many aspirants to take educational loans from banks. After qualifying job market is unable to absorb majority of them. Practice turns out to be option of last resort. Now to make a decent living and to pay back the loans person is lured by corruption. Consequently, when many similar cases are put together, we get a corrupt system, economy and society. Reality is that after deregulation and liberalization, government along with other sectors, pulled its hand from social sectors too. Now there is Mediocre to high quality options are available in private sector which can be availed as per one's budget. In public Sector Less than Mediocre to Mediocre options are available. This leaves huge proportion of aspiring students and expecting patients. On Social front India's performance is deplored all over the world and it is probably behind all important developing economies. This lacuna has been recognized and government has taken the charge. In case of education almost universal enrollments has been achieved up to primary level and now impetus should be on improving quality, so that student of public schools comes at par with at least average private ones.

2.9.11 Impact on Corporate Sector

Corporate governance in the mid Nineties, corporate governance became an important area of concern for regulators, industrialists and investors alike. Indian industry considered the matter important enough for them to propose model corporate governance code (Bajaj, 1997). However, the major pressure for better corporate governance came from the capital markets (Varma, 1997). Capital markets have

always had the potential to exercise discipline over promoters and management alike, but it was the structural changes created by economic reform that effectively unleashed this power. Minority investors can bring the discipline of capital markets to bear on companies by voting with their wallets. They can vote with their wallets in the primary market by refusing to subscribe to any fresh issues by the company. They can also sell their shares in the secondary market thereby depressing the share price. Financial sector reforms set in motion several key forces that made these forces far more potent than in the past.

Deregulation: Economic reforms have not only increased growth prospects, but they have also made markets more competitive. This means that in order to survive companies will need to invest continuously on a large scale. The most powerful impact of voting with the wallet is on companies with large growth opportunities that have a constant need to approach the capital market for additional funds. Disintermediation Meanwhile, financial sector reforms have made it imperative for firms to rely on capital markets to a greater degree for their needs of additional capital. As long as firms relied on directed credit, what mattered was the ability to manipulate bureaucratic and political processes; the capital markets, however, demand performance.

Globalization: Globalization of our financial markets has exposed issuers, investors and intermediaries to the higher standards of disclosure and corporate governance that prevail in more developed capital markets. Institutionalization: Simultaneously, the increasing institutionalization of the capital markets has tremendously enhanced the disciplining power of the market. Large institutions (both domestic and foreign), in a sense, act as the gatekeepers to the capital market. They vote with their wallets and their pens; they have an even more profound effect on the ability of the companies to tap the capital markets. Indian companies that opened their doors to foreign investors have seen this power of the minority shareholder in very stark terms. International investors can perhaps be fooled for the first time about as easily as any other intelligent investor, but the next time around, the company finds that its ability to tap the international markets with an offering of Global Depository Receipts (GDRs) or other instrument has practically vanished. In the mid-90s, company after company in

India has woken up in this manner to the power that minority shareholders enjoy when they also double up as gatekeepers to the capital market.

2.9.12 Tax reforms:

Tax reforms coupled with deregulation and competition have tilted the balance away from black money transactions. It is not often realized that when a company makes profits in black money, it is cheating not only the government, but also the minority shareholders. Black money profits do not enter the books of account of the company at all, but usually go into the pockets of the promoters. The past few years have witnessed a silent revolution in Indian corporate governance where managements have woken up to the disciplining power of capital markets. In response to this power, the more progressive companies are voluntarily accepting tougher accounting standards and more stringent disclosure norms than are mandated by law. They are also adopting more healthy governance practices.

Nevertheless, it is still true that the state of corporate governance in India remains pathetic. It is this more than anything else that lies behind the prolonged slump in the primary market today.