One of the difficulties in reading this book is that there is often very little connection between one paragraph and the next. It is also the case that many points could have been omitted altogether. Instead, there could have been more supporting data, more critical assessments of situations or conditions mentioned, and more original opinions. There are relatively few references (the many quotations do not count as references) and surprisingly, there is no citation system. Works are mentioned in the text but are not listed among the references, and works in the references are not cited directly. There are many unsubstantiated statements which are probably true but not backed by the necessary references or data. The focus on India is good for readers interested in outsourcing in India, but there is very little information on other countries, which would have made the book more useful generally. In conclusion, this book could be useful to readers interested in learning about how Indian firms are benefiting and can benefit further from outsourcing by global pharmaceutical companies.

Soumyo D. Moitra
O.M. Group
IIM Calcutta

Regulation of Financial Intermediaries in Emerging Markets. Edited by T.T. Ram Mohan, R.R. Nitsure and M. Joseph. 2005. New Delhi: Response Books, Pp. 254. Price Rs. 580

This book is a collection of eight articles presented in the ICICI Research Centre-IIM, Ahmedabad International Conference on "Regulation of Financial Markets in Emerging Countries" held in Mumbai in March 2002.

In the first article by T.T. Ram Mohan on "Some Critical Issues in the Banking Sector Today", the author highlights the improvements that have taken place in this sector since deregulation began in 1993. It is no doubt true that the PSBs in India today have moved a lot towards greater efficiency through large-scale computerization, ATMs, deregulation of rates and control of NPAs, though it must be mentioned that they have been immensely helped through treasury profits in the recent past when interest rates fell. The story is now very different when long-term interest rates have risen by about 2%. If any bank has duration of Government bonds of say 3 or 4 years, the loss can be well understood and the situation has been saved temporarily by transferring such assets into the "Held-to-maturity" category. The author also highlights some critical concerns like risk-aversion by banks leading to a lack of funds in some of the starved sectors, missing the macro-economic picture in controlling NPAs at the cost of long-term performance, corporate governance in banks and development of human capital. The issues raised by the author are well-presented and call for wider debate in the community.

The second article by James R. Barth and Susanne Trimbarth is titled “A Primer on Finance, Growth and Regulation”. The authors focus on the relationship between financial development and economic growth. They start with a quote from Miller – “financial markets contribute to economic growth —— is too obvious”. Then they cite a World Bank survey of prudential regulation and supervision of commercial banks and other papers to provide empirical evidence that finance promotes growth and the impact of finance on growth runs primarily through total factor productivity, and not through the savings rate or physical capital formation. One important issue discussed is the cross-country differences in financial systems – market-based or bank-based. One system is certainly not superior to the other; on the contrary, both markets and banks matter for economic growth. The authors mention that there is no significant correlation between bank assets as a percentage of stock and bond capitalization and real GDP per capita.

In the article “A Cross-country Analysis of External Governance and Bank Profitability” by James R. Barth et al., the authors discuss external governance in banking. The importance of a healthy banking system cannot be undermined and the backbone of such a system is insightful regulation and supervision. Under Basel II, the stress is on ‘risk-based supervision’ and market discipline. In this article, the authors present a model to study external governance in banking in four dimensions – use of accounting standards, strength of external audits, financial statement transparency, and external ratings and credit monitoring. They construct the External Governance Index (EGI) for banking systems in different countries using data on the four parameters mentioned above. The empirical results, as the authors conclude, support the view that better accounting practices, more stringent external audits, greater financial statement transparency, and external rating and credit monitoring enhance bank profitability in countries around the world – a conclusion seemingly too obvious!

The fourth article, “The Regulation of Banks in Emerging Markets: Basel II and the Market’ is by U.Neumann and P. Turner. This article was written in 2001 and the authors mention that the article takes no account of developments in the Basel Accord formulation after March 2002. In fact, considering the developments in the risk-based supervision system suggested since then, the article, to some extent, is out of context at present. However, the authors’ analysis and views merit attention for a proper understanding of the role of the market in banking supervision. The original Basel capital accord was prompted by the threat posed by undercapitalized banks active internationally, the need to maintain a level playing field in capital regulation and so on. This soon became almost a global standard because an internationally accepted standard was needed. The revised Basel Accord focuses on banking capital requirements based on the market perception of risk. The emerging economies, while accepting such a need prefer that, in early stages of financial development, less demand on bank capital would help their economies grow faster. The authors argue that fundamental shifts have taken place in the international banks' behavior as a response to market realities and emergence of 'shareholder value culture' among both banks and borrowers forcing the regulators to propose a more risk-sensitive framework for capital requirements.

V. Sundararajan and B. Baldwin raise the issue of convergence of regulatory and supervisory standards at the international level in their article "Regulation of Financial Conglomerates: Is Unification of Financial Sector Supervision the Answer?", while acknowledging the fact that legal infrastructure, corporate governance framework and systemic liquidity arrangements in various economies will contribute to the evolution process. The major arguments in favor of unification rest on efficiency gains, need to reassess supervision of financial conglomerates and ensuring competitive neutrality among the various classes of financial institutions. Some of the powerful arguments against this are difficulty in striking an appropriate balance between the different objectives of regulation, diseconomies of scale due to regulatory monopoly, limited synergies arising out of much less significant economies of scope compared to economies of scale and moral hazard. The authors favor a minimalist approach to avoid wholesale reform of the financial regulatory structure, while still achieving some of the advantages of a unified authority. It is worth pondering if other institutional arrangements might be feasible. The authors provide a framework for an optimal supervisory structure.

The next article is "Perspectives on the Role of Incentives in the Prevention of Financial Crises in Emerging Economies" by A. Gande, K. John and L. W. Senbet. The subject matter is a serious issue in view of the Asian crisis and the consequent worries among supervisors, regulators and policymakers. The authors show that distorted risk incentives in investment decisions by corporations and in loan decisions by banks can lead to an increased possibility of precipitating a financial crisis. In fact, since the emerging economies are less diverse, the likelihood increases further. The authors propose a solution in the form of a progressive tax structure to limit the risk-shifting incentives of levered equity.

In the next article, "Imperfections in Indian Regulation as Measured by the Subsidy Dependence Index: A Case Study of Banks and Financial Institutions", A. Pethe and R. R. Nitsure compare the SDI for State Bank of India (a scheduled commercial bank) and ICICI (a DFI) to understand the impact of financial sector reforms on these institutions and conclude that both banks and DFIs still faced differential regulatory treatment resulting in an uneven paying field..

The last article in the book is "Nonperforming Assets of Indian Commercial Banks: An Analytical Exercise" by S. Bardhan and S. Marjit. The authors take a fresh look at the existing official definition of NPAs of Indian commercial banks and then a framework for calculating a tolerable limit of NPAs of the banks, which is worked out under a set of simplified assumptions in a one period case.

B. B. Chakrabarti
Finance and Control Group
IIM Calcutta

Manager to CEO: Corporate Wisdom for Survival and Success by Walter Vieira. 2005. New Delhi: Response Books. Pp.274, Price Rs. 295.

This book contains management theory and the author shares with the reader how that theory is bent and changed in the real corporate world. The author has dipped into his experiences during a career spanning forty years as a corporate executive, management consultant, and teacher working across Asia, Europe and the Americas. He has relied on narration of real events and situations to illustrate his points which is the age old technique of 'fable to convey a concept'. This book aims at helping senior managers understand and survive in the present day corporate environment, besides giving a very comprehensive overview of the 21st century workplace with a wide range of issues that senior managers face in organizations as they go up the corporate ladder. The topics discussed in this book include Power, Politick and Work, Self Management, Hiring and Firing, Change Management, Ethics and Human Values, Cooperation and Networking.

The author provides useful tips to handle power in an organization in order to gain greater control of the situation. It is important to understand and use power wisely to become successful. There should be a positive attitude towards power and power is extremely desirable because it gives the authority to get things done, to obtain results. Power also earns the respect and admiration of people around if it is based on ethical methods and not manipulative ones. The important lesson is not to shun power but to aspire for it. Similarly, there is no escape from workplace politics. It is better to accept that company-politics is a stark reality and to mentally prepare to face it and to work with the politics of each situation. Many useful tips are available in the book to handle power and politics in the organization.

Self-management is an imperative pre-requisite to the ability to cultivate all the other managerial traits and be effective and successful in running organizations. Self-