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IS THE INDIAN CONSUMER BETTER PROTECTED NOW? A REVIEW OF THE INDIAN CONSUMER PROTECTION ACT, 2019

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ABSTRACT

The paper critically reviews the Consumer Protection Act, 2019 in comparison to the Consumer Protection Act, 1986, which it replaced. The Consumer Protection Act, 2019, has made the protection environment contemporary by bringing e-commerce into its folds. The Act simplifies the consumer litigation process, as it adopts electronic filing of complaints and permits hearings through video conferencing. However, there is little focus on prevention, and most efforts are directed at providing restitution to consumers and recovering compensation for them. The study will bring to the notice of the policymakers, the limitations of the Act, and the scope of improvement.

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1. INTRODUCTION

Consumer protection is about defending the interests of customers from the potential misconduct of sellers (Goyal *et al.*, 2013). Post-independence, in the later

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part of the twentieth century, various independent legislations in India have been trying to guard consumers' interests in their own ways.

India is a federal parliamentary republic, and it consists of unitary states which share power with the federal government. The federal government has been framing consumer protection laws, which are applicable across the country. The execution and enforcement of these laws rest with both the federal government and the state governments.

The Consumer Protection Act, 1986 was an important effort to bring consumer protection into the domain of a single act (*The Consumer Protection Act, 1986*, 1986). It created awareness among consumers and businesses, and sensitised businesses to consumer interests. However, it had significant shortcomings, which were expected to be rectified in future enactments.

The Consumer Protection Act, 2019 is a step in that direction (*The Consumer Protection Act, 2019*, 2019). This paper presents a critical review of the Act, highlighting areas that require improvement. Such evaluations not only guide future enhancements but also play a vital role in raising public awareness and fostering informed discourse.

2. EVOLUTION OF CONSUMER PROTECTION IN INDIA

Historically, the roots of consumer protection in India can be traced to ancient times.

During the Vedic period (5000 BC–2500 BC), malpractices such as food adulteration, unfair pricing, falsification of weights and measures, and dealing in forbidden articles were treated as serious offences. Punishments were imposed to ensure the safety and fairness for all parties involved.

Manu Smriti (3200 BC) further laid down an ethical code of conduct for trade and business, emphasising integrity and accountability in commercial practices (Prasad, 2008). Similarly, Kautilya's Arthashastra (400 BC–300 BC) describes the importance of human values and ethical practices (Rasik, 2015).

During the rule of Ala-ud-din Khalji in the thirteenth century, elaborate laws for strict price control, based on production costs, were enforced. During the British rule in the nineteenth and twentieth centuries, several legislative acts were introduced to promote sound business practices. These included the Indian Contract Act, the Dangerous Drugs Act, the Sale of Goods Act, the Procedure (Grading and Marketing) Act, the Drugs and Cosmetics Act, and the Usurious Loans Act (Prasad, 2008).

Post-independence, India enacted various acts for consumer welfare, like the Essential Commodities Act, the Monopolies and Restrictive Trade Practices Act, the Prevention of Food Adulteration Act, and the Standards of Weights and Measures Act to protect the interests of consumers. Also, there were structural reforms in various sectors like transport, insurance, electricity, entertainment, housing, finance, and banking. Nevertheless, protecting consumers remained a significant challenge. Issues such as manufacturing defects and shortcomings in the quality, quantity, and purity of goods were difficult to address effectively.

The Monopolies and Restrictive Trade Practices Act (MRTP) was enacted in 1969 to protect the interests of consumers by promoting fair competition and controlling anti-competitive business practices. With the passage of time, it was found that there were many unfair trade practices that regulatory measures of the Act could not capture (Verma, 2002).

Indian people, because of a lack of knowledge of their rights, were easy targets for active or silent unfair trade practices. The authority to file complaints against violations of statutory provisions was in the hands of government inspectors, and not with the consumers and their associations (Verma, 2002). This necessitated reforms for safeguarding the interests of customers and encouraging responsible commercial activities in the country.

The Consumer Protection Act, 1986, was a pioneering legislation of its time. It is considered a forward looking and a broad-based socio-commercial legislation in Indian legislative history. A separate Department of Consumer Affairs was established under the Union Ministry of Consumer Affairs, Food and Public Distribution. This heralded a beginning of punitive damages in the area of consumer protection (Patil, 2011; Singh, 1993).

The Consumer Protection Act, 1986 had many expectations. However, over time, one could see that it was not as effective in protecting the consumers as intended. It raised awareness about consumer protection, but the provisions and processes were found deficient (Rizzi, 2017). Moreover, mobile communication and the internet brought fundamental changes to business and commerce (Pathak, 2015). The requirement for new provisions was evident, and the Consumer Protection Act, 2019 came out as a timely legislation. The following section briefly discusses the Consumer Protection Act, 1986; the prominent features of the Act are discussed thereafter.

3. CONSUMER PROTECTION ACT, 1986

The important guidelines issued by the United Nations for consumer protection talk about access to effective consumer redress and a good justice system. The Consumer Protection Act, 1986 (CPA, 1986) appears to have been influenced by these UN recommendations. The act adopted an effective nationwide redressal system by introducing the specialised three-tier, quasi-judicial redressal mechanism to overcome the need to provide alternative means, other than regular courts.

This mechanism consisted of consumer tribunals, set up at the three tiers of the governance, like national, state and districts level, to make it possible for consumer complaints to be heard and dealt with outside the regular court system. Thus, the existing system remained intact. However, a parallel and more efficient mechanism for seeking redressal was introduced. Besides, consumer protection councils were set up at the apex level of the country and the provincial levels to promote and safeguard consumer interests.

The power to pass a suitable order after judgement, and provide the required respite, was put in the hands of consumer courts. In contrast to the previous act, it was punitive, preventive, and compensatory (Patil, 2011). Yet, the literature points out that the CPA, 1986, fell short of consumer protection in some ways (Rizzi, 2017).

An area where the CPA, 1986, fell short was the implementation, as the Act did not give authority for taking penal actions against any person found violating the provisions of the Act. It was necessary to follow the judicial procedure before the state or district consumer redressal forums, which were already loaded with appeals and complaints. Due to various administrative issues, it often took a few years to get grievances redressed.

Over time, consumer forums—particularly at the district level—became burdened with a growing backlog of cases. This overload ultimately undermined the very purpose of establishing the redressal mechanism. Additionally, the compensation received by the consumer was not motivating, given the length of the appellate procedures. The Act was more compensatory than preventive (Rizzi, 2017). Therefore, as noted by experts, deterrence was needed to ensure the cumulative effect of group actions.

Quasi-judicial bodies appear to have been created for the speedy processing of cases; however, the three-tier structure with a provision to petition to the Supreme Court served the exact opposite function. The process of disposal of cases was found to be lengthy. Granting more power to the state commissions could have served the purpose better.

It can be inferred that India had a strong consumer protection act theoretically, but in practice, there were loopholes, and the malpractices went unpunished. Several amendments were made to the CPA, 1986 in 1991, 1993, and 2002. However, some challenges were emerging with the advancement of technology, and there was a gap between the law and reality (Rizzi, 2017).

A new comprehensive framework became essential to protect consumer rights, especially with the rise of evolving market dynamics, innovative delivery systems, and modern advertising tools and platforms. The Planning Commission of India had also included in the twelfth five-year plan, 'consumer welfare and protection' as one of the areas that need to be strengthened (*Twelfth Five Year Plan (2012–2017)*, 2013).

In the digital era, e-commerce has emerged as a major growth area, and consumerism has widened beyond brick-and-mortar stores. Various goods and services are available to consumers with just a click of a button.

The Consumer Protection Act (1986) was not able to defend users properly on these new fronts. To address this challenge, the government of India replaced the earlier act with the Consumer Protection Act, 2019.

4. CONSUMER PROTECTION ACT, 2019

The Consumer Protection Act, 2019 (CPA, 2019) addressed many of the shortcomings of the earlier Act. The following sections highlight important provisions of the new Act.

4.1 E-commerce

B2C e-commerce is now under the scope of the new Act, keeping pace with the developments of modern retail trade. Section 94 of the new Act has provisions to safeguard consumers from any unfair practices in the digital space.

The Act defines e-commerce as the activity of purchasing and retailing goods and services over the digital platform. It also includes digital products. The Act broadens the definition of a consumer to include anyone who buys or avails products and services—whether through offline transactions, online shopping, telephone orders, direct selling, or network marketing.

All the laws of direct selling are now valid for e-commerce, to bring parity between e-commerce sellers and brick-and-mortar sellers. Under the new Act, all online

platforms—regardless of foreign investment—are required to disclose key seller details. This includes legal names, contact persons, and associated website names.

Online players need to conform to the guidelines of Information Technology Rules, 2011, and protect consumers' personal data. These platforms are also prohibited from influencing prices, directly or indirectly, to ensure a level playing field in the marketplace. Additionally, practices such as posting false reviews to sway consumer purchasing decisions are now banned.

To further support consumer protection in the e-commerce environment, the union government has brought out The Consumer Protection (E-Commerce) Rules, 2020 (*The Consumer Protection (E-Commerce) Rules, 2020*). These rules are equally applicable to the Indian companies, and foreign companies working in India.

4.2 Product liability

Another key aspect introduced in the Act is product liability. For the first time, the Act discourages practices such as delivering defective or deficient products or services by including product liability claims within its scope. . Under the new Act, sellers are liable for any harm to the consumer that may have been caused because of the defective market offering.

Under the old Act, the manufacturer was liable to cover only the cost of the defective product or service. Compensation for the loss could have been sought only through civil courts, which was a lengthy and cumbersome process. Under the new Act, a manufacturer is liable for compensation for any loss caused to the consumer. The Act has defined the nature and scope of liability by providing parameters for fixing liabilities on product manufacturers, product service providers, and product sellers.

This move will have a major impact on the e-commerce intermediary companies. To mitigate their liabilities, these companies will be forced to enter into arrangements with the sellers who design, produce, and label their offerings.

4.3 Sale of spurious products

Currently, consumers are facing problems with spurious goods across various product segments. To combat this menace, the 2019 Act introduces a provision that imposes heavy penalties on those involved in the manufacturing and sale of counterfeit goods. This will

especially control activities of e-commerce players, as they are the ones who can easily sell counterfeit goods.

The Act entails a strict penalising framework involving imprisonment and suspension, and even cancellation of the trading license. Under the new guidelines, an e-commerce company is bound to take back faulty products and refund the amount that the consumer would have paid for buying it within 14 days.

4.4 Unfair contract

The Consumer Protection Act, 2019 has defined unfair contract and unfair trade practices.

The new law defines an unfair contract as an agreement between a person who manufactures a product, or one who trades the product or one who provides the service on the one side and the user on the other side. It has clauses that provide substantial variation in the rights of the user. Such clauses are like provisions requiring more security deposit, deciding on a penalty, denying premature repayment, one-sided closing of the agreement, charging high charges etc. on users.

The new Act has well-defined unfair trade practices and thus it regulates well the deceptive practices and misleading representations concerning the sale, service, and description of goods. Consumers are now conferred with the right to challenge any unfair contract.

The Act impacts the contractual agreements between e-commerce firms and the customers as e-commerce players heavily rely on contractual agreements to mitigate their risks and guard their interests. Firms require consumers to consent to their terms and conditions by clicking specific buttons to proceed with purchases. Once this is done, customers are bound by these terms, with no room for negotiation.

Customers then become bound to abide by these terms, without any opportunity of concession or personalisation in the contract.

With the launch of the new framework, the rights of the consumer under the unfair contract are protected, and consumers can challenge any contract that imposes unreasonable or disadvantageous charges, obligations, or conditions on them.

Subsequently, Indian courts and consumer forums have upheld consumer protection against unfair contracts. In *Trilok Chand Gupta vs. J.C. Chaudhry and Ors.*(2021) The District Consumer Disputes Redressal Commission maintained that any defect or deficiency or unfair

trade practice relating to an organisation providing the service like a ‘coaching centre’ is within the ambit of the consumer convention. The commission made such a service organisation repay the fees collected from the complainant due to false representation made by the service organisation.

In *Ireo Grace Realtech Pvt. Ltd. vs. Abhishek Khanna and Ors.*(2021) the Supreme Court maintained that the real estate company cannot force the home purchasers to follow the clauses of one-sided contract of the agreement with the buyer.

4.4 Central agency for regulating laws

A Central Consumer Protection Authority (CCPA) is to be set up to administer the various issues concerning the consumer’s rights. The post of Director General for an “Investigation Wing” is created for administering enquiries to communicate, safeguard and administer the consumer’s rights. This agency will act like other sector-specific regulatory bodies such as the Telephone Regulatory Authority of India and Insurance Regulatory and Development Authority of India. It will regulate the enforcement of consumer protection, like enforcing product recalls and compensation.

4.5 Consumer disputes redressal commissions

The 1986 Act had the provision of Consumer Disputes Redressal Commissions (CDRCs), and it continues to be there under the new Act as well. The CDRCs are to be set up at different levels, like at the apex level of the country, then at the province level and finally at the district level. The authority of commissions to accept complaints has been increased. The district commissions can now settle cases where the monetary value of the goods or services sold is not above ₹ 40 million, and province commissions can settle cases where the value of transactions does not exceed ₹ 100 million. The national commission can settle cases where the value of transactions exceeds ₹ 100 million.

The scope of the Act extends to include parents or legal guardians of a minor who has made a transaction, allowing them to act as complainants.

The new Act now provides an opportunity to file a complaint in an electronic mode and facilitates listening to their representations or examination of parties through the electronic meetings or online mode. Earlier, hearings were only possible in the province where the transaction was made or the place where the registered office of the organisation providing the goods or the service is located.

These changes can certainly ease the administrative challenges the consumers face in selecting the appropriate forum for registering a complaint. Sellers who do not have an office at the location where the complaint has been filed now have the option to resolve the issue through a compromise. This approach helps reduce litigation costs.

4.6 Consumer mediation cells

Along with the establishment of a three-tier consumer dispute redressal commission, the new regulation makes a provision for setting up a consumer mediation cell at the apex level of the country, at the level of the province, and finally at the grass roots level of the districts.

Mediation is among the preferred methods of settling disputes in an alternative manner. Mediation is a voluntary and confidential procedure, where a neutral person who is outside the organisation of both parties, interacts with both sides to explore an outcome which is acceptable to all of them (Panchu, 2015). In *Neena Aneja and Ors. vs. Jai Prakash Associates Ltd. (2021)*, the Supreme Court of India observed that the new Act has aimed to resolve “The numerous and continually emerging vulnerabilities of consumers” by introducing a process such as strengthening class actions and mediations as secondary forums of dispute resolution.

A CDRC, at any phase of the process, can instruct both sides involved to resolve their disagreements through a mediation cell. Where the case has been decided by arbitration, the commission at the grassroots level of the district, province, or the apex level of the country is required to properly update and document the settlement in its order. If the alternative process of settling the disputes or disagreements does not succeed, the commission can subsequently initiate the process of hearing the matter.

4.7 Misleading advertisements and endorsements

The ambit of the term ‘misleading advertisement’ has been widened, and includes those advertisements which hide any relevant information (for instance, any probable spinoff influences), have an incorrect description of goods or services, or give an incorrect reassurance to misrepresent consumers.

The new Act also covers guidelines against any advertisements that may adversely affect consumers. In such cases, the seller and the person promoting the product by advocating it can be penalised with imprisonment. A person in such a case can be given imprisonment for

time period of two years and a penalty of up to ₹ one million. Any successive offence can result in imprisonment for a period up to five years and a penalty of ₹ five million.

The Act also prohibits a person who advocates from advocating for any product or service for one year, if found necessary. Any violations made by the same seller later on could result in a restraint on advocating any product or service for three years. Such a scenario can result in making the brand advocate apply proper precaution on the truth of the benefits offered about a product or a service before making a decision about selecting the brands to advocate.

The effectiveness of these provisions can be found in a recent order of a District Consumer Redressal Forum in Thrissur, Kerala, India. The forum asked the makers of Dhathi Hair Cream and the movie actor Anoop Menon, who advocated the product in a commercial, to pay damages of ₹ 10,000 each to consumers, for claiming ‘untrue representations’, and further made a statement that, commercials should promote the growth of a culture where consumers are well-informed, facilitating the consumer in arriving at correct decisions and shunning fake products (‘Is Growth As Promised In Advertisement/ : Consumer Court Penalizes Brand Ambassador For False Claim’, n.d.).

In case the warranty or guarantee is questioned by the user, the onus to provide evidence lies on the manufacturer and not on the user. At the same time, the new Act provides an exemption from responsibility for individuals and institutions. They can avoid liability if they can prove that the commercial was shown in the normal course of their business operations. However, the regulation lacks clarity on what “in the normal course of business” implies.

From the point of view of the e-commerce sector, some implications need to be addressed. There is a need to clarify if the intermediary would be considered an advocate under the new Act, if one agency offers a neutral rating of the products or services, which are promoted on e-commerce platforms for sale. Also, it is important to address whether the intermediary is liable for any misleading advertisement on an e-commerce site by claiming that the presenting of the commercial was in the normal course of the platform’s business.

5. MAJOR CONCERNS

The diverse cultural and socioeconomic makeup of consumers in India presents challenges to consumer protection efforts. This complexity also threatens consumers’ rights, especially when compared to many developed nations. Indian consumers lack financial resources and knowledge about their rights, and this hinders the promotion of their rights (Donoghue and De Klerk, 2009).

There is no awareness of various redressals mechanisms offered to the consumers in the existing legislation, against unscrupulous and exploitative business practices. Hence, there is a need to provide information to consumers to protect their interests. Besides, sellers must also be provided sufficient incentives to volunteer information to the consumers.

When consumers have access to information, they can make more informed decisions. This reduces the potential for harm, as transactions are more likely to align with consumers' real-life expectations. Additionally, consumers become accountable for their choices. A consumer awareness index can be created by periodically conducting surveys in different regions of the country and among different types of consumers. This will help assess the efficiency of the various measures taken for consumer information.

As of now, there is little focus on prevention, and most of the efforts are dedicated to recovering compensation and providing restitution to consumers (Verma, 2002). This was a shortcoming of the earlier Act, and it still needs to be overcome. Like other developed nations, in India too, compensation should be given for the mental harassment faced by consumers in obtaining redress, and it should be disproportionately huge so that it can act as a deterrent. This will reduce the chances of repeating the same malpractices by sellers (Patidar, 2013). The Act should be suitably amended further to bring deterrence effects.

Currently, in India, we have the opt-in mechanism for group actions to obtain redress, which involves the claimants joining actions. This opt-in mechanism is quite complex and costly, and networking for combined efforts is very frustrating. In many developed countries (for example, the US class-action model), an opt-out mechanism is used that ensures a larger pool of members who are court-certified and are bound together unless they decide to opt out (Mulheron, 2008). Amendments to add similar provisions can be made in this Act.

6. CONCLUSION

The new Act is in a different league compared to the older Act. For one, it has taken the emerging ground realities into account by bringing e-commerce into its fold. This was long needed.

The Consumer Protection Act, 2019, aims to protect users and buyers who buy from different retail formats available in contemporary times. The new law tries to change the consumer protection landscape from a situation where buyers were to exercise due diligence before purchasing a situation where sellers have to exercise due diligence before selling their products or services so as not to harm consumers. The CPA, 2019, has bolstered the

confidence of tech-savvy digital consumers. The Act has simplified the consumer litigation process as it has adopted digitisation of processes, such as electronic filing of complaints, and hearings through video conferencing.

The diversity of Indian consumers impacts the effectiveness of the Consumer Protection Act, 2019. While urban and educated consumers can readily access its benefits, rural and illiterate consumers will need time to fully utilize the Act. Though this Act has provided some relief, there is still room for improvement in its implementation.

The biggest challenge in implementation is increasing the material and manpower resources at each stage, which requires incremental provision of government resources. The Act will put a compliance cost on the e-commerce players in India. However, it will also drive them to generate customer friendly innovative revenue and contractual models.

6.1 Significance of the study

The study has social significance and research significance. The social significance is that it has initiated a critical review and debate of the Consumer Protection Act, 2019, that can bring improvements in the new law. This article highlights how the Act is a welcome change to a three-decade-old legislation, but it still falls short of creating an environment where sellers proactively safeguard the interests of consumers. Sellers can be deterred from indulging in malpractice by levying disproportionately high penalties on them. If the process to initiate such penalties is simple and fast, and quick enforcement of penalties is ensured, sellers would be forced to keep consumer protection in mind.

Another important issue is that of making the provisions widely available to the masses. The points where complaints can be lodged also need to be made widely accessible to the public, and awareness about available protection mechanisms needs to be actively spread.

At another level, this study will help in creating more awareness about the Act. It will bring to policymaker's notice, the Act's limitations, and the scope of improvement, so that appropriate amendments can be brought about.

6.2 Limitations of the study and scope for future studies

This study has not investigated the effect of the Act on different business verticals and different consumer segments. The Act will not benefit everyone equally, nor will every business be willing or capable of adhering to its provisions. Future studies can look into the differential effect of the Act on different businesses, customers, and segments.

Another limitation of the study is that it has not investigated the implementation of the Act. A legislative act is only as good as its implementation. Future research can see how far the Act has been implemented, as compared to the earlier Act.

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AN EMPIRICAL STUDY ON CLOSENESS OF OVERLAPPING MODELS

Mahesh K C*

ABSTRACT

The problem of discriminating (closeness) among three positively skewed distributions - loglogistic, gamma and lognormal is being considered. We check the closeness of loglogistic distribution with gamma and lognormal distributions using two criteria: the maximum likelihood ratio test and the Kolmogorov-Smirnov distance. We have derived the conditions for discriminating the model when the null distribution is loglogistic. A simulation study is conducted to identify the closeness of the above three models. Two real data sets were considered, and it was observed that the overall log-logistic distribution is a preferred model for both the data sets. We also found that both gamma and lognormal distributions are equally competing models.

Keywords: Closeness, Income distribution, Kolmogorov-Smirnov distance, Kurtosis, Likelihood ratio test, Overlapping models

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1. INTRODUCTION

The choice of a suitable statistical model that fits the observed data depends on the literature or may be based on the desirable distributional properties that the model should attain. This was considered to be an important problem in statistics and was first addressed by Cox (1961, 1962) using the likelihood ratio (LR) statistic to discriminate between the classical lognormal distribution and the exponential distribution. The Cox's framework fails to address the following two aspects: Firstly, the asymptotic distribution of the LR statistic can not be obtained analytically for most pairs of probability models. Secondly, the validity of the probability of correct selection (PCS) was only applicable to a large sample case, even if one may be able to obtain the asymptotic distribution analytically. Dumonceaux et.al. (1973) used the LR test to discriminate between two models with unknown location and scale parameters. The discrimination problem between lognormal and Weibull models was considered by Dumonceaux and Antle (1973). Ashkar and Aucoin (2012) deliberated on the problem of discriminating between lognormal and loglogistic distributions in the context of hydrological events. A Kullback-Leibler divergence approach was introduced by Bromideh (2012) in discriminating lognormal and Weibull distributions. Raqab et.al. (2017) discussed the closeness of the Lindley distribution to the Weibull and gamma distribution using LR, asymptotic LR and minimum Kolmogorov distance. Gupta et.al (2001) proposed a ratio of maximum likelihoods in discriminating two overlapping families of distributions. The problem of closeness between Weibull and generalised exponential distributions were discussed by Gupta and Kundu (2003). Kundu and Manglick (2004, 2005) studied the problem of discriminating lognormal, Weibull and gamma distributions. Kundu et.al. (2005) talk about the problem of discriminating lognormal and generalised exponential distributions. Paul et.al. (2023) developed sequential methodologies to discriminate lognormal, Weibull and loglogistic. Upadhyay and Peshwani (2003) examined a simulation-based Bayesian approach between the choice of Weibull and lognormal models. Assane et.al. (2018) discussed the usage of a fully Bayesian significance test to discriminate a linear mixture of lognormal, gamma and Weibull distributions. A general discussion on discriminating two distribution functions can be seen in Atkinson (1969, 1970), Cambers and Cox (1967), Chen (1980), Jackson (1968) and Dyer (1973).

Skewness is one of the basic characteristics of the data or a distribution, which primarily deals with the asymmetry in the data or the distribution. In many scientific areas, such as medicine, reliability, survival analysis, hydrology, economics, and finance, among others, one can observe the existence of positively skewed data. Lognormal and loglogistic models are commonly used for modelling such type of data (see Dey and Kundu, 2009a and 2009b, Lee

and Wang 2003, Tai et.al., 2003 and Johnson et.al., 1995). Salem and Mount (1974) approximated the personal income distribution using a two-parameter gamma model. Niu et.al. (2023) discussed the ratio of maximum likelihoods, Kolmogorov-Smirnov distance (KS) and sequential probability ratio test (SPRT) in assessing the closeness of positively skewed lifetime distributions. Dyson (1943) and Finucan (1964) showed that the presence of excess kurtosis in the data leads to overlapping of densities.

The organisation of the paper is as follows. Section 2 briefly discusses the gamma, the lognormal and the loglogistic distributions. In section 3, we discuss the ratio of maximised likelihoods (RML) procedure and the KS distance and derive the RML test statistic when the null distribution is loglogistic and alternative distributions are gamma and lognormal. A Monte-Carlo Simulation (MCS) study has been carried out in section 4. In section 5, an analysis of real data is performed. The conclusion is provided in section 6.

2. THE GAMMA, LOGNORMAL AND LOGLOGISTIC DISTRIBUTIONS

In statistics, the gamma distribution (GD) is extensively used to model positive random variables such as aggregate insurance claims, personal income, the amount of rainfall accumulated, waiting time until a repair is necessary, the age distribution of cancer incidence etc. Let $X = \{x_1, x_2, \dots, x_n\}$ be an independently and identically distributed random sample assumed to be generated from a GD denoted by $G(v, \lambda)$ with probability density function (pdf):

$$f_G(X; v, \lambda) = \frac{\lambda^v}{\Gamma(v)} x^{v-1} e^{-\lambda x}; x, v, \lambda > 0 \text{ and}$$

where (v, λ) are respectively the shape and rate parameters of GD and $\Gamma(\cdot)$ is the gamma function. Note that if θ denotes the scale parameter of the GD, then $\lambda = \frac{1}{\theta}$. The distribution is positively skewed and depends only on the shape parameter v .

To model income, exchange rates, stock prices, time to repair a maintainable system, extreme observations like monthly maximum rainfall, natural growth process etc., are modelled using the celebrated lognormal distribution (LND)- the distribution of a continuous random variable whose natural logarithm is normally distributed. Let $X = \{x_1, x_2, \dots, x_n\}$ be an independently and identically distributed random sample assumed to be generated from an LND denoted by $LN(\mu, \sigma)$ with pdf:

$$f(X; \mu, \sigma) = \frac{1}{\sqrt{2\pi x \sigma}} \exp\left(-\frac{(\ln x - \mu)^2}{2\sigma^2}\right); x, \sigma > 0, -\infty < \mu < \infty$$

where μ is the mean and σ is the standard deviation of the variable's natural logarithm, respectively. The distribution is positively skewed and depends only on the scale parameter σ .

In economics, the loglogistic distribution (LLD) is applied to model wealth in a society or income. It is also used to describe phenomena whose rate increases initially and then decreases, extreme phenomena like yearly maximum rainfall in a day, etc. For certain values of the parameters, the shape of both LLD and LND is similar in nature and also provides a good approximation to LND. Let $X = \{x_1, x_2, \dots, x_n\}$ be an independently and identically distributed random sample assumed to be generated from an LLD denoted by $LL(\alpha, \beta)$ with pdf:

$$f_{LL}(X; \alpha, \beta) = \frac{\beta}{\alpha} \frac{\left(\frac{x}{\alpha}\right)^{\beta-1}}{\left(1 + \left(\frac{x}{\alpha}\right)^\beta\right)^2}; x \geq 0, \alpha, \beta > 0$$

where (α, β) are respectively the scale and shape parameters of LLD. The distribution is positively skewed and depends only on the shape parameter β .

The respective parameters (v, λ) , (μ, σ) and (α, β) of GD, LLD and LND can be obtained by using the maximum likelihood estimation (MLE) procedure.

3. THE RATIO OF MAXIMISED LIKELIHOOD PROCEDURE AND KOLMOGOROV-SMIRNOV DISTANCE

Here, we discuss how RML and KS distance can be used in selecting the best suitable model among the three distributions. Let $(\hat{v}, \hat{\lambda})$, $(\hat{\mu}, \hat{\sigma})$ and $(\hat{\alpha}, \hat{\beta})$ denotes the ML estimates (MLE) of (v, λ) , (μ, σ) and (α, β) respectively. Then it can be shown that

- a) $\hat{\lambda} = \frac{\hat{v}}{\bar{x}}$ and $\hat{v}$ is obtained by solving $\ln(\hat{v}) - \psi(\hat{v}) = \overline{\ln(x_i)} - \ln(\bar{x})$ where $\psi(x) = \frac{\Gamma'(x)}{\Gamma(x)}$ is the digamma function.
- b) $\hat{\mu} = \sum \frac{\ln x_i}{n}$ and $\hat{\sigma} = \sqrt{\sum \frac{(\ln x_i - \hat{\mu})^2}{n}}$.

- c) Since no analytical solution to the likelihood equation is available, the MLEs of (α, β) are obtained numerically.

3.1. The Ratio of Maximised Likelihood Procedure

Let the n observations come from $f_1(x, a, b)$ distribution and the competing distribution is $f_2(x, c, d)$ where a, b, c and d are the parameters of the respective distributions. Based on the observed sample X , let L_1 and L_2 denote the likelihood functions of f_1 and f_2 respectively. Also, let $(\hat{a}, \hat{b})$ and $(\hat{c}, \hat{d})$ be the MLEs of the above parameters. Then the RML denoted by L is defined as: $= \frac{L_1(\hat{a}, \hat{b})}{L_2(\hat{c}, \hat{d})}$. Let $T_{f_1, f_2} = \ln L$. The decision rule for discriminating between f_1 and f_2 is: choose f_1 if $T_{f_1, f_2} > 0$, otherwise choose f_2 as the preferred model.

Case 1: The null model is LLD, and the competing model is GD.

First, we assume that the observations are coming from an $LL(\alpha, \beta)$ distribution and the competing distribution is $G(v, \lambda)$. In this case, the RML is defined as $L_1 = \frac{L_{LL}(\hat{\alpha}, \hat{\beta})}{L_G(\hat{v}, \hat{\lambda})}$ where L_{LL} and L_G denote the likelihood functions of LLD and GD, respectively. Let $T_{LL, G} = \ln L_1$. Here, the hypothesis to be tested is: $H_0: X \sim LL$ against $H_1: X \sim G$. Then we have $T_{LL, G} = \ln \left(\frac{L_{LL}(\hat{\alpha}, \hat{\beta})}{L_G(\hat{v}, \hat{\lambda})} \right)$. Simplifying, we get:

$$T_{LL, G} = n \ln \left(\frac{\hat{\lambda} \hat{v} \hat{\beta}}{\hat{\Gamma} \hat{\alpha} \hat{\beta}} \right) + \hat{\lambda} \sum x_i + (\hat{\beta} - \hat{v}) \sum \ln x_i - 2 \sum \ln \left(1 + \left(\frac{x_i}{\hat{\alpha}} \right)^{\hat{\beta}} \right) \quad (3.1)$$

Decision rule: choose LLD if $T_{LL, G} > 0$; otherwise, choose GD as the preferred model.

Case 2: The null model is LLD, and the competing model is LND.

Secondly, we assume that the observations are coming from an $LL(\alpha, \beta)$ distribution and the competing distribution is $LN(\mu, \sigma)$. In this case, the RML is defined as $L_2 = \frac{L_{LL}(\hat{\alpha}, \hat{\beta})}{L_{LN}(\hat{\mu}, \hat{\sigma})}$ where L_{LN} denote the likelihood function of LND. Let $T_{LL, LN} = \ln L_2$. The hypothesis to be tested is: $H_0: X \sim LL$ against $H_1: X \sim LN$. Then we have $T_{LL, LN} = \ln \left(\frac{L_{LL}(\hat{\alpha}, \hat{\beta})}{L_{LN}(\hat{\mu}, \hat{\sigma})} \right)$. Simplifying, we get,

$$T_{LL, LN} = n \ln \left(\frac{\hat{\beta} \sqrt{2\pi} \hat{\sigma}}{\hat{\alpha} \hat{\beta}} \right) + \hat{\beta} \sum \ln x_i - 2 \sum \ln \left(1 + \left(\frac{x_i}{\hat{\alpha}} \right)^{\hat{\beta}} \right) + \sum \frac{(\ln x_i - \hat{\mu})^2}{2\hat{\sigma}^2}. \quad (3.2)$$

Decision rule: choose LLD if $T_{LL, LN} > 0$; otherwise, choose LND as the preferred model.

3.2. The Kolmogorov-Smirnov Procedure

The KS distance is a preferred way of measuring how similar the two probability distributions are. Let $F_n(x)$ denote the empirical distribution computed based on the data. Also, let $F_1(\hat{\nu}, \hat{\lambda})$, $F_2(\hat{\mu}, \hat{\sigma})$ and $F_3(\hat{\alpha}, \hat{\beta})$ denote the cumulative distribution functions (CDFs) computed at the MLEs of the parameters of GD, LND and LLD, respectively. The respective KS distance associated with three distributions are defined as:

- a) $KS_G = \sup_x |F_1(\hat{\nu}, \hat{\lambda}) - F_n(x)|$,
- b) $KS_{LN} = \sup_x |F_2(\hat{\mu}, \hat{\sigma}) - F_n(x)|$ and
- c) $KS_{LL} = \sup_x |F_3(\hat{\alpha}, \hat{\beta}) - F_n(x)|$.

Decision rule: choose the preferred model with minimum KS distance.

4. SIMULATION STUDY

Here we conduct an MCS study in order to see which among the models, LLD, GD and LND distributions is preferred under the discrimination or closeness criteria considered. We fix the scale parameter $\alpha = 1$ and vary $\beta = 1.5, 3, 5$ and 10 of the null distribution for varying sample size $n = 20, 50, 100, 200$ and 500. The parameters of the alternate distributions can be obtained by the MLE procedure. The following algorithm is used to produce the simulated samples.

Step-1: Generate independently and identically distributed observations of size n from $LL(1, \beta)$.

Step-2: For fixed β , the competing models (GD and LND) are fitted to the data and the MLEs are obtained.

Step-3: Compute the discrimination criteria (RML and KS), and the results are recorded as 1 (correct decision, that is $T_{LL,G} > 0$ and $T_{LL,LN} > 0$) and 0 (wrong decision) otherwise.

Step-4: Steps 1-3 repeated $N = 1000$ times and the test results are stored in say R .

Step-5: Compute the PCS approximately as $PCS_n = \sum_{j=1}^n \frac{R_j}{N}$.

It can be observed from table 1 below that the loglogistic distribution is the most preferred model over gamma and lognormal distributions as the PCS is higher for the loglogistic model.

Table 1: Simulation of PCS of LLD against GD and LN when the null distribution is LLD

$LL(1, 1.5)$ against $G(v, \lambda)$ and $LN(\mu, \sigma)$					$LL(1, 3)$ against $G(v, \lambda)$ and $LN(\mu, \sigma)$			
n	$T_{LL,G}$	$T_{LL,LN}$	$KS_{LL,G}$	$KS_{LL,LN}$	$T_{LL,G}$	$T_{LL,LN}$	$KS_{LL,G}$	$KS_{LL,LN}$
20	70.5	42.1	83.4	82.4	55.1	39.5	79.1	80.9
50	87	53.7	92.6	76.7	72.1	56.4	83	79
100	96	68.7	98.7	80	85	67	90.9	76.7
200	99.4	82.4	99.8	85	95.3	82.8	96.9	85.9
500	100	94.5	100	95.5	99.4	94	99.7	94.7
$LL(1, 5)$ against $G(v, \lambda)$ and $LN(\mu, \sigma)$					$LL(1, 10)$ against $G(v, \lambda)$ and $LN(\mu, \sigma)$			
20	46.1	43	78.5	81.2	42.9	42.6	79.8	80.5
50	67.2	58.7	83	81.2	60.3	58.1	75.7	77.4
100	75.4	68.1	84.2	80.7	69.4	66.6	81.6	79.7
200	86.8	79.9	91.8	86.2	81.2	80	86.7	86.8
500	98.8	93.3	98.4	94.6	94.8	93.9	95.9	94.1

5. ANALYSIS WITH THE REAL DATA

The first data set is the per-capita income (GDP in rupees) in India with base year 2011-12 for the period 1950 to 2022 (www.rbi.org.in), and the second data set is daily simple stock return during the period 1998 to 2013 (www.yahoofinance.com).

Data Set 1: The Income Data

The income of the population can be measured in terms of per capita income. Here, we convert the raw data into the corresponding per-capita income ratios ($PCIR_t = \frac{I_t}{I_{t-1}}$) to make it independent of time. The basic statistical summary of the data is provided in Table 2 below. It can be observed that the data is positively skewed and has excess kurtosis (above 3).

Table 2: Summary statistics of PCIR

n	Min.	Median	Mean	Max.	SD*	Skewness	Kurtosis
72	0.925	0.966	0.971	1.081	0.031	1.335	5.191

*Standard Deviation

For comparison purposes, we plot (see figure 1) the histogram superimposed with the respective densities and the empirical versus theoretical CDFs. It is obvious from the plot that the fitted densities are very close and the discrimination is somewhat difficult, and the RML helps in discriminating among overlapping families of distributions. Based on the observed data, the MLEs and the log-likelihood values of the three distributions are provided in the following Table 3.

Table 3: ML estimates of the parameters and log-likelihoods

Model	ML estimates	Log-likelihoods
loglogistic	$(\hat{\alpha} = 0.968, \hat{\beta} = 59.331)$	151.519
gamma	$(\hat{\nu} = 999.656, \hat{\lambda} = 1029.065)$	148.620
lognormal	$(\hat{\mu} = -0.0294, \hat{\sigma} = 0.0314)$	149.091

For case 1, using (3.1), we have $T_{LL,G} = 2.899 > 0$, implies that loglogistic is the preferred model, and for case 2, using (3.2) we have $T_{LL,LN} = 2.428 > 0$ indicates that loglogistic as the

preferred model. The KS distance between the data and the respective densities is given by $KS_{LL} = 0.094$, $KS_G = 0.082$ and $KS_{LN} = 0.092$ indicating that both gamma and lognormal are also competing models.

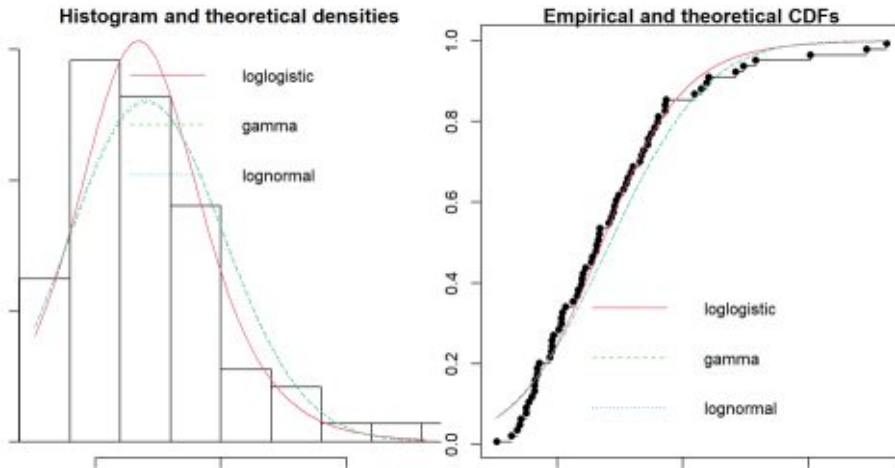


Figure 1: Histogram super imposed with the respective densities (left) and the empirical versus theoretical CDFs (right).

Data Set 2: Stock Price Data

In this example, we consider the BSE (Bombay Stock Exchange) adjusted daily closing price data during the period April 1998 to August 2013. We computed the daily simple returns and obtained a best-fitted model. The basic statistical summary of the data is provided in Table 4 below. It can be observed that the data is positively skewed and has excess kurtosis (above 3).

Table 4: Summary statistics of stock price returns

n	Min.	Median	Mean	Max.	SD	Skewness	Kurtosis
3808	0.852	0.998	0.999	1.125	0.016	0.285	8.441

It is obvious from the density and the CDF plots (see figure 2) that the fitted densities are very close and the discrimination is next to impossible. Based on the observed data, the MLEs and the log-likelihood values of the three distributions are provided in the following Table 5.

Table 5: ML estimates of the parameters and log-likelihoods

Model	ML estimates	Log-likelihoods
loglogistic	$(\hat{\alpha} = 0.999, \hat{\beta} = 116.229)$	10424.37
gamma	$(\hat{\nu} = 3601.39, \hat{\lambda} = 3602.36)$	10190.33
lognormal	$(\hat{\mu} = -0.0004, \hat{\sigma} = 0.0166)$	10191.69

For case 1, using (3.1), we have $T_{LL,G} = 234.04 > 0$, implies that loglogistic is the preferred model and for case 2, using (3.2) we have $T_{LL,LN} = 232.68 > 0$ indicating that loglogistic as the preferred model. The KS distance between the data and the respective densities are given by $KS_{LL} = 0.026, KS_G = 0.061$ and $KS_{LN} = 0.061$, indicating that the preferred model is loglogistic.

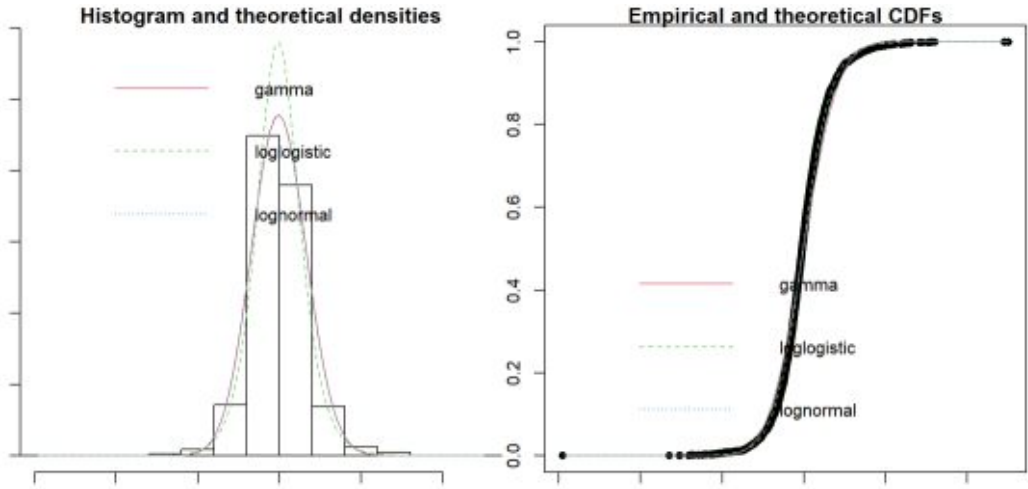


Figure 2: Histogram super imposed with the respective densities (left) and the empirical versus theoretical CDFs (right).

5. Conclusion

In this paper, we study the closeness of the loglogistic distribution with gamma and lognormal distributions using the statistic based on maximised RML and the minimum KS distance. We consider the data originally coming from a loglogistic distribution against two

alternate competing models, gamma and the lognormal distributions and derived the conditions for the preferred model. The PCSs in terms of percentages for both RML and KS obtained by the simulation study also favour loglogistic model as the preferred one. We consider two real data sets pertaining to per capita income and stock price returns, and found that in both cases the RML statistic clearly discriminates the preferred model. Overall, it can be observed that the preferred model is found to be loglogistic in the sense of RML and KS distance, however, both GD and LND are equally competing fitting models.

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DEMERGERS AND THEIR IMPACT ON INDIAN FINANCIAL MARKET: A SHAREHOLDER'S PERSPECTIVE

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1. ABSTRACT

This report aims to analyse and interpret a demerger's short- and long-term effects on the shareholders' wealth both in the context of Indian Financial Markets. We will first understand demergers as a concept and understand the rationale behind such a decision. Furthermore, we will then look at data provided by the BSE/NSE. We will analyse how a company's decision to demerge affected the shareholders' wealth both in the short- and long-term. We analysed data for 25 parent companies that underwent a demerger between the period 2012 to 2022. To interpret the short-term impacts, we will look at stock price fluctuations before and after the announcement date of a demerger. To interpret the long-term impacts, we will look at the overall CAGR of the stock price. We will use comprehensive metrics, which will be explained in detail. Our findings show a 3.467% impact on stock prices post the announcement date, while the stock price outperforms the market in the long run by a Cumulative Abnormal Return (CAR) of 7%.

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2. AN OVERVIEW OF DEMERGERS

A demerger, as the word suggests, is a pro-rata distribution of the shares of a firm's subsidiary to the shareholders of the company where there is neither transfer of ownership nor dilution of equity. Before becoming a viable factor in management discussions, Demergers were an American invention of the 1920s. In this process, a wholly owned subsidiary of a parent company becomes an independent entity. This entire process is noticeably extensive and tedious. This is why companies undergo demergers only when they have a strong reason to go through the entire procedure. Essentially, a demerger is feasible when ' $3-2=2$ ', which means that removing a subsidiary off the books should actually help the business overall. A demerger is therefore a viable strategy only when there exist negative synergies or diseconomies of scale which can be navigated easily by demerging the subsidiary from its parent company. Some of the more common reasons for a demerger are categorized into 3 different types. Demergers come in different forms, with each type varying in terms of corporate restructuring and the way it impacts the shareholders' wealth. The first one, Spinoff, is a Corporate spinoffs are a common way to demerge a subsidiary from its parent company, where a division of a business of the conglomerate company divides into a separate entity owing to a difference in sectors. Shareholders often react positively to a spinoff as this ensures that the wealth invested goes in a particular industry rather than diversifying it within an organization. The second one is a Split-up, which includes a corporate split-up, usually takes place when a parent company splits up into two separate companies, each holding a different line of business. This means that the parent company itself becomes a new company. At the same time, the subsidiary separates itself. The parent company in this scenario ceases to exist. This type of restructuring generally ensures that shareholders get a chance to decide where their wealth will be invested while creating separate revenue streams. The final one is Equity carve-outs, which is the restructuring of a very specific type, involving a third party that is willing to buy out a subsidiary from the parent company. So, while the parent company gets its subsidiary out of its accounting books, the subsidiary itself doesn't become a new firm but rather is taken over by another parent company.

The benefits of demerger are many for the Indian companies, as it includes the first Performance-related improvements is Owing to a smaller size of the subsidiaries, they are often are overlooked, which eventually leads to a poor performance overall. This dampens the parent company's growth, and value redistribution through a demerger is one such viable

strategy to combat this. The second Sectoral improvement is used to boost the growth of a certain sector of the company. A demerger can help the company put all its eggs in the same basket and take advantage of a growing sector. While the third one, Misfit subsidiary, is used when a certain subsidiary does not fit in with the plans of the company. Parent companies often take up businesses that seemed lucrative in the start but soon realise that they conflict with the parent company's long-term goals. Value creation through demerging the subsidiary is the most viable way for the parent business to maximize growth. The fourth one is Corporate governance improvements; Through a demerger, the company can streamline its corporate structure with an increase in transparency. This can help eliminate negative synergies and increase sustainable growth. The last one is Capital market improvements, which is used to improve access to capital markets and being able to access a new set of investors, which further would eliminate the obstacles for the growth of the company from the perspective of the capital markets.

3. EMPIRICAL EVIDENCE AND RELATED LITERATURE

While there are ample research papers that assess the impact of a demerger on the shareholders' wealth, the papers are largely based on the US and European capital markets. While we attempted to follow a similar pattern compared to these papers, we have inculcated the metrics that are specific to Indian Capital markets.

Kirchmaier (2003) analysed the European companies that went with the procedure of demergers, where it was analysed using an event window of 21 days starting with 10 days before the announcement till 10 days after the announcement, where the date of the announcement was considered to be “Day 0”. Upon using the sample of 48 demergers, it was found that there exists a significant positive wealth creation of around 4.1% during the 2 day period which consisted of Day 0 and Day +1 and 5.5% during the 4 days period consisting of Day -2 to Day +1 for the standard demergers where it was found that there was a positive reaction to the announcements of the demergers. **Padmanabhan (2018)** also examined the motivation for the companies to undertake the procedures of demergers, impact on the performance, profitability and efficiency and also the impact on the valuation of the companies undergoing a demerger. **Vyas et al., (2015)** identified that during 3 years following the demerger; around 30 of the total 40 parent companies had taken corporate actions which were strategically included allotment of bonus shares, issue of convertible warrants, buy back of shares and corporate debt restructuring (**Sasso, 2013; Eckbo et al., 2007; Inoue, 2005**). Further, he also went forward with using the Event Study methodology where the demerger announcements made by 63 companies which were spread

over 11 years, from 2003 to 2014, where it was observed that the companies showed positive abnormal returns during the event window further proving that demerger announcements help in increasing shareholder wealth in India **(Singhal, 2018)**. **Panday (2021)** analysed the demerger of the Indian company Hero Honda. His work delved into the workings of the demerger of Hero Honda with the aim of measuring the financial performance of the company, rate of return, earning per share, performance of the operations and other key metrics. They found that the mean of the net sales during the pre-demerger period is 11,335 and the variance from the mean is 990. The post-demerger net sales mean is 25,851, which is 38% greater than the event year sales figure, clearly indicating that the sales figure has increased after the demerger (Bakshi, 2021; Sahay & Mathen, 2014). Their main focus of research was on the financial results, which helped in finding the financial performance of the company.

Mahapatra, A., & Samal, G. P. (2023) revealed that Demerger is a corporate restructuring method that involves separating a firm's business operations into one or more components, allowing the company to focus on its core business activity. This study focuses on the demerger of Crompton Greaves Consumer Electricals Limited from Crompton Greaves Limited, which is used as a case study. CGL subsequently changed its name to Crompton Greaves Power and Industrial Solutions Limited. This article examines the financial performance of Crompton Greaves Power and Industrial Solutions Limited during the time before and after the demerger. The performance of Crompton Greaves Consumer Electricals Limited is evaluated after its incorporation. The study utilises secondary data obtained from the annual reports of Crompton Greaves Power and Industrial Solutions Limited and Crompton Greaves Consumer Electricals Limited. The user's text is straightforward and precise.

Banerjee, S. (2022) revealed that business restructuring is crucial for enhancing productivity and efficiency by aligning and restructuring business operations. The conventional approach to construction primarily focuses on enhancing investors' financial gains, implementing cost controls, and optimising operational efficiency **(Gupta et al., 2022)**. Spin-off provides an economic approach to transfer control of business resources to bidders who can create greater value **(Cusatis et al., 1993)**. The spin-off focuses on showcasing the parent company's shares and increasing the number of securities available for trading on the shares Exchange **(Habib et al., 1997)**. The study by **Krishnaswami and Subramaniam (1999)** found that there is a negative correlation between taxable demergers and lower positive abnormal returns, while nontaxable demergers are associated with considerable positive returns. If a company requires additional money, it might resort to

divestitures, such as demergers, to generate capital at a reasonable market value subsequent to the divestment (Chemmanur & Yan, 2004). Many investigations rely on different nation settings to show the positive correlation between the announcement of a spin-off and abnormal stock performance.

4. METHODOLOGY AND CONCEPTUAL FRAMEWORK

This study is compiled with the secondary data of the 24 demergers that took place between 2012 and 2022, with a focus on the market capitalization of the parent businesses. The source of the same includes the companies that were only confined to the Bombay Stock Exchange. The stock prices and announcement dates were gathered from the secondary sources using the NSE website. This study analyses whether companies post a demerger outperform market indices or not. Essentially, there would be no impact on the stock price of the company post a demerger. To justify that concept, we have utilised short-term and long-term analysis to come to conclude a pattern that is noticeable in demerged companies. The details of the company with the announcement date are presented in Table 1.

Table 1. Company with the announcement date

Sr. No	Parent Companies	Announcement date
1	Wipro	01-Nov-12
2	Welspun Corp	03-Jun-13
3	Orient Paper & Industries	12-Jul-13
4	Marico	18-Nov-13
5	Mastek	26-Sep-14
6	CG Power & industry solutions	10-Mar-15
7	Biocon	16-Jul-15
8	Fortis Healthcare	20-Sep-16
9	Aurionpro	02-Aug-17
10	Vikas Ecotech	16-Aug-17
11	Adani Enterprise	16-Oct-17
12	Bharti airtel	14-Nov-17
13	Bajaj Electricals	13-Dec-17
14	Seamec Ltd	23-Feb-18

15	Bombay dyeing	14-Aug-18
16	Skipper	28-Nov-18
17	Anant Raj	26-Dec-18
18	Jindal Poly Films	04-Jan-19
19	Godrej Industries	21-Feb-19
20	Suven Life sciences	25-Mar-19
21	ABB India	01-Apr-19
22	Jubilant Industries	13-Dec-19
23	Dhampur Sugar Mills	30-Jul-21
24	Vakrangee	03-Dec-21

Performance measure:

To comprehensively assess the effect of the announcement on the stock price, we have set different periods of analysis coupled with varying metrics. To first systematically evaluate the impact, we have taken **Cumulative Abnormal Returns (CAR)** to make our results more accurate and help us make sense of the numbers. R_{it} are the returns of company i at a given time period, while R_{mt} is the return of the market at time t .

The Cumulative Abnormal Returns are nothing but the total of the magnitude by which a recently demerged parent company outperforms the market. For a quantitative metric for market returns, we have used the BSE SENSEX to assess how the stocks have reacted. CAR can be shown as follows:

$$CAR = \frac{1}{N} \sum_{i=1}^n A_{it}$$

Where $A_{it} = R_{it} - R_{mt}$

Hence, a positive CAR value indicates that ,on average, a stock outperforms the market in our given sample, while a negative CAR value indicates that markets overall have outperformed companies that undergo demergers.

One important reason to use abnormal returns instead of the stock returns is to understand precisely if demergers are the reason the stock outperforms the market.

Several factors affect the stocks within the stock market, and these companies carry immense systematic risk which adversely or positively affects the market as a whole. To interpret our results, using abnormal returns helps us combat systematic risk. It also filters itself to reflect the company's performance after a demerger and how it reacted to market risks.

5. DATA ANALYSIS FOR SHORT IMPACT

The short-term impact on the stock prices of the companies that had undergone the process of demerger is another key measure in analysing the data for these companies, as they show how the prices react to the announcements and the decision of demerger made by the management in the short term. A period of three months after the announcement dates was chosen to establish the results, which were then compared with the market indices to find out the difference as to how the companies perform in respect to the markets. The *Figure 1* shows the short-term impact post-merger revealing the positive impact of the companies' outperformance in respect to the market indices, whereas a negative number/side represents underperformance in respect to the market indices. It was found that the companies on an average, show a growth of about 3.467% as compared to market returns on the day of the announcement. After 3 consecutive months of announcements, the companies showed an average growth of .81% as compared to the market indices (Figure 2). In all aspects, the demerged companies outperform the market significantly. The data analysis for the short-term impact, hence, rejects our null hypothesis.

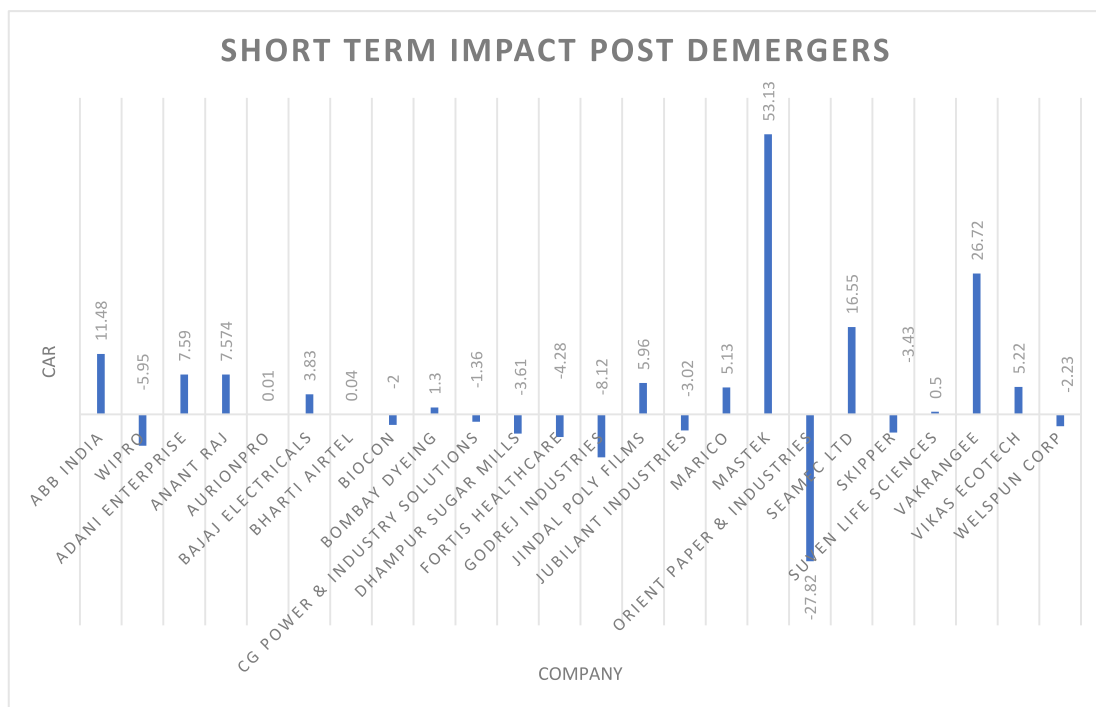


Figure 1: Short term impact post-demerger

6. DATA ANALYSIS FOR LONG-TERM IMPACT:

The long-term impact on parent companies' post-demerger is much more conclusive as compared to announcement effects. We analyzed the CAGR of stock prices of our sample and compared them to the CAGR of the market within that period. Our results, as depicted in the table below, show an average 7% overall increase among our sample in CAGR as compared to the market CAGR. While the result might not be statistically significant, over 55% of our sample exhibited positive returns compared to the market. Our sample's median increase is 3% as compared to the market.

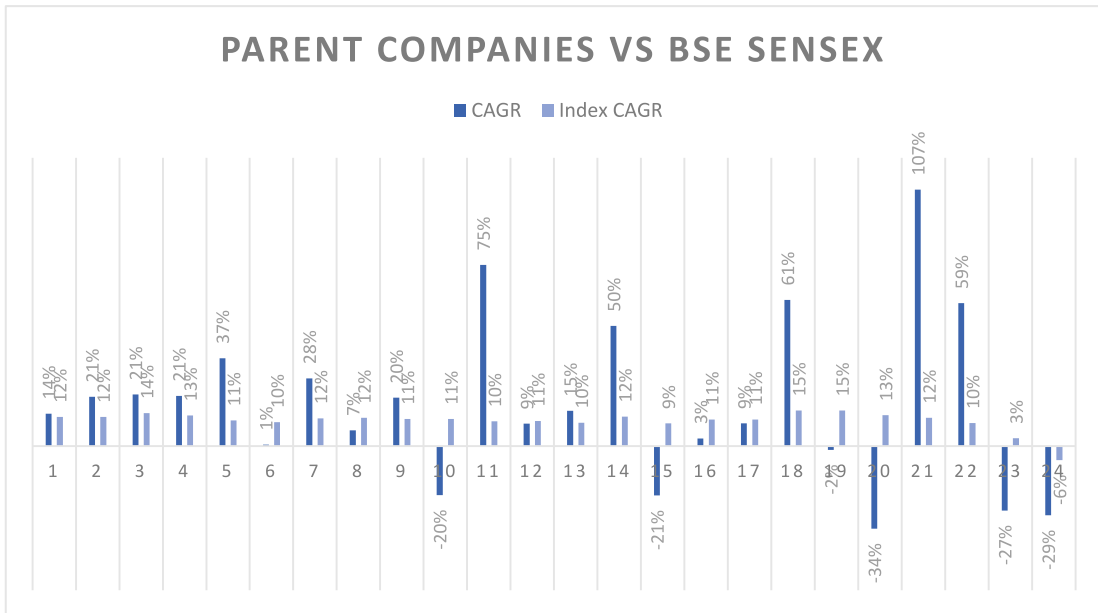


Figure 2: comparison of company and Index return

The findings of our analysis are given in table 2 below. We aim to conclude our findings based on the differences that were observed through the analysis and find that, for long term, the demerged companies' stock prices have successfully outperformed and presented significantly better results than the market return.

Table 2 : Difference in the CAGR of Company and Index

	Companies CAGR	Index CAGR	Difference
Mean	18%	11%	7%
Median	14%	11%	3%

7. OUTLIERS:

In analysing the above table, it was found that there were some outliers to the research, including both those who performed extremely well after undertaking the decision of demerger and those who didn't perform quite well or up to the mark after undertaking the decision of demerger. The following are those which performed well after deciding to undergo the process of demerger:

ABB India: ABB India decided to demerge its power grid business to ABB Power Products and System India Ltd. The board decided to proceed further with the demerger as they believed it would assist the current power grids division to independently pursue the business excellence built over a long period in the power infrastructure, with a robust and time-tested business model. They also believed it would improve the simplicity and efficiency of the business. The demerger did pretty well in terms of creation of value as ABB India outperformed the markets by 95% with the help of the products and services where ABB India globally has its own edge.

Adani Enterprise: The board of Adani Enterprises decided to proceed further with the decision of demerger of its green energy business and further simplify the business structure. The board believed that the transaction would unlock the potential of the renewable power segment, which was embedded in Adani Enterprise Limited by eliminating the holding company discount and providing more financial flexibility for raising capital for the sustainable growth of the renewable energy business. The demerger did well in terms of value creation as Adani Enterprises outperformed the markets by 65%.

Following are those outliers which didn't perform well after going through the process of demerger:

Suven Lifesciences: The board decided to demerge its CRAMS business to Suven Pharmaceuticals. They decided to transfer the contract research and manufacturing services undertaking of the company to be transferred to Suven Pharmaceuticals. The company didn't do well in aspect to terms of value creation, as when compared to the market indices, Suven Lifesciences underperformed by -47%.

Vikas Ecotech: The board decided to demerge its trading and recycled compound division as a separate entity to Vikas Multicorp, as the management believed that the company has two verticals — the value specialty chemicals business and the recycled compounds and trading division. They believed that both verticals have their own strengths and dynamics, though their nature is different, and would require separate

focused management and planning. The company didn't do well in terms of value creation, as when compared with the market indices; it underperformed by -32%.

8. LIMITATIONS:

In completing the above report, there were certain limitations to the study which could be considered, which are:

1. The size of our sample being extremely small owing to the low frequency of demergers that take place in the National Stock Exchange, acts as a limitation. It does not allow us to confirm if our findings are statistically significant.
2. While we tried to account for market conditions and other externalities in this time frame through CAR, it is difficult to find a measure that accounts for other market variables that affect the stock price, other than a demerger.
3. Selection bias could also play a role in this scenario. It is highly likely that companies that are already capable of providing outperforming returns are also likely to demerge its subsidiary owing to their efficient management team.

9. CONCLUSION:

Demergers within a parent company take place primarily to grow efficiently, while aiming to positively impact shareholders' wealth (Khaugani & Priscillah, 2020). Although shareholders react positively to the news of a demerger, the reactions are not consistent (Padmanabhan, 2018). Several other factors are also considered by shareholders, some even irrational, while reacting to such announcements. From the above study, it could be concluded that the samples which consist of companies which have undergone demergers show different results in terms of period of time (Mahapatra & Samal, 2023). Short-term impacts of a demerger show a positive, although not significant, impact on shareholders' wealth. However, the long term shows significant growth in terms of demerged companies (Padmanabhan, 2018). Essentially, if your portfolio consisted of only demerged companies, bought the day the demerger was announced, your portfolio would currently be exhibiting a CAGR of 18%, which is 7% higher than the BSE SENSEX (Table 2). This leads us to

rejecting the null hypothesis and agreeing with the intuitive outcome of such an event.

10. MANAGERIAL IMPLICATIONS

This study defines managerial disclosure techniques as opportunistic behaviour, in which managers selectively provide information to serve their own interests. They also manipulate the substance and presentation of information in corporate documents to influence how readers perceive the company's performance and prospects. The study revealed that it is important to communicate the demerger process to shareholders with Effective communication that is crucial for reducing uncertainty and anxiety among employees, maintaining positive morale, and clarifying the impact of the demerger on employees' roles and responsibilities. Managers should ensure that communication is open, authentic, consistent, significant, sympathetic, and up-to-date.

11. FUTURE SCOPE OF RESEARCH

Shareholders evaluated the efficiency of management in operating the company following the demerger in specific companies. To evaluate the effect of a demerger on a company's profitability, one can analyse specific ratios, such as the Return on Capital Employed Ratio. Future studies can also examine the sources of long-term funding. Future research should consider other ratios to assess and demonstrate the usefulness of this corporate activity from the perspective of shareholders.

Another potential avenue for exploration could be identifying patterns of merger-demerger activities that are suitable for various phases of economic development. Comparisons of the reorganisation of structural entities can provide insight into the dynamics of national economies and suggest specific actions for reorganisation based on distinct economic profiles.

Subsequent studies could include interviews with managers in divided firms to ascertain their perspectives on the impact of demerger on operational efficiency and the benefits and drawbacks they have observed after the demerger process.

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THE ROLE OF LANGUAGE IN SHAPING CONSUMER BEHAVIOR IN SYLHET: A PHENOMENOLOGICAL ANALYSIS

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ABSTRACT

Purpose: The primary objective of this study is to explore the influence of language on consumer behavior in the Sylhet region of Bangladesh. Given the unique linguistic diversity and cultural context of the area, this research seeks to understand how different languages and dialects impact purchasing decisions, brand perceptions, and customer's loyalty. The study also aims to uncover the role of language in shaping the communication strategies of businesses and how these strategies affect sales volume and salesman performance in this specific region.

Methodology: This study adopts a qualitative phenomenological approach, employing interpretive phenomenological analysis (IPA) to examine the role of language in influencing consumers in the Sylhet region. The data were collected through 100 Key Informant Interviews (KII) and 20 in-depth interviews with key stakeholders, including service providers, local business owners, and regional experts. Additionally, five Focus Group Discussions (FGDs) were conducted with a diverse group of participants,

comprising consumers, community members, and marketing students to provide a nuanced understanding of how language shapes consumer's decision-making and regional market dynamics.

Findings: The study found that language plays a significant role in consumer's decision making in Sylhet. Consumers showed a strong preference for local dialects in advertising, with many indicating a higher level of trust and engagement when brands used the Sylheti dialect or Bengali in their communications. Sales volume was notably higher in regions where salesmen were able to effectively communicate in the local language, underscoring the importance of linguistic alignment between sales representatives and consumers. However, there was also evidence of language barriers limiting market penetration in certain rural areas where local languages differed from the mainstream Bengali.

Practical Implication: The findings suggest that business operating in the Sylhet region tailor their communication strategies to reflect local linguistic preferences to enhance consumer's engagement and sales performance. Training sales staff to use the local dialect and incorporating regional language into marketing materials can improve brand perception and consumer's trust.

Research Limitations: The study's primary limitations include the regional focus and the subjective nature of consumer's preference regarding language. Additionally, the relatively small size may limit the generalizability of the findings.

Keywords: Language, Consumer's behavior, Regional marketing, Sales volume, Linguistic influence.

1. INTRODUCTION

As such, there is a lot more to language and the driving forces that enable brands to be successful when creating demand among consumers in regions that have the highest linguistic diversity, Sylhet, Bangladesh. Language: the fundamental part of communication, for it serves as the medium through which businesses and their consumers get connected, which arouses trust, interest and understanding. But Sylhet's linguistic landscape is composed not only by Bengali and English, but also, and most importantly, by the use of the Sylheti dialect. This diversity has a huge impact on consumer decisions, brand perceptions and marketing strategies, as a whole.

Sylheti dialect is so rooted in the regional cultural fabric that it is not just a tool for communication, but a symbol of identity and belonging. In fact, many times consumers have

a strong emotional reaction to advertisements, sales interactions and marketing content delivered to them in their first language. According to the broader principles of linguistic relativity, this phenomenon indicates that language impacts thought and perception, i.e., how people organize and perceive information, and decide what to do with it (Lucy, 1997). However, knowing the Sylheti dialect is essential for businesses currently operating in Sylhet. Using the Sylheti dialect will help these businesses in building brand authenticity, enhance trust and build valuable connections in the local community.

Changing patterns in the English speaking, multilingual, and multicultural environments increasingly call attention to importance of linguistic adaptation in marketing (Cui, 1997). The importance of language as a means to achieve trust, loyalty and emotional resonance has been corroborated through studies in the field of sociolinguistics, and more broadly of marketing psychology "(Huang et al., 2023). Given the little that influences consumer engagements in Sylhet in cases where linguistic preferences are given preference, businesses are forced to assiduously walk the tight rope separating tradition and modernity. Sylheti remains the language of preference for the majority of consumers living in rural or semi urban areas but younger, urban customers are increasingly adopting the use of Bengali and English – a demonstration of their aspirations and international outlook.

The role of language in consumer behavior in Sylhet has not been well studied despite its important role. Most of the existing research regarding this topic concentrates on global or national levels, having paid scant attention to how the linguistic dynamics in a regional market can differ from a macro perspective. Therefore, the current literature gap calls for a focused evaluation of the language effect on the customer behavior of Sylhet in terms of brand communication, sales performance and marketing effectiveness. The present study aims to address this gap in the literature and thereby contributes to a deeper understanding of language as an important variable in regional marketing strategies.

This research is based on interpretive phenomenological analysis, which gives preference to lived experiences and perceptions of people. The study uses key informant interviews, in-depth interviews and focus group discussions to explore how language influences three areas of consumer decision-making processes that also form part of the processes in regional market dynamics in Sylhet. We find that linguistic alignment between businesses and consumers strongly influences how much consumers trust, engage, and spend. For example, advertisements that feature Sylheti proverbs or idiomatic expressions (that are not found in the standard Bangla language!) not only attracts people but also prides and booms the feeling of authenticity.

In addition, this research reveals the problems and possibilities of linguistic diversity in Sylhet. The Sylheti dialect is a powerful tool for connecting with rural consumers but there is a need to recognize linguistic preferences amongst urban and younger demographic. As such, this requires a balance of Sylheti, Bengali and English to be used in marketing strategies. An approach like this not only provides inclusivity, it also makes a more effective communication in different audience segments. This study provides practical implications for businesses, policymakers as well as researchers. The findings show how important local dialects are for companies to include in marketing and sales efforts if they want consumers to trust and engage with them. Thus policymakers can rely on these insights in promoting linguistic inclusiveness and cultural preservation in regional development schemes. The study can open new avenues for such research in other linguistically diverse regions for researchers.

Consumer behavior in Sylhet is anchored on language as it plays a great role in consumer interaction, perception and decision. The present study explores the complex relationship between language and marketing in this singular regional context to further the broader discourse on sustainable and inclusive marketing practice. With the world becoming ever more interconnected, it is not only important but imperative for businesses trying to succeed in diverse cultural surroundings to understand the role language plays in consumer behavior. Therefore, this research lays the groundwork for future studies to further peel back the complex language and consumer behavior in regional languages markets.

2. LITERATURE REVIEW

2.1 Language and Consumer Behavior

Grasping the mechanisms of influence that language exerts on consumer behavior has become an important branch of study in marketing and psychology (Martin & Morich, 2011). Data from these fields have provided the foundations for a growing area of inquiry in sociolinguistics. Today, we know much more than we did just a few decades ago about how information conveys and even changes meaning when it travels across different contexts (Bonvillain, 2019). Linguistic relativity is the principle that holds that language influences thought and perception –(Rosch, 2015). It has its roots in the Sapir-Whorf hypothesis –(Perlovsky, 2009). For decades, researchers have probed the edges of the hypothesis in the field of consumer research. Much of this work has focused on identifying instances in which the binary structure of a language or an emphasis on certain linguistic features can nudge a consumer's decision-making process in one direction or another (Packard & Berger,

2017). For example, –(Kronrod & Danziger, 2013) found that the way in which people frame their preferred choice linguistically affects particular product attributes. And, as these researchers noted, such linguistic framing can have serious implications for marketers trying to sell their products.

The effect of language on emotions has deep consequences for consumers and the decisions they make (Chaudhuri, 2006). When consumers hear or read words charged with emotions—like love, excitement, or fear—they tend to have trouble forgetting the words, even if they are not focused on the words at the time they encounter them– (Puntoni et al., 2009). This sentence reflects the content of the first sentence in the prompt. The second sentence in the prompt states that when it comes to the connect ability of words with a brand, the type of narrative attached to the words is crucial. In other words, it is not enough for words to be merely emotional for a consumer to really make a connection between the words and a brand.

In multicultural and multilingual contexts, the choice of language can be a potent signifier of a brand's identity and its inclusivity (Kelly-Holmes, 2005). In an early analysis of the role of multilingual advertising, –(Piller, 2001) found that for a brand to show it is appealing to a diverse consumer demographic, using the local language is best. In her view, this approach leads to the "trust and authenticity" a brand needs to build in a multicultural market. On the other hand, in the eyes of multinational corporations, English has become a high-status lingua franca usually associated with a more "modern" image. However, not all businesses have the resources or the desire to project English as part of their brand identity.

Another fundamental focus of the research is the interplay between language and brand identity. To a consumer's ear, a brand name conveys a specific kind of message—some brands sound like they mean "quality," whereas others don't, regardless of what might actually be the case (Lindstrom, 2008). –Lowrey & Shrum (2007) emphasized how important phonetics is to brand naming. They stated that the sounds of the words really do mean something to people. For instance, they pointed out that hard consonants tend to lead people to think of strength and reliability, while softer sounds lead to thoughts of comfort and trust. This research has trickled down to the applied level and is actually being used by some branding experts.

The attention gained by the use of language in the emerging platforms of digital marketing offers ample opportunity for scholarly inquiry –(Carnevale et al., 2017a). Social media, for instance, serve as a unique platform for brands to implement direct engagement strategies

with consumers, allowing for "real-time" advertising when paired with the technologies of big data –(Liu et al., 2021). The kind of corporate social interaction made possible by the technological development of "Web 2.0" epitomizes the rational public relations model (Santos, 2009).

How consumers interpret marketing messages is influenced by the closeness of language and culture. Guzley et al., (1998) provides a frame in which to examine this alignment of language use with cultural values, for instance, individualism versus collectivism. –Aaker & Maheswaran (1997) found that collectivist cultures, such as those in East Asia, respond very positively to advertising messages that use inclusive and group-oriented language; meanwhile, individualistic cultures, like our own, prefer advertising that hails personal achievement as the method for attaining the goods or services being sold. All of this suggests that not only do cultures have preferences for how language is used, but also, the way in which groups use language aligns with what each thinks is valuable.

The literature offers rich insights into the connection between language and consumer behavior, but certain gaps and critiques warrant discussion. First and foremost, most of the studies focus on English, making it hard to see how these findings apply to countries and communities with other dominant languages "–'(Duff, 2017). Second, the growing fields of neuro-marketing and psycholinguistics suggest some really interesting interdisciplinary approaches to understanding the almost invisible ways that language affects our consumer choices—usually in ways we're not aware of. Finally, there are a couple of emerging areas—like the use of emojis and non-verbal digital language—that are really having an influence on consumers nowadays but are pretty much uncharted territory when it comes to our field.

The relationship between language and consumer behavior is complex and works on many levels—linguistic, emotional, cultural, and digital –(Carnevale et al., 2017b). As the world becomes both globalized and digital, the understanding of language in consumer contexts grows ever more important –(Hjarvard, 2004). The research agenda of the next several years could profit greatly from addressing some obvious gaps. These gaps could be filled by combining several prime perspectives—cross-cultural, technological, and linguistic. Knowing more about these languages and cultures will pay off richly in understanding their consumer behavior. In turn, this understanding will yield more effective, more inclusive, and much better marketing.

3. MATERIALS AND METHODS

3.1 Research design

This study investigates the role of language in molding consumer behavior in Sylhet, Bangladesh, through a qualitative phenomenological approach. Qualitative research provides a clear understanding of the complex social phenomena of consumer behavior by capturing the experiences and perceptions of the participants '(Forbes, 2015). To attain this understanding, a method known as Interpretative Phenomenological Analysis (IPA) was used, allowing for an in-depth look at how language affects consumer decisions and brand perceptions –(Smith & Osborn, 2015). IPA pays close attention to the lived experiences and interpretations of our participants, allowing us to understand the effects of linguistic and cultural factors on consumer behavior –(Gough & Lyons, 2016). This follows the four-stage IPA methodology of Callary et al., (2015), which is strongly context-oriented and not just "one size fits all." We collected our data through 100 Key Informant Interviews and 20 in-depth interviews with business owners, service providers, and experts, along with five Focus Group Discussions (FGDs) consisting of diverse stakeholders. This method secured a comprehensive exploration of what we call "the marketing of linguistics." The approach to our 100 Informants and 20 in-depth interviewees was to reside temporarily in their world, looking at the kind of language they use to get by.

3.2 Features of the study area

The study was carried out in Sylhet, a region of linguistic diversity in northeastern Bangladesh. Sylhet is famous for its unique cultural and linguistic identity, the Sylheti dialect being the most obvious sign of this regional distinction. This place is a pulsating center of consumer activity, where the most minute language and cultural signs significantly affect market behavior. This study attempts to understand the intersection of language and consumer behavior in this unusual socio-economic and linguistic structure and the impact that intersection has on branding, communication, and sales.

3.3 Sampling and sample size

This research took a qualitative, phenomenological approach to understand the influence of language on consumer behavior in Sylhet, Bangladesh. The sampling strategy was homogeneous purposive with respect to the shared characteristics of the participants and their specialized knowledge pertinent to the research objectives. This kind of sampling is pretty much exactly what was needed to obtain insightful science from the study. 'Creswell &

Clark (2017) suggest that when you have a very specific research question, as we do, using purposive sampling is a smart way to go. Hearing from people who are mostly in a homogeneous group but with different individual stories makes for a rich context in which to understand our research question.

This study's sample came from various stakeholder groups, such as consumers, service providers, local business owners, and regional experts. To guarantee depth and breadth in the data, the research design combined several methods of qualitative data collection: A total of 100 KIIs were conducted with individuals possessing specialized knowledge about consumer behavior, language, and market dynamics in the Sylhet region. These informants included service providers, business owners, and academic experts familiar with the intersection of language and commerce in the area. To complement the KIIs, 20 in-depth interviews were conducted with key stakeholders. These interviews facilitated a deeper understanding of participants' experiences and perspectives, enabling the researchers to uncover nuanced insights into the interplay between language and consumer behavior. Five FGDs, each comprising 10 to 15 participants, were held with a diverse set of individuals, including consumers, community members, and marketing students. The group discussions provided a platform to explore collective views, regional dynamics, and variations in consumer preferences based on linguistic factors.

The methodological rigor of the study and the validity of its findings are the result of combining several qualitative methods and allowing for triangulation. The use of these qualitative methods ensures that the findings are meaningful and contributes to the ways in which qualitative research allows for understanding the complexities of human experience. Qualitative research does not mandate a certain number of participants, but having more than 120 in the study provides a sense of extended reach and, therefore, greater confidence in the findings. The research in Sylhet effectively captures the intricate dynamics of language and consumer interactions. The meticulously planned sampling and sample size guarantee that the results will reflect the region's true character.

3.4 Demographic profile of the respondents

Table 1: Demographic profile of the respondents

Category	Variables	N
Gender	Men	85
	Women	35
Age category	21–30	25
	31–40	37
	41–50	34
	51–60	20
	61–70	4
Education	Illiterate	10
	Under primary	50
	High school	30
	Graduated	30
Marital status	Married	60
	Unmarried	48
	Widow	12
Place of residence	Village	40
	City	80

Source: Survey data

Insights into the characteristics of the respondents can be gleaned from their demographic profiles. A total of 120 respondents took part in the survey, divided by five dimensions: gender, age, education, marital status, and place of residence. The number of respondents was 120, with 85 being women and 35 men. The majorities (37) are in the age group of 31-40; fewer, but still a significant number, are 21-30 (25), 41-50 (34), and 51-60 (20). The next biggest group is the 61-70 age range, which has only four respondents. This data is followed

up with a look at the educational status of the respondents. There are 50 who have not achieved a level of education past primary; 30 respondents have completed high school; 30 are college graduates, and 10 can't read or write.

3.5 Data collection and instruments

Prior to beginning data collection, we set up a stringent set of inclusion and exclusion criteria to safeguard the reliability and relevance of our research findings. The selection of respondents was based on their meeting two overarching criteria:

1. The study's participants were consumers, business proprietors, or stakeholders from the Sylhet region who had direct engagement with language-related consumer conduct.
2. The individuals who made up the participant pool had either direct or indirect experience with language-influenced purchasing decisions. This pool was predominantly composed of individuals residing in the Sylhet region of Bangladesh, although a few of the participants were based in other parts of the world.

To obtain detailed understandings of the subtle effects of language on consumer behavior, we used a multi-method qualitative approach. Our main research tools were Key Informant Interviews (KII), in-depth interviews, and Focus Group Discussions (FGDs). We conducted 100 KIs and 20 in-depth interviews with important local figures, like business owners and marketing professionals, who interact with consumers. These semi-structured interviews had the appearance of normal conversation, which allowed the interviewees to express themselves freely while also ensuring that we covered all the necessary topics (Catterall, 2000).

To increase the depth of our analysis, we carried out five FGDs with varied groups, including consumers, community leaders, and marketing students. These discussions offered a way to examine collective perceptions and the interaction of group members under the influence of linguistic dynamics. We followed a participatory approach to moderator selection so that we could work with someone who had strong ties to the community in which the groups of participants lived. Following a pilot test with three participants, we refined our interview guides to increase the chances that we would elicit rich data –(Hecht et al., 2019).

The interviews lasted from 30 to 50 minutes and were recorded with mobile devices to ensure accuracy. Observational notes were taken to capture not just the spoken words but also the non-verbal cues and contextual nuances that the participants expressed, such as

speech tones and interactional dynamics, that make up the bulk of human communication. The participants were assured of confidentiality prior to the collection of any data. Informed consent was obtained from each participant in the study. These efforts—along with several others not mentioned for the sake of brevity—took up considerable time and energy but ensured that the data gathered were both trustworthy and transparent.

3.6 Quality assurance

In this study, the processes of data management and analysis were designed to ensure the highest standards of qualitative research. "Reliability, validity, and, above all, transparency—these are the hallmarks of our practices." To analyze the language's influence on consumer behavior in the Sylhet region of Bangladesh, we utilized NVivo 12, a software tool developed by QSR International. NVivo's systematic coding, classification, and trend identification capabilities offered us indispensable help for processing the study's large volume of textual data. The easy-to-use interface with a host of helpful functions allowed us to dive deep into the data and extract valuable information that would not have been possible by more traditional means (Gibbs, 2002; Devitt, 2003–; Kumar & Singh, 2020).

The rigorous data handling demanded by the qualitative phenomenological approach, guided by Interpretive Phenomenological Analysis (IPA), was necessary because a significant dataset had been collected. One hundred Key Informant Interviews (KIIs), 20 in-depth interviews, and five Focus Group Discussions (FGDs) had been conducted, and NVivo software was used for the coding and classification of all the data. NVivo permits a more efficient coding process and offers a better means of retrieving coded information compared with a word processor—(Zamawe, 2015). Also, the significant dataset that had been generated from the aforementioned interviews and discussions demanded a more efficient means of coding and retrieving information. To maintain the dataset's integrity, a stringent adherence to established qualitative research protocols was enacted (Hillebrand, 2000).

Bolstering the reliability and validity of the findings was triangulation. This study adopted several triangulation techniques, including data source triangulation, investigator triangulation, and methodological triangulation. All of these were vital to the cross-verification of the accuracy and consistency of our findings. Investigator triangulation involved several researchers who worked together to collect and analyze the data. Having multiple researchers work on the study was also valuable in minimizing personal biases. But even more helpful was the array of analytical perspectives with which each researcher viewed the data. Source triangulation involved some data collection from different types of

respondents: consumers, service providers, local business in the Sylhet region, and regional experts. We used all of these triangulation techniques to ensure our findings were as solid as we could make them.

The further methodological rigor ensured was through the meticulous act of conducting fieldwork. The field researchers who did this work were trained to maintain neutrality and were not allowed to ask leading questions while conducting the type of interviews and FGDs used in this research. They were also told to uphold ethical standards, which meant they could not alter or misrepresent respondents' statements. If they had done any of those things, they would have compromised the integrity of the qualitative data obtained from the type of interviews and FGDs used for this research. Thematic coding of the data to identify patterns, emerging themes, and sub-themes was done using NVivo software (Patton, 2002). We employed a constant comparison approach to refine and validate the themes so that we'd have a sense of coherence and depth in our interpretation. Multiple researchers at various times (those at the beginning of the study, those in the middle, and those at the end) reviewed the themes to maintain analytical rigor. This is a touchstone for us since uncovering nuanced insights is a big part of why we chose to do this study. In addition, precise contextual rendering was ensured by paying attention to the region's vast socio-cultural and linguistic diversity. Where necessary, particularly in rural areas, translators were employed to bridge potential language divides. This was vital because the local dialects can be radically different from the standard Bengali—and from one another. In such an environment, the use of local dialect was vital to achieving inclusive and comprehensive data collection.

The research findings of this study are robust, credible, and actionable because of the data management and quality assurance protocols that were employed. These protocols integrate advanced software tools (and what I colloquially call “mother software”), triangulation methods that ensure rigorous cross-checking of findings, and data handling practices that not only conform to but also enhance ethical standards in research. They provide the study with a strong foundation. And all of this makes the findings reliable and the study itself valid.

3.7 Approaches for measuring Language and Consumer Behavior

Measuring the impact of language on consumer behavior, particularly in vivaciously diverse parts like Sylhet, called for a comprehensive methodological framework. The study settled on a hybrid approach—essentially a qualitative phenomenological framework amplified by a few smart uses of quantitative data—that allowed the researchers to go reasonably deep into understanding not just how people made decisions, but why they made them, and what role

language played in that process. To get to the "what" and "why," the researchers did 100 Key Informant Interviews (KII) with business owners and local experts, followed by 20 in-depth interviews with people who kind of let us peek into their decision-making processes. They also did five Focus Group Discussions (FGDs) with some interestingly diverse groups of people who kind of tie together the semblance of a local community. After all this data was collected, it was analyzed using three straight-ahead stages of qualitative data analysis: first, the researchers coded a narrative to get at the key "what was said" insights; second, they did some grouping to identify the reliable themes and patterns; and third, they played with the interrelationships among the themes to get at the "why" of the heard but not seen statements made in the interviews.

4. FINDINGS OF THE STUDY

Consumer behavior in Sylhet, Bangladesh, is significantly influenced by language, as is shown by this study. Trust, cultural relevance, and brand connection are achieved when the Sylheti dialect is used. Sales representatives who are fluent in Sylheti have better rapport and achieve higher conversion rates. Sales representatives who employ Sales English achieve lower conversion rates with their products. Companies that employ Sylheti use emotional and cognitive impacts in crafting their messages, making them memorable, penetrable, and easily understandable—especially for the rural consumer. Sylheti is unclear in the poor village communication systems. Communication business strategies that incorporate the use of poor, rural communication systems as analogies for communicative clarity can lead to higher conversion rates.

4.1 Language as a Pillar of Consumer Trust

Trust and authenticity are critical ingredients for consumer interactions with businesses, and language is pivotal to realizing both. The researchers found that the businesses serving the Sylheti diaspora were using English, not Sylheti, to interact with their customers. While some might see this as a benign or even admirable effort to serve non-Sylheti speakers, the businesses were actually doing more harm than good. Sylheti speakers perceived the use of English by their businesses as an affront to their cultural identity that would undermine the trust and authenticity of the messages being conveyed.

Participants provided particular instances of ads that used Sylheti proverbs or idioms. These not only snagged consumer interest but also played on a sense of pride and belonging. This alignment between the ad's linguistic expression and the viewer's cultural identity was a big reason these ads were trusted. The reason these ads were trusted, according to respondents,

was that if you can speak to someone in their mother tongue, you can imply regional authenticity and honesty. Linguistic relatability closes the gap between producer and consumer.

4.2 The Role of Linguistic Fluency in Sales Effectiveness

It was found that sales effectiveness is greatly determined by how fluent sales personnel are in the language of the consumer. Instances were recounted where the ability of the sales reps to speak Sylheti made the difference between inconsequential interactions and those that built the kind of rapport necessary for consummating a sale. The rural poor in our study had a strong preference for dealing with salespeople who could converse with them in the local dialect. Not only was it easier to communicate, but there was also a kind of fraternal-sounding comfort in dealing with someone who spoke "their" language.

On the flip side, not being linguistically adaptable often meant respondents missed opportunities and felt dissatisfied. They described several situations in which they couldn't communicate in the customer's preferred language. This led to either purchasing or service misunderstandings that resulted in the customer choosing not to buy or in them needing to find another service provider. These are some areas where businesses could certainly use staff linguistic training to make sure all customers achieve effective communication with the staff and that they're satisfied in the end.

4.3 Language as a Determinant of Brand Perception

The use of Sylheti in branding and marketing was consistently connected with cultural competence and inclusivity. Respondents preferred to engage with the brand that had integrated the local language into its messaging; they saw such incorporation as an acknowledgment of the unique cultural identity of Sylhet that resonated with them. This linguistic tie often resulted in greater brand loyalty and positive word-of-mouth referrals.

Nevertheless, the research uncovered possible missteps in the use of Sylheti. Errors in pronunciation, grammar, or the artificial insertion of the dialect into advertisements made for an inauthentic representation of the brands attempting to connect with Sylheti speakers. Those involved with the study suggested that businesses casting a wide net for potential marketing and advertising consumers look first to the linguistic regions of their target audiences.

4.4 Emotional Resonance and Cognitive Clarity

The emotional and cognitive impacts of language on consumer behavior were discovered in this study. Participants articulated how they felt connected to advertisements that were produced in Sylheti, the language they primarily spoke with family and in certain private spaces. They expressed feelings of nostalgia, pride, and trust in connection with those ads.

From a cognitive standpoint, using Sylheti made the processing of marketing messages more straightforward for the less-educated and rural target groups. The respondents said that their messages in Sylheti were "spitting them out" and that they were "really clear and really easy to understand." The marketing messages in Sylheti were less likely to be twisted around and turned into something they weren't and were definitely "funnier" (which, of course, makes them more memorable).

4.5 Multilingual Strategies for Diverse Markets

The research pinpointed the potential of multilingual marketing methods for the many different languages in Sylhet. While rural and semi-urban consumers preferred Sylheti, an urban, younger demographic indicated a comfort level with using a blend of Sylheti, Bengali, and English. They perceived this multilingual approach as both modern and inclusive, casting a wider net across the region's diverse linguistic landscape.

The balance among the languages was crucial, though. Too much emphasis on their non-local languages and they risked the perceived authenticity of their marketing messages. Their solution was context-sensitive strategies that made Sylheti the star of the show while using Bengali or English as relevant supporting players upstage or downstage as the situation required.

4.6 Challenges of Linguistic Diversity

The linguistic diversity in Sylhet presents difficulties for businesses wanting to standardize their communication methods. Dialect variations across rural and semi-urban areas frequently resulted in inconsistent marketing outcomes. Respondents from rural regions insisted on the need for hyper-localization to satisfy their particular linguistic wishes.

Even with these obstacles, the results indicate that there are several chances for companies to be innovative. They pointed to avenues for businesses to pursue. Suggestions included training employees in several dialects of a language and collaborating with community organizations to create marketing content that would be better suited to their local

demographics and would therefore resonate more strongly with the diverse populations that live in many of our nation's neighborhoods.

4.7 Language as a Cultural Symbol

Sylheti's inclusion in business communications was viewed as not only a first for the region, but also as a profound statement of how far Sylheti had come as a viable language of commerce. And with that not just a language of commercials but a language of place and identity. This was kind of a big deal to see Sylheti in a branding effort. Young people, especially, were quite vocal about how important it was to have Sylheti not only visualized but also given its rightful place alongside other international languages in the branding space.

The connection with consumers was perceived to be a deeper one achieved through cultural alignment, through language. And what businesses were doing in the United Kingdom was also seen as a contribution—however modest—that they might be making to preserve the linguistic heritage of Sylhet.

4.8 Practical Recommendations for Businesses

This study provides businesses that operate in Sylhet with findings they can act on:

- **Prioritize Local Dialects:** Incorporating Sylheti into every level of communication is essential to building trust. Businesses should think about using the dialect in advertising, product packaging, and customer service.
- **Invest in Training:** Providing linguistic and cultural training for sales representatives can enhance customer interactions and make them more satisfactory.
- **Work with Local Experts:** To ensure that marketing messages are both authentic and effective, it is advisable to engage the services of local linguists and cultural consultants.
- **Utilize a Segmented Strategy:** The practice of marketing to a diversified demographic can yield not only greater customer satisfaction but also a surer path to higher sales and profits.

5. DISCUSSION

Particularly with an emphasis on Sylhet region of Bangladesh, this study adds to the current literature on how language influences consumer behavior. These findings reinforce the

notion that language is not only a means of conveying information, but also a cornerstone of culture that drives trust, rapport, and brand awareness. This research evinces and contributes to the understanding of these dynamics, adding to current theories of organizational behavior and marketing communication by way of linguistic identity and its role as a critical variable in regional market strategies.

The key findings include one of the ways consumer trust in Sylhet is related to the use of Sylheti dialect in trade and communications as opposed to Bangla language. This supports previous research that points out building trust with consumers is highly dependent on cultural relevance. What makes it unique however, is that Sylhet has its own special linguistic dynamics that contribute to a nuanced view on how language acts as the bridge between cultural identity and consumer trust. Sylheti is perceived to represent authenticity to rural and semi urban consumers suggesting that language is not solely a tool that we use it is also a symbol of cultural pride and regional heritage. This benevolence is as per Hofstede's cultural dimensions theory, which ensures that how collectivism tends to strengthen a cultural identity leading to group trust and cohesion. Additionally, the portfolio identifies Sylheti proverbs and idioms in advertising as a linguistic frame for effective emotional resonance with the consumer that forms strong cognitive linkages with the brand—an aspect that future studies can explore in other linguistic contexts.

A second big finding was the role of linguistic fluency among sales personnel. Sylheti is the language of choice, and selling in rural areas was much easier and the conversion rates higher, as out-of-district sales representatives who knew Sylheti were more successful at building rapport. The result stipulates the necessity of strengthening languages course at the company for its staff within the overall customer relationship management (CRM) policies. In addition, the findings also highlight the fact that linguistic adaptability reduces misunderstandings and increases satisfaction, and generates practical implications for the theories of service dominant logic in marketing. Tailoring interactions to a business's target audience's linguistic preferences, so as to foster stronger consumer relationships and ultimately drive long term loyalty. In particular, these implications are germane in regions with multiple dialects, where language misalignment is a source of friction and frustration, and opportunity missed.

Another important dimension was where Sylheti played a transformative role – brand perception. Respondents considered the integration of Sylheti into branding and marketing efforts as inclusivity and cultural competence. This agrees with Keller's Brand Equity Model, which offers to reinforce (reinforce) resonance and connection to create good brand equity .

However, the research also showed possible perils of Sylheti being considered inauthentic because of grammatical, pronunciation or forced inculcations errors. Traditional marketing requirements were different worlds were local linguists and cultural experts were the key to authentic, successful material with their audience. Strategically, businesses face a challenge of achieving the balance between cultural alignment and linguistic accuracy in order to avoid alienating their desired market demographic.

Further, the emotional and cognitive influences of using the Sylheti language in marketing messages lend support to the relevance of language in what consumers do. During the market launch, respondents' feelings of nostalgia and pride when encountering Sylheti advertisements indicate that language based marketing can create strong emotional responses. The cognitive view of Sylheti is that it helps understand a message more easily, especially for rural and less educated consumers, so that the communication becomes clearer and more effective. Such findings correspond to dual process theories found in psychology that argue that emotional and cognitive clarity substantially increase decision making. Findings also suggest that future research may examine the impacts on emotional and cognitive control in multilingual settings, and across different demographic groups.

In addition, the study demonstrates the prospect of Sylhet marketing utilizing multilingual strategies to address its multi lingual landscape. In rural and semi urban areas, though, Sylheti was preferred, with urban demographics being comfortable a mix of Sylheti, Bengali, and English. Considered modern and inclusive, this multilingual approach clears the way for businesses to adapt context sensitive strategies to address the varied linguistic needs of the audience. The research contributes to the literature on multilingual marketing by highlighting the criticality of strategic accommodation of local and global linguistic elements to ensure both reach and resonance.

However, the study admits the difficulties brought about by linguistic diversity in Sylhet. Most of the time, due to dialectal variations across regions, inconsistent results were observed in the marketing operations, implying the need to hyper localize business strategy. Further to this, these challenges highlight the critical need for investments in employee training programs and community collaboration aimed at resolving the linguistic complexities of the region. Moreover, Sylheti's linguistic heritage would be preserved; such initiatives would not just improve market penetration, but also be a cultural responsibility for businesses working in region.

In addition, Sylheti inclusion in business communications was regarded by younger audiences as a cultural landmark. Therefore, this finding exemplifies the growing significance of linguistic representation that is emerging in the branding space as a functional as well as symbolic tool. Adding Sylheti to businesses' communication strategy can help them develop a closer bond with their consumers and at the same time promote the preservation of regional linguistic identity. It fits in the larger discussion of language as a cultural symbol; that is, the extent to which its inclusion in commercial or organizations terms attests its role in the formation of regional identity and pride.

In this study we offer robust evidence that language is central to the formation of consumer behavior in Sylhet. Prioritizing Sylheti in business communication can help improve trust as well as rapport and perception of the brand among the target audience. Yet, the results also indicate that authentic and linguistically sound multilingual marketing initiatives with well-balanced strategies are important. Insights derived from this work could be extended to other regions with similar linguistic and cultural dynamics, so that the role of language could be understood as important determinant of consumer behavior.

6. LIMITATION AND POLICY IMPLEMENTATION

6.1 Limitations

However, this study does provide a valuable contribution to the phenomenon of the effect of language on consumer behavior in Sylhet, Bangladesh, but is not without limitations. They may limit the scope, and hence the generalizability and interpretation, of the findings.

A. Regional Focus: Geographically, the research is restricted in Sylhet owing to its distinct linguistic and cultural characteristics. This concentration allows for a more detailed engagement with Sylheti's impact, yet restricts the extensibility of those insights to other areas within and beyond Bangladesh with uniquely different linguistic and cultural patterns.

B. Qualitative Approach: While a qualitative phenomenological approach yields rich, nuanced insights, it falls short in ensuring breadth of quantitative studies. However, while these results are robust, they are therefore inevitably subjective, relying on participants' interpretation of perceived behavior and therefore prone to bias.

C. Sampling Bias: Despite purposive sampling, other consumer segments with equally important perspectives (e.g., expatriates and those who do not speak Sylheti), may be overlooked in the study, as participants who directly interact with Sylheti and associated market dynamics participated in the study.

D. Language and Dialect Variability: There is a diversity of the language in Sylhet town and there were few studies dealing with variations of the Sylheti dialect. This may have the potential to overlook the micro regional dialectical influence on consumer behavior.

E. Time-Bound Data: We study the evolution of consumer behavior which is driven by language and culture. These findings are based on data collected at a particular point in time, and for which future trends are unclear as the region becomes increasingly globalized.

F. Exclusion of Quantitative Corroboration: Qualitative data may have been rich but when integrated with quantitative measures like (statistical correlations or market performance metrics, etc.) may have further strengthened the findings.

G. Limited Industry Representation: The study focused mainly on local businesses and stakeholders, leaving out the magnified effects of multinational corporations or industries with strong regional footprints.

6.2 Policy Implementation

The findings of this study offer actionable recommendations for policymakers, business leaders, and marketers. The research can therefore inform more inclusive, effective, and culturally resonant consumer engagement strategies, which can be implemented through the policies.

A. Incorporation of Sylheti in Regional Communication Policies: Being in line with these findings, policymakers should consider Sylheti as an essential part of consumer communications in the area. By drafting guidelines for encouraging use of Sylheti in advertising, branding, and public service communication, trust as well as cultural pull can be increased.

B. Linguistic Training Programs: To enhance customer interactions a policy mandate requiring the businesses to invest on training their workforce, especially frontline sales personnel, with the Sylheti dialect can be practiced. Small and medium enterprises (SMEs) can do this through subsidized linguistic training which are subsidized or funded by the public

C. Hyper-Localized Marketing Incentives: By luring companies into regional language campaigns, governments and trade bodies can motivate hyper local marketing strategies. Incentives could be created through grants or tax benefits for these culturally aligned marketing initiatives.

D. Standardization and Quality Assurance: There should be a policy framework regarding this whereby commercial messaging needs to be linguistically accurate and authentic. Businesses should work with local linguists and cultural experts to minimize the risk of errors that could call trust into question or come across as inauthentic.

E. Digital and Multilingual Strategies: Since Sylhet's younger demographic is becoming multilingual, policymakers can help businesses to create multilingual digital content through developing tools and platforms. It would provide the opportunity to integrate Sylheti, Bengali and English seamlessly to meet the needs of a wide range of our customer base.

F. Community-Centric Marketing Approaches: Trusting and inclusive co-creation policies for business engagement with local communities could promote co creation of marketing materials. Working with community organizations guarantees content suits and speaks to the cultural good values of the target crowd.

G. Preservation of Regional Linguistic Heritage: In the best sense, policymakers need to see Sylheti in commerce as more than a short term business benefit, but a means to preserving the linguistic heritage of the region. Such policies will help prevent a losing of its culture to future generations.

H. Monitoring and Feedback Mechanisms: Linguistic strategies can only be effective if monitoring frameworks are also be implemented, as these will give businesses data on customer preference and market outcome. This can be refined through periodic feedback loops between consumers and businesses and policies and practices.

I. Inclusive Regional Development: Sylheti used for commercial purposes serves a larger regional development purpose. Linguistic inclusivity can bridge up rural urban divides and empower our underserved due while growing our economy.

Through adjusting to the considered limitations within these recommended policy measures, stakeholders may apply language as a strategic asset tool not only to engage the consumer, but also for regional economic development.

7. CONCLUSION

This research illustrates the influence language has on consumer behavior in the Sylhet region found to be the essential factor in building consumer trust, perceptions of brand and buying habits. This study examines the interplay between the Sylheti dialect with the overall

marketing strategies and underscores the role of linguistic preference relevance and cultural identity in making stronger consumer connection and resulting in business outcome.

The major role of Sylheti in developing trust and authenticity is one of the pivotal findings. Brands and sales personnel who communicate in the consumers' native dialect are more likely to be engaged with from consumers. Beyond merely comprehension, this is a cultural preference that translates into feeling of belongingness and pride that consumers feel That Sylheti is used in marketing campaigns, product packaging, and sales interactions reinforces a cultural alignment, and adds to the whole consumer experience while encouraging brand loyalty and positive word of mouth.

Additionally, the study shows the additional value of fluency with language on sales effectiveness. Those who are well versed in the Sylheti language found that sales representatives who spoke the language converted at higher rates, and were more trusted by – and more able to maintain rapport with – consumers, especially in rural areas. However, the weight of this finding should not be lost on businesses that are required to target a global market; both linguistic and cultural training for staff members will greatly optimize customer interactions. The book also discusses the dangers of linguistic misalignment – miscommunication, dissatisfaction, and missed opportunities.

Integration of Sylheti in branding was found to be a powerful tool to create brand perception. Use of Sylheti was associated with brands that were culturally competent, inclusive, and connected respondents to brands which were authentic to their identity. Yet, the study warns against the possible dangers of false or inadequate use of Sylheti, including grammatical mistakes, being forced, which can tarnish authority and alienate target audiences. Authenticity and effectiveness in marketing efforts can only be ensured by working with local linguists and cultural experts.

Further, it investigates the emotional and cognitive dimensions of language in consumer behavior. Advertisements in Sylheti triggered feelings of nostalgia, pride and trust thus making an emotional connection to their consumers. As a cognitive aspect, using Sylheti helped less educated and rural audiences process marketing messages more easily.

The research also identifies ways in which multilingual strategies might respond to Sylhet's diverse linguistic landscape. Rural consumers tended English out, Sylheti in, while the urban demographics leaned towards Sylheti, Bengali, and English. By doing so closes the loop, we effectively bring back reach and resonance for an audience, while balancing local and global language elements.

However, the study notes the limits imposed by language diversity in Sylhet. Hyper localised strategies are needed to get consistent results with dialectal variations. A higher investment in employee training, community involvement and establishing inclusive communication strategies is also needed, to combat the lack of appreciation.

Finally, this research proves that language as something more than a mere communication tool; rather, it is a core determinant of consumption behavior. All in all, prioritizing Sylheti in their methods of communication creates the credibility of a business, improves the perception of a brand and deepens consumer relationships. Additionally, the findings highlight the need for authenticity, linguistic accuracy and multilingualism in strategic endeavours in a diverse market. The implied generality of these insights would be useful to extend to other regions where there is dynamics in the language or other that may have similar implications for consumer behavior.

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