



Financial Management Practices of Newspaper Agencies in Kerala

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Abstract

Finance is considered to be the lifeblood of any business. Newspaper agencies operating in the distribution of newspapers require sufficient availability of finance whenever they are in need. Return on the investment is the most attracting feature of any business. Newspaper agency business provides regular income to newspaper agents. Financial issues faced by newspaper agents are multiple in nature. For the easy running of newspaper agency business, smooth flow of finance is required. Newspaper agents have many financial commitments and all of those commitments should be cleared in due time itself. Most of the newspaper agents are not satisfied with the present commission system prevailing in the newspaper distribution system. Excess copy send by newspaper companies without informing newspaper agents creates chaos in the business relations between newspaper agents and newspaper companies.

Key words: Commission, Collection Lag, Credit Note

JEL Classification: G12

Paper Classification: Research Paper

Introduction

India is the second largest newspaper market in the world. It is growing in double digits. The Newspaper industry is one of the most stable and profitable businesses in India. Newspaper agency is the most crucial factor that determines the successful operation of sales and distribution of newspapers. They are the link between the publishers and the readers. Newspapers have been distributed to readers on every morning by numerous newspaper agents spread over the nation. A customer may choose a newspaper for various reasons. But newspaper agents have the main role to communicate towards the customer that they're supplying newspaper can deliver all the features a customer might want. Newspaper agency as a business avenue developed very aggressively along with the development of the newspaper industry. The reach and popularity of a newspaper largely depends on its distribution network or the newspaper agents. Even though

the newspaper agency contributes to hectic business in the industry, their condition is not that much attractive. Newspaper agents are facing certain challenges nowadays.

Literature Review

Lisa George, Joel Waldfogel (2003) in their article entitled "Who Affects Whom in Daily Newspaper Markets" examined the relationship between group size in a market and the tendency for group members to purchase daily newspapers using a combination of zip code-level data on newspaper sales and demographics in conjunction with market-level data on the population of different groups. Market demography determined the nature of products available, were heterogeneous individuals in the market may find more or less appealing. The size of local black and white population determines the target of each market's local newspaper. The study revealed that Blacks are more likely to purchase a daily newspaper in markets with larger black populations, and blacks were not like to purchase a newspaper in a market where a larger white population and also find little evidence of effects for groups defined by education, income, or age. The study also provided evidence that product positioning underlies the operation of preference externalities in daily newspaper markets. Harikrishnan (2011) in his Ph.D thesis 'A business model for a customized newspaper in tune with current consumer market' made with the objective to develop a 360 degree business model for the newspaper industry, by integrating advertising, circulation and reporting. The respondents included seven leading newspaper publishers in India, Advertising agencies and Newspaper readers, both online and offline. According to this study, the majority of the respondents was of the view that the best and foremost strategy of the newspaper for the future is looking at new platforms and new ways of delivering content. He noticed that with the advancement of the web as a platform for news delivery, most of the readers are interested in listening breaking news. Rikuma Ito (1966) in the article entitled "Effects of a Newspaper Strike on Retail Sales" provided a method for studying the impact of newspaper strikes on retail sales in Standard Metropolitan Areas. Using the 134-day, 1964 Detroit newspaper strike for investigation, studied the effects on sales, distribution among cities within the Metropolitan Area. In order to assess the possible impact of the strike on retail sales of the cities within the city data on per capita sales of the cities were used. The study inferred that the strike increased the degree of concentration of the retail business into a small number of big department stores. Robin Jeffrey (1987), "Culture of Daily Newspapers in India- How It's Grown, What It Means" tried to identify the newspaper circulations. This paper goes through 13 major languages prevailing in India and described about how the trends relate to political activity and social change. This paper described that the Malayalam language in which the daily newspaper culture is most elaborately developed and so the first part of the paper concentrating on Kerala to identify the characteristics of daily newspaper culture. The second part of the paper analyses daily newspaper circulations in the major languages from 1971 to 1983 and makes tentative suggestions about the significance of the growing daily newspaper culture.

Statement of the Problem

Financial issues faced by newspaper agents are multiple in nature. Financial problems faced by agents should be properly analysed for reaching a meaningful solution. Newspaper agents have many financial commitments and all of those commitments should be cleared in due time itself. Newspaper agents need to deal with major financial commitments like loan repayment, timely bill payment to the publisher, timely bill Collection from subscribers, delivery boy remuneration, rent and other fixed expense and excess copy billing by the publisher. This research paper would like to address all these issues with respect to the newspaper agents.

Objectives of the Study

1. To identify various financial issues related with distribution of newspapers.
2. To examine the financial management practices of newspaper agents.
3. To assess whether the newspaper agents are satisfied or not and to examine financial problems there on the level of satisfaction of newspaper agents.

Hypothesis

H_0 : There is no significant difference in commission offered, capital employed, cash collection method followed by newspaper agents, part time/full time working of agents and their financial management problems.

Methodology and Database

The study is descriptive in nature and is an attempt for discovering financial management practices of newspaper distribution system prevailing in Kerala. Both primary and secondary data are used for the study. Various secondary sources like books and journals, websites, research articles, and theses, study report of government and professional agencies were used. Primary data have been collected by administering an interview schedule among 386 newspaper agents all over the Kerala. Probability sampling method is used for this study. In this study, Kerala state is divided into three regions based on newspaper headquarters Kottayam, Ernakulam, and Calicut was found to be sample districts. 137 samples are collected from kottayam, 118 samples from Ernakulam and 131 samples from Calicut.

Tools Used for the Study

One way ANOVA, Frequency analysis, co-relation analysis and T-test.

Variables Used for the Study

Study variables are Loan repayment of capital borrowed by the agent, Timely bill payment of newspaper bill to the publisher by newspaper agent, Collection lag from subscribers, Delivery boys' remuneration, Rent and other fixed expenses, Excess copy billing by publisher and Opinion about newspaper publisher by agent.

Financial Management Practice of Newspaper Distribution System

Newspaper agencies operating in the distribution of newspapers require sufficient availability of finance whenever they are in need. In the newspaper agency business, agents must find sources of fixed and working capital. Fixed capital will be raised from different sources; because as per the agency agreement with the publisher each newspaper agent should deposit a security amount with the newspaper publishing company. This fixed capital will be returned only when newspaper agents stop their business. Working capital is circulatory in nature; it may circulate throughout the business each and every day. Newspaper agency business is going through agency terms as specified between agent and publisher. Commission is the real income for newspaper agents. The newspaper agents collect cash from subscribers most commonly on a monthly basis after delivering newspapers to subscribers; accordingly there is a monthly working capital cycle in newspaper agency business. Newspapers for agents are available in credit terms from publishers. Whenever newspaper agent failed to settle his dues to the publisher, the publishing company may stop the daily supply of newspapers towards that particular agent.

Result Analysis

Newspaper agencies as a business avenue require a very limited amount of capital. Newspaper agency business provides income to newspaper agents in the following pattern.

Table 1: Cross Tabulation Summary of Total Capital Employed and Monthly Income from Agency Business

Capital employed	Monthly income				
	Below Rs.5000	Rs.5000-10000	Rs.10000-20000	Rs.20000 above	Total
Less than 25000	29	0	0	0	29
25000-100000	4	68	117	31	220
100000-500000	1	5	68	33	107
500000 above	0	0	0	30	30
Total	34	73	185	94	386

Source: Survey data

Table 2: Result of correlation analysis of Total Capital Employed and Monthly Income from Agency Business

Variables		Total capital Employed	Monthly Income
Total capital Employed	Pearson Correlation	1	.649**
	Sig. (2-tailed)		.000*
	N	386	386
Monthly Income	Pearson Correlation	.649**	1
	Sig. (2-tailed)	.000*	
	N	386	386

Reviewing the cross tabulation summary and correlation analysis, it is clear there is a positive co-relation between capital employed and monthly income from newspaper agency business since the Karl Pearson's correlation value is 0.649. It means when capital investment increases, increased monthly income can be expected.

Newspaper agents have the sole right to sell the newspaper and they can decide the payment mode of the distributed newspapers. Newspapers are generally sold by the newspaper agents on the following basis.

Table 3: Basis of Newspaper Sales Followed By Newspaper Agents

Credit period	Frequency	Percentage
One month credit sale	313	81.1
Credit and cash sales	73	18.9
Total	386	100.0

Source: Survey data

It can be analysed from the table 3, majority of the agents (81.1 per cent) follow one-month credit sale of the newspaper subscriber and another group of agents follow all the methods of sale including credit and cash sales.

Subscription collection from subscribers requires special attention since many of the newspaper agents closed their business because of lack of their attention in the collection of subscription money from subscribers and there by financial issues. Following are the mode through which agents are collecting subscription from subscribers.

Table 4: Cash Collection Method followed by Newspaper Agents

Cash Collection Method	Frequency	Percentage
Daily collection	Nil	Nil
Weekly collection	Nil	Nil
Monthly collection	162	42
Annual subscription	Nil	Nil
All of the above	224	58
Total	386	100

Source: Survey data

Table 4 indicated that majority of the newspaper agents follow all the methods of cash collection, including daily, weekly, monthly and yearly collection. Here 58% of respondents agreed that fact. 42 per cent of respondents following only monthly collection method from subscribers.

Table 5: Cash Collection Difficulty of Subscription Amount from Subscribers

Response	Frequency	Percentage
Yes	199	51.6
No	141	36.5
Can't say	46	11.9
Total	386	100.0

Source: Survey data

It can be observed from Table 5 that cash collection from subscribers is a difficult task felt by most of the newspaper agents (51.6 per cent) another group of newspaper agents (36.5 per cent) does not have a feel that cash collection is a difficult task. 11.9 per cent of respondents can't say the collection of subscription is difficult. Unsold copies are the real financial burden for agency business. Credit note facility provided by the publisher to the agents is the only solution for this problem.

Table 6: Credit Note Facility from Publisher for Unsold Copies

Response	Frequency	Percentage
Yes	177	45.9
No	209	54.1
Total	386	100.0

Source: Survey data

Most of the newspaper agents are not getting credit note facility from the newspaper publisher for the unsold copies.

Financial issues faced by newspaper agents are multiple in nature. For the easy running of newspaper agency business, smooth flow of finance is required. Newspaper agents have many financial commitments and all of those commitments should be cleared in due time itself. Following are the major financial commitments to be handled by agents;

Table 7: Financial Problems Faced by Newspaper Agents

(In percentages)

Financial problems	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	S.D
Loan repayment	0	9.1	9.1	44.3	37.6	4.1036	0.90576
Timely bill payment to the Publisher	6.2	2.8	6.2	58.5	26.2	3.9560	0.99903
Collection lag from Subscriber	24.4	5.2	0	61.4	9.1	3.2565	1.39350
Delivery boy remuneration	0	14.0	25.9	47.7	12.4	3.5855	0.87931
Rent & other fixed expenses	0	37.8	9.1	46.9	6.2	3.2150	1.02584
Excess copy billing	0	0	0	68.7	31.3	4.3135	0.46451

Source: Survey data

From the above table, it can be concluded that majority of newspaper agents failed to repay the loans taken in running newspaper agency business, newspaper agents are failing to repay the bills generated against them timely. Newspaper agents are not able to collect the money from subscribers within due date, newspaper agents are also finding it difficult to pay the remuneration of delivery boys because of multiple financial problems faced by them. Newspaper agents can't find ways of meeting the fixed expenses like rent, electricity because of financial problems. All the newspaper agents are not happy with the approach of newspaper companies. They were sending excess newspapers than they demanded to create financial problems for them. Since mean value is much higher (4.3135) for this problem than any other factors, it shows that means this is the most crucial financial problem affecting the newspaper agents.

Financial accounts of agency business should be maintained by newspaper agents in a proper way. It is the official record of payment and obligations between publishers and subscribers. Financial accounts should be updated at regular intervals.

Table 8: Maintaining Proper Financial Accounts of Subscribers and Publishers

Response	Frequency	Percentage
Yes	128	33.2
No	210	54.4
Can't say	48	12.4
Total	386	100.0

Source: Survey data

It is clear that the majority of the newspaper agents are not maintaining proper financial accounts as 54.4% of respondents or 210 respondents opined.

One Way ANOVA on Financial Problems of Newspaper Agents and the Commission Offered by Publishers

H_0 : There is no significant difference between financial problems of newspaper agents and the commission offered by publishers

Table 9: ANOVA- Financial problems and commission offered by publishers

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	6.992	1	6.992	41.151	.000*
Within Groups	65.247	384	.170		
Total	72.239	385			

Source: Survey data

*significant at 5% level

From the Table 9 ANOVA, it is clear that $F=41.151$ and p-value is .000 since the P value is less than 0.05 and the null hypothesis is rejected at 5% significance level, implying that there is a statistically significant difference between financial problems of newspaper agents and the commission offered by publishers.

Levene's Test for Equality of Variance [Independent Sample T-Test] Newspaper Agents Experience and Financial Management Problems

H_0 : There is no significant difference between the experience of newspaper agents and their financial management problems

Table 10: Result of T test on Experience of Newspaper Agent and Financial Management Problems

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	T	DF	Sig. (2-tailed)
Equal variances assumed	22.446	.000	-5.709	384	.000*
Equal variances not assumed			-5.464	246.714	.000*

Source: Survey data

*significant at 5% level

The t-test applied to find out whether there is any difference between the experience of newspaper agents and their financial management problem on the basis of total financial management related problems revealed that there is a significant difference between the experience of newspaper agents and financial management problem on the basis of total financial management related problems. The P value (0.000) is found less than 0.05 and the null hypothesis is rejected. It means those who have lesser experience as a newspaper agent have more financial problems.

Levene's Test for Equality of Variance [Independent Sample T-Test] Financial Management Practices of Part Time/ Full Time Newspaper Agents

H_0 : There is no significant difference in the financial management practices of part time/ full time newspaper agents.

H_0 : There is significant difference in the financial management practices of part time/ full time newspaper agents.

Table 11: T-test on Newspaper Agents Job Status and Financial Management Problems

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	T	DF	Sig. (2-tailed)
Equal variances assumed	26.259	.000	-9.665	384	.000*
Equal variances not assumed			-9.416	247.077	.000*

Source: Survey data

*significant at 5% level

As per Levene's test of statistical significance when equal variances are not assumed, t value is 9.416 and P value stands 0.00. Since p-value is less than 0.05, it can be assumed that there is significant difference between part-time/full-time newspaper agents and their financial management problems. Both full-time and part-time newspaper agents agree that they face financial management problems.

One Way ANOVA Test on Cash Collection Method Followed by Newspaper Agents and Financial Problems

H_0 : There is no significant difference between cash collection methods followed by newspaper agents and their financial problems.

H_1 : There is significant difference between cash collection methods followed by newspaper agents and their financial problems.

Table 12: ANOVA on Cash Collection Method Followed by Newspaper Agents and Financial Problems

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	16.525	2	8.263	56.800	.000
Within Groups	55.714	383	.145		
Total	72.239	385			

Source: Survey data

The results of ANOVA test on cash collection methods followed by newspaper agents and financial problems it is clear that $F=56.800$, p value= 0.000 . As per result of one-way ANOVA, there is significant relationship between cash collection method followed by newspaper agents and their financial problems. Since calculated p -value is 0.000 , less than $.05$, the alternate hypothesis can be selected.

One Way ANOVA Test on Capital Employed by Newspaper Agents and Financial Problems

H_0 : There is no significant difference between capital employed by newspaper agents and their financial problems.

Table 13: ANOVA on Capital Employed by Newspaper Agents and Financial Problems

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	.256	3	.085	.454	.715
Within Groups	71.983	382	.188		
Total	72.239	385			

Source: Survey data

The results of ANOVA test on capital employed by newspaper agents and their financial problems, it is clear that $F=0.454$, p value= 0.715 . As per result of one-way ANOVA, the P value is not significant at 5 per cent level; it can be assumed that there is no significant difference between capital employed by newspaper agents and their financial problems.

Findings of the Study

- Most of the newspaper agents invested between rupees 25000-100000 for starting their newspaper agency business and they are earning between 10000-20000 rupees as monthly income by running newspaper agency business. As a business opportunity, newspaper agency business needed only limited capital exposure and this capital was protected as a security deposit with the publisher. By investing 100000 and getting about 10-20% per month returns look good but newspaper agents want to meet all their expense from this earning. All the newspaper agents wanted to remit advance security deposit to the publisher as per the number of copies required and the publishers are paying interest to this advance security deposit.
- Excess copy send by newspaper companies without informing newspaper agents creates chaos in the business relations between newspaper agents and newspaper companies. Failure of loan repayment was not accepted by the financial institutions since the uncertainty of agency business income and they may take necessary legal steps against the newspaper agents. Any failure in the payment of remuneration to delivery boys may strike the distribution activity without the help of delivery boys newspaper agents can't move a single step. If any failure in the timely bill payment to the publisher may create the situation of non availability of newspaper for distribution because the publishers may not send the newspaper from the press to the agency place. If any collection lag from subscribers bills may create the chances of bad debt since overburden of newspaper bills may hesitate the subscribers from paying right timely payment of their newspaper bill to the agent.
- Renting a shop in the delivery point is not a necessity for newspaper agents only concentrated on distribution, but it may become a big problem for newspaper stall agents since their most of the sales may come from the stall sales of newspaper.
- Majority of the newspaper agents were not maintaining proper financial accounts. Major reasons for the non maintenance of financial accounts are no legal obligation, complexity in the accounts, the laziness of the agent and the lack of skill to analyze the account. Many of the agents resorted to keep their account in some paper pieces. There is no compulsion from the publisher's part for the maintenance of financial accounts of newspaper agency and as per people's nature some might have properly maintained the financial accounts and some may not be interested for the maintenance of financial accounts and also many newspaper agents have lesser education experience also detain them from making of financial accounts. There is no significant difference between capital employed by newspaper agents and their practice of analyzing financial accounts. That means newspaper agents are not at all analyzing their financial accounts on a regular basis.
- One month credit period is provided by newspaper publishers to newspaper agents for paying their due newspaper bills and majority of newspaper agents was collected from subscribers their newspaper bill after distributing newspaper for a period of one month. That means one month credit period, providing by the publisher was equally enjoyed by newspaper agent and newspaper subscriber. It can be also found that there is a one month cash cycle in the newspaper agency business.

- It is very clear that the majority of newspaper agents (81.9%) are not satisfied with the present commission structure prevailing in the industry. Presently newspaper agents are getting a commission of 28% on the maximum retail price of a single newspaper copy and as per newspaper agents opinion, it is not sufficient to meet all their expense from the prescribed commission rate and increasing of commission rate was the main slogan of all newspaper agents. There is statistically significant difference between opinion about newspaper publisher and the commission offered by publishers. It can be concluded that newspaper agents are not happy with the current commission system prevailing in the newspaper industry.
- Newspaper agents with less experience have more financial problems. Agents with lesser experience may not be in a position to forecast all the future events that may have financial consequences and there is every possibility of financial disaster in their agency business.
- Both full time and part time newspaper agents are facing financial management problems. Full time newspaper agents are nowadays facing serious financial management problems and they can't find their ways and means by running only a newspaper agency. That's why most of the newspaper agents are taking newspaper agency as a part time business.
- If collection of subscription from subscribers is not proper, there will be more chances for financial related problems.

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Authors' Profile

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