jacket. This section also discusses the important aspects of communicating empirical data in a proper manner.

One finishes the book with satisfaction. There are no strong ideological arguments and unnecessary polemics. The book focuses on finding the truth by taking into account various ethical considerations and sensitivities of diverse constituents in development management.

On the down side, we would like to point out two things. First, an omission. The author of the ninth chapter, Dina Abbott, is not included in the list of authors under "About the Contributors". The second is a matter of commission. Being a book from Britain, it was a minor disappointment that the spellings were American. Any reasons?

— K Sankaran and
Shashi Warrier

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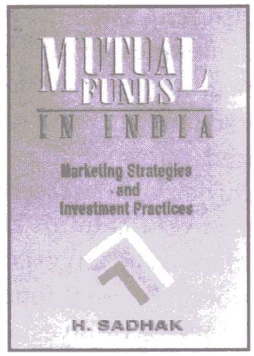

Mutual Funds in India — Marketing Strategies and Investment Practices

By H Sadhak, Sage Publications, New Delhi, 1997, Price: Rs. 395 (Cloth), Rs. 250 (Paper).

The first mutual fund in the country, the Unit Trust of India, was set up by the central government in 1964. It remained a monopoly in the business for over 20 years. In 1987, state owned banks and financial institutions were permitted to set up mutual fund subsidiaries. This was a prelude to further opening of the sector in 1993, when private mutual funds were permitted to operate. In *Mutual Funds in India,* H Sadhak examines the increasingly significant role played by mutual funds in India's liberalised market economy, and then discusses marketing strategies and investment practices of mutual funds.

The mutual fund industry has been growing in importance in the Indian economy, especially so in the 1990s. Mutual funds are involved in resource mobilisation and resource allocation in the economy and the ability of mutual funds to perform this function determines the performance of the mutual fund industry itself, and to some extent the performance of the entire economy. During the 80s and 90s, the capital markets have grown significantly. A measure of the importance of capital markets in the economy, the ratio of the market capitalisation (which is the market value of securities listed on the exchanges) to Gross National Product has increased from 6.6% in 1979-80 to 40.8% in 1992-93 and still further to 75.8% in 1994-95. The number of firms in the mutual fund industry has grown from a monopoly during the period 1964-1988, to 32 mutual fund operators in 1997. By March 1996, the total assets managed by the mutual fund industry had reached nearly Rs 82,000 crores.

Sadhak provides some valuable information on the ability of mutual funds to mobilise and to allocate resources. In terms of resource mobilisation, the industry has been fairly successful as shown by the growth in funds under management. However, on the resource allocation side, the evidence is not so encouraging. As of February 1997, quotes were available for only 51 of the 58 mutual funds that were listed. Of these, 57% were quoted below Rs 10, and 12% were quoted below Rs 5. It is clear that there is a wide variation in the performance of mutual funds. The choice of the mutual fund and the nature of the scheme can influence the returns from the investment.

The author has presented a simple research model called Test-Fit-Go (TFG) which incorporates a variety of economic, industrial and company-related factors. It is a general model of how one should proceed when analysing a company. However, the model is too general to be of much practical use, except to show the various factors that would go into the analysis of a firm. The author argues that investment research in India is in its infancy. In Sadhak's words, "Research, such as it is, is conducted in a chaotic manner. The great quantity of data that is available does not really help the investment manager. Management factors are not fully analysed, management weaknesses are not examined and no realistic assessments are made about a company's future plans." Coming from a senior executive in the mutual fund industry, this may be taken to be an honest assessment of the status of investment research in India. The recent problems of UTI, Canbank Mutual Fund and CRB Mutual Fund further confirm this view. While it would be unwise to paint all mutual funds with the same colour, Sadhak's honest assessment of the situation should help us make more informed decisions the next time we consider investing our hard earned money in mutual funds.

Marketing of mutual funds is a challenge since it involves the selling of a promise of performance. The section on marketing of mutual funds provides information that helps understand the challenge of marketing different kinds of mutual funds. Besides regulatory requirements in terms of fees and maximum expenses that can be incurred, information on investor profiles have been provided which is very helpful. The service class is the largest class of investors in mutual funds constituting 32% of investors, followed by business people (19%) and housewives (15%). Information on the preference of these investors in terms of the kind of schemes that they are most interested in is also available for interested readers. A survey of influences on investment decisions has revealed that feedback from agents is probably the most important. It is important that these intermediaries are well informed about mutual funds so that they are able to provide the right information to investors. It would be good for the Association of Mutual Funds of India (AMFI) to take up the suggestion that the association design suitable training material and programmes for mutual fund intermediaries like brokers and agents.

In the 90s, the number of firms listed on the stock exchanges grew substantially giving India the distinction of being the country with one of the largest numbers of listed companies. By 1996, there were 9,100 companies listed compared to 2,265 in 1980. However, this is not a proud achievement because a large number of these companies are not quoted in the market, leaving illiquid stocks in the hands of investors who have witnessed sharp erosion in their investments in these stocks. The investors in these stocks were not just uninformed and unsophisticated small investors but also included mutual funds which claim to have professionals making investment decisions. Losses incurred in these transactions have resulted in the asset management company being unable to meet the obligations to its investors. In the case of public sector mutual funds, the government has bailed out these funds at the expense of the taxpayer. The adverse performance arising from these investments also resulted in loss of investor confidence in the capital markets as well as in the mutual fund industry. Mutual funds are an important player in the capital markets and the health of the capital markets directly influences their performance for better or for worse. It is in the interest of the industry to discourage bad stocks from coming to the market and certainly not invest in them. To the extent that the mutual fund industry did not discourage these dubious shares from being sold in the capital markets they and the merchant bankers who managed these issues, share the blame for the current lack of investor interest in the primary market. It is disappointing that this issue has not been discussed in this book.

Another issue of concern that has not been addressed is the potential conflict of interest that can arise between the mutual fund and the merchant banking arm of a financial conglomerate in terms of fulfilling the fiduciary responsibilities. An example of this would be where the merchant bank has underwritten a stock issue but is saddled with unsold stock. It may want to reduce its loss by getting the associated mutual fund to subscribe to these shares though it may not be in the interest of the mutual fund investors. Regulation should try to minimise the actual exploitation of these potential conflicts of interest.

Overall, the book is a useful resource on mutual funds in India. It contains useful information and data organised in 45 tables, mainly on the mutual fund industry in India but also providing some comparisons with the industry in the US, UK and Japan. The main contribution of the book is not so much in new analysis or insights about the mutual fund industry, but the presentation of information about mutual funds, particularly scattered data, and presenting it well in an easily accessible form. The next time someone has to write a report on the mutual fund industry, his job will be much easier.

— Ashok Thampy

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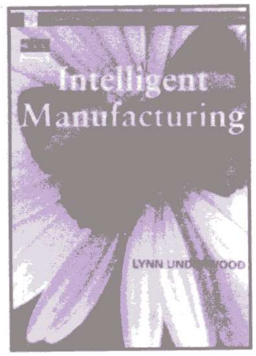

Intelligent Manufacturing

By Lynn Underwood, Universities Press (India), 1998, pp 221, Price: Rs. 215.

The latest in the series of business titles brought out jointly by Universities Press and Economist Intelligence Unit, *Intelligent Manufacturing* has been written with the needs of international executives and business education in mind.

The first three chapters provide the foundation. The author begins with the argument that other than labour, raw materials, capital and land, (also known as the four factors of production in the classical economics of firms) there is now a fifth one — information. She identifies the reasons for the US and Western Europe losing manufacturing leadership to Japan and South-East Asia in recent decades. She also identifies the Japanese philosophy of simply-integrate-automate as the main reason for that country's superiority in the manufacturing sector. The term integration includes:

- integration within in-house production
- integration between different functions of the firm
- integration between various players in the value chain.

According to the author, product design and process management, and not technology and cheap labour, are the variables that differentiate manufacturing success and failure. It is here that information plays an important role.

After defining the above as the theme of the book, the author describes, in the following chapters, ways and means of achieving intelligent manufacturing. These eight chapters essentially provide what the author feels are the do's and don'ts of designing and operationalising an intelligent manufacturing setup. Most of the measures suggested by the author are concepts that have recently gained acceptance in manufacturing management literature. The book will familiarise the reader with the concepts of organisational change, just-in-time manufacturing, total quality management and various other techniques as tools for establishing intelligent manufacturing. The implementation of these measures, according to the author, is vital for a firm to become world class in manufacturing.

Underwood has done a decent job in bringing together, in a neat and structured manner, most of the recent concepts that production management researchers have identified as vital from the viewpoint of successful manufacturing strategy. An in-