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## **Poverty : A Corporate Creation and Ratio Controls for Eradication**

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19 April 2013

Online at <https://mpra.ub.uni-muenchen.de/75234/>  
MPRA Paper No. 75234, posted 01 Dec 2016 15:12 UTC



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RATIO CONTROLS FOR ERADICATION**

**BY : Dr. VISWANATHA SUBRAMANIAM.  
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**I. PREFACE**

**This is a preface to uplift those faces in “below the poverty line” in the World. The faces are beautiful, but sad !! It is not their fault to be poor. But the Corporate units manufacturing & distributing Essential commodities have made them poor. Poverty is their inability to buy the minimum basic needs (Food, Shelter and Clothing) within their earning capacity. The ruling heads of their nation have shown a blind face to them. The contents of this research is to eradicate their poverty and reface their look filled with Smile and Happiness.**

**A positive pair of Financial ratios (proportions) are identified and a methodology is formulated to transform their poverty stricken sad faces into a prosperity filled smiling faces.**

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**II. ACKNOWLEDGMENT**

During the period from 1982 to 1989, I was an associate with Professor Dr. Arthur Lewis (Nobel Laureate in Economic Science – 1979) in Caribbean Development Bank and University of West Indies, Cave hill campus, Barbados, West Indies.

He won the Nobel prize in Economic Science (1979), for his paper “The Slowing down of the Engine of growth”. This highlighted the fact that developing nations are racing to keep pace in techno-commercial developments, equal to the developed nations (UK, USA). Instead, the priority should be to Improve the national infrastructure and affordability of the basic needs, by all the domestic population. He imparted the following progress sermons to me.

- a) Developing countries with common culture and geographically closer, should form a common market, trade and tariff rules like GATT (General Agreement on Trade and Tariff). They should attain self sufficiency, and pool commodities for export to developed nations, with international quality standards and at competitive prices.
  - b) A nation with citizens who cannot “eat well”, cannot think or aim high.
01. I acknowledge all the under developed and developing nations which do not follow the above golden guidelines and continue to race with the economic behaviour of the developed nations (including my home country). This motivated me to write this research booklet.
  02. It is essential to acknowledge the “Blind man’s Treasure hunt” method followed by the developing nations, by sacrificing and surrendering their valuable domestic wealth and talents for the economic benefit of the developed nations. (Through immigration, FDI, Foreign industrial base in their home country with advantage, freedom and concessions in favour of them)

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**II. ACKNOWLEDGMENT (Continued)**

- 03. I acknowledge and thank all the ruling heads and ministers of the nations who keep the majority of their elected people “below poverty line” for decades (closer to a century). I am also greatly enlightened by their thought provoking explanations and innovative justifications to keep their nation in this sub standard level.**
- 04. I am thankful to all the essential sectors (Government and Private) in the representative sample “below poverty” nation for continued mis-management. They provided a volume of support data, to the contents of my dual proportions’ model.**
- 05. I am surprised and enlightened by the cross (or crooked !) thoughts of the planning and responsibility heads of these poor nations. It is in the form of foolish redefinition of poverty, by lowering the quantum of basic needs of life and nutrition, with scientific support and modern management jargons. This needs an applauding and priority acknowledgement.**
- 06. The real and valuable acknowledgment goes to my wife Kanthimathi, who estimated the bare minimum survival needs for a simple house hold, and their cost at current prices, This is a back-bone data to match against the World Bank’s survey and poverty line estimates.**





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**III. ABSTRACT**

The essential item producers and distributors in every nation, inflate the prices of their commodities, to cover up their mis-management every year, so that more and more people are not afford to buy them. Thus they create, increase and maintain an expanding below poverty line persons in the nation. This Book substantiates this statement, through verified inference. Also it suggests a dual ratio control on Essential item producers and distributors, for poverty eradication.

All the species, in this world survived over the generations, by fitting themselves within the available resources, for many millennium (Darwins's theory). But human, because of their intelligence, survived in a 3 dimensional shell namely (a) The geography and environment (b) The social influences and (c) The economic infrastructure. The objective of this booklet is to measure the existence of the "Survival of the fittest" in this millennium, their distribution in the world, the reasons for the hand to mouth living for basic needs, how people escape from this survival stage, and possible solutions to eradicate this stage. Accordingly the methodology is chosen to pin point each segment of the world population in and under poverty line using the World Bank survey map, and the Operating ratio as the measure of the performance of the essential suppliers. Lower ratio represents prosperity, and the reverse poverty.

India is taken as a representative country for the analysis. Agriculture is found to be of little value compared to the return on land investment, due to the absence of mass farming. Milk and other essential items like travel, textiles and construction are taken as essential items. An analysis of their Operating ratio in government and private sectors indicate that the ratio is high. It is because of their mismanagement, and monopoly status. They keep the citizen as their captive customers and use price increase as a leverage for their continued survival. Hence corporate organisations producing and supplying the essential commodities create, maintain and increase the people below poverty line in any nation.

## drivers

Comparatively, this ratio in developed nations are low and under control. Conversely, the operating ratio of non-essential goods in the developing nations are low and favourable, because of competition and global business operators. The golden rule is that the Essential need supplies should keep their Operating ratio at 75 % or below. In the discussion, the possible and the suggested method for keeping this ratio under control (in a normal and disturbed economic condition) is found to be through innovation in cost and expense control. The growth rate of GNP should be equal to the population growth rate OR the population growth rate should be kept equal or less than the feasible GNP growth rate. This will eradicate the poverty in the world. This is applicable to all in government, public or private sectors and all the nations in developed, developing and under developed bracket of economic status.

### IV. KEY WORDS

aavin, agriculture, alleviation, almarai, amul, arogya, arthur lewis, auto, basic need, cement, clothing, construction, cosmetics, cost, darwin, diary, economic, environment, escape, essential, expense, fittest, food, gip, gnp, India, infrastructure, milk, nobel laureate, non essential, per capita, poverty, price, railways, social, supply, sector, shelter, survival, textiles, uncertainty, usa

### V. JEL CODES

A12, A13, A14, B41, D61, D83, E31, F01, G13, H83, I31, I32, M14, O1, P51, Q14, R48

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## **GOLDEN PROPORTIONS' COMBINATION for GLOBAL POVERTY ERADICATION**

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### **A) INTRODUCTION**



**Charles Darwin (1809-1882), British naturalist, revolutionised the science of biology by the demonstration of his theory "evolution by natural selection". In 19th Century, he pondered over the survival and extinction of biological species. He said "Survival of the Fittest" alone inducts any species to grow and continue to survive in any given geographical and environmental infrastructure in the world. (Note : He did not say "Survival of the Biggest, Fastest, Healthiest, Mightiest, Smartest or Toughest" etc.. !!). He inferred that the organism that best adjusts and "fits" into the changing environment, puts up with sufferings and adjust with what is available alone continues to live and progresses. Human species are very well a part of this survival concept on the earth. However, human beings are provided with an additional attribute of intelligence. Hence, they have acquired an "economic" and "social" survival dimension. This is in addition to the natural, environmental and physical magnitudes, shared in common with all other species. All human beings, hence try to fit into a 3 dimensional survival concept namely (a) The geography and environment (b) The social influences and (c) The Economic infrastructure.**

**Within these frames of reference, all the human on the earth build and protect their pedigree (family tree), grew and flourished over the millennium. From stone age, the human generations have advanced to an unimaginable dimension, by crossing the basic needs and entering into a series of luxury and intellectual needs.**

- a) The human innovations in Science invented many theories, concepts and gadgets.**
- b) The faculty of Engineering designed and prepared blue prints for these scientific contributions into utilities of value to the society.**

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- c) The Technology found the methods to manufacture these utilities in mass scale, and brought them for use in the domestic living.
- d) Developments in Computers and Internet brought the human beings together, even though they are physically far apart on the globe.

Is Darwin's concept of survival applicable to the world human conglomerates in this 21<sup>st</sup> century year 2012 ? Yes ! and it is amazing.

## **B) RESEARCH OBJECTIVE**

- ❖ Identify the squeezed survival or below poverty line human in the world.
- ❖ Measure the existence of the "Survival of the fittest" in this millennium.
- ❖ Find the reasons for the hand to mouth survival for basic needs. Identify how people escape from this squeezed survival.
- ❖ Possible solutions to eradicate this "Survival of the fittest" stage.
- ❖ Find a solution to eradicate poverty.

## **C) METHODOLOGY**

01. The survival population density is measured by the Per capita Gross National Income {GNI, is similar to the Gross National Product (GNP). GNP does not deduct and GNI deducts the indirect business taxes}.
02. The distribution of the survival population is identified from the 2009 World Poverty Map of the World Bank. India is taken as a representative Developing country with populaton below-poverty line. The local expense for basic needs are estimated for rural and urban area. They are compared with Worl Bank income estimates.
03. Operating expense (Cost of sales + Expenses)  $\div$  Net sales (Total sales revenue – Return Value of sold goods) is taken as a measure of performance of any production and supply sector.
04. The ratios of essential sectors in India are compared with other nations.
05. The ratios of non-essential sectors are compared with essential sectores
06. The ratios of the other essential sectors are reviewed to measure their level of acceptabilty.

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**07. The economy of agricultural is evaluated.**

**08. A positive conclusion is derived.**

**D) ANALYSIS**

- ❖ **Countries with people living in Per capita GNI less than US\$ 1,839 per year is taken as “living below” poverty line. Referring to Exhibit – 1, the World bank poverty map, a strip in Southern Russian Federation, Whole of India, a few Far East nations, Central African nations, a few nations in Caribbean strip and South America are below poverty line (Colour codes yellow and orange ).**
- ❖ **India is taken as a test country.**
- ❖ **People in all other parts of the world have crossed the poverty line. The missing component keeping the people below the poverty, leads to the conclusion that an average house hold is always in deficit to meet their basic needs (food, shelter and clothing).**
- ❖ **In India, Operating ratio of essential item producers and suppliers, are in an unacceptably high level.**
- ❖ **But, the Operating ratio of non-essential items are in a controlled level in India.**
- ❖ **Comparatively Operating ratio of essential item suppliers abroad, are in a controlled level.**
- ❖ **The ratios for other essential needs in India are in high levels.**

**During my assignment with Caribbean Development Bank (CDB) at Barbados (West Indies), as a “Consultant Adviser”, I had a close professional association with Nobel Laureate in Economic Science (1979) Professor Dr. Arthur Lewis (First President of CDB and Professor Emeritus in Woodrow Wilson School of Public & International Affairs, Princeton University, New Jersey, USA). He said that “Nations with people who cannot eat well, cannot think high, and contribute any thing of use to the world”.**

## E) DISCUSSIONS.

A poor nation is one having majority population who cannot satisfy their basic needs (food, shelter and clothing) within their earning. They are in the “survival” bracket defined by Darwin. They sacrifice their comforts, live with the minimum and mal-nutritious food, put up with unhygienic conditions (in clothing. Taking India as a representative of the poor nations, an estimate is made to find the dimension of poverty.

### E1) BASIC NEED ESTIMATE IN A REPRESENTATIVE COUNTRY (INDIA)

As in Exhibit – 2, the Basic need estimate versus the World income estimate in rural area, leads to a shortage of Rs 1,525 per month. If the rural person shifts to an urban area for industrial job, the monthly expenses are Double. Urban residence rentals are very high. The urban area, shortage is Rs 1,120 per month. Government subsidises their survival deficit in rural and urban through selected freebies and ration, up to a possible % of the shortage (These assistances are poor and unreliable). As a result, People are Deprived of Savings for the future, Fruits & Health food, Emergency medical care, Festival Expenses, Good clothing, Entertainment etc... Hence the population is below poverty line. The discussion is centered around the reason for the shortage of minimum survival expense, which is in the foreground.

### E11) ESCAPE FROM SURVIVAL STAGE

Those who cannot fit into the hand to mouth stage, attempt to escape from their native location towards a place where they feel can get the basic needs comfortably and have a surplus to save. They immigrate to a place within the nation (EX : Agriculture labour immigrating to industrial centres) . Those who are educated, talented and can take some calculated risk, immigrate out to the developed nations. The developed nations welcome such immigration and host them under controlled visa clauses. They pay far less a salary compared to the local citizen of the same education, talents and job content. (This also includes jobs which their locals do not wish to do).

- a) The cost of basic needs are less than or equal to 50% of their (low paid) salary. They save the other half.
- b) They enjoy a high quality and nutritious food, comfortable housing, good clothing (imported from the immigrant's native location and sold at locally affordable prices) as per the quality control and social security laws of the migrated government.
- c) From the savings, they enjoy certain luxuries like car (second hand cars in good condition are sold at rock bottom low prices).
- d) **Prosperity** : The monetary prosperity comes out of the enhanced "Exchange Rate" of the foreign currency with reference to their native currency. It has no relation to the talents, education etc... of the individual !!
- e) But this artificial foreign survival is narrowing because of
  - ❖ The developed nations are constrained to provide jobs to their unemployed natives, and restrict the immigration.
  - ❖ Their money exchange value is going down because of their mis-planning and frequent inflation.
  - ❖ The cost of basic needs are escalating.
  - ❖ The impact of globalization of corporate sectors is reducing the need for expatriates.
  - ❖ Foreign governments are now strict on paying local taxes, which reduce the savings of expatriates.
  - ❖ They control the quantum of remittances of the local earnings out side nations (Immigrant's nations).
  - ☐ The immigrant's government is becoming strict on their citizens holding money abroad. Because of this, the expatriates cannot hold their money and wait for a favourable exchange rate and remit later as per their choice.

## **E2) SURVIVAL OF SUPPLY SECTORS**

The living expense is directly related to the purchase price of food, clothing and shelter items. These are supplied by the Dairy units, Agriculture producers, Textile manufacturers, Building material producers, Construction industries and Public transport system.

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They fix the selling prices of items or services, which is in the background to keep the people in poverty line or prosperity line in a nation. The survival of any supply sector is decided by their Profitability, a vital ingredient for the Return on their investment (ROI). Profit is an arithmetic difference between the

Net Sales (Total sales revenue – Return Value of sold goods) – Operating expense (Cost of sales + Expenses) = Profit.

Hence, all supply sectors primarily target to increase their profit. Otherwise, they attempt to be in a survival level, with Zero profit (Net sales - Operating expense) = 0. (Most of the government sectors keep this survival level as a target, because of their social goals). There are many leverages to increase the profit.

Performance measurement :

Operating Ratio = (Operating expense  $\div$  Net sales) X 100

Lesser the Operating ratio, better the company's performance.

Assumptions : A supply sector sells 10,000 units of their product per year at LC 30 per unit. The cost per unit is LC 12. Yearly Operating Expenses = 80,000 . There are no returns from the customers. (LC = Local Currency)

E21) PER YEAR PERFORMANCE AT BASE LEVEL :

Net sales = 10,000 X LC 30 = 300,000 LC

Cost = 10,000 X LC 12 = 120,000 Expenses = 80,000 LC

Profit = 300,000 – (120,000 + 80,000) = LC 100,000.

Operating ratio = [Operating expenses  $\div$  Net sales] =

[(120,000 + 80,000)  $\div$  300,000] X 100 = (200,000  $\div$  300,000) X 100 =

66.67 % (Good)



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**E22) SUPPLIER INNOVATION AT BASE LEVEL (LC = Local Currency)**

The suppliers of essential commodities should use (1) Value Analysis (Price Vs the performance of raw materials) of the input items and reduce material costs, wherever possible. (2) Should analyse the process from input to output, eliminate and combine the work methods, to reduce the process cost (3) Use Supply chain management and Logistic management to reduce the inventory cost, faster and cheaper receipt of input materials and deliveries of the finished products (4) Analyse the common Expenses and reduce them wherever possible (Ex : Saving power, Water, Improving work productivity, Elimnate duplicated works etc...). By these the cost and expense could go down, for the same sales volume and price.

Net sales = 10,000 X LC 28 = 280,000 LC (Lower price 28 instead of 30)

Cost = 10,000 X LC 10 (Instead of 15) = LC 100,000.

Expenses = 75,000 LC (Instead of 80,000)

Profit = 280,000 – (100,000 + 75,000) = LC (280,000 – 175,000) =LC 105,000.

Operating ratio = [Operating expenses ÷ Net sales] = [(100,000 + 75,000) ÷ 280,000] X 100 = (175,000 ÷ 280,000) X 100 = 62.50 % (Very Good)

**Advantages**

Because of price reduction, the sales volume may go up to 12,000

Net sales = 12,000 X LC 28 = LC 336,000 (Lower price)

Cost = 10,000 X LC 10 (Instead of 15) = LC 100,000

Expenses = LC 75,000 (Instead of 80,000)

Profit = 336,000 – (100,000 + 75,000) = LC (336,000 – 175,000) = LC 161,000.

Operating ratio = [Operating expenses ÷ Net sales] = [(100,000 + 75,000) ÷ 336,000] X 100 = (175,000 ÷ 336,000) X 100 = 52.08 % (Too Good)

### **E3) ECONOMIC UNCERTAINTIES**

Economic uncertainties are Inflation and Recession. They are common occurrences in developing nations and particularly in thickly populated nations with many below poverty line. During inflation, Prices of all commodities and cost of living go up uncontrollably. During recession there is a decline in the GDP, employment and trade, lasting from six months to a year.

#### **E31) PER YEAR PERFORMANCE AT UNCERTAINTIES**

(LC = Local Currency)

Due to economic abnormalities, if the cost per unit goes up to LC 20 (from 15) and the yearly expense goes up to 100,000 (from 80,000). But the sales volume remains at 10,000 pieces per year at Rs 30 per unit.

Net sales = 10,000 X LC 30 = 300,000    Cost = 10,000 X LC 20 = 200,000  
Expenses = 100,000    Profit = 300,000 – (200,000 + 100,000) = LC 0  
When the profit is zero, the company has nil return on their investment.

Operating ratio = [Operating expenses ÷ Net sales] = {(200,000 + 100,000) ÷ 300,000} X 100 = (300,000 ÷ 3,00,000) X 100 = 100 % (Null - Danger)  
In order to get into a profit region and earn a fair rate of return under this condition, here are 2 recovery routes.

#### **E32) RECOVERY ROUTE 1 WITH PRICE INCREASE**

The price can be increased to say LC 35 from 30, keeping all other factors same.

Net sales = 10,000 X LC 35 = 350,000    Cost = 10,000 X LC 20 = 200,000

Expenses = 100,000    Profit = 350,000 – (200,000 + 100,000) = LC 50,000

Operating ratio = (300,000 ÷ 350,000) X 100 = 85.71 % (Good)

**Risk**

In this method, there is a risk, The increase in price may reduce the demand and sales volume may go down, say from 10,000 per year to 8,000 per year. Then the performance will be at loss.

Net sales = 8,000 X LC 35 = 280,000 Cost = 10,000 X LC 20 = 200,000/-

Expenses = 100,000 Loss = 280,000 – (200,000 + 100,000) = LC (20,000)

Operating ratio  $(300,000 \div 280,000) \times 100 = 107.14 \%$  (Danger)

**E33) RECOVERY ROUTE 2 WITH COST AND EXPENSE REDUCTION**

(LC = Local Currency)

The suppliers of essential commodities should use (1) Value Analysis (Price Vs Use) of the input items and reduce material costs. (2) Should analyse the process from input to output, eliminate and combine the work methods, to reduce the process cost (3) Use Supply chain management and Logistic management to reduce the inventory cost, faster and cheaper receipt of input materials and deliveries of the finished products (4) Analyse the common Expenses and reduce them wherever possible (Ex : Saving power, Water, Improving work productivity, Eliminate duplicated works etc...). By these the cost and expense could go down, for the same sales volume and price.

Net sales = 10,000 X LC 30 = 300,000 (Same price)

Cost = 10,000 X LC 15 (Instead of 20) = LC 150,000

Expenses = 90,000 (Instead of 100,000)

Profit = 300,000 – (150,000 + 90,000) = LC (300,000 – 240,000) = LC 60,000 .

Operating ratio = [Operating expenses  $\div$  Net sales] =  $(150,000 + 90,000) \div 300,000 \times 100 = (240,000 \div 300,000) \times 100 = 80 \%$  (Good)

## **F) SUMMARY OF DISCUSSIONS**

The behaviour of Operating Ratio under different economic situation are

- |   |                      |
|---|----------------------|
| 1) <u>Per year performance at base level</u>                                | = 66.67 % (Good)     |
| 2) Supplier Innovation at base level<br>(Very Good)                         | = 62.50 %            |
| Cost and Expense reduction  |                      |
| 3) Further advantage (More Sales)   | = 52.08 % (Too good) |
| 4) <u>Per year performance at economic uncertainties</u><br>(Null – Danger) | = 100 %              |
| 5) Recovery route 1 with Price increase                                     | = 85.71 % (Good)     |
| Risk due to loss of sales   | = 107.14 % (Danger)  |
| 6) Recovery route 2 with Cost and Expense reduction                         | = 80 % (Good)        |

The summary of discussions leads to the conclusions as, even during normal economic environment, with a good Operating ratio, can be further reduced through cost and expense reduction. In addition, more advantage can come through increased sales (1 to 3 above). This can reduce the population below poverty level in the nation.

During economic uncertainties, the operating ratio goes high, at the base level operating environments. Price increase method leads to a lower ratio. But the loss in demand could push the ratio up to a danger level. This will increase the people below poverty line. But cost and expense reduction, even at economic uncertainties could reduce the operating ratio and reduce the population below poverty line in the nation (4 to 6 above).

## **G) PRACTICAL SUPPORTS**

Milk is an essentials item for the people and children to be healthy (Basic needs). They should be well managed with a low Operating ratio. But the live situation of Milk units in India seems to be different.

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**G1) OPERATING RATIO OF MILK DIARIES IN INDIA  
(BASIC NEED SUPPLIERS)**

The basic need producers and suppliers are in monopoly situation. The citizens of the nation are their captive customers.

**G11) AAVIN MILK DIARY (TAMIL NADU GOVERNMENT UNIT)  
Exhibit – 3**

The average Operating ratio from 2005 and 2010 is 98.43. Till 2011 the price of 1 liter of whole milk was Rs 28. From 1<sup>st</sup> January 2012 this was raised to Rs 38 per liter. (home delivery prices)

1. This is to improve their operating ratio through price increase option.

The leverage of price increase by  $\{(38 - 28) \div 28\} \times 100 = (10/28) \times 100 = 35.71 \%$ .

2. But due to loss of sales, the Operating ratio may even go to a very high level. People will reduce or eliminate milk from their diet and fit (Darwin's) into the situation with mal-nutrition,

**G12) AROGYA MILK DIARY (PRIVATE DIARY MANAGED BY  
HUTSON), TAMIL NADU, INDIA. Exhibit – 4**

The average Operating ratio from 2005 and 2010 is 98.83. They are also in a drastic price increase path.

**G13) AMUL MILK DIARY (COOPERATIVE MILK UNION) IN  
ANAND, GUJARATH STATE Exhibit -5**

The average Operating ratio from 2005 and 2010 is 98.40. They are also in a drastic price increase path.

**G14) INFERENCE FROM INDIAN DIARIES**

The producers and suppliers of Milk, a basic food, are in an average Operating ratio of 98 % or above. The surplus is only 2 % or below. Their Net income just meets their cost and expenses. Both Government and Private supplier are not cost and expense conscious, and in a Price hiking path, to absorb their increasing over heads and mis-management.

**G2) OPERATING RATIO OF MILK DIARIES ABROAD**  
**(Basic need suppliers)**

Foreign diaries control their operating ratio, by optimum plant sizes, product mix with other dairy products and fruit juices. In addition, they export and meet international competition, which a higher quality products at competitive prices.

**G21) US Diaries. Exhibit - 6** Average Operating Ratio = 71 %

**G22) ALMARAI, Exhibit – 7**

Largest integrated diary in Saudi Arabia. Average Operating Ratio = 82.62 (2007 to 2010)

**G23) INFERENCES** :\_ The producers and suppliers of essential and basic food are in an average Operating ratio of 83 % or below. They have at least 17 % above with a surplus leverage.

**G3) OPERATING RATIOS OF NON-ESSENTIAL INDUSTRIES IN INDIA**

**G31) AUTO AND COSMETIC INDUSTRIES**

**Exhibit – 8.** The average Operating ratios from 2007 to 2011 (5 Years) for the following, are as below :

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**Mahindra & Mahindra (Automobiles and Jeep) - 78.72 %**  
**Tata Motors (Cars and Heavy duty vehicles) - 84.49 %**  
**Hindustan Unilever (Cosmetics & Soaps) - 70.68 %**

**G32) INFERENCES : The non essential items are competitive, with many suppliers. They are also export oriented. Hence they keep their operating ratio as low as possible by the application of the modern management concepts. They use (1) Value Analysis (Price Vs Use) of the input items and reduce input material costs and reduce wastage. (2) They analyse the process from input to output and eliminate or combine the work methods to reduce the process cost. (3) Use Supply chain management and Logistic management to reduce the inventory cost and faster/cheaper receipt of input materials and deliveries of the finished products (4) Analyse the common Expenses and reduce them (Ex : Saving power, Water, Improving work productivity, Eliminate duplicated works etc...).**

**G4) OTHER ESSENTIAL SECTORS.**

**The other essential industries identified are the Agriculture (Food), Railways (Prime travel), Textile mills (Clothing), Cement and Infrastructure Construction..**

**G41) AGRICULTURE**

**Agriculture in countries bracketed as poor or below poverty line has dwindled, because of fragmented farming and monsoon dependent. Lands are cultivated in small pieces and their outputs are of low in quality, uneconomical and the return on the land investment is unworthy.**

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I am from a village called Alwarkurichi in Ambasamudram Taluk, Tirunelveli district in Tamil Nadu, India. There is a Valatha Kulam (irrigation tank in the name of Valatha) providing water for 141 acres (0.57 Square KM) of paddy fields. The total acreage is owned by 8,642 house-holds (joint family groups) or an average of 1.6 cents (1/100 of an acre) per house-hold. Each house-hold individually cultivate their small piece of land in the most uneconomic and in traditional methods. I talked to the Tirunelveli district collector (2009) on creating a “Valatha Kulam co-operative forming”, by pooling the 141 acres as one piece, with each holding the share certificate, proportional to their land area contributed. He said that nobody will sacrifice their land and break their boundary mark, to pool and organise a modern, professional and scientific farming. Because, it is their hereditary wealth with an irrevocable ownership right (Patta) descending form centuries of their pedigree !!! They do not wish to step on the ladder of modernisation, cooperation and progress. (Note : Social Change is a pre-requisite for Economic Development)

Also, the irrigation method is monsoon (rain) dependent. The water stored in earthen tanks and reservoirs are not maintained properly. With climate changes, global warming, shift of seasons, hurricane pattern and failure of monsoon rains, the agriculture crop failures are common and frequent. As seen from Exhibit - 9, the Return on agricultural investment is 2.84 % per year.

#### G42) OTHER VITAL INDUSTRIES

Agriculture land owners and tillers have abandoned the lands and immigrated to urban areas within the country or gone abroad, searching for permanent monthly income from industries (workers) and offices (white collard jobs). The Operating Ratio of other vital sectors in India are :-

|   |   |         |
|---|---|---------|
| <u>Exhibit – 10</u> : Railways – Average      | = | 92.88 % |
| <u>Exhibit - 11</u> : Textile Mills – Average | = | 86.66 % |



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**Exhibit – 12 : Cement Industry – Average = 74.51 %**

**Exhibit – 13 : Infrastructure Construction - Average = 102.06 %**

The average operating ratio in cement industry is under control with an average of 74.51 %. But the infrastructure construction industry absorbs this low ratio and ultimately leads it to an average of 102.06. It is very high and unfavourable.

## **H) PROBLEM OF SHORTAGE**

**Exhibit -14 : Planning heads in developing and under developed nations with large volume of people under poverty line, are in philosophical, theoretical and dragging global thoughts (Farmer income, global procurement, higher rate of growth per capita etc...)/ This is a “Blind man’s Treasure hunt” approach.**

**The Missing Link is “% growth of domestic production and distribution of all essential items in each year should be = (or more than) % increase in the population growth per year. OR Population growth rate should be brought down to the feasible % growth (GDP). Operating ratio of essential sector should be brought down through critical analysis of cost and expenses, to maintain it at 75% or less.**

If this proportion is not followed, the basic need items are continually beyond the reach of the domestic population and there is always a shortage of basic need items. The shortage in supply with large volume people (demand) leads to increase in prices. This in turn increases the number of people not afford to get the basic needs and increases the volume of people below poverty line. This is a Non Escapable “Poverty Loop Situation”

## **I) THE IMPACT.**

The national impact of the Operating ratio leverage of essential items could be seen from the increase or decrease in consumer price index. Exhibit – 15 shows the average increase of consumer price index in India from 2007 to 2011.

## drivers

The average increase over these 5 years is 14.89. {A country where the Operating ratio of essential and basic items are high (Even though the same in non essential goods are at low and favourable)}. This pushes up the number of people below the poverty line, because of their inability to buy and enjoy the essential and basic needs.

Exhibit – 16 shows the average increase in consumer price index as 6.8 in USA, from 2007 to 2011 {A country where the Operating ratio of essential and basic items are around 71 %} . This pushes up the number of people in luxury line or above.

**Moral** : The essential item producers and distributors in every nation, inflate the prices of their commodities, to cover up their mis-management every year, so that more and more people are not afford to buy them. Thus they create, increase and maintain an expanding below poverty line persons in the nation. This Book substantiates this statement, through verified inference. Also it suggests a dual ratio control on Essential item producers and distributors, for poverty eradication.

During the period from 1982 to 1989, I was an associate with Professor Dr. Arthur Lewis (Nobel Laureate in Economic Science – 1979) in Barbados, West Indies. He won the Nobel prize for his paper “The Slowing down of the Engine of growth”. This highlighted the fact that developing nations are racing to keep pace with techno-commercial developments in developed nations (UK, USA). Instead, the priority should be to improve the national infrastructure and affordability of the basic needs by the domestic population. He imparted the following progress sermons to me.

01. Developing countries with common culture and geographically closer, should form a common market, trade and tariff rules like GATT (General Agreement on Trade and Tariff). They should attain self sufficiency, and pool commodities for export to developed nations, with international quality standards and at competitive prices.
02. A nation with citizens who cannot “eat well”, cannot think or aim high.

The poor nations are investing in hi-fi structures and large flyovers for urbanisation, by sacrificing the infrastructure roads and better sanitary conditions in rural area. Invest large sums in atomic power plants and in space research, without harnessing the freely available domestic solar, wind and flooding water power.

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Instead of encouraging and promoting mass farming and cooperative diaries, they import these basic needs. This results in increasing the starving people within a prosperous and resource abundant nation

**J) THE FINANCIAL PROPORTION MODEL**

- 1) The basic need suppliers should keep their Operating ratio at 75% or below. This eliminates the need for price increase and even lead to price reduction. This will reduce the people below the survival or poverty level.
- 2) % growth of domestic production and distribution of all essential items in each year should be equal to or more than the % increase in the population growth. At the distribution level, the quantum supplied should be equal to or more than the quantum needed (demand).
- 3) It is applicable to all in government, public or private sectors. It is also applicable to all the nations in developed, developing and under developed bracket of economic status.

**K) THE KEY METHODOLY**

The suppliers of essential commodities should use (1) Value Analysis (Price Vs Use) of the input items and reduce material costs. (2) Should analyse the process from input to output, eliminate the duplicated works, to reduce the process cost (3) Use Supply chain management and Logistic management to reduce the inventory cost, faster and cheaper receipt of input materials and deliveries of the finished products (4) Analyse the common Expenses and reduce them wherever possible (Ex : Saving power, Water, Improving work productivity etc...). By these, the cost and expense should go down, for the same sales volume and price. This eliminates the need for price increase, increase the volume of people afford the basic needs and ultimately eradicate the poverty.

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Both J anf K above are shown in Exhibit – 17 as “Poverty & Prosperity Genetic Schematic”



**EXHIBIT – 2. BASIC NEED ESTIMATE IN A REPRESENTATIVE COUNTRY (INDIA)**

**Assumptions** : Family of Husband, Wife and Child (3 persons) in a rural location. Owns a hereditary house (Not repaired or maintained properly)

- ❖ Education is assumed as free (Mediocre level)
- ❖ **Profession** : Agriculture Labour
- ❖ **Exchange rate** - 1 US\$ = Rs 40 (Average 2009 Rate)
- ❖ **Yearly income as per World Bank**
- ❖ \$ 630 X Rs 40 = Rs 25,200 Per year = Rs 2,100 Per month (Minimum)
- ❖ \$ 1,839 X 40 = Rs 73,560 Per year = Rs 6,130 Per month (Maximum)

**Minimum basic needs per month**

- 01) 1 litre of milk per day X Rs 20 X 30 days = Rs 600 ( Cow's milk)
- 02) 1 Kg of rice per day X Rs 20 X 30 days = 600 (Lowest quality)
- 03) Vegetables per day Rs 20 X 30 days = 600 (Low value items)
- 04) Oil, Cereals etc..per month = 1,000 (Low value items)
- 05) Electricity, Kerosine, fire wood etc.. per month = 300 (Fugal use)
- 06) Water (Local Panchayat charges per month) = 50 (Fixed)
- 07) Clothing (Rs 1,500 per year/12) Per month = 125
- 08) Soap, paste, washing materials etc...per month = 200
- 09) Local travel per month = 150

|  |                                    |
|--|------------------------------------|
| Minimum Expense  | = Rs 3,625 per month               |
| World bank estimated income per month<br>(minimum level (Rural)) | = Rs 2.100                         |
| Shortage of income   | = <b><u>Rs 1,525</u></b> per month |

Shifts to an **urban** area for industrial job, The monthly expense is Rs 7,250/- (Double). Urbal residence rentals are very high. World bank income estimate is Rs 6,130. Shortage = Rs **1,120/-** per month.

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Government subsidises the survival through selected freebies and ration in rural and urban area up to a possible % of the deficit (Poor and unreliable distribution).

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**EXHIBIT - 3 : OPERATING RATIOS OF AAVIN MILK (Government)**



Source : <http://www.scribd.com/doc/58962209/Inventory-management-Aavin-Milk>  
Tamilnadu Co-operative Milk Producers' Federation Ltd

**PROJECT : INVENTORY MANAGEMENT AT AAVIN MILK**

Average = 98.43 %

| YEAR      | OPERATING EXPENCE | NET SALES | OPERATING RATIO % |
|-----------|-------------------|-----------|-------------------|
| 2005 - 06 | 4000953           | 3952423   | 101.22            |
| 2006 - 07 | 3775629           | 3809250   | 99.12             |
| 2007 - 08 | 4475309           | 4559573   | 98.15             |
| 2008 - 09 | 5443039           | 5554969   | 98.98             |
| 2009 - 10 | 7336429           | 7746678   | 94.70             |

OPERATING EXPENCE = COST OF SALES + EXPENCE

OPERATING RATIO =  $(\text{OPERATING EXPENCE} \div \text{NET SALES}) \times 100$

HIGHER OPERATIONF RATIO IS NOT GOOD, BECAUSE IT CAN NOT MEET THE NEED TO PAY INTERESTS, DIVIDENDS TO SHARE HOLDERS ETC....

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**EXHIBIT - 4 : OPERATING RATIOS OF AROGYA MILK  
(PRIVTE - HUTSON)**



**SOURCE :**

<http://www.scribd.com/doc/53145795/51/AROKYA-MILK-OVERVIEW>

**PROJECT : AROGYA MILK OVERVIEW (Rs Lakhs)**

**Average = 98.83 %**

| YEAR     | OPERATING EXPENCE | PROFIT   | NET SALES | OPERATING RATIO % |
|----------|-------------------|----------|-----------|-------------------|
| March 05 | 42,971.04         | 73.51    | 43,044.55 | 99.83             |
| March 06 | 51,482.74         | 424.5    | 51,907.24 | 99.18             |
| March 07 | 55,490.56         | 814.6    | 56,305.16 | 98.55             |
| March 08 | 80,705.27         | 1,792.56 | 82,497.83 | 97.82             |
| March 09 | 95,194.82         | 1,196.79 | 96,391.61 | 98.76             |

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**EXHIBIT - 5 : OPERATING RATIOS OF AMUL DIARY (COOPERATIVE UNION)**

**SOURCE :** <http://www.scribd.com/doc/34491013/ratio-analysis-of-amul>  
**RATIO ANALYSIS OF AMUL (TABLE - 6)**

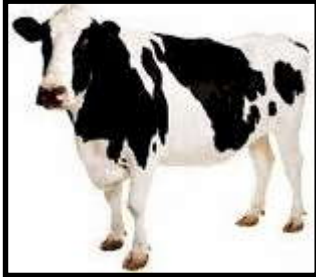
**Average = 98.40 %**



| YEAR      | OPERATING RATIO % |
|-----------|-------------------|
| 2005 - 06 | 98.52             |
| 2006 - 07 | 98.53             |
| 2007 - 08 | 99.09             |
| 2008 - 09 | 98.80             |
| 2009 - 10 | 97.06             |

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**EXHIBIT - 6 : OPERATING RATIO OF US DIARY INDUSTRIES**



SOURCE : <http://ohioline.osu.edu/b864/pdf/864.pdf>

**15 MEASURES OF DIARY FARM  
COMPETITIVENESS**

**DIARY EXCEL – OHIO STATE UNIVERSITY**

**COST CONTROL : OPERATING RATIO**

**(Total Operating expenses - Farm interest expense) ÷  
(gross farm income) X 100**

**Example from a Dairy : Average = 71 %**

**\$ 1,088,000 expenses - \$ 52,000 interest = \$ 1,036,000 total operating expenses ÷ \$  
1,450,000 gross farm income = 0.71 x 100 = 71 % operating ratio**

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**EXHIBIT - 7: OPERATING RATIOS OF ALMARAI**



SOURCE :

<http://investing.businessweek.com/research/stocks/financials/financials.asp?ticker=ALMARAI:AB>

**THE LARGEST INTEGRATED DIARY COMPANY IN SAUDI ARABIA  
IN MILLION SAUDI RIALS**

| <b>Average = 82.62</b> |                          |                  |                          |
|------------------------|--------------------------|------------------|--------------------------|
| <b>YEAR</b>            | <b>OPERATING EXPENCE</b> | <b>NET SALES</b> | <b>OPERATING RATIO %</b> |
| 2007                   | 3154.9                   | 3769.8           | 83.69                    |
| 2008                   | 4240.5                   | 5029.9           | 84.31                    |
| 2009                   | 4903.0                   | 5868.8           | 83.54                    |
| 2010                   | 5471.4                   | 6930.9           | 78.94                    |



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**EXHIBIT - 8 : OPERATING RATIO OF INDIAN  
NON ESSENTIAL ITEMS**

**MAHINDRA & MAHINDRA**



**SOURCE**

**<http://www.moneycontrol.com/financials/mahindramahindra/ratios/MM>**

| March 11 | March 10 | March 09 | March 08 | March 07 | AVERAGE |
|----------|----------|----------|----------|----------|---------|
| 80.01    | 75.74    | 80.06    | 75.33    | 82.50    | 78.37   |

**TATA MOTORS**



**SOURCE :**

**<http://www.moneycontrol.com/financials/tatamotors/ratios/TM03>**

| March 11 | March 10 | March 09 | March 08 | March 07 | AVERAGE |
|----------|----------|----------|----------|----------|---------|
| 84.84    | 84.78    | 87.52    | 86.59    | 88.73    | 86.49   |

**HINDUSTAN UNILEVER**



**SOURCE : <http://money.rediff.com/companies/hindustan-unilever-ltd/12520002/ratio>**

| March 11 | March 10 | March 09 | March 08 | March 07 | AVERAGE |
|----------|----------|----------|----------|----------|---------|
| 72.64    | 69.02    | 71.48    | 69.90    | 70.36    | 70.68   |

**EXHIBIT – 9 : AGRICULTURE RETURN ON INVESTMENT**

**Source :** <http://www.business-standard.com/india/news/%60both-paddywheat-cultivation-cost-same%60/328147/>

Both paddy and wheat cultivation cost same

(Business Standard reporter / New Delhi Jul 08, 2008, 00:45 IST)



**SOURCE :** [http://agritech.tnau.ac.in/agriculture/agri\\_costofcultivation\\_rice.html](http://agritech.tnau.ac.in/agriculture/agri_costofcultivation_rice.html) Land

|  |      |          |
|--|------|----------|
| Preparation                            | Rs - | 1,500.00 |
| Seeds & sowing                         | -    | 2,000.00 |
| Manures & Manuring                     | -    | 2,500.00 |
| Weeding after cultivation & Irrigation | -    | 1,620.00 |
| Plant protection                       | -    | 803.00   |
| Harvest and other Expenses             | -    | 2,300.00 |

**Total Cost per Acre**                      **Rs - 10,723.00**

|                       |    |        |
|-----------------------|----|--------|
| Yield                 | Kg | 2,100  |
| Cost per Kg (Average) | Rs | 5.1062 |

|                                    |    |                               |
|------------------------------------|----|-------------------------------|
| Price per Kg (Average)             | Rs | 7.2014                        |
| Gross Income (2100 Kg X Rs 7.2014) | Rs | 15,122.94                     |
| Net income (15,122.94 – 10,723.00) | Rs | 4,399.94 (Say 4,400 per acre) |

**Net Income per year : One acre.**

Paddy Rs 4,400 per season X 3 seasons = Rs 13,200

Net income from other cash crops = 2,640

Net income from coconut = 2,640

**Cash Crops (Planted off season**

**Like Cereals, Chilly, Gingili**

**@ 20 % Grains, Vegetables etc...**

**@ 20%**

**Total Net Income = Rs 18,480**

**Source :** <http://www.agricultureinformation.com/forums/farm-lands/61002-rs-6-50-lacs-per-acre-wet-lands-agriculture-sale-near-bangalore.html>

**Date :** 03/11/2011 (Advertisement in Internet) “Rs 6.50 lacs per acre Wet lands for agriculture for sale near Bangalore. Good Agriculture wet lands available for sale 65 kms away from Bangalore Near Bagalur - Berikai area in Tamilnadu.”

Cost of 1 acre of fertile wet land = 6,50,000 INR (About US\$ 15,489. 1 Lakh = 0.10 Million)

Return on 1 acre investment = 6,50,000 ÷ Yearly net income of Rs 18,480 = 35.17 Years.

Rate of Return on land investment = (1 ÷ 35.17 years) X 100 = **2.84 %** per year. This is a very poor ROI compared to investing 6.5 Lakhs in other investment opportunities.

**EXHIBIT – 10 : OPERATING RATIOS OF INDIAN RAILWAYS**

**SOURCE :** <http://www.investinindia.com/news/indian-railways-running-over-90-operating-ratio-23m4> &

[http://en.wikipedia.org/wiki/Indian\\_Railways#Passenger](http://en.wikipedia.org/wiki/Indian_Railways#Passenger)



Indian Railways has 114,500 kilometers (71,147 mi) of total track over a route of 65,000 kilometers (40,389 mi) and 7,500 stations. It has the world's fourth largest

railway network after those of the United States, Russia and China. The railways carry over 30 million passengers and 2.8 million tons of freight daily. It is the world's fourth largest commercial or utility employer, with over 1.4 million employees.[http://en.wikipedia.org/wiki/Indian\\_Railways](http://en.wikipedia.org/wiki/Indian_Railways) - cite\_note-Stats\_2010-3 As for rolling stock, IR owns over 240,000 (freight) wagons, 60,000 coaches and 9,000 locomotives. Indian Railways is running over 90% Operating ratio (11 Aug 2011)

The main reason for Operating Ratio being more than 90 per cent, is steep increase in staff cost and pensionary charges consequent upon implementation of the recommendations of VI Central Pay Commission. With the stabilizing of the impact of the VI Central Pay Commission, the Operating Ratio is expected to improve in due course. Railways are also taking several measures to augment traffic earnings and controlling expenditure.

| Average = 92.88 |         |         |         |
|-----------------|---------|---------|---------|
| 2008-09         | 2009-10 | 2010-11 | 2011-12 |
| 90.5            | 95.3    | 94.6    | 91.1    |

**EXHIBIT – 11 : OPERATING RATIOS OF INDIAN TEXTILE MILL**

**SOURCE :**

<http://www.moneycontrol.com/financials/winsometextileindustries/ratios/WTI> & <http://www.winsomegroup.com/company.htm>



| Average = 86.66 |        |        |        |        |
|-----------------|--------|--------|--------|--------|
| Mar 11          | Mar 10 | Mar 09 | Mar 08 | Mar 07 |
| 83.68           | 85.90  | 94.65  | 86.26  | 82.83  |

Operating from 1952 in Calcutta, India. Spinning unit with 50,000 Spindles, Yarns 1,10,000 spindles, 9,500 kgs per day of fibre/yarn dyeing, All the spinning units are equipped with latest machinery. Quality management certificate is ISO 9002. Environment management certificate is ISO 1401.

**EXHIBIT – 12 : OPERATING RATIOS OF INDIAN CEMENT INDUATRY**

SOURCE : <http://www.moneycontrol.com/financials/indiacements/ratios/IC> & <http://www.indiacements.co.in/>



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|                 |        |        |        |        |
|-----------------|--------|--------|--------|--------|
| Average = 74.51 |        |        |        |        |
| Mar 11          | Mar 10 | Mar 09 | Mar 08 | Mar 07 |
| 89.74           | 79.66  | 37.06  | 64.12  | 66.96  |

**ments** : Started in 1945. In 2012, Operating at 7 locations in India. Production in 2010 is 14.5 Million Tons per annum. A Largest private cement producer in India. The operating Ratios are in the left. The cement industry operating ratios are controlled within 75 % and favourable.

**EXHIBIT – 13 OPERATING RATIOS OF CONSTRUCTION COMPANY SOURCE :**

<http://www.moneycontrol.com/financials/hindustanconstructioncompany/cash-flow/HCC#HCC> & <http://www.indiamart.com/company/1517493/#profile>



**Hindustan Infrastructure Construction Corporation is a company formed out of Hindustan Construction Corporation, a firm formed in the year 1996. The firm converted into a Ltd. Company to take the**

|                  |        |        |        |        |
|------------------|--------|--------|--------|--------|
| Average = 102.06 |        |        |        |        |
| Mar 11           | Mar 10 | Mar 09 | Mar 08 | Mar 07 |
| 97.55            | 98.38  | 96.84  | 94.13  | 123.40 |

**bigger construction projects in Government and private sector both. The company came into existence as a registered contractor with Government of India (Delhi) for various B.O.T. projects.**

**INFERENCE : The average operating ratio in cement industry is under control with an average of 74.51 %. But the infrastructure construction industry absorbs this favourable ratio and ultimately leads it to an average of 102.06. It is very high and unfavourable.**

**EXHIBIT - 14 : VIEWS OF PLANNERS ON ESSENTIAL ITEMS**

**Source :** <http://www.business-standard.com/india/news/qa-prof-abhijit-sen-member-planning-commission/427929/>

**From :** Business Standard. Thursday, Mar 29, 2012

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**Prof Abhijit Sen, member of the Planning Commission, discusses Budget provisions related to the agriculture sector in an interview with *Rajesh Bhayani* and *Sanjeeb Mukherjee*.**

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**Sen feels, futures trading in essentials commodities like wheat and rice should not be allowed. According to him, India should follow China in having an agency for procuring commodities from the global market.**

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**Q : There seems to a renewed focus in this Budget on ancillary items of agriculture like millet, cereals, fodder, and protein-rich food items, like milk, eggs and chicken. However, isn't it too late for that?**

**A : One thing needs to be kept in mind, as far as agriculture is concerned, there has been a shift towards income of farmers, rather than that on tonnage of production.**

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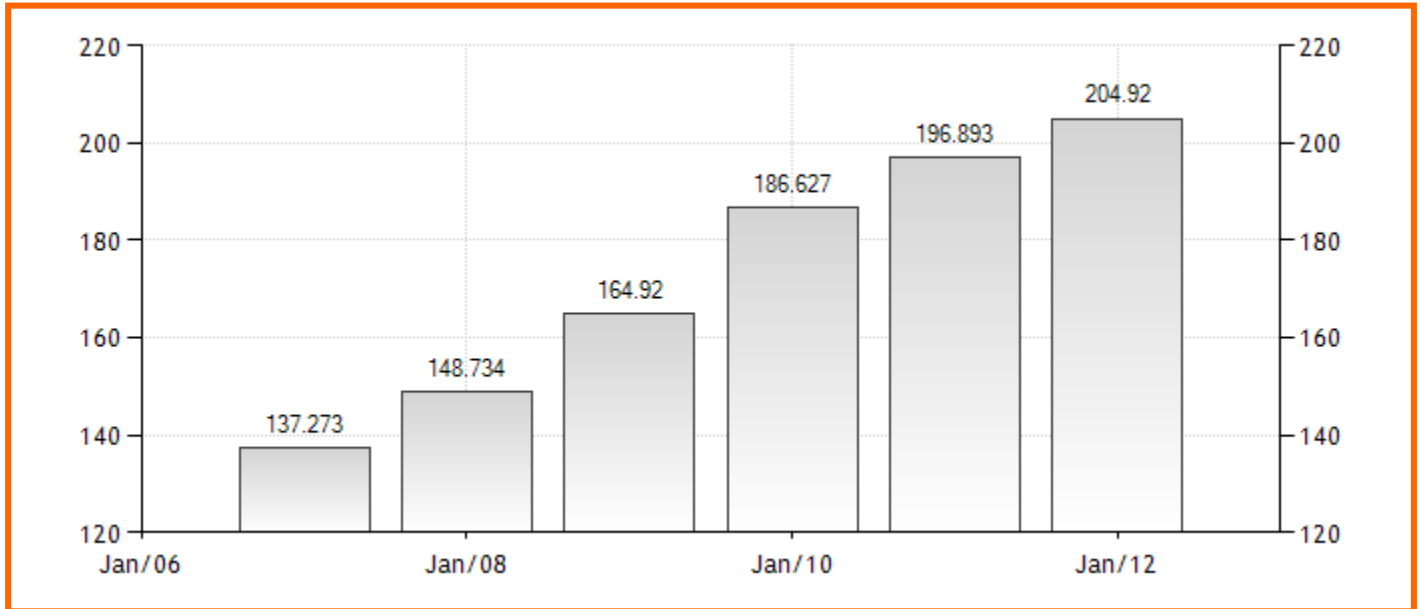
**Q : Finance minister soon after the Budget said we need to have another Green Revolution. How far is it achievable?**

**A : It is very easy to raise slogans like that, but we need to understand what was Green Revolution. Green Revolution was something which happened elsewhere, in two research institutions in Philippines and Mexico, and we got some dwarf varieties of wheat first and then rice, which were ably supported by inputs in the form of fertilisers and also marketing support. Today, there is no crop in which you have got this sort of technological help. Second, farmers' income is going to come from growing other crops also. Hence, the one single factor is missing. Moreover, the world has changed a lot. With intellectual property rights coming in, you can't get anything from the world without paying for it. Hence, it won't be possible to have a repeat of the first Green Revolution. Rather, we in India should try to achieve higher rate of agriculture growth in per capita terms.**

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**EXHIBIT - 15 : India's Consumer Prices Index.**



|          |      |       |       |       |       |         |
|----------|------|-------|-------|-------|-------|---------|
| INCREASE | Base | 11.46 | 16.14 | 21.70 | 10.27 | 14.89   |
|          | 2007 | 2008  | 2009  | 2010  | 2011  | Average |

Source : <http://www.tradingeconomics.com/india/consumer-prices-index-average-imf-data.html>

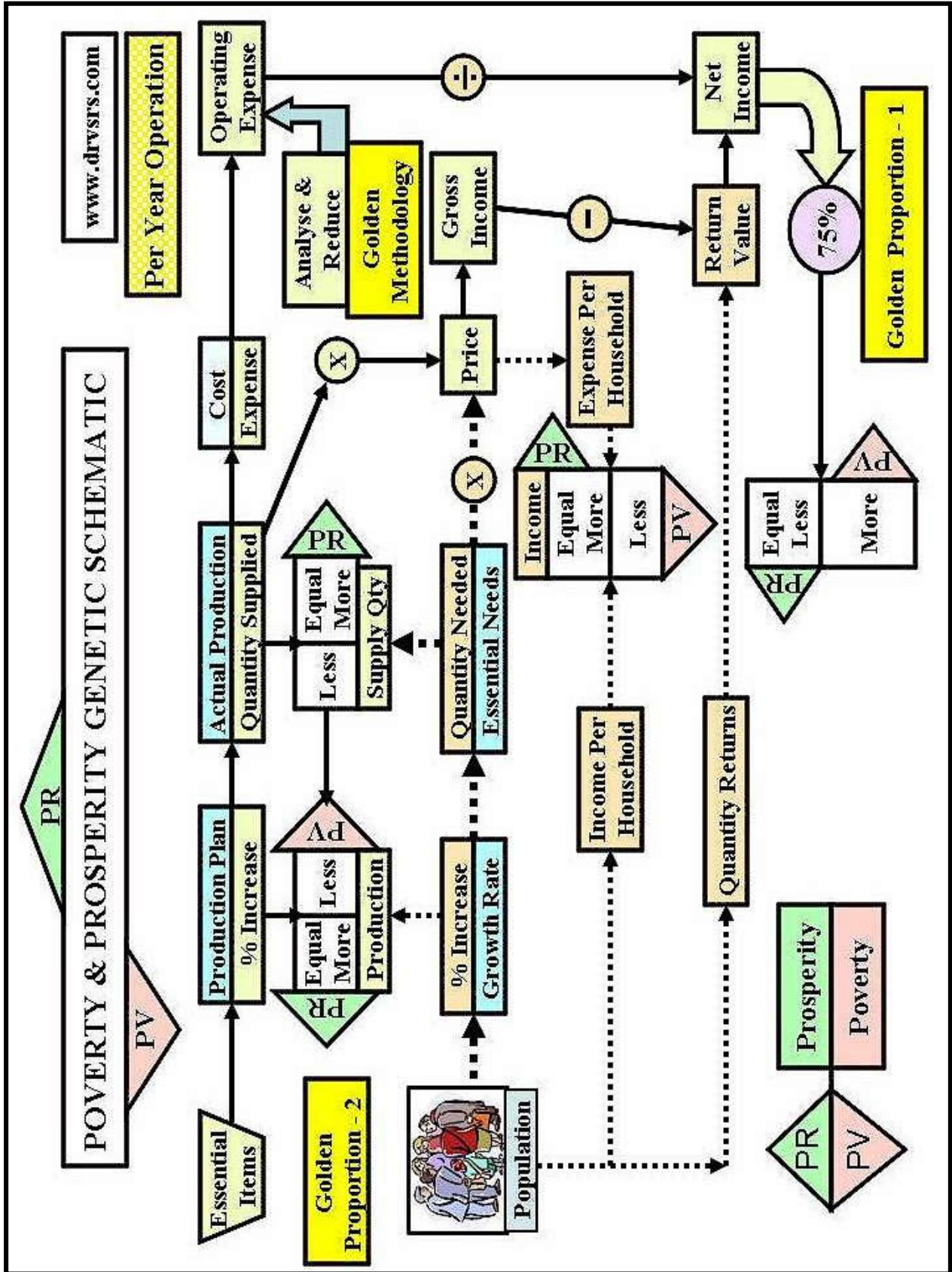
**EXHIBIT - 16 : US Consumer price index.**

Source : <http://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-2007-to-2011>

| 2007  |      | 2008  |          | 2009  |          | 2010  |          | 2011  |          |
|-------|------|-------|----------|-------|----------|-------|----------|-------|----------|
| Index | Base | Index | Increase | Index | Increase | Index | Increase | Index | Increase |
| 207.3 |      | 215.3 | 8.0      | 214.5 | (0.8)    | 218.1 | 3.6      | 224.9 | 6.8      |

Average : 4.4

Source : <http://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2011>



## L) BIBLIOGRAPHY

### A) Author's Books

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c) **Social Science Research Net Work (SSRN)** :

<http://www.ssrn.com/author=360079>

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**N) ACCREDITED ASSOCIATIONS**

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| <p style="text-align: center;"><b>1                      2                      3</b></p>    |    |
| <p style="text-align: center;"><b>CREATIVE CONFERENCE</b></p> <p><b>1. OSWALD YHAP - Manager,<br/>Caribbean Basin Water management<br/>(CDB)</b></p> <p><b>2. DR.VSRS 3. ARTHUR LEWIS</b><br/>Nobel Laurate in Economic Science 1979.<br/>In Welches Gardens, St.Michael,<br/>Barbados. West Indies on Saturday the<br/>April 20, 1985</p> | <p style="text-align: center;"><b>ACCREDITED ASSOCIATION</b></p> <p><b>DR.VSRS WITH ARTHUR LEWIS</b><br/>Nobel Laureate in Economic Science<br/>1979. In the University of West Indies.<br/>Barbados Campus</p> |

The essential item producers and distributors in every nation, inflate the prices of their commodities, to cover up their mis-management every year, so that more and more people are not afford to buy them. Thus they create, increase and maintain an expanding below poverty line persons in the nation. This Book substantiates this statement, through verified inference. Also it suggests a dual ratio control on Essential item producers and distributors, for poverty eradication. Human, because of their intelligence, survived in a 3 dimensional shell namely (a) The geography and environment (b) The social influences and (c) The economic infrastructure. This book pin points each segment of the world population in and under poverty line, using the World Bank survey map, and the Operating ratio as the measure of the performance of the essential suppliers. Lower ratio represents prosperity. India is taken as a representative country for the analysis. Agriculture is found to be of little value compared to the return on land investment, due to the absence of mass farming. Milk and other essential items like travel, textiles and construction are taken as essential items. An analysis of their Operating ratio in government and private sectors indicate that the ratio is high. It is because of their mismanagement, and monopoly status. They keep the citizen as their captive customers and use price increase as a leverage for their continued survival. But this ratio in developed nations are low and under control. Also, the operating ratio of non-essential goods in the developing nations are low and favourable, because of competition and global business operators. The golden rule is that the Essential need supplies should keep their Operating ratio at 75 % or below. through cost and expense control. The growth rate of GNP should be equal to the population growth rate OR the population growth rate should be kept equal or less than the feasible GNP growth rate. This will eradicate the poverty in the world. This is applicable to all in government, public or private sectors and all the nations in developed, developing and under developed bracket of economic status.



The author is an international expert in corporate management, MIS and a Socio-Economic Development Acceleration Expert. He is the past Consultant Adviser to the Caribbean Development Bank (CDB), Barbados, West Indies & Data processing Expert of the Commonwealth Fund for Technical Cooperation (CFTC), London, UK. He is a past associate of 5 Nobel Laureates in Economic Science. He has published many innovative books from Germany. Currently, he is a Professor in Management and a Consultant.

ID : 4240849

ISBN : 978-1484087442