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**POTENTIAL OF KERALA AYURVEDA TOURISM: SPECIAL REFERENCE TO ERNAKULAM DISTRICT****P.A.MARY ANITHA****RESEARCH SCHOLAR, MADURAI KAMARAJ UNIVERSITY, MADURAI; &  
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MADURAI****ABSTRACT**

*Kerala Medical tourism Industry worth Rs.1600 crs in 2012 and is touching 150,000 visitors..The perfect blend of ayurveda, sun, sand and service uptagged the destination and gained brand loyalty as "God's own country".The fourteen districts of Kerala has its own unique selling propositions as a destination. Ernakulam district hosts the highest number of international and domestic tourists arrival in Kerala state. In 2010, Ernakulam attracted 277675 international arrivals and 1987743 domestic tourists. The paper analyse the potential of Kerala ayurveda tourism reference from Ernakulam District.*

**KEYWORDS**

Ayurveda, Kerala, potential, tourism.

**INTRODUCTION**

The terms 'Medical Tourism' and 'Healthcare Tourism' are interchangeably used. The term 'Medical Tourism' has emerged from the practice of citizens of developed countries travelling to developing countries, around the world, to receive a variety of medical services, mainly due to continually rising costs of the same services, and complicated procedures to avail such medical services in their home countries. According to World Tourism Organisation (WTO), Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. Thus, 'Medical Tourism', can be defined as provision of 'cost effective' private medical care in collaboration with the tourism industry for patients needing surgical and other forms of specialized treatment. 'Healthcare Tourism', however, could be defined in a broader perspective. Patients travelling abroad with the objective of overall wellness, without any urgent or elective medical procedures, may also be covered under the 'Healthcare Tourism'.

**SCOPE OF THE STUDY**

Medical tourism in Kerala has grown without much willful effort. Kerala has established itself as a prominent Destination of the World leisure tourism for its natural beauty and cultural assets. Ayurveda treatment providers along with the leisure industry have taken a collective effort to make Kerala a destination for authentic Ayurveda treatment. The scope of "Ayurveda Tourism" is high due to

- Traditional and cultural background of kerala enhances the authenticity of Ayurveda tourism in Kerala.
- Large number of traditional ancestors of treatment providers.
- Less cost of health care compared with other world countries.
- Ease and affordability of International Travel.
- Advancement in technology in marketing
- Possibility of Mind and Body rejuvenation along with leisure and travel
- Less side effects compared with other alternative medicines.

**OBJECTIVES OF THE STUDY**

- To study the potential of Kerala Ayurveda Tourism in Ernakulam District.

**RESEARCH METHODOLOGY**

To study the marketing of ayurveda tourism in Ernakulam district , exploratory research has been used. Proportional stratified sampling method was used in study. Each sector in the tourism industry forms the strata. Stratas include Govt Ayurveda Hospitals, classified Treatment centres, Non classified treatment centres, hotels and resorts with and without ayurveda tourism product, and the travel agent.

Both the sources of data collection - primary & secondary, were used in the study. Total sample size is 252. To collect the secondary data structured questionnaire is used.

**THE WORLD HEALTHCARE MARKET**

The world healthcare market (revenues generated through healthcare facilities, healthcare distributors, healthcare services, including managed healthcare services) was approximately over US \$ 3.6 trillion in 2004. The market grew at a CAGR of 7.8% to reach a value of US \$ 5.25 trillion by 2009. Managed healthcare, consisting of health insurance, hospital, medical and dental indemnity plans, fraternal, limited benefit plans and other miscellaneous insurance health products, accounts for a large chunk of the global healthcare market. USA is the largest market for healthcare with 40% share in world, followed by Asia Pacific region (33.5%) and Europe (21%).

On the demand side, major reasons for healthcare tourism flow from developed to developing countries are increasing number of healthcare un-insured population, waiting time and cost. One of the main reasons for high cost of medical treatment in developed countries is the increasing premium expense for coverage under medical malpractice insurance. On the supply side, the reasons include improvements in healthcare systems and technology advancement in developing countries.

TABLE 1: THE COST OF MEDICAL PROCEDURE IN SELECTED COUNTRIES

PROCEDURE/SURGERY	INDIA	THAILAND	SINGAPORE	US/UK
Heart Bypass Surgery	\$ 6000	\$ 7894	\$ 23983	\$ 19700
Heart Valve Replacement Surgery	\$ 8000	\$ 10000	\$ 12500	\$ 20000 UK \$ 90000
Hip Replacement	\$ 9000	\$ 12000	\$ 12000	\$ 75399
Knee Replacement	\$ 8500	\$ 10000	\$ 13000	\$ 69991
Gastric Bypass	\$ 11000	\$ 15000	\$ 15000	\$ 82646
Spinal Fusion	\$ 5500	\$ 7000	\$ 9000	\$ 108127

Source: Umesh Kher, "outsourcing your heart", Time May 21, 2006 Planning Commission of India

The above table explains the potential of India's health tourism sector. Heart bypass surgery, was costing only \$6000 in India compared with the \$19,700 of UK. Thailand and Singapore also, promote health tourism. But, their price compared with the Indian is much higher. The gastric bypass costs \$ 11,000 in India whereas; it cost \$82,646 in UK, \$15,000 in Thailand and Singapore. Though, the above narrated figures are taken in 2006, there can be a hike in charges in each of the country. Still, it could be much lesser in India compared with UK or USA.

Under the national accreditation structure of Quality Control of India, a National Accreditation Board for Hospitals and Healthcare Providers (NABH) has been set-up to establish and operate accreditation programme. NABH is an institutional member of International Society for Quality in Healthcare (ISQua). In addition, Indian hospitals are also increasingly turning to international accreditation agencies to standardise their protocols and project their international quality of healthcare delivery.

In 2012, India's healthcare sector grew nearly to \$40 billion and Medical tourism to USD2.3 billion .The growth rate of Medical Tourism Industry at 12% in 2002 will go to 30% annually by 2014. Medical Tourism Revenue can potentially rise from Rs.5000 crores to Rs.10, 000 crores per year. The India government's collective spending on the tourism and hospitality sector stood at USD1.5 billion in 2010. India has the potential to attract one million medical tourists each year, which could contribute \$5 billion to the economy, according to the Confederation of Indian Industries. Health care spending in India will increase from Rs.86, 000 crores in 2000-2001 to over Rs.200,000 crores by 2014.

**INDIA TOURISM**

India stands 17<sup>th</sup> position in terms of FTA among the world countries. In 2011, India received 6.30 million foreign tourists and foreign exchange earned from this accounts to Rs.77591 crores. The following table shows the no.of foreign tourists visited India and the foreign exchange earnings of India during the period 2005-2010.

TABLE 2: FOREIGN TOURISTS ARRIVAL TO INDIA & FOREIGN EXCHANGE EARNINGS 2005-2010(Rs. In Millions)

YEAR	FTA	FEE
2005	3918610	7493
2006	4447167	8634
2007	5081504	10729
2008	5282603	11832
2009	5167699	11136
2010	5583746	14193

Source: Ministry of tourism, Govt. of India, for 2010, 2011, 2012

Table 2 explains the tremendous increase in the foreign exchange earnings from the tourism sector of India. In 2010, we could see a 52% increase in the revenue.

TABLE 3. TOP 10 SOURCE COUNTRIES FOR FOREIGN TOURISTS ARRIVALS IN INDIA 2005-2007

Rank	2005		2006		2007	
	Country	FTA	country	FTA	Country	FTA
1	UK	651803	UK	734240	USA	799062
2	USA	611165	USA	696739	UK	796191
3	Bangladesh	456371	Bangladesh	484401	Bangladesh	480240
4	Canada	157643	Canada	176567	Canada	208214
5	France	152258	France	175345	France	204827
6	Sri Lanka	136400	Germany	156808	Sri Lanka	204084
7	Germany	120243	Sri Lanka	154813	Germany	184195
8	Japan	103082	Japan	119292	Japan	145538
9	Malaysia	96276	Australia	109867	Australia	135925
10	Australia	96258	Malaysia	107286	Malaysia	112741

Sourc: Insight from Ministry of tourism, Govt. of India

TABLE 4: TOP 10 SOURCE COUNTRIES FOR FOREIGN TOURISTS ARRIVALS IN INDIA 2008-2010

Rank	2008		2009		2010	
	Country	FTA	country	FTA	Country	FTA
1	USA	804933	USA	827140	USA	931292
2	UK	776530	UK	769251	UK	759494
3	Bangladesh	541884	Bangladesh	468899	Bangladesh	431962
4	Canada	222364	Sri Lanka	239995	Sri Lanka	266515
5	Sri Lanka	218805	Canada	224069	Canada	242372
6	France	207802	France	196462	Germany	227720
7	Germany	204344	Germany	191616	France	225232
8	Australia	146209	Australia	149074	Malaysia	179077
9	Japan	145352	Malaysia	135343	Australia	169647
10	Malaysia	115794	Japan	124756	Japan	168019

Source: Insight from Ministry of tourism, Govt. of India

From the above table we could understand that the main source countries for foreign tourists arrival are UK , USA . Bangladesh , Canada and Sri Lanka etc. India has already gained a pivotal position as tourism destination. We could easily embark it into a Medical tourism destination too. Cooperative effort from the government, policy makers, decision makers, planners and medical facilitators, tourism facilitators, together with hospitality and infrastructure developers could place India as a destination for quality & economical medical tourism.



**INDIAN MEDICAL TOURISM INITIATIVE**

Along with allopath, existence of traditional healthcare systems such as Ayurveda, Siddha, Unani, Naturopathy, Homeopathy and Yoga has contributed to the development of healthcare in India. In addition, Aromatherapy is popular in India, having been used under the traditional wellness systems. India is housed with production / extraction of essential oils from medicinal plants and spices. All these factors are attracting national and international tourists, generating tourism related revenue flows. There are also presences of faith / spiritual healers, who use one or more traditional therapies in their treatment procedures.

In order to tap the oppourtunities from the health care sector, the national accreditation structure of Quality Control of India, a National Accreditation Board for Hospitals and Healthcare Providers (NABH) has been set-up to establish and operate accreditation programme. NABH is an institutional member of International Society for Quality in Healthcare (ISQua). In addition, Indian hospitals are also increasingly turning to international accreditation agencies to standardise their protocols and project their international quality of healthcare delivery. For eg: India's Wockhardt Hospital chain promotes itself as an Associate Hospital of Harvard Medical International. Johns Hopkins Medicine International is affiliated with Apollo Hospitals Incorporated in India.

**INDIA MEDICAL TOURISM STATISTICS**

India has the potential to attract 1 million health tourist per annum which could contribute USD 5 billion to the economy. In 2012, India gained USD 2.3 billion from the Health tourism sector. The growth rate was 12% in 2002 and was expected to rise to 30% annually from 2012 onwards. Also, the medical tourism industry would worth USD 4 billion in 2017.

**TABLE 5: TOP 5 INBOUND MEDICAL TOURISTS TO INDIA - 2009**

Source/Country	Foreign touristarrival	% of visitors for medical purpose	No. of visitors for medical purpose
Republic of Maldives	56863	62.1	35312
Bangladesh	458063	5.8	26566
Afghanistan	50762	23.9	12132
Oman	32620	14.9	4860
Sri Lanka	240836	1.6	3853
Total Foreign arrivalsTo India in 2009	5167699	2.2	1,13,689

Source: Inferred from purpose of foreign tourist arrival from the embarkation & disembarkation card, Bureau of immigration, 2009

**TABLE 6: TOP 5 INBOUND MEDICAL TOURISTS TO INDIA - 2010**

Source/Country	Foreign touristarrival	% of visitors for medical purpose	No. of visitors for medical purpose
Republic of Maldives	58152	63.1	36694
Bangladesh	431962	8.3	35853
Iraq	28221	24.0	6773
Nigeria	23893	25.2	5973
Oman	35485	16.4	5820
Total Foreign arrivals To India in 2010	5583746	2.7	1,50,761

Source: Inferred from purpose of foreign tourist arrival from the embarkation & disembarkation card, Bureau of immigration, 2010

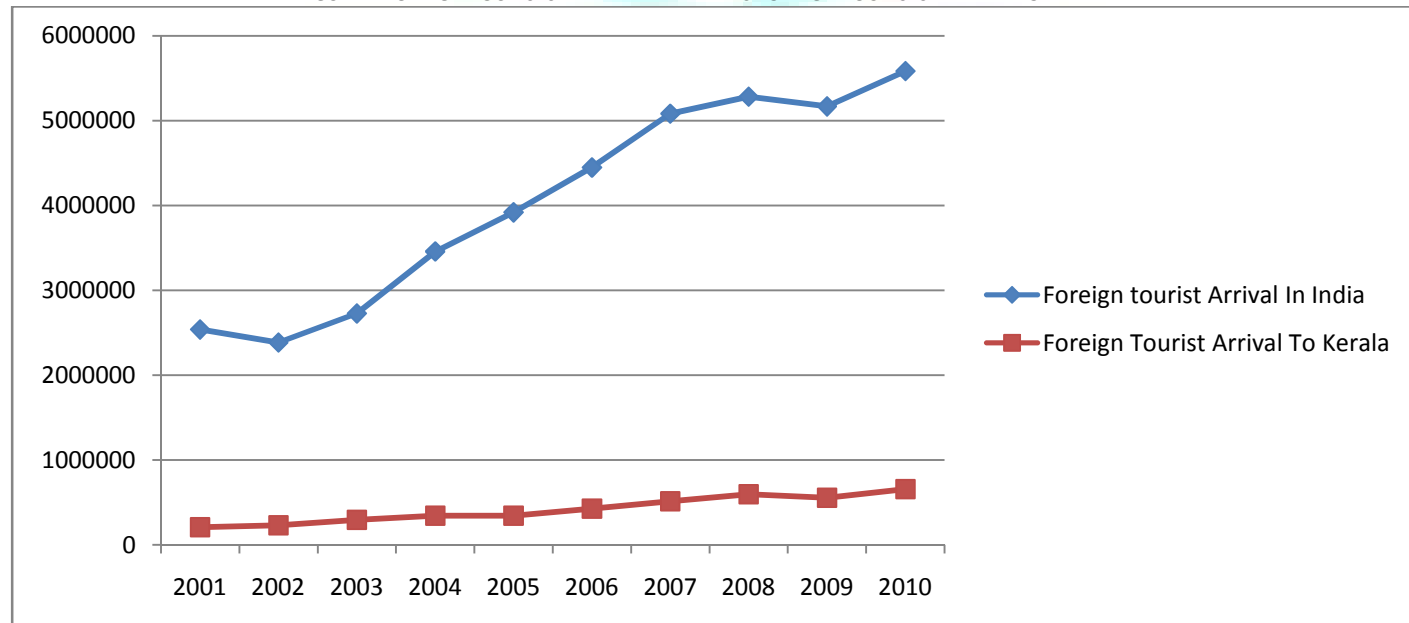
Republic of Maldives contributes more number and percentage of medical tourists to India. It is because they do not have multispecialty hospitals in their country. Moreover, India is a country where they need to spend only 45 minutes to reach the destination. Evenmore, the confidence they gained from the Indian expatriates affirms the quality care at an economical price. We could really tap the outbound health tourists from the countries like UK and USA as, we have our expatriate ambassadors working in these countries. But, the Government of India should initiate in sourcing these requirements into satisfiers. For this, Government has to spend for quality check and infrastructure development.

**KERALA INITIATIVE IN THE HEALTH TOURISM MARKET**

Kerala, a state situated on the tropical Malabar coast of southwestern India, is one of the most popular tourist destinations in the country. Beaches, backwaters, hills and ayurveda are the pillars of tourism in Kerala. Kerala is naturally blessed to be the flag- bearer and hub of Ayurveda.

The revenue generated in the economy of Kerala due to tourism is estimated to be nearly \$ 100 million which is 6.29% of the State's GDP. A recent study conducted to assess the economic considering the direct and indirect impact. If we consider the induced effect also, this figure is as high as 8.83. Tourism has generated employment in Kerala to the tune of nearly 0.7 million. The employment multiplier (direct and indirect) for Kerala in tourism has been worked out as 4.62.

**FIGURE1: FOREIGN TOURISTS ARRIVAL IN INDIA VS FOREIGN TOURISTS ARRIVAL TO KERALA**



The revenue from tourism rose at a CAGR of over 17.5 per cent during 2005–10. 8000 patients visit Kerala for Ayurveda, Ortho and cardiac treatment annually. KIMS alone attracts 40,000 (2007) Medical tourists' patients.

**AYURVEDA TOURISM**

Ayurveda is a kind of traditional treatment prevalent in India. The form took birth about 3000 to 5000 years ago. It's a kind of healing that uses natural medicines, oils, ointments and techniques. Ayurveda, "the complete knowledge for long life" Ayur means life and veda means knowledge. Monsoon is said to be the ideal season for Ayurvedic treatments. During this time, the atmosphere is clean and best for treatment and rejuvenation. This is when the pores of the skin are open and get cleansed easily. The atmosphere at this time of the year is also congenial as it is dust-free and cool. Monsoon is the perfect time for massages with therapeutic oils.

There are several unique herbal formulations described in Kerala texts. Many of them have now received national level acclaim and they are included in the Ayurvedic Formulary of India. One important aspect of Kerala formulations is that the stress is more on herbal components rather than on metals or minerals. There is also the history of Ayurvedic physicians developing some areas of specialisations like paediatrics, ophthalmology, martial therapy, etc. This holistic science is the knowledge of complete balance of the Body, Mind and spirit, including the emotions and psychology, on all levels. It includes in its consideration, longevity, rejuvenation and self-realization therapies through herbs, diet, exercise, yoga, massage, aromas, tantras, mantras, and meditation.

**TABLE 7: DISTRICT – WISE DISTRIBUTION OF APPROVED AYURVEDA CENTRES**

Sl.No.	District	Approved Ayurveda Hospital /Health Centre as Olive / Green
1	Thiruvananthapuram	26
2	Kollam	1
3	Alleppy	7
4	Kottayam	16
5	Idukki	2
6	Ernakulam	14
7	Thrissur	20
8	Palakkad	2
9	Kozhikode	6
10	Wayanad	2
11	kannur	3

Ayurveda not only cures a person of his/her health problem but offers a permanent solution to remain disease free. This form of healing focuses mainly on three parts of the body: kapha, vata and pitta. By balancing these three parts, one aims to create a state of health and wellbeing. Ayurveda Tourism may be defined as "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year in search of *knowledge of life*, preventing the body ailments in addition to curing them, by understanding the thridoshas- *vata, pitha* and *kapha* of ones body elements".

In order to promote Ayurveda Tourism, Kerala Tourism Development Corporation (KTDC) encourages accreditation of Ayurveda treatment centres with tourism department of Kerala as 'Olive leaf certified' and 'Green Leaf certified'. The members of 'Olive leaf' and 'Green leaf' are benefited of listing their names in the official web sites of KTDC. This accreditation ensures quality in the field of Kerala Ayurveda Tourism Industry .

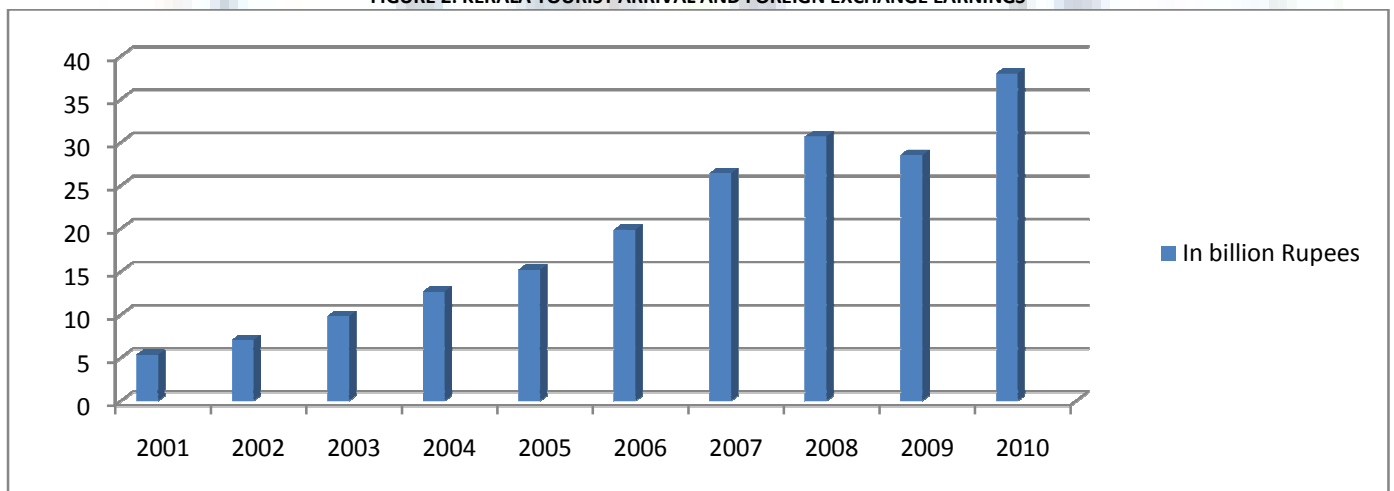
**TABLE 8: KERALA TOURISM ARRIVAL AND EARNINGS**

Year	Foreign tourist arrival to Kerala	Foreign tourist arrivals to India	% of Foreign tourist arrivals to Kerala	Domestic tourist arrival to Kerala	Foreign exchange earnings in tourism (Rs. in billion)	Total Earnings (Rs. in billion)
2001	208830	2537282	8.23	5239692	5.35	45.00
2002	232564	2384364	9.75	5568256	7.06	49.31
2003	294621	2726214	10.81	5871228	9.83	59.38
2004	345546	3457477	9.99	5972182	12.67	68.29
2005	346499	3918610	8.84	5946423	15.22	77.38
2006	428534	4447167	9.64	6271724	19.88	91.26
2007	515808	5081504	10.15	6642941	26.41	114.33
2008	598929	5282603	11.34	7591250	30.67	131.30
2009	557258	5167699	10.78	7913537	28.53	132.31
2010	659265	5583746	11.81	8595075	37.97	173.48

Source: Department of Tourism, Government of Kerala (2011)

It is understood from the study that the 80% of the foreign tourists ask for Ayurveda and they undergo wellness Ayurveda treatments spending an average amount of Rs.20,000 to Rs.35,000/- .Which means out of the foreign exchange earnings of Rs. 37.97Billion, Ayurveda tourism might have contributed approximately Rs.16 billion to the tourism industry in 2010.

**FIGURE 2: KERALA TOURIST ARRIVAL AND FOREIGN EXCHANGE EARNINGS**



**AYURVEDA TOURISM IN ERNAKULAM DISTRICT****ERNAKULAM DISTRICT : HISTORY AND IMPORTANCE**

The district is situated on the coast of Arabian sea and hence, the coastal region, Kochi (Cochin) is known as the 'queen of Arabian sea'. Ernakulam district was formed in 1958. The word Ernakulam was drawn from the words *Erayanar* and *kulam* means abode of Lord Siva temple near pond. Ernakulam has a rich history as it was an important trade center in ancient times. It was well known as centre of spices trade among ancient Greeks, Romans, Jews, Arabs and Chinese. When Kodungalloor was destroyed by floods from Periyar in 1341, Kochi came to be recognized as the biggest natural port and centre of trade on the Western Coast, "The Queen of Arabian Sea". References made by the Chinese voyager Ma Huan and Italian traveller Nicol da Conti in the 15th century suggest that Kochi was a flourishing trade centre. The famous river Periyar, flows through all the taluks except Muvattupuzha. Muvattupuzha river and a branch of Chalkkudy river provide a wide stretch of backwaters to the Ernakulam district and a new dam is a major attraction of the place.

Ernakulam district hosts the highest number of international and domestic tourists arrival in Kerala state. In 2010, Ernakulam attracted **277675 international arrivals and 1987743 domestic tourists**. From ancient times Arabs, Chinese, Dutch, British and Portuguese seafarers followed the sea route to Kingdom of Kochin and left their impressions in the town.

**TABLE 9: TOURIST ARRIVAL AND EARNINGS –ERNAKULAM DISTRICT 2005-2010**

Year	Foreign tourist Arrival to Ernakulam District	Domestic tourists Arrival to Ernakulam District	Total Tourists Arrival to Ernakulam Dist.
2005	108773	1025944	2114717
2006	131767	1080591	1212358
2007	165125	1109644	1274769
2008	193013	1509686	1702699
2009	239364	181874	421238
2010	277675	1987743	2265418

From the above table it is clear that foreign tourist's arrival shows an increase of 40% in 2010, compared with the tourist's arrival in 2005. Domestic tourists' arrival trend is also very decisive. In 2010, shows a growth of 52% compared with the inbound number of 2005.

**TABLE 10: TOP 10 SOURCE COUNTRIES FOR FOREIGN TOURISTS ARRIVALS ERNAKULAM DIST 2008-2010**

Rank	2008		2009		2010	
	Country	FTA	Country	FTA	Country	FTA
1	UK	31675	USA	35323	UK	49993
2	France	21859	UK	34743	USA	36110
3	USA	18666	France	21987	France	20579
4	Germany	12072	Germany	17678	Germany	14608
5	Australia	6788	Australia	11542	Australia	9926
6	Saudi Arabia	6042	Saudi Arabia	6905	Saudi Arabia	8953
7	Italy	5573	Switzerland	6432	Switzerland	8204
8	Netherlands	4814	Italy	6453	Spain	7435
9	Spain	4733	Netherlands	5943	Italy	6998
10	Canada	4471	Spain	5324	UAE	6489

From the above tables 10. It is evident that the main source countries are UK, USA, France, Germany and Australia. A new trend from Spain and UAE is also noticeable. Even from Pakistan and Yugoslavia shows a positive trend.

**AYURVEDA TOURISM IN ERNAKULAM DISTRICT**

The district has cent percent literacy rate in the Kerala state. Ernakulam district is well knitted with better transportation facilities. Own culture, along with hospitality and real – authentic Ayurveda attracts foreign tourists (inbound tourists) as well as domestic tourists (intra bound tourists). Though it has a resemblance of metropolitan city, the district maintains its old legacy in its nature.

Compared with other districts, Ernakulam district has very distinctive role in the medical tourism industry. There are many positive factors that drive the ayurveda tourism industry. The district has

- 3 ayurveda college :1 govt., 2 self financing
- 48 Ayurveda medical shops
- 9 large scale ayurveda medicine manufacturers
- 32 small scale ayurveda medicine manufactures
- 87 Ayurveda treatment centres (classified & non classified)
- 13 Government ayurveda clinics
- 76 govt. ayurveda hospitals & dispensaries
- 67 hotels / resort with ayurveda facilities and products
- 14 treatment centres / hotels / resorts classified Ayurveda centres
- 7 Olive leaf certified treatment centres
- 7 Green leaf certified treatment centres
- 3000 -5000 foreign nationals visit Ernakulam for ayurveda (as per kerala tourism ministry estimation)
- Nearly 3 lakh employees in the district contribute to the ayurveda tourism sector
- Ayurveda tourism industry has 20-25% growth rate every year (as per Kerala tourism Department)

**CONTRIBUTION OF AYURVEDA TOURISM TO THE TOURISM INDUSTRY IN ERNAKULAM DISTRICT**

No. of Foreign Tourists in 2010 was 6,59,265 compared with 5,57,258 of 2009. Which means a percentage variation over Previous year is 18.31%. Per Day Expenditure in 2010 was Rs.3600/- compared with Rs.3200/- of 2009 and the percentage variation over Previous year is 12.5%. Average duration of Stay during 2010 was 16 days. Foreign Exchange Earnings in 2010 was Rs. 3797.37 crores compared with Rs. 2853.16 crores of 2009. Which means a percentage variation over previous year is 33.09%. No. of Domestic Tourists in 2010 is 8595075 compared with 7913537 of 2009. Which means a percentage Variation over Previous year is 8.61%. Per Day Expenditure in 2010 was Rs.1800/- compared with Rs.1500/- of 2009. This means a percentage Variation over Previous year is 20%. Average duration of Stay in 2010 is 6 days. Earnings from Domestic tourists in 2010 was Rs.9282.68 crores compared with Rs. 7122.18 crores of 2009. This means a percentage Variation over Previous year is 30.33%. Total Earnings (Direct) in 2010 was Rs. 13080.05 crores whereas, total Earnings (Direct) in 2009 was Rs. 9975.34 crores. which means a Variation over Previous year is 31.12%. Total revenue generated in 2010 (direct and indirect) was Rs.17348 Crores, compared with Rs. 13231 Crores of 2009. This means a variation over previous year is 31.12%.

**TABLE 11: AVERAGE NO. OF DAYS SPEND BY THE INBOUND AYURVEDA TOURISTS FOR TREATMENT IN ERNAKULAM DISTRICT AYURVEDA TOURISM FACILITATORS**

Days Spend	Govt.Hospital	Classified Treatment centre	Non Classified Treatment centre	Hotela & Resorts With ayurveda products	Total	%
1-7 Days	-	1	4	6	11	9%
8-14Days	7	5	38	38	88	73%
15-21 Days	-	2	9	10	21	18%
Total	7	8	51	54	120	

The above derivative table shows ayurveda tourists spend an average of 8-14 days, which was supported by 73%. Average duration of the stay of the tourists in Kerala is 16 days and the above said figures are surely contributing to the number of days spend by the tourists in Kerala. 18% samples responded that their clients stay for an average of 15- 21 days for the ayurveda treatment. 9% opined that, their clients spend only 1-7 days for the ayurveda treatment.

**TABLE 12: AVERAGE AMOUNT SPEND BY THE AYURVEDA TOURISTS FOR THE TREATMENT IN ERNAKULAM DISTRICT AYURVEDA TOURISM FACILITATORS**

AmountSpend(Rs.)	Govt.Hospital	Classified Treatment centre	Non Classified Treatment centre	Hotela & Resorts With ayurveda products	Total	%
Rs.5001- Rs.20,000	1	-	1	-	2	2%
Rs.20,001- Rs.35,000	-	1	2	17	20	17%
Rs.35,001- Rs.50,000	-	3	39	32	74	65%
Above Rs.50,000	-	4	9	5	18	16%
Total	1	8	51	54	114	

Average per day expenditure of the foreign tourists in Kerala is Rs.3600. ie for 14 days it is Rs.50,400. 65% of the aggregate samples said that their clients spend an average amount of Rs. 35,000-Rs.50,000 for the 8-14 days treatment. This also, contribute to the earnings from tourism.

17% responded that, their guests spend an average of Rs.20,001- Rs.35,000 and 16% said, their clients spend an average of Rs.50,000 and above. Whereas, 2% said their clients spend on an average amount less than Rs.20,000/-.

Another fact is that, there are many brand loyal foreign seasonal ayurveda tourists clients and domestic brand loyal seasonal ayurveda tourists. Also , ayurveda tourism facilitators get new seasonal ayurveda tourists, both foreign and domestic. It was found that, a reputed ayurveda facilitator get an average of 200-250 foreign brand loyals (repeaters) and 200-250 domestic brand loyals in the season, annually. Also, they get an average of 100-150 new foreign clients and 100-150 new domestic clients, annually. This generates good amount of revenue to the ayurveda facilitators.

There are lots of positive factors that makes the ayurveda tourism in Ernakulam District to grow. However , the important among these is the marketing mix elements - Ps of Ayurveda Tourism. Likewise, all the districts have its own uniqueness and selling points, which has to be synthesized for the total development of the Ayurveda tourism industry of Kerala. It is the duty of the Government to take preventive measures to check the malpractices in the field and to outcast the non standardized ayurveda treatment centres from the industry which, really would enhance the tourism.

## CONCLUSION

Kerala government must step in the role of regulator, facilitator in order to encourage private investment in Ayurveda Tourism sector. To achieve new heights, government has to put its house in order especially in context of medical visa. A Task force needs to be made which has members from medical fraternity, tour operators & concerned Ministries which come out with holistic and feasible approach to gauge this opportunity of booming healthcare Industry in the present time.

Though the government has plans and target of 180 lakh domestic tourists by 2021, the Ayurveda Tourism Industry with all its potential has not achieved its best results. For a total rejuvenation and resurrection, the Ayurveda Tourism Industry has to manage the changes in the external environment. In fact, the effectiveness of the marketing programme depends directly on the extent to which the mix of both Ayurveda and tourism industry is able to harmonise and synthesize the different elements into a unified entity.

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## A STUDY ON DRIVERS FOR GREEN SUPPLY CHAIN MANAGEMENT (GSCM) IN CHEMICAL INDUSTRIES: WITH REFERENCE TO GUJARAT REGION

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### ABSTRACT

*As the world becomes increasingly concerned with green and sustainability issues, Industries, organizations and governments are gradually moving towards more sustainable business practices - and India is no exception. Indian Industries are also becoming environmental conscious and many Industries are working towards the environment friendly part of business. Green Supply Chain Management has emerged as a key concept and approach for the organizations to become environmentally sustainable. The purpose of this paper is to study and explore the factors that drive the Chemical Industries in Gujarat Region to implement Green Supply Chain Management Initiatives. The study is based upon the data collected from the 331 Large and Medium Size Chemical Industries in Gujarat. The study suggested eight factors which are majorly motivating or influencing these Industries to implement the Green Supply Chain Management initiatives. The eight factors on Green Supply Chain Management Drivers/ Pressures are labeled as Vertical Channel Partners, Environmental Regulations, Society, Expected Business Benefits, Top Management Support & Corporate Values, Competitors' Practices, Organizational Factors and International Environmental Agreements. The results of this paper provide the insights into why Chemical Industries adopt Green Supply Chain Management Initiatives and also provides policy makers and managers with a list of drivers that can be used as directions for setting up appropriate policies to encourage firms to adopt Green Supply Chain Management.*

**JEL CODE**  
M00

### KEYWORDS

Chemical Industries, Environment Management, Green Supply Chain Management, Gujarat, Sustainability.

### INTRODUCTION

The accelerating growth and development of industries, businesses and expansion of human societies across the world has resulted in many environmental problems and issues like global warming, soil erosions, depletion of natural resources, depletion of the ozone layer, biological imbalance etc. At the same time the public's awareness has also increased drastically related to environmental concerns through the various channels of communication. Eco-consciousness among consumers is gaining momentum and they are increasingly incorporating environment-friendly products into their lives. With the increase in pressures for environmental sustainability, it is expected that the organizations have to implement strategies and practices which can reduce the environmental impacts of their products and other activities including operations, procurements, transportations etc. (Lewis and Gretsakis, 2001; Sarkis, 1995, 2001). Several organizations responded to this by implementing various green or environmental systems such as cleaner production, adoption ISO 14001 Certification, Environmental Management System, etc. The go green practices are expanded to many departments within organization, including supply chain. Recent International agreements and regulations like RoHS, WEEE etc requires organizations to extend their environmental practices along their supply chains. As a result, the concept of Green Supply Chain Management (GSCM) has been evolved and emerged strongly which integrates environmental consciousness into the supply chain management. GSCM concept has been increasingly accepted and practiced by the many forward thinking organizations (Zhu & Sarkis, 2004). As rapidly the demands of managerial practice have extended, so must the theoretical frame of Operations Management.

Recent decades have seen a growth in research related to the environmental and social concerns associated with industrial supply chains. Green supply chain management (GSCM) was emerging in the last few years. This idea covers every stage in manufacturing from the first to the last stage of life cycle, i.e. from product design to recycle. Not only Manufacturing Organizations, instead GSCM can also be used to other business sectors such as government, education and services. But it is very crucial and important for the Chemical industries to implement the green Supply Chain Management practices to reduce their continuously increasing effect on the environment. The chemical industry in India is fragmented and dispersed. It is Multi product and multifaceted – which really makes it complex and a challenging task to address sustainability issues. The sector has been labeled to be one of the most polluting industries. But still the sustainability issues are yet to come in widespread manner on Indian industries in general and chemical industry in particular. This calls for the research in chemical industries for GSCM practices and is thus being undertaken as the topic for the research study with a special focus on chemical industries in Gujarat state. To contribute to, this paper proposes a more detailed analysis that focuses specifically on drivers or the pressures acting as the motivator for the implementation of GSCM Practices in Chemical Industries. Initially in this paper, we introduce current environmental awareness, practices in general. Research findings are then discussed and evaluated. The paper concludes with the implications and suggestions in light of the findings.

### LITERATURE REVIEW

The green supply chain management was first systematically put forwarded by the manufacturing research association (MRC) of Michigan State University. This association engaged in a research of "Environmental Responsible for Manufacturing (ERM)" and proposed the concept of green supply chain management in 1996, which was defined as a "based on green manufacturing theory and supply chain management technology, involving suppliers, manufacturers, distributors



and consumers, to minimize the impact to environment and maximize the resource efficiency during the whole process of product's material acquisition, processing, packing, transportation, use and scrap. Adding the 'green' concept to the 'supply chain' concept adds a new paradigm where the supply chain will have a direct relation to the environment (Srivastava, 2007).

Green supply chain management (GSCM) has become an important research focus. It is owing to the growing pressure from governments, institutions, and consumers. In recent years the topic of Green Supply Chain Management (GSCM) has received growing attention and has become an increasingly popular research area. Interdisciplinary research has integrated the efforts of management, engineering and social sciences to investigate and research the issues relevant to green supply chain management. Previous researchers have approached GSCM from diverse disciplinary and various different angles. These include diverse areas such as re-engineering, management, logistics, network analysis, and GSCM performance measurement (Sarkis, 2003). These approaches have a different view on the field of GSCM and therefore define it in different ways. Since the field still in its emergent stage, an extensive literature review was done on the discipline and underlying topics that are nurturing this emerging academic and practice field (e.g., supply chain management, sustainability and environmental operational initiatives, green designing, green manufacturing, reverse logistics, etc.). There are many corporate and industrial environmental philosophies and practices that are closely linked to and support green supply chain management that have also been a focus of significant research, practice, and application. As a new environmental approach, GSCM is considered as an environmental innovation and the Literature on Green Supply Chain Management has been growing and evolving double foldedly as the more and more organizations and researchers have realized that the management of environmental programmes does not end at the boundaries of the organization.

Literature review on GSCM reveals that there are several researches that involved green, environmental or sustainable concepts to traditional supply chain management, and extended GSCM issues included GSCM practices, definitions and decision framework (e.g. Sarkis, 2003; Zhu & Sarkis, 2004; Hervani, Helm and Sarkis, 2005). However, most above studies emphasized reduction, remanufacturing, recycling in product design, process design, green manufacturing practices, and green procurement. The contents of green supply chain management related papers include either Case-based and conceptual-based papers with lack of the theoretical application in wider literature on supply chain management or including environmental aspects are dominant issues in these papers. Other issues and integrative debates of sustainable aspects are neglected; these papers emphasize technical issues of solving specific environmental problems such as introducing greener or cleaner production and related managerial systems or measures. The research in Green Supply Chain Management addresses a variety of issues ranging from organizational research and practice in GSCM (Geffen and Rothenberg, 2000; Hall, 2001; Theyal, 2001; Zsidisin and siferd, 2001) to models of evaluation of GSCM practices and technology (Faruk et al, 2002; Handfield et al.,2002; Sarkis,2003)

### **GSCM DRIVERS/PRESSURES FOR ADOPTION**

Going through the available literature it has been revealed that the pressures and drivers for adoption of environmental practices arise from a number of external and internal stakeholders. The literature has identified a number of potential stakeholders that will influence the organizations to adopt Green Supply Chain Management initiatives and other environmental initiatives. External stakeholders affecting GSCM include customers, suppliers, the community, regulators and non-governmental organizations (Hervani, *et al.*, 2005). According to Hervani, *et al.* (2005), Henriques and Sadorsky (1996) and Hall (2000), as well as other experts, major external stakeholders of GSCM practices are considered to include suppliers, customers and community stakeholders. Through the implementation of GSCM, manufacturers may anticipate benefits such as improvement of a corporation's image, reduction of liability and improvement of business continuity (Sarkis, 2001). GSCM aims to find ways to improve some of the impacts that a company has on the environment. Organizations' Initiatives for environment are often accompanied by cost savings, improved efficiency, and/or profitable customer awareness (Rao, 2005; Srivastava, 2007). Another driver is the higher awareness of environmental problems of consumers, which leads to more demand for companies to balance business performance with environmental issues (Basu Hall, 2001). Pratima Bansal and Kendall Roth, (2000) suggested three basic motivations for ecological responsiveness: competitiveness, legitimation, and ecological responsibility. Customer demands that take a long-term supply chain perspective have a more positive influence on environmental management in contrast to customer requests which involve an unreasonable timeframe (Carter and Dresner, 2001). It has been suggested that suppliers can help to provide valuable ideas used in the implementation of environmental projects, but they generally do not act as a direct driving force (Carter and Dresner, 2001). Customers exert pressure on organizations to engage in environmental supply chain practices (Green *et al.*, 1996). Top management commitment is a key capability in the development of consistent and sustainable programs for cultivating relationships with suppliers (Chen and Paulraj, 2004). Bowen *et al.* (2001) used middle managers to find positive relationships between middle managers' perceptions of corporate environmental proactively and environmental management. Carter *et al.* (1998) concluded that support from mid-level managers is key to successful implementation of EMS practices. Public pressure and stakeholders are causing firms to review their environmental supply practices (Beamon, 1999; Delmas, 2001; Sharma and Vredenburg, 1998) and is most visible from activist campaigners, non-governmental organizations (NGOs) or green pressure groups (Hall, 2001; Trowbridge, 2001). Thus, we can see that there are many potential sources of drivers or pressures which can motivate or drive the Chemical Industries to implement GSCM ranging from Regulations to Customers including competitors, suppliers, NGO, Top Management, Employees, Exports, and International Environmental Agreements *etc.* Out investigation in this study is to determine the factors or pressures because of which Chemical Industries in Gujarat are drive to adopt and implement the Green Supply Chain Management Practices.

### **NEED & IMPORTANCE OF THE STUDY**

After going through the available literature it was found that very little research has been done in area of Green Supply Chain management practices in chemical industries in India. Even since the chemical industries are more crucial and important for implementing this GSCM to reduce their continuously increasing effect on the environment. This calls for the research in chemical industries for GSCM practices and is thus being undertaken as the topic for the research study with a special focus on chemical industries in Gujarat state. One of the biggest challenges for the companies in 21<sup>st</sup> century is the growing need for integrating environmentally sound choices into supply chain in logistics practices. The chemical industry in India is fragmented and dispersed. It is Multi product and multifaceted – which really makes it complex and a challenging task to address sustainability issues. Diverse products are manufactured, using conventional and semi modern technologies. The sector has been labeled to be one of the most polluting industries. After going through the available literature it was found that very little research has been done in area of Green Supply Chain management practices in chemical industries in India. Even since the chemical industries are more crucial and important for implementing this GSCM to reduce their continuously increasing effect on the environment. This calls for the research in chemical industries for GSCM practices and is thus being undertaken as the topic for the research study with a special focus on chemical industries in Gujarat region.

### **OBJECTIVES OF THE STUDY**

As the focus of the Green supply chain management in Chemical Industries in Gujarat the objectives of the study are envisaged as under.

1. To study the current scenario and current practices and future direction of Green Supply Chain Management activities within the supply chain of the chemical Industries in Gujarat.
2. To identify and investigates the factors leading to the development and adoption of Green Supply Chain supply chain in Chemical Industries in Gujarat.

### **RESEARCH METHODOLOGY**

#### **INSTRUMENT DEVELOPMENT**

The data used in this study consist of questionnaire responses from the Managers of Environment, Health and Safety (EHS) departments or Environment Management Representatives (EMR) and other equivalent departments at various Chemical Industries in Gujarat. The study combines issues related to the environment (green issues) with others supply chain functions. Therefore, the appropriate person from which the required data could be obtained should ideally have knowledge about both aspects. The questionnaire contains the section including 30 items affecting the implementation of Green Supply Chain

Management Practices which are the drivers or motivators for Industries for GSCM implementation based upon the number of sources from the literature and initial information inputs from the Industry Experts. Questions were answered using a five-point Likert type scale of level of agreement (e.g. 1 = Strongly Disagree to 5 = Strongly Agree).

#### DATA COLLECTION AND SAMPLE CHARACTERISTICS

The data collected was administered through three steps:

1. *Pilot test.* A pilot test was conducted to test and refine the questionnaire. A total of 28 valid responses were collected in the pilot test. Based on the suggestions from respondents, minor modifications were made to the questionnaire.
2. *Convenience Sampling.* There exists a large but finite population of small medium and large chemical industries in Gujarat. But only finite population of Large and Medium size Chemical Industries in Gujarat are considered to be surveyed. Sample size calculation performed with consideration of Finite Population correction factor with  $N = 2052$ ,  $n = 384$ ,  $p = 0.5$ ,  $q = 0.5$ , Confidence level = 95%,  $\alpha = +$  or  $- 5\%$  gives  $n = 324$  as sample size.
3. *Random Surveys.* To avoid the biases associated with the convenience sampling, we also conducted some random surveys through regular postal mail and e-mail followed by the telephone calls. The target Chemical Industries are from the list of Chemical Industries available. Out of total 1000 Questionnaires mailed, a total of 331 usable chemical industries responses were received (a 33.1 percent response rate). Responses from the two groups early from the convenience sampling and the late from the more of random survey were compared using  $t$ -tests. The test results indicated that in all items no statistical differences existed between the mean scores of the early and late respondents at the 5 percent level of confidence. Thus we had used full data set of 331 responses. Table I shows the distribution of respondent Chemical Industries in terms of Size, ISO Certifications and organization types.

TABLE I: DISTRIBUTION OF SURVEY RESPONDENT CHEMICAL INDUSTRIES BY OWNERSHIP, ISO 14001 CERTIFICATION, SIZE AND EMS

Particulars	Total	Percentage (%)
<i>Ownership Category (Total)</i>	<b>331</b>	<b>100</b>
State Owned	53	16.01
Private	272	82.17
Proprietor	6	1.81
<i>ISO 14001</i>	<b>331</b>	<b>100</b>
Certified	215	64.95
Not Certified	116	35.04
<i>EMS</i>	<b>331</b>	<b>100</b>
Having EMS	204	61.63
Not having EMS	127	38.37
<i>Size</i>	<b>331</b>	<b>100</b>
Medium-Size	178	53.77
Large-Size	153	46.22

#### FACTOR ANALYSIS

An exploratory factor analysis was conducted to derive groupings of Green Supply Chain Management (GSCM) Drivers/Pressures which motivates the Chemical Industries of Gujarat State for the implementing the GSCM Practices from the survey data. The result of the KMO & Bartlett's Test of Sphericity is 0.000, which meets the criteria of value lower than 0.05 in order for the Factor Analysis to be considered appropriate. Furthermore, the result of the KMO Measure of Sampling Adequacy is 0.785, which exceeds the minimum value of 0.6 for good factor analysis. Factors were extracted using maximum likelihood method, followed by varimax rotation. The Kaiser criterion (eigen values > 1) was employed for further analysis. This factor analysis empirically grouped the scale items of GSCM Drivers/Pressures into 8 factors as predicted, refer Table II. Factors have eigen value more than 1 for each of the 8 factors extracted, consisting of 30 variables. The eight GSCM Drivers / Pressure factors explain 89.45% of their inherent variance is explained by these eight factors.

TABLE II: ROTATED FACTOR MATRIX<sup>A</sup> ON GSCM DRIVERS/PRESSURES

ITEMS	Component							
	1	2	3	4	5	6	7	8
Our Supplier's advances in developing environmentally friendly goods motivate us to adopt green supply chain initiatives.	.928							
The downstream network/s (from Manufacturer to end customer) of supply chain is forcing/motivating my organization to participate in their green supply chain initiatives.	.884							
My organization's major customers would reject the products if they contain hazardous elements or materials.	.879							
My organization expects to receive special recognition from its major customers for the adoption of green supply chain initiatives.	.728							
Through adopting green supply chain initiatives, my organization tries to reduce the threat from the complaints of consumer associations/Customer forums.	.609						.504	
The upstream network/s (from Suppliers' supplier to manufacturer) of supply chain is forcing/motivating my organization to participate in their green supply chain initiatives.	.579	.474			.513			
Through adopting green supply chain initiatives, my organization tries to reduce the threat of current or future government environmental legislations.		.850						
Through adopting green supply chain initiatives, my organization tries to avoid the threat of current or future government environmental legislations.		.745						
There are frequent government inspections or audits in my organization to ensure that the organization is in compliance with environmental laws and regulations.		.670						
Through adopting green supply chain initiatives, my organization tries to reduce the complaints from Domestic Pollution Control Boards.		.637	.491					.351
My organization believes that it our social responsibility to minimize the negative effects on the environment in all its operations.	.544		.948					
It is important for my organization to consider the societal well being in all of its operations and supply chain activities.			.933					
My organization pays considerable attention to the reaction of the society to its action and activities.			.884					
In order to reduce the public's perceived risks associated with the organization, my organization implement GSCM initiatives.			.615			.567		
Increase on new business opportunities avenues after GSCM implementation motivates my organization to implement it.				.940				
Expected business benefits from after Green supply Chain Management Practices in organization encourages/motivates organization to implement GSCM.	.412	.356		.726				
There is a general belief in chemical industries that green supply chain initiatives have benefits that outweigh their costs in long run.				.716	.561			
My organization's Top management is committed towards Green supply chain initiatives implementation in organization.					.773			
The constant support from organization senior managers and top managers for GSCM initiatives encourage for its implementation.	.483				.735			
My organization's Strategic plans induced to make it a Green supply chain management efficient organization.			.388		.659			
Protecting the environment is a central corporate value in my organization.				.437	.598	.368		
Green supply chain initiatives are generally considered in chemical industries as having considerable competitive benefits.						.843		
Big organization/players and Competitors in chemical industries adopt green supply chain initiatives which motivate my organization to implement GSCM.	.390					.750		
My organization's capabilities of investment for green investments support the implementation of GSCM in organization.							.781	
My organization's quick adapting capability towards transformations supports the GSCM implementation in organization.	.475						.700	
Cross Functional Cooperation from the employees form the various departments for environmental improvements supports GSCM implementation.							.636	
Financial incentives offered by International organizations (United Nations) are significant motivators for my organization to adopt green supply chain initiatives.								.885
Environmental regulations in export countries (as RoHS, REACH.etc.) induced my organization to adopt green supply chain initiatives.			.365			.417		.703

Note: Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 16 iterations.

The eight factors on GSCM Drivers / Pressures are here labeled as Vertical Channel Partners, Environmental Regulations, Society, Expected Business Benefits, Top Management Support & Corporate Values, Competitors' Practices, Organizational Factors & International Environmental Agreements. Further analysis confirms the reliability of these eight factors with Cronbach's alpha, of 0.904, 0.823, 0.714, 0.761, 0.668, only two variables, 0.871 & only two variables respectively, for each group. The factor analysis is done here as per the guidelines by Hair et al (2005). All Cranach's alpha values are well above the limit of 0.6 established by Hair et al 2005; pp.118 which ensures that the constructs' are internally consistent and reliable. Items for each factor on Green Supply Chain Management (GSCM) Drivers / Pressures, as well as other descriptive data, including means, standard deviations are shown in Table III.

TABLE III: DESCRIPTIVE STATISTICS ON GSCM DRIVERS / PRESSURES

Items	Mean	SD
<b>Vertical Channel Partners (VCP)</b>	3.94	.76
Our Supplier's advances in developing environmentally friendly goods motivate us to adopt green supply chain initiatives.	4.27	.78
The downstream network/s (from Manufacturer to end customer) of supply chain is forcing/motivating my organization to participate in their green supply chain initiatives.	4.02	.74
My organization's major customers would reject the products if they contain hazardous elements or materials.	4.12	.92
My organization expects to receive special recognition from its major customers for the adoption of green supply chain initiatives.	4.32	.79
Through adopting green supply chain initiatives, my organization tries to reduce the threat from the complaints of consumer associations/Customer forums.	3.44	.98
The upstream network/s (from Suppliers' supplier to manufacturer) of supply chain is forcing/motivating my organization to participate in their green supply chain initiatives.	3.50	1.24
<b>Environmental Regulations (ER)</b>	3.60	.51
Through adopting green supply chain initiatives, my organization tries to reduce the threat of current or future government environmental legislations.	3.26	1.03
Through adopting green supply chain initiatives, my organization tries to avoid the threat of current or future government environmental legislations.	3.85	1.06
There are frequent government inspections or audits in my organization to ensure that the organization is in compliance with environmental laws and regulations.	3.81	.88
Through adopting green supply chain initiatives, my organization tries to reduce the complaints from Domestic Pollution Control Boards.	3.47	1.29
<b>Society (Soc.)</b>	3.73	.69
My organization believes that it our social responsibility to minimize the negative effects on the environment in all its operations.	3.94	1.12
It is important for my organization to consider the societal well being in all of its operations and supply chain activities.	3.64	.94
My organization pays considerable attention to the reaction of the society to its action and activities.	3.66	.85
In order to reduce the public's perceived risks associated with the organization, my organization implement GSCM initiatives.	3.68	.83
<b>Expected Business Benefits (EBB)</b>	3.34	.54
Increase on new business opportunities avenues after GSCM implementation motivates my organization to implement it.	3.35	1.12
Expected business benefits from after Green supply Chain Management Practices in organization encourages/motivates organization to implement GSCM.	3.76	.92
There is a general belief in chemical industries that green supply chain initiatives have benefits that outweigh their costs in long run.	2.91	1.34
<b>Top Management Support &amp; Corporate Values (TMS &amp; CV)</b>	3.07	.49
My organization's Top management is committed towards Green supply chain initiatives implementation in organization.	2.61	1.26
The constant support from organization senior managers and top managers for GSCM initiatives encourage for its implementation.	3.63	.77
My organization's Strategic plans induced to make it a Green supply chain management efficient organization.	2.09	.88
Protecting the environment is a central corporate value in my organization.	3.96	.68
<b>Competitors' Practices (CP)</b>	4.50	.51
Green supply chain initiatives are generally considered in chemical industries as having considerable competitive benefits.	4.77	.47
Big organization/players and Competitors in chemical industries adopt green supply chain initiatives which motivate my organization to implement GSCM.	4.23	.68
<b>Organizational Factors (OF)</b>	3.93	.49
My organization's capabilities of investment for green investments support the implementation of GSCM in organization.	3.55	.79
My organization's quick adapting capability towards transformations supports the GSCM implementation in organization.	3.60	.72
Cross Functional Cooperation from the employees form the various departments for environmental improvements supports GSCM implementation.	4.64	.77
<b>International Environmental Agreements (IEA)</b>	3.91	.43
Financial incentives offered by International organizations (United Nations) are significant motivators for my organization to adopt green supply chain initiatives.	3.26	.84
Environmental regulations in export countries (as RoHS, REACH.etc.) induced my organization to adopt green supply chain initiatives.	4.56	.75

## RESULTS AND DISCUSSION

Descriptive statistics of the eight GSCM drivers are shown in Table III. The table reveals that the Chemical Industries are highly drive and motivated by the Vertical Channel Partners (mean = 3.94, SD = 0.76). Vertical Channel Partners includes upstream network/s (from Suppliers' supplier to manufacturer) and the downstream network/s (from Manufacturer to end customer) of supply chain for any organization. Supplier –Manufacturer relationships are considered important in developing a sustainable competitive advantage for the Manufacturer (Sheth and Sharma, 1997; Cannon and Homburg, 2001). Customer- Supplier relationships play a role in the environmental performance of the business activities (Rao and Holt, 2005). The table also reflects that the Chemical Industries are influenced by the various Environmental Regulations (mean = 3.6, SD = 0.51). The Chemical Industries agree, on average, that there are regulatory impositions and inducements on their Industries. Environmental Regulations factor is considered to include domestic environmental regulations and government environmental policies favoring Sustainable/ Environment Friendly/Green business models. This factor includes the variables like environmental Regulations established by the Local or Domestic Government bodies, National level Environmental laws and regulations, norms and legal requirements by Pollution Control Board etc. The third major factor that motivates the Industries to adopt GSCM practices is Society (mean = 3.73, SD = 0.69). This factor includes the variables including the social responsibility of corporate towards environment, the public perceived risks of the corporate towards environment etc. Pressure from the Customers, public and pressure from the various segments of society as a stakeholder are causing firms to review their environmental supply practices (Beamon, 1999; Delmas, 2001; Sharma and Vredenburg, 1998).The analysis also reveals that the industries tend to agree that there expected business benefits (mean = 3.07, SD = 0.49) from the GSCM Practices implementation in their Chemical Industries.

The fifth factor which get derived from the analysis is Top Management Support and Corporate Values (mean = 3.07, SD = 0.49) emphasis placed by the top management on the development of capabilities for the GSCM practices implementation. Top management commitment is a important capability in the development of consistent and sustainable programs for cultivating relationships with suppliers (Chen and Paulraj, 2004). "Competitiveness" (mean = 3.07, SD = 0.49) is defined as the potential for GSCM to improve long-term profitability. It also acts as one of the main influencer for the GSCM implementation in Chemical Industries. The motivation to implement and develop GSCM is to improve the competitiveness of their firm so that they may take a more superior position in the market. Through the implementation of GSCM, manufacturers may anticipate benefits such as improvement of a corporation's image, reduction of liability and improvement of business continuity (Sarkis, 2001). There is a range of different organization related factors (mean = 3.93, SD = 0.49) which influenced industries to motivate the GSCM implementation. Personal commitment of individuals, commitment of middle level managers etc has been found to be positively related to green supply chain management (Green et al., 2000).The another factor that affects majorly the GSCM implementation in the export oriented chemical



industries are International Environmental Agreements (mean = 3.91, SD = 0.43). Although the domestic environmental regulations seem to have a greater and more immediate or significant effect on Green Supply Chain Management practices. Many Chemical Industries specially those who are having their major exports to US, UK and other European Countries are also being influenced by International Environmental Agreements, such as the Climate Change Treaty and the Montreal protocol, RoHS etc.

## IMPLICATIONS AND CONCLUSIONS

From the literature review study it can be seen that most of the Indian organizations including various Chemical Industries have increased the environmental awareness due to regulatory, competitive, and marketing pressures and other drivers. However Green Supply Chain Management is still in its infant stat in India. Only the large and medium organizations have recognized the need of implementing the green supply chain management initiatives others have lagged in the implementation of these principles into practice. This paper is only one of few efforts to investigate Green Supply Chain Management practices in Chemical Industries. Thus, the investigation and its findings are still relatively exploratory. Future research can try out new relationships, including mediating and moderating relationships, that may exist between various items and factors we have identified. A more broadly based random sample study across India would also provide a better picture of these GSCM practices and what is going on throughout India in field of Green Supply Chain Management.

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## A STUDY ON CUSTOMER PREFERENCE AND SATISFACTION TOWARDS SELECTED RETAIL STORES IN COIMBATORE CITY

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### ABSTRACT

*Retailing is the largest private industry in India and second largest employer after agriculture. The sector contributes to around 10 per cent of GDP and 6-7 per cent of employment. With over 15 million retail outlets, India has the highest retail outlet density in the world. This sector witnessed significant development in the past 10 years – from small unorganized family-owned retail formats to organized retailing. Liberalization of the economy, rise in per capita income and growing consumerism have encourage larger business houses and manufactures to set up retail formats; real estate companies and venture capitalist are investing in retail infrastructure. Many foreign retailers have also entered the market through different routes such as wholesale cash-and-carry, local manufacturing, franchising, test marketing, etc. With the growth in organized retailing, unorganized retailers are fast changing their business models and implementing new technologies and modern accounting practices to face competition. Productivity and efficiency in retail operations lowers price level and reduce distortions in the price structure. Through backward and forward linkage, performance of retailing services affects the performance of interlinked sectors such as tourism, recreational and cultural services, manufacturing of consumers goods agro-good producing industries etc. The present study is undertaken to understand the customer preference and satisfaction towards retail stores in Coimbatore city. Descriptive study was carried out by using a questionnaire and the collected data were analyzed by using Average rank, ANOVA and Chi square test.*

### KEYWORDS

Customer preferences, retail stores.

### INTRODUCTION

**R**etail store is a large departmental retail establishment offering a relatively broad and complete stock of dry groceries, fresh meat, perishable products and dairy products supplemented by a variety of convenience, non food merchandise and operated primarily on a self-service basis.

A retail store format is more prevalent among all modern retail formats in India. These are neighborhood stores offering home and personal care products and food products that a typical household consumers on a day-to-day basis. These stores are often part of a chain that owns or controls (sometimes by franchise) other retail stores locates in the same or other towns attaining the economies of scale. These stores offer convenience of shopping by making available a large variety of products at one place. Retail stores usually offer products at Low Prices by reducing margins. Certain products (typically staples such as bread, milk, and sugar) are often sold as loss leaders that are with negative margins. To maintain a profit, retail stores attempt to make up for the low margins with a high overall volume of sales and with sales of higher-margin items.

Retail store shopping is often categorized as a self-service retail environment. For retail store retailers wanted to build relationships with their customers, being able to track their levels of 'satisfaction' with the key elements of the retail store environment is extremely important. From the retailer's perspective the aim is to minimize the reasons for complaints and dissatisfaction and the cost of a service recovery plan whilst establishing a track of direct feedback from customers about their reactions to those key elements. Satisfaction is a consumer's post-purchase evaluation of the overall service experience. It is an affective reaction in which the consumer's needs, desires and expectations during the course of the service experience have been met or exceeded. Satisfaction in this sense could mean that a retail store has just barely met the customer's expectations, not exceeded nor disappointed those expectations. The benefits of taking the customer's response beyond satisfaction at this level by exceeding expectations, is a competitive strategy many retailers aspire to achieve. Customer satisfaction now represents a central strategic focus for customer-oriented firms across diverse industries.

### RETAIL STORES: THE REDEFIND WAY OF BUSINESS AND CUSTOMERS

Competition has raised the bar for retail store retailers. Perhaps some have simply lost sight of what the customers needed and wanted. Regardless, today's customers have less time, and are more intelligent, than ever before. Retail store retailers will continue to face increasing survival pressures. Consolidation in the market space will continue to affect existing retail store chains, both large and small. The top-tier retail store chains that have increased the size of their store base through recent acquisitions are struggling to absorb what they have bought while trying to defend market share against the low-cost operators. Those chains remain standing will be the ones that learn how to reinvent themselves. Successful retail store chains will become experts at targeting specific consumer segments. Some are proving that being willing to target and settle for a smaller piece of the pie can be a winning formula. This becomes an iterative process that takes time, effort, resources, and perhaps most the most difficult thing of all a change in culture. Each retailer must search for its own winning formula to compete. To succeed, retail store retailers must take advantage of new innovations, to create customer experiences that deliver true differentiation. Technology will play a major role in enabling these new innovations.

### STATEMENT OF THE PROBLEM

At present the customers are more dynamic. The factors like high price, after sales services, poor reply enquiry and poor quality of products are highly dissolved their decision. The customer has certain expectation from branded items of its quality, price and services. Further, the retailers are faced various troubles in their retail marketing for finding the customer perception. At this juncture, the research is a need to find out the customer perception about the retail store in Coimbatore city.

Present world of rapidly changing technology, consumer's taste and preference are also characterized by fast changes. To meet this changing environment and to satisfy the consumer needs the retail store came in to existence.

Consumer needs are consistently changing; therefore retail store has to be constantly modernized. In the light of these developments, it seems to focus the study of consumer satisfaction towards retail store. In this process the following questions are arise:

1) What is the opinion and usage of Retail store?

- 2) What are the factors preferred by consumers when selecting a retail store?
- 3) What is the level of consumer satisfaction?

### OBJECTIVES OF THE STUDY

- ❖ To study the demographic profile of the respondents.
- ❖ To study the customer awareness and preference towards retail stores.
- ❖ To analyze the factors those determine customer's perception towards retail stores
- ❖ To study the satisfaction level of the respondents towards retail stores.
- ❖ To offer Findings, Suggestions and Conclusion

### HYPOTHESIS

- 1) There is no significant relationship between monthly income and average amount spent on purchase.
- 2) There is no significant relationship between monthly income and mode of payment
- 3) There is no significant relationship between type of family and frequency of purchase.
- 4) There is no significant relationship between age of respondents and media of awareness.
- 5) There is no significant relationship between family size and average amount spent on purchase.

### RESEARCH METHODOLOGY

The following methodology is used in this study

#### (I) AREA OF THE STUDY

The survey was conducted in Coimbatore city in Tamil Nadu state. Coimbatore is the second largest district in Tamil Nadu. The Coimbatore city is known for its entrepreneurship of its residents. The researcher has considered the leading Retail Stores like Reliance Fresh, More., Nilgiri's, Shri Kannan Departmental (P) Ltd, Big Bazaar for the study.

#### (II) SOURCES OF DATA

The study has used both the primary data and secondary data. Field survey method was employed to collect primary data from 250 respondents through a well framed questionnaire. Secondary data were collected through various journals, magazines, reports and newspapers.

#### (III) SAMPLING DESIGN

For the purpose of the study 250 respondents have been chosen in Coimbatore city by using convenience sampling a questionnaire was prepared and administered in person to all the respondents. The information collected have been edited for reliability and consistency and presented in a master table for analysis.

#### (IV) TOOLS FOR ANALYSIS

In this study the raw data collected are classified, edited and tabulated for analysis. The following were the some of the tools used. They are:

1. Simple Ranking
2. ANOVA
3. Chi-Square Test

### SCOPE OF THE STUDY

The present study titled as "Customer Preference And Satisfaction Towards Selected Retail Stores In Coimbatore City" aims to probe in to the satisfaction derived by the consumers for the use of retail stores and because of the perception and preference towards the retail stores and their level of satisfaction on the various facilities provided by the retail stores.

The preference and satisfaction of the consumers on retail stores may be influenced by many factors. Therefore, the modern marketing managers have to understand what their organization actually means to the people and they have to find ways of deriving the ideal determinants for the retail stores.

The consumer's preference and the level of satisfaction on the various facilities provided by the retail stores are enumerated in the study.

TABLE NO – 1: RANKING FOR PREFERENCE OF THE RETAIL STORES

Preference	No. of Respondents	Percentage	Rank
Convenient Location	45	18.0	II
Cheaper Prize	20	8.0	VII
Attractive Offers/ Schemes	27	10.8	VI
Better Quality	34	13.6	IV
Wider Product Variety	52	20.8	I
Better Availability	31	12.4	V
Better Service	41	16.4	III
Total	250	100.0	

Source: Primary Data

#### INTERPRETATION

From the above table clear that, out of 250 respondents, majority of the respondents have given First Rank to Wider Product Variety, Second Rank to Convenient Location, Third Rank to Better Service, Fourth Rank to Better Quality, Fifth Rank to Better Availability, Sixth Rank to Attractive Offers/Schemes and Seventh Rank to Cheaper Prize.

TABLE NO – 2: RANKING FOR PREFERENCE OF PRODUCT CATEGORY

Name of the Products	No. of Respondents	Percentage	Rank
Groceries	55	22	II
Bakery Products	46	18.4	III
Fruits & Vegetables	63	25.2	I
Processed foods	15	6.0	VI
Personal care Products	42	16.8	IV
Other Non-Food items	29	11.6	V
Total	250	100.0	

Source: Primary Data

#### INTERPRETATION

From the above table its clear that, out of 250 respondents, majority of the respondents have given First Rank of preference to Fruits & Vegetables, Second Rank of preference is Groceries, Third Rank of preference is Bakery Products, Fourth Rank of preference is Personal care Products, Fifth Rank of preference is Other Non-Food items, and Sixth Rank of preference is processed foods.

TABLE NO – 3: RANKING FOR PREFERENCE OF THE RETAIL STORES

Name of the Retail Store	No. of Respondents	Percentage	Rank
Reliance Fresh	56	22.4	II
More	58	23.2	I
Nilgiri's	44	17.6	IV
Shri Kannan Departmental Stores (P) Ltd	50	20.0	III
Big Bazaar	42	16.8	V
Total	250	100.0	

Source: Primary Data

**INTERPRETATION**

From the above table clear that, out of 250 respondents, majority of the respondents have given First Rank to More, Second Rank to Reliance Fresh, Third Rank to Shri Kannan Departmental Stores (P) Ltd, Fourth Rank to Nilgiri's, Fifth Rank to Big Bazaar.

**ANOVA**

TABLE NO – 4: SHOWING THE RELATIONSHIP BETWEEN SEX AND THE OVERALL FACTORS RELATING TO CUSTOMER OPINION

Sex	Highly Satisfied	Satisfied	Neutral	Total
Male	26(32.0%)	34(41.9%)	21(25.9%)	81
Female	54(31.9%)	71(42%)	44(26%)	169
Total	80	105	65	250

Source: Primary Data

**INTERPRETATION**

The calculation of Analysis of Variance is worked on considering the relationship between the gender and the satisfaction level of respondents towards the services of retail stores. The calculation is concluded by accepting the Null hypothesis revealing that there is no significant relationship between gender and satisfaction level.

TABLE NO – 5: SHOWING THE RELATIONSHIP BETWEEN AGE GROUP AND THE OVERALL FACTORS RELATING TO CUSTOMER OPINION

Age Group	Highly Satisfied	Satisfied	Neutral	Total
Below 25 years	18(32.7%)	21(38.1%)	16(29.0%)	55
26 – 35 years	49(31.8%)	58(37.6%)	47(30.5%)	154
36 – 45 years	9(32.1%)	11(39.2%)	8(28.5%)	28
Above 46 years	4(30.7%)	5(38.4%)	4(30.7%)	13
Total	80	95	75	250

Source: Primary Data

**INTERPRETATION**

The calculation of Analysis of Variance is worked on considering the relationship between the age and the satisfaction level of respondents towards the services of retail stores. The calculation is concluded by accepting the Null hypothesis revealing that there is no significant relationship between age and satisfaction level.

TABLE NO – 6: CHI – SQUARE ANALYSIS FOR MONTHLY INCOME AND AVERAGE AMOUNT SPENT ON PURCHASE

**NULL HYPOTHESIS**

There is no significant relationship between monthly income and average amount spent on purchase.

**ALTERNATIVE HYPOTHESIS**

There is a significant relationship between monthly income and average amount spent on purchase.

Calculated Chi-Square Value	Degree of Freedom	Table Value	Conclusion
31.677	9	16.919	Rejected

The above table reveals that the Calculated Chi-square value (31.677) is greater than the table value (16.919). Hence the Null hypothesis is rejected at 5% level of significance. So there exists significant relationship between monthly income and average amount spent on purchase.

TABLE NO –7: CHI – SQUARE ANALYSIS FOR MONTHLY INCOME AND MODE OF PAYMENT

**NULL HYPOTHESIS**

There is no significant relationship between monthly income and mode of payment.

**ALTERNATIVE HYPOTHESIS**

There is a significant relationship between monthly income and mode of payment.

Calculated Chi-Square Value	Degree of Freedom	Table Value	Conclusion
171.619	9	16.919	Rejected

The above table reveals that the Calculated Chi-square value (171.619) is more than the table value (16.919). Hence the Null hypothesis is rejected at 5% level of significance. So there exists significant relationship between monthly income and Mode of payment.

TABLE NO – 8: CHI – SQUARE ANALYSIS FOR TYPE OF FAMILY AND FREQUENCY OF PURCHASE

**NULL HYPOTHESIS**

There is no significant relationship between type of family and frequency of purchase.

**ALTERNATIVE HYPOTHESIS**

There is a significant relationship between type of family and frequency of purchase.

Calculated Chi-Square Value	Degree of Freedom	Table Value	Conclusion
46.239	5	11.070	Rejected

The above table reveals that the Calculated Chi-square value (46.239) is more than the table value (11.070). Hence the Null hypothesis is rejected at 5% level of significance. So there exists significant relationship between type of family and frequency of purchase.

TABLE NO – 9: CHI – SQUARE ANALYSIS FOR AGE OF RESPONDENTS AND MEDIA OF AWARENESS

**NULL HYPOTHESIS**

There is no significant relationship between age of respondents and media of awareness.

**ALTERNATIVE HYPOTHESIS**

There is a significant relationship between age of respondents and media of awareness.

Calculated Chi-Square Value	Degree of Freedom	Table Value	Conclusion
50.659	9	16.91	Rejected

The above table reveals that the Calculated Chi-square value (50.659) is more than the table value (16.919). Hence the Null hypothesis is rejected at 5% level of significance. So there exists significant relationship between age of respondents and media of awareness

TABLE NO – 10: CHI – SQUARE ANALYSIS FOR FAMILY SIZE AND AVERAGE AMOUNT SPENT ON PURCHASE

**NULL HYPOTHESIS**

There is no significant relationship between family size and average amount spent on purchase.

**ALTERNATIVE HYPOTHESIS**

There is a significant relationship between family size and average amount spent on purchase.

Calculated Chi-Square Value	Degree of Freedom	Table Value	Conclusion
22.944	9	16.919	Rejected

The above table reveals that the Calculated Chi-square value (22.944) is more than the table value (16.919). Hence the Null hypothesis is rejected at 5% level of significance. So there exists significant relationship between family size and average amount spent on purchase.

**FINDINGS**

1. Majority of respondents ranked to prefer for Wider Product Variety in Retail Stores.
2. Majority of respondents ranked to prefer for the product of Fruits and Vegetables.
3. Majority of respondents ranked to prefer for the Retail Store of More.
4. There is no significant relationship between sex and satisfaction level of customers.
5. There is no significant relationship between age group and satisfaction level of customers.
6. There is no significant relationship between monthly income and average amount spent on purchase.
7. There is no significant relationship between monthly income and mode of payment
8. There is no significant relationship between type of family and frequency of purchase.
9. There is no significant relationship between age of respondents and media of awareness.
10. There is no significant relationship between family size and average amount spent on purchase.

**SUGGESTIONS**

1. Retail Stores should sell their products at reasonable price, which will induce more customers to purchase.
2. It should also adopt various customer loyalty programs and recognize the loyalty customers by providing them discounts, free gifts and so on.
3. It should also adopt new store technologies like self check out lane, computer kiosk, and portable hand held scanner which can reduce the rush in the billing counter.
4. It should concentrate on the external environment facilitates i.e. mainly parking facility.
5. It should concentrate on providing sufficient moving space inside the store.
6. It should also concentrate on physical comforts like fans, clean toilets and seating arrangements to the customers.
7. The sales person must be very courteous in answering to the customers which will induce them to spend more within the store which may in turn make them to buy more.

**CONCLUSION**

In order to accomplish success in retailing sector, the existing players as well as new entrants need to consider a host of factors . Understanding their evolving needs aspirations and life style is the underlying key to success for any retailers. The findings of the study reveals that consumers prefer modern retail formats due to quality, variety of products and for security purpose. Based on the study majority of the respondents are faced problem like insufficient parking facility, no proper crowd management and slow billing. Hence, the retail stores should concentrate mainly on consumer preference and satisfaction. To be successful, Retail Stores have to blend the best expertise and technology that the world has to offer and synergize these with the demands and expectations of the consumers.

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## AN EMPIRICAL STUDY ON ORGANIZATIONAL CLIMATE PREVAIL ON BANKING SECTOR OF PAKISTAN AND PERCEPTION OF EMPLOYEES REGARDING ORGANIZATION CLIMATE

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### ABSTRACT

*This study aimed to find out what the overall climate prevail in the banking sector of Pakistan and what the employees perceived regarding organizational climate. In this study the researcher used two different methods for research. First the researcher personally connected with 12 bank managers. The idea behind, the manager can also express the feelings of their staff. The second method used is organizational questionnaire surveys, commonly and widely used for data gathering purposes in companies of different sizes, 50 responses take into consideration. The first study is conducted to know the overall organization climate prevail in the organization. The first study result shows lack of facilities, favoritism system, Centralized decision making process is big hurdle in the way of strong organization system. Second study is conducted to know the perceptual difference of employees. According to my result there is no perceptual difference of employees on the basis of gender, experience, department and the qualification. This study tells that there is no perceptual difference on the basis of gender, experience and qualification but there is an average climate prevails in banking sector and a lot areas need to improve. This paper ends with some recommendation to improve organization climate in banking sector of Pakistan.*

### KEYWORDS

Organizational climate, Banks, Bank employees.

### INTRODUCTION

Organizational climate is important to organizational productivity. Many researchers have done in this area and author found an important relationship between them. The purpose of this study is to find what the overall climate prevail in the banking sector of Pakistan and what the employees perceived regarding organizational climate. Organizational climate factors cause to increase organizational productivity and management have clear understanding of their employees perception, behavior, attitude and thinking which ultimately brings high performance for organizations. Organization is a group of individuals who work together to achieve some common goal. There are a lot of components which jointly together to make this co-operation like work factors, physical factors, human factors as well as coordination factors.

According to Litwin and stringer, it is set of measureable properties of work environment that influence and motivate the behavior of people directly or indirectly who live and work in this environment. Argyris 1957 refer organizational climate to "personality" and some other author refers to flow of feeling and behavior. It is also said organizational climate is an interaction between personal variables of employees working in that organization and environmental variables. In simple words we can say organizational climate is how employees felt and perceived in organization. Litwin and Burke (1992) said organizational climate is an individuals' perception towards management or administration of their work units. Organizational climate is also individual's or employee perception towards organizations' work environment, Schneider et al. (1994). This perception comes from individual observations while working in organization. Hicks-Clarke and Iles (2000), said organizational climate is employees' perceptions on the rules and laws implemented in organization. Organizational climate has major rule on employee Performance in organization it bring effect on job satisfaction as well as on individual motivation. Organizational climate is also important because through effective organizational climate manager can manage the motivation level of his or her manager. Organizational effectiveness achieve through effective organizational climate and organization performance increase by it. According to Andrews (1971), the climate is used to make the quality of internal environment which include the development of individuals, the extent of members' commitment or dedication to organization purposes, quality of the cooperation and the efficiency by which purposes translated into results.

### LITERATURE REVIEW

For both individual and collective reasons, the relationship between organizational climate and organizational performance is expected to be mediated by affective reactions of employees. In studies of organizational climate assessments of personal meaningfulness are also found. Payne (1976) investigated that perceptions of an organization's emphasis on achievement, autonomy, understanding and affiliation were highly correlated with satisfaction with those aspects of climate.

Investigators have often derived climate scores from managers alone. For instance, Gordon and DiTomaso (1992) said company performance as a function of perceptions by the top four or five levels of management. They realized that "management is clearly not a representative sample of the employees in the companies" (p.788). However, they were argued that, because of managers' greater influence over work processes, "culture measured at this level will be most predictive of future behavior and performance of the firm" (p. 789). Top level managers only were studied by Peters and Waterman (1982), and a similar restriction was applied by Gordon (1985), Kotter and Heskett (1992), Denison and Mishra (1995) and Weber (1996), in each case excluding climate perceptions by non-managerial employees.

According to Curry (1994), there is important relationship between job satisfaction and organizational climate. Both can influence each other. Open atmosphere or climate will cause reducing the job satisfaction. Organizational climate have positive effects on job satisfaction and also have direct relationship between these two variables as higher the climate the job satisfaction is also higher (Walker, Mahajan, Ford, 1984). Villiani (2007) concluded organizational climate as an effective ingredient for efficacious and organization efficiency.



According to Samsupju et al., (2005) when jobholders' get desirable relationship with organization's management and colleagues it will cause effective affect on jobholder's job satisfaction. Nicke (2001) concluded that perception about the organization climate have important element of job satisfaction and also concluded that reward and interest also have important effect on job satisfaction and tendency of leaving the organization. According to Michalle, et al., (2006) when there are discrepancies in organization and organizational climate is insupportable will bring stress and finally cause job dissatisfaction. Potter and Lawler (1967) refer that there is a significant differences in perceptions and climate according to organizational level. Climate is more important for top level management rather than lower level management so perception of climate differ according to hierarchal level. According to Anita Gupta, organizational climate is important in developing competencies of the worker and give opportunities for fulfillment. She also suggested that the role of managers' should enhance and they should feel responsible in creating motivating and positive work culture that leads towards organizational effectiveness.

**ORGANZATIONAL CLIMATE AND CULTURE**

Often organizational culture and organizational climate is used interchangeably. According to many researchers organizational climate and organizational culture are similar concepts. Schneider (2000) succinctly concluded the differences between these two concepts that organizational climate describes experiences and events and show the patterns of behavior of employee and culture is explored when individuals are asked why these patterns of shared values, Beliefs and common assumption exist. Culture is seen as more deeply rooted in the organization and is based on employees' beliefs and assumptions and values. Organizational climate is a snapshot of a particular time in an organization. Denison (1996), Gerber (2003) and Moran and Volkwein (1992) present a list of differences between these concepts.

**ORGANIZATIONAL CULTURE**

- Organizational culture originates from within the anthropology domain.
- Its focus is on analyzing the underlying structure of symbols, myths and rituals.
- It is highly enduring characteristic of the organization.
- Organizational culture relatively invisible and is preconscious in individuals.
- It evolves slowly and is not easy to change.
- Organizational culture collective characteristics are exhibited.
- Qualitative methodology is used in organizational culture

**ORGANZATIONAL CLIMATE**

- It has roots in social psychology discipline.
- Its focus is on the individual's perceptions and cognitions.
- This is relatively enduring characteristic of the organization.
- It is more visible and operates at the level of values and attitudes.
- Organizational climate evolves more quickly and changes rapidly.
- It contains unique characteristics of individuals are evident.
- Quantitative methodology is used in organizational climate.

**STUDY OBJECTIVES**

Most of the work is done to know the relationship between organization climate and job satisfaction, but here purpose to know the perception of banking employees whether they are satisfied or dissatisfied with their organization climate. The aim of this study is to find the answers of these questions.

1. What the level of perception of employees regarding organizational climate?
2. What is the perceptual difference between male and female regarding organizational climate?
3. What is the perceptual difference between graduate and postgraduate regarding organizational climate?
4. What is the perceptual difference on the basis of departments regarding organizational climate?
5. What is the perceptual difference on the basis of working experience regarding organizational climate?

**RESEARCH METHODOLOGY**

**RESEARCH DESIGN**

The sample used in this study comprise employees of different department in three different banks which representing the banking Sector. The researcher selected three banks on the basis of judgmental sampling and use non probability random sampling for respondents.

**DATA COLLECTION**

In this study the researcher used two different methods for research. First the researcher personally connected with 12 bank managers. The idea behind, the manager can also express the feelings of their staff. The second method used is organizational questionnaire surveys, commonly and widely used for data gathering purposes in companies of different sizes. According to Kraut (1996), HR professionals may implement surveys to highlight areas of concern in company, impact of different programs, organizational changes, its impact on future decisions, measure long-term trends and provide communication channels to employees of organization. In this research traditionally, organizational surveys have been conducted using paper and pencil methods, no doubt this method of gathering information is costly and time consuming but provide more accurate and reliable information than other methods.

In this research 60 questionnaire are distributed among different banks employees, out of which 52 gives respond and 2 are ignored due to incomplete information. These participants vary on the basis of gender. The education level of respondents is also different. Working experience of selected participants is also varying. These respondents belong to different departments in different organization.

**INSTRUMENT**

This Questionnaire contains 38 items of scale variables which have five alternatives such as not at strongly agree, agree, neutral, disagree, and strongly disagree. Each item contain the 1 to 5 scores which indicate, 1 contain there is no climate in banks or really poor climate in these Banks. And score 2 indicate poor climate but somehow improve and 3 indicate there is an average climate prevail in these organization, and 4 indicate there is positive climate in the organization and 5 show there is an extraordinarily climate prevail in these banks. Instrument contains 7 components which represents overall organization climate. These components are Environment, Team Work, Managements Effectiveness, Involvement, Reward and recognaization, competency and Commitment.

**STATISTICAL MEASURES**

To analyze the results, different statistical measures such as Mean, Standard Deviation, and T-test were performed through SPSS 18.

**RELIABILITY STATISTICS**

**RELIABILITY STATISTICS**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.883	.883	38

To check the reliability of data Researcher conduct reliability statistic. In the social sciences research the Cronbach's alpha > 0.70 is considered acceptable. In our case the value of Cronbach's alpha is 0.883, which shows a good reliability and also preferable.

**DATA ANALYSIS AND FINDINGS**

**FIRST FINDING**

The Researcher personally conducted interview with 12 managers. Time duration is average 15 minutes. This interview is conducted to find the first objective of our study to know the overall perception of the employees regarding organizational climate, the manager can also express the feelings of their staff. The overall perception is on average. Questions were asked about major seven components of the instrument. Three respondents are satisfied with their organizational climate. Other nine respondents are to some extent satisfied with their organizational climate but they highlight some practices that prevail in organizational climate. Four respondent highlight reward mechanisms is on favoritism and remaining are focus on centralized decision making process and all the decision are made on upper level management. Most of the employee's perception also matches with the perception of managers. This is supported by our findings. Mean score of all banks is 3.40 that indicate there is an average organization climate exists in all these organizations. In one aspect it shows there is a tremendous scope of improvement. The organization need to facilitate employees that leads toward strong organization climate.

**SECOND FINDING**

The first study is conducted to find the perception of overall organization climate. The second study is conducted to find the perceptual difference of employees on the basis of gender, experience, department and qualification. For this purpose questionnaire is used and we make four hypotheses which are as below.

**TABLE SHOWS THE MEAN SCORE OF ALL THREE BANKS**

Table shows the mean score of all three banks is 3.460 that indicate there is an average climate exists in all these organizations. In one aspect it shows there is a tremendous scope of improvement of climate in banks but it also shows it make much improvement than the past.

**SUMMARY ITEM STATISTICS**

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.460	2.560	3.960	1.400	1.547	.088	38

Tables shows Mean and Standard Deviation Results of 38 Item - Organization Climate Survey with individual Component Respond by 50 employees of all banks

**TEAM WORK**

	N	Mean	Std. Deviation
My superior gives me help and support	50	3.92	.922
My supervisor gives feedback on what I am doing right and where to improve.	50	3.68	1.096
I am able to work in team with my co-workers	50	3.96	.989
My department communicates well with other departments in my company	50	3.50	.974
My department makes a valuable contribution to my company	50	3.58	.971
My department meets its customer requirements	50	3.52	.974
Total	50	3.69	

The mean score of Environment was found to be higher than the other components which indicate that employees in this organization ready to work with each other and helpful to each other and discuss their problems with their managers.

**COMMITMENT**

	N	Mean	Std. Deviation
I am willing to put in extra effort when necessary.	50	3.70	.953
I am proud to say I work in my company	50	3.80	.881
I am loyal to my company	50	3.80	.948
I plan to spend my entire career in my company	50	3.56	.993
I have a high working morale.	50	3.66	.895
I recommend my company as the best place to work to others	50	3.46	1.034
Total	50	3.63	

The mean score of Commitment was found to be higher than other five components and in number 2. The mean score is 3.63 which indicate employees are loyal with his job and company. They are willing to put in extra effort when necessary, which is good sign towards organization climate.

**ENVIRONMENT**

	N	Mean	Std. Deviation
My work area is a safe working environment	50	3.70	1.233
My work area is clean and comfortable with necessary equipments.	50	3.68	.978
I maintain a good balance between work and other aspects of my life.	50	3.50	.953
I am satisfied with my working conditions they are up to my expectation.	50	3.56	1.053
I have the flexibility to arrange my work schedule to meet my personal/family responsibilities.	50	3.04	1.277
Total	50	3.49	

The mean score of Environment is 3.49 and was found to be higher than the other four components. Overall environment of the organization are good, employees are satisfied with the safe and clean working environment. But the item with score 3.04 show employees are unable to find good time to meet their family which shows Banks timing are more than day capacity.

**COMPETENCY**

	N	Mean	Std. Deviation
I receive adequate training relevant to my job.	50	3.12	1.023
I have the skills I consider most important to do my job effectively.	50	3.74	.876
Training helps me to improve my performance	50	3.66	1.002
I feel stress in my job	50	3.28	1.144
My company helps me to develop myself and my career	50	3.58	.859
I think my work is overloaded	50	3.46	.994
Total	50	3.47	

The mean score of competency is in number 4. The overall mean score of this component is good which indicate employees believe training plays very important role for improvement of performance. Here employees are not receiving proper training and they feel stress in their jobs.

**MANAGEMENT EFFECTIVENESS**

	N	Mean	Std. Deviation
Management pays careful attention to my suggestion	50	3.08	1.085
I trust management	50	3.18	.962
Management has a good understanding of what goes on in my department	50	3.40	.969
I am treated with respect by management	50	3.66	.939
I wish to give suggestions for the development of the company	50	3.78	1.166
Total	50	3.42	

The mean score of management effectiveness was found in number 5. The item with very low score is 3.08 which indicate management does not pay any careful attention to individual employee suggestion. Management must clearly convey all polices with the all level of staff and should be careful while tackling employees understanding.

**REWARD AND RECOGONAIZATION**

**REWARD AND RECOGONAIZATION**

	N	Mean	Std. Deviation
I am recognized for my good work	50	3.66	.895
I receive appropriate feedback about my performance	50	3.30	.931
My company has realistic work expectations.	50	3.24	1.001
I am satisfied with the pay and benefit I receive	50	3.02	1.040
Promotions are based on the performance	50	3.16	1.149
Total	50	3.27	

The mean score of reward and recognition was found to be second last number which indicates the employees are quite unsatisfied with respect to promotion, reward and benefit decisions of the banking sector.

**INVOLVEMENT**

	N	Mean	Std. Deviation
Management keeps my department adequately informed about what is going on in the company	50	3.38	1.048
My company encourages me to help in developing improved work processes	50	3.30	1.129
At my company, management seeks the involvement of employees when making important decisions.	50	2.56	1.146
My company is sensitive to my individual needs	50	3.04	1.142
I know what is happening in other parts of my company	50	3.26	.853
Total	50	3.10	

The mean score of involvement shows in last number of overall organization climate prevail in banking sectors, which indicate employees are not properly involve with decisions making procedure of the organization and employees are also not much familiar with polices and procedure of the organizations.

**TESTING OF HYPOTHESIS**

**HYPOTHESIS 1**

H0: There is no perceptual difference on the basis of departments regarding organizational climate.

H1: There is perceptual difference on the basis of departments regarding organizational climate

**TABLE SHOWS PERCEPTION DIFFERENCE BETWEEN HR AND OPERATION DEPARTMENT**

**GROUP STATISTICS**

	Department	N	Mean	Std. Deviation	Std. Error Mean
Organization Climate	HR	23	3.4737	.48316	.10075
	Operation	27	3.4483	.40960	.07883

**INDEPENDENT SAMPLES TEST**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Organization Climate	Equal variances assumed	.389	.536	.201	48	.842	.02534	.12622	-.22844	.27913
	Equal variances not assumed			.198	43.415	.844	.02534	.12792	-.23256	.28325

The level of significance is .536 which is more than 0.05 so we accept the null hypothesis that shows there is no significant difference in the perception of HR department employees and operation department employees.

**HYPOTHESIS 2**

H0: There is no perceptual difference between male and female regarding organizational climate.

H1: There is perceptual difference between male and female regarding organization climate.

**TABLE SHOWS PERCEPTION DIFFERENCE BETWEEN MALE AND FEMALE**

GROUP STATISTICS					
	Gender	N	Mean	Std. Deviation	Std. Error Mean
Organization Climate	Male	23	3.5584	.45580	.09504
	Female	27	3.3762	.41710	.08027

**INDEPENDENT SAMPLES TEST**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Organization Climate	Equal variances assumed	.338	.564	1.475	48	.147	.18213	.12351	-.06619	.43046
	Equal variances not assumed			1.464	45.144	.150	.18213	.12440	-.06841	.43267

The level of significance is .564 so we accept the null hypothesis that shows there is no significant difference in the perception of male and female perception. Male and female perception about the organization climate is same.

**HYPOTHESIS 3**

H0: There is no perceptual difference on the basis of employees working experience regarding organizational climate.

H1: There is perceptual difference on the basis of employees working experience regarding organizational climate.

**TABLE SHOWS PERCEPTION DIFFERENCE BETWEEN ON THE BASIS OF EXPERIENCE OF EMPLOYEES**

GROUP STATISTICS					
	years	N	Mean	Std. Deviation	Std. Error Mean
Organization Climate	less than 10	26	3.4889	.45739	.08970
	more than 10	24	3.4287	.42888	.08754

**INDEPENDENT SAMPLES TEST**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Organization Climate	Equal variances assumed	.005	.945	.479	48	.634	.06014	.12567	-.19254	.31282
	Equal variances not assumed			.480	47.986	.634	.06014	.12534	-.19188	.31216

The level of significance is .945 which is greater than 0.05 so we accept the null hypothesis that shows there is no significant difference in the perception of employees on the basis of experience.

**HYPOTHESIS 4**

H0: There is no perceptual difference on the basis of education level of employees regarding organizational climate.

H1: There is perceptual difference on the basis of educational level of employees regarding organizational climate

**TABLE SHOWS PERCEPTION DIFFERENCE BETWEEN GRADUATE AND POST GRADUATE PERCEPTION**

GROUP STATISTICS					
	Qualification	N	Mean	Std. Deviation	Std. Error Mean
Organization Climate	Graduation	20	3.4737	.48973	.10951
	Master	30	3.4509	.41285	.07538

**INDEPENDENT SAMPLES TEST**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Organization Climate	Equal variances assumed	1.467	.232	.178	48	.860	.02281	.12842	-.23540	.28102
	Equal variances not assumed			.172	35.978	.865	.02281	.13294	-.24681	.29243

The level of significance is .232 which is greater than 0.05 so we accept the null hypothesis that shows there is no significant difference in the perception of Graduate and Post Graduate. Both have same perception regarding organization climate.

**LIMITATION**

1. This study was conducted in selected three banks which may not give the exact picture regarding organization climate.
2. Small sample size is also one of the limitations of the study.

**RECOMMENDATIONS**

Fowling steps are required for the improvement of organization climate in banks.

1. The management make sure proper and comfortable working environment for employees
2. The top management must encourage the team spirit of employees.
3. Management should treat all the employees on equitable basis. Favoritism system must be discouraged.
4. Appraisal and promotion must be done on the basis of merit.
5. The communication system between management and employees must be strong.
6. Management must introduce training programmed according to the needs of the employees
7. Few special reward systems must be introduced, for the increase of level of commitment of employees.

**CONCLUSIONS**

Organizational climate is important to organizational productivity. After analysis the whole study the researcher come to conclusion there is an average organization climate prevail in the banks and a lot of area which need to improve. The first study is conducted to know the overall organization climate prevail in the organization. The first study result shows lack of facilities, favoritism system, Centralized decision making process is big hurdle in the way of strong organization system. Second study is conducted to know the perceptual difference of employees. According to my result there is no perceptual difference of employees on the basis of gender, experience, qualification and department. This study also tells that there is no perceptual difference on the basis of gender, experience and qualification but there is an average climate prevails in banking sector and a lot areas need to improve like workplace environment that is not so much productive. There is some problem in management effectiveness. Rules and policies are not transfer in better way to lower management. Job commitment is low due to difference in work and reward. Mostly bankers switch their jobs when they got more remuneration. Bureaucracy behavior in recruitment of employees causes a barrier in better organization climate.

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## PERFORMANCE ANALYSIS & BENCHMARKING OF SELECTED LISTED HOUSING FINANCE COMPANIES IN INDIA- A CAMEL APPROACH

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### ABSTRACT

*The main aim of this research paper is to analyze the financial performance of the listed housing finance companies (HFCs) in India for a period of five years from 2007-2008 to 2011-12, using the CAMEL model (Capital Adequacy, Asset Quality, Management Efficiency, Earning Capability & Liquidity). Sample size for this study consists of 6 listed HFCs selected based on purposive sampling. Certain ratios have been calculated under each acronym of CAMEL and selected HFCs were ranked based on the ratio values. ANOVA (F-test) has been used to statistically test whether there is any significant difference among the selected HFCs. The source of the data was collected from the annual reports of HFCs and tools like SPSS & excel has been used for statistical analysis, grouping and tabulation. As a part of this study, significant difference was observed among the selected HFCs with regard to all the CAMEL parameters. GRUH is ranked first under the CAMEL analysis followed by HDFC and GIC who secured the second and third position respectively. DEWAN occupied the fourth position, and the fifth position occupied by CANFIN. The last position under CAMEL analysis is occupied by LICHL.*

### KEYWORDS

CAMEL, Housing Finance Companies, National Housing Bank.

### 1. INTRODUCTION

Housing is one of the basic human needs and is second to the need for food and clothing. Housing finance is a specialized form of finance and efficiency of housing finance system in a country is one of the basic indicators of the growth of its economy. The emergence of a formal institutional system for housing finance has been quite late in India with the formation of National Housing Bank (NHB) in 1988, since then housing is being accorded high priority by the Government. Housing and housing finance activities in India have witnessed tremendous growth over the years. Some of the factors that have led to this growth are - tax concessions to borrowers, increase in disposable income levels, changing age profile of the borrowers, easy availability of loans, nuclear families and urbanization, etc. As per 11th Five Year Plan (2007-2012) the total number of houses that would be required cumulatively in the plan period is slated at 45 million units (7 million backlog plus 38 million additional units) which will require an investment of around Rs.10 trillion between 2007-2012, i.e. Rs.2 trillion per year.

Housing Finance Companies (HFCs) play an important role in the Indian housing finance market. They compete with banks in offering home loans and other related products. Apart from traditional home loans, other products offered by HFCs are Loans against Property, Builder Loans and others. Unlike the other non-banking finance companies which are governed by the Reserve Bank of India (RBI), the housing finance companies are governed by the National Housing Bank (NHB). Housing Finance Companies (HFCs) that once dominated the market as the most prominent group are facing serious competition from the commercial banks (CBs). In respect of HFCs, apart from their gradually lowering market share year after year, there has been significant pressure on their profitability because of the thinning profit margins arising from competition and increased cost of funds. Hence, enhanced operational as well financial efficiency is necessary for survival and growth of HFCs in India. There is also a need to study the performance analysis of HFCs, especially in the present scenario of cut-throat competition thrown up by many organizations into housing finance industry. The present study put focus on the analysis of financial performance of the HFCs whose business is primarily housing finance.

### 2.1 REVIEW OF RELEVANT LITERATURE

#### (2.1.i) HOUSING FINANCE COMPANIES (HFCs)

As per the NHB Act 1987, "A HFC is a company which mainly carries on the business of housing finance or has one of its main object clause in the Memorandum of Association of carrying on the business of providing finance for the housing". As per the report on Trend and progress of housing in India 2012 issued by the National Housing Bank, "Housing Finance Companies (specialized institutions lending for housing) registered with the National Housing Bank are a major component of the mortgage lending institutions in India. The 54 HFCs registered with the National Housing Bank as on March 31, 2012 have a network of approximately 1692 branches spread across the country.

#### (2.1.ii) HOUSING FINANCE SCENARIO IN INDIA

As per the report on Trend and progress of housing in India 2012 issued by the National Housing Bank, "The Indian Mortgage Market has been growing at around 18 per cent in the fiscal year 2010-11 owing to enabling factors such as a stable operating environment, buoyant property prices etc. Prior to formation of the National Housing Bank in 1988 and tabling of the draft housing policy, the housing finance sector was dominated by informal sources. However, the market has evolved since then and today a number of institutions offer housing finance as a product. The growth in the housing loan portfolio of HFCs has been encouraging with a growth of 19 per cent in the outstanding housing loan portfolio for the year ending March 31, 2012. The market share of HFCs is approximately 30-35 per cent of the retail housing finance market catering primarily to the borrowers in the formal sector."

#### (2.1.iii) CAMEL APPROACH

The 'CAMEL' approach was developed by bank regulators in the US as a means of measurement of the financial condition of a financial institution. Accordingly, the 'Uniform Financial Institutions Rating System' was established by the Federal Financial Institutions Examination Council in the US. This system was also adopted by national Credit Union Administration NCUA in Oct 1987 (Milligan, 2002). Here, the acronym 'CAMEL' stands for, Capital Adequacy (C), Asset Quality (A), Management (M), Earnings (E) and Liquidity (L). CAMEL model assesses the overall condition of the Financial Institution, its strengths and weakness (Sarker, 2005). In India too, initiatives in the direction of assessment of financial stability of financial institutions have been in place since the early 1990s. The acronyms used in the CAMEL approach have been discussed below-

**CAPITAL ADEQUACY**

The deference between total assets and total liabilities is called capital. It shows ability of the firm that liability could be privileged. If there is any loss from loans & advances, it will be a great risk for banks to meet the demand of their stakeholder & depositors. Therefore to prevent the bank from failure it is necessary to maintain a significant level of capital adequacy (Chen, 2003). According to Trautmann (2006), sound capital adequacy signifies that-

- All capital requirements are fulfilled and go beyond of the level.
- Earning performance of the bank very good.
- Bank growth is controlled and administered well
- Nonperforming loans and assets are very less in number
- Bank has the ability to raise new capital and give reasonable dividend.

Capital adequacy represents the relationship between equity and risk weighted assets and can be viewed as the key indicator of HFC's financial soundness. It is seen as a cushion to promote the stability and efficiency of financial system and also indicates whether the housing finance company has enough capital to absorb losses. HFC's capital provides the second level of protection to debt holders (earnings being the first) and therefore its adequacy is important. High CAR indicates the ability of the company to undertake additional business.

**ASSET QUALITY**

Asset quality is one of the most important elements of CAMELS frame work to rate a financial institution/bank (Jerome, 2008). Decision regarding allocation of the deposited amount of the bank in loan portfolio, investments, owned real estate, securities and off balance sheet transaction determines the quality of its assets. These are taken into consideration while calculating the default/credit risk of a bank. Quality of these assets indicates the future losses to the bank and its ability to overcome these unanticipated losses. Madura, 2009 in his book FINANCIAL MARKETS & INSTITUTIONS discusses that to evaluate quality of the loans pass on by the banks, Federal Reserve System (Central banking of America) consider 5Cs that are as under (Madura, 2009 p.65):

**CAPACITY:** Ability of the borrower to pay back the loan

- Collateral: Amount and quality of backup assets
- Condition: Situation that propel for requirement of the funds
- Capital: It is calculated by the difference between the value of assets and liabilities of the borrower
- Character: Willingness and previous record of the borrower to repay the loan.

Sundararajan & Errico (2002) in their working paper submitted to International Monetary Fund (IMF) discussed that how asset quality is assessed in standard CAMELS rating framework. According to them asset quality is assessed on the following four classifications: (1) intensity, allocation and rigorousness of classified assets (2) level and composition of nonperforming assets (3) the competence of estimating reserves and (4) the established capabilities to manage and collect bad debts. According to Trautmann (2006), good asset quality signifies that-

- Bad-debts and or non performing loans are kept under good control
- Loan Portfolio of the financial institution is managed efficiently is not a credit risk threat.

Asset quality is one of the most critical areas in determining the overall financial health of a housing finance company as it plays an important role in indicating the future financial performance of HFC. The focus of asset quality evaluation is on lifetime losses, variability in losses under various scenarios, the impact of likely credit costs on profitability, and the cushions available (in the form of capital or provisions) to protect the debt holders from unexpected deterioration in asset quality.

**MANAGEMENT EFFICIENCY**

Management efficiency and soundness is assessed from the efficiency in operations. HFC's operating efficiency can be determined from the assessment of Operating Expenses to Gross Income and cost to income ratio. According to Baral, (2005) It is difficult to determine the sound performance of management of the bank. For individual institution it is not a quantitative factor it is primarily qualitative factor. How to measure the soundness of the management? However there are quite a few indicators to assess the soundness of the management these are: cost to Income ratio, average loan size, expense ratio etc. These indicators can be used to measure the management quality.

**EARNINGS AND PROFITABILITY**

To stay in the market for a long term, financial institutions are totally dependent upon generation of adequate earnings, rewards to be paid back to its shareholders, protect and improve its capital. (Couto & Brasil, 2002). According to Sarker, 2005, Earning quantifies the performance of the institution to increase and maintain the total worth through earnings from operations. It also assesses the interest rate policy, management examine and adjust the interest rate on micro finance loans and evaluate the adjusted return on assets that how well the assets are utilized.

An HFC's ability to generate adequate returns is important from the perspective of both its shareholders and debt holders. Profitable operations are essential for HFC to operate as an going concern. The evaluation of an HFC's profitability and earning capability can be conducted with help of ratios like interest expenditure to Interest Income, Return on Equity, Return on Assets and Return on Net Worth.

Interest cover is also a useful indicator of the extent of cover over the interest paid by the company. The overall profitability can be examined in terms of, return on capital employed, return on assets and return on shareholders' funds.

**LIQUIDITY**

According to Berger & Bouwman 2009, liquidity creation and transformation of the risk are the two most important roles perform by the financial intermediaries in a financial system. Bryant 1980 and Diamond & Dybvig 1983 discuss in there articles that creation of liquidity is the most important function of the banking system. They argued that they create this liquidity on their balance sheet such that by financing comparatively liquid assets by means of comparatively liquid liabilities (Berger & Bouwman, 2007, p. 1).

Any financial institution that maintains a high level of liquidity has the capability to overcome the difficulties it may face in short term business (Jerome, 2008). As per Sarker (2005), Liquidity Managementscrutinizes institution liabilities like interest rate, payment terms, tenor etc. It also evaluates fund availability to meet its credit demand and cash flow requirements.

With regard to HFCs, Asset Liability mismatch is common, as the average tenor of assets is longer than that of its liabilities. However the gaps vary depending on the funding mix and liquidity policy of the HFC. Lack of liquidity can lead an HFC towards failure, while, strong liquidity can help even an otherwise weak company to remain adequately funded during difficult times. Liquidity crises may turn to be serious in the concerns, where obligations are of short duration nature. Generally, HFCs in India finance their loan advances that have longer maturity with borrowings of lower maturity. The liquidity risk is evaluated by examining the assets liability maturity (ALM) profile, collection efficiency and proportion of liquid assets to total assets.

**2.2 PREVIOUS RESEARCH AND RESEARCH GAP**

Ashwani, Parvinder and Pushpinder (2009) studied the effect of various selected independent variables (i.e Interest income, interest expenses, Non interest income, operating and administrative expenses and employee costs) on profitability of selected HFCs. Additionally, Bi-variate Correlation analysis has been used to study the correlation between various variables. As per their study, it was concluded that the overall profitability of the housing finance companies has gone down as observed in falling trend of return on capital employed.

Manoj (2010) tried to analyze the operational efficiency for a sample of 10 major HFCs in India based on their relative operational efficiency calculated with cost to income ratio and ROE (Return on Equity). Tools of statistical analysis (like, Trend Analysis, Correlation Analysis, and Regression Analysis etc.) were used to test the significant variance. It was concluded that there exists quite significant difference in the operational efficiency of major HFCs in India, primarily because of the difference in the cost structure of the respective HFCs.

Manoj (2010) tried to analyze the financial soundness of housing finance companies in India and determinants of profitability using a 'CAMEL' approach along with ROE Decomposition Analysis for a sample of top 10 HFCs. Popular tools of financial analysis (like, ROE Decomposition Analysis) were used for analyzing the profitability of the HFCs, while 'CAMEL' method was used to assess the financial soundness and also to categorize these HFCs into a few distinct groups. It was

concluded that while there is significant difference in the relative financial soundness of HFCs in India, all HFCs are constantly under pressures of rising costs. Close monitoring of costs for improving their returns to income ratio is quite essential for enhancing ROE.

Guruswamy (2012) conducted a comparative analysis of selected HFCs in India for a sample of four housing finance companies i.e. Housing Development Finance Corporation Ltd., LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd using a secondary data for a period of 10 years from 1991-92 to 2000-2001. The analysis of this based on rankings leads to conclude that it was LIC Housing Finance Ltd., and Housing Development Finance Corporation Ltd stood as an excellent housing finance company having the real competition in the housing finance field.

### 2.3 IMPORTANCE OF THE STUDY

In view of the foregoing, it may be noted that studies on performance analysis of Housing Finance Companies in India are still at an early stage and those focusing on CAMEL approach are few. Hence, the present study seeks to fill this research gap and contributes to the existing literature by conducting "PERFORMANCE ANALYSIS & BENCHMARKING OF SELECTED LISTED HOUSING FINANCE COMPANIES IN INDIA- A CAMEL APPROACH"

### 3.1 OBJECTIVES OF THE STUDY

To analyse the financial performance of selected housing finance companies and benchmark them based on the CAMEL parameters.

### 3.2 METHODOLOGY

#### (3.2.i) NATURE OF THE RESEARCH

The paper is analytical in nature to the extent that it aims to analyse the performance of the selected HFCs in India and benchmark them based on the CAMEL parameters.

#### (3.2.ii) HYPOTHESIS

Against the backdrop of overall objective stated above, the following null hypotheses were formulated.

1. There is no significant difference between the HFCs with regard to Capital Adequacy
2. There is no significant difference between the HFCs with regard to Asset Quality
3. There is no significant difference between the HFCs with regard to Management Efficiency.
4. There is no significant difference between the HFCs with regard to Earning & Profitability
5. There is no significant difference between the HFCs with regard to Liquidity

#### (3.2.iii) SAMPLING DESIGN

Purposive Sampling design has been followed wherein the HFC for evaluation has been selected on the following criteria:

- HFCs are registered with National Housing Bank and eligible to accept public deposits and
- HFCs listed in any of the stock exchange (NSE or BSE) as on March 2012.

Details of companies selected as per criteria mentioned above & its market share as of 31<sup>st</sup> March 2012 is follows:

Sr No	Name Of the HFCs	Market Cap (Rs. Crore)
1	Housing Development Finance Corporation Ltd (HDFC)	120,009.69
2	LIC Housing Finance (LICHFL)	14,294.58
3	GRUH Finance (GRUH)	3,939.60
4	Dewan Housing (DEWAN)	2,477.82
5	GIC Housing Finance (GIC)	726.72
6	Can Fin Homes Limited (CANFIN)	340.77

Source: Market Cap data of HFCs from moneycontrol.com

#### (3.2.iv) DATA SOURCES

This study use the secondary data collected from the published annual reports of the respective HFCs. Relevant information regarding the list of HFCs having registration are collected from the website of National Housing Bank (NHB). (Annexure-I)

#### (3.2.v) ANALYTICAL TOOLS

The evaluation of performance of Housing Finance Companies can be measured by a number of indicators. However, in present study, CAMEL parameters are used to study the financial performance of HFCs. CAMEL acronym has been discussed above as a part of literature review. Ratios calculated to test each acronym are as follows:

Sr No.	CAMEL Parameters	Ratio Tested
1	Capital Adequacy (C)	a.) Capital (Net Worth) to Total Assets b.) Debt equity ratio c.) Capital Adequacy Ratio
2	Asset Quality (A)	a.) Gross NPA to Loans & Advances b.) Return on Assets
3	Management (M)	a.) Expenses to Average Total Assets b.) Cost to income ratio c.) Return on Net Worth
4	Earnings (E)	a.) Net Interest Margin/ Average Total Assets b.) Interest income / Avg. Total Assets
5	Liquidity (L)	a.) Current Ratio b.) Quick Ratio

Based on the values of the ratios, the selected housing finance companies have been ranked. Higher average value of the ratios gets ranked higher. The best ratio gets rank one followed up to rank six with an interval of one. In case of tie, the average rank is assigned to the HFCs. All the ratios having higher value get higher rank whereas the ratio debt equity, Cost to Income and Expense to Average Asset ratio gets the rank in reverse order. In addition to the ratio analysis, the difference among the HFCs with regard to CAMEL parameters has been tested statistically with the help of F-Test at significance level of 1%.

## 4. RESULTS AND DISCUSSIONS

The analysis and results of selected listed HFC's under each acronym i.e capital adequacy, assets quality, management efficiency, earnings and liquidity are discussed below-

### 4.1 CAPITAL ADEQUACY

The capital adequacy reflects the overall financial position of the financial institution. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 1.

TABLE-1: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- CAPITAL ADEQUACY (C)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Capital (Net Worth) to Total Assets	12.76	8.57	9.29	9.01	12.52	12.55	38.22
Ranking	1	6	4	5	3	2	
b.) Debt equity ratio	6.51	10.37	9.51	9.98	6.72	6.79	30.97
Ranking	1	6	4	5	2	3	
c.) Capital Adequacy Ratio	15.02	14.65	15.64	17.56	17.51	18.10	3.45
Ranking	5	6	4	2	3	1	
Overall Group Ranking	2.3	6.0	4.0	4.0	2.7	2.0	

Source: Based on values as per Table-7 (Annexure-1)

- It is observed that the highest average capital to total asset has been of HDFC with an average ratio of 12.76 and is followed by CANFIN with an average of 12.55. LIC Housing is the lowest of all with an average value of 8.57 percent.
- In terms of debt equity ratio, HDFC secured top position with a lowest average value of 6.51 followed by GIC and CANFIN with an average value of 6.72 and 6.79 respectively.
- All HFCs are maintaining good CAR. It is found that CANFIN secured the top position with highest average CAR of 18.10 followed by DEWAN & GIC with an average value of 17.56 & 17.51 respectively.

On the basis of group averages of three sub-parameters of capital adequacy CANFIN was at the top position with an average group ranking of 2.0, followed by HDFC (2.3) and GIC (2.7). LICHFL stood at the last position due to its poor performance in all sub parameters of capital adequacy.

#### HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-1) reveal that there is a significant difference in the capital adequacy parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to capital adequacy.

#### 4.2 ASSET QUALITY

The quality of assets is an important parameter to gauge the strength of HFC. The prime motto behind measuring the assets quality is to ascertain the component of non-performing assets as a percentage of the total assets. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 2.

TABLE-2: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- ASSET QUALITY (A)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Gross NPA to Loans & Advances	0.79	0.01	0.90	1.13	3.35	1.16	25.35
Ranking	2	1	3	4	6	5	
b.) Return on Assets	2.96	0.38	2.68	1.76	2.37	1.72	7.75
Ranking	1	6	2	4	3	5	
Overall Group Ranking	1.5	3.5	2.5	4.0	4.5	5.0	

Source: Based on values as per Table-8 (Annexure-1)

- LICHFL secured a top position with a lowest average value of 0.01 for Gross NPA to Loans & Advances followed by HDFC (0.79) and GRUH (0.90). GIC was at the last position with an average of 3.35.
- In case of Return on Assets, HDFC was at the top position with a highest average of 2.96 followed by GRUH (2.68) DEWAN (1.76). LICHFL was at the last position with lowest average of 0.38.

On the basis of group averages of sub-parameters of assets quality, HDFC was at the top position with group average of 1.5, followed by GRUH (2.5). CANFIN who secured top position under capital adequacy parameter was the last in asset quality parameter due to its high NPA and low return on assets.

#### HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-2) reveal that there is a significant difference in the asset quality parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to Asset Quality.

#### 4.3 MANAGEMENT EFFICIENCY

Management efficiency is another important element of the CAMEL Model. The ratio in this segment involves subjective analysis to measure the efficiency and effectiveness of management. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 3.

TABLE-3: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- MANAGEMENT EFFICIENCY (M)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Expenses to Average Total Assets	0.44	0.46	0.99	1.26	0.73	0.70	70.21
Ranking	1	2	5	6	3	4	
b.) Cost to income ratio	10.12	16.44	20.40	36.04	12.47	21.97	52.52
Ranking	1	3	4	6	2	5	
c.) Return on Net Worth	21.62	20.78	28.48	17.58	17.99	13.67	11.57
Ranking	2	3	1	5	4	6	
Overall Group Ranking	1.3	2.7	3.3	5.7	3.0	5.0	

Source: Based on values as per Table-9 (Annexure-1)

- Except DEWAN, expense to average asset ratio for all the HFCs is less than the average value of 1. HDFC secured a top position with a lowest average value of 0.44 followed by LICHFL (0.46) and GIC (0.73). DEWAN was at the last position with an average of 1.26.
- In terms of Cost to income ratio, it can be noted that HDFC is undisputedly the best HFC with its lowest cost to income ratio followed by GIC and LICHFL. DEWAN and CANFIN housing having a highest value for cost to income ratio.
- For Return on Net Worth, GRUH secured a top position with a highest average value of 28.48 followed by HDFC (21.62) and LICHFL (20.78). CANFIN was at the last position with a lowest average of 13.67.

On the basis of group averages of sub-parameters of management efficiency, HDFC was at the top position with group average of 1.3, followed by LIC (2.7) and GIC (3.0). CANFIN again secured last position in this parameter too due to its high cost to income ratio and low return on net worth.

#### HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-3) reveal that there is a significant difference in the management efficiency parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to management efficiency.



#### 4.4 EARNINGS

HFCs depend on their earnings for performing the housing finance activities, maintaining adequate capital levels and maintaining the competitive outlook. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 4.

TABLE-4: PERFORMANCE OF SELECTED HFC'S AS PER 'CAMEL' ACRONYM- EARNINGS (E)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Net Interest Margin/ Average Total Assets	3.54	2.51	4.77	2.57	3.55	2.75	30.98
Ranking	3	6	1	5	2	4	
b.) Interest income / Avg. Total Assets	10.45	9.76	11.69	11.13	10.64	10.68	3.85
Ranking	5	6	1	2	4	3	
Overall Group Ranking	4.0	6.0	1.0	3.5	3.0	3.5	

Source: Based on values as per Table-10 (Annexure-I)

- GRUH secured a top position with a highest average value of 4.77 for Net interest margin to average total asset followed by GIC (3.55) and HDFC (3.54). LICHFL was at last position with an average value of 2.51.
- In terms of Interest income to average total asset, it can be noted that GRUH was at top position with its highest Interest income to average total asset ratio followed by DEWAN and CANFIN. HDFC for the first time secured one of the bottom two positions along with LICHFL.
- For Return on Net Worth, GRUH secured a top position with a highest average value of 28.48 followed by HDFC (21.62) and LICHFL (20.78). CANFIN was at the last position with a lowest average of 13.67.

**On the basis of group averages of sub-parameters of management efficiency, HDFC was at the top position with group average of 1.3, followed by LIC (2.7) and GIC (3.0). CANFIN again secured last position in this parameter too due to its high cost to income ratio and low return on net worth.**

#### HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-4) reveal that there is a significant difference in the earning parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to earning capability.

#### 4.5 LIQUIDITY

Liquidity management is of prime importance to Financial Institution due to competitive pressure. HFCs inability to manage its short term liquidity liabilities and loan commitments can adversely impact the performance of the HFCs by substantially increasing its cost of fund and over exposure to unrated asset category. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 5.

TABLE-5: PERFORMANCE OF SELECTED HFC'S AS PER 'CAMEL' ACRONYM- LIQUIDITY (L)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Current Ratio	8.26	11.58	24.09	42.32	1.39	18.32	8.21
Ranking	5	4	2	1	6	3	
b.) Quick Ratio	17.05	14.34	33.42	44.95	41.20	30.99	3.08
Ranking	5	6	3	1	2	4	
Overall Group Ranking	5.0	5.0	2.5	1.0	4.0	3.5	

Source: Based on values as per Table-11 (Annexure-I)

- In terms of current ratio, DEWAN secured top position with an average value of 42.32 followed by GRUH and CANFIN with an average value of 24.09 and 18.32 respectively.
- In terms of quick ratio, DEWAN again secured top position with an average value of 44.95 followed by GIC and GRUH with an average value of 41.20 and 33.42 respectively. LICHFL was at last position with an average value of 14.34.

**On the basis of group averages of sub-parameters of liquidity, DEWAN was at the top position with group average of 1.0, followed by GRUH (2.5) and CANFIN (3.5). HDFC and LICHFL jointly secured last position with an average value of 5.0 each.**

#### HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-5) reveal that there is a significant difference in the liquidity parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to liquidity.

#### OVERALL RANKING

The overall ranking of the housing finance companies considering all the sub criteria rankings under CAMEL analysis over the 5 years period (2007-08 to 2011-12) is presented in the Table 6. GRUH is ranked first under the CAMEL analysis followed by HDFC and GIC who secured the second and third position respectively. DEWAN occupied the fourth position, and the fifth position occupied by CANFIN. The last position under CAMEL analysis is occupied by LICHFL among all the HFCs selected for this study.

TABLE-6: OVERALL RANKING BASED ON ALL CAMEL PARAMETER

CAMEL Parameters	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
Capital Adequacy (C)	2.33	6.00	4.00	4.00	2.67	2.00
Asset Quality (A)	1.50	3.50	2.50	4.00	4.50	5.00
Management (M)	1.33	2.67	3.33	5.67	3.00	5.00
Earnings (E)	4.00	6.00	1.00	3.50	3.00	3.50
Liquidity (L)	5.00	5.00	2.50	1.00	4.00	3.50
Average*	2.83	4.63	2.67	3.63	3.43	3.80
Relative Overall Ranking	2	6	1	4	3	5

\*(Small Number represents good Performance)

#### 5.1 CONCLUSION

As a part of this study, we tried to analyze the performance of housing finance companies and rank them based on CAMEL parameters. We observed a significant difference among the selected housing companies with regard to all the CAMEL parameters. Housing finance is a low margin, high volume business and even the most established HFCs have seen reduction in the interest margin. Apart from the higher cost of funds for HFCs, there is the problem of maturity mismatches (asset-liability mismatches) because, HFCs generally source funds from public deposits of 2 to 5 year duration, while typically the loans are extended for much higher tenors. In order to be profitable, HFCs are required to maintain low-cost & long-term sources of funds which will enable them to avoid mismatch problems and also provide higher profitability in operations.



**5.2 LIMITATIONS OF THE STUDY & SCOPE FOR FURTHER RESEARCH**

The study period was limited to 5 years from 2007-08 to 2011-2012 and the evaluation has been done by taking into consideration only six housing finance companies that are eligible to receive public deposits. Future study may be conducted with regard to comparative analysis of financial performance for other category of Housing finance companies (like public & private HFCs and HFCs not eligible to receive public deposits etc). A comparison can also be made between HFCs and commercial banks. Additionally, for future study, sample period & sample size may be enhanced and some other method of analysing the performance of financial Institutions may be considered.

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**WEBSITES**

- www.moneycontrol.com
- www.nhb.org.in

**ANNEXURE****ANNEXURE – I****LIST OF HOUSING FINANCE COMPANIES GRANTED CERTIFICATE OF REGISTRATION (COR) VALID FOR ACCEPTANCE OF PUBLIC DEPOSITS UNDER SECTION 29A OF THE NATIONAL HOUSING BANK ACT, 1987**

Sl. No.	Name of the HFC	Registered Office Address
1	Can Fin Homes Limited	No. 29/1, 1st Floor, Sir M.N. Krishna Rao Road, Basavangudi, Bangalore-560 004. KARNATAKA.
2	Cent Bank Home Finance Limited	9-Arera Hills, Mother Teresa Road, Bhopal-462 011. MADHYA PRADESH
3.	First Blue Home Finance Limited.	12C-12D, Vasant Square Mall, Plot-A, Sector B, Pocket V, Vasant Kunj, New Delhi-110070
4.	Dewan Housing Finance Corporation Ltd.	Warden House (2nd Floor), Sir P.M. Road, Fort, Mumbai - 400023. MAHARASHTRA.
5.	DHFL Vysya Housing Finance Ltd.	S-401, 4th Floor, Brigade Plaza, Anand Circle, Banglore - 560 011, KARNATAKA.
6.	GIC Housing Finance Ltd.	Universal Insurance Building (3rd Floor), Sir PM Road, Fort, Mumbai-400 001. MAHARASHTRA. GUJRAT.
7.	GRUH Finance Ltd.	"GRUH", Netaji Marg, Nr. Mithakhali Six Road, Ellisbridge, Ahmedabad-380 006. GUJARAT.
8.	Housing and Urban Development Corporation Ltd.	HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110 003. DELHI.
9.	Housing Development Finance Corporation Ltd.	Ramon House, H.T. Parekh Marg, 169-Backbay Reclamation, Church Gate, Mumbai-400 020. MAHARASHTRA.
10.	ICICI Home Finance Company Ltd.	ICICI Bank Towers, Bandra Kurla Complex, Mumbai-400 051. MAHARASHTRA.
11.	Ind Bank Housing Ltd	66-Rajaji Salai, Chennai-600 001. TAMILNADU.
12.	LIC Housing Finance Ltd.	Bombay Life Building, 45/47-Veer Nariman Road, Mumbai-400 001. MAHARASHTRA.
13.	Manipal Housing Finance Syndicate Ltd.	"Manipal House", Manipal-576 119. Udupi District. KARNATAKA.
14.	National Trust Housing Finance Ltd.	MOH Building-1st Floor, 576 Anna Salai, Teynampet, Chennai-600 006. TAMILNADU.
15.	PNB Housing Finance Ltd.	Antriksh Bhawan-9th Floor, 22-Kasturba Gandhi Marg, New Delhi-110 001. DELHI.
16.	REPCO Home Finance Ltd.	"RepcO Tower", 33-North Usman Road, T. Nagar, Chennai-600 017. TAMILNADU.
17.	Sundaram BNP Paribas Home Finance Ltd.	21-Patullas Road, Chennai-600 002. TAMILNADU.
18.	Vishwakriya Housing Finance Ltd.	Office No.117, 209, Masjid Moth, South Ex Plaza II, South Extn Part II, New Delhi - 49.
19.	Indo Pacific Housing Finance Limited	Unit No. 505 & 506, DLF Tower 'B', District Centre, Jasola, New Delhi - 110025

Source: Official Website of National Housing Bank (NHB), India, www.nhb.org.in

ANNEXURE - II

TABLE-7: CAPITAL ADEQUACY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Capital (Net Worth) to Total Assets						Debt equity						Capital Adequacy					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	11.22	9.20	8.92	9.43	12.08	12.68	7.37	8.43	9.94	9.42	6.37	6.62	14.6	16.70	13.95	18.24	14.8	17.44
2010-11	12.41	8.45	9.41	9.28	13.04	13.7	6.66	10.58	9.33	9.59	6.62	6.12	14.00	14.88	13.32	19.39	15.42	19.14
2009-10	13.07	8.88	9.97	8.75	12.79	12.56	6.35	10.70	8.78	10.26	6.8	6.79	14.60	14.89	16.55	17.25	18.03	17.11
2008-09	12.95	8.08	8.74	7.85	11.99	12.66	6.38	11.26	10.17	11.52	7.12	6.69	15.10	13.50	16.21	16.21	17.67	16.1
2007-08	14.17	8.26	9.42	9.76	12.69	11.16	5.79	10.87	9.32	9.1	6.67	7.71	16.80	13.30	18.15	16.7	21.64	20.7
Average	12.76	8.57	9.292	9.014	12.518	12.552	6.51	10.37	9.508	9.978	6.716	6.786	15.02	14.65	15.636	17.558	17.512	18.098

Source: Computed figure from financial statement of respective HFCs

TABLE-8: ASSET QUALITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Gross NPA to Loans & Advances						Return on Assets					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	0.74	0.40	0.52	0.76	2.08	0.71	3.7	1.82	3.12	1.66	1.54	1.75
2010-11	0.77	0.50	0.81	0.67	2.97	1.06	2.77	2.22	3.03	1.99	3.45	1.89
2009-10	0.79	0.69	1.11	1.15	3.58	1.06	2.60	1.86	2.66	1.83	2.26	1.90
2008-09	0.81	1.07	0.94	1.47	3.67	1.43	2.46	2.00	2.21	1.43	2.12	1.61
2007-08	0.84	0.17	1.12	1.6	4.43	1.54	3.25	1.81	2.39	1.90	2.46	1.43
Average	0.79	0.57	0.90	1.13	3.35	1.16	2.96	1.94	2.68	1.76	2.37	1.72

Source: Computed figure from financial statement of respective HFCs

TABLE-9: MANAGEMENT EFFICIENCY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Expenses to Average Total Assets						Cost to income						Return on Net Worth					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	0.46	0.38	1.01	1.31	0.77	0.81	11.00	14.10	20.00	39.99	6.67	22.10	21.68	16.08	34.21	17.09	12.25	13.29
2010-11	0.30	0.44	1.03	1.29	0.88	0.77	7.15	13.50	20.00	36.03	6.79	22.28	20.41	23.37	31.42	17.12	24.40	14.34
2009-10	0.44	0.50	0.98	1.36	0.68	0.71	10.69	17.80	20.00	37.02	16.51	21.40	19.95	19.54	28.41	17.31	17.34	15.03
2008-09	0.46	0.56	0.91	1.23	0.65	0.60	11.47	17.40	20.00	35.89	17.33	20.93	18.20	23.79	24.46	16.50	17.20	12.79
2007-08	0.52	0.43	1.01	1.10	0.67	0.59	10.28	19.40	22.00	31.27	15.04	23.12	27.84	21.13	23.89	19.90	18.75	12.92
Average	0.44	0.46	0.99	1.26	0.73	0.70	10.12	16.44	20.40	36.04	12.47	21.97	21.62	20.78	28.48	17.58	17.99	13.67

Source: Computed figure from financial statement of respective HFCs

TABLE-10: EARNINGS & PROFITABILITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Net Interest Margin/ Average Total Assets						Interest income / Avg. Total Assets					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	3.61	2.25	5.1	2.18	2.92	3.05	10.9	10.04	12.61	11.50	10.57	11.15
2010-11	3.67	2.78	5.20	2.55	3.41	3.18	9.59	9.85	11.26	9.80	9.43	10.15
2009-10	3.29	2.33	4.90	2.67	3.80	2.87	9.77	9.09	11.46	10.81	10.16	10.05
2008-09	3.46	2.64	4.09	2.83	3.52	2.61	11.46	10.42	12.33	11.85	11.37	11.11
2007-08	3.68	2.54	4.57	2.64	4.08	2.06	10.54	9.42	10.78	11.70	11.65	10.96
Average	3.54	2.51	4.77	2.57	3.55	2.75	10.45	9.76	11.69	11.13	10.64	10.68

Source: Computed figure from financial statement of respective HFCs

TABLE-11: LIQUIDITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Current Ratio						Quick Ratio					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	1.76	4.74	34.91	8.11	4.47	5.71	2.94	5.88	34.8	8.11	6.82	6.96
2010-11	10.78	10.8	12.59	40.01	0.63	29.06	18.61	12.09	31.58	53.32	61.55	37.3
2009-10	7.09	13.32	32.34	60.93	0.61	13.32	21.61	18.45	32.15	60.88	76.89	41.89
2008-09	7.56	12.08	35.06	48.48	0.62	27.31	19.25	16.26	34.86	48.44	29.97	35.23
2007-08	14.12	16.95	5.56	54.06	0.6	16.2	22.84	19.02	33.73	54.01	30.79	33.59
Average	8.26	11.58	24.09	42.32	1.39	18.32	17.05	14.34	33.42	44.95	41.20	30.99

Source: Computed figure from financial statement of respective HFCs

**THE SIGNIFICANCE OF PERFORMANCE MANAGEMENT IN WORK DIMENSIONS**

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**ABSTRACT**

*The present investigation of the study is to examine the significance of performance management in work dimensions of employees in electronic based manufacturing sector. It emphasize that importance of performance management in work dimensions of employees based on various categories such as experience, technical and non technical and manager and executive. The sample consists of 115 employees. The performance management questionnaire was developed by team for the investigation of the study. The means, SDs and the mean difference were employed for the investigation of the study. The results shows that the performance management of employees differed based on the experience and managerial level of the employees. But no significance in performance management of employees based on types of department.*

**KEYWORDS**

Performance management; work dimensions; manufacturing sector

**INTRODUCTION**

Every organization has been established with certain objectives to achieve. These objectives can be achieved by utilizing the resources like human or people, machines, materials and money. All these resources are important but out of these the manpower is the most important. Employees are performing different jobs in an organization depending upon the nature of the organization. The importance of employees' performance must be understood by the management and sincere efforts must be put in that direction. The management of the company taking timely steps in that direction will be in position to develop and motivate the people to do so. Finally the company may take the lead the market and grab the opportunities available in the market. Performance management ensures that managers effectively manage the people they are responsible for and in line with organizational objectives and goals. According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. The total quality management programs receive utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees through out the year. The process is very much cyclical and continuous in nature. A performance management process sets the platform for rewarding excellence by aligning individual employee accomplishments with the organization's mission and objectives and making the employee and the organization understand the importance of a specific job in realizing outcomes. By establishing clear performance expectations which includes results, actions and behaviors, it helps the employees in understanding what exactly is expected out of their jobs and setting of standards help in eliminating those jobs which are of no use any longer. Through regular feedback and coaching, it provides an advantage of diagnosing the problems at an early stage and taking corrective actions. Landy et al (1983) states that the measurements of an employee's performance allow for relational Administrative decisions at the individual employee level and the organization to tell the employee something about their rates of growth their Competencies and their potential. If companies want employees to put their trust in a performance management system, they must do more than merely ensure that workers understand how their performance will be appraised. People are motivated by emotion as much or more than by reason, research has shown. And Gallup (2010) has found that performance increases when employees' emotional needs are met, including their needs for care, recognition, development, and the opportunity to do what they do best. By recognizing some of the underlying emotions associated with performance management systems, managers and executives can begin to address the rational and emotional concerns that employees have with a system. For example, rational concerns, such as a gap in communication or alignment issues, are easier to remedy when a team is engaged. According to Simeka management consulting (2004) et al a Performance management system is an authoritative framework for managing employee performance that includes a policy framework as well as a framework relating to all aspects and elements in the performance cycle, including performance planning and agreement, performance monitoring, review and control, performance appraisal and moderating, and managing the outcome of appraisals. According to Amos et al. (2008) a Performance management system is also a process that begins by translating overall institutional objectives into clear individual objectives that will be set as targets for individual employees on a quarterly or annual basis. According to B. Sripirabaa et al (2009) states that indicated that partnering has a negative significant impact on: the functions of the performance management system; and alignment. Financial support has a negative impact on alignment, whereas the performance management system's overall function has a significant positive impact on alignment. Likewise, financial support has positive significant impact on the performance management system's functions. In 2010, Gallup entertained employees in several different industries across India for their opinions on various aspects of performance management systems and found that Indian employees, especially those with three to 10 years of experience with an organization, strongly feel that most performance management systems are not capable of distinguishing superior performance.

In the light of above mentioned views the present investigation of study to examine the performance management of the employees which can be improved by determining the need for training & development and by providing the same to them and it helps to find out satisfaction level and transparency of the performance management system. It also helps to analyze the employee's perception about the organizational climate.

After thorough evaluation and understanding of various authors views, in the light of their views, the following hypotheses were framed for the investigation of the study.

1. The employees those who have above 4 years length of service have more performance management in work dimensions than employees who have below 4 years length of service.
2. The employees who are working in technical department have more performance management in work dimensions than employees who are working in non technical department.
3. The managers have more performance management in work dimensions than executives, working in manufacturing sector.

**RESEARCH METHODOLOGY**

**SAMPLE**

The sample consists of 115 In-house employees of electronic based manufacturing industry for the investigation of the study. The simple randomized sample technique is adopted for choosing the sample. The distribution of sample can be done through the various departments of electronic based manufacturing industry such as Administration, production, customer support, research & development.

**INSTRUMENTS USED**

The performance management questionnaire consists of 18 items to be responded on a 4 point scale from strongly agree to strongly disagree. A response on strongly agree is given a numerical value 4, agree 3, disagree 2, strongly disagree 1 respectively. The maximum and minimum possible scores on this scale are 72-18 respectively. This questionnaire was discharged by our team for project work.

**RESULTS AND DISCUSSIONS**

**RESULTS:**The scores of means, SDs and Mean difference of the employees having the length of service above 4 years and the employees having the length of service below 4 years with regard to performance management in work dimensions, presented in table.1.

Table-1 presents the means, SDs and Mean difference of the employees having the length of service above 4 years and the employees having the length of service below 4 years.

**TABLE 1**

	Employees' Length of service 0-4 years	Employees' Length of service 4 and above
N	51	64
Mean	53.49	56.77
SD	7.53	7.11
t 2.39 *		

\* Significant at 0.05

In the analysis, the t-test was employed to find out the significance difference with regard to performance management in work dimensions between the employees who have above 4 years length of service and the employees who have below 4 years length of service. The mean difference is 2.39, significant at 0.05 levels. It can be said that there is significant difference with regard to performance management between employees who have above 4 years length of service and employees who have below 4 years length of service.

Based on the result obtained , the 1<sup>st</sup> hypothesis which predicted that "The employees who have above 4 years length of service have more performance management in work dimensions than employees who have below 4 years length of service." , is accepted as warranted by the results.

**DISCUSSION:**performance management certain work dimensions is in very simple and in other ways very complex. It consists of lots of parts and requires some skills. But if employees approach it with the proper mindset, they can make it work and pay great benefits.

It means that most performance management systems are not capable of personal superior performance. Employees, those having the less experience need regular, specific feedback on their performances; they need to know where they better and where they could improve. Performance management is a good way to exploit the knowledge, skills and experience of employees. Employees do the work every day. They closest to the action .often they know better than manager how to fix things. Basically the employees after becoming expertise in their particular work, they can manage their performance effectively through their work experiences. Sothat, the employees having more experience have the high performance management than the employees having low experience. Most of the less experience employees are unaware of the parameters which are taken in to consideration while appraising the performance. However, the employees having less experience agreed that criterion for performance appraisal is not well established and does not communicate transparently to them.

The employees in electronic based manufacturing industry after completion of their work in particular department for a particular period of time used to shift from one department to another department (job rotation). Employees feel that job rotation is become imperative and also burden to them, because they don't have any permanent department and permanent designation. This is also one of the causative factors of low performance management relating to work dimensions in the employees having less experience.

Based on the result obtained , the 1<sup>st</sup> hypothesis which predicted that "The employees who have above 4 years length of service have more performance management than employees who have below 4 years length of service." , is accepted as warranted by the results.

**RESULTS:** The scores of Means, SDs and Mean difference (t-test value) of performance management in work dimensions of employees working in technical department and employees working non technical department, presented in table-2.

Table-2 presents scores of the Means, SDs and Mean difference of performance management in work dimensions of employees working in technical department and employees working non technical department.

**TABLE 2**

	Employees	
	Technical department	Non technical department
N	56	59
Mean	54.04	56.63
SD	6.41	8.27
t 1.87 @		

@ Not significant

In the analysis, the t- test was employed to find out the significance difference with regard to performance management in work dimensions between employees working in technical department and non technical department. The result indicate that the mean difference is 1.87, at not significant. It can be said that there is no significant difference with regard to performance management in work dimensions among employees working in technical department and non technical department.

Based on obtained results, the 2<sup>nd</sup> hypothesis which assumes that "The employees who are working in technical department have more performance management in work dimensions than employees who are working in non technical department" is not accepted as unwarranted by the results.

**DISCUSSION:**By establishing clear performance expectations which includes results, actions and behaviors, performance management helps the employees in understanding what exactly is expected out of their jobs and setting of standards help in eliminating those jobs which are of no use any longer. Based on the



type of department working the performance of employee does not affect. Whatever it may be the department weather it may be technical or non technical doesn't matter, the way of performing the activities or how they are performing matters here in manufacturing sector.

Irrespective of department, every employee should be educated about the performance management and its importance. Feedback must provide continuously to the employees after completion of their task. Performance of the employee depends on not only knowledge, skills, attitudes of employees but also on policies, procedures adopted by the organization. So, organizations should concern about the employees while adopting the new policies and procedures. Organizations should provide adequate resources and tools required to both technical and non technical employees for their ultimate performance.

Training and development plays very important role in performance management of every employee. Irrespective of their department employee, must provides with proper training in their lagging areas. Employee must always update with according to changing technology. Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set of standards in accordance with the performance plans.

Based on obtained results, the 2<sup>nd</sup> hypothesis which assumes that "The employees who are working in technical department have more performance management than employees who are working in non technical department" is not accepted as unwarranted by the results.

**RESULTS:** The scores of Means, SDs and Mean difference (t-test value) of performance management in work dimensions among managers and executives, presents table-3.

Table-3 presents the scores of Means, SDs and Mean difference (t-test value) of performance management in work dimensions among managers and executives.

TABLE 3

	Managers	Executives
N	29	86
MEAN	52.66	55.99
SD	5.49	7.37
t	2.33*	

\*significant at 0.05

In the analysis, the t-test was employed to find out the significance difference with regard to performance management in work dimensions between the managers and executives. The mean difference is 2.33, significant at 0.05 levels. It can be said that there is significant difference with regard to performance management in work dimensions between managers and employees.

Based on the result obtained, the 3<sup>rd</sup> hypotheses is which predicted that "The managers have more performance management in work dimensions than executives, working in software manufacturing industry", is accepted as warranted by the results.

**DISCUSSION:** performance management ensures that manager and the subordinates are aware of what needs to be done to improve performance. It provides feedback so that people know where they stand, where they ought to be going to get there. Managers are basic human elements to gratify the needs in terms of physical, psychological and social etc. Being a manager would manage his/her performance effectively in order to achieve the goals of the organization. Executive performance may influence by various factors such as lack of close association with policies and procedures, communication barriers with managers etc.

Managers act as a bridge between low level employees (executives) and top level management. The management must discuss about the obstacles faced by executives regarding performance related issues to top level management. So that, there is a chance to enhance performance of executives. Most of the executives feel that management should check ground reality while making policies. Executives training should always be innovative and should create spark and curiosity towards job. Interactive sessions between managers and executives enable the executives to remove their obstacles and leads to better performance of the executives.

Based on the result obtained, the 3<sup>rd</sup> hypotheses is which predicted that "The managers have more performance management in work dimensions than executives, working in manufacturing sector", is accepted as warranted by the results.

## CONCLUSIONS

1. The employees who have above 4 years length of service have more performance management in work dimensions than employees who have below 4 years length of service.
2. There is no significance difference with regard to performance management in work dimensions among employees who are working in technical department and employees who are working in non technical department.
3. The managers have more performance management in work dimensions than executives, working in manufacturing sector.

## IMPLICATIONS

For all work dimensions

1. Performance management will be extended by management. In this regard should design effective corrective steps in all performance parameters, in which, might not be take place inherent defects and external errors.
2. To aware of the significance of competency and performance levels of employees and its effectives, based on those might have training programs.
3. To promote the sense of partnership and ownership in the employees.
4. To design the quality circles relationship to all work dimensions of performance management to pursue.

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## THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES ON EGERTON UNIVERSITY'S PUBLIC IMAGE: A CASE OF NJORO DIVISION COMMUNITY

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### ABSTRACT

*Corporate Social Responsibility (CSR) as a business strategy contributes to sustainable economic development which contributes to the way organizations integrate with the society. This would lead organizations to achieve visibility as good community citizen, gain the good will of the community in which they operate, better relations and subsequently improved public image. There has been an increasing importance in corporate social responsibility activities in organizations in recent years. However, this has mostly been in the private sectors. As a parastatal, Egerton University has undertaken some CSR activities such as education, health and environmental activities to help the local communities. However, there is little documentation on how these activities affect the University's public image. This study aimed at determining the role of corporate social responsibility activities on enhancing Egerton University's public image. The research employed a descriptive survey design. Purposive sampling was used to select a sample of 77 stakeholders comprising representatives from 31 public schools, 3 public hospitals, 12 Local area administrators (the chiefs and their assistants), and 3 leaders from community based organizations. Questionnaires were used to collect primary data. Descriptive statistics, Friedman's ranking test and chi-square were used to analyze the specific objectives with the aid of SPSS computer software. The results show that Egerton university had put much effort in environmental conservation, education and health. Overall, corporate social responsibility activities undertaken by Egerton University had positive impact on the University's public image.*

### KEYWORDS

Corporate Social Responsibility Activities, Public image.

### INTRODUCTION

#### BACKGROUND OF THE STUDY

Corporate Social Responsibility (CSR) has become increasingly important to businesses over the last few years. In recent years the business strategy field has experienced the renaissance of CSR as a major topic of interest (Utting, 2005). CSR had already shown considerable interest in the 1960s and 70s, spawning a broad range of scholarly contributions (Cheit, 1964; Heald, 1970; Ackermann and Bauer, 1976; Carroll, 1999), and a veritable industry of social auditors and consultants. However, the topic all but vanished from most managers' minds in the 1980s (Dierkes and Antal, 1986; Vogel, 1986).

The economic impact of corporate social responsibility can be broken down into direct and indirect effects. The direct effects may be derived from a better working environment, which leads to a more committed and productive workforce or from more efficient use of natural resources. In addition, indirect effects result from the growing attention of consumers and investors, which will increase corporate opportunities on the markets.

Many corporations undertake CSR activities in order to protect their public image and the 'good name' of the corporation and its associates. Many corporations value their public image and good name even if they are relatively non-responsive to consumer pressures. A good public image is very hard to create and relatively fragile and a single high profile incident can create lasting negative sentiments in a community or the public at large (Haywood 1994; Ali, 2003).

Public image also operates synergistically with other drivers, and having a good public image (as an industry or as an individual company) is beneficial when attempting to influence public policy, when faced with liability law suits, for investor confidence, when attempting to attract, motivate, and retain employees, when dealing with NGOs and other civil groups, and when a corporation is seeking necessary permissions and accommodations from local communities (Haywood 1994; Burke 1999; Brady, 2005). In addition, a good public image is very important in forging long term business associations and in trust building with business and non-business partners (Haywood 1994; Myles and Schoening-Thiessen, 2003). Image is a perceptual measure of a public's degree of satisfaction with the activities and performance of an organization. Image surveys are developed to measure the attitudes of people towards an organization, how well they understand it, and what they like and dislike about it (Moore, 1981). Image assessment and its application are crucial to an organizations longterm survival and well being. Image management acts as a powerful public support vehicle (Elbeck and Buchanan, 1987).

### LITERATURE REVIEW

Literature shows that corporate social responsibility (CSR) has been researched in various countries. A part from the private sector, universities around the world have conducted studies on the same. Altman(1999) did a study on the link between Corporate Social Responsibility, environmental performance and corporate financial performance where he used multiple regression model to analyze the collected data the findings of the study was that there is a positive association on environmental performance and financial performance.

Maimunah (2009) studied the impact of corporate social responsibility on the society. She acknowledges that there is a close link between corporate and community development. Furthermore, a research funded by European Commission (EU 2007) on understanding and responding to societal demands, aimed to develop knowledge and understanding on the degree of alignment between companies and their stakeholders about what CSR involves within their specific

context. The finding of the study was that there is a wide gap between managers and stakeholders understanding of what constitutes the companies social responsibilities.

According to a number of scholars, CSR requires the firms to commit to balancing and improving environmental and social impacts without damaging economic performance. This in turn, leads to a move from the conventional view of the firm, where the main responsibility of the firm is to provide goods and services to society (Chamberlain, 1973; Friedman, 1968, 1970, cited in Williamson et al., 2006), to one which sees firms as contributing to the welfare of society (Carroll, 1979; Steiner and Steiner, 1997, cited in Williamson et al., 2006). This is specifically so true for universities where contribution to knowledge and well-being of society is of great importance.

## CORPORATIONS CORPORATE SOCIAL RESPONSIBILITY AND PUBLIC IMAGE

A great deal of empirical work has been focused on attempting to quantify the relationship between profitability and corporate public image. It has been found that the public image damage from CSR related disasters can exceed the direct costs of the disaster. As Haywood (1994) explains, trust is a vital component of business operation and stakeholders who work with a corporation care about its public image as this is what they perceive most strongly. For these reasons managing public image is a vital part of corporate management and many executives spend a great deal of effort addressing this aspect of their businesses (Porter & Kramer 2006). As Ongkrutraksa (2007) states, "It is obvious (from numerous high profile examples) that corporate giants deem it a must to promote corporate images that reflect their environmental awareness and involvement".

## CSR IN UNIVERSITIES

In the context of universities, previous research shows that higher education institutions can cause "significant environmental impacts" (Jabbour, 2010). As argued by Alshuwaikhat and Abubakar (2008), many of them as a result of their large size, expressive movement of people and vehicles, high consumption of materials, and strong development of complex activities, these institutions may even be considered as "small towns". Therefore it is inferred that universities should be responsible toward society and their stakeholders since the stakeholders provide organizations with a range of resources such as capital, customers, employees, materials and legitimacy (Deegan, 2002).

There are a number of studies which have tackled the issue of sustainability in higher education. A recent study by Wright (2010), examined how a cohort of University presidents and vice-presidents in Canadian universities conceptualize sustainable development, sustainable universities, the role that universities play in achieving a sustainable future, key issues facing the University, and the barriers to implementing sustainability initiatives on campus. The study showed that although the majority of participants were well versed in the concept of sustainable development, they were less familiar with the concept of a sustainable University. The participants also listed financial predicaments, lack of understanding and awareness of sustainability issues amongst the University population, and resistance to change as the main barriers in the path of sustainability. This view is reiterated by Pollock et al. (2009) who points out that "complex and ineffective governance, traditional disciplinary boundaries, and the lack of a shared vision at academic institutions often hinder University's progress toward leading the world to a more sustainable and desirable future"

Consumers are becoming increasingly concerned about the ethics of the companies they deal with, corporate social responsibility is no longer for large corporations only. Through their market activities, firms contribute to social well-being by serving consumer demands, providing jobs, innovating and paying taxes that fund public programs. Through their non-market activities firms act to shape their market environment by supporting free trade and socially efficient approaches to environmental protection, product and employee safety (Baron, 2000).

According to Godfrey (2005), stakeholders are likely to impute moral values to organizational actions. Goffman (1997) suggests that when individuals evaluate actions, they tend to treat them as claims and promises implicitly made, and claims and promises tend to have a moral character. During the evaluation process, individuals tend to judge not only tangible facts at hand, but also assign motivations to the other party (Jones et al., 1965). In the context of this study, CSR actions are likely to be treated by stakeholders as implicit claims and promises that the company brings ethical values in its exchanges with its stakeholders. In this respect, CSR activities will likely generate positive reputation and subsequent positive moral capital, since "...good and beneficent acts that go beyond the call of duty should result in approbation rather than condemnation" (Godfrey, 2005). Building on these perspectives, it is likely that companies use CSR actions as a way to generate positive moral capital among external and internal constituencies.

## SIGNIFICANCE OF THE STUDY

Organizations' involvement in CSR activities has some financial implication and thus it is imperative to keep track of such activities. The study identified the role of CSR activities on Egerton University's public image and therefore contributes positively to the knowledge relative to which activities are more effective. The findings of the study would be very useful to give a general picture of what the perception of the stakeholders would be when Egerton University undertakes CSR activities. The study would be a basis of reference and would activate more research in the study area by academicians and the business community in Kenya and the world.

## STATEMENT OF THE PROBLEM

In the recent past, there has been an increasing importance in corporate social responsibility activities in private and public organizations (Utting, 2005). Little is known on how CSR activities affect the University's public image. Therefore, this study seeks to establish the role of CSR activities on Egerton University's public image.

## STUDY OBJECTIVES

The broad objective of this study was to establish the role of CSR activities on Egerton University's public image.

1. To establish the community's level of awareness of the University's participation in CSR activities.
2. To establish the perception of different community stakeholders on Egerton University's CSR activities.
3. To determine if Egerton University's participation in CSR activities enhances its public image in the surrounding community.

## RESEARCH QUESTIONS

1. What is the level of awareness of different stakeholders on the role of the University in CSR activities?
2. What is the perception of the different community stakeholders on Egerton University's participation in CSR activities?
3. Does Egerton University's participation in CSR activities enhance its public image in the surrounding community?

## RESEARCH METHODOLOGY

### RESEARCH DESIGN

The study adopted a survey design. The design was chosen because it was an efficient method of collecting descriptive data regarding characteristic of a sample of a population, current practices, conditions or needs. The design was also used because it allowed the researcher to gather information regarding the respondents' opinions, perceptions and attitudes in a highly economical way.

Purposive sampling was used to select the study area. Multistage sampling technique was used to arrive at the desired sample size from the study area. Further, stratified sampling was used to arrive at the subgroups which were schools, medical units, local area administration, district environmental office and community based organization from the population since it ensured that the five sub-groups of community stakeholders are proportionally represented and that

the difference in the sub-group characteristics is accounted for. This technique was used to ensure that the target population is divided into different homogenous strata and each stratum is represented in the sample in a proportion equivalent to its size in the population.

There are 31 public schools in the Division, 3 public medical units (Njoro, Naisuit, and Kihingo), 12 Local Area administrators from (Njoro, Kihingo, Mukungugu and Piave), 3 leaders of the community based organizations who dealt directly with the University (MUNES, Eastern Mau and Njokerio youth group), the District environmental officer who works with NEMA and the University. The study targeted 62 representatives who were purposively chosen from the schools that is the head teachers and their deputies or senior teachers, 3 medical officers from the medical units, 8 administrators who included the chiefs and their assistants, the District Environmental Officer and 3 leaders from the Community Based Organizations directly sponsored by Egerton.

**TABLE 1 :SAMPLE SIZE FOR LOCAL COMMUNITY**

No. 1	Category/Stratum	Sample Size
1	Schools	62
2	Medical Units	3
3	District Environmental Office	1
4	Local Area Administration	8
5	Community Based Organizations	3
	Total	77

**DATA COLLECTION**

Questionnaires targeting the various categories of community members were used to collect primary data. Secondary data was obtained from records and documents (e.g., University reports on community development activities implemented, University budget reports, Egerton University strategic plan, Njoro municipality education and health ministry and Environmental Office). To ensure reliability Cochran alpha was used which gave a result of 0.67 hence ensuring that the methods used were reliable.

**DATA PRESENTATION AND ANALYSIS**

Descriptive statistics and Friedman rank test was used to find out the community's level of awareness of the University's participation in CSR activities. Data was analyzed using Chi-square to test the perception of different community stakeholders on Egerton University's CSR activities and to assess if Egerton University's participation in CSR activities enhances its public image in the surrounding community.

**RESULTS AND DISCUSSIONS**

**GENERAL CHARACTERISTICS OF THE RESPONDENTS**

Table 2 below shows the respondents response rate on gender where 61.1% represented the male gender and 38.9% female gender.

**TABLE 2: GENDER FOR THE RESPONDENTS**

Gender	Frequency	Percentage
Male	44	61.1
Female	28	38.9
Total	72	100.0

Source: Field Data

Table 3 shows the mean average for the ages and education level of the respondents. The mean average was 42.47 for the ages while the mean for education level was 15.49. The results indicated that most of the respondents were considerably elderly and had college level of education. Auger *et al.*, (2003) suggests that higher levels of knowledge about social issues would lead to higher knowledge about CSR activities.

**TABLE 3: RESULTS OF AGE AND EDUCATION LEVEL OF THE RESPONDENTS**

	N	Minimum	Maximum	Mean	Std. Deviation
Age	72	25	55	42.47	9.399
Education	72	3	21	15.49	2.501

Source: Field Data

**LEVEL OF AWARENESS ON CSR ACTIVITIES BY GENDER**

Table 4 presents the respondents level of awareness on the different CSR activities undertaken by the University by gender. On the environmental activities, majority of the male who were highly aware were 65.2% while the female response rate was 34.8%, those who were largely aware were 50% for both genders. Health activity also registered a high level of awareness on the male gender with a response rate of 61.1% contrary to 38.9% ,64.7% of the respondents were largely aware contrary to the female who had a percentage of 35.3% and finally 56% and 44% respectively on both genders.

**TABLE 4: LEVEL OF AWARENESS ON CSR ACTIVITIES BY GENDER**

CSR activity	Environment		Health		Education		Total
	Male (%)	Female (%)	Males (%)	Female (%)	Male (%)	Female (%)	
not aware	100	0	100	0	71.4	28.6	100
low level of awareness	83.3	16.7	46.7	53.3	60	40	100
moderately aware	58.3	41.7	69.2	30.8	61.5	38.5	100
largely aware	50	50	47.1	52.9	56	44	100
high level of awareness	65.2	34.8	66.7	33.3	64.7	35.3	100
Total	61.1	38.9	61.1	38.9	61.1	38.9	100

Source: Field Data

**LEVEL OF AWARENESS ON CSR ACTIVITIES BY EDUCATION**

Table 5 shows the respondents' response rate on the level of awareness by education. On the environmental activity, 65% of the respondents had a high level of awareness. For the education activity, 70% had a high level of awareness. Finally, on health activities, 50% of the respondents had a high level of awareness.

**TABLE 5: LEVEL OF AWARENESS ON CSR ACTIVITIES BY EDUCATION**

CSR activity	Environmental (%)	Educational (%)	Health (%)
not aware	0	2	0
Low level of awareness	0	5	8
moderately aware	12	11	17
largely aware	23	12	25
high level of awareness	65	70	50

Source: Field Data

**LEVEL OF AWARENESS ON CSR ACTIVITIES BY STAKEHOLDER CATEGORY**

The results in Table 6 show the respondents level of awareness by stakeholder category. From the Table majority of the respondents from the public schools, (48%) said that they were largely aware that Egerton participated in environmental activities. From the District Environmental office 100% the respondents said that they were largely aware that Egerton had undertaken environmental activities claiming that its department had an input in the same. In the hospitals 27% of the respondents were aware that the participation was moderate. Table 6 further shows the responses on the level of awareness on health activities participated by Egerton University by category. The results show that, 48% of the stakeholders from the public schools were largely aware that Egerton University participated in health activities, 16% had a lower level of awareness and 19% were moderately aware. District Environmental officers were largely aware that Egerton University was involved in health activities. In the hospitals, 40% of the respondents said that their level of awareness on the health participation was low, 20% were moderately aware, and 27% were largely aware and 13% had a high level of awareness. From the administration category 41% of the respondents were moderately aware that Egerton University participated in health activities, 53% largely aware, and 6% had a high level of awareness. From the community based organizations, 25% of the respondents had a lower level of awareness; 50% were moderately aware and 13% were largely aware. Stakeholder category representing the schools benefited from services like vaccinations for children's, many respondents claimed that, the health services offered by Egerton University, University employees were given priority over the community. As a result, majority of the community members preferred to visit the Government hospitals located in the district. Very few went for the services at the University especially those who lived in the immediate environs. The results in Table 6 further show the responses on the level of awareness on education activities as participated by Egerton University in general. From the results, majority of the respondents in the public schools (58%), District environmental office (100%) and administration (53%) were largely aware that Egerton University have participated in educational activities. Contrary, majority of the respondents from the Hospital (40%) and Community Based Organization (38%) had a lower and moderate level of awareness on the University participation in the educational activities. The respondents believe it is mandatory for Universities to offer educational activities because it is one of its key function and also role model especially to public secondary schools in the division.

**TABLE 6: DIFFERENT COMMUNITY STAKEHOLDERS LEVEL OF AWARENESS OF THE UNIVERSITY'S PARTICIPATION IN CSR ACTIVITIES**

	Stakeholders	Not Aware(%)	Low level of awareness(%)	Moderately aware (%)	Largely aware(%)	High level of awareness (%)
<b>Description on Environmental activities by Institution/Category</b>	Public Schools	0	10	10	32	48
	DEO	0	0	0	100	0
	Hospital	0	0	27	33	40
	Local Area Administration	0	18	18	53	12
	CBO	0	25	25	0	50
<b>Description on Education activities by Institution/Category</b>	Public Schools	0	16	19	48	16
	DEO	0	0	0	100	0
	Hospital	0	40	20	27	13
	Local Area Administration	0	0	41	53	6
	CBO	0	25	50	13	13
<b>Description on Health activities by Institution/Category</b>	Public Schools	7	12	23	58	0
	DEO	0	0	0	100	0
	Hospital	7	40	20	33	0
	Local Area Administration	2	12	27	53	6
	CBO	25	25	38	12	0

**AWARENESS OF CSR ACTIVITIES BY STAKEHOLDER CATEGORY**

According to Table 7, on the category of public schools, Egerton university had put more effort in environmental conservation (mean rank 2.23) followed by education (mean rank 2.19) and lastly health (mean rank 1.58). The hospitals were of the same opinion that environment (mean rank 2.50) was more improved CSR activity undertaken by the University as compared with education (mean rank 1.82) and health (mean rank 1.68). On the other hand, CBOs, Local area administration and District Environmental office was of the same opinion that Egerton University impacted positively and equally on the environmental conservation, health and education CSR activities.

**TABLE 7: MEAN RANKS ON THE LEVEL OF AWARENESS OF CSR ACTIVITIES BY STAKEHOLDER CATEGORY**

Group	Environmental		Health		Education	
	Mean	Rank	Mean	Rank	Mean	Rank
Public schools	2.23	4	1.58	4	2.19	1
DEO	2.75	1	1.25	5	2.00	2
Hospitals	2.50	2	1.68	2	1.82	4
Local Area Administration	2.08	5	1.77	1	1.82	4
CBOs	2.43	3	1.64	3	1.93	5

Source: Field Data

The level of awareness on the CSR activities was further assessed among different categories/ groups representing the stakeholders as shown in Table 8. Respondents from the public schools and hospitals agree that, Egerton University impacted positively and differently on the environment, health and education activities (Table 8).

**TABLE 8: FRIEDMAN TEST RESULTS ON THE STAKEHOLDERS' LEVEL OF AWARENESS ON CSR ACTIVITIES**

	Public Schools	DEO	Hospital	Local Administration	CBO
N	39	2	11	13	7
$\chi^2$	16.059	3.00	6.643	1.436	4.769
Df	2	2	2	2	2
Asymp. Sig	0.000	0.223	0.036	0.488	0.092

Source: Field Data



**THE PERCEPTION OF DIFFERENT COMMUNITY STAKEHOLDERS ON EGERTON UNIVERSITY'S CSR ACTIVITIES**

Table 9 shows the Chi-square test results on the perception of stakeholders on the different environmental activities as undertaken by the University. These environmental activities include protection of water catchment areas, environmental awareness campaign, tree planting, waste collection and disposal, efficient use of resources and recycling and re-use of resources. The results showed that the different environmental activities undertaken by Egerton University significantly and positively influenced the perception of different community stakeholders as indicated by the Chi square results  $\chi^2 = 106.841$ ,  $df = 5$ ,  $p = 0.000$  respectively.

Furthermore, table 9 shows the Chi-square test results on the perception of different community stakeholders on education activities that contributed to the positive perception of the stakeholders on the University. These activities include building of schools (primary, secondary and expansion of the University), giving of bursary funds for needy learners, provision of library services, sponsoring of girl children to attend school and offering of educational opportunities for visiting learners.

Moreover, table 9 are the Chi-square test results on health activities which positively affected the perception of the stakeholders on the University. The university provides such health activities as access to its medical centre, HIV/AIDS awareness, family planning, community immunization, and response to emergencies prevention, subsequently, these were followed by community health and nutritional awareness campaigns and open and free medical clinics.

**TABLE9: CHI-SQUARE TEST ON THE STAKEHOLDERS' PERCEPTION ON CSR ACTIVITIES UNDERTAKEN BY EGERTON UNIVERSITY**

	N	Chi-Square	Df	Asymp.Sig.
Environment	72	106.841	5	0.000
Education	72	83.266	4	0.000
Health	72	62.186	6	0.000

Source: Field Data

**THE EFFECT OF CSR ACTIVITIES ON THE UNIVERSITY'S PUBLIC IMAGE**

Table 10 gives the results on the effect of CSR activities on the university's public image. 40.7% of the community stakeholders were aware of the existence of the University to a very large extent, 39% to a larger extent, 12.7% to a moderate extent, 3.4% to a small extent while 4.2% of the community stakeholders were to no extent aware of the University. With regard to the preference of the University goods and services, 28.2% had a very large extent, 29.9% large extent, 14.5% moderate extent, 17.1% small extent while 10.3% of the of the community stakeholders gave no extent. Table 10, also shows that, 26.5% were to a very large extent, 36.8% large extent, 20.5% moderate extent, 8.5% small extent and 7.7% to no extent utilization the university's goods and services.

With the results above, it is clear that the public image of the University is good. According to Elbeck and Buchanan, (1987) an image program stresses on public awareness, preference and utilization of the hospitals services. Further, Moore, (1981) says that image surveys are developed to measure the attitudes of people towards the organization, how well the stakeholders understand it, and what they like and dislike about it.

**TABLE 10: DIFFERENT INDICATORS OF PUBLIC IMAGE**

Activity	No Extent (%)	Small Extent(%)	Moderate Extent (%)	Large Extent(%)	Very Large Extent (%)	Total (Percentage) 100%
Existence of the University	4.2	3.4	12.7	39	40.7	100
Preference of the University goods and services	10.3	10.3	10.3	10.3	10.3	100
Utilization of the University' goods and services	7.7	7.7	7.7	7.7	7.7	100

Source: Field Data

Table 11 gives the degree of stakeholders satisfaction with the university other activities which reflect the public image University. On the University's teaching activities, 16.7% of the respondents were not satisfied at all with the teaching activities, 13.2% were somewhat satisfied, 18.2% were dissatisfied, 29.8% were quite satisfied and 21.9% were very satisfied. On the performance of the University, 11.7% were not satisfied at all with the same, 14.2% were somewhat satisfied, 24.2% were dissatisfied, 22.5% quite satisfied and 27.5% very satisfied. This is in line with a study conducted by Elbeck and Buchanan, (1987) who says that image is a perceptual measure of the public's satisfaction with the activities and performance of an organization.

**TABLE 11: DEGREE OF STAKEHOLDRES SATISFACTION WITH OTHERUNIVERSITY CSR ACTIVITIES**

Activity	Not at all satisfied(%)	Not at all satisfied(%)	Not at all satisfied(%)	Not at all satisfied(%)	Not at all satisfied(%)	Total (Percentage)
University Teaching activities	16.7	13.2	18.2	29.8	21.9	100
Perfomance of the University	11.7	14.2	24.2	22.5	27.5	100

Source: Field data

**FINDINGS**

The study revealed that Egerton's involvement in CSR activities has a positive effect on the institutions public image.

**CONCLUSION**

From the study the following conclusions were made:

- (i) Egerton University undertook CSR activities and it had a positive impact on its public image.
- (ii) The CSR activities were perceived positively by the stakeholders but they lacked information concerning these activities.

**SCOPE FOR FURTHER RESEARCH**

The researcher recommends further comprehensive research on CSR investment by firm both public and private sector in order to establish its importance in a firm's public image.

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## ROLE MODEL OF EFFECTIVE LEADERSHIP FOR GROWTH IN INSURANCE SECTOR IN INDIA

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### ABSTRACT

The Role models of effective leadership in Indian insurance sector have often been used to analyse or design existing cases. In this paper we go one step further by developing role models that match a future scenario. We combine knowledge from futures studies and the experience that we have in analysing existing role models, with the development of role models in the insurance sector. We have chosen the insurance sector because it is a sector where innovation is a cumbersome affair. In view of the importance of the leadership in this field, the inability to innovate presents a problem to other parties in the insurance value chain, such as insurers, but also to the increasingly knowledgeable and emancipated customers. Customers expect customer friendly processes supported by IT at the front office end, and a flexible management of the insurance process at the back office end. It is important, then, for managers to be able to meet the requirements from their environment. Here it is necessary to review the leaders of insurance sector with ideas on how they response regarding behavioral fitness and managerial behavior.

### KEYWORDS

Effective leadership, Insurance Policy, selling Skills, organizer, Motivation, inspiration, successful, business model.

### INTRODUCTION

The Role models of effective leadership in Indian insurance sector have often been used to analyse or design existing cases. In this paper we go one step further by developing role models that match a future scenario. We combine knowledge from futures studies and the experience that we have in analysing existing role models, with the development of role models in the insurance sector. We have chosen the insurance sector because it is a sector where innovation is a cumbersome affair. Leadership play an especially important role in the insurance sector value chain, but, as with most top and medium-sized human resource they are not fully capable of developing, adopting and implementing innovations independently.

In view of the importance of the leadership in this field, the inability to innovate presents a problem to other parties in the insurance value chain, such as insurers, but also to the increasingly knowledgeable and emancipated customers. Customers expect customerfriendly processes supported by IT at the front office end, and a flexible management of the insurance process at the back office end. It is important, then, for managers to be able to meet the requirements from their environment. Here it is necessary to review the leaders of insurance sector with ideas on how they response regarding behavioral fitness and managerial behavior.

### INNOVATION AND ROLE MODEL

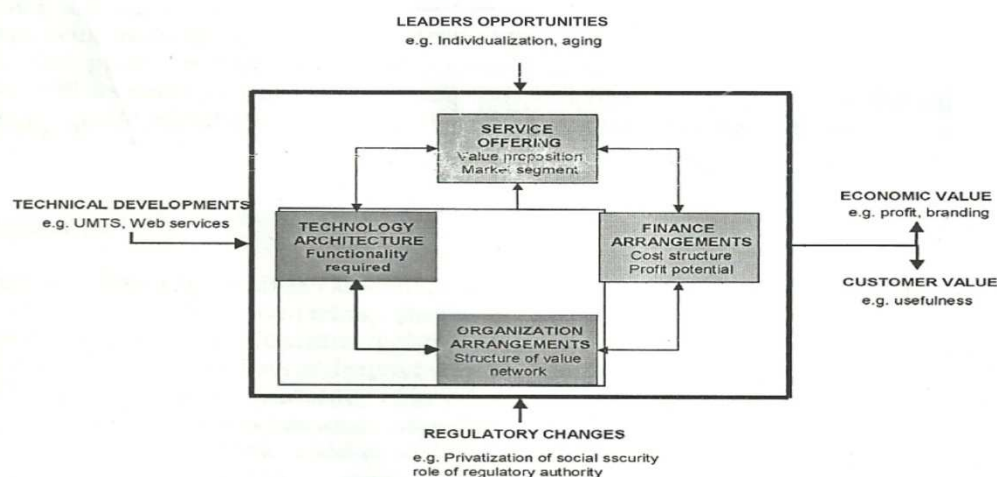
Innovations in the financial leader domain are a cumbersome affair<sup>1</sup>. This can largely be explained by looking at the leader basic characteristics. They are usually large scale companies. In a large company it is compulsory to dedicate staff to start and develop innovation projects. More often than more innovation is the result of pressure from suppliers and customers, in this case insurers and clients. Sector organizations also play a stimulating role. Chesbrough (2003) points out that an open approach to innovation is important. He argues that it is important to cooperate with smart people within and outside of the organization, to incorporate innovative concepts in combination with one's own innovations and to work out adequate role models rather than focus on time to market. In this section we address the way innovation in insurance scenarios can be developed. In line with Chesbrough (2003), our focus is on the role models that can play a role in these scenarios. Viable and feasible role models are more important than aiming for a limited time to insurance market.

We find strategies are increasingly being translated into role models. Nowadays, many financial ventures have a limited interest in formulating strategies; instead they formulate as a role models (Hedman & Kalling, 2003). There is an extensive body of literature on role models (see Bouwman & Van Ham, 2003a), which we will, however, not discuss but instead we make it clear what our position is. We see a role model as a blueprint of how a network of insurance organizations cooperates in creating and capturing value from technological innovation.

When comparing the various condition of role models, we distinguish four common components:

- **Service domain:** a description of the value proposition (added value of a service) and the market segment at which the insurance service is targeted;
- **Technological domain:** a description of the technical functionality required to realize the insurance service;
- **Organizational domain:** a description of the structure of the multi-leader value network required to create and distribute the service, and to describe the focal firm's position within this value network;
- **Financial domain:** a description of the way a value network intends to generate revenues from a particular service and of the way risks, investments and revenues are distributed among the various leaders within the following network (see figure 1)

**FIGURE 1: STOF ROLE MODEL FRAMEWORK**



In developing role models that fit within given scenario's we will deal with these four domains, as well as related critical success factors and design issues on basis of the Freeband Role Blueprint Method Haaker et al (2004).

**RESEARCH APPROACH**

We started the research project by mapping leadership-related and technological developments during my field work. Here we developed four scenarios, which we labelled **Working Hard, Controlled Growth, Collective and Action**, based on two scenario-axes – the level of regulation and the level of acceptance of new information and communication & technologies. The leaders were then asked to reflect on how they can anticipate the future developments described in the scenarios, and what strategic decisions they expected having to make. To add depth, in the final two meetings we let the participants take on specific roles related to the four domains in the STOF model: head of marketing and sales, head of HRM, head of ICT and head of the financial department. Twelve people took part in both meetings in preparation of which four case studies were conducted on four innovative leaders in the insurance sector. The cases were selected in such a way as to include a captive as well as an independent leaders, as well as front office and back office cases. We used a case study protocol describing what data we collected and in what way, and how we then stored and subsequently analysed it (Faber et al., 2004). We obtained data through document analysis, participating observation and interviews with the top leaders. We analysed the data on the basis of the case study process. The process further indicates what information is gathered and on the basis of which source, as well as how the information is stored. The STOF model and a detailed elaboration served as an analysis framework. The case descriptions were validated by the organizations, and the case results served as input for the scenario meetings.

**RESULTS**

First of all, we provide an overview of those developments that are relevant to the leaders channel in each of the scenarios, focusing on the role of government and that of information and communication technology. We focus on these two developments because they have a profound impact on the services of leaders of insurance sector, according to experts in the fields. The regulatory role of the government is heavily debated in practice. Here it is clear that innovation in the insurance industry is mainly driven by innovation in the Information technology domain. There are similar overviews with regard to competition from other channels. These developments serve as a starting point for the development of role models. As a first step, the developments have been translated into possible demands on the leaders' management, such as<sup>2</sup>:

- *In the service domain*: a clear positioning of, and more professional services, as well as a broadening of the available service, increased margins;
- *In the technological domain*: using the Internet in a multi-channel approach and standardization with regard to chain integration;
- *In the organizational domain*: increased efficiency and a broadening of the available, more professional services;
- *In the financial domain*: increased efficiency.

**TABLE 1: THE IMPACT ON INSURANCE LEADER OF DEVELOPMENT AND ICT REGULATION**

Development	Working hard	Controlled growth	Collective	Action
Leaner government	Sufficient advantage is taken of new opportunities surrounding social security	Managers take advantage of opportunities surrounding social security High demand for financial planning	Managers take advantage of opportunities surrounding social security	Insurance chain takes advantage of changes in social security
Information and Communication technology (ICT)	Back office innovations initiated by insurers Easy to meet the subordinates efficiency demands	Entire process digitised Efficiency chain focused on one-time data entry Managers compete of service level ICT is outsourced to specialized service providers (ASP's, Shared Service Centres) Standards to datarelated and technological connections Good relations management (CRM)	Back office innovations initiated by insurers Hard to meet the subordinates efficiency demands subordinates  compete on the basis of infrastructure	Chain integration limited to a Large number of chains, orchestrated by large leader leader provides necessary technology ICT- support not interchangeable Experimental new services, such as real-time insurances Efficiency chain focuses on one-time data entry Emancipated customer: chain reversal Good relations management (CRM)

There are various ways insurance leader can respond to these demands. Their actual response is largely determined by their role strategy. To arrange possible strategies we have used the model presented by Treacy & Wiersma (1993). In their view, all strategies are based on any of the following two fundamental strategies: *Connecting Future Scenarios to Role Models of Insurance leaders*<sup>3</sup>.

- *Operational excellence*: distinguishing oneself from one's competitors by emphasizing price, which requires an efficient product organization.
  - *Managerial leadership*: distinguishing oneself by regularly monitoring new managers and services, the emphasis being on the organization's ability to innovate.
- The choice of strategy affects an insurance company's role model: the strategy has to be supported in all components. Table 2 presents the strategic options that are available. Based on these options it is possible to construct numerous alternative role models, taking into account the various product/market combinations. Our model for developing role models, i.e. the Freeband Blueprint Method (Haaker et al., 2004), starts with clearly defining the intended service and customers. Based on this, the various role model domains – Service, Technology, Organization and Finances – are worked out in greater detail. Because it is not useful and feasible to work out all the role models, we opted in favour of working out four illustrative role models, and to present one of them in this paper, to wit the Modular Tailoring model, a model that is based on scenario Controlled Growth (regulation and level of acceptance of technology are high). In this scenario the insurance sector has been highly professionalized as a result of the rules imposed by the Financial Services Act. The traceability demanded by this piece of legislation has an impact on the way insurers and managers handle their subordinates files. They use a set of standards that is generally accepted by employees, ICT and other parties in the sector. This means that chain integration has become a fact of life.

To allow for chain integration, the insurers’ back office has opened up, allowing for a real-time processing of transactions and claims. In this scenario the leader is a generalist. He or she offers a wide range of financial services and as far as consumers are concerned serves as a central contact with regard to complex and advice-intensive insurances and other financial products. In addition to insurances, leaders also handle tax-related matters and student grant applications.

**SERVICE DOMAIN**

This approach focuses on the wishes and needs of the subordinates. The primary target groups are leaders. The leader serves as the central contact with regard to complex and advice-intensive products. Competition with direct writers with regard to policy and decision making. Although the modular approach increases the transparency of insurance products, for many subordinates finding the right insurance continues to be a complex affair. Subordinates want above all tailor-made and user-friendly solutions.

Subordinates distinguish themselves from new entrants like banks and retailers by taking a personal and entrepreneurial approach. Customers are treated with respect and can choose how they wish to approach the leaders (telephone, appointment, e-mail, video conferencing, etc.). Intermediaries can be contacted at every hour of the day. Thus customers are informed regularly with regard to changes in insurance products and due to the annual contract period used in most cases can change their insurance package once a year.

**TABLE 2: STRATEGIC OPTIONS AVAILABLE TO THE EFFECTIVE LEADERSHIP**

Management demands	Role strategy	Strategic options
Clear positioning of services	Subordinates intimacy	Focus on advice-intensive products vs. simple risk products
		Focus on higher Subordinates segment (e.g. SME, Subordinates, twice the average income, etc.)
More professional services	Subordinates intimacy	Personal approach to customers vs. more distant approach to customers
		Use of CRM packages or not
Broadening of services	Subordinates intimacy	Broad vs. focused services
	Product leadership	Working together with employers and government Agencies
Using the Internet in providing services	Operational excellence	Chain integration
	Subordinates intimacy	Electronic access to policy data, claims processing, information
Standardization	Operational excellence	Full or partial chain integration
Increasing efficiency	Operational excellence	Creating increase of scale in management
		Outsourcing non-core activities (for instance ICT)
		Working together in role networks
		Work in mandate of insurance companies (mandate organization)
		Chain integration

Managers try to keep track of the developments in subordinate lives. They regularly send newsletters containing information tailored to each subordinate. In this regard we are more serious regarding the age, grade, educational background and the income label of managers and subordinates. For this knowing purpose we outline an inventory like managerial behavior questionnaire.

**MANAGERIAL BEHAVIOUR QUESTIONNAIRE**

This scale was developed by Daftuar in the year 1985. As an effective tool for measuring major leadership styles in an organization. I took 16 items measuring six dimensions. to determine leadership qualities of the respondents. The respondents are asked to read each of the statement carefully and judge the statement is for their immediate superior., The selection of the choice of the items are rated on a 7 point scale, varying from 7 for ‘always’ to 1 for Never Again respondents are asked to put up the mark (1 to 7) on the small block line given on the left side of each item. The total 16 items are easy to understand statements related to work environment and managerial behavior can be viewed as a measure of person’s leadership ability to interact with the subordinates effectively.

The present scale (MBQ) included both Sinha’s style (N- T) as well as the concept of leadership style (A,P+N) along with six other dimensions. That means, altogether MBQ has eight dimensions (styles) of managerial leadership, namely, Task oriented (TO), Bureaucratic (BU), Personal Relation. oriented (PB), Nurturant (N) Authoritative (AUT), Participative (P), Assertive, low level of participation and nurturant (A,+N) and Nurturant Task (NT). The total scale has 16 items where in each dimension has 2 items as described below :

**Task Oriented:** A task oriented leader emphasizes the task more and gives less importance to the human aspects. He appears to be a tough person and believes that ends are more important than means. He structures the role relation. He is less generous in the evaluation of those who are inefficient workers.

**Bureaucratic:** The leader attached importance only to the procedures, rules and regulations, and gives almost none, or very little importance to the people. It is’ impersonal and precedent & rules dominates.

**Personal relation:** Here the leader develops personal relationships either with his ‘superiors or with his subordinates. He obliges others by doing personal favours and in turn expects something in re, turn from them. He lead by relations.

**Nurturant :** The leader under this style emphasizes fatherly love, guidance, nurturance and growth for the subordinates. He is capable of becoming a strict disciplinarian if the situation so warrants. He can love as well as punish for discipline, punctuality, regularity above all emphasizes on welfare and growth of subordinates.

**Authoritative:** The authoritative leader’s main concern is his personal vanity, status, power and image management. He controls the communication network, restricts interactions and centralizes decision making power in his hand. He has less regards for relationships.

**Participative :** This leader is people oriented and has low preference for power, status and structure. This type of leader is characterized by three basic principles: (i) He provides supportive relationship. (ii) . Facilitates group decision making and group method of supervision. (iii) Exhibits a concern for high consensus based goals.

**A,P+N:** This leader internalizes in himself an interactive· combination of assertive style, a small amount of participative style and combines them with an Indian type fatherly (Nurturant) outlook for his subordinates. Though the final decision lies in his hands he encourages participation in decision making to convince his follower that their advice is sought. He nurtures his subordinates carefully.

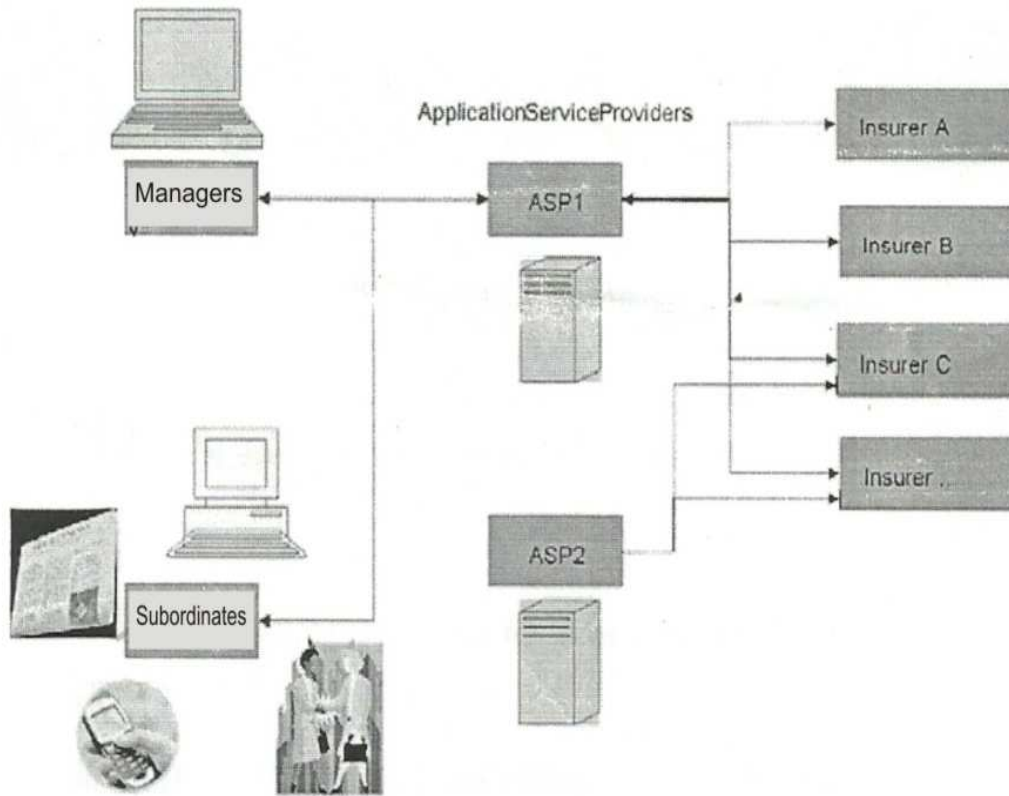
**Nurturaht-Task:** The Nurturant task has two main components viz concern for task and he has nurturant, orientation. The nurturant task has emphasis on the completion of the task. It takes a special care that the subordinates understand and accept the goals and the normative structure of the group and the organization and cultivate commitment to them.



**TECHNOLOGICAL DOMAIN**

The leader has all the necessary digital tools like that laptops, fax, phones & mobiles with regard to both his internal organization and leader and managers. The IT-landscape is characterized by "islands" of chain integration between leaders and managers, which is why competition on infrastructure persists. Insurance applications are not operated locally but hosted by Application Service Providers<sup>4</sup>. A manager can use the leader's portal to access their contract information and view the status of a quotation. The leaders offers an overview, which means that customers do not have to log on at various insurers<sup>5</sup>. In addition, customers can make simple changes in their insurance policy data and process simple claims. The leaders checks the information for errors. The leader is the owner of the insurance data, while the managers owns the customer data.

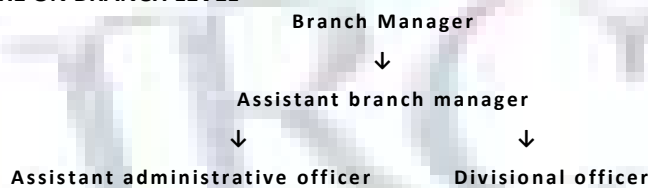
**FIGURE 2: STRUCTURE OF MODULAR NETWORK**



**ORGANIZATIONAL DOMAIN**

Because managers increasingly become generalists, it is especially important for subordinates to work together with others. Another reason to work together is that it allows the managers to negotiate more favourable environment. The result of this cooperation is a network organization of assists working together. Together with the leaders' core competences are knowledge and customer contact. subordinates cover the risks, and develop and market new insurance policy. Sector and consumer organizations increasingly replace government as supervisors of the insurance sector.

**ORGANIZATIONAL STRUCTURE ON BRANCH LEVEL**



(A/c, P.S/N.B)

- ❖ P.S. = Police related services
- ❖ N.B. = New Business relative service

In addition, the sector organization plays a role as matchmaker, bringing together subsidiaries wanting to benefit from each others' expertise<sup>6</sup>. Here it is more relevant to review the system analysis of organizational effectiveness scales.

**ORGANIZATIONAL EFFECTIVENESS SCALE**

Here this scale measures nine dimensions of organizational effectiveness. All these criteria of organizational effectiveness which has been referred to 'soft criteria' by Smith (1978), i.e., they measure socio-psychological dimensions of effectiveness. This scale can be administered at any level of organizational sample in insurance sector if language is not a problem. The scale was developed by Daftuar in the year 1985. Since Cronbach's Alpha co-efficient reliability indices have been worked out independently for all individual dimensions (separately), researchers can use all or any number of dimensions of their choice. Cluster analysis has yielded a cluster of 9 dimensions. So, the mean (or total) value for all these five dimensions can be used as an index of effectiveness<sup>7</sup>. The dimension's item numbers and alpha values are as follow in the Table-3.



TABLE 3

(i)	Consensus
(ii)	Legitimization
(iii)	Need for Independence
(iv)	Self-Control
(v)	Job Involvement
(vi)	Innovations
(vii)	Organizational Commitment
(viii)	Organizational attachment
(ix)	Job Satisfaction

The variation of responses is not due to the educational qualification levels but due to OES variables (i.e., consensus, legitimization, need for independence, self-control, job involvement, innovations, organizational commitment, organizational attachment and job satisfaction) In the competitive era with the airs of globalization liberalization & privatization the review of different data of leadership style e.g. authoritative, participative; Bureaucratic, nurturant etc. is the call of time.

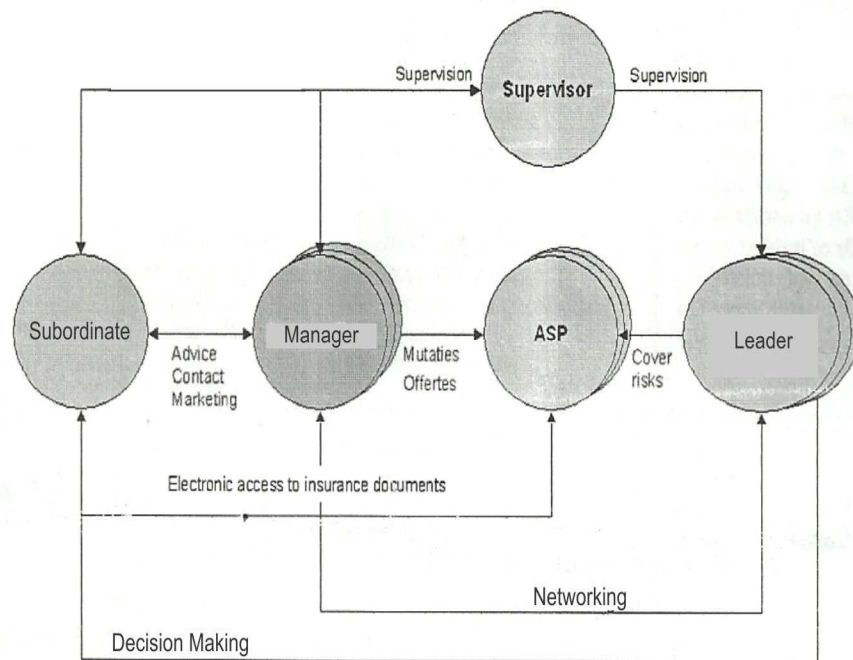
**CONTENT VALIDITY**

These leadership styles are matter of testing in different scale like that organizational effectiveness scale (OES), and managerial Behavior questionnaire (MBQ) This could help to formulate the standard of leadership policy for managers and supervisors In financial sector in general and insurance sector in particular. During the case study of 425 leaders and insurance sector we came across different insight of effective leadership in the field of insurance sector. It is very crucial that these leadership dimensions has been opting from junior or senior level of leadership universally to educate, to counsel and to train their personnel for better growth and result that is main priority of remedial leadership management phenomena. Therefore we have attempted to enquire with different level of leadership e.g. age, income, education and angle of sex and gender. Actually Insurance applications are not operated locally but hosted by Application Service Providers (ASP's). Because sector-wide chain integration has not yet emerged, there is continued competition with regard to infrastructure.

**FINANCIAL DOMAIN**

From the point of view of the effective leaders of insurance, the costs involved in giving advice and outsourcing IT are important factors. Leaders are no longer paid on the basis of the number insurances that they sell. Depending on the customers' preferences, there is a fixed fee, subscription or monthly rate<sup>8</sup>.

FIGURE 3: VALUE WEB AND INTERDEPENDENCIES BETWEEN ACTORS LEADERS/MANAGERS



The costs involved in advice, administration and purchase are included in the leaders' monthly or target oriented rate. Because it is difficult to include representation costs in a subscription, all insurances include coverage for such events. Managers are able to economize considerably due to chain integration and IT outsourcing<sup>9</sup>.

TABLE 4: OVERVIEW OF THE MAIN ELEMENTS OF THE ROLE MODEL

SERVICE	TECHNOLOGY	ORGANIZATION	FINANCES
<b>Service elements:</b> Modular insurance decision intensive products <b>Target group:</b> Consumers and SME's <b>Slogan:</b> No time, but profit <b>Added value</b> <b>leaders:</b> Following lifecycle, entrepreneurship and personal approach	<b>Technology support:</b> Enabler, via portal to leaders: access contract data, status quotation; processing electronic claims, leaders works with laptop to access customer data online <b>Chain integration:</b> Partial integration, competition in products and infrastructure, all insurance applications and databases hosted by ASP <b>Security:</b> Via digital passport	<b>Advice and maintenance customer relationship:</b> Leaders <b>Risk:</b> Insurers, third parties <b>Marketing:</b> Insurers, large intermediaries, sector organizations, crossbranding, affinity <b>Product development:</b> Insurers, large intermediaries <b>IT-infrastructure:</b> Competing infrastructures of insurers, application hosting by ASP's <b>Supervision</b> Sector organizations (self-regulation), government and consumer organizations	<b>Revenues</b> Subscription insurance package rate for advice, administration and purchase, revenues from cross-selling, cutting costs on advice (reduction administrative activities) Cutting costs infrastructure (chain integration) Rate for representing customer interest <b>Expenditures:</b> Advice-related costs, hiring fellow subordinate to deal with specialist issues, Marketing and product development costs Costs involved in outsourcing IT (hosting of applications by ASP's)

## DISCUSSION AND CONCLUSIONS

Although the position of the leaders in the insurance sector is under pressure, subordinates realize that they largely depend on managers if they are to market their services. To reinforce the intermediaries' innovative capability and stimulate their strategic choices and the implementation of those choices in new role models, a sector-wide study was set up in which various parties played a role. Based on the scenarios that were developed in this research project and relevant effects of developments in the areas of regulation and technology, we discussed the strategic choices of subordinate that have at their disposal. We then translated these strategic choices into a role model on the basis of the Freeband Role Blueprint Model (Haaker et al., 2004). This role model is but one of many possible alternatives. On the basis of the description of the role model we have looked at the impact on the services offered by intermediaries as well as on the technology that is required, we have described the organizational arrangements and established the revenues, potential economies and costs. With regard to the insurance sector these role models, like the scenarios, primarily serve as examples.

By outlining various alternatives and calculating the consequences of strategic choices, leaders of insurance sector become more aware of their possibilities. In scientific terms this paper combines futures research using scenarios, strategic thinking and role models. The paper shows that combining both approaches not only makes them more valuable, it also identifies the interdependencies between strategy, role models and innovation.

Furthermore, we feel the usability of our conceptualisation as presented in the STOF mode and the translation into a design method, are both important elements. Taking part in these types of projects and getting feedback from professionals allows us to determine what the relevant concepts are and how they are interrelated, and how these can be used in everyday practice, which in turn helps us to improve our method of design.

At a large number of stages of this study regarding insurance we made various analyses and interpretations, and used them as input for the steps ahead. Because we are dealing with model based research here, it is possible to come up with alternative analyses and interpretations that must eventually lead to other perspectives and strategic decisions, as well as to a different implementation of the role models.

Although we are aware that our research contains these restrictions, we do believe that we achieved a considerable level of verisimilitude, thanks to the broad involvement of the leader of insurance sector effectively in our research, their participation in our organized workshops, which played an important part in the description of scenarios and role models. Furthermore, we have at all times checked for coherence and logical consistency in the scenarios and role models. Finally, at every stage the results have been submitted to the critical eyes of a panel from the sector. Their feedback and evaluations have been constantly included.

## CONTENT VALIDITY

In addition to the **internal validity of the study**, there is also the question as to its external validity. When we began, we conducted an intensive investigation into the innovations surrounding leaders in the insurance domain in region, in particular the Northern India, The Southern India, The Eastern India and Western India. Also, we contacted various organizations representing leaders in these region. Despite the fact that there will obviously be differences between these region with regard to the insurance sector and the position of leaders, the overall picture that emerged was that the problems facing leaders in these regions are similar to what we found in the different regions of India.

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## A CRAM OF CONSUMER'S BUYING PERFORMANCE FOR LONG JOURNEY TRAIN TICKETS

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### ABSTRACT

*This research paper is an academic effort to understand the buying behavior of consumer regarding buying of long distance journey train tickets. This paper also highlights problems faced by consumers while buying and cancelling tickets at various options of buying and cancelling tickets. Researchers have collected all the required information from primary data and various published secondary data for the study. It is found from the study that though IRCTC (Indian Railway catering and tourism corporation.) has applied technology for issuing tickets but it still need to upgrade their technology consistently to serve the consumers to their expectation.*

### KEYWORDS

IRCTC, Indian Railway, Tickets.

### 1. INTRODUCTION

**I**ndian Railways (reporting mark IR) is an Indian state-owned enterprise, owned and operated by the government of India through the Ministry of Railways. It is one of the world's largest railway networks comprising 115,000 km (71,000 mi) of track over a route of 65,000 km (40,000 mi) and 7,500 stations. As of December 2012, it transported over 25 million passengers daily (over 9 billion on an annual basis). In 2011, IR carried over 8,900 million passengers' annually or more than 24 million passengers daily (roughly half of which were suburban passengers) and 2.8 million tons of freight daily. Indian Railways is the world's ninth largest commercial or utility employer, by number of employees, with over 1.4 million employees. As for rolling stock, IR holds over 229,381 Freight Wagons, 59,713 Passenger Coaches and 9,213 Locomotives. The trains have a 5 digit numbering system as the Indian Railways runs about 10,000 trains daily. As of 31 March 2012, 22,224 km (13,809 mi) (34%) of the total 65,000 km (40,000 mi) km route length was electrified. Since 1960; almost all electrified sections on IR use 25,000 Volt AC traction through overhead catenary delivery.

**TICKET** - means any ticket issued by us. It is an authorization to travel using our ticket booking facility for the specified journey over the network of Indian Railways. This can mean an I-ticket or an E-ticket.

**I-TICKET**- refers to a Railway reservation booked on this website for the consummation of which a printed Railway ticket on standard Stationery is dispatched by IRCTC to the Customer by courier which constitutes the authority to travel on a train.

**E-TICKET** -refers to a Railway reservation booked on this website, for the consummation of which the customer prints out an Electronic Reservation Slip which, along with the concerned authorized personal identification, constitutes the authority to travel, in lieu of the regular ticket on standard Stationery.

**TATKAL TICKET** -A ticket booked against Tatkal Quota against extra payment of premium charges as per extant Railway rules.

**ERS(ELECTRONIC RESERVATION SLIP)** -The printout in standard specified Performa containing reservation particulars, and instructions for use which can be used by the Passenger along with the relevant authorized Identification, as travel authority for performing the journey. The user of the ERS is governed by these rules and the instructions available on the ERS itself.

**TIMINGS OF BOOKING TICKETS:** Generally reservation office counter is open for booking from 8.00 am to 8.00 pm and some counters from 8.00 am to 10.00 pm. While online booking is available from 0.30 hours to 23.30 hours. Tatkal tickets can be booked from reservation office counter during timings mentioned above and online after 10.00am before 24 hours of travel.

### 2. REVIEW OF LITERATURE

There are lakhs of agents standing between you and your railway ticket. Certainly, your case could be exceptional if you are ready to pay 3-4 times more than the counter price of the tickets. IRCTC has authorized lakhs of the agents during past six years.

According to figures, the number of authorized railway agents in Mumbai zone has zoomed to a whopping 1,35,157 from a mere 1,537 during 2006-2012. One can now imagine the leap in the number of agents all over the country. Railway agents of Mumbai zone book around one crore tickets in every month. These figures clearly show that the agents involved in ticket booking process are making a common man deprived of railway tickets. But there is a sharp increase in this number during the festive seasons and the agents charge several times more than the actual fare charge from the passengers. The surprising fact is that IRCTC is well aware of these practices of the agents but instead of taking any initiative, it continues to authorize hundreds of agents every day.<sup>1</sup>

Anybody who has ever tried to book a *tatkal* (immediate) ticket via IRCTC, the subsidiary of Indian Railways, knows how frustrating the experience can be as its site is often inaccessible, usually between 10 am to 12 pm.<sup>2</sup>

Stepping up efforts to check misuse of tatkal bookings, Railways today said a separate reservation form for passengers booking tickets under this scheme will be introduced soon. The pink colour form has to be filled up by the passenger at the booking counters providing details of his/her address, contact number and ID.<sup>3</sup> Consumers trying to book e-tickets through IRCTC website seem to be facing serious problems. The e-commerce portal that caters to millions of railway passengers to book tickets online is one of the largest ticket reservation systems and the most visited websites in India. Although IRCTC officials claim that the IT infrastructure of the online booking portal irctc.co.in (Indian Railway Catering and Tourism Corporation Limited) has been updated, users are constantly complaining about the time the Web page takes to load.<sup>4</sup>

The Indian Railway Catering and Tourism website, which helps passenger's book railway tickets online, has been a letdown for many who were waiting to plan their trips during summer holidays. The IRCTC website has been troublesome for people since a month as many are unable to either log in or proceed any further even if they log in to the portal.<sup>5</sup>

There will be no end to ticket booking woes this festival season. While the bandwidth of IRCTC website remains unchanged, the hits per minute have crossed 10 lakh marks this season. IRCTC officials said they are helpless as the site has its limit and the gap between the demand and supply has touched an all-time high. With a single-window site, there is not much that IRCTC can do to provide immediate redressal. The site gets maximum hits between 10 to 12 in the morning, as

soon as the reservation opens. Logging on to it after 12 in the noon can make it little easy for people, although, by then trains would have a long wait list to show. "We have taken few measures over a period of time to cut down public woes but the problems remain. There are several measures planned in the long run", said PradeepKundu, Jt. GM, public relations, IRCTC, New Delhi.<sup>6</sup>

### 3. IMPORTANCE OF STUDY

The importance of the present study is to analyze the consumers buying behavior and to high light the problems faced by consumers while buying and cancelling their long journey tickets from various sources.

### 4. STATEMENT OF PROBLEM

Many a times consumer stand in a long que for long time with the hope of getting confirm tickets for their well advanced planned journey (120 days before travel) but at their turn they get waiting tickets and they get completely disheartened. Problems are many such as slow server and large number of agents between consumer and their confirmed tickets. Agents grab tickets as soon as server allows to book tickets leaving other consumer in vain.

### 5. OBJECTIVES OF THE STUDY

1. To analyze the consumer buying behavior for long journey train tickets.
2. To understand the problems faced by consumers while cancelling the long journey train tickets.

### 6. RESEARCH METHODOLOGY FOR THE STUDY

The data has been collected from various sources. The primary data was collected through structured Questionnaire and it was filled by 200 randomly selected respondents. Secondary data was collected from various published and unpublished research papers, articles, books, reports and mimeograph.

### 7. IRCTC

Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is a Public Sector Enterprise under Ministry of Railways. IRCTC was incorporated on 27th September, 1999 as an extended arm of the Indian Railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism through development of budget hotels, special tour packages, information & commercial publicity and global reservation systems. IRCTC is better known for changing the face of railway ticketing in India. It pioneered Internet-based rail ticket booking through its website, as well as from the mobile phones via GPRS or SMS. Ticket cancellations or modifications can also be done online. In addition to E-tickets, IRCTC also offers I-tickets that are basically like regular tickets except that they are booked online and delivered by post. The Tickets PNR Status is also made available here recently. IRCTC's highest ever per day booking is 4.96 lakh e-tickets on 13 July 2012. IRCTC is currently using 58 iridium servers and 10 more servers to be added soon to cater the heavy traffic in peak hours.

### 8. RESULT AND FINDINGS

**1. PEOPLE'S PREFERENCE FOR TRAVELLING LONG JOURNEY BY TRAIN AND THEIR PURPOSE:** Table No.1 concludes that 35 respondents prefer to travel every month and 35 respondent travel quarterly, 65 respondent prefer to travel twice a year and 65 respondent prefer to travel once a year.

**TABLE NO. 1: PEOPLE'S PREFERENCE FOR TRAVELLING LONG JOURNEY BY TRAIN AND THEIR PURPOSE**

Time period	Male	Female	Total
Monthly	30	5	35
Once in a Quarter	25	10	35
Twice a year	50	15	65
Once in a year	35	30	65
Total	140	60	200

**2. PEOPLE'S NEED OF TRAVEL:** Table No.2 concludes that mostly people travel for vacations. 22 respondents travels for business, 13 for religious purpose, 23 for education, 30 for personal, 100 for vacations and 12 for other reasons.

**TABLE NO.2: PEOPLE'S NEED OF TRAVEL**

Reasons	Male	Female	Total
Business	20	2	22
Religious	10	3	13
Education	15	8	23
Personal	25	5	30
Vacation	60	40	100
Others	10	2	12
Total	140	60	200

**3. PEOPLE'S PREFERENCE FOR BUYING TICKETS ACCORDING TO CLASS:** Table no.3 concludes that 12 respondent likes to travel through 1AC, 11 by FC, 23 by two tier AC, 42 by 3 tier AC, 83 by Sleeper class, 22 by Chair car, and 7 by two seater.

**TABLE NO. 3: PEOPLE'S PREFERENCE FOR BUYING TICKETS ACCORDING TO CLASS**

Class for booking	Male	Female	Total
1AC	10	2	12
First class	8	3	11
Two tier AC	15	8	23
Three tier AC	30	12	42
Sleeper	60	23	83
Chair car AC	12	10	22
Two Seater	5	2	7
Total	140	60	200



**4. PEOPLE'S PREFERENCE TO BUY TICKETS FROM:**Table no.4 concludes that 75 respondents prefer to book tickets from reservation counter, 19 from authorized agents, 26 from unauthorized agents and 80 from IRCTC website.

**TABLE NO. 4: PEOPLE'S PREFERENCE TO BUY TICKETS FROM**

Options for booking tickets	Male	Female	Total
Reservation office counter	50	25	75
Authorized Agents of IRCTC	15	4	19
Unauthorized agents of IRCTC	20	6	26
Online using IRCTC website	55	25	80
Total	140	60	200

**5. PEOPLE'S PREFERENCE OF BUYING TICKETS IN ADVANCE:** Table no. 5 concludes that 75 respondents prefer to book tickets in advance before 120 days of travel, 110 prefer to book any time before travel date and 15 people prefer to book Tatkal tickets.

**TABLE NO. 5: PEOPLE'S PREFERENCE OF BUYING TICKETS IN ADVANCE**

Days	Male	Female	Total
Before 120 Days	45	30	75
Between 120 days to 2 days before the travel date.	85	25	110
Tatkal	10	5	15
Total	140	60	200

**6. PEOPLE'S BUYING BEHAVIOR REGARDING TATKAL TICKETS:**Table no.6 concludes that while people buy Tatkal tickets 105 respondents prefer to buy only confirmed tickets and 95 respondents prefer to buy even waiting tickets.

**TABLE NO. 6: PEOPLE'S BUYING BEHAVIOR REGARDING TATKAL TICKETS**

Options	Male	Female	Total
Only confirm tickets	85	20	105
Waiting tickets also	55	40	95
Total	140	60	200

**7. PROBLEMS FACED BY PEOPLE WHILE BOOKING TICKETS:** Table no. 7 concludes problems faced by people while booking tickets. Generally long que and slow server as a problem is faced by people booking tickets from reservation office counter. High charges and mostly instruction for booking tickets were not followed is the problems faced by people booking tickets from authorized agent and unauthorized agents. While people booking tickets online faces problems of slow server and high reservation charges.

**TABLE NO. 7: PROBLEMS FACED BY PEOPLE WHILE BOOKING TICKETS**

Problems	Reservation office counter			Authorized agents of IRCTC			Unauthorized agents of IRCTC			Online booking.			Grand Total
	M	F	T1	M	F	T2	M	F	T3	M	F	T4	
Long que	40	20	60	-	-	-	-	-	-	-	-	-	60
Slow server	10	5	15	-	-	-	-	-	-	50	22	72	87
High charges	-	-	-	10	3	13	15	4	19	5	3	8	40
Not following instructions for booking tickets	-	-	-	5	1	6	5	2	7	-	-	-	13
Total	50	25	75	15	4	19	20	6	26	55	25	80	200

**8. PROBLEMS FACED BY PEOPLE FOR CANCELLING TICKETS:**From the table no. 8, it is concluded that 48 people faces problem while cancelling tickets. Problems are same while booking tickets. 152 respondents didn't find any problems while cancelling tickets.

**TABLE NO. 8: PROBLEMS FACED BY PEOPLE FOR CANCELLING TICKETS**

Problems while cancelling tickets.	Reservation office counter			Authorized agents of IRCTC			Unauthorized agents of IRCTC			Online booking.			Grand Total
	M	F	T1	M	F	T2	M	F	T3	M	F	T4	
Yes	15	5	20	3	1	4	10	4	14	-	-	-	48
No	35	10	45	12	3	15	10	2	12	55	25	80	152
Total	50	25	75	15	4	19	20	6	26	55	25	80	200

**9. RECOMMENDATIONS**

IRCTC should constantly upgrade their website for user friendly and should encourage users to use mobile to book tickets that have to face struggle for hours, often unsuccessfully, to book tickets online. Technology should be upgraded for handling more booking per minutes.

**10. CONCLUSION OF THE STUDY**

In spite of the best infrastructure, IRCTC website suffers heavy traffic in peak hours, specially 08.00 hrs.and 10.00 hrs. IRCTC takes preventive steps regularly but consumers still face heavy lag during peak hours. Further from the above study it is concluded that people are changing attitude of buying tickets from counter to online. People preferring for vacations book their tickets well in advance.

**11. LIMITATIONS OF THE STUDY**

1. Response was collected from educated Mumbai urban populaces.
2. Respondent's income criteria was not considered for this research.

**12. SCOPE OF FUTURE STUDY**

With the implementation of rail budget, 2013, it will give future scope to this study to analyze the consumers satisfaction a level ahead.

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**DETERMINANTS OF CONSUMER BUYING BEHAVIOUR: A STUDY OF READYMADE GARMENTS**

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**ABSTRACT**

*Indian retail is expanding very fast and new players are entering this sector. After food and groceries segment apparel is the next large retail segment and the consumption of apparel is also very large in volume. In India's total textile export, share of readymade garments is approximately 45%. This paper aims to determine the various factors affecting the buying behavior while purchasing the readymade garments. A sample of 240 respondents including both males and females has been drawn from the 6 district (Ludhiana, Moga, Firozpur, Patiala, Faridkot & Muktsar) of Malawi region. Factor analysis has been used to extract the factors using principal component matrix. Four factors have been identified which affects the consumer buying behavior for readymade garments. These are economy, convenience, media & reference group.*

**KEYWORDS**

Buying Behavior, Factors, readymade garments.

**INTRODUCTION**

**INDIAN READYMADE GARMENT INDUSTRY:** In India's total textile export, share of readymade garments is approximately 45%. In Early 1980's when Indian economy started the policy of liberalization; at the same time Indian economy started its thrust for readymade garment production. In the world's export of readymade garments; in last two decades India's has moved to 10<sup>th</sup> position.

**CONSUMER BUYING BEHAVIOUR**

60% population of India is between age group 15-59. Middle income group is growing in India. So because of the changing income levels consumption pattern and buying behavior are also changing. The demand for fashionable accessories and other luxurious products in India is increasing day by day. Also because of Media & entry multinational companies there is cultural shift in India. People are moving towards Western culture. The consumers while making purchase decisions regarding readymade apparel are affected by many factors, viz., price, discounts, comfort, durability, Brand name, sales promotional schemes, etc. Also consumers are affected by store location from they are going for purchase, ambience, behavior of sales people etc.

**PREVIOUS RESEARCH**

**Jägel, T et al (2012)** explored consumers' desired consumption outcomes and personal values that drive ethical product preferences. Analysis of data reveals five dominant perceptual patterns relating not only to environmental and altruist ethical concerns, but also more individual motives of value for money, personal image, and well-being **Helen, & Charlotte (2012)** analyzed the effect of online available information and pattern of only product inspections on consumers' behaviour and decision-making process. Product inspection helps the buyer to customize stimulating more utilitarian effects, whilst online availability of fashion information is driven retailers readiness to help and guide the consumer stimulating hedonic effects. **Krishnakumar & Gurunathan (2012)** said consumer behaviour change in apparel purchase are attributed to; their want of more choice, value, service, experience and convenience. Not all individuals are built the same way have the same tastes. The study shows that the preference of custom made tailoring by next generation consumers is diminishing. **Kervenoael, De et al (2011)** found that the decisions for buying apparel are affected by functional values (i.e cost, quality, guarantee & warranty etc) as well as fashion (style, image). **Mandhachitara, & Piamphongsan (2011)** examined the impact of individual's motivation for comparing with other people of their own social settings on professional women's buying behavior while choosing fashion clothes. **Irani (2011)** conducted a study of clothing in Iran and found that variety is a major influencing factor while purchasing fashion clothes. Also price sensitive is not positively related to hedonic pleasure. **Minghuang et al (2011)** said that desire is one of the major motives in consuming luxurious products including boutique apparel. The findings of the study show that utilitarian attitude and positive anticipated emotions have positive influence to desire; however, hedonistic attitude and subjective norms do not have significant impact on desire. Moreover, desire separately has mediating effect on the relationship between utilitarian attitude and purchasing intention; and between the anticipated emotion and purchasing intention. **Phoebe (2011)** said that women prefer the clothes that make them look thinner. Also men said they prefer clothes that make them look physical fit. **Maria, Anne & Pia (2011)** explored and analysed mature women's buying of clothes. Findings of the study revealed that for mature women fashion, brand, retailer, price & style are important factors while purchasing clothes. **Krishna (2011)** identified the factors which affect the consumer decision making process while purchasing private label garments. Consumers are affected by both internal and external factors; internal factors can be demographical, lifestyle orientation etc and external factors can be brand, cost, style of clothes, quality etc. **Syuhaily & Fah (2011)** analyzed the effect of sales promotion schemes on purchase among students. This study found that gender does not affect the purchase decision making process; but monthly income affect the purchase behavior of students belonging to different income groups. There is a positive relationship between intention to purchase and availability of sales promotion offers. **Lahiri & Kumar (2010)** said customers visit apparel retailer to get latest fashionable designs. Quality plays more important role while purchasing apparel than price. Features like sales promotion offers, convenience, store for family purchasing are more important compared to brand name of the outlet. Also it is found that reference group does not affect much. **Saravanan (2010)** concluded that education play an important part in buying decision making process. Majority of the respondents said that women play a major role in family buying decision making process. **Lawrence, Teich, & Sylvia (2009)** said that in present era consumer prefer customization. The researcher analyzed the this trend with respect to young women's intention to prefer in-store customization of off-the shelf fashion products. The study suggested that create your own things market can be extended to clothes especially hand-bags. **Catherine & Etienne (2009)** analyzed the relationship between age & other important variable i.e price, durability, Suitability affecting the buying behavior of clothes. Young participants prefer low price while older prefer suitability and durability as important while purchasing clothes. **Kaushik & Taneja (2007)** analyzed the factors which affect the readymade garments purchasing in multi-brand retail outlet and found that promotional offers, physical evidence, responsiveness of the store people, tangible cues and services are the important factors. Also study shows that family income and preference for retail format are significantly related. **Barletta's (2006)** found that women prefer benefits whereas men prefer features. The author said it is true that men can get caught up in a gadget's bells and whistles, but women analyze features more deeply while purchasing car and other appliances. **Isabel & Graeme (2005)** examined the communication factors which affects the buying behavior of 12-13 years old girls while purchasing fashion clothes. Brand name and its associations are found to be highly

important while purchasing fashion clothes. **Fatima & Ejaz (2005)** observed that the in Pakistan quality is important factors for the success of readymade garment industry. It is most important factors while purchasing garments.

**RESEARCH METHODOLOGY**

**RESEARCH OBJECTIVE**

The study is aimed at determining the various factors affecting the buying behavior for readymade garments.

**RESEARCH INSTRUMENT**

The structured questionnaire has been designed for this purpose.

**SAMPLE DESIGN**

Polulation of the study comprises the respondents from the 6 districts of Malawa region in Punjab namely Ludhiana, Moga, Firozpur, Patiala, Faridkot & Muktsar. A sample of 240 respondents comprising 40 from each district was selected on the basis of convenience sampling. The data has been collected personally with the help of a well structured and non-disguised questionnaire. After scrutiny of filled questionnaire 225 were found to be fit for the analysis. Time period of the study is January 2011-May 2012.

**ANALYSIS**

Microsoft Excel & SPSS (Statistical Package for Social Sciences) for Windows has been used to apply various statistical tests for data analysis purpose.

**RESULTS AND DISCUSSION**

A factor analysis has been applied to find out the variables/factors that affect the consumer buying behavior while purchasing the readymade garments.

**KMO AND BARTLETT'S TETS**

**TABLE 1: KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.825
Bartlett's Test of Sphericity	Approx. Chi-Square	1724.971
	Df	78
	Sig.	.000

**Sources:** Calculated from primary survey data

Measures of sample adequacy such as Bartlett's test and KMO value showed that data was fit for factor analysis. Kaiser-Meyer-Olkin measure of Sampling Adequacy (MSA) for individual variables was found to be sufficiently high for all variables. Overall MSA was found to be 0.825 which indicated that the sample was good enough for sampling. Bartlett's test of sphericity showed statistically significant numbers of correlations among the variables (Approx. chi-square = 1724.971, degree of freedom= 78, significance=.000). All the above mentioned standards reveal that factor analysis can be used for this data.

**TABLE 2: PRINCIPAL COMPONENT ANALYSIS**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings			
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
Dimension1	5.806	44.658	44.658	5.806	44.658	44.658	3.637	27.976	27.976	
	2	1.481	11.393	56.051	1.481	11.393	56.051	3.211	24.703	52.679
	3	1.376	10.584	66.635	1.376	10.584	66.635	1.466	11.274	63.952
	4	1.068	8.214	74.849	1.068	8.214	74.849	1.417	10.897	74.849
	5	.686	5.277	80.126						
	6	.590	4.541	84.666						
	7	.466	3.588	88.254						
	8	.417	3.206	91.460						
	9	.382	2.942	94.403						
	10	.237	1.821	96.223						
	11	.192	1.477	97.701						
	12	.172	1.325	99.026						
	13	.127	.974	100.000						

Extraction Method: Principal Component Analysis.

**Sources:** Calculated from primary survey data

**TABLE 3: ROTATED COMPONENT MATRIX**

	Component			
	1	2	3	4
Price	.870	.221	.004	-.031
Sales promotion schemes	.832	.117	.161	-.025
Quality	.787	.227	.160	.083
Guarantee & Warranty	.741	.304	-.170	.207
Durability	.608	.518	.020	.172
Location	.078	.817	-.023	.176
Helpful sales assistance	.270	.759	.294	.205
Type of store	.270	.722	.076	-.126
Nice in store display	.403	.704	.150	.369
Ambience	.543	.647	-.253	-.005
Advertisement	-.036	.128	.819	-.295
Brand image & Status symbol	.193	.021	.728	.477
Reference group	.035	.202	-.074	.892

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.  
a. Rotation converged in 5 iterations.

**Sources:** Calculated from primary survey data

**Principal Component Analysis-** For extracting factors Principal Component Analysis was used (table 2). Latent Root Criterion (factors with eigen value greater than 1) was used for finalizing the number of factors. Orthogonal rotation with Varimax was run (table 3). In orthogonal rotation, each factor is independent of, or orthogonal from, all other factors. Four factors have been taken depending on Eigen values and variance explained by each factor. From table 2 it is clear that



Eigen values of 4 factors are more than 1. It is clear from table 2 that approximate 75% of variance has been explained by 4 factors. After extracting, these factors have been given names depending upon the variables constituting the factors. Table 4 represents the statement labels, factor loading and the names of the factors.

TABLE 4: NAMING OF THE FACTORS

Factor	Factor	Loading
1. Economy	Price	.870
	Sales promotion schemes	.832
	Quality	.787
	Guarantee & Warranty	.741
	Durability	.608
2. Convenience	Location	.817
	Helpful sales assistance	.759
	Type of store	.722
	Nice in store display	.704
	Ambience	.647
3. Media effect	Advertisement	.819
	Brand image & Status symbol	.728
4. Reference group	Reference group	.892

Sources: Calculated from primary survey data

On the bases of underlying statements representing these factors have been briefly defined as follows:

- Economy:** As human beings are having limited resources; so with limited resources all wants to take maximum utility. So economy is one of the most important factors that respondents consider while buying readymade garments. Consumers want qualitative and durable product within a limited price range. They prefer to pay less; also they prefer to buy the garments which are available with some sales promotion schemes. Respondents also expect some guarantee & warranty on the readymade garments.
- Convenience:** Location of store & distance of store from the residence are also important; when consumers are going to purchase readymade garments. Consumers prefer to visit the store where sales person are helpful. Ambience of the store & the way garments are displayed in the store also play an important role while buying the readymade garments.
- Media effect:** Respondents are also being affects by the media content. Advertisements being shown in different media attract the consumer towards the product. Also the brand image that a particular brand is carrying also affect the buying decision.
- Reference group:** Reference group is very important while buying readymade garments because the professional role, social group, cultural group & religion affect the personality and respect in the society.

## FINDINGS

From the study it is clear that there are many variables which affect the consumer buying behavior towards readymade garments like, price, sales promotion schemes, quality, durability, guarantee & warranty, store location, ambience of the store, sales assistance, media and reference group. These variables have been classified under four factors, namely: 1. Economy 2. Convenience 3. Media affects 4. Reference group. Out of these variables reference group, price and sales promotion carries the highest factors loading. It means these three factors are most important while purchasing the readymade garments. Durability is with the lowest factor loading, which means while purchasing the readymade garments it is less important. The reasons may be that in present era fashion changes very quickly. Accordingly consumers tend to purchase again and again.

## MANAGERIAL IMPLICATIONS

From study it is clear that reference group, Price and sales promotion schemes are most important while purchasing the readymade garments. It implies that before setting the prices managers should consider the price range that the target audiences are willing to pay. Durability is less important while purchasing readymade garment because of changing fashion consumers need to purchase garments more frequently. So if the marketers of readymade garments want to increase their sales quickly they should use value based pricing. Reference group is highly important that affects the buying behavior of readymade garments; therefore marketers need to attract opinion leaders by giving them special offers. While designing there advertisements they should take celebrities who are highly liked by the target group. Also sales promotions schemes are being preferred by the respondents so marketers should design attractive sales promotion schemes in order to enhance their sales & turnover.

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**CLASSIFIED ROUTES OF FOREIGN DIRECT INVESTMENT IN INDIA**

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**ABSTRACT**

*In India, FDI has increased significantly over the past two decades. However, it has been concentrated in a few sectors. The Government of India has put in its practice a liberal and more transparent FDI policy with a view to attract more FDI inflows into its economy. The study has summarized the emerging patterns and trends in inflows of FDI in India in the wake of policy reforms initiated since 1991. While the magnitudes of inflows have recorded impressive growth, they are still at a small level compared to the country's potential. The aims of the present study are to analyze the FDI inflows in various sectors attracting highest FDI inflows in India from 1991-2009 and the major ten source countries contributing highest FDI inflows in the above said period. For ensuring higher FDI inflows and the planned performance of economy, government should opt for "controlled liberalization". Policy controls should be made in such a manner that FDI would be able to contribute in up gradation of technology and the development of economy.*

**KEYWORDS**

FDI, India.

**INTRODUCTION**

Foreign Direct Investment is a process of integrating an economy with rest of the world. The Government of India (GOI) has identified the key role of the FDI in its process of economic development, not only as an addition to its own domestic capital but also as an important source of technology and other global trade practices. In order to attract the required amount of the FDI, it has brought about a number of changes in its economic policies and has put in its practice a liberal and more transparent FDI policy with a view to attract more FDI inflows into its economy. These changes have heralded the liberalization era of the FDI policy regime in India and have brought about a structural breakthrough in the volume of the FDI inflows into the economy. All this has led to a deep emphasis being placed on attracting large sums of FDI to India in the post-liberalization period. The same perception has led to different sectors to compete with each other for the foreign investment. They have been making intense efforts to attract investment, in general, and foreign investment, in particular.

Most of the studies on FDI inflows during the post-liberalization period in India, have dealt with aggregate level data and that too of approvals only. Because of the substantial gap between FDI approvals and actual inflows, home country-wise concentration and varying modes of entry, there is a need for taking a closer look at the official data on approvals and inflows to gain better insights into the sector wise distribution of FDI, especially in large manufacturing ventures in the post liberalization period. This paper aims at such an analysis to the extent available date permit, to study the emerging patterns and trends in inflows of FDI in India in the wake of policy reforms initiated since 1991. While the magnitudes of inflows have recorded impressive growth, they are still at a small level compared to the country's potential.

**REVIEW OF LITERATURE**

FDI contributes to higher economic growth by incorporating new inputs and techniques (Feenstra and Markusen, 1994). But it is important to note that the growth consequences of FDI depends upon what types of sectors receive the same and that change in sectoral flows strengthen the positive effects and weaken the negative ones (Wei, 1996; Dutt, 1997; and Kathurla, 1998). In short, FDI induces economic growth, and hence, the issue of economic prosperity is always linked with massive FDI inflows in the economy. There is twin linkage between the two. Firstly, a healthy inflow of FDI is a vital factor in accelerating higher economic growth in the economy (Jackson and Markowski, 1995; Aitken and Harrison, 1999; Cheng and Yum, 2000; and Coughlin and Segev, 2000). Secondly, a healthy economic growth is also an imperative factor in attracting high FDI inflow into the economy (Goldberg, 1972; Lunn, 1980; Schneider and Frey, 1985; Grubaugh, 1987; Lucas, 1993; Aziz, 1999; Zhang, 2001; and Gliberman and Shapiro, 2003).

Mundell (1957), Hymer's (1976) are considered as earliest contributors in the theory of capital movements for FDI. Earlier it was considered as a part of portfolio investment. The development impact of foreign investment on host countries has always aroused great deal of controversy. But this controversy has reduced greatly in recently years (Lall, S., 1993). Hymer (1976) has regarded FDI quite beneficial for the host country. It can transfer knowledge as well as tangible and tacit assets of the firm to organize in host country without having adverse impact on the ownership and control of the firm.

Caves (1971) in his study have observed that FDI is a way of exploiting ownership advantages. Kogut (1983) concludes that FDI can prove very helpful in transferring organizational assets and knowledge. Further, Buckley and Casson (1976) have explained the logic for internalizing transactions within the MNCs. Knickerbocker (1973) has concluded in his empirical study that FDI results in to a number of negative and positive impacts on the economy of a host country. When MNCs enter in to new market to excel their former competitors of home markets; the competition gets toughened and host country is benefited.

The study by Dunning (1980, 1993) explains that the multinational companies should invest to get the benefits of ownership, location and internalization with the help eclectic paradigm. Such investments can be to seek natural resource, market, efficiency or strategic assets. Johanson and Vahlne (1977) have proposed the Upasala model to invest FDI. Here, MNCs should invest in an incremental manner by making small investments in such countries which are closely related to the culture of home country. Then the countries which are geographically suitable should be opted. Later, when MNCs becomes experienced they can make large FDI investments in other countries also.

Nagraj (2003), in his study mention that foreign firms seem to use a larger proportion of their total funds for such acquisition than for capital formation, compared to Indian own firms in the private corporate sector, the ratio of fixed capital formation to total uses of funds by foreign firms is lower than that by the domestic companies. The studies by economists like Chenery and Strout (1966) show that foreign capital inflows have a favorable effect on economic efficiency and growth. The authors have mentioned if surplus funds are be available for investment in the host country from internal sources these can increase the growth potentials. In this way external financial inflow is expected to results virtuous circle of growth. But in an earlier study Haavelmo (1965), has given

contrasting views that domestic savings in recipient countries could be negative, if capital inflows are very large. In this way external finance will not necessarily supplement, but might actually replace domestic savings.

Experts like Dunning and Norman (1983) have contended that foreign direct investment creates ancillary production units. As a result, domestic industry flourishes and therefore increases the amount of trade. Numerous factors have compelled many developing economies to change their earlier versions of trade, Government and investment policies. For instance India has come out with new policies relating to trade, industrialization and foreign direct investment. This has been because, FDI inflows do not have many of the costs previously associated with them and many developing countries have managed to industrialize successfully with FDI. The most appropriate examples are of East Asian economies or newly industrialized economies (NIEs) of Hong Kong, Thailand and Malaysia. The benefits of FDI can be maximized only in an open and market oriented environment where private economic decisions are more concerned with social responsibility (Asian Development Review, ADB, Manila, Philippines, No. 1, 1993).

## RESEARCH METHODOLOGY

The FDI had become important in India in the backdrop of the adoption of the economic reforms initiated in the year 1991. Raising the inflows of the FDI substantially into the country was considered as one of the key objectives of the new changed industrial policy and that of the trade reforms (Rashmi Baga, 2004). The process of economic reforms initiated in 1991 to liberalize and globalize the economy has gradually opened up many of the domestic sectors to the foreign investors (Sanjay, 2001). Further, it led to the substantial increase in the volume of FDI inflows into the economy.

## SPECIFIC OBJECTIVES OF THE STUDY

The specific objectives of the study are listed as:

- To study the growth pattern in FDI in India during the study period.
- To study the relationship between approvals and inflows of FDI.
- To study and analyze the route wise FDI inflows.

## DATA COLLECTION AND ANALYSIS

The present study makes use of secondary source of data collected from the publications of Government of India, Reserve Bank of India, Ministry of Industry and Commerce, World Bank, and IMF, UNCTAD, Journals and Periodicals. The reference period of this study relates from 1991 to 2009. Relevant statistical techniques such as growth rate, compound growth rate and t-test have been applied to establish the relationship between foreign direct investment and selected variables.

## SECTION I

### TRENDS AND PATTERNS OF FDI INFLOWS INTO INDIA

Foreign direct investment is that investment, which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin. A parent business enterprise and its foreign affiliate are the two sides of the FDI relationship. Together they comprise an MNC. The parent enterprise through its foreign direct investment effort seeks to exercise substantial control over the foreign affiliate company. The trends in FDI inflows in India are presented in Table 1.

TABLE 1: FDI INFLOWS IN INDIA

Years	FDI Inflows (Rs in Crore)	Yearly Growth (%)
1991-92	408	
1992-93	1094	168.14
1993-94	2018	84.46
1994-95	4312	113.68
1995-96	6916	60.39
1996-97	9654	39.59
1997-98	13548	40.34
1998-99	12343	-8.89
1999-00	10311	-16.46
2000-01	12645	22.64
2001-02	19361	53.11
2002-03	14932	-22.88
2003-04	12117	-18.85
2004-05	17138	41.44
2005-06	24613	43.62
2006-07	70630	186.96
2007-08	98664	39.69
2008-09	98860	0.20
<b>CAGR (% age)</b>	<b>25</b>	
<b>t test</b>	<b>27.00*</b>	

Source: Fact Sheet, Department of Industrial promotion, Ministry of Finance, GOI.

FDI inflows have also shown very unusual trends. But the position regarding the actual inflows was slightly better when we consider the CAGR which worked out at 25 percent for the period 1991-92 to 2008-09. Until the end of 2009 the annual growth rate has been positive. But there has been the presence of the growth at a decreasing rate. When the absolute figures of amount are taken in consideration it is inferred that there has been a gradual rise in the FDI inflows from Rs.408 crore in 1991-92 to Rs.13548 crore in 1997-98 followed by a decline at Rs.10311 crore in 1999-00. The recovery to Rs.12645 crore to place in 2000-01 which ended up at Rs.19361 crore by the end of financial year 2002-03. Having seen a dip to Rs.12117 crore in 2003-04, the actual FDI inflows started rising and by capturing this trend the amount reached to Rs.98860 by 2008-09. The trends in FDI inflows discussed here resulted into a CAGR of 25 percent which is significant as indicated by the t-test (27.00) as well.

### FDI INFLOWS IN INDIA: THE APPROVALS AND THE ACTUAL

An important feature of the FDI inflows into India is the huge gap between the approvals and the actual inflows. As a direct response to the liberal policy measures introduced by the Government since 1991, the FDI inflows into India increased progressively in the post-reform period, both in terms of the number of approvals and the actual inflows. Table 2 presents the trends in the approvals of the FDI proposals and the trends in the actual FDI inflows.



TABLE 2: FDI INFLOWS TO INDIA-APPROVALS VS ACTUAL INFLOWS (Rs in crore)

Year	Amount Approved	Growth rate in amount approved	Actual Inflows	Growth rate in actual inflows	Realization Ratio	Change in realization ratio
1991-92	1345	---	408	---	30.33	---
1992-93	5546	3.12	1094	1.68	19.73	-10.60
1993-94	7469	0.35	2018	0.84	27.02	07.29
1994-95	9971	0.33	4312	1.14	43.25	16.23
1995-96	36608	2.67	6916	0.6	18.89	-24.36
1996-97	40206	0.1	9654	0.4	24.01	05.12
1997-98	40033	0	13548	0.4	33.84	0.9.83
1998-99	30324	-0.24	12343	-0.09	40.7	06.66
1999-00	17976	-0.41	10311	-0.16	57.36	16.66
2000-01	25207	0.4	12645	0.23	50.16	-07.20
2001-02	14465	-0.43	19361	0.53	133.85	83.69
2002-03	7904	-0.45	14932	-0.23	188.92	55.07
2003-04	6224	-0.21	12117	-0.19	194.68	05.76
2004-05	8728	0.4	17138	0.41	196.36	01.68
2005-06	8591	-0.02	24613	0.44	286.5	90.14
2006-07	NA	0	70630	1.87	-	--
2007-08	NA	0	98664	0.4	-	-
2008-09	NA	0	98860	0.25	-	-
<b>CAGR (%age)</b>	<b>13.16</b>		<b>25.00</b>		<b>16.14</b>	

Note CAGR- Compound Annual Growth Rate.

Sources: Compiled from the statistics released by : Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry & Monthly Newsletter, Indian Investment Centre, Govt. of India.

Approvals granted for FDI have shown very unusual trends since the year 1991. The yearly growth rate has been positive in the earlier years but the subsequent few years showed a downward trend leading to the negative yearly growth rates. But the position regarding the actual inflows was slightly better than we considered. Until the end of 2010 the annual growth rate has been positive.

Actual inflows which were merely Rs. 408 crore in 1991 reached to Rs. 13548 crore in 1997, but from 1992 to 1997, only 20 to 30 percent of the total FDI approved actually flowed into India, though the quantum of both FDI approvals and inflows increased steadily in this duration. Considering the entire period of 1991-92 to 2005-06 the compound growth rate worked out at nearly 0.034 percent. The analysis shows that the approval policy in India has not been very encouraging, reflecting unfavorable attitude towards the FDI inflows.

In 1997 while the approved FDI was Rs. 40032.6 cores, only Rs. 13548 cores (33.84%) actually flowed in. When the absolute figures of amount are taken in consideration it is inferred that there has been a gradual rise in the FDI inflows from Rs.408 crore in 1991-92 to Rs.13548 crore in 1997-98 followed by a decline at Rs.10311 crore in 1999-00. The recovery to Rs.12645 crore to place in 2000-01 which ended up at Rs.19361 crore by the end of financial year 2002-03. Having seen a dip to Rs.12117 crore in 2003-04, the actual FDI inflows started rising and by capturing this trend the amount reached to Rs.100539 by 2009-10. The trends in FDI inflows discussed here resulted into a CAGR of 25 percent which is significant as indicated by the t-test (27.00) as well. The realization ratio however, improved significantly during this period: during 2000, 2002 and 2003, the realization ratio climbed to 133.84, 188.9 and 194.69 percent respectively. The realization ratio has shows fluctuations from 1991-92 to 1995-96, but underwent a constant rise thereafter. It increased from 18.89 in 1995-96 to 286.50 in 2005-06. The CAGR of realization ratio worked out at 16.14 percent which is higher than 13.16 percent CAGR of amount approved.

## SECTION II

### FDI INFLOWS INTO INDIA CLASSIFIED ACCORDING TO THE DIFFERENT ROUTES OF APPROVAL

Before the introduction of the economic reforms in the 1990s; FDI inflows were concentrated in the manufacturing activities in India, which was due to the import substituting industrialization programs that encouraged the tariff-jumping investments to capture the protected domestic market. Because India liberalized its policy regime during the period of dramatic expansion of global FDI outflows, it is unclear if the rise in absolute inflows to India from major source countries is in response to liberalization alone. An analysis of the origin of the FDI inflows into India reveals that the new policy measures introduced broadened their sources.

There are four routes through which the FDI inflows into the Indian economy could be approved: namely, (i) Government approvals (Secretariat for Industrial Assistance (SIA) or the Foreign Investment Promotion Board (FIPB)); (ii) Reserve Bank of India (RBI) automatic approvals; (iii) Non Resident Indian (NRI) investments; and (iv) through acquisition of shares. The SIA or the FIPB route of approval implies that it is not necessary to get the approval from the RBI for the inflows if it is more than 51% of its holdings. Instead, it is enough if permission is secured from the SIA or the FIPB. The FDI inflows could be approved either through the automatic route or through the government route. Table 3 presents the actual flows of the FDI into India through the different routes of approval.

TABLE 3: FDI APPROVALS FROM DIFFERENT ROUTES FOR THE YEARS OF 1991-2009 (Amount in US \$)

	Govt's Approval (FIPB,SIA Route)	RBI's Automatic Approval (under delegated power)	Amount of inflows on acquisition of shares	RBI's various NRI's schemes	Total I to IV	stock swapped	Closing balance of advance	Grand Total
Years	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	%	(%)	(%)	(%)		(%)	(%)	(%)
1991-92	1911.8 (54.08)			1623 (45.91)	3534.8	---	-----	3534.8 (100)
1992-93	4906.9 (70.99)	475.1 (6.87)		1530 (22.14)	6912	----	-----	6912 (100)
1993-94	10414.4 (55.93)	2411 (-12.95)		5794.2 (31.11)	18619.6	---	-----	18619.6 (100)
1994-95	16043.9 (51.55)	3625.8 (11.65)		11452.6 (36.68)	31122.3	----	-----	31122.3 (100)
1995-96	39673.6 (61.17)	5301.6 (8.17)		19878.4 (30.65)	64853.6	----	-----	64853.6 (100)
1996-97	57667 (65.89)	6196.3 (7.08)	3038 (3.47)	20620.6 (23.56)	87521.9	----	-----	87521.9 (100)
1997-98	101283.8 (77.97)	8677.2 (6.68)	9540.4 (7.34)	10396.2 (8)	129897.6	----	-----	129898 (100)
1998-99	82397.4 (62.1)	6106.6 (4.6)	40593.5 (30.59)	3594.8 (2.71)	132692.3	-----	-----	132692 (100)
1999-00	61894.5 (60.88)	7608.3 (7.48)	19608.3 (19.29)	3488.3 (3.43)	92599.4	----	9067.7 (8.92)	101667 (100)
2000-01	63368 (51.29)	16974.7 (13.74)	20580.5 (16.66)	3488.2 (2.82)	104411.4	-----	19125.9 (15.48)	123537 (100)
2001-02	96386.2 (57.45)	32410.7 (19.32)	29622 (17.65)	2292.5 (1.37)	160711.4	----	7066.1 (4.21)	167777.5 (100)
2002-03	69580.1 (38.24)	39030.4 (21.45)	52623.1 (28.99)	110.8 (0.06)	161344.4	840 (0.46)	19771.2 (10.86)	181955.6 (100)
2003-04	42955.8 (36.98)	23399.6 (20.14)	29283.7 (25.21)	----	95639.1	1725 (1.48)	18807.6 (16.19)	116171.7 (100)
2004-05	48516.9 (28.1)	54221.1 (31.42)	45075.8 (26.11)	----	147813.7	----	24851.5 (14.39)	172665.2 (100)
2005-06	49728.4 (25.77)	68686.6 (35.59)	74292.2 (38.49)	----	192707.2	283.7 (0.15)	-----	192990.9 (100)
2006-07	69683.2 (13.84)	321758.3 (63.89)	112130.6 (22.27)	-----	503572.1	----	-----	503572.1 (100)
2007-08	107872.9 (13.53)	361000.6 (45.27)	186075.4 (23.34)	----	654949.8	142405.8 (17.86)	----	797356.6 (100)
2008-09	129037.2 (9.55)	978033.7 (72.36)	244674.3 (18.1)	----	1351452	219.1 (0.02)	-----	1351671.3 (100)
<b>Total</b>	<b>1053322</b> (25.17)	<b>1935918</b> (46.26)	<b>867137.8</b> (20.72)	<b>84269.6</b> (20.14)	<b>3940355</b>	<b>145473.6</b> (34.76)	<b>98690</b> (2.36)	<b>4184519</b> (100)

Source: Compiled from the statistics released by: Secretariat for Industrial Assistance, Department of Industrial Policy Promotion, Ministry of Commerce & Industry & Monthly Newsletter, Indian Investment Centre, Government of India.

#### ROUTE WISE FDI

The route wise yearly approvals of FDI from 1991-92 2008-09, are presented in Table 3. It is evident from the table that FDI inflows through FIPB/SIA route have been always the highest among the various routes since the adoption of the new economic policy in 1991 except 2004-05 when the highest amount of FDI came through automatic approvals of RBI. The size of the FDI received was Rs. 3534.8 million in 1991, which came through only two routes i.e. (i) FIPB/SIA (54.09%), (ii) RBI's in various schemes (45.91%). To facilitate more convenient entry to foreign investors, one more route (RBI's automatic approval), was introduced in 1992-93. In the same year, inflows of FDI received through this route amounted to 6.86 percent of the total FDI, whereas the share of FDI inflows through RBI's various NRI schemes remained only 22.14 percent, one half of what it was in the previous year (1991).

The share of FDI approvals through RBI's various NRI schemes has been in the decreasing order-starting at peak (45.91) in 1991, with no FDI during 2003-4 to 2008-09, through this route. This route attracted more than 20 percent each year, of the total FDI inflows to India from 1991-92 to 1996-97. However its share came down to 0.06 percent in 2002-03 from 23.56 percent in 1996-97. In 1994, the government opened the route of ADRs/GDRs/FCCBs turned as the most important route during the year 1999 and 2000 when the share of it obtain the height of 39.73 percent and 36.13 percent respectively. From 1996, FDI inflows on acquisition of shares have also been included. It attracted 3.47 percent and 7.34 percent of the total inflows in 1996-97 and 1997-98 respectively. Since 2000, this route holds more than 20 percent share in the total inflows. It attracted, 38.49 percent, 22.27 percent, 23.34 percent and 18.10 percent of the total inflows in 2005-06, 2006-06, 2007-07 and 2008-09 respectively.

Since 1999-00, the closing balance of advance has also been included in the calculation of total amount of FDI inflows. In March 2003, the government revised the FDI definition in line with international practices. The revised FDI data now includes, "equity capital" including that of unincorporated entities, non cash acquisition against technology transfer plant and machinery, goodwill, business development and similar considerations, control premium and non-competition fee. It also includes 'reinvested earnings' including that of incorporated entities, unincorporated entities and reinvested earnings of indirectly held direct investment enterprises. In the year 2008-09, FDI inflows were to the tune of 1351671US \$. The biggest share this year, was received through RBIs automatic approvals (72.36%), followed by FIBP/SIA route (9.55%), and in flows on account of acquisition of shares (18.10%).

At the overall level, government approvals is found contributing the maximum shares (43%) to the total FDI inflows followed with a wide gap by ADRs/GDRs/FCCBs (17.3%), acquisition of shares(15.5%) and RBIs automatic approval (12.8%). The remaining three routes-NRIs schemes, stock swapped and closing balance of advance could boast for attracting around 11 percent of total FDI since 1991. Hence government's FIBP route oat popular route till date.

## RESULTS AND DISCUSSION

FDI inflows have shown very unusual trends. But the position regarding the actual inflows was slightly better when we consider the CAGR which worked out at 25 percent for the period 1991-92 to 2008-09. But there has been the presence of the growth at a decreasing rate. The absence of alignment in the FDI approvals and actual inflows indicates that in the initial years, about within a decade, of economic reforms the approvals were granted overwhelmingly, whereas the actual inflows came steadily which shows the wait and watch policy of the foreign investors.

In the period of 1998 to 2003, the approvals went down alarmingly. FDI inflows, however, showed increasing trend in 2001 and 2002 but went down alarmingly in 2003. The realization ratio however, improved significantly during this period: during 2000, 2002 and 2003, the realization ratio climbed to 133.84, 188.9 and 194.69 percent respectively. The ratio infers a relationship in the actual inflows and the amount approved.

## CONCLUSION

The above study has examined the trends and patterns in the Foreign Direct Investment inflows into India during the post-liberalization period. It has been observed that the actual inflow of the FDI into the Indian economy had maintained a fluctuating and unsteady trend during the study period. The approvals have been slow in materializing themselves into actual inflows. The reasons are attributable to a host of factors such as procedural disputes regarding land availability, environmental clearance delays, lack of infrastructural facilities. These blockades result in impediments in the commencement of many projects. If India has to achieve its targets in FDI, our economy has to be strong and vibrant and the fruits of development equitably shared. So, we must go ahead to complete our reform program me in the shortest possible time.

The GOI should influence the behavior of foreign investors by offering investment incentives and imposing performance requirements. It should design and implement good governance programs in foreign investment promotion and facilitate it at the state level. Such policies should be devised which encourage a greater inflow of FDI and ensure that it makes the maximum contribution towards the planned performance of economy. Foreign direct investors must be aware of the development objectives and the priorities of the India and understand how their investments fit into its development strategy. On the other hand, gradual loss of managerial control in many industrial firms, decline in competition in some industries, extinction of some leading domestic brand names seem to be signs of concern. Keeping in view, the above issues, government should opt for 'controlled liberalization'. Policy controls should be made in such a manner that FDI would be able to contribute in the development of technology and economy of the nation.

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**A STUDY ON CONVENTIONAL BANKING, ISLAMIC BANKING AND IT'S TREATMENT OF PROFIT AND LOSS**

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**ABSTRACT**

*The purpose of this study is to understand conventional banking and Islamic banking transaction with interest and without interest. In Islam interest is prohibited. Allah also said in Quran taking, giving and writing interest transaction is also prohibited. It is also said by Prophet Muhammed(PBUH) in many hadies that help poor by giving loan but don't take extra over the principal amount. Give loan to the needy in the form of qard al-hasan (interest free loan) but do not charge interest over it. In conventional banking loan is given on interest where as in Islamic banks without interest. In Islam interest taking and giving is treated as sin. Allah said interest is prohibited but inspire people to invest in business and earn profit from such business. Such profit is treated as halal so many Muslim scholars have found the financial transaction. Such financial transaction is totally interest free based. The effective profit and loss sharing mechanism will drastically erase unfair sharing of income and wealth which leads to well organized allocation of optimal resources as compared to conventional banking. The basic objective of this paper is to enlighten how profit and loss shared mechanism work without interest in the presence of conventional banking scenario.*

**KEYWORDS**

Conventional banking, Islamic banking, prohibition of interest (Riba), Partnership (mudarahab, Musharakah and Murabaha ) Profit and Loss Sharing (Treatment).

**INTRODUCTION**

Islamic banking is the new phenomenon which runs on the principles of Shariah (Islamic rulings) it's practically applications is to develop the economy. Shariah refers to a code of law or divine injections that regulates the conduct of human being. The banks were run on the principle of interest but in Islamic banking it is complete a free interest basis business. Shariah principle prohibits the acceptance of interest (RIBA) in lending as well in trade and other activities. RIBA means surplus, excess or increased. In shariah riba is predetermined surplus.

The extra money which received by the creditor during the specified period of time.

A number of verses of the Holy Quran say about prohibition of riba. From the holy Quran, verses on Riba are given below

**SURA AL –RUM, VERSES 39**

"That which you give as Riba to increase the people's wealth increases not with God; but that which you give in charity, seeking the goodwill of god, multiplies manifold."(30:39) (Ayub, 2007)

**SURAH AL NISA, VERSES 161**

"And for their taking Riba although it was forbidden for them and their wrong ful appropriation of others people's property. We have prepared for those among them who reject faith a grievous punishment."(4:161)(Ayub, 2007)

**Surah AL – IMRAN, VERSES 130**

"O believers, take not doubled and redoubled Riba, and fear Allah so that you may prosper. Fears the fire which has been prepared for those who reject faith, and obey Allah and the prophet (pbuh) so that you may get mercy."(Ayub, 2007)

**SURAH AI-BAQARAH, VERSES 280**

"And if the debtor is in misery, let him have respite until it is easier, but if you forego it as charity, it is better for you if you realize."(Ayub,2007)

**CONVENTIONAL BANKING**

There are two types of bank one conventional banks and another one is Islamic bank. Conventional bank run on the objectives of interest and Islamic bank run on the objective of without interest. Present conventional banks and Islamic banks have created competition to meet the needs of customer for long term benefits. The basic difference objective of Islamic and conventional banks is interest (Riba) and risk sharing. Islamic banking was in practice since 1970's later it started spreading to many countries in the world.

The conventional banks like HSBC, Standard Chartered Bank, Deutsche Bank, Citibank, etc, have started new windows to offer Islamic products to their muslim and non muslim customer. The customers who are interested in profit and loss sharing mechanism.

Demand for Islamic banking is high in Muslim as well in non Muslim countries. In UK there were seven full fledged Islamic bank till 2006 and planned to increase 12 by the end of 2007. Beside this, the European Islamic Investment bank, HSBC Amanah, Alburaq, Lloyds TSB, ABC international bank Bristol etc are also offering services to non muslim clients. In Malaysia 40% of Islamic banks offering services to non Muslim clients also. In US and North America, Many institutions are providing Islamic financial services to the Muslim clients.

It is important to know how Islamic banking is emerging in the existence of conventional banking. Islamic banking and conventional banking varies in the basis of objectives, the objective of Islamic banking is interest free and risk sharing. Islamic banking follows the principles of which Shariah is given by almighty Allah but whereas conventional banks' follows the man made principles. In Islamic banking income is generated in income which is variable while in conventional banking income is generated from interest which is fixed. In Islamic banking risk is shared among Rabbul mal and Mudarib whereas in conventional banking risks are shared with others. Islamic banking is trade oriented and conventional banking is a purely based on the interest basis transaction.

The basic aim of this paper is to enlighten what is Islamic banking, conventional banking, and prohibition of interest and how profit and loss are shared among partners. In Islamic banking there are three kinds of partnership Mudarahab Musharakah and Murabahah

In mudarahab contract the bank act as mudarib and customer acts as Rabbul mal. The customer deposite the money with the bank and bank will invest the fixed deposited money in productive business. If they occur profit then it will be shared between customer ( Rabbul mal)and bank( mudarib) in ratio agreed by them.

There are two types of mudarahab business, one is restricted and another is unrestricted. In restricted mudarahab business a financer specifies a particular business; the mudarib (bank) should undertake only that business which is there in agreement where as in unrestricted business the mudarib (bank) is opened to undertake any kind of business.

**REVIEW OF LITERATURE**

Awan(2009) analyzed the vertical growth of Islamic banking and compared it with its counterpart conventional banking. Six newly formed Islamic banks in Pakistan and six conventional banks of the same size were selected for the purpose of comparison. Data relating to their performance and profitability were collected from primary and secondary sources from 2006 to 2008. The ratio analysis technique was applied to measure the performance of key indicators of both Islamic and conventional banks.

The results of the study are very encouraging because the performance and profitability of Islamic banks are far better than selected conventional banks. Islamic banks outperform conventional banks in assets, deposits, financing, investments, efficiency, and quality of services and recovery of loans. It predicts the bright future of Islamic banking in Pakistan.

**Willison(2009)** evaluated the development of Islamic banking in the GCC since then, an industry which now encompasses Islamic *takaful* (insurance) and *shariah*-compliant asset management, as well as retail and investment banking. An examination is made of the extent to which government policy, through both legislation and regulation, has facilitated the development of Islamic finance. *Shariah* governance systems are appraised, in particular the workings of the devolved form of self-governance by Islamic financial institutions. The deposit facilities offered by Islamic banks in the GCC are discussed, as well as the financing provided, notably trade finance, consumer credit and mortgages for real estate, which are the dominant types of funding by Islamic banks. The issuance and trading of Islamic *sukuk* securities is also considered, as well as the role of their region's financial centers.

**Ahmad & Rehman and Saif(2010)** study on the relationship between service regarding Islamic banks and as conventional banks in Pakistan. It also investigated how service quality affects customer satisfaction by assessing the magnitude of the relationship between selected variables. This study is important due to an emerging trend of Islamic banking practices in Pakistan in the existence of conventional banking system. Data were collected from 720 bank customers by using stratified random sampling. SPSS 15.0 version is applied for data analysis. The results reflect that there is strong positive relationship between service quality and customer satisfaction in case of Islamic banks as well as in case of conventional banks. Findings showed that there is stronger positive relationship between service quality and customer satisfaction in Islamic banks as compared to Conventional banks in Pakistan. The study has a number of implications for bankers, policy makers and academicians.

**Jalil and Rehman(2010)** have discussed in their study the prohibition of interest (*riba*) on loan given. When a lender lends money to another person, he is allowed to get back the capital amount only and not any additional amount which is usually fixed interest on the capital. Taking interest on loan given caused cruelty and injustice to poor people in the society during Prophet Muhammad time that was unable to pay back the capital and the interest? So, Prophet Muhammad encouraged the rich people to give *qard al-hasan* (interest free loan) to the poor and needy people to help them to solve their problems. That's why Allah (the Creator) prohibited taking interest but encouraged people who have money to invest the money in business. The profit obtained from business is permitted (*halal*) but fixed rate interest taken on loan given to a person is *riba* (interest) and it is prohibited. As Allah (the Creator) has prohibited interest, Muslims are prohibited to give interest, to take interest and to write down the interest transaction. Hence, Muslim scholars have invented some Islamic transactions which do not involve interest and Islamic banks are adopting these Islamic transactions.

**Muda & Ismail** (2010) demonstrated theoretically Profit-Loss Sharing (PLS) contracts in the financial intermediation theory. The aim is to propose optimal conditions of the PLS contracts to minimize the problems of asymmetric information and transaction costs. Three propositions are presented to achieve the optimal conditions of Profit-Loss Sharing contracts in Islamic banks. For *mudharaba* contract, Islamic bank as *rabbul maal* gives incentives of  $\phi^*(Rpb')$  to entrepreneurs, if a positive value of Islamic bank's expected net profit is obtained. If Islamic bank, as *mudharib* is appointed as *wakeel*,  $c^*(m)$  is imposed to the depositors of *mudharaba* investment account for cost of processing information. For *musyaraka* contract, Islamic bank is proposed to incur monitoring cost of  $c^*(y)$ . With these conditions take place, then, Islamic banks can maximize the net profit and create value to their shareholders.

## OBJECTIVES OF STUDY

1. The objective of the study is to know how Islamic banking is operating in the presence of conventional banking.
2. To study on conventional banking and Islamic banking and also the treatment of profit and loss in Islamic banking. In order to draw conclusion how Islamic banks competitive with conventional bank and meet the demand of depositors in the absence of interest

## RESEARCH METHODOLOGY

Descriptive research design has been used for this Research.

### DATA COLLECTION METHOD

Secondary data has been used through various sources like books, journals and Internet.

### DATA ANALYSIS METHOD

#### SECONDARY ANALYSIS

From the overall study the conventional banking when fails to run after some decades then the conventional bank found such banking windows where losses of conventional commercial banks can be compensated by opening of Islamic banks windows. as it mention in the paper that it is that kind of banking business where a business is done without any extra i.e. interest. Islamic banking is another (finance) investment industry of conventional banking and that investment is growing at rapid speed. The fact of growing of Islamic banks is because the conventional banks could not operate because of heavy losses. A loss is the major cause of recession.

The alternative industry Islamic banking is at rapid speed because of its unique characteristics. This unique characteristics which motivating Muslim as well non Muslim to do business in the principle of Islamic law (*shariah*). The justice is the unique law of Islamic banking, which is an indispensably require for all sort of Islamic financing. The financed project of profit sharing, share the actual net profit/loss with the investor and receiver rather than dumping the risk burden only on the entrepreneur. In order to have a fair distribution of output between the two parties (investor and receiver) the principle of fairness and justice is essential. When the investor is sharing the profit then he has to bear loss of the project in accordance with proportional share.

Another important feature of Islamic banking is that they developed the relationship with the customer (depositors). The relationship begins on the basis of investment but not on fixed interest rate. Islamic bank pool the deposits of their customer and invest in high profitable project after going through strategic analysis to give substantial returns to the depositors.

Islamic banks are offering their products which are structured under the contract of *Mudharabah*. Islamic Banks gives higher rate of returns on deposits because of the profit sharing ratio whereas conventional banking will give the fixed return to the depositors irrespective of the performance of banks.

The other advantage of depositors of Islamic banks is that the depositors can withdraw their deposits on demand before maturity of the contract. A distinguished advantage of Islamic Banks is that the Islamic banks will pay the returns on the depositors' investment for the actual period whereas conventional banks which normally pays half the agreed fixed rate.

The important limitation of Islamic banking is that the depositors of Islamic banks are still not aware of profit sharing applications under the *Mudharabah* contract. The return on investment cannot be quantified unless they said profit is identified, Islamic banks will not intimate the depositors about the profit sharing ratio at the time of deposits. Islamic banks estimates the rate of return on investment based on previous months profit rates. This previous profit rates acts as an indicative rates. This indicative rate helps the Islamic banks in deciding the rate of return of depositors. The depositors will receive higher or lower returns on the deposit and may vary depending on the actual returns of investments obtained by the Islamic Banks. Therefore the depositors have to keen in profit sharing rates of Islamic Banks to ascertain how the banks are fairing in terms of returns.

## DISCUSSION

### TREATMENT OF PROFIT AND LOSS

In *mudharabah* partnership *Rabbul mal* and *mudharib* are at liberty to agree on the proportion or ratio of profit sharing between them with mutual consent. The profit ratio has to decide at the time of contract. Even the *Rabbul mal* or *Mudharib* can agree on equal sharing or allocate different proportions. For example, 50, 40 or 60% of the profit is going too shared by *Rabbul mal* and the remaining 50, 60 or 40 % is going to *Mudharib*. Different proportions can be agreed up on for different situations. For example, *Rabbul mal* (financier) can say *Mudharib*. "If you deal in wheat, you will get 50%, but if you deal in cloth, you will be given 40% of the profit. Or if you do business in your town you will get 40% and if in another town you will be getting 50% of profit. In case if loss occur then the entire loss will be bear by financier. A lump sum amount as a profit cannot be allowed to one party, the parties has to show their mutual consent that if profit goes beyond

particular ceiling then one party can share larger amount of profit. Incase if profit is below or equal to the stipulated ceiling then the distribution has to be done according to the agreed ratio.

As a principle, in Mudarabah partnership the financiers only bear loss. However, if Mudarib has also contributes capital, with mutual consent he can also bear the Pro Rata loss. (Ayub,2007)

**MUSHARAKAH PARTNERSHIP**

In Musharakah partnership, it is a partnership between two or more partners who contributes capital in the business. All partners will not contribute in the management of the business but they direct follow up the business for the effective and efficient progress of the business. Profit and loss are shared between partners according to the share of capital invested. The partner who works actively in business is called active partner and the partner who does not participate in business is called sleeping partner. The active partner not only participates in profit of the business but also receive monthly salary. The word musharakah also means company business. The bank pools the deposits from investors and invests in company business or partnership. The profit which is arising from that investment is treated as income. This profit is not interest. Therefore it is approved shariah transaction.

**TEATMENT OF PROFIT AND LOSS**

According to " Imam Abu Hanifa and Imam Ahmad" the profit ratio can differ from the investment ratio on the basis of the amount of work to be done by the partners, because along with capital, labour and work are also factors for accrual of profit. Thus any partner make a condition that he will get more than the ratio of his investment as compensation for the work he will be doing for the shirkah (partnership).According to all jurist a loss must be shared exactly in accordance with the ratio of capital invested by partners. The fourth pious caliph of Islam, Ali (Gbpwh):"profit is based on agreement of the parties, but loss is always subject to the ratio of investment". The rational of this principle is that earning profit is legitimized by engaging in an economic activity and thereby contributing to the socio economic welfare of society. It encompasses equitable risk sharing between provider of capital and the entrepreneur. According to this principle no partner is entitled to have any lump sum amount of the profit. (Ayub, 2007)

**DEPOSIT MANAGEMENT IN ISLAMIC BANKS ON MUDARABAH BASIS**

The profit and loss sharing mechanism of Islamic banks are also known as Mudarabah plus Musharakah model or simply the Mudarabah model. For Example: The bank will create an investment pool having categories based on different tenors of deposits. The bank has launches three tenors: three months, six months and one year. Each depositors of the bank will deposit its funds in specific category of the investment pool that will be assigned a specific weight age. Weight age can only be amended at the beginning of the accounting period. Assuming that the depositors are invested the investment in the following investment pool A.

TABLE 1

Category	Amount in \$	Weight age
Three months	5000	0.60
Six months	2285	0.70
One year	3000	1.00

All members of the pool will have a musharakah relationship with each other. ie. They are partners in the pool with the above mentioned weight ages. The bank also invests in the pool as depositors.

Now all partners of the pool collectively enter into a mudarabah contract. Under this pool A acts as a Rabbul Mal and the bank will be Mudarib. The bank undertakes the business with funds from the pool and earned profit would be share between the parties in an agreed ratio. Assuming that the profit sharing ratio is equal (50:50).

The bank deploys \$10285 of the pool for a period of one month and earns a profit of \$1000 at the end of the month. The profit would be share among the bank \$500 and the pool \$500. The Mudarabah contract completed at this stage.

**PROFIT SHARING AMONG THE POOL MEMBERS**

\$500 earned by the pool will be disturbed as per the weight age assigned at the beginning of the month. The relationship within pool will be governed by the rules of Musharakah. The total profit earned for one month \$1000. The following are the calculation for the disturbitation of profit among the member of the pool.

TABLE 2

Deposits(\$) A	Weightage B	Weighted average(\$) C=A*B	Profit(\$) D	Rate E
5000	0.6	3000	197.3	3.94%
2285	0.7	1600	105.2	4.60%
3000	1	3000	197.3	6.57%
10285		7600	500	

Profit=C\*500/7600

Rate=D\*100/A

The profit is shared according to agreed ratio among Rabul mal and Mudarib (50:50). \$500 has to be distributed among three depositors (rabul mal). Each depositor has to share profit according to the weightage assign. The three depositors had contribute 5000, 2285, and 3000. There weightage is 0.6, 0.7 and 1. According to weighage each depositor get 3000, 1600, 3000 like (5000\*.6), (2285\*.7), (3000\*1) that is weighted average(C=A\*B). The total Weighted Average is 7600. In order to derive at each depositors profit, the total profit \$500 is divided by total Weighted average 7600 and multiplied by each depositor Weighted average like 500/7600\*3000=197.3, 500/7600\*1600=105.2, 500/7600\*3000=197.3. The percentage rate is calculated as Profit multiplied by hundred and divided by each depositor deposits like 197.3\*100/5000=3.94%, 105.2\*100/2285=4.60% and 197.3\*100/3000=6.56%.

**SHARING OF LOSS AMONG THE DEPOSITORS**

As per the rules of Musharakah loss to the pool would be distributed among the pool members (Rabbul Mal) according to their investment ratio. For example, if loss to pool \$500, it will be distributed in the following manner: (Ayub, 2008)

TABLE 3

Three months	\$5000	250
Six months	\$2285	100
One year	\$3000	150
Total loss		500

The losses are shared among the depositors (Rabul Ma) according to their investment ratio (5:2:3) like \$500\*5/10=250, \$500\*2/10=200, \$500\*3/10=150.

**MURABAHAH**

Murabahah contract is the last type of contract. In order to be a part of this contract a customer and bank has to enter in to agreement. In this type of transaction the bank will not deal with cash but deal with commodities. Here bank will ask the customer to select the goods of type and bank will purchase the goods on behalf of customer later sell the goods to customer after mentioning the profit margin. Thereafter the customer will pay the money to bank in installments. Suppose a customer want to purchase house but he does not have enough money so the customer will go the Islamic bank to purchase House. The Islamic bank will ask the customer to bring all detailed specification of the House like Flat no, price, location, area and Square yard etc. After receiving the specification the bank will enter in to contract with the customer. The bank will purchase the house and will sell to customer with mark up profit and customer will have a chance to pay that by installments for a period of 2years or five years. Once this contract gets signed by customer then bank will purchase the House

and sell it to customer and allow customer to pay that amount in installments. This type of transaction is absolutely free from interest and it is acceptable by Shariah principles.

## CONCLUSION

In Holy book Quran. In Quran many times it mentions about the prohibition of interest (riba) that giving and taking interest is prohibited. Prophet Mohammed (pbuh) also narrated in many hadies regarding giving and taking of interest. Hence many Muslim scholars have made their attempt to bring such bank or financial transaction which is not purely based on interest.

It is not easy to find such bank transaction without interest based because conventional banks has occupied well place in the minds of people ,who furnished the needs of people by giving and taking interest. In 1970s and 1980s many Muslim scholars found a solution for interested based business to be replaced by Islamic banks which runs on the principle of Shariah(Islamic laws).Muslim scholars in different countries has shown the business transaction which can be done without interest. Now in many countries of the world the conventional commercial banks are opening windows of Islamic banking for their Muslim and non Muslim customer.

The Islamic bank is doing more good on universal principle of profit and loss sharing mechanism.Thus to conclude that Islamic bank need improvement because it is in its earlier stage in some countries so that it will be easy for the people to understand and accept it. In order to improve the efficiency of Islamic banks need continues research and development for overall success of Islamic banks.

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**MEASUREMENT OF FINANCIAL PERFORMANCE: A CASE STUDY OF SAUDI ELECTRICITY COMPANY**

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**ABSTRACT**

*Saudi Electricity Company (SECO) is leading vertically integrated electric utility in Saudi Arabia. It is amalgamation of 10 local electricity firms of Saudi Arabia. In Saudi Arabia SECO is only a company which is engage in the generation, transmission and distribution of electricity across the Kingdom, managing 37,000 megawatts of power across some 45 plants. The present study is based on 2008 to 2011 financial information for measuring financial performance of Saudi Electricity Company. It was found that the company's overall financial position is good. Particularly the 2011 position is well due to raise in the profit level from the previous year position. It is better for the organization to diversify the funds to different sectors in the present market scenario.*

**KEYWORDS**

Financial Performance, Ratios.

**INTRODUCTION**

Financial performance refers to the act of performing financial activity. It refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Saudi Electricity Company (SECO) is leading vertically integrated electric utility in Saudi Arabia. The Saudi Electricity Company was founded after issuance of Council of Ministers decision No. 169 and date 1419 H, which ordered the consolidation of all Saudi electricity in the region, small companies and operational projects that were administered by the Public Electricity Corporation in one joint venture which is called the Saudi Electricity Company. The company is engaged in power generation, transmission and distribution in the Kingdom of Saudi Arabia. The company operates 70 gas, steam, and diesel generation plants with a total available capacity of 39,242 MW. SECO generates around 90% of the Saudi Arabia's total power generation capacity and serves to around 5.2 million governmental, industrial, agricultural, commercial, and residential consumers in Saudi Arabia. Its high-voltage transmission network comprises 39,793 circuit kilometers of underground and overhead cables.

**OBJECTIVE OF STUDY**

1. To find the Liquidity position of Saudi Electricity Company.
2. To study turnovers of the company
3. To find the profitability of the company.
4. To make comparison of past years financial results.
5. To suggest remedial measures for improving financial performance.

**RESEARCH METHODOLOGY**

The present study is based on secondary information which is collected from the annual reports and accounts, executive reports, and manager's report of the Saudi Electricity Company. Data is also gathered from the Books, Journals, websites and libraries.

To assure the objectives set under this study and to develop the understanding about the different aspects related to the topic, relevant literature and other studies are extensively analyzed.

**SCOPE OF STUDY**

To examine the financial performance of SECO, data is collected for the period of four years from 2008 to 2011.

**FINANCIAL ANALYSIS OF SAUDI ELECTRICITY COMPANY**

The financial analysis of Saudi Electricity Company (SECO) is done with the help of the various ratios such as Current ratio, quick ratio, absolute liquidity ratio, proprietary ratio, working capital turnover ratio, capital turnover ratio, current assets to fixed assets ratio, net profit ratio, operating profit ratio and reserve and surplus to capital employed ratio.

**LIQUIDITY RATIO**

These ratios portray the capacity of the business unit to meet its short term obligation from its short-term resources (e.g.) current ratio, quick ratio. Liquidity of the SECO is judged with the help of the following ratios.

**(a) CURRENT RATIO**

Current ratio may be defined as the relation ship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current liabilities. The SECO current ratios are as follows:

CURRENT RATIO(Amount in SAR)			
Year	Current Asset	Current Liabilities	Ratio
2008	25,010,507	40,102,750	0.62
2009	22,048,340	49,618,932	0.44
2010	26,532,905	27,467,578	0.96
2011	29,742,942	38,974,387	0.76

**Interpretation:** As per standard, the current ratio with 2:1 (or) more is considered as satisfactory position of the firm. The current ratio of SECO is almost less than the norm. Here it shows current ratio is below 1 (current liabilities exceed current assets), then the company may have problems of paying its obligation due to the shortage of current asset and the increasing of current liabilities in the four years.

**(b) QUICK (Liquid) RATIO**

The term 'liquidity' refers to the ability of a firm to pay its short-term obligation as and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities. The Saudi Electricity Company using Quick Ratio, the result is given below:

QUICK RATIO(Amount in SAR)			
Year	Quick Asset	Current Liabilities	Ratio
2008	19,203,834	40,102,750	0.47
2009	16,424,998	49,618,932	0.33
2010	20,828,019	27,467,578	0.75
2011	24,180,092	38,974,387	0.62

**Interpretation:** Quick Ratio is an indicator of company's short-term liquidity. It measures the ability to use its quick assets (cash and cash equivalents, marketable securities and accounts receivable) to pay its current liabilities. Quick ratio specifies whether the assets can be quickly converted into cash are sufficient to cover current liabilities. Ideally, quick ratio should be 1:1. Quick assets are those assets which can be converted into cash within a short period of time. So, here the sundry debtors which are with the long period does not include in the quick assets. Here it shows the quick ratio lower than 1:1 may indicate that the company relies too much on inventory or other assets to pay its short-term liabilities.

**(c) ABSOLUTE LIQUIDITY RATIO**

Absolute liquid assets include cash, bank, and marketable securities. This ratio obtained by dividing cash and bank and marketable securities by current liabilities. The absolute liquidity ratio of SECO is as follows:

ABSOLUTE LIQUID RATIO (Amount in SAR)			
Year	Absolute Liquid Asset	Current Liabilities	Ratio
2008	1,232,097	40,102,750	0.03
2009	3,882,672	49,618,932	0.07
2010	7,227,776	27,467,578	0.2
2011	7,305,124	38,974,387	0.18

**Interpretation:** The current assets which are ready in the form of cash are considered as absolute liquid assets. Here, the cash and bank balance are absolute liquid assets. In the year 2010, the cash and bank balance is increased due to increase in the deposits and the current liabilities are reduced. The absolute liquid position of the company is not good.

**LEVERAGE RATIOS**

Many financial analyses are interested in the relative use of debt and equity in the firm. The term 'solvency' refers to the ability of a concern to meet its long-term obligation. The most important leverage ratio is the debt to equity ratio that gives you an idea about the debt one company is in and the equity it has at its disposal. Leverage ratios also determine the company's cost mix and its effects on the operating income.

**PROPRIETARY RATIO**

Proprietary ratio relates to the proprietors funds to total assets. It reveals the owners contribution to the total value of assets. This ratio shows the long-time solvency of the business it is calculated by dividing proprietor's funds by the total tangible assets. Analyzing the data of Saudi Electricity Company using Proprietary Ratio, the result is given below:

PROPRIETARY RATIO (Amount in SAR)			
Year	Share Holders Funds	Total Asset	Ratio
2008	48,552,621	145,382,363	0.33
2009	49,174,549	166,090,974	0.29
2010	50,269,708	190,871,927	0.26
2011	51,893,078	213,448,554	0.24

**Interpretation:** The result indicated that the ratio is constantly decreasing from year 2008 to 2011.

**ACTIVITY RATIOS**

These ratios evaluate the use of the total resources of the business concern along with the use of the components of total assets. They are intended to measure the effectiveness of the assets management the efficiency with which the assets are used would be reflected in the speed and rapidity with which the assets are converted into sales. The activity ratio of Saudi Electricity Company is as follows:

**WORKING CAPITAL TURNOVER RATIO**

The Working Capital Turnover Ratio provides a measure to compare the depletion of working capital to the generation of sales over a specific period of time. The ratio provides investors with a look at how effectively a company is leveraging its working capital to generate sales.

WORKING CAPITAL TURNOVER RATIO(Amount in SAR)			
Year	Cost Of Goods Sold	Working Capital	Ratio
2008	21,865,097	-15,092,243	-1.44
2009	23,396,317	-27,570,592	-0.8
2010	26,489,281	-9,346,73	-28.3
2011	29,169,937	-9,231,445	-3.15

**Interpretation:** The result indicated that the working capital ratio of the company is negative in said period. It shows that company's obligations are more than their current assets which is not in favor of company.

**CAPITAL TURNOVER RATIOS**

Capital turnover is the relationship between Sales or cost of good sold and Capital employed in the business. The ratio of Saudi Electricity Company is as follows:

CAPITAL TURNOVER RATIO(Amount in SAR)			
Year	Cost Of Goods Sold	Capital Employed	Ratio
2008	21,865,097	105,279,613	0.20
2009	23,396,317	116,472,042	0.20
2010	26,489,281	163,404,349	0.16
2011	29,169,937	174,474,167	0.16

**Interpretation:** Measure of how well a company uses its stockholders' equity to generate revenue. The higher the ratio is, the more efficiently a company is using its capital. In 2011 it seems that the company is making the best sales among the four years.

**CURRENT ASSET TO FIXED ASSET RATIO**

It is relationship between Current Assets and Fixed Assets. The relation of Current Assets and Fixed Assets of Saudi Electricity Company is as follows

CURRENT ASSET TO FIXED ASSET RATIO(Amount in SAR)			
Year	Current Asset	Fixed Asset	Ratio
2008	25,010,507	120,371,856	0.20
2009	22,048,340	144,042,634	0.15
2010	26,532,905	164,339,022	0.16
2011	29,742,942	183,705,612	0.16

**Interpretation:** The current assets are increased in 2011 if compared with 2009 with an amount of more than 7million, and the fixed assets are gradually increased. The proportion of current assets to fixed assets is beyond satisfactory level.

**RESERVES AND SURPLUS TO CAPITAL RATIO**

Analyzing the data of Saudi Electricity Company using Reserves & Surplus To capital Ratio, the result is given below

RESERVES AND SURPLUS TO CAPITAL RATIO(Amount in SAR)			
Year	Reserve And Surplus	Capital Employed	Ratio
2008	6,886,683	105,279,613	0.06
2009	7,508,611	116,472,042	0.06
2010	8,603,770	163,404,349	0.05
2011	10,227,140	174,474,167	0.05

**Interpretation:** The ratio is used to reveal the policy pursued by the company a very high ratio indicates a conservative dividend policy and vice-versa. Higher the ratio better will be the position. The reserve and surplus ratio of the company was .06 percent in the year 2008 which reduced to .05 percent in the year 2011. It shows that the reserve and surplus of the company is less.

**PROFITABILITY RATIOS**

The profitability ratios of a business concern can be measured by the profitability ratios. These ratios highlight the end result of business activities by which alone the over all efficiency of a business unit can be judged. The profitability of the SECO may be judged with the help of the following ratios.

**NET PROFIT RATIO**

Net profit ratio establishes a relationship between net profit and sales. It is determined by dividing the net income after tax to the net sales for the period and measures the profit per rupee of sales. The Net Profit Ratio of Saudi Electricity Company is as follows:

NET PROFIT RATIO (Amount in SAR)			
Year	Net Profit	Net Sales	Ratio
2008	1,104,447	20,651,799	5.34
2009	1,169,614	22,040,360	5.30
2010	2,279,088	25,872,780	8.80
2011	2,213,159	28,280,494	7.82

**Interpretation:** The net profit ratio is the overall measure of the firm's ability to turn each riyal of income from services in net profit. If the net margin is inadequate the firm will fail to achieve return on shareholder's funds. The net profit ratio was 5.34 percent in 2008 which increased to 7.82 percent in 2011. This ratio was 8.8 percent in the year 2010. There is a decrease of .98 percent in the year 2011. It is a satisfactory ratio.

**OPERATING PROFIT RATIO**

Operating ratio is the relationship of Operating Profit and Net Sales. The ratio of Saudi Electricity Company is calculating as follows:

OPERATING PROFIT RATIO(Amount in SAR)			
Year	Operating Profit	Net Sales	Ratio
2008	764,046	20,651,799	3.7
2009	812,123	22,040,360	3.7
2010	1,850,400	25,872,780	7.15
2011	1,806,410	28,280,494	6.38

**Interpretation:** The operating profit ratio is used to measure the relationship between profits after zakat and sales of a firm. Depending on the concept, it will decide. The operating profit ratio is increased compared with the last year. The earnings are increased due to the increase in the income from services.

**FINDINGS OF THE STUDY**

- The current ratio has shown in a fluctuating trend as 0.62, 0.44, 0.96, and 0.76 which indicates that the current ratio is below the standard of 2:1.
- The quick ratio is also in a fluctuating trend throughout the period 2008 – 2011 resulting as 0.47, 0.33, 0.75, and 0.62. The company's present liquidity position is not satisfactory because it is less than one.
- The absolute liquid ratio has been increased during the first two years from 0.03 to 0.07, then in the final two years declined. It indicates that the cash is very less in comparison to the current liabilities.
- The proprietary ratio has shown fluctuating trend. The proprietary ratio is decreased compared with the last year. So, the long term solvency of the firm is decreased. The ratio is in between .24 to .33
- The working capital is at negative position in all the year.
- The capital turnover ratio is persisting for the year 2008 – 2009 then it declines and still persists.
- The current assets to fixed assets ratio is decrease gradually from 2008 – 2009 as 0.20, 0.15, and still persist at 0.16 for the final two years. It shows that the fixed assets are increased than current assets.
- The net profit ratio is in fluctuation manner. It decreased in the year of 2011 compared with the previous year from 8.80 to 7.82.
- The operating profit ratio is in fluctuating manner as 3.7, 3.7, 7.15 and 6.38 from 2008 – 2011 respectively.
- The Reserves and Surplus to Capital ratio was 0.06 during the first two years but decreased to 0.05 in the next two years of the study period.

**CONCLUSION**

The company's overall financial position is good. Particularly the 2011 position is well due to raise in the profit level from the previous year position. It is better for the organization to diversify the funds to different sectors in the present market scenario. There is a need of improving the liquidity position of the company.

- The company profits are huge in 2011; it is better to declare the dividend to shareholders.
- The company is utilizing the fixed assets, which help to the growth of the organization. The company should maintain that perfectly.

- Company should try to increase the current ratio.
- Quick ratio should also be improved by the company.
- Working capital of the company is negative; there is a need to improve the working capital of the company in investing the money for short term purposes.

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**FDI AND INDIAN ECONOMY: A STUDY**

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**ABSTRACT**

India has been enjoying huge and regular FDI from diverse investors of all around the world for the last few decades. FDI in India has played an important role in the development of Indian economy. According to a recent UNCTAD (United Nations Conference on Trade and Development) Survey, India has emerged out as the second most famous and popular destination in the world for FDI, after China. Majority of this foreign direct investment in India is made in the sectors of telecommunication, computer hardware and software, construction, and services, by investor companies from USA, UK, Singapore, Mauritius, etc. India emerged as an attractive FDI destination in services but has failed to evolve a manufacturing hub which has greater economic benefit. FDI, though one of the important sources of financing the economic development, is not a solution for poverty eradication, unemployment and other economic ills.

**KEYWORDS**

economic growth, foreign direct investment, inflows.

**1. INTRODUCTION**

FDI can be defined as a cross border investment, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company. Eg. An American company taking major stake in a company in India. Their ROI is based on the performance of the project. FDI has played a very vital role in faster economic growth of most of the developing and developed countries of all across the world.

Though India stands today as the largest democracy, its administrative as well as the political set up has many flaws and shortcomings. The Indian system of administration and governance is impregnated with flaws like shortages of power, bureaucratic hassles, political uncertainty, and infrastructural deficiencies. In spite of all these political shortcomings, India is perceived to be one of the most lucrative grounds for investing, in the eyes of the wealthy European as well as American investors. This is the true reason why the researches made into the sector establishes more and more foreign investors coming to India and investing liberally into the various sectors of the Indian economy. Many major industrialists and business tycoons expanded their businesses to India with the boom of foreign direct investment in India.

The world economy has observed a phenomenal change in volume and pattern of FDI flow from developed nations to EMEs in 1980s and 1990s compared to earlier decades [1]. The hostile attitude of developing nations regarding multinationals investment has become generous during this transition period. FDI was fostered by liberalization and market-based reforms in EMEs. The financial sector deregulation and reforms in the industrial policy further paved the way for global investments.

According to UNCTAD's (United Nations Conference on Trade and Development) World Investment Report 2012, foreign direct investment (FDI) inflows to South Asia rose by 23 per cent to \$39 billion in 2011 following declines in 2009 and 2010 [2]. As per the report, good performance of India was largely responsible for the recovery as India comes out the largest FDI recipient in South Asia and accounts for more than four fifths of total FDI inflows to the region. FDI inflows to India alone reached \$32 billion in 2011.

There are several areas where FDI affects development (UNCTAD, 1999):

1. Employment and incomes
2. Capital formation, market access,
3. Structure of markets,
4. Technology and skills,
5. Fiscal revenues, and
6. Political cultural and social issues.

To sum up, it can be said that large domestic market, cheap labour, human capital, are the main determinants of FDI inflows to India, however, its stringent labour laws, poor quality infrastructure, centralized decision making processes, and a very limited numbers of SEZs make India an unattractive investment location.

**BENEFITS OF FDI**

- Improves forex position of the country;
- Employment generation and increase in production ;
- Help in capital formation by bringing fresh capital;
- Helps in transfer of new technologies, management skills, intellectual property
- Increases competition within the local market and this brings higher efficiencies
- Helps in increasing exports;

**BRIEF LATEST DEVELOPMENTS ON FDI**

- 2012 – October: In the second round of economic reforms, the government cleared amendments to raise the FDI cap .
- in the insurance sector from 26% to 49%;
- in the pension sector it approved a 26 percent FDI;
- Now, Indian Parliament will have to give its approval for the final shape,"
- 2012 - September : The government approved the
- Allowed 51% foreign investment in multi-brand retail,
- Relaxed FDI norms for civil aviation and broadcasting sectors. – FDI cap in Broadcasting was raised to 74% from 49%;
- Allowed foreign investment in power exchanges
- 2011 – December : The Indian government removed the 51 percent cap on FDI into single-brand retail outlets and thus opened the market fully to foreign investors by permitting 100 percent foreign investments in this area.

**2. OBJECTIVES OF STUDY**

This study has exclusively used secondary data source which have been chiefly drawn from the published records of RBI, RBI website source on Hand Book of Statistics on Indian Economy, World Investment Reports of UNCTAD, Ministry of Commerce and Industry, Indiastat etc. The study is based on the time period from 1991-2011. Simple percentages have been used to depict the growth rate of India and world GDP and to draw further comparison between the two. Graphs and tables have also been used where ever required to depict statistical data of FDI. The present study is of analytical nature. To have an empirical idea

about the status of FDI in India trend analysis has been conducted. An attempt has also been made to present composition of capital inflows in recent years. The present study has been undertaken with a conduct empirical analysis of status of FDI in India and a study of flows of FDI to India.

The study covers the following objectives:

1. To study the trends and patterns of flow of FDI.
2. To assess the determinants of FDI inflows.
3. To study the impact of FDI on the Economy.

### 3. TRENDS AND PATTERNS OF FDI INFLOWS

In the last two decades FDI flows are rising faster than almost all other indicators of economic activity worldwide. Developing countries, in particular, considered FDI as the safest type of external finance as it not only supplement domestic savings, foreign reserves but promotes growth even more through spillovers of technology, skills, increased innovative capacity, and domestic competition. At present India is the 4th largest and 2nd fastest growing economy in the world. It is the 11th largest economy in terms of industrial output and has the 3rd largest pool of scientific and technical manpower [4].

Foreign direct investment in India increased from US \$ 0.129 billion in 1991-92 to US \$ 40.885 billion in March, 2005, and US\$ above 1, 00,000 million in 2011 an increase of about 1026 times[5].

#### WHAT ARE THE TOTAL INFLOWS OF FDI IN INDIA?

- a. For the FY 2012-13 (for the month of July, 2012) was US\$ 1.47 billion.
- b. Amount of FDI equity inflows for the financial year 2012-13 (from April 2012 to July 2012) stood at US\$ 5.90 billion.
- c. Cumulative amount of FDI (from April 2000 to July 2012) into India stood at US\$ 176.76 billion.

#### FDI EQUITY INFLOWS FROM 2000-2012

S. No	Financial Year (April – March)	Amount of FDI Inflows		%age growth over previous year (in terms of US \$)
		In Rs, crores	In US\$ million	
1	2000-01	10733	2463	-
2	2001-02	18654	4065	( + ) 65 %
3	2002-03	12871	2705	( - ) 33 %
4	2003-04	10064	2188	( - ) 19 %
5	2004-05	14653	3219	( + ) 47 %
6	2005-06	24584	5540	( + ) 72 %
7	2006-07	56390	12492	( + ) 125 %
8	2007-08	98642	24575	( + ) 97 %
9	2008-09 <sup>/**</sup>	142829	31396	( + ) 28 %
10	2009-10 #	123120	25834	( - ) 18 %
11	2010-11 #	88520	19427	( - ) 25 %
12	2011-12 # (April - January 2012)	122307	26192	
<b>CUMULATIVE TOTAL (from April 2000 to January 2012)</b>		<b>723367</b>	<b>160096</b>	

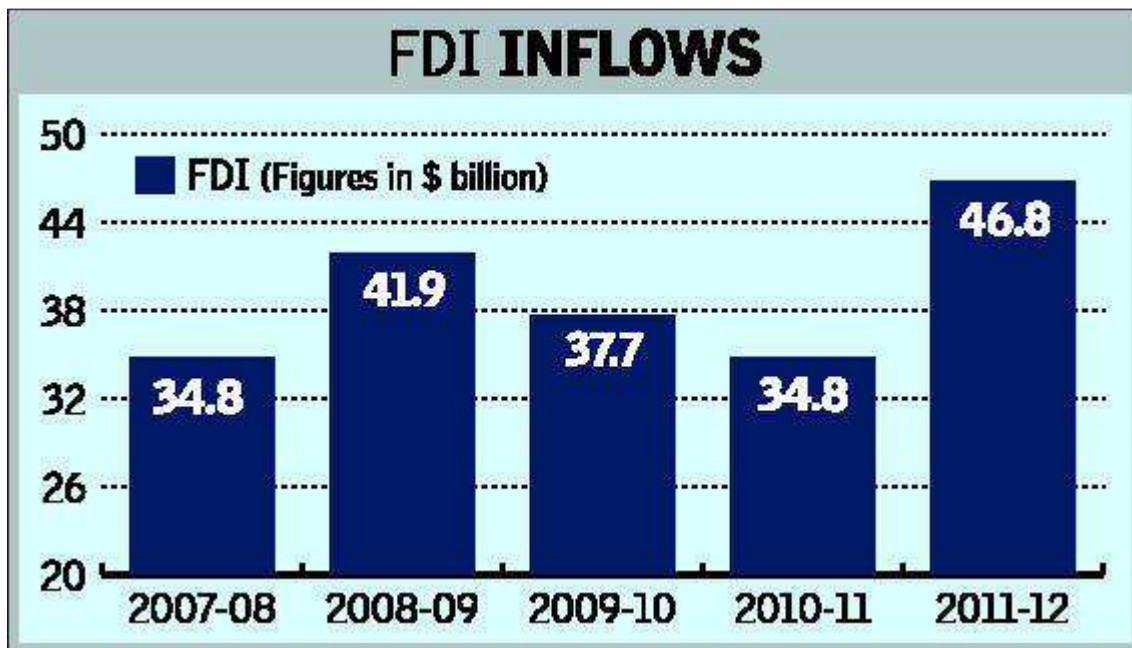
Figures for the years 2009-10, 2010-11 & 2011-12 are provisional subject to reconciliation with RBI.

#### FDI EQUITY INFLOWS (MONTH-WISE) DURING THE FINANCIAL YEAR 2011-12:

Financial Year 2011-12 ( April-March )		Amount of FDI inflows	
		(In Rs. Crore)	(In US\$ mn)
1.	April 2011	13,847	3,121
2.	May 2011	20,946	4,664
3.	June 2011	25,371	5,656
4.	July 2011	4,886	1,099
5.	August 2011	12,814	2,830
6.	September 2011	8,407	1,766
7.	October 2011	5,715	1,161
8.	November 2011	12,909	2,538
9.	December 2011	7,124	1,353
10	January 2012	10,288	2,004
<b>2011-12 (up to January 2012) #</b>		<b>122,307</b>	<b>26,192</b>
2010-11 (up to January 2011)		77,902	17,081
<b>%age growth over last year</b>		<b>( + ) 57 %</b>	<b>( + ) 53 %</b>

Note: (i) # Figures are provisional, subject to reconciliation with RBI, Mumbai.

Foreign direct investment (FDI) in India spiked 34 per cent to a record \$46.8 billion in 2011-12, latest RBI data show. FDI inflows were less than \$10 billion prior to 2005-06. They improved thereafter and the country received \$34.8 billion in 2010-11.



**4. FDI IN INDIA- AN OVERVIEW**

As a result of the policy initiatives undertaken by the Government of India, the FDI inflows into India augmented sharply in the post-reform period.

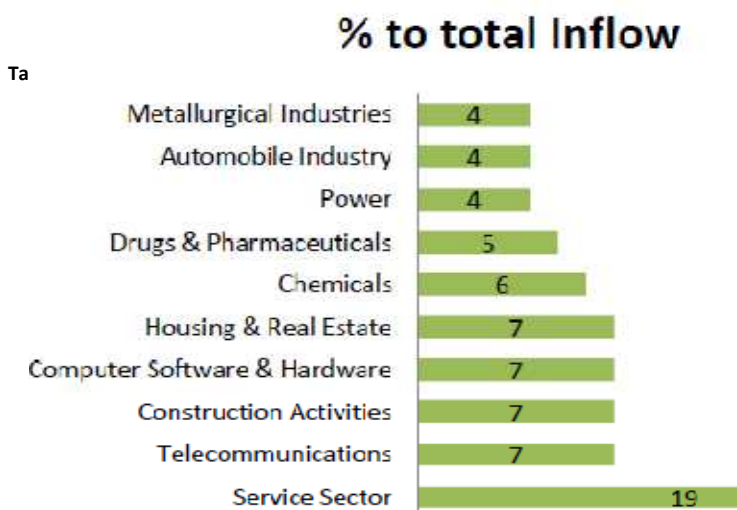
Table1. Table showing Year-wise FDI inflows in India (Amount US million \$)

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
FDI Inflows	4029	6130	5035	4322	6051	8961	22826	34835	41874	37745	34847	46847

Source: dipp.nic.in

An increasing trend of FDI inflows can be observed since 2000-01 with the peak FDI inflows being US \$ 46847 in 2011-12.

Looking at the Sector-wise FDI Inflows in India, it can be observed that Service sector is attracting highest FDI in India followed by Telecommunications, Construction activities, Computer Software & Hardware and Housing & Real Estate.



Source: dipp.nic.in

Table 3. Country-wise FDI Inflows

Rank	Country	% of Inflow
1	MAURITIUS	38
2	SINGAPORE	10
3	U.K.	9
4	JAPAN	7
5	U.S.A.	6
6	NETHERLANDS	4
7	CYPRUS	4
8	GERMANY	3
9	FRANCE	2
10	U.A.C	1
	OTHERS	16
	TOTAL	100

Country-wise FDI inflows (Table 3) indicate that largest amount of foreign direct investment in India comes from Mauritius followed by Singapore, U.K., Japan etc. contributing nearly 38%, 10%, 9% and 7% respectively.

**5. DETERMINANTS OF FDI**

The literature on the determinants of FDI is very rich .A country which has a stable macroeconomic condition with high and sustained growth rates will receive more FDI inflows than a more volatile economy [6]. The variables that measure the economic stability and growth are GDP growth rate, interest rates, inflation rates etc.

Investors prefer to invest in more stable economies that reflect a lesser degree of uncertainty and risk. Therefore, it is expected that GDP growth rate, industrial production, and interest rates would influence FDI flows positively and the inflation rate would influence positively or negatively.

Market size plays an important role in attracting foreign direct investment from abroad. Market size is measured by GDP. The size of the market or per capita income is indicators of the sophistication and breathes of the domestic market. Thus, an economy with a large market size (along with other factors) should attract more FDI. Market size tend to influence the inflows, as an increased customer base signifies more opportunities of being successful and also the fact that with the rampant development the purchasing power of the people has also been greatly influenced moving to many levels higher in comparison to what it was before the economic growth [7].

Trade openness: is also considered to be one of the key determinants of FDI. Trade openness is the sum of exports and imports of goods and services measured as a share of gross domestic product. The amount of domestic investments also influences the levels of FDI inflows into various sectors. Real interest rate and inflation affects the inflow of foreign investments especially direct investment. Real interest rate and inflation mainly measure the economic stability of an economy.

Labor cost: Cheap labor is another important determinant of FDI inflow to developing countries. A high wage-adjusted productivity of labor attracts efficiency-seeking FDI both aiming to produce for the host economy as well as for export from host countries[8].

Infrastructure facilities: The availability of quality infrastructure, particularly electricity, water, transportation and telecommunications, is an important determinant of FDI. When developing countries compete for FDI, the country that is best prepared to address infrastructure bottlenecks will secure a greater amount of FDI

Some of the fundamental determinants of FDI, such as geographical location, resource endowment and size of the market, are largely outside the control of the national policy (UNCTAD, 2003).

Rate of return on investment: The profitability of investment is one of the major determinants of investment. Thus the rate of return on investment in a host economy influences the investment decision.

Human capital: The availability of a cheap workforce, particularly an educated one, influences investment decisions and thus is one of the determinants of FDI inflow. In the present study, we use both labor force growth and literacy rate.

## 6. THE IMPACT OF FDI ON THE ECONOMY

FDI is considered as an instrument of international economic integration, because it brings a package of assets including capital, technology, managerial skills and capacity to access foreign markets. Foreign direct investment can increase the economic growth of a country and the government of India realized this fact and this is the reason that it started a series of financial and economic reforms in the country in 1991. In 2003, the Indian government started the second generation reforms in order to increase the flow of FDI in the country which in turn, helped to integrate the country's economy with the economy of the world[9]. Indian sectors attracting highest FDI inflows are many such as, electrical equipments, transportation industries, telecommunications, fuels, food processing industries and services. Further the Indian sectors attracting highest FDI inflows are cement and gypsum products, metallurgical industries, chemical industries, drugs and pharmaceuticals.

FDI in different states in India have increased steadily since the early nineties when the Indian economy was opened up to foreign investments. Delhi, Maharashtra, Karnataka, Tamil Nadu are among the leading states that have attracted maximum FDI. The status of FDI in different states of India, during the period beginning from the year January 2000 to October 2006 witnessed a massive upsurge in FDI inflows include Delhi (USD 6,780 million), Maharashtra (USD 5,650.1 million), Karnataka (USD 1,876.1 million) and Tamilnadu (USD 1,876.1 million). Other states which are in the receipt of FDI inflows in India include West Bengal, Gujrat, Haryana, Andhra Pradesh, Kerala and Uttar Pradesh[10].

## 7. CONCLUSION

Now, developing countries have realized their presence in the domain of developed nations by receiving a frequent inflow of FDI in the era of globalization and liberalization. India has become one of the fast growing countries across the globe, and most preferable destination of global FDI.

India has signed a number of bilateral and multilateral trade agreements with developed and developing nations FDI plays a crucial role in enhancing the economic growth and development of the country. FDI is needed by India for achieving the objectives of its second generation of economic reforms and maintaining this pace of growth and development of the economy.

More FDI inflows can bring about several benefits in terms of employment generation, wider choices for consumers, productivity growth, technology up gradation and adding to the overall growth and development of the country.

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## IMPACT OF DIVIDEND DECISION – A CASE STUDY

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### ABSTRACT

*The study of corporate finance is one of the major areas of finance which looks into the financial problems of firms and their solution. Corporate finance deals with long-term and short-term decisions and techniques relating to monetary decisions that business enterprises make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to maximize shareholder value thereby making Dividend Decision one of the important aspects of corporate finance. In the above context I have studied the relationship between the Dividend Payout Ratio, Gross Profit Margin, Net Profit Margin and ROCE of 2 companies Jindal Steel & Power & SAIL over a period of 2008 to 2012. The study is based on secondary data collected from the authentic websites of these companies. I have used Pearson's Correlation Coefficient (2 Tailed test, 5% Level of Significance) to see whether there is any significant correlation between the above mentioned variables. It also needs to be seen whether there are any major fluctuations in the above variables over the period of study and to what extent.*

### KEYWORDS

Corporate Finance, Dividend Payout Ratio, Gross Profit Margin, Investment Decisions.

### INTRODUCTION

**C**orporate finance is the area of finance dealing with monetary decisions that business enterprises make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to maximize shareholder value. The study of corporate finance is applicable to the financial problems of all kinds of firms. Short-term issues include the management of current assets and current liabilities, inventory control, investments and other short-term financial issues. Long-term issues include new capital purchases and investments. Thus corporate finance is associated with transactions in which capital is raised in order to create, develop, grow or acquire businesses. One of the major areas of Corporate Finance is Capital Investment Decision which looks into long-term corporate finance decisions relating to fixed assets and capital structure. Decisions are based on several inter-related criteria. (1) Corporate management seeks to maximize the value of the firm by investing in projects which yield a positive net present value when valued using an appropriate discount rate in consideration of risk. (2) These projects must also be financed appropriately. (3) If no such opportunities exist, maximizing shareholder value dictates that management must return excess cash to shareholders (i.e., distribution via dividends). Capital investment decisions thus comprise an investment decision, a financing decision, and a dividend decision.

### LITERATURE REVIEW

In their paper "Financing-Motivated Acquisitions", *Isil Erel, Yeejin Jang, Michael S. Weisbach*, evaluated the extent to which acquisitions lower financial constraints on a sample of 5,187 European acquisitions occurring between 2001 and 2008. Each of these targets remains a subsidiary of its new parent, so they observed the target's financial policies following the acquisition. They examined whether these post-acquisition financial policies reflect improved access to capital. They found that the level of cash target firms hold, the sensitivity of cash to cash flow, and the sensitivity of investment to cash flow all decline significantly, while investment significantly increases following the acquisition. These effects are stronger in deals more likely associated with financing improvements. These findings are consistent with the view that easing financial frictions is a source of value that motivates acquisitions.

*Kay Giesecke, Francis A. Longstaff, Stephen Schaefer, Ilya Strebulaev*, in their paper "Macroeconomic Effects of Corporate Default Crises: A Long-Term Perspective", studied the macroeconomic effects of bond market crises and contrast them with those resulting from banking crises. During the past 150 years, the U.S. has experienced many severe corporate default crises in which 20 to 50 percent of all corporate bonds defaulted. Although the total par amount of corporate bonds has often rivaled the amount of bank loans outstanding, they found that corporate default crises have far fewer real effects than do banking crises. These results provide empirical support for current theories that emphasize the unique role that banks and the credit and collateral channels play in amplifying macroeconomic shocks.

*Raghuram Rajan* studied the nature of the firm and its linkage with financing in his paper "The Corporation in Finance". To produce significant net present value, an entrepreneur has to transform her enterprise into one that is differentiated from the ordinary. To achieve the control that will allow her to execute this strategy, she needs to have substantial ownership, and thus financing. But it is hard to raise finance against differentiated assets. So an entrepreneur has to commit to undertake a second transformation, standardization, that will make the human capital in the firm, including her own, replaceable, so that outside financiers obtain control rights that will allow them to be repaid. He argued that the availability of a vibrant stock market helps the entrepreneur commit to these two transformations in a way that a debt market would not. This helps explain why the nature of firms and the extent of innovation differ so much in different financing environments.

*Aswath Damodaran*, in his paper 'Dividends and Taxes: An Analysis of the Bush Dividend Tax Plan' studied the implications of making dividends tax free to investors. Investors and corporate finance practitioners contemplated about this after President Bush proposed it as part of his economic package in early 2003. While much of the debate has concentrated on the consequences of the tax law change for the stock market and budget deficits, the real effects may be in how companies raise money (debt versus equity), how much cash they choose to accumulate and how they return this cash to stockholders (dividends versus stock buybacks). If the tax law changes occur as proposed, it will profoundly alter the terms of the debate and require us to rewrite much that we take for granted in corporate finance today. In particular, companies will become more (if not entirely) equity financed, a decrease in cash balances and a dramatic surge both in the number of companies that pay dividends and in how much they pay. This asymmetric treatment of debt and equity has formed the basis for much of the debate in corporate finance on whether firms should use debt or equity and how much firms should pay out to their stockholders in dividends. In this paper, he considered the implications of the tax law change for both valuation and corporate finance practice.

### OBJECTIVE AND METHODOLOGY OF THE STUDY

In this paper I have analysed the relationship between the Dividend Payout Ratio, Gross Profit Margin, Net Profit Margin and ROCE of 2 companies Jindal Steel & Power & SAIL over a period of 2008 to 2012. The study is based on secondary data collected from the authentic websites of these companies. I have used Pearson's Correlation Coefficient (2 Tailed test, 5% Level of Significance) to see whether there is any correlation between the above mentioned variables. It also needs to be seen whether there are any major fluctuations in the above variables over the period of study and to what extent. The dividend decision of these companies has also been compared over the period of study.

Null Hypothesis 1: There is no correlation between Dividend Payout Ratio & Gross Profit Margin of the companies being studied.

Alternate Hypothesis 1: There is correlation between Dividend Payout Ratio & Gross Profit Margin of the companies being studied.

Null Hypothesis 2: There is no correlation between Dividend Payout Ratio & Net Profit Margin of the companies being studied.

Alternate Hypothesis 2: There is correlation between Dividend Payout Ratio & Net Profit Margin of the companies being studied.

Null Hypothesis 3: There is no correlation between Dividend Payout Ratio & ROCE of the companies being studied.

Alternate Hypothesis 3: There is correlation between Dividend Payout Ratio & ROCE of the companies being studied.

**INFERENCES AND RESULTS**

a) In the case of Jindal Steel & Power there is a negative correlation between Dividend Payout and Gross Profit Margin (-0.485). This makes it obvious that the Gross Profit & Dividend Payout move in the reverse direction over the years. This is evident from March 2008 to March 2010, as the Gross profit Margin decreased, the Dividend Payout did not.

There is a negative correlation between Dividend Payout and Net Profit Margin (-0.386). This makes it obvious that the Net Profit & Dividend Payout move in the opposite direction over the years. This is evident in the initial part of the study period, as the Net Profit Margin decreased, the Dividend Payout did not.

There is a significant negative correlation between Dividend Payout and ROCE (-0.876). This makes it obvious that the Dividend Payout & ROCE move in the same direction over the years.

The Dividend payout has been more or less similar in the study period making it a stable series.

b) In the case of SAIL there is a significant positive correlation between Dividend Payout and Gross Profit Margin (-0.452). This makes it obvious that the Gross Profit & Dividend Payout move in the opposite direction over the years. This is evident from March 2008 to March 2010

There is a negative correlation between Dividend Payout and Net Profit Margin (-0.506). This may be because the fluctuations in the Net Profit Margin are very negligible. Thus the correlation is not that well defined.

There is a negative correlation between Dividend Payout and ROCE (-0.419). This makes it obvious that the Dividend Payout & ROCE move in the reverse direction over the years. This may be because the fluctuations in the Net Profit Margin are very negligible. Thus the correlation is not that well defined.

There is very little fluctuation in the Dividend payout over the period of study similar to the marginal fluctuations in GP & NP Margin & ROCE.

Thus the 3 Null Hypotheses are rejected as there is a correlation between Dividend Payout and Gross Profit Margin, Net Profit Margin, ROCE. Whether positive or negative there is a relation between the above. Thus GP, NP and ROCE affect the Dividend Payout Ratio. Thus the companies Tata Steel, Tata Power & Tata Motors relate their Dividend decisions with their Profit margins & ROCE.

**CONCLUSION**

Dividend decision is an important area of any Company especially while taking relevant corporate decisions or formulating critical corporate strategies. Every company puts in a lot of thought behind the same to somehow maximize the returns & also look into share holders' interest. Through this study one can conclude that there is a correlation between Dividend Payout and Gross Profit Margin, Net Profit Margin, ROCE. The two companies studied out here look into this area effectively. The decisions of Jindal Steel & Power & SAIL are somewhat similar being, their Dividend Payout increased with the increase in GP Margin, NP Margin and ROCE. Irrespective of the direction, one cannot rule out the correlation between the above. Also the Dividend payout had less variability for Jindal Steel & Power & SAIL. The same can be said about their respective GP & NP Margin & ROCE. Thus one can conclude that Dividend decision being one of the important decisions of Corporate Finance is influenced by GP & NP Margin & ROCE of the companies studied here which are Jindal Steel & Power & SAIL.

**TABLES & CHARTS**

**TABLE 1: DETAILS OF JINDAL STEEL & POWER**

Jindal Steel and Power	Dividend Payout Ratio Net Profit	Gross Profit Margin	Net Profit Margin	Return On Capital Employed	Return On Net Worth
Mar '12	7.23	24.04	15.66	13.4	19.46
Mar '11	6.97	31.36	21.04	15.67	23.76
Mar '10	8.16	27.8	19.59	14.86	21.94
Mar '09	5.55	28.71	19.5	23.16	28.38
Mar '08	5.86	34.35	22.79	24.95	32.95

**TABLE 2: CORRELATION FOR JINDAL STEEL & POWER**

		Dividend Payout Ratio Net Profit	Gross Profit Margin	Net Profit Margin
Dividend Payout Ratio Net Profit	Pearson Correlation	1	-.485	-.386
	Sig. (2-tailed)		.407	.521
	N	5	5	5
Gross Profit Margin	Pearson Correlation	-.485	1	.978**
	Sig. (2-tailed)	.407		.004
	N	5	5	5
Net Profit Margin	Pearson Correlation	-.386	.978**	1
	Sig. (2-tailed)	.521	.004	
	N	5	5	5
Return On Capital Employed	Pearson Correlation	-.876	.691	.654
	Sig. (2-tailed)	.051	.197	.231
	N	5	5	5
Return On Net Worth	Pearson Correlation	-.806	.833	.793
	Sig. (2-tailed)	.100	.080	.109
	N	5	5	5

TABLE 3: CORRELATION FOR JINDAL STEEL & POWER

		Return On Capital Employed	Return On Net Worth
Dividend Payout Ratio Net Profit	Pearson Correlation	-.876	-.806
	Sig. (2-tailed)	.051	.100
	N	5	5
Gross Profit Margin	Pearson Correlation	.691	.833
	Sig. (2-tailed)	.197	.080
	N	5	5
Net Profit Margin	Pearson Correlation	.654	.793
	Sig. (2-tailed)	.231	.109
	N	5	5
Return On Capital Employed	Pearson Correlation	1	.973**
	Sig. (2-tailed)		.005
	N	5	5
Return On Net Worth	Pearson Correlation	.973**	1
	Sig. (2-tailed)	.005	
	N	5	5

CHART 1: COMPARISON FOR JINDAL STEEL & POWER

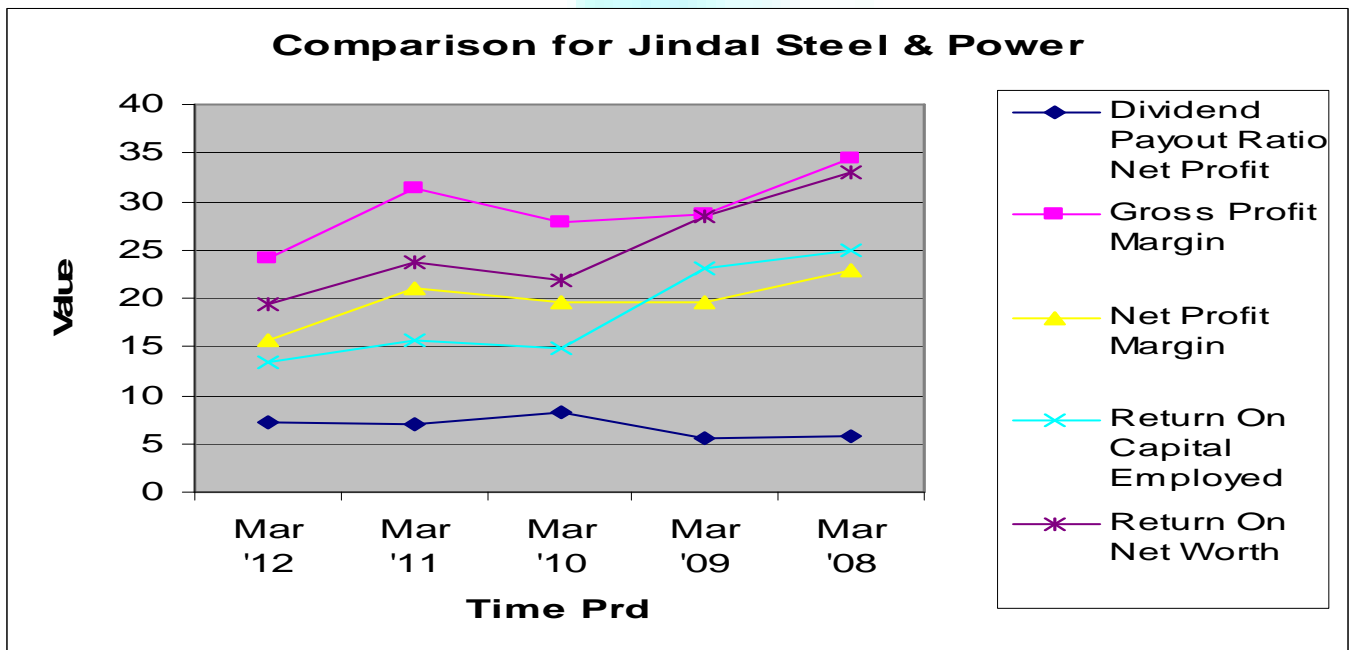


TABLE 4: DETAILS OF SAIL

SAIL	Dividend Payout Ratio Net Profit	Gross Profit Margin	Net Profit Margin	Return On Capital Employed	Return On Net Worth
Mar '12	27.1	9.74	7.44	10.91	8.89
Mar '11	23.49	12.88	11.03	12.88	13.23
Mar '10	23.54	19.4	15.73	20.46	20.27
Mar '09	20.32	17.48	13.4	27.61	22.06
Mar '08	23.71	25.1	18.16	44.03	32.76

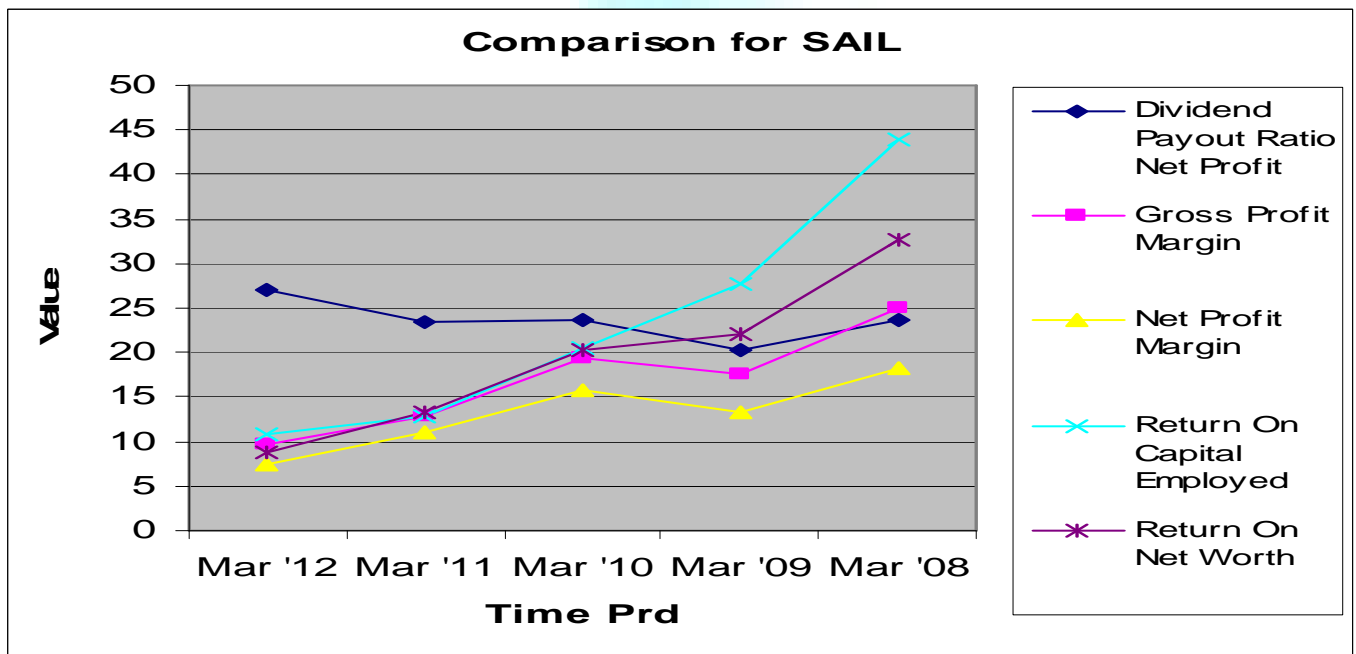
TABLE 5: CORRELATION FOR SAIL

		Dividend Payout Ratio Net Profit	Gross Profit Margin	Net Profit Margin
Dividend Payout Ratio Net Profit	Pearson Correlation	1	-.452	-.506
	Sig. (2-tailed)		.445	.384
	N	5	5	5
Gross Profit Margin	Pearson Correlation	-.452	1	.984**
	Sig. (2-tailed)	.445		.002
	N	5	5	5
Net Profit Margin	Pearson Correlation	-.506	.984**	1
	Sig. (2-tailed)	.384	.002	
	N	5	5	5
Return On Capital Employed	Pearson Correlation	-.419	.929*	.856
	Sig. (2-tailed)	.483	.022	.064
	N	5	5	5
Return On Net Worth	Pearson Correlation	-.494	.981**	.941*
	Sig. (2-tailed)	.397	.003	.017
	N	5	5	5

TABLE 6:CORRELATION FOR SAIL

		Return On Capital Employed	Return On Net Worth
Dividend Payout Ratio Net Profit	Pearson Correlation	-.419	-.494
	Sig. (2-tailed)	.483	.397
	N	5	5
Gross Profit Margin	Pearson Correlation	.929*	.981**
	Sig. (2-tailed)	.022	.003
	N	5	5
Net Profit Margin	Pearson Correlation	.856	.941*
	Sig. (2-tailed)	.064	.017
	N	5	5
Return On Capital Employed	Pearson Correlation	1	.980**
	Sig. (2-tailed)		.003
	N	5	5
Return On Net Worth	Pearson Correlation	.980**	1
	Sig. (2-tailed)	.003	
	N	5	5

CHART 2: COMPARISON FOR SAIL



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**DEVELOPMENT OF MULTI-COOPERATIVE SOCIETIES IN JAMMU AND KASHMIR STATE**

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**ABSTRACT**

*Cooperative societies have been playing a very important role in the development and enhancement of economic conditions of unemployed educated youth in various developed, developing and underdeveloped countries. They not only have provided work to millions of educated youth but also helped country to magnify with the present danger of heavy unemployment. But development of these cooperative societies has not been uniform in all countries and states. India is also a leading country today who has framed multiple guidelines to develop cooperative societies in almost all possible business dimensions. Present study seeks to identify various areas where these cooperatives societies have been established in Jammu and Kashmir State. The study further analyses the various sectors where these cooperative societies have been established from time to time. The study also analyses the need of various recommendations which will primarily help in boosting development of cooperative societies in Jammu and Kashmir State.*

**KEYWORDS**

Cooperative Societies, Economic Conditions, Unemployment, business dimensions, cooperative development.

**INTRODUCTION**

Cooperative societies have brought a revolutionary change throughout the world. They not only have started a new business dimension but also have been helpful in other areas also. Developed countries started investing in cooperative sector long ago as they already estimated the importance of cooperatives and today almost all developed countries have a strong hold of cooperatives. Other developing and underdeveloped countries are now indulging in cooperative sector as they have now felt the necessity of cooperatives.

India is also today a leading country who has been involved in this segment from a couple of years. Indian states such as Gujarat, Maharashtra, Uttar Pradesh etc are leading in the segment of cooperatives. Cooperatives in India have played a significant role on resolving multiple issues that were indicated as major challenges. It boosted economic development especially in rural areas where absence of large spending power does not attract private investment to harness local skills and resources that can uplift the local economy living standards besides exporting produce to distant customer locations in cities. Cooperatives of farmers enable consolidation of fragmented land, investment in mechanization and irrigation, better bargaining power to buy seeds fertilizers cheaply, arrange for proper common storage, greater bargaining power in selling products and getting credit at minimum interest rates. Other types of cooperatives such as fishing, animal husbandry, dairy, housing etc could also be much beneficial in providing direct employment to unemployed educated local youth and could also be helpful in local economic development. Yet start of cooperatives has given many benefits to countries and states but cooperative are facing many challenges which are creating obstacles in the development of cooperatives. These challenges include Government interferences, mismanagement and manipulation, lack of awareness about cooperative business, restricted coverage, Weakness in functional and operational areas, lack of infrastructure, quality management of cooperative products etc. Regular attempts are being made to minimize the impact of all these challenges on cooperative development.

**OBJECTIVES**

1. To analyze various cooperative societies in Jammu and Kashmir State.
2. To access the development pattern of cooperative societies in various areas in Jammu and Kashmir State.
3. To analyze beneficiary nature of developmental schemes in Jammu and Kashmir State.
4. To access the comparative development of cooperatives in various business areas.
5. To recommend various tools and strategies which could improve the status of cooperative societies.

**MATERIAL AND METHOD**

Present study has been carried out with the help of secondary data only. The secondary data has been collected from the offices of various Registrars and Deputy Registrars dealing with the development of cooperative societies in various business areas. The district and tehsil level data has been collected from the offices of district and tehsil officers of various departments who are responsible for the development of cooperatives. The data and information so collected has been analyzed statistically to access the developmental status of various cooperatives in the last so many years in Jammu and Kashmir State.

**RESULT AND DISCUSSION**

The starting of cooperatives societies has given a new dimension to most of the business sectors. It not only brings capitals from rich but also make poor people a part of it. Analysis of various cooperative societies sanctioned and started from the last so many years have been given in table 1. The analysis of table values for the year 2002-2003 reveals that most of the cooperative societies in this year were stated in agriculture sector i.e. 14. Following the descending trend 9 cooperative societies were started in housing sector, 1 each in poultry and dairy, none in floriculture and 21 in other associated sectors. The total cooperative societies sanctioned in 2002-2003 were 46 only.

In 2003-2004, a total of 78 cooperative societies were sanctioned and started and most of them were again in agriculture sector i.e. 32. 40 cooperative societies were started in other associated areas while housing got 2, poultry 1, dairy 1 and 2 were started in floriculture.

In 2004-2005, 92 cooperative societies were started in agriculture, 11 in housing, 290 in poultry, 77 in dairy, 4 in floriculture and 50 in others areas raising a total opening of 524 cooperative societies in Jammu and Kashmir. The year 2005-2006 witnessed a decrease in the opening of credit societies. In this year 63 societies in agriculture, 7 in housing, 106 in poultry, 108 in dairy, 2 in floriculture and 37 in other segments were opened making of total opening of 323 societies. The year 2006-2007, resulted the same decreasing trend in which only 286 cooperative societies were started. Among these 286 societies, 134 in agriculture, 15 in housing, 8 in poultry, 104 in dairy, 4 in floriculture and 21 in other segments were opened.

2007-2008, witnessed the worst time in the opening of new societies where only 36 societies in agriculture, 6 in housing, 4 in poultry, 20 in dairy and 21 in other areas were opened. Moreover in 2007-2008 no cooperative society was opened in floriculture sector.

Similarly in other succeeding years i.e. 2008-2009, 2009-2010, 2010-2011, 2011-2012 the opening of cooperative societies followed the worst time due to the negligence of authorities in paying attention in the segments of cooperative societies. Due to these only 117 societies in 2008-2009, 181 in 2009-2010, 167 societies in 2010-2011 and only 73 in 2011-2012 were opened in Jammu and Kashmir.

TABLE 1: COOPERATIVE SOCIETIES

YEAR	AGRICULTURE	HOUSING	POULTRY	DAIRY	FLORICULTURE	OTHERS	TOTAL
2002-03	14	9	1	1	-	21	46
2003-04	32	2	1	1	2	40	78
2004-05	92	11	290	77	4	50	524
2005-06	63	7	106	108	2	37	323
2006-07	134	15	8	104	4	21	286
2007-08	36	6	4	20	-	6	72
2008-09	62	9	5	2	1	38	117
2009-10	64	13	3	62	-	39	181
2010-11	63	2	-	64	-	38	167
2011-12	44	6	1	-	-	22	73

## CONCLUSION

The present assessment of various cooperative societies in Jammu and Kashmir has shown many irregularities in the sanction of cooperative societies in all possible segments and business areas. It has also been determined from the study that some areas got much number of cooperative sanctions while others got lesser. Moreover the cooperative societies that have been sanctioned and started have not been properly regulated till date. The study further revealed that most of the cooperative societies have been started in Agriculture, Dairy and Poultry sectors. The other dominant sectors such as Housing and Floriculture got very small number of cooperative societies in Jammu and Kashmir State.

## RECOMMENDATIONS

1. There is a need for proper allocation of financial resources from various govt. and other developmental agencies for meeting the feasible requirements.
2. The poultry sector should be included into the phenomenon of adopting public private partnership for its competitive development.
3. There should be control agencies which could regulate the functioning of cooperative societies from time to time.
4. It has been assessed that there is lack of marketing tools in cooperatives, so members of cooperative societies and other officials of developmental agencies should put up a developmental effort in modifying marketing tools for cooperatives.
5. There must also be a framework for going towards various events and trade shows which should include display of items manufactured through the cooperatives.
6. Govt. must offer special discounts to cooperatives so that they can purchase good quality raw material for healthy production of products.
7. It has become necessary for cooperative to upgrade their technology time to time to cope up with the market leaders already present in the market.
8. Strategies and other strategies need to be developed by thinkers and strategists for long run survival of cooperatives rather than going for short run business.
9. Cooperatives are mostly going through unorganized sector, so efforts must be fully made to bring it on the map of organized dimensions.
10. Timely maintenance of production processes, continual monitoring of supply chain will enhance value chain and thus will help in making good quality products.
11. Proper training for employees and workers of cooperative is very necessary which will make them aware about modern processes and techniques of business.
12. Cooperatives yet have a very small business but they must adopt various promotional tools such as advertisement, personnel selling to promote their product portfolio.
13. Since cooperative have been started in multiple segments so all cooperative must design an integrative approach to do business in market.
14. The cooperative must also forecast the future demand so that they can properly adopt their capacity utilization approach.
15. Cooperative should adopt a low cost or differentiation strategy from the initial phase so that can maintain a distinctive approach in the long run.

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## LIBERALISATION AND ITS EFFECTS ON PROFITABILITY & PRODUCTIVITY OF PRIVATE SECTOR BANKS IN INDIA

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### ABSTRACT

The Indian banking industry has come a long way from being passive business institution to a highly proactive and dynamic entity. Before liberalization, the Indian banking structure was largely controlled and parameters like branch size and location were given much importance. Presently, the Indian banking industry is going through a period of intense change, where liberalized business environment has affected the banking business by way of increasing competition, rising customer expectations, shrinking spreads and increasing disintermediation. Although dominated by public sector banks, India already has a significant presence of private domestic banks and foreign banks. What the banking reforms have done is to create a more level playing field where banks of different ownership types compete within a new set of broad regulations. Data on the performance of the PSB,s over the past one decade offer an opportunity to assess to what extent the regulatory changes have improved the profitability & productive efficiency of private sector banks in India.

### KEYWORDS

PSB's-Private Sector Banks, RoA-Return on Assets, NPA's-Non Performing Assets.

### HISTORY OF BANKING SECTOR IN INDIA

Commercial banking has been one of the oldest business in India and the earliest reference of commercial banking in India can be traced in the writings of Manu. The establishment of the General Bank of India in the year 1786 marked the development of a structured banking system in India. Later the Bank of Hindustan and Bengal Bank came into existence. The East India Company established three banks. These three banks were amalgamated in the year 1920 to form the new Imperial Bank of India. The Imperial Bank was nationalized and renamed as the State Bank of India with the passing of the Act in 1955. The Swadeshi Movement witnessed the birth of several indigenous banks, such as Punjab National Bank, Bank of Baroda and Canara Bank. In order to increase its control over the banking sector, the Government of India had nationalised 14 major private sector banks with deposits exceeding Rs.500 million in 1969. This had raised the number of scheduled bank branches under government control to 84 per cent from 31 per cent.

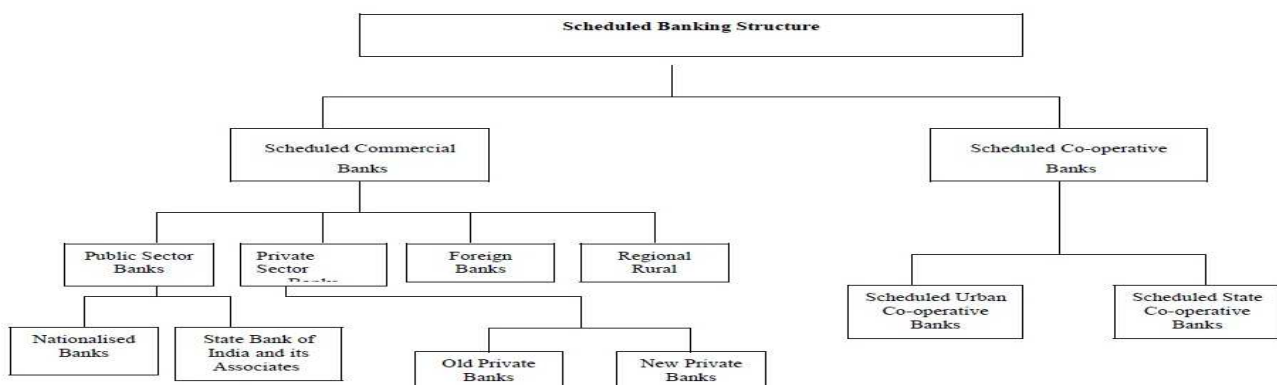
### LIBERALIZATION OF BANKING SECTOR

The year 1991 marked a decisive changing point in India's economic policy since Independence in 1947. Following the 1991 balance of payments crisis, structural reforms etc influenced the Government of India to frame its policies in the year 1991-92, keeping in view the benefits of liberalization.

The enacted reforms not only affected the real sector of the economy, but the banking sector as well. It was expected that in the process of opening up its economy to the outside world, increased competition could turn the banks more efficient, bring about improvement and ultimately benefits the customers. Characteristics of banking in India before 1991 were a significant degree of state ownership and far reaching regulations concerning among others the allocation of credit and the setting of interest rates. The liberalization of the Indian banking system took its importance when the government began to implement the recommendations of the Narasimham Committee in the year 1991 and 1998 these were the blueprint for banking sector reforms. Some of the important recommendations are as follows-

1. Increase in competition via more liberal rules for the entry of new domestic and foreign banks. Foreign direct investment in private sector banks is allowed up to 74%.
2. Infusion of Government capital in PSBs followed by Injection of private equity. PSBs are allowed to increase the share of private capital upto 49% of which 20% can be foreign equity.
3. Deregulation on interest rates except for certain specific classes such as savings deposit accounts, NRI deposits, small loans up to Rs. 2 lakh, and exports credits.
4. Cuts in Statutory Liquidity Requirements (SLR) and Cash Reserve Requirements (CRR) to reduce pre-emption of bank lending and lower financial repression.
5. Reduction in credit controls to 40% from 80% of total credit.
6. Introduction of a broader definition of priority sector lending.
7. Incentives to increase consumer loans including long term home mortgages.
8. Implementation of micro-prudential measures including Basle-based capital adequacy requirements, income recognition, asset classification and provisioning norms for loans, exposure norms and accounting norms.
9. Emphasis on performance, transparency and accountability.

### SCHEDULED BANKING STRUCTURE IN INDIA



Source: Report on Trend and Progress of Banking India, RBI Publication, 2007-08

## INTRODUCTION TO STUDY

The Indian banking industry has come a long way from being passive business institution to a highly proactive and dynamic entity. Before liberalization, the Indian banking structure was largely controlled and parameters like branch size and location were given much importance. Presently, the Indian banking industry is going through a period of intense change, where liberalized business environment has affected the banking business by way of increasing competition, rising customer expectations, shrinking spreads and increasing disintermediation.

Although dominated by public sector banks, India already has a significant presence of private domestic banks and foreign banks. What the banking reforms have done is to create a more level playing field where banks of different ownership types compete within a new set of broad regulations. Data on the performance of the PSBs over the past one decade offer an opportunity to assess to what extent the regulatory changes have improved the profitability & productive efficiency of private sector banks in India. Apart from analyzing the standard descriptive measures of performance, this paper uses the nonparametric approach of Data Envelopment Analysis to measure total factor productivity growth and its components to assess the impact of liberalization on PSBs in India. To measure the impact of liberalization on the performance of, PSBs the following objectives were framed.

## OBJECTIVES OF THE STUDY

1. To evaluate profitability and productivity of private sector banks in the post liberalization period
2. To identify the factors affecting the profitability and productivity of private sector banks in the post liberalization period
3. To examine the contribution of various factors towards profitability and productivity of private sector banks in the post liberalization period

## RESEARCH METHODOLOGY

Data collection-The study is conducted on the basis of primary as well as secondary data. But the secondary data is the major source of study. The secondary data is compiled from statistical tables relating to banks, RBI bulletins, CMIE reports, economic surveys of various years, PNB monthly review, reports on currency and finance and proceedings of state level bankers committees, and other published resources.

The information to primary resources, is collected from the proper interviews with the managers of various PSBs. the collected data is processed, tabulated, analyzed and interpreted with the help of appropriate statistical techniques.

## LIMITATIONS OF THE STUDY

1. The study is restricted only to private sector banks
2. The study is majorly based on secondary data of various publications. These data are historical accounting concept which ignores the present conditions
3. The study is only on the quantitative accepts of profitability and productivity of private sector banks, the qualitative accepts such as motivation of employees, costumer satisfaction, image of bank are not considered
4. Due to the time constraints the data's of only 4 years has been analyzed and interpreted.

## ANALYSIS AND INTERPRETATION

**TABLE – 1: SHOWING THE DETAILS OF RETURN ON ASSETS OF PSBs (for year 2001-02, 2004-05, 2010-11&2011-12)**

Sl/no	Bank group year	Return on Assets in percentage			
		2001-2002	2004-2005	2010-2011	2011-2012
1	<b>Private sector banks</b>	<b>0.8</b>	<b>0.7</b>	<b>1.43</b>	<b>1.53</b>
	2.1 old private banks	1.1	0.4	1.12	1.20
	2.2 new private banks	0.4	1.0	1.51	1.63

**Source:** Compiled from Statistical Tables of RBIs report on trend & progress of banking in India, Various Issues.

Return on assets (RoA) reflects the efficiency with which banks deploy their assets. The financial performance of scheduled Private Sector Banks (PSBs) has improved as a result of financial liberalization in the Indian banking sector. The net profit to total assets ratio of all scheduled Private Sector Banks (PSBs) remained in the range of 0.4 per cent to 1.13 per cent during the period of study, i.e., 2001-02, 2004-05, 2010-11 & 2011-12. From the above table it is clear that RoA of PSB's in total is in increasing manner from 0.8 percent in 2001-02 to 1.53 percent at the end of 2011-12 there is an absolute increase in the returns. By this it is clear that the performance of PSB's is significant. In the year 2004-05 there is decrease in RoA by 0.1 percent due to the economic down fall and recession.

**TABLE-2- SHOWING THE DETAILS OF BRANCHES AND ATMS OF SCHEDULED PRIVATE BANKS(As at end of March)**

Year	Bank group	Branches				Total	ATMs		
		Rural	Semi-urban	Urban	Metro		Onsite	Off-site	Total
2002	<b>Private sector banks</b>	1,145	1,609	1,102	860	<b>4,176</b>	NA	NA	NA
2005		1,102	1,847	1,739	1,508	<b>6,196</b>	2,683	4,170	<b>6,853</b>
2011		1,269	2,358	2,040	1,925	<b>7,592</b>	8,603	9,844	<b>18,447</b>
2012		1,581	4,687	3,569	3,165	<b>13,452</b>	13,249	22,830	<b>36,079</b>

**Source:** Compiled from Statistical Tables of RBIs report on trend & progress of banking in India, Various Issues.

The number of branches is a very important factor in providing banking products and services, especially in a country like India where a majority of a bank's customers are likely to have only limited ability to travel. An extensive bank branch network should cut the shoe-leather costs of banking and allow a bank to generate more deposits and more loans with the same level of operating expenses. From the above table we can analyze that there is a significant increase in number of branches from 4,176 in the year 2002 to 13,452 in the year 2012 and number of ATMs were 6,853 in the year 2005 to 36,079 in the year 2012. This shows that in recent years, private banks are significantly increasing their market. As a result of transition to automation and computerization of branches as well as ATMs, operating costs are likely to decline while fixed costs increase but we would still expect an overall improvement in bank efficiency and profitability. Both Old and new private banks have increased their market share in terms of number of branches and ATMs.

**TABLE-3-TRENDS IN NON-PERFORMING ASSETS OF SCHEDULED PRIVATE BANKS(for year 2001-02, 2004-05, 2010-11&2011-12)**

Sl/no	Net NPAs of Private sector banks at different years	Amount in Billions (Rs)
1	Closing balance 2001-2002	67
2	Closing balance 2004-2005	42
3	Closing balance 2010-2011	44
4	Closing balance 2011-2012	44

**Source:** Compiled from Statistical Tables of RBIs report on trend & progress of banking in India, Various Issues.

The measure of Non-Performing Assets (NPAs) explains the efficiency in allocation of resources made by the banks to productive sectors. The problem of NPAs arises either due to bad management by banks or due to change in business cycle. The sharp rise in credit growth continued to be accompanied by significant improvement in assets quality. The net NPAs as percentages of net advances have significantly reduced from 67 billions in 2001-02 to 44 billions in the year 2011-2012. The decline of NPAs, along with recovery shows the asset quality of private sector banks. The increasing industrial performance along with recovery



shows a significant reduction in the level of NPAs. There has been a distinct improvement in recovery climate in recent years facilitated by strong macroeconomic performance and institutional measures adopted by the Reserve Bank of India

**TABLE-4- SHOWING THE DETAILS OF MATURITY PROFILE OF SELECTED LIABILITIES/ASSETS (As at end -March)**

Asset/liabilities	Private sector banks in percentage			
	2004	2005	2011	2012
<b>1.deposits</b>				
Up to 1 year	50.2	53.8	46.1	48.7
Over 1 year up to 3 years	40	40	38.6	30
Over 3 year up to 5 years	4.2	2.85	6.1	5.7
Over 5 years	6.5	3.3	9.1	15.7
<b>2.Borrowings</b>				
Up to 1 year	68.05	65.55	42.4	50.3
Over 1 year up to 3 years	20.85	16.00	16.2	11.8
Over 3 year up to 5 years	5.55	10.2	9.8	12.5
Over 5 years	5.55	8.30	31.6	25.4
<b>3.Loans &amp; Advances</b>				
Up to 1 year	37.95	41.25	37.6	35.2
Over 1 year up to 3 years	33.55	32.55	36.4	37.1
Over 3 year up to 5 years	11.4	9.25	11.4	11.3
Over 5 years	17.1	16.95	14.5	16.4
<b>4.Investments</b>				
Up to 1 year	31.5	69.3	36.6	42.5
Over 1 year up to 3 years	18.75	19.2	22.7	17.3
Over 3 year up to 5 years	8.5	9.7	10.0	9.2
Over 5 years	41.25	36.50	30.7	31.0

**Source:** Compiled from Statistical Tables of RBIs report on trend & progress of banking in India, Various Issues.

Deposits, borrowings, loans and advances & investments are the key elements in analyzing the productivity and profitability of any banks. In the above table the data's relating to Deposits, borrowings, loans and advances & investments of PSB's are collected for the years 2004, 2005, 2011 & 2012. In the year 2004 the deposits upto one and 3 to 5 years were more compared to 2011-12 and there is an overall decrease of some 5 percent, but there is a significant increase when it comes to the deposits over 5 years which has been increased from 6.5 percent in 2004-05 to 15.7 in 2011-12 an increase of 10 percent which is a positive trend towards the productivity of PSB's. When it comes to the investments including the investments over 5 years is diminishing and the investments were at the peak between the periods of 2004-2008 because most of the banks under PSB's found this period as the prime to extended their wings of operations, the investments by PSB's started declining after 2010 as they reached the peak .But still today the investment percentage is not less than 20 percent as average of all the kinds of investments which projects the greater productivity of PSB's in future. The borrowings is influenced by the investments, the percentage of borrowings was more in the period of 2004-08 as the investments were also more and later it diminished as the investments diminished.

The banks productivity & profitability always depends upon the deposits, loans & advances. in the beginning of this analysis we have come to know that the PSB's have an more than 30 percent of shares in deposits consistently for past 10 years by facing a tough competition from Public Sector Banks, Co-operative Banks & foreign banks. In the similar way the share of PSB's in loans and advances is also good it has never reached below 35 percent when it comes to the loans up to one year, not less than 30 percent for the loans between 1-3years.and the percentage of loans above 3 years is consistently low because of the high interest rates and internal policies of Private Sector Banks.

## CONCLUSION

It has been observed that the banking sector in India has provided a mixed response to the reforms initialed by RBI and the Govt of India since 1991. The Private Sector Banks in Indian is growing in a significant manner. The sector has responded positively in the field of profitability, productivity, assets quality (reduction of NPAs), enhancing the role by increasing market share by increasing the number of branches & ATMs, income recognition, and the up gradation of technology. The financial sector reforms have brought the Indian Private Sector Banks closer to the global standards. Though the productivity & profitability of the Indian Private Sector Banks has been significantly increased from the day of liberalization to till date, still a long way to go to catch up with their counterparts

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**A STUDY ON PROBLEMS OF WORKERS IN COIR INDUSTRIES OF KANYAKUMARI DISTRICT**

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**ABSTRACT**

*The Indian Coir Industry has been fortunate to get another boost in the form of the ever-increasing awareness about eco protection. Coir, being a natural fibre that is environment friendly in the strictest sense of the term, is now seen as the fibre of the future. The eco-friendly quality of coir will help it to hold its ground even as it battles competition from synthetic fibres. The Indian Coir Industry is now on the comeback trail, after the sluggishness over the past three decades. The export figures have moved up from Rs. 250 crores in 1997 to Rs 605.17 crores during 2006-07. Those figures may not look awesome in value terms, but the real significance lies in the fact that the industry employs a staggering 6 lakhs people directly or indirectly. Equally significant is the fact that most of these people are from the economically disadvantaged classes, and as much as 80 % of the workers are women. Tamilnadu is the second largest producer of Coir fibre in the country. In the brown coir fibre sector, Tamil nadu occupies the first place as being the single largest producer of brown fibre contributing to about 65% of total production in India. By using coir fibre, coir yarn, coir rope, coir mattings, curled coir and rubberised coir mattresses, pillows etc. are being manufactured. The important objectives of the present study were, to study the socio-economic conditions of workers of coir industries in Kanyakumari District, to explore the working conditions of workers of coir industries in Kanyakumari District, to analyse the problems faced by the coir workers in Kanyakumari District.*

**KEYWORDS**

Coir, Fibre, Industry, Workers, Coconut husk.

**INTRODUCTION**

Coir is the only natural fibre that does not get cultivated solely to extract the coir whereas jute and sisal are grown only to produce the fibres and in turn, the spun and Woven Products. Fibres like jute, sisal and cotton are derived from short cropping plants whereas coir originates from the near perennial coconut palm. This is perhaps the only tree. This has a systematic recorded history dating back to nearly 3000 years before the birth of Christ. There are several legends associated with the origin of this wonder palm in many Countries. The origin of Coir Industry dates back to pre-historic times. But it is only during the 19<sup>th</sup> century the coir products were increasingly introduced. According to the Indian Coconut Committee's "History and Home of Coconut" published in September 1954, the Coconuts palm originated in Sri-Lanka. In another view, the coconuts drifted in the sea from Polynesia and found new homes in many parts of the world. Macropolo's celebrated travelogue of the 12<sup>th</sup> century mentioned on the uses to which Coir Fibre and mats were put in use in the Sailing Vessels of Arabs. He later saw the lands were Arabs brought their Coir and recorded how it was made out of the fibre from the Coconut husk.

During the 13<sup>th</sup> Century there was evidence of Coir5 yarn being used in building ships in the Persian Gulf. When Portuguese Admiral Vasco da Gama sailed into Kerala, in the late 15<sup>th</sup> Century he must have seen this multipurpose fibre. Somewhere in the historical archives in Lisbon, there should be reference to Coir. Coir is used to caulking, for sealing the space between the plants and for making ropes for sails and hawsers to tie ships and hold them during the tidal waves.

The Coir Industry in India has a strong position in the export orientation since the early days, when trade was dominated by European companies. At the beginning of the independence of the local trade in the hands came a turning point in the history of the coconut industry in India. Structure of production and relations has changed significantly. The pattern of exports and product mix has changed very much drastically. With the level of fiber and yarn exports, India is an exporter of goods with added value. This in turn led to a significant change in total volume and value of exports. During the year 1950 the average export volume dropped to 73,200 tonnes per year and then in the year 1960 the export volume decreased to 62 300 tonnes per year. It was back to 45 700 tonnes per year in the 1970's and 26 700 tonnes in 1980. From an average annual export realization of Rs.80 million in 1950 of Rs.120 million in 1960, Rs.210- Rs.300 million in 1970 and 1980. Until the mid-90's it was Rs.1,710 million in sales to Rs. 3,400 million in 2003.

India is a major exporter of coir and coir products. Latest statistics released for financial year 2009-10 reveal that coir exports grew by 47 percent in volume terms and 26% in Rupee value terms, over the year-ago level. India exported coir and coir products worth Rs. 804 Crore in 2009-10 Fiscal. In the 2010-11 Fiscal, the country's total exports amounted to \$247.4 Billion, while coir exports amounted to Rs.807.07 Crore. Indian Coir Industry employs more than 1.5 lakh weavers and 4 lakh spinners. The industry has been going through a bit of rough patch because of the lack of modernisation and marketing effort. Indian Coir industry is second to agriculture as a source of employment in Kerala, providing employment to 3.83 lakh persons, of whom 3.25 lakh are women. At present, coir and its products are exported to more than 80 countries, with US being the biggest market with a share of more than 40 percent in the total export. European countries together share more than 41 % of the exports.

Kerala is the home of Indian coir industry where white fibre, accounting for 61 percent of coconut production and over 85 percent of coir products are from women. With 10.05 lakh hectares having coconut cultivation in Kerala, which accounts for 45 percent of the net cropped area. The coconut out put is estimated at 5759 million nuts annually

**COIR INDUSTRIES IN TAMILNADU**

Tamilnadu is one of the major Coir producing states in the Country. Coir Industry is concentrated in the Districts of Kanyakumari, Thanjavur, Coimbatore, Tirunelveli, Madurai, Theni, Dindugul, Salem, Dharmapuri and Vellore with regard to fibre production. Tamilnadu states second occupies place next to Kerala, but in the production of brown fibre the state stands first in our country.

Coir industry is very important to Tamilnadu as it contributes much to its rural economy, besides providing employment to the rural people, particularly women. At present there are 271 registered coir industries in Tamilnadu.

**COIR INDUSTRIES IN KANYAKUMARI DISTRICT**

In Kanyakumari District coconuts cultivated approximately in 23451 hectares with and estimated production of 2757 lakh nuts. There are 61 fibre extraction units 20 yarn spinning units and 7 units producing other coir products, out of 76 units come under industrial Co-Operatives, besides there are 748 units under tiny household sector engaged in yarn and rope spinning either as a family unit or as tiny units. The total quantity of coir fibre produced in this District per year is estimated to be 13147 tones. Out of fibre produced in this 5712 tonnes account for coir yarn 227 tonnes at and matting and 110 tones Curled coir and 55 tones other coir products.

**STATEMENT OF THE PROBLEM**

Coir work is very popular in Kanyakumari District, because the natural conditions are much suitable for its existence. In spite of its predominance in villages agasteeswaram, eethamozhil, Mondaikadu, Colachel, Vilavancode, Thakalay, Kulasegaram. The conditions of the workers are not still improved. The workers are ailing from a number of diseases. Their conditions are very poor. Their day today problems are innumerable so the researcher is intended to analyse what are the factors causing these problems and find out the solutions for the above problems.

## OBJECTIVES OF THE STUDY

The following are the important objectives of the present study.

- To study the socio-economic conditions of workers in coir industries of Kanyakumari District.
- To explore the working conditions of workers in coir industries of Kanyakumari District.
- To analyse the problems faced by the coir workers in Kanyakumari District.
- To offer the suggestions to overcome the problems of coir workers.

## HYPOTHESES OF THE STUDY

The following are the hypotheses of the study

H1 = There is no significant difference between age of the respondents and level of satisfaction.

H2 = There is no significant difference between educational qualification of the respondents and level of satisfaction.

H3 = There is no significant difference between Marital status of the respondents and level of satisfaction.

## METHODOLOGY

The data for the present study was collected both from the primary and secondary sources. The secondary data were collected from reports, documents, published thesis and websites. The primary data were collected by conducting personal interview with coir workers in Kanyakumari District with the help of the interview schedule.

Random sampling method was adopted for collecting primary data for this study. The total sample size was fixed as 120. Data were obtained from 120 coir workers selected at random scattered over through Kanyakumari District.

## FRAMEWORK OF ANALYSIS

For the purpose of fulfilling the objectives of the study the researcher use various tools such as tables, averages, percentage analysis, Likert Scaling Technique, Garrett Ranking Technique and Chi-square analysis.

## ANALYSIS OF THE STUDY

In this part the researcher analyse the problems faced by the coir workers in Kanyakumari District.

### AGE OF THE RESPONDENTS

Age composition plays an important role in determining the child labour. The age wise classification of sample respondents is given in Table 1.

**TABLE 1: AGE OF THE RESPONDENTS**

SL.NO.	AGE	NO. OF RESPONDENTS	PERCENTAGE
1	Below 18	10	08.30
2	18-25	25	20.85
3	25-35	40	33.35
4	35-45	30	25.00
5	Above 45	15	12.50
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 1 that, 40 workers (33.35 percent) are in between the 25 – 35 age group, 30 workers (25 percent) are in between 35 – 45 age group, 25 respondents (20.85 percent) are in between 18 – 25 age group, 15 respondents (12.50 percent) are above 45 age group. It is note worth none of the sample respondents belong to the age group of below 18 years.

It shows majority of coir workers belong to the age group of 25 to 35 years.

### EDUCATIONAL STATUS OF THE RESPONDENTS

Education is the basic necessity to human development if the people in a society are well educated, there will be prosperity and growth. People give respect to the educated people. The Table 2 indicates the educational status of the sample coir workers in Kanyakumari District.

**TABLE 2: EDUCATIONAL STATUS OF THE RESPONDENTS**

SL.NO.	EDUCATIONAL LEVEL	NO. OF RESPONDENTS	PERCENTAGE
1	Illiterates	15	12.50
2	Primary	30	25.00
3	Middle school	55	45.85
4	High school	20	16.65
5	Degree	Nil	-----
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 2 that, 55 workers (45.85 percent) have middle school education, 30 workers (25 percent) have primary education, 20 workers (16.65) have high school education and only 15 workers (12.50 percent) are illiterate. From the sample respondents there is no degree holder.

It shows majority of workers have educational qualification of middle school.

### SEX-WISE CLASSIFICATION

In coir industry more number of women are working compared with men. The sex-wise distribution of the sample respondents is given in Table 3.

**TABLE 3: SEX-WISE CLASSIFICATION OF THE RESPONDENTS**

SL.NO.	SEX	NO. OF RESPONDENTS	PERCENTAGE
1	Male	40	33.35
2	Female	80	66.65
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 3 that, 80 respondents (66.65 percent) are female and 40 respondents (33.35 percent) are male.

It shows majority of coir industry workers are female.

### MARITAL STATUS OF THE RESPONDENTS

Marital status of the selected respondents is one of the indicators of the social conditions of the coir industry workers. The marital status of the sample respondents is given in Table 4.

TABLE 4: MARITAL STATUS OF THE RESPONDENTS

SL.NO.	MARITAL STATUS	NO. OF RESPONDENTS	PERCENTAGE
1	Married	35	29.15
2	Un-Married	85	70.85
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 4 that, 85 workers (70.85 percent) are un-married and 35 respondents (29.15 percent) are married. It shows majority of coir industry workers are un-married.

#### FAMILY SYSTEM

There are two types of family system. They are nuclear and joint family system. Nature of family of coir industry worker is indicated in Table 5.

TABLE 5: FAMILY SYSTEM OF THE RESPONDENTS

SL.NO.	FAMILY SYSTEM	NO. OF RESPONDENTS	PERCENTAGE
1	Nuclear family	85	70.85
2	Joint family	35	29.15
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 5 that, 85 workers (70.85 percent) belong to the nuclear family and only 35 workers (29.15 percent) belong to the joint family. It shows majority of coir industry workers belong to the nuclear family.

#### NATURE OF EMPLOYMENT

Distribution of the sample coir industry workers according to their nature of employment is given in Table 6.

TABLE 6: NATURE OF EMPLOYMENT

SL.NO.	NATURE OF EMPLOYMENT	NO. OF RESPONDENTS	PERCENTAGE
1	Permanent	115	95.85
2	Temporary	005	04.15
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 6 that, 115 workers (95.85 percent) are permanent worker and only five workers (4.15 percent) are temporary worker. It shows majority of coir industry workers are permanent.

#### WORKING EXPERIENCE

Experience makes a perception of work. Working experience of the coir industry workers are indicated in the Table 7.

TABLE 7: WORKING EXPERIENCE

SL.NO.	EXPERIENCE	NO. OF RESPONDENTS	PERCENTAGE
1	Less than 5 years	18	15.00
2	5 to 10 years	30	25.00
3	10 to 15 years	40	33.35
4	15 to 20 years	20	16.65
5	More than 20 years	12	10.00
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 7 that, 40 respondents (33.35 percent) have been working in coir industries for the period of 10 to 15 years, 30 respondents (25 percent) have been working in coir industry for the period of 5 to 10 years, 20 respondents (16.65 percent) have been working in coir industry for the period of 15 to 20 years, 18 respondents (15 percent) have been working in coir industry for the period of less than five years and only 12 respondents (10 percent) have been working in the industry for the period of more than 20 years.

It shows that majority of coir industry workers have been working for the period of 10 to 15 years.

#### TYPES OF WORK

The various type of work performed by the sample respondents are presented in the Table 8.

TABLE 8: TYPES OF WORK

SL.NO.	TYPES OF WORK	NO. OF RESPONDENTS	PERCENTAGE
1	Collection of Fibre	15	12.50
2	Coir Making	80	66.65
3	Coir Sales	10	08.35
4	Fibre Bonthu	15	12.50
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 8 that, 80 respondents (66.65 percent) are directly engaged in coir making, 15 respondents (12.50 percent) are engaging in collection of fibre, another 15 respondents (12.50 percent) are engaging fibre bonthu work and only 10 respondents (8.35 percent) are engaging coir sales work.

It shows majority of coir industry workers are engaging coir making works.

#### DAILY WAGES OF COIR INDUSTRY WORKERS

Daily wages refers to the wage obtained for the daily work in the industry. The daily wage to the sample respondents in coir industry is given in the Table 9.

TABLE 9: DAILY WAGES OF COIR INDUSTRY WORKERS

SL.NO.	WAGES	NO. OF RESPONDENTS	PERCENTAGE
1	Below Rs.100	10	08.35
2	Rs.100 to Rs.150	85	70.85
3	Rs.150 to Rs.200	20	16.65
4	Above Rs.200	05	04.15
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data



It is clear from Table 9 that, 85 respondents (70.85 percent) have the daily wages between Rs.100 to Rs.150, 20 respondents (16.65 percent) have the daily wages between Rs.150 to Rs.200, 10 respondents (8.35 percent) have the daily wages below Rs.100 and only five respondents (4.15 percent) have the daily wages above Rs.200.

It shows majority of the respondents have the daily wages between Rs.100 to Rs.150.

**MONTHLY INCOME OF THE RESPONDENTS**

Income includes wages from the job, agricultural income, business income and other family income of the sample respondents. The income level of the sample respondents is given in the Table 10.

**TABLE 10: MONTHLY INCOME OF THE RESPONDENTS**

SL.NO.	MONTHLY INCOME	NO. OF RESPONDENTS	PERCENTAGE
1	Less than Rs.2000	25	20.85
2	Rs.2000 to Rs.4000	80	66.65
3	Rs.4000 to Rs.6000	10	08.35
4	Rs.6000 to Rs.8000	05	04.15
5	Above Rs.8000	Nil	----
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 10 that, 80 respondents (66.65 percent) have monthly income waving between Rs.2000 to Rs.4000, 25 respondents (20.85 percent) have monthly income at the range of less than Rs.2000, 10 respondents (8.35 percent) have monthly income at the range of Rs.4000 to Rs.6000 and only five respondents (4.15 percent) have monthly income at the range of Rs.6000 to Rs.8000.

It shows majority of the coir industry workers have monthly income at the range of Rs.2000 to Rs.4000.

**MONTHLY EXPENDITURE PATTERN**

A study on the expenditure pattern of coir industry workers will throw light on their living conditions. The pattern of consumption expenditure determines the economic status of the people. The monthly expenditure pattern of the sample coir industry workers are given in the Table 11.

**TABLE 11: MONTHLY EXPENDITURE PATTERN**

Sl. No.	Item of Expenditure	Total	Average	Percentage
1	Food	330000	2750	64.30
2	Cloths	60000	500	11.70
3	Medicine	36000	300	07.00
4	Education	42000	350	08.25
5	Electrical	12500	125	02.90
6	Others	30000	250	05.85
<b>Total</b>		<b>510500</b>	<b>4275</b>	<b>100</b>

Source: Primary data

It is clear from Table 11 that, the monthly expenditure pattern of coir industry workers. A large portion (64.30 percent) of the income is spent for food, 11.70 percent of the income spent for cloths, 8.25 percent of the income spent for education, seven percent of the income spent for medicine and only 2.90 percent income spent for electrical.

It shows a large portion of income spent for food.

**DISEASE AFFECTED**

The coir industry workers are being affected by various diseases. The classification of sample respondents on the basis of various diseases affected is given in Table 12.

**TABLE 12: DISEASE AFFECTED**

Sl.No.	Types of Disease	No. of Respondents	Percentage
1	Asthma	05	04.20
2	Anemia	02	01.65
3	T.B	08	06.65
4	Skin Disease	15	12.50
5	Bone Disease	21	17.50
6	Free from disease	69	57.50
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 12 that, 69 respondents (57.50 percent) are free from disease, 21 respondents (17.50 percent) are affected by bone disease, 15 respondents (12.50 percent) are affected by skin disease, eight respondents (6.65 percent) are affected by T.B, five respondents (4.20 percent) are affected by asthma and only two respondents (1.65 percent) are affected by Asthma.

It is clear that the majority of respondents are not affected by any disease.

**PROBLEMS FACED BY COIR INDUSTRY WORKERS**

The coir industry workers face lot of problems. It is analysed with the help of Garrett Ranking Technique.

**TABLE 13: PROBLEMS FACED BY COIR INDUSTRY WORKERS**

Sl. No.	Problems	Average (Garrett Mean Score)	Rank
1	Very Low Wages	52.85	I
2	Long Working Hours	51.24	II
3	Low Entertainment	45.20	VI
4	Poor Living Conditions	47.11	V
5	No Government Support	49.25	III
6	Poor Working Conditions	47.58	IV

Source: Primary and Calculated data

It is clear from Table 13 that, majority of coir industry workers (Avg. Score 52.85) faced the problem of very low wages it attained first rank, second rank (Avg. Score 51.24) has been attained by long working hours, third rank (Avg. Score 49.25) has been attained by no Government support, fourth rank (Avg. Score 47.58) has been attained by poor working condition, fifth rank (Avg. Score 47.11) has been attained by poor living condition and last rank (Avg. Score 45.20) has been attained by low entertainment.

It is clear that majority of coir industry workers faced the problem of very low wages.

**OPINION ABOUT WORKING CONDITIONS OF WORKERS**

The working conditions of coir industry workers are analysed with the help of Likert Scaling Technique,

TABLE 14: OPINION ABOUT WORKING CONDITIONS

Working Condition	Very Good		Good		Moderate		Low		Very Low		Total		Rank
	No.	Weight	No.	Weight	No.	Weight	No.	Weight	No.	Weight	No.	Weight	
Canteen	00	000	05	020	15	030	50	100	50	050	120	200	IV
Water	30	150	50	200	30	090	10	020	00	000	120	460	I
Toilet	00	000	00	000	50	150	50	100	20	020	120	270	II
Medical	00	000	00	000	00	000	30	060	90	090	120	150	V
Accidental Insurance	00	000	00	000	00	000	90	180	30	030	120	210	III
Labour Welfare Measures	00	000	00	000	00	000	00	000	120	120	120	120	VI

Source: Primary data

(Points to be allotted to very good = 5, good = 4, moderate = 3, low = 2, very low = 1)

It is clear from Table 14 that, almost all the coir industry workers are highly dis-satisfied with their working conditions. Even though this study reveals majority of respondents are satisfied with water facilities it has been attained by first rank (460 points), second rank (270 points) has been attained by toilet facilities, third rank (210 points) has been attained by accidental insurance, fourth rank (200 points) has been attained by canteen facilities and last rank (120 points) has been attained by labour welfare measures.

**LEVEL OF SATISFACTION**

The coir industry worker satisfaction depends on a working conditions and wages. The level of satisfaction of coir industry workers are presented in the Table 15.

TABLE 15: LEVEL OF SATISFACTION

SL. NO	LEVEL OF SATISFACTION	NO. OF RESPONDENTS	PERCENTAGE
1	Highly Satisfied	02	01.65
2	Satisfied	18	15.00
3	Moderate	70	58.35
4	Low Level	20	16.65
5	Very Low Level	10	08.35
<b>Total</b>		<b>120</b>	<b>100</b>

Source: Primary data

It is clear from Table 15 that, 70 respondents (58.35 percent) level of satisfaction is moderate, 20 respondents (16.65 percent) level of satisfaction is low, 18 respondents (15 percent) level of satisfaction is satisfied, 10 respondents (8.35 percent) level of satisfaction is very low and only 2 respondents (1.65 percent) level of satisfaction is high.

It is clear that majority of coir industry workers are satisfied with their work.

**ANALYSIS OF HYPOTHESES**

The primary data were collected from the respondents tabulated for analysis and interpretation. The data analysed and interpreted are tested by using the chi-square test.

The chi-square test is applied in statistics to test the goodness of fitness to verify the distribution of observed data with assumed theoretical distribution. It is defined as

$$\chi^2 = \frac{\sum(O-E)^2}{E}$$

Where

O= Observed frequency

E= Expected frequency

In the present study the researchers frame three hypotheses to test the goodness of fitness. In this regard the following hypotheses are framed:

H1 = There is no significant difference between age of the respondents and level of satisfaction.

H2 = There is no significant difference between educational qualification of the respondents and level of satisfaction.

H3 = There is no significant difference between Marital status of the respondents and level of satisfaction.

**I. H1 = There is no significant difference between age of the respondents and level of satisfaction.**

The age and Level of satisfaction are analyzed with the help of chi-square ( $\chi^2$ ) test which is represented as follows.

Age (Years)	Level of satisfaction			Total
	High	Medium	Low	
Below 25	08	10	17	35
25-35	10	20	10	40
Above 35	02	40	03	45
<b>Total</b>	<b>20</b>	<b>70</b>	<b>30</b>	<b>120</b>

**COMPUTATION OF CHI-SQUARE VALUE**

O	E	(O-E)	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
08	05.83	02.17	04.70	0.8061
10	06.65	03.35	11.22	1.6872
02	07.50	-05.50	30.25	4.0333
10	20.40	10.40	108.16	5.3019
20	23.30	03.30	10.89	0.4670
40	26.25	13.75	190.16	7.2442
17	08.75	08.25	68.06	7.7782
10	10.00	00.00	00.00	0.0000
03	11.25	-08.25	68.06	6.0497
<b>Total</b>				<b>28.5959</b>

Calculated value = 28.5959  
 D.F. = (c-1) (r-1)  
 = (3-1) (3-1)  
 = 2 \* 2  
 = 4

Table value of chi-square at 5% level of significance (4 d.f) = 9.49

**RESULT**

The calculated value is greater than the table value, so we reject the null hypothesis. Thus there is significant difference between age of the coir industry workers and level of satisfaction.

**II. H2 = There is no significant difference between educational qualification of the respondents and level of satisfaction.**

The educational qualification and Level of satisfaction are analyzed with the help of chi-square ( $\chi^2$ ) test which is represented as follows.

Educational Qualification	Level of satisfaction			Total
	High	Medium	Low	
Illiterate	04	08	03	15
Primary/Middle	11	55	19	85
High School	05	07	08	20
<b>Total</b>	<b>20</b>	<b>70</b>	<b>30</b>	<b>120</b>

**COMPUTATION OF CHI-SQUARE VALUE**

O	E	(O-E)	(O-E) <sup>2</sup>	$\frac{\sum(O-E)^2}{E}$
04	02.50	01.50	02.25	00.9000
11	14.16	-03.16	09.98	00.7048
05	03.33	01.67	02.78	00.8348
08	08.75	-00.75	00.56	00.0640
55	49.58	05.42	29.37	00.5923
07	11.66	-04.66	21.71	01.8619
03	03.75	-00.75	00.56	00.1493
19	21.25	-02.25	05.06	00.2381
08	05.00	03.00	09.00	01.8000
<b>Total</b>				<b>7.1379</b>

Calculated value = 7.1379  
 D.F. = (c-1) (r-1)  
 = (3-1) (3-1)  
 = 2 \* 2  
 = 4

Table value of chi-square at 5% level of significance (4 d.f) = 9.49

**RESULT**

The calculated value is less than the table value, so we accept the null hypothesis. Thus there is no significant difference between educational qualification of the coir industry workers and level of satisfaction.

**III. H3 = There is no significant difference between Marital status of the respondents and level of satisfaction.**

The Marital Status and Level of satisfaction are analyzed with the help of chi-square ( $\chi^2$ ) test which is represented as follows.

Marital Status	Level of satisfaction			Total
	High	Medium	Low	
Married	06	14	15	35
Un-Married	14	56	15	85
<b>Total</b>	<b>20</b>	<b>70</b>	<b>30</b>	<b>120</b>

**COMPUTATION OF CHI-SQUARE VALUE**

O	E	(O-E)	(O-E) <sup>2</sup>	$\frac{\sum(O-E)^2}{E}$
06	05.83	00.17	00.028	00.0048
14	14.16	-00.16	00.025	00.0017
14	20.41	-06.41	41.088	02.0131
56	49.58	06.42	41.216	00.8313
15	08.75	06.25	39.062	04.4642
15	21.25	-06.25	39.062	01.8382
<b>Total</b>				<b>9.1533</b>

Calculated value = 9.1533  
 D.F. = (c-1) (r-1)  
 = (2-1) (3-1)  
 = 1 \* 2  
 = 2

Table value (at 5% level) = 5.99

**RESULT**

The calculated value is greater than the table value, so we reject the null hypothesis. Thus there is significant difference between marital status of the coir industry workers and level of satisfaction.

**FINDINGS OF THE STUDY**

After analysing the data regarding the problems of coir industry workers in Kanyakumari District the researcher gives the following important findings. The study reveals majority of the coir industry workers are in the age group of 25 – 35. Majority of workers are women, majority of workers have the educational qualification of middle school. It is found that majority of workers belong to the nuclear family. The study reveals majority of sample respondents are permanent. It is found that majority of coir industry workers have been working for a period of 10 to 15 years. Majority of workers are engaged direct coir making. Majority of workers have daily wages between Rs.100 to Rs.150. It is found that majority of respondents have monthly income at the range of Rs.2000 to Rs.4000. The expenditure pattern of the sample respondents shows that more than 64 percent spent for food. The study found that majority of respondents affected by bone disease. The study reveals that no medical facility is given to the coir workers. The study point out that the majority of the coir workers face the problem of very low wages and long working hours. Coco-hush-pith arises from their coir making process cause large number of diseases like asthma, anemia and T.B. the workers are working under open sunlight and as a result workers got often get tired. There is no provident fund and pension facility for coir industry

workers. There is no works for coir workers during the rainy season. There is no leave facility for coir workers. The result of hypotheses analysis reveals that, there is significant difference between age of the coir industry workers and level of satisfaction, there is no significant difference between educational qualification of the coir industry workers and level of satisfaction, there is significant difference between marital status of the coir industry workers and level of satisfaction.

### SUGGESTIONS OF THE STUDY

The present study reveals about the problems of coir industry workers in Kanyakumari District. The researcher grasped up various problems of the respondents and summed up-them.

The study reveals that coir workers have longer working hours. So the working hours of the coir workers may be regulated by the Government. Holidays are not given even on important national and religious festival days. The national holidays may be declared as paid holidays to the coir workers. The government may enforce labour welfare measures such as provident fund and medical facilities for coir workers. The Government may establish a separate department to safeguard the welfare of the coir industry workers. The Government must take the effort to increase the wages of coir industry workers. Generally the coir workers do the work perpetually in the open surface. The workers are directly exposed to the sunlight to steps may be taken to provide them shady roofs for coir industry workers. Minimum and Maximum age limit may be fixed by the Government it should be strictly implemented to avoid the employment of children and old age group. Accident benefit may be given by the government to the coir industry workers. The government may include all the coir workers in the welfare in board of the workers. Welfare schemes may be implemented to the workers of coir industry and their children. The government may provide minimum amount of pension to the coir industry workers when they are unable to do the work or at their old age.

### CONCLUSION

Coir doormats have shown bigger growth than other products. Why there is a new demand for doormats. Among the coir products the door mats occupy unique position because of its brushing quality which most of its competing substitutes do not have. Coir products are natural, 100 percent biodegradable, environment friendly and cost effective. The environment friendly consciousness is emerging on a high scale which definitely makes the coir products more acceptable. The concerted efforts of the Coir Board to strengthen the export markets by way of increased participation in foreign fairs, conducted of market study, sponsoring of delegation/market missions, participation in catalogue shows & product promotion programmes, undertaking generic publicity promotional efforts through various embassies etc. have helped the coir products to expand its global market. Because of its inherent quality of keeping warm in winter, coir products are widely used in all countries where cold climate prevail.

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**BUYER'S BEHAVIOR IN ORGANIZED RETAIL: AN EXPLORATORY STUDY**

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**ABSTRACT**

Assessing shopper's behavior in retailing scenario in India is of a subject of great relevance for present Indian Retail Industry. The growing need for evaluating drivers of retail shopping behavior forms a subject for research and analysis as the retailing environment is continuously changing. Shopper expectations and choices are the pivotal change elements. It is pertinent for Indian retailers to understand this aspect which leads a customer towards evaluation of store attributes based on their shopping motives. Taking cue from these evaluations, retailers would realign relevant marketing strategies to bring customers to their stores. A methodology based on the framework using a qualitative and quantitative framework was incorporated to study the phenomenon. The construct consisted of Retail Merchandize, Shopping Convenience, Atmospherics, Retail Communication, Utilitarian, Socialization and Gratification dimensions. A cross section of shoppers was intercepted in major north Indian cities to respond to these. Findings on Utilitarian, Socialization, Atmospherics, Retail Merchandize, Gratification dimensions towards shopping motives were obtained which emerged as factors driving Retail Shopping in India.

**KEYWORDS**

Shopper's Behavior, Retailing, Store Attributes, Shopping Motives.

**INTRODUCTION**

Retailers operate in a competitive environment facing changes in customer needs, demographics, and types of retailing, technology and retail ownership. In such an environment the understanding and prediction of buyers behavior is of great importance. Now a days customer wants more than product quality and variety, that is a combination of multiattributes that creates favorable retailer and store image. As a result it is important for Retail managers to determine factors affecting buyer's behavior.

In order to understand the factors affecting buyer behavior in retailing scenario, various store image attributes were explored which were considered by the customer as important. The customer buying behavior is affected by the physical environment of the store, the various procedures they have to follow, the moment of contact with the personnel's and the core offer of the retailer i.e. product variety, assortment, quality and pricing policy ( Morschett et al. 2005). This evaluation of the total retailers offer in the customer mind is defined by Martineau (1958) as "Store Image ".

**LITERATURE REVIEW OF STORE IMAGE AND SHOPPING MOTIVATION**

Lindquist (1974/1975) synthesized store attributes into nine dimensions: merchandising, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors and past transactions. Among these, product-related considerations (e.g. assortment, quality and price) appeared to be the most critical dimensions, while Ghosh (1990) introduced eight elements: location; merchandizing; store atmosphere; customer services; price; advertising; personal selling; sales incentive programs. In 1994 Bloch et.al examined the effect of mall physical environment on consumers' emotional states and found that malls were viewed by consumers as a place not only for shopping, but also for other activities, such as entertainment.

Thus, Store attributes can be defined as the "summation of all attributes of (Baker,Donovan,1994) product assortment( Grewal 1999) store price format( Bell and Lattin 1998) customer service ( Sparks 1995) store as perceived by the shoppers through their experience of that store" (Omar, 1999, p. 103). Store attributes were viewed as part of the overall image of a store (Bloemer and De Ruyter, 1998). A recent study by Erdem et al. (1999) yielded three store attributes – status, merchandise, and price. They found that status was the most important store attributes. Towards deciding the most important attribute in choosing a store Arnold (1997) and Kim and Jin (2001) found that location being the most important followed by low prices and product assortment were found as important store choice criteria in the work of Arnold (1997). The role of store environment was examined in the study of Koo (2003) who proposed seven components: store atmosphere; location; convenient facilities; value; employee services (EMS); after sale services (AFS) & merchandising. Bodkin and Lord (1997) too concluded that the most important reasons for selecting malls were convenience, presence of a specific store in the mall, services and prices. Terblanche (1999) in his study too highlighted studied the impact of four dimensions on shopping centre patronage, namely, functional, recreational, socializing, and convenience. He found that recreation appears to be the major benefit pursued by shoppers that patronize a super regional shopping centre.

Malls visit towards entertainment was studied by Nicholls et al. (2000) and he found that Chilean consumer' visited malls being driven, primarily, by purchasing factors while consumers in the USA visited their mall for more diverse reasons, largely revolving around entertainment. Further Nicholls et al. (2002) found that today's mall patrons tend to be more leisure driven than shoppers in the early 1990s. Thus studies have pointed out the importance of shopping centre image as a critical determinant of consumer patronage decisions (Finn and Louviere, 1996; Sit et al., 2003).

Motivation is an important factor in understanding behavior. The importance of motivation is reflected in the following definitions.

*Motivation can be described as the driving force within individuals that impels them to action (Schiffman et al., 1997, p .90).*

Motivation, then, influences people's behavior in the way it stimulates and directs behavior. Therefore, motivation can be represented in terms of its strength and its direction (Solomon, 2002, p.103). Tauber (1972) conducted an exploratory study to uncover the reasons why people shop. The sample used in the study, both men and women, was quite different to samples used in previous studies such as those of Stone (1954) and the Chicago Tribune (1955). These two studies focused solely on females. By including men in the sample, the study findings may have been enriched. The most interesting finding from Tauber's study was the recognition of non-product motives. Tauber stressed that "an understanding of shopping motives requires the consideration of satisfactions which shopping activities provide, as well as the utility obtained from the merchandise that may be purchased" (p. 58). This view provides a new insight on shopping typology. Specifically, Tauber's typology is divided into two main categories (pp. 47-48). The first category, personal motives, consists of:

A) *Role playing.* This motive relates to the role of the shopper in the society. Housewives tend to view grocery shopping as one of their roles in society.

B) *Diversion.* Some people use shopping as a recreational activity.

C) *Self-gratification.* In this case shopping is seen as a medium for expressing different emotional states or moods.

d) *Learning about new trends.* Finding information about new products and model provides motivation for some people to go to the store.

e) *Physical activity.* Going shopping is an alternative for doing exercise.

f) *Sensory stimulation.* Some shoppers go to the store in order to gain some sensory benefit.

The second category of shopping motive category is social:

a) *Social experiences outside the home.* Shopping is viewed as a medium for socializing.

b) *Communication with others having a similar interest.* Some people go shopping for the opportunity to interact with others having similar interests.

c) *Peer group attraction.* Shopping is a way to self-express, to be with one's peer group or a reference group.

d) *Status and authority.* Some people go shopping to gain attention and respect.

e) *The pleasure of bargaining.* Shopping brings pleasure through bargaining over the price.

A later study by Westbrook and Black (1985) concluded that motivation-based shopping typology is the most appropriate way to classify shoppers. This framework is viewed as guiding retail strategy formulation as well as advancing efforts to develop more comprehensive theories of shopping behavior. In addition, "the consideration of motivation is implicit in extant typologies" (Westbrook and Black, 1985, p. 35).

Westbrook and Black's shopping typology is as follows (pp. 86-87):

a) *Anticipated utility.* Some people go to the store with the aim of obtaining a particular product. They expect to gain the utility offered by that product.

b) *Role enactment.* The idea of this shopping motivation is arguably similar to role playing in Tauber's shopping typology. The motive for going to the store is largely affected by the person's role in society, which is culturally defined.

c) *Negotiation.* Some people gain satisfaction if they can negotiate the price, believing they gain a good value product. Tauber (1972) named this motive as the pleasure of bargaining.

d) *Choice optimization.* For some people, shopping is a way to find a suitable product to fulfill their need.

e) *Affiliation.* Socializing with other persons in the store is another shopper motivation. Westbrook and Black (1985) added the term of indirect affiliation, to express the intention to interact with a particular group. This idea encompasses three of the motives in Tauber's shopping typology: social experiences outside the home, communication with others having similar interests and peer group attraction.

f) *Power and authority.* Shopping for some people is seen as a means of improving their social position.

g) *Stimulation.* Some people go to the store with the main purpose of interacting with the store environment in order to feel stimulated. This shopping motive was also raised in Tauber's shopping typology.

As can be seen, although Westbrook and Black provided different norms and focused on motivation, many of their resulting categories are similar to those proposed by Tauber (1972).

In the retail context, Arnold and Reynolds (2003) stresses that "hedonic shopping motives are similar to the task orientation of utilitarian shopping motives, only the task is concerned with hedonic fulfillment, such as experiencing fun, amusement, fantasy and sensory stimulation" (p. 78).

The hedonic shopping motivation typology developed by Arnold and Reynolds (2003, pp. 80-81) is as follows:

a) *Adventure shopping.* According to this motive, going shopping is an adventure. Arnold and Reynolds explain that people with this kind of motive expect to gain "adventure, thrills, stimulation, excitement, and entering a different universe of exciting sights, smells, and sounds" (p. 80).

b) *Social shopping.* Socializing is the main purpose for some shoppers when they go shopping.

c) *Gratification shopping.* Life nowadays is so complex and the level of tension has increased in society. Some people go shopping to ease this tension.

d) *Idea shopping.* Shopping could update people's knowledge about the development of new trends and models.

e) *Role shopping.* Arnold and Reynolds highlight the concept of this motive by stating "role shopping reflects the enjoyment that shoppers derive from shopping for others, the influence that this activity has on the shoppers' feeling and moods, and the excitement and intrinsic joy felt by shoppers when finding the perfect gift for others" (p. 81).

f) *Value shopping.* Some people go shopping to find a good value product.

## RESEARCH GAPS

Researchers who investigated store image reported a wide variety of store attributes but no consensus has been reached on the store attributes that should be prioritized by the retailers that have impact on consumer buying behavior. Past studies have neglected to investigate differences between clusters of customer in terms of priorities they place on different store attributes. Both past and recent empirical studies mostly pertain to USA and European countries. There is paucity of research examining shopper behavior in retailing in India. Little attention has been paid to the shopping motivation of consumers. The shopping motivations of Indian consumers are largely unexplored which formed the basis for this study.

## EXTRACTED RESEARCH OBJECTIVES OF STUDY

The study singled out two major objectives on the basis of the literature review done and the research gaps identified. They being

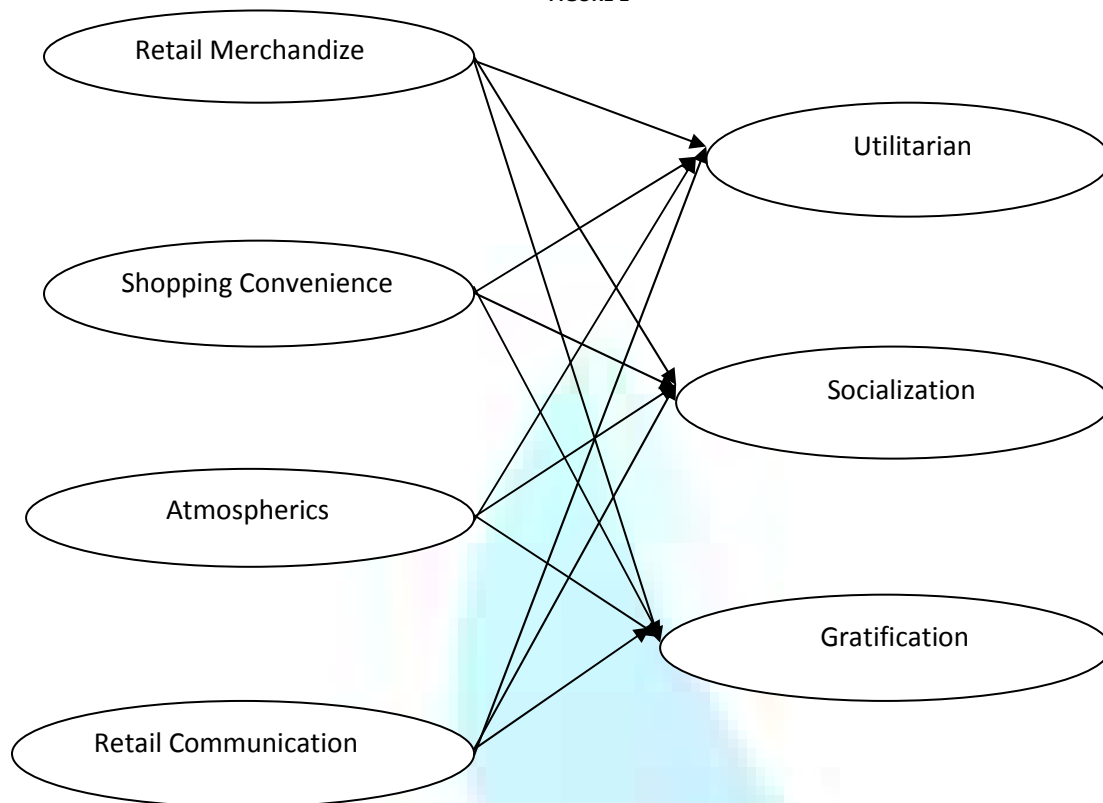
a) To identify key dimensions that explains shopping motivations among Indian customer.

b) To explore retail store image attributes influencing shopping motives

## MODEL AND VARIABLES IDENTIFIED

The extracted frame of reference for the study was designed as follows which formed the basis for exploring the objectives of the study by studying the interaction.

FIGURE 1



#### RETAIL MERCHANDIZE

Retail Merchandising refers to the various activities which contribute to the sale of products to the consumers for their end use. Every retail store has its own line of merchandise to offer to the customers.

Literature has indicated that elements of product mix capture quality and assortments of goods as well as their presentation (Lindquist, 1974). A perception of great assortment certainly influences store image and satisfaction with the store (Anselmsson, 2006). Juhl et al. (2002) found that product quality is one of the important elements of store image. Hansen and Solgaard (2004) identified that product assortment was the single most influential variable affecting the choice of retail formats.

Pricing either in conjunction or isolation with product policy contributes to a great degree to the retailers positioning and "personality" (McGoldrick, 1990). The retailers pricing policy refers to the monetary costs i.e. the costs of good purchased or to be purchased. Pricing is found to be the most important attributes in grocery shopping decisions (Hortman et al., 1990). Further price level has found to be an influential factor in terms of retail format choice and determinant of different customer groups (Carpenter and Moore, 2006;)

#### SHOPPING CONVENIENCE

Shopping convenience consists of in store convenience and service convenience the store provides. The in store convenience represent an important attribute of a store. In store convenience consists of the store layout and design, which helps customers to plan their trips. They also become skilled in understanding the various signs and labels and control their exploration and trip (Bitner, 1990; Spies et al, 1997). The successful layout of the store depends on whether it has clear and legible concept. The various labels, information posters and sign can contribute to the concept of layout design in creating a favorable and attractive store environment (Spies et al, 1997).

Service is another important component of shopping convenience. The service provision includes interaction with store personnel's, information enquiries, guidance to the location of goods , cashiers, etc. so the relationship between consumer and retailer is enhanced by the service provision which increases the customer buying experiences ( Reynolds and Beatty, 1999).

#### STORE ATMOSPHERE

Store atmosphere is another important store image attribute. It is an atmosphere which is created by combining a set of visual elements of the store environment (colours, displays, decorative features ease of movement etc) and stimulation of senses( smell, temperature, music and lighting) enabling a favorable customer response. Store with favorable atmosphere are likely to increase the positive buying experience (Babin and Darden, 1996).

#### UTILITARIAN SHOPPING MOTIVATION

Utilitarian shopping behavior is characterized by task related, product oriented, rational and extrinsic motivations (Babin et al., 1994).

#### SOCIALIZATION

Social shopping grounded in affiliation theories of human motivation reflects socializing aim of shoppers while shopping (Reynolds and Beatty, 1999).

#### GRATIFICATION

Gratification shopping grounded in tension reduction theories of human motivation involves shopping for relieving stress. (Lee et al., 2001)

#### RETAIL COMMUNICATION

Retail Communication consists of special offers by store, new product advertising in the store and high visibility and display of product in promotion (Ghosh, 1990)

#### RESEARCH METHODOLOGY

The research methodology for the study involved a research design comprising of the Store Image and the Shopping Motives variables. These further comprised of sub variables for store image named as Retail Merchandize, Shopping Convenience, Atmospheric and Retail Communication and for Shopping Motives named as Utilitarian, Socialization and Gratification. A questionnaire in English was drafted containing Likert scaled items scoring from 1 (Strongly Disagree) to 5 (Strongly Agree) to measure 52 items. The questionnaire also contained the demographic information. The data obtained by a pilot study was subjected to assess its reliability & a value of 0.767 Cronbach Alpha was obtained for the overall construct. Further it was subjected to the scrutinization by industry experts & academicians to judge for its validity. A few changes were incorporated on the suggestion of the experts meeting the questionnaire fit to be administered for execution for studying the objectives of the proposed study. The questionnaire on the basis of sampling design was subjected to shoppers intercepted post

shopping activity. The population for the study consisted of both male and female shoppers who come to shop in shopping malls in Delhi & NCR. Delhi & NCR were selected as survey sites as they are planned cities and new stores have started operating in them. The sampling frame consisted of shopping malls in Delhi & NCR. In order to have a representative sample a list of selected stores in Delhi & NCR was generated. Convenience Sampling, intercept survey method was used to collect the data. The sample size consisted of 1200 shoppers as used in the previous studies.

Some of the limitations were identified in the study. They ranged from non response to partial response by the respondents as they had come for shopping and entertainment and did not want to be intercepted for filling a survey. Many were not ready to discuss details of their response as they felt it was bothering their shopping visit. Also shopping malls did not appreciate their shopper being disturbed & hence an in shop interception for collecting response was not possible and responses were generated only outside the shops. An inside shop response would have generated a more valid data giving further detailed insight to the study being conducted.

## FINDINGS

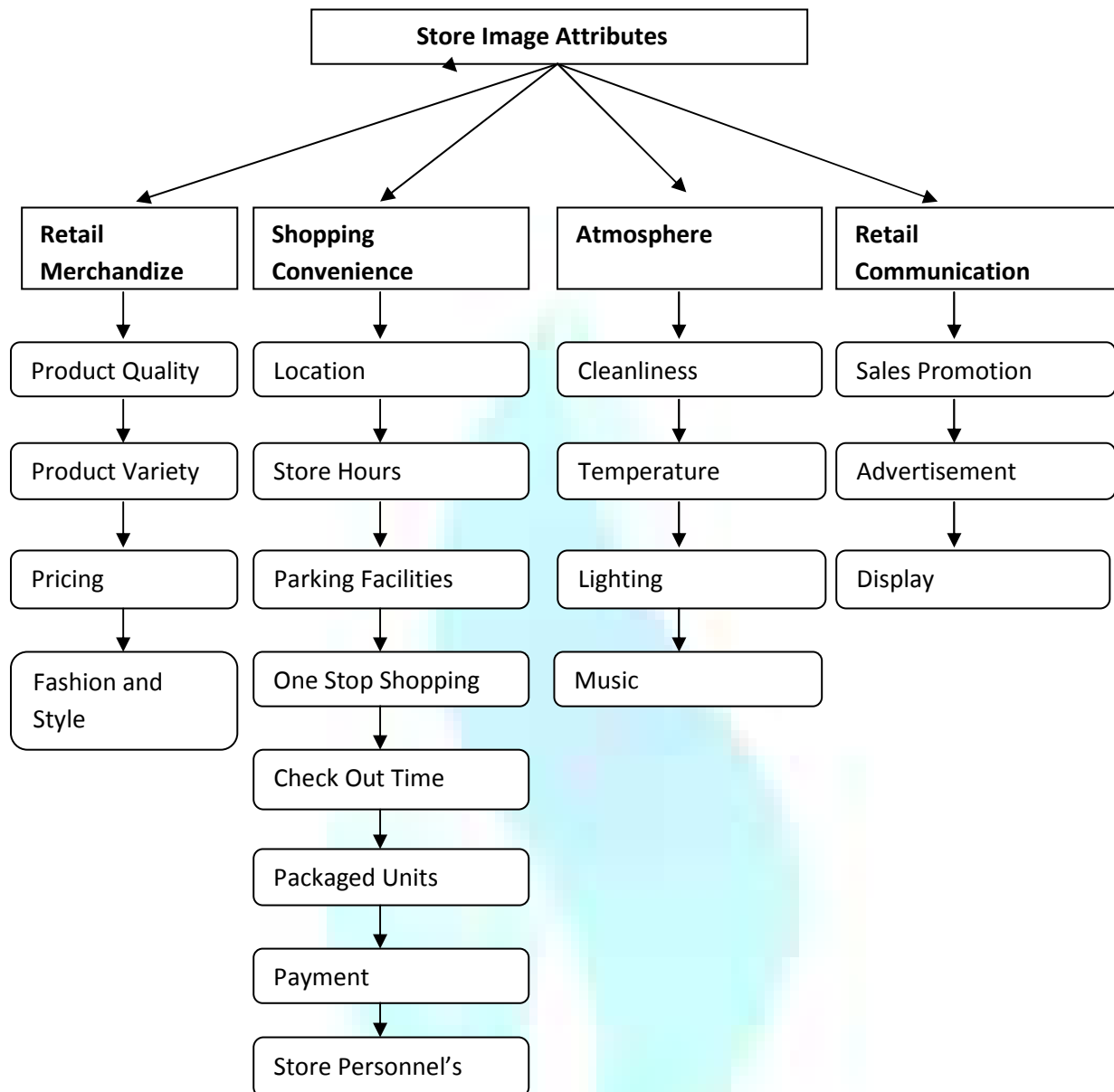
TABLE 1

Variable	Level	Frequency	Percent
Gender	Male	685	57
	Female	525	43
	Total	1200	100
Age	< 20	69	6
	20-30	716	60
	30-40	329	27
	40-50	86	7
	Total	1200	100
Income in Rs	<25000	706	59
	25,000-50,000	331	27
	50,000-75000	93	8
	75,000-100,000	48	4
	>100,000	22	2
	Total	1200	100
Educational Qualification	High School	36	4
	Senior Secondary	68	6
	Graduation	728	60
	Post Graduation	368	30
	Total	1200	100
Marital Status	Married	742	62
	Unmarried	458	38
	Total	1200	100

Examination of the respondents (N=1200) indicated a majority of males 57% compared to females 43%. 6% of respondents aged < 20 years, 60% aged between 20-30 years, 27% aged between 30-40 years, 7% aged between 40-50 years. 59% of respondents indicating monthly household income of < Rs25000, 27% indicating income between Rs. 25000-50000, 8% indicated income between Rs.50000-75000 and 4% indicated income between Rs.75000-100000 and 2% indicating an income of >100000. 4% indicated that they have a high school degree, 6% indicated that they have a Senior Secondary School degree, 60% percent indicated that they have a graduation degree and 30% indicated that they have a post graduation degree. A total of 62% percent of sample indicated that they are married and 38% indicated that they are unmarried.



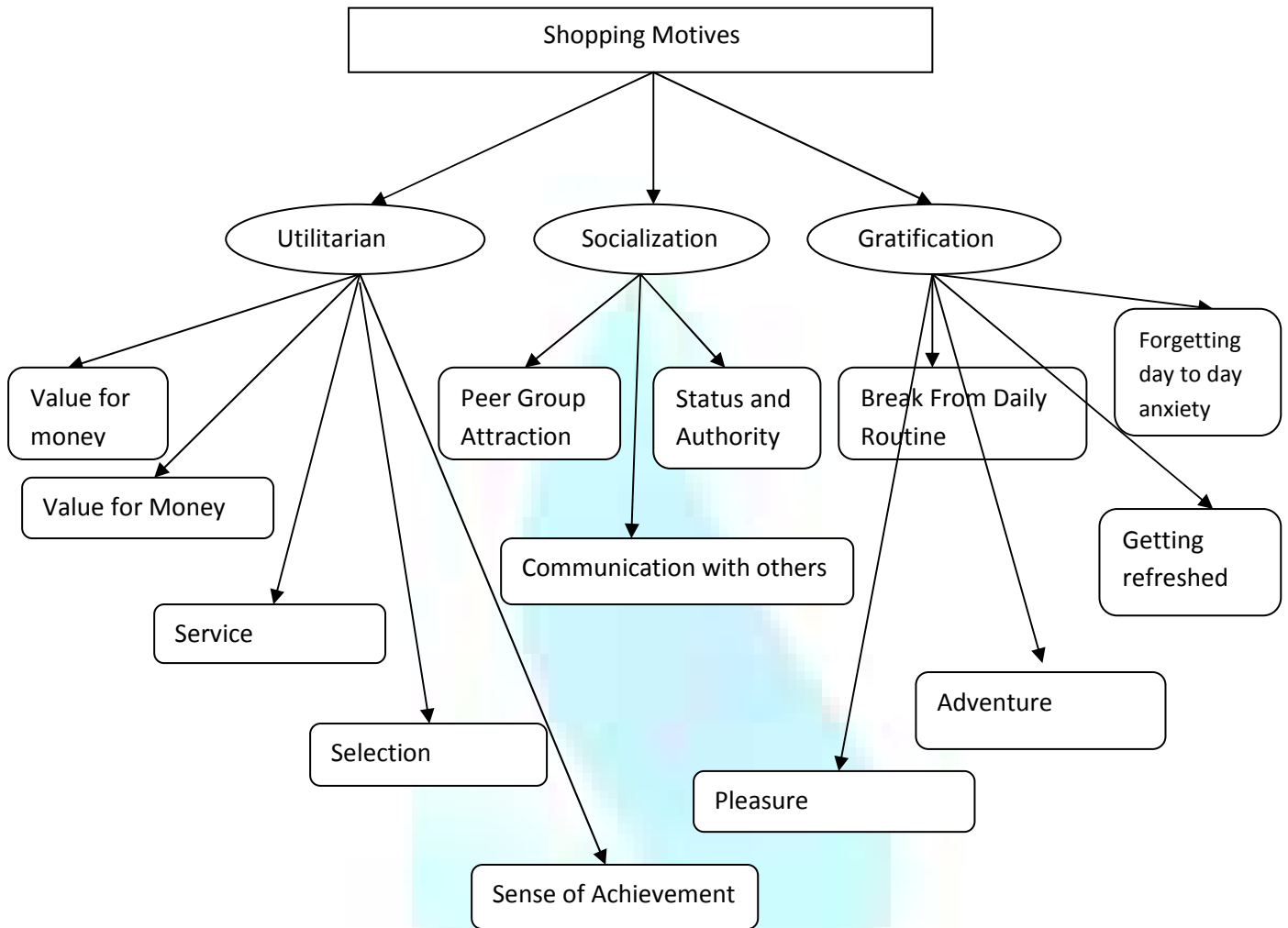
FIGURE 2



The most important attribute for store selection is Retail merchandize followed by Shopping Convenience followed by Atmospherics followed by Retail Communication. Retail Merchandize consisted of Product Quality, Product Variety, Prices with respect to competitors, Fashion and Styling. Among this Product Quality were the most important considerations while choosing a store. Prices with respect to competitors were the second most important store attribute for selection of a store. The third most important attribute among the Retail Merchandize was Product Variety followed by fashion and styling for choosing a store. Shopping Convenience consisted of location of the store, the store opening hours, parking facilities, one stop shopping, the checking out time and ease of handling the packaged units, among these location followed by store opening hours, parking facilities and checking out time were the most important attributes as preferred by customers for selecting a store. Atmospherics consisted of Cleanliness in the store, the temperature and interior design, width of the aisles, carpeting, lightning and music. Among these cleanliness, temperature lightning music and interior design were the most important attributes considered by the customers while selecting a store. Retail communication consisted of the display of the merchandize and sales promotion and advertizing facilities adopted by the stores. Among these all the three display advertising and sales promotion were considered as important attributes while selecting a store. The findings have been found to be similar to that by Lindquist (1974/1975), Arnold (1997) and Kim and Jin (2001) where the most important attributes for store selection was Location, Product Assortments and Low Prices.

The shopping motives of the shoppers can be interpreted on the basis of following model:

FIGURE 3



The customer motives for shopping can be divided into three categories, i.e., Utilitarian, Social and Gratification. The utilitarian motives consist of shopping for value for money, value for time, shopping for services provided by various retailers and shopping for a sense of achievement. Among these customers prefer to shop for value for money followed by services value for time and sense of achievement. The social motive consists of communicating with others having same interests, peer group attraction, status and authority. Among these the primary motive for shopping is to have a peer group attraction followed by status and authority then communicating with others having the same interest. Gratification consists of shopping for getting a break from daily routine, shopping for forgetting day to day anxiety, shopping to get refreshed, shopping for adventure and shopping for pleasure. Among these the primary motive for shopping consisted of shopping to get a break from daily routine, shopping to forget about day to day anxiety, shopping to feel better shopping for pleasure and shopping for adventure. The findings have been found to be similar to that of Tauber (1972).

**CONCLUSION**

The results of the study present a significant contribution, for both scholars and practitioners. The study reveals an interesting finding about store image attributes. Four major attributes were highlighted: Merchandize, Convenience, Atmosphere and Retail Communication. All of the attributes are considered as important by the customers for selecting a store to shop. The findings from the study suggest that the motivation to shop consist of utilitarian, social and gratification seeking motives. More specifically, the findings of this study would seem to suggest that visiting a retail store is more task oriented and rational behavior stimulated by extrinsic motivations (Babin et al., 1994). On the contrary Hedonic motivation of visiting a retail store appears to be only marginal (Holbrook and Hirschman, 1982).

**IMPLICATIONS**

The findings suggests a number of implication for store managers, the store managers should improve store image attributes such as Merchandize, Convenience, Atmospherics and Retail increase frequency of consumer visits. Mall managers should stimulate gratification seeking motives to influence shoppers to stay longer and buy more. This requires positioning strategies to focus on motivations of shoppers such as excitement, entertainment, fantasy and fun.

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ANNA UNIVERSITY REGIONAL CENTER  
COIMBATORE****ABSTRACT**

The core purpose of this article is to examine the pre requisites of a production manager in a knitwear industry. Apparel sector is the second largest employment provider following the agriculture in India. The country exports around 18 billion all over the world. To make the knitwear sector highly organized in respect to production few competencies are identified as essential for a production manager, which will increase the efficiency of the individual and organization at large. 15 production managers from different companies are interviewed to frame the basic requirements of the production manager and are classified under three broad categories of competencies as inter – personal, intra – personal, and technical. Based on the interview a questionnaire was formed to examine the most important competencies required for a production manager and the survey reported its high importance to Technical, followed by Intra personal and inter personal respectively.

**KEYWORDS**

production manager, knitwear industry.

**INTRODUCTION**

The world is in the midst of revolution, everything keeps on changing every day. The concept developed yesterday is no longer new today in the globalized scenario. The changes are expected in economical, political, and cultural state of affairs. The apparel sector was with much of restrictions before 2005, but today after abolition of quota system, any exporter has the liberty to export any number of quantity to anywhere in the world without any constraint. This has made the export graph to grow to 18 billion as on date, simultaneously the competition between the companies in terms of production, infra structure, retaining man power also increases day by day. This article may serve the individuals who inspire themselves to be a production manager in the new future. A competent production manager is considered as an important asset of the organization. The policies framed by the corporate give its utmost importance for managing and retaining the competent work force.

Competency is the superior performance expected from the employee, the ordinary performance will no longer help today for both the individual as well as the organization, therefore competency is the need of the hour, and the individual capability is assessed in terms of competency sets. An individual should identify his area of choice to work and then work out the competencies expected for the job and should map with his present position. On mapping one will be able to list out the areas where they are lacking and how the gap could be bridged.

**Klemp(1980)** says that competency is the underlying characteristics of a person which results in effective / superior performance on the job. Competency is the combination of Knowledge, Skill and Attitude.

The pre requisites of a production manager will be a frame work for the production managers of today and tomorrow as this helps in

1. Realising the competencies required for an effective production manager
2. Could analyse what all competency sets he / she possess
3. Analysis provides to build on strengthen areas and to practise on weaken areas
4. Bridging the gaps reveals the self confidence
5. Developed competencies serve as an asset to both individual and the organization

**STATEMENT OF THE PROBLEM**

The technical advancements have compelled the production managers of the knitwear industry to stay competent to serve the requirements of the buyer. The buyers are from all over the world and their needs are new and different each time. To solve this issue the knitwear sector should assess the important competencies of a production manager to serve better.

**RELATED REVIEWS**

**Stojkovic (1998)** states that the cultural mixes in the day to day affairs of the organization compels for various types of competencies, which will help to settle down the issues arising in the company. These usages of competency by the individual should not favour any one set of people and it should be for the overall development of the organization

**Stuart Wells1998** deliberates modes are the mechanisms by which a mind processes order and patterns to build paradigms. The thought modes appear to be pairs of opposite qualities but actually are points along a continuum of patterns the mind uses to organize thinking.

**MacKenzie and Hickman(1998)**, in their report on the effectiveness of offender rehabilitation programs in Washington State (titled "What Works In Corrections?"), reference several research studies indicating that community employment programs are effective in reducing recidivism. Therefore, a strategy to expand job opportunities for offenders may support the achievement of a correctional agency/organization's goals and objectives.

**Reina(1999)** explains When team leaders respect the knowledge, skills, and abilities of team members, they demonstrate willingness and motivation to trust the capabilities of others and themselves. Building competence trust includes—in addition to respecting people's knowledge, skills, and abilities— respecting people's judgments, involving others and seeking their input, and helping people learn skills.

**Gebelein (2000)**: notes that the strategic thinker sees issues in the context of systems and their relationships to other systems. The skilled strategic thinker knows how to take advantage of opportunities that others might miss, recognize the relationships between seemingly disparate entities, and view the daily tactical issues in a broader and longer term context. The strategic thinker is able to consider a broad range of alternatives when addressing a challenge.

**Bill Breen (2000)** Imagery involves creating images of preferred futures or having teammembers imagine how something might or might not work. Those images or words are then explored for linkages.



**OBJECTIVES**

To identify the important pre requisites of a production manager to bring out efficiency in the knitwear industry

**RESEARCH METHODOLOGY**

35 production managers working in different companies whose average turnover is more than forty crores was considered as the respondents of the study. To frame the questionnaire 15 managers were interviewed and brainstormed and competencies on the three broad areas were enlisted as Inter – personal competencies, Intra – Personal competencies and Technical competencies.

To know the reliability of the questionnaire Cronbach Alpha were used and the test revealed the alpha value as .888 which is positive to continue the study. The individual reliability was also done through cronbach Alpha. The descriptive statistics of mean, standard deviation, variance, skewness and kurtosis tests were done to identify the most important competency of the production manager and the priority of competencies to be developed. One sample kolmogorov – Smirnov test was adapted to test whether the factors considered for the study is been normally distributed.

**DATA ANALYSIS AND INTERPRETATION**

**TABLE 01: OVERALL RELIABILITY USING CRONBACH ALPHA**

Reliability Statistics	
Cronbach's Alpha	N of Items
.888	57

Inter – Personal competencies with 4 factors like Willingness to learn the change, Proactive and being punctual, Takes responsibility to achieve results & Emotional Resilience were considered. Intra – Personal competencies with 4 factors including Team work, Manage relationship for effective decision making, plan & organize & Business Acumen followed by Technical competencies with 3 factors of Production know how, Product know how and Technical knowhow are analysed to know the importance of each competency a production manager in a knitwear should possess and the analysis showed an overall reliability of .888 which is highly reliable.

Reliability analysis were carried out for all the three sets of competencies in an individual manner and the below is the statistical analysis.

**TABLE 02: RELIABILITY ANALYSIS FOR INTER – PERSONAL COMPETENCIES(18 variables)**

Reliability Statistics	
Cronbach's Alpha	N of Items
.774	18

4 factors Willingness to learn the change, Proactive and being Punctual, Takes responsibility to achieve results, Emotional Resilience along with 18 variables had a high reliable alpha value of .774

**TABLE 03: RELIABILITY ANALYSIS FOR INTRA – PERSONAL COMPETENCIES(14 variables)**

Reliability Statistics	
Cronbach's Alpha	N of Items
.734	14

4 factors Teamwork, Strategic thinking, Managing relations for effective decision making, Business Acumen and plan organise competency along with 14 variables are considered and the alpha value is reliable with .734

**TABLE 04: RELIABILITY ANALYSIS FOR TECHNICAL COMPETENCIES (25 variables)**

Reliability Statistics	
Cronbach's Alpha	N of Items
.774	25

3 factors Product know how, Production know how and Machinery know how along with 25 variables are very highly reliable with the alpha value of .774

**TABLE 05: DESCRIPTIVE STATISTICS**

Descriptive Statistics			
	Mean	Std. Deviation	N
TC	1.0883E2	6.28484	35
intper1	77.9429	5.74939	35
intper2	59.6286	4.60872	35

The 3 competencies are tested for their mean and the standard deviation and the statistics proved Technical competency to the first set of competencies to be acquired by a production manager with a mean value of 1.0883 and the standard deviation with 6.28484, followed by Intra – Personal competency with the mean value of 77.9429 and S.D of 5.749 and Inter – Personal competency with 59.6286 mean value and 4.6087 S.D.

**TABLE 06: INTER CORRELATION TEST**

Correlations				
		intper1	intper2	TC
intper1	Pearson Correlation	1	.590**	.490**
	Sig. (2-tailed)		.000	.003
	N	35	35	35
intper2	Pearson Correlation	.590**	1	.719**
	Sig. (2-tailed)	.000		.000
	N	35	35	35
TC	Pearson Correlation	.490**	.719**	1
	Sig. (2-tailed)	.003	.000	
	N	35	35	35

\*\* . Correlation is significant at the 0.01 level (2-tailed).

To test whether all the factors are inter correlated, correlation study was done and is found that all the factors are inter correlated as the **r value is significant at 0.01 level ( 2 tailed)**

**TABLE 07: SKEWNESS & KURTOSIS**

Descriptive Statistics										
	N	Mini	Maxi	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Interpersonal competencies	35	48.00	68.00	59.6286	4.60872	21.240	-.554	.398	.361	.778
Intrapersonal competencies	35	65.00	89.00	77.9429	5.74939	33.055	.030	.398	-.120	.778
Technological competencies	35	98.00	124.00	1.0883E2	6.28484	39.499	.367	.398	.259	.778
Valid N (listwise)	35									

From the above table, it is seen that the managers give strong importance to Technological competencies as the mean value is 1.0883E2 and Std. Deviation value is 6.28484. Next is Intra personal competencies and the last one is interpersonal competencies. Regarding skewness, intrapersonal and technological competencies are having positively skewed distribution and tails off to the right of the distribution and interpersonal competencies are having negative skewed distribution and tailed to the left of the curve. Regarding Kurtosis interpersonal competencies and Technological competencies are having relatively peaked distribution (leptokurtic) of variables and intrapersonal is having flat distribution (platykurtic).

**TABLE 08: ONE SAMPLE KOLMOGOROV – SMIRNOV TEST**

One-Sample Kolmogorov-Smirnov Test				
		itp	itv	tech
N		35	35	35
Normal Parameters <sup>a</sup>	Mean	77.9429	59.6286	1.0883E2
	Std. Deviation	5.74939	4.60872	6.28484
Most Extreme Differences	Absolute	.108	.189	.146
	Positive	.108	.097	.146
	Negative	-.081	-.189	-.100
Kolmogorov-Smirnov Z		.639	1.120	.865
Asymp. Sig. (2-tailed)		.809	.163	.442
<b>a. Test distribution is Normal.</b>				

In order to test whether the factors considered are normally distributed the above test has been done and the test revealed that all the factors are distributed normally.

**RESEARCH IMPLICATIONS**

The findings have proved that Technical competency to be highly important for a production manager in a knitwear industry, the 25 variables considered for the study could be used a role model by the individuals who have a keen interest to be a production manager. One could prioritize the needs and could get the experience in the lacking areas to call himself sound and capable. The other two competency sets Intra personal & Inter personal may be developed in the long run once he / she is technically proficient.

**MANAGERIAL IMPLICATIONS**

Though the knitwear sector gained a rapid growth, the external situations are not favourable as on date. In order to cope with the changing needs the industries can instruct the HR department to have a basic test on the list of competencies used for the study and to recruit person with talent alone. To have a streamline the recruitment can be through outsourcing consultants, who will abide by the list and also ensure a long term retention of the employees.

**CONCLUSION**

To meet the changes in the liberalized world the export houses should equip themselves with highly competent production managers to look over the changing needs of the buyer, their expected standards and procedures to enhance their turnover and stay in the business for the long run.

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**ORGANISATIONAL CLIMATE AND ITS IMPACT ON ROLE MOTIVATION AND EMPLOYEE ENGAGEMENT****K. RATHNA DEEPIKA****STUDENT****DEPARTMENT OF MANAGEMENT STUDIES****CEG CAMPUS****ANNA UNIVERSITY****CHENNAI****DR. A. THIRUCHELVI****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****CEG CAMPUS****ANNA UNIVERSITY****CHENNAI****ABSTRACT**

*In recent years, there has been a great deal of interest in employee engagement. Many have claimed that employee engagement predicts employee outcomes, organizational success, and financial performance. At the same time, it has been reported that employee engagement is on the decline and there is a deepening disengagement among employees today. The nature of organizational climate prevalent in an organization determines the extent to which employees are engaged. Engagement is also being shaped by energy, efficacy and involvement in a role. People vary in their engagement as a function of their perceptions of the benefits they receive from a role. To create the willingness of employees, an organization must design jobs that motivate the employees and make them get the work done. This study brings in a conceptual model that helps to identify the various factors that will impact employee engagement. The study reinforces the need for organizations to review its workplace climate based on the employee perceptions and strive for creating a work environment that motivates employees to become committed and effective performers by fulfilling their needs. The study has identified two new role variables which affect Employee Engagement.*

**JEL CODE**

O 15

**KEYWORDS**

Employee Engagement, Job Design, Organizational Climate, Role Dimensions.

**INTRODUCTION**

Today, the challenge for businesses is to create an environment where employees understand and commit to the company's direction, strategy and goals. This requires a holistic, coordinated effort to ensure that a number of key elements or building blocks are in place to promote alignment. Employee engagement is, arguably, the most critical metric for organizations in the twenty first century. Employee engagement has become an important topic of research because of the expectation that engaged employees perform better and contribute to higher levels of organizational performance. Most, if not all, of the other key measures that reflect and drive organizational performance (customer satisfaction, innovation, profitability, productivity, loyalty and quality) are products of engaged, committed employees. In short, engagement can be described as the degree of employee-organization alignment. Organizations must work to understand the dynamics of employee engagement in their companies, how those dynamics compare to informative benchmarks for improving engagement, then identify the specific and actionable levers that will improve engagement levels.

Engagement drives key business metrics. Organizations that seek to improve engagement measures can realize significant improvements in organizational performance. Engagement is a two-way process between employees and an organization. The organization attempts to engage employees who return a level of engagement to the employer. Research, however, has revealed that engagement is more complex than this, and can be directed by employees in one of two ways (or both). The first is the level of engagement employees have with their career or profession, and the other is the level of engagement employees feel toward their employing organization. Achieving a high level of satisfied employees may be easier to realize, but it's much harder to engage them so that they are actively working to produce great results for the organization. An accurate measure of engagement is one that identifies both the drivers of engagement for your organization and a solution to address behaviors and practices that are hindering engagement and it is an essential business tool.

When people positively evaluate their experience of the job and organization, they are more likely not only to feel satisfied, committed and proud, but also to be advocates for the company and engage in behaviors that enhance both job and organizational performance. If employees are engaged only to their job or profession, then they will not be aligned to organizational goals and strategy. If employees are engaged to the organization but not their job, they will be aligned to organizational goals but will find it difficult to do their jobs well and to deliver extra discretionary effort in the work that they do. People also vary in their engagement as a function of their perceptions of the benefits they receive from a role and that engagement is being shaped by energy, efficacy and involvement in a role. So, it is clear that the job and the role the employee is performing determines the level to which the employees are engaged. So this study brings in a conceptual model that helps to identify the various factors that will impact employee engagement.

**REVIEW OF LITERATURE****EMPLOYEE ENGAGEMENT**

Employee Engagement has been defined as emotional and intellectual commitment to the organization (Baumruk 2004, Richman 2006 and Shaw 2005) or the amount of discretionary effort exhibited by employees in their job (Frank *et al* 2004). Harter, Schmidt and Hayes (2002) define employee engagement as "the individual's involvement and satisfaction with, as well as enthusiasm for work"

One of the most influential studies of engagement was carried out by Kahn (1990). Conceptually, Kahn began with the work of Goffman (1961) who proposed that, "people's attachment and detachment to their role varies" (Kahn 1990:694). However, Kahn argued that Goffman's work focused on fleeting face-to-face encounters, while a different concept was needed to fit organizational life, which is "ongoing, emotionally charged, and psychologically complex" (Diamond and Allcorn 1985).

To gain further understanding of the varying levels of attachment individuals expressed towards their roles, Kahn (1990) examined several disciplines. It was found that psychologists (Freud 1922), sociologists (Goffman 1961, Merton 1957) and group theorists (Slater 1966, Smith and Berg 1987) had all recognized the idea that individuals are naturally hesitant about being members of ongoing groups and systems. As a result they "seek to protect themselves from both

isolation and engulfment by alternately pulling away from and moving towards their memberships" (Kahn 1990). The terms Kahn (1990) uses to describe these calibrations are 'personal engagement' and 'personal disengagement', which refer to the "behaviours by which people bring in or leave out their personal selves during work role performances" (Kahn 1990:694). These terms developed by Kahn (1990) integrate previous ideas taken from motivation theories that people need self-expression and self-employment in their work lives as a matter of course (Alderfer 1972, Maslow 1954).

Richa Chaudhary, Santosh Rangnekar and Mukesh Barua(2011) talk about how there is a drop in the engagement levels of the employees in the past 15 years and about how the HRD climate will influence the employee engagement levels in the organizations. Utrecht Work Engagement Scale by Wilmar Schaufeli and Arnold Bakker (2002) talks about Engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior. Vigor is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties. Dedication refers to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption is characterized by being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work.

Alan M. Saks (2006) talked about the antecedents and consequences of two types of employee engagement: job and organization engagements. Previous research has focused primarily on engagement in one's job. However, there is evidence that one's degree of engagement depends on the role in question (Rothbard, 2001). Thus, it is possible that the antecedents and consequences of engagement depend on the type of engagement. It also talks about Job characteristics will be positively related employee engagement. Perceptions of procedural justice and distributive justice will be positively related employee engagement. Employee engagement will be positively related to organizational citizenship behaviour. The paper also said that Self-efficacy has also been recognized as an important factor in burnout and engagement.

#### ROLE MOTIVATION

According to Banton (1965), a "role" can be defined as a set of norms or expectations applied to the incumbent of a particular position by the role incumbent and various other role players (role senders) with whom the incumbent must deal to fulfill the obligations of his/her position. N. Sekar (2012) defines Role motivation as the extent of satisfaction of emotional needs of an individual in his/her role in an organization.

N. Sekar, Krishnaveni Muttiah and B. R. Santosh (2012) say that Role motivation is the extent of satisfaction of emotional needs of individual in his/her role in an organization. The extent of role satisfaction depended upon the opportunities and climate existing for satisfying the needs. Thus role motivation can be achieved by an organization by providing a conducive climate for satisfying needs of employees in their role. Role motivation is the terminology used to describe whether employees are happy and contented and fulfilling their desires and needs at work through their respective roles. According to the Annual Employment Survey Results 2012, the criteria that would lead the charge as employees turned to new opportunities- compensation, role, and culture reigned as the top three factors. Organizational climate should be able to meet the needs of all employees.

In the study "Organizational Climate as a Dependent Variable Relationship with Role Stress, Coping Strategy and Personal Variables", Avinash Kumar Srivastav (2006) concluded that there are three functional climate motives and three dysfunctional climate motives as below:

- (i) Achievement: Focusing on attainment of goals with quality and excellence.
- (ii) Expert Influence: Focusing on utilization of expertise to enhance organizational performance.
- (iii) Extension: Heightened concern for making oneself relevant to others in the team/group/organization.
- (iv) Control: Emphasis on consolidation of personal power in the organization.
- (v) Dependency: Emphasis on seeking approval from others, instead of taking one's own decisions.
- (vi) Affiliation: Heightened concern for maintaining friendly and affectionate personal relationships, even when they come in the way of attainment of goals.

According to Udai Pareek and SurabhiPurohit (1993), Achievement, Influence, Control, Extension and Affiliation are among the basic human needs. Although some needs may be stronger and higher than the others everyone has needs and seeks to satisfy them in the organizational role. The more one is able to meet the needs the more they will be satisfied with them. This will in turn determine the extent to which an individual is motivated with his/her roles.

It is useful to think of engagement as a situational idea. It also points to the fact that the most effective organizations should not simply focus on creating an engaging environment, but also on how they motivate people at the role level. Motivation refers to the direction, intensity and persistence of voluntary actions that are goal directed. So, if employees are engaged, they must also be motivated to perform their roles Engaged and motivated employees are more likely to stay with the company longer, be a champion of the company and offer increased contribution to the bottom line. So employee engagement is critical to any business that seeks to retain valued employees and increase its level of performance.

#### ROLE DIMENSIONS

##### ROLE EFFICACY

Udai Pareek (1993) defines role efficacy as the potential effectiveness of a role or the psychological factors underlying role effectiveness.

In the book "Training instruments in HRD", Udai Pareek (1993) has outlined 10 aspects of role efficacy arranged under three dimensions. Udai describes role-making as a role-holder's active attitude towards the role as evidenced by the effort and initiative taken to go beyond the brief and make the role that one likes and believes in. He sees it as different from role-taking which is a much more passive attitude of merely responding to others' expectations. He saw role-making as a function of four aspects: self-role integration, pro-activity, creativity and confrontation. While the first dimension focuses on the individual, the second dimension focuses on the job design aspects. He saw role centering as a function of three aspects: centrality, influence and personal growth. The concept of centrality is very interesting. The third dimension of efficacy focuses on how the role integrates into others' roles and with the larger purpose of the organization. He saw role linking as a function of three aspects: inter-role linkage, helping relationship and super-ordination. There are 10 dimensions in Role efficacy under these three main dimensions to check the potential effectiveness of a role. The ten dimensions are: Integration, Proactively, Creativity, confrontation, centrality, influence, growth, Inter role linkage, helping relationship, super ordination.

Dr. Shikha Kapoor (2011) says that role erosion, role overload, role stagnation and Inter role distance are identified as the most common role stressors in an organization. Stress can be Eustress or distress. Eustress can motivate an employee to work with full potential and distress of an employee or demotivates him/her and thus affect the organization's effectiveness. It also talks about how Role Efficacy improves the organizational effectiveness.

L. Vijayashree (2013) proves the influence of age and experience on role efficacy and organizational role stress and the relationship between role efficacy and role stress among women BPO employees in Bangalore. It also proved that role erosion and role overload dimensions are seen more among stress dimensions in women BPO employees. This study also reveals that there is a strong relationship between Role efficacy and organizational role stress.

##### ROLE CONFLICT

According to role theory, role conflict results from two or more sets of incompatible demands involving work-related issues (Kahn et al., 1964; Katz and Kahn, 1978).

Role theory states that, when the behaviors expected of an individual are inconsistent— one kind of role conflict—he will experience stress, become dissatisfied, and perform less effectively than if the expectations imposed on him did not conflict. Role conflict can therefore be seen as resulting from violation of the two classical principles and causing decreased individual satisfaction and decreased organizational effectiveness.

Previous research on the relation between role conflict and job satisfaction, found a negative correlation (Kahn et al., 1964; Rizzo et al., 1970). Role conflict appears to negatively influence job satisfaction. If an employee is not satisfied with the job he will not be motivated with the role he is performing and in turn will not be engaged. The literature on professionals in organizations has focused on the compatibility of professional values and organizational role demands as well as on the adaptation and commitment of professionals to their employing organizations (Aryee et al., 1991; Liou, 1995). A number of studies have consistently shown that interrole conflict brings about low job satisfaction and high intent to leave and low levels of engagement.



**JOB DESIGN**

Hackman, J. R., & Lawler, E. E (1971) empirically tested the relationships among the job characteristics, employee's motivation, satisfaction, performance, and absenteeism on the job. The results indicated that positive relationship was found among job dimensions and dependent measures: motivation, satisfaction, performance and attendance.

Hackman & Oldham (1974, 75) originally developed the job diagnosis survey (JDS). In this research they described that this theory may not provide the desired results for all the individuals. It is especially suitable for those who have the strong desire for feeling of accomplishment and growth. Individuals who are low on growth need strength may find such job difficult to perform and may feel uncomfortable with it. The inter correlation among JDS scales were also calculated along with their significance level. Inter-correlation showed that job dimensions themselves are moderately inter-correlated. The correlation results were higher across jobs than the respondents.

The various job design characteristics are:

**Skill Variety:** Skill variety refers to the degree to which a job requires a variety of different activities in carrying out the work, which involve the use of a number of different skills and talents of the person (Hackman & Oldham, 1975).

**Task Identity:** This refers to the degree to which the job requires completion of a whole and identifiable piece of work that is doing a job from beginning to end with a visible outcome (Hackman & Oldham, 1975).

**Task Significance:** Task significance refers to the degree to which the job has a substantial impact on lives or work of other people, whether in the immediate organization or in the external environment (Hackman & Oldham, 1975).

**Autonomy:** Task Autonomy refers to the degree to which the job provides substantial freedom, independence and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out (Hackman & Oldham, 1975).

**Feedback:** Feedback refers to the degree to which carrying out the work activities required by the job results in individual obtaining clear information about the effectiveness of his or her performance (Hackman & Oldham, 1975).

Alan M. Saks (2006) investigated the antecedents and consequences of two types of employee engagement: job and organization engagements. Previous research has focused primarily on engagement in one's job. He found that Job characteristics will be positively related to employee engagement. The workload and control conditions from the Maslach et al. (2001) model also suggest the importance of job characteristics for engagement.

**ORGANIZATIONAL CLIMATE**

Forehand and Gilmer (1964) defined OC as "set of characteristics that describe the organization and distinguish it from other organizations and such characteristics influence the behavior of people in the organization." According to Pareek (2002) climate can be defined as "Perceived attributes of an organization and its sub systems, as reflected in the way organizations deals with its members, groups and issues".

Likert (1967) proposed six dimensions of organizational climate (leadership, motivation, communication, decisions, goals, and control), while Litwin and Stringer (1968) proposed seven dimensions (conformity, responsibility, standards, rewards, organizational clarity, warmth and support, and leadership). A review of their studies and those of others indicates that twelve processes or dimensions of organizational climate relate specifically to motivation: Orientation, Interpersonal relationships, Supervision, Management of mistakes, Conflict management, Communication, Decision making, Trust, Management of rewards-Rewards reinforce specific behaviors, thereby arousing and sustaining specific motives, Risk taking and Innovation and change.

Alfredo Presbitero (2010) proposed that organizational climate changes will have a positive influence on employee engagement using the structural approach. The study addresses the gap in literature particularly the paucity of research work demonstrating the process by which organizational climate changes. The study used the longitudinal design to demonstrate changes in organizational climate and employee engagement.

Litwin and Stringer (1961) were the first to demonstrate that employees with a given motive/needs (motives that were earlier suggested by McClelland) are most effective when OC is conducive for that motive. OC has important outcomes at individual, group and organizational levels and can greatly influence job satisfaction, individual job performance, and organizational performance. OC also helps in determining organizational success, and is important for achieving organizational effectiveness.

Prof. Satish Seth (2010)", talks about motivational climate prevailing in Indian call centre industry had been diagnosed and the study also examines the impact of demographic variables on work motivation of employees in call centres.

Gitali Choudhury (2011) says that organizational climate is seen as a measure of the feel of the internal environment of an organization which is perceived by an outsider and/or an employee according to their business with the organization. Organizational climate has a great impact on employees' behavior. If the climate of an organization is open and friendly, employees feel comfortable and if it is very formal, then such a comfort level may not be felt. Organizational climate depends on the employee's attitude how they interpret the climate of the organization.

**THE CONCEPTUAL MODEL**

Results show a positive and significant relationship between individual employee perceptions of organizational climate and the individual's level of employee engagement. That is, employees who perceive the organization as having a positive and engaging context are more engaged themselves. The organizational climate studies reveal that if the employees are satisfied with the organization then they are fully engaged.

All of these organizational components—structure, systems, culture, leader behavior, and psychological needs of employees— interact with one another and create what can be called organizational climate. Based on a review of past studies and discussions Pareek(1997) characterize the motivational climate of the organization based on orientation, interpersonal relationships, supervision, problem management, management of mistakes, conflict management, communication, decision-making, trust, management of awards, risk-taking and innovation and change. He concludes that the organizational climate is characterized by the combination of dominant and secondary role motives.

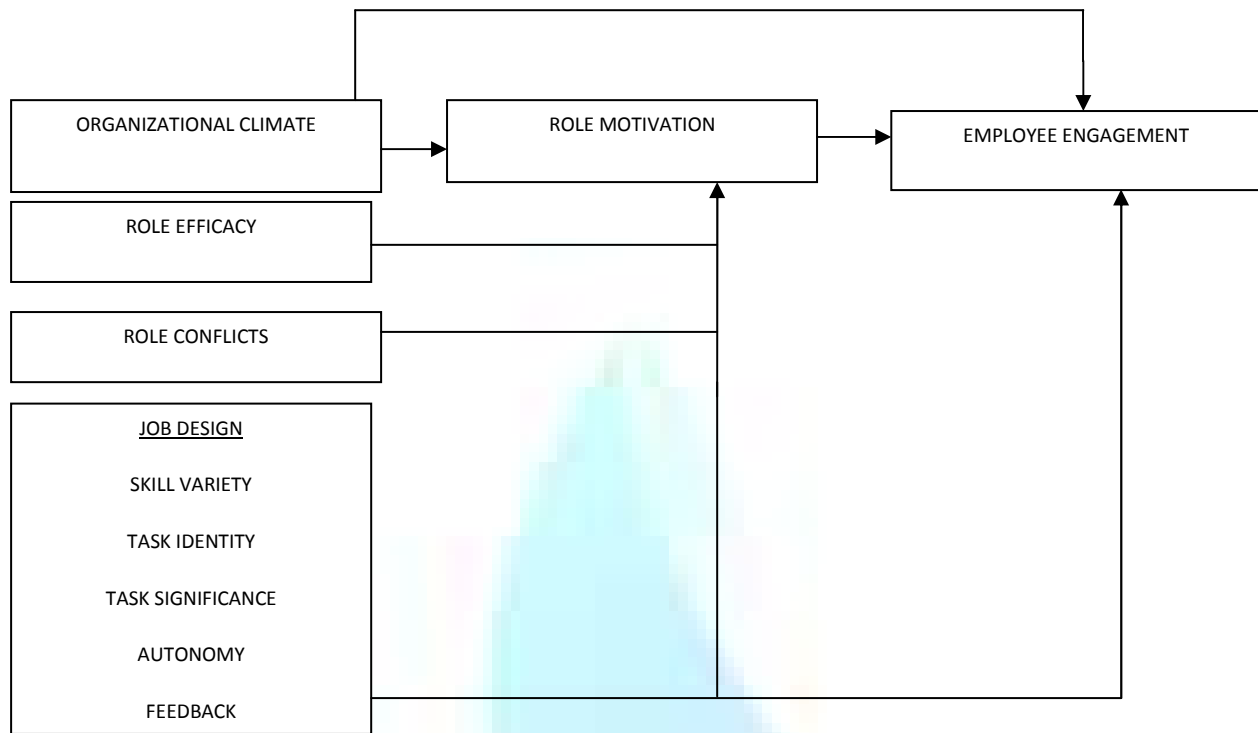
The more the individual is motivated in the role that he or she is performing, the more they will be engaged to the work and to their role and ultimately to the organization. Thus, role motivation may mediate the relationship between organizational climate and employee engagement. Role Efficacy is seen to be the extent to which the role is effective as far the employee is concerned. So if a role provides more psychological effectiveness to the employee then the individual will be more motivated towards performing the particular role and eventually will lead to higher levels of engagement. Role Conflicts seem to be the dissatisfaction the individual feels in the role that they are performing. This leads to increased stress levels and eventual disengagement. So, if an individual is able to reduce role conflict then the motivation to perform the role seems to be high.

Research revealed the existence of job characteristics in employees and their job satisfaction and motivational level do indeed increase because of five job characteristics. Studies also reveal that the five job characteristics also influence the extent to which the employees are engaged. If employees are provided with enriched and challenging jobs, they will feel obliged to respond with higher levels of engagement.

By concentrating on the above mentioned variables related to the role of an individual and also by taking organization related factors but also engagement relation to role related aspects, a framework has been created.

This framework shown in figure 1 gives a holistic view of how different role attributes and Organizational Climate influence the level of engagement in the employees.

FIGURE 1: THE CONCEPTUAL FRAMEWORK FOR INFLUENCE OF ORGANIZATIONAL JOB AND ROLE ATTRIBUTES ON EMPLOYEE ENGAGEMENT



## CONCLUSION

There is clear evidence in the psychological literature for the effect of individual differences on work performance. Kahn (1990) suggested that individual differences shape a person's nature, which in turn, affects their ability to personally engage or disengage in all or some types or role performances. Furthermore, perception and personality have been suggested to be key influences on how individuals respond, thus shaping and directing how engaged they are. Job design seems to define the satisfaction and motivation levels of the employees. Research has shown that there may be a link between levels of engagement and organizational climate. So, the better the climate the employees work in, the more they feel engaged and motivated in their roles. This in turn increases the organizational performance. So, this study has given an insight into the organizational climate and the impact of the role on the level of engagement.

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**AN ASSESSMENT OF THE IMPACT OF MARINE INSURANCE ON NIGERIA'S MARITIME EXPORT TRADE****DR. I. A. NWOKORO****SR. LECTURER****DEPARTMENT OF MARITIME MANAGEMENT TECHNOLOGY****FEDERAL UNIVERSITY OF TECHNOLOGY****OWERRI****ABSTRACT**

*This paper assesses the impact of marine insurance on Nigeria's maritime export trade in the period 1984 to 2006. The study was not extended to other countries of the world who are in trade partnership with Nigeria, but mainly to Nigeria where the public opinion has been that insurance does not contribute to economic well being of the people. We conducted research in the Nigerian insurance market, Central Bank of Nigeria (CBN), National Bureau for Statistics, Insurance Department of the Finance and Economic Development, and the Research and Development Department of Nigerian Re-insurance Corporation, Lagos. Premiums that accrued to the marine Departments of insurance companies in the period under review were collected, collected, analysed and it was confirmed that marine insurance had no significant impact but had little influence on the level of maritime export trade in Nigeria in the period under study.*

**KEYWORDS**

Assessment, export, impact, premium, trade.

**INTRODUCTION**

Marine insurance occupies a small, but important position in overseas commerce. Since it affords protection against fortuitous losses, Lee (1989) is of the opinion that it enables all those engaged in overseas trade to venture their capital more freely than would otherwise be possible, and thus greatly to expand the scope of their operation. Ivamy (1980) has the view that insurance is an important invisible export in the overseas trade of Great Britain.

Dover (1983) opined that marine insurance is a branch of commerce with history so long that it can be measured in terms of thousands of years rather than hundreds. He went on to explain that when and where it began is not known with certainty, but that it is possible that in some form or another it was practised by the Phoenician traders a thousand years before the dawn of Christian era.

As an institution, however, marine insurance may be said to commence with the foundation of Lloyd's, which originated in Lloyd's Coffee house in the seventeenth century, Lloyd's Press (1981). In the comparatively modern period of Queen Elizabeth 1, there existed an Act, the preamble to which contained the words ..... by means of which policy of assurance it cometh to pass that upon the loss or perishing of any ship there followeth not the undoing of any man, but the loss alighteth rather easily upon many men than heavily upon few, and rather upon them that venture not, than them that do venture, whereby all merchants, especially the younger sort, are allured to venture more willingly and freely", (Elizabethan Act of 1601). Those words are as significant today as they were when they were first written, and point to the conclusion that, without marine insurance facilities, the development of trade which the modern world has witnessed would have been quite impossible. The history of marine insurance has been the subject of many able monographs, some of which are part of the Bibliography of this report. It is not here intended to attempt to supplant such authoritative works, but rather to present in a concise form the outstanding facts concerning the growth and development of a branch of commerce whose function it is to encourage merchants and ship-owners to trade to the full extent of their capacity, unhampered by fear of loss by fortuitous marine perils, which they are unable to combat by the exercise of judgment and foresight.

"Primitive peoples discovered no need for insurance, finding their needs fully protected by the family or tribe in which mutuality such as is established by insurance is a living reality. This was not true of the ancient civilization of Egypt, Phoenicia, Greece and Rome in which the individual found himself exposed to numerous risks without recourse against the family or community", Robert de Somet (1867).

Of the origin of marine insurance, all that can be said with certainty is that it is "veiled in antiquity and lost in obscurity", Dover (1983).

It is universally accepted that no modern economic system can survive and flourish without the support of an organized and reliable insurance industry, Irukwu (1990), our present level of economic development clearly indicates that we cannot do without the offered by insurance. It is therefore becoming obvious that everyone needs some kind of insurance protection in this part of the world as it is the case in developed and industrialized countries. Since we all need the protection offered by the insurance industry, it is desirable that we should have a sound understanding of the scope, purpose, and functions of insurance in order to prove to the insuring public that there are lots to gain from insurance.

**MEANING, PURPOSE AND FUNCTIONS OF INSURANCE**

Risk and uncertainty are the two most fundamental facts of life, Banjo (1995). We all know that the one event which is certain about our lives on this planet is that one day we will die, but the actual date, time and circumstances of our deaths remain in the realms of uncertainty..Despite the certainty of ultimate death which most of us prefer not to contemplate, every other thing else about our lives and future remains uncertain, Irukwu (1996).

Irukwu further opined that having recognized this element of risk and uncertainty as inevitable features of our lives coupled with the fact that we do not know what the future will bring, then as intelligent, rational and creative beings, we have had to devise methods of combating and responding to the possible adverse effects of this permanent feature of risk and uncertainty. The most important of these responses to risk and uncertainty is insurance. He added that as a risk management tool, the basic role of insurance in the economic and social structure of society is the relief from the financial consequences of element of uncertainty. Its principles have over the years been perfected and utilized for the purpose of protecting individuals and corporate bodies against financial losses arising from loss of or damage to goods, death or injury in the case of life or accident insurances.

Insurance protection may be obtained directly from a registered insurance company or through an intermediary who is an insurance agent or a broker. As a consideration for the insurance protection offered by the insurer, the insured is required to pay an agreed amount of money called premium which depends on the extent of the risk introduced into the insurance programme by the insured or policy holder, Jammy (2002).

Nigerian insurers, among other segments, include some State-owned insurance and reinsurance organizations such as the National Insurance Corporation of Nigeria (NICON) which was established in 1969 and the Nigerian Reinsurance Corporation established in 1977. Irukwu (2003), averred that the position today is that we have well over 150 direct insurance companies and five professional reinsurance companies operating in the country. Banjo (1995) asserted that the law and regulations governing insurance operations in Nigeria are contained in the Insurance Act 1961, Insurance Decree 1976, Insurance Decree 1991 and lately the Insurance Act 2003.

Having set the tone for this paper by examining in detail the origin, purpose, function, scope and development of insurance in Nigeria, we now precede to the next stage of assessing the impact of marine insurance on the maritime export trade in Nigeria beginning with stating the problem.

**PROBLEM STATEMENT**

It has always been the assumption of the majority of merchants in Nigeria that marine insurance has nothing to contribute to the successful running of their businesses. This assumption is predicated on informational asymmetries and agency problems. The Nigerian public is not yet aware of the benefits derivable from insurance, although the financial instability of the underwriters is a major concern for those buying insurance, non-the-less there has been recapitalization

process in the Nigerian insurance industry. Private underwriters might become bankrupt, die, emigrate or abscond before a claim could be made, and their financial stability is frequently uncertain, especially in any catastrophe e.g., sinking of a vessel full of transport containers, or oil service equipment and oil spillage resulting from oil tanker sinking at sea. Even if the underwriters are solvent, the uncertainties associated with maritime voyages and the difficulty of proving claims means that they frequently have the opportunities to contest claims or delay payments.

Most merchants exporting goods are not familiar with some clauses and warranties attached to the policy a breach of which would mean that they have no cover despite the fact that they have paid the premium charged until the risk insured occurs, they find their claims thrown back at them for a breach of a certain warranty or a clause attached to the policy.

Following from the above this study is aimed at assessing the impact of marine insurance on the maritime export in Nigeria in the light of the problems enumerated with a view to proffering solution.

**OBJECTIVES**

The main objective of this study therefore, is to evaluate the impact of marine insurance on Nigeria’s maritime export trade. Other specific objectives are:

1. To isolate policy constraints to the contribution of marine insurance to maritime export trade in Nigeria and,
2. To proffer recommendation on the basis of the research findings.

**RESEARCH HYPOTHESIS**

On the strength of the above objectives, the following hypothesis is therefore formulated to guide the study:

Ho: Marine insurance does not significantly impact on maritime export trade in Nigeria.

This study is carried out by formulating a hypothesis thus: Marine insurance does not impact significantly on the level of export trade in Nigeria. The period of study is 1984 to 2006. It is not intended to extend the study to other countries of the world.

**SOURCES OF DATA**

The study employed secondary sources of data as collected from the following sources:

- i) Central Bank of Nigeria (CBN) publication, statistics bulletin and economic research seminar papers.
- ii) National Bureau Statistics – Annual Abstract of Statistics.
- iii) Insurance Department of Finance and Economic Development.
- iv) Research and Development, Nigeria Reinforcement Corporation Lagos.

**PROCEDURE FOR ANALYSIS**

The data generated for this paper was analysed employing both descriptive statistics. The hypothesis formulated was analysed using multiple regression model. This was in view of the five explanatory variables (independent variables) involved in the hypothesis of the study. Therefore, the analysis is variance (ANOVA) and coefficient of determination  $R^2$  were employed in the test.

**OPERATIONAL DEFINITION OF VARIABLES/HYPOTHESIS TESTING**

The study is concerned with the analysis of the impact of marine insurance on the level of maritime export trade in Nigeria. Hence, the study requires the specification of the dependent and independent variables in order to encourage effective analysis.

In the hypothesis, we have the following dependent variable:

- TOMARINEXPORT<sub>t</sub> = Level of Total Maritime Export Trade in year, t. For the hypothesis however, the independent variables are given as:
- FIRE<sub>t</sub> = Level of Fire insurance (total premium income) in year, t.
- MOTOR<sub>t</sub> = Level of Motor Insurance (total premium income) in year, t.
- GEACCIDENT<sub>t</sub> = Level of General Accident Insurance (total premium income) in year, t.
- MARINE<sub>t</sub> = Level of Marine Insurance (total premium income) in year, 1.
- LIFE<sub>t</sub> = Level of life Insurance (total premium income) year, t.

**HYPOTHESIS TESTING**

Ho = Marine insurance did not significantly impact on the level of export trade in Nigeria in the period of investigation.

- (a) Here, the independent variables are the level of fire, motor, general accident, marine and life insurance businesses from 1984 to 2006.
- (b) The dependent variable is Total Maritime Export Trade Economic Development proxied by the level of Maritime Export Trade for the same period and denoted as

TOMARINEXPORT<sub>t</sub>.

Mathematically, therefore, we have:

$$TOMARINEXPORT_t = f(FIRE_t, MOTOR_t, GEACCIDENT_t, MARINE_t, LIFE_t) + e \dots\dots\dots(1)$$

$$TOMARINEXPORT_t = \beta_0 + \beta_1 FIRE_t + \beta_2 MOTOR_t + \beta_3 GEACCIDENT_t + \beta_4 MARINE_t + \beta_5 LIFE_t + e \dots\dots(2)$$

Where:

- TOMARINEXPORT<sub>t</sub> = Level of Maritime Export Trade in year, t; FIRE<sub>t</sub> = Level of Fire Insurance in year, t; MOTOR<sub>t</sub> = Level of Motor Insurance in year, t;
- GEACCIDENT<sub>t</sub> = Level of General Accident Insurance in year, t; MARINE<sub>t</sub> = Level of Marine Insurance in year, t; LIFE<sub>t</sub> = Level of Life Insurance in year, t;  $\beta_1$  = Estimated parameter of Coefficient of Regression; e – Error Term.

**TEST OF SIGNIFICANCE**

**TEST OF MODEL SIGNIFICANCE**

For the hypothesis to be tested, it is imperative for a test of the model as a whole to be conducted. Carrying out such a test has the advantage of confirming the appropriateness of the model specification. The two ways of achieving this are:

- 1) The analysis of variance approach (ANOVA) and
- 2) The coefficient of determination approach, R, both calculated from the regression model.

The analysis of variance approach (ANOVA) seeks to split the variations of the Dependent Variable (Total Maritime Export Trade) with its component parts. Variations in the Dependent Variable that are accounted for by the explanatory variables are called the EXPLAINED VARIATIONS. Other sources not thus explained are due to random or chance factors. These are estimates of the population disturbance variable ‘u’ and are represented by ‘e’ otherwise called the residual or error term (table 1).

**TABLE 1: HYPOTHETICAL ANOVA TABLE**

Sources of variation	Sum of squares (SS)	Degree of freedom (DF)	Mean square (MS)	F-ratio
Regression	$SSR = \sum y^2 R^2$	K	$MSR = SSR / K$	$F = MSR$
Residual	$SSE = SST - SSR = \sum y^2 R^2 (1 - R^2)$			
Total	$SST = \sum y^2$	n-1		

SSR = Sum of squares of the regression; SSE = Sum of squares of the error term; SST = Sum of squares of total variation; K= Number of independent variables; N = Number of observations: Note:  $R^2 = b_1 \sum x_1 Y + \sum b_2 \sum x_2 Y \sum Y^2$



**TEST OF THE MODEL: COEFFICIENT OF DETERMINATION AND THE F-TEST APPROACH**

Another method to test the statistical significance of the estimated regression model is through the coefficient of determination ( $R^2$ ), calculated from the regression  $R^2$  gives the proportion of the total variation in the depend variable.  $R^2$  from the sample is a statistical estimate of the population  $P^2$ , (row-squared). Values of  $R^2$  range from 0 to 1. In setting up the test, the following hypothesis is tested:  $H_0: P^2 = 0$  (that is, the regression in a given year has no significant relationship with the actual dependent variable for that year).

$H_A: P^2 = 0$  (One-tailed 0 test of significance) (that is, at least there is a significant relationship between one of the independent variables and the actual dependent variable).

**DECISION RULE**

If f-ratio (calculated) is greater than the f-ratio (tabulated) at Alpha ( $\alpha$ )- level of significance, and  $(k-1)$  ( $n-k$ ) degree of freedom then we reject  $H_0$  and accept  $H_1$  and state that there is some truth in the estimated model (that is, the regression model is significant since the regressors significantly account for the variation in the dependent variable)

Here;

$$f\text{-ratio (calculated)} = \frac{(R^2)/(K-1)}{(1-R^2)/(n-K)}$$

Where  $R^2 = R$  square of the model;

$k$  = number of variables (independent and dependent);

$N$  = number of observations.

**TEST OF THE SIGNIFICANCE OF THE EXPLANATORY VARIABLES**

Having established the significance of the estimated model as a whole we now go further to test the specific strength of the various regressors in bringing about this result. We can check this through conducting t-test on the estimated parameters of the regressors. The test statistics, t-ratio is calculated thus;

$$t\text{-ratio} = \frac{B_k}{\text{Se}(B_k)} \quad (1)$$

Se (BK)

Where  $B_k$  = estimate of the population parameters for the regressors and Se (BK) = standard error of the estimate.

**Decision rule**

$$\text{If absolute value } \frac{BK}{\text{Se}(BK)} > t_{n-k, \alpha/2}$$

Se (BK)

Level of significance we reject  $H_0$  and accept  $H_1$  and conclude that the variable belongs significantly to the model.

**ASSUMPTION OF THE LINEAR REGRESSION MODEL**

In choosing the previous model, we mad the following principal assumptions about out population disturbance term,  $u_t$ . These assumptions about the distribution of the values of " $u_t$ " are very crucial for the estimates of the regression. These include the following:

- Assumption of randomness:** The value " $u_t$ " being a random real variable may be positive, zero or negative each with a certain probability of occurrence for a particular period.
- Assumption of zero mean:** The mean value " $u_t$ " in any particular period is zero. This being the case the expected value,  $E(u_t)$ , of " $u_t$ ", for all observations,  $t = 1, 2, 3, \dots, N$  is equal to zero
- Constant variance assumption:** The variance,  $\beta_2 u_t$ , is constant in each period, that is, the variance of " $u_t$ " for each explanatory variable is constant. This being the case " $u_t$ " will show the same dispersion for all values of the explanatory variables ( $E(u_t^2) = \sigma^2$ ). This is called the assumption of Homoscedasticity. If this assumption does not apply then the condition of Heteroscedasticity obtains under which condition, therefore, it will be difficult for us to construct confidence intervals on the regression estimates. These tests then become inapplicable.
- Normality assumption:** The variable " $u_t$ " (for each explanatory variables) have a bell-shaped systematical distribution.

The previous four principles assumptions are symbolically represented us  $u_t \sim N(0, \sigma^2)$ , that is,  $u_t$  is a random variable with a normal distribution, zero mean and a constant variance.

**(e) Other assumptions of the model:**

- $\text{Cov}(u_i u_j) = 0$  (there is no co-variance between the disturbance terms if different observations).
- $\text{Cov}(x_i u_i) = 0$  (no covariance between the disturbance terms and the explanatory variance)
- $\text{Cov}(x_i) = 0$  (that is, No multicollinearity exists)
- The relationship is identified – that is the model: has a unique mathematical form. Its explanatory variance are not found in any other mathematical equation related to the phenomenon being studies.
- It is also assumed that the model is correctly specified mathematically.

**FINDINGS**

Here, the study presents the necessary data set for the study of the result and discussion of the test carried out to buttress the argument transformed into hypothesis. Hence mainly secondary data were employed as source from the Central bank of Nigeria, national Bureau for Statistics (NBS) Publications and the Research and Development Department, Nigerian Re- Insurance Corporation and the Insurance Department of the Ministry of Finance and Economic development.

**DATA PRESENTATION**

Here, we present the data employed in the analysis. As already stated, only secondary data are employed as source through four main sources: the central Bank of Nigeria (CBN) and National Bureau for Statistics Publications, Research Department, Nigerian Re-insurance Corporation and the insurance Department of Finance and Economic Development.

TABLE 2: DATA SET ON GROSS DOMESTIC PRODUCT GDP AND PREMIUM INCOME OF FIVE CLASSES OF INSURANCE IN NIGERIA (1984 TO 2006)

S/N	Year	Fire	Motor	Geaccident	Marine
1	1984	107204656.00	134793142.00	136498650.00	72499784.00
2	1985	117835887.00	135169979.00	12016582.00	74273649.00
3	1986	9825851.00	140045797.00	139357452.00	74078774.00
4	1987	202786785.00	157717219.00	253638817.00	251933911.00
5	1988	219520000.00	203000000.00	222048000.00	104400000.00
6	1989	280000000.00	273644000.00	385500000.00	464000000.00
7	1990	300000000.00	354000000.00	475500000.00	2100000000.00
8	1991	180060000.00	583650140.00	650705080.00	2850640000.00
9	1992	860900.00	1350868.00	25875830.00	5775850145.00
10	1993	752700.00	1484940.00	1013190.00	2434870.00
11	1993	925770.00	21103360.00	977080.00	1142270.00
12	1995	1557780.00	2994590.00	1292000.00	2944460.00
13	1996	2850071.00	4061407.00	17672122.00	2992406.00
14	1997	22914160182.00	5269160721.00	6137423121.00	2445379358.00
15	1998	2784213352.00	5572915068.00	4377652453.00	3541757118.00
16	1999	2760614222.00	5268561896.00	3776047282.00	4636622617.00
17	2000	3445549871.00	7046210483.00	7953682914.00	4071701211.00
18	2001	3697248037.00	8797454838.00	5648363502.00	855931963.00
19	2002	4751655905.00	10816015116.00	7310288803.00	13353666773.00
20	2003	6016097000.00	13809144000.00	1023257700.00	15696362000.00
21	2004	7335994000.00	15071809000.00	13819477000.0	20989737000.00
22	2005	9518785000.00	16484517000.00	16307327000.00	21013148000.00
23	2006	12931350750.00	18957194550.00	22063805400.00	22063805400.00

**DATA ANALYSIS AND HYPOTHESIS TESTING**

In order to assess the impact of marine insurance on the maritime export trade of Nigeria, a multiple regression test was performed. The explanatory variables include the value of insurance premiums for fire, motor, general accident, marine and life, while total maritime export trade is the proxy for maritime export trade in Nigeria in the period investigated. This hypothesis states as follows:

H<sub>0</sub>: Marine insurance did not significantly impact on the level of export trade in Nigeria in the period investigated. The result of this hypothesis is presented in table 3. To confirm the specification status of the model, two tests were conducted, and they included:

- (1) The analysis of variance (ANOVA) test and
- (2) The coefficient of Multiple Determination, R<sup>2</sup> test

TABLE 3: HYPOTHESIS RESULT / OUTPUT

0.915 R  
 0.837 R  
 0.790 Adjusted R  
 117103.9137 Std. Error of the Estimate  
 23 Observations  
 5 Predictor Variables  
 Y Dependent

Variable	Coefficient		Std error	T(df = 17)	Significance
Intercept	$\beta_0$	368.370	18.105		
Fire	$\beta_1$	-3.97E-010	0.000	-0.087	0.932
Motor	$\beta_2$	1.82E-008	0.000	0.675	0.509
Geaccident	$\beta_3$	3.62E-009	0.000	0.282	0.781
Marine	$\beta_4$	1.86E-009	0.000	0.234	0.818
Life	$\beta_5$	-1.73E-009	0.000	-0.046	0.964

ANOVA TABLE

Source	SS	DF	MS	F=25.580	0.000****
Regression	1.2E+012	5	2.403E+011		**
Residual	2.3E+011	17	13713326599		**
Total	1.4E+012	22			

NB: \*\*\*\* = Significant at 0%; \*\*\* = Significant at 1%, \*\* = S

**TEST OF MODEL SIGNIFICANCE – ANOVA METHOD**

One way of testing the specification of the model, is through the analysis of variance or ANOVA; for short. The ANOVA result is presented in Table 3. Table 3 shows that the lower degree of freedom (k-1, 6-1) = 5, while the upper degree of freedom (N-k; 23-6) = 17, for both 1 and 5% levels of significance.

**DECISION RULE**

If calculated f-ratio is greater than the tabulated f-ratio,

H<sub>0</sub> is rejected while H<sub>a</sub> is to accepted. Here, the f-ratio calculated (18.942) > f-ratio tabulated or theoretical (4.34, 2.81), at both 1 and 5% levels of significance respectively. It therefore, follows that H<sub>0</sub> is rejected and H<sub>a</sub> accepted to conclude that marine insurance significantly impacts on the overall Nigerian insurance market.

\*\*\*\* The hypotheses tested here include:

- H<sub>0</sub>1a: Fire insurance does not contribute significantly to insurance market in Nigeria
- H<sub>0</sub>1b: Motor insurance does not contribute significantly to Nigerian insurance market
- H<sub>0</sub>1c: General accident insurance does not contribute significantly to Nigerian insurance market.
- H<sub>0</sub>1d: Marine insurance does not contribute significantly to Nigerian insurance market.
- H<sub>0</sub>1e: Life insurance does not contribute significantly to Nigerian insurance market.

Here, t-calculated respectively for fire, motor, general accident, marine and life insurance (0.087, 0.675, 0.282, 0.234, 0.047) < t-tabulated (2.898, 2.110), respectively at 1 and 5% levels of significance. We therefore, reject  $H_a$  and accept  $H_0$  in each case, to conclude that none of the explanatory variables (Fire, motor, general accident, marine and life insurance) makes a significance to the overall insurance market in Nigeria.

#### TEST OF MODEL SIGNIFICANCE – R<sup>2</sup> METHOD

Similarly, in testing with the coefficient of multiple determinations, we adopt the formula:

$$f\text{-ratio calculated} = \frac{(R^2)/(k-1)}{(1-R^2)/(N-k)}$$

Where

$$\begin{aligned} R^2 &= 0.883; \\ K &= 6; \\ N &= 23 \end{aligned}$$

$$\begin{aligned} &= \frac{(0.837)/(6-1)}{(1-0.883)/(23-6)} \\ &= 17.519 \end{aligned}$$

Since f-ratio calculated (17.519) > f-ratio tabulated (4.34, 2.81) at both 1% and 5% levels of significance respectively,  $H_0$  is therefore rejected and  $H_a$  is accepted to conclude that the model is significant and that marine insurance impacted significantly on the level of maritime export trade of Nigeria in the reviewed period. The resulting model from this test is given as:

$$\text{TOMARINEXPORT}_t = 33657.87 - 5.090E-006\text{FIRE}_t - 2.30E - 005\text{MOTOR}_t + 3.79E - 005\text{GEACCIDENT}_t + 2.77E - 005\text{MARINE}_t - 7.98E - 006\text{LIFE}_t$$

#### TEST OF THE SIGNIFICANCE OF THE EXPLANATORY VARIABLES

Having confirmed the model significance, t-test was conducted to determine whether the individual explanatory variables impacted significantly on the level of maritime export trade of Nigeria.

The hypotheses tested here include:

H<sub>0a</sub>: Fire Insurance did not make a significant impact on the maritime export trade of Nigeria.

H<sub>0b</sub>: Motor insurance did not make a significant impact on the level of maritime export trade in Nigeria.

H<sub>0c</sub>: General Accident Insurance did not make significant impact on the level of maritime export trade in Nigeria.

H<sub>0d</sub>: Marine Insurance did not make significant impact on the level of maritime export trade of Nigeria

H<sub>0e</sub>: Life Assurance did not make significant impact on the level of maritime export trade of Nigeria.

Also, t-ratio calculated respectively for Fire, Motor, General Accident, Marine insurances and Life Assurance (0.636, 0.487, 1.687, 1.988 and 0.122) t-ratio calculated (2.898, 2.110) respectively at 1% and 5% levels of significance,  $H_a$  is rejected while  $H_0$  is accepted in each case, to conclude that none of the explanatory variables (Fire, Motor, General Accident, Marine insurances and Life Assurance) offered a significant impact on or contributed to the level of maritime export trade of Nigeria in the period of investigation.

#### DISCUSSION OF RESULT

The result follows basically the pattern of the insurance market development. First, there is a high correlation among all the variables taken together, 91.5% slight improve from the experience of the insurance market. In like manner, gross domestic product of Nigerian leaving about 21% to chance occurrence.

Again, in terms of contribution to maritime export trade in the period of investigation, (1984 – 2006). The resulting estimated models is: TO MARINE EXPORT = 33657.87-5.090E - 006FIRE<sub>t</sub> - 2.30E - 005MOTOR<sub>t</sub> + 3.79E - 005GEACCIDENT<sub>t</sub> + 2.77E - 005MARINE<sub>t</sub> - 7.98E - 006LIFE<sub>t</sub>.....3

This gives a repeat of the insurance market development in same respects. For instance, whereas Motor, General Accident and Marine insurances all were positive contributors to the marine export trade of Nigeria, both Fire insurance and Life assurance posted negative coefficients and so offered negative contributions to the maritime export trade in Nigeria. In terms of correlation, although it is still high among all the variables taken together, 91%, it dropped marginally from 92% and 94%.

#### SUMMARY OF FINDINGS

This study investigated the contribution of Marine Insurance to the level of maritime export trade of Nigeria from the year 1984 to 2006. The study generated a major hypothesis in order to achieve some objectives. The major findings of the study therefore are as follows:

1. Positive significant relationship exists between Marine insurance and the level of maritime export trade in Nigeria.
2. On the basis of the hypothesis tested, the study proved to be significant as marine turned out to be a significant contributor to the level of maritime export trade at exactly 6.3%.
3. Both Fire and Life insurances exerted negative effects on the maritime export trade therefore, there is need for total enlightenment of the public on Fire and Life insurances in particular the risks of which they bear out of naivety.

#### RECOMMENDATIONS

With the above findings and conclusions in mind, the study offers the following recommendations:

1. There is real need for insurance clauses to be constructed free from ambiguity to reduce litigation of claims. Therefore, this study specifically advises underwriters, naturally to adopt a realistic approach to the enormous build up of exposures in the maritime industry. This seems realistic indeed because the cost of operation has escalated generally at a frightening rate.
2. Insurance companies must as a matter of necessity explain to cargo owners the exact meaning and the implication of such clauses as franchise, disbursement clauses, Warranted free from particular average under 3%, etc.
3. In like manner, underwriters should be able to command fair premiums in relation to potential losses otherwise, many may opt out of this class of insurance and affordable and insurable covers may shrink in the market.
4. The Ministry of Finance, as a regulatory body should have eagle eyes on the insurance sub-sector to keep fraud and other sharp practices out of the insurance market.
5. Insurance companies should endeavour to settle all dispute arising from insurance contract in arbitration and have it expressed in the policy.
6. In appreciation of the influence of marine insurance on the maritime export trade, the Government should regularly formulate enabling regulations to sanitize insurance market in order to keep touts out of the market and so reduce fraud to the barest minimum.
7. The study identifies the need for ship-owners to establish a protecting and indemnity (P) club in the African region to alleviate them of the effect of those risks not recoverable from the ordinary Marine Insurance Policy.

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#### **ABSTRACT**

*Buying is both rational and irrational in nature and there are reasons why some people possess rational and irrational behaviour. But irrational behaviour takes place when customer's emotional power over comes his cognitive power, his logical thinking is over shadowed by his emotional component which is why he is forced to go into such kind of buying which are not socially desirable and not even desirable to a rational person. This paper is based on study conducted in Srinagar city on youth of the age group of 12–30. This paper tries to explain how people differ in compulsive buying and also tries to explain few reasons why such type of behavior occurs like TV Watching habits and having opposite gender friendship. Overall people differ in compulsive buying irrationality and compulsive buying is high when people watch TV for long hours and it is also high for people being involved in opposite gender relationship.*

#### **KEYWORDS**

Compulsive Buying, TV watching Habits, Relationships and Gender.

#### **INTRODUCTION**

There are needs and wants and every person wants to satisfy his/her needs and wants but there is a process for satisfying one's needs and wants, when a person takes all alternatives before buying a product he is called Economic Man (Schiffman AND Kanuk 2007), but if a person goes otherwise without thinking alternatives, without thinking about pros and cons of buying any product then he is an irrational buyer and it is most likely that people involved in such type of buying will engage in destruction to their life like that alcoholics and people involved in such type of buying not only create problems for themselves but also for their nears and dears like kids being raped, drunk people killing others, drunk people disturbing the family's friendly environment. But what can be the possible reasons for such behavior, how a person from being logical becomes irrational, why a person will commit suicide by using drugs like alcohol, Brown sugar etc it needs serious attention. This is a serious concern and people talk about sustainable development and customer is far most important element of sustainable development as sustainable development is for nothing but to existing humanity and generations to come. So for compulsive buying to take place first thing what one can do is to create Cognitive dissonance among customers like people say Cigarette smoking is injurious to health but still involve into such activity what is it that actually triggered the person to go for smoking even when his cognitive power says no to it, yes its emotional component that over shadowed his logical reasoning and this is how compulsive buying takes place and same happens for most of the products and reasons could be either internal stimuli (Hirschman (1985) proposed that autistic (self-generated, self-centered subjective mental activity) stimuli were also accountable for impulse buying. Internal stimuli refer to cravings, overwhelming desires and internal thoughts that trigger a desire to make an unanticipated purchase (Piron, 1991). Self-generated thoughts, such as daydreams, fantasies, delusions, and hallucinations, do not follow logic or rationality and are frequently associated with emotion and sensitivity (Hirschman, 1985) as a response to unattainable or forbidden objectives (Youn, 2000). Piron (1991) recognized autistics thinking as a primary process that operates in accordance with the pleasure principle by powerfully influencing impulse buying motives that are centered on hedonistic characterization (Youn, 2000).) or external force like advertisements, nude pictures creating dissonance in one's mind. Here is description of some of the studies which have been conducted in this field, according to O'Guinn and Faber (1989), compulsive buying is chronic, repetitive purchasing that becomes a primary response to negative events or feelings. Compulsive buyers tend to buy excessive number of objects they do not need and they sometimes cannot afford (Hoyer and MacInnis, 2001). Compulsive buying is different from impulse buying, impulse buying centers on a specific product at a particular moment and it is temporary, while compulsive buying is an enduring behavior that centers on the process of buying, not the purchases themselves (Solomon, 2004). Compulsive buying is one form of compulsive consumption that is in the realm of abnormal consumer behavior regarded as the dark side of consumption (Shiffman and Kanuk, 2000). Compulsive consumption is inappropriate, typically excessive, and clearly destructive to the lives of individuals who appear impulsively driven to consume (Faber et al., 1987). The other forms of compulsive consumption are addictive gambling, drug addiction, alcoholism, and overeating (Shiffman and Kanuk, 2000). Like the aforementioned behaviors, compulsive buying deteriorates not only the well-being of individuals themselves but also that of their families, and even that of the society they belong to because of the severe financial, emotional and interpersonal consequences it arouses. As more attention was paid to compulsive buying, research has been conducted to measure and identify compulsive buying. Faber and O'Guinn (1992) and Valence et al. (1988) developed scales to measure compulsive buying. Cole and Sherrill (1995) found that the Faber and O'Guinn scale identifies more extreme compulsive buyers, whereas the Valence et al. scale measures a group of respondents' compulsive buying tendencies. Rindfleisch et al. (1997) identified the influence of family structure and materialism on adolescents' compulsive buying. D'Atous et al. (1990) also found that teenagers' compulsive buying tendencies are influenced by environmental factors such as peers, family's communication, and parents' compulsiveness. Employing a phenomenological approach using both quantitative and qualitative data, O'Guinn and Faber (1989) found that compulsive buyers are likely to demonstrate compulsivity as a personality trait and have lower self-esteem and fantasies and consequences of compulsive buying were extreme levels of debt, anxiety and frustration, subjective sense of loss of control, and domestic dissension. [1]

#### **RESEARCH OBJECTIVES**

1. To study the whether there is any compulsive buying behavior present in different individuals.
2. To study whether Male and Female customers differ in compulsive buying.

3. To study whether Employment has to do anything with compulsive buying nature of customers.
4. To study whether area of residence has to do anything with compulsive buying.
5. To study whether people differ in compulsive buying based on their status of being single and in relationship.
6. To study whether TV watching habits affect Compulsive buying nature of customers.
7. To study reasons of compulsive buying (few).

**RESEARCH HYPOTHESIS**

- H1 : Male and Female customers will report same compulsive buying.
- H2 : Employed customers and unemployed customers will report same compulsive buying.
- H3 : Both Urban and Sub-Urban customers don't show any significant difference in compulsive buying process.
- H4 : Adolescents –earl adults and Young-Middle Adults do not show significant difference in Compulsive buying.
- H5 : Single in relation status customers and customers involved in relationship will not show any Significant difference in compulsive buying.
- H6 : People watching TV more or less will not show any significant difference in compulsive buying.

**RESEARCH METHODOLOGY**

The study was conducted in Sringar one of the cities of Jammu and Kashmir and sample size included 145 respondents and the instrument used for data collection shown in Annexure was that Developed by Roberts, Monolis and Tanir (2003) and scale reported reliability coefficient i.e. Cranach alpha of 0.764. Sample under study which included male employed, unemployed, married, unmarried both male and female respondents of Srinagar city. Respondents were given enough time to think about the questionnaire and problems if any were solved by researcher himself .The data collection started with discussion about buying behavior and what actually triggers one to go for such buying. The researcher responded several queries raised by respondents. The respondents included those being trained in Udaan projects for upgrading employability skills and it included youth both from urban and sub urban Srinagar as out skirts of Srinagar are given the name of Suburban. The respondents were further divided into groups as Employed or Unemployed, Male or Female, Single or in Relationship and were also distinguished on TV watching habits. Compulsive buying elements in this study is dependent element as measured on ordinal scale and gender, Employment status ,Area of residence and other demographics factors being independent factors and appropriate statistics tool that suits to Non-metric dependent data and Metric independent data is Mann-Whitney U Test and same has been used for findings and analysis.

**RESULTS AND ANALYSIS**

**HYPOTHESIS**

**H1: Male and Female customers will report same compulsive buying.**

**MANN-WHITNEY TEST**

**TABLE 1**

RANKS				
	Gender	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	Male	74	70.67	5229.50
	Female	71	75.43	5355.50
	Total	145		

TEST STATISTICS <sup>a</sup>	
	COMPULSIVEBUYING
Mann-Whitney U	2454.500
Wilcoxon W	5229.500
Z	-.683
Asymp. Sig. (2-tailed)	.495

Using the data in above Table 1 ,suppose we wanted to show that gender difference will have an impact on compulsive buyingness but p(0.495) being greater than significance level of 0.05 means we have to accept null hypothesis that both male and female report same compulsive buying.

**H2: Employed customers and unemployed customers will report same compulsive buying.**

**MANN-WHITNEY TEST**

**TABLE 2**

RANKS				
	Employment	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	Employed	84	74.02	6217.50
	Unemployed	61	71.60	4367.50
	Total	145		

TEST STATISTICS	
	COMPULSIVEBUYING
Mann-Whitney U	2476.500
Wilcoxon W	4367.500
Z	-.343
Asymp. Sig. (2-tailed)	.732

Here we are required to show whether people employed or unemployed show any difference in compulsive buying and as can be seen from Table 2 p(0.732) is greater than significance level .Accordingly ,we select null hypothesis that both employed and unemployed customers report same compulsive buying .

**H3: Both Urban and Sub-Urban customers don't show any significant difference in compulsive buying process.**

MANN-WHITNEY TEST

TABLE 3

RANKS				
	Residence	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	Sub-Urban	61	66.86	4078.50
	Urban	84	77.46	6506.50
	Total	145		

TEST STATISTICS <sup>A</sup>	
	COMPULSIVEBUYING
Mann-Whitney U	2187.500
Wilcoxon W	4078.500
Z	-1.502
Asymp. Sig. (2-tailed)	.133

Usually people say that customers rationality differs from Urban and rural area and for this we conducted U-test shown in Table 3 where p(0.133) is again greater than significance level accordingly we accept our null hypothesis that they don't show significant difference in buying and both urban and sub urban report almost same compulsive buying with urban little greater than sub-urban as indicated by ranks.

H4: Adolescents –early adults and Young-Middle Adults do not significant difference in Compulsive buying .

Here we are required to analyse whether adolescents and mature adults show any significant difference ,in Table 4 below the value of p(0.315) is greater than significance level which means null hypothesis remains accepted and hence whether adolescents or matured adults it doesn't matter compulsive does take place.

MANN-WHITNEY TEST

TABLE 4

RANKS				
	Age	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	ADOLE AND EARLY ADULT	74	76.43	5655.50
	YOUND AND MIDLE ADULT	71	69.43	4929.50
	Total	145		

TEST STATISTICS <sup>A</sup>	
	COMPULSIVEBUYING
Mann-Whitney U	2373.500
Wilcoxon W	4929.500
Z	-1.004
Asymp. Sig. (2-tailed)	.315

H5: Single in relation status customers and customers involved in relationship will not show any significant difference in compulsive buying.

TABLE 5

RANKS				
	Maritial	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	Relationship	56	82.79	4636.00
	Single	89	66.84	5949.00
	Total	145		

TEST STATISTICS <sup>A</sup>	
	COMPULSIVEBUYING
Mann-Whitney U	1944.000
Wilcoxon W	5949.000
Z	-2.228
Asymp. Sig. (2-tailed)	.026

Here we intend to to see whether relationship with opposite sex has to do anything with compulsive buying ,Table 5 indicates that the relationship status does affect the compulsive buying .Since p(0.026) is less than significance level of 0.05 it leads to reject null hypothesis that Single in relation status customers and customers involved in relationship will not show any significant difference in compulsive buying , so the alternative hypothesis that people in single relationship show less compulsive buying than those in relationship is valid.

H: People watching TV more or less will not show any significant difference in compulsive buying.

TABLE 6

RANKS				
	TVWATCHING	N	Mean Rank	Sum of Ranks
COMPULSIVEBUYING	WATCH EVERY DAY	71	82.61	5865.00
	DONT WATCH	74	63.78	4720.00
	Total	145		

TEST STATISTICS <sup>a</sup>	
	COMPULSIVEBUYING
Mann-Whitney U	1945.000
Wilcoxon W	4720.000
Z	-2.701
Asymp. Sig. (2-tailed)	.007

People say TV Watching habits do not affect the buying process but this research reveals that TV watching habits does affect the compulsive buyingness of a customer. In Table 6 above, the value of p (0.007) is less than significance level of 0.05 which again leads to rejection of null hypothesis and accordingly we can say that TV watching habits does affect compulsive buyingness of a customer and as can be seen in ranks table that customers who don't watch show less compulsive buying than people watching every day.

The overall analysis of above figures suggests that the reasons that Male and Female, Employed and Unemployed, Rural and Urban Adolescents and mature adults don't show any significant difference but show compulsive buying can be because of being in relationship with opposite sex which can actually trigger you to go for irrational buying and TV watching habits can also affect the logical thinking of a customer and does lead the customer in no man's land.

**RECOMMENDATIONS**

- Well for business people it is good news that actually people are affected by love relations and TV watching habits as well so they can trigger customers to go for irrational buying by first inducing the habit of TV Watching and then Stressing on the need for having girl/boy friend relationship (this is what is actually shown in ads now a days where they try to imbibe in society the friendship factor through product advertisement).
- But for societal concern we should be focused on how to remove this compulsive buying nature of customers because it is this irrational buying buying behavior which actually forces one customer to go into such kind of buying which leads to the destruction of his health, yes we are talking about the buying of alcohol, smoking, brown sugar etc.
- To stop compulsive buying we first need to check the content of advertisement and advertisement regulatory should be harsh in banning such type of ads which have metaphor in them (product advertisement intended to increase in sales through a message directed other way like Hero Honda Igniter where an employee is able to get catch of his boss because having purchased this bike).
- Society and business organizations need to re-think how to a have a sustainable business environment and most importantly focus on sustainable customer.
- Money needs to be invested in this area of research so as to have deep analysis why actually compulsive or impulsive buying takes place.
- Gang rape every day has a lot to do with compulsive buying because mostly people involved in such activities are drunkard and its they who are making life difficult for others. This (Compulsive buying) really is a serious problem and need serious attention from all corners be it business, politicians or religious people .

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**INSTRUMENT DETAILS**

**NOTE: MESSAGE FOR RATIONAL AND URGENT RESPONSE**

- One important point to remember for you is that in this survey you will not be asked to identify yourself and hence you will not be asked to give your contact details which will mean complete confidentiality and anonymity of your response.
- To answer questions you will be required to tick the option you like, there are no wrong or correct answers.

**Q.NO.1 Directions : When answering this part of the questionnaire, think back of your daily life.**

- When I have money, I can't wait help but spend part or all of it.**  

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------
- I often buy something I see in a store without planning, just because I have got to have it.**  

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------
- Shopping is a way of relaxing and forgetting my problems.**  

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------
- I sometimes feel that something inside pushes me to go shopping.**  

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------
- There are times when I have a strong urge to buy(Clothing, music, jewelry).**  

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------



f. At times, I have felt somewhat guilty after buying because it seemed unreasonable.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------

g. There are something I buy that I do not show to any body because I fear people will think I did a foolish thing or wasted my money.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------

h. I often have a real desire to go shopping and buy things

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------

i. As soon as I enter a shopping centre, I wish to go in a store and buy something.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
----------------	-------	-----------	----------	-------------------

j. I often have brought a product that I did not need when I knew I had very little money left, I like to spend money.

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
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**Q.NO.2 Directions:** Please provide us your back ground information and remember your response will be in general as you are not required to disclosing your identity.

a. Gender

Male	Female
------	--------

b. Your employment status

Employed	Unemployed
----------	------------

c. Area of residence

Srinagar	Sub-Urban Srinagar
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**Q.NO.3 Directions.** Please choose the option that best suits you.

<b>AGE</b>	Adolescent and early adult Upto 20	Young and middle adulthood 21 onwards
<b>MARITAL STATUS</b>	In strong relationship	Single
<b>Your TV watching schedule</b>	Every Day	Don't watch

**TOURISM MARKETING IN LAKE TANA MONASTERIES**

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**ABSTRACT**

*The aim of this study is to assess the marketing practices of Lake Tana monasteries. For the purpose, data were collected from tourists, concerned government official, and from monks. Mixed research approach with case study design methods was employed. As a result, the findings found out that the Lake Tana monasteries have huge potential for tourism which deserves tourists' attention. The respondent tourists who visited the places are generally satisfied with their experiences in the monasteries. There are encouraging results with regard to the transparency of boat charges and availing boats in enough amounts. The attempt to make the monasteries ready for visit through out the week is also another interesting aspect. However, there are also things which require improvement. The promotion aspect especially deserves attention and needs immediate action to make tourism in the monasteries sustainable and exploit the tourism potential to the fullest. The creation of common understanding with the local community and the monks, as to how to treat tourists, is also another assignment for the Bahir dar city culture and tourism office.*

**JEL CODE**

M31

**KEYWORDS**

Marketing, monasteries in Lake Tana, tourism, Tourism marketing.

**INTRODUCTION**

Tourism is a rapidly growing phenomenon and has become one of the largest industries in the world. The impact of tourism is extremely varied. On one hand, it plays an important and certainly positive role in the socio-economic and political development in destination countries by, for instance, offering new employment opportunities (Dinan & Sargeant, 2000). Also, in certain instances, it may contribute to a broader cultural understanding by creating awareness, respecting the diversity of cultures and ways of life. On the other hand, as a tool to create jobs, though it has not fulfilled its expectations. At the same time, complaints from tourist destinations concerning massive negative impacts upon environment, culture and residents' ways of life have given rise to a demand for a more sustainable development in tourism, especially in its marketing aspect. Different parties will have to be involved in the process of developing sustainable tourism marketing.

Countries in the world have made tremendous efforts on their tourism sectors development because the sector is strategically located within the economic mainstream as it links easily with other sectors of the economy such as agriculture, hospitality, transport and entertainment. For developing countries like Ethiopia, it has added advantages including the fact that the tourist product is consumed at the destination. Such destination consumption offers local communities the opportunities in job creation, skills development, economic empowerment, and social development (Ngwago, P. 2008).

**LITERATURE REVIEW: THE TOURISM MARKETING MIXES****PRODUCT**

Product in tourism is basically the experience and hospitality provided by the service provided. In general the experience has to be expressed in such a way that the tourists see a value in them. Products are the value which the tourists come to see and experience them. Tourism products are different from tangible products in that instead of the product is transported to the tourists' nearby places tourists themselves travel to the tourism sites. Hence, there must be sustainability concern as to offer healthy experience to the tourists without affecting the local community.

**PRICE**

The price of the tourism services depend on business and target market objectives, cost of producing, delivering and promoting the product, willingness of the target, prices charged by competitors offering similar product/service to the same target markets, availability and prices of substitute products/services, and economic climate. This includes the prices at which visitors are admitted including any promotional and discounted offers. The main emphasis in pricing in tourism has been on low prices to encourage high volumes to ensure high profit levels for enterprises (Swarbrooke, 1999). In general, the public sector has little influence on prices (except in cases of public ownership and through taxes, fees and the like) but is a most influential tool in the hands of the commercial sector to influence demand.

**PLACE/ACCESSIBILITY**

Place refers to the location at which any service component, the subject of the marketing campaign, will be delivered. Place also refers to the channels of information that are used to disseminate the message. If, for example, the decision is taken to issue all visitors with a tourism code of conduct, the co-operation and commitment of intermediaries such as travel agents, tour operators and those responsible for tourism attractions themselves will be required (Dinan & Sargeant 2000).

**PROCESS**

The process in Tourism include, (a) trip planning and anticipation, (b) travel to the site/area, (c) recollection, (d) trip planning packages. The trip planning packages include, maps, attractions route and on site, information regarding lodging, food, quality souvenirs and mementoes. Process describes the "actual procedures, mechanisms, and flow of activities by which the service is delivered – the service delivery and operating systems" (Zeithaml and Bitner, 1996, p. 27). Each of these three elements is within the control of the services marketing manager, allowing service differentiation, and thereby providing customers attributes on which to compare and judge different service brands.

**PROMOTION**

Like other services, the promotion should address, the accurate and timely information helping to decide whether to visit target audience, the image to be created for the organization, objectives, budget, timing of campaign, media to be selected, and evaluation methods.

Promoting sustainability through more sensitive promotional and Marketing Practices could utilize all mediums including brochures and websites. Promotional techniques (the specific presentation of objects, stories and themes, and all the forms of display provided for visitors) can be a vital element in creating more sustainable forms of tourism. Sustainable promotion should reflect the manner in which a tourist site is promoted and advertised, and such promotion must accurately reflect the unique characteristics of the area in order not to cause disappointment and frustration among tourists. It is important that the industry, in its brochures and advertisements, does not create expectations that the product cannot live up to. Tourism organizations and destinations can also use literature and advertisements to raise tourist awareness of key issues relating to sustainability. They can undertake 'green marketing' and communication of

information explaining and interpreting the nature of the attraction/resource and its significance, for example, by promoting 'soft' tourism that minimizes adverse environmental and cultural impacts (e.g. nature tourism) as well as informing tourists of the impacts of their presence.

#### PEOPLE

People are the centre for Tourism. It is more a human intensive sector. For hospitality and guest relations it is very important to focus on people. It also plays a vital role in quality control, personal selling, and employee morale. In the case of Lake Tana monasteries the people aspect is very vital because most of the historical intangibles are told through people. In most cases, the people aspect is more vital to market the intangibles and training and development should be an integral part of tourism marketing.

#### PHYSICAL EVIDENCE

Physical evidence consists of the "environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service" (Zeithaml & Bitner, 1996, p. 26). Therefore, adding tangible cues to the intangibility of the service will add value and make the memorable to the tourists.

#### IMPORTANCE /BENEFITS OF THE STUDY

Amhara region has huge potential for tourism and if managed effectively and efficiently the industry can support the region's economy considerably. Some of such tourism sites are Lake Tana and the monasteries surrounding it. Regardless of some of the efforts made by monks and the regional government to support tourism in its narrowest sense, there are few researches conducted on the area even at an exploratory type, to the best of my knowledge. This is therefore an in depth investigation of marketing strategy problems in the Lake Tana's tourism which can uncover the gaps and came up with possible solution ideas. I believe appropriate tourism marketing has three major importance; it is source of income to the city and to the monasteries, it serves as employment opportunity, and it also creates favorable image of the region in the minds of tourists who come and visit the places. The study may also serve as spring board for future researchers in the Lake Tana and the monasteries as spring board.

#### STATEMENT OF THE PROBLEM

Being the largest lake in Ethiopia, source for Blue Nile, and home for many islands makes Lake Tana the center of tourist attraction in the region. There are several small islands on the lake, most of which have monasteries. Most of the islands accept visitors of both sexes while some do not allow women. The thirty-seven islands of Lake Tana shelter twenty monasteries. Because of their isolation from the main land, they were used to store art treasures and religious relics from all parts of the country. Legend claims that the Ark of the Covenant was kept on one of these islands when Axum was endangered, and the ruminants of five emperors are found in these islands.

However, the tourism sector in Ethiopia has not developed as expected due to many factors. In relation to this, the Ethiopian Tourism Development policy (2009) pointed out that marketing is one of the major problems for the country's tourism development. This is because tourists' products are consumed at the destinations, unlike tangible goods, and hence more efforts of reaching tourists is of paramount importance. It is also not only to promote the monasteries and attract tourists that develop sustainable tourism, it is improving the process and making places safe and pleasant that will satisfy tourists as well. Consequently, appropriate tourism marketing is the most feasible strategy to exploit the places tourism opportunity to the fullest. Although the number of both domestic and international tourists to Lake Tana monasteries has increased since the past five years, it is still very few when compared with the tourist inflows of the neighboring countries like Kenya. The World Bank (2006) report indicates that the Kenya's marketing effort has made a considerable tourist inflows more than other sub Saharan countries.

It is therefore reasonable to evaluate the lake tana tourism from marketing point of view in order to pin point which aspects are going well and which of them need improvement. To do this, formal scientific investigation like this is the right means and this is the very reason why this study was undertaken. The central research question here is how do the monasteries use tourism marketing for their tourism development endeavors.

#### OBJECTIVES OF THE STUDY

The major objective of the research is to assess the practice of tourism marketing in Lake Tana monasteries as an integral part of the region's development policy in order to help the monasteries get more tourists and the region give due attention to the marketing aspects of tourism.

The specific objectives are:

- To assess how different stakeholders for Lake Tana monasteries view tourism
- To examine the marketing strategies implemented in Lake Tana monasteries
- To identify the challenges ahead for increasing tourist inflows
- To appraise tourists perception of the dimensions of the monasteries' product
- And to recommend possible marketing strategy insights

#### BASIC RESEARCH QUESTIONS

In line with the central research question, the research has tried to answer the following specific research questions.

- How do the stakeholders for Lake Tana monasteries view tourism marketing in general?
- What efforts have been made to increase the number of tourists to the monasteries and the future intentions?
- What marketing strategies do the Bahir dar city administration/monasteries implement to increase the number of tourist inflows and their satisfaction?
- What challenges have been identified in relation to tourism in the monasteries?
- How do tourists perceive different dimensions of the Lake Tana monasteries' product?

#### RESEARCH METHODOLOGY

I used mixed approach for this study. According to Jill H. and Roger H. (1997), it is usual in business research to take a mixture of approaches, particularly in the methods of collecting and analyzing data. This in fact allowed me to take a broader and more complementary view of the research problem. Regarding the design, the nature of the questions to be addressed and the level of investigation required demand the specific research design to be employed. In general, case studies are the preferred strategy when "how" or "why" questions are being posed Yin (2003). The case studies allowed me to deeply understand the practical problems in tourism marketing.

#### SAMPLING/CASE SELECTION TECHNIQUE

Two methods of sampling were used for this research; one to select case monasteries and the other to select tourists as respondents. For in depth investigation and the fullest application of the case research design chosen, considering five monasteries are believed to offer enough information for this study. I selected five monasteries based on the tourist inflows to these areas. These monasteries are most tourists favored and frequently visited areas. Besides, I selected forty foreign tourists judgmentally right after their comebacks to Bahir dar from visiting the monasteries. The basis for selecting these respondents is their visits of the monasteries and willingness to participate in the study.

#### DATA COLLECTION INSTRUMENTS

I used three data collection instruments: questionnaire, interview and observation.

- Structured questionnaires were dispatched to tourists
- In depth interviews were held with the culture and tourism officers
- Interviews were also held with monastery administrators

➤ Personal observation was also employed to gather data with regard to how monks treat tourists and the local community's interaction with tourists

#### DATA ANALYSIS

Data collection and analysis are developed together in an iterative process in a case study, (Cassell & Symons 2004, P: 329). The case studies are also so flexible that they can accommodate emerging theories in the final data analysis. Thus, descriptive statistics such as percentages and frequency were used for quantitative data analysis. And thematic analysis was also substantiating the quantitative data as qualitative data were collected through interview and observation.

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### INTRODUCTION

The aim of this research is to assess tourism marketing practices of Lake Tana monasteries and the challenges ahead in order to put forward marketing strategy insights for the development of tourism in the area. To do so, both qualitative and quantitative data were collected from three sources; monastery administrators, Bahir Dar city culture and tourism office, and tourists. Questionnaire for tourists and interview for monastery administrators and Bahir dar culture and tourism office were used as the major instruments of data collection. Personal observation as a means of data collection was also employed.

#### GENERAL INFORMATION ABOUT TOURISM STRATEGY OF THE PLACES

The Bahir Dar culture and tourism bureau is the responsible government body for implementing tourism strategies of the city including the tourists cites near the city such as the Blue Nile fall and Lake Tana monasteries. The tourism strategy is devised by the Ministry of culture and tourism at the federal level and adopted by the region's culture, tourism and park development bureau.

The key informant for this research indicated that Bahir dar city administration has recognized tourism as one of the key sectors which are aimed to enable the city achieve its vision of being one of the top tourist destination places in East Africa. The bureau works in collaboration with the Amhara National Regional State culture, tourism and parks development bureau. The informant stated that Bahir Dar has become tourist favored city since the past ten years due mainly to its geographic situation between the two tourist sites; Blue Nile fall and Lake Tana. Specially, Lake Tana justifies the very existence of the city as its name Bahir Dar ('near to lake') is derived from it.

TABLE 1: ANNUAL TOURIST FLOWS TO BAHIR DAR CITY

YearE.C	No. of Domestic tourists	Birr obtained	No of Foreign tourists	Birr obtained	Total Birr obtained
2000	26710	25053980	11774	28292314	53446472
2001	28542	26772396	12613	30300373	57167888
2002	22880	21461440	14286	34314028	55848767
2003	33989	31881682	18347	44086957	76055132

Source: Bahir Dar culture and tourism bureau tourist flow chart from 1988-2003 (1996-2011)

\*1USD = 18birr, current exchange rate

The total birr generated from both domestic and foreign tourists consists of those amounts which the government directly receives and the amounts generated by different service rendering bodies of the city such as hotels, boats, tour guides, etc. The time series flow of data shows increment in both number of tourists flow and income generation. Based on the data, the average increase in local tourist flow is 1819 tourists or 27% annually. Similarly, there is an increment in foreign tourists flow by 1643 tourists or 55% annually. This implies that the growth in foreign tourist is about double to the growth of the number of local tourists.

Literatures show increments in global tourist flow since the past decade and hence such a relatively high growth rate in foreign tourists may be attributed to it. Similarly, the table also shows that the average tourist spending is 1433.82 birr. This implies that any attempt to increase one more tourist has additional increment of 1433.82 birr. More specifically, each effort to reach one foreign tourist will have an equivalent of 1909.37 birr income and each effort to attract one more local tourist will have corresponding payoffs 938 birr. This figure can serve as an important benchmark for comparing the cost of attracting one more tourist and its corresponding payoffs.

#### TOURISM MARKETING STRATEGY

Devising an effective marketing strategy is at the heart of any industry in general and service industry in particular. Hence the marketing strategy should be carefully designed by making an explicit account of the variables that constitute it. Consequently, this study views marketing strategy in terms of the marketing mixes such as product, price, promotion, place, people, process, and physical process.

#### PRODUCT

Products are the value which the tourists come to see and experience. Lake Tana monasteries have both natural and cultural products which tourists come to consume them. The product dimension in the monasteries may include the location, being an island, the paintings in the churches and scriptures, the spiritual aspect, the way of living of monks, and the trip over Lake Tana in general. Hence developing better product means improving all these aspects of the product. According to monks in Ura kidanemihret, there are more scriptures to be visited and more accompanying spiritual explanations to be told about the monasteries.

The findings indicate on aggregate average 91% of the tourists agree on the existence and pleasant nature of the products in the monasteries they visited. This is very encouraging result. The remaining aggregate average 10% are either indifferent or disagree with such claim. There are two competing reasons for this. The first reason may be either they haven't noticed the variety and cultural life due mainly to lack of communication or selective attention. And the second reason may be tourists may not have found them unique as they might have similar experience somewhere else before. If the reason is the first one, it can be improved through effective communication in the monasteries where the actual product is being experienced.

#### PRICE

The price includes the birr tourists are expected to pay right from the cost of boats until their comeback to Bahir Dar. Hence, the price includes; fees for boat, for guide if required, entrance fee for churches to visit, and fees to visit museums. The prices for boats are determined by their association and approved by Bahir Dar culture and tourism office. Such fixed price for boats are assumed to avoid price cheating by boat brokers by fixing prices according to their will and hence exploit tourists, according to key informant. Such fixed prices for boats are essential and develop trust among the visitors and also avoid unnecessary intermediaries which through price bargaining may also intrude privacy.

The price for boat transportation is based on three factors; - the type of boat (fiber or metal made), the distance of the place to be visited from Bahir Dar, and the number of passengers. There fore, tourist can take boats based on their preferences. The case monasteries have their own museums and charge fees for them. However, there are differences on the entrance fees. The monk administrators explained that the income generated from the visitors is used for fulfilling church related services including living expenses of monks under the respective churches.

However, the three case churches do not charge entrance fee. The reason for not doing so is, according to monks "the church is home for pilgrims and invites all to come and be blessed in it". Hence, as the monk in Ura kidanemihret explained charging for entrance may mean disobeying this eternal heavenly call. However, the two case monasteries charge entrance fee hence inconsistency happens at least in the practice.

From marketing point of view, the churches are the main product dimension and hence deserve price for experiencing them. Tourism will be source of income, if reasonable income is generated from the dimensions of the tourism product and hence these monasteries can benefit better if they charge entrance fee as well. In relation to this, the method of setting price in the monasteries is not also based on scientific approach. Literatures recommend different pricing strategies for tourism products. Discriminate pricing is one of the feasible pricing strategies for tourists. The discrimination can be based on whether tourists are local or foreign, as monasteries are currently charging for their museums, and weekend and weekdays. The monk in Kiburam Gabreal indicated that more tourists visit the monasteries on weekends and sometimes very few or no tourist visit them in weekdays. It is, therefore, possible to charge higher prices in weekends and lower prices in weekdays to increase and balance demand.



The tourists were also asked to rate the fairness of the price for the package of services they get as to and from the monasteries they visited. About 81% judged the price fair and cheap. This may indicate that the prices set by the monasteries may not be the optimal prices and there may still be possibility to set higher. However, lower prices like this are recommended in tourism marketing as more profit can be made from the volume of sales. Some times price can be taken as evaluation criteria for quality as the lower priced products are assumed to be of low quality. Hence the pricing for monasteries and boats should not be arbitrary and need to consider the experiences of other countries which offer similar services.

#### PROCESS

The processes in tourism include; trip planning and anticipation, travel to the site/area, recollection, and trip planning packages. The trip planning packages include, maps, attractions of on route and on site, information regarding lodging, food, quality souvenir (Zeithaml and Bitner, 1996). The process in this regard includes the process to and from Lake Tana monasteries and covers almost every aspect of tourist attraction and service packages.

This research tries to see the process in terms of three major variables; safety to visit, availability of boats every time needed, and easiness to get around the monastery islands. Based on the observation result, boats are available in three major departure sites. Besides, boats are in waiting lists and take their turns accordingly to travel tourists. With regard to the data about the two remaining constituents of the process mentioned, the following data are obtained

The findings indicate that more than 95% of the responses indicate positive results about the process. Safety is the first thing tourists need from places they want to visit. The process in service however is not limited to the variables measured in the above way and it includes the safety about the food, bed, hotel and other services which this study hasn't covered and yet important to consider.

The process aspect also includes availability of easy means of prior booking arrangements and availability of varied tourist consumption activities on the site. Tourism literatures strongly claim that tourists tend to maximize their happiness by making their costs minimal. One of the tourism costs is therefore the times spend and the cost of getting alternative sources of tourism sites and accessibility of those sites to make prior arrangements.

#### PROMOTION

An effective promotion in tourism includes, the accurate and timely information helping to decide whether to visit target audience, the image to be created for the organization, objectives, budget, timing of campaign, media to be selected, and evaluation methods. In this regard, the attempts made so far are not satisfactory, according to the key informant. There are attempts to promote the Lake Tana monasteries through Ethiopia Air line, tour agents' websites, and brochures and even documentary films about the monasteries for domestic visitors. However, according to the key informant, such attempts are not satisfactory. And such efforts are not coordinated and hence may not reach many of the potential tourists.

This research finds out that there is really a great gap in promotion in Lake Tana monasteries. The monks believe that the promotion is expected from Bahir dar city administration side considering their effort for promotion is very insignificant. However the promotion aspect of tourism is so varied that it includes even the services monks render because recommendation has become the major means of promotion. According to Kotler et al. (2010), consumers trust other consumers in their purchase decisions far more than advertisements of producers of goods and services. Hence, there is a room for monks to take part in promoting their monasteries.

#### PEOPLE

People are the centre for tourism because it is more a human intensive sector. Such aspect is very vital for the monasteries because most of the historical, cultural, and spiritual intangibles are told through people (mainly through monks and guides). For making the people aspect effective, literatures recommend training and development on regular basis. For making promotion effective, the people aspect still plays important role in personal selling both the tangible and intangible aspects of the monasteries and the islands around.

The findings show very encouraging aspect of the people as 90% the respondents develop positive image in the people aspect. However, the remaining 10% unfavorable attitude should not be overlooked. This is so because, literatures in service marketing claim that a satisfied customer is more likely to tell to 6 potential customers, and a dissatisfied customer is likely to tell to 11 potential customers about dissatisfaction. As a result, more attention should be given to the factors which dissatisfy tourists. And for collecting information about tourists level of satisfaction, simple suggestion box or exit memo write ups request forms can be placed after their come back to Bahir dar city.

#### CONCLUSIONS AND RECOMMENDATIONS

As delivering satisfaction should be the major concerns of service rendering bodies, there should be clear and up to date understanding about the activities favored most by tourists to keep it sustainable and about parts which needs improvement to make the necessary adjustments and minimize the negative experiences tourist might develop as a result of such inefficiencies. In this regard, the respondents adore the natural setting of Lake Tana monasteries of all the package of services they get from their visit of Lake Tana monasteries.

The major findings indicate many encouraging aspects of the monasteries. However, there are also things which need improvement. The recommendation is worth to consider both aspects.

List prices for boats indeed decrease price cheating and increase tourists' confidences as to the rightfulness of the prices they pay. Such monasteries as Debre mariam also post the price list for both entrance and museum visit fees on the gate. Still these are encouraging. However, there are other monasteries which do not have such lists. It is therefore better for all monasteries to have price lists for items they want to charge and put the lists in visible place. Similarly, different pricing system for weekdays and weekends will help the monasteries to balance and increase demand.

#### LIMITATION OF THE STUDY AND SCOPE FOR FUTURE RESEARCHERS

The absence of tourist database created a problem of clearly identifying how many of tourists who visited Bahir Dar city also visited Lake Tana monasteries. Simply the research took for granted the Bahir dar city administration culture and tourism bureau respondent's assumption that almost all of the tourists did so. Besides, in the beginning, I believed that the impact of marketing efforts especially segmentation and promotion would be better measured in terms of reaching foreign tourists. And hence, the tourist respondents in this research are all foreign tourists. But I am convinced after the analysis that the inclusion of domestic tourists' view in the research would make this research more robust. Hence future researchers are advised to take messages from this.

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## ETHICAL ISSUES IN HUMAN RESOURCE MANAGEMENT PRACTICES UNDER FEDERAL CIVIL SERVICE OF ETHIOPIA: THE ROLE OF HUMAN RESOURCE PRACTITIONER

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### ABSTRACT

*A code of ethics is one of the most important components of any occupation and professional. It is a set of guidelines for conducting oneself in performing and discharging his or her duties and responsibilities according to such professional competency standards. This is to promote and maintain reputation, trust, integrity and honour of those in such professions. Ethics in human resource management are the policies and values that serve as operational guidelines for the management of people at work. Managing human resources often requires ethical decision making in which fairness plays a role. The purpose of this study was to examine ethical issues in HRM practices in the Federal civil service of Ethiopia and the roles of Human resource practitioners in promoting ethical practices with a view to achieving employee well-being and satisfaction at work as well as organizational performance. In this study Qualitative research method was employed. Document review was applied as a method of data collection in this qualitative research. Data analysis in this study was based on content analysis and Data analysis and collection were performed simultaneously. As a result of this study a code of ethics for Human resource practitioners in public sector under the Federal Civil Service of Ethiopia was developed. The code of ethics was comprising of: Treating others with integrity, legality and nondiscrimination; Reliable proficiency and continuous learning in HR professionals; Upholding Confidentiality and information sharing; Stably being role models in the Human resource ethics code; Thoughtfulness in handling conflict of interests in Human resource management; and Ensuring Political neutrality. Approaches were suggested for the implementation of code of ethics: awareness; commitment; and engagement mechanisms.*

### KEYWORDS

Civil service, Code of ethics, Human resource practitioner.

### INTRODUCTION

The Ethiopian civil service is a century old initially organized in the crude form of the 20th century European civil service model. As civil service is the reflection of its political economic system, it is expected to serve the purpose of the government of the day.

The 1960s were remarkable period in Ethiopian civil service history. During this time modern personnel orders, policies and directives were introduced. Central Personnel Agency was established in the same period. The purpose of all these reforms was to establish uniform and rule driven civil service all over the nation. Almost all orders and directives were adopted from the western personnel management systems mainly from US of America. The personnel establishments and the reforms were having the following effects. Uniform personnel management system had been established throughout the nation; Western type of merit principles were introduced for the first time in the nation's history; The principle of equal pay for equal value of work had been introduced with position classification job evaluation method; and Central Personnel Agency was established ( Addebabay, 2011).

The 1974 Ethiopian revolution had introduced a suede socialist military government which abuses many of the merit principles and relative work ethics of the Emperor era. During this period (1974 – 91) civil service professionalism is deteriorated and its impartiality put in question. As a result, the civil service of the day was with low moral. In 1991, the incumbent government seized power. The political and economic systems of the government became multi - party democracy and market driven economy respectively. The changing role of government witnessed federalism and devolution. Therefore, the role of civil service is changed. The main role of the civil service is to serve the government of the day impartially and competently. Therefore, introducing a civil service reform that works for Ethiopia was a top agenda of the government. The Ethiopian government is engaging in civil service reform for the last ten years in the following major areas. Top Management system reform sub program; Human Resource Management System Reform Sub Program; Service Delivery improvement Reform Sub Program; Government Expenditure and Control reform Sub Program; and Ethics Sub Program ( Addebabay, 2011).

The main rational behind civil service reform in Ethiopia is the need to reinvent a civil service which resembles the new political and economic order of the nation which is federal, democratic and market oriented .Subsequent reasons of reforming the civil service can be: Top leaders in the civil service were not visionary and supportive; Top leaders were not developed and managed adequately; systematically and rationally as a result they were with low level of leadership competencies; Low level of civil servants' performance resulting from incompetence and low level of morale; Inefficient service as a result of poor design of work and wrong employees' attitude towards clients or citizens; Inappropriate utilization of public resources. For instance public resource utilization was input driven and resources were not tied to results that accountability losses its ground; and Unethical practices in delivering the service. For example, bribes, kick backs, embezzlement, and etc( Addebabay, 2011).

To alleviate the above problems step by step, the government has embarked on civil service reform program which is comprehensive, indigenous and sensitive for global realities. The purpose of the civil service reform program is to create efficient and effective civil service that serves the government of the day ethically and professionally. The objective of this paper was to examine ethics in HRM practices in the public organization in Ethiopia and the roles of HR practioners in promoting ethical practices.

### REVIEW OF LITERATURE

Attempt is made in this section to review some theoretical underpinnings and related researches.

### CONCEPTS AND THEORIES

Dessler (2008, p.553) asserted that ethics refers to the principle of conduct governing an individual or a group. Ethical decisions always involve two things. First, they involve normative judgements. A normative judgment implies that something is good or bad, right or wrong, better or worse. Second, ethical decisions involve morality. Morality is society's accepted standards of behaviour. Moral standards address behaviours of serious consequences to society's well-being such as murder, lying and slander. They cannot be established or changed by decisions of authoritative bodies like legislatures (Dessler, 2008). Steiner and Steiner (1994, p.178) asserted that ethics "is the study of what is good and bad, right and wrong, and just and unjust." It is the "discipline dealing with what is good and bad and with moral duty and obligation. Ethics can also be regarded as a set of moral principles or values. Morality is a doctrine or system of moral conduct... refers to that which related to principles of right and wrong in behaviour" (Carroll 1993, p. 92).According to Yalokwu (2002, p.395), "ethics is the principle of conduct that govern a person or a group. Ethical people are trustworthy, fair and impartial; they respect the rights of others and are concerned about the impact of their actions on society. Unethical people, on the other hand, are selfish and unscrupulous, they will say or do whatever is required to achieve their personal interests or ends."

Theories can be presented in the forms of core principles to guide ethical choice (Miles and Huberman 1994) and for decision making. In general, principles of ethical conduct include: the categorical imperative, the conventionalist ethic, the disclosure rule, the doctrine of the mean, the golden rule, the intuition ethic,

the market ethic, the ends-means ethic, the might-equal-right ethic, the organization ethic, the practical imperative, the principle of equal freedom, the proportionality ethic, the professional ethic, the rights ethic, the theory of justice, and the utilitarian ethic (Steiner and Steiner 1994). These principles are the basis for ethical decision making and guidelines for ethical conduct by individuals and organizations or institutions. Therefore, in developing and implementing a code of ethics these principles should be taken into account.

On the whole, ethical issues have been of marginal significance to the unfolding academic debates around human resource management. The Harvard analytical framework for HRM (Beer et al, 1984: 16) was one of the earlier models to suggest that, as well as organisational well-being, HRM had to concern itself with the promotion of individual and societal wellbeing. This reasserts the primacy of the stakeholder as opposed to the shareholder model of the firm, an issue on which the battle lines have been clearly drawn in business ethics literature. The 'business is the business of business' proponents are aligned on one side (Friedman, 1962; Sternberg, 1994, 1997) and those who suggest that organisations should meet the needs of a wider range of stakeholders, including employees (Freeman, 1984; Royal Society of Arts, 1995; Wheeler and Sillanpaa, 1997), on the other.

Any emphasis on ethics and employee well-being in the HR debate is therefore very contentious and has become more so as organisations have struggled for survival in the last 20 or so years. The ethical dimension of HR policy and practice has been almost ignored in recent texts on HRM, where the focus has shifted to 'strategic fit' and 'best practice' approaches. The focus on high performance HR practices developed in the US (Huselid, 1995) and in the UK (Guest and Peccei, 1994), and widened out through seminars (such as the ESRC/BUIRA seminar series on 'The contribution of HR strategy for business performance', special issues of journals (Human Resource Management Journal, Vol. 9, no. 3, 1999) and a plethora of research projects and articles, both supportive (Guest, 1997; Tyson, 1997; Tyson and Doherty, 1999) and more critical (Purcell, 1999). However, there is enough argument to the contrary to suggest that employee well-being and ethical treatment are as justifiable a focus as 'strategic fit' and 'best practice'. There are a number of reasons for this. First the 'enlightened self-interest' model of business suggests that a business will be more successful if it pays attention to ethics, as this will enhance its reputation with customers and improve motivation among employees (Wilson, 1997). Secondly, the 'business of business is business' argument is also not paramount in not-for-profit organisations, including most of the public sector, social business, nongovernmental organisations (NGOs) and the voluntary sector. Finally there is a powerful argument that the wider economic system and ultimately the business organisations within it exist to serve human and societal needs rather than the opposite.

An enduring academic and professional interest in ethical issues is present around the subject of organisational justice, in the exercise of both substantive and procedural justice. Interest in the former has been sustained by a concern with fairness and equal opportunity. Research into discrimination, particularly in the areas of recruitment, selection and career development, has addressed issues of gender, marital status, race and ethnicity and, more recently age. Voluntary action on fairness and equal opportunity by organisations, individuals and professional groups has included codes of professional practice and training both within professional education and subsequent professional updating. Equality legislation since the mid 1970s has acted as the main spur. Turning to procedural justice, this has always been a strong theme in both professional practice and academic research in industrial relations. Fair process as well as fair outcome has been an abiding concern in collective bargaining, remuneration, job evaluation and recruitment. However, once again, the changes brought about by current HRM approaches have led to a marginalisation of these issues. In the case of reward management, for instance, 'good practice' has traditionally highlighted the role of job evaluation as a basis for ensuring fairness and justice; more recently this has been substituted by an emphasis on strategic focus, flexibility and individual and group performance.

Finally there has also been some interest in the role of the HR specialist as a guardian of ethics, with the HR function assuming the role of 'ethical stewardship' and ethical leadership. Most discussion of this has appeared sporadically in professional HR journals. For example, some writers have stressed the HR manager's role in raising awareness about ethical issues, in promoting ethical behaviour and in disseminating ethical practices more widely among line and project managers. Another ethical role for HR professionals involves communicating codes of ethical conduct, providing training in ethics, managing compliance and monitoring arrangements, and taking a lead in enforcement proceedings (Arkin, 1996; Pickard, 1995; Johns, 1995; Wehrmeyer, 1996). Where ethical conduct is questioned, HR managers have traditionally overseen arrangements for the handling of discipline and grievances. For some (Connock and Johns, 1995), the mantle of ethical leadership should not just be worn by HR managers alone; the responsibility should also be placed firmly on the shoulders of the whole senior management team and line managers. This is an argument that is very much in keeping with moves to make HRM the concern of a wider group of organisational stakeholders.

### IMPORTANCE OF THE STUDY

This study will help in founding an initial body of knowledge for further contribution and development towards a solid knowledge base for a code of ethics for HR practitioners in public sector under the federal civil service of Ethiopia. It can also be used as a ground for further studies and consistent development on the subject which will lastly add up to the diversity of literature in this field. It will also provide the basis for practitioners and academics to develop approaches to transferring the code of ethics concept into practice. It will serve as information for the government to consider for application to reinforce productivity and efficiency in public sector.

### STATEMENT OF THE PROBLEM

The task of preparing detailed ethical principles and rules is primarily that of the professional associations and that all members of the associations have the responsibility to accept, implement and enforce such requirements. In Ethiopia, due to the absence of an organized strong national professional association there is no comprehensive set of ethical standards to govern the behaviors of HR practitioners. Of course, However, a common code of ethics has been applied in every public sector which governing the behavior of all employees in providing services to the public irrespective of the nature of services provided. HR practitioners are governed by the common code of ethics which does not address the specific services they provide.

There fore, this research study provided answers to the following questions:

1. What are the ethical issues applicable to the practice of HR practitioners in the public sector?
2. What are the laws, rules, regulations, and policies related to the ethical requirements for HRM under the Federal civil service of Ethiopia?
3. What are the codes of ethics applicable in other countries?

### OBJECTIVES

The general objective of the study was to examine the ethical issues applicable in the Human resource management practices in the federal civil service of Ethiopia, the role of HR practitioners.

The specific objectives of this study were:

- (1) To study the essential ethical issues applicable to the practice of HR practitioners in the public sector
- (2) To review the laws, rules, regulations, and policies related to the ethical requirements for HRM in the civil service of Ethiopia
- (3) To study the code of ethics of HR related and HR associations in selected countries.
- (4) To develop a code of ethics for HR practitioners in the Federal civil service of Ethiopia.

### METHODOLOGY

According to Silverman (2000) methodology is "a general approach to studying research topics." It defines how we will go about studying any phenomenon where a research method is "a specific research technique". Some qualitative methods include: observation; text and documents; interviews; and audio and video recording (Silverman 2000). Document review and interview are considered major methods of data collection in qualitative research (Creswell 2007).

### DATA COLLECTION

The goal of qualitative research is to "produce high quality, meaningful and relevant data, such that it is possible to emerge valuable insights within a social context" (Whiteley 2002, p.4). The quality of the data collected and used depends on the methods used to collect such data. The researcher "should determine



the most practical, efficient, feasible, and ethical methods for collecting data as the research progresses" (Marshall and Rossman 1999, p.138). Therefore, document review was applied as data collection methods in this study.

Document Review Based on discussion of the use of documentation as data by Marshall and Rossman (1999), documents review in this study was conducted in two major parts. The first part involved a review of laws, rules, regulations, and policies related to the ethical requirements for HRM in the public sector under the federal civil service of Ethiopia. The second part involves a review of the code of ethics of civil service in Eastern and Central European countries in the context of EU. Studies on ethical principles on three countries and OECD member countries were conducted, and the code of ethics of HR related and HR associations in selected countries were also conducted.

#### DATA ANALYSIS

Data analysis in this study was based on content analysis (Weber 1990; Creswell 2009). Data analysis and collection were performed simultaneously.

#### FINDINGS AND DISCUSSION

This section presents the discussion of findings in responding to each of the four research objectives.

The essential ethical issues applicable to the practice of HR practitioners in the public sector were presented as follows:

Ethics is the study of what is good and bad, right and wrong, and just and unjust (Steiner and Steiner 1994). It is a set of moral principles or values (Carroll 1993) and a part of culture (Trompenaars and Hampden-Turner 1998). It overlaps with the law as the law is what society thinks are minimal standards of conduct and behaviour. So if a person breaks a law or violates a regulation, he or she is also behaving unethically (Carroll 1993). Thus ethics is behaviours expected beyond the compliance with the law. To achieve this expectation code of ethics is developed and promoted by most of the professions. Code of ethics is a published statement of moral expectations for employee or professional conduct (Kreitner 1998). It is a component of professional requirements (Bowie 1991).

Ethics is about people's behaviour, and this is a key concern of HR departments, so HRM has an active role to play in raising corporate ethical awareness and facilitating ethical behaviour (Van Vuuren & Eiselen, 2006), especially if there are not enough financial resources in the company to fund a separate ethics position. In that respect, Winstanley *et al.* (1996) noticed that one role identified for HR is that of ethical stewardship, taking charge of raising awareness about ethical issues and promoting organisational ethics. Thus, HRM plays a highly important role in handling these topics (Buckley *et al.*, 2001; Weaver & Treviño, 2001; Winstanley *et al.*, 1996; Van Vuuren & Eiselen, 2006), as HR policies and practices are highly important in transmitting the ethical values encouraged in the organisation (Foote & Robinson, 1999). Such an important role can be somehow noted in the frequently use of those mechanisms (e.g., performance appraisal, promotion policy, etc.) by practitioners (Guillen *et al.*, 2002). This was also noticed by Greengard (1997), who stated that underlying organizational values and official statements should necessarily be perceptible during the recruitment process, employment interviews, orientation sessions and performance reviews in order to generate an organisational culture that truly emphasises ethics.

The role of Human Resource practitioners within the context of organisational ethics has some attention over recent years. Winstanley, Woodall and Heery (1996) suggested that the HR function included a role of ethical stewardship that involved raising awareness about ethical issues, promoting ethical behaviour and in disseminating ethical leadership practices amongst leaders and managers. They also describe the as including communicating codes of ethical conduct, devising and providing ethics training to employees, managing compliance and monitoring arrangements, and taking a lead in enforcement proceedings. Woodd (1997) suggests that HR specialists need to be at the heart of policy design and implementation, to raise the issues and stimulate debate on ethics in the employment of people.

In this section a review of laws, rules, regulations, and policies related to the ethical requirements for HRM in the Federal civil service of Ethiopia was conducted and presented in the following manner.

Constitution of the Federal Democratic Republic of Ethiopia Article 51/1995 prescribed the government shall formulate and implement the country's policies, strategies and plans in respect of overall economic, social and development matters. It shall establish and implement national standards and basic policy criteria for public health, education, science and technology as well as for the protection and preservation of cultural and historical legacies. In accordance with Article 55(1) of the Constitution Proclamation No. 8 of 1995 provides for the Federal Civil Service Commission. It is an autonomous institution of the Federal Government and is accountable to the Council of Ministers. The Commission, inter alia: to prepare and, upon approval, follow up the implementation of policies and laws concerning the civil service; to issue general criteria on education and work experience necessary for civil service positions; and to ensure that the recruitment, placement, promotion transfer, training and observance of discipline of employees of the Federal civil service are effected in accordance with the law.

The Federal Civil servant proclamation no. 262/2002 prescribed the Obligations and Ethics of Civil Servants. In the Article 53, any civil servant shall be loyal to the public and the Constitution; devote his whole energy and ability to the service of the public; discharge the functions specified in his job description and accomplish other tasks ordered legally; observe laws, regulations and directives related to the civil service. In the Article 54, any civil servant shall adhere to the provisions of this Part and other directives issued by the government on ethical conduct of civil servants. Article 57 prescribed that any civil servant may not use his position to promote his political interest and thereby engage in 'discriminatory practices. Article 58 prescribed Conflict of Interest. Article 59 also prescribed that no civil servant may demand or accept any gift in return of services rendered or expected.

The civil or public service is broadly defined as those employees of the state who are covered by national and civil service laws. In Ethiopian context civil servants are government employees that are governed by The Federal Civil servants' Proclamation number 515/2006. The public service as a profession, as it developed, espoused the value of probity, neutrality, and fairness, among many others. It has embraced the merit principle in setting up career structures from recruitment to promotion. Many of the merit principles are adapted to Ethiopian Civil Servants' Proclamation from US American civil service merit principles (Adebabay, 2011). These are: recruit, select, and advance on merit after fair and open competition; treat employees and applicants fairly and equitably; provide equal pay for equal work and reward excellent performance; maintain high standards of integrity, conduct, and concern for the public interest; manage employees efficiently and effectively; retain or separate employees on the basis of their performances; educate and train employees if it results in better organizational or individual performance; protect employees from improper political influence and protect employees against reprisal for the lawful disclosure of information in "whistleblower" situations.

The Ethics and Anti Corruption Commission of Ethiopia which was established in line with the recommendation of the Civil Service Reform Program delivers the following major results since its establishment ten years ago. Achievements of Ethics & Anti - corruption which are relevant to strengthen professionalism in the civil service are: Promoting Ethical principles in the civil service through the establishment of Ethics Officers which is highly relevant to strengthen professionalism ; Reinforcing ethical principles in the civil service with different preventive and curative mechanisms ; Establishing corruption investigation mechanisms ; and Carrying out surveys on the status of corruption in Ethiopia in collaboration with different research and Education institutions. Protecting institutions and individuals from rent seeking practices is a critical issue in Ethiopian development agenda. This has greater contribution in promoting and strengthening professionalism in the civil service (Adebabay, 2011). In the accordance to this the Ethics and Anti Corruption Commission of Ethiopia has set twelve principles that the civil servants must adhere to: which includes integrity, loyalty, transparency, confidentiality, honesty, accountability, serving the public interest, exercising legitimate authority, impartiality, respecting the law, responsiveness and exercising leadership.

These provisions are the basis for the need for developing and implementing the code of ethics for HR practitioner in public sector under the Ethiopian civil service in this study.

In this part a study of code of ethics of HR related and HR associations in some selected countries was conducted and presented as follows: A study was conducted on the codes of ethics of civil service in Eastern and Central European countries in the context of EU. Despite the difference in legal traditions and systems of governance in EU member states, there is a general consensus about the principles or values of public administration, which reflects key components of good governance. These components include: rule of law, political neutrality, loyalty to constitutional government (national, local or regional), honesty, impartiality, competence (technical and managerial), justice, serving public interests, accountability, efficiency and effectiveness, openness and transparency, reliability and predictability, citizen's participation (European principles for public administration).

Most of these principles are linked to ethics in the public service and are mentioned in the Model Code of Conduct for Public Officials, adopted by the Committee of Ministers of the Council of Europe in 2000. Reliability and predictability, openness and transparency, efficiency and effectiveness and accountability are considered to be administrative law principles in the EU. One may question how countries- candidates creating their own codes of conduct keep in mind EU principles of public administration and integrate them in new documents.

Studies on ethical principles on three countries and OECD member countries were also conducted. It is important that there is general agreement amongst key stakeholders on the principles that will guide the ethical behaviour of public officials. However, there is no general agreement concerning a correct number of principles, although principles concerning accountability, integrity, honesty, impartiality, serving the public interest and obedience to law are universal (Alan Lawton, 2004). The seven principles of the Nolan Committee in the UK are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The principles chosen by the USA government include loyalty, public duty, honesty, impartiality, obedience to law and fairness. The New Zealand principles are concerned with integrity, professionalism, lawful obligations, honesty, loyalty, efficiency, and respecting the rights of others. The twelve principles chosen by the OECD members are concerned with leadership, accountability, transparency, relations with the private sector, the duties and rights of public officials, standards and guidance which are integrity, loyalty, transparency, confidentiality, honesty, accountability, serving the public interest, exercising legitimate authority, impartiality, respecting the law, responsiveness and exercising leadership. Whatever the agreed upon set of principles chosen they will be applicable to all groups, although how they are applied will vary and it is considered that they should be positive rather than negative in tone.

A comparative study of the codes of ethics of an HR related and seven HR associations in six countries, Australia, Canada, Singapore, Thailand, UK, and USA was conducted (Jamnean Joungtrakul, 2010). The common provisions by ranking are: (1) confidentiality of information; (2) knowledge and professional competency; (2) respect of human rights and dignity; (3) compliance with laws, rules and regulations; (4); Conflict of interests; (5) assistance and support to peers; (6) honesty and integrity. A comparative study of the codes of ethics of six professions in Thailand, medicine, architecture, engineering, law, education, and nursing was conducted. The common provisions by ranking are: (1) conflict of interests; (2) non-discrimination; (3) confidentiality of information; (4) integrity; (5) professional competency; (6) fairness; and (7) ethics role model.

These findings were used as a basis for developing the code of ethics for HR practitioners in the public sector under the civil service of federal republic of Ethiopia to be presented and discussed next.

Based on the literature review, document review and analysis by taking into account the role of Ethiopian culture a set of code of ethics for HR practitioners in the public sector under the Civil Service of Federal republic of Ethiopia was proposed. The final code of ethics was presented in the following manner.

The first code of ethics was, treating others with integrity, legality and nondiscrimination. HR professionals must Set a clear, systematic and fair criterion on manpower planning and management; recruitment and selection, job placement and assignment, transfer and promotion, staff separation, training and development, reward management, performance appraisal and make it known thoroughly. The second code of ethics was, reliable proficiency and continuous learning in HR professionals. HR professionals must strive to meet the highest standards of competence and commit to strengthen their competencies on a continuous basis. HR professional must Study, review and understand the rules, regulations, laws and policies concerning manpower planning, recruitment, selection and placement, promotion and transfer, staff separation, training and development, reward management, performance appraisal to gain thorough knowledge and understanding and be able to apply to work appropriately and correctly. The third code of ethics was upholding Confidentiality and information sharing. HR professionals consider and protect the rights of individuals, especially in the acquisition and dissemination of information while ensuring truthful communications and facilitating informed decision making. HR professionals should provide suggestions, advice and assistance to others and peers of the same profession in planning and management of manpower, recruitment, selection, placement, appointments, promotions and transfers staff separation, training and development, reward management, performance appraisal. The fourth code of ethics was, stably being role models in the HR ethics code. HR professionals are expected to exhibit individual leadership as a role model for maintaining the highest standards of ethical conduct. HR professionals should Possess knowledge of the profession's ethics and be able to act strictly and firmly to those ethics guidelines. Act as an ethics role model in the profession to be an example to staff in other divisions/sections so that they realize and uphold as an example. HR professionals Conduct oneself under the frame of the law and the state policies related to work and try in every way to maintain rules, regulations and follow the path of justice in order to achieve objectives. HR professionals understand the principles of ethics and be able to apply to cope with the situations that may lead to a choice of personal survival and to perform duties justly with reason and the pros and cons of the consequences. The fifth code of ethics was thoughtfulness in handling conflict of interests in HRM. HR professionals must maintain a high level of trust with their stakeholders. They must protect the interests of their stakeholders as well as their professional integrity and should not engage in activities that create actual, apparent or potential conflicts of interests. HR professionals avoid demanding any self-benefits or any exchanges from applicants or other persons in order to be selected for a job, placement, appointment, promotion, transfer, staff separation, training and development, reward management, performance appraisal or use any information gained from the position to gain self-benefits. HR professionals avoid assigning a person who is involves or has a business relationship with any company that has interests in a government agency in making decisions for procurements related to training and development i.e. selecting an outside training institute, facilities, equipment, instruments and others. The sixth code of ethics was ensuring Political neutrality. HR professional are expected to implement the strategy and programme of the government in a loyal and reliable way, providing the superiors with objective advice and opinions, "in accordance with his/her best will and knowledge", abstaining from political activity, keeping distance from any political influence or pressure in attempt to performing human resource function.

## CONCLUSION AND RECOMMENDATION

Having developed the code of ethics for HR practitioners in the public sector under the federal civil service of Ethiopia, a set of the expected behaviour for a code of ethics of each HR function and a handbook should be developed to support the implementation. A three-step approach to implementation was recommended.

First, awareness: (1) use of the handbook; (2) ethics training for executives and employees; (3) appointment of an ethics champion; (4) ethics network; (5) HR ethics hotline; (6) promote Ethical issues through various means such as seminars, circulars, brochures, and etc. Second, commitment: (1) establishing a follow up and monitoring system for the code of ethics; (2) establishing a reward and recognition system for ethics behaviour; (3) integrate ethical issues in all HR activities; (4) linking of the code of ethics to disciplinary measures and related laws; (5) establish an HR ethics centre to be managed by a third party. Third, engagement: (1) establish and implement an HR professional certification and licensing system; (2) appointment of an HR ethics auditor or committee.

## FUTURE RESEARCH

This study dealt with developing a code of ethics for HR practitioners in the public sector under the Federal civil service of Ethiopia. A set of the expected behavior for major HR functions was also developed to be a guideline for decision making of HR practitioners. It helps extend theories in HR ethics to the operative level where HR activities are in practice. In terms of practical contribution, this study provides ethical guidelines for management and HR practitioners to be able to perform their duties efficiently and effectively. A study of this type in HR commissions in other areas such as others government agencies, private organizations and non government organizations would expand the knowledge and understanding of codes of ethics as part of strategic HRM in a wider context. A quantitative study on this topic would enhance the knowledge, understanding and testing of generalizations of the theories in HR ethics in a Ethiopian cultural context.

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## FINANCIAL INCLUSION FOR INCLUSIVE GROWTH – A COMPARATIVE STUDY ON RURAL & URBAN AREAS OF DIBRUGARH

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### ABSTRACT

*The issue of financial inclusion is emerging as the new paradigm of growth. Financial inclusion is defined “as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost”—(Rangarajan Committee). RBI and Government take various steps to generate wide awareness and expand the risk of banking services. Through different agencies the government offers loans to the targeted beneficiaries. Different schemes are introduced to popularize the financial inclusion. Panchayat and District Industrial centers are taking care of that in the rural areas and Town Committees, Municipalities are taking care of that in urban areas. Subsidized loans are allowed to the farmers. This reduces the dependency of peasants on the money lenders. The farmers committed suicide due to inability to repay their loans which are waived by the government to stop the repulsive suicide attempts by the peasantry. The waiver is linked to the financial inclusion for inclusive growth. The present paper is a comparative study on financial inclusion for growth penetration in rural and urban areas in Dibrugarh, Assam supported by the analysis of the empirical data available at hand.*

### KEYWORDS

Financial inclusion, inclusive growth, rural area, urban areas.

### INTRODUCTION

The objective of socio-economic policies of the government always remains partially fulfilled. Why is it so? Population under study is pointing to a grim picture of financial inclusion for inclusive growth in India. If this continues to be so then Abraham Lincoln's saying, “ Democracy is of the people, for the people and by the people ” will be replaced with the policy not meant for the wealthy section –“ policy is of the rich, for the rich and by the rich”.

Financial inclusion for inclusive growth must flow from the top of the society to the root of the society. If the root of the society is integrated to the financial institutions then the growth of the country will be unstoppable. The integrating agencies are certainly rural and urban area's banks, co-operative societies, NGOs, Civic bodies, Panchayat, insurance companies and Government agencies. The root of the society is the majority of the society. They need everything at an affordable cost.

### REVIEW OF LITERATURE

In developing countries, still 90% of the people remain outside the formal financial system. Even India is far below the rank in respect to bank branches and ATMs among the Asian countries like China, Thailand, Indonesia etc. 30%-40% of the total population of India still lives below the poverty line as the poverty is defined by low health, malnutrition, high mortality rate of infant. Among them those who have 1 \$ per day were the ultra poor. (Dr. Debabrata Das, Tezpur University).

Number of unbanked population among rural and urban is very high. Only 39% in rural areas against 60% in urban areas are covered. (Thorat, 2007). So the dependency of the population for credit sources is still the private money lender and exploiters in both the areas. Financial inclusion is delivery of bank services at an affordable cost to the vast sections of disadvantaged and low income groups. As banking services are from the public & to the public, it is needful that banking and payment services to the entire population without difference should be the prime objective of the public policy.

### FINANCIAL INCLUSION

Financial inclusion is defined ---“as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost”—(By Rangarajan Committee).

The issue of financial inclusion is emerging as the new paradigm of growth. Financial inclusion for inclusive growth is aimed at the unemployed, the underemployed, the semi-employed, the casually employed and the disguised unemployed, rural and urban. Does financial growth induce and increase in per capita gross domestic product only because the very rich get even richer or does finance expand economic opportunities for the majority of the society?

Thus, financial inclusion = government agencies + banks + NFAs + OFIs + IT + MFIs

\*NFAs = No- Frills Accounts

\*OFIs = Other Financial Instruments

\*IT = Information Technology

\*MFIs = Micro Financial Institutions

Financial inclusion is a must for equal opportunities to all section of the people, inclusive growth, social development and business opportunities. India's national vision for 2020 has mission to open nearly 600 million new customer's bank account and services. So a variety of channels are in the offing in unbanked areas. For this purpose cardinal aspects are –

- LAISSEZ FAIRE IN FINANCE:** -At present there are 99 blocks in the country which don't have any bank branch. In which 86 are in North East and 13 are in other parts of country. In current budget the government has granted a sum of Rs. 150 cores for banks to open branches in unbanked and difficult areas. Due to less population in most north east areas, RBI has proposed to use branchless banking with help of technology to promote inclusion through micro finance bodies, business correspondent, co-operative societies, grocery shops etc. This step is taken to access easily the financial market.
- ACCESS CREDIT MARKET:** -There is need for more products that meet credit and insurance need of people. For meeting credit needs a saving linked financial model can be adopted for these segment, which should kept simple and guarantee the beneficiaries of credit limit. In the rural part of state, primary agriculture co-operative societies are pretty active through it is being paid little attention, because it exist side by side with district central co-



operative banks(DCCBs).Thus, now state governments have taken initiating steps to rationalization functioning of co-operative societies in area like procurement, fertilizers and pesticides sale etc.

- KNOWLEDGE OF FINANCIAL MARKET:-** Due to lack of awareness, poor infrastructure is one of the major reasons of financial exclusion. Thus Reserve Bank of India setting up pilot project for credit counseling and financial inclusion on June 18, 2007. RBI launched a multinational website in 13 in all matter concerning banking & common people. Example: SBI has launched service centre's (knowledge centre's), village knowledge centre for providing knowledge to farmers which provide basic infrastructure internet connection and updated libraries.

The objective of financial inclusion is to extend the scope of activities of financial system to include people with low income. Although the banking network has rapidly expanded over the years but the key challenges would be to extend the banking coverage to include the target population living in 6 lakhs villages. The objective of the paper is to analyze the role of financial inclusion in the growth of Indian banking system in Dibrugarh, rural & urban.

**INITIAL MEASURES FOR FINANCIAL INCLUSION**

Reserve bank of India and government plays an important role in promoting financial inclusion for economic growth to increase the banking penetration in the country. Before 1990s several initiatives has been undertaken which included creation of State Bank of India in 1955; nationalization of commercial banks in 1969 and 1980; initiating the Lead Bank Scheme in 1970;, was a big step to expand financial inclusion. National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 mainly to provide refinance to the banks extending credit to agriculture, establishment of regional rural banks in 1975 are also the major steps for same aim which encourage branch expansion in rural area. It also regulate interest rate ceiling for credit in weaker sections. After 1990s there are major important steps taken for financial excluded people as launching Self helpgroups' linkage programmed in1992 by NABARD, which facilitates and provides door step banking. Simplifications of Know your customer (KYC) norms are another milestone. Where NGOs are set up to organize the poor, build their capacities and facilitates the process of empowering them. In 1998 Kisan credit card has been launched and on the suggestion of NABARD in 2005 General credit card has been launched which facility up to Rs. 25000/-In January 2006 NGOs, SHGs, and Micro Finance Institutions are permitted by RBI. Now MFIs currently cover 8.3 million borrowers. MFIs, self-help groups (SHGs) also meet the financial service requirements of the poorer segments.

**METHODOLOGY**

The urban and rural experience in the field of financial inclusion in Dibrugarh district is the main objective of this paper. Primary and secondary data from various sources are used to show the role of banks and other financial institutions in driving away poverty from the down trodden population of the society under study. It is also analyzed if government can achieve full financial inclusion in this area by 2015. References of some articles are also used to find out the need, opportunities and challenges in this direction. To arrive at a conclusive deduction some special case studies have been included in this paper.

**ILLUSTRATION**

Around 45% of the population in India is poverty stricken and only 31% has access banking services. 39% in rural area and 60% in urban areas are unbanked. The rate of unbanked areas in North East is very high. In India 14% of adult population has loan account. It is 9.4% in rural population and 14% in urban population and 7% in North East region. More than half population in India has no access to any formal and non-formal source of credit. 70% have no access to formal source of credit and they are still dependent on money lenders/usurers. KYC and other related knowledge are critical for them. More than 70% of the population is without life, health and non-life insurance coverage. In Dibrugarh district number of bank branches in Urban area is 50 and 37 in rural areas.

In the area under discussion, there are 1 co-operative and 5 commercial banks in urban area (listed below) and none in rural area.

List of banks and other financial institutions:-

- SBI
- UBI
- CENTRAL BANK
- ALAHABAD BANK
- CO-OPERATIVE APEX BANK
- GRAMIN VIKASH BANK OF ASSAM
- POST OFFICE SAVING BANK
- SAHARA INDIA

List of insurance companies:-

- LICI LTD.
- BAJAJ ALLIANZ
- RELIANCE LIFE

Private players are not opening any branch of banks in both urban and rural areas here.

No of total population under study = 50,000 each in rural and urban areas. Households visited are 1000 each.

A few years ago there were only two branches of banks in the urban area, now there are 4 commercial banks. Therefore population gets involved in increased number in the financial activities. Population in the rural area is integrated to the banks of urban areas.

**INDICATORS LIST OF FINANCIAL INCLUSION**

TABLE – 1

Sl. No	NAME OF FINANCIAL INSTITUTES	NUMBER OF ACCOUNTS	
		2010-2011	2011-2012
1.	SBI	12,000	14,000
2.	AGVB	1,788	2,340
3.	SAHARA INDIA	1,000	1,500

TABLE – 2

Names of schemes (Urban)			Names of schemes (Rural)		
	2010-2011	2011-2012		2010-2011	2011-2012
1. SHGs	50	60	SHGs	119	138
2. IG Old age pensionscheme(beneficiary)	----	443(till date)	IG Old age pensionscheme(beneficiary)	----	462(till date)
3. IG Widow pension scheme (Not implemented)	----	-----	IG Widow pension scheme(beneficiary)	----	2643(till date)
4. IG Disable pension scheme (Not implemented)	-----	-----	IG Disable pension scheme(beneficiary)	----	7
5. KCCs(Not Applicable)	----	-----	KCCs	1,789	2,340
6. GCCs (Data not available)	-----	-----	GCCs	98	101
7. Bajaj Allianz Life	10,000	16,000	Bajaj Allianz Life	5,000	6,000
8. LIC	9,097	12,431	LICI	9,000	13,000
9. PLI	-----	210	PLI	----	160
10. Personal loan	-----	180(till date)	Nil	----	-----
11. Agricultural loan (Nil)	----	----	Agricultural loan	----	2,200(till date)
12. Business loan	----	10(till date)	Business loan (Nil)	-----	-----

On the basis of statistical data we can experience the effect of the schemes taken for financial inclusion for financial growth in both urban and rural areas.

- a) No frills accounts are basis which have zero and low minimum balances and charges. These accounts have increased year by year.
- b) Kisan Credit Card has been launched in 1998. But here it is implemented later. KCCs issued are increasing year by year.
- c) Though there is no bank branches in rural areas, people are integrated to banks by the introduction of schemes mentioned above in the table.
- d) Of 50,000 population under study. 80% have direct or indirect access to financial market through no frills accounts, KCCs, SHGs, MNREGA, Life insurance companies, Old age pension, Personal loans home loans etc.
- e) 90% of population under study in urban area has the access to financial market through A/c's, pension, PMRY etc.
- f) In both the cases 50% of the population is from the deprived section of the society, who are either BPL families or APL families. Financial inclusion brings them many opportunities to overcome poverty. Rural areas under study are a big store house of disguised unemployed, unemployed, and casual employed. This section is benefited with the introduction of policies of financial inclusion.
- g) Rural people have GCCs.
- h) Most people in urban area have personal and business loan. This number is small, so number of lendees may be widened. Urban area becomes the breeding ground of semi employed, under employed and casual employed. Therefore loan opportunities offer them hopes of "Let's live."

### STEPS TAKEN ON FINANCIAL INCLUSION BY GOVERNMENT AND BANKS

- a) Agents of small savings schemes of the government of India, insurance companies, retired teachers, authorized persons of well run SHGs are appointed as Banks Correspondents. So 80% of population has come under banking system in unbanked rural areas.
- b) State bank of India appoints a CSP (Customer service point of business) in Naharani, rural unbanked area.
- c) ST, SC, OBC, Tai Ahom organizations are used by governments as Bank Facilitators in rural and urban areas.
- d) Among life insurance companies – LIC which has 50-50 policy holders from both rural and urban people is leading bank facilitators then Bajaj Life, Tata Life, Reliance Life, SBI Life follow. Sahara India is also doing the same.
- e) The rural area under study is very remote. The area is linked to the newly constructed highway through Gram CharakYojona. Means of communication remain uninterrupted. This immensely helps mpeople to link with the financial inclusion. This makes people all terrain affairs. The urban area under study has sufficient civic amenities.
- f) Computer Service point with internet connection are also handy to impart know how about financial inclusion to the targeted people.

### IMPEDIMENTS

- a) Illiteracy and ignorance comes in the way of financial inclusion. Most of the inhabitants depend on others to open accounts, to apply for loans etc. This delays their inclusion in the financial system. Guidelines, booklets etc are not made available in vernacular languages.
- b) Interrupted power supply breaks computer links to internet and frequent networks down forced people to waste hard earnings.
- c) Most of the people have lack of identity. To include in the financial system identity proof is a must. ADHAR (UID) is not issued here; voters I-cards have also not been issued.
- d) Touts, unauthorized persons from rural and urban areas take full advantage of illiteracy and ignorance of people to make money in the name of "Go and Get" from the concerned authority. Even a chain of dishonest officials traps the people who apply for I-cards, KCCs, loans etc to pay bribes.
- e) Financial inclusion aims at driving away poverty. But people who are in queue for financial inclusion have to incur expenses larger than their income prior to inclusion that landed them in penury.
- f) At least 10 to 20% people are still victims of usury which is rampant in rural area because of absence of hassle-free competitive financial markets.

### RECOMMENDATION AND CONCLUSION

- a) Holistic counseling free of cost by financial institutes, NGOs, Commercial agents should be made mandatory to those who are ignorant. Schools/ rented houses can be used as counseling centers.
- b) Booklets, guidelines regarding schemes, loans etc should be published in vernacular languages.
- c) More CSPs should be appointed in unbanked areas.
- d) For supporting documents in case of financial inclusion the issuing authority of such documents should reach the applicants on demand. The applicants should not be compelled under any circumstances via touts or unauthorized persons to reach the authorities. The applicant should get them at nominal cost.
- e) Uninterrupted power supply in rural areas during day time should be ensured. In case of network breakdown alternative arrangements should be at hand so that service is not stopped.
- f) Peasant, suicide case is not traced out in the area under study but risk of suicide is present there.

The areas under study will achieve 100% financial inclusion before national vision 2020 if the impediments short listed here are hit to nil. People, who once got half a loaf, now get a loaf in full due to financial inclusion in the areas under study. Two helpings of meal a day may be good food but that does not guarantee nutritious food. Only deep penetration of financial inclusion into the deprived section of the society will improve growth of our economy. And then people will be able to buy nutritious food, quality education and poverty will die out.

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## IMPACT OF VALUE ADDED TAX (VAT) ON PRODUCT MARKET PRICES – A STUDY IN STATE OF ANDHRA PRADESH

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### ABSTRACT

*A value added tax (VAT) is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price. From that of the seller, it is a tax only on the value added to a product, material, or service, from an accounting point of view, by this stage of its manufacture or distribution. The manufacturer remits to the government the difference between these two amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs. This research paper explores the impact of VAT on Product Market Prices in the State of Andhra Pradesh. A key question is whether it has indeed proved, as its proponents claim, an especially effective form of taxation. To address this, it is first shown that a tax origination such as the introduction of a VAT reduces the marginal cost of public funds if and only if it also leads an optimizing government to increase the tax ratio. The results point to a rich set of determinants of VAT adoption, this being more likely, for example, if a country has a program with the IMF and the less open it is to international trade. In the revenue equation, the presence of a VAT does indeed have a significant impact.*

### KEYWORDS

Input Tax, Market Prices, Value Added Tax.

### INTRODUCTION

The value added to a product by or with a business is the sale price charged to its customer, minus the cost of materials and other taxable inputs. A Value Added Tax (VAT) is like a sales tax in that ultimately only the end consumer is taxed. It differs from the sales tax in that, with the latter, the tax is collected and remitted to the government only once, at the point of purchase by the end consumer. With the VAT, collections, remittances to the government, and credits for taxes already paid occur each time a business in the supply chain purchases products.

The worldwide trend is towards unification of markets to promote competition and efficiency. For the growth of trade and industry, the tax system must be neutral. The objective of taxation is to raise revenues in a welfare state to fulfil its obligations under various sectors. The taxation is not only to raise the revenues required to meet State's expenditure on administration and social services but also to reduce inequalities of income and wealth. Value Added Tax (VAT) is one of the State's level taxes in India with effect from 1<sup>st</sup> April, 2005. This is the biggest tax reform ever made in the country since independence. By introducing VAT in India, it is projected that VAT revenue of all States put together may go up from 80,000 crores to 1,00,000 crores. VAT is an indirect tax. It is intended as a tax on consumption and is levied on value addition at various stages of production and distribution chain.

In the context of Globalization, uniformity in taxation is a must and the tax policy of the Government supports indigenous entrepreneurs to compete in the International Market. Like income tax reforms, Indirect tax reform also brings more number of tax payers under the tax net i.e., widening of tax base without affecting small traders. The objectives of VAT is to simplify tax structure, to create a uniform common market within the country which will bring down prices that would enable Indian procedures of goods to reduce costs, face competition from abroad and to increase exports. It was aimed at the uniformity in tax rates for all commodities and ensuring uniform market throughout the country. VAT will help common people, traders, industries and also the government.

### RATE OF TAX

There are only three rates of taxes, 1%, 4% and 12.5% under VAT. Gold, Silver, Bullion and Jewellery are taxed at 1%. Goods and commodities of basic necessities such as Drugs and Medicines, agricultural and industrial inputs, capital goods and declared goods are taxed at 4%. All other items are taxed at 12.5%.

### LEVY OF TAX

VAT is payable only on the value added to the product at every point of sale and not on the entire value of the goods. Under VAT, there is no additional sales tax, no surcharge and no resale tax. Due to less tax burden it is expected that the prices of goods will fall.

Now all developed and developing countries in Europe, and Asia including Pakistan, Bangladesh, Nepal which were following the multipoint sales tax system have shifted over to VAT as it is most convenient and disciplined system in place of Sales Tax. Due to its advantages, VAT is implemented in about 150 countries worldwide. In Australia, Canada, New Zealand and Singapore this tax is known as "Goods and Services Tax" or GST. In Japan it is known as "Consumption Tax". Tax reform in Japan was introduced in 1949 as a substitute for corporation tax; France was the first country to impose this levy in 1954. The Michigan State of the United States imposed a VAT under the name of "Business Activities Tax" in 1953. Carl Shoup has classified VAT on a three-fold basis: Consumption type VAT, Income type VAT, and Product type VAT.

### INCIDENCE, LEVY AND CALCULATION OF TAX

Save as otherwise provided in the Act, every dealer registered or liable to be registered as a VAT dealer shall be liable to pay tax on every sale of goods in the State at the rates specified in the Schedules.

Every dealer who has not opted for registration as a VAT dealer and who is registered or liable to be registered for TOT or whose taxable turnover in a period of twelve (12) consecutive months exceeds Rs.5,00,000/- (Rupees five lakhs only) but does not exceed Rs. 40,00,000/- (Rupees forty lakhs only) shall pay tax at the rate of one percent (1%) on the taxable turnover in such manner as may be prescribed.

Every VAT dealer shall pay tax on every sale of goods taxable under the Act on the sale price at the rates specified in the Schedules III, IV and V, subject to the provisions of Section 13.

Every VAT dealer, who in the course of his business purchases any taxable goods from a person or a dealer not registered as a VAT dealer or from a VAT dealer in circumstances in which no tax is payable by the selling VAT dealer, shall be liable to pay tax at the rate of four percent (4%) on the purchase price of such goods, if after such purchase, the goods are:

- Used as inputs for goods which are exempt from tax under the Act; or
- Used as inputs for goods, which are disposed of otherwise than by way of sale in the State or dispatched outside the State otherwise than by way of sale in the course of inter-State trade and commerce or export out of the territory of India; or
- Disposed of otherwise than by way of consumption or by way of sale either within the State or in the course of interstate trade or commerce or export out of the territory of India;
- Provided that in respect of purchases of goods specified in Schedule III, the VAT dealer shall be liable to pay tax at the rate specified in that Schedule;

Every dealer shall pay tax on the sale price of goods specified in Schedule VI at the special rates and at the point of levy specified therein; Every casual trader who sells goods within the State and any dealer covered under Explanation III and IV of clause (10) of Section 2 shall pay tax on the sale price of such goods at the rates specified in the respective Schedules.

### OBJECTIVES OF THE STUDY

The research was proposed to take up Research and analysis on this subject matter.

1. To examine the impact of VAT on Market Prices.
2. To examine the Revenue implications before and after VAT.
3. To compare the commodity prices (pre-VAT and post-VAT).
4. To compare the VAT implications under various levels of supply chain.
5. To estimate the perceptions of different categories of people.

### SCOPE OF THE STUDY

Tax element influences the pricing policy, to study the wholesale and retail prices of select commodities. The study covers: Three groups of commodities:

1. Group-A : Commodities, whose rate of tax was reduced;
2. Group-B: Commodities, whose rate of tax was increased; and
3. Group-C: Commodities, whose rate of tax remained the same.

Area of coverage is in the state of Andhra Pradesh.

### METHODOLOGY OF THE STUDY

**Opinion Poll:** To know the impact of VAT opinion poll conducted and data gathered from various stake holders. The data obtained by way of Questionnaire is analyzed and conclusions are drawn. Opinion gathered through a short Questionnaire, issued to the Manufacturers and Wholesale / Retail Dealers.

**Sample Design:** At first all the districts of Andhra Pradesh are selected for the study. Finally, from each district purposively using the judgment, the sample size is arrived at 1100. The sample Respondents are from (40) categories of people. The sample consists of five categories such as Dealer, Professionals, Government, Consumers and others.

### LIMITATIONS OF THE STUDY

1. The study is conducted in the sample 23 districts of Andhra Pradesh only.
2. The study will have the limitations of generalizations of findings to all the states of India.
3. Questionnaire data collection: despite the fact that proper explanation is given, it depends how the respondent understands and comprehend the subject.
4. Bias, ignorance, communication problems.

### IMPACT OF VAT ON MARKET PRICES OF THE PRODUCTS

#### RISE OR FALL IN SELLING PRICES

There is a rise of fall in the selling prices of certain categories of commodities, as noticed from the market prices. The respondents are given some categories of commodities and asked to identify whether there is any change in the selling prices. The respondents expressed their opinion by accepting or rejecting the statement. The statement and responses of the respondents are given in the following tables. The respondents agreed with the statement, if the selling prices are increased.

#### AGRO-BASED PRODUCTS

Example: Food Grains (Rice), Pulses (Green Gram, Red Gram, Black Gram), Wheat and Wheat Products, Vegetable Oils, Chillies, Cotton, Turmeric, Pesticides and Fertilizers etc., 70.00 per cent of the respondents agreed that the prices are raising.

**TABLE1: SHOWS THAT RISE OR FALL IN SELLING PRICES IN AGRO-BASED PRODUCTS**

Particulars	No.of Respondents	Percentage
Agreed	770	70.00
Not agreed	198	18.00
Not known	132	12.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Industrial Products:** Example: Raw materials, Assemble Parts, Motors etc., 60.00 per cent of the respondents agreed that the prices of industrial products are rising.

**TABLE 2: SHOWS THAT RISE OR FALL IN SELLING PRICES IN INDUSTRIAL PRODUCTS**

Particulars	No.of Respondents	Percentage
Agreed	660	60.00
Not agreed	154	14.00
Not known	286	26.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Automobile Products:** Example: Motor Vehicles (Four wheelers and Two wheelers), Automobile parts, Tyres & Tubes, Bearings and Lubricants etc., 67.00 per cent of the respondents agreed.

**TABLE3: SHOWS THAT RISE OR FALL IN SELLING PRICES IN AUTOMOBILE PRODUCTS**

Particulars	No.of Respondents	Percentage
Agreed	737	67.00
Not agreed	143	13.00
Not known	198	18.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Consumer Durables:** Example: Refrigerators, Washing Machines, Air Conditioners, Television sets etc., 69.00 per cent of the respondents agreed.



TABLE4: SHOWS THAT RISE OR FALL IN SELLING PRICES IN CONSUMER DURABLES PRODUCTS

Particulars	No.of Respondents	Percentage
Agreed	759	69.00
Not agreed	231	21.00
Not known	110	10.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Fast Moving Consumer Goods (FMCGs):** Example: Toilet soaps, Tooth Paste, Hair Oils, Detergent Soaps & Detergent powders etc., 69.00 per cent of the respondents agreed.

TABLE5: SHOWS THAT RISE OR FALL IN SELLING PRICES IN FMCGS PRODUCTS

Particulars	No.of Respondents	Percentage
Agreed	759	69.00
Not agreed	231	21.00
Not known	110	10.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

**Construction Materials:** Example: Cement, Iron & Steel, Plywood, Glass & Glassware, Tiles, Marbles, Paints, Electrical Fittings etc., 76.00 per cent of the respondents agreed.

TABLE6: SHOWS THAT RISE OR FALL IN SELLING PRICES IN CONSTRUCTION MATERIALS PRODUCTS

Particulars	No.of Respondents	Percentage
Agreed	836	76.00
Not agreed	110	10.00
Not known	154	14.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Food Items:** Example: Food served in Hotels, Bread, Biscuits, Confectionary, Soft Drinks, Fast foods, Dairy Products etc., 70.00 per cent of the respondents agreed.

TABLE7: SHOWS THAT RISE OR FALL IN SELLING PRICES IN FOOD ITEMS PRODUCTS

Particulars	No.of Respondents	Percentage
Agreed	770	70.00
Not agreed	231	21.00
Not known	99	09.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Drugs & Medicines:** Example: General Medicines, Healthcare, Lifesaving drugs, auyurvedic preparations, homeo medicines etc., 75.00 per cent of the respondents agreed.

TABLE8: SHOWS THAT RISE OR FALL IN SELLING PRICES IN DRUGS & MEDICINES

Particulars	No.of Respondents	Percentage
Agreed	825	75.00
Not agreed	198	18.00
Not known	77	07.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**INCREASE OR DECREASE IN RATE OF TAX (VAT)**

There is increase or decrease in the rate of tax (VAT) of certain groups of commodities. The respondents are given the list of commodities under Group-A,B,C& D. when the rate of tax is increased the prices of such commodities are increased in the market. When the rate of tax is reduced the prices of such commodities are also increased instead of reducing the prices. The respondents expressed their opinion in terms of accepting or rejecting the statement mentioned about the groups of commodities. The statements and responses of the respondents are mentioned in the following tables.

**Group-A Commodities:** (whose rate of tax was decreased under VAT). Therefore prices of the commodities have come down: Example: (cosmetics, cement, drugs & medicines etc.,). There is mixed response from the respondents. 39.00 per cent of them agreed and 46.00 per cent of them disagreed with the statement.

TABLE9: SHOWS THAT INCREASE OR DECREASE IN VAT RATE OF TAX IN GROUP-A

Particulars	No.of Respondents	Percentage
Agreed	429	39.00
Not agreed	506	46.00
Not known	165	15.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Group-B Commodities:** (whose rate of tax was increased under VAT). Therefore prices of the commodities have gone up: Example: (milk foods, electronic items, music systems etc.,). In this case also there is a mixed response 41.00 per cent of them agreed and 42.00 per cent of them disagreed with the statement.

TABLE10: SHOWS THAT INCREASE OR DECREASE IN VAT RATE OF TAX IN GROUP-B

Particulars	No.of Respondents	Percentage
Agreed	451	41.00
Not agreed	462	42.00
Not known	187	17.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Group-C Commodities:** (whose rate of tax has undergone a change during the past two years, from the date of introduction of VAT). Therefore prices of these commodities have come down due to reduced rate of tax: Example: (Tea and Coffee). 38.00 per cent of them agreed and 23.00 per cent of them disagreed with the statement, while a majority of 39.00 per cent respondents do not know.

TABLE11: SHOWS THAT INCREASE OR DECREASE IN VAT RATE OF TAX IN GROUP-C

Particulars	No.of Respondents	Percentage
Agreed	418	38.00
Not agreed	253	23.00
Not known	429	39.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**Group-D Commodities:** Certain commodities have been exempted from tax under VAT, which were taxed earlier under APGST, is there any reduction in prices of such commodities: Example: (Jaggery, Firewood and Agricultural Implements etc.,). A majority of the respondents 78.00 per cent agreed.

TABLE12: SHOWS THAT INCREASE OR DECREASE IN VAT RATE OF TAX IN GROUP-D

Particulars	No.of Respondents	Percentage
Agreed	858	78.00
Not agreed	110	10.00
Not known	132	12.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**CONSUMER RIGHTS**

The consumers are the ultimate tax payers. The respondents were asked to express their opinion that there should be a separate machinery to protect the interest of the consumers. 92.00 per cent of the respondents agreed with the statement but only 5.00 per cent of the respondents disagreed with the statement. The information is given in the following table no.4.31.

TABLE13: SHOW THAT THE CONSUMER RIGHTS

Particulars	No.of Respondents	Percentage
Agreed	1012	92.00
Not agreed	55	05.00
Not known	33	03.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**RATING THE IMPACT OF VAT**

The respondents are asked to rate the impact of VAT on market prices, on a scale of 10 % to 100%. The respondents are given rate from the table no.14. About 80.00 per cent of the respondents expressed that there is increase ranging from 10% to 30%.

TABLE14: SHOWS THAT RATING THE IMPACT OF VAT

Particulars	No.of Respondents	Percentage
10% Increase	418	38.00
20% Increase	297	27.00
30% Increase	165	15.00
40% Increase	88	08.00
50% Increase	66	06.00
60% Increase	44	04.00
70% Increase	0	0
80% Increase	0	0
90% Increase	0	0
100% Increase	22	02.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

**PERSONAL OPINION**

The respondents are asked to give their personal opinion about positive impact of VAT on the prices of goods generally used by them. The responses are given in the table no.15. 59.00 per cent of the respondents expressed positive impact.

TABLE15: SHOW THAT HAS VAT MADE ANY POSITIVE / NEGATIVE IMPACT ON MARKET PRICES

Particulars	No.of Respondents	Percentage
There is a positive impact	649	59.00
There is a negative impact	286	26.00
Not known	165	15.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

**CAPTIONED ADVERTISEMENT**

There was an advertisement on VAT. It was like "VAT made life Happier". The respondents are asked to say Yes or No about the above caption. Their reactions are given in the table no.16. About the 47.00 per cent respondents are supported the statement.

TABLE16: SHOW THAT "VAT MADE LIFE HAPPIER"

Particulars	No.of Respondents	Percentage
Yes	517	47.00
No	352	32.00
Not known	231	21.00
<b>Total</b>	<b>1100</b>	<b>100.00</b>

Source: Primary Data

The following are some of the **general remarks** mentioned in the data by the respondents in their own words:

1. Consumer all the most is a neglected lot in matter of taxation (indirect) ultimate price of any goods influence decision of consumer, in matters of taxation policies this fact is seldom taken into consideration. It is not merely the rates of taxation that matters but, in my opinion the administration of tax, effective dispute resolution mechanism, administration action on erring officials (only when due care is not exercised) pressure of targets on tax official, considering tax demand raised by officials as a tool to evaluate their performance contribute largely to evasion price practices by dealers.

2. VAT is very good act. By implementing VAT clerical work paper work of traders increased, it is very difficult to maintain without a computer. Market prices are stable.
3. Effective implementation of VAT, ailment of input credits, issue of compulsory sale bill, and dealer's compliance in this regards will benefit the consumer ultimately in the long run.
4. Increase in prices cannot be attributed to VAT. There was no discernable tendency of the prices to go up or down with the increase or decrease of any kind of taxes. Prices are linked to market forces. There is an tendency on the part of a section of the business people to attribute the rise in prices to taxes with a view to mislead the public. Hence "the impact of VAT on market prices" is a figment of imagination rather than a reality.
5. Introduction of VAT in a country like India is a good factor. But the returns that are to be submitted by a dealer are to be kept minimum. By this, the dealers will concentrate on business and pay more taxes. Above all, thanks for taking this type of initiative on VAT.
6. There is a lot of gap in understanding the impact of VAT between consumer and trader. The input tax benefit is never passed on to the consumer. But the burden is always thrown on the shoulders of the tax payer. In the name of VAT, the customer is always burdened.
7. VAT has not achieved desired results and the common man is not benefited by the implementation of VAT. The benefit of VAT is not being extended to the common man.
8. On the whole, there is no impact on the commerce on introduction of VAT. Even after introduction of VAT consumers are not insisting on bill. Even traders are not issuing sale bill.

### SUGGESTIONS

1. One R & D unit is to be created in the CT dept. to study the situations and initiate appropriate Acton to protect the state revenue and the interests of the consumers. Under APGST regime, purchases from unregistered dealers were more, say 30% without bills. The corresponding sales were reduced or suppressed to that extent.
2. In the light of set-off of tax now available under VAT, it is to see whether corresponding white sales have increased or not, with reference to the profit & Loss Accounts of the dealers.
3. To see whether No.2 business is reduced in certain vulnerable areas which are prone to evasions? Whether VAT really worked there?
4. Did Rationalization and Reforms bring in any change in the public?
5. See the accounts of Corporate Hotels, Corporate Hospitals, their local purchases. To verify how much turnover, scored with bills and how much turnover scored without bills.
6. In VAT regime dealer-wise payment of tax abnormally increased. Evasion has comedown definitely, due to the ITC (Input Tax Credit) benefit extended to the manufacturers. The compliance levels have almost been doubled, more than the projected levels. Whatever reflected is only a partial compliance, but still there is scope to get a lot of compliance.
7. There is an urgent need to change the pricing policy to protect multidimensional interest

### CONCLUSION

To sum up, the Impact of VAT on market prices is clearly seen in the case of commodities whose rates of taxes have been either reduced or increased. A 1 % increase in the tax rate imposed on the commodities leads to increase in the price of the same commodity by ranging from 0.05 % to 0.9 % in general and in the extreme cases went up to 12.5 %. The impact was more on price increase side, rather than on price decrease side. The impact is changing from year to year, as the prices have been changing from first year to second, and second to third years of VAT. The co-efficient of Variance is worked out taking into account the pre-VAT and post VAT Price.

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**IMPACT OF MICRO INSURANCE ON SELF HELP GROUPS IN RURAL AREAS OF ANDHRA PRADESH**

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**ABSTRACT**

Micro insurance initiative for poorest of the Poor to provide cover for death and disability the scheme introduced by Society for elimination of Rural Poverty (SERP) an autonomous body promoted by Department of Rural Development Government of Andhra Pradesh. The aim of the Project to inculcate the habit of insurance in low-income household with emphasis on Self management of integration. The implementing agency is Society for Elimination of Rural Poverty (SERP), an autonomous body promoted by Department of Rural Development of Andhra Pradesh Government. The Project is being implemented through the Self Help Group Federations called Samakhya. The SHGs and their Zilla Samkhyas are being empowered through this scheme to play active role in insurance operations. The project implementation puts on self-management of the intervention. Eligibility Rural Landless Households, Age Group 18-59 years, Premium Rs.200/- per member. 50% Central Government and remaining 50% by state Government Nodal Agency State Government. Benefits: Natural Death Rs.30, 000/- Accidental Death Rs. 75,000/- Total permanent disability Rs. 75,000/- (loss of two eyes or two limbs or loss of one eye and one limb in accident), Partial permanent disability Rs.37,500/- (loss of one eye or one limb in an accident) Two children of the beneficiaries studying in 9th to 12th standard will get Rs. 300/- per quarter per child.

**KEYWORDS**

Agency, Integration, Poorest of the Poor, Samakhya, Self help Group.

**INTRODUCTION**

Micro insurance initiative for poorest of the Poor to provide cover for death and disability the scheme introduced by Society for elimination of Rural Property (SERP) an autonomous body promoted by Department of Rural Development Government of Andhra Pradesh. The aim of the Project to inculcate the habit of insurance in low-income household with emphasis on Self management of the integration. The impact study has measured the understudying of the target population about insurance, assess the spread of initiative, its growth, claim Experience of the people covered, repurchase imitations of the People. The overall sustainability of the initiative has been measured by socio Economic developed and infrastructural suitability.

The general awareness about the scheme through by District Rural Development Agency. This is good initial phase of initiative. However, the awareness about benefits under scheme, details of scheme. Details of claim process need to be revamped. For this, greater emphasis needs to be laid on audio visual aids like Radio and television especially in areas of low literacy rate.

There is also indication that the impact or Federation (Samakyas) is low in the district lagging behind. It is strength suggested that effort should be done to find out the status of samakyas in all district and necessary steps are taken to strengthen them. Special emphasis can be on the flow of information down to village organization and individual members.

Micro insurance be one tool to mitigate risks of low – income group in the country. India has very low insurance penetration (5%) and density (\$ 42) compared to the world average of 7.5 %. This is because of the low awareness and acceptance of pure insurance services, lack of access to financial services for the low - income group. To increase acceptance of insurance as a tool to mitigate loss due to financial risk arising out of various events, insurance literacy and accessibility to insurance has to increase.

Nearly 80% of Indian population is without life, health and non-life insurance coverage. The per capita spent on life and non life insurance is only Rs 2000 and Rs 300 respectively, compared with global average of at Rs 18000 and Rs 13, 000.

The main reason for the poor spread of insurance may probably be lack of availability, affordability, acceptability and awareness.

The Government of Andhra Pradesh has attempted to address issues related with financial vulnerability of poor families in rural areas by providing insurance at the doorsteps of the families. To achieve this the Government has launched a Micro Insurance initiative for poorest of the poor to provide cover for death and disability. The aim of the project is to inculcate financial discipline and create awareness about insurance in low-income households.

This study was done to assess impact of the Micro Insurance on the target population in increasing financial discipline and reducing vulnerability.

**2. THE SCHEME**

The implementing agency is Society for Elimination of Rural Poverty (SERP), an autonomous body promoted by Department of Rural Development of Andhra Pradesh Government. The Project is being implemented through the Self Help Group Federations called Samakhya. The SHGs and their Zilla Samkhyas are being empowered through this scheme to play active role in insurance operations. The project implementation puts on self-management of the intervention.

Zilla Shamahys have been working for socio economic empowered of its members through saving credit and other services. Insurance is being taken as an additional service for the members.

Department of Rural Development has established call centers in all 22 districts. The call centers are managed with help of Districts Rural Development Agencies. Through Madal Smakhyas DRDA has employed 900 Bima Mitras to provide timely and quality service. A Service charge of Rs 15 per applicant is collected to meet the operational expenses; with the aim of making the program self sustained.

The scheme were being run by Andhra Government under one umbrella scheme named Indira Jeevith Bima Padakam. The names of the schemes are Aam Admi Bima Yojana (AABY), Janashree Bima Yojana (JBY), other Group Insurance (OGI) and Credit Insurance (CI).

In the year 2009, the name of the scheme was changed to Abhayastam with introduction of pension scheme. Abhayastam has the same benefit of Jasnashree Bima Yojna in addition to monthly pension.

This study covers the impact of under Indira Jeevita Pathakam. The Study attempted to quantify socio economic impact on target population as a result of Micro insurance initiative.

**3. THE MAIN FEATURES OF THE SCHEME IMPLEMENTED ARE: (AAM ADMI BIMAYOJAN)**

Scheme	Age Gr (Yr)	Insurance Agency	Nature/Target Gr	Premium paper member	Coverage / benefits Rs	Share in Premium		
						Insured	State	Center
AABY	18-59	LIC	Individual / Landless Agri Laborer's	Rs 200	Rs 75,000/- Death, Permanent disability due to accident Rs.37, 500/- Natural Death Free add on Scholarship for school going children	NA	50%	50%



Eligibility Rural Landless Households, Age Group 18-59 years, Premium Rs.200/- per member. 50% Central Government and remaining 50% by state Government Nodal Agency State Government.

Benefits: Natural Death Rs.30, 000/- Accidental Death Rs. 75,000/- Total permanent disability Rs. 75,000/- (loss of two eyes or two limbs or loss of one eye and one limb in accident), Partial permanent disability Rs.37,500/- (loss of one eye or one limb in an accident) Two children of the beneficiaries studying in 9th to 12th standard will get Rs. 300/-per quarter per child.

This Scheme would extend the benefit of life insurance coverage as well as coverage of partial and permanent disability to the head of the family or an earning member of the family or rural landless households in the States and also educational assistance to their children studying from 9th to 12th standard as an extended benefit.

SERP has been working for the socioeconomic empowerment of the poor families since 2001. It has taken Self Help Groups (SHGs) as a primary unit or in other words building block for empowerment. It mobilized families, with focus on women to get organized and work for their own development. The SHGs further organized to form Mandal Samkhyas at Mandal Level. The Mandal Samkhyas of a District form Zilla Samkhya. This way, it is a four - tier - structure.



This Structure has provided a ready ground for the implementation of the scheme. The Samkhyas are promoting saving credit and income generation activities, They are acting as a vibrant platform for the women in rural areas. The Smkhyas have both human and financial resources to undertake a new initiative that adds value to the members. They are equipped in handling financial transactions and have a corpus that they use to assist the members.

Micro insurance has come as a natural next step towards financial empowerment. It provides relief in case of economic bad conditions happens due to accident or death of the earning head of the family.

One of the main reasons for failure of income generation activities is capital and asset erosion due to economic bad conditions originating from different sources. So, decision to provide Micro Insurance came as a welcome step for Samakhyas.

SERP has developed an effective model for implementation of the scheme. The implementation of the scheme has five main centers of activities. They are :

- a) Village Organisations
- b) Mandal Samakhyas
- c) DRDA
- d) SERP
- e) Insurer

The roles of different player are as under :

- a) Village Organisations

The village organizations are the centre of activity. They enroll the members under the scheme. They create awareness about the scheme. In the case of risk event, the members help the bereaved family, inform the call centers about the event, help the Samakhya to cross verify the facts related with the event, help the bereaved family in collecting the required documents, and hand over the claim amount.

- b) Mandal Samakhya

The mandal Samakhyas act as facilitators to SERP and DRDA. They also guide and assist the VOs in enrollment and claim settlement process. The service part is also taken care by Bima Mitras. Bima Mitras appointed in each Mandals to specially focus on the servicing of claim and interim financial relief for the Self Help Group families.

- c) Society for Elimination of Rural Poverty (SERP)

The SERP is the mother organization of Samakhyas. SERP is grooming the Samakhyas to take up the responsibility of its members. It has been facilitating, guiding and handholding Samakhyas to implement different programs from time to time.

SERP has designed the project, done liaison with the insurer, created the infrastructure for implementation of the project. It keeps improving the structure to accommodate the learning. This way SERP is a good example of 'Learning Organisation'.

- d) District Rural Development Agency (DRDA)

DRDA is coordinating work of SERP and Samakhya at district level. The DRDA Director is appointed coordinator for the project. DRDA hosts the call center.

Each district has a call center that acts as a lifeline for the project. The call center has the enrollment data. It keeps on updating the claim data and plays an important role in claim settlement. It acts as an information centre for the district and also coordinates with the bank and Zilla Samakhya to maintain minimum balance for interim relief.

#### 4. OBJECTIVES

- Increase awareness about insurance among target populations.

- Inculcate habit of insurance in poorest of the poor families.
- Provide economic assistance through insurance to all the SHG members and poorest of the poor households;
- Setup a system for timely and quality service and
- Make the system self sustained

The impact study has measured the awareness level of the target population about the concept of insurance, awareness about the product, process of purchase and claim of people who are enrolled, usages, utility and efficiency of the system developed for service.

The study has also attempted to measure the spread of initiative in the target population, its growth, claim experience of the people who have experienced shock after enrolling, impact in reducing vulnerability, and repurchase intentions of the covered population.

The study has attempted to develop criteria to assess the efficiency and effectiveness of the operating system and robustness of the infrastructure developed for client service. The overall sustainability of the initiative is measured by 'selecting indicators to measure financial, operational and infrastructural sustainability'. Organization structure was studied to assess the 'systemic sustainability' of the initiative by considering capacity and ability developed in human resource and bench strength available. On the basis of study the areas of improvement are identified.

## 5. AWARENESS

One of the main reasons of low insurance penetration in India is low insurance literacy. If we compare the status of India with global standards, India is lagging behind even with Asian countries. The insurance penetration in India is 4.8 and insurance density is 33.2 ; where as the world average is 7.5 and 554.8 respectively. The insurance penetration for Asia is 6.6 and insurance density is 205.

Awareness among the target population is important to meet the objectives of any project. This aspect is also critical for meeting the objective of including the habit of insurance among masses.

This study has attempted to measure the awareness level among the covered population by asking questions about the schemes, enrollment process, role of service provided by Bima Mitras, Call Centres and claim settlement process.

The concept behind insurance is important to understand as it plays important role in decision-making. People will feel comfortable in paying for insurance if they know why they are paying and what happens without their money.

### ROLE OF BIMA MITRA

The study has closely looked in the role of Bima Mitra. When asked about who collects money for enrollment, 75% of respondents in the state said it was SHG member, while 21% respondents said it was Bima Mitra.

The Bhima Mitra give the wide awareness to the self help Group members for pros and cons of the Bhima after done the incident. Most of the Bhima mitras are self help Group members.

## 6. SOCIO ECONOMIC BENEFITS

As the name indicates, indicator socio economic impact includes social impact and economic impact. Social impact indicates the change in social status. Economic impact indicates reduction financial vulnerability and wellbeing. The improvement in social status is captured by taking into account Sense of Security self Actualization, Education of Children and Superstition about insurance. Sense of security assess whether respondents are feeling financially secure about future and about future of children. Self-actualization takes into account improvement in the personal worth in respondents. Whether they feel having insurance has improved their respect in society and his increased their confidence. The improvement in economic status was captured by considering Dependence on financial Assistance, Creditworthiness and Usage of Amount of the family.

Dependence on financial Assistance indicates impact on vulnerability. Improvement in Creditworthiness and Usage of Amount indicates economic well-being induces with help of financial assistance. When asked about what benefits they perceive for insurance, the overall response was encouraging respondents felt more secure about future of the family after taking insurance. Economic impact on intervention was measured by asking questions about he importance of interim benefit, source of credit in absence of financial assistance, usage of interim benefit and claim amount.

High dependence on interim benefit and usage of claim amount in payment of debt indicates effectiveness in reducing financial vulnerability. At the same time usage of amount also indicates future wellbeing of households with help of financial assistance.

## 7. REDUCTION IN FINANCIAL VULNERABILITY

The usefulness of interim relief was captured by assessing the dependence on financial Assistance for funeral. The effectiveness of initial help was measured by asking how desperately people waited for the help to reach or in other words, how much the family depends on the immediate help.

The interim help in form of Rs.5000/- immediate relief has come out to be an important feature of service as most of the respondents said they waited for the initial help from the service organization.

The four parameters covered under sustainability are Financial Sustainability, Operational Sustainability, Infrastructural Sustainability and Systemic Sustainability.

## 8. FINANCIAL SUSTAINABILITY

Financial sustainability depends on the revenue generated by initiative and expenses occurred in bringing out the outcome, i.e., claim settlement.

Financial sustainability for a project to run on its own is possible if people are willing to pay the price of product and services even without government subsidy. Willingness to pay also represents the usage value for the consumers, i.e., the target population. It can also be taken as an indicator for the success of the program.

When asked whether they would like to continue for the scheme even if subsidy is not available, 90% of the respondents said they would continue. The districts were awareness level is high and implementation is relatively effective.

The flow of information is :

Family of Insured→CallCenter→ Bima Mitra / Community Representative→InsuranceCompany→CallCenter→ Bima Mitra → Family of Insured.

In this flow of information and processes, the IT infrastructure plays important role. The infrastructure has to be robust at the same time simple and user friendly.

## 9. CONCLUSION

The general awareness about the scheme is satisfactory. This good for initial phase of initiative. However, the awareness about benefits under scheme, details of claim process is low in all districts. This is not a matter of concern at this stage. But as the project matures, it is expected that people are made aware about the details of the initiative. Constant effort will be needed for educating people with focus on second level of information. This can be done in phases.

The awareness about claim process is satisfactory for the initial phase, especially looking into the profile of covered population. But it needs to be intensified in future. As people are aware about the system set up for claim processing, but they are not aware about the usage. To convert this awareness in active behavior, they need to be made confident in using the system, like it is done in fire drill.

Another observation is that the role played by Radio and television in transferring information is nil. Keeping in view the fact that audio & visual media make more impact on the audience, these two sources can be utilized in future.

There is also an indication that the impact of Federation (Samakhya) is low in the districts lagging behind. It is strongly suggested that effort should be done to find out the status of Samakhya in all districts and necessary steps are taken to strengthen them. Special emphasis can be on the flow of information down to village organization and individual members.

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**ASSESSMENT OF OPPORTUNITIES AND CHALLENGES OF TOURISM INDUSTRY IN JAMMU AND KASHMIR**

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**ABSTRACT**

*Travel and tourism have been important social activities of human beings from ancient times. Tourism has become one of the world's largest and fastest growing economic activities. Its growth has impact on employment, foreign currency earnings, balance of payments, and the economy in general. Jammu and Kashmir is known for its scenic landscape all over the world. Tourism forms an integral part of the state's economy. The state of Jammu and Kashmir has immense potential for tourism from both domestic as well as international tourists there are a number of locations which are untapped and can be developed as major tourist destinations. Tourism being one of the state's major industries has played an important role for developing the economy, particularly in the Valley and Ladakh regions. The industry has given jobs to a very large number of people and has generated economic activities in the primary, secondary and tertiary sectors in the state, which owes dependence to a large extent to this industry. The present study is an attempt to assess and analyze the opportunities, challenges and other related issues of Tourism Industry in Jammu and Kashmir. The study also identifies the need of a well balanced and effective policy of the state government towards the sustainable tourism development in J&K.*

**KEYWORDS**

Balance of payments; Economy; Employment; Foreign exchange; Sustainable tourism.

**INTRODUCTION**

Tourism consists of the activities undertaken during travel from home or workplace for the pleasure and enjoyment of certain destinations, and the facilities that cater to the needs of the tourist. Travel and tourism have been important social activities of human beings from time immemorial. The urge to explore new places within one's own country or outside and seek a change of environment has been experienced from ancient times.

Tourism has outshined traditional industries to become one of the world's largest and fastest growing economic activities. According to the estimates from the World Travel and Tourism Council (WTTC) in 2011, tourism generates around 270.7 million jobs worldwide and accounts for over 10% of global Gross Domestic Product (GDP).

Apart from economic benefits, tourism plays a vital role in cross-cultural exchange of the two cultures. It helps to learn about different languages, life styles and tradition. It provides opportunities to adopt the qualities of different cultures vice-versa, as tourists are also bound to cause tension among the local population by introducing new life styles and progressively promoting social, cultural and religious disruptions.

Tourism provides opportunities to local people to raise their living standards by increasing employment opportunities. Tourism serves as a means of conserving the cultural heritage of the local area which otherwise might be lost due to development. It provides scope for conserving local dance, art, craft, music, drama, dress and old historic monuments.

**OBJECTIVES OF THE STUDY**

The present study has following specific research objectives:

1. To study the potential and employment opportunities of Tourism Industry in Jammu and Kashmir
2. To assess the impact of tourism on Jammu and Kashmir's economy and environment
3. To find out the major challenges and problems of Tourism Industry in Jammu and Kashmir
4. To provide suggestions and recommendations for the full exploitation and development of Tourism Industry in Jammu and Kashmir

**METHODOLOGY**

The study is mainly based upon the collection of secondary data. The secondary data was collected from various sources of publications such as Magazines, journals, Research articles, Internet and published and unpublished records on J&K tourism.

**TOURISM INDUSTRY IN JAMMU AND KASHMIR**

Jammu and Kashmir is known for its scenic landscape, beautiful valleys, lakes, snow capped mountains, cool climate, skiing, trekking and fishing opportunities, archaeological, historical, cultural and religious places all over the world.

The state of Jammu and Kashmir has three distinct regions, viz, Jammu, Kashmir and Ladakh. All the three regions have immense potential for tourism from both domestic as well as international tourists. While mountainous landscape of Kashmir valley has attracted tourists for centuries across the globe. Some notable tourist places in Kashmir valley are Dal lake, Mughal gardens, Nishat Bagh, Gulmarg, Yeusmarg, Phalgam etc. Kashmiri's natural landscape has made it one of the popular destinations for adventure tourism in South Asia. Marked by four distinct seasons, ski enthusiasts can enjoy the exotic Himalayan powder during winters.

Jammu is known for its ancient temples, Hindu shrines, gardens and forts. The Hindu holy shrine of Amarnath in Kashmir attracts millions of Hindu devotees every year. And Vaishno Devi shrine in Jammu region also attracts tens of thousands of Hindu devotees every year. Jammu's historic monuments feature a unique blend of Islamic and Hindu architecture styles.

Ladakh, the third and important region of the State has emerged as a major hub for adventure tourism. This part of Greater Himalaya called "Moon on Earth" comprising of naked peaks and deep gorges was once known for the silk route to Asia from subcontinent.

Tourism is one of the State's major industries. It has played an important role for developing the economy, particularly in the valley and Ladakh. Being a labour-intensive industry, it has given different jobs to a very large number of people and generated economic activities in the primary, secondary and tertiary sectors in the state, which owes large dependence on this industry.

Kashmir has been a center of attention for different people for different reasons all over the world. There are various places of tourist attraction in the state visited by the tourists. However, most of the places with ample tourism potential are untapped.

Tourism in Kashmir depends greatly on the natural resources that this place has to offer for economic profitability. Tourism provides good sustenance to the local population and revenue to the State exchequer. The visits from domestic and international tourists provide a valuable source of earning. Visitors spending generate income for both public and private sectors besides effecting wages and employment opportunities. Till the year 2010 there was a negative growth rate in the tourist arrivals. But during 2011-12 there was a significant increase in volume of domestic as well as foreign tourist arrivals in Kashmir. [See table 1]



TABLE 1: TOURISTS' ARRIVAL FROM 2004 TO 2010 IN JAMMU AND KASHMIR

Year	Amarnath Ji	Kashmir Domestic Tourists	Foreign	Jammu Domestic	Ladakh Domestic	Foreign	Total
2004	400000	358000	19000	6100000	13000	22000	7724000
2005	388000	585702	19680	6251998	13781	24665	8315654
2006	265000	412879	20009	6950573	17822	26078	8434149
2007	213565	417264	24576	7222318	22102	28477	8634286
2008	498075	550100	22000	6576000	39000	33000	8860350
2009	373419	520454	20809	7657000	48127	30446	9643517
2010	458046	698564	24376	8239474	54684	21371	10753556

### ECONOMIC BENEFITS AND POTENTIAL OF TOURISM SECTOR IN JAMMU AND KASHMIR

Jammu and Kashmir has tremendous potential in tourism sector. The scope of large scale industrial development is very limited in the State. Tourism being a labour intensive industry provides a very vast scope for employment opportunities in Jammu and Kashmir. The employment opportunities provided by this industry are comparatively higher than other industries. Tourism is regarded multi-segmental industry, therefore, it provides different types of jobs like hotel managers, receptionists, accountants, clerks, guides, travel agents, chefs, transport operators etc.

The positive economic benefits of tourism industry in Jammu and Kashmir are:

1. Contribution to State's income generations
2. Expansion of employment opportunities in the State
3. Tax revenue
4. Generation of Foreign exchange
5. Transformation of regional economy
6. Social and Cultural effect
7. Up-gradation and expansion of basic infrastructure

### FOREIGN EXCHANGE EARNINGS FROM TOURISM

From tourism perspective, Jammu and Kashmir has always been one among the favorite places of visit not only for domestic tourists but for the foreign tourists as well. There has been an upward trend in terms of the number of foreign tourists visiting the State since last five years and the trend is expected to continue to boost the economy of the State.

Tourism is an important sector of Indian economy and contributes substantially in the country's foreign exchange earnings (FEEs). Foreign exchange earnings from tourism, in Rupee terms, during 2011, were Rs 77591 Crore, with a growth of 19.6%, as compared to the foreign exchange earnings of Rs 64889 Crore during 2010. [See Table 2]

TABLE 2: FOREIGN TOURIST ARRIVALS AND FOREIGN EXCHANGE EARNINGS DURING 2004-2011 IN INDIA

Year	Foreign Tourist Arrivals (in Nos.)	Foreign Exchange Earnings (Rs. Crores)	Foreign Exchange Earnings (Millions US\$)
2004	3457477	27944	6170
2005	3918160	33123	7493
2006	4447167	39025	8634
2007	5081504	44360	10729
2008	5282603	51294	11832
2009	55167699	54960	11394
2010	5775692	64889	14193
2011	6309222	77591	16564

Source: Ministry of Tourism, Govt. of India (2011-2012 Annual Report)

During 2011, foreign tourist arrivals in India were 6.29 million, with a growth rate of 8.9% over 2010. Foreign tourist arrivals in India during 2010 were 6.29 million, with a growth of 8.9% over 2010. Foreign tourist arrivals in India during 2010 were 5.78 million as compared to the foreign tourist arrivals of 5.17 million during 2009, showing a growth of 11.8%.

### TOURISM PRODUCTS OF JAMMU AND KASHMIR

The State of Jammu and Kashmir offers a very large number of marketable products. While looking from tourist point of view, each district of the State has so much to offer such as:

- Vast Natural Resources
- Adventure Tourism (River Rafting, Mountain climbing)
- Numerous Trekking routes
- Pilgrimage Tourism ( Muslim, Hindu, Buddhist)
- Wildlife Tourism
- Heritage Tourism
- Springs
- Festivals and Cultural activities
- Handicrafts etc.

The above mentioned products could be exploited by means of a well-laid tourism policy. Thus, tourist information offices should be opened in all the major cities of India and abroad, which must provide the information to the tourists about the various tourist destinations in Jammu and Kashmir.

Further, the identified products should be made marketable and attractive to lure tourists. And this is possible only if investments are made in the following infrastructure:

- Up- gradation and expansion of Roads and Local Transport
- Modern International Level Luxury Sightseeing Coaches
- Operation of Air Services to various tourist destinations
- International Standard Hotel Accommodation
- Recreational Facilities
- Amusement Parks, Health clubs, Indoor Skating Rinks etc.
- Setting up of Gondolas/cable cars/ Rope ways in Phalgam, Sonamarg, Patnitop etc.

**OPPORTUNITIES OF TOURISM INDUSTRY IN JAMMU AND KASHMIR****a) HERITAGE TOURISM**

The State of Jammu and Kashmir is full of history. Under the Antiques Act, any article that is more than 75 years old is to be declared heritage property. Jammu and Kashmir is a land with more enormous potential for heritage tourism. The land is full of natural beauty that is unique to the state. It is also bestowed with a variety of cultural forms and manifestations that has their distinct flavor. It has diverse practices in religion, rites and rituals, fairs and festivals, landscape and people, language and culture.

The valley of Kashmir offers sparkling streams, high mountains and verdant land that has the classic beauty and attracts people from every corner of the world. The Kashmir valley has been the chosen place for many film makers and artists in India. The history of the state still lives in the forts, museums, ancient buildings and other heritage spots within the State. Jammu and Kashmir is home to famous Hindu pilgrimages in India, where thousands of Hindu community people visit the shrine of Amarnath cave and Mata Vaishno Devi every year.

Jammu and Kashmir is blessed with both tangible and the intangible heritage which should be incorporated into the wider tourism circuit. The need is to treat heritage tourism in this region as the function of the tourism only then it can thrive in the true tourism sense. First, the heritage tourism assets of the region should be identified and then a proper documentation mechanism has to be devised so that a proper inventory is developed which can be integrated into a well defined tourism product by employing the proper marketing strategy with the help of the multidisciplinary approach of the varied professionals, who can constitute task force for the application of the mechanism developed from this integrated process. Once this procedure is brought into action it will lead to the heritage tourism development model that will lead to the bright prospects of the overall tourism business in the region.

**b) PILGRIMAGE TOURISM**

The State of Jammu and Kashmir has been a seat of reference to all major religions of the world. This state is full of holy sites and most of these sites are located in between the scenic surroundings of great Himalayas. This aspect is responsible for attracting large number of tourists every year, which has ultimately led to a boom in the tourism industry of the State. This way, tourists not only just explore the spectacular landscapes but have the opportunity of worshipping at the respective religious shrines. Jammu & Kashmir has various mosques and temples which are just marvel creations. The state stands as an epitome of religious tolerance. Visiting Hari Parbat Pilgrim Center where a temple, a gurudwara and a mosque stand side by side gives a feeling of pure brotherhood in between of major religions of Jammu and Kashmir.

Jammu & Kashmir has various pilgrim destinations for Muslims, Hindus and Buddhists. The very famous Mata Vaishno Devi Shrine and the Amarnath Temple are located in this state. These sites are the most valued and sanctified of Hindu pilgrimage sites where thousands of devotees pay homage every year. For Muslims, there is the Hazratbal Shrine in Srinagar where the sacred hair (Moi-e-Muqqadas) of Prophet Mohammad (S.A.W) is preserved and the truthfully come to pay homage. The Shahdara Sharief located in Rajouri District of the State is like an emblem of communal harmony. Baba Ghulam Shah, who was born in Rawalpindi, Pakistan, made Shahdara his house and Sikhs, Muslims and Hindus visit this shrine for offering prayers and seeking the blessings of Pir (Saint). Ladakh has a captivating barren landscape and attracts innumerable tourists who are keen to experience the lush atmosphere which forms the background to several monasteries and monastic festivals here.

**CHALLENGES OF TOURISM INDUSTRY IN JAMMU AND KASHMIR****a) INFRASTRUCTURAL CHALLENGES OF TOURISM INDUSTRY**

To a greater degree than most activities, Travel and tourism depends on a wide range of infrastructure services- airports, roads, railheads and ports, as well as basic infrastructure services required by hotels, restaurants, shops and recreation facilities (e.g. telecommunications and utilities). It is the combination of tourism and good infrastructure that underpins the economic, environmental and social benefits. It is important to balance any decision to develop an area for tourism against the need to preserve fragile or threatened environments and cultures. However, once a decision has been taken where an area is appropriate for near tourism development or that an existing tourist site should be developed further, then good infrastructure will be essential to sustain the quality, economic viability and growth of travel and Tourism. Good infrastructure will also be a key factor in the industry's ability to manage visitors flow in ways that do not affect the natural or built heritage, nor counteract against local interest.

If travel and tourism is not managed well, it can have a detrimental effect- it can damage fragile environments and destroy local cultures. The challenge is to manage the future growth of the industry so as to minimize its negative impacts on the environment and host communities whilst maximizing the benefits it brings in terms of jobs, wealth and support for local culture and industry, and protection of the built and natural environment.

**b) ENVIRONMENTAL CHALLENGES OF TOURISM INDUSTRY**

As tourism increases, environmental and socio-economic impacts can also be expected to increase. Environmental pollution poses a serious threat to life on earth not only in industrial areas but also in areas where there is a great concentration of tourists. The areas with tourists' concentration are dumping ground for municipal and industrial waste. In the tourist areas various diseases are often transmitted by contaminated food. Locals of the area mainly face the severity of problem as during the peak period the demand of public services reaches saturation point, there is generally shortage of water. Thus unclean environment due to piled garbage and lots of pollution takes place.

Tourism's potential for improving environmental conservation and community well-being is nevertheless considerable. The key to accessing this potential is the direct involvement of local communities within a climate of supportive regional or national policy. Policy makers, non-governmental organizations, and other stakeholders must therefore work in coordination to create opportunities that center on local communities, promote conservation efforts and link conservation with enterprise development.

**NEED OF A COMPREHENSIVE MARKETING STRATEGY**

The first important task before policy makers is to develop and adopt a comprehensive marketing strategy for increasing the visibility of Jammu and Kashmir on the World Tourism Map. Besides this, given the competition and the need to satisfy customers with an increasingly broad range of interests, Jammu and Kashmir has no option but to offer a tourism product that is competitive and innovative. Thus, both the development and the organization of the tourism product are instrumental in the successes of promotional strategies.

There is a great upheaval in the world of communications, prompting major changes in consumer behavior, especially noticeable in travel planning and reservations. Jammu and Kashmir will have to adopt a promotional approach consistent with the new tendencies. Focusing the investments on the markets generating huge revenues could lead to the enhancement of Jammu and Kashmir's performance in tourism sector.

**RECOMMENDATIONS**

To make the State of Jammu and Kashmir the number one tourist destination leading to sustainable socio-economic development of the region by capitalizing on the abundant available natural and human resources following step should be taken:

1. Attracting high spending international tourists to visit Kashmir
2. Developing optimal infrastructure facilities
3. Quicker accessibility, safer maneuverability, large reach, excellence in hospitality and service.
4. Develop tourist destination facilities of international standards
5. Move from seasonal to perennial tourism
6. Make wider usage of information technology to improve means of communication
7. Organize eco-friendly activities
8. Be the facilitator to encourage private entrepreneurship in the industry

**CONCLUSION**

Tourism is the life line of Jammu and Kashmir and all possible efforts need to be undertaken for retaining, maintaining and sustaining it. Tourism can play an effective role in integrating the entire universe. Tourism opens up new window for resources, both investment generation and revenue generation leading to employment generation as well as socio-economic development of the local populace.

Even though tourism creates jobs and contributes significantly to economic growth, it is not automatically a solution for poverty reduction. Therefore, it is important for government of the state, local investors and other stakeholders to actively participate in tourism and its related activities. The local workforce can also help by engaging and encouraging the use of local companies for the provision of transport, services and food in order to assist in alleviating local poverty.

The different terrains of the State coupled with law-and-order problems have contributed to poor connectivity in the region. The rail-road mix of transport in the state is very low. There is dire need to build alternative roads in some places to ensure better connectivity. There is also a need to upgrade many of the existing roads from two lanes to four lanes. The State, sparsely populated and scattered as it is, needs more airports and better air connectivity as well.

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# MANAGER'S CORPORATE ENTREPRENEURIAL ACTIONS AND EMPLOYEE'S JOB PERFORMANCE & SATISFACTION: A STUDY ON MANAGERS & THEIR SUB-ORDINATES AT INFOTECH PVT. LTD., LAHORE

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## ABSTRACT

*Knowledge about corporate entrepreneurship and its successful use continues to expand but it is still not enough for people to understand about corporate entrepreneurship. This literature is about to know the important relationship between the organizational antecedents which create corporate environment in which managers take successfully entrepreneurial actions which results in Job Satisfaction. This paper is a conceptualize framework about corporate entrepreneurship. The rationale behind this is organizational antecedents help in taking entrepreneurial actions which results in job satisfaction and reinforce the Corporate Entrepreneurship practices. To examine that the organizational antecedents relate to job satisfaction which results in generated new ideas, their implementation and unofficial improvements, this paper is having sample size of 30 respondents out of which 10 are managers, 5 are at low-level, 3 at middle-level and 2 at high-level and the remaining 20 respondents are working at sub-ordinate level with these managers. In depth interviews and meetings were conducted to collect data as total open ended questions which asked from the respondents. After collecting, analyzing, and summarizing the results, it showed that; there is significant relation between entrepreneurial actions and job satisfaction especially with the existence of organizational antecedents.*

## KEYWORDS

Entrepreneurial Actions, Role of Managers in Corporate Entrepreneurship, Organizational Antecedents, Employee's Job Performance & Satisfaction.

## 1. INTRODUCTION

In today's world majority of companies are focusing on corporate entrepreneurship. "Although there are many benefits of corporate entrepreneurship but there are still many issues regarding its implementation" (Hornsby, Kuratko & Zahra, 2002). Due to great output of corporate entrepreneurship many organizations wish to develop the corporate entrepreneurship culture and implement its strategies also the manager's involvement in entrepreneurial behavior but it is not still enough to enhance the people's corporate entrepreneurship understanding. But in this paper here is discussion about the theoretical framework which has sense about company's strategy of corporate entrepreneurship (Meyer & Heppard, 2000). In this study after taking response from 10 Managers through which we can examine the relationships between antecedents, manager's entrepreneurial behavior, their entrepreneurial actions and turns into job satisfaction.

"The idea of corporate entrepreneurship has developed since last 3 to 4 decades" (Hanan, 1976; Hill & Hlavacek, 1972; Peterson & Berger, 1972; Quinn, 1979). "In the beginning there was a perception that corporate entrepreneurship is renewal of an organization" (Sathe, 1989). "It was observed that corporate entrepreneurship is formal or informal activity of product & process innovation and development to establish new business in established empires" (Zahra, 1991).

The aim of these activities to improve company's performance by taking place at all levels. This study conducted in Pakistan to know what effects of manager's entrepreneurial actions in our corporate sector. I.T base company selected because in the current situation of Pakistan's economy the growth of I.T base industries is far better than other kind of companies.

## 2. LITERATURE REVIEW / THEORETICAL FRAMEWORK

### 2.1. ENTREPRENEURIAL ACTIONS

According to new terminology a company can avail opportunities through entrepreneurial actions. "Entrepreneurial actions help the companies to enter into new market and find new customers" (Smith & Di Gregorio, 2002). There are three main dimensions of entrepreneurial actions i.e., innovativeness, risk taking & pro-activeness. In large organizations relationship of performance and entrepreneurial actions are totally different rather than medium or small size companies. In 1980's there was a perception that "entrepreneurial actions is not much feasible in bureaucratic organizational structures" (Duncan, Ginter, Rucks & Jacobs, 1988; Morse, 1986). But at the same time it was recommended that "entrepreneurial actions are encourageable and feasible for any type of organization because it improve their performance" (Burgelman, 1984; Kanter, 1985; Kuratko & Montagno, 1989).

In 1990's perception was started to change about entrepreneurial actions that it really matter in firm's performance. This was the revolution time for the companies redefine their businesses, proper utilization of human resources to meet at international standards through which they can survive in this global village. With the effect of entrepreneurial actions many well-known companies started to think about corporate entrepreneurship. "They transformed their structures by downsizing & recognizing, through this kind of action a new vision developed amongst these organizations to survive in future" (Zahra, Kuratko & Jennings, 1999). With the passage of time companies realized that "entrepreneurial actions are essential to survive and cheer success in competitive environment" (Barringer & Blue dorn, 1999; Ireland, Hitt, Camp & Sexton, 2001; Lyon, Lumpkin & Dess, 2000). "Entrepreneurial actions are full array of actions within the context of an organization, they do not occur in vacuum" (Dess, Lumpkin & Corin, 1997).

### 2.2. ROLE OF MANAGERS IN CORPORATE ENTREPRENEURSHIP

"At all organizational levels managers are key factors for achieving success" (Floyd & Lane, 2000; Ireland, Hitt & Vaidyanath, 2002). "Managers at any level have distinct responsibilities of entrepreneurial actions" (Floyd & Lane, 2000). Upper-level managers play a vital role to encourage & support others entrepreneurial behaviors. They make strategies and give directions to others to identify/clarify their roles. For directing role they utilize resources and deploy them. The most prominent role of upper-level managers in corporate entrepreneurship culture is creating new ideas & vision and emerge architecture of pro-entrepreneurship organization.

"Middle-level manager's expertise use in redefine the existing business or create a new one" (Ginsberg & Hay, 1994; Kanter, 1985; Pearce, Kramer & Robbins, 1997; Floyd & Wooldridge, 1992). There is requirement of middle-level managers to behave entrepreneurially with their subordinates and also support them to do the same. Organizations facilitate their middle-level managers to work as agent who promote the innovation. Middle-level managers lead, control and coach the lower-level organizational staff.

Lower-level managers are those who really imply entrepreneurial actions in their practices. Because higher-level managers give guidelines but lower-level managers implement and follow these instructions/strategies. To face unplanned entrepreneurial challenges, they take initiatives of entrepreneurial actions which endorse at high management levels. The results of these discussions are that any management levels either higher, middle or lower they all are very important for entrepreneurial actions to improve their organizational performance.

### 2.3. ORGANIZATIONAL ANTECEDENTS

"Organizational antecedents affect the entrepreneurial actions within an organization to promote corporate entrepreneurship" (Zahra, 1991; Zahra & Covin, 1995; Zahra et al., 1999). This research has studies different internal factors within organization like company's "incentive policies & internal control systems" (Sathe, 1985) "Organizational Structure" (Covin & Selvin, 1991; Dess Lumpkin & McGee, 1999; Naman & Selvin, 1993) "Culture" (Brazeal, 1993; Hisrich & Peters, 1986; Kanter, 1985) and "managerial support" (Kuratko, Hornsby, Naffziger & Montagno, 1993; Stevenson & Jarillo, 1990).



The above mentioned factors are antecedents of entrepreneurial actions because either singly or jointly the effect of the whole internal environment of an organization on which corporate entrepreneurship is built. If these antecedents are strong then organization support innovation but if they are weak then the organization discourages the innovation. This research paper helps us to understand the organizational antecedents of entrepreneurial actions (Kuratko, Hornsby & Mantagno, 1999; Ireland et al., 2003).

There are five dimensions for organizational antecedents of entrepreneurial actions. (1) "Rewards/reinforcement" (Kuratko, Ireland & Hornsby, 2001). (2) "Top Management Support" (Kuratko et al., 2001). (3) "Resources Time Availability" (Selvin & Covin, 1997). (4) "Organizational Culture" (Hornsby et al., 2002; Hornsby & Kuratko et al., 2003). (5) "Work Discretion" (Morris & Kuratko, 2002; Hornsby et al., 2002). Rewards support entrepreneurial actions, Top management relates to upper-level managers to promote & facilitate entrepreneurial actions, Resource time availability is very important for continuous process of entrepreneurial actions, Organization culture support natural environment to take entrepreneurial actions, Work discretion helps managers to take initiative & learn from their mistakes.

According to Kuratko et al., 2005 "if the managers are aware from the existence of organizational antecedents then they can easily engage with entrepreneurial actions to promote corporate entrepreneurship". After recognizing and interpreting the antecedents managers can easily avail the opportunities, remove the obstacles in taking entrepreneurial actions (Chen, Greene & Crick, 1998). Kuratko, Hornsby & Bishop, 2005 developed a perception that "entrepreneurial environment directly relate positive to job satisfaction". In this paper first set hypothesis taken from Kuratko, Hornsby and Bishop, 2005.

- H1a: Management support will be positively related to job satisfaction.
- H1b: Work discretion will be positively related to job satisfaction.
- H1c: Rewards/reinforcement will be positively related to job satisfaction.
- H1d: Time availability will be positively related to job satisfaction.
- H1e: Organizational boundaries will be positively related to job satisfaction.

**2.4. JOB SATISFACTION AND ENTREPRENEURIAL ACTIONS**

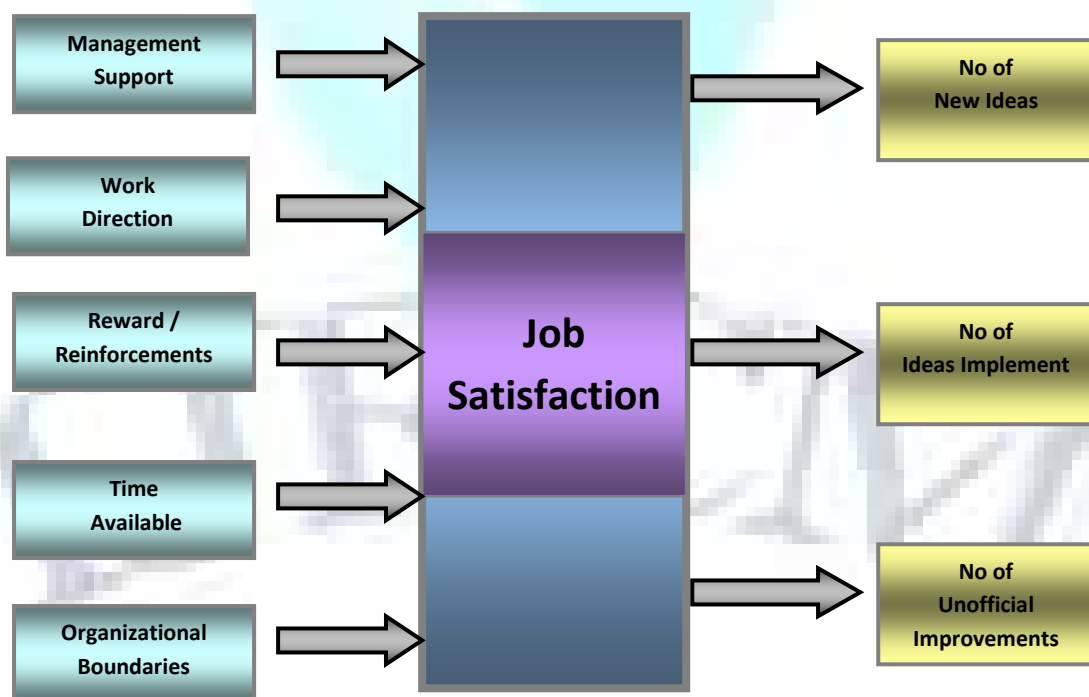
Job Satisfaction plays a mediating role between entrepreneurial actions & performance. According to Judge, Thoresen, Bono, Patton; 2001a, b that "job satisfaction & performance mutually relate & influence each other and a "chicken & egg" question arise regarding the relationship of job satisfaction & performance". Several studies conducted to examine the relationship of job satisfaction & performance. Some studies suggest that there are many variables involved in this relationship that play a role like a mediator/moderator.

A model derived by Judge, Bono & Locke, 2000 "which suggested some variables of this relationship which persists overtime like job complexity and challenges". "Disposition & excessive job demands were related to job satisfaction" (Griffin, 2001). Judge et al. 2001 derived a model which gave a concept to understand the relationship of job satisfaction & performance. This was based on meta-analytic study that suggests "bidirectional" relationship including a series of mediators & moderators.

Mediators affected the relationship of job satisfaction & performance which includes moods, intentions & poor performance. Moderators affect from outside like obligations, accessibility & personality. Second set of hypothesis taken from Kuratko, Hornsby & Bishop 2005 which gives sense of mediating affect among entrepreneurial actions & job satisfaction.

- H2: Job Satisfaction will mediate the relationships between perception of a corporate entrepreneurship environment & entrepreneurial actions.
- Again third set of hypothesis taken from Kuratko, Hornsby & Bishopm, 2005,whom examined the number of respondents which help in to measure the relationship between entrepreneurial actions & job satisfaction.
- H3 a, b, c: Job satisfaction will be positively related to entrepreneurial actions.
- H3 a: Job satisfaction will be positively related to the number of new ideas suggested.
- H3 b: Job satisfaction will be positively related to number of new ideas implemented.
- H3 c: Job satisfaction will be positively related to number of unofficial improvements.

**3. THEORETICAL FRAMEWORK**



This theoretical framework has been taken from the model paper of Mr. Donald F. Kuratko, Jeffrey S. Honrsby & James W. Bishop published in International Entrepreneurship and Management Journal, 2005.

**4. RESEARCH METHODOLOGY**

The purpose of this study is to investigate the relationship between the organizational antecedents that create a corporate entrepreneurial environment and also interest in the study of relationship between the existence corporate entrepreneurial environment and a manager's perception of job satisfaction. Open Ended Questionnaire shows the relationship for this purpose which is mentioned at the end of the paper.

The questionnaire indicates that the items from a scale that has reasonable internal consistency reliability which also depicts that the questions are relatively good for data collection and they are acceptable in social sciences research. The relationship of entrepreneurial actions with job satisfaction is determined after combined studies and analysis of personal Job characteristics and responses gained through all distributed questionnaire. Each manager & sub-ordinate (respondent) best described how he or she sees himself or herself regarding each statement and question. Data gathered easily because I am also employee of this company in which interview was conducted by personally visit the managers & their sub-ordinates of different departments at different levels like Software, Sales, Finance & Operations and HR Department.

Research focused on managers & their sub-ordinates of Infotech (Pvt.) Limited, because it was convenient to collect the data from this company and from this specific sector. For the purpose of this study, a set of the questionnaire distributed to both sample sizes, from first sample size 10 individuals out of whom 5 were low-level managers, 3 were middle-level managers and 2 were high-level managers and in second size sample 20 sub-ordinates were taken as respondents. Beside the questions relate to entrepreneurial actions & job satisfaction, questionnaire also comprised on demographic questions in regards to reach manager's gender, qualification & management levels and also same for their sub-ordinates.

1 <sup>st</sup> Sample Size					
4.1. Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	7	70.0	70.0	70.0
	Female	3	30.0	30.0	100.0
	Total	10	100.0	100.0	
4.2. Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BBA/BCS(Hons)	3	30.0	30.0	30.0
	MBA/MCS	5	50.0	50.0	80.0
	ACCA/CA	2	20.0	20.0	100.0
Total		10	100.0		
4.3. Management Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High-Level	2	20.0	20.0	20.0
	Middle-Level	3	30.0	30.0	50.0
	Low-Level	5	50.0	50.0	100.0

2 <sup>nd</sup> Sample Size:					
4.4. Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	15	75.0	75.0	75.0
	Female	5	25.0	25.0	100.0
	Total	20	100.0	100.0	
4.5. Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BBA/BCS(Hons)	14	70.0	70.0	70.0
	MBA/MCS	6	30.0	30.0	100.0
Total		20	100.0		

**4. DISCUSSIONS**

“Corporate entrepreneurship is not always successful without proper corporate controlled” (Block & Macmillan, 1993; Morris & Kuratko, 2002). But corporate entrepreneurship helps a lot for managers to build confidence & become result oriented. Through corporate entrepreneurship we can renovate today's corporation by creativity & new leadership style. As far as future concern corporate entrepreneurship push up the organization for future growth to establish entrepreneurial strategies in organizations, it is very important to recognize antecedents & results of corporate entrepreneurship activity because it relates with managers also. This research focus on antecedents, entrepreneurial actions & results related to manager's and their sub-ordinates job performance and satisfaction. By taking response from 10 managers at different levels and from their 20 sub-ordinates suggest us that reinforcement & work discretion play a vital role in job satisfaction increased through entrepreneurial actions which results in increase number of new ideas generates, their implementation & successive improvements. Majority of managers said that we should try to more emphasis on these organizational antecedents which helping in building entrepreneurial behavior. In this research job satisfaction role is like a mediator between antecedents and its outcomes.

**5. FUTURE DIRECTIONS/CONSIDERATIONS**

The sample size of this research is very small it should be at large level especially in Pakistan in different sectors. According to Harter et al. (2002) that “entrepreneurial actions relate to job satisfaction & performance is inadequate, we can also improve the measurement of entrepreneurial actions”. Another future consideration is that how we can sustain the corporate entrepreneurship strategy with respect to different obstacles for its implementation & control. “This research shows that in whole corporate entrepreneurship process the manager's satisfaction is really matter, it should be researched more” (Ginsberg's, 1988). Many organizations do not give more importance to entrepreneurial actions in the corporate strategies. Sub-ordinates need more unofficial learning which they get only from their respected manager's attitude. This study is limited in its scope; it appreciates new understanding & findings of this topic.

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