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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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10. **FIGURES &TABLES:** These should be simple, crystal clear, centered, separately numbered &self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

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- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
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- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

A STUDY ON THE IMPACT OF UNETHICAL CORPORATE PRACTICES ON CORPORATE BRAND EQUITY

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ABSTRACT

In the contemporary Indian business environment, ethics is growing in importance. Many of the corruption scams that have come to light in the recent past have not only tainted the politicians, but have also highlighted the increasing incidence of unethical corporate practices. The present study analyses the impact of different types of unethical corporate practices on corporate brand equity.

KEYWORDS
corruption scams, unethical corporate practices, corporate brand equity.

INTRODUCTION

Ethics can be defined as 'moral values and principles'. It is a decision of choosing right among wrong and right. Business ethics are those functions which lead to choosing right decision at right time which leads for the welfare of not only business owners but also society, consumers, stakeholders and its employees. Business ethics now- a- days have become so important that no business can survive in market without following them. Ethics concern an individual's moral judgments about right and wrong. Decisions taken within an organisation may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit.

Ethical behavior and corporate social responsibility can bring significant benefits to a business. For example, they may:

- attract customers to the firm's products, thereby boosting sales and profits
- make employees want to stay with the business, reduce labor turnover and therefore increase productivity
- attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- Attract investors and keep the company's share price high, thereby protecting the business from takeover.

The importance of business ethics in a business world is increasing day by day. Following points helps to explain the reason for it in a brief form:-

Today's market is consumer market. Consumer buys only that product which gives them maximum satisfaction. So it is necessary for a business to follow business ethics which makes business works in such way which satisfy more and more consumers. Business ethics leads to make employees satisfy which helps to reduce turnover and absenteeism of employees. Further it also helps to increase the productivity of business and quality of goods manufactured. So it becomes necessary to follow the business ethics for productive results. Every business is a creditor of society. As the resources used by business belongs to society. So there is some responsibility that lies on every business towards society. To fulfill that responsibility the code of conduct which is to be followed are business ethics. It is noted that the concerns which are following business ethics always are the successful on as the better productivity and consumers satisfaction leads to improved goodwill in market. It is also helpful to increase market share i.e. sales. Stakeholders always want better returns and good results. This aim of business can only fulfilled by the way of following business ethics. Better productivity results better sale for business which leads to better returns to the stakeholders.

Brand Equity is the value and strength of the Brand that decides its worth. It can also be defined as the differential impact of brand knowledge on consumer's response to the Brand Marketing. Brand Equity exists as a function of consumer choice in the market place. The concept of Brand Equity comes into existence when consumer makes a choice of a product or a service. It occurs when the consumer is familiar with the brand and holds some favorable positive strong and distinctive brand associations in the memory.

FACTORS CONTRIBUTING TO BRAND EQUITY

1. Brand Awareness
2. Brand Associations
3. Brand Loyalty
4. Perceived Quality: refers to the customer's perception about the total quality of the brand. While evaluating quality the customer takes into account the brands performance on factors that are significant to him and makes a relative analysis about the brand's quality by evaluating the competitor's brands also. Thus quality is a perceptual factor and the consumer analysis about quality varies. Higher perceived quality might be used for brand positioning. Perceived quality affect the pricing decisions of the organizations. Superior quality products can be charged a price premium. Perceived quality gives the customers a reason to buy the product. It also captures the channel member's interest. For instance - American Express.
5. Other Proprietary Brand Assets: Patents, Trademarks and Channel Inter-relations are proprietary assets. These assets prevent competitors attack on the organization. They also help in maintaining customer loyalty as well as organization's competitive advantage.

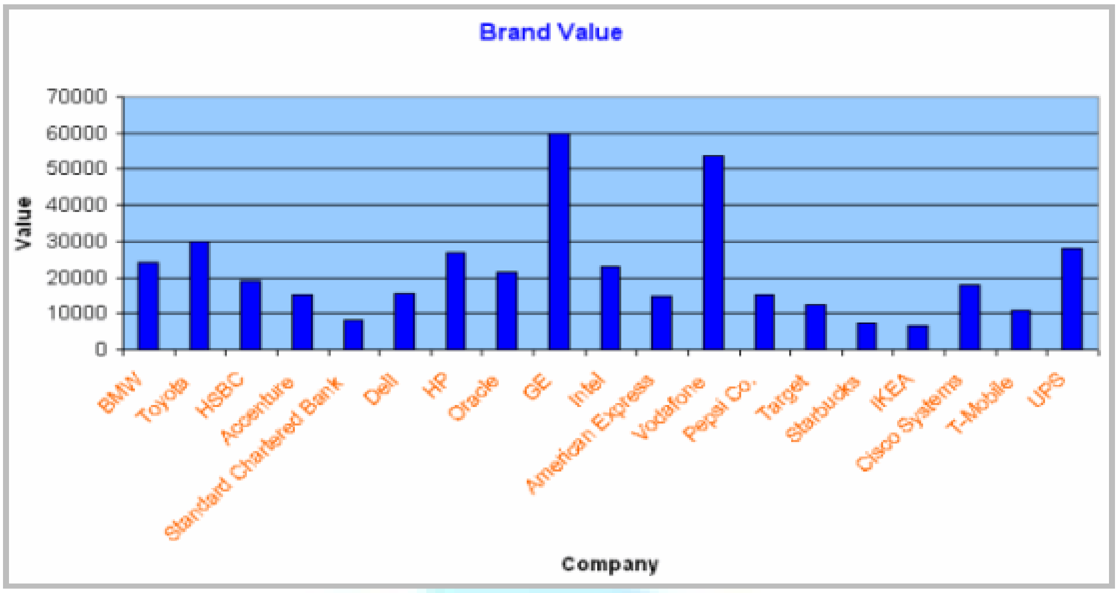
HOW BUSINESS ETHICS IMPACT THE BRAND EQUITY

Brand value and company reputation can really take a beating when a company is faced with accusations of ethical misconduct in the workplace. Information is faster and more accessible now than ever before, which makes "lying low" virtually impossible – just ask Tiger Woods. In the article "Ethics Branding" by Steve Brock, he focuses in on why workplace ethics are heavily connected to the power of your brand:

"Your brand is more than just a logo or tagline. It involves everything you do. Every touch point with customers affects their perspective of you, and thus your brand. Ethics matter because they are at the heart of your values. Values matter because they are at the heart of your brand."

BrandZ Top 100 Valuable Global Brands for 2009 and Ethisphere's 2009 World's Most Ethical Brands- Overlapping Brands

Here is the comparison of BrandZ Top 100 Valuable Global Brands for 2009 released by Millward Brown Optimor and the 2009 World's Most Ethical Brands by Ethisphere. Folowing is the list of overlapping companies that have secured a spot on each of the lists:



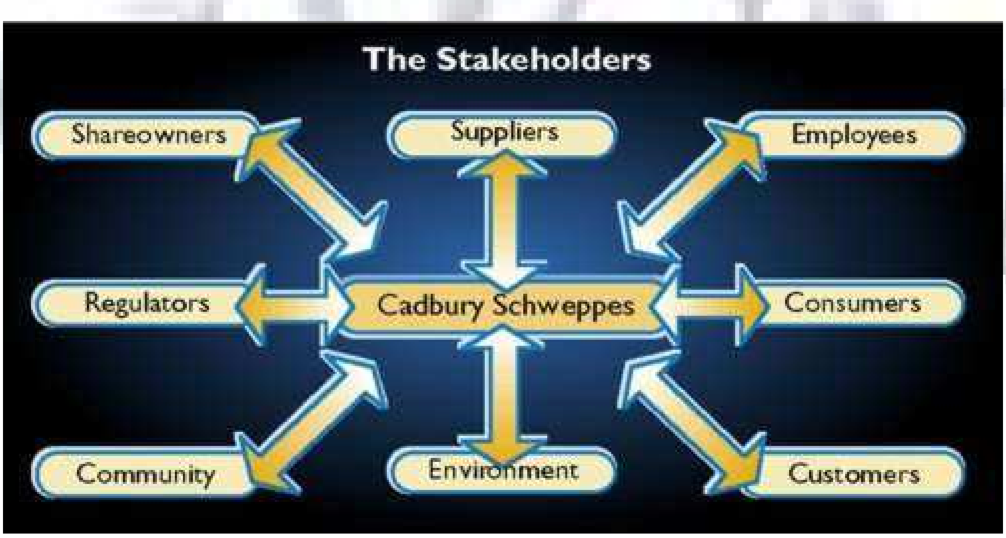
*2009 Brand Value reported in $M, all values come from BrandZ Top 100 Valuable Global Brands for 2009
The BrandZ list contains 100 companies, and the Ethisphere list for 2009 contains 99. This means that roughly 25% of the businesses on each of the lists happen to be found on both lists for 2009. The companies in the chart have proven that acting ethically pays off. Continuously being recognized for their CSR and ethical business practices, all of these companies have managed to remain industry leaders and are recognized for their high value brands.
Examples of ethical companies- Cadbury, Tata, Birla's etc.
Relationship between ethics & brand equity-

CADBURY CASE STUDY

Cadbury Schweppes was formed by a merger in 1969 between Cadbury and Schweppes. Since then the business has expanded into a leading international confectionery and beverages company. Through an active programme of both acquisitions and disposals the company has created a strong portfolio of brands which are sold in almost every country in the world. Cadbury Schweppes has nearly 54,000 employees and produces Fast Moving Consumer Goods (FMCG).
Its products fall into two main categories:

- Confectionery
- Beverages.

Its portfolio of brands include leading regional and local brands such as Schweppes, Dr Pepper, Orangina, Halls, Trebor, Hollywood, Bournvita, and of course, the Cadbury masterbrand itself. These products are sold in a range of countries depending on consumer preferences and tastes.
The core purpose of Cadbury Schweppes is "*working together to create brands people love*". It aims to be judged as a company that is among the very best in the business world - successful, significant and admired. The company has set five goals to achieve this, one of which relates to Corporate Social Responsibility (CSR) - "*To be admired as a great company to work for and one that is socially responsible to its communities and consumers across the globe*".
This goal clearly states Cadbury Schweppes' responsibilities and recognises that what it does as a business impacts on communities and the lives of consumers. Cadbury Schweppes takes its corporate social responsibility agenda seriously. As such it is a member of organisations like Business in the Community, International Business Leaders Forum and the Institute of Business Ethics. These organisations seek to improve the impact companies have on society. A key part of the Cadbury Schweppes approach to business lies in its ethical behaviour and close relationship with its stakeholder groups. As a company it believes that: "*Respecting human rights and trading ethically is fundamental to the way we work, not just within our owned and operated businesses but also in how we interact with our wider value chain.**"
In 'Our Business Principles' Cadbury Schweppes continues: "*We believe that good ethics and good business go together naturally, to produce the best long term results for all our stakeholders.*"



The original Cadbury Company was heavily influenced by the Quaker values of the Cadbury family who started the chocolate business over 150 years ago. The Quakers promote justice, equality and social reform. The legacy of these ideals informs Cadbury Schweppes' culture today and unites its many businesses around the world that uphold this heritage and act in an ethical manner.

From the outset, Cadbury treated employees with respect and cared for their welfare. The company's site at Bournville, near Birmingham, has always been more than just a factory having extensive amenities such as housing, sports facilities and parks all being part of the original complex.

TATA CASE STUDY

Tata as accompany always try to implement its 25 strategies under its code of conduct strongly, so that the same high brand equity they maintain for a long term and they are-

1. National interest
2. Financial reporting and records
3. Competition
4. Equal opportunities employer
5. Gifts and donations
6. Government agencies
7. Political non-alignment
8. Health, safety and environment
9. Quality of products and services
10. Corporate citizenship
11. Cooperation of Tata companies
12. Public representation of the company and the Group
13. Third party representation
14. Use of the Tata brand
15. Group policies
16. Shareholders
17. Ethical conduct
18. Regulatory compliance
19. Concurrent employment
20. Conflict of interest
21. Securities transactions and confidential Information
22. Protecting company assets
23. Citizenship
24. Integrity of data furnished
25. Reporting concerns

HOW UNETHICAL PRACTICES IMPACT THE BRAND EQUITY & CREATE NEGATIVE IMAGE?

SATYAM COMPUTERS

Satyam Computers services limited were a consulting and an Information Technology (IT) services company founded by Mr. Ramalingam Raju in 1988. It was India's fourth largest company in India's IT industry, offering a variety of IT services to many types of businesses. Its' networks spanned from 46 countries, across 6 continents and employing over 20,000 IT professionals. On 7th January 2009, Satyam scandal was publicly announced & Mr. Ramalingam confessed and notified SEBI of having falsified the account.

Raju confessed that Satyam's balance sheet of 30 September 2008 contained:

- Inflated figures for cash and bank balances of Rs 5,040 crores (US$ 1.04 billion) [as against Rs 5,361 crores (US$ 1.1 billion) reflected in the books].
- An accrued interest of Rs. 376 crores (US$ 77.46 million) which was non-existent.
- An understated liability of Rs. 1,230 crores (US$ 253.38 million) on account of funds which were arranged by himself.
- An overstated debtors' position of Rs. 490 crores (US$ 100.94 million) [as against Rs. 2,651 crores (US$ 546.11 million) in the books].

The letter by B Ramalinga Raju where he confessed of inflating his company's revenues contained the following statements:

"What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew significantly [annualised revenue run rate of Rs 11,276 crores (US$ 2.32 billion) in the September quarter of 2008 and official reserves of Rs 8,392 crores (US$ 1.73 billion)]. As the promoters held a small percentage of equity, the concern was that poor performance would result in a takeover, thereby exposing the gap. The aborted Maytas acquisition deal was the last attempt to fill the fictitious assets with real ones. It was like riding a tiger, not knowing how to get off without being eaten."

THE SCANDAL

The scandal all came to light with a successful effort on the part of investor's to prevent an attempt by the minority shareholding promoters to use the firm's cash reserves to buy two companies owned by them i.e. Maytas Properties and Maytas Infra. As a result, this aborted an attempt of expansion on Satyam's part, which in turn led to a collapse in price of company's stock following with a shocking confession by Raju, The truth was its' promoters had decided to inflate the revenue and profit figures of Satyam thereby manipulating their balance sheet consisting non-existent assets, cash reserves and liabilities.

THE PROBABLE REASONS

Deriving high stock values would allow the promoters to enjoy benefits allowing them to buy real wealth outside the company and thereby giving them opportunity to derive money to acquire large stakes in other firms on another hand. There could be the reason as to why Raju's family build its shareholding and shed it when required.

After the scandal, on 10 January 2009, the Company Law Board decided to bar the current board of Satyam from functioning and appoint 10 nominal directors. On 5th February 2009, the six-member board appointed by the Government of India named A. S. Murthy as the new CEO of the firm with immediate effect. The board consisted of:

1) Banker Deepak Parekh.
2) IT expert Kiran Karnik.
3) Former SEBI member C Achuthan S Balakrishnan of Life Insurance Corporation.
4) Tarun Das, chief mentor of the Confederation of Indian Industry and
5) T N Manoharan, former President of the Institute of Chartered Accountants of India.

ENRON GLOBAL

The Rise of Enron

Enron Corporation was born in the middle of a recession in 1985, when Kenneth Lay, then-CEO of Houston Natural Gas Company (HNG), engineered a merger with Internorth Incorporated (Free, Macintosh, Stein, 2007, p. 2). Within six months of the merger, the CEO of Internorth Inc., Samuel Segner, resigned leaving Lay as the CEO of the newly formed company. Shortly thereafter, HNG/Internorth was renamed Enteron, a name which was later shortened to Enron in 1986.

The new company, which reported a first year loss of over $14 million, was made up of $12.1 billion in assets, 15,000 employees, the country's second-largest gas pipeline network, and an enormous amount of debt .

In the initial years, Enron attempted to function as a traditional natural gas firm situated in a competitive, yet regulated energy economy (Free, Macintosh, Stein, 2007, p. 2). Due to its tremendous debt and early losses on oil futures, however, the company had to fight off a hostile takeover and its stock did little to impress to the traders on Wall Street (p. 2). Fortunately for Enron, things began to change in American governmental policy with respect to the way the natural gas industry operated. At the core of Enron's historical rise to power, lies the concept of policy-driven, market deregulation.

In the mid-to-late 1980's, the natural gas market was deregulated through a series of federal policies, most notably Federal Energy Regulatory Commission (FERC) Order No. 436, the Natural Gas Wellhead Decontrol Act of 1989 (NBGWDA), and FERC Order No. 636 of 1992. Each of these policies was designed to eliminate the regulatory constraints by the federal government on the natural gas market, largely, to help avoid a repeat of the tough economic issues resulting from the 1970's energy crisis ("The History of Regulation," 2004). Enron capitalized on the governmental deregulation of the natural gas market by providing consumers with greater access to natural gas via their nationwide pipeline system. Due to deregulation, as supplies increased and the price for natural gas fell by over 50 percent from 1985 to 1991, Enron was able to charge other firms for using their pipelines to transport gas. Likewise, Enron was also able to transport gas through other companies' pipelines (Culp and Hanke, 2003, p. 8).

Around this time, Jeffrey Skilling, an up and comer working for the consulting firm McKinsey and Company, began working with Enron. Beginning in 1987, Skilling started his work in creating a forward market for Enron in the deregulated natural gas sector. To help create this market, Skilling argued that Enron needed to set up a "gasbank" to help intermediate gas purchases, sales, and deliveries (Culp and Hanke, p. 8). Skilling's major selling point to Enron CEO Kenneth Lay was that in an era of post deregulation, customers needed risk management solutions in the form of a natural gas derivatives market or, a place where consumers could purchase forward contracts to help alleviate price volatility commonly found in the natural gas industry.

In this regard, Skilling was, according to Culp and Hanke (2003), "…functioning as a classic entrepreneur. Skilling spotted an opportunity to develop new markets. By introducing forward markets, individuals could acquire information and knowledge about the future and express their own expectations by either buying or selling forward (p. 8)." Lay eventually went for Skilling's concept of the gasbank and the Enron GasBank was established (McLean and Elkind, 2003, pp. 35-37).

From an economic perspective, Enron was the market maker for natural gas derivatives in the political era of deregulation of the late 1980's and early 1990's. Through their GasBank, Enron was able to both buy and sell natural gas derivatives and effectively became, "the primary supplier of liquidity to the market, earning the spread between bid and offer prices as a fee for providing the market with liquidity" (Culp and Hanke, p. 9). The fact that Enron also had physical assets in the form of natural gas pipelines further leveraged their position in this new market and helped to control some of the residual price risks arising from its market making operations, otherwise known as Enron Gas Services (EGS) and later Enron Capital and Trade Resources (EC&TR). Risk management solutions were provided to customers, in part, via Enron's knowledge of congestion points that were likely to impact supply and demand within the physical system of gas pipelines. This allowed Enron to trade around congestion points and helped them to exploit their knowledge of the surplus or deficit in pipeline capacity. All of this was accomplished within a financial market based on futures trading that Skilling had helped to create through his application of the gasbank concept as Enron's market wholesaler (Culp and Hanke, p. 10).

During the 1990's, Enron began to delve into other aspects of the energy market such as electricity, coal, and fossil fuels in addition to pulp and paper production. They did so by utilizing what Skilling described as an "asset light" philosophy (Culp and Hanke, 2003, p. 10-11). According to the asset light strategy, Enron would,

Begin with a relatively small capital expenditure that was used to acquire portions of assets and establish a presence in the physical market. This allowed Enron to learn the operational features of the market and to collect information about factors that might affect market price dynamics. Then, Enron would create a new financial market overlaid on that underlying physical market presence-a market in which Enron would act as market maker and liquidity supplier to meet other firm's risk management needs" (p. 11).

Based on this strategy of financial trading activity overlay, as well as the measured, disciplined leadership provided by Enron's then-President and Chief Operating Officer (COO) Richard Kinder, Enron Corporation was able to position itself as a dominant energy company in the United States and one of major energy players in the world by the mid-1990's. An example of Enron's innovative approach to the energy business was their development of the hugely successful Teesside power plant in England, pushed through by former Enron employee John Wing in 1992-93. Throughout its history, however, Enron's consistent financial and market successes, like Teesside, took place only in the energy sector or, a sector in which they held considerable physical assets. Although Enron attempted on numerous occasions to repeat their financial successes in other markets such as water and broadband, they were never able establish the comparative advantage they initially held in the deregulated, natural gas sector (Culp and Hanke, p. 12).

POLITICAL CONNECTIONS

Once established as a major player in the natural gas market, Enron began utilizing its resources to exert its influence on U.S. political processes. For example, Kenneth Lay was one of George W. Bush's key backers during Bush's early political career as the Governor of Texas and this connection continued up through, and beyond, the younger Bush's run for the presidency in 2000. (Hunnicutt, 2007, p. 5). Lay's connection to Bush's presidential campaign came in the form of significant campaign donations both to Bush, $113,800, and the Republican Party, $1.2 million in 2000 (Gutman, 2002, pp.1-2). According to Hunnicutt, "Lay, after all, was for a long time one of Bush's most important political supporters" (p. 2).

The Bush administration responded to Lay's financial support by placing former Enron executives in posts within the federal government (Gutman, p. 5). Lay, himself, was given veto power over the important position of chairman of the FERC as well as a prominent position within the highly secretive, Cheney-led Energy Task Force early on in the Bush presidency (p. 5). When, for example, it became apparent that Lay did not agree with the chairman of the FERC on key energy issues directly impacting Enron, Lay asked that the chairman change his views or run the risk of being replaced. Needless to say, when the chairman's term expired, he was not reappointed. Lay then provided a short list of new appointees for the FERC to President Bush. Two of Lay's choices were appointed after Mr. Lay recommended them to Vice-President Cheney. One of them, Pat Wood, was appointed to the post of chairman of the FERC on September 1, 2001, a position he held until his resignation in 2005 (Gutman, 2002, p. 2).

Enron's political machinations were not, however, limited to President Bush and the Republican Party. Apparently, during the Clinton administration of 1992-2000, under which Enron flourished considerably, Enron contributed funds to the Democratic Party in excess of $500,000 in addition to one time contributions of $100,000 and $25,000, respectively, to the 1993 Clinton inauguration and celebration (Smith, 2002). The Clinton administration responded to Enron's lobbying presence by supporting the deregulation of electricity at the federal level as evidenced by the U.S. Department of Energy's failed deregulation bill of the mid-1990's. Some states, like California, bowed to the political pressure created via Enron's lobbying presence in their state legislature and eventually chose to deregulate, at least partially, their publicly held electric utilities (Hauter and Slocum, 2001). The disastrous consequences of this action, including Enron's involvement in the, "gaming of the California system," which led to the Western Energy Crisis of 2000 and 2001, have been well documented (McLean and Elkind, 2003, pp.271-83).

A second response to Enron's support of the Clinton administration can be found in a trip made to India in 1995 by then-U.S. Secretary of Commerce Ron Brown and Ken Lay. The two men traveled to India to oversee the signing of the loan agreement by the Dabhol Power Company with the U.S. Export-Import Bank and the "independent" U.S. government agency, Overseas Private Investment Corporation (OPIC). Later in 1995, when the $3 billion Dabhol project was in jeopardy due to local political opposition, then-U.S. Energy Secretary, Hazel O'Leary issued a warning to India that any actions in opposition to the Enron backed project would discourage future foreign investment. According to Emad Mekay of the India Resource Center (2003), Enron, "…regularly and aggressively called on staff from the Treasury, the State Department, the Office of the U.S. Trade Representative, and the World Bank to meet with foreign officials to favorably resolve its problems and disputes with their governments" (p. 1). In the end, the Dabhol Project turned out to be a financial disaster, both for Enron and the Indian Maharashtra state in which it was located (McLean and Elkind, 2003, pp. 79-83).

This, however, did little to deter Enron and its political game playing as evidenced by the continual lobbying pressure they placed on U.S. government officials to arrange deals and help settle international disputes between Enron and nations like Turkey, Argentina, and Brazil (Mekay, pp. 1-2). Regarding Enron's connection to the federal government, Tyson Slocum, a research director with Public Citizen, a U.S.-based consumer group, stated (2003), "Enron, for its size, flexed an enormous amount of political muscle…Enron used its money and connections to distort government policies in a way that gave it free rein to cheat consumers (pp. 1-2).

THE FALL OF ENRON
In a way, Enron went bankrupt for the same general reason that all companies go bankrupt: they invested in projects that proved too risky and, in turn, they were unable to keep up with the debt obligations of the firm (Niskanen, 2005, p. 2). This does little, however, to explain the specific reasons why Enron became the largest company to file for bankruptcy in U.S. history. Although many will point to Enron's abuse of accounting and disclosure policies such as mark-to-market accounting, utilization of SPE's to hide debt, and using inadequately capitalized subsidiaries and SPE's for "hedges" to reduce earnings volatility as the primary causes for bankruptcy, these abuses were merely symptomatic of a larger problem at Enron: identity crisis. What eventually brought Enron to its knees was the incompatibility of two competing ideological systems relating to how Enron was to operate as a company and make its money.

Prior to the resignation of Richard Kinder in 1996, Enron's President and COO, a contentious struggle for control was taking place within the upper tier of management at Enron. Two individuals with vastly different leadership styles and management strategies were competing for Ken Lay's favor as his number two person in the company. These two charismatic leaders at Enron were Jeffrey Skilling and Rebecca Mark. Each employed a different strategy for doing business. Skilling was a proponent of the asset light strategy discussed earlier. Mark, on the other hand, was a firm believer in the philosophy of asset rich, or heavy, infrastructure development in areas such as energy, water, and telecommunications.

As President of Enron International (EI), Mark pursued a business strategy that involved the acquisition or development of capital-intensive and high-debt projects such as the Dabhol Power Plant (Niskanen, 2005, p. 3). As Enron's primary deal-maker for major power plants and water companies, she believed that projects could be developed on the basis of their own merit and that the return on an investment was a long-term process that needed to be cultivated and realized over time. In effect, Mark's philosophy was the antithesis of Skilling's asset light "make money now" strategy which involved financial trading activity overlaying a minimal physical asset base in a deregulated market.

The conflict between Mark and Skilling became more apparent after Kinder's resignation in 1996. In 1997, Lay announced that Skilling was replacing Kinder as the President and COO at Enron. This did little to quell the competitive atmosphere that had developed at Enron between Mark's EI and Skilling's EGS and EC&TR. Mark continued to advance her position and asset rich strategy within the company, investing heavily in overseas projects like the Dabhol Plant in India and the Azurix operations in Argentina, Canada, and Britain. Unfortunately for Mark, however, many of these projects never resulted in the accrual of long-term profits for Enron. While Mark and her employees at EI were reaping millions of dollars' worth of compensatory benefits from developing these deals, seemingly one after the other, few were aware of how heavily these failed overseas projects were indebting the company. According to the former CEO of a major oil company, "The failure of Enron before all the accounting scandals can be seen in the results overseas" (McLean and Elkind, p. 71).

In the final analysis of the fall of Enron, one may pinpoint the ideological friction between Skilling and Mark and the identity crisis that ensued, in addition to the resignation of Rich Kinder whose obsession with the levels of cash flow at Enron had helped to keep the company in the black during the early-to-mid 1990's, as central reasons why Enron went bankrupt (Niskanen, p. 3). Skilling's asset light model required that Enron maintain sufficient equity capital and borrowing capacity to cushion the intermittent loss of cash flow from its trading activities (p. 3). Initially, Skilling's market maker, the GasBank, did quite well. Over time, however, the wholesale markets for natural gas and electricity became more competitive making it increasingly difficult for Enron Financial to post additional quarterly earnings and continue gaining Wall Street's favor as a blue-chip stock (p. 3). As the margin for error decreased within Skilling's asset light model, due in large part to increased market competition, the asset rich model employed by Mark, as has been demonstrated, was taking on heavy losses at the international level with failed investments in water, power plants, and broadband.

As if an identity crisis at Enron weren't already enough, high level managers in both Mark's and Skilling's camps were taking advantage of huge compensation packages for having completed deals and demonstrated quarterly earnings through, in many instances, questionable trading and accounting measures such as mark-to-market accounting and the use of SPE's. The compensation structure at Enron fostered a culture of narcissism that rewarded individuals such as Chief Financial Officer (CFO) Andrew Fastow for creating illegal schemes like Chewco to hide Enron's mounting debt and, ironically, provided generous kickbacks for doing so. Coupled with the problems arising from Mark's and Skilling's infighting over which business/economic model to follow, the accounting scandals that publicly emerged in 2001 were enough to finally bring Enron to its knees. In the following paragraphs, the paper will take a look at how and why Enron's organizational culture developed and what went wrong from variety of leadership and ethical perspectives. In total, four theories will be explained and applied as the lenses in which to more completely examine the leadership that fostered the culture at Enron.

FUTURE CHALLENGES
As we know ethical practices vary from country to country for e.g. Lobbying is legal in Unite States of America whereas, in India it is illegal so this is one of the challenges in front the companies so, to build a uniform strategy for the whole world is very difficult.

CONCLUSION
Unethical practices may be useful in maximising wealth in a shorter duration, but in the long run it will have negative impact on the brand image and brand equity. One important thing to notice here is that "profit" is not only the factor to measure the brand equity of any company but what is important is to create a positive image of the company and its brands before the customers. This in turn will be translated into brand preference and brand loyalty.

Companies have to re-visit their corporate practices and focus mainly on ethical values and translate the same into organisational culture. This would help the companies in attaining their corporate goals by practicing ethical values and principles in their business.

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FACTORS AFFECTING MANAGERIAL CREATIVITY

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ABSTRACT

As the world advances and becomes more complex, creativity is desired in many situations, including the workplace. An instrumental component of any viable strategy to attain and sustain competitive advantage in a changing market context is achieving the ability to innovate consistently and create profitable growth. In order to maximize creativity in the workplace, it is important to understand the factors that affect creativity. This paper reports the factors affecting managerial creativity. This idea is illustrated by conducting a survey of 100 employees that were selected from different Print and Electronic media. Factor Analysis was applied to find factors affecting managerial creativity. The study reveals the fact that several factors encourage creativity.

KEYWORDS

Managerial Creativity, Divergent Thinking, Learning Culture, Career Management.

INTRODUCTION

In an era where competition demands that organizations should develop new products, processes and revolutionize the ways of thinking and doing tasks, there are increasingly frequent calls to pursue creativity as a source of competitive advantage. Creativity is critical for success in the workplace because organizations are in constant competition as a result of technological advances and economic uncertainty. However, it appears that few large companies have attained the competency to build and sustain new markets through a consistently high rate of commercially-successful innovations. One possible reason for this low success rate may be the failure of many of these big companies to foster a core competency in creativity when it comes to the development of new, relevant products and the reinvention of corporate structures and processes necessary to deliver positive results. A creative manager gives organizations an edge in a competitive market because creative individuals are more successful at solving ill-defined problems, allowing organizations to thrive in a competitive market. With this idea in mind, organizations are striving to determine how to maximize employee creativity.

CONCEPTUAL FRAMEWORK

Creativity refers to the phenomenon whereby an individual creates something new (a product, a solution, a work of art etc.) that has some kind of value. Creativity has always been at the heart of business, but until now it hasn't been at the top of the list in entrepreneurship. It is through creativity and innovation, entrepreneurs, leaders and managers can untapp the hidden opportunities at global scale. Creativity is considered a vital asset for any individual who is at the managerial position. Creative managers are actively involved in finding optimal solutions for problems and are especially successful in handling new challenges which demand solutions through out of the box thinking rather than following the orthodox strategies. Creativity is defined as an effort to make an to take their roles, leaving only limited rules to define objective change in social or economic power of common work process in organization. Clarkson (2005) has mentioned that there are many traits which have been associated with creativity, such as divergent thinking, introversion, self-esteem, tolerance for ambiguity, willingness to take risks, behavioral flexibility, emotional variability and ability to absorb imagery. The process of creativity includes the ability to change one's approach to a problem, to produce ideas that are both relevant and unusual, to see beyond the immediate situation, and to redefine the problem or some aspect of it (Kneller, 2005).

Creative managers are effective in their modus operandi and are efficient in handling day to day operations (Barron, 1988). They tend to be characterized by following group of traits like hunger for knowing, sensitivity, complexity, venturing, independence and courage, reality contact, self-sufficiency. A creative individual is one who is open, curious and imaginative to find solutions or designs that are useful and novel for the process of planning, organizing, implementing and controlling to determine and achieve the organizational goals in a changing and dynamic environment. Managerial creativity involves creative behavior and expression on managers who produce interesting and novel solutions to the problems. Researchers revealed that certain stable sets of core personal characteristics like broad interests, attraction to complexity, intuition, aesthetic sensitivity, tolerance of ambiguity, and self-confidence are positively and consistently related to creative performance.

REVIEW OF LITERATURE

Managing creativity at workplace is a major challenge for business organizations. Simon (2003) described creative managers as individual who by their own propensities or through learnings can receive great satisfaction from creative outcomes even when their role in producing these outcomes has been an indirect one. Edwards and Sproull (1984) indicated that generally organizations embarking on an effort to become more creative give due attention in improving motivation and improving self esteem, changing the organizational climate to make it more compatible with creative functioning and making jobs more challenging and interesting. Research on the impact of work environment can be classified into two categories based on proximal and distal factors. Proximal factors are those that are related to daily work of employees and distal are those, which are associated with the organization. Andrews and Farris (1972) while studying the impact of distal factors on creativity concluded that there is a positive correlation between participative culture and creativity. They found that time pressures in imperative and urgent projects gave the impression of work being crucial and thus enhanced creativity. Zhou & Jorge (2003) in their studies came to conclusion that presence of creative coworkers has a positive impact upon the other people in organization and when organization managers do not directly control organization employees and express more supportive behaviors this positive effect is more significant upon employees with less creative power.

Burns and Stalker (1961), who compared electronics firms with more established industrial enterprises and made the distinction between mechanistic and organic forms of organizing. Mechanistic organizations were characterized as hierarchical, highly structured organizations with well-defined, formal roles and positions relative to others in the organization, with communication flowing primarily vertically. Organic organizations, by contrast, were typified by their fluid organizational design, with departments and teams forming and reforming to address new problems and opportunities, with communication flowing primarily laterally. Burns and Stalker's concluded that organic organizations form to deal with unpredictability and volatility in an organization's environment and as compared to a mechanistic organization, an organic one facilitated greater creativity and innovation. Amabile (1988), opined that intrinsic motivation is a primary driver of creativity because it leads to employees being interested in and enjoying their work for the sake of the work itself. Domain-relevant skills, involving job-relevant knowledge and abilities, would provide a strong foundation for creative work. Additionally, creativity relevant processes, involving one's ability to generate creative ideas, would directly influence creativity. Shalley (1995) viewed that when individuals were intrinsically motivated, then their energy was channelized in one direction with a focus on looking for many alternatives.

RATIONALE OF THE STUDY
Today's business scenario is characterized by uncertainty, so manager need to act as a change agent by being creative and effective. Thus, whether the outcome of an effort is going to be creative or not is likely to depend upon various factors. Creative problem solving is a crucial dimension to managerial activity. Rapidly changing business environments produce problems which managers have not previously encountered. Tried and tested methods of approaching new problems can meet with failures. As organizations strive to maximize creativity among managers researchers attempt to get a better understanding of creativity and an understanding of possible influences on the creative process. Managerial creativity in organizational settings is relatively far less researched, but is of great importance in a world of huge collective challenges and fierce competition.

OBJECTIVES OF THE STUDY
1. To identify factors that affects Managerial Creativity.
2. To compare managerial creativity in print media and electronic media.
3. To open up new vistas of research and develop a base for application of the findings in terms of implications of the study.

PROBLEM
Based on review of literature and past studies, the following Hypotheses were formulated for this study through empirical investigation.
There is no significant difference in managerial creativity in print and electronic media.
Hypothesis
H_{01}: There is no significant difference in managerial creativity in print and electronic media in terms of Divergent Thinking.
H_{02}: There is no significant difference in managerial creativity in print and electronic media in terms of Learning Culture.
H_{03}: There is no significant difference in managerial creativity in print and electronic media in terms Career Management.
H_{04}: There is no significant difference in managerial creativity in print and electronic media in terms of Visionary Leadership.
H_{05}: There is no significant difference managerial creativity in print and electronic media in terms of Organizational Change.
H_{06}: There is no significant difference in managerial creativity in print and electronic media in terms of Progressive Approach.
H_{07}: There is no significant difference in managerial creativity in print and electronic media in terms of Empowerment.
H_{08}: There is no significant difference managerial creativity in print and electronic media in terms of Perpetual Challenging.

RESEARCH METHODOLOGY
THE STUDY
The present study is an exploratory research. It is an attempt to examine the factors affecting Managerial Creativity in print and electronic media.
THE SAMPLE
The sample of the study consisted of 50 respondents from print and electronic media companies each. The respondents were selected on the basis of convenience sampling technique.
THE TOOLS
THE TOOLS FOR DATA COLLECTION: The research was carried out through survey method. A well structured, close ended and well designed questionnaire Developed by Sangeeta Jain, Rajnish Jain and Upinder Dhar was utilized to get clear idea of respondents' perception. The respondents were asked to respond on 'Likert Scale' (Five Point Scale) ranging from "Strongly Disagree" to "Strongly Agree". It consists of 25 items. Its reliability and validity was found to be 0.826 and 0.909 respectively.
THE TOOLS FOR DATA ANALYSIS: The analysis of collected data was carried out using MS Excel 2007 and Statistical Package for Social Science (SPSS 19.0). The final scale was subjected to principle component method of factor analysis using varimax rotation. As a result of factor analysis, 8 factors emerged out viz ***Divergent Thinking, Learning Culture, Career Management, Visionary Leadership, Progressive Approach, Empowerment, Perpetual Challenging, and Organizational Climate***. On the basis of these factors, problem for the research design was formulated setting eight hypotheses and z-test was applied to test these hypotheses.

RESULTS AND DISCUSSIONS
The scale was administered on 100 respondents and the scores obtained were subjected to factor analysis and eight factors were identified. These are - ***Divergent Thinking, Learning Culture, Career Management, Visionary Leadership, Progressive Approach, Empowerment, Perpetual Challenging, and Organizational Climate.***
1. Divergent Thinking: This was measured by items 05, 2, 13, 06. These items are " To solve a specific problem various alternatives are preferable (Factor Load: 0.820)"; "New methods of orientation should be adopted for the new entrant to an organization (Factor Load: 0.744)"; "Innovative ideas should be employed in solving problems (Factor Load: 0.672)"; "Innovative methods of performance appraisal help in the development of subordinates (Factor Load: 0.631)". The total factor load was found to be **2.867.**
*The factor **'Divergent Thinking'** is exhibiting highest factor load and thus contributing most in managerial creativity.* Divergent thinking, the ability to make many associations to a problem and generate many ideas (Russ, 1998), may result in greater motivation to play, as divergent thinking has been linked to playfulness, spontaneity, and joy in play (Lieberman, 1965).Divergent thinking is one of the defining qualities of creative and high ability people. One's attitude towards divergent thinking may be largely determined by openness to experience. . Open individuals tend to be more receptive to novel and unconventional ideas. (McCrae & Costa, 1997). Openness to experience is a personality trait that relates to divergent thinking and therefore is expected to be related to creative performance in organizations. Carson et al. (2003) found that performance on divergent thinking tasks is positively correlated with high creative achievement in real world settings.
It is evident from Table 4.1 and 4.2 that t test failed to reveal a statistically reliable difference the mean number of divergent thinking that print media has ***(M=3.4570, SD=.74031)*** and that the electronic media has ***(M=3.6950, SD=.81487)***; ***t(98)=1.529, p=.130***, **a= *.05***; thus null hypothesis **H_{01} stands Accepted**.
2. Learning Culture – This was measured by items 23, 24, 22, 21. These items are "Generally speaking, executives absorb new ideas best by contrasting them to other ideas (Factor Load: 0.827)"; "Executives prefer to learn through free exploration (Factor Load: 0.712)"; "While preparing for new or difficult tasks, an executives absorb new ideas best by contrasting them to other ideas (Factor Load : 0.671)"; "Executives prefer to summarize readings than to outline them (factor Load: 0.470)". The total factor load was found to be **2.68**.
*The factor **'Learning Culture** is exhibiting second highest factor load and therefore plays a key role in managerial creativity.* Creativity, as an outcome of organizational learning, involves the recognition of patterns and possibilities inherent in streams of experience and the explanation of these new concepts and insights to others through close collaboration (Leonard & Sensiper, 1998).
According to Watkins and Marsick (1997), the construct of organizational learning culture consists of seven sub-constructs: continuous learning, dialogue and inquiry, team learning, embedded system, empowerment, system connection, and strategic leadership. Senge (1994) argues that for creating a learning organization, individual and groups should be encouraged to learn five disciplines, namely personal mastery, mental models of personal learning and growth,

shared vision for organization, commitment to learning and system thinking. Senge argued that companies need team learning and a shared vision. These concepts can be attained only with a shift of mind that departs considerably from the perspective of organizations in the past that relied on fixed, predictable principles. Thus, HRD can play a pivotal role in enhancing employee creativity and building a more appropriate contextual environment for creativity by providing employees with learning and development and by changing organizational culture and practices.

It is evident from the Table 4.3 and 4.4 that t test failed to reveal a statistically reliable difference the mean number of learning culture that print media has ***(M= 3.57, SD= .6082)*** and that electronic media has ***(M= 3.700, SD= .557) ; t(98)= 1.114, p=.268,*** **a= *.05***; thus H_{02} **stands Accepted.**

3. Career Management - This was measured by items 20, 08, 25, 18. These items are "While planning activities of the day, executives usually picture he places where they will go, people they will meet and things they will do (Factor Load: 0.735)"; "One's performance should be distinguishable from those of peers (Factor Load: 0.725)"; "It is more fun for executive to dream about the future (factor Load: 0.624)"; "An executive may respond more to people, when they appeal to his/her emotional being (factor Load: 0.577). The total factor load was found to be **2.66.**

*The factor **'Career Management'** is exhibiting total factor load 2.66*. Over the last few decades there has been a profound shift in perceptions of work careers by employers and employees. Careers in 21st century are more boundary less (Arthur & Rousseau, 1996) and as such organizations have been focusing more of their efforts on developing formal career management processes. The processes are based on the belief that mobility and continuous development are integral to the success of an organization. They represent a strategy of focusing on developing workforce flexibility, where employees can meet changing demands for knowledge, skills and abilities. This approach implies that career stagnancy is inherently bad for the organization, for the employee or both. Indeed, an employee's career adaptability – one's resilient and exposure to career related development activities- has been positively linked with affective commitment and reduced turnover intentions (Ito & Brotheridge, 2005). Recently, career management processes are beginning to involve participation on the part of an employee and his or her manager. Pazy (1988) argues that an employee's career development is the joint responsibility of both the organization and the employee.

It is evident from the Table 4.5 and 4.6 that t test reveal a statistically reliable difference the mean number of career management that print media has ***(M= 3.515, SD= .435)*** and that electronic media has ***(M= 3.745, SD= .372) ;*** **t(98)= 2.836**, **p=.006**, **a= *.05*** therefore null hypothesis H_{03} **stands Rejected.**

This indicates that managers of electronic media believe in career management as compared to print media. Managers in electronic media companies are increasingly taking the seemingly obvious step of asking their employees what their career aspirations are before mapping out a career path.

4. Visionary Leadership – This was measured by items 07, 16, 14, 17. These items are "To solve a day to day problem at work place flexible approaches are desirable (factor Load: 0.750)"; "People in creative organizations first visualize and then communicate whatever they experience (Factor Load: .0738)"; "The existing norms/ policies/ procedures should not be accepted without evaluation (Factor Load: 0.543)"; "Executives prefer to concern themselves with hidden possibilities, uncertainties and potential (factor Load: 0.473)". The total factor load was found to be **2.504.**

*The factor **'Visionary Leadership'** is exhibiting total factor load **2.504**.* As per Peter Cook (1998), a fundamental challenge leaders face in the 21st century is how to profit from individual potential and then leverage it so that it produces organizational innovation and excellence. Cook (1998) proposes that leaders must effectively communicate a vision conducive to creativity through any available formal and informal channel of communication and constantly encourage employees to think and act beyond current wisdom. This vision must be communicated from the highest to the lowest levels of management (Delbecq & Mills, 1985; Kimberley & Evanisko, 1981). In other words, the leader must abide by all aspects of vision concerning creativity in the organization, even in informal settings, because every action is observed and interpreted by subordinates (Andriopoulos, 2001). The leader's vision is therefore a key factor when managing creative individuals. In a study completed in Australia, another group of researchers examined the role of transformational leadership and innovative work behavior and the roles that gender may play in this relationship (Reuvers, van Engen, Vinkenburg, & Wilson-Evered, 2008). The results of the study suggested that teams who were led by more transformational leaders rated themselves as being more innovative than teams who were led by leaders who were less transformational.

It is evident from the Table 4.7 and 4.8 that t test reveal a statistically reliable difference the mean number of visionary leadership that print media has ***(M= 3.665, SD= .478)*** and that electronic media has ***(M= 3.965, SD= .515) ; t(98)= 3.018, p=.003,*** **a= *.05***; thus null hypothesis H_{04} **stands Rejected.**

This indicates that there is more visionary leadership in electronic media as compared to print media. This because managers of electronic media encourage creativity by facilitating open interactions with subordinates Cooper (2000) suggests that the openness of managers can increase local initiatives and creative contributions of the employees. Leadership styles conducive to creativity are participative leadership, leader's vision for creativity and ability to develop effective groups.

5. Organizational Change- This was measured by items 04, 03, 10. These items are "Status quo situations are not comfortable, if there persist for a long time (Factor Load: .0835)"; "Job rotation may result in novel ideas (Factor Load: .0507)"; "An executive should try to make his work unique and distinctive (Factor Load: 0.431)". The total factor load was found to be 1.773.

*The factor **'Organizational Change'** is exhibiting total factor load **1.773**.* As per Zang and Cao (2002) for achieving competitive advantage both continuous innovation and radical innovation are important. While continuous innovation becomes possible by continuous improvement, for radical innovation business process reengineering becomes necessary. In order to succeed in BPR the organization must change the structure from hierarchical to flat, management goal to change from functional to global, and individual work needs change to team work. Peters and Waterman (1982) see innovative companies as characterized by creative people developing new products and services under continuously changing environment. A belief in one's ability to overcome constraints by situational forces and to affect changes in the environment (Bateman & Crant, 1993) that involves "challenging the status quo rather than passively adapting to present conditions" leads to creative performance. (Crant, 2000). According to Judge and Elenkov (2005) a capability of organizational change is a broad and dynamic organizational capability that allows the enterprise to adapt old capabilities to new threats and opportunities as well as create new capabilities.

It is evident from the Table 4.9 and 4.10 that t test failed to reveal a statistically reliable difference the mean number of organizational change that print media has ***(M= 3.826, SD= .513)*** and that electronic media has ***(M= 4.013, SD= .508) ; t(98)= 1.826, p=.071,*** **a= *.05***; thus null hypothesis H_{05} **stands Accepted.**

6. Progressive Approach – This was measured by items 19, 15. These items are "One should persist and set the problem aside temporarily without closing one's mind to it or giving it up (Factor Load: 0.842)"; "Being restricted to one or few ideas is not satisfying (Factor Load: 0.801). The total factor load was found to be 1.643.

*The factor **'Progressive Approach'** is exhibiting total factor load **1.643**.* Creativity literature suggests that creative individuals tend to see themselves as self-confident, ambitious, and achievement-oriented (Ford, 1995). Not only are they emotionally expressible, energetic, and capable of self-management, but also they are comfortable with ambiguous situations and enjoy learning from new challenges and approaches (Ford, 1995). Zahra and George (2002) opined that organizations seek for opportunities in areas where they have had past successes. Therefore, in the face of prior success, a firm may be unwilling to risk sacrificing current performance to allow its employees to gain other knowledge beyond existing domains of expertise (Cohen & Levinthal, 1990). So, even though acquiring basic knowledge and experience could lead to greater competence in the current arena of activity and perhaps even result initially in a greater volume of innovation (Gupta, 2006), firms—once vested in their past success— experience limited flexibility and a constricted range of exploration making future innovation less likely (Sorensen & Stuart, 2000). Senior management must provide sufficient resources and training, encouragement for developing new concepts, time to work on projects and/or financial support (Jones & McFadzean, 1997). Brand (1998) who proposes that organizations should hire people who are knowledgeable, intelligent, creative in their thinking processes and willing to work tenaciously to attain their goals. In general, creative organizations should focus on employing people with broader interests, who are eager to learn and prepared to take some risks (Andriopoulos, 2001).

It is evident from the Table 4.11 and 4.12 that t test reveal a statistically reliable difference the mean number of progressive approach that print media has ***(M= 3.490, SD= .883)*** and that electronic media has ***(M= 3.850, SD= .822) ; t(98)= 2.109, p=.037,*** **a= *.05;*** thus null hypothesis H_{06} **stands Rejected.**

This indicates that managers of electronic media believe in progressive approach as compared to (Mean = 3.850) print media (Mean= 3.490). Managers in electronic media are proactive individuals who look for opportunities and act on them, show initiative, take action, and are persistent in successfully implementing change. Proactive behavior is more crucial than ever because of the changing nature of work (Parker, 1998). Research has reported positive relationships between proactivity and individual job performance (Crant, 1995), career outcomes (Seibert et al., 1999), leadership (Crant & Bateman, 2000), and organizational innovation (Parker, 1998).

7. Empowerment- this was measured by items 01, 09. These items are "Executives should use novel ways to achieve organizational goals (Factor Load: 1.485)"; "Original ideas of subordinates should be encouraged (Factor Load: 0.646). The total factor load was found to be 1.485.

*The factor **'Empowerment'** is exhibiting total factor load **1.485**.* Autonomy within processes fosters creativity because it gives people freedom in how they approach their activities, heightens their intrinsic motivation, and increases their sense of challenge (Bailyn, 1985). Creativity is fostered when organizational members have relatively high autonomy in carrying out their activities (Zhou, 1998). Appropriate management support should allow risk-taking whether successful or not (Amabile, 1998), and provide an atmosphere where innovation is prized and failure is not fatal (West, 1990). The lack of risk-taking prevents individuals to share useful ideas (Cooper, 2000), decreases contributions. (Stenmark, 2005). Ghorbani and Azmadi (2011) found that there is significant positive relationship between employees empowerment dimensions and creativity increase. They proposed that proposed that the director of organization tries his or her best to increase the empowerment of employees so that the organization cansurvive and improve creativity and innovation.

It is evident from the Table 4.13 and 4.14 that t test failed to reveal a statistically reliable difference the mean number of empowerment that print media has ***(M= 4.550, SD= .231)*** and that electronic media has ***(M= 4.460, SD= .332) ; t(98)= 1.571, p=.120,* a= *.05***; thus null hypothesis **H_{07} stands Accepted.**

8. Perpetual Challenging – This was measured by items 12, 11. These items are "Innovative procedures should be worked out for organizational effectiveness and efficiency (factor Load: 0.776)"; "Problems can also be perceived as opportunities (factor Load: 0.536). The total factor load was found to be 1.312.

*The factor **'Perpetual Challenging'** is exhibiting total factor load 1.312.* Andreopaulos and Lowe (2000) mention '***perpetual challenging***' as a method to enhance organizational creativity. The process of perpetual challenging in creative organizations occurs through *adventuring*, *overt confronting*, *port folioing* and *opportunising*. Through three processes of adventuring, namely, introspecting, scenario making and experimenting, individuals are encouraged to explore uncertainty so that they can generate innovative solutions. Incremental risk taking and mistake making are part of experimenting. Overt confronting refers to the deliberate set of work related debates used among employees so that their creative thinking is fully utilized. In port folioing, creative employees are encouraged to get involved in a diverse range of projects or teams related to projects. Opportunising refers to the process through which creative employees identify and get involved in projects, which are considered as commercially or creatively interesting. Creative organizations need to be skilled at creating, acquiring and transferring knowledge and modifying behaviors by using these methods to reflect new knowledge and insights. When jobs are complex and challenging, individuals are likely to be excited about their work activities and interested in completing these activities in the absence of external controls or constraints (Hackman & Oldham, 1980; Oldham & Cummings, 1996).

It is evident from the Table 4.15 and 4.16 that t test failed to reveal a statistically reliable difference the mean number of perpetual challenging that print media has ***(M= 3.950, SD= .573)*** and that electronic media has ***(M= 4.140, SD= .452) ; t(98)= 1.839, p=.069,* a= *.05***; thus null hypothesis **H_{08} stands Accepted.**

IMPLICATIONS

The organization has to value excellence that is place priority on doing an excellent job in the long run, even if this involves taking a loss in short term results. An organization should provide a safe environment, where mistakes are tolerated or even encouraged, promote learning and risk taking for the sake of the long term goal. Possible future research based on some of the results of this study may be better able to focus on a way to build a work environment more conducive to creativity and innovation. For the practitioner, the results of this study may help industrial and organizational managers create training and development programs geared to aid organizations in building such environments that foster creativity. Along with the obvious financial benefits that accrue when a firm is successful at innovation, such an organization may also experience other strategic advantages when it institutionalizes an environment that is conducive to creativity, dynamic growth, and change (e.g., higher employee morale, lower turnover, more external business focus, and stronger market orientation). Managers should undertake a creative audit of the organization to establish the facts and enable tracking of improvement to occur.

CONCLUSION

The study revealed that individual factors like capability, personality attributes, cognitive style, intelligence and challenging , directly, and organizational factors like leadership style, organization structure, organization reward system, organization atmosphere and organization resources, indirectly, influence creativity. It is argued that creativity is an important human resource (Barron, 1988) which exists in all organizations. Organizations have to try to make use of their resources by devising settings which permit creative talents to thrive.

In the present study, eight factors viz. *Divergent Thinking, Learning Culture, Career Management, Visionary Leadership, Progressive Approach, Empowerment, Perpetual Challenging, and Organizational Climate* were identified that affect managerial creativity. Out of which Divergent Thinking was found to have maximum influence on managerial creativity. Also, comparison was made between print and electronic media based on these 8 factors. Out of eight hypotheses formed, 3 null hypotheses were found to be rejected. Print and electronic media differ in terms of *Career Management, Visionary Leadership and Progressive Approach.*

The present study has limitations of limited geographical area of investigation, hence may not be true representative of the whole population of the country. So, before generalization, there is a need to conduct an in-depth study covering broader geographical area. However, the findings may be helpful in improving organizational efficiency and effectiveness through encouraging creativity among managers of print electronic media.

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ANNEXURE

ANNEXURE 1: ROTATED COMPONENT MATRIX

	Component							
	1	2	3	4	5	6	7	8
VAR00005	**.820**	.139	-.184	-.027	-.042	-.308	-.145	.032
VAR00002	**.744**	.069	.241	.092	.135	-.096	-.368	-.082
VAR00013	**.672**	.039	.021	.275	-.107	.141	.310	.192
VAR00006	**.631**	.423	.059	-.017	.157	-.221	.032	-.193
VAR00023	.238	**.827**	.045	-.111	.051	.024	.053	.076
VAR00024	.252	**.712**	.090	.113	.059	-.063	-.049	-.144
VAR00022	-.201	**.671**	-.045	.273	-.084	.125	.252	.223
VAR00021	.073	**.470**	.248	-.205	.291	.161	-.403	.202
VAR00020	.138	.272	**.735**	-.058	.032	.011	-.147	.021
VAR00008	.120	.136	**-.724**	.084	.035	.376	-.167	.134
VAR00025	.345	.303	**.624**	.300	-.107	-.077	.152	.198
VAR00018	.259	.390	**-.577**	-.037	-.275	-.045	.270	.063
VAR00007	.059	-.123	-.230	**.750**	-.160	.083	.221	.078
VAR00016	.103	.217	.126	**.738**	.031	-.254	-.132	-.109
VAR00014	.068	.037	.365	**.543**	.165	.344	.227	.038
VAR00017	.438	.301	.220	**.473**	.383	.076	-.027	.244
VAR00019	-.110	.138	-.069	-.090	**.842**	-.002	.142	.176
VAR00015	.156	-.057	.094	.097	**.801**	.135	.026	.056
VAR00001	.219	.095	.015	.090	-.071	**-.839**	.015	.115
VAR00009	-.091	.268	-.282	.112	.107	**.646**	.154	.100
VAR00012	-.133	.133	-.047	.112	.143	-.040	**.776**	-.137
VAR00011	.077	.001	.111	-.054	.106	.336	**.536**	.310
VAR00004	.045	.151	.048	.022	.215	-.057	.027	**.835**
VAR00003	-.010	-.144	-.239	.507	.357	.019	-.120	**.507**
VAR00010	.332	.228	.150	.000	.321	-.400	.124	**-.431**
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 13 iterations.								

ANNEXURE 2: COMPARATIVE ANALYSIS

FACTORS	NAME OF THE FACTORS	ITEMS	FACTOR LOADS	EIGEN VALUES	% OF VARIANCE
F1	DIVERGENT THINKING	05, 02, 13, 06	2.867	4.744	19.016
F2	LEARNING CULTURE	23, 24, 22, 21	2.68	3.169	12.677
F3	CAREER PLANNING	20, 08, 25, 18	2.66	2.334	9.334
F4	VISIONARY LEADERSHIP	07, 16, 14, 17	2.504	2.072	8.286
F5	ORGANZIATIONAL CHANGE	04, 03, 10	1.773	1.836	7.344
F6	PROGRESSIVE APPROACH	19, 15	1.643	1.402	5.610
F7	EMPOWERMENT	01, 09	1.485	1.169	4.674
F8	PERPETUAL CHALLENGING	12, 11	1.312	1.068	4.273

ANNEXURE 3: COMPARATIVE ANALYSIS

FACTORS	HYPOTHESIS	PRINT		ELECTRONIC		p VALUE	REJECTED/ NOT REJECTED
		Mean	S.D.	Mean	S.D.	| p |	
DIVERGENT THINKING	H_{O1}	3.457	.740	3.695	.814	.130	**NOT REJECTED**
LEARNING CULTURE	H_{O2}	3.570	.608	3.700	.557	.268	**NOT REJECTED**
CAREER MANAGEMENT	H_{O3}	3.515	.435	3.745	.372	.006	**REJECTED**
VISIONARY LEADERSHIP	H_{O4}	3.665	.478	3.965	.515	.003	**REJECTED**
ORGANZIATION CHANGE	H_{O5}	3.826	.513	4.013	.508	.071	**NOT REJECTED**
PROGRESSIVE APPROACH	H_{O6}	3.490	.883	3.850	.822	.037	**REJECTED**
EMPOWERMENT	H_{O7}	4.550	.231	4.460	.332	.120	**NOT REJECTED**
PERPETUAL CHALLENGING	H_{O8}	3.950	.573	4.140	.452	.069	**NOT REJECTED**

a at 5% level of significance = .05

ANNEXURE 4: SPSS T TEST OUTPUT RESULTS

TABLE 4.1: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
DT	Print	50	3.4570	.74031	.10470
	Electronic	50	3.6950	.81487	.11524

TABLE 4.2: 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
DT	Equal variances assumed	1.196	.277	-1.529	98	.130	-.23800	.15570	-.54697	.07097
	Equal variances not assumed			-1.529	97.111	.130	-.23800	.15570	-.54701	.07101

TABLE 4.3: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
Learning	Print	50	3.5700	.60828	.08602
	Electronic	50	3.7000	.55787	.07890

TABLE 4.4: 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
Learning	Equal variances assumed	.204	.653	-1.114	98	.268	-.13000	.11672	-.36163	.10163
	Equal variances not assumed			-1.114	97.276	.268	-.13000	.11672	-.36166	.10166

TABLE 4.5: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
CM	Print	50	3.5150	.43569	.06162
	Electronic	50	3.7450	.37283	.05273

TABLE 4.6: 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
CM	Equal variances assumed	2.378	.126	-2.836	98	.006	-.23000	.08110	-.39093	-.06907
	Equal variances not assumed			-2.836	95.714	.006	-.23000	.08110	-.39098	-.06902

TABLE 4.7: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
Leadership	Print	50	3.6650	.47812	.06762
	Electronic	50	3.9650	.51510	.07285

TABLE 4.8: 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
Leadership	Equal variances assumed	.510	.477	-3.018	98	.003	-.30000	.09939	-.49724	-.10276
	Equal variances not assumed			-3.018	97.461	.003	-.30000	.09939	-.49725	-.10275

TABLE 4.9: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
OrgChange	Print	50	3.8267	.51393	.07268
	Electronic	50	4.0133	.50825	.07188

TABLE 4.10: 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
OrgChange	Equal variances assumed	.077	.782	-1.826	98	.071	-.18667	.10222	-.38952	.01619
	Equal variances not assumed			-1.826	97.988	.071	-.18667	.10222	-.38952	.01619

TABLE 4.11: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
Approach	Print	50	3.4900	.88346	.12494
	Electronic	50	3.8500	.82220	.11628

TABLE 4.12: 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
Approach	Equal variances assumed	1.743	.190	-2.109	98	.037	-.36000	.17068	-.69870	-.02130
	Equal variances not assumed			-2.109	97.498	.037	-.36000	.17068	-.69872	-.02128

TABLE 4.13: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
Empower	Print	50	4.5500	.23146	.03273
	Electronic	50	4.4600	.33258	.04703

TABLE 4.14: 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
Empower	Equal variances assumed	3.321	.071	1.571	98	.120	.09000	.05730	-.02372	.20372
	Equal variances not assumed			1.571	87.445	.120	.09000	.05730	-.02389	.20389

TABLE 4.15: GROUP STATISTICS

	Media	N	Mean	Std. Deviation	Std. Error Mean
Challenging	Print	50	3.9500	.57366	.08113
	Electronic	50	4.1400	.45221	.06395

TABLE 4.16: 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
Challenging	Equal variances assumed	1.553	.216	-1.839	98	.069	-.19000	.10330	-.39500	.01500
	Equal variances not assumed			-1.839	92.933	.069	-.19000	.10330	-.39514	.01514

ANNEXURE 5: MANAGERIAL CREATIVITY SCALE

I am approaching you with a scale to know your opinion about certain experiences in the organizational context. There are 25 statements given in the scale and there is no right or wrong answer in the scale. You have to read each statement carefully and mark your choice by putting cross(x) on any of the five alternatives.

S No.	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Executives should use novel ways to achieve organizational goals					
2	New methods of orientation should be adopted for the new entrant to an organization					
3	Job rotation may result in novel ideas					
4	Status quo situations are not comfortable, if there persist for a long time.					
5	To solve a specific problem various alternatives are preferable.					
6	Innovative methods of performance appraisal help in the development of subordinates.					
7	To solve a day to day problem at work place flexible approaches are desirable.					
8	One's performance should be distinguishable from those of peers					
9	Original ideas of subordinates should be encouraged					
10	An executive should try to make his work unique and distinctive					
11	Problems can also be perceived as opportunities					
12	Innovative procedures should be worked out for organizational effectiveness and efficiency					
13	Innovative ideas should be employed in solving problems					
14	The existing norms/ policies/ procedures should not be accepted without evaluation.					
15	Being restricted to one or few ideas is not satisfying					
16	People in creative organizations first visualize and then communicate whatever they experience					
17	Executives prefer to concern themselves with hidden possibilities, uncertainties and potential					
18	An executive may respond more to people, when they appeal to his/her emotional being					
19	One should persist and set the problem aside temporarily without closing one's mind to it or giving it up.					
20	While planning activities of the day, executives usually picture he places where they will go, people they will meet and things they will do					
21	Executives prefer to summarize readings than to outline them					
22	While preparing for new or difficult tasks, an executives absorb new ideas best by contrasting them to other ideas					
23	Generally speaking, executives absorb new ideas best by contrasting them to other ideas					
24	Executives prefer to learn through free exploration					
25	It is more fun for executive to dream about the future					

THE IMPACT OF CELEBRITY ADVERTISEMENT ON INDIAN CUSTOMERS

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ABSTRACT

In a competitive market place where price is not a differentiator, customers are becoming harder to please. Celebrity advertisement is one of the marketing strategy which firms use nowadays to boost the economic status of the organization and to lead the consumers decision towards enhancing their attitudinal change. The purpose of this paper is to provide a conceptual framework to analyse the impact of celebrity advertisement on Indian consumers. It also identifies the factors affecting the celebrity endorsement.

KEYWORDS

Celebrity, Source Credibility, Brand and Overshadow.

INTRODUCTION

The general belief among advertisers is that brand communication messages delivered by celebrities and famous personalities generate a higher appeal, attention and recall than those executed by non-celebrities. The quick message, reach and impact are all too essential in today's highly competitive environment.

Celebrities are people who enjoy specific public recognition by a large number of certain groups of people. They have some characteristic attributes like attractiveness, extraordinary lifestyle or special skills that are not commonly observed. Thus, it can be said that within a society, celebrities generally differ from the common people and enjoy a high degree of public awareness.

India is a country where people are star-struck by film stars, cricketers, politicians. Everyday people need something or someone to look up to. A sense of security, admiration, comfort, familiarity, and above all, someone they aspire to be at some hidden level in their lives.

Among the classic forms of celebrities, actors(e.g.,Amitabh Bachchan and Aamir Khan), models(e.g., Sushmitha Sen and Lara Dutta.), sportsmen(e.g., M.S.Dhoni and Virat Kohli) are significant. Celebrity advertising is a form of advertisement that uses renowned and successful personalities, from various walks of life, to communicate the message to the viewers.It is a popular method of grabbing eyeballs. The choice of celebrity is critical for the success of the advertisement. The celebrity should have high recognition, high positive affect, and the image of the celebrity must match with that of the product. For this reason, Bollywood Baadshah, Shah rukh Khan is used to endorse Fair and Handsome, since he is in the field of glamour, the product suits his personality. Famous sportsmen are used to endorse sporting goods: Sachin Tendulkar endorses Adidas and Mahendra Singh Dhoni endorses Reebok, while it is totally inappropriate for movie stars to endorse a sports products.

Celebrity endorsements must be used judiciously. If the celebrity is too famous or too popular, then the celebrity will overpower the product - i.e., people will remember seeing only the celebrity and forget the product.

The cost benefit analysis of using celebrity in marketing communications is bit tricky. But the general belief is that using celebrity is a lot cheaper in building a brand. For example, S.Kumar's built the brand "Reid & Taylor's" as a premier suiting material by having Amitabh Bachchan in its advertisements. To achieve the same without a celebrity would have taken longer time & more money. In a span of less than two years after launch, the brand Reid & Taylor has become the second largest seller of cloth for men's suits in India. Now, despite the potential benefits derived from celebrity endorsements, a marketer's risk manifolds and should be treated with full attention and aptitude. A brand should be cautious when employing celebrities to ensure promise believability and delivery of the intended effect.

Celebrities have also been in demand having succeeded in being effective by rising above the clutter & grabbing the attention and focus of the consumer. They also succeed in creating an aspiration in the minds of the consumer to acquire what their favorite celebrity endorses.

LITERATURE REVIEW

Celebrity endorsement in mass media advertising has become a very beneficial phenomenon for many countries and has significantly increased in the past decade, and should be the main principle of brand communications since it is the key to marketing success. According to Byrne & Breen, studies have indicated that a more positive response, along with higher purchasing intentions have been gained by using celebrity endorsers compared to non celebrity endorsers (Byrne & Breen, 2003, The Naked Truth of Celebrity Endorsement). Sales will greatly rise due to the availability of celebrity endorsed products that attract customers.

Firms must form their brands with celebrity endorsers that include sportsmen and movie stars, hoping that the celebrities can create more successful and impressionable marketing and corporate communications, which will earn the firm more profit. A reason for the increase in the usage of celebrity endorsing on various levels of mass media is almost exclusively due to the fact that this strategy results in more positive advertisement and product(Dean 1999), as well as an increase in the purchasing of the product and in turn, increased finances for the producer (Erdogan, 2001).

Indian market is not by a large space, an easy audience to target for the advertisers. The one billion people of the country are speckled in terms of beliefs, ethnicity, states, culture, language, dialects, norms and values. Other aspects such as the economic discrepancy in the country separates it in a way which has resulted in a large number of lower and upper middle class, with a very small class falling under in the middle class. This demonstrates a vast disparity in the buying power and decision making clout, one which the advertisers should keep in mind. Indian advertisement has been placing a vital amount of importance on both recall and persuasion as brand differentiating messages.(Dixit,2005).

Firm finances its huge resources to line up their products and celebrity endorsing for them. Of particular kind of celebrity endorser are perceived as vibrant with charming and pleasant or friendly value (Taleja, 2005). It is some kind of trend nowadays by utilising high profile famous persons to endorse your prducts to boost your prduct name as well brand image of your firm (Ramakrishna & Reddy, n.d). Millions of money is spent on celebrity endorsement every year by companies in order to boost sale and also to attract consumers to their brands.

OBJECTIVES OF THE STUDY

1. To understand the impact of celebrity endorsement on Indian customers.
2. To study the factors inducing the choice of celebrity as company's promotion strategy.
3. To study the relationship between a celebrity and a brand.
4. To find out the pitfalls associated with the celebrity endorsement and the reduction techniques.

RESEARCH METHODOLOGY

The paper is conceptual and based on the data collected from the secondary sources. For this research paper, information is obtained from magazines, books, articles, research papers and internet, etc.

THE IMPACT OF CELEBRITY ENDORSEMENT ON INDIAN CUSTOMERS

The goal of advertising is to present information to potential customers. This information, it is hoped, will result in customer adopting more favorable attitudes toward the advertised product or service. These attitudes, in return should result in a greater probability of the customer purchasing the advertised product or using the service than if customers had not been exposed to the advertisement.

The effectiveness of communication is determined by factors like the credibility, attractiveness and power of the source(sender). The source of a communication can be an identifiable person, an unidentifiable person(a 'typical' homemaker), a company or organization, or an inanimate figure such as a cartoon character. The source of a message is important because consumers respond differently to the same message delivered by different sources.

Celebrity branding is a global phenomenon and it assumes paramount importance in developing countries like India where celebrities are given the status of demy Gods by the masses. The charisma of the celebrities almost always entices people and their words are worshipped by lot of people. Their influence also goes on the political front, where they are invited for political endorsement. The business firms, thus, resort to celebrity endorsement to perk up brand recall and product sales. Celebrities are widely used as communication source in advertising and celebrity source may enhance attitude change of customers for a variety of reasons like, the credibility, attractiveness and power of the celebrity.

Herbert Kelman developed three basic categories of source attributes: credibility, attractiveness and power. Each influences the recipient's (customer) attitude or behavior through a different process. Let us examine how the attributes of celebrity's source impact the attitude formation and change of the customers.

SOURCE CREDIBILITY

Credibility refers to the tendency to believe or trust someone because the recipient(customer) sees the source as having relevant knowledge, skill or experience and trust the source to give unbiased, objective information. When an information source such as a celebrity, is perceived as credible, the source can change attitudes through a psychological process called internalization. Internalization occurs when the receiver accepts the endorser's position on an issue as his or her own. An internalized attitude tends to be maintained even if the source of the message is forgotten or if the source switches to a different position.

For eg.: Amitabh Bachchan has endorsed Parle's Gold Star cookies. He embodies an exemplary blend of both style and performance, making him the ideal choice to endorse Parle's Gold Star. The goodwill and reputation he has built over the last three decades compliments the product.

Two important properties of endorser credibility are expertise and trustworthiness. Expertise refers to the knowledge, experience or skills possessed by an endorser as they relate to the communications topic. Hence, sportsmen are considered to be experts when it comes to the endorsement of sport-related products. Expertise is a perceived rather than an absolute phenomenon. An endorser perceived by an audience as an expert on a given subject is more persuasive in changing audience opinions pertaining to his or her area of expertise than an endorser who is not perceived as possessing the same characteristic.

For eg.: Mahendra Singh Dhoni endorses Reebok, this no doubt explains the extensive use of sportsmen to endorse sports-related product.

Trustworthiness refers to the honesty, integrity and believability of a source. While experts and trustworthiness are not mutually exclusive, often a particular endorser is perceived as highly trustworthy but not particularly expert. An endorser's trustworthiness depends primarily on the audience's perception of his or her endorsement motivations. If the audience believes that an endorser is motivated purely by self-interest, he or she will be less persuasive than someone the audience perceives as having nothing to gain by endorsing the product or as being completely objective. Interestingly research with ethnic minorities reveals that when a spokesperson matches the audience's ethnicity, spokesperson trustworthiness in enhanced which, in turn promotes more favorable attitudes towards the advertised brand.

Advertisers capitalize on the value of trustworthiness by selecting endorsers who are widely regarded as being honest, believable and dependable people. This probably explains why Sachin Tendulkar is used as the brand ambassador of Aviva Life Insurance .He simply appears to be individual who can be trusted.

SOURCE ATTRACTIVENESS

Attractiveness does not mean simply physical attractiveness, although that can be a very important attribute but includes any number of virtuous characteristics that receivers may perceive in an endorser's intellectual skills, personality properties, lifestyle characteristics, sportsmen prowess etc. The general concept of attractiveness consists of three related ideas: similarity familiarity and liking. . Familiarity is the audience's knowledge of the source because of prior exposure to it. Likeability is the audience's positive regard for the source because of their physical appearance and behavior and similarity is the resemblance between the source and the receiver. The higher a source rates on each of these attributes, the more acceptable and attractive it will be. That is an endorser is considered attractive to receivers if they share a sense of whether the two are similar in any respect.

For eg.: Virat Kohli, in Cinthol Deo advertisement would seem to epitomize the use of attractiveness and capture all dimensions of that concept. That is, Virat Kohli, in addition to his p smart look, is attractive to Cricket fans who are similar to him (in the sense that they also play or enjoy cricket), are familiar with him (via watching him play on TV and reading about him) and like him (due to his generally lovely performance and fiery competitive spirit).

There are two explanations to how attractiveness affects the message acceptance: Identification and conditioning. Identification means that the receiver of the message begins to see himself or herself as similar to the source because of the latter's attractiveness. Because of that the receiver becomes willing to accept the opinions, beliefs, attitudes or behavior of the source. Conditioning means that the endorser is an unconditioned stimulus, and the brand or product would be the conditioned stimulus. When the endorser is repeatedly associated with the brand, the attractiveness of the endorser is supposed to pass to the brand. Maintaining this position depends on the source's continued support for the position as well as the receiver's continued identification with the source. In other words, an attractive endorser does not necessarily benefit a product if there is a poor matchup between the endorser and the product.

For eg.: Club HP starring tennis sensation Sania Mirza does a poor job at connecting the celebrity and the product.It leaves people wondering if Sania is the right authority to endorse fuel or if HP is only piggy-riding on Sania's popularity.

SOURCE POWER

Power is the last attribute, as mentioned by Kelman (1961).A source has power when he or she can actually administer rewards and punishments to the receiver. The sender has the power to give incentives and penalty. As a result of this the sender can persuade other individual to react onto the appeal the endorser is making. When a receiver perceives a source as having power, the influence process occurs through a process known as compliance. This interprets that the receiver should react to the sender to keep away the penalty.

The power source should be commanding and more informative, this generally occurs when you can't avoid its benefits you are receiving from the sender (Belch & Belch, 2003).Power as a source characteristic is very difficult to apply in a nonpersonal influence situation such as advertising. An indirect way of using power is by using an individual with an authoritative personality as a spokesperson.

For eg.: Aamir turned towards the 'intellectually stimulating' route with his debut project, a talk show called **'Satyamev Jayate'**. A 'serious' show that made each one of us introspect as we watched, about the society we live in and the issues that we all need to deal with. The talk show knocked us out of bed; India woke up to a grim Sunday morning, but it provided everyone with the much-needed and oft-missing reality check.

ESTABLISHING RELATIONSHIP BETWEEN CELEBRITY AND BRAND IMAGE

The word 'brand' is a comprehensive term. To brand is to name or mark indelibly as proof of ownership. It means a sign or symbol of quality. It is the best means of advertising and positioning in the market. Branding is the best means to capture and retain the consumer demand in a competitive market. The marketer can create brand equity, brand loyalty and brand image for his products. The purpose of branding is to distinguish branded product from those of competitors. A well promoted brand name which has earned reputation in the market is very difficult to compete with.

Stars, who are known to shape destinies, cast an enormous influence. No, we're not talking about fortune-telling here. We're referring to the powerful effect of celebrities on destinies of brands. One approving nod from a famous face can translate into millions in brand sales. Perhaps that's why the world over, companies have been using stars to endorse everything, from food to food chains, from soft and hard drinks to health drinks, from clothes and accessories to cars (and the tyres on which they run). Brands have been leveraging celebrity appeal for a long time. Across categories, whether in products or services, more and more brands are banking on the mass appeal of celebrities. As soon as a new face ascends the popularity charts, advertisers queue up to have it splashed all over. Witness the spectacular rise of Saina Nehwal and Sania Mirza in endorsements in a matter of last few years.

To create an effective endorsement between a celebrity and a brand it is important that there is brand–celebrity congruency when it comes to facilitate the development of an associative link. When there is a perceived fit between the brand and celebrity, there is a greater probability of building an associative link. Because a poor fit between celebrity and brand is suggested the primary cause of failed celebrity endorsement. The greater the perceived fit between the celebrity and the brand the more quickly the associated link between the two can be expected to develop.

The choice of celebrity should fit with the association the brand either currently has or plausible could have. When the choice of associations the company believes the celebrity has are associations that the brand's target associations for any given celebrity. It is therefore necessary, to test the possible use of any celebrity fits current associations, then the celebrity serves to reinforce existing associations. If the associations/image of the celebrity fit the desired associations that the brand could plausibly have, then the celebrity serves to create association for the brand. However there is not only important that the celebrity has a fit towards the brand and image, companies must also consider that the celebrity has a fit towards the target audience. Different groups of people may have different celebrity with the brand's target group to ensure that the image/associations the celebrity has in the minds of the target audience are meaningful, positive and consistent with the company's expectations.

In 1980 and 1990 both Forkan and Kamins respectively performed several experiments in order to test out the Product Match-up Hypothesis. It states that messages portrayed by a celebrity image and the product's message should go hand in hand for the endorsement to work.

A celebrity is used to impart credibility and aspirational values to a brand, but the celebrity needs to match the product. A good brand campaign idea and an intrinsic link between the celebrity and the message are must for a successful campaign. Celebrities are no doubt good at generating attention, recall and positive attitudes towards advertising provided that they are supporting a good idea and there is an explicit fit between them and the brand. On the other hand, they are rendered useless when it comes to the actual efficiency of the core product, creating positive attitudes to brands, purchase intentions and actual sales.

CERTAIN PARAMETERS THAT POSTULATE COMPATIBILITY BETWEEN THE CELEBRITY AND BRAND IMAGE ARE:

- Celebrity's fit with the brand image.
- Celebrity—Target audience match
- Celebrity associated values.
- Costs of acquiring the celebrity.
- Celebrity—Product match.
- Celebrity controversy risk.
- Celebrity popularity.
- Celebrity availability.
- Celebrity physical attractiveness.
- Celebrity credibility.
- Celebrity prior endorsements.
- Whether celebrity is a brand user.
- Celebrity profession.

FACTORS INDUCING THE CHOICE OF CELEBRITY AS COMPANY'S PROMOTION STRATEGY

IN GENERAL CELEBRITY ENDORSEMENTS ARE IMPELLED BY VIRTUE OF THE FOLLOWING MOTIVES:

Instant brand awareness and recall: Celebrity is able to build brand credibility in a short period of time. When introducing a new brand or product a company can choose to make the new product designed around the personality of a celebrity. This is a good way to receive instant personality and appeal. When the product is launched the consumer immediately understands the image of the celebrity and pushes that image over to the product. People tend to commensurate the personalities of the celebrity with the brand thereby increasing the recall value. **For eg.:** S.Kumar's built the brand "Reid & Taylor" as a premier suiting material by having Amitabh Bachchan in its advertisements. To achieve the same without a celebrity would have taken longer time & more money. In a span of less than two years after launch, the brand Reid & Taylor' has become the second largest seller of cloth for men's suits in India.

Celebrity values define, and refresh the brand image: Brand may use celebrities to convey an upmarket image. Brand may use celebrities to enhance the brand image in niche markets. Tag Heuer is an upmarket brand of watches known for its classic appeal all over the world, it has only premium ranges. It is interesting to observe Tag Heuer using the well known and enthusiastic hero of Bollywood, Shah Rukh Khan. The Tag Heuer commercial is being flashed in a few upmarket Indian magazines like Filmfare.

Celebrities add new dimensions to the brand image: Celebrities connect the consumers psychologically and emotionally. Since celebrities are loved and adored by their fans, advertisers use stars to capitalise on these feelings to sway the fans towards their brand. **For eg.:** The Bollywood star couple, Kajol and Ajay Devgan were made the brand Ambassadors of Whirlpool. The involvement of these film stars in the endorsement of Whirlpool products adds a new dimension to the promotion of its home appliances among the consumers.

Create high PR coverage: Managers perceive celebrities as topical, which create high PR coverage. A **good example** of integrated celebrity campaigns is Bollywood's dreamgirl, Hema Malini, who have not only appeared in advertisements for Malabar Gold, but was also involved in product launching and PR events.

Convincing clients: A celebrity's preference for a brand gives out a persuasive message, because the celebrity is benefiting from the brand, the consumer will also benefit. **For eg.:** When Sachin Tendulkar says Boost is the secret of my energy, consumers will also associate the benefit of boost to themselves.

Demographic Connect: Different stars appeal differently to various demographic segments (age, gender, class, geography etc.)For eg.: Hero Moto Corp'sPleasure is known for its combination of style and performance, and world class quality. Priyanka Chopra, was its brand ambassador, she symbolises contemporary India and represents the emerging youth of the country. She embodies an exemplary blend of both style and performance, making her the ideal choice for Hero Moto Corp's Pleasure. With her remarkable youthful appeal and charisma to youngsters across the country, she can communicate the brand's attributes to consumers effectively.

Mass Appeal: Some stars have a universal appeal and therefore prove to be a good bet to generate interest among the masses. **For eg.:** Amir Khan has an universal appeal and is the right choice to be the spokeperson on malnutrition, a public service ad.

PITFALLS ASSOCIATED WITH THE CELEBRITY ENDORSEMENT

The various risks associated with celebrity endorsements are as follows: -

Improper positioning: Associating with a star, however big he or she may be, in itself does not guarantee sales. The most it can do is generate interest in the product or create a buzz around it. Take the case of Maruti Versa, which was launched amidst a lot of fanfare, inspite of Maruti signing up superstar Amitabh Bachchan and his son Abhishek Bachchan as brand ambassadors for Versa, the brand's sales remained sluggish. To be fair, the Big B magic did work and the ads created significant interest, drawing people into the showroom. But perhaps the positioning itself was faulty as people were expecting a larger than life car, just like the brand's ambassador

Long association of a brand with a star: Some associations are hard to break. Sachin Tendulkar used to endorse Pepsi, and then he shifted to Coke but many people still associate Sachin with Pepsi.

Celebrity credibility is coming under question for the competent customer: Consumers are getting more and more advertising savvy and are beginning to voice opinions, even in small towns, like "He has been paid to sell the product."

Conflicting Image: A mismatch between the image of the celebrity and the product can damage both. Unless there is a synergy between celebrities own image and that of product category the strategy of endorsement is rendered futile. **For eg.:**Amitabh Bachchan loses his elegance in Dabur's Glucon D ad where he makes uncanny faces and dances in a manner unfit for a person of his age and cadre.

Multiple Endorsement: This risk arises when the celebrity chooses to endorse several different products simultaneously which might leave the consumers confused and have lead to dilution. **For eg.:** Shah Rukh Khan endorses many brands like, Pepsi, Nerolac Paints, i10, Videocon, Fair and Handsome, Sunfeast etc.,

Negative publicity: A number of entertainers and sportsmen have been involved in activities that could embarrass the companies whose products they endorsed. When the endorser's image is finished, it actually leads to a greater fall in image for the brand. If the celebrity is strongly associated with the brand then the occurrence of the negative publicity can spill over the brand. **For eg.:** Sanjay Dutt who was charged with 1993 Bombay blast, created negative feeling and repulsive thoughts among people for the products he was endorsing.

Vampire Effect: The celebrity overshadows the brand. Some viewers forget the brand that a celebrity is approving. Others are so spellbound by the personality of the celebrity that they completely fail to notice the brand being advertised. **For eg.:** Hrithik Roshan is a popular star, but who remembers the Tamarind shirts that he once endorsed?

Necessary Evil: Marketing have felt that once the brand rides the back of celebrity it becomes difficult to promote it without the star as it becomes difficult to separate the role of message and the role of the celebrity in selling the brand. The celebrity activity becomes an addiction and the task to find substitute becomes more and more difficult. **For eg.:** Reid & Taylor, the popular brand of fabrics is one of the most treasured possessions of all. Reid & Taylor, whose popular tag line is `Bond with the Best` is endorsed by the King of Bollwood, Amithabh Bachchan. The company wanted to popularize the brand with a new promise. It was thus realized that there could no other person better than the legendary star. He was chosen for his undisputed rivalry in Bollywood. It has become difficult for the company to find another celebrity who is as charismatic as Amitabh Bachchan.

Overuse: Sometimes the company can use many different celebrities to appeal to different market segment. But multiplicity of endorser might blur the image. **For eg.:** Pepsi uses many celebrities like Shah Rukh Khan, Dhoni, Ranbir Kapoor and Priyanka Chopra.

Extinction: The favorable response obtained by a particular brand may weaken over time if the brand gets significant exposure without the association of the celebrity. If the celebrity contract is for a considerable period of time, then it can lead to draining out capital without proper return. **For eg.:**Cricketer Parthiv Patel who endorsed many brands like Britannia Little Hearts and Avon cycles prove to have a shorter lifespan than the brand itself.

Expensive: Celebrities costs a fortune. Celebrities like Sachin Tendulkar, Amitabh Bachchan, Aamir Khan charges more than five crore per deal. An ad campaign has to run for a long duration before it can recover the celebrity costs. Hence, only those with deep pockets can afford celebrities.

REDUCTION OF RISKS ASSOCIATED WITH THE CELEBRITY ENDORSEMENT

Vampire Effect: The way to decrease the chances of overshadowing the advertising executions should be single- minded in communicating the brand-celebrity pairing. The brand and the celebrity should be the two strongest elements in the ads .

Overexposure: When a celebrity already is strongly associated with a brand they will not form associative links with other brands. Therefore companies should avoid using celebrities that are already endorsing several other brand s to which they have a strong connection.

Extinction: To reduce the risk of extinction companies should expand their use of celebrity endorsement. Because it is unrealistic to expect that every time a consumer encounters a brand the celebrity endorser image also will be present. Therefore companies should work to get endorser s more integrated into the marketing mix.

Financial (Expensive) risk: Companies must decide how cost effective their choice of celebrity is. The celebrity with the highest potential is often also the most expensive one. Companies should therefore look for a lesser-known person that fits into the message of the brand and appeals to the target audience.

Celebrity creditability a question mark: Today's marketing endorsement has to deal with a competitive and knowledgeable customer who has begun to voice his opinion about their perception about endorsing a brand.

CONCLUSION

Celebrity endorsement has reasonable impact on customers as per their attitude and purchase intention. Physical attractiveness, credibility and congruence of celebrity with reference to the endorsed advertisement all have impact on the customer's perception about the advertised product. Marketer has to decide how far the benefits outweigh the risks associated. It would be impudent to consider celebrity endorsement as a solution for all marketing anguish. If used effectively, it makes a brand stand out, electrifies brand recall and facilitates instant awareness, brings global awareness to a brand, promote a brand's products and appeal. Celebrity endorsement helps to position and re-position existing brands .Celebrities contribute extensive PR advantage and opportunities for brands.

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INNOVATIVE BANKING SERVICES IN RURAL AREAS WITH SPECIAL REFERENCE TO SALEM

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ABSTRACT

The present paper is concerned with the various ways of doing banking electronically. This paper has been divided into four sections dealing with four aspects of innovative banking practices in India tamilnadu, salem i.e. ATM, Internet banking, Mobile banking and Credit cards. Paper is basically concerned with the rural village only aspect of banking searching for rural village family satisfaction level. This is a comparative study of Public sector bank is, Private sector Indian banks and Private sector foreign banks.

KEYWORDS

E-Banking, ATM, Internet banking, Credit cards, Mobile banking, Traditional banking, Credit frauds, Security, Competition.

INTRODUCTION

In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Banks began to use technology to provide better quality of services at greater speed. Internet banking and mobile banking made it convenient for customers to do their banking from geographically diverse places. Banks also sharpened their focus on rural markets and introduced a variety of services geared to the special needs of their rural customers. Banking activities also transcended their traditional scope and new concepts like personal banking, retailing and bank assurance were introduced. The sector was also moving rapidly towards universal banking and electronic transactions, which were expected to change the way banking would be perceived in the future.

In a country of 1200 million Indians, which has only 400 million bank users, there is an urgent need to ensure financial inclusion and greater transparency, and banking technology will play a crucial role in driving this change.

INNOVATIVE BANKING

Innovation is defined as the use of new knowledge to offer a new product or service that customers want (Afuah, 1998, pp. 13). The new knowledge here refers to technological or market knowledge. Technological knowledge is knowledge of components, linkages between components, methods, processes and techniques that go into a product or service. Market knowledge is knowledge of distribution channels, product applications and customers' expectations, preferences, needs and wants (Afuah, 1998). No matter how the paradigm shifts due to external factors like technology and environment, the process of innovation cannot be separated from a firm's strategic and competitive context.

Innovative banking means the broader application of new methods and techniques, new scheme in the field of deposit mobilization, deployment of credit and bank management, for the example bank have introduced various types of schemes like retirement scheme, Akshaynidhi scheme, pension plan, money lending scheme such as education loans, car finance, home loans, household goods finance etc. Besides these, many banks have started Sunday bank branches, anytime anywhere banking module and mobile banking for the benefit of the customers.

Innovative banking is a higher order constructed which consists of several distribution channel, it should be noted that electronic banking is provide a bigger platform than just banking via internet.

ROLE OF INNOVATIVE BANKING SERVICES

Innovative banking is under increasing pressure. Competition is tough, margins are being squeezed, new entrants and new business models are threatening established providers, and regulatory requirements continue to grow. The banks which grow and prosper will be those that can profitably develop new products, services and channels to market. Innovation will increasingly be the key to success .Most, if not all, senior executives in retail banking would probably claim that they understood the challenges facing the industry. In a sense, they would be right. The challenges of structural change, increasing regulation, tough competition and more demanding customer expectations are routinely expounded. But in a more profound sense, these executives would be wrong. They do not and cannot understand the most significant challenges facing their business, because the genuinely threatening developments are those which are unexpected and unpredictable.

RURAL DEVELOPMENT

India lives in its villages. If villages perish India
Too perishes **- Mahatma Gandhi**

Rural Development is the key to India's economic transformation as a majority of its population lives in the rural areas. Mahatma Gandhi said that India lives in its villages and destruction of these villages will lead to India's destruction. Hence, the focus is more on development of rural areas in all planning efforts. Villages in Tamil Nadu have relatively better facilities and services in terms of electrification, drinking water supply, road connectivity, transportation, education and health infrastructure when compared to most other States. Yet, improving these amenities further so as to bridge the urban rural divide has been a principal policy focus of the Government of Tamil Nadu.

The Rural Development and Panchayat Raj Department is responsible for the implementation of various centrally sponsored and State schemes for poverty alleviation, employment generation, sanitation, capacity building, women's social and economic empowerment, apart from provision of basic amenities and services. The department is also entrusted with the responsibility of enabling the various Panchayat Raj Institutions (PRIs) to function as effective units of Local Self-Government. There are 12,618 Village Panchayats, 385 Panchayat Unions (co-terminus with blocks) and 32 District Panchayats under the purview of the department.

INNOVATIONS IN BANKING SECTOR IN INDIA

Over the years, the banking sector in India has seen a number of changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more value for customers. Some of the significant changes in the *Innovative Banking Practices* Services in Rural banking sector are discussed below:

REVIEW OF LITERATURE

FreiPatrick T. HarkerLarry W. Hunter(1998), [1] Financial services comprise over 4% of the Gross Domestic Product in the United States as well as employing over 5.4 million people, more than double the combined number of people employed in the manufacture of apparel, automobiles, computers, pharmaceuticals, and steel. While impressive, these numbers belie the much larger role that this industry plays in the economy (Herring and Santomero, 1991). Financial services firms provide the payment services and financial products that enable households and firms to participate in the broader economy. By offering vehicles for investment of savings, extension of credit, and risk management, they fuel the modern capitalistic society.

Rajesh K Aithal and Arunabha Mukhopadhya,(1999), [2] Rural markets are an important and growing market for most products and services including telecom. The characteristics of the market in terms of low and spread out population and limited purchasing power make it a difficult market to capture. The Bottom of the pyramid marketing strategies and the 4 A's model of Availability, Affordability, Acceptability and Awareness provide us with a means of developing appropriate strategies to tackle the marketing issues for marketing telecom services in rural areas. Successful cases like the Grameen Phone in Bangladesh and Smart Communications Inc in Philippines also provide us with some guidelines to tackling the issue.

Ravi.C.S, Kundan Basavaraj,(2012), [3]The study was conducted on the banking services amongst people in the rural areas of Shivamogga district. The main objective was to study the banking services amongst people in General, with special reference to rural areas of Shivamogga district and to analyze the deposits and borrowing habits amongst people. The study also analyzed people understanding of the various facilities made available to them by the government through commercial banks, cooperative banks and primary land development banks. The banking habits amongst people was examined using empirical data from stratified and area sampling, which covered over 80 households around the rural areas of Shivamogga district. Results of the present study indicate that although banks have been set up to provide finance, people do not have an easy access to these sources. Majority of the respondents opined that the interest rates charged by the banks are high. As a result of this people in rural area prefer co operative societies over banks. The cumbersome process of fulfilling documentary requirements for obtaining a loan acts as a deterrent to the illiterate people who are approaching there sources. Though the interest rates have been kept lower in banks, most of the people in rural areas prefer informal loans through money lenders because of timely and adequate availability of loans. It is therefore, essential to address these issues in order to improve the banking services in rural areas amongst people in Shivamogga district. It is with this background that this research paper analyses banking services in rural areas in general and in Shivamogga district of Karnataka state in particular.

Ali. Alawneh1 and Ezz Hattab,(2009),[4]Grounded in the technology organization environment (TOE) framework, we have developed an extended conceptual research model for assessing the value of e-business at the bank level. For the purposes of our research some constructs were added to (TOE) framework such as IT Business strategy alignment, adequacy of IT professionals, and availability of online revenues. Other factors were excluded such as the global scope since our research is at the national level in Jordanian banking sector. Based on our enhanced framework, we have formulated eight hypotheses and identify eight factors (technology readiness or competence, bank size, financial resources commitment, IT Business strategy alignment, adequacy of IT professionals, availability of online revenues, competition intensity or pressure, and regulatory support environment that may affect value creation of carrying out e-business in Jordanian banking sector. Survey data from 140 employees in seven pioneered banks in the Jordanian banking services industry were collected and used to test the theoretical model. Based on simple and multiple linear regressions, our empirical analysis demonstrates several key findings: (1) technology readiness is found to have the strongest significant influence on the E -business value in banks. (2) Bank size, IT Business strategy alignment, and availability of online revenues are found to have significant influence on the e-business value in banks, while financial resources commitment and adequacy of IT professionals do not contribute significantly to e-business value. (3) Both the competition intensity and regulatory support environment contribute significantly to value creation of e-business in banks. These findings indicate the usefulness of the proposed research model for studying e-business value in banks. They also provide insights for both business managers and policy makers.

Shri S. R. Mittal, (2001), [5] Working Group that "the applicability of various existing laws and banking practices to e-banking is not tested and is still evolving, both in India and abroad. With rapid changes in technology and innovation in the field of e-banking, there is a need for constant review of different laws relating to banking and commerce." The establishment of the multidisciplinary high level standing committee to review the legal and technological requirements of E-banking on a continual basis and recommendations of appropriate measures as and when necessary would really be a panacea for legal clarifications as and when they arise. The key in such future and further deliberations would be to encourage banks towards innovation and where necessary or required evolve new practices and customs to complement the banking laws in force from time to time. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services.The delivery channels include direct dial up connections, private networks, public networks etc and the devices include telephone, Personal Computers including the Automated Teller Machines, etc. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their content and sophistication.

TECHNOLOGY IN BANKING

Bhide, M.G. Jalan, Bimal, (2002), [6] Technology will bring fundamental shift in the functioning of banks. It would not only help them bring improvements in their internal functioning but also enable them to provide better customer service. Technology will break all boundaries and encourage cross border banking business. Banks would have to undertake extensive Business Process Re- Engineering and tackle issues like a) how best to deliver products and services to customers b) designing an appropriate organizational model to fully capture the benefits of technology and business process changes brought about. c) How to exploit technology for deriving economies of scale and how to create cost efficiencies, and d) how to create a customer - centric operation model.

Talwar, S.P. (1999), [7] Entry of ATMs has changed the profile of front offices in bank branches. Customers no longer need to visit branches for their day to day banking transactions like cash deposits, withdrawals, cheque collection, balance enquiry etc. E-banking and Internet banking have opened new avenues in "convenience banking". Internet banking has also led to reduction in Transaction costs for banks to about a tenth of branch banking.

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IMPORTANCE THE INNOVATIVE RURAL BANKS

Conflict of interest in the ownership structures of rural banks that make it impossible for them to operate in a manner that will facilitate financial inclusion through innovation and efficiencies. For cooperative banks, effective control is either in the hands of state governments that have contributed a substantial proportion of share capital or with borrowers (who are voting members of the banks), thereby, creating an inherent conflict of interest between financial viability and the interests of owners. In the case of RRBs, the sponsor commercial banks see their own subsidiaries as competition resulting in the parent company keeping a very tight leash on the RRB. Over the past 3-4and 6-9 years there has been substantial activity in the area of rural finance reform covering both RRBs and the cooperative credit structure. This activity includes the ongoing process of amalgamating and merging RRBs into state level banks to enable them to take advantage of economies of scale in operations. In parallel there is the ongoing process of reforming the cooperative credit structure of the country along the lines recommended by the Task Force on the Revival of Cooperative Credit Institutions (**Vaidyanathan Committee**).

TECHNOLOGY FOR VALUE CREATION

The use of information technology in the Indian banking sector was a corollary of the liberalization process initiated in the country in the early 1990s...

This bank has One Thousand, Seven Hundred And Seventy Four (1774) National Electronic Fund Transfer (NEFT) supporting branches around India.

With a majority of the Indian population living in rural areas, rural banking forms a vital component of the Indian banking system. Besides, rural banking operations in India are rather different from urban operations, due to the strong disparity that exists between urban and rural life, and the needs of these two sections of people…

TECHNOLOGY BASED INNOVATIVE BANKING SERVICES

Technology based innovative banking services helpful for bank for competition with other banks, herewith some technology based services are given below:-

1. ELECTRONIC FUND TRANSFERS

EFT offers several services that consumers may find practical. Many financial institutions use ATM or debit cards and use Personal Identification Numbers (PINs) for validation purpose.

2. AUTOMATED TELLER MACHINE (ATM)

ATMs used as spring board for Electronic Fund Transfer. ATM itself can provide information about customers account and also receive instructions from customers - ATM cardholders. An ATM is an Electronic Fund Transfer terminal capable of handling cash deposits, transfer between accounts, balance enquiries, cash withdrawals and pay bills.

3. CREDIT CARDS/DEBIT CARDS

The Credit Card holder is empowered to spend wherever and whenever he wants with his Credit Card within the limits fixed by his bank. Debit Card, on the other hand, is a prepaid card with some stored value. The buyers account is debited with the exact amount of purchases. An individual has to open an account with the issuing bank which gives debit card with a Personal Identification Number (PIN).

4. SMART CARD

Banks are adding chips to their current magnetic stripe cards to enhance security and offer new service, called Smart Cards. Smart Cards allow thousands of times of information storable on magnetic stripe cards.

5. BILL PAYMENT SERVICE

One can facilitate payment of electricity and telephone bills, mobile phone, credit card and insurance premium bills as each bank has tie-ups with various utility companies, service providers and insurance companies, across the country. Generally, the bank does not charge customers for online bill payment.

6. FUND TRANSFER

One can transfer any amount from one account to another of the same or any another bank. Customers can send money anywhere in India. The transfer will take place in a day.

7. INVESTING THROUGH INTERNET BANKING

One can now open an FD online through funds transfer. Now investors with interlinked demat account and bank account can easily trade in the stock market and the amount will be automatically debited from their respective bank accounts and the shares will be credited in their demat account.

8. SECURITY PRECAUTIONS

Customers should never share personal information like PIN numbers, passwords etc with anyone, including employees of the bank. It is important that documents that contain confidential information are safeguarded. PIN or password mailers should not be stored, the PIN and/or passwords should be changed immediately and memorized before destroying the mailers.

9. E-BANKING SUPPORT SERVICES

Some of the most common support services are: web linking, account aggregation, electronic authentication, website hosting, payments for e-commerce, and wireless banking activities. Electronic person-to-person payments, also known as e-mail money, permit consumers to send "money" to any person or business with an e-mail address. Financial institutions that host a business customer's website usually store, or arrange for the storage of; the electronic files that make up the website financial institutions that host a business customer's website usually store, or arrange for the storage of, the electronic files that make up the website. A web link is a word, phrase, or image on a webpage that contains coding that will transport the viewer to a different part of the website. Wireless banking occurs when customers access a financial institution's network(s) using cellular phones, pagers, and personal digital assistants (or similar devices) through telecommunication companies' wireless networks.

10. MOBILE BANKING SERVICES

1. Conducting banking operations using the mobile phone has been fast catching up around the world for its convenience. One can do their banking operations sitting anywhere, anytime. It is discreet, personalized and on phone. It is an empowering and user-friendly mode of accessing the bank account.
2. The Mobile Banking Service will be available to all the customers having a satisfactory running account (Current/ Savings). The customers will have to register for the services.
3. Daily transaction limits for fund transfer/ bill/ merchant payment is Rs.50,000/- per customer with an overall calendar month limit of Rs.2,50,000.00
4. The service will be carrier-agnostic i.e. all customers can avail the mobile banking service with the Bank irrespective of the service provider for their mobiles.
5. The service is free of charge.
6. Mobile Payments are any monetary transactions that take place with the help of a mobile phone.

11. TELLER SYSTEM

Under this system, when a customer presents a cheque, a counter clerk will make payment immediately. Customer no needs to wait for a long time for withdrawal of money. The counter clerk will get specimen signature in the back side. This kind of system is called 'Teller System'.

12. HOME BANKING

Instead of going to the bank for withdrawal of money or for depositing of cheques, a customer can do this banking business by sitting at home. For this purpose, the personal computer of the customer will be connected with the bank's computer through a network. The customer will have a secret code for operating this account from home. He will instruct the bank for different payments. Similarly he will also receive credit from this debtor. Thus in course of time home banking will minimize the use of documents. In fact, even the negotiable instruments usage will be minimized. With the development of LAPTOP computer the customer can even his bank a/c even while traveling by air.

13. GREEN CARD

In India, credit card facility is given to the farmers by issue of Green Card to them. This will enable them to buy all their inputs by using the Green Card. They can buy seeds, fertilizers and pesticides through this card. Thus, the bank is providing credit to the farmers by this Green Card.

14. FACTORING

Commercial banks in India are undertaking factoring business. Under this, the bills drawn by customers on the bank buyer will be handed over to the bank for collection. The bank will pay 80% of the value of the bill to the customer and the balance 20% will be paid after realizing the bill from the buyer. For this purpose, the bank will be paid factoring commission. SBI and Canara Bank were the two banks which initially started factoring business. Other Banks are also now undertaking factoring business.

15. MUTUAL FUNDS

To enable the customers to avail the benefit of investments, banks in India have started mutual funds. The savings of the customers are invested in mutual funds by purchase of units. The bank after mobilizing the funds, invest the same in various company securities. Every day, the bank will give the value of the units in the form of 'Net Present Value', which is calculated by the total value of investments divided by the total number of units. This NPV may change according to the fluctuations in the market value. It is the Endeavour aim of every bank to maintain a higher NPV.

16. ELECTRONIC CLEARING SYSTEM (ECS)

The telephone charges are being paid through this system. The banks are connected to the telephone department through a network by which, the telephone charges of the customers are paid. Not only the telephone bills, but bills like salary, arrear, mobile bill, Income Tax, etc. The customer will present the bills to the bank which intimates electronically to the concerned department and the bills are paid by the bank. The use of computers in the payment of these bills is called ECS.

17. GOLD OR PLATINUM CARD

Generally, customers are given credit card facility through the banks according to their credit worthiness. The purchase of the customers is restricted up to the available credit and once this limit is exhausted, they cannot purchase. I.e. there is maximum limit. But in the case of Gold or Platinum card, this credit limit restriction will not be there. Customers who are very rich and who have a very high social status will be provided Gold or Platinum Card. Purchases of a very high value could be undertaken by the use of this card. A Gold or Platinum Card holder can go to purchase of valuable items through this card.

18. GOLD BANKING

It is a scheme introduced in 2000 – 2001 budget year by the Union finance minister and State Bank of India is the first bank in India to introduce 'Gold Deposit Scheme'. Around 13000 tons of gold are estimated to be available in India. Out of 13000 tons SBI has initially received 4.54 tons from 3051 individuals. This Gold deposit will be used for giving loan to Jewellery industry under metal (Gold) Loan Scheme by which export of gold jewels will pick up. State Bank of India is setting up separate subsidiary unit for the purpose of gold banking.

19. MOBILE ATM

It was introduced by Indian Overseas Bank. It is useful to rural people and employed men and women. Very soon the Mobile ATM is going to knock the door of villagers. It will reach to rural area and hamlets.

CONCLUSION

The discussion proves that the banking services like ATM, Internet banking, Mobile banking and Credit cards etc. are growing very fastly in the rural village and increasing the satisfaction of the rural customers.

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THE EFFECT OF CHANGING ORGANIZATIONAL CULTURE ON TQM PRACTICES IN ISO CERTIFIED COMPANIES

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SAFAT

ABSTRACT

Background- Change is absolutely necessary for stability, development and success of all organizations. Globalization makes every organization's business more competitive. TQM practices improve the effectiveness, competitiveness, etc of a business as a whole. In this rapid change of business pace, more emphasizes are required to develop an integrated process for changing of organizational cultures as the supportive for effectiveness of TQM practices that focuses on good quality products and services to meet customer needs. Changing of organization's culture has a substantial impact on its ability to execute its strategy and to achieve business goals and objectives in enhancing TQM practices. Aims -The aim of this study is to know the awareness of the employees about their organizational culture and TQM practices. This study also explores the effect of changing organizational culture on TQM practices in the ISO certified companies in Kuwait. Methods -The primary data collected through well designed questionnaire and personal interview are widely used. The population of this study covers all the employees comprising of quality managers and managers working in the 30 ISO certified companies in Kuwait. These questionnaires were administered to a sample of 30 Quality Managers/ Managers cadre employees of the companies and the responded samples were from 28 employees which indicated more than 93% response. The data have been analyzed with statistical techniques. Results – By analysis, it has been found that the overall average score of the four types of organizational culture (i.e. clan, adhocracy, market and hierarchy culture) has improved from the past position P1and to the present position P2 respectively. The calculated value of A - Statistics is 0.265 against its corresponding table value 0.385 for 3 degree of freedom leading to the acceptance of the alternative hypothesis, $H_a : \mu_1 < \mu_2$, *which indicates that the execution of changing organizational culture in the ISO certified companies under this study, is effective. The overall average score of the seven criteria of TQM practices of the companies has improved from their past position to the present position from 3.54 to 4.35 respectively indicating more than 87% degree of agreement of the ISO firms' employees towards the improvement of TQM activities. The calculated value of A – Statistics is 0.145 as against its corresponding table value 0.370 for 6 degree of freedom leading to the acceptance of alternative hypothesis i.e.* $H_a: \mu_1 < \mu_2$, *denoting that the improvement of TQM practices is effective. Conclusion - It is concluded that for survival and development of any business organization, culture change is important with reference to change of environmental conditions and it is the primary requirements in changing competitive global business markets. As the TQM practices improve the competitiveness, profitability, merger, raise market shares, etc, of any organization, more improvement in TQM practices is enviable and predictable through ISO certification that fulfils the requirement of the international standards of quality management systems and entirely depends upon the principles, tools, techniques and practices of Total Quality.*

KEYWORDS
Changing, Hypothesis, Organizational Culture, TQM Practices.

ABBREVIATIONS
TQM – Total Quality Management, ISO – International Organization for Standardization.

INTRODUCTION
For development and success, organizational culture change is necessary. Due to **g**lobalization business becomes more complex and demanding to fulfill customer needs and expectations. The increase in globalization has caused all organizations to be more serious for their business operations. Without a quality products and services, a company would not be competitive in foreign markets over their rivals to sustain continuous growth. Since customer satisfaction is a key element to the TQM model, it is important to understand what quality means to the various cultures of the global arena. Quality management constitutes an appropriate response to this challenge. Cultural change is essential for the successful implementation of TQM practices. TQM ensures maximum effectiveness and efficiency within a business to promote business excellence. TQM practices are more likely to succeed if the existing organizational culture is well-matched with the values and basic assumptions by the TQM discipline. As the Total Quality Management emphasizes on three principles i.e. customer satisfaction, involvement of each employee and continuous improvements in quality and hence effective implementation of TQM practices is of great importance to get competitive advantages for achieving business goals. TQM can be described as the improvement of organizational culture, which is defined by, and supports, the constant improvement on customer satisfaction through an integrated approach of tools and techniques.

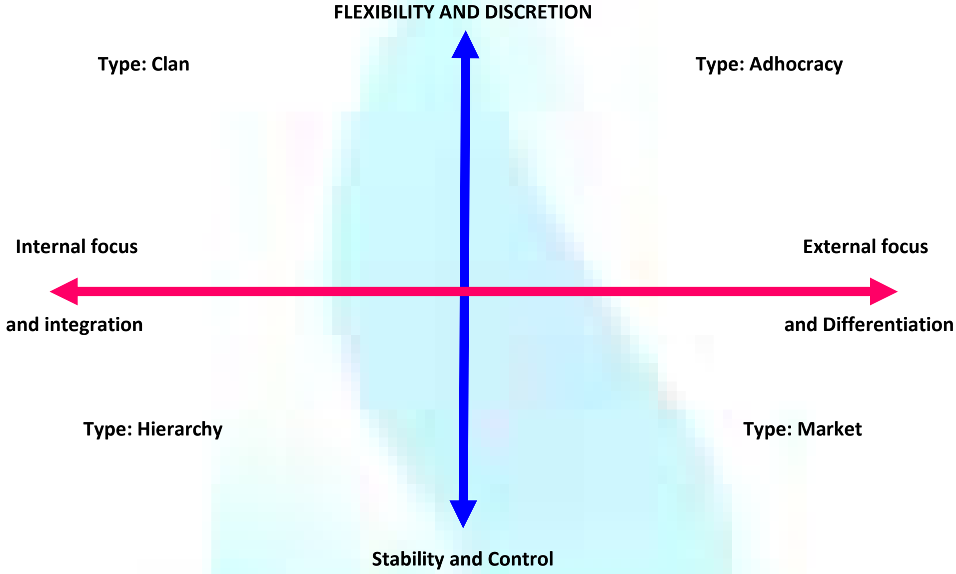
Organizational culture is the concept as a system of norms, shared values, concerns, and common beliefs that are understood and accepted by the members of the organization. Culture of an organization is reflected by the management policies and actions that a company practices. The aim of TQM is to provide its customers good quality products and services that satisfy their needs. The culture requires quality in all aspects of the organization's operations, with things being done right the first time, and defects and waste eradicated from operations. Organizations deciding to pursue and effectively improve TQM practices need cultural change. Changing of organization's culture has a substantial impact on its ability to execute its strategy and to achieve business goals and objectives by improving TQM practices. It is increasingly evident that top management must have an explicit focus on the development and maintenance of their organization's quality culture keeping in view of the present competitive business world. So, changing of organizational culture is vital to the organizational effectiveness for growth and stability on the basis of continuous improvement. Hence, the changing of organizational culture is absolutely necessary and this has an effect on the improvement of TQM practices in gaining competitive benefits for achieving business excellence. Thus, in these changing circumstances of global business competitiveness, the researcher has become more interested to make a study to find out the effect of changing organizational culture on TQM practices in ISO certified companies in Kuwait.

REVIEW OF LITERATURE
Edgar H. Schein (2010) represented organizational culture as "the pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems". Culture arises from shared symbols, language, ideology, beliefs, rituals, myths, stories and dominant metaphors (Fischer & Dirsmith, 1995; Pettigrew, 1979; Meek, 1988; Bartunek & Moch, 1987). Each organization is presumed to have a unique culture, because the culture developed as a function of the unique history of the organization (Detert and others 2000). Understanding of culture must come from the perspective of the organizations members and in their own words, since outsiders would not know the organizations unique perspective (Trice and Beyer 1993. Kekale and Kekale (1995) revealed that the mismatch of organizational culture with principles and practices of TQM implementation is a reason for the failure of successful implementation of TQM. Cameron and Quinn (1999) explored that many companies failed in implementing TQM because they did not acknowledge that the implementation procedures might constitute a fundamental change from the way, values and culture of their companies. Hence, the need for culture change to match the TQM approach is fundamental to successful TQM implementation and improvement. Al-Khalifa Sedrani and Naceur Jabnoun, (2005)

investigated TQM practices, corporate culture and performance and found out the effects of organizational culture and Total Quality Management (TQM) practices on the performance of the companies. K.A.S.P. Kaluarachchi (2010) investigated that culture has effect on the TQM activities.
The competing values framework is a theoretical model originally developed to explain the differences in the values underlying various organizational effectiveness models (Quinn and Rohrbaugh -1981,1983) followed by studies of culture, leadership, structure, and information processing (Cameron, 1986; Cameron & Quinn, 1999,2011); Cameron and Ettington, 1988).
Daniel R. Denison and Gretchen M. Spreitzer (1991) introduced the competing values model of organizational culture sets and assessed the actual organizational culture profiles to be needed for organizational growth and success. Jaakko Kujala and Paul Lillrank (2004) revealed that successful TQM system needs organizational culture change compatible with the quality culture and TQM implementation problems are arise due to non-aligned of quality culture with organizational culture. Flynn B., Schroeder R. and Sakakibara S. (1995) proposed that the quality culture will affect the improvement of performance outcomes and increase the competitive advantage of any organization.
There are variety of dimensions and characteristic of organizational culture used so far. Out of these, the competing values framework (CVF) developed by Quinn R. E. and Cameron K.S. (2006, 2011) has been used in this study to assess organizational profile of the organizations.
Campbell and others (1974) creates a list of indicators for organizational effectiveness, which Quinn and Rohrbaugh (1983) analyze then to form two major dimensions splitting them into four main quadrants.

FIGURE 1: COMPETING VALUES FRAMEWORK OF ORGANIZATIONAL CULTURE

COMPETING VALUES FRAMEWORK OF ORGANIZATIONAL CULTURE



Source: K.S. Cameron and Quinn R.E., Diagnosing and Changing of Organizational Culture Based on Competing Values Framework, Jossey –Bass, San Francisco, 2011.
According to Quinn R. E. and Cameron K.S, in these two dimensions, one dimension differentiates effectiveness criteria that emphasize flexibility, discretion, and dynamism from criteria that emphasize stability, order and control while second dimension differentiates effectiveness criteria that emphasize an internal orientation, focus and integration and unity from criteria that emphasize an external orientation, focus and differentiation and rivalry. The competing values framework is shown in the figure: 1 in which each of the four quadrants represents a distinct organizational culture type, i.e., clan, adhocracy, market and hierarchy.
Clan Culture gives stress on flexibility and internal integration of the organization. Organizations with emphasis on this culture promote the development of human resources, emphasizing openness, participation, cohesiveness and commitment to membership.
Adhocracy Culture also gives importance on flexibility but with more focus on the external orientation. This orientation is towards growth, creativity stimulation, resource acquisition, innovation, and continual adaptation to the external environment. **Market Culture** focuses on the external environment but is control-oriented. It emphasizes productivity, performance, goal achievement, and competition. **Hierarchy Culture** focuses on both control and internal integration. It emphasizes rules and regulations, and standardization to achieve control and stability of the organization. Beyer and Trice (1993) propose that cultural change can be initiated by top management. Each culture type contains six cultural dimensions such as dominant characteristics, leadership style and approach, management of employees, organizational glue, strategic emphases and criteria of success.

IMPORTANCE OF THE STUDY
TQM improve the competitiveness, flexibility, efficiency, market share and profitability as a whole of the organizations in present ever changing global business pace. The process of change has brought increased demands on the organizations' competitiveness and the customers have gained a central role in the organizations' focus. Total quality management is considered to be an important management philosophy, which supports the organizations in their efforts to obtain satisfied customers by meeting their needs and expectation. This study will help to know the improvement of TQM practices in ISO certified construction companies with reference to their execution of changing organizational culture. It also facilitates to explore the relationship between the organizational culture change and the improvement of TQM practices.

STATEMENT OF THE PROBLEM
The present every accelerating globalization makes organizations more complex and competitive to gain more market shares to keep up their business growth and development and for this, cultural change is essential for successful enhancement of the implemented TQM practices in this rapid changing global business. TQM is the application of a quantitative methods and human resources to improve the products and services provided by an organization through all the processes within the organization and future. It integrates fundamental management techniques, existing improvement efforts and technical tools under a disciplined approach focused on continuous improvement. It focuses at two levels. Firstly an "external" one aimed at identifying customer needs and expectations and secondly an "internal" one focusing organization, systems, and procedures to meet those requirements right the first time and every time. The purpose of ISO (International Organization for Standardization) is to standardize i.e. equalize all over the world to maintain industrial standards of Quality Management Systems (QMS). It outlines how a supplier can establish an effective quality system that will demonstrate commitment to maintain quality and ability to meet customer requirements. ISO International Standards ensure that products and services are safe, reliable and are of good quality. ISO has the primary objectives of coordination and unification to prepare international standards to facilitate global quality system. Today, when customer is the first and foremost; and business environment dynamic, the organization needs to have a well defined, robust and results oriented management system to achieve

sustainable competitive advantage in the market place. Thus, ISO 9001 Quality Management System is the best tool available to increase productivity, streamline operations, increase customer satisfaction in meeting their needs and expectations; and improve profit margins through superior quality. Hence, every company should give more emphasis for the improvement of TQM practices through organizational culture change efforts within the framework of the requirements of ISO 9001 Quality Management System on basis of continuous development.

OBJECTIVES

1. To know awareness of the employees about organizational culture and TQM practices.
2. To explore the improvement of TQM practices.
3. To understand the relationship of organizational culture and TQM practices.

HYPOTHESES

1. The changing of organizational culture is effective
2. The development of TQM practices is effective

RESEARCH METHODOLOGY

Research Methodology is a way of systematically solving the research problem. In this study, the primary data collected through well designed questionnaire and personal interview are widely used. The population of this study covers all the employees comprising of quality managers, managers, engineers etc, under officer cadre, working in the 30 ISO certified companies in Kuwait. Well designed, structured one questionnaire was distributed to each Quality Manager/Manager for getting the feedback of this survey. These questionnaires were administered to a sample of 30 Quality Managers/Managers cadre at the beginning of May 2012 and the responded samples were collected at end of July 2012. In this way, quality manager of the 30 companies were identified and researcher could get response from 28 employees which indicated more than 93% response. The data has been analyzed with statistical techniques such as arithmetic average and percentages for studying the central tendency. Sandler's A test have been used as the parametric tests to analysis the improvement of TQM practices with reference to the execution of changing of organizational culture in the companies. Also correlation analysis has also been carried out to analyze the relationship between the organizational culture and TQM practices.

RESULTS & DISCUSSIONS

ORGANIZATIONAL CULTURE

The responses of the employees towards organizational culture have been shown in the table: 1 and the overall average scores of the four types of organizational cultures i.e. (1) clan culture, (2) adhocracy culture, (3) market culture and (4) hierarchy culture are 3.62, 3.58, 3.56 & 3.45 at the past position and 4, 3.97, 4.07 & 4.13 at present position respectively, on a five point scale. From this table, it has been also observed that the overall organizational culture has been changed from past P1 position to the present P2 position to 3.53 & 4.04 respectively. Hence, this change is found effective.

Table 1: Overall Average of the Average Scores and Differences therein Regarding the various Types of Organizational Culture

Organizational Culture Types	Overall Average Score at the Past Position P1	Overall Average Score at the present Position P2	Differences (P1 - P2) D	D^2
1. Clan Culture	3. 62	4	-0.38	0.1444
2. Adhocracy Culture	3.58	3.97	-0.39	0.1521
3. Market Culture	3.56	4.07	-0.51	0.2601
4. Hierarchy Culture	3.45	4. 13	-0.68	0.4624
Overall Average/ Total	3.53	4.04	-1.96	1.019
			$\sum D$	$\sum D^2$

Notes of table: 1

- Level of significance = 5%
- Degree of freedom 4-1 = 3
- As H_a is one sided, one-tail test has been applied (in the left tail because H_a is of less than type)
- **Sandler's A Test**

$$\text{Calculated Value of A -Statistics} = \frac{\text{The sum of squares of the Differences}}{\text{The square of the sum of the Differences}}$$

$$\frac{\sum D^2}{(\sum D)^2} = \frac{1.019}{(-1.96)^2} = 0.265$$

Table Value of A -Statistics = 0.385

- $H_0 : \mu_1 = \mu_2$
- $H_a : \mu_1 < \mu_2$

TQM Practices

As per the Malcolm Baldrige National Quality Award (US 1987), there seven criteria of process which promotes the requirements for achieving performance excellence and improvement of competitiveness, sharing of information on performance strategies and the benefits derived from using these strategies. These seven criteria are; (1) Leadership (2) Strategic Quality Planning (3) Customer Focus and Satisfaction (4) Information and Analysis (5) Human Resource Development and Management (6) Process Management (7) Business Results and those are considered as a set of core values and concepts recognized as the best practices of TQM all over the world. The average scores of seven criteria of TQM practices have been showed in the table: 2. From this table it has been understood that the average scores of the seven criteria of TQM practices of the companies have improved from their past position to the present position. It is also noticed that the overall average score of TQM Practices are found significantly change from 3.54 to 4.35 from its past position P1 to present P2 respectively indicating more than 87% degree of agreement of the ISO firms' employees towards the improvement of TQM activities and this is due to the effect of changing organizational culture.

TABLE 2: AVERAGE SCORES AND DIFFERENCES THEREIN REGARDING CRITERIA OF TQM PRACTICES

Serial Number	Contents/Criteria of Total Quality Management Practices	Overall Average Score at P1	Overall Average Score at P2	Differences (P1 - P2) D	D^2
1	Leadership	3.67	4.53	-0.86	0.7396
2	Strategic Quality Planning	3.56	4.31	-0.75	0.5625
3	Customer Focus and Satisfaction	3.54	4.46	-0.92	0.8464
4	Information and Analysis	3.5	4.18	-0.68	0.4624
5	Human Resource Development and Management	3.52	4.24	-0.72	0.5184
6	Process Management	3.48	4.22	-0.74	0.5476
7	Business Results	3.55	4.51	-0.96	0.9216
Average of Overall Average/Total		3.54	4.35	-5.63	4.5985
				∑D	$∑D^2$

Notes on table: 2

- Level of significance = 5%
- Degree of freedom 7-1 = 6
- **Sandler's A Test**

$$\text{Calculated Value of A-Statistics} = \frac{\text{The sum of squares of the Differences}}{\text{The square of the sum of the Differences}}$$

$$\text{Calculated Value of A-Statistics} = \frac{\sum D^2}{(\sum D)^2} = \frac{4.5985}{(-5.63)^2} = 0.145$$

Table Value of A -Statistics = 0.370

- **H0 : $\mu_1 = \mu_2$, Ha : $\mu_1 < \mu_2$**

The improvement of TQM practices from the past P1 position to the present P2 position is also found statistically significant as per Sandler's A Test at 5% level of significance. The calculated value of A –Statistics was 0.145 as against its corresponding table value 0.370 for 6 degree of freedom and thus, a condition is reached leading to the acceptance of alternative hypothesis i.e.

H_a: $\mu_1 < \mu_2$, denoting that the improvement of TQM practices is effective. Thus, proposed second hypothesis of the study is acceptable.

CORRELATIONS COEFFICIENTS

A correlation is used to measure the linear association of variables. The value of correlation 'r' lies between ± 1,in which case positive values indicate positive correlation between the two variables i.e. changes in both variables take place in positive direction where as negative values of 'r' indicate negative correlation i.e. changes in both variables take place in the opposite direction. The zero value of 'r' indicates that there is no relation between the two variables.

Microsoft Excel has been used only for the analysis of correlation coefficient in this study. Since, it is established that the improvement of TQM practices is effective; the correlation coefficient analysis between the organizational culture and TQM practice has been carried at the present P2 position.

Value of the correlation coefficients (r) of dependent variable i.e. Total Quality Management Practices (TQMP) with independent variables i.e. four types of organizational culture: (1) Clan culture (2) Adhocracy culture (3) Market culture (4) Hierarchy culture

TABLE 3: CORRELATION COEFFICIENTS

	TQMP	Clan	Adhocracy	Market	Hierarchy
TQMP	1				
Clan	0.545	1			
Adhocracy	0.516	0.918	1		
Market	0.546	0.874	0.946	1	
Hierarchy	0.562	0.796	0.868	0.943	1

From this correlation coefficient table: 3, it has been noticed that the values of correlation coefficients of clan, adhocracy market and hierarchy culture are 0.545, 0516, 0.546 and 0.562 respectively with TQMP i.e. the TQM practices and these are found very good positive correlations. Hence, it is accepted that the TQM practices closely relate with the culture of the ISO certified companies in Kuwait. This means that if the culture of the companies is changed in the positive direction, their TQM practices also improve in same direction.

FINDINGS

The major findings of this study are described as follows:

1. In this study, the employees of the ISO certified companies have responded more than 93% response.
2. For clan, adhocracy, market and hierarchy culture, the employees working in the ISO certified companies has denoted their level of agreement 3.62 (73%), 3.58 (72%), 3.56(71%) and 3.45(69) respectively at the past position and 4 (80%), 3.97(79%), 4.07(82%) and 4.13 (83%) respectively at the present position. The score value of overall average organizational cultures is also changed from 3.53(71%) to 4.04 (81%) which is considered as effective. This strongly puts forward that the ISO certified companies in Kuwait has executed their change efforts for organizational culture change to match and support the improvement of TQM practices to achieve organizational business goals.
3. Statistically, with application of Sandler's A test, it has been explored that changing of organizational culture in the ISO certified companies is effective. The average scores for all the seven criteria of TQM practices i.e. (1) Leadership (2) Strategic Quality Planning (3) Customer Focus and Satisfaction (4) Information and Analysis (5) Human Resource Development and Management (6) Process Management (7) Business Results have been found 3.67(73.4%), 3.56(71.2 %), 3.54(770.8%), 3.5(70%), 3.52(70.4%), 3.48 (70.6%), 3.55(71%) respectively at the past position P1 and 4.53 (90.6%), 4.31(82.6), 4.46(89.2), 4.18(83.65), 4.24(84.8%), 4.22(84.4%), 4.51(90.2%) the present position P2 respectively. The average values of overall average scores are 3.54(70.8%) and 4.35(87%) at the past position P1 and the present position P2 respectively. This puts forward that the improvement of TQM practices in the ISO certified companies in Kuwait is effective. With the application of Sandler's A test, statistically has also been proved that the improvement of TQM practices in the ISO certified companies has been made effective.
4. From the analysis of correlation coefficients, it has been seen found that the values of correlation coefficients of clan, adhocracy market and hierarchy culture are 0.545, 0516, 0.546 and 0.562 respectively with TQMP i.e. the TQM practices and these are found very good and strong positive correlations. Hence, it is established that the TQM practices are closely related with the culture of the ISO certified companies in Kuwait.

RECOMMENDATIONS/SUGGESTIONS

Organizational culture is defined as a system of norms, shared values, concerns, and common beliefs that are understood and accepted by each and every employees of the organization. The management policies and actions that a company practices is reflected through the culture of the organization.TQM practices is also a description of the culture, attitude and involvement of a company that aims to provide good quality products and services to its customers that satisfy their needs and expectations. ISO 9001, an international standard for Quality Management Systems (QMS provides a company with a set of guiding principles that ensure a common sense of approach to the management of business activities to constantly achieve customer satisfaction through continual improvement of products, services or processes. The best reason for wanting to implement these standards is to improve the efficiency and effectiveness of any company's operations. Thus, it is to recommend that each ISO certified companies should give more emphasizes to effectively change their organizational culture to improve the TQM practices which in turn increase the market shares and competitive advantages over their rivals.

CONCLUSIONS

1. As the culture of any business organization is completely reflected by its policies and actions that company follows, organizations deciding to promote total quality management practices need culture change. It has been found that there is an overall significant change in the execution of changing organizational culture of the ISO certified companies in Kuwait from their past position to the present position in enhancing TQM practices for providing good quality products and services to meet customer needs, expectations in gaining competitive benefits. Hence, the first hypothesis of this study stood accepted.
2. In order to improve TQM practices, it is essential to make entire organizational culture change to create TQM culture through involvement of every employee for future development and success. As such, it has been explored that all the criteria of TQM practices have been much improved from past position to the present position which is absolutely necessary for continuous development in the present completion global market. As such, the second hypothesis of the study stood accepted.

At the end, it is to conclude that for survival, growth and success of any business organization, culture change is essential with reference to the change of the internal and external environmental conditions and it is primary requirements in this present rapidly changing global business completion markets. As the TQM practices improve the efficiency, effectiveness, flexibility, competitiveness, profitability, merger, acquisition, more market shares, etc, of any organization as whole, more improvement in TQM practices is enviable and predictable. ISO certification fulfils the requirement of the international standards of quality management systems and entirely depends upon the principles, tools, techniques and practices of Total Quality Management (TQM) that a company implements and strives in getting more competitive benefits and market values for business excellence. Hence, every company should adapt and implement the necessary steps in changing their organizational culture to match and support the TQM practices in maintaining the ISO international standard of quality management systems to gain competitive benefits.

LIMITATIONS

The following are main limitations of this research study:

1. Since sampling approach has been used, this study suffers from the limitations of sampling in general. Only the quality managers/managers of the companies are included in the sample to ensure due representation of the population of the study to make inferences.
2. As the Quality Manager of the thirty ISO certified companies located at different places in Kuwait have been only contacted by the researcher for getting responses of the questionnaires of the study, the conclusions of this study may not necessarily be the representative of all employees working in these companies as a whole in the country.
3. This study is only communicated and related to the quality managers/managers of the companies in Kuwait. The employees of other sections/types of the companies are also not cover in the study. Hence, the conclusions of this study many not be fully representative of the universe/population.
4. As the sampled quality managers/managers of these companies belong to varieties nationalities, the conclusions of this study may not be reached to meet the desired expectations due to non-homogeneous of nationality.

Despite of the above limitations, all care has been taken to process the information properly and to examine it systematically to get the conclusions of this study. Moreover, the researcher was in neutral while selecting the different companies/sections for distributing the questionnaires, in the process of identification.

SCOPE FOR FURTHER RESEARCH

There is scope to find out the significance between performances of the TQM based ISO certified companies and Non- ISO certified companies together with their relationship due to changes for the further research.

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THE RELUCTANCE OF JORDANIAN WOMEN IN WORKING IN THE TOURISM SECTOR: CASE OF JORDANIAN FEMALE

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ABSTRACT

The study aims at determine the reluctance of Jordanian women in working in the tourism sector. Data have been processed and analyzed through the use of "SPSS" program in order to obtain means, standard deviations, and percentages for the demographic characteristics of the sample. Moreover, analysis of variance (ANOVA) is conducted to test if there are any statistical evidences of the existence of difference between participants to the independent variables,"t-test" and "Tukey test" used for prior comparisons. The study revealed that there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the status, qualification, work Location and years of experience in tourism sector. The results showed that the women who have diploma or less feel more than the one who had graduate study of the factors affecting the reluctance of Jordanian women in working in the tourism sector that the time constraints and the risk involved and those in Aqaba City feel that the women are restricted to the private sphere and the informal tourism sector is not as accessible for them, Introduction of tourism in local communities affects the traditions and social life of the women and the society looks at working women in tourism sector as a kind of shame more than the one in Amman City. Result of the "Tukey Test" showed that those who have 5 years & above years of experience feel more than the one who have 3 – less than 5 years of experience that the factors affecting the reluctance of Jordanian women in working in the tourism sector are the tourists themselves may be become a social burden in the sense of introducing new kinds of behavior, and thereby challenging traditional codes of behavior and the traditions' effect on the female's work in the tourism sector.

KEYWORDS
Jordan, reluctance, tourism, Means, ANOVA.

INTRODUCTION

Tourism presents immense opportunities for women's employment and income-generation, setting the foundations for poverty reduction and local economic development. For these opportunities to be realized, tourism activities must respect the principle of gender equality, as set out in the Global Code of Ethics for Tourism."

http://www.failteireland.ie/authoritymembers

According to the UN Global Report on Women in Tourism the tourism sector, one of the most significant generators of wealth and employment globally, is also credited with providing valuable income-generation and career opportunities for women. In contrast with other sectors women are almost twice as likely hold positions as employers in tourism and the leadership possibilities span the whole spectrum of roles from hotel proprietors right up to government ministers; women hold one in five tourism ministries worldwide, more than in any other branch of government. However, despite this relatively high representation it should be pointed out in this context that 20% is still appalling and that our own Leo Varadkar is quite clearly a man. (ILO, 2008).

It is normally expected that raising the levels of education and training will increase women's labour force participation rates. Also, generally, the more education an individual has, the greater their income potential. Comparative studies examining the impact of female education on gross domestic product (GDP) and poverty reduction demonstrate positive effects. Education and skills enhance the productivity of both women and men, and increase their opportunities for paid employment in the formal sector (ILO, 2008).

PROBLEM OF THE STUDY

The idea of setting out this study emerges to find answers for some important questions such as:

1. Is there a relationship between the reluctance of Jordanian women in working in the tourism sector and personal variables: (Status, Qualification, Work Location and Years of experience in tourism sector)?
2. Is there any contribution of the Jordanian women that effect of this reluctance?

RELATED LITERATURE REVIEW

Ahlam Hassan Al Marzouqi, Nick Forster(2011), describe the principal reasons why Emirate women are under-represented in the United Arab Emirates (UAE) information technology (IT) sector; and the barriers and challenges that national women have encountered while working in this sector of the national economy. The results show that cultural and familial factors still inhibit many young Emirate women from choosing careers in this profession, and negative gendered attitudinal assumptions about women are still prevalent within the local IT sector.

Robert Waryszak, Brian King(2011), identifies the extent to which front-line managers in the hospitality, retail and banking sectors perceive work activities to be pleasant or unpleasant. General factorial multivariate analysis of variance was used to assess attitudes towards ten activities according to demographic characteristics. The activities were: deskwork, decision making, developing, disciplining, informing, innovating, leading, monitoring, persuading and time pressure. The findings indicate that managers in the service sector generally have a range of perceptions about activities, with some regarded as pleasant and others as unpleasant.

Jusuf Soehanovic´, Miroslav Zougaj, Danijela Krizoman, Benedikt Bojanic´-Glavica(2010), their research results on some characteristics of women managers in hotel enterprises in Istria, the best-developed Mediterranean tourist region in the Republic of Croatia. The results pertain to number of women in management, age and educational structure, permanent education, necessary knowledge, capabilities and skills, and delegation of authority and responsibility.

Elbeyi Pelit, Yüksel Öztürk, Yalçin Arslantürk(2011), The main objective of this study is to determine the impact of employee empowerment on job satisfaction. To serve this purpose, empowerment is taken into consideration as two dimensions : behavioral and psychological – and the effect of employee empowerment on the level of job satisfaction was examined by taking these two dimensions into consideration as a whole and separately. The findings suggest that the most positive aspects related to job satisfaction are relations with the colleagues and physical conditions, while the most negative aspect is the wage issue, i.e. unfair payment.

Joaquín Alegre, Magdalena Cladera (2012), the purpose of this paper is to analyze tourist and trip-related characteristics and tourist motivations in connection with the decision to participate in shopping and for those tourists who decide to participate, the main determinants of the amount of expenditure. The results indicate different motivations and tourist and trip-related characteristics are associated with the decision whether or not to participate in shopping and with the level of shopping expenditure. This facilitates the identification of the type of tourist may be of more interest to the destination in terms of shopping behavior.

Jessica L. Hurst, Linda S Niehm (2012), this study focuses on the unique challenges of retail service delivery in rural tourism markets. This paper specifically address: 1) factors attracting individuals to a rural tourism community, 2) factors motivating resident and tourist customers to engage in tourism shopping, 3) satisfaction of resident and tourist customers with local retailers, and 4) strategies to assist retailers in successful service delivery.An important implication from this study is rural tourism retailers need to develop a comprehensive customer relationship management strategy to encourage repeat shopping and sustained patronage behavior.

Ahmad Abu Raddaha, Jafar Alasad, Zainab Albikawi, Khulood Batarseh, Eman Realat, Asia Saleh, Erika S Froelicher (2012), The study aimed to identify factors that influenced job satisfaction and dissatisfaction, and the intention of staff nurses to quit nursing in three Jordanian healthcare delivery sectors.*Practical implications* - The results can be used as a basis for decision making and future planning. Results also highlight the need to emphasize positive factors to enhance employees' satisfaction and to brainstorm solutions for improving job satisfaction and retaining nurses

Finian O'Driscoll (2012), the study presents institutional research and aims to explore the underlying factors that contribute to hospitality management students' satisfaction and perceptions of service quality at a higher education college in Ireland. Research focusing on hospitality and leisure management education argues for greater cognisance of the relevance of students' experience with third level . Furthermore, the concept of student Therefore, the current paper seeks to address the issue of student feedback and satisfaction measurement in light of recent proposals.

Jenny Cave, Keith G. Brown (2012), the paper identifies the contributions made to this field by the authors and the implications of their innovative research for island tourism and destination management.

THE IMPORTANCE OF THE STUDY

The subject of this study was selected for its theoretical and practical importance in the field of tourism in general and reluctance of Jordanian women in working in the tourism sector in particular. From the practical point of view, this study attempts to draw the attention of the reluctance of Jordanian women in working in the tourism sector.

The study also contributes a bit in the structure of the Arabian Library in this vital field.

RESEARCH METHODOLOGY

DATA SOURCE

The data were collected using the quantitative method. The data that had been collected for the research were both primary and secondary data.

PRIMARY DATA

The primary data collected for the research was questionnaire that was collected from number of 120 participants which fit the sampling frame. The primary data are the most reliable data that were used in order to achieve the objectives as well as gives answers to the purpose of this research.

SECONDARY DATA

The secondary data for the research were collected through books, journals, online articles and previous researches conducted by other people.

Obtaining the secondary data had been much easier than the primary data.

Yet, the availability of information and previous studies regarding the women working in the tourism sector in Jordan was limited.

HYPOTHESES OF THE STUDY

H1: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the status of the women at $\alpha \leq 0.05$

H2: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the qualification of the women at $\alpha \leq 0.05$

H3: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the work location of the women at $\alpha \leq 0.05$

H4: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the years of experience in tourism sector of the women at $\alpha \leq 0.05$

LIMITATIONS OF THE STUDY

As it is expected to contribute to theoretical and practical areas, this study is limited to the following:

(1) It is based only on a questionnaire that was especially developed to fulfill the objectives of the study.

(2) It has been conducted within a short period of time which may not reflect an accurate and valid profile.

(3) The number of researches and studies conducted based on the women in the tourism sector in Jordan are very rare and limited

POPULATION AND SAMPLE

The population of the study is all women working in the tourism sector in Jordan.

A stratified proportional-random sample is selected in order to answer the questions posed in the questionnaire. Total of (98) useable questionnaires were obtained.

DATA COLLECTION

The questionnaire consists of two parts: The first part included general data of personal variables: Status, Qualification, Work Location and Years of experience in tourism sector.

The second part included (15) items representing causing factors affecting the reluctance of Jordanian women in working in the tourism sector

DATA ANALYSIS METHODS

Statistical Package for Social Sciences (SPSS) is used.

statistical methods for analysis: Descriptive statistics, to describe the characteristics of the sample depending on frequencies, percentages, means, and standard deviation, "t-test" and "Tukey test" for prior comparisons, ANOVA to measure the effects of the independent variables on the dependent variable.

VALIDITY AND RELIABILITY

VALIDITY

Academic staff from the Jordanian universities has evaluated the questionnaire.

RELIABILITY

Reliability with composite measures is evaluated for the internal consistency through the "Cronbach's Alpha" measure. The Alpha's for the items are not below (0.69). Therefore, it can be concluded that the reliability of the questionnaire is high.

CHARACTERISTICS OF THE SAMPLE

Table (1) shows the sample distribution according to the demographic variables. Figures show that the majority (75.5%) of the sample are married and only (24.5%) are single. Moreover, most observations (76.5%) are from Amman city .

As far as the qualification, the table shows that (54) observations of the sample (55.1%) have Diploma or less.

TABLE (1) SAMPLE DISTRIBUTION

Variable	Frequency	%
Status:		
Married	74	75.5
Single	24	24.5
Qualification		
Diploma or less	54	55.1
Batchelor	28	28.6
Graduate study	16	16.3
Work Location:		
Amman	75	76.5
Zarqa	4	4.1
Aqaba	19	19.4
Years of experience in tourism sector:		
1 year - less than 3 years.	28	28.6
3 years – less than 5 years.	46	46.9
5 years & above.	24	24.5

THE TOOL

The three- point scale was used for each item in the questionnaire: "agree" given (3) points, "neutral" given (2) points, "disagree" given (1) points.

STATISTICAL RESULTS

What are the major factors affecting the reluctance of Jordanian women in working in the tourism sector? It was found that there are positive attitudes toward questions mentioned in table (2) because their means are above mean of the scale (2), also a quick review of the result in table 2 reveals clearly that variable (8) has the highest mean value (2.9184) and this means that the respondents feel very strongly that the women have no voice in the opinion that they should have in local participation in tourism planning Variable (13) has the least mean value (1.8265).

TABLE (2) DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
VAR00001	98	1.00	3.00	2.5612	.59320
VAR00002	98	1.00	3.00	2.5612	.74704
VAR00003	98	1.00	3.00	2.3878	.86909
VAR00004	98	1.00	3.00	2.4898	.74950
VAR00005	98	1.00	3.00	2.7449	.57993
VAR00006	98	1.00	3.00	2.6224	.68135
VAR00007	98	1.00	3.00	2.6735	.63855
VAR00008	98	2.00	3.00	2.9184	.27521
VAR00009	98	1.00	3.00	2.6531	.65962
VAR00010	98	1.00	3.00	2.6531	.64380
VAR00011	98	1.00	3.00	2.5102	.70703
VAR00012	98	1.00	3.00	2.1939	.92679
VAR00013	98	1.00	3.00	1.8265	.87373
VAR00014	98	1.00	3.00	2.7857	.43672
VAR00015	98	1.00	3.00	2.5408	.74845
Valid N (listwise)	98				

Hypothesis (1):

H1: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the status of the women at $\alpha \leq 0.05$

The "independent sample t. test" analysis was applied to test the hypothesis (summarized in Table 3). The married feel more than the single in variables3,4 and 12. The single feel more than the married in variables 2,5 and 15 variables. The other variables are the same.

We accept the hypothesis.

TABLE (3) t-TEST FOR THE STATUS VARIABLE

Report

status		VAR00002	VAR00003	VAR00004	VAR00005	VAR00006	VAR00012	VAR00015
1.00	Mean	2.5000	2.4459	2.5676	2.7162	2.5811	2.2973	2.9730
	N	74	74	74	74	74	74	74
	Std. Deviation	.79811	.84630	.72303	.63073	.72162	.90250	.23250
2.00	Mean	2.7500	2.2083	2.2500	2.8333	2.7500	1.8750	3.0000
	N	24	24	24	24	24	24	24
	Std. Deviation	.53161	.93153	.79400	.38069	.53161	.94696	.00000
Total	Mean	2.5612	2.3878	2.4898	2.7449	2.6224	2.1939	2.9796
	N	98	98	98	98	98	98	98
	Std. Deviation	.74704	.86909	.74950	.57993	.68135	.92679	.20203

HYPOTHESIS (2)

H2: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the qualification of the women at $\alpha \leq 0.05$

One Way Analysis Of Variance (ANOVA) were used to test the hypothesis, table (4) and the results show that variables 2, 3, 4, 5, and 12 are significant. Furthermore Tukey posttest, used to find which level of qualification is higher

Result of the "Tukey Test" (Table 5) showed that the one who have graduate study feel more than the one who have diploma or less that the factors affecting the reluctance of Jordanian women in working in the tourism sector are the lack of language skills, the incentives that the tourism sector provides discourage women to work in tourism and religious beliefs.

The test also showed that who have diploma or less feel more than the one who had graduate study of the factors affecting the reluctance of Jordanian women in working in the tourism sector is the time constraints and the risk involved , and the who have diploma or less feel more than the one who have Bachelor that factors affecting the reluctance of Jordanian women in working in the tourism sector is that the women who have traditionally been involved in tourism sector by handicraft making, already have many responsibilities in addition to their work.

We accept the hypothesis.

TABLE (4) ANOVA FOR THE "QUALIFICATION OF THE WOMEN" VARIABLE

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VAR00002	Between Groups	4.540	2	2.270	4.348	.016
	Within Groups	49.593	95	.522		
	Total	54.133	97			
VAR00003	Between Groups	4.812	2	2.406	3.339	.040
	Within Groups	68.454	95	.721		
	Total	73.265	97			
VAR00004	Between Groups	4.985	2	2.492	4.783	.010
	Within Groups	49.505	95	.521		
	Total	54.490	97			
VAR00005	Between Groups	2.791	2	1.395	4.444	.014
	Within Groups	29.832	95	.314		
	Total	32.622	97			
VAR00012	Between Groups	6.517	2	3.259	4.031	.021
	Within Groups	76.799	95	.808		
	Total	83.316	97			

TABLE (5) TUKEY TEST FOR THE "QUALIFICATION OF THE WOMEN" VARIABLE

Multiple Comparisons

Tukey HSD

Dependent Variable	(I) qualification	(J) qualification	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
VAR00002	1.00	2.00	-.37963	.16826	.067	-.7803	.0210
		3.00	-.50463*	.20565	.042	-.9943	-.0150
	2.00	1.00	.37963	.16826	.067	-.0210	.7803
		3.00	-.12500	.22643	.846	-.6641	.4141
	3.00	1.00	.50463*	.20565	.042	.0150	.9943
		2.00	.12500	.22643	.846	-.4141	.6641
VAR00003	1.00	2.00	.32407	.19768	.234	-.1466	.7948
		3.00	.57407	.24162	.051	-.0012	1.1494
	2.00	1.00	-.32407	.19768	.234	-.7948	.1466
		3.00	.25000	.26603	.617	-.3834	.8834
	3.00	1.00	-.57407	.24162	.051	-1.1494	.0012
		2.00	-.25000	.26603	.617	-.8834	.3834
VAR00004	1.00	2.00	.36376	.16811	.083	-.0365	.7640
		3.00	.56019*	.20547	.021	.0710	1.0494
	2.00	1.00	-.36376	.16811	.083	-.7640	.0365
		3.00	.19643	.22623	.662	-.3422	.7351
	3.00	1.00	-.56019*	.20547	.021	-1.0494	-.0710
		2.00	-.19643	.22623	.662	-.7351	.3422
VAR00005	1.00	2.00	-.33598*	.13050	.031	-.6467	-.0253
		3.00	-.34491	.15950	.083	-.7247	.0349
	2.00	1.00	.33598*	.13050	.031	.0253	.6467
		3.00	-.00893	.17562	.999	-.4271	.4092
	3.00	1.00	.34491	.15950	.083	-.0349	.7247
		2.00	.00893	.17562	.999	-.4092	.4271
VAR00012	1.00	2.00	-.13360	.20939	.800	-.6321	.3649
		3.00	.63426*	.25592	.039	.0249	1.2436
	2.00	1.00	.13360	.20939	.800	-.3649	.6321
		3.00	.76786*	.28178	.021	.0969	1.4388
	3.00	1.00	-.63426*	.25592	.039	-1.2436	-.0249
		2.00	-.76786*	.28178	.021	-1.4388	-.0969

*. The mean difference is significant at the .05 level.

HYPOTHESIS (3)

H3: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the work location of the women at α≤0.05

One Way Analysis Of Variance (ANOVA) were used to test the hypothesis, table (6) and the results show that variables 1, 7, 12, 13, and 15 are significant. Furthermore Tukey posttest, used to find which level of work location has higher

Result of the "Tukey Test" (Table 7) showed that those in Aqaba City feel that the women are restricted to the private sphere and the informal tourism sector is not as accessible for them, Introduction of tourism in local communities affects the traditions and social life of the women and the society looks at working women in tourism sector as a kind of shame more than the one in Amman City .

And those who are in Zaqa City feel more than the one in Amman City and in Aqaba City that the factors affecting the reluctance of Jordanian women in working in the tourism sector is low management support

And in the one in Amman City feel more than the one in Aqaba City that the factors affecting the reluctance of Jordanian women in working in the tourism sector is the negative influence of the society.

We accept the hypothesis.

TABLE (6) ANOVA FOR THE "LOCATION" VARIABLE

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VAR00001	Between Groups	2.662	2	1.331	4.018	.021
	Within Groups	31.471	95	.331		
	Total	34.133	97			
VAR00007	Between Groups	2.463	2	1.232	3.155	.047
	Within Groups	37.088	95	.390		
	Total	39.551	97			
VAR00012	Between Groups	5.085	2	2.543	3.088	.050
	Within Groups	78.231	95	.823		
	Total	83.316	97			
VAR00013	Between Groups	4.820	2	2.410	3.307	.041
	Within Groups	69.231	95	.729		
	Total	74.051	97			
VAR00015	Between Groups	10.053	2	5.027	10.783	.000
	Within Groups	44.284	95	.466		
	Total	54.337	97			

TABLE (7) TUKEY TEST FOR THE "LOCATION" VARIABLE

Multiple Comparisons

Tukey HSD

Dependent Variable	(I) location	(J) location	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
VAR00001	1.00	2.00	-.38667	.29536	.394	-1.0899	.3166
		3.00	.35018	.14783	.051	-.0018	.7021
	2.00	1.00	.38667	.29536	.394	-.3166	1.0899
		3.00	.73684	.31663	.057	-.0170	1.4907
	3.00	1.00	-.35018	.14783	.051	-.7021	.0018
		2.00	-.73684	.31663	.057	-1.4907	.0170
VAR00007	1.00	2.00	-.26667	.32063	.684	-1.0301	.4968
		3.00	.36491	.16048	.064	-.0172	.7470
	2.00	1.00	.26667	.32063	.684	-.4968	1.0301
		3.00	.63158	.34372	.163	-.1868	1.4500
	3.00	1.00	-.36491	.16048	.064	-.7470	.0172
		2.00	-.63158	.34372	.163	-1.4500	.1868
VAR00012	1.00	2.00	-.20667	.46567	.897	-1.3154	.9021
		3.00	.55649*	.23307	.049	.0016	1.1114
	2.00	1.00	.20667	.46567	.897	-.9021	1.3154
		3.00	.76316	.49921	.282	-.4255	1.9518
	3.00	1.00	-.55649*	.23307	.049	-1.1114	-.0016
		2.00	-.76316	.49921	.282	-1.9518	.4255
VAR00013	1.00	2.00	-.29333	.43807	.782	-1.3364	.7497
		3.00	-.55649*	.21925	.034	-1.0785	-.0345
	2.00	1.00	.29333	.43807	.782	-.7497	1.3364
		3.00	-.26316	.46962	.841	-1.3813	.8550
	3.00	1.00	.55649*	.21925	.034	.0345	1.0785
		2.00	.26316	.46962	.841	-.8550	1.3813
VAR00015	1.00	2.00	1.62667*	.35036	.000	.7925	2.4609
		3.00	.10035	.17535	.835	-.3172	.5179
	2.00	1.00	-1.62667*	.35036	.000	-2.4609	-.7925
		3.00	-1.52632*	.37559	.000	-2.4206	-.6320
	3.00	1.00	-.10035	.17535	.835	-.5179	.3172
		2.00	1.52632*	.37559	.000	.6320	2.4206

*. The mean difference is significant at the .05 level.

HYPOTHESIS (4)

H4: there are statistical differences between factors affecting the reluctance of Jordanian women in working in the tourism sector and the years of experience in tourism sector of the women at α≤0.05

One Way Analysis Of Variance (ANOVA) were used to test the hypothesis, table (8) and the results show that variables 5, 8, 12, and 14 are significant. Furthermore Tukey posttest, used to find which level of years of experience in tourism sector of the women is higher.

Result of the "Tukey Test" (Table 9) showed that those who have 5 years & above years of experience feel more than the one who have 3 – less than 5 years of experience that the factors affecting the reluctance of Jordanian women in working in the tourism sector are the tourists themselves may be become a social burden in the sense of introducing new kinds of behavior, and thereby challenging traditional codes of behavior and the traditions' effect on the female's work in the tourism sector.

And those who have 1 - less than 3 years of experience feel more than the one who have 3 – less than 5 years that the factors affecting the reluctance of Jordanian women in working in the tourism sector are Women who have traditionally been involved in tourism sector by handicraft making, already have many responsibilities in addition to their work and the society looks at working women in tourism sector as a kind of shame.

We accept the hypothesis.

TABLE (8) ANOVA FOR THE "EXPERIENCE" VARIABLE

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VAR00005	Between Groups	3.012	2	1.506	4.832	.010
	Within Groups	29.611	95	.312		
	Total	32.622	97			
VAR00008	Between Groups	.511	2	.256	3.553	.033
	Within Groups	6.836	95	.072		
	Total	7.347	97			
VAR00012	Between Groups	10.755	2	5.377	7.040	.001
	Within Groups	72.562	95	.764		
	Total	83.316	97			
VAR00014	Between Groups	1.303	2	.652	3.600	.031
	Within Groups	17.197	95	.181		
	Total	18.500	97			

TABLE (9) TUKEY TEST FOR THE "EXPERIENCE" VARIABLE

Multiple Comparisons

Tukey HSD

Dependent Variable	(I) experience	(J) experience	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
VAR00005	1.00	2.00	-.41304*	.13382	.007	-.7317	-.0944
		3.00	-.20833	.15530	.376	-.5781	.1614
	2.00	1.00	.41304*	.13382	.007	.0944	.7317
		3.00	.20471	.14058	.317	-.1300	.5394
	3.00	1.00	.20833	.15530	.376	-.1614	.5781
		2.00	-.20471	.14058	.317	-.5394	.1300
VAR00008	1.00	2.00	.00776	.06430	.992	-.1453	.1609
		3.00	.17262	.07462	.059	-.0050	.3503
	2.00	1.00	-.00776	.06430	.992	-.1609	.1453
		3.00	.16486*	.06754	.043	.0040	.3257
	3.00	1.00	-.17262	.07462	.059	-.3503	.0050
		2.00	-.16486*	.06754	.043	-.3257	-.0040
VAR00012	1.00	2.00	-.77174*	.20948	.001	-1.2705	-.2730
		3.00	-.33333	.24311	.360	-.9122	.2455
	2.00	1.00	.77174*	.20948	.001	.2730	1.2705
		3.00	.43841	.22007	.120	-.0856	.9624
	3.00	1.00	.33333	.24311	.360	-.2455	.9122
		2.00	-.43841	.22007	.120	-.9624	.0856
VAR00014	1.00	2.00	.00932	.10198	.995	-.2335	.2521
		3.00	.27381	.11835	.059	-.0080	.5556
	2.00	1.00	-.00932	.10198	.995	-.2521	.2335
		3.00	.26449*	.10713	.040	.0094	.5196
	3.00	1.00	-.27381	.11835	.059	-.5556	.0080
		2.00	-.26449*	.10713	.040	-.5196	-.0094

*. The mean difference is significant at the .05 level.

CONCLUSIONS

The main results and conclusions of this study are summarized as follows:

There are significant statistical evidences that there is reluctance of Jordanian women in working in the tourism sector. These differences are according to the following factors: Status, Qualification, Work Location and Years of experience in tourism sector

RECOMMENDATIONS

(1) Developing recruitment and employment methods to reduce the reluctance of Jordanian women in working in the tourism sector

(2) Conducting training courses based on identification of training needs, to provide women in working in the tourism sector with the required information, and to develop their abilities, skills, and attitudes

FUTURE STUDIES

Conclusions of the previous studies, as well as the conclusions of this study, are worth investigation and revision by researchers; hence the researchers recommend conducting the following studies:

(1) Effects of tourism sector in women

(2) lighten the reluctance of Jordanian women in working in the tourism sector from marketing point of view

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ANNEXURE

QUESTIONNAIRE: THE RELUCTANCE OF JORDANIAN WOMEN IN WORKING IN THE TOURISM SECTOR: CASE OF JORDANIAN FEMALE

FIRST SECTION

Mark the appropriate answer with (X):

1. Status

□Married

□Single

2. Qualification

□ Diploma or less

□ Batchelor

□ Graduate study

3. Work Location:

□ Amman City

□ Zaqa City

□ Aqaba City

4. Years of experience in tourism sector:

□ 1 - less than 3 years.

□ 3 – less than 5 years.

□ 5 years & above.

SECOND SECTION

No.	The reluctance of Jordanian women in working in the tourism sector	Agree	Neutral	Disagree
	Women are restricted to the private sphere and the informal tourism sector is not as accessible for them			
	Time constraints and the risk involved are one of the reluctance of Jordanian women working in the tourism sector			
	The lack of language skills is one of the reluctance of Jordanian women working in the tourism sector			
	The incentives that the tourism sector provides discourage women to work in tourism.			
	Women who have traditionally been involved in tourism sector by handicraft making, already have many responsibilities in addition to their work			
	The low salaries that the tourism sector offers are one of the reluctance of Jordanian women working in the tourism sector			
	Introduction of tourism in local communities affects the traditions and social life of the women.			
	The tourists themselves may be become a social burden in the sense of introducing new kinds of behavior, and thereby challenging traditional codes of behavior.			
	Women have no voice in the opinion that they should have in local participation in tourism planning			
	religious beliefs is one of the reluctance of Jordanian women working in the tourism sector			
	The refusal of society to women joining the tourism sector is one of the reluctance of Jordanian women working in the tourism sector			
	The society looks at working women in tourism sector as a kind of shame.			
	The negative influence of the society on the females' acceptance to work in the tourism sector.			
	The traditions' effect on the female's work in the tourism sector.			
	low management support			

A STUDY ON CONSUMER BRAND PREFERENCE TOWARDS HEALTH DRINK PRODUCTS IN TIRUVARUR DISTRICT (TN)

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ABSTRACT
In the competitive environment, marketers are finding it difficult to create and retain customers for their products. Health Food Drink products have entered the global markets with force in the past years and rapidly gained market share. The basic purpose of this research paper is to identify the various factors influencing for preferring their brands. Paper also attempts to determine the sources of awareness and level of satisfaction of the consumers. To develop conclusions exploratory and descriptive research designs are used. Primary data is collected with the help of questionnaire method and data is analyzed with the help of various statistical techniques. It also showed that 31.81% of the consumers preferred Horlicks more than other brands of Health Drink Products. The major reason for brand preference is advertisement (32.72%). High preference for advertisement is highlighted for the companies to increase their market share.

KEYWORDS
Brand preference, HFD market, Consumer satisfaction.

INTRODUCTION
Consumer is the king in modern marketing world. Consumer behavior and attitude helps to determine effective technique and strategies by the marketers for attaining great competition advantage in the market. In the modern competitive world people must do heavy work both mentally and physically to survive successfully. So that they required more energy and stamina for that they want nutritious and health drinks.

Health is man's precious possession. It influences all his activities and shapes his destiny. An understanding of health is the basis of all health care. Health is wealth. This indicates the importance of health. In fact, health is a key to education, success, good citizenship and happy life. Without good health an individual cannot perform efficiently. A healthy individual is like a pillar of a society. The health of an individual by keeping himself free from disease helps in stopping the spread of disease in one's own community and the society at large.

BRAND PREFERENCE
The word "brand" owes its origin to the Norwegian word "brandr" meaning to burn. According to ***American Marketing Association***, a brand is "a name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or a group of sellers and differentiate them from those of competitors". Today, brands function as valuable marks of trust, superior quality, positive equity associations and differentiating values. Brands have been building customer loyalty, competitive advantage and positive benefit perceptions for their corporate owners. Corporate owners brand strategy and tactics are typically based on an understanding of how consumer brand choice behavior is influenced by marketing factors, such as quality, price, innovation, creativity, design, packaging and advertisements.

A brand preference is a measure of brand loyalty in which a consumer will choose a particular brand in presence of competing, but will accept substitutes if that brand is not available. Brand preference is the stage of brand loyalty at which a buyer will select a particular brand but will choose a competitor's brand if the preferred brand is unavailable.

HEALTH DRINK PRODUCTS
India, the world's largest malt-based drinks market, accounts for 22% of the world's retail volume sales. These drinks are traditionally consumed as milk substitutes and marketed as a nutritious drink, mainly consumed by the old, the young and the sick. The Health Food Drinks category consists of white drinks and brown drinks. South and East India are large markets for these drinks, accounting for the largest proportion of all India sales. The total market is placed at about 90,000 ton and is estimated to be growing at about 4%. These Malt beverages, though, are still an urban phenomenon.

White drinks account for almost two-thirds of the market. GSK Consumer Healthcare is the market leader in the white malt beverages category with a 60.7% overall market share. Heinz's Complan comes in second with a market share of 12-13%. Market leader GSK also owns other brands such as Boost, Maltova and Viva.

Currently, brown drinks (which are cocoa-based) continue to grow at the expense of white drinks like Horlicks and Complan. The share of the brown drinks has increased from about 32% to 35% over the last five years. Cadbury's Bournvita is the leader in the brown drink segment with a market share of around 17%. Other significant players are Nestle's Milo and GCMMF's Nutramul.

OBJECTIVES OF THE STUDY
1. To study the factors which are influencing brand preference for different brands.
2. To study the influence of gender on consumer preference for health drinks.
3. To study the influence of income on consumer preference for health drinks

HYPOTHESES DEVELOPMENT
The paper tested the following hypothesis:
1. There is no significant difference between the income of the respondents and brand preference.
2. There is no significant difference between the gender and brand preference.

RESEARCH DESIGN

The research design for the study is descriptive. Consumers of various age groups have been interviewed for the research survey using a structural Questionnaire.

SAMPLING DESIGN AND SAMPLE SIZE

Sampling technique used for the study was convenience sampling and the sample size was 110. The research instrument used was a questionnaire and it comprised of both open and close-ended questions. Personal interview was conducted among the target respondents using the questionnaire.

TOOLS USED FOR THE STUDY

Percentage analysis and Chi-Square test were used to analyze the data.

DATA ANALYSIS

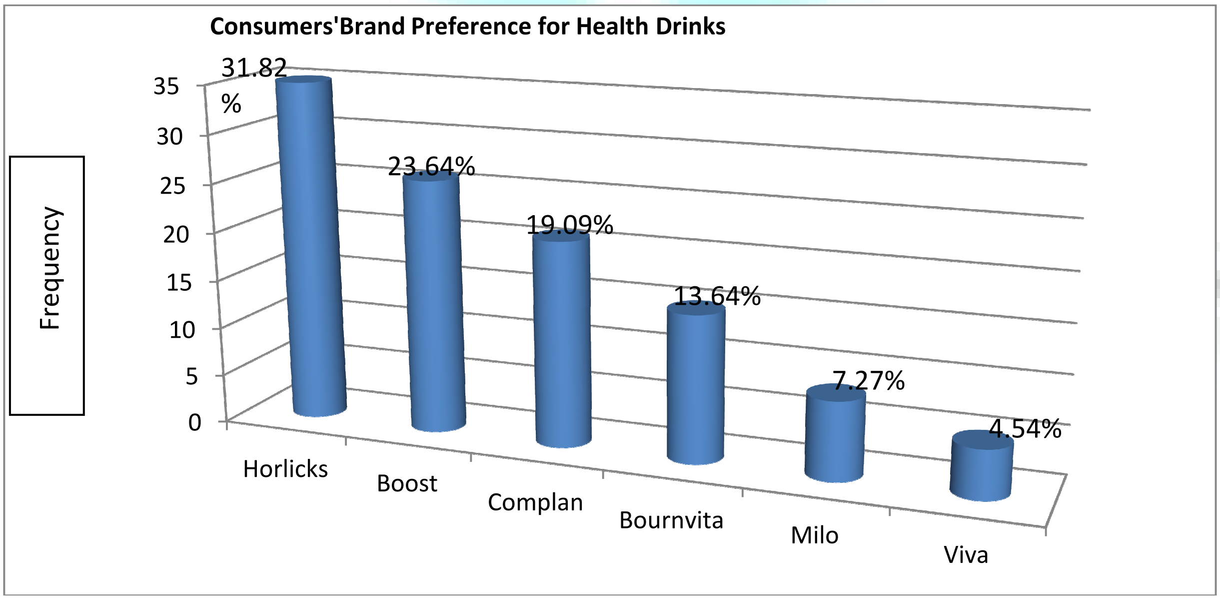
TABLE 1: THE SOCIO-ECONOMIC CONDITIONS OF THE RESPONDENTS IN TIRUVARUR

S.No.		Factors	Frequency	Percent
1	Sex	Male	67	60.91
		Female	43	39.09
		Total	**110**	**100.0**
2	Age of the respondents (in years)	Upto 30	58	52.73
		31-40	25	22.73
		41-50	15	13.64
		50&Above	12	10.90
		Total	**110**	**100.0**
3	Education	SSLC	17	15.45
		HSC	10	9.1
		Graduate	42	38.18
		Post Graduate	33	30.00
		Others	8	7.27
		Total	**110**	**100.0**
4	Occupation	Government Employee	31	28.18
		Private Employee	41	37.27
		Professional	16	14.55
		Businessman	10	9.1
		Housewife	12	10.90
		Total	**110**	**100.0**
5	Monthly income of The respondents (in Rs.)	Less than 10,000	28	25.45
		10,001-20,000	35	31.81
		20,001-30,000	22	20.00
		30,001-40,000	15	13.64
		40,000 & Above	10	9.1
		Total	**110**	**100.0**

Source: Primary Data

The Table 1 depicts socio-Economic conditions of the respondents. 60.91% of the respondents were male & rests were female. It also contains out of 110 respondents. 28 belonged to the income category of less than 10,000 per month, 35 respondents belonged to the income category of Rs. 10001-20000 per month, 22 respondents belonged to the category of Rs.20001-30000 per month,15 respondents belonged to the category of Rs.30001-40000 per month and 10 respondents belonged to the income category of more than Rs.40000.

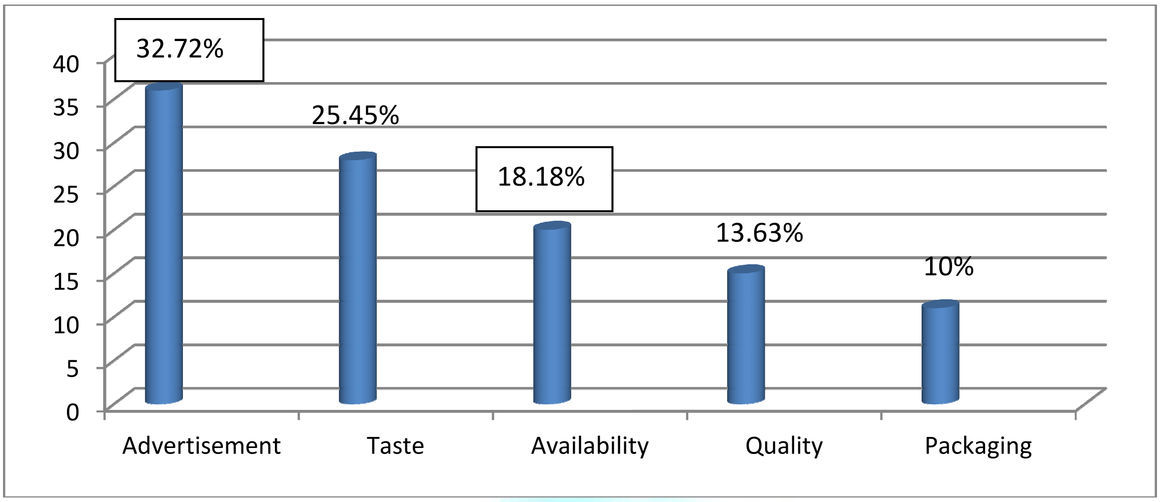
FIGURE 1: CONSUMERS' BRAND PREFERENCE FOR HEALTH DRINK PRODUCTS



BRANDS

According to Figure 1, out of six most preferred brands (Horlicks, Boost, Bournvita, Complan, Milo and Viva), three brands (Horlicks 31.82%, Boost 23.63% and Complan 19.09%) made up about 73% of then brand preference of consumers. It also reveals that Horlicks is the most preferred brand.

FIGURE 2: FACTORS RESPONSIBLE FOR BRAND PREFERENCE FOR HORLICKS



FACTORS

According to Figure 2, the various reasons for brand preference were asked and responses (Advertisement 32.72%, Taste 25.45%, Availability 18.18%, Quality 13.63% and Packaging 10%) Show the high impact of advertisement and taste on brand preference for Horlicks.

TABLE 2: CHI-SQUARE TEST: BRAND PREFERENCE OF HEALTH DRINKS BRAND BASED ON CONSUMERS' INCOME

Income Group	Brand Preference						Total
	Horlicks	**Boost**	**Complan**	**Bournvita**	**Milo**	**Viva**	
Less than 10000	10 (8.90)	8 (6.62)	5 (5.34)	2 (3.82)	2 (2.04)	1 (1.27)	28
10001-20000	15 (11.14)	6 (8027)	7 (6.68)	3 (4.77)	3 (2.54)	1 (1.59)	35
20001-30000	5 (7)	6 (5.2)	6 (4.2)	3 (3)	1 (1.6)	1 (1)	22
30001-40000	3 (4.77)	5 (3.54)	2 (2.86)	3 (2.04)	1 (1.09)	1 (0.68)	15
40000 & Above	2 (3.18)	1 (2.36)	1 (1.90)	4 (1.36)	1 (0.73)	1 (0.45)	10
Total	**35**	**26**	**21**	**15**	**8**	**5**	**110**

Source: Primary Data

Level of significance : 5% level of significance
Degrees of Freedom = (r-1) (c-1)
= (5-1) (6-1)
= 20
Calculated Chi-Square value = 15.626
Table value = 31.410

As Chi-Square test statistic showed in Table 3, for 20 DF (Degree of Freedom) at 5% significance level, calculated value of X^2 is much less than the table value, so the data support the hypothesis. Hence We conclude that, there is no significant relationship between income of the respondents and brand preference.

TABLE 3: CHI-SQUARE TEST: BRAND PREFERENCE FOR HEALTH DRINK BRANDS BASED ON GENDER

Gender	Brand Preference						Total
	Horlicks	**Boost**	**Complan**	**Bournvita**	**Milo**	**Viva**	
Male	18 (20.36)	16 (15.13)	13 (12.29)	9 (8.73)	5 (4.65)	3 (2.91)	64
Female	17 (14.64)	10 (10.87)	8 (8.78)	6 (6.27)	3 (3.34)	2 (2.09)	46
Total	35	26	21	15	8	5	110

Source: Primary Data

Level of Significance: 5% level of significance
Degrees of Freedom = (r-1) (c-1)
= (2-1) (6-1)
= 5
Calculated Chi-Square value = 0.966
Table value = 12.592

As chi-square test statistic showed in Table 5, for 5 DF (Degree of Freedom) at 5% significance level, calculated value of X^2 is lower than the table value, so the data support the hypothesis. Hence we conclude that, there is no significant relationship between gender of the respondents and brand preference.

LIMITATIONS OF THE STUDY

Chances of the respondents' bias are involved in the research. As the research is restricted to Tiruvarur town of Tamil Nadu, the results are not applicable to other parts of the District or State or Country.

RESULTS AND DISCUSSION

1. The collected data from the survey shows that brand preference exists in the health drink products market. Out of 6 different health drink brands which featured in this study, Horlicks topped the brand preference table in health drinks industry. Hence it is clear that Horlicks is the favorite health drinks among consumers.

2. The findings of the study of customer brand preference in health drinks states that among all six brands i.e.,Horlicks, Boost, Complan, Bournvita, Milo and Viva; the brand at first place is Horlicks with the largest market share 31.82%, Boost is at the second place with the 23.63% market share, Complan is at the third place with the 19.09% market share and Bournvita, Milo and Viva are the fourth, fifth and sixth place respectively with the 13.63%, 7.27% and 4.54% market share.
3. The study shows that advertisement and taste are the major factors responsible for the success of Horlicks. The implication of this is that, other variables does not influence to prefer the horlicks brand.
4. In the analysis, according to Table (2), the chi-square test shows that the there is no significant relationship between income of the respondents and brand preference. In Table (3), the chi-square test shows a there is no significant relationship between gender of the respondents and brand preference.

CONCLUSION

All people, whether young or old, they take health drinks for relaxation, refreshment and to get energy. Thus health drinks have become part and parcel of their lives. Marketing strategy may give special emphasis on a few elements of marketing mix. Certain key elements having superior selling edge will have special emphasis e.g., personalized selling and serving, fine product quality, best value for money, economy, lowest price, wide distribution network, etc. so the company needs to be very vigilant in monitoring to determine the type of marketing strategies based on the taste and preference of the consumers. Advertisement and taste have major influence on consumers' preference for Horlicks. Concerning the advertising media, the study revealed that Television is the most effective media used for advertising the brand. Horlicks can employ integrated advertising of their products.

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AN EMPIRICAL ANALYSIS OF FRIDAY EFFECT IN NSE NIFTY COMPANIES

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ABSTRACT

This study investigates whether Friday effect exist in NSE NIFTY. The weekend Effect or Day of the Week Effect has been a hot research topic among academicians for decades. The most popular Anomaly is the Friday Effect, meaning that the Friday's Average Return is significantly higher than the Other Days' Average Returns. The presence of Friday Effect defeats the basic premises of the Efficient Market Hypothesis. Besides, it has greater implications on the design of investment strategy in the long run. The outcome of the study initiate that there was Highest Mean Return recorded in Friday and the Lowest Mean Returns were recorded in Monday for the sample indices. The analysis of seasonality results point out there is no significant Friday Effect exists in NSE NIFTY during the study period.

KEYWORDS

Day of the Week Effect, Friday Effect, Efficient Market Hypothesis, Seasonality, Dummy Variable Regression Model.

1. INTRODUCTION

The Efficient Market theory states that an Efficient Market is one where the market price is an unbiased estimate of the true value of the investment. It further states that the current market price of a security fully reflects all available information and the current price is the fair price as the security has traded in that price (Fama, 1969). In the words of Fama, informational efficiency of financial markets requires that the market prices and rates of return at any given time reflect all the information available to the participants" (Fama, 1965) Market Efficiency influences the Investment Strategy for investors because in an Efficient Market, there would be no undervalued or overvalued stocks. When stock returns show certain empirical regulations, which are difficult to explain asset-pricing theories, they are called stock market anomalies. The academics and practitioners have documented many research works on the seasonality and associated behavior of securities markets all over the world. Among others, the most widely mentioned seasonal effects and market anomalies are Monday Effect or Week-end Effect, Friday Effect, January Effect, Holiday Effect and Small firm-Effect, to mention a few. Among these, one of the widely discussed anomalies is the Friday effect of stock return.

The most common case is the Friday Effect, meaning that the Friday's Average Return is significantly higher than the Other Days' Average Returns. Fridays normally present the highest return over majority of the stock markets of the world. However, some empirical studies in different stock markets have established, the Tuesday Effect instead of the Friday Effect. During the past decades, many studies about the Day of the Week Effect have been carried out.

It is significant to note that there is a reason for the Day of the Week Effect. Monday recorded high return in some markets. In another, Monday recorded lower return. The reason is that Monday is the Day with Lowest Trading Volume, which the propensity of individuals to transact is higher relative to Other Days of the Week and that of the institutions is the lowest.

The propensity of individuals to sell on Monday is higher than their propensity to buy (Lakonishok, Josef and Maberly, Edwin, 1990). The other reason is that the settlement cost has been used to explain the day of the week variations. There are five trading days in a Stock Market. If the Settlement Day is the Second Trading Day, the Thursday return will be higher than Rest of the Week Days. If the investors buy on the Wednesday' close price and sell on the Thursday's close price, then investors will earn high return on Thursday. And it is the individual investors' behavior. The individual investors would like to sell more on Monday due to the reason that the bad news is normally released in the prior week, and the individual investor tends to use Monday as the opportunity to satisfy the liquidity needs. It is hard to say that Day of the Week Effect can generate abnormal returns. It is always possible to find the abnormal returns for short periods but it seems a much harder task to generate abnormal returns over a longer period, as anomalies vary over time and tend to disappear or even reverse after they have been discovered.

2. REVIEW OF LITERATURE

The reviews of previous studies made in India and abroad are given below. Ravi Anshuman.V and Ranadev Goswami (2000) studied the Week-End Effects by using equally weighted portfolio constructed from 70 stocks listed on the BSE. The study evidenced the (heteroskedasticity adjusted) excess positive returns on Friday and excess negative returns on Tuesday. Brooks and Persand (2001) examined the evidence for the Day of the Week Effect in five Southeast Asian Stock Markets, including Taiwan, South Korea, the Philippines, Malaysia and Thailand. The Authors found that neither South Korea nor the Philippines recorded significant Calendar Effects. But both Thailand and Malaysia registered significant positive average returns on Monday and significant negative average returns on Tuesday. In addition, the study also documented a significant negative Wednesday Effect in Taiwan. Goloka C Nath and Manoj Dalvi (2005) used both high frequency and end of day data for the benchmark index (S&P CNX Nifty). The study, using Regression with bi-weights and dummy variables, found that before the introduction of Rolling Settlement in January 2002, Monday and Friday were significant days. However, after the introduction of the Rolling Settlement, Friday has become significant. The market inefficiency still exists and the market was yet to price the risk appropriately. Badhani K.N, Kavidayal B.D, Kavidayal P.C (2006) investigated differences in autocorrelations of S&P CNX Nifty Index Returns across the different trading days of the week.

According to this study, Indian Stock Market followed the international trend. Besides, there was a significant highest positive first order autocorrelation between Friday returns and returns of Next Trading Day. Syed A. Basher and Perry Sadorsky (2006) used both unconditional and conditional risk analysis to investigate the Day-of-the-Week Effect in 21 Emerging Stock Markets. The results of this study showed that while the Day-of-the-Week Effect was not present in the majority of Emerging Stock Markets studied, some Emerging Stock Markets did exhibit strong Day-of-the-Week Effect even after accounting for conditional market risk. Rengasamy Elango and Nabila Al Macki (2008) investigated whether the anomalous Week End Effect was found in the rapidly emerging Indian Equity Market. Their analysis produced mixed results indicating that the Monday Returns were negative and low in the case of two out of three indices. The study also examined the Week End Effects and showed that Monday Returns were negative in one of the bench mark indices. Nageswari.P and Babu.M. (2011) examined the Week End Effect in the Indian Stock Market. The study found that the mean returns were positive for all days of the week, highest on Friday and lowest on Monday. It was inferred that the Day of the Week Pattern did not exist in the Indian Stock Market during the study period. Nageswari.P and Selvam.M (2011) explored the Day of the Week Effect during the Post Rolling Settlement Period. The study found that the Highest Mean Return on Friday and the Lowest Mean Return on Tuesday were observed during the study period. Further, there was strong significant positive relationship between Monday – Friday and no significant relationship among other days of the week. The results indicated that the Day of the Week Effect did not exist in the Indian Stock Market during the study period.

The above literature provides an overview of Day of the week Effects in various global Stock Markets. It is to be noted that only few have focused on the Friday Effect in the Indian Stock Markets. Against this backdrop, this study makes an attempt to examine whether India, which is one of the fast emerging markets, offers evidences of anomaly, thus ensuring abnormal returns to the investors during the Friday in NSE NIFTY.

3. STATEMENT OF THE PROBLEM

The firms and Governments generally release good news between Monday and Friday and bad news on the week-ends. As a result, the bad news is reflected in lower stock prices on the next trading day (Mondays) and good news is reflected in higher stock prices on Friday. This would reduce the share price further. Similarly, in the Month of January, firms normally release new information pertaining to the previous accounting year. When new positive information reaches the market, the prices become bullish due to buying pressure. The active trading strategies, based on the knowledge of market anomalies, would provide benefits to the investors; but the countervailing arbitrage will also exploit the excess return over time. In this environment, it is necessary to periodically find out whether these types of Anomalies exist in the Stock Market. Against this background, the present study covering Analysis of Friday Effects in NIFTY in Indian Stock Market is significant.

4. OBJECTIVES OF THE STUDY

The present study intends to identify and analyze the Friday Effect exist in the NSE NIFTY in Indian Stock Market.

5. HYPOTHESIS OF THE STUDY

The present study tested the following null hypothesis

NH1: There are no significant differences among the returns of different trading days the week.

6. METHODOLOGY OF THE STUDY

A) SAMPLE SELECTION

The **National Stock Exchange** (**NSE**) is the stock exchange located at Mumbai, India. It is in the top 20 largest stock exchanges in the world by market capitalization and largest in India by daily turnover and number of trades, for both equities and derivative trading. NSE has a market capitalization of around US$1 trillion and over 1,652 listings as of July 2012.Though a number of other exchanges exist, NSE and the Bombay Stock Exchange are the two most significant stock exchanges in India and between them are responsible for the vast majority of share transactions. The NSE's key index is the S&P CNX Nifty, known as the **NSE NIFTY** (National Stock Exchange Fifty), an index of fifty major stocks weighted by market capitalization. Against this background, this study considered the NSE NIFTY as sample.

B) SOURCES OF DATA

The required information of the present study were collected from the www.nseindia.com and PROWESS, which is corporate database maintained by CMIE.

C) PERIOD OF THE STUDY

The present study covers a period of one year from 1st April 2004 to 31st March 2012.

7. TOOLS USED FOR ANALYSIS

The following tools were used for the analysis of the returns and volatility for the sample indices taken for this study.

I) RETURNS

The formula below was used to compute the daily returns for each of the companies under NSE NIFTY.

$R_t = \ln [I_t / I_{t-1}] * 100$

Where,

R_t = Daily return (I),

ln = Natural log of underlying market series (I),

I_t = Closing value of a NSE Nifty (I) on a specific trading day (t), and

I_{t-1} = Closing value of a NSE Nifty (I) on preceding trading day (t-1).

II) DESCRIPTIVE STATISTICS

Under Descriptive Statistics, the Average Daily Returns (mean), Standard Deviation, Skewness and Kurtosis were used.

III) KRUSKALL-WALLIS TEST

The Kruskall-Wallis Test is employed for testing the equality of mean returns among different months of the year. The formula for calculating the Test Statistic '*H*' is as under:

$$H = 12/ N (N+1) \times \sum_{J=1}^{5} R_{2j} / n_j - 3 (n+1)$$

Where,

Rj = Sum of the Ranks in the jth Column,

nj = Number of Cases in the jth Column, and

N= Sum of Observations in all the Columns

IV) DUMMY VARIABLE REGRESSION MODEL

In order to investigate the Monday effect, the following dummy variable regression equation is used.

$Rt = \beta1\ D1(Mon) + \beta2\ D2(Tue) + \ldots + \beta51\ D5(Fri) + \varepsilon t$

Where,

Rt = Index return percent in the month t;

D1(Mon) = dummy variable equal to 1 if t is a Monday and 0 otherwise,

D2(Tue) = dummy variable equal to 1 if t is a Tuesday and 0 otherwise,

D3(wed) = dummy variable equal to 1 if t is a Wednesday and 0 otherwise,

D4(Thu) = dummy variable equal to 1 if t is a Thursday and 0 otherwise,

D5(Fri) = dummy variable equal to 1 if t is a Friday and 0 otherwise,

έi,t = error term

The intercept, β1 …….. β5, represent the average deviation of each day from the Monday return. Thus, if the daily returns are equal, one expects the dummy variable coefficients to be statistically close to zero. So, the coefficients of the regression are the mean returns obtained from Monday to Friday applying ordinary least square (OLS).

8. ANALYSIS OF FRIDAY EFFECT IN NSE NIFTY

8.1. ANALYSIS OF DESCRIPTIVE STATISTICS

The results of Descriptive Statistics for NSE NIFTY returns for the period from 1st April 2004 to 31st March 2012 were illustrated in Table-1. The above Table shows that the mean returns of selected Indices were positive for all trading days and they were higher (0.1619 for NSE NIFTY) on Friday and lower (0.0169 for NSE NIFTY) on Monday. The Standard Deviation of Returns was highest (2.0891 for NSE NIFTY) on Monday and the lowest (1.5495 for NSE NIFTY) on Thursday. This indicates the fact that the NSE NIFTY was more volatile on Monday and less volatile on Thursday. It is to be noted that the Day Trader could gain from such volatility. The Skewness of the Returns Distribution was found to be positive for Monday and Tuesday for NSE NIFTY while it was negative for the remaining days of the week. The Peak of the Return Distribution shows that it was Leptokurtic for all trading days of the week. It indicates that the majority of the return series were close to the mean for the selected indices.

TABLE - 1: THE RESULTS OF DESCRIPTIVE STATISTICS FOR NSE NIFTY INDEX DAILY RETURNS FROM 1st APRIL 2004 TO 31st MARCH 2012

NSE NIFTY INDEX					
Weekdays	**Mean**	**S.D.**	**Skew.**	**Kurt.**	**Obs.**
Monday	0.0169	2.0891	0.3654	14.367	397
Tuesday	0.0724	1.5595	0.1068	6.7334	398
Wednesday	0.1083	1.5971	- 0.2279	5.7426	400
Thursday	0.0337	1.5495	-0.2639	5.5018	395
Friday	0.1619	1.8497	0.6915	8.7573	393

Source: Computed from PROWESS.

8.2. ANALYSIS OF KRUSKALL-WALLIS TEST

Table-2 presents the Results of Kruskall-Wallis Test for NSE NIFTY Returns from 1st April 2004 to 31st March 2012. Kruskall-Wallis Test is commonly used to test the equality of mean returns of the different days of the week. The above Table clearly shows that the Value of Kruskall-Wallis Test Statistic (NSE NIFTY - 2.5395) was lower than the Table Value (9.488) at 5% level of significance in 4 degrees of freedom for the sample Index returns. It clearly indicates that there was no significant difference between the returns of different days of the week.

TABLE -2: THE RESULTS OF KRUSKALL-WALLIS TEST OF NSE NIFTY DAILY RETURNS FROM 1st APRIL 2004 TO 31st MARCH 2012

Indices	**K-W Test**	**Df**	**P-value**
NSE NIFTY	2.5395	4	0.6375
Degrees of freedom. N-1 4 N=5		Table value: 1% - 13.277 5% - 9.488	

8.3. ANALYSIS OF DUMMY VARIABLE REGRESSION MODEL

Table 3 shows the Results of the Linear Regression Analysis for NSE NIFTY and from April 2004 to March 2012. It is to be noted that the Benchmark Day in the Model was Monday, represented by the Intercept. The Values of Coefficients (0.1379 for NSE NIFTY) in Friday was high compared to the other days of the week. Further, none of the coefficients was significant at 5% level of significance, indicating that there was no Day of the Week Effects in the NSE NIFTY. It is to be noted that the R2 (0.0008) was low. The insignificant F-statistic indicates that the overall fit of the model was poor. Further, Durban-Watson Statistic Value of 1.85 for NSE NIFTY and 1.76 for BSE 500 Index indicates autocorrelation in the residuals. Therefore, the Null Hypothesis (NH1), "There is no significant difference among the returns of different trading days of the week", is not rejected. In other words, there did not appear any Day of the Week Anomaly for NSE NIFTY Returns during the study period.

TABLE -3: THE RESULTS OF DUMMY VARIABLE REGRESSION MODEL FOR NSE NIFTY DAILY RETURNS FROM APRIL 2004 TO MARCH 2012

NSE NIFTY				
Variable	**Coefficient**	**Std. Error**	**t-statistic**	**Prob.**
Tuesday	0.0524	0.1237	0.424	0.6716
Wednesday	0.0843	0.1235	0.6827	0.4949
Thursday	0.0097	0.1239	0.0785	0.9374
Friday	0.1379	0.1241	1.1114	0.2665
C	0.024	0.0876	0.274	0.7841
Adjusted Rsquared	0.0008	F-statistic		0.4156
D.W.	1.8507	Prob. (F-statistic)		0.7975

Source: Computed from PROWESS using E-views.

*Significant at 5% level.

9. OUTCOMES OF THE STUDY

The following are the important findings of the present study

1. The analysis of the study expose that there were Positive Mean Returns recorded for all days of the week while the Highest Mean Returns (0.1619 for NSE NIFTY) were recorded on Friday, and the Lowest Mean Returns (0.0169 for NSE NIFTY) were recorded on Monday for the sample indices during the study period. It is suggested that the investors may buy the shares on Monday and sell them on Friday because they may get better returns than on other days of the week.
2. The Standard Deviation of Returns was highest (2.0891 for NSE NIFTY) on Monday and the lowest (1.5495 for NSE NIFTY) on Thursday. This indicates the fact that the NSE NIFTY Index Returns were more volatile on Monday and less volatile on Thursday. It is to be noted that the Day Trader could benefit from such volatility.
3. NSE NIFTY returns recorded high risk with low return and vice versa. Hence the market Regulators may take necessary steps to maintain risk and return tradeoff.
4. The Return Distribution was Positively Skewed for Monday and Tuesday for NSE NIFTY Index returns.
5. The Kurtosis measure of Returns Distribution was Leptokurtic for all days of the week, showing the Highest Values (14.36 for NSE NIFTY) on Monday for the sample indices during the study period. It indicates that the Return Distribution was not normally distributed during the study period.
6. The analysis of Kruskall-Wallis Statistics shows that the Test Statistic value (2.5395 for NSE NIFTY) was lower than the Table Value (9.488) at 5% level of significance in 4 degrees of freedom for the selected Index returns. It clearly indicates that there was no significant difference between the returns of different days of the week.
7. The Value of Coefficients in Friday was high and none of the variables were statistically significant at conventional level of risk in NSE NIFTY Index returns. And also the insignificant F-value did not confirm Friday in Indian stock market during the study period.

10. CONCLUSION

This study examined the Friday effect for NSE NIFTY Index returns. The study used the logarithmic data for sample indices in NSE and applies the Dummy Variable Regression Model. The outcome of the study initiate that there was Highest Mean Return recorded in Friday and the Lowest Mean Returns were recorded in Monday for the sample indices. The seasonality results point out there is no significant Friday effect exist in Indian Stock Market during the study period. The study discloses that Monday has the lowest returns but it is the best period to buy the scrip's (buy low). The Friday's show the high returns that is the best period to sell the securities (sell high). It further suggests that investors could experiment the above strategy, to start with, on small stocks and extend the same on blue-chips based on the risks and rewards. This gains further momentum as Indian markets are more transparent and open to the global institutional investors and fund managers seeking profitable trade opportunities.

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ANALYSIS OF WAGE BURDEN AND EMPLOYEE PRODUCTIVITY OF STATE BANK OF INDIA AND ICICI BANK

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ABSTRACT

Banking sector has always been under the scrutiny of public eye by the virtue of the banking business itself and with the liberalization of the sector and advent of new private banks this scrutiny has not only become more intense but much more critical also. Banking is not a product but a service and hence the role of human resources become critical for the business, consequently the study of employee productivity, profitability and its impact on the total business becomes crucial. The paper compares and analyses the Average annual compensation received by SBI employees and ICICI Bank employees and contrasts it with Banks' Profit per Employee, for financial year (FY) 2008 to 2012, which is considered here as a proxy for employee productivity, through comparison of means statistical tests. An attempt is made to analyze the Banks' operating expenses and weight of wage burden through analytical tools for the financial year 2011 and 2012. The paper reveals that statistically there is no difference between the wages earned by employees of the two banks; however there is a vast contrast between their measures of productivity.

JEL CODE
G2, G21

KEYWORDS
Wage Burden, Operating Expenses, Bank Employee Productivity, State Bank of India, ICICI Bank.

INTRODUCTION

Across industries and economies, the human capital is acknowledged as a vital and most valuable resource in any organization. With the business environment ever changing and becoming all the more complex in this era of globalization, organizations draw and alleviate their competitive advantage through the human resources. The significance of human resources in creating the competitive advantage and enhancing the strategic footing of the organization increases manifold in the services sector.

A significant portion of the operating cost of service sector companies is the employee cost, arising out of employing commensurate work force for diverse operations in various geographies building a robust distribution network. The players in the Indian banking sector employ in thousands and their employee costs run in many crores. The aggregate on-roll employees of all scheduled commercial banks in India is more than 10Lacs which may run even higher if the employees in Regional Rural Banks and Co-operative banks are added .

The highly competitive environment of the Indian banking sector combined with rapidly changing market conditions and regulations has forced qualitative adaptation in the sector while posing an array of challenges for all the players, particularly the Public Sector Banks (PSBs). The rising competition concerns all the banks to improve their efficiency and performance to compete in a global setting.

The banking business although has evolved as an umbrella business for various allied financial services, nonetheless the major cost determinants for the leading players in the industry remains the same. Despite, the key differentiators in banking sector is primarily attributed to efficiency and customer base. Consequent to this, the analysis of a bank's profitability requires near scrutiny of employee productivity.

Historically, the PSBs have remained less productive mainly due to competitors' customer-centric policies and high service quality, resulting in a higher customer base and therefore increased business and profits. The HR function in PSB's has not been effectively managed and professionalized, is largely associated with routine administration work and lacks manpower planning. Consequently, there is serious skill shortage in various important areas of banking services and branch banking, which surely is reflected in profitability.

Various government constituted committees have discovered that 90% staff in PSBs is engaged in branch banking and the rest in administrative offices. Moreover, 60% of the time of branch staff is spent on non-customer facing roles and less than 10% of staff is employed for pushing sales. Thus even after the introduction of technology, routine clerical work continues and occupies most of the working hours. Consequently new service and sales roles are obstructed which impedes productivity enhancement and customer focus.

The current paper compares and analyses two of the country's largest banks; State Bank of India (SBI) and ICICI Bank on employee profitability and employee compensation. In FY'12 SBI's profit per employee stood at Rs. 5.31 Lacs while the average compensation per employee was Rs. 7.88 Lacs. Contrary to SBI, in FY'12, ICICI Bank's profit per employee stood at Rs. 11 Lacs while its average compensation per employee was Rs. 6.03 Lacs. This information divulges a relative disconnect between the profit generating capacity of the employees and average compensation paid to them in the banks.

Similarly in FY'11, SBI's profit per employee was Rs. 3.84 Lacs while the average compensation per employee was Rs. 6.82 Lacs; while ICICI Bank's profit per employee was Rs. 10 Lacs while its average compensation per employee was Rs. 4.94 Lacs. Evidently, in comparison to SBI this information divulge higher degree of employee efficiency in ICICI Bank. This colossal difference in profit per employee and average compensation per employee raises questions on the state of employee profitability in SBI.

More interestingly, comparisons of the top-line executive compensation of the two banks divulge compensation discrepancy in PSBs and Private Banks if SBI and ICICI Bank are taken as a proxy for the above mentioned two groups. ICICI Bank in FY'12 paid its top four executives compensation package not less than Rs 2 Crores each, while in extreme contrast the total compensation paid to top four executives of SBI did not exceed Rs 60 Lacs.

REVIEW OF LITERATURE

A number of studies were conducted to compare the performance of different Bank Groups working in India on the basis of various parameters like Business per employee, Profit per employee, Number of Accounts handled by Bank employees, burden of wages, operating costs etc. Sarkar & Das (1998) used 15 indicators on their study to compare performance of Bank groups based on the major criteria representing efficiency viz profitability, productivity and financial management.

Jhawar and Arya (2009) studied the movement in wage bill, its proportion with total operating cost and efficiency of employees with reference to their wages and profit earned by Public Sector Banks, Private Sector Banks and Foreign banks and compared them on above mentioned criteria for FY'04 and FY'08. The study concluded that despite the significant increase in total operating cost of all the bank groups, the efficiency of Private Sector Bank employees is better than Public Sector Banks employees on the basis of profit.

Kumar and Shreemalu (2008) in their study classified the banks on the basis of Modern Banks (New Private Banks and Foreign Banks) and Traditional Banks (Public Sector Banks and old Private Banks). While covering the period from 1997 to 2008, they have observed that the performance of Modern Banks was much superior to Traditional Banks on the basis of Profit per employee; Employee cost to total business; Employees cost to operating expenses; employee cost to total assets and employee cost to total business. Only in case of Employee cost to total business the performance of Traditional Banks was better than Modern Banks.

Uppal (2007) in his study relating to shift in Banking sector through Human Resources Management concluded that downsizing of employees is higher in Public Sector Banks, while in Private Sector the number of employees was increasing. Even with downsizing the Public Sector Banks have not succeeded in reducing labour cost. Besides Capital restructuring, Financial reengineering, information technology, the Human Resources Management is the crucial factor to manage the transformation in Banking Sector.

Sathye(2005) studied the impact of privatization on bank performance and efficiency for the period 1998-2000 and found that partially privatized banks have performed better than fully Public Sector Banks and they are catching up with the banks in the Private Sector. He has used the efficiency of banks on the basis of Data Envelopment Analysis. B. Janki (2002) analyzed the effect of technology on labour productivity; he concluded efficiency can be enhanced by using technology to develop new products and motivation of work force. While assessing the productivity in terms of Business per employee and per office Pitre(2003) reports that Foreign Banks are better than other banks but in terms of number of accounts per employee they are at the bottom of list. Ram Mohan (2002) studied that the profitability of Public Sector Banks improved but they have lagged behind in their ability to attract deposits and have been slow in technological up gradation and improving staffing and employment practices

Mittal and Dhade (2007) in their paper studied that it is difficult to quantify the output of Service Sector. The per branch deposit, advances and business ratios are much lower in case of Public Sector Banks, when compared with Private Sector and Foreign Banks. The profitability of Public Sector Banks is also lower but it is improving.

IMPORTANCE OF THE STUDY

In the midst of the world wide turmoil in the Financial and Banking Industry, the Indian Banking Sector displayed it resilience while continuing to mark impressive growth. The sector undoubtedly has a strategically important role in upholding and supporting the long term sustainable growth of the economy. During the financial year ended 2011, Banking and Insurance sector contributed 8.3% of the GDP. Sector's contribution to GDP during the period 2005 to 2011 has grown at a CAGR of 13.10% in real terms.

In every five years the management of Public Sector Banks, represented by IBA negotiates a wage revision with the United Forum of Bank Union (UFBU). The last agreement, called the 9th bipartite settlement was signed in 2009 however it was due in 2007. The next (i. e. 10th) bipartite settlement is due in November 2012. This wage revision and subsequent rise in the pay scales, over and above annual increment and periodical rise in Dearness Allowance, is an exercise marked by friction on various contentious issues while the customer is left in angst on several such occasions when the fallout is an industry wide strike. The periodic rise and uniform pay scales arguably disconnected with delivery and performance makes employees disinclined towards productivity and therefore is an answer for lower levels of employee productivity in PSBs.

The outlook for Banking sector suggests increased competition between the players on the pre-text of deregulated savings bank account interest rate, implementation of Basel III capital regulation effective from 2013 and due amendments in the Banking Regulation Act and Companies Act. The increased competition possibly could result in increased pressure on banks' profitability.

Considering the above it is necessary to know the burden of wage bill on operating expenses as well as the comparison of profit per employee vis-à-vis wage per employee, So that the productivity of the bank employees can be measured in true sense. State Bank of India is the largest Public Sector Bank while ICICI Bank is the largest Private Sector player. There is deep contrast between both the banks at all the levels be at quantitative or qualitative terms. The present paper is an effort to study the movement in wage bill, its proportion with total operating cost and efficiency of employees with reference to their wages and profit earned by them.

OBJECTIVES

1. To study and compare the wage burden bill of SBI and ICICI Bank on the total operating expenses in FY'12 and FY'11.
2. To analyze the possible reasons for any changes in the proportion of wages on total operating cost for the two banks.
3. To study the link between the profit per employee and average compensation per employee and thus analyzing the comparative productivity-compensation linkages in the two banks.

HYPOTHESIS

1. There has been sufficient increase in total operating cost of both the banks.
2. The percentage increase in wages has been higher than the percentage increase in operating expenses for ICICI Bank; contrary to SBI in FY'12 compared to previous financial year.
3. The efficiency of ICICI Bank employees is better than SBI employees on the basis of profit per employee.
4. The average compensation received by ICICI Bank employees is substantially lower than SBI employee.

RESEARCH METHODOLOGY

This is an analytical study in which secondary data of financial statements of ICICI Bank and SBI for the last two years (FY 2011 and FY 2012) has been used. Various tools like ratio analysis, percentage changes have been used. Statistical tools such as t-test are applied to test the statistical significance of some of the hypotheses.

RESULT & DISCUSSION

OPERATING COST AND EMPLOYEE COMPENSATION

In FY'12, the operating expenses of both the banks increased considerably in comparison to previous year. However, if we study the percentage of wages in operating expenses (Table B-01) it has increased for ICICI bank by 220 basis points while in contrast it has decreased for SBI by almost 100 basis points.

For ICICI Bank the operating expenses largely increased due to increase in employee expenses and administrative expenses. Employee expenses increased by 24.8% in FY'12 mainly due to an annual pay increase, performance bonus and a minor increase in the employee base (2.2% in FY'12). (Table B-02)

For SBI, although the total employee expenses increased substantially; the shrink in percentage of employee expense to operating expense can be attributed primarily to a decrease in staff strength by 3.3% in FY'12 (Table B-02)

In a comparative analysis, it can be concluded that ICICI Bank is operationally more efficient in terms of employee expenses with respect to SBI.

WAGES PER EMPLOYEE

The compensation to Bank employees has always been a matter of discussion among the general public and the policy makers. The bank employees are always viewed as good pay receivers. Since they are into the field of financial matters and deals with public money their compensation package is comparatively higher than other organized groups. Despite of this it has been observed that Bank employees often go on strike to increase their wages beside other demands. It is interesting to note the Banks calculate Business per employee and Profit per employee to assess the productivity of employees but Wages per employee is never calculated to justify their pay packages. An attempt has been made to calculate and analyze the wages per employee. Total wages is divided by number of employees. (Table A-01)

From (Table A-01) it is evident that for FY'12 the average compensation of ICICI Bank employees was 0.77 times that of SBI employees. The trend of SBI employees receiving higher average compensation is visible from FY'10 to FY'12.

The average compensation per employee in ICICI Bank increased substantially by 22% in FY'12 to Rs. 6.0 Lacs compared to Rs.4.9 Lacs in FY'11; consequently increasing the operating expenses. SBI, in a vast contrast to ICICI Bank paid average compensation of Rs 7.9 Lacs per employee in FY'12, up by 15.4 % from Rs. 6.8 Lacs in FY'11. (Table A-01)

SBI therefore in terms of average compensation per employee has been a better pay master historically; however it is a matter of current paper's argument whether it is justified through profitability.

PROFIT PER EMPLOYEE

Profit is the growth engine of the organizations. All the Scheduled Commercial Banks are established for the purpose of earning profit. Though in case of Banking Sector Profit is not the only motto of business, yet the banks have to earn the Profit in good quantum as they deal as intermediary between the people who have surplus money and the people who requires money for productive purposes. Profit per employee is calculated as Total Profit after interest and taxes divided by number of employees.

A comparative analysis reveals that ICICI Bank's profit per employee is almost twice that of SBI; and also the employees generate profits almost double that of their compensation (Table A-01). Furthermore, ICICI Bank's profit per employee has consistently been more than twice that of SBI's profit per employee.

SBI employees in comparison to ICICI bank employees receive average compensations substantially higher than their ICICI Bank counterparts and generate considerably lower profits to an extent of almost 70% of what they receive (Table A-01)

The Profit per employee of ICICI Bank has increased by 10% in FY'12 to Rs. 11 Lacs from Rs. 10 Lacs in FY'11. But when we observe the Profit per employee of SBI the deep contrast and a steep gap is evident. While the bank's Profit per employee in FY'12 increased by 38.2% to Rs. 5.3 Lacs compared to Rs. 3.8 Lacs in FY'11, it is almost half of the profit per employee generated by ICICI Bank.

However, the reason of this gap is certainly the high productivity of ICICI Bank employees. Apart from this concentrated business in Tier 1 cities, affluent customer base, outsourcing of many banking tasks and non participation in government Schematic Lending are some of the important causes of this gap.

TESTING OF HYPOTHESIS

1. First hypothesis was that there is sufficient increase in total operating cost of both the banks. The total operating cost of ICICI Bank increased by 18.6% in FY'12 (compared to FY'11); while the total operating cost of SBI increased by 13.3%. This hypothesis proved true.
2. Second hypothesis is that the percentage increase in wages has been higher than the percentage increase in operating expenses for ICICI Bank; contrary to SBI. This hypothesis is true as the percentage increase in wages for ICICI Bank in FY'12 is 24.8%, higher than the increase in total operating costs at 18.6% in FY'12; while for SBI the increase in wages was 11.6% in FY'12 lower than the increase in total operating costs at 13.3%.
3. Third hypothesis was that the efficiency of ICICI Bank employees is better than SBI employees on the basis of profit per employee. Table A-01 exhibits the profit per employee and average compensation for the two banks for the last five years. This hypothesis is proved true when a t-test for two-samples with unequal variance was administered over the profit per employee data for SBI and ICICI Bank (Table A-02). The hypothesis for equality of means was not accepted (alpha=.05) as the calculated t-statistic value lies beyond the t-critical value for two tailed test.
4. The fourth hypothesis that the average compensation received by ICICI Bank employees is substantially lower than SBI employee is proved to be false when the t-test for two-samples with unequal variance was administered over the average compensation data for SBI and ICICI Bank (Table A-03). The hypothesis for equality of means is accepted (alpha=.05) as the calculated t-statistic lies well within the limits of t-Critical for two-tailed test.

FINDINGS

Since liberalization of the Indian Economy in 1991 to the present day in the aftermath of sub-prime crises, the Indian Banking Sector evolved as a resilient and imperative sub-system of the Indian economy while still undergoing transformations each day. In the present day, banks face tremendous challenges on the fronts of customer service quality and satisfaction at a lower cost with high productivity. Wage burden constitute a significant portion of the operating costs of the banks and its analysis and linkages with factors such as employee productivity and efficiency is vital not only for the banks but for investors and customers as well.

1. The **operating cost** of both the banks increased but the operating cost of ICICI Bank increased at faster rate compared to SBI. The main reason being increase in employee expenses which in turn spiked mainly due to increase in employee base coupled with an overall increase in compensation.
2. The **proportion of wages** on operating cost has increased in case of ICICI Bank while it has decreased marginally in case of SBI. For ICICI Bank this is primarily due to increase in employee base and compensation, contrary to SBI whose employee base decreased and hence a marginal decrease in its proportion of wages on operating cost.
3. While comparing the **average compensation per employee** for ICICI Bank and SBI for a period of five years, it is revealed that statistically there is no significant difference between average compensation received by the employees of these two banks.
4. **Profit per employee** although has increased for both the banks in FY'12 compared to FY'11 yet the productivity of SBI is lower than ICICI Bank while we analyze profit per employee over a five year data. Major reasons for this disparity is the societal orientation of SBI, its nation-wide presence alike in urban and rural areas of the country, and a tall and wide management structure of branches and offices.

SUGGESTIONS

1 There should be direct connection between the performance and the rewards being received by Public Sector Bank Employees. Application of new wage agreements should be performance linked so that they may encourage addition to the productivity and create a win-win situation for both the bank and its employees. The resultant should be more aggressive marketing strategies targeted at big-ticket customers, larger business and cross-sectional array of services.

2 Banks may outsource some of their routine work and focus more on the front end services to increase their revenues. Focused training may be imparted in key areas to equip talent with all the required skills and knowledge to increase business in an efficient and effective manner.

3 Customers should be encouraged to use technology at their own end so that routine service burden of the branches may be reduced in turn increasing the productivity.

4 Banks must indeed improve their services so that the customer base may get attracted as is increased. Presently the customer base may be large, but to make them add value to the profits and business of the banks, the customers must be served in a more efficient way.

CONCLUSIONS

The two banks taken in the current discussion represents the group of Public Sector Banks and Private Sector Banks respectively, and clearly the paper concludes that wages are neither linked nor aligned with the profitability of the bank and thus with productivity of the employees. SBI employees receive about 30% higher compensation than ICICI Bank employees, while their profit generation capacity is only a half of the ICICI Bank employees.

TABLE A -01: PROFIT PER EMPLOYEE, AVERAGE COMPENSATION & THEIR RATIOS FOR 5 YEARS

Year	Profit Per Employee (in Rs. Lacs)			Average Compensation (in Rs. Lacs)		
	SBI	ICICI Bank	Ratio of ICICI Bank to SBI	SBI	ICICI Bank	Ratio of ICICI Bank to SBI
2007-08	3.73	10.00	2.68	4.34	5.11	1.18
2008-09	4.74	11.00	2.32	4.73	5.70	1.20
2009-10	4.46	9.00	2.02	6.37	5.46	0.86
2010-11	3.85	10.00	2.60	6.82	4.94	0.72
2011-12	5.31	11.00	2.07	7.88	6.03	0.77

(Source: Company Annual Reports, RBI, IBA)

TABLE A-02: t-TEST: TWO-SAMPLE ASSUMING UNEQUAL VARIANCES FOR PROFIT PER EMPLOYEE

	SBI	ICICI Bank
Mean	4.418	10.2
Variance	0.42427	0.7
Observations	5	5
Hypothesized Mean Difference	0	
Df	8	
t Stat	-12.19348304	
P(T<=t) one-tail	9.48835E-07	
t Critical one-tail	1.859548033	
P(T<=t) two-tail	1.89767E-06	
t Critical two-tail	2.306004133	

TABLE A-03: t-TEST: TWO-SAMPLE ASSUMING UNEQUAL VARIANCES FOR AVERAGE COMPENSATION

	SBI	ICICI Bank
Mean	6.03	5.45
Variance	2.17	0.19
Observations	5	5
Hypothesized Mean Difference	0	
Df	5	
t Stat	0.843666159	
P(T<=t) one-tail	0.218672713	
t Critical one-tail	2.015048372	
P(T<=t) two-tail	0.437345427	
t Critical two-tail	2.570581835	

TABLE (B) 01: OPERATING EXPENSES AND EMPLOYEE COMPENSATION (IN RS. Cr)

Banks	FY 2011			FY 2012		
	Op Exp.	Wage Bill	Wages as a % of Op. Exp	Op Exp.	Wage Bill	Wages as a % of Op. Exp
ICICI Bank	6,617.25	2,816.93	42.57%	7,850.44	3,515.28	44.78%
SBI	23,015.43	15,211.62	66.09%	26,068.99	16,974.04	65.11%

(Source: Company Annual Reports, RBI, IBA)

TABLE (B) 02: TOTAL NUMBER OF EMPLOYEES

Banks	FY 2011	FY 2012	% Increase
ICICI Bank	56,969	58,276	2.29%
SBI	2,22,933	2,15,481	-3.34%

(Source: Company Annual Reports, RBI, IBA)

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OUTSOURCING AND COMPETITIVE ADVANTAGE

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ABSTRACT

Based on empirical analysis of selected case studies this paper makes an attempt to appreciate the use of value chain analysis in outsourcing decision. The primary activities and support activities are analyzed for selected companies to arrive at conclusions on applicability of value chain model to increase the effectiveness of outsourcing decision. The analysis and evaluations are made on broad based strategic choices relating to scope, organizational design and ownership. The finding of the study supports the view of treating outsourcing decisions as strategic choices. The expectation of single benefit of low cost advantage, scale economies have considered as a narrow mindset in to the broad based strategic choice. The variables like deepened supplier relationship at effective cost and significant improvement in R&D and Customer satisfaction emerge as important variables that build competitive advantage to the firms in the long run.

KEYWORDS

Outsourcing, Value chain analysis, Case method research, Competitive advantage, Core competence.

INTRODUCTION

Once upon a time majority of large American and Japanese corporations appeared to have vertically integrated, they were not actually so in real sense. Many of them had extremely diverse product offerings and were successful in redeploying skills from one market to another. It is also known that most of these corporations contracted out significant support activities opening new avenue of outsourcing. The myth associated with the vertical integration paved a way for outsourcing. The choice between two different sets of strategic alternatives has a far reaching impact on organizational strategy. At some point in time, when organizations fail to achieve scale of operations, they arrive at outsourcing.

REVIEW OF LITERATURE

Outsourcing as a decision can be traced back to (Coase,1937) theory of the firm. Coase discusses the trade off between manufacturing or outsourcing. If the transaction cost of manufacturing is high it is advisable for the companies to buy rather than manufacture.

The transformation of industries have changed the very structure of industrial corporation today. Research suggests that very few companies will be able to develop internally all the technologies which may lead to competitive advantage. The source of competitive advantages are derived out of a firms own technologies or processes, but such instances are few in the present industrial context. (Porter, 1985).

Outsourcing is becoming popular in all spectrum of industry. Outsourcing is purchase of a value creating activity from an external supplier (Hitt, 2007). Firms can avoid risk and can increase the flexibility of their operations by taking up outsourcing alternative. 15% of the 145 large companies surveyed by Forrester research group say outsourcing is permanent part of their strategy. 33.4% of the companies surveyed by enterprise systems are currently outsourcing it projects and 48.2% of the companies are evaluating out sourcing providers. The auto component and electronics industry are foremost players in outsourcing. (Takeishi,2001)

NEED AND IMPORTANCE OF THE STUDY

The firms which have found solace in vertical integration later realized that they were losing their competitive advantage at the cost of vertical integration. The next apparent choice was outsourcing. The outsourcing decision deals with what activities/operations to outsource and which one to keep. A wrong step in this regards may cost competitive advantage for the firm. There is need for a framework which supports an outsourcing choice. The value chain framework answers most of the questions raised in taking up outsourcing as an option. The study suggests a framework with which outsourcing decisions can be made logically.

OUT SOURCING AND VALUE CHAIN LINKAGES

The very essence of value chain is about how a product moves from raw material to final consumer without incurring significant cost. Value chain analysis helps a manager to identify the part or parts of operations that creates value and those that do not. In other words the investment in such investments should earn a return which is more than the funds cost. The outsourcing decision can be traced back to value chain analysis suggested by Porter. The value chain analysis gains its importance with business level strategies. Companies try to concentrate on two or three activities in their value chain which are important to develop competitive advantage. Value chain analysis tries to integrate primary and secondary activities. Primary activities include physical creation, sale and after sales service, where support activities provide assistance for the primary activities to take place. Apart from the variables in value chain, the firms' knowledge of its customers create value to itself. The advent of internet and subsequent e-commerce initiatives has made the task of collecting information on customers relatively easy.

OBJECTIVE AND METHODOLOGY

The literature review has identified the lacuna in making outsourcing decisions. The perceived benefit from outsourcing decision is still matter of doubt in the cases where the organisations fail to gain competitive advantage. The objectives of this study can be listed as follows:

To evaluate the outsourcing decision using value chain analysis.

To identify the strategic initiative taken by the firm using value chain model.

In this paper we make an attempt to establish linkages between outsourcing and value chain through selected case studies. Theoretical sample method is used here which simply means that the cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs (Eisenhardt & Graebner, 2007). Case study research in strategy is popularized by Mintzberg and Waters(1982). Building theory from multiple cases makes yield more robust. The argument here is that the firm focuses on evaluating its value chain with respect to its competitors and to perform value creating activity that competitors can not compete. An attempt is made to match the cases with the framework of choices concerning scope, organizational design and ownership structure. An outsourcing becomes non-value added activity then companies realize that they are unable to have competitive advantage. At this point in time they may take up back sourcing. The study showcases cases on both outsourcing and back sourcing based on value chain analysis.

ANALYSIS OF CASES

TOYOTA MOTORS

Toyota motors categorizes its purchases (outsourcing) in to general, special and specialty. Components of general purchasing is bought from any factory. Components of special purchasing can be bought from outsourcer with specified facility and skill and specialty factory purchasing requires special facilities. This identifies the choices related to scope in strategy formulation. The stage of value chain Toyota has chosen to maintain its competitive advantage is related to primary activities. By outsourcing its minor components and selected components it is creating value for its shareholders. When General motors US operations had 3500 suppliers Toyota had only 200 suppliers. This shows the way in which the company has developed deep relationships with reliable suppliers to exploit its value chain.

FEDERAL EXPRESS

FedEx changed its nature of business by reorganizing parts of its value chain. To facilitate overnight deliveries it changed its primary activity of delivery business by reconfiguring outbound logistics, and aligned its secondary activity human resource management to facilitate the effect of reconfiguration. Here we can identify the perfect synchronization of primary and secondary activities.

DELL COMPUTERS

Dell is another player in outsourcing. It outsources most of its customer service activities where it concentrates on its just-in-time inventory and online distribution system to develop firm specific capabilities. Dell concentrated on a direct sales model which competitors felt difficult to imitate. Here dell has outsourced a primary activity, service. Instead it has focused on inbound logistics, where it had capabilities to run into just in time inventory to develop capabilities associated with value chain. Here the value creating potential is more in managing logistics and inventory than focusing on services.

APPLE COMPUTERS

Apple had long back realized that it can not make boxes, chips, monitors, cables, and keyboards. So it outsourced 70% of its costs and manufacturing. It outsourced design, printers and key marketing responsibilities. It consistently earned revenues through 80's.

It concentrated on its own disk operating system and the supporting software that played a major role in creating that "apple feel "to its customers. Apple has out sourced a primary activity operations as the value creating potential associated with the activity is less than that of manufacturing them in-house.

NIKE

Nike is a household name for athletic footwear. It has 100% outsourcing in shoe manufacturing. It outsourced manufacturing to contractors in South Korea, Taiwan, China and Indonesia, who built shoes in exact specifications and delivered a high quality good in accordance with a effective delivery schedule. This made Nike to reduce costs significantly. Company had no obligation to invest in raw-material inventory and work in progress inventory. All it had finished goods inventory in its book. It concentrated on product design and product marketing but did not actually produce the shoes. Out sourcing primary activity of manufacturing has helped Nike to develop capabilities which are needed to develop sustainable competitive advantage as it concentrates on pre production activities related to R&D and post production activities related marketing and sales and went on to have a 20% compounded annual growth with 31% ROE to its share holders. In this case Nike has added new activities like preproduction R&D to its value chain and successfully skipped logistics and manufacturing oriented activities as it realized low value creation potential of these activities. Nike follows multi tier outsourcing strategy involves categorizing its outsourcing partners in to Developed partners, Volume producers and Developing sources. Wherein developed partners produce Nike's statement products, volume producers produce 70,000 to 85,000 units per day, and developing resources involve low labor costs.

MNC PHARMACEUTICAL MAJORS

Large pharmaceutical companies outsource 40 to 60 percent of their R&D operations to specialized companies in India and china. Pharma companies keep their strategic activity with them and outsource non-strategic activities. Many of the pharmaceutical companies even outsource their R&D activities. Other areas of outsourcing are clinical trials on animals and human volunteers etc. Pharma companies are trying to build capabilities in development of new molecules, which can be considered as a strategic activity to them. Whereas concentrating on clinical trial can be a non value added activity.

Out sourcing has both pro's and con's . When outsourcing is not able to generate desired value, then firms take the route of back sourcing.

OUTSOURCING Vs. BACK SOURCING

JP MORGAN

Back sourcing is the process of bringing back the outsourced process back under firms arm. Few case studies illustrate the firms effort to take up back sourcing when the hidden costs bring down the cost advantages in the long run. JP Morgan Chase had outsourced its IT operations to IBM under a 5 billion contract. All assumed that this is going to reduce costs and boost innovation. But for companies surprise cost did not come down instead the firm incurred significant costs which led to the termination of most celebrated outsourcing deal

DIEBOLD

Diebold is popular for its automatic teller machines, voting machines and security systems. Diebold hired Deloitte to outsource IT enabled services over a seven year contract in implementing Oracle based ERP systems. After four years Diebold realized the cost of implementation has significantly raised. It terminated the contract before falling prey for it. The out sourcing plan did not help Diebold in developing the capabilities it wanted to develop.

FINDINGS AND DISCUSSION

The above cases identify the typology of capabilities firms build to have competitive advantage. The identification of right stage of value chain is more important to create competitive advantage. The right type of coordination across business units or divisions is the key for outsourcing success. The capability of corporate office to facilitate right coordination between suppliers and operations is the matter of debate here. The appropriate level of ownership is another factor governing success.

Factors which are important for competitive advantage according to value chain analysis and basic strategy analysis framework of choices relating to scope, structure and ownership can be summarized as follows:

Company	Primary activities outsourced/alligned	Support activities outsourced/alligned	Strategic initiative
Toyota	Manufacturing	Not applicable	Deep supplier relationship
Dell	Customer service activities	Not applicable	Direct sales model
Apple	Components	Not applicable	Apple touch
Nike	Manufacturing	Not applicable	Design related R&D

Source: Authors

Out sourcing can be a source of competitive advantage if this decision is evaluated based upon value chain analysis. The analysis is not one time affair it should be continuous process in organizations as external both micro and macro environment of business changes may impact these decision variables forever. Outsourcing finally emerges as a strategic decision with far reaching implication on organizations.

CONCLUSION

It may appear to firms that the outsourcing decision is an easier one to make. But unfortunately it is not so. Firms need to give careful thoughts on evaluating their outsourcing decision. Value chain analysis identifies the relative importance of primary and secondary activities in deciding upon the outsourcing decision and perceived advantages.

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FINANCIAL IMPACT OF HRM ON PRODUCTIVITY AND PROFITABILITY IN PUBLIC AND PRIVATE SECTOR ORGANISATIONS: A STUDY

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ABSTRACT

This paper attempts to explore the relationship between the practice of Human Resource Management and its impact on the organizational financial performance in terms of Productivity and Profitability. Exploring HRM attributes existing between public and private sectors organisation irrespective of industry they belong. It also tries to establish a model to study the relationship between Human Resource Management and financial performance of the organisation. The major objective of the study is to discover the relationship between Human Resource Management and financial performance of the organisation. Also indicates the six factors such as recruitment & selection, Training and Development, Performance Appraisal, Compensation, Industrial Relation and Work Life Program which influence the financial performance of the organization. The study concluded that there is a significant relationship between Human Resource Management and financial performance of the organisation in terms of productivity and profitability.

KEYWORDS

Financial Performance and Human Resource Management.

1. INTRODUCTION

Advent of globalisation and growing competition all over the world created a threat for the organisations to continue to exist in market. Innovative and demarcation became necessity to sustain economic development and competitiveness among the organisation. In these organization need to confiscate new opportunities not by retrenching but by rebalancing on the right innovation policies on human resource management attributes towards the financial performance more efficiently and effectively.Yet the financial impact of talent acquisition and mobility on an organisation is enormous. This can be seen from the recent report stating that considering only one attributes of HRM and how it is affecting the organisations in terms of financial. Such as HRM attributes like hiring is a costly affair and bad hiring is costlier. Indian firms are estimated to have lost at least Rs. 2460 crore in bad hiring in 2012. The figures were Rs. 2270 crore in 2011 and Rs. 2120 crore in 2010 with increases for every year but there is decrease in terms of percentage increase in 2010 to 2012. It is found that pressure and urgency to fill up positions, wrong benchmarking, poor screening, non-competitive hiring team, and lack of reference checks and fake identities/resume were among major factors that led to wrong inductions. Some 8123 companies from 18 cities operating across domains like manufacturing, BFSI, infrastructure, power, telecom, IT and BPO were interviewed for the study. About 89% of respondents admitted they suffer from decision to induct "unfit" and "untrainable" talent. Some 11% said make cautious hiring decisiontherefore, losses were negligible. "Bad hiring is an economic issue and not an industry-centric issue" by Hema Ravichandar, and independent HR consultant.Training accounted for the major chunk of the loss at 29%, rehiring 24%, hiring 22%, productivity loss 15%, relocation and other costs 10%. Expenses associated with hiring include interview expenses like travel, hotel and meals, training and orientation, employment testing, termination costs, unemployment and potential litigation expenses, plus relocation costs and outplacement or career transition costs. Companies said bad hiring impacted their productivity 22%, lost time in hiring and training (21%), lost money in hiring and training (19%) brought employee morale down (17%), negatively impacted clients (13%) and negatively impacted sales (8%). Bad hires are those lack quality, sincerity and understanding of the job. Or they carry negative attitudes and are not team players. Also Romi Malhotra, CEO of Linkage India said that a global leadership development and employability solutions provider said, 'Individual companies have to be blamed for bad hiring. Recruitment managers are often under pressure to acquire cheap talent. So to save, say 5% in the short term, companies end up losing about 10% or more in the long term. It's a typical Indian scenario, globally things are different. **(Mini Joseph Tejaswi***)*[6].

2. LITERATURE REVIEW

Pradeep N Khandwalla.,(2013)[7] shown that Human Resource Management is necessary at all levels of human activity from the individual to the organisation to the community to the society and so for a developing country like India. In the coming three decades, a powerful synergy between HRM and technology can propel India to global economic and political power and the status of a prime civilisation. In this article he restrict to HRM for meeting India Inc's corporate challenges. He also said that he does not meant only the HR department, but HRM as a process and a culture at all the levels of organisations, in all its departments and divisions, and practised by all the managers from the CEO down to the first level supervisor. He also meant only the larger enterprises in the Indian public and private sectors. He also opined that meeting the challenges of the future, human resource management in India needs to move beyond its traditional functions and benchmark itself against global standards.

Karthik R., (2012)[4] Studied on the company regarding the training to increase the quality of the job thereby reduces the job completion time wastage. Training has become an important component of any field of life. Of all, technical training has become very important in all companies. Employees need to be highly skilled and updated in their job. Technological innovations, increased competition and diverse workforce have increased the need for companies to re-examine their training practices. Evaluation of training has become an important process as training involves costs and brings benefits to the organization. Thus proper training brings appreciable changes in work and life.

Knifing Jiang et. Al., (2012)[5] emphasized on the ability-motivation-opportunity model, this meta-analysis examined the effects of three dimensions of HR systems—skills-enhancing, motivation-enhancing, and opportunity-enhancing—on proximal organizational outcomes (human capital and motivation) and organizational outcomes (voluntary turnover, operational outcomes, and financial outcomes). The results indicate that skill-enhancing practices were more positively related to human capital and less positively related to employee motivation than motivation-enhancing practices and opportunity-enhancing practices. Moreover, the three dimensions of HR systems were related to financial outcomes both directly and indirectly by influencing human capital and employee motivation as well as voluntary turnover and operational outcomes in sequence.

TersitaAudea, Stephen T.T Teo and John Crawfor., (2005)[10] examined the extent of adoption of human capital-enhancing human resource (HR) and industrial relations (IR) practices. Differences between locally owned and other organizations in these practices and their relationship to firm performance were also investigated. Questionnaire responses were obtained from managers and union representatives from 128 organizations located in the Philippines. The results indicated that there was, on average, a fairly high level of adoption of practices consistent with a strategic approach to human resource management (HRM), with foreign-owned firms tending to show a slightly higher level of adoption of such practices. A scale representing the adoption of a more conciliatory and union-friendly IR approach was found to be a significant predictor of perceived firm performance. Surprisingly, the level of strategic integration between HRM and business planning and most human capital-enhancing HR practices were not significant predictors of perceived firm performance. Research and practical implications in relation to the role of HRM in enhancing firm performance are discussed

David E.G, Jonathan M, Neil Conway and Maura Sheehan., (2003)[1] explored the relationship between HRM and performance in 366 UK companies using objective and subjective performance measures and cross-sectional and longitudinal data. Bu using objective measures of performance, greater use of HRM is associated with lower labour turnover and higher profit per employee but not higher productivity. After controlling for previous years' performance, the association ceases to be significant. Using subjective performance estimates, there is a strong association between HRM and both productivity and financial performance. The study therefore confirms the association between HRM and performance but fails to show that HRM causes higher performance.

Snell & Dean., (1992)[9]examined the relationship between integrated manufacturing, defined as the use of advanced manufacturing technology (AMT), just-in-time inventory control (JIT), and (total quality management (TQ), and human resource management from a human capital perspective. It is shown that data from managers and non-managers showed several direct and interactive effects. AMT was positively related to selective staffing. Comprehensive training, developmental appraisal, and externally equitable rewards for operations employees and to selective staffing for quality employees. TQ was positively related to these same human resource practices in quality and was also related to the comprehensiveness of training for operations employees. JIT was negatively related to selective staffing in operations and to performance appraisal in quality and positively related to staffing in quality. The two- and three-way interaction had negative effects.

3. STATEMENT OF PROBLEM

Change is the law of life. Just like life organisation changes every moment with sophisticated issues and problems. These changes ultimately affect the organisational performance in terms of productivity and profitability. This brings very importance attentions to Human Resource Management attributes which is the only reason behind successful of organisations. Therefore the problem here is to recognize and find solutions to the major question as how effective are HRM attributes in terms of financial impact on productivity and profitability and the impact it creates in private sector and public sector organizations. In today's world, are these HRM attributes creating the right kind of impact that it is believed and how successful can HRM initiatives be. But the problem faced by most of the organizations is to handle the varying types of HRM initiatives in selective private and public sectors organizations. Also there is multiple criteria influence the effectiveness of productivity and profitability through HRM attributes.

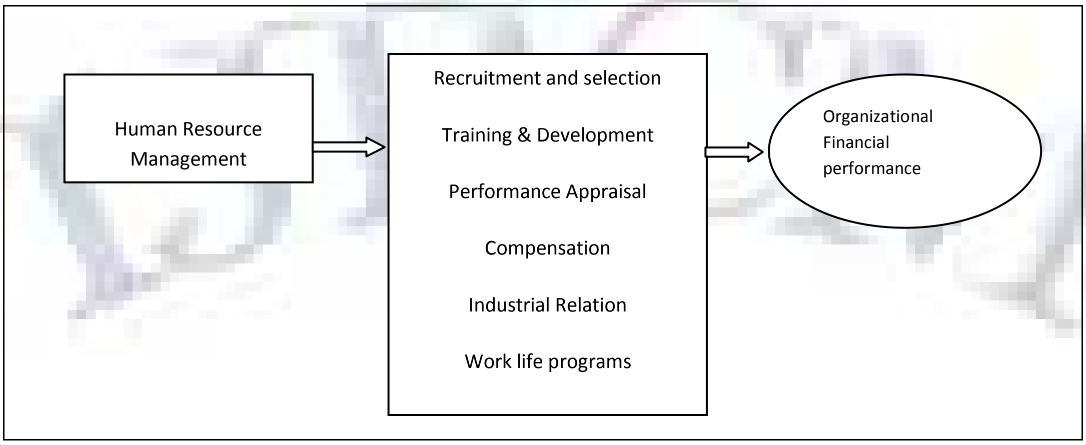
Hence, it is important to measure the financial impact of public and private sectors in terms of productivity and profitability through the application of innovative HRM Attributes in their organisations. This research focuses on how innovative human resource management attributes help the companies in increasing the financial performance towards the productivity and profitability.

4. OBJECTIVES OF THE STUDY

1. To discover the relationship between Human Resource Managementattributes and financialperformance of the organisation.
2. To give suggestions and recommendations to implement the findings in public and private sector organisation.

5. THEORETICAL FRAMEWORK

This model was shaped from the 6 comprehensive variables including recruitment & selection, Training and Development, Performance Appraisal, Compensation, Industrial Relation and Work Life Program which influence the financial performance of the organization. The Human Resource Management attributes were the independent variable where financial performance in terms of productivity and profitability were the dependent variable. These entire variables were extracted from the academic literature. The linkages between the Human Resource Management and financial performance were developed from theoretical framework. The figure below portrayed the theoretical model for the current study on Human Resource Management and financial performance of the organisation.



6. RESEARCH METHODOLOGY

Descriptive research which is fact finding is used to analyse the attributes of Human Resource Management and its impact on the financial performance. For this secondary data is used to examine the relationship. All the relevant data were collected from the academic literature.

7. RESULTS AND DISCUSSION

The important point is that it calls attention human resource management practices, which in turn, affect employee attitudes, engagement, and turnover, which, in turn, affect the experiences of customers. The experiences of customers, in turn, affect their buying behaviour, which, in turn, affects sales, which, in turn, affects profits. The focus is not on human resource specialists. Rather, it is on training line managers who must, by the very nature of their jobs, manage people and work with them to accomplish organisational objectives, consequently the purpose is not to show how to measure the effectiveness of the human resource department; the purpose is to show how to assess the cost and benefits of people- related business activities and how to use the results of those analyse to drive strategic organisational change towards the organisational performance in term of productivity and profitability . The methods can be used in cooperation with the human resource management, but they are not the exclusive domain of that department. In fact, any manager in any department to measure the costs and benefits of employee behaviour in the areas such as recruitment and selection, training and development, performance appraisal, compensation, industrial relation and work life programs. Also is cleared form the above literature that there has been lots and lots of mismanagement attributes of HRM where it leads to crores and crores rupees eaten away simply. Therefore, it has been directed and call attentions to everyone to understands the effect of HRM and make our Indian HRM compatible to global standard.

It is also cleared form Pradeep N Khanwalla that, Indian culture is changing day by day but this can be adjusted with the introduction of Human Resource Management attributes such as

1. Appoint an innovative generalist rather than an HRM specialist.
2. The major strategic goal of this headto identifies potential movers and shakers and gives them training.
3. The HRM head and the rest of the top management team should identify collectively the areas in which major changes are needed to reach global standards
4. The HRM should form brainstorming teams

8. CONCLUSION

It has been noted from the various literature review that there is close linkage between HRM and financial performance of the firm. But this brings challenges to the organisations that how HRM attributers can be used effectively towards the excellence performance of the organisations. This listed some of the HRM attributes which affects the financial performance. This can be illustrated by the introduction of company bill 2013, where 2% of profit should be offered to CSR. Therefore a lots more can be done in term of HRM attributes which can brings complete changing scenario in the world of work place and organisations, this brings very importance issues to deal the Human Resource management and in turn it affects the financial performance of the organisation. Now world has taken that Human Resource management is the importance process for the organisation to be imbedded in the organisational system to accomplish the goals which align the personal, social, organisational etc. This makes the study more and more exploring that how far the Human Resource Management attributes help the organisation to fulfil its financial performance in terms of productivity and profitability. Finally the study concludes that there is significant relationship between financial performance of organisation and attributes of HRM. It also directed to study global standard Human Resource Management where it can be practice and tested in Indian scenario (Pradeep N Khandwalla).

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ROLE OF SMALL AND MEDIUM ENTERPRISES IN INDIA'S MANUFACTURING SECTOR

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ABSTRACT

The Small and Medium Enterprises (SMEs) are of key importance to the Indian Economy. They form the backbone of the Indian Manufacturing Sector. According to the Report of "The Working Group on Micro, Small & Medium Enterprises" (MSMEs), Growth for 12th Five Year Plan (2012-2017), the micro sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of total exports of the country. The sector is estimated to employ about 69 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high- tech items, which are being manufactured by MSMEs in the country. It is well-known that MSME sector provides maximum opportunities for both self-employment and jobs and is considered the second largest workforce in the country after agriculture sector. The MSME units are growing swiftly and strengthening their role in the economic growth. The SME units are more concentrated in manufacturing sector compared to service sector (Archana & Disha, 2012).

KEYWORDS
Employment, Exports, Indian Economy, Manufacturing Sector, MSMEs.

1. INTRODUCTION

The importance of SME's in manufacturing sector is mainly due to the quantum of units that fall in this category forming 90 per cent of the total industrial output and 40 per cent of the total exports. This significant contribution of SMEs to the economy is a result of increasing focus of industrial bodies, associations and policymakers towards the development of SMEs. Today SME units are flourishing in an organized way. Cluster-based operations have become a high growth channel among these units given the inherent advantages of such collective strategies. Some of the nation's manufacturing clusters have become leading producers in their respective industries; many others account for a large share in exports. With healthy growth and favorable, outlooks ahead, SMEs are being increasingly viewed by banks as important business destinations. Several Indian banks have joined hands for the formation of SME Rating Agency of India (SMERA) in August 2005, to facilitate the process of lending to SMEs. The rating is adding to the competitiveness of these units for business at national as well as international levels. Increasing awareness about their own ratings is fostering self-improvement among these units which will contribute to their development in the long- run. Apart from self- development, government is also encouraging the SMEs to innovate and grow through various schemes. These schemes are launched by National Manufacturing Competitiveness Council (NMCC) and are aiding overall development of the SMEs as it facilitates improvement at all the steps of value addition in the manufacturing activity.

2. REVIEW OF LITERATURE

The literature of SMEs emphasizes the small firms are not simply scaled down version of their larger counterparts. They are having their own complexities and uncertainties. Besides the severe peculiarity and diversity in its definition, there are certain characteristics that they are very specific among the SMEs (Curran and Blackburn, 2001) stresses that, "a small number of human beings engaged in a common endeavor create very complex subtle interactions" (Megginson, Nash and Randenborgh, 1994) explain that "individual freedom, risk taking initiative and hard work are just some features associated with this sector". Juneja (2000) demonstrates that small industry growth rates have increased rapidly compared to the growth rate of the total industrial sector of India since 1991. Global experiences show that an efficient SME sector is conducive to fast industrial growth (Hill, 2001). Lloyd (2002) analyzed the South African SME sector over the 1980 to 2000 period and found that expanded small businesses were playing an increasingly important role in the manufacturing, construction and trade sectors in South Africa, but their role was declining in the agriculture, transport and storage sectors. (Lee 2000) suggest that in South Korea the share of employment accounted for 70% of total employment and the product share for over 46%. In Malaysia SMEs accounted for about 48% of manufacturing establishment (Abdullah 2000b). There are about 118,648 SMEs in Thailand representing around 98% of total firms in manufacturing sector (Suthiphand 2000). China is fast becoming the largest economies in the world and SMEs are key element in China's economy accounting for 99% of total number of firms and about 70% of overall employment (Tang 2007).

3. OBJECTIVES OF THE STUDY

1. To assess the role of SMEs in India's Manufacturing Sector.
2. To determine the growth opportunities of SMEs.
3. To highlight the Policy proposals for improving access to finance for SMEs in the manufacturing sector.
4. To sum up the Schemes launched by government for empowering SMEs to facilitate growth.

4. METHODOLOGY

The research design adopted in this study is descriptive research. The researcher has used the secondary source of data. The Secondary data were collected from Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, Ministry of MSME, official site of RBI. The data were analyzed using percentage analysis, ratios, tables, figures and charts.

5. SME AND INDIAN ECONOMY (AN OVERVIEW)

The small and medium enterprises today constitute a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. SMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. The turnaround in manufacturing and other sectors, which has occurred in the face of increased global competition, is due to improved efficiency following the various policy reforms in recent years (Ruchika Jeswal, 2012).

The units in India are classified under the MSME (Micro, Small and Medium Enterprises) category and on the basis of their investment size. Manufacturing enterprises are classified with respect to their investment in Plant and Machinery, while the classification of service enterprises is based on investment in equipment.

DEFINITION OF MSMEs IN INDIA

Manufacturing Enterprises – Investment in Plant & Machinery		
Description	**INR**	**USD($)**
Micro Enterprises	upto Rs. 25Lakhs	upto $ 62,500
Small Enterprises	above Rs. 25 Lakhs & upto Rs. 5 Crores	above $ 62,500 & upto $ 1.25 million
Medium Enterprises	above Rs. 5 Crores & upto Rs. 10 Crores	above $ 1.25 million & upto $ 2.5 million

Service Enterprises – Investment in Equipments		
Description	**INR**	**USD($)**
Micro Enterprises	upto Rs. 10Lakhs	upto $ 25,000
Small Enterprises	above Rs. 10 Lakhs & upto Rs. 2 Crores	above $ 25,000 & upto $ 0.5 million
Medium Enterprises	above Rs. 2 Crores & upto Rs. 5 Crores	above $ 0.5 million & upto $ 1.5 million

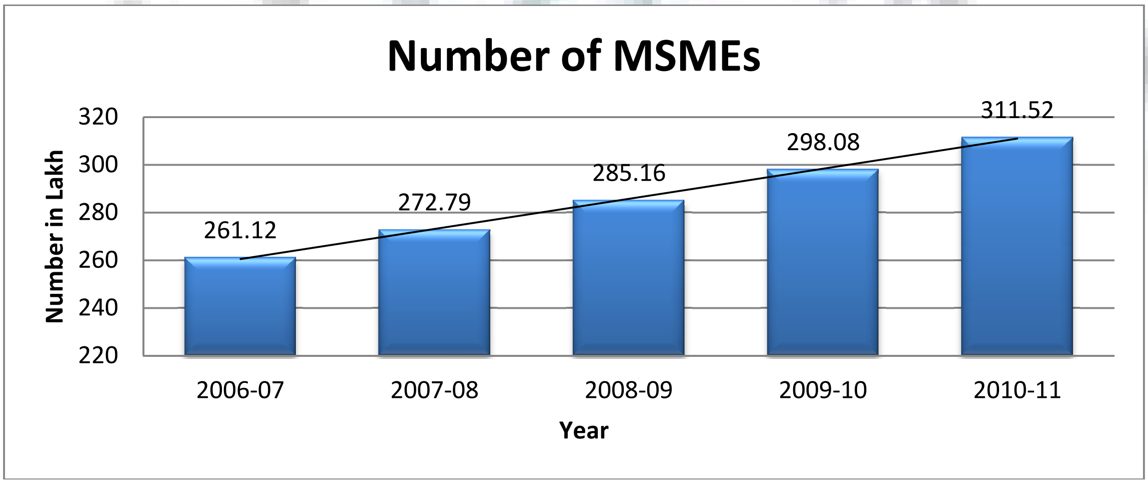
Source: *Ministry of Micro, Small and Medium Enterprises, Government of India.*

Indian SMEs represent the model of socio-economic policies of Government which emphasized job creation at all levels of income stratum and diffusion of economic power in the hands of few, discouraging monopolistic practices of production and marketing; and contributing to growth of economy and foreign exchange earning with low import-intensive operations. Indian SMEs also play a significant role for Nation development through high contribution to Domestic Production, Significant Export Earnings, Low Investment Requirements, Operational Flexibility, Location Wise Mobility, Low Intensive Imports, Capacities to Develop Appropriate Indigenous Technology, Import Substitution, Contribution towards Defense Production, Technology – Oriented Industries, Competitiveness in Domestic and Export Markets and Generate new entrepreneurs by providing knowledge and training. SMEs that have strong technological base, innovative, inventive, international business outlook, competitive spirit and willingness to restructure them can withstand the Present challenges and come out successfully to contribute 22% to GDP.

5.1 SMALL AND MEDIUM ENTERPRISE TRENDS

According to Ministry of Micro, Small and Medium Enterprises, the number of MSME units are steadily increasing. The number of MSME units has increased from 261.12 (lakhs) to 311.52 (lakhs) from 2006-2007 to 2010-2011 period *(**see figure 1.1**)*.

FIGURE NO. 1.1: NUMBER OF ENTERPRISES IN MSMEs SECTOR

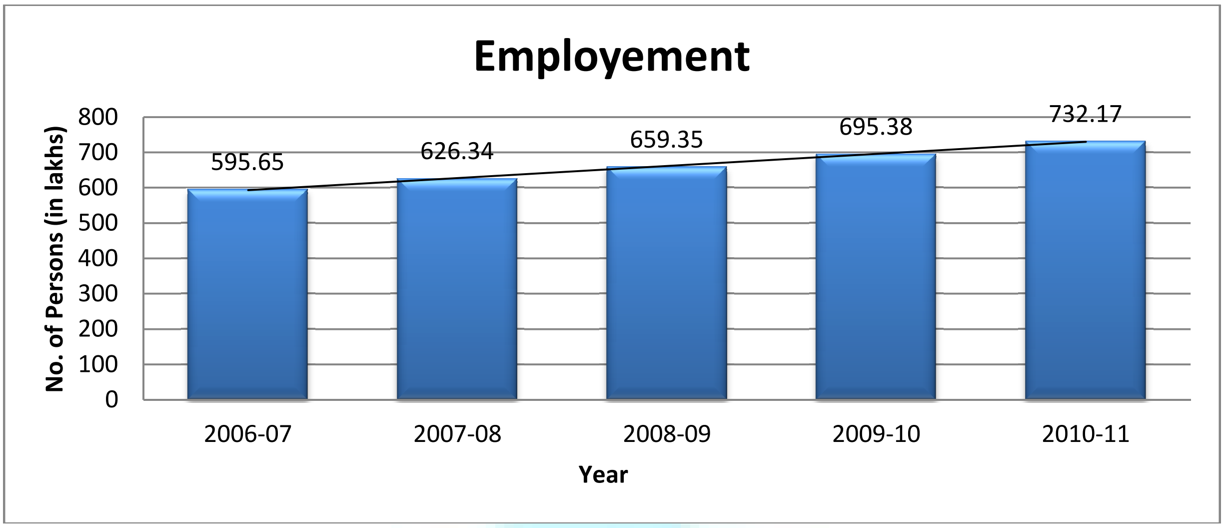


***Projected data for the year 2009-10 to 2010-11.*

Source: *Annual Report MSME 2011-2012 (Government of India).*

The total employment in the MSMEs sector in the country as per the Final Report of the Fourth Census of MSMEs in 2006-07(Registered Sector) was 93.09 lakh persons and the same stands 732.17 lakh persons in the year **2010-2011*(see figure 1.2)*.**

FIGURE NO. 1.2: EMPLOYMENT IN MSMEs SECTOR

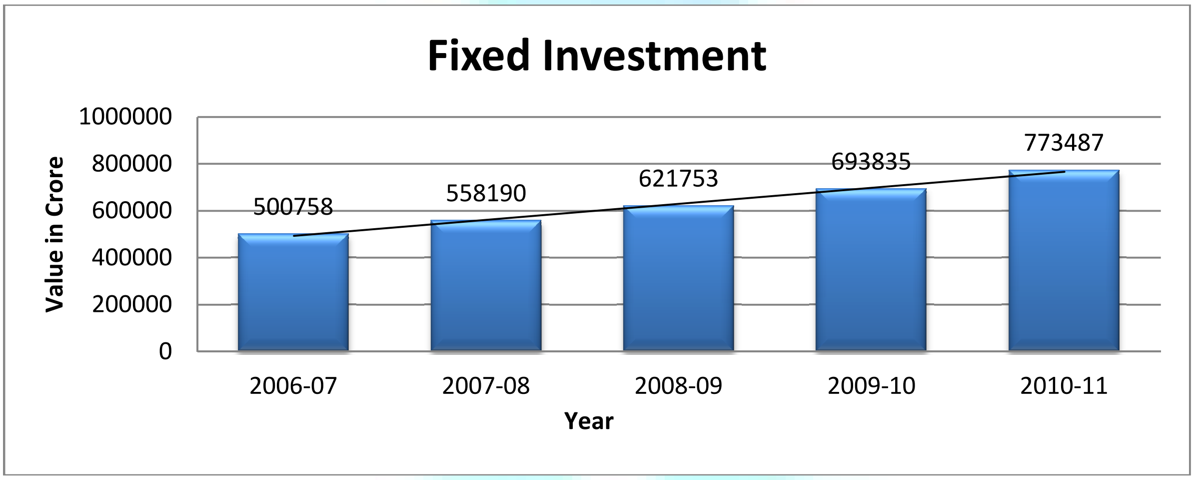


**Projected data for the year 2009-10 to 2010-11.*

***Source:** Annual Report MSME 2011-2012 (Government of India).*

The fixed investments ***(shown in figure 1.3***) rose during the period of 2006-07 to 2010-11 from Rs 500758 (Crore) to Rs 773487 (Crore).

FIGURE NO. 1.3: FIXED INVESTMENT IN MSMEs SECTOR

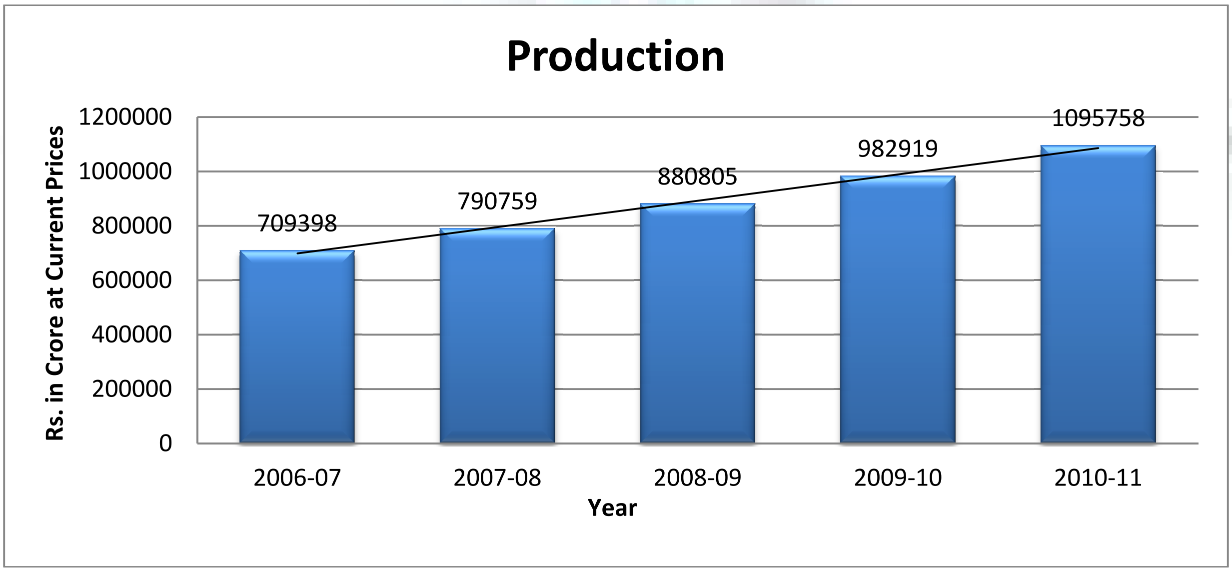


**Projected data for the year 2009-10 to 2010-11.*

***Source:** Annual Report MSME 2011-2012 (Government of India).*

The production segment of MSME sector also shows the healthy growth which stands Rs 709398(*Rs in crore at current Prices*) in 2006-07 and comes upto Rs 1095758 (*Rs in crore at current Prices*) in 2010-2011. **(*See figure No. 1.4*)**

FIGURE NO 1.4: PRODUCTION IN TERMS OF GROSS OUTPUT IN MSMEs SECTOR

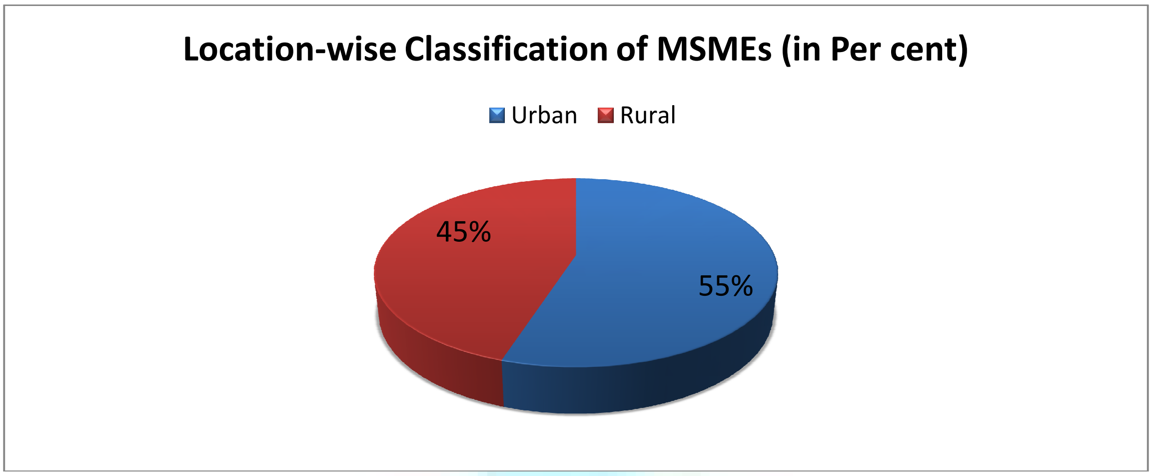


**Projected data for the year 2009-10 to 2010-11.*

***Source:** Annual Report MSME 2011-2012 (Government of India).*

As per the fourth All-India Census of MSMEs (2006-07), 94 per cent of the enterprises are in the unorganized sector. The MSMEs are not concentrated in terms of rural versus urban origin. Rural areas account for 45 per cent of all MSMEs, while the remaining 55 per cent are located in urban areas. (***See Figure No.2.1)***

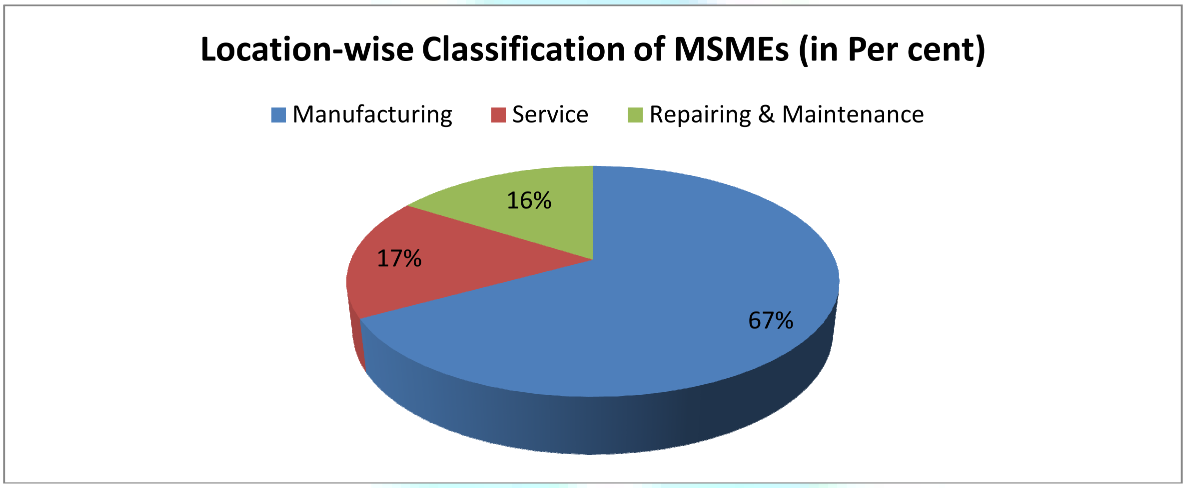
FIGURE NO.2.1



Source: *Annual Report MSME 2011-2012 (Government of India).*

On the other hand if classified with respect to sector of operation, 67 per cent are involved in manufacturing activities and the remaining 33 per cent units are distributed in the service sector (17 per cent) and repairing and maintenance sector (16 per cent).(***See Figure No.2.2***)

FIGURE NO. 2.2



Source: *Annual Report MSME 2011-2012 (Government of India)*

6. SMEs AND INDIAN MANUFACTURING SECTOR

The burgeoning importance of SMEs in the manufacturing sector is due to their significant contribution to the key factors of the growing Indian economy. According to Small & Medium Business Development Chamber of India, SMEs currently contribute 45 per cent of the nation's industrial output as well as 40 per cent of the total exports. SMEs form 95 per cent of the total industrial units in the country and manufacture around 8,000 quality products for the Indian as well as international markets (SME Annual Report, 2012).

6.1 MSMEs GROWTH OPPORTUNITIES

According to the United Nations Industrial Development organization (UNIDO), clusters are agglomerations of interconnected companies and associated institutions. Enterprises operating as part of the cluster manufacture related or similar products and are located in spatial proximity.

These enterprises enjoy benefits such as:

- External economies that might be related to specialized raw material supplier, sector-specific labour skills.
- Emergence of customized services for the enterprises; for instance3, financial services.
- A platform for building cooperation at the inter-firm level, and local public and private institutions that eventually fosters production and innovation.
- Support from related business associations and technical assistance providers.

Indian manufacturer's clusters have positioned themselves with a strong footprint in the economy. These clusters account for 40 per cent of the nation's industrial output and 35 per cent of direct exports. Some of the prominent clusters in the manufacturing activity are:

- Panipat cluster, which produces 75 per cent of the country's blankets.
- Tirpur cluster, which produces cotton hosiery and account for 80 per cent of product's exports.
- Agra footwear cluster, which includes 800 registered and 6000 unregistered enterprises with a cumulative capacity of approximately 150000 pairs of shoes per day, contributing USD 60 million of exports.
- Ludhiana cluster, which has developed multiple product clusters and produces95 per cent of the country's woolen knitwear, 60 per cent of the total bicycle and bicycle parts and 85 percent of the sewing machines (Report, UNIDO).

6.2 CREDIT RATING FOSTERING BUSINESS GROWTH IN MSMEs

SME Rating Agency of India Limited (SMERA) is India's first and the only rating agency focused on the MSMEs. SMERA is a joint project of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B), and nation's many leading banks. The main objective of SMERA's establishment was to design a system to facilitate the banking sector in providing credit to these units. Thus, MSMEs with rating from SMERA are able to seek easy and timely credit on favorable terms. MSMEs are also witnessing growth in business due to the following benefits of credit rating –

1. The business units that avail SMERA rating are assigned a unique 9 digit D&B D-U-N-S® number which acts as an international identification for these units. The D&B D-U-N-S® number is recognized, recommended and sometimes required by more than 500 global trade associations for internal purpose and thus supports growth in export business.
2. Enables large corporate units build confidence in the MSMSE units when the latter is seeking to form part of vendor base of the former.
3. Strengthens the position of MSME among peers for the one bearing credit rating and also allows easy comparison.
4. Allows MSMEs to explore opportunities internationally as rating provides a platform for trade partnerships with global players.

6.3 FACTORS ENABLING SMEs TO CONTRIBUTE MORE TO THE ECONOMIC GROWTH

The key to ensure that SMEs are able to grow in tandem with the economy in this age of increasing globalization is to reckon the issues faced by most of them. The government recognizes the importance of SMEs for the overall development of the country, and already has measures in place to harness the erupting issues associated with them. Some of these factors are as follows:

FINANCING

The major hindrance in the expansion of SMEs is the unavailability of sufficient and timely funds to finance their growth plans. Measures proposed by the government would ensure availability of adequate funds to MSMEs to power their growth. Small Industries Development Bank of India (SIDBI), the country's apex development bank, has targeted 18–20 per cent YoY growth in disbursement of credit to microfinance institutions (MFIs); with this, the total credit disbursed during FY11 would total INR10 billion. In order to garner more funds for MSMEs, the government is drawing the attention of private equity (PE) firms and venture capitalists (VC) towards these units. The Ministry of Micro, Small and Medium Enterprises (MSME) has plans to network major PEs through informal meetings to invest in MSMEs. Furthermore, in July 2011, the secretary of Department of Industrial Policy and Promotion (DIPP) announced plans to offer incentives to VCs on their investments in SMEs.

Also, SMEs will now have greater exposure to public funds given the recent launch of an SME exchange at the Bombay Stock Exchange (BSE). The BSE SME Exchange commenced operations in March 2012 and senior BSE officials expect about 100 companies on its trading platform by mid-FY13. The exchange is set to be a key source of low cost equity capital for SMEs to aid their growth and expansion plans.

INFRASTRUCTURE ISSUES

Policy focus on infrastructure will be instrumental in boosting growth in SMEs manufacturing activities as it brings markets closer. Government infrastructure spending is set to touch USD1 trillion under the 12th Five-Year Plan (2012–17), up from USD514 billion in 11th Five-Year Plan (2007–12). Much of this investment will be directed at the development of roads, bridges, ports, power, railways, airports and urban infrastructure, among others. Apart from spending from its own coffers, the government is keen to engage the private sector as well. Successful implementation of numerous infrastructure projects through the Public-Private Partnership (PPP) model has encouraged the government.

6.4 EMPOWERING SMEs TO FACILITATE GROWTH

The main barrier in the growth of SMEs is the lack of resources. SMEs require support from government and industry bodies to overcome the limitations. In line with this, the National Manufacturing Competitiveness Council (NMCC) has announced 10 schemes for developing global competitiveness of the Indian MSMEs in the sector. These schemes cover most of the key areas related to the manufacturing activity –

1. *Lean Manufacturing Competitiveness Scheme:* Implemented under the Public Private Partnership (PPP) mode with 42 Lean Consultants, the project aims to reduce manufacturing waste, and increase productivity and competitiveness.
2. *Design Clinic Scheme:* This is a platform to enable MSMEs to avail expert advice and cost-effective solutions for real-time design issues. The scheme includes two projects, namely Design Awareness and Design Project Funding.
3. *Marketing Assistance and Technology Up-gradation:* The scheme focuses on upgrading technology for increasing competitiveness in marketing. Activities include technology up-gradation for packaging, competition studies and development of marketing techniques.
4. *Technology and Quality Up-gradation:* The scheme aims to encourage MSMEs to adopt global standards for improving the quality of goods.
5. *Promotion of Information and Communication Tools (ICT):* The scheme focuses on encouraging the adoption of ICT technology by SME clusters, which have been delivering world-class products and, therefore, have potential for growth in exports. The scheme covers building E-readiness infrastructure3 and web portals and linking it to national level portals for reaching global markets, training MSME personnel for ICT applications, and the development of software solutions for efficient management of production at clusters, among other measures.
6. *Tolling and Training Centers:* This includes incorporation of tool rooms and training centers as a facility to MSMEs.
7. *Improving Quality in Products:* In order to improve the product quality of the MSE (Micro and Small Enterprise) sector, this scheme covers various activities such as: 1) Introduction of appropriate modules for technical institutions, 2) Organizing awareness campaigns, 3) Organizing competition watch (C Watch), 4) Implementing quality management standards and quality technology tools in selected MSEs, 5) Monitoring international study missions, and 6) Impact studies of the initiatives.
8. *Awareness on Intellectual Property Rights (IPR):* The scheme aims to foster Indian MSMEs to attain leading positions globally, and seeks to empower these units with the IPR tools to protect their innovations.
9. *Barcode Certification:* The certification enables higher export price realization. The adoption of Barcode certification is being encouraged among MSMEs under this scheme by reimbursing 75 per cent of the annual certification fee (recurring) in the initial three years.
10. *Nurturing Innovative Business Ideas:* The Support for Entrepreneurial and Managerial Development of MSMEs through Incubators scheme is aimed at nurturing the innovative idea of an entrepreneur by providing technical assistance through various institutions. Funds up to INR 625,000 are offered per idea as assistance to commercialize the innovation and establish the enterprise through guidance by relevant associations. Currently, 76 business incubators have enabled the approval of 190 business ideas.

Apart from above schemes few important schemes have been designed to boost the growth of MSMEs which includes:

a) *Cluster Development Programme for Enhancing Productivity:* The Ministry of MSMEs announced this programme, which aims at increasing the productivity, competitiveness and capacity of MSMEs. Clusters are provided financial assistance for the preparation of Diagnostic Study Report and infrastructure development of the Common Facility Centre. This programme has proved beneficial for the clusters. For instance, the Brass and German Silver Utensils Cluster registered a three-fold growth in revenues.

b) *Prime Minister's Employment Generation Programme (PMEGP):* Considering the importance of MSMEs in the nation's employment generation, a national level credit-linked subsidy scheme was announced by the Khadi and Village Industries Commission (KVIC). The programme had a total outlay of INR44.85 billion during the last four years (2008–09 to 2011–12) of the 11th Five-Year plan. This scheme covers financial assistance for setting up of microenterprises. The Ministry of MSME is also contributing to this initiative of the KVIC. The programme is estimated to have enabled the generation of 442,000 jobs.

7. POLICY PROPOSALS FOR IMPROVING ACCESS TO FINANCES FOR SMEs IN THE MANUFACTURING SECTOR

The Government of India has announced a national manufacturing policy with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. It also seeks to empower rural youth by imparting necessary skill sets to make them employable. Sustainable development is integral to the spirit of the policy and technological value addition in manufacturing has received special focus, (National Manufacturing Policy, 2011).

I. Rollover relief from long term Capital Gains Tax to individuals on sale of a residential property (house or plot of land) in case of re-investment of sale consideration in the equity of a new start-up SME company in the manufacturing sector for the purchase of new plant and machinery. This would enable a large number of entrepreneurs to raise equity by selling of ancestral properties and to raise the level of investments in the SMEs in the manufacturing sector, apart from boosting employment.

II. Tax pass-through status for Venture Capital Funds with a focus on SMEs in the manufacturing sector. These VCFs will be required to be registered under the Securities and Exchange Board of India (Venture Capital Funds) Regulations 1996 and appropriately notified under the Income Tax Act.
III. Liberalization of RBI norms for banks investing in Venture Capital Funds with a focus on SMEs in the manufacturing sector will be taken up in consultation with RBI.
IV. Liberalization of IRDA guidelines to provide for investments by insurance companies in Venture Capital Funds with a focus on SMEs in the manufacturing sector will be taken up in consultation with IRDA.
V. Setting up of a stock exchange for SMEs and implementation of SEBI's *'framework for recognition and supervision of stock exchanges/ platforms of stock exchanges for SMEs",* which is expected to boost the access of VC funds to small and medium enterprises.
VI. Implementation of the recommendations made by the *'Task Force on Micro Small and Medium Enterprises (MSME)',* presented to the Prime Minister on 31 January, 2010, including:
- *the creation of a separate fund with the Small Industries Development Bank of India (SIDBI) using the shortfalls against MSE credit targets for commercial banks*
- *Strengthening of the National Small Industries Corporation (NSIC) equity base, to give the demand side impetus to MSME enterprises.*

VII. Easier access to bank finance through appropriate bank lending norms, to be arrived at in consultation with RBI, to cater specifically to the MSME sector and early stage business units. This would involve a shift of lending focus from tangible assets to other kinds of assets.
VIII. Inclusion of lending to SMEs engaged in manufacturing as part of *'priority sector'* lending will be considered depending on the recommendations of the Committee set up to look into priority sector lending .

8. CONCLUSION

The growing importance of SMEs, which account for about one-sixth of India's total GDP, is manifesting itself in various quarters of the economy. Government is trying to push it forward with a number of plans to foster technology, innovation and quality in SMEs. Banks have joined hands with private players to create a rating agency focused on SMEs in order to improve the credit disbursal to them. Indian SMEs are increasingly organizing themselves in clusters, which improve their access to business associations and technical assistance providers. It also helps in building inter-firm cooperation that adds to productivity and innovation. The clusters already account for 40 per cent of the nation's industrial output and 35 per cent of direct exports. The efficacy of clustering in SME space will further increase in future as clusters continue to leverage benefits of spatial proximity. Globally, successful instances of SMEs have been witnessed in Germany and Italy. Germany's SME units, called Mittelstand companies, emerged as the key contributor to the economy due to the government initiative of bringing together the companies and education institutions. This policy worked as a win-win situation for both companies who adopted concepts towards lean manufacturing and also the students enabling them to improve their technical skills from hands-on experience.
India's manufacturing SME sector is well equipped to grow, and the fundamental drivers are in the right place. Continued empowerment of SMEs will enable them to attain high and sustainable growth in the long-run which in turn lead our nation to sustainable economic development.

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CELEBRITY ENDORSEMENT INFLUENCING CONSUMER BEHAVIOR

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ABSTRACT

The focus of this research paper is to understand the role of celebrities in changing consumer's preference. How the celebrities create a unique image of product in the market. Through celebrities marketers create opportunities for new product and also retain existing product in the mind of consumers in the stiff competitive market.

KEYWORDS
celebrity endorsement, celebrity credibility, consumer behavior.

INTRODUCTION

It doesn't matter how new an idea is; what matters is how new it becomes."

-Elias Canetti

The practice of celebrity endorsement has been used at least since the 1760s, when Josiah Wedgwood, the founder of the Wedgwood pottery in England, used his products' association with royalty to create the feeling of quality about them. Other brands have sought to associate themselves with successful and admired public figures. Through campaigns using television, radio or print, celebrity endorsements have become a standard feature of many advertising campaigns.

There are a number of advantages to use celebrities in advertising, whether you are running print, Internet, radio or television commercials. The key for small companies is making sure the local celebrity is relevant and has broad appeal. Popular celebrities often work best because they naturally generate lots of attention.

Celebrities are most effective if they promote products or services they are most likely to use. In other words, they must be plausible consumers, such as a local newscaster wearing a business suit from an area men's store.

In today's dynamic economy market are overcrowded with varieties of products and companies. Every day consumers are exposed to new arrivals which creates a big problem for companies to have a unique position in the market. It has been challenging for the companies to attract the attention of the consumer where consumer are aware of the detailed information of products available in markets. Celebrities play a key role in influencing the buying attitude of consumers towards making final decision to purchase a product. Using a celebrity has the advantage of the publicity and attention getting. Large segments of the audience can instantly recognize and identify with a famous person and the attention and goodwill associated with the celebrities can be transferred to the product. Celebrities play a two way role for consumers as well as for companies by transferring information to consumer and by making profitability for companies at large. In the era of globalization there is a need for mass marketing by a person who can Bridge the gap between consumer and companies. When people watch advertisement of their favorite celebrities, a perception is created and the consumer assumes certain characteristics in him, which he may not have. A certain kind of emotional relationship is created which creates the brand uniqueness amongst the other available brands.

Celebrities are selected keeping in view the target customer. Accordingly a proper marketing mix is prepared to influence customer's final buying attitude .In celebrity endorsement celebrities lends his/her name and appears on behalf of a product or services over and extended period of time. Celebrity endorsement with the product also provides credibility in the minds of audience. Celebrities are likely to positively affect the consumer's brand preference, brand attitude, and purchasing intentions.

Companies using celebrity endorsements usually have a prepared public relations strategy and can take advice from crisis management professionals within the advertising industry. Companies engaging in such endorsements also need to secure exclusivity from the celebrity in all aspects of their lives, and not just when advertising a product. Millions spent on a celebrity endorsement can be undermined if the contracted celebrity is seen using a rival product or service. Companies also need to be prepared to offer long contracts to celebrities, as this creates stability and consistency in the eyes of the consumer.

It's true that celebrity endorsements do in fact greatly influence our consumer decisions. Advertisers are able to grab our attention by endorsing various celebrities or sports figures. By defining consumer decisions and following the model, it is easier to explain how celebrities influence consumer decisions. Nike and Gillette are just a few examples of companies that have really made commitments in forming these multi-million dollar endorsements to better market their product.

WHO ARE CELEBRITIES?

According to Friedman and Friedman, a "celebrity endorser is an individual who is known by the public (...) for his or her achievements in areas other than that of the product class endorsed". Compared to other endorser types, famous people always attach a greater degree of attention, recall and loyalty.

According to Melissa St. James, a doctoral fellow and marketing instructor at The George Washington University, "Studies show that using celebrities can increase consumers' awareness of the ad, capture [their] attention and make ads more memorable."

In this age of intense competition, where capturing a position in the consumers' mind space is extremely tough, celebrity endorsements give an extra edge to the companies for holding the viewers' attention. Celebrities can catalyze brand acceptance and provide the enormous momentum that brands require by endorsing the intrinsic value to the brand.

Celebrities like movie stars, TV personalities, popular entertainers & sports icons provide a common reference group appeals. Celebrities represent an idealization that most people imagine that they would love to live.

A firm that decides to employ a celebrity to promote its products or services has the choice of using the celebrity as:

Testimonial: celebrities have personally used the product and based on their experience they attest to the quality of the product or service. Superstar Salman Khan, who has been given the first ever Brand Endorser of the Year Award instituted by International Advertising Association, said he promotes only those products which he used. Testimonials prove that reviews are indeed real and credible.

Endorsement: A form of brand or advertising campaign that involves a well known person using their fame to help promote a product or service. Manufacturers of perfumes and clothing are some of the most common business users of classic celebrity endorsement techniques, such as television ads and launch event appearances, in the marketing of their products. Celebrities represent the product by their name. They may not have used the product before or may not have expertise about the product. For instance, Kareena Kapoor Khan endorsing Head and Shoulders. This is a very special association for Kareena as it is the first shampoo brand to come out with a music video and that too featuring Kareena.

Actor: A celebrity endorsing the product or services as part of character enactment. For instance smriti irani promoting water purifier of Eureka Forbes as part of her character enactement in Kyunki saas bhi kabhi bahu thi.

Spokesperson: A spokesperson is someone engaged or elected to speak on behalf of company. A celebrity is a person, who represents a brand or a company over an extended period of time. In India, Pepsi first used Aamir Khan, model turned actress Mahima Chaudhary and model and ex-Miss World Aishwariya Rai to promote its product. Later it used others Amitabh Bachchan, Shahrukh Khan, Kajol, Rani Mukherjee, Saif Ali Khan, Fardeen Khan, Akshay Kumar, Shahid Kapoor (before he entered the movie world), Preity Zinta, John Abraham, Pawan Kalyan, Ram Charan Teja, Priyanka Chopra, and Kareena Kapoor as well as the national cricket team. Ranbir Kapoor & Deepika Padukone were signed for Pepsi's Youngistan campaign which targeted the youth.

WHY THE USE OF CELEBRITY

However marketers must first find the celebrity who can best fit and represents the image of the product and its meaning (Belch & Belch, 2001). Because, the credibility of the celebrity is important to create believable relation between the meanings which is associated with the celebrity and the product (Pickton & Broderick, 2005). Therefore brands must consider three main components the credibility comprises. They are attractiveness, trustworthiness and expertise (Pickton & Broderick 2005). Considering to these components, celebrity endorser must match with the product and the product’s personality as closely as possible to be credible. Because every product has its own personality and if the celebrity and product’s personality is very close to each other or very similar with each other then it will be much more effective (Fortini & Campbell 1992).

Celebrity endorsements have been part of advertising ever since the beginning of the profession. Athletes, musicians, actors and actresses, politicians, and other professionals have a tremendous amount of power and reach in persuading consumers. Research has shown that using celebrities in advertisement increases sales of the product being advertised. Even though we know the celebrity is being paid to promote a product, we buy it anyway because we trust her implicitly.

There are various reasons of using celebrities in advertisements. Celebrities ensure the consumer to purchase the product without any doubt. Celebrity credibility is the audience perception of both the celebrity’s expertise about the product and trustworthiness of how honest the celebrity is about the product. If a celebrity endorses one product, the credibility of consumer towards the purchasing intention is high. For instance Youth market is highly lured by cricketers. Salman Khan, Aamir Khan, SRK, Saif Ali Khan, Katrina Kaif, Kareena Kapoor Khan create market for lifestyle products. Jewelers hire celebrities for promoting their trustworthiness in the market.

Another important reason why celebrity endorsements are so common in advertising is brand recall. There are a huge number of products being marketed to consumers all the time, so it’s essential for a brand to find a way to stand out in the crowd and be remembered. If a customer sees an advertisement involving his or her favorite celebrity endorsing a particular product, then his or her chances of remembering that product are greatly increased.

Some of the Positive aspects of how a celebrity influences consumer behavior are given below:

- As the celebrities draw the immediate attention of the consumer and at the same time their perception of celebrities representing product differentiates the product from other products available in market.
- It is appealing to the masses. For the fact that celebrities have many followers, there is a big chance that an advertisement would bring a great impact to the audience. It will help you deliver your message to them effectively. You can assure that the attention of your target markets would be at your product.
- Celebrity endorsement keeps the customer to remember about the product. Almost all popular personalities have their own followers; this is why using them in a promotional activity would be very beneficial in introducing a new brand. Through association, it is easier for customers to remember the name of a certain product.
- Customers associate the product with the celebrity credibility. Using a famous individual in advertisement would help a startup business build its name in the market. This is because if the public believes and trust that person, there is a high probability that it goes the same with the commodities that he or she represents.
- It compensates the lack for innovative ideas. There are some instances when businessmen invest more in creating a perfect advertising campaign rather that developing their products. So, celebrity endorsements sometimes prove to be an effective strategy. Even if the products lack useful features and functionalities, there are still many people that patronize them for the fact that they are promoted by a reputable person.

Celebrity endorsing strategies are finalized keeping in mind the target consumers. Understanding Consumer behavior is a complex phenomenon. It is better to understand consumer’s purchasing process so that appropriate celebrities can be endorsed to influence consumer purchasing decision.

Consumer behavior is "the psychological processes that consumers go through in recognizing needs, finding ways to solve these needs, making purchase decisions". Before a consumer makes a purchase, there are a number of factors that play into the decision making process. The generally accepted model of consumer behavior shows the process's involved in choosing a product. The first step of the process is problem recognition, where a consumer understands that he/she wants or needs something. After that point we begin to pursue our needs by gathering information on what it is that we want. Based on our findings, we begin to evaluate any other alternatives, and eventually purchase the desired possession.

Following table represents the table of most popular celebrities endorsing products for advertisement:

Name	Brands Endorsed
Salman Khan	Thums-Up, Suzuki Motorcycle Hayate,Revital, Yatra.com, Dixcy scott
M S Dhoni	Reebok, Lays, Pepsi beverage, Aircel, Excide, Boost, Ashok Leyland, TVS, Max Mobiles, Siyaram’s, Orient, Dabur, Titan, United Beverages, Amrapali, Gulf Oil and Lafarge.
SRK	nerolac paints,linc pens, i10 and i20, airtel, Belmonte
Virendra Sehwag	Adidas, Karbonn Mobiles, Royal Challenge, Hero MotoCorp and Emami`s Zandu Balm.
Gautam Gambhir	like Reebok, Red Bull and Hero Honda
Virat Kohli	Nike, Pepsi and Toyota
Sachin Tendulkar	Boost, Coca Cola, Toshiba major appliances, Adidas, Jaypee Cement, Aviva Life Insurance, Reynolds, ITC Sunfeast, Canon Camera, Castrol Oil Power 1, Active & GTX, Royal Bank of Scotlant, luxury Swiss watch Audemars Piguet , Toshiba
Amitabh Bachchan	Pepsi, Mirinda, ICICI Bank, Parker Pens, Reid & Taylor, Maruti Versa, Cadbury’s, Nerolac, Hajmola, Navratna tail, Emani Boroplus, Eveready, Dabur, Sahara city Home, D’damas, Binnani.
Aamir Khan	Godrej group, Tata Sky

RISK ASSOCIATED WITH ENDORSEMENT

Also there are some risks of celebrity endorsement as celebrity’s negative image can hamper the brand name. Controversial celebrities can damage the name of endorsed product or services. There have been many examples where celebrities have been found indulged in drugs scandals, rape, attempt to rape and murder.

The other problem about celebrity endorsement is overexposure. This problem occurs when a celebrity endorses too many companies and products (Belch & Belch, 2001). Celebrities are endorsing one or more product for advertisement. Multiple endorsements somehow loose the credibility from celebrities. Consumer thinks the celebrities are endorsing more products only for the sake of money. So despite of influencing the attitude of consumer in a positive way multiple endorsements puts adverse impact on the purchasing intention of consumers.

Another challenge of celebrity endorsements in the age of social media is the difficulty of crafting a perfect marketing message. Off notes are harder to overcome when "there's a constant 'second screen,'" says Erik Qualman, professor of digital marketing.

Consumers often cannot easily assess the true quality of products, at least not before they consume them. But seeing a celebrity attaching his or her name and good reputation to a product may help alleviate some of their uncertainty. Consciously or unconsciously, they might trust, say, Sharapova to endorse Prince Tennis rackets only if those products truly are of premium quality. After all, Sharapova herself would be at risk of damaging her reputation.

Another problem is the overshadowing the brand which means that consumers may only give attention to the celebrity and fail to realize the brand (Belch & Belch, 2001; Gellene,1998) and remembers the celebrity but not the message given by the advertising. So celebrity may become at the first place more than the brand and product (Fill 2005).

FINAL ANALYSIS

Celebrities are providing opportunities to companies as well as giving way to consumers to have choices before finalizing their purchasing. Every phenomenon has its pros and cons in the same way celebrity endorsement also have its advantages and disadvantages. In this era of marketing it has been compulsory for the companies to make their product distinguished from other similar products in the market. Now customers are ready to pay any cost to fulfill their specific requirement. Question is: how to aware and attract customer towards the brand? How to make brand recall while taking purchasing decision? How they can be shifted to new products? How they(consumer) can trust on the brand? Etc. There are lots of questions for attracting and retaining customers. Celebrities play an important role in changing customer's attitude for the customer which he has never used before. Celebrities also make the customer to adhere with the product. Marketer should accurately blend marketing mix, product mix, and celebrity endorsement to get the high customer trust and satisfaction with great profitability economically or socially.

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COMPETENCY MAPPING: AN EFFECTIVE TOOL FOR HRM

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ABSTRACT

The present scenario is the world of competitive business. The human capital has become the most important resource. Thus it is the necessity for every organization to understand the various tools of proper management of human resource. Human resource management is a process of bringing people and organizations together so that the goals of each other are met. An organization can not show good financial or operating result unless personnel relations are in order. In the recent years highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives. There is a need for multi skill development. A competency is a combination of knowledge, skills and behaviours that staff members or members of a specific category need to demonstrate in order to carry out their task and responsibilities successfully. Competencies are basic to effective performance in any job or position. A competency profile can include core competencies, which identify those core values that all staff members should demonstrate, managerial competencies, relevant for management positions and functional/technical competencies that are specific to functional areas. Competency is the ability of an individual to perform a job properly.

KEYWORDS

HRM, competency mapping.

INTRODUCTION

The modern world is full of complexity, which is characterized by scarcity of resources therefore it has become the prime objective of every manager to use the available resources efficiently. The resources which are the necessity of every organization are men, material, machinery and money. To maximize returns and minimize wastage, all these resources must be properly synchronized. Manpower, whether it is technical or managerial is the most important resource of an organization. Its mismatch with any other factor will give rise to wastage of time, money and efforts, leading to inefficiency. Thus, it is necessary to use this resource effectively. It is practically difficult to manage this resource because no two persons are similar; they are different in their qualities, skills, motives, attitudes, knowledge etc. The research conducted by Industrial and Organizational psychologists emphasize that effectiveness of a person to carry out a job depends not on a single factor alone but on a "set of different factors". Such set of factors that help the possessor to be proficient in a particular job is termed as Competency for that particular job. Competency Mapping is a process of identifying key competencies for an organization, the job and functions within it. Every well-managed firm should have well defined roles and list of competencies required to perform each role effectively.

Competency mapping identifies employees' strengths and weaknesses in order to help them better understand themselves and to show them where career development efforts need to be directed. Competency mapping is not only done for confirmed employees of an organization rather it can also be done for contract workers or for those seeking employment to emphasize the specific skills which would make them valuable to a potential employer. These kinds of skills can be determined, when one is ready to do the work. Competency mapping is one of the most accurate means of identifying the job and behavioural competencies of an individual in an organization. Competency is a set of knowledge, skills and attitudes required to perform a job effectively and efficiently. A Competency is something that describes how a job can be done excellently. Core competency is something which cannot be copied and it is the pillar upon which the strength of the individual rest. In the present times competency mapping is considered as one of the best HR tool, which leads in most adequate recruitment and selection process. Thus, the present paper is an attempt to study the literature findings and importance of competency mapping for an organization as well as for the employees.

OBJECTIVES OF THE STUDY

- Understanding Competency Mapping
- To comprehend how Competency Mapping is linked to various HR Practices

IMPORTANCE OF COMPETENCY MAPPING

Competency mapping helps to identify the talent and skill level of the employees. The success of any organization lies in the efficiency of its human resources. Thus the competency of the human resources should be measured and identified in order to develop the organization and enable the employees to develop the talent and skills in the required area.

HUMAN RESOURCE

The term HR can be defined as 'the total knowledge, skills, creative abilities, talent and aptitudes of an organization's workforce, as well as the values attitudes and beliefs of the individuals involved'. HRM is the process of bringing employee and organization together so that the goals of each other can be met successfully.

WHAT IS COMPETENCY

Competence is about tuning knowledge into action. Competence is a combination of skills, attributes and behaviours that are directly related to successful performance of the job. A competency is an underlying characteristic of an individual that is related to effective performance in a job or a situation. Some researchers see "competence" as a combination of knowledge, skills & behaviours used to enhance performance; or as the quality of the well qualified having the ability to perform a specific role. Regardless of training, competency grows through experience and the extent to which an individual learn and adapt. A competency is a combination of knowledge, skills and behaviours that staff members or members of a specific category need to demonstrate in order to carry out their task and responsibilities successfully. Competencies act as a basis for effective performance in any job or position.

COMPETENCY MAPPING

"The competency framework serves as the bedrock for all HR applications. As a result of competency mapping, all the HR processes like talent induction, management development, appraisal and training yields much better results", states well known HR consultant Ullhas Pagey.

Competency mapping is a process of identifying key competencies for a company or an organization and the jobs & functions within it. Competency mapping analyzes the individual's strengths and weaknesses to improve his career growth and develop his knowledge. Regardless of training, competitiveness would grow through experience & the ability of an individual to learn and adapt.

The movement of competency finds its origin in mid 1950's and early 1970's. Johan Flanagan (1954) was the person who initiated the concept of competency, he established a critical incident technique- it is a set of procedures for systematically identifying behaviours that contribute to success or failures of an individual or an organization in specific situation. Later David McClelland (1975) discovered and developed the term competency which implies job performance.

Boyatzis (1982) determined the characteristics of managers that enable them to be effective and efficient in various managerial positions, based on a study which was conducted on two thousands managers holding forty one different positions in twelve organizations.

TABLE 1: COMPETENCY DEFINED BY VARIOUS RESEARCHERS/AUTHORS

Author	Definition
Hayes (1979)	Competencies are generic knowledge motive, trait social role or a skill of a person linked to superior performance on the job.
Boyatzis(1982)	A capacity that exists in a person that leads to behaviours that meets the job demands within parameters of organizational environment, and that, in turn brings about desired results.
Albanese (1989)	Competencies are personal characteristics that contribute to effective managerial performance.
Woodrufee (1991)	1 Competency: a person related concept that refers to the dimension of behaviour lying behind competent performer. 2 Competence: a work related concept that refers to area of work at which a person is competent 3 Competencies: often referred as the combination of the above two.
UK NVCVQ (1997)	The national vocational council for vocational qualification described competency as performance standards, the ability to perform in work roles or jobs to the standard required in the employment
Marrelli (1998)	Competencies are measurable human capabilities that are required for effective work performance demands
UNIDO (2002)	A competency is a set of skills, related knowledge and attributes that allow an individual to successfully perform a task or an activity within a specific function or a job
Rankin (2002)	Competencies are definition of skills and behaviours that organization expects their staff to practice in work
Jackson and Schuler (2003)	Competencies are the skills, knowledge, abilities and other characteristics that someone needs to perform a job effectively.

APPLICATIONS OF COMPETENCY MAPPING

Competency mapping is excessively used in the organization to determine the crucial elements and activities. The basic reasons due to which the mapping of the competency is done are as follows:

- After determination of competencies, proper training can be provided to the individuals to work more efficiently and effectively.
- Key performance areas can be improved by understanding the fields where there is a gap between the actual and the desired results.
- Competency mapping helps the individual in preparing himself for the next set of responsibilities.
- Individual can alter the style of work to bridge the gap with the help of competency mapping.
- Competency based approach can lead the individual to derive much efficient results as compared to work in a non competency derived situation.
- It helps the employees to determine the areas where the development is required and thus help the individual to develop a self development plan.
- Competency mapping leads the individual to understand the actual position and the gap from the desired status of work.
- Competency plays a crucial role in career planning of the individual in the organization.

Thus competency mapping provides much needed objectivity to HR practices and HR linked activities. These days assessment role of HRM has changed from support function to core function. With the competency based HR systems and programmes, the HR function can directly contribute to organizational effectiveness. By mapping the competencies, following functions can be performed effectively and efficiently.

(i) CANDIDATE APPRAISAL FOR THE PURPOSE OF RECRUITMENT

As discussed earlier, manpower, both technical as well as managerial, is the most important resource of an organization. Every other factor is directly related to and influenced by the manpower. Hence it is necessary and indispensable to select the right candidate i.e. the right employee. A wrong selection leads to wastage of effort, time and money in terms of recruitment and training costs. Thus, competency mapping solves the problem of correct recruitment of employees. It helps the HR process by providing various skills and qualities (competencies) required to be held by a candidate to perform the job efficiently. Based on the competencies recruitment of the candidate can be done. The competencies of candidate and competencies required for the job are compared and matched. This helps the HR department to determine and find out who is more suitable to the job. In this way competency mapping helps HRM in right recruitment of manpower.

At the same time it also enables the individual candidate to determine which jobs are more suitable to him. His assessment for the required competencies will allow him to decide the job in which he is interested and in which he can work efficiently. Thus, competency mapping helps not only the organizations but also individuals by guiding them on to which job is suitable for them and it helps the organization by guiding them on how to select the candidates.

(ii) POTENTIALS APPRAISAL FOR PROMOTION AND FUNCTIONAL SHIFT

No job is congruent to each other. In other words, each and every job demands different skills. A person having competencies to do a particular job may not be able to do other jobs, i.e. a person performing outstandingly in a particular job may not perform equally efficiently in another job. Similarly, an excellent performer in junior position may not necessarily perform to the expectations when promoted to the senior position. Alternatively an average performer in a junior position may turn into super performer when promoted to senior position. Similarly, a successful person in one department may turn out to be unsatisfactory in another department and also a not so competent person in one department may give excellent results in other department. The main reason underlying this is the competencies of the particular job and the particular person. A person outstands in a job if he possesses the competencies required for doing the job and vice-versa. In the course of time, a person may develop competencies other than what he initially possessed, these competencies could be used to do other higher-level jobs, and hence he will outperform in the higher jobs. For instance, an assistant doctor, after some period, i.e.… after gaining some experience and perfection, becomes a practitioner. Also a Finance Manager after gaining knowledge of all functions of management can become a General Manager. Thus, competency mapping can be applied in promoting the candidate form one level to the other based on their competencies. Similarly, they can be transferred from one department to the other.

(iii) IDENTIFICATION OF EMPLOYEE TRAINING NEED

Competency mapping not only helps in the recruitment process. Its functions are not confined to matching the competencies of individuals with that of the Job. It also provides means to benchmark the candidate's competencies with the set targets. In simple words, candidate's weaknesses with respect to the required competencies discovered in the assessment, shows opportunity for the development of the candidate. In order to find out the weaknesses the employee competency assessment can be carried out periodically, preferably along with performance appraisal, to identify development needs of every employee. Thus, this provides direction for the development of the employee. In a periodic assessment, if a candidate is found to be lacking in some competencies, then these competencies can be developed by means of training and other development tools. The effectiveness of training can also be found out by the assessment of employee competencies and performance appraisal. Generally, core competencies are used for training need identification.

(iv) EMPLOYEE PERFORMANCE DIAGNOSTICS

An employee may not perform well or there could be sudden fall in his performance level due to some problems. The problems could be uncontrollable or not answerable like personal problems, health etc… However, the performance may even fall due to lack of required competencies. In case of fall in performance due to lack of competencies, a detailed assessment must be made for core as well as support competencies and any observed inadequacy should be carefully studied to understand its effect before taking any remedial measures. In this way competency mapping technique can be applied for diagnosing the problems in performance level of a candidate and improve that in case of any inadequacy.

(v) EMPLOYEE SELF DEVELOPMENT INITIATIVES

The mapping of competencies is not only beneficial to the organization, but it proves useful even to the employees. The competency map and the behavioural indicators help the individual to understand the direction of their self development. They can very easily identify the gaps and work on the inadequacies. This allows them to understand their weakness and try to improve upon them. It acts as feedback for the skills (competencies). Performance appraisal with traditional methods can assess the performance with respect to set targets, but these appraisals do not guide the improvements of the performance. Using the job descriptions and the performance appraisal process as a foundation, Human Resource Department can provide coaching to the individuals based on their unique developmental needs. For example, if a sales representative is interested in a position as Sales Manager, a Human Resources professional can counsel this person about current strengths and areas for improvement and point out the competency levels required for the higher-level position. Then the employee and the HR person can jointly map out a plan for the employee's development (courses, workshops, mentoring, etc.)

(vi) RETENTION STRATEGIES

Competency mapping not only helps in recruitment of proper employee, training need of the employee but it also helps in retaining the employees. It can play a significant role in retaining people as it gives a more accurate analysis of the job requirements, the candidate's capability, of the difference between the two, and the development and training needs to bridge the gaps. Once the organization gives an employee the perspective of what is required from him to reach a particular position, it drives him to develop the competencies for the same.

It is also possible to retain the employee because of following benefits of the Competency Mapping :

_ Helps identify the success criteria (i.e. behavioural standards of performance excellence) required for individuals to be successful in their roles.
_ Support specific and objective assessment of their strengths, and specify targeted areas for professional development.
_ Provides development tools and methods for enhancing skills.
_ Provide the basis for a more objective dialogue with their manager or team about performance, development, and career-related issues.

Therefore, competency mapping can be applied for building retention strategies.

CONCLUSION

To conclude it can be said that competency mapping can be applied in diverse HR activities like recruitment, selection, training, development retention and even remuneration. Competency Mapping is definitely a new area in the field of HRM. It promises economical use of the most important resource viz. human capital, by ensuring the most suitable job to the person. It provides ground for individual's growth and development. An individual can map his or her competencies and find the job which suits him the most. In a nutshell it can be concluded that competency mapping enable the organizations not only in selecting round pegs for round holes but also makes smaller round into larger one. In simple words it not only ensures that the best person is recruited and placed in the most suitable job for the person, but also through training and appraisal it makes the less competent person into more proficient one.

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INNOVATION IN FINANCIAL SERVICES: A STUDY OF FINANCIAL INSTITUTIONS

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ABSTRACT

Innovation will be a major competitive battleground in the financial services industry. Innovation is more challenging for financial services firms than for other companies mostly because of short term financial pressure. The financial institutions- insurance, banking and financial services firms have a track record of innovative practices result in business success. Financial Institutions and the financial services industry are key to sustainability as they raise, allocate and price capital and provide risk coverage, influencing access to financing and risk protection and determining which government, business or individual activities get financed or protected against risks. The aim of the paper is to study the different types of financial services, to identify the importance and organizing of innovation in financial services of financial institutions and to find the various challenges of innovation in financial services faced by financial institutions. Exploratory design is to be used for research purpose. The study comprises 50 executives through questionnaire from banks, insurance companies and other financial Institutions of Chandigarh, Ropar and S.B.S. Nagar. The findings of the study are product innovation in financial services firms is most important and expect a growing role for business model innovation.

KEYWORDS

Business model, Challenges, Financial Institutions, Financial services, Innovative practices, Sustainability.

INTRODUCTION

Financial innovation as the act of creating and then popularizing new financial instruments, technologies, institutions, markets, processes and business models – including the new application of existing ideas in a different market context. It includes innovations across the financial world, whether their source is a regulated institution, a member of the wider financial community or shadow banking sector, or an individual inventor. However, no definition can quite capture the complexity of innovation in financial services where a single new product might bring together innovative features in terms of function, marketing and customer segment, and the supporting infrastructure. Another way to think about financial innovation is in terms of its function. Economists say that the overall function of financial innovation is to reduce financial market imperfections.Financial services innovation is important for the performance of the financial institutions. The financial institutions- insurance, banking and financial services firms have a track record of innovative practices that result in business success. The finance industry encompasses a broad range of organizations that deal with the management of money. They are a part of financial system consisting of financial institutions, financial markets, financial instruments and services that facilitate the transfer of funds. All four are interrelated. Among these organizations are banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. For example, merchant bankers provide services for issuing financial products such as equity shares, bonds and debentures, while stock brokers provide services to the investors in the buying and selling of securities in stock exchanges.

Financial services firms have traditionally paid little attention to the poor because by definition the poor have limited assets. Informality, insufficient information, inadequate infrastructure and other barriers have reinforced the belief that serving the poor cannot be commercially viable, much less a driver of innovation. New, Lower cost business models have begun to challenge this conclusion, relying for instance on innovations in technology and utilization of existing retail channels. A wide range of examples shows the power of information and communications technology to reduce distribution and customer service costs, including the village ATM's of Citi bank and ICICI bank in India and the mobile transaction services of Wizzit and MTN banking in South Africa, Smart Communications and Globe Telecom in the Philippines, Celpay in Zambia and the Democratic republic of Congo and Vodafone and Safaricom in Kenya. Interestingly Wizzit and Globe Telecom provide financial services without associating with a bank or other financial institution, thus eliminating the need for the poor to hold bank accounts in order to pay bills, transfer funds and deposit or withdraw cash (Sutton and Jenkins 2007).

TABLE 1: FUNCTIONS OF FINANCIAL INNOVATION

Functions	Examples
To provide ways of clearing and settling payments to facilitate trade	Credit and debit cards, PayPal, stock exchanges
To provide mechanisms for the pooling of resources and for the subdividing of shares in various enterprises	Mutual funds, securitization
To provide ways to transfer economic resources through time, across borders and among industries	Savings accounts, loans
To provide ways of managing risk	Insurance, many derivatives
To provide price information to help coordinate decentralized decision-making in various sectors of the economy	Contracting by venture capital firms
To provide ways of dealing with the incentive problem created when one party to a transaction has information that the other party does not or when one party acts as agent for another	Price signals, extracting default probabilities from credit default swaps (CDS)

Source - Merton 1995

TYPES OF FINANCIAL INNOVATION

Several of the articles suggest and use typologies of what is included in the concept "innovation" in service firms. Some of these typologies specify in what part of the service firm innovation takes place. Hipp et al. (2000) make a distinction between three types of innovations:

1 Service Innovations, which include innovation in the service offer per se in the form of introductions of new or significantly improved services;

2 Process Innovations, which include new and improved work methods in the process by which a specific service is produced; and

3 Organizational Innovations, which is not limited to the individual service production process but includes significant improvements in wider organizational structures or processes.

According to OECD (2005) the types of innovation are as:

i. Product innovation

ii. Process innovation

iii. Marketing innovation

iv. Organizational innovation
Importantly, in relation to the focus on financial services, the manual's definition embraces innovative services as well as physical products and technologies, and includes significant improvements to existing products and services as well as truly revolutionary ideas.
"A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Product innovations can utilise new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies. The term "product" is used to cover both goods and services."
• "A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software. Process innovations can be intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products."
• "A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales."
• "An organizational innovation is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations. Organizational innovations can be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labour productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies."

LITERATURE REVIEW
Verghese (1990) identified the lessons of financial change and innovation in foreign markets offer to countries like India in shaping our future financial policies. There has been a proliferation of new financial products and techniques. Financial products with complex interlink ages between foreign exchange markets, money markets, capital markets and equity markets are being incessantly created, sophisticated and discarded. The distinction between different sectors of the market and different types of financial institutions has eroded. Banks are increasingly taking on non-banking financial activities while banking activities are being undertaken by non-banking financial institutions. Non-financial corporate entities are offering a wide variety of financial services and earnings from financial engineering are contributing a growing share of their profit. Harker and Zenios (2000) explained the efficiency of financial markets, the efficient operation of financial intermediaries – banks, insurance, pension fund firms, government agencies and so on has been instrumental for the efficient functioning of the financial system. Federal Reserve Bank of Philadelphia (2002) stated that rapid innovation is changing the array of financial services and payment options available to customers. The study also examined the driving forces behind the surge of innovation and the adoption of new technology. Goerge and Prabhu (2003) defined developmental financial institutions in emerging economies regularly assess new technology platforms to support their investments in new ventures, established firms, and technology institutions. Their financing decisions are guided by national priorities such as achieving technological self-reliance. By providing attractive financing options and related support, Developmental Financial Institutions are well placed to consciously channel finance into designated priority technology areas. The study suggested that governments in emerging economies actively use their Developmental Financial Institutions as technology policy instruments to encourage investment in priority technology areas. Developmental Financial Institutions need to develop higher levels of expertise in understanding macro-level technology priorities to enable them to contribute to developing national innovative capacity. Cainelli *et al.* (2004) explored the relationship between innovation and financial performance in service firms. The study shows that innovating firms out-perform non-innovating firms in terms of productivity levels and economic growth. Productivity was also found to be linked to the amount of innovation expenditure. White and Frame (2006) examined that financial innovation is defined as a new product or service, a novel organizational form, or new processes that reduce costs or risks or that improve quality. Rapid innovation, they emphasize contributes to the dynamic efficiency of the financial sector, which ultimately affects the overall growth of the economy. Delimatsis (2008) found that issues raised by the nature of and the trade in RECs which can be of concern for the General Agreement on Trade in Services (GATS) and the multilateral regulation of trade in financial services, notably in the case where World Trade Organization (WTO) members undertook sweeping commitments in financial services which equally apply to trade in RECs..

RESEARCH METHODOLOGY
The study entitled, "Innovation in Financial services: A Study of Financial Institutions" is Descriptive in design. The study is based on primary data and secondary data. The Primary data was collected though questionnaire from the banks and financial institutions of the Chandigarh, Roapr and S.B.S. Nagar. The sample size of study was 50 executives. Secondary data were obtained from the published reports, journals, magazines, books and related websites. Tabular analysis technique was used to present the findings. Percentages and Charts were worked out to present the innovation in financial institutions.

ANALYSIS AND INTERPRETATION
FIGURE 1: IMPORTANCE OF INNOVATION

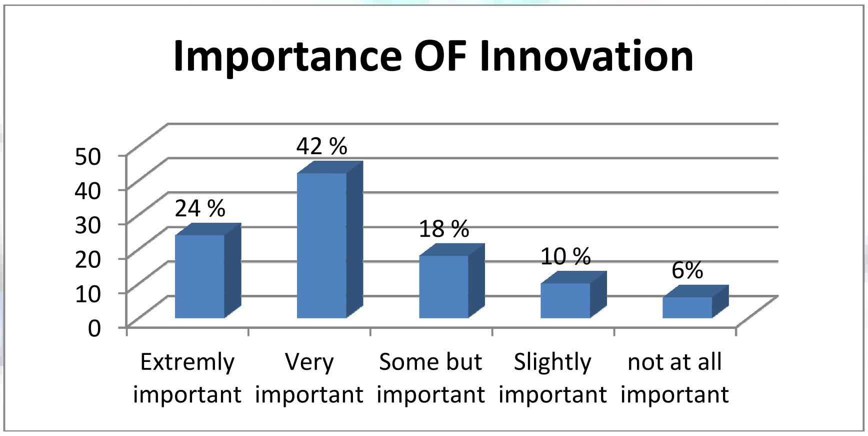

Figure 1 represents that 42 percent of executives said that innovation has been extremely important to the ability of their company to meet the profit. 24 percent executives said that innovation has been very important for the financial services companies. 18 percent executives say that it is important to some extent for the revenue generation of the companies. 10 percent respondents said that it is very slightly important and 6 percent executives said that there is not any importance of innovation in the financial services companies.

FIGURE 2: DISTRIBUTION OF INNOVATION ACTIVITY AND INVESTMENT

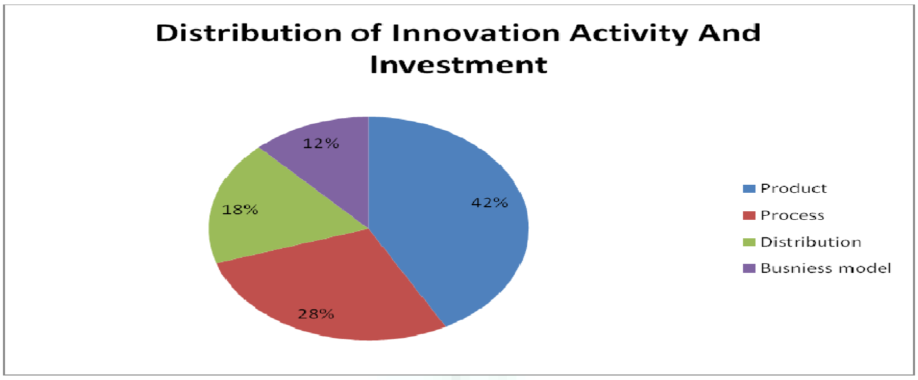

Figure 2 explains that 42 percent respondents said that they are spending money in product innovation, which will attract more consumers and compete with competitors with the variety of products. 28 percent executives spend in process activities, 18 percent executives invest in distribution activities for expand their services broader. 12 percent respondents invest in business model innovation, which expects a growing role in financial services innovation.

FIGURE 3: CHALLENGES FOR FINANCIAL SERVICES INSTITUTIONS

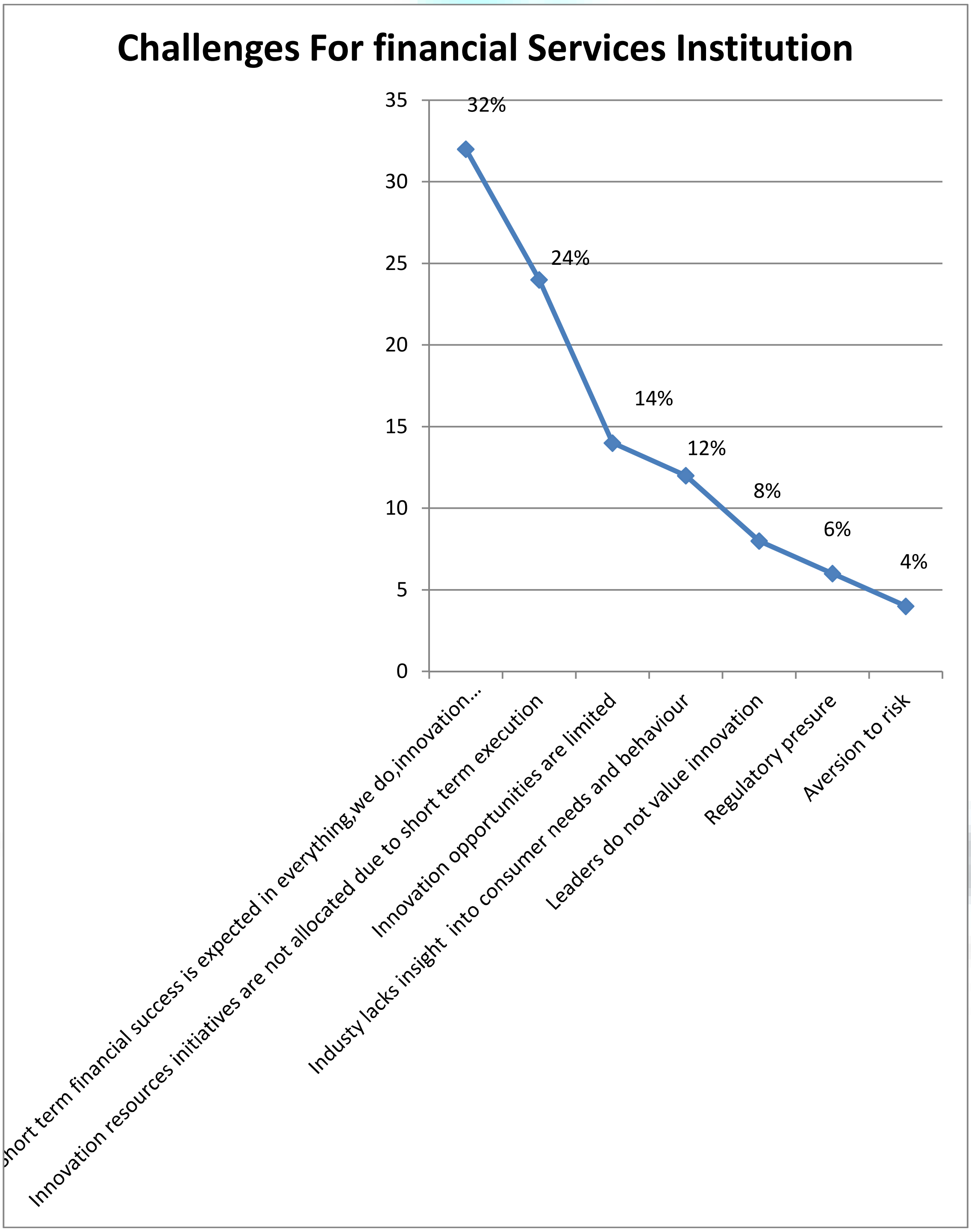

Figure 3 defines that innovation is more challenging for financial institutions than for other organizations mostly because of short term financial pressure. 32 percent executives say that financial services innovations are more challenging due to short term financial success is expected in everything we do; innovation initiatives often result in short term losses. 24 percent respondents said that the resources needed to pursue innovation initiatives are not allocated because these resources are critical to short term execution. 14 percent executives said that financial services innovations are challenging due to limited innovative opportunities, 12 percent executives said that industry lacks insight into consumer needs and behavior. 8 percent respondents said that financial services innovation are challenging because of leaders do not value \innovation, 6 percent said that it is challenging due to regulatory pressure and 4 percent say due to aversion of risk.

FIGURE 4: SOURCES OF IDEAS

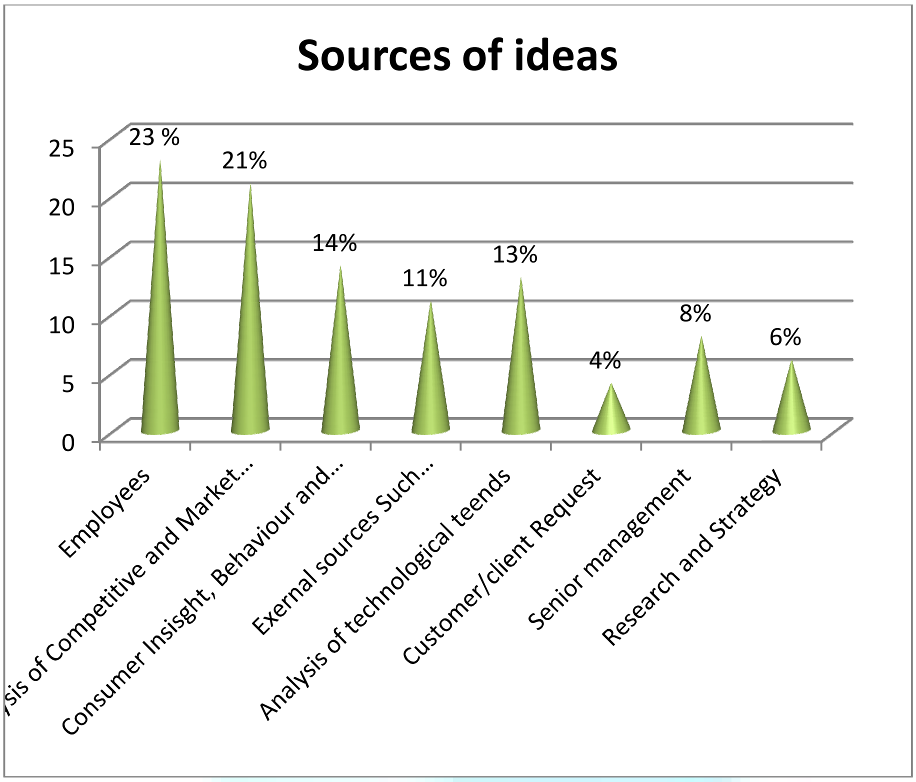

Figure 4 explains that when we asked the executives to select the most frequent sources of new ideas in their company 23 percent executives said that employees are the main source of innovative ideas.21 percent executives said reply that innovative ideas collected through analysis of competitive and market dynamics. 14 percent respondents said that consumer insights, behavior and trends are also a source of innovative idea. 11 percent said that external sources like partnerships, joint ventures or research institutions are source of innovative ideas. 13 percent executive said that technological trends are also source of innovative ideas. 8 percent respondents said that ideas are generated from senior management and CEO of the financial services companies.

FIGURE 5: ORGANIZING FOR INNOVATION

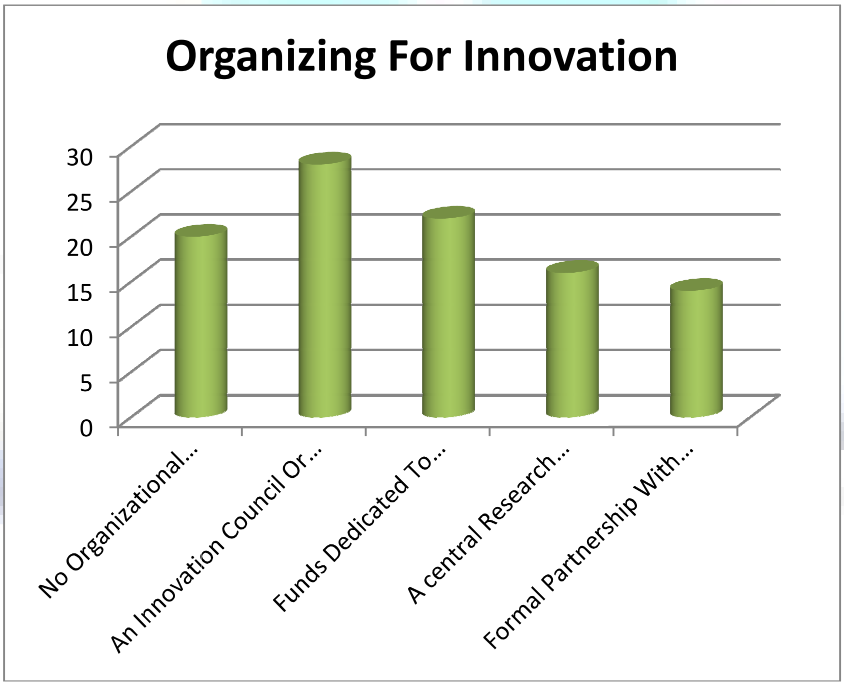

Figure 5 shows that executives indicate, that their companies have inadequate formal innovation structures. When asked to identify the barriers they face to commercializing innovations 20 percent respondents said that there are no organizational innovative mechanisms in their company, 28 percent executives felt that an innovative committee or council that reviews initiatives and their progress, 22 percent respondents replied that their companies have funds dedicated to innovation initiatives. 16 percent executives said that ideas suggested by other central research department or innovation center and 14 percent say that their companies have formal partnership with research centre and academics.

FIGURE 6: THE PERFORMANCE GAP

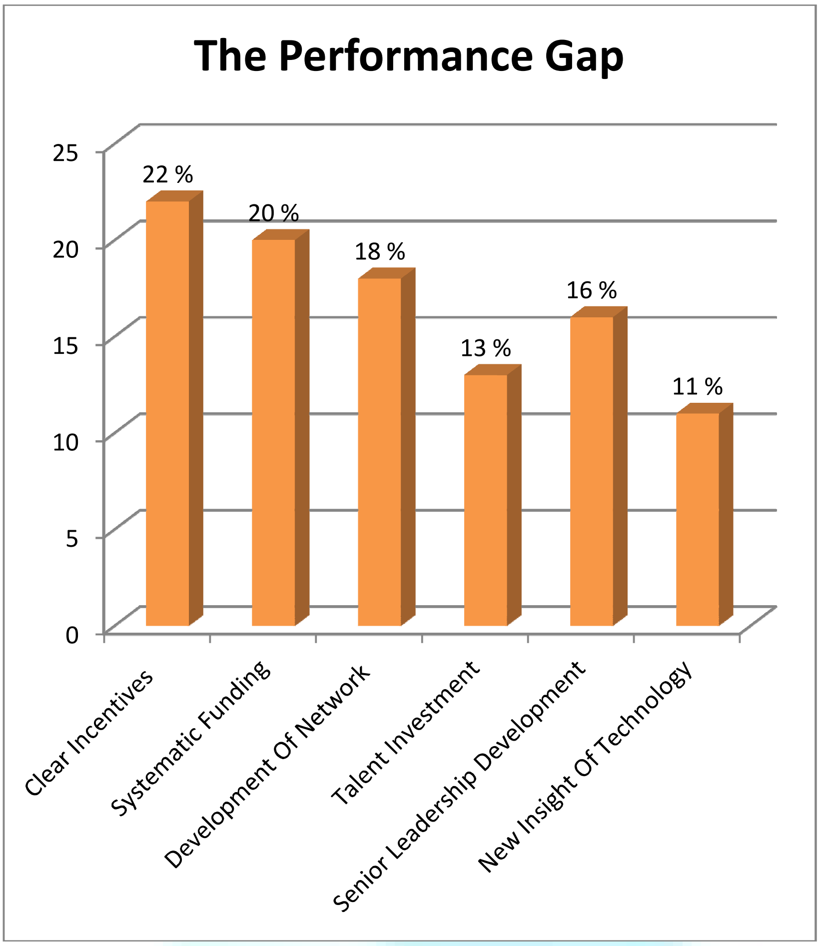

Figure 6 defines most executives see substantial opportunity for their company to improve performance in practices that most industries regard as vital for successful innovation. 22 percent executives said that they have focus on clear incentives and targets to innovate, 20 percent executives focused on systematic funding and innovation projects. 18 percent said that there is development of network of external partners to generate new ideas in their companies. 13 percent said about talent investment, 16 percent executives said about senior leadership development and 11 percent respondents focused on new insights of technology.

FINDINGS OF THE STUDY

Financial services executives said that innovation has been extremely important to the ability of their company to meet the profit. The study findings suggest that innovation will be a major competitive battleground in the financial services industry. Respondents who represent public and private firms in investment banking, insurance and other financial institutions conduct product innovation in financial services firms is most important and expects a growing role for business model innovation. The study finds that spending money in product innovation will attract more consumers and compete with competitors with the variety of products. Employees are the main source of innovative ideas. Innovative ideas collected through analysis of competitive and market dynamics. Innovative committee or council that reviews initiatives and progress of financial institutions which are helpful for organizing innovation. Most executives see substantial opportunity for their company to improve performance in practices that most industries regard as vital for successful innovation.

CONCLUSION

Innovative can have positive effects on service firms' performance. In the financial-services industry innovation as very important to the ability of their company to meet short- and long-term performance targets. The survey found a clear correlation between perceived importance and performance as more of the respondents who rated innovation as extremely or very important to their company believed they are more innovative than their competitors and peers. Innovation will be a major competitive battleground in the financial-services industry.

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SERVICE QUALITY OF BAJAJ ALLIANZ LIFE INSURANCE IN SOUTH INDIA USING SERVQUAL INSTRUMENT

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ABSTRACT

Since two decades, the insurance sector in India has grown as a booming market. Indian Life Insurance industry has emerged as one of the largest life insurance markets in the globe after liberalizing the economy. The liberalizing policy opened the doors for the new entrants into the life insurance sector, as a result numerous service firms of life insurance have been offering a wide variety of insurance services irrespective of age, gender and class of economy of the public. Among the numerous life insurance companies, Bajaj Allianz Life Insurance Company, a joint venture between Bajaj Auto Limited and Allianz AG of Germany, has become one of the key competitors for the public sector life insurance i.e., LIC of India. The service quality is imperative to achieve competitive advantage in insurance sector. Poor quality places a life insurance firm at a competitive disadvantage. The present study was investigating the service quality of Bajaj Allianz Life Insurance in Andhra Pradesh, Karnataka, Tamil Nadu and Kerala states in India. In this research, an attempt was made on finding the service gap on the basis of six service dimensions viz., assurance, personalized financial planning, competence, tangibles, corporate image, and technology using SERVQUAL instrument and all the calculations made with SPSS 19.00. The results found a negative service gap between customers' perceived and expected scores with regard to competence.

KEYWORDS

Gap Analysis, Life Insurance, Service Quality (SERVQUAL).

INTRODUCTION

The insurance sector in India has grown at a fast rate post-liberalization in 1999. In the last decade, total premium grew at a CAGR of 25% and reached a total of $67 billion in 2010. Indian Life insurance industry (which contributes 88% of total Life and General insurance premium in India) has emerged as the 9th largest life insurance market in the world. Yet, Insurance penetration (measured as ratio of premium underwritten to GDP) was only at 5.2 % in 2010 - significantly lower than Asian peers like South Korea, Taiwan, Japan and Hong Kong which boast an insurance density greater than 10% (IRDA Annual Report, 2010).

The insurance sector has been becoming more competitive due to the changes in the needs, tastes, and preferences of the savvy customers in India. Now-a-days, the customers make quick and precise comparisons about the services offered by insurance service firms and these comparisons enabling them to expect something about the insurers. It is very difficult for the insurer to manage and measure the expectations and current provisions of the customer about the services offered by them. The trend often transformed into customer focused nearly in all insurance companies. Not only the public sector insurer (LIC of India) but also, rest of all insurance companies in India are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. The customer centric approach is essential for the insurance companies for survival and growth in unforeseen conditions.

Services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labour, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved (Lovelock & Wirtz, 2011). Service quality is an important means of differentiation and path to achieve business success in insurance sector. Such differentiation on the basis of service quality can be a key source for gaining competitive advantage for insurance companies.

LITERATURE REVIEW

Business organizations are required to improve their service quality for long term customer retention (Kolanovic, Skenderovic, & Zenzerovic, 2008). The current literature on service quality in insurance service context attempted to measure functional performances in terms of assurance, personalized financial planning, competence, tangibles, corporate image, and technology. Being the insurance as the old phenomenon, just a limited published work has been conducted into service quality up to now. On service quality modelling, Gronroos C (1984) divides the customer's perceptions of any particular service into two dimensions, namely technical and functional quality. Parasuraman, Zeithaml and Berry (1985) proposed the gap model of service quality that operationalized service quality as the gap between expectation and performance perception of the customer.

A number of studies in service quality have enriched the services marketing domain over the last three decades or so. Amongst these, the widely used scale is the SERVQUAL (Parasuraman, Zeithaml, & Berry, 1988) and the SERVPERF (Cronin & Taylor, 1992; 1994). SERVQUAL scale measures service quality, based on difference between expectation and performance perception of customers using 22 items and five-dimensional structure. In the SERVPERF scale, service quality is operationalized through performance only score based on the same 22 items and five dimensional structure of SERVQUAL.

Research on services has grown correspondingly. In particular, academics and practitioners alike have exhibited considerable interest in the issues that surround the measurement of service quality. Service quality is one of the major issues facing operations managers (Gupta & Chen, 1995) but it is an area characterized by debate concerning the need for assessing customer expectations and service quality assessment (Parasuraman, Zeithaml, & Berry, 1994).

After the development of SERVQUAL model by Parasuraman, Zeithaml, & Berry (1985), it has been used by many researchers for the measurement of service quality in different fields such as banking (Cronin & Taylor, 1992; Spreng & Singh, 1993; Sharma & Mehta, 2004), Information System (Jimei Li & Tieying Song), higher education (Zanudin, Awang, Mohd Azuhari, & Che Mat), port service (Kolanovic, Skenderovic, & Zenzerovic, 2008), hospital (Babakus & Mangold, 1992) CPA firm (Bojanic, 1991), dental school patient clinic, business school placement center, tire store, and acute care hospital (Carman, 1990), pest control, dry cleaning, and fast food (Cronin & Taylor, 1992), discount and departmental stores (Finn & Lamb, 1991).and restaurant industry (Yap Sheau Fen, KewMeilian, & Kdu College). All these studies do not support the factor structure proposed by Parasuraman et al. (1988). The universality of the scale and its dimensions has also been the subject of criticisms (Lapierre, 1996) and it is suggested that they require customization to the specific service sector in which they are applied.

However, there has been an extensive debate whether the perception-minus-expectations specification would be appropriate or assessing perception alone would be sufficient. Some concerns about the SERVQUAL instrument were raised by Cronin and Taylor (1992; 1994) and Teas (1993; 1994). The authors argue that there are serious conceptual and operational drawbacks associated with the SERVQUAL model, inducing Cronin and Taylor (Cronin & Taylor, 1992) to propose a perceived quality model called SERVPERF. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering that the 22 performance items adequately define the domain of service quality, Cronin and Taylor (Cronin & Taylor, 1992) proposed the SERVPERF instrument, which is a more concise performance-based scale; an alternative to the SERVQUAL model. In addition, they compared the SERVPERF model with SERVQUAL and two other alternatives: the weighted SERVQUAL and the weighted SERVFERF models. Those weighted versions consider the importance of a quality attribute as a determinant of perceived quality. In response to the criticisms, Parasuraman et al. (1994) claimed that many of those concerns are questionable and offered a set of research directions for addressing unresolved issues.Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988) initially identifies ten dimensions regarding service quality in their SERVQUAL model, however these were reduced to five dimensions namely: Reliability, Assurance, Tangibles, Empathy and Responsiveness.

Very few researchers made attempts on measuring the service quality in insurance sector (Dr. Masood H Siddiqui & Tripti Ghosh Sharma, 2010) in India. Pure services like insurance may, therefore, conjure different expectations than that of services that include tangible products (Toran, 1993). An insurance policy is almost always sold by an agent who, in 80% of the cases, is the customer's only contact (Richard & Allaway, 1993; Clow & Vorhies, 1993). Customers are, therefore, likely to place a high value on their agent's integrity and advise (Zeithaml, Berry, & Parasuraman, 1993). The quality of the agent's service and his/her relationship with the customer serves to either mitigate or aggravate the perceived risk in purchasing the life insurance product. Putting the customer first, and, exhibiting trust and integrity have found to be essential in selling insurance (Slattery, 1989). Sherden (1987) laments that high quality service (defined as exceeding "customers' expectations") is rare in the life insurance industry but increasingly demanded by customers.

Toran, D (1993) points out that quality should be at the core of what the insurance industry does. Customer surveys by Prudential have identified that customer want more responsive agents with better contact, personalized communications from the insurer, accurate transactions, and quickly solved problems (Pointek, 1992). A different study by the National Association of Life Underwriters found other important factors such as financial stability of the company, reputation of the insurer, agent integrity and the quality of information and guidance from the agent (King, 1992). Clearly, understanding consumers' expectations of life insurance agent's service is crucial as expectations serve as standards or reference points against which service performance is assessed (Walker & Baker, 2000).Technology has also become an important factor in how the agent operates in the field including other functions such as distribution, claim costs and administration (Anonymous., 2004).

Previous studies, notably those of (Wells & Stafford, 1995), the Quality Insurance Congress (QIC) and the Risk and Insurance Management Society (RIMS) (Friedman, 2001b) and the Chartered Property Casualty Underwriters (CPCU) longitudinal studies (Cooper & Frank, 2001), have confirmed widespread customer dissatisfaction in the insurance industry, stemming from poor service design and delivery. Ignorance of customers' insurance needs (the inability to match customers perceptions with expectations), and inferior quality of services largely account for this. The American Customer Satisfaction Index shows that, between 1994 and 2002, the average customer satisfaction had gone down by 2.5% for life insurance and 6.1% for personal property insurance respectively (www.theacsi.org). In Greece, for example, 48% of consumers consider that the industry as a whole is characterized by lack of professionalism.

In the present study, six dimensions (developed and tested by Dr. Masood H Siddiqui & Tripti Ghosh Sharma (2010)), were used to find the service gap in insurance services namely assurance, personalized financial planning, competence, tangibles, corporate image, and technology.

RESEARCH METHODOLOGY

The service quality has been reported by number of researchers in various fields like, banking, information systems, higher education, port service, hospitals, departmental stores, dental clinic services etc. very few members researched in the area of life insurance in India. In this context, the following are the major objectives of my study.

- To investigate service quality of Bajaj Allianz Life Insurance in South India.
- To find the service gap on the basis of service dimensions viz., assurance, personalized financial planning, competence, tangibles, corporate image and technology using SERVQUAL instrument.

Both primary data secondary data were tapped to gather, understand and analyse the service quality of Bajaj Allianz Life Insurance Company Ltd. A structured questionnaire, consists of itemized statements and scales (Likert Seven Point Scale), was constructed taking into account the six SERVQUAL dimensions to collect primary data from the respondents. The secondary data has been gathered from various journals, business magazines and various websites pertaining to previous research studies and empirical investigations.

The convenience sampling method is used as a research technique; it helps to obtain right information from respondents. 267 was taken as the sample size over a period of six months and confined to southern states of India namely Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

In order to carry out the gap analysis, the following equation was used.

$$\textbf{SERVQUAL Score} = \textbf{Perception Scores} - \textbf{Expectations Scores}$$

RELIABILITY ANALYSIS

Cronbach's α (alpha**)** is a statistic which is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. It was first named as alpha by Lee Cronbach in 1951, as he had intended to continue with further coefficients. The measure can be viewed as an extension of the Kuder-Richardson Formula 20 (KR-20), which is the measure's equivalent for dichotomous items. Before assessing the service quality it was necessary to establish the reliability of the instrument for collected data. Concerning the reliability of the instrument for the internal service quality scores, the Cronbach's alpha resulted in the values indicated in Table 1. These results are similar as those found in the literature, e.g. 0.920 by Parasuraman et al. (1988) and 0.900 by Cronin and Taylor (1992). Therefore, the results of total scale for the developed instrument could be considered reliable. In this study all the dimensions in perception (assurance 0.704; personalized financial planning 0.758, competence 0.728; tangibles 0.849; corporate image 0.801; technology 0.839 and total 0.897) as well as expectation (assurance 0.787; personalized financial planning 0.797, competence 0.764; tangibles 0.878; corporate image 0.927; technology 0.702 and total 0.925) reflected acceptable reliability: the alpha values of all the measure were greater than 0.7, the cut-off recommended by Nunnally (1978) for the basic research.

TABLE 1: RELIABILITY ANALYSIS

	Dimension	Cronbach's Alpha	Number of Items
Perception	Assurance	0.704	5
	Personalized Financial Planning	0.758	4
	Competence	0.728	5
	Tangibles	0.849	4
	Corporate Image	0.801	5
	Technology	0.839	3
Total		**0.897**	**26**
Expectation	Assurance	0.787	5
	Personalized Financial Planning	0.797	4
	Competence	0.764	5
	Tangibles	0.878	4
	Corporate Image	0.927	5
	Technology	0.702	3
Total		**0.925**	**26**

Note: *Calculated with SPSS 19.0.*

ANALYSIS OF THE DATA

DEMOGRAPHIC CHARACTERISTICS

The following table (table 2) shows the demographic profile of the respondents.

TABLE 2: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Demographics		Frequency	Percentage
Gender	Male	255	95.5
	Female	12	4.5
Age Group	Below 30 years	166	62.2
	31-45 years	83	31.1
	45-60 years	15	5.6
	Above 60 years	3	1.1
Education	Up to SSC	35	13.1
	Intermediate	27	10.1
	Graduation	169	63.3
	Post-Graduation and above	6	2.2
	Others	30	11.2
Occupation	Govt. Employment	69	25.84
	Private Employment	94	35.21
	Self-Employment	21	7.87
	Business	58	21.72
	Retired	3	1.12
	Housewife	6	2.25
	Student	4	1.50
	Others	12	4.49
Monthly Family Income	Below ₹10,000	28	10.49
	₹10,001 - ₹20,000	64	23.97
	₹20,001 - ₹30,000	83	31.09
	₹30,001 - ₹40,000	53	19.84
	Above ₹40,000	39	14.61

Table 3 shows the gap scores for individual items of six proposed dimensions of service quality. Five items have negative gap scores indicating service gap among these five items. The highest negative gap is found in item number 12 (gap -0.31), it indicates that insurer failed to provide easy access for information about insurance services. Most (four out of five) of the negative gap is found in the service dimension of *competence* and one negative gap is found in item number 9 (-0.14) which is pertaining to *personalized financial planning.*

MEANS VALUES OF VARIOUS DIMENSIONS OF SERVQUAL

TABLE 3: MEANS VALUES OF VARIOUS DIMENSIONS OF SERVQUAL

S.No.	Dimensions	Perception	Expectation	Gap Score
ASSURANCE				
1	Trained and well-informed agents	3.23	3.09	0.14
2	Approaching from customer's point of view	3.46	3.19	0.27
3	Trusting agents when explaining policies	3.40	3.05	0.35
4	Clarity in explaining policy's terms and conditions	3.19	3.13	0.06
5	Understanding intimately specific needs	3.58	3.41	0.17
PERSONALIZED FINANCIAL PLANNING				
6	Provision of Flexible payment schedule	3.51	3.40	0.11
7	Availability of flexible product solution	3.50	3.30	0.20
8	Provision for Convertibility of products	3.41	3.25	0.16
9	Supplementary services	3.39	3.53	-0.14
COMPETENCE				
10	Staff dependable in handling customer's problem	3.21	3.37	-0.16
11	Efficient staff	3.25	3.46	-0.21
12	Easy access to information	3.14	3.45	-0.31
13	Prompt & Efficient Grievance handling mechanism	3.40	3.49	-0.09
14	Prompt and hassle free claims settlement	3.46	3.06	0.40
TANGIBLES				
15	Adequate number of branches	3.65	2.88	0.77
16	Accessible location of the branch	3.67	2.74	0.93
17	Good ambience of the branch	3.55	2.79	0.76
18	Possessing good certification and credentials	3.53	2.95	0.58
CORPORATE IMAGE				
19	Innovativeness in introducing new products	3.47	2.88	0.59
20	Courteous Agents	3.56	3.05	0.51
21	Value for money	3.59	2.79	0.80
22	Simple and less time consuming procedure for purchasing a policy	3.76	2.84	0.92
23	Financially stable company	3.27	2.96	0.31
TECHNOLOGY				
24	Easy online transaction	3.16	2.90	0.26
25	Prompt complaint handling online	3.35	2.94	0.41
26	Proactive information through e-mail or SMS	3.34	3.14	0.2

***Note**: Calculated with SPSS 19.0.*

TABLE 4: UN-WEIGHTED SERVQUAL SCORE

S.No.	Dimensions	Perception	Expectation	Gap Score
1	Assurance	3.3730	3.1760	0.197
2	Personalized Financial Planning	3.4541	3.3689	0.085
3	Competence	3.2921	3.3655	-0.073
4	Tangibles	3.6011	2.8408	0.760
5	Corporate image	3.5296	2.9056	0.624
6	Technology	3.2871	2.9963	0.291
Total				**1.884**
Average of Un-weighted SERVQUAL Score (Total/6)				**0.314**

***Note**: Calculated with SPSS 19.0.*

The un-weighted SEVQUAL scores of six dimensions and average of un-weighted SERVQUAL score was displayed in table 4. All the dimensions of service quality, except *competence (average gap score -0.073),* indicate positive service gap scores. The average un-weighted SERVQUAL score is positive i.e., 0.314.

Listed below are six dimensions pertaining to life insurance services. Table 5 shows the allocation of 100 points among the six dimensions according to how important it is to life insurance services.

TABLE 5: WEIGHTAGES TO VARIOUS DIMENSIONS OF SEVQUAL

1	**Assurance -**Trained and well-informed, Approaching from customers, Trusting agents, Clarity in explanation, Understanding needs.	24
2	**Personalized Financial Planning -** Provision of flexible payment, Flexible product, Convertibility of products, Supplementary services.	20
3	**Corporate Image** - Innovativeness, Courteous Agents, value for money, Simple and less time, Stable Company.	18
4	**Technology -** Easy online transaction, Prompt complaint handling, Proactive information through e-mail.	16
5	**Competence -** Handling customer's problems, Efficient staff, Easy access, Grievance handling mechanism, Free claims settlement.	12
6	**Tangibles** - Adequate No. of branches, Accessible location, Good ambience, Good certification and credentials.	10
Total		100

TABLE 6: WEIGHTED SEVQUAL SCORES

S.No.	SERVQUAL Dimension	Score from Table 4	Weights from Table 5	Weighted Score
1	Assurance	0.197	0.24	0.0473
2	Personalized Financial Planning	0.085	0.20	0.0170
3	Competence	-0.073	0.18	-0.0131
4	Tangibles	0.760	0.16	0.1216
5	Corporate image	0.624	0.12	0.0749
6	Technology	0.291	0.10	0.0291
Total				**0.2767**
Average SERVQUAL Weighted Score (Total/6)				**0.0461**

***Note**: Calculated with SPSS 19.0.*

Table 6 shows the weighted score for six dimensions as well as overall service quality of insurer. The scores, and weights on the basis of importance for the dimensions are taken from table 4 and table 5 respectively. Only competence dimension has negative weighted score (-0.0131; low enough for meeting expectations of the customers) however, the performance of the rest of the dimensions viz., assurance (0.0473), personalized financial planning (0.0170), tangibles (0.1216), corporate image (0.0749), and technology (0.0291) exceeded customer expectations. Ultimately, the average SERVQUAL weighted score is 0.0461, indicates that the Bajaj Allianz Life Insurance is good at exceeding customers' expectations.

CONCLUSIONS

From the results of this research, it is clearly found that service quality of insurance sector can be measured using this scale of six dimensions – assurance, personalized financial planning, competence, tangibles, corporate image, and technology using SERVQUAL instrument of Dr. Massod H Siddiqi & Tripti Ghosh Sharma (2010). The Bajaj Allianz Life Insurance Company Ltd. was failed to meet its customer expectations with regard to competence. The results of this research can helpful for enhancing the level of understandings in between service quality and other allied factors at future on life insurance sector in India.

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CAPITAL STRUCTURE DETERMINANTS FOR SUSTAINED PERFORMANCE IN THE ENERGY SECTOR OF INDIA

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ABSTRACT

Better performance and sustainability in operation is achieved with the help of Capital Structure. Though there are many factors which affects the performance of firms, capital structure plays a major role in determining sustained performance of a sector. So it's important to know the factors which contribute to the firm's capital structure. The study is done to understand the relationship between the determinants of capital structure and the leverage level of the firms in energy sector in India. Using the linear regression, the leverage behaviour of the listed companies are analysed for the period from 2007-2012. The sample consists of eight listed companies. In the study the determinants of capital structure i.e.; capital intensity, tangibility and profitability is taken as dependent variables and debt equity ratio as independent variable.

KEYWORDS

Capital structure, Determinants of Capital Structure, leverage behaviour.

INTRODUCTION

Capital structure is one of the most important topics of debate in the field of finance. Capital structure is the mix of both equity and debt used by firms in financing their assets. It's the area in which the financial managers give more importance and it's the most important decision they take up. Their main aim is to reduce the cost of capital and to increase the shareholder's wealth. Capital structure is an effective way to manage the cost of capital. An optimal capital structure is when the cost of capital is minimum. The main objective of the study is to analyse the determinants of capital structure and the leverage level of the firms.

INTRODUCTION TO CAPITAL STRUCTURE AND ITS DETERMINANTS

CAPITAL STRUCTURE

Financing and investment are two major decision areas in a firm. In the financing decision the manager is concerned with determining the best financing mix or capital structure for his firm. Capital structure could have two effects. First, firms of the same risk class could possibly have higher cost of capital with higher leverage. Second, capital structure may affect the valuation of the firm, with more leveraged firms, being riskier, being valued lower than less leveraged firms. If we consider that the manager of a firm has the shareholders' wealth maximisation as his objective, then capital structure is an important decision, for it could lead to an optimal financing mix which maximises the market price per share of the firm, Modigliani and Miller (1958, 1963).

DETERMINANTS OF CAPITAL STRUCTURE

Capital structure should be designed very carefully. The management of the company should set a target capital structure and the subsequent financing decisions should be made with a view to achieve the target capital structure. Once a company has been formed and it has been in existence for some years, the financial manager then has to deal with the existing capital structure as stated by Jensen (1976, 1986). The company may need funds to finance its activities continuously. Every time the funds have to be procured, the financial manager weighs the pros and cons of various sources of finance and selects most advantageous sources keeping in view the target capital structure: Thus the capital structure decision is a continuous one and has to be taken whenever a firm needs additional finance as suggested by Huang (2006).

The factors to be considered whenever a capital structure decision is taken are: Capital Intensity, Tangibility, Profitability, firm Size, Non Debt Tax Shield based on Amidu (2007).

CAPITAL INTENSITY RATIO

Capital intensity, or employment of fixed asset, is generally synonymous with the concept of operating leverage. Thus increased capital intensity implies increased risk of future earnings variation. Therefore, top management's desire to retain control of the firm and concern of creditors to limit risk of default, should result in lower debt levels for firm choosing automation over labour as the primary factor of production. On the other hand, the traditional argument is the more capital intensive a firm is, larger will be the need for long term debt by the firm due to larger financial requirements and it will also have access to assets which could be collateralized.

TANGIBILITY

The more tangible firm's asset the ability to issue secured debt. The firm with large amount of fixed asset can borrow at relatively lower rate of interest by providing security of these assets to creditors. Having the incentive of getting debt at lower interest rate, a firm with higher percentage of fixed asset is expected to borrow more as compared to a firm whose cost of borrowing is higher because of having less fixed assets. Thus a positive relationship between tangibility of asset and leverage is expected

PROFITABILITY

A profitable firm have access to retained profits, can use these for firm financing rather than accessing outside sources.

- Debt reduced and free cash flow generated by profitability.
- Lower risk of bankruptcy.
- Exploit interest rate tax shields.

FIRM SIZE

There are two conflicting viewpoints about the relationship of size to leverage of a firm. First large firm don't consider the direct bankruptcy cost as an active variable in deciding the level of leverage as these cost are fixed by constitution and constitute a smaller portion of the total firm's value. And also, larger firms being more diversified have lesser chances of bankruptcy.

NON DEBT TAX SHIELD

In order to reduce the tax bill, firm want to exploit the tax deductibility of interest. If they have other tax deductible item which they can use as tax shield other than debt then the leverage is low. So there exist negative relationship between non tax shield and leverage, Zeitun & Tian (2007).

OBJECTIVES OF THE STUDY

1. To identify the relationship of the factors which contribute to the capital structure composition of the firm
2. To analyse the relationship between capital structure determinants and leverage behaviour.

SOURCE OF DATA

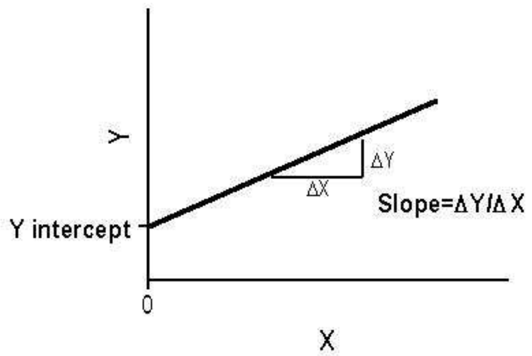
This study is based on the financial data of sample firm from 2010-2012 and has been taken from Prowess of NSE listed companies.

THE SAMPLE

As this study has focused on the Energy Sector, initially all the 10 firms (which are listed on the NSE stock exchange, CNX ENERGY) in the energy sector were selected. Then after screening I found 3 companies have with incomplete data, so rest of them were selected for panel data analysis

MODEL OF STUDY

The study examines the determinants of capital structure of energy firms in India. Linear regression model is used in this study. Linear regression is a statistical procedure for predicting the value of a dependent variable from an independent variable when the relationship between the variables can be described with a linear model. A linear regression equation can be written as Yp= mX + b, where Yp is the predicted value of the dependent variable, m is the slope of the regression line, and b is the Y-intercept of the regression line.



In statistics, linear regression is a method of estimating the conditional expected value of one variable y given the values of some other variable or variables x. The variable of interest, y, is conventionally called the "dependent variable". The terms "endogenous variable" and "output variable" are also used. The other variables x are called the "independent variables". The terms "exogenous variables" and "input variables" are also used.

HYPOTHESIS

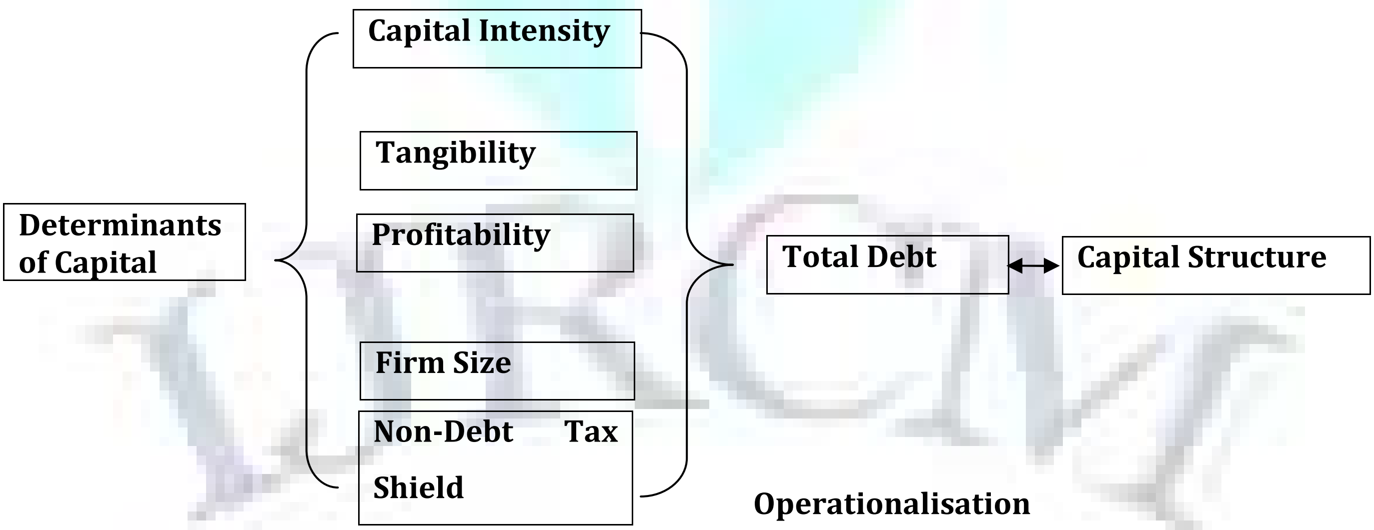
NULL

H_0 1: There is no significant relationship between Capital Intensity Ratio on Total Debt ratio.
H_0 2: There is no significant relationship between Tangibility Ratio on Total Debt ratio.
H_0 3: There is no significant relationship between Profitability Ratio on Total Debt ratio.
H_0 4: There is no significant relationship between Firm Size on Total Debt ratio.
H_0 5: There is no significant relationship between Non Debt Tax Shield on Total Debt ratio.

ALTERNATIVE HYPOTHESIS

H_1 1: There is significant relationship between Capital Intensity Ratio on Total Debt ratio.
H_1 2: There is significant relationship between Tangibility Ratio on Total Debt ratio.
$H_1$3: There is significant relationship between Profitability Ratio on Total Debt ratio.
H_1 4: There is significant relationship between Firm Size on Total Debt ratio.
H_1 5: There is significant relationship between Non Debt Tax Shield on Total Debt ratio.

CONCEPTUAL FRAMEWORK



OPERATIONALISATION

Key concept and variables used in the conceptual frame work are operationalized as follows:

KEY CONCEPT AND SELECTED VARIABLE

Variable	Indicator	Measurement Level	Measurement
Capital Structure	Total Debt	Ratio	Total Debt/Total asset
Capital Structure Determinants	Capital Intensity	Ratio	Total Asset/Sales
	Tangibility	Ratio	Total gross fixed asset/Total Asset
	Profitability	Ratio	EBIT/Total Asset
	Firm Size	Value	Log of sales
	Non Debt Tax Shield	Ratio	(Earning After Interest & Tax/.5)/Total Asset

DEPENDENT VARIABLE

- **Total Debt Ratio**

INDEPENDENT VARIABLES

- **Capital Intensity Ratio**
- **Tangibility Ratio**
- **Profitability Ratio**
- **Firm Size**
- **Non Debt Tax Shield**

MEANING OF VARIABLES

Pearson correlation: This represents the degree of correlation between the variables.

- When the value is zero (0) it represents that there is no correlation between variables.
- When the value is one (1) it represents that there is a positive correlation between variables.
- When the value is minus one (-1) it represents that there is a negative correlation between variables.
- When the value lies between -1 & 0 and 0 & 1 it represents the strength of relationship between the variables.
  - If the value lies between –0.25 & 0 and 0 & 0.25 the variables are negatively insignificant and positively insignificant respectively.
  - If the value lies between –0.50 & -0.25 and 0.25 & 0.50 the variables shares negatively moderate relationship and positively moderate relationship respectively.
  - If the value lies between –0.75 & -0.50 and 0.50 & 0.75 the variables shares negatively satisfactory relationship and positively satisfactory relationship respectively.
  - If the value lies between –0.75 & -1.00 and 0.75 & 0.1 the variables shares negatively high degree of relationship and positively high degree of relationship respectively.

R Square (R^2): It measures the strength of regression relationship between the variables, a measure how well a regression line fits the data.

- When the value of R^2 is 0.9 or above upto 1 it suggests that there is high strength in the relationship between the variables.
- When the value of R^2 is 0.8 or above upto 0.9 it suggests that there is good strength between the variables.
- When the value of R^2 is 0.6 or above upto 0.8 it suggests that there is satisfactory strength between the variables.
- When the value of R^2 is below 0.6 upto -1 it suggests less variation in the data.

P Value: If P value is less than 0.05 then we reject H_0 and accept H_1.

T stat: If T stat is more than +/- 2 then it suggests that there is significant correlation between the variables.

DATA ANALYSIS AND INTERPRETATION

The following tables state the relationship between the dependent variables and independent variables of the study.

TABLE 1: TABLE SHOWING THE RELATIONSHIP BETWEEN CAPITAL INTENSITY RATIOS ON TOTAL DEBT RATIO

Company Name	H_0	H_1
BPCL		✓
GAIL		✓
IOC	✓	
NTPC	✓	
TATA	✓	
POWERGRID	✓	
ONGC	✓	

From the above table it is evident that higher capital intensity ratio means variation in the future earnings and more requirements for debt in the future. In the analysis of seven companies in the energy sector reveals that only two companies have relationship between capital intensity ratios on the leverage of the firm. This means that in majority of the companies in energy sector, there is less impact on leverage by capital intensity ratio. This is good as there is no much variation in the future earnings of the companies and fewer requirements for debt in future and it safeguards the asset from being collateralized. Thus, it is clear that energy sector which is a capital intensive industry relies more on its internal funding rather than external funding. Thus, it proves the hypothesis that there is no significant relationship between Capital intensity Ratio on Total Debt Ratio

TABLE 2: TABLE SHOWING THE RELATIONSHIP BETWEEN TANGIBILITY RATIOS ON TOTAL DEBT RATIO

Company Name	H_0	H_1
BPCL		✓
GAIL	✓	
IOC		✓
NTPC		✓
TATA	✓	
POWERGRID	✓	
ONGC	✓	

From the above table it is understood that there is relation between tangibility ratio and total debt ratio exists only for three companies. This means that only in three companies there is high leverage value. The tangibility ratio is the asset structure of the company. When it is more it means the existence of more tangible assets which can be used as collaterals for debt and can be used at the time of bankruptcy. So when there is relation between the variables it indicates the presence of more tangible assets which helps to create more leverage value for the firm. The other companies which do not have any relation between the variables are in a danger position as they have fewer assets which can be used as collateral to raise debt. So from the analysis it is proved that most of the companies are relying on tangible assets to fund their debts.

TABLE 3: TABLE SHOWING THE RELATIONSHIP BETWEEN PROFITABILITY RATIOS ON TOTAL DEBT RATIO

Company Name	H_0	H_1
BPCL		✓
GAIL		✓
IOC		✓
NTPC	✓	
TATA	✓	
POWERGRID	✓	
ONGC	✓	

From the above table it is evident that three companies out of seven companies shows that there is relation between profitability ratio and total debt ratio. This means that the firms have less profit and they go for debt financing which increases the use of debt in the firm. The other four firms shows that there is no relation between the profitability ratio and total debt ratio which means that their profit is higher and they go for internal financing which does not affect the leverage of the firm. Therefore from the above analysis it is evident that almost all the firms in energy sector use internal finance rather than debt financing.

TABLE.4: TABLE SHOWING THE RELATIONSHIP BETWEEN FIRM SIZE ON TOTAL DEBT RATIO

Company Name	H_0	H_1
BPCL		✓
GAIL		✓
IOC	✓	
NTPC		✓
TATA	✓	
POWERGRID		✓
ONGC	✓	

From the above table it is evident that out of the seven companies analysed, four companies' shows that there is a relation between the size of the firm and the leverage of the firm. The results show that the bigger the firm less debt the firm will raise. This is due to their ability to earn high profits from their business and the availability of internal finance. From the above analysis it is proved that 57% of the companies show relation between firm size and the total debt of the firm. This shows that they go for internal finance rather than debt financing.

TABLE.5: TABLE SHOWING THE RELATIONSHIP BETWEEN NON DEBT TAX SHIELDS ON TOTAL DEBT RATIO

Company Name	H_0	H_1
BPCL		✓
GAIL		✓
IOC		✓
NTPC		✓
TATA	✓	
POWERGRID	✓	
ONGC		✓

From the above analysis almost all the companies shows a relation between non debt tax shield and leverage level. This means that they get benefit of tax shield irrespective of the use of debt. As most of the companies use internal finance of funds they prefer non debt tax shields as they have less benefits of tax shields like interest on debts.

FIXED EFFECT MODEL(OVER ALL ANALYSIS OF ENERGY SECTOR)

Dependent Variable: TDR?				
Method: Pooled Least Squares				
Date: 02/13/13 Time: 06:35				
Sample: 2000 2012				
Included observations: 13				
Cross-sections included: 7				
Total pool (balanced) observations: 91				
Cross sections without valid observations dropped				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.572642	0.155654	3.678954	0.0004
CIR?	-0.022300	0.012493	-1.785050	0.0781
TR?	-0.032297	0.039755	-0.812409	0.4190
PR?	0.511595	0.281947	1.814510	0.0734
FS?	-0.002653	0.028948	-0.091659	0.9272
NDTS?	-0.969710	0.217028	-4.468135	0.0000
	Effects Specification			
R-squared	0.920748	Mean dependent var		0.372664
Adjusted R-squared	0.909713	S.D. dependent var		0.173698
S.E. of regression	0.052193	Akaike info criterion		-2.945430
Sum squared resid	0.215201	Schwarz criterion		-2.614327
Log likelihood	146.0171	Hannan-Quinn criter.		-2.811851
F-statistic	83.43809	Durbin-Watson stat		1.062781
Prob(F-statistic)	0.000000			

Fixed effect model is a statistical model that represents the observed quantities in terms of explanatory variables that are treated as if the quantities were non random. In panel data analysis, the fixed effect model is used to refer to an estimator for the coefficients in the regression model. It imposes time independent effects for each entity that are possibly correlated with the regressors. The coefficient in the above table shows the significance of each independent variable on the dependent variable. While capital intensity ratio, tangibility ratio, firm size and non-debt tax shields shows negative significance, profitability ratio shows a positive significance of 51% to total debt ratio of the firm. The probability table shows whether there is significant relation between the independent variables and dependent variable. From the above analysis except non- debt tax shields, all other independent variables value is above 0.05 which shows that there is a relation between the independent variables and the dependent variables. Therefore from the analysis it is proved that the determinants of capital structure namely capital intensity ratio, tangibility ratio, profitability ratio and firm size influences the capital structure of the firms in energy sector

FINDINGS OF THE STUDY

- The majority of the companies in energy sector, there is less impact on leverage by capital intensity ratio. This is good as there is no much variation in the future earnings of the companies and fewer requirements for debt in future and it safeguards the asset from being collateralized. Thus, it is clear that energy sector which is a capital intensive industry relies more on its internal funding rather than external funding.
- From the above analysis it is evident that 57% of the firms in energy sector use internal finance rather than debt financing because they have higher profits in order to finance their capital.
- The analysis proved that 57% of the companies are relying on tangible assets to fund their debts.

- From the analysis it is proved that 57% of the companies show relation between firm size and the total debt of the firm. This shows that they go for internal finance rather than debt financing.
- Most of the companies use internal finance of funds they prefer non debt tax shields as they have less benefits of tax shields like interest on debts.
- From the above over all analysis by using fixed effect model it understood that there is a relation between Total Debt Ratio with CIR,TR,PR and FS in order to finding out the leverage in capital Structure, so above mentioned variables are affecting the leverage of the firm's capital structure.

Capital structure is an important area of a company. It shows the level of debt and equity employed in the firm. Taking decisions on the capital structure is therefore an important decision to be made. The project examines the determinants of capital structure and the effects of these determinants on the leverage level of the firms. The study uses only one measure of leverage i.e.; the total debt ratio. The determinants used in the study are capital intensity ratio, tangibility ratio, profitability ratio, firm size and non debt tax shields. These determinants affect the capital structure of the firm. The study analyses these affects on the structure.

Capital intensity is the employment of fixed asset. The more the capital intensity ratio means more variation in the future earnings. When capital intensity ratio is more it results in more use of debt in the firm. From the study it is analysed that there is no much relation between the capital intensity ratio and total debt which implies that the firm uses less debt in the firm.

Tangibility ratio is the asset structure of the firm. It shows the level of tangible assets employed in the firm. The more level of tangible asset in the firm, the firm can use more debt in the firm as they have more assets to be kept as collaterals. In the analysis, 57% of the companies in the energy sector have less tangibility ratio which means that the assets available as collateral is less and they have to go for internal financing rather than debt to reduce their chances of bankruptcy.

Profitability ratio is the capacity of the firm to earn profits. When profitability is high the use of debt is reduced by the firms as they have profits to finance their fund requirements. Those firms go for internal financing. In the study it is proved that 57% of the companies in energy sector have profits to finance their funds. This shows that the use of debt is low and they go for internal financing.

Firm size also affects the leverage of a firm. When the firm size is large their capacity to earn profit will be more and they will have enough internal funds to meet their requirements. This will reduce the level of debt in the firms. In the study it is clearly understood that 57% of the firms in energy sector are large enough to have internal financing.

Non debt tax shields are those components which allow a firm to get tax deduction without using debt in the firm. Debts are used by the firm to reduce the amount of tax. From the above analysis it is understood that in almost all the companies the level of non debt tax shield is high. This means that the firms are getting the benefit of tax shield without using debt in the firms. They benefit from these non debt tax shields due to the use of internal finance.

From the whole study on the determinants of capital structure in the energy sector shows that almost all the companies in the energy sector uses more of internal financing rather than debt funds. This also proves the ability of the firm to raise enough funds for their requirements through other ways than through debts.

MANAGERIAL IMPLICATIONS

- The companies should try to minimise their capital intensity ratio. Higher capital intensity ratio means high variations in the future returns which means high requirement for debt in the future. High debt is not good for the company which leads to great leverage in the firm. So in order to reduce the variations in the future earnings, capital intensity ratio should be minimised.
- The companies should try to increase their tangibility ratio. Higher tangibility ratio shows more tangible assets in the firm. This will help to raise debt when required as assets are available as collateral. More assets will also help the company during bankruptcy.
- If the firm wants to reduce the use of debt in the future, they have to increase their profitability ratio. More profits mean more internal funds available for the company to meet its requirements. This reduces the amount of debt to be raised by the company. Thus more profits helps to reduce the debt fund of the firm which helps the firm from large leverage.
- Large firms can go for more debt funds. Large firms have the ability to meet high debt ratio. They will have the ability to pay back the debt in time as their business is large and earn good returns from the business. So the firms have to evaluate their firm size before raising debt funds.
- Firms also have to look their non-debt tax shield before raising debt funds. More non debt tax shield use less debt funds in their companies. So the companies if required more debt fund in the future has to bring down their non-debt tax shields.

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FINANCIAL INCLUSION IN INDIA - A ROAD AHEAD

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ABSTRACT

Villages are the backbone of our economy. The soul of India lives in its villages. Empowerment of farmers leads to economic development of any country. However, malnourishment, suicide and health problems of farmers are shocking realities that still exist in many rural areas in our country and this is considered to be a serious threat to the economic progress of our country. The farmers already emaciated due to malnutrition further face the problem of inadequate finance. Financial assistance from the government will relieve them from several problems. Many of the farmers are under the clutches of unscrupulous money lenders which is surprising. They are blissfully unaware of financial services provided by our banks. Over the last few years, Government of India has given significant importance to the idea of financial inclusion. The need for the study of financial inclusion is to create a market driven banking sector with adequate focus on economic development. The objective of the study is to analyze the linkage between finance and economic development and to study the status of financial inclusion in India. Hope that the importance of Financial Inclusion is realized by all stakeholders responsible for making the banking process a success and that whatever strategies suggested will be pursued in right earnest by everyone in our country.

KEYWORDS
Financial Inclusion, Reserve Bank of India, Empowerment, Outreach Programme.

INTRODUCTION
India a sovereign, socialist, secular democratic republic is the world largest democracy in terms of citizenry. The constitution of India guarantees the equality to all the people of our country. Money like most other social institution has developed gradually over a very long period of time through trial and error. It is a most remarkable instrument which can be employed or influenced for many ends and in many ways.

Finance is the art and science of money. It is a universal lubricant that keeps the firm dynamic. Right from the very beginning of conceiving an idea to business, finance is needed to promote the business, to impart 3m's (men, machine and material) even the existing business need finance to further development of business. Everything depends, of course what we mean by money. **MONEY MAKES A MARE GO** is illustrative of this idea.

Finance plays a major role in the economic development of the country. Our country's development strategies focus on the villages where the people are blissfully unaware of the financial services provided by the banks. A new approach to development assistance and a comprehensive development framework has to be initiated by the banks and also our banks has taken various initiatives and brought to the limelight the need for social inclusion. The two main pillars of bank assistance to villages are

- building a climate for investments, jobs and sustainable growth and
- empowering poor men and women to participate in development.

Together these pillars form the key elements of sustainable development.

MEANING OF FINANCIAL INCLUSION
The term financial inclusion is, however, perceived in different ways under different contexts. There is a view that only access to credit is treated as financial inclusion whereas the other view includes all the services extended by the financial institutions. That apart, financial inclusion by banks and other institutions must target, apart from personal / private investment requirements of individuals and groups, the universal public investment requirements necessary for development of infrastructure, social sector services, public utilities and productive forces / capacity building efforts, etc. Thus, financial inclusion may well be all about money and finance, but with the ultimate objective of directly abolishing the state of social exclusion in the economy.

REVIEW OF LITERATURE
Basant Kumar1 & Brajaraj Mohanty (2012) (Financial Inclusion and Inclusive Development in SAARC Countries with Special Reference to India) stated that financial inclusion is a development policy priority aimed at improving conditions of vulnerable groups in many countries. Several initiatives for financial inclusion supported by legislative measures have come from financial regulators, banks and governments. One such initiative taken by the SAARC countries is the provision of microfinance. The comparison of Financial Access 2010 survey on various issues of financial inclusion agenda of the SAARC countries suggests that enforcement mechanisms are weaker than legislative requirements in all the SAARC countries.

Nitin Kumar (2012) made a deep analysis about the behavior of inclusion/exclusion across the population groups. According to the researcher, the financial inclusion mission has gained tremendous relevance *in an emerging economy like India. Financial exclusion seems to be more severe in rural and backward locations. He has employed the pooled dataset spanning over the period from 1990 to 2008 for rural and urban regions separately. The result is a testimony to the fact that inclusion policies are actually translating into significant improvement of branch density in India.*

Suresh Chandra Bihari (2011) studies about the various reasons behind the financial exclusion and explains the status of financial inclusion in India. The various financial services include credit, savings, insurance and payments and remittance facilities. Importance of financial inclusion arises from the problem of financial exclusion of nearly three billion people from the formal financial services across the world. With only 34 percent of population engaged in formal banking, India has a vast majority of financially excluded households. This study deals with the various reasons behind this and suggests wav to ameliorate the same.

S Sankaramuthukumar and K Alamelu (2011) in his study has investigated about the aims at developing an index for insurance inclusion for India and her states. It also ranks the states according to insurance inclusion index, and compares the insurance inclusion index with the latest financial inclusion index for Indian states. The average Insurance Inclusion Index (III) for India is 0.29 which means that the insurance penetration is only 29% in the country. When compared to Life Insurance Inclusion Index (LIII), the General Insurance Inclusion Index (GIII) is too low in India. The national average is just 0.19. LIII for the country as a whole is 0.34, which is above the III. There is a positive correlation between III and Financial Inclusion Index (FII).

Tushar Pandey, Nagahari Krishna, Venetia Vickers, Antonio Menezes,and M. Raghavendra (2010) analyzed the efforts for financial inclusion need to be designed with a vision beyond just the percentage of the country population with access to a bank account or a no frills account; to focus more on how this can enhance the capability and convenience for the un-banked and under-banked, specifically the small and marginal farmers in this case, to enable greater transparency, accountability, efficiency and convenient access to necessary facilities. Government will play an important role in facilitating this partnership and scaling successful models as part of its policy to enable greater financial inclusion, with a focus on the small and marginal farmers.

Chandan Kumar Goyal (2008), in his research examines financial development which stimulates economic growth. In recent times, banking sector has played a significant role in strengthening Indian financial system.. This paper looks into the circumstances that led to the growing consensus about financial inclusion/exclusion in recent years. It attempts to make a comparative analysis of the status of financial inclusion in Assam, Northeastern Region (NER), and India as a whole. Addressing the issue of financial inclusion from the perspectives of both supply and demand, the paper concludes by suggesting various means to deal with these constraints on financial inclusion.

BANKS TO REACH THE UNREACHED

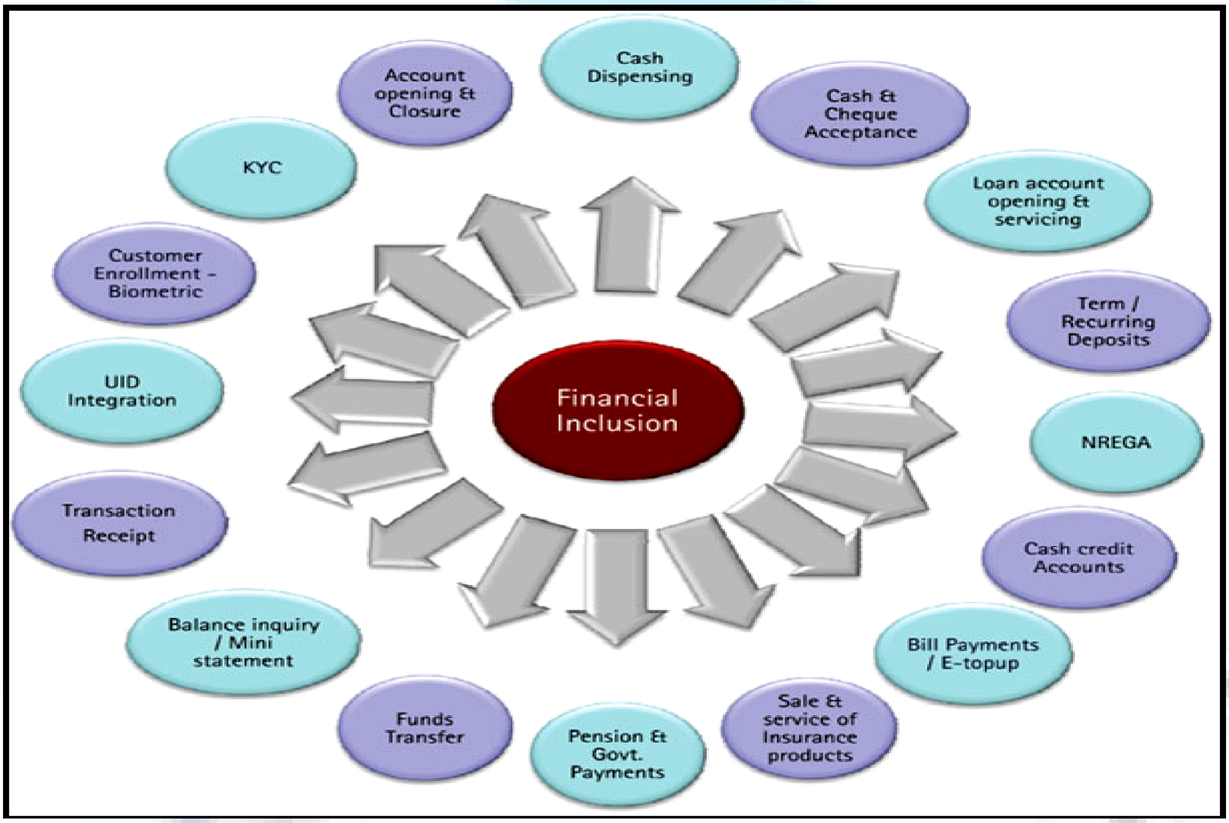
Financial inclusion is delivery of banking services to the less privileged and weaning them a way from the unscrupulous money lenders. This is a mammoth task and it cannot be achieved without active collaboration of all stakeholders. The government of India closely measure and monitor financial inclusion and are continuously discussing with banks the associated challenges and opportunities. This essentially means ensuring access to appropriate financial products and services by all sections of the society especially the weaker ones and those with low-income. The argument behind promoting financial inclusion stems from the fact that in its absence, socio-economic developments cannot take place at its expected due pace.

The unbanked, who live primarily in developing countries, comprise nearly half of the world's working-age population. In some countries, as much as 90% of the population lacks access to the formal financial system. This impedes their participation in the global economy by restricting their ability to buy goods and services, to borrow and save, or to invest in their future and that of their community and country.

STATEMENT OF THE PROBLEM

Financial inclusion is delivery of banking services to the less privileged and weaning them a way from the unscrupulous money lenders. This is a mammoth task and it cannot be achieved without active collaboration of all stakeholders. Banking to reach the unreached is considered to be one among several outstanding achievements to its credit. Although there has been improvement in the outreach programme activity in the banking sector, the achievement is not significant. The main problem is they don't have sufficient income to open an account in the bank and money lenders are still dominant source of rural finance despite wide presence of banks in rural areas. A whole-hearted effort is required in order to achieve the targets of financial inclusion. The concept of financial inclusion can be traced back to 1904 when cooperative movement took place. It gained momentum in 1969. Geographic penetration can be measured in terms of no of bank branches per 1000 sq km and no of ATM's per 1000 sq km.

FIGURE – 1: INITIATIVES BY RBI WITH REGARD TO FINANCIAL INCLUSION



NEED FOR THE STUDY

The need for the study is to suggest some revolutionary ideas with regard to financial inclusion that will transform the lives of the less privileged for the betterment of their own selves and as well of others and to march ahead slowly with adequate focus on economic development of our country evolving in to one of the finest country in the world. This paper studies the role of banks in the area of financing through financial inclusion of village, where the soul of India lies ahead.

OBJECTIVE OF THE STUDY

This study is an attempt to comprehend and distinguish the significance of financial inclusion in the context of developing countries such as India where the large population is deprived of the financial services which are very much essential for overall economic development of a country. Hence the objectives of the study are as per following:

1. To analyze the linkage between finance and economic development;

2. To study the status of financial inclusion in India and
3. To evaluate the extent to which the idea of financial inclusion has spread in India

METHODOLOGY OF THE STUDY

The study is based on the secondary data. Sampling technique used is cluster sampling and the researcher has divided the total population in to clusters or groups as north eastern, north western, south eastern, south western regions and the data is obtained from the database maintained by the Reserve Bank of India, banking company manuals & previous reports in magazines, newspapers etc., The study uses the data of financial assistance provided during 2009, 2010, 2011 and 2012 by all the sectors of banks in India. The sampling frame is confined to only scheduled commercial banks.

LINKAGE BETWEEN FINANCE AND ECONOMIC DEVELOPMENT

The bank performance in rural development during the past several years can be best analyzed in the light of main principles and objectives set out by from vision to action. The major thrust of from vision to action were clear; the bank rural development strategy would shift from a narrow agricultural focus to a broader rural development approach, incorporating long ignored issues such as land reform and nutrition and finding new ways to address old issues such as financial services and community driven development. To make these vision in to mission, the main priority actions included increasing economic and sector work, enabling knowledge management and agricultural research programs. Bank rural lending and non lending activities within the agricultural sector promoted a broadening of scope of lending. The improvements in project quality achieved in villages provide a strong platform from which to launch **reaching the rural poor** and move to scaling up quality rural operations.

STATUS OF FINANCIAL INCLUSION IN INDIA

TABLE 1: COVERAGE OF BANKING SERVICES, 2012

Region/ State	Current Accounts	Savings Accounts	Total Population	Adult Population (Above 19 years)	Total No. Of accounts	No. of acc. Per 100 of population	No. of acc. Per 100 of adult pop.
NORTHERN	**4215701**	**52416125**	**132676462**	**67822312**	**56631826**	**43**	**84**
Haryana	572660	8031472	21082989	11308025	8604132	41	76
Himachal Pradesh	134285	2433595	6077248	3566886	2567880	42	72
Jammu & Kashmir	277529	3094790	10069917	5379594	3372319	33	63
Punjab	1156137	13742201	24289296	14185190	14898338	61	105
Rajasthan	689657	12139302	56473122	28473743	12828959	23	45
NORTH-EASTERN	**476603**	**6891081**	**38495089**	**19708982**	**7367684**	**19**	**37**
Arunachal Pradesh	10538	209073	1091117	544582	219611	20	40
Assam	378729	5071058	26638407	14074393	5449787	20	39
EASTERN REGION	**1814219**	**47876140**	**227613073**	**122136133**	**49690359**	**22**	**41**
Bihar	464511	13225242	82878796	40934170	13689753	17	33
Orissa	228160	7030004	36706920	21065404	7258164	20	34
West Bengal	942733	21544753	80221171	45896914	22487486	28	49
CENTRAL REGION	**2202217**	**64254189**	**255713495**	**129316677**	**66456406**	**26**	**51**
Madhya Pradesh	553381	11731918	60385118	31404990	12285299	20	39
Uttar Pradesh	1324509	45804350	166052859	82229748	47128859	28	57
WESTERN	**3178102**	**49525101**	**149071747**	**86182206**	**52703203**	**35**	**61**
Maharashtra	2127240	31568184	96752247	56207604	33695424	35	60
SOUTHERN	**4666014**	**83386898**	**223445381**	**135574225**	**88052912**	**39**	**65**
Andhra Pradesh	1156405	23974580	75727541	44231918	25130985	33	57
Karnataka	1086662	19147819	52733958	30623289	20234481	38	66
Kerala	600065	17669723	31838619	20560323	18269788	57	89
Tamil Nadu	1786514	22052812	62110839	39511038	23839326	38	60
ALL-INDIA	**16552856**	**304349534**	**1027015247**	**541031553**	**320902390**	**31**	**59**

Source: RBI Report on Financial Inclusion, 2012.

TABLE 2: INDICATORS OF OUTREACH OF FINANCIAL SERVICES

VARIABLE	INDIA(as of march 2011)
Bank branches per 1,00,000 population	10.11
Bank branches per 1000 km square	26.46
Loan account per 1000 adults	89.03
Deposit account per 1000 adults	467.40
ATM per 1,00,000 population	7.29
ATM per 1000 km square	19.08
Financial access index rank	29

Source: compiled from financial access 2011

It can be observed from the table the problem arises not only from the supply side but also on the demand side. The opening of branches in unbanked segments increases year by year. By introducing various schemes and efforts by Reserve Bank of India reduces financial exclusion in a speedy manner.

TABLE 3: SPATIAL DISTRIBUTIONS OF BANKING SERVICES

(Amount in ` Billion)										
Population Group	As on March 31									
	March 2008		March 2009		March 2010		March 2011		March 2012	
	Deposits	Credit	Deposits	Credit	Deposits	Credit	Deposits	Credit	Deposits	Credit
Rural	3030.25	1830.97	3654.91	2086.94	4235.02	2498.04	4968.57	2941.04	5782.11	4182.27
Semi-Urban	4293.77	2306.29	5319.44	2667.36	6182.07	3203.72	7212.02	3830.72	8484.46	4569.30
Urban	6576.24	3835.76	8244.63	4618.70	9511.16	5593.30	11163.80	6849.80	12809.04	7809.33
Metropolitan	18387.92	15972.63	22154.37	19202.25	26091.01	22161.13	30920.71	27147.12	34665.86	31654.37
All India	32288.17	23945.66	39373.36	28575.25	46019.26	33456.19	54265.10	40768.68	61741.47	48215.27

Source: compiled from RBI report on spatial distribution of banking services

The table 3 divulges the population group wise distribution of deposits and credits of scheduled commercial banks. The scheduled commercial banks has reached an unexpected level of 5782.11 billion of deposits as on march 2012 compared to 3030.25 billion as on march 2008 and 4182.27 billion of credit from 2941.04 as on march 2008 in rural areas. It can be observed from the table that the scheduled commercial bank which has provided maximum credit to different sectors compared to other scheduled banks. In its day to day operations, the scheduled commercial banks face several challenges. The main challenge is the disbursement of funds in loans and advances to the less privileged society of our country.

TABLE 4: REGION WISE FINANCIAL INCLUSIONS

Region / State / Union Territory	As on March 31											
	Rural				**Semi-urban**				**Urban**			
	2011		**2012**		**2011**		**2012**		**2011**		**2012**	
	No. of centers	**No. of offices**	**No. of centers**	**No. of offices**	**No. of centers**	**No. of offices**	**No. of centers**	**No. of offices**	**No. of centers**	**No. of offices**	**No. of centers**	**No. of offices**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Northern Region	1143	1625	1356	1645	381	506	394	506	136	317	134	315
North Eastern Region	90	102	103	103	42	59	54	61	53	67	58	84
Eastern Region	443	618	481	629	334	386	347	393	287	361	261	217
Central Region	1013	1025	946	1091	791	870	726	861	268	448	310	443
Western Region	4185	2973	4058	3021	534	646	646	660	180	390	177	396
Southern Region	1513	1082	1488	1153	483	736	519	832	285	610	279	591
All India	**8387**	**7425**	**8432**	**7642**	**2565**	**3203**	**2686**	**3313**	**1209**	**2193**	**1219**	**2046**

Source: Rural Planning & Credit Department, RBI.

It can be observed from the table that north eastern region has less no of centers and offices when compared to other regions. Initiatives should be taken in this region with regard to various financial services to be provided to the weaker sections of the society.

Economic growth has to be equitably shared. In order to bring equality among the citizens of our country, financial inclusion has received renewed attention in recent years. The Government of India nudges the banks and other financial service players to identify the bottleneck that hinders the less privileged society from access to various financial services provided by them. The evidence from the various statistics shows that the country with large proportion of population provides financial services to only 40% of the people i.e., only two fifth of the population enjoys the benefit of their government. This in turn leads to poverty and poverty breeds crime. Rapid pace of growth is unquestionably necessary for substantial poverty reduction. The factor which determines the level of financial inclusion are per capita GDP, income inequality, adult literacy and urbanization and also the technological development also plays a major role in enhancing financial inclusion.

EFFORTS BY RESERVE BANK OF INDIA

The Reserve Bank of India has pioneered many initiatives in this regard truly fulfilling its commitment towards this worthy national cause. The efforts of the bank to include all the sections of the society under one roof of banking services are

NO FRILLS ACCOUNT

An account with nil balance is a commendable effort by the RBI. It is accessible to the vast sections of the population. In order to encourage people to have no frills account small overdraft facility is also provided to account holder.

KNOW YOUR CUSTOMER NORMS SIMPLIFIED

KYC requirements for opening bank account have been further simplified during the year to include card issued by the state Government(MGNREGA) duly signed by the respective officers or paper issued by the Unique Identification Authority of India containing the details of the account holders.

- **One Time Settlement for Overdue Loans**
- **Business Facilitators and Correspondence Model**
- **IT Solution**
- **Credit Counselling and Financial Education**
- **Revamping of Regional Rural Banks and Cooperative Bank**
- **Microfinance development and equity fund**
- **Financial Inclusion Fund for Development and Promotional interventions and Financial Inclusion Technology Fund to meet the cost of Technology:**

NABARD which plays a major role in providing credit to the weaker sections of the society has come up with these two funds with an overall corpus of 500 crores each, and it has been enhanced by 100 crores each in the Union Budget 2011-12.

TABLE 5

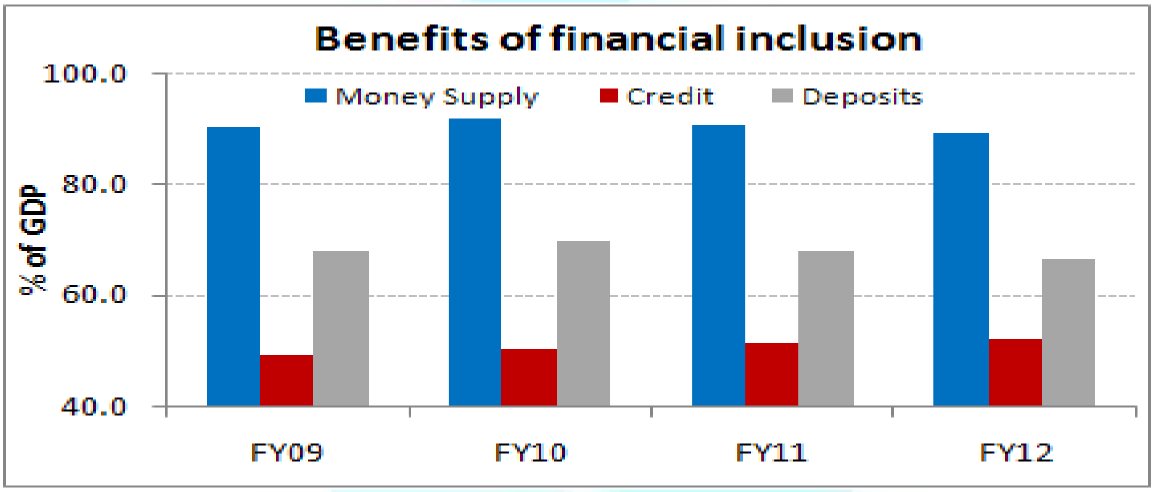
FINANCIAL INCLUSION – A SNAPSHOT

Particulars	Mar 10	Mar 11	June 11
Total villages covered	54258	100183	107604
Through branches	21475	22662	22870
Through BCs	32684	77138	84274
Through other modes	99	383	460
Urban locations covered through BCs	433	3757	4524
No-frill accounts	4.93 crore	7.39 crore	7.90 crore
No-frill accounts (amount in Rs crore)	4257.07	5702.94	5944.73
No-frill accounts with overdraft	1.31 lakh	6.32 lakh	9.34 lakh
No-frill accounts with overdraft (amount in Rs crore)	8.34	21.48	37.42

(Source: RBI)

The banks are advised to provide services to unbanked villages having a population of 2000 by March 2012. The RBI has also initiative banks to provide services through various forms of Information and Communication Technology instead of opening physical wallet. The Reserve Bank of India has so far conducted 34 outreach programmes in 2010-11 along with other dignitaries from banks, which has attracted the interest of electronic and print media in the country. The RBI endeavours to ensure post event momentum so those long term objectives of financial inclusion are attained.

FIGURE - 2



The table divulges the benefits of financial inclusion by taking in to consideration the money supply, credit given to the less privileged and the deposits made by them. It is evident from the data that the money supply is more but the demand for it is not up to that level.

PRIOIRITY SECTOR LENDING

As on March 2011 only 15 banks have achieved the target of lending to priority sector out of 81 banks in India. Scheduled Commercial Banks lending towards priority sector faced a pitfall, so they are required to contribute to the corpus of Rural Infrastructure Fund and various similar funds setup NABARD, SIDBI. This corpus will be announced by the Government of India every year. In the Union Budget 2011-12 , the Government has announced that the corpus fund of 18000 crores of which 2000 crores will be used for creation of warehousing facilities and the Short Term Rural Cooperative Credit corpus of Rs. 10,000 crores will be dedicated to Micro Small and Medium Enterprises.

TABLE – 6: FLOW OF CREDIT TO AGRICULTURAL SECTOR

YEAR	TARGET	ACHIEVEMENTS
2010-11	3,75,000 Crores	119%
2011-12	4,75,000 crores	Still to be achieved

Source: compiled by researcher

The table divulges the flow of credit to agricultural sector. In 2010-11 they have achieved 119% more than the target of 3,75,000 crores and it is expected to be same in the year 2011-12. Advances to these sector increases year by year to march ahead towards economic growth. It has been observed from various data of RBI with regard to priority sector advances that the scheduled commercial banks provide maximum credit compared to other banks in India. Special agricultural credit plan (SACP) also added advantage to scheduled commercial banks credit.

TABLE – 7 DISBURSEMENTS TOWARDS SACP BY PUBLIC SECTOR BANKS

YEAR	TARGET	ACHIEVEMENTS	PERCENTAGE OF ACHIEVEMENTS	ANNUAL GROWTH IN DISBURSEMENT
2007-08	1,52,133	1,33,226	87.6	8.8
2008-09	1,59,470	1,65,498	103.3	24
2009-10	2,04,460	2,07,347	101.4	26
2010-11	2,29,709	2,05,367	89.4	-0.95

Source: Compiled from RBI Statistical report

It can be observed from the table that the achievements are less when compared to the targets in 2007-08, 2010-11 but the public sector banks have achieved more than their target which showed a annual growth rate of 24% in 2008-09 and 2009-10 and during 2009-10 even the private sector banks has achieved 78,452 crores above the target of 62,352 crores with a percentage of 126%.

SUGGESTIONS AND CONCLUSION

- The bank's activities mainly focus on financial inclusion which is evident in our wide reach of branch network.
- The banks objective is to mobilize people's deposit and give back to them in the form of credit so that their individual economies are strengthened. Future, according to forecasts is well positioned compared to the global conditions.

- The banking industry is expected to flourish in a scenario of increased growth of domestic market, reduced unemployment and definitely accelerated poverty alleviation.
- The finance minister proposal to set up a women's bank was acknowledged by the bankers of India that it will give a boost to Financial Inclusion.
- It is a solution that has no more need for a physical wallet. The compact technology can make life easier.
- This technology alone cannot unleash the financial inclusion. Besides the bank branches, which are currently in the locations are the Post Offices which we have almost in all areas.
- Post offices are manned by local people who speak the local language and there is no need to carry people from other locations to different place. They need to be conscious of the lives of those people who are going to manage it and try as much as the State can ensure that they eliminate any kind of danger that may befall people who are going to be brought from outside.
- If they are able to succeed in doing something in their state that has so many issues, then it become easy for the Government to replicate those in other locations.

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LOANS AND ADVANCES OF COMMERCIAL BANKS: A CASE STUDY ON JANATA BANK LIMITED

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ABSTRACT

Janata Bank Limited welcomes you to explore the world of progressive Banking in Bangladesh. It is a state owned commercial bank and is catering the need of the mass business people. It was corporatized on 15th November 2007. The mission of the bank is to actively participate in the socio- economic development of the nation by operating a commercially sound banking organization, providing credit to viable borrowers, efficiently delivered and competitively priced, simultaneously protecting depositor's funds and providing a satisfactory return on equity to the owners. The health and efficiency of the financial sector are crucial to economic growth. It is the system by which a country's most profitable and efficient projects are systematically and continuously founded, and thus it is the mechanism which ensures that resources are directed to the most productive sources of future growth. The financial system not only transfers funds from savers to investors: it must be able to select projects which will yield the highest returns, accumulate sufficient quantities of capital to fund the range of investment projects across economic activities, account for price risks across assets, monitor performance, and enforce contracts. The exit question is particularly difficult in the financial sector although in Bangladesh this is a pervasive problem in the economy.

KEYWORDS

Commercial banks, economic development, economic growth, national interest social-economic development.

1. PRELUDE

Banks are the life-blood of modern economy. Banks are established to earn profit and help economic and financial activities to help economic development of a country. In such a context, the main business of Banking is to take deposits from customers and sanction credit to the borrowers. Thus, the Banks act as financial intermediaries. However, the present study in attempt to measure the customer service of Janata Bank Ltd., therefore to determine the limit of how efficiently and how effectively the customers are served by the Janata Bank officials and staffs. It will also be aimed at to suggest some recommendations in order to improve the existing customer service of Janata Bank. All kinds of Bank are generally supposed to be established to earn profit and help economic. Banks are the most important functionary of financial system of a country and Janata Bank Limited is one of them. It plays a dynamic role in the economic development of a nation through of savings and accumulation of credit to industrial sectors. It diverts and employs the funds in such avenues which are aimed to develop a country's economy and adds to national wealth.

2. STATEMENT OF THE PROBLEM

The main objective of Janata Bank Limited is to accelerate the set up of new projects and balancing, modernization, replacement, and expansion of existing units and financing in profitable concern. There have however, been large dues over of loans & interest. With the increased need of time banks plays a vital role in case of overall development of the civilization. This system includes account opening, cash receipt and payment, completing the clearing procedure, appraisal and sanctioning of various types of loans, completing the foreign exchange relating activities and maintenance of banks accounts. In this regard, the effort of this study to analyze the loans and advance of Janata Bank Ltd.

3. OBJECTIVES OF THE STUDY

The study is an attempt to fulfill the following objectives:
1. To develop skill on the banking sector.
2. To know the money and credit policy of Janata Bank Ltd.
3. To take ides about loan and advances of Janata Bank Ltd.
4. To find the various rates of loans of Janata Bank Ltd.

4. RATIONALE OF THE STUDY

Loans and Advances of Commercial Banks play an important role in any national economy or overall economy worldwide. Through these loans we can invest our capital. But smooth source of capital mainly come from central and commercial bank that's why study about loans and process of advances are very important. Different departments of a Bank perform different activities. The main part covers the operation scenario of a branch of Janata Bank Ltd. In this study it covers loan and advances facilities of Janata Bank Ltd.

5. LIMITATIONS OF THE STUDY

The major difficulties the researchers have faced are as follows

- Usually company is not willing to provide their actual data of financial statement.
- JBL as a commercial bank they are very busy and they could not able to give me enough time for discussion about various topics.
- Personal barriers like inability to understand some official terms, office decorum etc. creates a few problems to me.
- Finally, the lack of the depth of my knowledge and the analytical capacity for writing such report is also a shortcoming of this study.

6. REVIEW OF RELATED LITERATURE

In this study an attempted has been made to focus on different studies in the banking sector:

Cookson, **F** (1989) in his seminar paper "Productivity in The Banking Industries In Bangladesh" mentioned that "The output of a bank is to divided into three components i.e. deposit service, loan service and other financial services for which a fee is charged.

Bahar, M. H. (1989) in his seminar paper named "An Evaluation of banks in Bangladesh: An Exploratory Approach" mentioned that productivity should be judged from quantitative as well as qualitative aspects of performance of different banks.

Lewis (1989) stated that in the financial services industry, the marketing key is now "customer service". In brief, good customer service is the key to a successful organization and customer retention.

Ganesh, (1979) in his paper on the system of profit monitoring in banks emphasized that the effectiveness of monitoring system would depend upon profit plan, identification of profit centers, setting of standards for comparison and a proper management information system.

Kulkarni, (**1979**), in his study on departmental responsibility and profitability of banks stated that while considering banks' costs and profit, social benefits arising out of bank' operations cannot be ignored.

Shah, (**1978**), in his paper "Banks Profitability: The real Issues", concluded that profitability cannot and will not improve merely by increasing the margin between lending and borrowing rates.

Varde and Singh, (**1983**) of National Institute of Bank Management conducted a number of studies on the profitability of commercial banks and have recently complied them in a short book titled 'Profitability of Commercial Banks".

Zahir, (1980) advocated transfer pricing as one of the important methods for evaluating branch level performance of commercial banks. The study recommended the concept of opportunity cost for determining the transfer price for branches..

7. METHODOLOGY OF THE STUDY

In the present study, methodology is taken to indicate the underlying principles and methods or organizing and the systems or inquiry procedure leading to completion of the study. This chapter deals with various methodological issues relating to the study like study of various books, web site of JBL, Credit Risk Grading Policies of JBL, JBL General Banking Policy Book, JBL Foreign-Exchange Banking policy guideline and then made a qualitative and little quantitative research applications.

For formulating the study the two main type's data are collected:

8. SOURCES OF DATA

PRIMARY DATA

This type of data is collect from Interview, Observation, and Work with them.

SECONDARY DATA

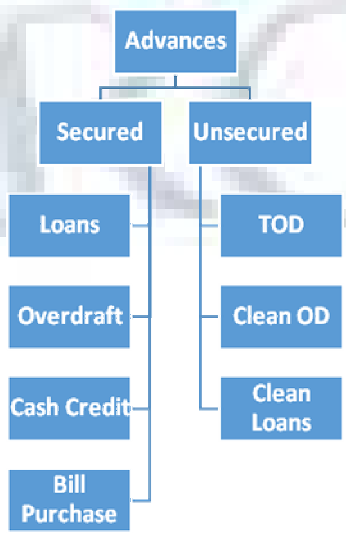
This type of data are collect from Banks papers, Magazine, Booklets, Hand note , Annual Report, Prospectus, Other related researcher reports.

9. JBL'S LOANS & ADVANCES

The granting of loans and advances is one of the most important functions of a bank and the test of a bank's strength depends considerably on the quality of its advances and the proportion they bear to the total deposit.

9.1 TYPES OF LOAN

THE LOANS AND ADVANCES ARE DIVIDED INTO THE FOLLOWING SEGMENTS:



9.2 SECURED ADVANCE

LOANS: Advance made in a lamp sum repayable either on fixed installment basis or in lump sum having no subsequent debit except by way of interest, incidental charges, etc is called a loan. After creation of loan, there will be only repayment by borrower.

OVERDRAFT: Advance in the form of overdraft is always allowed on a current account operated upon by cheques. The customer may be sanctioned a certain limit within which, he can overdraw his current account within a stipulated period. Interest is calculated and charged only on the actual debit balances on daily product basis.

CASH CREDIT: Cash credit is a form of advance is a separate account by itself and in maintained in separate ledger. It is operated upon like an overdraft account. The borrower may operate the account within stipulated limit as & when required. Cash credit is an active & running account to which deposit and withdrawals may be made frequently. Cash credit is generally given to traders, industrialists for meeting their working capital requirements.

BILL PURCHASE: Janata Bank Ltd. normally purchase demand bills of exchange which are called drafts accompanied by documents or title to goods such as bill of lending, railway of truck receipt. The purchase of bills of exchange drawn at an issuance i.e. for a certain period maturing on a future date and not payable on demand or sight is termed as discounting a bill and the charge recovered by bank for this is called "Discount". This is not very common in our country and is normally limited with the discount of foreign bills; inland bills are rarely discounted of an organized bill market.

9.3 UNSECURED ADVANCE

- T.O.D.
- Clean OD
- Clean Loans

10. LIMIT APPLICATION AND SANCTION: OF LOAN

- Interview with proposed borrower.
- Preparation of sanction advices.
- Statement of account, credit report of borrower, confidential opinion from others banks.
- Forwarding of proposal.
- Approval of limit.
- Post sanctions formatives.
- Documentation.
- Disbursement of advance.

11. ADVANCES ALLOWED AGAINST THE FOLLOWING SECURITIES

- Advance against fixed or term deposits.
- Advance against shares.
- Advance against pratirakhya sanchaya patra.
- Advance against life insurance policies.
- Advance against ICB unit certificate.
- Advance SOD against work order.
- Advance against guarantee.
- Advance against hypothecation of goods.
- Advance against pledge of goods.
- Advance against mortgage of immovable property.
- Inland bills purchased.
- Letter of credit.
- Advance against import bills.
- Export cash credit.
- Back to back letter of credit.
- Packing credit.

12. MAINTENANCE OF VARIOUS LEDGERS, REGISTERS AND PREPARATION OF RETURNS

- Maintenance of loan, SOD, cash ledgers, confidential limit stock register, safe in –safe out register, due date diary, LIM and IBP register, stock of D.P. register, godown, inspection register stock card, stock report, debit balance confirmation etc.
- Calculation of drawing power, working capital, internal rate of return, pay back period, capital recovery factor.
- Calculation of product of interest on debit balance and passing of the necessary vouchers.
- Preparation and posting of various vouchers in the loan and cash credit ledger, LIM register.
- Balancing of different loan ledger.

13. PRINCIPLES OF SOUND LENDING

The principles of sound leading may, therefore be summarized on safety, liquidity ,purpose ,profitability ,security ,dispersal /spread and national interest.

A. SAFETY: Safety first is the guiding principle of a shrewd bank. Advances should be expected to come back in the normal course, i.e. the bank may not have to resort to legal action or to sell the securities to liquidate the advances.

B. PURPOSE: The requirement of the borrower may be free from all risk but if the funds borrowed are employed for unproductive purpose like marriage ceremony, pleasure trip etc or speculative activities, the repayment in the normal course will become uncertain.

C. PROFITABILITY: Banking is essential a business which aims at earning a good profit. The working funds of a bank are collected mainly by means of deposits from the public and interest has to be paid on these deposits. The have also to meet their establishment charge and other expenses.

D.LIQUIDITY: By liquidity it means the availability of funds on short notice. The liquidity of an advance its repayment on demand on due date or after a short notice. The loan must stand fair chances of repayment according to the repayment schedule.

E. SECURITY: The security offered for an advance is insurance to all back upon in case of need. A banker would not normally like to recover the advance from the sale of the security. They would prefer an advance to come back from the normal source.

F.DISPERSAL /SPREAD: The advances should be as broad-based as possible and must be in keeping with the deposit structure. The advance must not be in one particular direction industry or to one particular industry; because any adversity faced by that particular industry will have serious repercussions on the bank.

G.NATIONAL INTEREST: Banking industry has significant role to play in the economic of a country. The banker would lend if the purpose of credit to priority sector in the lager national interest.

H.BUSINESS ETHICS: Banker should consider the legal obligation of loan. Banker should not invest their lending fund in law less sectors. i.e. drag trade, to invest sexual institution or smuggling business etc.

I.RECOVERY POSSIBILITY: Recovery possibility is a important factor for lending loan fund. When the bankers fully ensure that the lenders have enough capacity to repay the loan only then the bankers should sanction the loan among its customer.

14. SELECTION OF BORROWER

If the selection of borrower is correct, as borrower's character, capital and capacity or of reliability, resourceful and, responsibility, the bank can easily get return from the lending. Moreover, monitoring made easier for the banker. Janata Bank follows the given procedures:

A. STUDYING THE PAST TRACK RECORD: After getting an application for any loan, the credit officer studies the pas record of the applicant. The study includes the following:

1. Account balances and past transactions
2. Credit report from other banks
3. Information of the industry by studying market feasibility
4. Financial statement of the concern

B. REPORT FROM CREDIT INFORMATION BUREAU OF BANGLADESH BANK (CIB): This report is provided by CIB of Bangladesh Bank, which contains all types of information related to the borrower. This report is needed for only when the amount of loan is more than Tk.10 Lac.

C. BORROWER ANALYSIS: Borrower Analysis is done from the angle of 3C (Character, Capital, Capacity) or 3R (Reliability, Resourcefulness, Responsibility). The human skill, conceptual skill and operational skill is qualitatively analyzed.

D. BUSINESS ANALYSIS: Business Analysis is done from two angles, which are terms and conditions and collateral securities.

E .LENDING AUTHORITY: All approval of credit facilities must be conveyed under dual signature. Ideally both the signatories must have the required lending authority .Two lending officer of the required lending authority are not available, one of the signatory must have the lending authority.

15. SECURITY OF LOAN

A. PRIMARY SECURITY

Primary security means the security offered by the borrower himself as cover for the loan. It refers to the asset, which has been bought with the help of the bank.

B. COLLATERAL SECURITY

Collateral security means all other additional security other than the primary securities such as land/ building, etc are considered as collateral securities which may be offered/ deposited by the borrower or, by any other third party.

16. DOCUMENTS DEPENDING UPON ADVANCE

Types of Loan	Charge Documents	Other Documents
CC	DP Note, L/Disbursement, L/Arrangement, L/Guarantee, Hypothecation of Goods, Revival Letter, L/Continuity Pledge of Goods,	L/Declaration, L/Authority to debit A/C, L/Undertaking, Memorandum of Deposit of Title Deed (If land), Insurance copy,
Loan General	DP Note, L/Disbursement, L/Arrangement, L/Guarantee,	L/Declaration

Rural Credit, Specialized Credit, Micro Credit and Industrial Credit in Janata Bank Limited.

16.1. RURAL CREDIT

Programs in the context, policy makers of the bank have desires a framework for the unskilled such as farmers, landless, laborers, woman, unemployed, educated and vocational trained youths, weavers and others rural dwellers and artisans have been taken under the umbrella of the institution credit of janata bank. Under the rural credit programmes the bank has been financing seasonal crop production like paddy, jute, potato, wheat, mustered, pulses, maize etc to the farmers. Loans are also given for the installation of irrigation equipments, horticulture, nursery and forestation, flower culture, seed production and other desired production.

16.2 MAJOR AGRICULTURAL/ RURAL CREDIT PROGRAMS

1.	Special Agricultural Credit program/ short term crop production loan
2.	Horticulture development (cultivation of banana, betel leaf, pineapple etc.)
3.	Fish/ Shrimp production:- A: Fishery loan program. B: Credit program for fish cultivator selected by Directorate of Fisheries. C: Shrimp culture credit program.
4.	Irrigation and agricultural equipment

16.3. SPECIAL CREDIT PROGRAMMES

Janata Bank Limited offers credit to almost all sectors of commercial activities having productive_purpose. Credit facilities are offered to individuals, businessmen, small and big business houses, traders, manufactures, corporate bodies, etc.

16.4. SOME SPECIAL CREDIT PROGRAMMES ARE GIVEN BELOW

- Woman Entrepreneur Development credit programme.
- High yielding, variety development cow rearing.
- Flowri culture and marketing.
- Intensive maize cultivation programme.
- Physically disable people credit programme.
- Credits for forestry and horticulture nursery.
- Bangladesh-German seed development programme.
- Credit programmers' for employee.
- Credit for goat farming.
- Credit programme for fish cultivator selected by fisheries directorate.
- Cyber café loan.

16.5. MICRO CREDIT

Micro credits are given to the following sectors:

- Small Farmers and Landless Laborers Development (SFDP).
- Swanirvar credit scheme.
- Co-operative credit for rural poor.
- Storage-Cum –credit programme.
- Diversified credit programme.
- Ghoroa/ family based micro credit programme.
- Marginal and small farmer systems crop intensification programme.
- Lending through NGO.

17. CREDIT RISK MANAGEMENT OF JBL

Credit risk is the risk to a financial institution's earning and capital when an obligor or a third party does not comply with the terms and conditions of the loan and fail to meet its obligations to the bank. The risk assessment procedures include borrower risk analysis, financial analysis, industrial appraisal, historical performance of the customer, security against credit facility etc. The assessment initiated from the branch level, counter checking & cross checking done by the controlling office in accordance with business and sanctioning power.

17.1 CREDIT RATING REPORT OF JBL

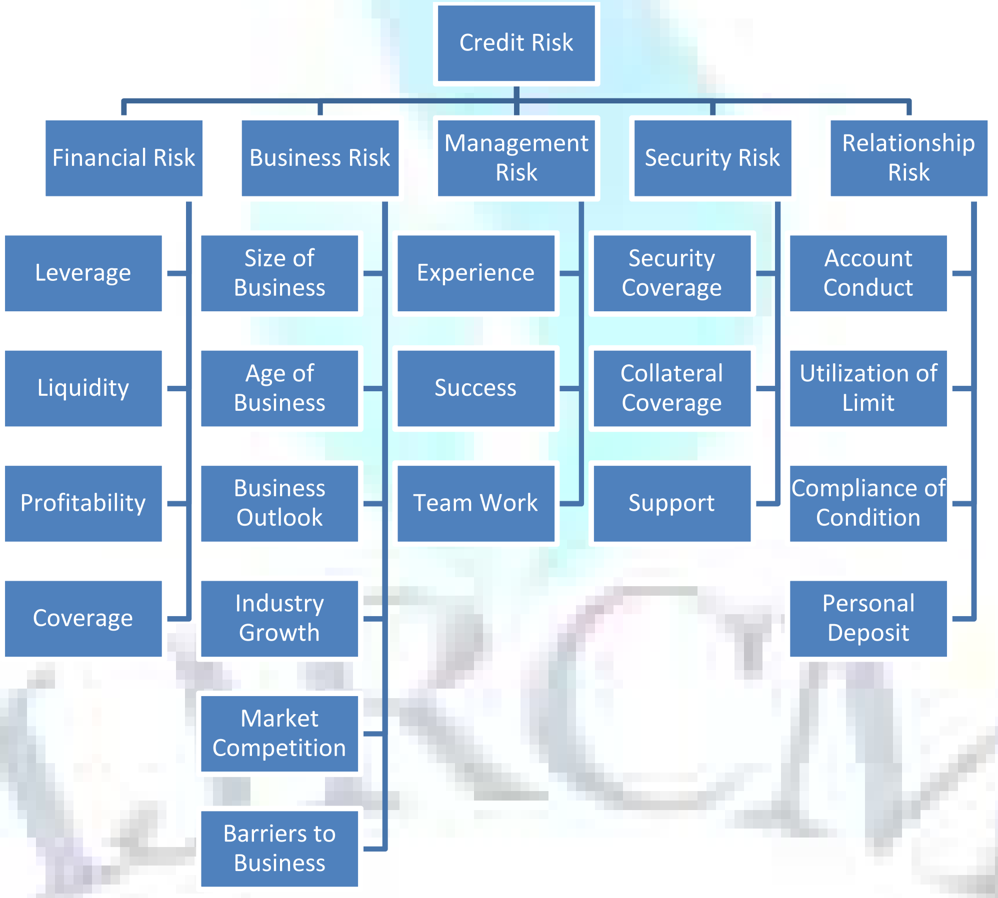
Bangladesh Bank has made mandatory from January 2007 for all Banks to have themselves credit rated by a credit rating agency vide BRPD circular No. 6 of 5 July 2006. Janata Bank has appointed credit rating Agency of Bangladesh Ltd. (CRAB) to conduct credit Rating of the bank. They have already completed the rating on the basis of activities ended on 31st December, 2009 with the rating status mentioned below:

	Long Term	Short Term
Current Rating 2009	BBB1	ST - 2
Previous Rating 2008	BBB1	ST - 3

Source Annual Report2010.

BBB1= Indicates adequate capacity to meet their financial commitments.
ST-3= Indicates average capacity for timely repayment of obligation.
ST-1= Represents the highest capacity for timely repayment of obligation.

17.2 CHART OF CREDIT RISK



18. FINDINGS OF THE STUDY

- Janata Bank Limited has already achieved a high growth rate accompanied by an impressive profit growth rate in 2010. The number of deposits and the loans and advances are also increasing rapidly.
- . The bank has already shown a tremendous growth in the profits and deposits sector.
- Different types of retail lending products have great appeal to the people. So a wide variety of retail lending products has a very large and easily pregnable market.
- In order to reduce the business risk, Janata Bank Limited has to expand their business portfolio. The management can consider options of starting merchant banking or diversify into leasing and insurance sector.
- The recovery of capital in small business loan section is threatened.

19. RECOMMENDATION

In the light of research some recommendations are presented for the developing proper loan management of Janata Bank Limited:

- More autonomy should be given to the branch level executives in sanctioning loan, and they should be held responsible for them and reword for good performance.
- It is necessary to appoint sufficient manpower.
- Specific rules should be followed strictly for selecting client.
- Loan processing formalities should be simplified and unnecessary delay should avoid.
- Open the branch in rural area.

20. CONCLUSION

Banks always contribute towards the economic development of a country. Compared with other Banks Janata Bank Ltd is contributing more by investing most of its funds in fruitful projects leading to increase in production of the country. It is obvious that right channel of Banking establish a successful network over the country and increases resources; will be able to play a considerable role in the portfolio of development in developing country like ours. Janata Bank Ltd playing its leading role in socio-economic development of the country. Since inception, Janata Bank Ltd has been rendering its Banking services with the needs of the nation to cope with the demands of people in the country. By doing many other works for state & society, Janata Bank Ltd has emerged as the pioneer of playing key role in the country.

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THE EFFECTS OF CREDIT FINANCE ON THE NIGERIAN AGRICULTURAL SECTOR'S PERFORMANCE

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ABSTRACT

Agricultural credit financing has a wide and deep history in Nigeria, owing to the fact that the Nigerian economy has huge potentials for growth especially from its agriculture sector which is the second largest contributor to GDP. Since the establishment of the Agricultural Credit Guarantee Scheme over 30 years ago, the total sum of 647,351 loans amounting to over N34 billion have been disbursed to farmers as at 2009. The result from this study shows that the guarantee scheme has been effective in providing agricultural financing as well as stimulating agricultural production in Nigeria. More specifically, the study found that, out of the five variables used in the models to determine agricultural performance, the credit finance provided under the ACGS and foreign exchange rates was found to be statistically significant to agricultural output. The credit provided under the ACGS has a significant effect on aggregate output; it was also found that the crop and the fishery subsectors are significantly affected by the credit finance provided under the ACGS, due to their short gestation period. However, the livestock and forestry subsectors do not have an immediate significant relationship with the credit finance due to their long gestation period; rather, they have a significant relationship with the depreciation of foreign exchange rates. A major policy implication from the study is that the government should continue to promote and support the operations of the ACGS to encourage farmers to invest their best efforts in agricultural production in Nigeria.

KEYWORDS

Agricultural financing, ACGS, Agriculture Performance, Credit guarantee, Finance.

INTRODUCTION

Finance for agricultural development has an increasing role in contemporary times. According to Nzotta and Okereke (2009), finance affects economic growth, stagnation or even decline in any economic system. However, a growing concern has developed over time regarding the need for effective access to credit facilities for farming purposes. The Nigerian government recognises that finance is an essential tool for promoting agricultural development because the agriculture sector is one of its main sources of sustainability. Access to finance for agriculture is an incentive for increasing the agricultural sector's performance; it stimulates productive growth, and supports the survival of small and new enterprises. Adams and Mortimore (1997) noted that access to finance increases the average inputs of labour and capital which has positive effects on production output.

According to Beck and Demirguc-Kunt (2006), specific financing tools can be useful in facilitating greater access to finance. The government of Nigeria, being fully aware of the need of progressive policies has introduced various initiatives and policies to attract finance to enhance agriculture productions dating back to the 1970s. Such policies have mainly been in the form of specialised agriculture lending, the supply of credit finance by the commercial banks in favour of the agriculture sector and through various programmes. While some of these efforts have failed, the operation of the remaining leaves one to wonder if they are actually achieving their intended objectives as rural poverty is on the increase and yet a large portion of the population is engaged in agricultural activities (Iheancho, Abdullahi & Ibrahim, 2006).

Despite the fact that access to finance is a problem that impedes on the development of agriculture, credit providers are reluctant to give out loans without a certainty of recovering the loan. However, the banks alike are not to be blamed as they are not charity organisations who disburse money without recourse to repayment; rather they are in business to make profit from their lending operations. The Nigerian government stands as a guarantor for agricultural loans in order to mitigate the risk involved in agricultural financing, hence, the creation of ACGS in 1978.

STATEMENT OF PROBLEM

Going by the operation of the ACGS in Nigeria since 1978, it is expected that the problem of access to finance for agricultural production would have been reduced to an insignificant minimum. However, if indeed the fund provided by the ACGS has been effectively utilised, it should reflect on the output of agricultural production. The question that arises is to what extent the ACGS has stimulated agricultural production in Nigeria. Rahji and Adeoti (2010) noted that Nigeria has a peculiar focus towards agricultural and rural development, these efforts help to foment the constraints to credit finance for farming and household purposes, which imposes high cost of agriculture development on the society. Credit finance is an important ingredient in agricultural production; farming and marketing of commodities, yet the problem of high-risk perception still persists on the part of financiers. Banks perceive agricultural credit as being very risky and they prefer to seek alternative less risky sectors to finance.

Notwithstanding the operations of the ACGS since 1978, Olomola (1989) notes that the agricultural sector has been severely disadvantaged in terms of its allocation of commercial bank loans as compared to other sectors of the economy. Indeed, there are a number of financial institutions in Nigeria that can adequately provide the financial needs of farmers. More so, the risk perception faced by banks to lend to farmers who cannot provide adequate security in form of collateral for such loans has been eliminated by the credit guarantees of ACGS. It is of concern that studies by Garba (1987), Olomola (1989), Oni, (1993), Ojo (1998), Manyong *et al.* (2005) and Olaitan (2006), still reveal that the major problem of the Nigerian agriculture still remains inadequate finance both by government and private financial institutions. According to the CBN (2007), about 65 percent of Nigeria's economically active population lacks access to formal financial services, hence the continuous efforts by government to address the issue.

OBJECTIVE OF THE STUDY

Following on from the research questions, this study will concentrate on only one aspect of the Nigerian government's agricultural lending programme, which is the Agricultural Credit Guarantee Scheme. The objective is to evaluate the impact of the Agricultural Credit Guarantee Scheme on the Nigerian agricultural production output.

Specifically the study intends to pursue the following objectives:

- To evaluate the effects of the finance provided under the ACGS on aggregate and sectoral agricultural production.

- To articulate the policy implication of the findings and to recommend possible intervention that could help to improve the effectiveness of the scheme.

REVIEW OF RELATED LITERATURE ON CREDIT FINANCE

There is a controversy that loans should be granted to borrowers based on their business viability, entrepreneurial intentions and economic prospect, rather than hammering on the stringent requirement of adequate collateral before loans can be granted in favour of small businesses. The response of most governments to financing small scale industry and agriculture in developing countries has been to set up special financing schemes on a concessionary basis (Anderson & Khambata, 1985). Credit guarantee schemes provide compensation to banks for the risk involved in lending to small enterprises should the borrower default in repayment (Levitsky, 1997). Ordinarily, credit guarantee schemes will not be necessary if all borrowers can afford to provide the requirements of bank loans. Credit guarantee schemes provide guarantees to borrowers that do not have access to credit by covering a share of the default risk of the loan (OECD, 2009). On the part of the borrower, the operations of credit guarantee scheme solve the problem of insufficient collateral through public, private, or mutual guaranteeing institutions (Szabó, 2005). Under a credit guarantee agreement, the guarantor pays compensation to the lender for the borrower's defaulted loan repayments. Guaranteed loans are tools used to expand the supply of finances to small enterprises (Seidman, 2005).

However, banks as lending institutions are profit making organisations and not charity organisations. As such, they have an obligation to protect their funds against mismanagement caused by their borrowers' unwillingness to pay back loans. It is also important to note that banks are only custodian of their customers deposited funds; they have a duty to account for the effective utilisation of such funds while they make profit from lending operations. According to Levitsky (1997), banks prefer to provide loans to individuals, organisations and businesses that they already have an established relationship with, for security reasons. Although this reduces the risk involved in giving out credit, it creates a problem of limited access to finance for potential investors, first time borrower, and new enterprises that are yet to establish a creditworthiness record. In regards to this, Seidman (2005) opined that to achieve the right balance between lenders and borrowers' relationship, the guarantee involved must be large enough to convince the providers of finance to lend to borrowers irrespective of their inherent risk.

The risk involved in credit disbursement is mitigated by adequate guarantees that safeguards banks' lending operations against default. Despite the inadequacy of borrowers to provide a surety for loans, Levitsky (1997) expressed the view that all guarantee schemes should obtain whatever collateral they can offer from borrowers, as a risk sharing measure. In order for a credit guarantee to be recognised as a valid risk mitigating scheme, the credit guarantee must display features of the capital adequacy accord Basel II criteria, i.e. direct, explicit, unconditional, irrevocable, explicitly documented and legally enforceable (Zavatta & Douette, 2010).

The World Bank (2001) identified the under development of financial systems as a reason why credit financing is low in developing countries. Financial institutions (banks) are faced with the problems of information asymmetry; transaction costs; and the inability of borrowers to provide adequate collateral. However, the risk perception of financing new and small enterprise is a general phenomenon in most developing countries (Green, 2003). OECD (2006) notes that credit guarantee schemes can be a mechanism of risk transfer and diversification. Although the importance of access to financial services has often been stressed, the role of policies in this regard is inevitable as it re-emphasises the need for credit innovations like the credit guarantee scheme (Honohan & Beck, 2007). According to Fleisig and de la Peňa (2003), credit enhances the process of collateralised borrowing. Among many support measures by governments to aid access to finance, the credit guarantee system is seen as one of the most important instruments used to achieve national economic policy goals as well as economic growth (Kang & Heshmati, 2008).

Unfortunately, moral hazard poses a large threat to the success of credit guarantee schemes. Letiwisky (1997) opined that credit schemes encourage a carefree attitude because borrowers are rest assured that the guarantee fund will always reimburse the lending institution, hence their relaxed attitude towards loans repayment. Moral hazard weakens the will and commitment of the borrowers to repay loans. Despite the demerits caused by moral hazards, credit guarantees offer great potential to overcome market failures and expand the availability of finance to businesses (Seidman, 2005). Therefore, the provision of guarantee schemes by governments and other stakeholders creates an opportunity for a start-up credit scheme, leasing and equity facilitation (Szabó, 2005).

REVIEW OF RELATED LITERATURE

The role of agricultural credit in enhancing agricultural growth and development cannot be overemphasised. According to Olomola (1989), the agricultural credit guarantee system is often considered as an effective policy instrument for improving the production and distribution of agricultural commodities. Rahji (2010) affirms that credit finance is more than just another resource such as labour, land, equipment and raw materials. Under the ACGS, the government guarantees credit finance given to farmers from the commercial banks while it is supposed to achieve agricultural growth through increased production. According to Levitsky (1997), credit guarantee schemes assist banks to lend to small and medium enterprises while it cushions the banks from the risks involved.

Olaitan (2006) reiterated that the lack of access to finance restrains growth amongst farmers in Nigeria, stressing that they are endangered species, and calls for a transformative efforts to address the problem. As earlier mentioned, a large proportion of the rural population depends on agriculture for their main source of sustenance and livelihood, yet the supplies of finance still leave a wide gap of rural access to finance. Hence, the lack of access to finance constitutes a socio-economic problem for agricultural performance. Most commercial banks that have experienced losses from untimely repayment of agriculture loans given to farmers seek to minimise defaults by choosing carefully the distribution of credit across farmers (Anderson, 1990). According to Duong and Izumida (2002), the supply of agricultural credit plays a critical role in agricultural development.

PERFORMANCE OF THE AGRICULTURE SECTOR

In the 1960s, the agricultural sector was the most important in terms of its contributions to domestic production, employment and foreign exchange earnings. The situation remained almost the same three decades later with the exception that it is no longer the principal foreign exchange earner, a role now being played by crude oil. The sector was stagnant during the oil boom period of the 1970s, which accounted largely for the declining share of agriculture's contributions. The trend in the share of agriculture of GDP shows a substantial variation and long-term decline from 60 percent in the early 1960s through 48.8 percent in the 1970s, 22.2 percent in the 1980s and 26 percent in 2000. Unstable and often inappropriate economic policies (of pricing, trade and exchange rate), the relative neglect of the sector and the negative impact of the oil boom were also important factors responsible for the decline in its contributions. The leading cash crops are cocoa, citrus, cotton, groundnuts (peanuts), palm oil, palm kernel, benniseed, and rubber. As at 1984, the growth rate of the agriculture sector at constant basic prices had a negative figure of -5.20 percent yet the crop subsector which was the major source of food still accounted for about 30 percent of the Gross Domestic Products (GDP), livestock about five percent, forestry and wildlife about 1.3 percent and fisheries accounted 1.2 percent[8]. In a bid to mitigate the negative growth effect of the agriculture, manufacturing and oil sectors, the government introduced Structural Adjustment Programme (SAP) in 1986. The policy introduced deregulation of interest rates, which enabled interest rates to be determined by financial market forces rather than being determined by government. As at 1990, the growth rate of the economy had grown from a negative figure to a positive figure of 4.30 percent and in year 2003, the growth rate was 6.50 percent (CBN, 2004). Although there were fluctuations of the interest rates in between the years, the ultimate effect of the government policy to deregulate the interest rate through SAP was effective in developing the agriculture sector in terms of output, productivity, trade, as well as share of GDP contributions.

According to the Central bank's policy document, the abundance of natural resources in the rural sector has remained the treasury of Nigeria. Agricultural production in Nigeria is determined by the functions of macroeconomic environment, other factors such as political instability, civil unrest and unfavourable policies have also been found to affect agricultural output (Eyo, 2008). The combined effects of all these factors either cause a fall or rise in commercial food production, exportation and food supplies. Morgan and Solarz (1994), opined that the major constraints to agriculture production include limited use of modern

[8] Source: www.ministryofagric.gov.ng

agricultural inputs, declining agricultural terms of trade and international debt, seasonal production bottlenecks, the risks of depending on market, lack of government financial support, government indifference and high levels of taxation, low food prices, poverty and lack of capital, land tenure systems, problems of competition with cheap food imports and food aid as well as the general world recession.

Over the years, in Nigeria, there have been occasional food supply shortfalls and high food prices in all or some parts of the country. This was often due to seasonal and cyclical food supply fluctuations, drought or poor rainfall in parts of the country. The level of dependence of a country on a particular food crop is a measure of the vitality of the food system and the vulnerability of the people to changes in production of the exporting countries and other external factors such as world prices. The price of nearly every agricultural commodity increased sharply by 55 percent between 2007 and 2008 (CBN, 2009). Nigeria imports raw materials for local food production, despite the adverse effect macroeconomic factors had on economic welfare over the years; there has been a rise of agricultural export, one that has brought numerous benefits to the country (Nwachukwu, Ehumadu, Mejeha, Nwaru, Agwu & Onwumere, 2008). However, in analysing the performance of the Nigerian agriculture, three issues will be considered, namely the trend of the GDP growth of the agriculture sector; the trend of the agriculture sector production relative to other sectors; and the trend in agricultural imports and exports in Nigeria, focusing on the period, 2000–2008.

2.1 TREND IN GDP GROWTH BY AGRICULTURE SUBSECTORS

Agricultural output, inflation, subsidy, exchange rate, food import and export influence the GDP of the agriculture sector at various degrees. During the period 2000 to 2008, the percentage growth of the agriculture sector increased by 4.57 percent. Although there was positive growth from the sector's contribution to the GDP over the years, much more financial effort is needed to enhance the production of livestock, forestry and fishery subsectors, as the bulk of the production of the sector comes from only crop production.

TABLE 2.1: GROWTH IN THE AGRICULTURE SECTOR'S CONTRIBUTION TO GDP IN PERCENTAGE (2000–2008)

Share of Total (%)									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Crop Production	22.00	28.50	29.20	29.06	30.48	29.02	28.50	29.55	27.45
Livestock Production	2.60	3.30	3.40	2.04	2.14	2.15	2.04	2.10	2.02
Forestry Production	0.50	0.60	0.60	0.14	0.45	0.42	0.40	0.40	0.40
Fishery Production	1.20	1.60	1.70	1.09	1.14	1.17	1.06	1.09	1.00
Total/ Agriculture	**26.30**	**34.00**	**34.90**	**32.60**	**34.21**	**32.76**	**32.00**	**33.15**	**30.87**

Source: CBN Statistical bulletin (2009)

1) **Crops:** Food crops account for the bulk of the Nigerian agriculture, crop production comprises broadly of cereals i.e. sorghum, maize, millet, rice, wheat; tubers i.e. yam, cassava; legumes i.e. groundnut, cowpeas and other crops such as vegetable. The available data shows that there have been increases of crop production over the years. Between 2000 and 2008, the rate of crop production in Nigeria recorded an average increase of 5.45 percent annually as the total production also increased. Crop production contributes output to the GDP more than any other subsector in the Nigerian agriculture.

The best produced crops by the Nigerian agriculture in 2008 were, in this order, yam, cassava, groundnut, millet, citrus fruit, vegetables, sorghum, rice, paddy and maize. (see Table 2.2).

TABLE 2.2: TOP AGRICULTURAL PRODUCTION IN NIGERIA – 2008

Rank	**Commodity**	**Production (Int $1000)**	**Production (MT)**
1	Yams	5652864	35017000
2	Cassava	3212578	44582000
3	Groundnut , with shell	1806834	3900000
4	Millet	1300298	9064000
5	Citrus fruits	1221280	3400000
6	Vegetables	1070543	5705000
7	Sorghum	947613	9318000
8	Rice	864799	4179000
9	Maize	688353	7525000

Source: FAOSTAT, 2010

2) **Livestock:** the livestock subsector is the second largest contributor of agriculture sector's GDP and consists mainly of poultry, cattle, sheep, and other livestock. Livestock production recorded a steady increase in 2001 and 2002 but since 2003 there has been noticeable decline and the situation did not improve as at 2008, as shown in Table 2.1. According to Aziakpono, (1994), there was a deterioration in the general performance of livestock production during the period 2000–2008, when modern cattle ranching and poultry on large scale boosted livestock production, especially during the period 1972–1981

3) **Forestry:** dating back from the 1970s and 1980s, forestry production has always been the smallest contributor of the agricultural sector to GDP. The reason is that the proportion of the rain forest suitable for trees to grow is rather small compared to the entire land mass of the country (Aziakpono, 1994). Forestry has always contributed less than one percent share of GDP of the agriculture sector. The highest contribution during the period was 0.60 percent in 2001; the average livestock production for the period 2000 to 2008 had a low percentage of 0.40 percent.

4) **Fishery:** fishery production recorded a steady increase in 2001 and 2002 from 1.60 percent to 1.70 percent; also, in 2003 there was a decline to 1.09 percent just as there was a decline in livestock production in that same year (see Table 2.1). According to Aziakpono (1994), the declining performance of fishery during the period, 1961 to the 1980s, was attributed to the massive importation of cheap fish, which threatened the competitiveness of local fish production.

2.2 TREND OF AGRICULTURE CONTRIBUTION TO GDP RELATIVE TO INDUSTRY, BUILDING, TRADE AND SERVICES SECTORS

Dating back from 1960, available data shows that the agriculture sector has been a major contributor to the GDP of Nigeria. From Table 2.3, showing selected year intervals between 1960 and 2008, evidence shows that at the time Nigeria gained independence in 1960, agriculture contributed the largest share of 63.5 percent to GDP at current prices and it was the major productive sector at the time. Apparently, the 63.5 percent in 1960 was the highest ever contribution made by one sector. Unfortunately, the intensity and the focus on performance were not maintained even before the advent of the oil boom in the 1970s. There has always been a steady decline in the agriculture sector; in 1965 the share of GDP was 54 percent and in 1970s, it declined to 48.8 percent.

TABLE 2.3: COMPARATIVE CONTRIBUTION OF AGRICULTURE, INDUSTRY, BUILDING, TRADE AND SERVICES TO GDP – 1960–2008 IN PERCENTAGE

YEAR	AGRICULTURE	INDUSTRY*	BUILDING & CONSTRUCTION	WHOLESALE & RETAIL TRADE	SERVICES	Total
1960	**63.5**	6.0	4.2	12.7	13.6	100
1965	**54.4**	11.5	5.7	13.1	15.3	100
1970	**48.8**	17.3	5.1	12.7	16.1	100
1975	**27.3**	27.2	8.5	20.2	16.8	100
1980	**20.1**	40.6	7.4	19.4	12.3	100
1985	**39.2**	26.8	2.3	13.5	18.2	100
1990	**31.5**	43.2	1.6	13.4	10.3	100
1995	**32.1**	45.2	0.7	14.2	7.8	100
2000	**26.0**	51.5	0.6	11.5	10.3	100
2005	**32.8**	41.8	1.5	12.8	11.1	100
2008	**30.9**	41.7	1.2	14.6	11.6	100

Source: Central Bank of Nigeria, 2008

*The industry sector comprises of crude oil, natural gas, solid minerals and manufacturing, with the crude oil having the largest contributor to the sector.

2.3 SUMMARY OF AGRICULTURAL FINANCE POLICIES IN NIGERIA

The Nigerian government has been making efforts since the 1970s to revitalise its agriculture sector to make the country food self-sufficient again. Nigeria's agricultural policy comprises of the framework and action plans of government designed to achieve overall agricultural growth and development. These policies aim at attainment of self-sustaining growth in all the subsectors of agriculture and the structural transformation necessary for the overall socio-economic development of the country as well as the improvement in the quality of life of Nigerians. The main objectives of agricultural financing policies in Nigeria are to establish an effective system of sustainable agricultural financing schemes; and programmes and institutions that could provide micro and macro credit facilities for the micro, small, medium and large scale producers, processors and marketers (CBN, 2007). These policies include schemes, banks, initiatives programmes and institutions. They are listed as follows:

- Sectoral allocation of credits (1970–1996)
- Nigerian Agricultural Co-operative and Rural Development Bank Ltd. (NACRDB) – formerly known as Nigerian Agricultural Co-operative Bank (1972 to date)
- Rural banking programme (1977–1991)
- Lending as a percentage of savings mobilised in rural areas to rural dwellers (1977–1996)
- Concessionary interest rate (1980–1987)
- Peoples Bank of Nigeria (1990–2002)
- Community Banks (CBs)/Microfinance Banks (MFBs) (1990 to date)
- Nigerian Agricultural Insurance Corporation (1996 to date)
- Family economic advancement programme (1997–2001)
- Small and medium enterprises equity investment scheme (2001–2008)
- Refinancing and rediscounting facility (2002 to date)
- Agricultural credit support scheme (2006 to date)
- Agricultural credit guarantee scheme (1977 to date)

The Agricultural credit guarantee scheme is the scheme under review in this study, it was established in 1977 and commenced operations from 1978 to date, it considers critical issues in diversifying appropriate development strategies capable of providing the required finance for farmers and small and medium enterprises. The ACGS provides credit finance to a large number of farmers in the rural areas, for sustainable growth and financial empowerment in the agriculture sector (Olaitan, 2006). The ACGS in Nigeria was established to provide some measure of risk coverage as well as to encourage commercial banks to increase their lending to agriculture (Olagunju & Ajiboye, 2010). It assists farmers on how to improve their productivity and ensure a good market for their product. The ACGS fund makes access to finance much easier, it guarantees credit facilities from the bank to farmers at 75 percent of total fund borrowed without any security, which contributes to improving the livelihoods of farmers and emerging entrepreneurs in the agriculture sector (Nwosu *et al*.., 2010). The Central Bank of Nigeria handles the operation of the scheme and stipulates the guidelines for the eligibility of farmers to access the funds. The ACGS is one of the very important schemes in terms of financing the activities of the agriculture sector in Nigeria.

3.0. EMPIRICAL ANALYSIS OF THE PERFORMANCE OF ACGS

This study takes a cue from the econometric tests used in Eyo (2008) which found that sustained growth in agricultural output is possible through capital accumulation, and the quantitative approach used in Okon and Nkang (2009) to deduce policy implications and recommend policy options for ACGS operations. The performance of the agricultural sector is envisaged to be affected by certain variables in an agricultural production model. The analysis will focus on the extent to which the ACGS fund has affected both aggregate and subsector output of the agriculture sector in Nigeria.

3.1 MODEL SPECIFICATION

According to Lee and Baker (1984), a number of macroeconomic variables are bound to affect agricultural production. In this study, specific focus will be on the effect of such variables on agricultural production output. The model postulates that agriculture production in Nigeria is a function of the amount of credit from the ACGS, foreign exchange rates, interest rates on loans, inflation rate and the amount of foreign private investment. It has been shown by previous studies that these explanatory variables considerably affect the agricultural performances in Nigeria (see Adegeye & Dittoh (1985), Adubi & Okunmadewa (1999), Iheancho *et al.* (2006), Eyo, (2008), Nwachukwu *et al.* (2008), Ajetomobi & Binuomote (2007), Okon & Nkang (2009) and Adofu *et al.* (2010)).

The agricultural production model is estimated using an ordinary least square (OLS) method. This study estimates the following relationship:

Y = f (ACGS, FOREX, IR, INF, FPI)…………………………………………………………(3.1)

The explicit forms of the models are represented in logarithm form are given as:

$$LNY\ (Total) = a + b_1\ \overset{+}{LNACGS^{ALL}} + b_2\ \overset{-/+}{LNFOREX} + b_3\ \overset{-}{IR} + b_4\ \overset{-}{INF} + b_5\ \overset{+}{LNFPI} + \mu \quad \text{.......(3.2)}$$

$$LNY\ (Crop) = a + b_1\ \overset{+}{LNACGS^{C}} + b_2\ \overset{-/+}{LNFOREX} + b_3\ \overset{-}{IR} + b_4\ \overset{-}{INF} + b_5\ \overset{+}{LNFPI} + \mu \quad \text{.........(3.3)}$$

$$LNY\ (Livestock) = a + b_1\ \overset{+}{LNACGS^{L}} + b_2\ \overset{-/+}{LNFOREX} + b_3\ \overset{-}{IR} + b_4\ \overset{-}{INF} + b_5\ \overset{+}{LNFPI} + \mu \quad \text{...(3.4)}$$

$$LNY\ (Forestry) = a + b_1\ \overset{+}{LNACGS^{F}} + b_2\ \overset{-/+}{LNFOREX} + b_3\ \overset{-}{IR} + b_4\ \overset{-}{INF} + b_5\ \overset{+}{LNFPI} + \mu \quad \text{.....(3.5)}$$

$$LNY\ (Fishery) = a + b_1\ \overset{+}{LNACGS^{FS}} + b_2\ \overset{-/+}{LNFOREX} + b_3\ \overset{-}{IR} + b_4\ \overset{-}{INF} + b_5\ \overset{+}{LNFPI} + \mu \quad \text{....(3.6)}$$

where the following notation has been used:

LNY = natural log of agriculture output
LNACGS = natural log of the amount of credit from the ACGS
LNFOREX = natural log of foreign exchange
IR = interest rates on loans
INF = inflation rate
LNFPI = natural log of amount of foreign private investment (FPI)
a = intercept
b_1-b_5 = coefficients
µ = error term
^{C}= crop ^{L}= livestock ^{F}= forestry ^{FS}= fishery

3.2 DEFINITION OF VARIABLES AND DATA SOURCES

The variables used in this study are specific variables that have been used in previous studies to measure agricultural performance. Data was obtained from the Central Bank of Nigeria for the period 1978 to 2009. The *a priori*[9] expectations of each variable listed earlier are presented in turn.

LNY: The natural logarithm of production output by the agriculture sector measured in millions of naira for aggregate sector output and the subsectors of crop, livestock, forestry and fishery.

LNACGS: The natural log of the amount of credit finance provided under the ACGS is defined as the value of loans guaranteed in favour of farmers for agricultural purposes. Since finance is important for production and the scheme was established to provide guarantee on loans granted by banks to farmers for agricultural production, an increase in this variable will enable farmers to afford the necessary equipment, skills, expertise, land and raw materials required for agricultural production. Consequently, a positive relationship between the LNACGS and output is expected.

LNFOREX: This variable represents the exchange value of the naira to 1 US dollars; it has a dual effect on the agriculture sector's performance. First, a decrease in this variable, indicating an appreciation of the naira, would make import of raw materials from abroad affordable. Farmers will be able to import more raw materials and farm equipment needed for production because the local currency is stronger and can purchase more goods from abroad thus will result in a positive effect. However, an appreciation of the naira could also lead to lower export, which could affect output negatively. On the other hand, an increase in this variable, indicating a depreciation of the naira, could lead to higher foreign demand for agricultural commodities, which could have a positive effect on production. Nevertheless, depreciation could also imply higher cost of imports of farm inputs, which would have a negative effect on production. Thus, the overall effect could be positive or negative depending on the circumstance.

IR: This variable represents the rates of interest charged on loans offered by the commercial banks. In other words, it is the cost of credit finance. High interest rates discourage farmers from borrowing as much funds as they would need for their farming activities because of the increase in the cost of loan. If the interest rate on the loan is reduced, farmers will be able to borrow enough funds for production. A low interest rate on farm credit is an incentive for loan borrowers; it encourages more investments in agricultural production. Hence, agricultural production will increase because the cost on finance is reduced. Thus, overall an inverse relationship between agricultural outputs and interest rate is expected.

INF: The rate of inflation in Nigeria. Inflation reduces the purchasing power of a currency; it creates a situation where too much money will be chasing few goods. Given that inflation lowers the purchasing power of farmers, the demand for agric inputs will fall when inflation is high. Therefore, a negative relationship is expected between agriculture production and inflation rate.

LNFPI: The natural log of amount of foreign private investment. Foreign private investment is a source of finance from investors abroad. They come in form of equity or debt financing, and are mostly used to finance capital intensive expenditures like infrastructure, equipment and machineries required for agricultural production. An increase in this variable will reduce the problem of access to mechanised equipment needed for agricultural productions; hence, a positive relationship is expected.

3.3 EMPIRICAL RESULT

In interpreting the results, attention is first given to the overall performance of the models, followed by the effects of the ACGS on output and then the effects of the control variables on outputs. Table 3.1 presents the result of the variables using the R^2, adjusted R^2, F-statistics, standard error of regression (S.E) and the Durbin-Watson statistics, while Table 3.2 presents the coefficients, t-value and the p-value of the tests.

3.3.1 GENERAL PERFORMANCE OF THE MODELS

The results of the estimation as represented on Table 3.1 reveal the overall performance of the models specified for agricultural production outputs. The R^2 for Models 1, 2 and 5, i.e. 71.7, 71.3 and 72 respectively, indicate a high explanatory power of the production output used for aggregate, crop and fishing outputs. Likewise, the adjusted coefficient of determinations (adjusted R^2) of the same models, are quite close to the R^2 at 66.2 percent, 65.8 percent and 66 percent respectively. Thus, our sample size is adequate for measuring the phenomenon being investigated. The models significantly explain a good proportion of the variation in those outputs, leaving a small portion unexplained. This suggests that the models are reasonable to a large extent. However, Models 3 and 4, the R^2 of 0.57 and 0.42 signify a weak performance of the models; it indicates that only about 57 percent and 42 percent of the variable in livestock and forestry output are explained by the variables included in the models.

TABLE 3.7: SUMMARY STATISTICS OF THE MODELS

Statistics	Model 1	Model 2	Model 3	Model 4	Model 5
R-Squared (R^2)	0.717	0.713	0.572	0.417	0.720
Adjusted R-Squared	0.662	0.658	0.490	0.305	0.666
F-Statistics (F)	13.166* (0.000)	12.933* (0.000)	6.963* (0.000)	3.715* (0.011)	13.382* (0.000)
S. E. of Regression	0.572	0.634	0.470	0.563	0.395
Durbin-Watson (DW)	0.732	0.725	0.560	0.787	1.030

* Represents significance at 1%. Figures in ( ) represents the probability of F-statistics

The F-statistics of all the models are significant at one percent significance level, hence we are confident that the models fit the data generally well. It is also evident that the Standard Error of Estimates (S.E) of each of the models are particularly small compared to the means of the dependent variables. This assures us that the models are good enough for making accurate and meaningful conclusions. The Durbin-Watson statistics for Models 1 to 5 are 0.732, 0.725, 0.560, 0.787 and 1.030 respectively, and since they are all less than 2, there is an evident of autocorrelation as per the required condition. But, the coefficients of determination (R^2) for Models 1, 2, 4 and 5 are less than the Durbin-Watson for each respective model. This signifies evidence of co-integration among the variables. We can therefore generally conclude that the models performed well.

3.3.2 EFFECTS OF ACGS ON AGRICULTURAL OUTPUT

Table 3.2 provides a summary of the effects of ACGS on agricultural output. Based on the parameters of the ACGS variable in general, there are evidences to infer that the ACGS is linearly related to output. The ACGS has significant effects in Models 1, 2 and 5 which measures the output of the aggregate, crop and livestock sectors. The positive response of those sectors to ACGS credit finance is logically acceptable, as it conforms to a priori expectation. The results agree with an earlier study by Nwoko (1980), which found that the funds provided by the ACGS are directed towards increasing the productive capacity of the agricultural sector. The study argued that the fund aims at re-organising the agricultural sector in favour of large-scale farms, and hence suggested that a village

[9] A preposition of possible outcome based on economic theory, which existed in the mind of the author before embarking on an analysis.

guarantee system be introduced for traditional farms and that loans granted under such a system should carry higher guarantees in order to enable an inclusive effort towards enhancing agricultural output. Since the scope of this study did not cover micro level analysis such as farmers' perception about the ACGS, the latter part of their argument cannot be confirmed.

TABLE 3.8: SUMMARY STATISTICS OF THE VARIABLE OF INTEREST

	Model 1	Model 2	Model 3	Model 4	Model 5
LNACGS	0.265	0.307	0.061	0.115	0.104
	(1.962)	(1.848)	(0.875)	(0.963)	(2.387)
	[0.061] ***	[0.076] ***	[0.383]	[0.345]	[0.024] **

Notes: The table present the coefficients, t-values and p values. Figures in parenthesis are the t-values ( ), while figures in block are the P-value of the test [ ]. *, ** and *** indicate significance of p- value at 1%, 5% and 10% respectively.

More specifically, for the effect of the variable of interest on agricultural output, first, we start with aggregate output, as shown in Model 1 on Table 3.2. The LNACGS has a positive coefficient and it is statistically significant to aggregate agricultural output. From the parameters of the log model, the coefficient of the variable translates thus; the elasticity of LNY with respect to LNACGS is about 0.27, suggesting that for every one percent increase in LNACGS, on average, agricultural output will increase by about 0.26 percent at aggregate level. The response of the dependent variable is inelastic, but is statistically significant at six percent significant level.

At sectoral levels, the credit provided by the ACGS to all the subsectors produces positive coefficients. However, only crop and fishery have statistically significant coefficients, while livestock and forestry output are not statistically significant. The result indicates that the fishery subsector was more significant at three percent levels of significance, followed by the aggregate output and then the crop subsector at six percent and eight percent levels of significance respectively.

The elasticity of crop output is slightly higher than the aggregate sector and fishery subsector outputs with credit provided by the ACGS. The result from Model 2 suggests that if there is a one percent increase in LNACGS^{C}, the output of crop sub-sector will increase at 0.30 percent. This response is so because crop is a common supply of food and its production creates market demand opportunities. Therefore farmers intensify their efforts in providing food, and hence the effect of the LNACGS^{C} is realised spontaneously. Crop farming consists of cereals, fruits, tubers etc. It is possible to harvest crop products on monthly, semi-annually or yearly bases. This explains why the effect of credit finance from the ACGS on crop output is significant. The primary purpose of the ACGS finance is to serve as a guarantee for loans granted for agricultural purposes in respect of the crop production.

From Model 5, LNACGS^{FS} is highly significant in the fishery output model at two percent significance level. The results of the fishery and crop output are seemingly alike. Fish farming is harvested fast because of its short gestation period, which is sometimes as quick as seven weeks. As far back as 1989, Amadi (1989) reiterated the need for more financial support for fishery production in order to increase the protein intake for the average Nigerian. At that time, the fishery subsector did not receive a fair share of credit from ACGS; thus the concern has raised an infusion of funds into the fishery subsector in order to enhance fishery output in contemporary times. The evidence suggests that such increased financial support through the ACGS is worthwhile.

As for the forestry sub-sector, the effect of LNACGS^{F} may not be significant because contemporaneous data was used in the analysis. Other possible explanations for the poor response of livestock output to ACGS could be because of the peculiar condition of forestry farming, i.e. forestry has a longer gestation period compared to the crop and fishery sub-sector. Hence the effect is not felt in the short run. For instance, most cocoa trees begin to bear fruit in their fifth year; it is not uncommon to find trees that are 30–40 years old[10]. For these reasons, the effect of the credit finance has not been felt on instantaneous basis, hence its insignificance to forestry output.

A similar explanation suffices for the livestock sub-sector, however, the elasticity of the livestock output to the LNACGS^{L} is the least compared to all other subsectors. The performance of the livestock output suggests that if LNACGS^{L} increases by one percent, on average, livestock output will be affected by a meagre increase of 0.06 percent. It goes further to show that as a policy measure, the livestock subsector should not be a priority subsector for the guaranteed loans.

Overall, there are indications that the ACGS has the potential to stimulate agricultural output as per our *a priori* expectations. These findings answer one of the questions raised in this study, namely asking to what extent the ACGS affects agricultural performance.

3.3.3 EFFECT OF THE CONTROL VARIABLES ON AGRICULTURAL OUTPUTS

From the result on Table 3.3, the effect of foreign exchange rates (LNFOREX) is positively related to output in all the sectors based on their positive coefficients. However, the variable is statistically significant to the output of the livestock and forestry subsectors at one percent and three percent level of significance respectively. For instance, for the livestock subsector in Model 3, the coefficient implies that for every one percent depreciation in the naira against the US dollar, the agriculture production output increases by 0.28 percent. The result suggests that the depreciation of the naira over the years has encouraged production of livestock output. Thus, a higher depreciation in the value of the naira tends to boost livestock and forestry productions in Nigeria. In order words, livestock output is export driven at times when the naira depreciates. However, for aggregate, crop and fishery output, the effects of LNFOREX were not as significant.

TABLE 3.9: SUMMARY STATISTICS OF THE CONTROL VARIABLES

	LNFOREX	IR	INF	LNFPI
Model 1	0.26	0.006	0.005	-0.154
	-1.507	-0.898	-0.789	(-0.651)
	[0.144]	[0.377]	[0.437]	[0.521]
Model 2	0.175	0.008	0.003	-0.091
	-0.727	-1.074	-0.552	(-0.339)
	[0.474]	[0.293]	[0.586]	[0.738]
Model 3	0.283	0.005	0.003	-0.154
	-2.597	-0.906	-0.667	(-0.799)
	[0.015] **	[0.373]	[0.511]	[0.432]
Model 4	0.277	0.003	0.005	-0.262
	-2.17	-0.512	-0.877	(-1.072)
	[0.039] **	[0.613]	[0.389]	[0.294]
Model 5	0.111	0.003	-0.003	0.059
	-0.956	-0.644	(-0.790)	-0.35
	[0.347]	[0.525]	[0.436]	[0.729]

Notes: The table present the coefficients, t-values and p values. Figures in parenthesis are the t-values ( ), while figures in block are the P-value of the test [ ]. *, ** and *** indicate significance of p- value at 1%, 5% and 10% respectively.

Contrary to the empirical result of an assessment of the effects of the interest rate in enhancing agricultural productivity in Nigeria by Adofu *et al.* (2010), which showed that interest rate deregulation has a significant and positive impact on agricultural productivity, the finding of the study indicates that the interest rate on loans issued by commercial banks (IR) is not significant to agricultural output. The result shows that the interest rate and the inflation rate (INF) were positively related to the aggregate, crop, livestock, forestry and fishery outputs, but both variables were not statistically significant in any category of agricultural

[10] http://www.worldcocoafoundation.org/

outputs. Also, the inflation rate (IR) was negatively related to the fishery output which could suggest that the increases in inflation rates have an adverse effect on fishery output.
The technical relationship between interest rate and inflation is explicitly explained in terms of the *fisher* effect, where the behaviour of interest rates is predetermined from a modern concept of rational expectations (Fisher & Molyneux, 1994). The effect proposes that the nominal interest rate and the inflation rate have to be adjusted on a one-for-one basis in order not to have an inverse relationship. However, the similarity link between the expectation of the effect of the interest rate and inflation is constant in the *fisher model*. The real rates of the two variables reflect the underlying patterns of productivity and it is relatively constant in the near term (Rose, 1985). Following from this, the effects of IF and INF in this study might be felt on long-term bases.
According to Sergio and Sundararajan (1990) and Mckinnon (1989), the best effect of these two variables is more evident in economies that are characterised with the following prerequisite: existence of enough competition in the banking markets; sufficient sensitivity of borrower to interest rate changes; existence of monetary policy instruments capable of influencing marginal cost of funds to banks; prompt responsiveness to market interest rates to shifts in monetary policy; and in economies where banking supervision mechanism are sufficiently sound. In addition, the importance of these two variables emerges as a function of the supply and demand for finance by financial intermediaries, in this study, i.e. the lenders (banks) and the borrowers (farmers). However, Nigeria, being a developing country, has very much to achieve before the full effect of such theories can be felt.
Lastly, contrary to the *a priori* expectations, the foreign private investments did not enhance output on either aggregate or the subsectors output. Generally, the variable has an inverse relationship in all the subsectors. Could it be that the investments were not progressive? However, foreign private investment has not been effective on agricultural production based on its negative statistical performances in the models.

4.0 CONCLUSION

By and large, based on the result from the multiple regression analysis, ACGS has the most significant effect on production at both aggregate and subsector levels. ACGS has a significantly positive effect on aggregate agricultural output, crop and fishery subsector outputs. Nevertheless, the effects of the scheme on livestock and forestry were not significant due to long gestation of those subsectors. Thus, it is evident that the ACGS plays an important role in stimulating agricultural production in Nigeria.
However, from the following discussions some policy implication issues immerge in favour of the agriculture sector. The Nigerian economy has huge potential for growth especially from its agriculture sector's perspective. As a strategy to realise the optimal potentials of farmers in enhancing agricultural performance, it is recommended that the Nigerian government continues the use of the credit finance from the ACGS as an incentive to encourage farmers to invest their best efforts in chains of agricultural production. This will resuscitate their productive potentials, which will lead to ensuring food security in Nigeria.
For future investigations into the performance of the ACGS, we recommend a lag in the models used for the analysis in this study. According to Gujarati (2003:657), in economics, the dependence of a dependent variable on the explanatory variable is rarely instantaneous, hence they respond to each other with a lapse of time as it was observed in this study. In addition, a stepwise regression method is recommended to actually investigate the explicit effect of each variable on agricultural output. The method will test the relevance of each independent variable in the regression equations one at a time.

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INFLUENCE OF CREDIT ADMINISTRATION ON FARMERS OPERATIONS IN OSUN STATES OF NIGERIA (A REVIEW OF THE NIGERIA MICROFINANCE POLICY)

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ABSTRACT

Evidence from the literature confirms that in Sub-Saharan Africa, agriculture occupies a priority status in their national economies. It is also the leading economic activity in the continent as it contributes up to 20 and 30 per cent of its Gross Domestic Product. Despite its immense contribution to the economy as a major revenue earner (at least in the immediate post colonial years), agriculture has been neglected by successive administrations in Nigeria. Further is the observation that there exists a huge financing gap in agricultural financing in Nigeria. The recent microfinance policy that established microfinance banks to cater for the poor, low income group and rural dwellers has been seen to be the efforts in the right direction among the scholars, professionals and practitioners in accounting, banking and finance. The extent to which farmers have benefited from the credit administration of Microfinance banks has not received much attention in the accounting and finance literature. Structured questionnaire was used to elicit information from farmers who are customers to the selected microfinance banks in Osun state of Nigeria on their access to credits from the microfinance banks. Data were analysed using mean score ranking method and Z – score statistics at 0.05 level of significance to analyse the impact of microfinance banks to agricultural development in Osun state of Nigeria. Findings show that the micro credit delivery system of the Nigeria microfinance banks is significant to farmers operations in Osun state Nigeria in term of credit access, adequacy, timeliness of credit delivery and convenient repayment term. It is suggested that the Microfinance policy be reviewed to ensure that microfinance banks give more attention to farmers so as boost agricultural production and create more jobs in the country.

KEYWORDS

Agriculture; Financing, Farmers, Credit, Microfinance banks, Nigeria.

1.0: INTRODUCTION

A proper agricultural financing method is expected to boost economy through increased food security, job creation, raw material supply, poverty reduction and industrialization. Onwudinjo (2012) averred that prompt and adequate financing is important in the growth and development of the agriculture as it enables farmers to move on to the level of technology that could create a sustained basis of production. With the advent of the Oil boom in the 1970's the fortunes of Nigeria Agriculture declined drastically. As a result, Nigeria became a food-deficit country that had to rely in importation of food to feed its population. Also apart from the oil boom saga, there are some other constraints hindering the development and the growth of agriculture in Nigeria. The most critical of these constraints include lack of appropriate technology, land tenure system, poor infrastructure, underdeveloped marketing system and lack of finance (capital and credit). While most of these problems have generated a lot of interest and debate among academics and policy makers in Nigeria, much still needs to be done in the area of agricultural financing through microfinance banks.

Sanusi (2010) observed that the annual demand for agribusiness financing over the next 40 years is projected at $6.5bn per annum, compared to the current annual fund supply of $1.5-$5bn. This presents a huge financing gap which call for examination and development of policies and implementation frameworks to minimize the gap in the interest of agricultural development in the region. Sub-Saharan Africa is the only major region in the world where poverty is increasing rather than going down and where human development indicators tend to worsen. Agricultural finance would enable farmers at the rural level to contribute significantly to the country's Gross Domestic Product.

The issue of Agricultural finance could easily be said to be the most critical of the constraints facing agricultural development in Nigeria, as it is vital to the development and procurement of the appropriate technology, design and- construction of necessary infrastructure, development and maintenance of adequate marketing system, as well as modernization of the land tenure system. Agricultural financing in its broadest sense, involves pre-project manning and feasibility evaluation, taking investment decision, actual investment and funding of projects, profitable management of projects and post-project evaluation. This broad concept of agricultural financing ensures that funds channeled to agriculture are profitably used for its development with a concomitant spill over and multiple effects to the other sectors of the economy. For example Eze et al (2010) examined the agricultural financing policies of the government of Nigeria and effects on rural development and found that though the government has made serious efforts at making good agricultural policies through schemes, programmes and institutions, it has not been able to back them up with adequate budgetary allocation and financing coupled with corruption in the execution of the policies.

Owing to the importance of Agricultural financing to the Nigerian economic development, adequate assessment is given to the various source of capital available to agricultural activities and most importantly the impact of microfinance banks in financing agriculture. These among others shall form the crux of this research work.

STATEMENT OF THE PROBLEM

Agricultural development remains very vital to the growth and development of every economy. The sector's roles include improving food security, resource employment and poverty alleviation. Evidence from the literature indicates that agriculture accounts for the single largest portion (about 40%) of national economic output (GDP) in Nigeria (Attah; 2008). But so far, both private and public sectors investment in terms of loans and credit to agricultural development have been described to be meagre and disappointing. Various sources of credits available to farmers for development have been explored in the literature. The Nigerian Microfinance policy framework established microfinance banks with the purpose of purveying credits to the poor, low income group and rural dwellers. Studies in this regards linking microfinance banks to agrofinancing are limited in the Nigerian context. This study attempted to examine the Nigerian microfinance policy with regards to the extent to which farmers in Osun state have benefited from the microfinance banks credit administration. The following ***SPECIFIC OBJECTIVES*** are expected to be achieved in course of the study:

1. Establish relationship between microfinance banks credit and agricultural development
2. Assess the perceived benefits and threats of microfinance banks as source of agricultural credit

RESEARCH HYPOTHESIS

The hypotheses of the study are stated in null form as follows:

HO1: There is no significant impact of microfinance banks credits on agricultural development in Osun state Nigeria

HO2: There are no differences in the perception by farmers in Osun state of the benefits of Microfinance banks credits

LITERATURE REVIEW AND CONCEPTUAL UNDERPINNINGS

In Sub-Saharan Africa, agriculture occupies a priority status in their national economies as the sector serves as a key driver of growth, wealth creation and poverty reduction. It is also the leading economic activity in the continent as it contributes up to 20 and 30 per cent of its Gross Domestic Product (Onuba 2010). Agriculture was the major revenue source to the nation prior to discovery of oil in the early 1970. It occupied a pre-eminent position among other sectors of the economy as averred Oyemakinde, (2003). Despite its immense contribution to the economy as a major revenue earner (at least in the immediate post colonial years), agriculture has been neglected by successive administrations in the country. A proper agricultural financing method is expected to boost economy through increased food security, job creation, raw material supply, poverty reduction and industrialization. The formal banking system in the continent have been said to lack the capacity, skills and resources to single-handedly finance the expected exponential growth in the agricultural sector. Onwudinjo (2012) also observed a huge financing gap in agricultural financing in Nigeria thus calling for further empirical studies on microfinance banks credit impact on agricultural development.

The private investment in agriculture in terms of banks' credits is the least among all economic sectors. Banks are generally reluctant to finance agriculture. For instance, from 2006-2008, the average total annual flow of bank credits to agriculture was only 2.27% of their total credit (Eboh, 2011). In public sector investment to agriculture, within 2002-2007, federal government spends 4.3% while state governments spend on the averaged 3.4%. Moreover the long term average ratio of agriculture to GDP is about 0.07, indicating less than one tenth of the sector's share of the GDP. This collaborates with the observation by Sackey (2011) that public policy towards agriculture in Nigeria prior to 1974 has been taxing agriculture to finance other sectors. According to Onwudinjo (2012), the huge financing gap in agricultural sector also manifests itself in Federal government budgets. The projected federal government funding for agriculture and food security over a four year period (2008-2011) is about N935 billion. But, total federal budget for agriculture and water resources in 2008 was less than N120 billion, as against the projected funding needs of about N319 billion for 2008. This meagre flow of credits does not correspond with agriculture's status in the national economy.

Empirical studies have identified several sources of fund for the operators of the agricultural sector apart from the financial resources provided directly by the far owners. They are broadly grouped into formal sources and the informal sources. The informal source is distinguished from the formal source because strict rules and conditions are not normally observed before accessing the fund. They include farmer's personal income; Friends, relatives and neighbors; Money lenders; Farmers associations/ cooperative societies; The self – help groups (SHGs) like Rotatory Savings and Credit Associations (ROSCAS) and ESUSU groups, which exits in various parts of Nigeria. Formal sources of funds include the Commercial Banks, Merchant Banks, Insurance Companies, Nigerian Agricultural and Cooperative Bank, Microfinance Banks, Government Agencies and International Development Agencies, Co-operative Societies etc.

THE MICROFINANCE BANKS

Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Three features distinguished microfinance from other formal financial products. These are the smallness of loans advanced, the absence of asset–based collateral, and simplicity of operations. The basic concept underlying the emergence of microfinance banks is community oriented . One of the reasons for the microfinance policy was the deficiency in the existing microfinance outfits of the federal government. For example in the utilization of the SMEEIs fund, as s at December 2004, only 8.5 billion (29.5%) of the N28.8 billion Small and Medium Equity Investment Scheme (SMEEIs) fund had been utilized. Moreover, 10% of other fund meant for micro credit had not been utilized due to lack of an appropriate framework and confidence in the existing institution that would have served the purpose. This policy provides an appropriate vehicle that would enhance the utilization of fund. Other evident facts are weak institution capacity, weak capital base, existence of huge un-served market, economic empowerment of the poor, employment generation and poverty reduction, the need for increased saving opportunity and the interest of local and international communities in Micro financing (CBN 2005). Nigeria's microfinance industry has grown terrifically due largely to the growing informal business sector and the reluctance of banks and other existing financial institutions to fund these emerging small businesses (Babangan2, 2010; Oladejo, 2011).

However, the Nigerian microfinance industry is still in its infancy, serving an estimated 1 million out of the estimated 40 million people the industry could be serving as observed Mohammed and Hassan (2008). MFIs emerged after the wildly popular informal financial sector was well established and currently co exists with this informal sector. As against 2007, the total assets of MFBs grew by 136.3 per cent from N75, 549.92 to N178, 516.34. Aggregate deposit also grew by 101.6 per cent from N41, 217.71 to N83, 072.97. Number of customers as at 31st October 2010 stood at 2,020,567 while the average deposit size was 41,110. Aggregate loans and advances rose by 170.5 per cent from N22, 850.23 to N61, 811.52. The number of loan account as at 31st October 2010 was 623,353,000; average loan size was 104,750, while average case load was 144. The Nigeria Deposit Insurance Corporation (NDIC 2012) has reported that the total deposit mobilisation created by the 596 (60%) Microfinance Banks (MFBs), which rendered their accounts at the end of March 2011, was N326.85billion.

Arogundade (2010) opined that the conventional retail banking system might not be able to provide required form of loan facility to meet the peculiar needs of the Nigeria Small and Medium Enterprises (SME), considering so many factors such as collateral and security adequacy, administrative processing bottlenecks, high cost interest rates on loans and so on. Mushtaque, Chowdhury and Mosley (2004) suggest that MFIs have broad impacts like stabilizing volatile financial sectors, using derived demand to increase employment, and providing institutional inspiration. But Mohammed and Hassan (2008) observed that as microfinance continues to grow as an alternative source of funding certain challenges must be overcome. However, observations show that some microfinance banks require collaterals from borrowers and also charge higher interest rates. Because of these sharp practices, CBN withdrew the license of many in September, 2010.

AGRICULTURAL FINANCING IN NIGERIA

The issue of Agricultural finance could easily be said to be the most critical of the constraints, as it is vital to the development and procurement of the appropriate technology, design and- construction of necessary infrastructure, development and maintenance of adequate marketing system, as well as modernization of the land tenure system. Agricultural financing in its broadest sense, involves pre-project Manning and feasibility evaluation, taking investment decision, actual investment and funding of projects, profitable management of projects and post-project evaluation. This broad concept of agricultural financing ensures that funds channelled to agriculture are profitably used for its development with a concomitant spill over and multiple effects to the other sectors of the economy. Therefore, owing to the importance of Agricultural financing in Nigerian economic development; adequate assessment is given to the various source of capital available to agricultural activities, the impact of government in financing agriculture in Nigeria and also the importance of financial institution (such as commercial banks and merchants banks) in financing agriculture and other credit policy agents in appropriate enhancement of agricultural development in Nigeria.

Eze et al (2010) examined the agricultural financing policies of the government of Nigeria and effects on rural development .The study found that though the government has made serious efforts at making good agricultural policies through schemes, programmes and institutions, it has not been able to back them up with adequate budgetary allocation and financing coupled with corruption in the execution of the policies. It is recommended that for the government agricultural financing policies to achieve its target of rural development, Nigeria will need an adequate level of strategically targeted investment in agriculture, upgrade rural infrastructure, boost productivity, and increase competitiveness of the farm output, in addition to fighting corruption.

AGRICULTURAL FINANCING AND ECONOMIC DEVELOPMENT

A recent study shows that agricultural finance impacted positively on farm income. Total average farm income generated by ACGSF beneficiaries is larger than that generated by non- beneficiaries (CBN, 2007). This higher income may be because of the leveraging associated with borrowing which is a major form of agricultural financing and a constituent of most agricultural policies. Increased income should translate into higher demand for goods produced by other sectors of the economy. This is a boost to consumption expenditure and, ultimately, the national income.

Generally, credit is expected to generate sufficiently new income out of its use to meet incurred cost, repay the loan plus the interest within the long-term period and leave a surplus for the borrower. Gaibraith (2002) put it succulently: 'At a certain stage in agricultural development, agricultural credit clearly does become a strong force for further improvement when a man with energy and initiative who lacks only resources for more and more efficient production is enable by the use of credit to eliminate the one block on his path to improvement". Ogunfowora et al (2001) affirms that unless production Is made available in suitable terms, the majority of small farmers will be seriously handicapped in-adopting profitable technology. According to Jhingan (2003), the agricultural sector addresses some of the most basic of man's material pursuit collection of nature's bounty, hunting, fishing, animal rearing and food cultivation.

In spite of the growing importance in oil, Nigeria has remained essentially an agrarian economy with agriculture still accounting for significantly shares in Gross Domestic Product (GOP) and total exports as well as employing the bulk of the labour force. Available data show that at independence in 1960 the contribution of agriculture to the GDP was about 60%, which is typical for developing agrarian nations. However, this share declined over time to bring about 25% between 1975 and 1979, this was due partly to the phenomenal growth of the mining and manufacturing sectors during the period and partly as a result of the disincentive created by the macroeconomic environment. Similarly, the growth rate of agricultural production exhibited a downward trend during the period. Thus, between 1970 and 1982, agricultural production stagnated at less than the percent (1%) annual growth rate, at a time when the population growth was between 2.5 to 3.0 per cent per annum. There was a sharp declined in export crop production, while food production increases only marginally. Thus, domestic food supply had to be augmented through large imports. The food import bill rose from a mere $4112.88 million annually during 19870-I974 to W1, 964.8 million in 1991.

The table 1 below shows the contribution of Agriculture to the Gross Domestic Product (2001- 2007.).

TABLE 1: CONTRIBUTION OF AGRICULTURE TO GROSS DOMESTIC PRODUCT 2001-2007

Period	Total GDP (#B)	Agric share of GDP	% Share of Agric in Total GDP
2001	431.78	182.66	42.30
2002	451.71	190.37	42.14
2003	495.01	203.01	41.01
2004	527.58	216.21	40.98
2005	561.83	231.46	41.19
2006	595.82	248.60	41.72
2007	632.86	267.06	42.20

Source: CBN (2005, 2007) GDP is at 1990 constant price.

In discussing the role of agriculture to economic development, Binswanger, et al (1999) said the agriculture has both backward and forward linkages with itself and other sector of the economy. It supplies raw materials to the agro allied sector which enhance the provision of foods, job opportunity and income to those engage by the sector as well to the government. Thus playing a key role in agriculture led industrialization (see also Vogel 1994 and Adelman 1984). Anyanwu, et al (1997) also observed that the role of the agriculture in transforming both social and economic framework of an economy through the food provide the people and the raw materials it provide for the industrial sector. The sector is also essential for the expansion of employment opportunity which makes it possible for poverty reduction; improvement of income distribution and the speeding up of industrialization and improvement of a nation's balance of payments.

The World Bank (1997) further posited that agriculture plays an important role in the overall economic development of a country, to the extent that a country that is able to achieve a 4 percent annual growth rate in agriculture will record an improvement in technology and increase in agricultural production is capable of reducing food import bills, which in the long run can translate to a favorable terms of trade, which in tune can be used in increasing the importation of manufactured capital goods that would possibly improve the living standard of the people.

Qureshi, et al. (1996) reiterated that an increase in the rate of agriculture can also increase the demand for credit and as rapid increase in agriculture raises the demand for credit, farmers income will rise and ability of farmers to self-finance themselves would in long run improve thereby improving their well-being.

THE CHALLENGES FACING AGRICULTURAL FINANCE POLICIES IN NIGERIA

Following are some of the identified challenges of agricultural finance policies in Nigeria:

- ✓ **Paucity of loan funds:** The portfolio of funds deployed to agricultural financing among Nigerian commercial banks is less than one percent of the aggregate investable funds;
- ✓ **Low management capacity of farmers:** Most farmers who should benefit from the financing policies lack the basic skills of farm management, including record keeping.
- ✓ **Lack of adequate skills to deliver services effectively:** Most of the credit institutions undertook lending to agriculture without the use of trained agricultural credit officers with knowledge of agriculture and the constraints holding back farmer performance.
- ✓ **Inadequate funding of public agricultural financing institutions:** The NACRDB, for instance, has a capital base of N50 billion to be contributed to by the Federal Government and the CBN in a 60:40 ratio. To date, only about N23 billion has been paid up. These institutions cannot deliver effectively in the face of this dearth of funding.;
- ✓ **There is a general lack of interest among commercial banks because agricultural finance in Nigeria is longer term**
- ✓ **Inadequate funding of public financing institutions:** Government owned development banks, such as the Nigerian Agricultural Development and Cooperative Bank are poorly funded
- ✓ **High dispersion of farmers which increases the lending and recollection costs;** a lack of acceptable collateral by small-scale farmers; seasonality and low profitability of smallholder agriculture; and the high cost of borrowing money;
- ✓ **Financial institutions are unwilling to support farmers:** even with the mandatory (preferred sector) lending and guarantee of exposure citing low productivity and higher risk relative to other sectors.

METHODOLOGY

This section focuses on the research techniques adopted and used for this study with the aim of achieving the research objectives. The study covers microfinance banks and their customers in the Osogbo and Ife-Ijesha axis of Osun State. Both primary and secondary data were used for the study. Primary data were collected from a sample of Small farmers (entrepreneurs) to determine their perceptions about the credit administration of the MFBs on their operations. The reason for the choice of primary data is because, first hand information are required from the respondents who are supposedly customers of the chosen Microfinance banks. The source of primary data therefore is the research instrument (questionnaire) administered on the respondents. The questionnaire used was the five point scaled questionnaire (Likert type) consisting of few but relevant questions to the study. In choosing the sample frame, eight micro finance banks were selected from the Osogbo and Ife-Ijesha axis of Osun State were considered. The choice of this location was borne out of the observed predominance of the MFBs in the area. This of course is seen to be of possible positive impact on the ability of the researchers to gather relevant and timely data for the study. The bias in the choice of numbers chosen from each of these towns was deduced from their geographical sizes and economic activities within the towns. A total of 15 questionnaires were administered on the customers of each microfinance banks located in the selected axis on one come one serve inside the banking hall (using six well supervised and guided research assistants to cover two banks each within a week).The sample size then becomes a total of 120 questionnaires administered on the respondent Farmers. Only 110 out of the questionnaires were found useful for the purpose of data analysis due to some not being properly completed. The sampling method adopted here was the purposive (a non probabilistic) sampling method. In this wise only identified customer of the micro finance banks who are farmers (entrepreneurs) were made to complete the structured questionnaire. The dependent variable is agricultural product delivery while the independent variable is MFBs credit administration measured by access to credit, adequacy and timeliness of credits as well as convenience of repayment term farmer-entrepreneurs. Considering the volume of data required, a computer based statistical software (SPSS – Statistical Package for Social Sciences) was used in the course of data analysis for data collected from the questionnaire. ANOVA was used to analyse objective one while Mean score was used to measure the degree of perception of the most preferred benefits of the credit administration of the sampled MFBs.

DATA ANALYSIS AND DISCUSSION OF RESULTS

Data was presented using descriptive statistics and analyzed through simple percentage analysis. Special statistical packages called SPSS was used to obtained the result given below. We made use of 110 respondents for the analysis.

The first objective on the influence of MFBs credits on agricultural development was analysed using ANOVA using the ordinary least square model of the following order:

$Y = a + b1x1 + b_2x_2 + b_3x_3 + b_4x_4 + e$

Where

Y= Agricultural Product Delivery

a = constant

bj -b_n = Coefficients of the variables

x_1 = Ease of credit Access (EFC)

x_2= Adequacy of credit (AFC)

x_3 = Timeliness of credit (TFC)

x_4= Convenient Repayment term (CRT)

e = error term/ stochastic error

Also Z- score statistics was employed in analysing the second objective on the perceived benafits of MFBs credits to farmers operations. Symbolically representation of Z – Score statistics is given below:

Z= X-N/sdx

Where Z represents the z- score value,

X is sample mean,

N is the population mean and

Sdx is the standard error of the mean which is calculated as standard deviation divided by root of the sample size.

The test adopted 95 confidence levels which is 0.05 level of significance and is given as 1.96 Z-value. Testing the overall significant of the z-score implies testing the null hypothesis. Ho against Hi, if the null hypothesis is true i.e. the zones and sample means do not lie within population means at 0.05 significant level, we accept the null hypothesis that there is no significant relationship between the dependent and independent variables, but if it is otherwise, we will reject the null hypothesis and accept the alternative hypothesis.

ESTIMATION RESULT

The regression results showing the relationship between level of impact measured agricultural product delivery and the following explanatory valuables- ease of access to credits, adequacy of credits, timeliness of credits and convenience of repayment term were presented in Table 1.2. The table shows the coefficient of the independent variables, with ease of credit access (EFC) having the highest with Beta value of 0.161 meaning that EFC has the highest impact on agricultural delivery..

The multiple R was 0.300 meaning that about 30% change in agricultural delivery were explained by the explanatory variables. The R^2 was 90% meaning that about 90% change in agricultural delivery were explained by the explanatory variables. The f value was 2.849 and statistically significant at 0.027 probability level. As expected, apriori ease of credit access had positive and significant relationship with agricultural delivery.

The analysis and hypotheses tested are hereby presented in the table below:

RESEARCH HYPOTHESIS I

The hypotheses of the study are stated in null form as follows:

HO1: There is no significant impact of microfinance banks credits on agricultural development in Osun state Nigeria

TABLE 2.1: COEFFICIENTS OF VARIABLES

		Unstandardized Coefficients		Standardized Coefficients	T	Significant
Mode		B	Standardized Error			
1	(Constant)	1.253	.392		3.203	.002
	EFC	-3.851 E- 02	.085	-.043	-.453	.652
	AFC	-3.621 E – 02	.111	-.030	-.327	.744
	TFC	.181	.103	.161	1.746	.083
	CRT	9.912 E- 02	.133	.071	.744	.458

- **Predictor: (constant), EFC, AFC, TFC, CRT**
- **Dependent variable: Agricultural Product Delivery**

TABLE 2.2: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Standardized Error Of The Estimate
1	300	.090	.059	.73

- **Predictor: (constant), EFC, AFC, TFC, CRT**
- **Dependent variable: Agricultural Product Delivery**

TABLE 2.3: ANALYSIS OF VARIANCE (ANOVA)

Model		Sum of Squares	Df	Means square	F	Significant
1	Regression	6.464	4	1.616	2.849	0.27
	Residual	65.236	115	.567		
	Total	71.700	119			

HYPOTHESIS II

HO2: There are no differences in the perception by farmers in Osun state of the benefits of Microfinance banks credits

Table III shows the mean scores of Perceived influence of Ease of Access to MFBs credits and Adequacy of credits on Farmers operations ranked first and second with mean scores of 3.78 and 3.74 respectively. The Timeliness of credits for farmer's operations attains middle ranks of mean scores 3.56. However, convenient repayment terms was ranked last of the four MFBs credits influence on farmers performance.

TABLE 3.1: PERCEIVED INFLUENCE OF MFBS CREDITS ON FARMERS' OPERATIONS

Statements	Mean	Rank
Ease of Access to MFBs credit	3.78	1st
Adequacy of MFBs credit	3.74	2rd
Timeliness of MFBs credit	3.56	3rd
Convenient repayment terms	3.45	4th

Source: Authors compilation 2013

TABLE 3.2: SUMMARY OF THE RESULT

	X	N	SD	SDX	Zc	Zt	Remark
Q1	3.78	3.98	1.317	0.107	1.96	1.96	Significant
Q2	3.74	3.93	1.148	0.159	1.96	1.96	Significant
Q3	3.55	3.83	1.669	0.134	1.96	1.96	Significant
Q4	3.45	3.65	1.326	0.109	1.96	1.96	Significant

Significance level: 0.05

Source: Authors deductions 2013

CONCLUSION AND RECOMMENDATIONS

The results of this research reveal that the Nigerian microfinance policy establishing Microfinance banks is a boost to agricultural financing and is capable of promoting agricultural development in Nigeria. Agriculture occupies a priority status in Nigeria as the sector serves as the key driver of growth, wealth creation and poverty reduction for a large portion of the population. It is the leading economic activity in the country contributing about 40 per cent of GDP and providing 60 percent of employment in 2010. More than 80 percent of Nigeria agricultural production is dominated by poor and small-scale producers in the rural areas. This group lacks access to capital to acquire the needed inputs to increase output and incomes. To overcome this challenge, farmers have continued to exploit various avenues by relying on both non-institutional and institutional sources of credit one of which is the Microfinance banks (MFBs). The fact of the matter is most of the smallholder farmers lack access to capital to acquire the needed inputs to increase their productivity and incomes and reduce their poverty. In the light of the above the following recommendations may be found useful:

- ✓ Adequate attention should be given to agricultural growth policies, finance and provision of rural infrastructure.
- ✓ Review of microfinance policy to give attention to farmers and opportunities to access credits from microfinance banks. Farmers require credit to purchase seeds, fertilizers, herbicides, and buy or rent mechanized equipment and related activities.

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APPRAISAL OF FACTORS INFLUENCING TAX AVOIDANCE AND EVASION IN NIGERIA

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ABSTRACT

Tax evasion and avoidance are both phenomena that are probably as old as taxation itself. Literature revealed that tax avoidance and evasion represent some of the perplexing problems facing the Nigerian economy. The result of tax evasion and avoidance is tax revenue loss, which may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure. Therefore, this study examined the factors that are influencing tax evasion and tax avoidance in Nigeria. The study adopts a survey research design. Six-point rating scaled questionnaire starting from strongly agree to strongly disagree was used to collect primary data from 120 selected small and medium scale businesses in Lagos. The results of the analysis revealed that the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria. Furthermore, tax system and perception of fairness, low transparency and accountability of public institutions, and high level of corruption do significantly influence tax avoidance and evasion in Nigeria. The study recommends that urgent steps should be taken by public office holders to live up to expectation when it comes to transparency, accountability and the war against corruption.

JEL CODES
H26, H31, K34

KEYWORDS
Corruption, Tax evasion, Tax avoidance, Transparency and Accountability.

INTRODUCTION

Taxation has been variously described in the literature. Arnold and McIntyre (2002) define tax as a compulsory levy on income, consumption and production of goods and services as provided by the relevant legislation. Tax has also been defined as a charge imposed by government authority upon property, individuals, or transactions to raise money for public purposes (Akinyomi & Tasie, 2011; Enahoro & Olabisi, 2012). Tax evasion and avoidance are both phenomena that are perhaps as old as taxation itself (Eschborn, 2010). Wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid paying them. The two concepts of tax evasion and tax avoidance do not mean the same thing even though they often appear together. Bhuiyan (2012) described tax evasion as intentional and unlawful non-fulfillment of tax liabilities. In contrast, he considered tax avoidance as conscious acts of reducing one's taxes by lawful means. Nevertheless, the distinction between tax evasion and avoidance is not always very clear for the reason that tax laws are not always specific. Furthermore, when taxpayers try to discover loopholes with the intention to pay a smaller amount of tax; even if in principle lawful, their actions may be against the spirit of the law and in this sense regarded as noncompliant (Wenzel, 2002; Bhuiyan, 2012).

REVIEW OF LITERATURE

Tax avoidance involves an active means to reduce or remove altogether the payment of tax (Soyode & Kajola, 2006). It is usually done through taking advantage of the loopholes in the tax laws without actually breaking it. It is also the legal utilization of the tax regime to one's own advantage so as to reduce the amount of tax that is payable using means that are acceptable by the law. According to Kiabel and Nwokah (2009), it is a word used to show the various means which have been adopted with the purpose of saving tax and therefore securing the tax payer's earnings from greater liability which would have otherwise been incurred. Essentially it is simply going through the tax provisions and taking total advantage for the benefit of the tax payer, for instance, a situation where a tax payer invests in qualifying capital expenditures so that he may be granted capital allowances.

Tax evasion on the other hand is a term used when efforts of individuals and organizations are directed towards illegal reduction of tax liabilities. It has been defined by Alm and Martinez-Vazquez (2001) as a deliberate and willingly practices of not disclosing complete taxable income in other to pay lesser tax. This means that tax evasion is illegal in the eyes of the law. It entails the taxpayers deliberately misrepresenting and concealing the state of affairs in order to reduce tax payment from the tax authorities and it includes in particular dishonest tax reporting (i.e. declaring of reduced income, profits, gain than usually earned or overstating deductions). Kiabel and Nwokah (2009) posit that tax evasion is the fraudulent, dishonest, intention concealment of facts and figures in other to avoid or reduce tax payable.

Neck, Wachter and Schneider (2011) investigated how the possibility of tax avoidance affects the extent of tax evasion and hence the shadow economy. Using comparative statistics, the study revealed that the complexity of the tax system affects participation in the shadow economy negatively. Furthermore, the study demonstrated that a decrease in the maximum acceptable number of working hours in the official economy increases the labour supply in the shadow economy. Similarly, Abiola and Asiweh (2012) carried out a survey on Nigeria tax administration and its capability to reduce tax evasion and generate revenue for the developmental aspiration of the Nigerian general public. The outcome of the study revealed that management and organizational approach in the implementation of tax policy in Nigeria is very weak. The weakness could be traced to the use of poor tools, insufficient staffing of the tax-collecting organization, poor financial support, bad access road to the heart of the rural areas, poor enlightenment. The result additionally supported the fact that tax payers are not enlighten on the need to meet up with their tax obligation.

Bhuiyan (2012) investigated tax evasion and avoidance in some selected firms in Bangladesh, using primary data obtained through the administration of questionnaire to top level tax officials and tax practitioners. Besides, secondary data on appellate cases were obtained by the researcher himself from the relevant tax personnel assuring them that the names of the corporate firms would be kept confidential. The study highlighted the main reasons for tax evasion and tax avoidance, major techniques adopted by the corporate firms in evading and avoiding corporate taxes in Bangladesh. It also reported ways and means of preventing tax evasion and avoidance practices.

Alabede, Ariffin and Idris (2011) investigated individual taxpayers' attitude and compliance behaviour in Nigeria. The study recognized that a number of factors may be responsible for low compliance in income tax administration in Nigeria. However, taxpayers' attitude was identified as one factor that play important role in influencing tax compliance behaviour. Data for the study were collected through a survey of individual taxpayers' opinion, meanwhile the analysis was carried out using moderated multiple regression. The result of the study indicated that taxpayer's attitude towards tax evasion is positively related to compliance behaviour. Furthermore, the study also revealed that taxpayer's risk preference has strong negative moderating impact on the relationship between attitude towards tax evasion and compliance behaviour.

In general, citizens expect some kind of service or benefit in return for the taxes paid. If the government fails to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes and tax evasion and avoidance will be the consequence (Lieberman, 2002; Pashev, 2005; Everest-Phillips, 2008; Brautigam et al., 2008). Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer (Chipeta, 2002). However, the level of the tax rate may not be the only factor influencing people's decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on corporate profits is relatively low, but individuals are facing a high tax rate on their personal income, they may perceive their personal tax burden as unfair and choose to declare only a part of their income. Similarly, large companies can often more easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of the system. Tax rates and the overall structure of the tax system, therefore, have a significant effect on the disposition to evade and avoid taxes.

Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the government. This, in turn, increases the willingness to evade taxes (Kirchler, Muelbacher, Kastlunger & Wahl, 2007). If due to high levels of corruption, citizens cannot be certain whether their paid taxes are used to finance public goods and services their willingness to pay suffers and it becomes more likely that they evade their tax liabilities. A taxpayer might consider evading taxes if the cost of bribing a tax auditor is lower than the potential benefit from tax evasion (Popoola, 2009).

IMPORTANCE OF THE STUDY

This study focuses on the factors that influence tax avoidance and evasion in Nigeria. The subject of the study is of high importance as tax evasion and avoidance practice adversely hamper government's capacity to provide the basic social amenities needed by the populace. In fact, if tax evasion and tax avoidance continue unchecked, it may lead to the collapse of any government, as every government requires adequate funding for it to run. Therefore, it becomes necessary to investigate those factors that influence evasion and avoidance of tax so as to develop strategies to combat them.

STATEMENT OF THE PROBLEM

Simser (2008) observed tax evasion could be said to occur when individuals or organizations intentionally fail to conform to their tax responsibility. Tax evasion and avoidance are not new phenomena as they have been in existence long time ago, however, they have taken a new dimensions in recent times (Eschborn, 2010). According to Asada (2010) tax avoidance and evasion represent some of the perplexing problems facing the Nigerian economy. Wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid paying them. Meanwhile, taxation is one of the means of revenue generation of any government to meet the need of its citizens (Abiola & Asiweh, 2012). The resulting tax revenue loss may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure (Chiumya, 2006). Therefore, there is the need to ascertain the factors that are influencing tax evasion and tax avoidance in Nigeria.

OBJECTIVES OF THE STUDY

The main objective of this study is to investigate the factors influencing tax avoidance and evasion in Nigeria. Specifically, the study sets out to:

i. Investigate whether low quality of the service in return for tax affects tax avoidance and evasion in Nigeria.

ii Examine whether tax system and perception of fairness affect tax avoidance and evasion in Nigeria.

iii Evaluate whether low level of transparency and accountability by public institutions affect tax avoidance and evasion in Nigeria.

iv Assess whether high level of corruption affects tax avoidance and evasion in Nigeria.

RESEARCH QUESTIONS

The following research questions have been developed mainly based on the review of literature on tax avoidance and evasion:

i. What is the influence of low quality of the service in return for tax on tax avoidance and evasion in Nigeria?

ii What is the influence of tax system and perception of fairness on tax avoidance and evasion in Nigeria?

iii What is the influence of low transparency and accountability of public institutions on tax avoidance and evasion in Nigeria?

iv What is the influence of high level of corruption on tax avoidance and evasion in Nigeria?

RESEARCH HYPOTHESES

In order to be able to test the significance of the relationship that exists between the identified factors and tax avoidance and evasion in Nigeria, the following hypotheses have been formulated:

Ho_i: Low quality of the service in return for tax does not significantly influence tax avoidance and evasion in Nigeria.

Ho_{ii}: Tax system and perception of fairness do not significantly influence tax avoidance and evasion in Nigeria.

Ho_{iii}: Low transparency and accountability of public institutions do not significantly influence tax avoidance and evasion in Nigeria.

Ho_{iv}: High level of corruption does not significantly influence tax avoidance and evasion in Nigeria.

RESEARCH METHODOLOGY

The study adopts a survey research design. Six-point rating scaled questionnaire starting from strongly agree (SA), agree (A), fairly agree (FA), fairly disagree (FD), Disagree (D), and strongly disagree (SD) was used to collect data from one hundred and twenty (120) randomly selected small and medium scale businesses in Lagos, Nigeria. However, only 87 representing 72.5% of the questionnaires were returned and usable. The questionnaire was designed in such a way that every question in the questionnaire was related to the research questions.

Chi-square test with 5% level of significance was employed in testing the hypotheses. The decision rule is to reject the null hypothesis if the calculated value is greater than the critical value and accept if otherwise. Chi-square is calculated with the help of the following formula.

$$X^2 = \frac{\Sigma (O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O_{ij} = represents observed frequency; E_{ij} = represents expected frequency

$$E = \frac{\text{Number of questionnaire}}{\text{Number of response}}$$

Level of significant= 0.05; Formula for degree of freedom= n-1; Therefore the degree of freedom df= 6-1 = 5. Thus, the value of X^2 from that 5 degree of freedom at 5% significance is 11.070.

RESULTS

The responses of the respondents on the various statements put forward in the questionnaire are analyzed as follows:

TABLE 1: ANALYSIS OF RESPONSES TO STATEMENT 1 IN THE QUESTIONNAIRE: LOW QUALITY OF THE SERVICE IN RETURN FOR TAX DOES AFFECT TAX AVOIDANCE AND EVASION IN NIGERIA

S/No.	Responses	No. of responses	% of Responses
1	Strongly agree	42	48.28
2	Agree	28	32.18
3	Fairly agree	11	12.64
4	Fairly disagree	4	4.60
5	Disagree	2	2.30
6	Strongly disagree	-	-
Total		87	100

Source: Field Survey, 2013

The analysis of responses to statement number one reveals that most of the respondents (93.1%) agreed that the low quality of the service in return for tax does affect tax avoidance and evasion in Nigeria. Furthermore, in order to confirm the existence of relationship between the low quality of the service in return for tax and tax avoidance and evasion in Nigeria; the first hypothesis is then tested below.

TABLE 2: ANALYSIS OF QUESTIONNAIRE BASED ON HYPOTHESIS 1

Observed (O)	Expected (E)	(O – E)	$(O – E)^2$	$(O – E)^2/E$
42	14.5	27.5	756.25	52.1552
28	14.5	13.5	182.25	12.5690
11	14.5	-3.5	12.25	0.8448
4	14.5	-10.5	110.25	7.6034
2	14.5	-12.5	156.25	10.7759
-	14.5	-14.5	210.25	14.5000
X^2				98.4483

Source: Field Survey, 2013

The result of hypothesis one indicates an x^2 value of 98.4483, which is greater than the critical value of 11.070. Therefore, we reject the null hypothesis and accept the alternative hypothesis. Thus, we conclude that the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria.

TABLE 3: ANALYSIS OF RESPONSES TO STATEMENT 2 IN THE QUESTIONNAIRE: TAX SYSTEM AND PERCEPTION OF FAIRNESS DO NOT AFFECT TAX AVOIDANCE AND EVASION IN NIGERIA

S/No.	Responses	No. of responses	% of Responses
1	Strongly agree	36	41.38
2	Agree	29	33.33
3	Fairly agree	13	14.94
4	Fairly disagree	2	2.30
5	Disagree	6	6.90
6	Strongly disagree	1	1.15
Total		87	100

Source: Field Survey, 2013

The analysis of responses to statement number two reveals that most of the respondents (89.65%) agreed that the tax system and perception of fairness do affect tax avoidance and evasion in Nigeria. Furthermore, in order to confirm the existence of relationship between the tax system and perception of fairness and tax avoidance and evasion in Nigeria; the second hypothesis is then tested below.

TABLE 4: ANALYSIS OF QUESTIONNAIRE BASED ON HYPOTHESIS 2

Observed (O)	Expected (E)	(O – E)	$(O – E)^2$	$(O – E)^2/E$
36	14.5	21.5	462.25	31.8793
29	14.5	14.5	210.25	14.5000
13	14.5	-1.5	2.25	0.1552
2	14.5	-12.5	156.25	10.7759
6	14.5	-8.5	72.25	4.9828
1	14.5	-13.5	182.25	12.5690
X^2				74.8622

Source: Field Survey, 2013

The result of hypothesis two indicates an x^2 value of 74.8622, which is greater than the critical value of 11.070. Therefore, we reject the null hypothesis and accept the alternative hypothesis. Thus we conclude that tax system and perception of fairness do significantly influence tax avoidance and evasion in Nigeria.

TABLE 5: ANALYSIS OF RESPONSES TO STATEMENT 3 IN THE QUESTIONNAIRE: LOW TRANSPARENCY AND ACCOUNTABILITY OF PUBLIC INSTITUTIONS DO NOT AFFECT TAX AVOIDANCE AND EVASION IN NIGERIA

S/No.	Responses	No. of responses	% of Responses
1	Strongly agree	52	59.77
2	Agree	24	27.59
3	Fairly agree	4	4.60
4	Fairly disagree	3	3.45
5	Disagree	1	1.14
6	Strongly disagree	3	3.45
Total		87	100

Source: Field Survey, 2013

The analysis of responses to statement number three reveals that most of the respondents (91.96%) agreed that low transparency and accountability of public institutions do affect tax avoidance and evasion in Nigeria. Furthermore, in order to confirm the existence of relationship between low transparency and accountability of public institutions and tax avoidance and evasion in Nigeria; the third hypothesis is then tested below.

TABLE 6: ANALYSIS OF QUESTIONNAIRE BASED ON HYPOTHESIS 3

Observed (O)	Expected (E)	(O – E)	$(O – E)^2$	$(O – E)^2/E$
52	14.5	37.5	1406.25	96.9828
24	14.5	9.5	90.25	6.2241
4	14.5	-10.5	110.25	7.6034
3	14.5	-11.5	132.25	9.1207
1	14.5	-13.5	182.25	12.5690
3	14.5	-11.5	132.25	9.1207
X^2				141.6207

Source: Field Survey, 2013

The result of hypothesis three indicates an x^2 value of 141.6207, which is greater than the critical value of 11.070. Therefore, we reject the null hypothesis and accept the alternative hypothesis. Thus, we conclude that low transparency and accountability of public institutions do significantly influence tax avoidance and evasion in Nigeria.

TABLE 7: ANALYSIS OF RESPONSES TO STATEMENT 4 IN THE QUESTIONNAIRE: HIGH LEVEL OF CORRUPTION DOES AFFECT TAX AVOIDANCE AND EVASION IN NIGERIA

S/No.	Responses	No. of responses	% of Responses
1	Strongly agree	59	67.82
2	Agree	23	26.43
3	Fairly agree	1	1.15
4	Fairly disagree	2	2.30
5	Disagree	1	1.15
6	Strongly disagree	1	1.15
Total		87	100

Source: Field Survey, 2013

The analysis of responses to statement number four reveals that most of the respondents (95.4%) agreed that high level of corruption does affect tax avoidance and evasion in Nigeria. Furthermore, in order to confirm the existence of relationship between high level of corruption and tax avoidance and evasion in Nigeria; the fourth hypothesis is then tested below.

TABLE 8: ANALYSIS OF QUESTIONNAIRE BASED ON HYPOTHESIS 4

Observed (O)	Expected (E)	(O – E)	$(O – E)^2$	$(O – E)^2/E$
59	14.5	44.5	1980.25	136.5690
23	14.5	8.5	72.25	4.9828
1	14.5	-13.5	182.25	12.5690
2	14.5	-12.5	156.25	10.7759
1	14.5	-13.5	182.25	12.5690
1	14.5	-13.5	182.25	12.5690
X^2				190.0347

Source: Field Survey, 2013

The result of hypothesis four indicates an x^2 value of 190.0347, which is greater than the critical value of 11.070. Therefore, we reject the null hypothesis and accept the alternative hypothesis. Thus, we conclude that high level of corruption does significantly influence tax avoidance and evasion in Nigeria.

DISCUSSIONS

The results of the analysis revealed that the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria. This finding is in line with that of Lieberman (2002), Everest-Phillips (2008) and Brautigam et al. (2008). The tax paying public expects government to provide basic social amenities such as pipe borne water, electricity, good road, educational facilities and most importantly security in return for the tax paid. However, in Nigeria as at date, these facilities are not adequately provided by the government. Particularly, the inadequate provision of security of lives and properties of the citizenry has remained a major concern to all. No wonder this study identified that the low quality of the service in return for tax is a factor that encourages tax avoidance and evasion in Nigeria.

Furthermore, the results of this study showed that high level of corruption, perception of lack of fairness, and low transparency and accountability of public institutions are other factors facilitation tax evasion and avoidance in Nigeria. This result is in line with that of Chipeta (2002) and Kirchler et al., (2007). As long as the tax paying public perceives those in the helm of affairs of public institutions as corrupt, unaccountable and not transparent, they may not be favourably disposed to continue to perform their civic responsibilities of paying tax. Similarly, on condition that the tax paying populace continues to perceive the tax laws as unfair (especially to the low and middle class) they may not be motivated to faithfully pay their taxes. Therefore, political leaders should make themselves accountable to the people, steer clear of corrupt practices and try as much as possible to be transparent to the public.

FINDINGS

This study investigated the factors which influence tax avoidance and tax evasion in Nigeria. The results of the study revealed the following:

(i) That the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria. (ii) That tax system and perception of fairness do significantly influence tax avoidance and evasion in Nigeria. (iii) That low transparency and accountability of public institutions do significantly influence tax avoidance and evasion in Nigeria. (iv) That high level of corruption does significantly influence tax avoidance and evasion in Nigeria.

RECOMMENDATIONS

Sequel to the findings of this study, it is recommended that urgent steps should be taken by public office holders in particular and government representatives in general to live above board when it comes to transparency, accountability and the war against corruption. Furthermore, government should strive to make dividends of democracy available to the general public through the provision of basic social amenities such as good roads, pipe borne water and electricity supply among others. The entire security system in the country should be totally upgraded so as to guarantee the safety of lives of properties. With all these in place, it is expected that the citizenry with have a positive change of attitude towards government in general and taxation in particular.

CONCLUSION

Tax evasion and avoidance usually result in revenue loss to government, which may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure. This study examined the factors that are influencing tax evasion and tax avoidance in Nigeria. The results of the analysis revealed that the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria. Furthermore, tax system and perception of fairness, low transparency and accountability of public institutions, and high level of corruption do significantly influence tax avoidance and evasion in Nigeria.

SCOPE FOR FURTHER RESEARCH

This study concentrated only on four of the factors identified in the literature to have influence on tax avoidance and tax evasion. However, there are other factors beside those investigated in this which may exact some influence on tax payers' inclination towards tax avoidance and tax evasion. These other factors could be examined by future researchers. Furthermore, future researchers could broaden the scope of their studies by selecting more samples.

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LEVEL OF WORKERS` JOB SATISFACTION AT JUTE MILLS: A CASE STUDY ON NARSINGDI DISTRICT

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ABSTRACT

The term job satisfaction refers to an individual's general attitude toward his or her job. A person with high level of job satisfaction holds positive attitude toward his job while a person who dissatisfaction with his job holds negative attitude towards his job. Job satisfaction also occurs when a job meets the expectations, values and standards of an individual and will influence their commitment and performance. So from here, it is how an organization gets satisfied their workers in order to get their commitment to performed well. The study revealed that significantly higher percentage of the workers was satisfied with their present job. The study further suggested that working hours, overtime benefits, recognition for good work, management policy, promotional opportunity & good relation with colleagues were more important than working environment, job status, autonomy in work, participation in management, and open communication for their overall job satisfaction. There was not significant influence of personal factors such as age, experience, marital status, income, education, & skill on overall job satisfaction among the workers of Jute Mills in Narsingdi districts. The data are collected by face to face interview with a schedule of questionnaire and the core value of workers satisfaction and dissatisfaction that they feel from working in the Jute Mills situated at Narsingdi district are placed here.

KEYWORDS

automomy in work, job satisfaction, promotional opportunity, participation in management.

1. PRELUDE

Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one's job; an affective reaction to one's job; and an attitude towards one's job. Job satisfaction is the amount of pleasure or contentment associated with a job. If you like your job intensely you will experience high job satisfaction. If you dislike your job intensely, you will experience job-dissatisfaction. Job satisfaction is an individual's emotional reaction to the job itself. It is his attitude towards his job. Bangladesh, as we know, being a third world country is trying to expand its industrialization programs. As a result of this effort, various types of industries, such as, jute mills, textiles, garments factories, tobacco companies, tea factories, cement factories, steel industries, iron industries and metal industries etc. have been set up. This study analyzed the job satisfaction of the workers of Jute Mills in Narsingdi District.

2. STATEMENT OF THE PROBLEM

The consequences of job satisfaction are very much important to an organization in terms of its efficiency, productivity, employee relations, absenteeism and turnover and to an employee in terms of his health and well being. Job satisfaction is the function of the perceived relationship between what one expects and obtains from one's job and how much importance or value he attributes to it. The indicators of job satisfaction such as, health, job safety, sustain facilities provided by respective authority, working environment, relationship with co-workers, salary structure, participation in factory management etc. With the end of the view, the present study has been designed to conduct a research work on the workers of various **Jute Mills in Narsingdi District**; the socio economic background of employees, job satisfaction, job dissatisfaction and their consequence as the related issue.

3. OBJECTIVE OF THE STUDY

The main objectives of the study are as follows:

1. To identify the determinants of job satisfaction of Jute Mills workers.

2. To measure the behavioral level of top management of Jute Mills.
3. To specify the mental happiness of workers of Jute Mills.
4. To evaluate the social background of the workers of Jute Mills.

4. RATIONALE OF THE STUDY

There are many employees' are engaged in the private sectors organization in Bangladesh. They are involving with a huge number of problems. But they don't get scope to express their opinion to the higher authority due to stress, fear, lack of knowledge etc. On the other hand they have a limited power to find out the actual problem involving with their job. The private sector organizations of our country are involving with strike, bribe, slowdowns, non-cooperation etc. Only by the help of job satisfaction it is possible to overcome. The knowledge of job satisfaction is very much important to understand their problems at the workplace. But no substantial work has so far been conducted on socio economic background, job satisfaction and job security of the non-government organizations; especially on Jute Mills in Narsingdi District. So it is very essential to conduct a research study on levels of job satisfaction in workers of Jute Mills.

5. LIMITATIONS OF THE STUDY

On the way of this study researcher has faced the following problems, which in terms may be considered as the limitations of the study. These are as follows:

1. The researcher could not spend sufficient time, which was required for the in-depth study.
2. The study mostly limited to only the 100 workers out of the 1000 workers of Jute Mills in Narsingdi District; which may be more in number for getting more accurate result.
3. Corrective measures for identified problems are not covered in it due to lack of experience.
4. All the respondents do not give answer correctly.

6. LITERATURE REVIEW

Hoque and Hossain (1992), in their study on "Perceived Importance of Different Job Facet and Overall Job Satisfaction of Industrial Workers in Bangladesh- An Empirical Study" found that numbers of satisfied subjects with their present job are significantly higher than those of the dissatisfying subjects.

Hossain (1985), made a study on "An Analysis' of Factors Related to the Job Satisfaction of the Teachers of Secondary Schools." This study conducted on two hundred secondary school teachers were selected from the eleven secondary schools of Dhaka city as the subjects for the study.

Kalra (1981) conducted a research on the managerial people who have recently changed their job and found that there are many reasons behind leaving the previous jobs. These include lack of growth opportunity (56%), poor salary (51%) and lack of job satisfaction (45%). Thus, it can be concluded that job satisfaction is negatively correlated with turnover.

Khaleque and Rahman (1987), address their paper "Perceived Importance of Job Facets and Overall Job Satisfaction of the Industrial Workers.

Khaleque and Wadud (1984) on industrial supervisors found that autonomy in work, promotional opportunity, relations with colleagues, job security and recognition for good work were considered as important sources of job satisfaction by the respondents

Mathew (1992) reported that areas of activities such as, decision making, supervising, control, training, specific academic, sales promotion and selection-recruitment are significantly related with work satisfaction.

Mukherjee (1970) examined the extent to generality of jab satisfaction across the different aspects of job.

Watchel, (1995) state that in a system sense, motivation consists of these three interacting and interdependent elements, i.e., needs, drives, and incentives.

7. METHODOLOGY OF THE STUDY

In the present study, methodology is taken to indicate the underlying principles and methods or organizing and the systems or inquiry procedure leading to completion of the study. This chapter deals with various methodological issues relating to the study like profile of the sample unit, sample size of the respondents, sources of data and analysis of data used in the study. There are several Jute Mills in Narsingdi, but among them Modina Jute Mills and Shomser Jute Mills have been selected for the purpose of my study.

8. SAMPLE SIZE OF THE RESPONDENTS

The present study conducted on the workers of two Jute Mills at Narsingdi, Bangladesh. Total 1000 workers are working in these industries Limited. Out of the total 1000 workers, only 100 workers have been selected randomly for the study purpose. The 100 sample respondents have been selected from the five different departments.

9. SOURCES OF DATA

Both primary and secondary data are used for the purpose of the study. The study is mainly based on primary data. The primary data have been collected through personal interview of the workers of Jute Mills. However, the data could not be collected from primary sources, would be collected through secondary sources. Different types of data and their sources are discussed under the following heads.

9.1 PRIMARY DATA

The primary data have been collected through personal interview with the workers used by structured questionnaire. To collect the primary data researcher used three sets of interview schedules, specially prepared in the light of the objectives of the study. The collected data have been subsequently processed, tabulated and analyzed for the purpose of the study. The collected data have been processed, tabulated and analyzed in the logical manner.

9.2 SECONDARY DATA

The data could not be collected from primary sources have been obtained through secondary sources. The secondary sources include books, journals, annual report and unpublished research works.

10. MEASURING INSTRUMENTS

The collected data have been analyzed through the following statistical instruments:

10.1 MEAN OR AVERAGE

The arithmetic mean is a location measure that describes the values in a data set by equal parts of their total. It is computed as the sum of the individual values divided by their number (Ingram, J.A., & Monks, J.G., 1989).

10.2 STANDARD DEVIATION

The Standard deviation (SD) is a measure of the variation of data that is used to determine the percentage of data values that reside within any specified distance from their mean (Ingram, J.A., & Monks, J.G., 1989).

$$\sigma = \sqrt{\frac{\Sigma\left(x \quad \overline{x}\right)2}{N}}$$

10.3 T-TEST

T-distribution is used in testing of hypothesis about the population mean to decide about the acceptance or rejection of H_o vis-à-vis H_1. The calculated value of *t* is compared with the value of *t* for (n-1) d. f., and level of significance α the tabulated *t*-value gives the critical value of *t*. More clearly, if $t_{cal} > t\,\alpha$ for (n-1) d. f., reject H_o otherwise accept it in case of one tailed test. (Agarwal, B.L., 1991).

10.4 CHI SQUARE TEST

The chi-square test is one of the simplest and most widely used non-parametric tests in statistical work. It makes no assumptions about the population being sampled. The quantity chi-square describes the magnitude of discrepancy between theory and observation. That is with the help of chi square test we can know whether a given discrepancy between theory and observation can be attributed to chance or whether it results from the inadequacy of the theory to fit the observed facts. If chi-square is zero it means that the observed and expected frequencies completely coincide. The greater the value of chi-square, the greater would be the discrepancy between observed and expected frequencies.

$x^2 = \sum (O-E)^2/E$

Where, O = Observed Frequency

E = Expected or Theoretical Frequency

11. STATISTICAL ANALYSIS OF THE STUDY

11.1 CHI-SQUARE (x^2) TEST

The chi-square test is one of the simplest and most widely used non-parametric tests in statistical work. It makes no assumptions about the population being sampled. The quantity chi-square describes the magnitude of discrepancy between theory and observation. Satisfaction and dissatisfaction of workers recorded in the following table:

11.1 (A) PROMOTIONAL OPPORTUNITIES OF THE RESPONDENTS

Chi-Square statistics of promotional opportunities is shown in the following table:-

TABLE-11.1 (A) CHI-SQUARE STATISTICS OF PROMOTIONAL OPPORTUNITIES

Category	No. of Respondents	Expected Value	Residual Value	Chi-Square Value	Degree of Freedom (df)	Significance
Yes	47	50.0	-3	0.36	1	0.548
No	53	50.0	3			
Total	100					

Source: Field Survey

Table- 11.1(a) shows that computed chi-square value is .36 is smaller than the table value of 2.71 at 10% level of significance, therefore, the study accept the null hypothesis. Workers are not satisfied on promotional opportunities of factory.

11.1 (B) RECOGNITION FOR BETTER PERFORMANCE OF THE RESPONDENTS

Chi-square statistics of recognition for better performance is shown in the following table:-

TABLE-11.1 (B) CHI-SQUARE STATISTICS OF RECOGNITION FOR BETTER PERFORMANCE

Category	No. of Respondents	Expected Value	Residual Value	Chi-Square Value	Degree of Freedom (df)	Significance
Yes	2	50.0	-48	92.16	1	.0000
No	98	50.0	48			
Total	100					

Source: Field Survey

Table- 11.1(b) shows that calculated chi-square value is 92.16 is greater than the table value of 6.63 at 1% level of significance, therefore, the study reject the null hypothesis. Workers are satisfied on recognition of better performance.

11.1 (C) GOOD RELATIONSHIP WITH CO-WORKERS

Chi-Square statistics of good relationship with co-workers is shown in the following table:-

TABLE-11.1 (C) CHI-SQUARE STATISTICS OF GOOD RELATIONSHIP WITH CO-WORKERS

Category	No. of Respondents	Expected Value	Residual Value	Chi-Square Value	Degree of Freedom (df)	Significance
Yes	90	50.0	40	64	1	.000
No	10	50.0	-40			
Total	100					

Source: Field Survey

Table- 11.1(c) shows that calculated chi-square value is 64 is greater than the table value of 6.63 at 1% level of significance, therefore, the study reject the null hypothesis. Workers are satisfied on good relationship with co-workers.

11.1 (D) MANAGEMENT POLICY OF THE RESPONDENTS

Chi-Square statistics of management policy of the respondents is shown in the following table:-

TABLE-11.1 (D) CHI-SQUARE STATISTICS OF MANAGEMENT POLICY

Category	No. of Respondents	Expected Value	Residual Value	Chi-Square Value	Degree of Freedom (df)	Significance
Yes	70	50.0	21	17.64	1	.000
No	30	50.0	-21			
Total	100					

Source: Field Survey

Table- 11.1(d) shows that calculated chi-square value is 17.64 is greater than the table value of 6.63 at 1% level of significance, therefore, the study reject the null hypothesis. Workers are satisfied on salary management policy.

11.2 T-TEST (ONE-SAMPLE TEST)

T-test table gives over a range of values of degree of freedom at different levels of significance. By selecting a particular degree of freedom and level of significance, the study determine the tabular value of ***t***. The study establishes a null hypothesis, and if our computed ***t*** is greater than tabular ***t***, we reject the null hypothesis; if our computed ***t*** is smaller than the tabular ***t***, we accept the null hypothesis. The satisfaction and dissatisfaction of the workers recorded in the following table:

11.2 (A) PROMOTIONAL OPPORTUNITIES OF THE RESPONDENTS

T-Test statistics of promotional opportunities of the respondents is shown in the following table:-

TABLE-11.2 (A) T-TEST STATISTICS OF PROMOTIONAL OPPORTUNITIES

Factor of Job Satisfaction	No. of Respondents	Mean	Std. Deviation	Std. Error	T -Value	df	Sig.
Promotional Opportunities	100	.47	.502	0.050	9.369	99	.00

Source: Field Survey

Table-11.2(a) reveals that the calculated value of *t* is 9.396 is greater than the table value of 2.576 at 1% level of significance and the degree of freedom is 99. The study will reject the null hypothesis. It is accept the alternative hypothesis. Workers are satisfied their promotional systems.

11.2(B) RECOGNITION FOR BETTER PERFORMANCE OF THE RESPONDENTS

T-Test statistics of recognition for better performance of the respondents is shown in the following table:-

TABLE-11.2(B) T-TEST STATISTICS OF RECOGNITION FOR BETTER PERFORMANCE

Factor of Job Satisfaction	No. of Respondents	Mean	Std. Deviation	Std. Error	T-Value	df	Sig.
Recognition for Better Performance	100	0.02	0.14	0.014	1.421	99	0.16

Source: Field Survey

Table-11.2(b) reveals that the calculated value of *t* is 1.421is smaller than the table value of 1.645 at 5% level of significance and the degree of freedom is 99. The study will accept the null hypothesis. So workers are not satisfied to the recognition for better performance.

11.2 (C) GOOD RELATIONSHIP WITH CO-WORKERS

T-Test statistics of good relationship with co-workers is shown in the following table:-

TABLE-11.2 (C) T-TEST STATISTICS OF GOOD RELATIONSHIP WITH CO-WORKERS

Factor of Job Satisfaction	No. of Respondents	Mean	Std. Deviation	Std. Error	T-Value	df	Sig.
Relation with Co-Worker	100	0.9	0.30	0.030	29.84	99	.00

Source: Field Survey

Table-11.2(c) **reveals** that the calculated value of *t* is 29.84is greater than the table value of 2.576 at 1% level of significance and the degree of freedom is 99. The study will reject the null hypothesis. So it is found that good relation exists among the co-workers.

11.2 (D) MANAGEMENT POLICY OF THE RESPONDENTS

T-Test statistics of management policy of the respondents is shown in the following table:-

TABLE-11.2 (C) T-TEST STATISTICS OF MANAGEMENT POLICY

Factor of Job Satisfaction	No. of Respondents	Mean	Std. Deviation	Std. Error	T-Value	df	Sig.
Management Policy	100	0.71	0.45	0.045	15.56	99	.00

Source: Field Survey

Table-11.2(c) **reveals** that the calculated value of *t* is 15.56 is greater than the table value of 2.576 at 1% level of significance and the degree of freedom is 99. The study will reject the null hypothesis. Here it can be said that workers are satisfied for participation in management policy.

12. TABLE OF MEAN RANKING

On the basis of t-test of different contents of interview schedule a mean ranking table is shown below:

TABLE 12: TABLE OF MEAN RANKING

Factor of Job Satisfaction	**No. of Respondents**	**Mean**	**Std. Deviation**	**Std. Error**	**T-Value**	**df**	**Sig.**	**Rank of Mean**
Promotional Opportunities	100	0.47	.502	0.050	9.369	99	.00	03
Recognition for Better Performance	100	0.02	0.14	0.014	1.421	99	0.16	04
Relation with Co-Worker	100	0.9	0.30	0.030	29.84	99	.00	01
Job Freedom	100	0.57	0.50	0.050	11.45	99	.00	02

13. FINDING OF THE STUDY

Job satisfaction plays an important role to the workers of any organization in terms of its productivity, efficiency, employee relationship, absenteeism and turnover. From the analysis of the present study we find the following findings:

1. There was no significant influence of personal factors on the overall job satisfaction.
2. There was a significant positive correlation between job satisfaction and performance and a significant negative correlation between job satisfaction and absenteeism and accident.
3. The workers of the organization always expect good behavior from their higher authority.

14. RECOMMENDATIONS

The present study was an attempt to obtain a better understanding about the causes of job satisfaction of Jute Mills in Narsingdi District, Bangladesh. The following recommendations may be made in light of the present study:

- The promotional opportunities should be increased then present stage of promotional opportunities.
- Workers are to be rewarded for their better performance.
- Workers should keep a friendly relation with their co-workers.

15. CONCLUSIONS

Here various determinants are used to find out the job satisfaction. The following determinants such as, promotional opportunity, good relation with co-workers, management policy and recognition for better performance represents the job satisfaction of the workers of Jute Mills in Narsingdi District. A job is a part of one's life and such work not only physical needs are fulfilled through monetary gain but also giving psychological satisfaction. It is the work and through it the individual finals opportunities for the satisfaction of many of his social personal needs. As the workers are more satisfied they will be more productive, so the employers have to make the workers more satisfied.

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MEASURING SERVICE QUALITY AND CUSTOMER SATISFACTION USING SERVQUAL: AN EMPIRICAL STUDY IN HOSPITALITY INDUSTRY OF BANGLADESH

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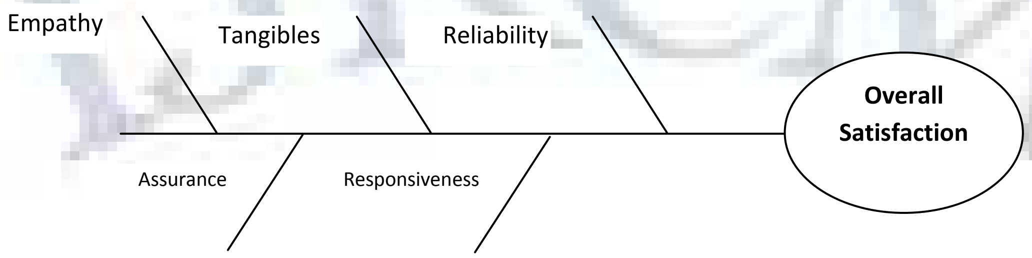
ABSTRACT
It goes without saying that service quality is one of the most important factors to make the consumers satisfied. But there is a big confusion regarding how this service quality can be measured so that it can be improved to ensure customer satisfaction. This document explains and demonstrates how the latent variables of service quality can be identified and how these factors affect customer satisfaction. These variables have been identified empirically through factor analysis. To find the gap between customer expectation and perception SERVQUAL model has been applied from a different dimension. Finally to measure how these latent factors affect customer satisfaction we have tested the null hypothesis that these latent variables don't have significant impact on customer satisfaction using multiple regression analysis. The empirical findings offer the evidence of a significant relationship between service quality and customer satisfaction in hospitality industry in Bangladesh.

KEYWORDS
Gap analysis, Satisfaction, Service quality, SERVQUAL.

INTRODUCTION
Customer relationship marketing (CRM) enhances the service quality thus providing the sense of increased perceived service quality. The SERVQUAL method has been used in many settings to assess the quality of service. By measuring expectations, perceptions, and satisfaction level on the dimensions of Reliability, Assurance, Tangibles, Empathy and Responsiveness, this paper aims to assess service quality of hotel in Bangladesh in order to facilitate the service providers so that they can provide better service to the customers especially the tourists and successfully integrate CRM with it.
Researchers have paid little attention on service quality in a hospitality industry like hotel where service quality can have a great impact on customer satisfaction and retention. Hence there is a need to investigate whether service quality has a significant impact on hotel industry and whether it can have significant impact on customer satisfaction and retention.

METHODOLOGY
Clients' perceptions seem to be largely ignored by hotel authority. Therefore, this study is a customer-centered one and focuses on examining service quality indicated by differences of clients' expectations and perceptions. It also examines the link between clients' perception and their overall satisfaction with hotel services. Respondents were interviewed using a SERVQUAL (Service quality) questionnaire proposed by Parasuraman (Parasuraman et al., 1985, Parasuraman et al., 1991).
SERVQUAL and hotel service quality dimensions were taken into consideration under the inspiration of previous studies. Even though SERVQUAL presents general quality dimensions for service industries, it does not include specific dimensions for each service branch (Pakdil and Aydn, 2007). Still we have followed the basic as this type of research is relatively new in the country.
The perceived service quality has been measured by the following equation:
Q= Px-Ex. Here Q stands for Perceived quality of service; and Px and Ex are ratings to perceptions and expectations respectively. In addition to this model a regression model has been used to examine significant elements influencing clients' overall satisfaction. The model can be expressed below:
$S = \beta_0 + \beta_1 E + \beta_2 T + \beta_3 R + \beta_4 A + \beta_5 Res + \epsilon$
Where,
S=Overall Satisfaction, E=Empathy, T=Tangibles, R=Reliability, A=Assurance, Res=Responsiveness, β_0 =intercept, β_1= regression coefficient, ϵ= stochastic error term
On the basis of literature review, a primary questionnaire was developed. The questionnaire design follows the SERVQUAL (Parasuraman, 1991) instrument (Reliability, Assurance, Tangibles, Empathy and Responsiveness) by using a 5-point Likert scale with "1" being "Strongly Disagree" and "5" being "Strongly Agree". Out of 279 questionnaires 236 have been returned. Finally 197 questionnaires have been selected for analysis after rejecting the incomplete questionnaires. Excel and SPSS have been used for the mathematical computation.
Considering the fishbone (cause and effect) diagram we can develop the following figure.

FIG 1: CONCEPTUAL MODEL: FROM SERVICE QUALITY TO SATISFACTION [EDITED FROM (UDDIN SAJIB MD ET AL., 2011, SHARIFUL ALAM ET AL., 2010)]



Based on the discussion we can test the following null hypothesis:
Hypothesis 1: Empathy has no significant influence on customer satisfaction.
Hypothesis 2: Tangible factor has no significant influence on customer satisfaction.
Hypothesis 3: Reliability factor has no significant influence on customer satisfaction.
Hypothesis 4: Assurance factor has no significant influence on customer satisfaction.
Hypothesis 5: Responsiveness has no significant influence on customer satisfaction.

LITERATURE REVIEW

Service itself is very complex in nature that is very difficult to articulate. Hotels usually provide service that is very difficult to define. According to Kotler, "A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product" (Kotler, 2001). So, service can be defined as all those economic activities, which are intangible and involve in close interactions in between service provider and the consumer. Like service its perceived quality is difficult to define and measure. According to Parasuraman et al. service quality is a gap between consumers' expectation and perception of service along the quality dimensions (Parasuraman et al., 1985).

Marketing management wants to design strategies that will build profitable relationships with target consumers. But what philosophy should guide these marketing strategies? According to Kotler there are five alternative concepts under which organizations design and carry out their marketing strategies (Kotler and Armstrong, 2012). Product concept which gives importance on quality of goods and services is one of them. So, to build customer relationship service quality has a great impact on consumers' perception about the service.

There is no single universal definition for the service quality (Zineldin, 2006). However, several viewpoints on service quality are shown in table below.

TABLE 1: VIEWPOINTS ON SERVICE QUALITY

Authors	Viewpoints
(Grönroos, 2007)	A result of what consumers receive and how they receive it.
(Lee et al., 2006)	The ability to meet or exceed customer expectations.
(Zineldin, 2006)	The art of doing the right thing, at the right time, in the right way, for the right person and having the best possible results.
(Reid and Bojanic, 2001)	The ability of a service in providing customer satisfaction related to other alternatives
(Evans and Lindsay, 1999)	The total characteristics of service related to its ability to satisfy given needs of customer.
(Bergman and Klefsjö, 1994)	An ability to satisfy the needs and expectations of the customer.
(Cynthia, 1989)	A measure of how well the service level delivered matches customers' expectations on a consistent basis.
(Parasuraman et al., 1984)	A gap between patient's expectation and perception of service along the quality dimensions.
(Berry et al., 1983)	A measure of how well the service level matches customers' expectations.

According to their definitions, the service quality seems to be a disconfirmation paradigm. The outcome of this process might be negative disconfirmation (expectations are higher than perceptions), positive disconfirmation (perceptions are higher than expectations) or confirmation (perceptions are equal to expectations level) (Chisnall, 1979, Surprenant, 1987, Brown and Swartz, 1989, Grönroos, 1990, Parasuraman et al., 1994).

While defining and delivering high-quality service the most important step is to understand what customers expect(Zeithaml et al., 1990, Zeithaml et al., 1996). Expectations are the wants of consumers and their feeling regarding what a service provider should offer. Perceptions refer to the consumers' evaluation of the service and service provider(Parasuraman et al., 1985). In service sector it is a common phenomenon that whether management can correctly perceive customers' need and expectations. It is not exception to hospitality industry. Expectations serve as a major determinant of a consumer's service quality evaluations and satisfaction(O'Connor et al., 2000). So, the ''voice of the customer'' should be taken into consideration while designing service delivery process. And even after delivering the services, service providers should observe to what extent and how well the customers' expectations have been met. SERVQUAL (Parasuraman et al., 1986) is one of the best models to evaluate customers' expectations and perceptions(Parasuraman et al., 1986).

The basic dimensions to measure service quality are derived from the work of Zeithaml et al. They mentioned SERVQUAL has five major dimensions to measure service quality (Zeithaml et al., 1990). They are tangibles, reliability, responsiveness, assurance, and empathy. Customers evaluate the quality of service by determining whether there is any gap between their expectations and perceptions. SERVQUAL is based on the idea that quality is a subjective customer evaluation, as service is not a physical item, but an experience(Parasuraman et al., 1986, Grönroos, 1990). So, customers' perception is a better measure than other performance measures(Akan, 1995).

It is mentionable that in addition to SERVQUAL, many scholars measured service quality through various quality dimensions. Gourdin (1988), Elliott and Roach (1993), Ostrowski et al. (1993), Truitt and Haynes (1994) are notable in this regard(Gourdin, 1988, Elliott and Roach, 1993, Ostrowski et al., 1993, Truitt and Haynes, 1994). From the previous studies it has been observed that quality dimensions used in evaluating services may vary extensively, but can be classified comprehensively within the SERVQUAL dimensions. Most of the previous studies are constructed on respondents' mean scores, and weighted SERVQUAL points can be perceived as an alternative(Pakdil and Aydn, 2007).

ANALYSIS

Several data analysis techniques were used. Frequency distributions were obtained to check for data entry errors (e.g. unrecognized or missing codes) and to obtain descriptive statistics. The measures of service quality were factor analyzed: the five factors were extracted (table 2) using varimax rotation; they explained 49.578% of the cumulative variation.

TABLE 2: FACTOR LOADINGS BASED ON PRINCIPAL COMPONENT ANALYSIS

Items and Factors	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Responsibility					
Qe9	.466				
Qe10	.584				
Qe11	.470				
Qe12	.576				
Qe16	.626				
Qe22	.631				
Empathy					
Qe13		.429			
Qe14		.404			
Qe17		.632			
Qe18		.582			
Qe19		.657			
Qe20		.689			
Reliability					
Qe4			.645		
Qe5			.653		
Qe6			.788		
Qe7			.439		
Tangibles					
Qe1				.540	
Qe2				.631	
Qe3				.699	
Qe8				.400	
Assurance					
Qe15					.637
Qe21					.440
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					

Using SERVQUAL model we have explained the relative importance of each factors of service quality. Table 2 shows factor loadings based on principal component analysis.

TABLE 3: CALCULATION OF SERVQUAL SCORES

Dimension	Statement	Expectation Score	Perception Score	Gap Score	Average for Dimension
Tangibles	1	3.90	3.16	-0.74	
	2	4.01	3.32	-0.69	
	3	4.18	3.06	-1.12	
	8	3.99	3.32	-0.67	-0.8050
Reliability	4	4.16	3.18	-0.98	
	5	3.79	2.94	-0.85	
	6	3.97	3.07	-0.90	
	7	3.84	3.02	-0.82	-0.8875
Responsiveness	9	4.07	3.03	-1.04	
	10	3.81	2.98	-0.83	
	11	3.76	2.90	-0.86	
	12	3.88	3.11	-0.77	
	16	3.92	3.01	-0.91	
	22	4.05	3.13	-0.92	-0.8883
Assurance	15	3.74	2.97	-0.77	
	21	4.06	3.07	-0.99	-0.88
Empathy	13	3.90	3.19	-0.71	
	14	3.73	2.87	-0.86	
	17	3.91	3.03	-0.88	
	18	3.73	2.99	-0.74	
	19	3.94	3.08	-0.86	
	20	3.91	2.80	-1.11	-0.86
Unweighted Average SERVQUAL score:					-0.86417

Table 3 shows the gap scores for observed variables and average scores for the latent variables that gives us a general idea.

TABLE 4: UNWEIGHTED SERVQUAL SCORES

SERVICE DIMENSION	Expectation (E)	Perception (P)	SERVQUAL Score (SQ = P-E)	Rank
Tangibles	4.02	3.215	-0.805	5
Reliability	3.94	3.0525	-0.8875	2
Responsiveness	3.915	3.02666667	-0.88833333	1
Assurance	3.9	3.02	-0.88	3
Empathy	3.85333333	2.99333333	-0.86	4
Average	3.92566667	3.0615	-0.86416667	
Overall	19.6283333	15.3075	-4.32083333	

Table 4 shows service dimensions' average expectation, perception and gap score. It also provides ranking on the basis of gap score. But it should be revised on the basis of importance weight that has been shown in the following figure.

TABLE 5: SERVQUAL IMPORTANCE WEIGHTS

Features	Points
Tangibility	22.29
Reliability	18.37
Responsiveness	21.45
Assurance	13.56
Empathy	24.33
Total:	100

Table 4 and 6 shows the unweighted and weighted SERVQUAL score respectively for each dimension that will be used to explain the relative importance of each components.

TABLE 6: CALCULATION OF WEIGHTED SERVQUAL SCORES

SERVQUAL Dimension	Unweighted SERVQUAL Score (SQ = P-E)	Importance Weight	Weighted SERVQUAL Score	Rank
Tangibles	-0.805	22.29	-17.94345	3
Reliability	-0.8875	18.37	-16.303375	4
Responsiveness	-0.88833333	21.45	-19.05474993	2
Assurance	-0.88	13.56	-11.9328	5
Empathy	-0.86	24.33	-20.9238	1
Overall	-4.32083333	100	-86.15817493	
Average Weighted score:			-28.71939164	

Unlike table 4 this table above provides us the ranking of the importance of service dimensions on the basis of weighted gap score that sounds more reliable.

REGRESSION ANALYSIS

TABLE 7: MODEL SUMMARY[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.620[a]	.385	.369	.665	1.628
a. Predictors: (Constant), Responsiveness, Assurance, Reliability, Tangibles, Empathy					
b. Dependent Variable: overall satisfaction					

The acceptable Durbin–Watson range is between 1.5 and 2.5. In this analysis Durbin – Watson value is 1.628, which is between the acceptable ranges, show that there were no auto correlation problems in the data used in this research. Thus, the measures selected for assessing independent variables in this study do not reach levels of multicollinearity.

TABLE 8: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.254	.047		68.665	.000
	Empathy	.279	.048	.334	5.879	.000
	Tangibles	.265	.048	.316	5.576	.000
	Reliability	.255	.048	.304	5.364	.000
	Assurance	.081	.048	.097	1.706	.090
	Responsiveness	.223	.048	.267	4.698	.000
a. Dependent Variable: overall satisfaction						

FINDINGS AND DISCUSSION

Out of 279 questionnaires 236 have been returned. Finally 197 questionnaires have been selected for analysis after rejecting the incomplete questionnaires. 39 questionnaires were rejected, because the respondents did not provide enough information or they provided inconsistent information.

SERVQUAL SCORES

The initial findings indicate the Responsiveness dimension has the greatest service gap of –0.89 followed by the Reliability dimension at -0.88. The smallest service gap was the Tangible dimension at -0.81. However, it was inaccurate to draw conclusions from this directly since the SERVQUAL scores did not take into consideration the importance of each service dimension. So, the weighted SERVQUAL scores are computed.

To have a weighted score, we have to calculate the importance weights for each of the five dimensions of service quality constituting the SERVQUAL scale. The sum of the weights should add up to 100. Then we can calculate the weighted average SERVQUAL score for each of the five dimensions of service quality multiplying the averages calculated in previous step above by the weighted scores.

The weighted SERVQUAL scores are more negative than the un-weighted SERVQUAL scores. The largest gap amongst the rankings is Empathy at –20.92, followed by Responsiveness, Tangibles and Reliability respectively.

RELATIONSHIP BETWEEN OVERALL SATISFACTION LEVEL FOR 5 DIMENSIONS REGARDING OVERALL SATISFACTION TOWARDS THE HOTEL SERVICE

Regression analysis was run to evaluate the overall satisfaction levels for each of the 5 dimensions (Reliability, Assurance, Tangibles, Empathy and Responsiveness) in comparison with perception of the overall satisfaction level.

Along with SERVQUAL the data are analyzed by means of an Exploratory Factor Analysis (EFA), implemented in the form of Principal Components Analysis that is also evident in the previous research (Johnson and Wichern, 1992, Härdle and Simar, 2012). Regression of the resultant factor scores(Pedhazur and Schmelkin, 1991) (also evident in the previous research work) against some overall criterion measure e.g. overall satisfaction gives an indication of the relative importance of the different factors(MacLean and Gray, 1998).

Regression of the individual factor scores against overall satisfaction yields the result that all the factors except assurance have significance levels lower than 5%, which indicate their significant influence on the level of overall satisfaction. A model with an equation of overall satisfaction level towards hotel service = 3.254 + 0.279(Overall satisfaction level in Empathy) + 0.255(Overall satisfaction level in Tangibles) + 0.255(Overall satisfaction level in Reliability) + 0.081(Overall satisfaction level in Assurance) + 0.223(Overall satisfaction level in Responsiveness)+€ explains 38.5% (R^2) of the variability in the overall satisfaction level (See Appendix). As expected R^2 is a positive value here. It can be negative also. Negative values of R^2 may occur when fitting non-linear trends to data (Colin Cameron and Windmeijer, 1997) that is not the case here. However, based on the regression analysis we can say that an R^2 near 0.4 would get us interested and impressed at this model's explanatory power. Except hypothesis 4 we can reject the remaining null hypothesis that indicates four out of five latent variables have significant impact on customer satisfaction.

The finding shows that improving on the satisfaction level in tangibles, responsiveness, reliability and empathy leads to improving the overall satisfaction level. And when customers are satisfied it is easy to build relationship with them. In other word we can say that it will facilitate customer relationship management.

LIMITATIONS & FURTHER RESEARCH

This research study focused on latent variables based on SERVQUAL model in one of the sectors of hospitality industry. In other sectors SERVPERF might give better result though there are controversies regarding SURVPERF superiority over SERVQUAL(McAlexander et al., 1994). The result would have more authenticity if we could increase the sample size. The model can be modified by identifying some other latent factors. In future customer retention can be measured based on the extension of the current model.

RECOMMENDATIONS AND CONCLUSION

In this paper we have seen the latent variable quality as the cause of satisfaction though occasionally researchers have used quality and satisfaction interchangeably (Gallo et al., 2003, Rhoden, 2003). Even some researchers have suggested that customer satisfaction is an antecedent factor of service quality (Filiatrault and Ritchie, 1988). However our research model indicates that this may not be the case and provides the empirical support for the notion that service quality in fact leads to customer satisfaction and furthermore, an increase in customer retention. It also supports some previous research results (Park and Baek, 2007, Cronin Jr and Taylor, 1992, Keaveney and Parthasarathy, 2001).

As it is known to us that satisfied customers are easy to manage and they work as a channel to make new customers, authority should be well concerned about providing facilities to customers based on the factors that are identified by the SERVQUAL model. Thus ensuring the service quality by improving the perceived quality can lead to sound customer relationship marketing. If the SERVQUAL model is applied in this sector or in some other relevant sectors then service quality as well as customer satisfaction can be measured to some extent that must be helpful in applying customer relationship marketing.

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WORKER CHARACTERISTICS AND COMPLIANCE TO OCCUPATIONAL HEALTH AND SAFETY OF WOOD WORKERS IN NAJA DAVID WOOD INDUSTRY LIMITED IN KUMASI, GHANA

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ABSTRACT

Research reports indicate that wood workers in Ghana are exposed to various types and degrees of occupational hazards ranging from bacterial, viral and chemical infections to physical injury and accidents. It is also a known fact that there is no comprehensive national policy on occupational health and safety (OHS) except Act 651of the Labour Act 2003 which enjoins employers not to expose their employees to conditions that would lead them to work related injuries or illnesses. Notwithstanding the requirements of the Act and efforts made by companies in the Ghanaian wood industry at ensuring that employees work in safe and healthy conditions, wood workers face a lot of hazards at work. Thus, the questions which remained unanswered were: what health and safety mechanisms or specific policies were in place to regulate the activities of workers such that they did not fall victim to disasters? What characteristics of workers may lead them to violate company codes on occupational health and safety? These questions and several others formed the bases for which a survey questionnaire administered to 150 respondents in the Naja David Wood Industry to find out the role of sex, age, education and experience on compliance or non-compliance to occupational health and safety. The results revealed that age, education and experience play significant role in ensuring compliance whereas sex does not play significant role in ensuring compliance to occupational health and safety. The results further indicated that unavailability and low usage of personal protective equipment (PPE) increased the risk of getting involved in accidents. The study thus, recommended constant provision and replacement of PPE for workers to use at work. Immediate supervisors should also be officially empowered to enforce usage of PPE and punish violators as way of preventing accidents at work.

KEYWORDS
Occupational hazards, Health and safety, Personal protective equipment, Wood processing, Compliance, Wood workers.

INTRODUCTION

Globalization has facilitated a rapid increase in informal employment, and has been associated with the generation of employment that is often flexible, precarious and insecure (Lund and Nicholson, 2003). Current estimates show that informal employment comprises one-half to three-quarters of non-agricultural employment in developing countries: 48% in North Africa, 51% in Latin America, 65% in Asia, and 72% in sub-Saharan Africa (Chen, 2002). The share of informal employment in non-agriculture employment in sub-Saharan Africa rises to 78% (Chen, 2002), making this region the leader in the growing global trend towards the informalization of labour.

In Ghana, the wood production sector contributes about 11% of foreign earnings; it employs over 100,000 workers and provides a livelihood for over 2.5 million Ghanaians (Acquah-Moses, 2002). Despite this contribution to Ghana's economy, the operations of the Wood Processing Industry (WPI) are generally associated with high levels of occupational hazards with consequent risk to health. Records at the Department of Factories Inspectorate from 1987- 1998 indicated that about 50% of fatal accidents in industrial sector came from the wood working sector in Ghana (Boateng and Nimako, 2000; MOH/GHS, 2002).

The major wood processing industries in Ghana are typically large capacity facilities such as large sawmills, plywood mills, pulp and paper plants and quite large numbers of small scale wood products; manufacturing companies such as furniture industries, cabinet makers and carpentry. The most important wood products, produced, consumed and traded in Ghana are sawn-wood, plywood, particle board, newsprint, printing and writing paper and other paper boards.

Ghana has no national policy on occupational health services even though Article 4 of the International Labour Organisation (ILO) Convention 155 (Occupational Safety and Health Convention 1981) requires the nation to give effect to the provisions of this convention. The aim of the policy is to prevent injury to health arising out of or occurring in the course of work. It requires each member state to formulate, implement and periodically review a coherent national policy on OHS at the work environment (Factories, Offices and Shops Act 651). There is no institutional facility for training of OHS professionals at the local levels.

PROBLEM STATEMENT
Research on occupational exposures in the wood industry and related industries has suggested that workers in sawmills, lumber mills, plywood and particle board factories, and veneer plants are at high risk of developing lower respiratory diseases, allergenic disorders, cancer, and lung diseases (Amedofu and Asamoah-Boateng, 2003). By-products of wood processing, such as wood dust, mould, formaldehyde and noise are well known with respect to their health effects. Workers in the industry have less knowledge about occupational health and safety, leading to low compliance of safety practices even though workers are being exposed to many harmful substances (such as dusts, fumes, toxic chemicals) and biological hazards (such as acute and chronic infections, parasites) and physical (hazards including noise, heat, cold, vibration, inflammable materials and compressed air) (Acquah-Moses, 2002).
In Ghana various studies have shown that the role of occupational exposure to environmental pollutants is the incidence of respiratory diseases. High levels of noise have long been recognized by industrial safety technicians as unsafe to workers. In a typical wood industry, decibel levels often exceed industry limits and may cause hearing loss (Boateng and Nimako, 2000). Despite the clear risks involved in informal work, due to its unconventional nature and location, informal workers in most African countries especially Ghana are not protected by the institutions that officially govern OHS. Currently, Ghana has no national policy on OHS. A draft policy document prepared in 2000 has not been processed for adoption, even though Article 4 of the ILO Convention 155 (Occupational Safety and Health Convention, 198) requires the nation to give effect to the provisions of this convention. The existing problem that this study sought to investigate was compliance to OHS in the wood industry. Even though many apparent improvements had been achieved over the past few decades on OHS in Ghana, the focus has been on the formal sector neglecting the informal sector which actually employs greater percentage of Ghana's population.

OBJECTIVES OF THE STUDY
The general objective of the study was to examine the role of worker background in compliance to OHS policy and practice among workers in the Naja Wood industry limited. Specifically, the study sought to find out the health and safety policies in place at Naja David Wood Industry Limited, identify the personal protective equipment available to workers, examine the types and frequency of work related accidents at the wood industry and find out if sex, age, education and length of service play any role in ensuring compliance to health and safety rules at work place.

HYPOTHESES
H1: Level of education and PPE usage among wood workers are significantly related.
H2: There is a significant relationship between length of service and PPE usage
H3: Level of education and involvement in accident are significantly related.
H4: Length of service is a function of involvement in accident.

LITERATURE REVIEW
The history of occupational safety and health is vast and diverse and, therefore, a comprehensive review is beyond the scope of this study. Therefore, this section of the literature review will focus on the major influences (i.e., government, insurance, engineering and psychology) and pertinent legislation that have shaped occupational safety and health intervention research. As industrial centers grew, the degradation of living conditions increased and the death rate grew. In England, for instance, the first attempt of governmental intervention (1933) began with federally run factory inspections. The results of the scrutiny by governmental inspectors (most of whom were physicians) had little impact on the health and safety of employees until the mid-1800s when the Great Factory Act was initiated. The Great Factory Act of 1844 somewhat improved England's factory conditions, but employers still saw no economic impact of an unhealthy or a risky workplace. In fact, the families of employees who died on the job had little legal recourse. At most they had their funeral expenses covered by the employer (Heinrich, et al, 1980). In 1880, England passed the Employers' Liability Act that made it possible for employees, or their families, to sue an employer for damages. This act made the employers more cognizant of the costs of not addressing the safety of their working conditions. However, the family still had the difficult task of proving the employee (or a fellow employee) was not the cause of his own death, was not aware of the hazard, or that the employer was negligent. Factory inspections and the current laws increased employers' awareness of occupational safety, but it was not until the worker compensation laws were passed that industry owners finally began to realize the costs associated with occupation injuries.
Worker compensation laws covered employee injury regardless of fault; but employees could no longer sue their employers under common law (third party lawsuits were still legal). Seemingly, the worker compensation laws were passed to protect employees. However, they were actually passed to control the number of large lawsuits against employers, and thus enabling a "predictable cost of doing business'' (Leigh, 1998). Hence, up to this point the most effective interventions for improving occupational safety and health appeared to be implementation of top-down governmental regulations. As Heinrich et al. (1980) point out, "Legislation is one process by which government affects safety. Judicial process is another. Together, they change the impetus for safety or create a new impetus, and the impetus is defined as time, money and effort" (Leigh, 1998). Thus, regulations finally made it cost effective for employers to attend to working conditions that adversely affect employees' health and safety, though they were not always in the best interest of the employee (Heinrich, et al., 1980; Petersen, 1989; Weindling, 1985; Wilson, 1985).
As the worker compensation laws created a need for industries to invest in additional insurance, insurance companies needed to assess their clients' risks to assign proper rates. Thus, in the early 1900s, insurance companies created inspection departments. The inspectors would visit their policy holders to assess workplace hazards and assign the proper rate (*underwriting*). As these insurance inspectors gained valuable experience in looking for hazards in various industries, these *safety consultants* became the major impetus in organizational safety and health. During an inspection, for instance, if the insurance representative found a hazardous situation, he would make suggestions on how the organization could remedy the safety hazard and obtain a lower premium (also to control the insurance companies' losses). The insurance companies were serving the employer while at the same time trying to control their own losses. Consequently, the only safety concerns addressed by the insurance inspectors were ones currently covered by Worker Compensation laws. Furthermore, once the insurance agent assigns coverage rates, there were several self-serving mechanisms to motivate employers to improve the safety of their workplace. Merit rating schemes (*scheduled rating*), for example, rewarded loss control and penalized high worker compensation claims. The scheduled rating system may have motivated many companies to *cover-up* or not report certain claims to insurance companies in order to avoid a penalty or keep their current coverage rate (Geller, 1996; Miller, 1997). Whereas it seemed the early insurance companies were striving for a safer workplace, they were instead trying to control their own loss and motivate employers to address only hazards covered by Worker Compensation (Heinrich, et al., 1980). If fact, most of the insurance inspector's time and safety materials went to the larger companies who paid massive premiums, leaving out the mid-sized to smaller organizations. Insurance companies did develop safety guidelines and training materials that made an impact on health and safety. Nevertheless these interventions were guided by current governmental regulations and the need to control loss and not for the safety of employees.
From the early 1900s to the present time, employers and safety practitioners adopted the philosophy of the *three E's* (engineering, education, and enforcement) to guide their safety-related interventions (Geller, 1996; Guastello, 1993; Heinrich, et al., 1980; Petersen, 1996; Wilde, 1998). To make a difference in the health and safety of employees, the three Es of safety focus on developing *engineering* strategies that decrease the probability of an employee engaging in at-risk behaviours, *educating* and training employees regarding equipment, environmental hazards, policies and procedures; and *enforcing* the policies and procedures related to operating equipment, wearing proper personal protective equipment, and handling specific hazardous substances.
Employers in Ghana are required by the Ghana Labour Act 2003, Act 651 to ensure their employees are not exposed to conditions that would lead them to work related injuries or illnesses. Employees are also required to exhibit their duty of care in ensuring that they work as per the employers' standard operating procedures which must incorporate safety and health requirements. The Nation has different agencies under different jurisdictions which monitor different

industries for workplace and employee safety, however, there is no national body, policy nor process that govern OHS management in Ghana. There is a Road Safety Commission but with little standards, guidelines and impact on the safety of the transport industry and the pedestrian. The Minerals Commission has the Mining Regulations 1970, which contains some guidelines in OHS but just for the Mining Industry. There currently is a draft of the reviewed Mining and Minerals Regulations which is pending approval by the Ghanaian Parliament.

Numerous injuries, illnesses, property damages and process losses take place at different workplaces but due to under reporting or misclassification due to lack or thorough standards, or unfamiliarity with the existing guidelines, people are not normally in the known of such events as well as their actual or potential consequences and effective corrective actions required (Annan, 2010). There are currently two major edicts that have provided guidance in the provision of occupational/industrial safety and health services, practice and management in Ghana. These include the Factories, Offices and Shops Act 1970, Act 328 and the Mining Regulations 1970 LI 665, but these have only driven the mining and the labour sectors and are therefore very limited in scope, given the multifaceted distribution of industrial operations that we have in Ghana. There is the Workmen's Compensation Law 1987 (PNDC 187) which relates to compensation for personal injuries caused by accidents at work and hence, indirectly impacts on monitoring workers/workplace safety. The Radiation Protection Board of the Ghana Atomic Energy Commission is also proactive in monitoring companies with radiation exposure hazards for compliance, however, due to limited resources, effectiveness of their activities is compromised (Annan, 2010). There are other statutes which indirectly impact on Occupational Safety and Health and these include the Environmental Protection Agency Act 490 1994, the Ghana Health Service and Teaching Hospital Act 526, 1999 and the National Road Safety Commission Act 567, 1999.

Though, Ghana is among the 183 member countries of ILO, which requires, as per the ILO convention number 155 1981, that member countries formulate, implement and periodically review a coherent policy on occupational safety and health and work environment, Ghana has not yet rectified this convention and the nation has noestablished authority dedicated to Occupational Safety and Health to guide and facilitate the implementation of the "Action at the National Level" as indicated in the R164 Occupational Safety and Health Recommendation, 1981. However, the Labour Act 2003, Act 651, Part XV, sections 118 to 120 apparently directs employers and employees in their roles and responsibilities in managing Occupational Health, Safety and Environment in the nation, but is not specific about whom to report accidents and occupational illnesses to. It is not clear or does not specify what to consider as Occupational Illness. It does not specify who to be responsible for ensuring the industries in Ghana implement corrective actions as per recommendations.

Currently, accidents that occur in factories are expected to be reported to the Department of Factory Inspectorate (DFI) but companies hardly report such events to the inspectorate for investigation and correction. In Ghana, an extensive study conducted by Boateng (1997) reported that 67% of Food, Drink and Tobacco (FDT) firms in Ghana, had safety committees, with membership made up of representatives from all departments except one drinking firms whose members were selected on the recommendation of the Department of Factories Inspectorate. There were no visible posters on safety in all the companies surveyed and in most cases where they had posters given by the Department of Factories Inspectorate; they were in the drawers of the managers. News letters on health and safety were also non-existent. In Kumasi, a survey revealed that although some employees were sent to the Wood Industry Training Centre at Akyawkrom, to attend courses each year, the curriculum of the centre did not include OHS (Adei and Kunfaa, 2007).

Adei and Kunfaa (2007) further disclosed that risk assessment was not undertaken at all times to ensure that the existing controls, training and safeguards are still performing their desired function. When performed it was mainly geared towards what was perceived to directly lead to increased productivity, or as a result of investigation of an accident by DFI. Consequently the workers and the employers do not derive the maximum benefit from risk assessment, which are a higher productivity and a healthier working environment and work force.

Results obtained from 1998-2003 at the Kumasi Metro Labour Department (KMLD) within Ashanti region was 175 cases more than that reported by the Department of Factories Inspectorate (DFI) for the whole country. Analysis of a researcher revealed that out of 185 accidents reported in 1999 only 16 (86%) of the total accident was reported for WPL while the KMLD reported 158 (64.7%) injuries for WPI in Kumasi metropolitan in 2001, 40 (18.9%) out of 211 accidents recorded by DFI came from WPI. While the KMLD recorded 145 (65.6%) injuries for the WPI out of 221 injuries recorded. In 2003, 26 (18.9%) out of 137 accidents were recorded by DFI for WPI whiles KMLD recorded 176 total injuries and out of the 115 (65.3%) were from wood processing industry. Thus, the extent of under reporting of industrial accidents in WPI only, ranges from 360 to 980 percent. If this is extended to other sectors of the economy, then, there is no doubt that the use of DFI statistics which has been used extensively in the past would not provide compelling evidences of adoption of Occupational Safety and Health policy in Ghana. It appears that the collection of workmen's compensation provided an incentive for the higher notification record of industrial accidents in the Wood Processing Industry at the KMLD (Ashanti). This may be explained by the key role the labour department plays in the collection of workmen's compensation for injured workers. There was no incentive to notify the DFI accidents even though Act 328 of Factories, Offices and Shop Act 1970 Section 10 stipulate the notification of accidents.

RESEARCH METHODS

RESEARCH DESIGN

This exploratory research sought to find the possibility of a relationship between background of workers and compliance to occupational health and safety. According to Robson (2002), exploratory studies are useful at finding out what is happening, to seek new insights, to ask questions and to assess phenomenon in a new light. A social survey was used to collect data on a probabilistic sample of 150 wood workers. The SPSS version 17.0 was used to analyse the data and the hypotheses tested using chi square statistical technique.

SAMPLING PROCEDURE

The target population for the study were wood workers at Naja David wood industry limited. They consisted of workers in charge of peeling/logging, boiling, drying and gluing the wood which included accountants, administrators and managers, both male and female who were currently at post at the time of doing the research. The units of analysis for the study comprised the individual employees of the organisation who took part in the four main stages of the wood processing - peeling/logging, boiling, drying and gluing. The current authorities of the company in-charge of facilitating the work of these workers also formed part of the units of analysis for the study. The list of employees (sampling frame) was obtained from the personnel office of the company. In all 500 employees were identified. They included 120 boilers (boiling), 100 loggers (peeling/logging), 180 gluers (gluing) and 100 dryers. Put together, a total worker population of 500 was identified.

In order for any research analysis to merit significance in statistical decision making Saunders, Lewis and Tornhill (2007) suggested that the sample size should be 10% or more of the population. Therefore, 30% of the 500 workers were sampled by the researcher which was 150 respondents. This again satisfied the condition needed for statistical test of significance in line with Oppenheim's (1992) argument that a sample size must be 60 or more in order to merit generalisation. In addition to the 150 respondents, one person from management was granted a structured interview in order to find out what health and safety policy was in place at the company. The systematic stratified random sampling technique was used to sample the 150 respondents as follows. The 500 workers were put into their various work groups or strata consisting of boiling (120), peeling/logging (100), glue (180) and drying (100). Thirty percent of each stratum (work group) was chosen. To select the individual respondents a sampling fraction of one-third was used since the sample size (150) was approximately one-third of the target population (500). A list of all workers in a particular stratum was compiled using the sampling frame. The first number (person) was chosen at random and every third number (person) was chosen after the preceding third number (person). This was rigorous and time consuming since the researchers had to implore every worker to keep his or her number in mind for the whole period of data collection. Finally, a total sample of 167 respondents was obtained. The aim of arriving at a slightly higher number (167) of respondents than the actual sample size (150) was to cater for non-responses which were normal in every social research.

With regards to the one respondent from management who was granted interview, a letter was sent together with the interview guide, based upon which the authorities of the company chose someone appropriate for the interview. This procedure was viewed as both purposive and appropriate because not every managerial staff may be well versed in the policy on health and safety in the company. Therefore, it was fair to allow the company to choose a technical person appropriate for the interview to be successful.

TOOL FOR COLLECTING PRIMARY DATA

The main tool used for data gathering was self-administered questionnaire. The majority of the questions were close-ended while a few were open-ended. The close-ended questions were asked with the view to permitting vivid comparison of responses while the open-ended questions aimed at allowing participants to supply information which was not captured by the response categories. A semi-structured interview guide was used to collect data on the existing health and safety policy in the organisation. All questions asked in this guide were open-ended. This was to give the interviewee enough opportunity to fully express himself on issues pertaining to the question. The questionnaire was pre-tested using 30 respondents from Sokoban wood village in Kumasi. The aim of pre-testing the research tool was to check for logic in the sequence of the questions asked. It was also meant to correct language difficulty and verify the average duration of time needed to answer each questionnaire. A few questions were reworded to improve clarity of the language. A few also demanded additional response categories for them to be exhaustive. This was because respondents wrote answers which were not covered by the pre-tested answers in the draft questionnaire. Other background information of respondents such as religious affiliation, number of children, ethnicity, monthly income and rank were dropped after the pre-test because it was detected that answers to these questions were either falsified or not answered.

DATA COLLECTION

A letter of introduction was first sent to the company for permission to conduct the study. The purpose of the study was explained in the letter to enable authorities of the company make an informed decision. The researcher also took the opportunity to interact and familiarize with the workers and the administrative structures and divisions of the facilities. Following the earlier visit was the questionnaire administration and all questionnaires were hand delivered to the respondents. The recollection of answered questionnaires was also done by hand. This gave opportunity to the researchers to do field editing thereby ensuring that all questions were correctly answered before collection. A face-to-face interview session was held with the managerial staff purposively chosen for the interview. This took about 30 minutes since the interviewer had no recorder and had to write all answers to a question on a piece of paper before proceeding on to the next question on their list.

RESPONSE RATE

It is often difficult to obtain 100% response rate when one uses questionnaire to collect data. This is often due to non-responses from some respondents. To avert the problem, the researcher decided to distribute 167 questionnaires even though the sample size was 150. This was done in order to avoid a situation where less than 150 questionnaires would be retrieved. Out of the 167 questionnaires distributed, 156 were answered and returned indicating 93.4% response rate. After editing, three (3) questionnaires were dropped because respondents gave double answers. Another three (3) were dropped in order to get the actual sample size of 150 thus, obtaining 100% actual response rate.

FIELD PROBLEMS

Some challenges were encountered by the researchers in the course of administering the questionnaire. Some respondents were hesitant to participate in the study because they could not perceive any immediate benefits to them. The researchers took time to explain to them that the study was an academic pursuit; although findings could be used for policy formulation and implementation to their benefit. Some respondents also complained of time constraints in answering the questionnaires because of their tight work schedules. To help solve this problem the questionnaires were given to such respondents to answer at their convenience either at break time or at home. The researchers then went back later to collect the completed questionnaires. A few number of participants also feared that their participation would lead to victimisation from suspicious bosses or supervisors. They thought that if they gave unfavourable answers about the company, their supervisors could jeopardise their job security. This problem was, however, solved when the researcher assured them of anonymity and confidentiality of information gathered. A few questionnaires were also misplaced by respondents. The researchers ensured that extra copies of the questionnaires were always kept handy. Cases of lost questionnaires were, therefore, resolved easily through replacement. These problems slowed down the data collection process. Nonetheless, it was successful with the help of some group supervisors who volunteered to gather and kept them down for the researchers.

DATA PROCESSING AND ANALYSIS

The answered questionnaires were edited to detect unanswered questions and also to eliminate errors such as double answers. The data were later cleaned and coded for entry into the Statistical Package for Social Sciences (SPSS Version 17.0) for Windows software by the researchers. Computer editing was done after keying in of the data was completed**.** The data were analysed and presented statistically using frequency tables. The testing of hypotheses was done using chi square test on the SPSS. The choice of chi square for hypothesis testing was made because the variables tested were predominantly categorical and as such the appropriate tool was chi square.

PRESENTATION AND ANALYSIS OF DATA

SOCIO-DEMOGRAPHIC DATA OF RESPONDENTS: The socio-demographic characteristics of respondents that were analysed included the sex, age groups, level of education and number of years of experience of respondents. These variables were taken into consideration for the analysis because they had the capacity to determine choice of job among people especially when the study was carried out among workers in a wood factory.

The majority (68.7%) of the respondents were males while 31.3% of them were females. The age group with the largest number of respondents was 34 - 41 years with 51.3%. This was followed by the 26 - 33 years age group with 30.7%. The others were 42 - 49 years age group 9.3% which was closely followed by the 50 plus years' age group with 8%. The age group with the least percentage (0.7%) of respondents was the 18 - 25 years. An overwhelming majority of the respondents ended their education at basic school which was middle school, junior high school or primary school. Those who had secondary level education were 28.7% while 0.7 percent of the respondents had tertiary level certificate on the job. By this distribution, it revealed that about three quarters (3/4) of the respondents were basic school leavers.

The number of years a worker practised on the job was relevant in determining the amount of experience of the worker. All things being equal, the longer the term of service the higher the degree of experience a worker had on the job. It was revealed that majority (52%) of the respondents had practised on their jobs for 11 - 15 years. Twenty percent of them had had 1 - 5 years working experience and 9.3% had had the longest serving period of 21plus years. Respondents who had worked for 6 - 10 years were 15.3% and only 3% had worked for 16 - 20 years.

HEALTH AND SAFETY POLICY: According to the management of the company, health and safety policy was in operation but as to whether it was followed strictly or not depended on the worker and his or her supervisor. The core provisions of the policy included wearing of PPE at work and following standard procedures for operating machines. The company tried to operate this policy by providing PPE for workers which included safety boots, safety overalls, nose masks, hand gloves, etc. The company also did proper induction of new recruits and shift workers, followed guidelines from the DFI, Ghana Fire Service (GFS) and other regulators. Furthermore, reminder notices were accordingly published and supervisors punished workers who violated the policy code. The company equally had a clinic with a qualified professional medical officer assisted by nurses and a stationed car to convey emergency cases to either the clinic or to hospital depending on the type and degree of emergency. The DFI regularly advises the company on policy guidelines to ensure safety and anyone found to have gone contrary to such guidelines was punished using the company's disciplinary procedures.

PROVISION OF PPE: When they were asked if they were provided with PPE for their job execution, 14.7% of the respondents answered in the negative which meant that they were never provided with PPE and had to do their work fully exposed to accidents and other forms of hazards. Only 1.3% that they were always provided with PPE. The greater majority (84%) of respondents said that they were not always provided with PPE in the company.

TYPES OF PPE AVAILABLE IN THE COMPANY: The majority of the respondents indicated that they were sometimes provided with PPE. The researchers asked for the types of PPE which were sometimes provided by the company. They explained that safety overall, goggles, safety boots and helmets were supplied by the company. Thirty-six percent were provided with nose masks, 80% were provided with hand gloves by the company. The statistics indicated the level of accidents or hazards in the company could be very high since only two out of the six PPE generally found in factories were available.

PREVENTION OF ACCIDENTS: 99.3 percent of the respondents agreed to the fact that the use of PPE prevented accidents at work. This was a sign of positive attitude towards PPE and occupational health and safety. In addition, the use of PPE at work could prevent or reduce the risk of getting accidents. Thus, majority of the respondents found PPE as preventive measure to accidents at work.

PPE USAGE AT WORK AMONG RESPONDENTS: When they were asked whether they used the few PPE available to them, majority (72%) of respondents said that they sometimes used them. 13.3% said that they never used PPE and 14.7% stated that they were never provided with PPE and for that matter they could not say whether they used PPE or not.

CONSEQUENCES OF REFUSAL TO USE PPE: With the exception of 0.7% of the respondents, 99.3% agreed that failure to use PPE was injurious to one's health and safety. This suggested that workers would readily use PPE if they were available.

LEVEL OF EMPLOYEE INVOLVEMENT IN ACCIDENTS: The study sought to find out the level of occurrence of accidents at work among employees. The majority (54%) of respondents admitted that they often experienced accidents at work. Another 34% testified that they experienced accidents very often at work. Thus, the rate of accidents occurring at the workplace was very high (88%). A few respondents (3.3%) rarely suffered accidents whereas 8.7% never got accidents while at work. The high rate of accidents occurring at the workplace was attributable to the fact that PPE were not sufficiently provided by the organization for its employees. This was because the analyses showed that only 36% of respondents were provided with nose masks and 80 percent with hand gloves. Other protective equipment such as goggles, safety boots, safety overall coats were non-existent in the company.

PLACE (S) OF ACCIDENTS AT WORK: With regards to where the numerous accidents experienced by employees occurred, majority (51.3%) of the accident cases took place at the production section where the wood was treated and sawn into desirable sizes for parking and storage. Forty percent of the accidents also occurred at the yard where the trucks were engaged to load outgoing stock.

NATURE OF ACCIDENTS: It was indicated that the two most common accidents at the workplace among respondents were bruises and lacerations or burns of which 34% of employees sustained one of them. Bruises and lacerations were the commonest cases of accidents at the workplace because they lacked safety boots to protect their feet. Apart from these two common accidents, 19.3% reported having suffered from fractures and just 0.7% suffered from eye defects resulting from accident. Cases of eye accident were the least at the workplace which was a bit surprising because none of the respondents were provided with goggles by the company and as such it was expected that eye accidents would have been among the commonest accidents.

ENSURING PPE USAGE AMONG EMPLOYEES: An overwhelming majority (98%) of the respondents pointed out that usage of PPE would be ensured if PPE were readily provided by the company for employees. This would create the need for employees to use PPE since they would be provided by the company. Only two percent stated that PPE usage would be improved by enforcing rules and regulations at the work place. In other words, two percent of respondents blamed failure to use PPE at work on lack of enforcement of the company's health and safety policies.

HYPOTHESES TESTING: In order to find the relationship between worker background information and compliance with OHS practices in the company, Pearson chi-square tests were used. Four hypotheses were tested involving two background characteristics of workers (education and length of service) and two characteristics of OHS compliance (PPE usage and involvement in accidents).

HYPOTHESIS I

H1: Level of education and PPE usage among wood workers were significantly related.

Ho: There was no significant relationship between level of education and PPE usage.

TABLE 1: CHI-SQUARE TEST FOR LEVEL OF EDUCATION AND PPE USAGE

Statistics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.696[a]	4	.002
Likelihood Ratio	20.555	4	*.000*
Linear-by-Linear Association	5.442	1	.020
No. of Valid Cases	150		

α=.05, 2-tailed test

Table 1, depicts that the p-value (.002) was smaller than the alpha (.05) and as such the null hypothesis was rejected while the research hypothesis was accepted. We, therefore, concluded that we were 95 percent confident that there was a significant relationship between PPE usage and level of education among wood workers in the company.

HYPOTHESIS II

H1: There was a significant relationship between length of service and PPE usage

Ho: There was no significant relationship between length of service and PPE usage.

TABLE 2: CHI-SQUARE TEST FOR LENGTH OF SERVICE AND PPE USAGE

Statistics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.425[a]	8	.000
Likelihood Ratio	47.085	8	.000
Linear-by-Linear Association	7.718	1	.005
No. of Valid Cases	150		

α=.05, 2-tailed test

To find out if there was a significant relationship between length of service and PPE usage, a chi square test (Table 2) was conducted in which the p-value (.000) was found to be less than the significance level (.05). Consequently, the null hypothesis was rejected since there was not enough evidence to support its validity. The research hypothesis was, thus, accepted at 95 percent confidence.

HYPOTHESIS III

H1: Level of education and involvement in accident were significantly related.

Ho: Level of education and involvement in accident were independent.

TABLE 3: CHI-SQUARE TEST FOR LEVEL OF EDUCATION AND INVOLVEMENT IN ACCIDENTS

Statistics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	90.708[a]	6	.000
Likelihood Ratio	89.650	6	.000
Linear-by-Linear Association	15.266	1	.000
No. of Valid Cases	150		

α=.05, 2-tailed test

Table 3 presents a chi-square test between level of education and involvement in accident at 95% level of confidence. The value of the test statistic or the p-value was 0.000 which was less than the significance value (0.05). Therefore, the null hypothesis which stated that there was no relationship between the level of education and the rate of getting accident among wood workers in the Naja David Wood Industry Limited had been rejected. Hence, we concluded that we were 95% confident that there was a significant relationship between level of education and involvement in accidents.

HYPOTHESIS VI

H1: Length of service was a function of involvement in accident

Ho: Length of service and involvement in accident were independent.

TABLE 4: CHI-SQUARE TEST FOR LENGTH OF SERVICE AND INVOLVEMENT IN ACCIDENTS

Statistics	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.420[a]	12	.000
Likelihood Ratio	48.581	12	.000
Linear-by-Linear Association	.452	1	.501
No. of Valid Cases	150		

α=.05, 2-tailed test

Table 4 depicts a chi-square test between length of service and involvement in accident at 95% level of confidence. The value of the test statistic or the p-value was 0.000 which was less than the significance value (0.05). Therefore, the sample did not provide enough evidence to accept the null hypothesis which stated that there was no relationship between the number of years of work and the rate of getting accident among wood workers in the Naja David Company limited. Hence, we rejected the null hypothesis and concluded that we were 95% confident that there was a significant relationship between length of service and involvement in accidents. Thus, accidents reduced as workers stayed longer on the job and gathered enough experience.

DISCUSSION OF FINDINGS

On socio-demographic characteristics of respondents, the study examined four areas which included sex, age, level of education and number of years of work. The majority of respondents were males. In fact, the number of males was twice greater than the number of females among the respondents. This was because work in the wood factory demanded a lot of physical strength for its execution. And this explained why females were few there since they did not have the strength as their male counterparts.

The age group with the largest number of respondents was 34 - 41 years followed by the 26 - 33 years age group. People in these age groups were still young and strong. As such they had the energy to do hard work such as cutting, lifting and pushing. In effect, they constituted the economically active age group and they were desirous in working to meet life challenges. Considering the fact that over 70% were basic school leavers, they did not have employable skills to find themselves jobs in the formal sector. The only possible place they could therefore engage themselves to meet their economic needs was blue collar jobs and manual jobs which were found in wood processing companies.

The majority (52%) of respondents had worked in the company for 11 to 15 years. The number of workers who had worked for 16 to 20 years, however, reduced drastically to three percent and 9 percent in the 21 to 25 years of experience group. These figures showed that few people work in the factory for longer period of time which may be due to the tedium involved in the work which weakened people in the course of time thus, causing many of them to resign or leave for other jobs.

The provision of PPE for employees to protect themselves from danger wasn't encouraging. This was because the majority of them indicated that they were provided with PPE only at sometimes. This meant that at other times they worked without any protective equipment. About 14% of respondents even reported that they were never provided with PPE and were constantly exposed to hazards such as sharp objects and heat, noise and odour. Even among those who were sometimes provided with personal protective equipment, this equipment was either nose masks (36%) or hand gloves (80%). Other equally necessary equipment that should be worn by factory workers such as safety boots, safety overalls, helmets and goggles were non-existent. Respondents indicated that the company did not provide them with this equipment. Therefore, it meant that they would have to provide such equipment themselves. This was enough evidence to show that health and safety issues were not a priority in the company.

The respondents, however, unanimously agreed that the wearing of PPE could help prevent unnecessary accidents in the company indicated that the workers knew the importance of the putting on PPE. The problem was that such equipment was not readily available in the company for use by the workers.

When they were asked whether they used the few PPE available, 72% of the respondents said they only used them sometimes. 13.3% of them never used PPE and the question was not applicable to 14.7% of the respondents because they were never provided with PPE. The statistics indicated that the workers only used PPE when they liked and were not probably supervised with regards to PPE usage. Supervisors might not have been insisting on PPE usage because the company did not make the equipment available.

The majority (54%) of respondents admitted that they often experienced accidents at work. Thus, 88% of the respondents indicated that the rate of accidents occurring at the workplace was very high. The high rate of accidents occurring at the workplace was attributable to the fact that PPE were not sufficiently provided by the company for its employees and usage of PPE among workers was equally low. Therefore, it wasn't surprising to realise that accidents occurred frequently among employees. This was because they were constantly exposed to accidents. Occupational health and safety in the company was proved to be less catered for. Most of the accidents were found to have occurred in the yard (40%) and at the production section (51%).

The two most common accidents at the workplace among respondents were bruises and lacerations or burns. Thirty-four percent of respondents indicated that they sustained one of these accidents. Apart from these two common accidents, 19.3% stated that they suffered from fractures and only 0.7 percent said that they suffered from eye defects resulting from accidents. These cases of accidents at the workplace were due to unavailability of PPE to protect them which could have been prevented.

An overwhelming majority (98%) of the respondents indicated that the use of PPE would have been improved if the company had provided them. Only two percent (2%) revealed that the PPE usage would improve if the rules and regulations guiding operations at work in the company were enforced.

The discussion so far pointed to the fact that usage of PPE among workers in the Naja David Wood Company was low because PPE were not readily available to majority of the employees. The few PPE which were available were not frequently used causing various types and degrees of accidents to occur. The researchers therefore found out which category of workers, in terms of their background characteristics such as age, sex, education and experience, were likely to obey occupational health and safety regulations. Two criteria were used to indicate health and safety regulation - PPE usage and involvement in accident.

Consequently, four hypotheses were tested using chi square test to determine compliance to occupational health and safety and worker background characteristics. It was found out that there was a significant relationship between the level of education and PPE usage which meant that one's level of usage of PPE was dependent on level of education. There was a significant association between length of service and the use of PPE which explained that the length of service determined how PPE was used by the workers. Hence older workers used PPE more than younger workers. The chi-square test also revealed that the level of education was a function of one's involvement in accidents. Thus, the higher one's level of education the higher one's level of usage of PPE, which would minimize workers' involvement in accidents. Finally, there was a significant relationship between length of service and involvement in accidents. Accidents reduced as workers stayed longer on the job and gathered enough experience.

RECOMMENDATIONS

The following recommendations were made.

There was no comprehensive policy document on health and safety at the Naja David Industry Limited. It is recommended that a policy document on OHS should be printed and circulated among workers for their information and education. This should be followed by group discussions to ensure that employees understand it. This would help prevent accidents which are caused due to ignorance.

It was explained that PPE was not readily available in the company for use by employees. These included hand gloves, helmets, nose masks, safety overalls, safety boots and goggles. Only few workers were provided with hand gloves and nose masks. It is recommended that safety equipment be provided by the company for employees. This will show to employees how committed the company is towards OHS.

The use of the few health and safety equipment provided by the company was not encouraging. This is the reason for numerous accidents among workers as indicated by the findings. It is recommended that strict measures should be put in place whereby no employee should be allowed to enter the production area or yard without his or her PPE.

Work group supervisors should be empowered to discipline their subordinates whose behaviour does not conform to regulations guiding behaviour at work. This is because such supervisors are constantly in touch with workers and therefore, would be better placed to enforce policies on acceptable behaviour in the company.

Training and workshops should also be organised at the workplaces for both new recruits and employees in the company. This would inform the employees about the dangers of their work and how to prevent themselves against accidents.

There is currently a clinic at the factory which provides first aid to injured workers and treats other minor cases of health and safety. This is step in the right direction. It is recommended that employees who visit the clinic for treatment should have their cases investigated. If they are found to be negligent, they should be made to bear the full cost of their treatment. This would ensure compliance to safety rules and regulations in the company.

CONCLUSION

The study concluded that compliance to OHS differed among employees in the wood processing industry based on a number of factors. These included age, education and experience. One's inclination to using PPE at work depended on one's age, level of education and number of years of work experience. The study again concluded that there was significant relationship between one's sex, age, education and experience and one's involvement in accidents. Therefore, the rate at which workers get involved in accidents at work was dependent, to a significant extent, on their sex, age, level of education and number of years of work experience. Furthermore, compliance to OHS measures is dependent on the availability of adequate health and safety equipment coupled with closed supervision and safety equipment was not readily available in the company. There was high rate of accidents among workers at the Naja David Wood Company Limited because they did not use PPE which constantly exposed to accidents at the workplace. However, the accidents were minor cases involving bruises, burns and sprains except some few cases of fractures. Finally, it was found out that there was no comprehensive policy document on OHS in the company.

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PERCEPTIONS OF RETAILERS ON FDIS INTO INDIAN MULTI BRAND RETAILING

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ABSTRACT

The recent decision of Indian Government to allow Foreign Direct Investments into multi brand retailing has enhanced the rifts between political parties than ever before. The proponents of the decision are of the firm belief that, FDIs into retail sector not only configures strong supply chain but also optimizes the benefits of primary vendors and the consumers. On the other hand, the opponents of the decision have been corroborating the notion that, the FDIs into Retail Sector are detrimental to the lively hood of domestic retailers. In this context, it is felt necessary to know the perceptions of retail traders on FDIs.

KEYWORDS

Foreign Direct Investments, Multi Brand Retailing, Cash and Carry.

INTRODUCTION

Indian Retail Sector stands next to the agriculture in terms of employment, it is assessed that more than fifty million Indians directly or indirectly depends on retail trade in search of livelihood. Indeed, the retail trade has been a practice long in use and evinced its prominence very much before the incarnation of the formal trade policies by the state. It has expanded its wings through all the nooks in the form of grocery shops and market yards few of which, grew into Super Markets and Hyper Markets in the due course of time to meet the needs of households and to stand as an avenues of disposing the merchandise. The gradual developments in retail sector like the establishment of flamboyant shop rooms, enhancement of trading volumes and even the expansion of retail branches by a single trader could not pass through the spectrum of policymakers. But, the inexorable march of corporate houses like Reliance, Future Group and other entities into the Retail Sector led to the dawn of political debate which is further fueled by the recent decision of the government to allow Foreign Direct Investments into multi brand retailing. This decision certainly impacts the trading pattern of indigenous retailers irrespective of the pros and cons. It is the reason why, this paper emphasize lion share to the 'perceptions of Indian Retailers on FDIs into Multi Brand Retailing'.

OBJECTIVES OF THE PAPER

The core objectives of this paper are,
1) To explore the present scenario of Indian Retail Sector.
2) To understand the developments with respect to FDIs in Indian Retail Sector.
3) To know the perceptions of domestic retailers on FDIs into multi brand retailing.

METHODOLOGY

The first and second objectives are perceived with the help of secondary data available in various books, journals and web sources. The third objective, which forms the core of this paper, shall be tested with the help of primary data collected in the form of a questionnaire distributed to the respondents of the selected sample. The primary data shall be analyzed using the summative scaling method.

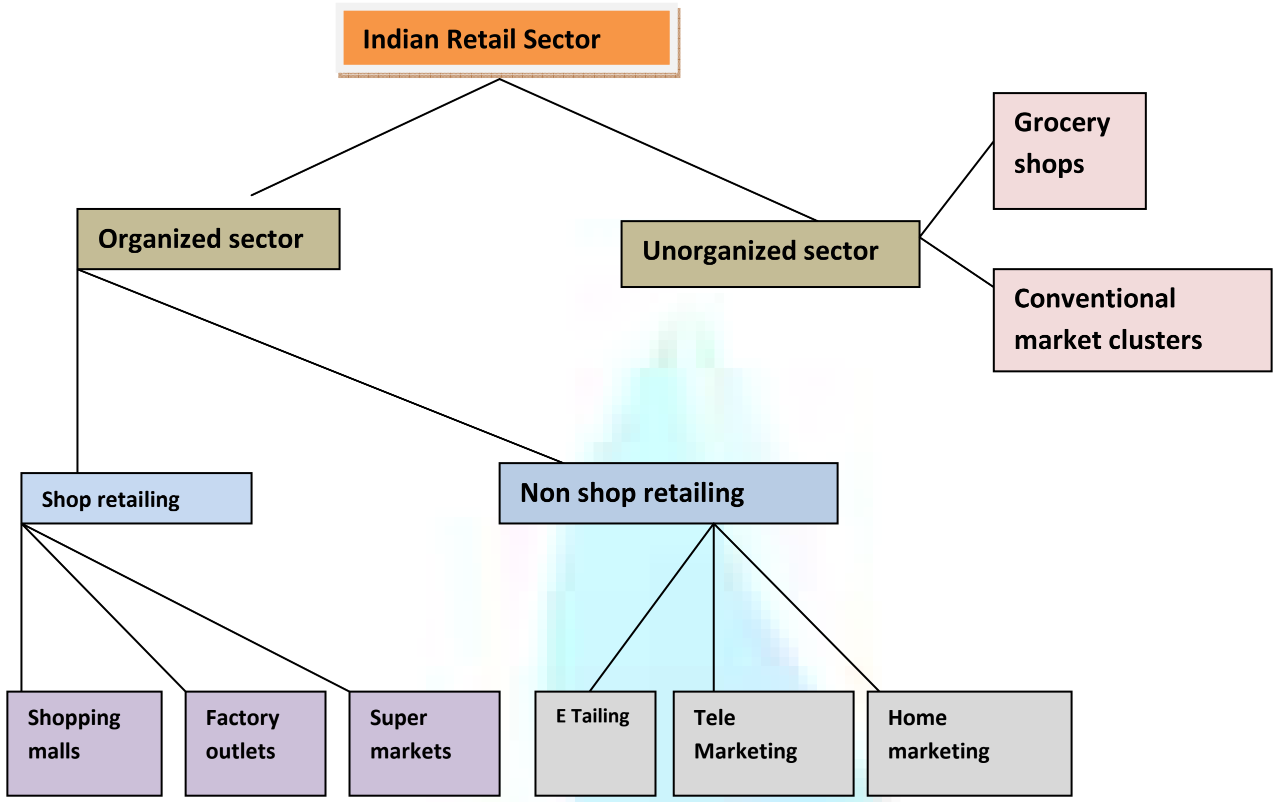
SAMPLE SIZE

This paper is executed with the random clustered sample of one hundred retailers of Hyderabad city who run the grocery shops in different areas of the city, where, corporate retail stores like Big Bazar, Spencer and Reliance Fresh are located.

JUSTIFICATION OF THE SAMPLE

The cluster where the respondents are selected is felt to be rational for executing this paper owing to the following attributes.
- The city of Hyderabad represents the population of more than five million where FDI into multi brand retailing is allowed by the virtue of new FDI bill. (The bill seeks an urban area having the population of more than one million to enfold FDIs).
- The local government has given its formal consent to allow FDIs into multi brand retailing, which is mandatory as per the new bill.
- The city of Hyderabad represent cosmopolitan population, so that, the opinions of the respondents can be generalized.

PRESENT SCENARIO OF INDIAN RETAIL SECTOR



Source: www.scribd.com

Indian Retail Sector can be bifurcated into organized and unorganized sectors, such that, the organized sector represents two major formats, namely shop and non shop retailing. The shop format is very aggressive which envelops shopping malls, factory outlets which are also known as the brand outlets of specific manufacturer and the super markets. On the other hand, the non shop retailing enfolds E tailing also known as online retailing, Tele marketing and the door to door marketing. **Deloitte** has estimated that, the share of organized retail sector for the year 2011 in terms of the turnover is around Rs twenty eight thousand crore, which is a nominal value of six percent of the total turnover generated by the sector as a whole. Deloitte's estimations also projected the volume of turnover in the organized retail sector to cross Rs one lakh crore by the end of the year 2015.surprisingly, the unorganized retailing sector holds the credit of contributing ten percent to GDP with the employment generation of eight percent of working population in the country **(Economic Survey 2011).** Conventionally, the unorganized retail sector functions in the form of grocery shops and market clusters scattered in all the corners of the country with the estimated annual turnover of Rs five Lakh sixty thousand by the end of 2011. **Guptha 2011** further adds that, these gigantic statistics are expected to show manifold increase in the coming years due to the increase in the disposable income of households. He also argues that, nearly fifty eight percent of Indian population represents the age group ranging from thirty to thirty five years who are very meticulous in consuming the branded retail products. So, it is quite obvious for the Foreign Direct Investors to see Indian retail sector as the prime green field of making lucrative profits.

DEVELOPMENTS WITH RESPECT TO FDIs IN INDIAN RETAIL SECTOR

The inward Foreign Direct Investments are seamlessly encouraged by the Indian policy makers to mitigate the pent up fiscal deficit in the initial stage of liberalization **(Mukarji 2012)**, which had to be continued to keep the promises owed by India to The World Trade Organization under the conventions of Trade Related Investment Measures. The country has also made substantial amendments to the Foreign Exchange Management Act (FEMA) and other relevant provisions with respect to the Foreign Investments Promotion Board (FIPB).These developments have sown the seeds of Foreign Direct Investments in Indian Retail Sector either.

Indian government has been endeavoring to phase out the bottle necks of FDIs in Retail Sector which includes the following developments **(Malik 2012)**

- FDIs were allowed up to 51 % in single brand retailing in the year 1997.
- The ceiling of 51 % has been enhanced to 100 % with respect to FDIs into single brand retail trade with effect from the year 2002.
- Fifty one percent of FDIs were allowed into multi brand retailing only in cash and carry segment (indirect mode) from the year 2005.
- Very recently i.e. in December 2012, Indian Parliament has passed a bill allowing FDIs up to fifty one percent in multi brand retail trade with the following core provisions

➢ The minimum investment that should be brought In by Foreign entity is $100 million.
➢ Minimum thirty percent of the Foreign Direct Investment made in multi brand retail sector should be used towards the back end supply chain.
➢ Only cities having the population of 1 million and above are entitled to host the outlets of multi brand retail venture in which FDIs are invested.

These developments provide an explicit and vivid idea of the government to favor FDIs into multi brand retail sector. **(Anshul Jain 2012)** has argued in his article that FDIs into retail sector have got both pros and cons. His incremental analysis corroborates that the benefits of FDIs are greater than its costs in long run. On the other hand**, (Chary 2012)** has attempted to evince a capsized opinion by according proportionately high wait age to the costs of FDIs in retail sector. Both the opinions are felt to be rational, but, such literature seems to have ignored an important facet, i.e. the perceptions of conventional grocery shop keepers whose benefits are really affected, no matter whether, such affect is positive or otherwise. It is the reason why, this paper attempts to know their perceptions before tendering the formidable conclusions.

PERCEPTIONS OF RETAILERS ON FDIs

Perceptions of domestic retailers are ranked on a five point scaling such that, 1,2,3,4 and 5 represents strongly disagree, disagree, can't be decided, agree and strongly agree respectively. The average rating of each perception shall be drawn to make the interpretations.

DATA ANALYSIS

TABLE 1: PRIMARY PERCEPTIONS ON FDIS INTO MULTI BRAND RETAILING

Statement	1	2	3	4	5	average
FDIs into multi brand retailing is a good decision	67	16	05	08	04	1.66
FDIs into multi brand retailing impairs the livelihood of domestic retailers	04	11	07	15	63	4.22
FDIs shall increase the rate of employment in retail sector	27	19	15	11	28	2.94
FDIs into Retailing shall accelerate the Economic growth rate of the country	25	19	03	35	18	3.02

It is found from the primary survey that most of the conventional Retailers are panic that, FDIs into multi brand retailing shall impair their livelihood; it is the reason why they have disagreed the statement that FDIs into Retail sector is a good decision by rating it with only 1.66. however, they did not completely rule out the competency of FDIs in creating employment and accelerating the Economic growth, as the third and fourth statements in the above table are rated near 3 which is neutral.

TABLE 2: PERCEPTIONS ON CUSTOMER ORIENTATION

Statement	1	2	3	4	5	average
FDIs into multi brand retailing helps customers choosing from the wide gamut of products under single roof	18	06	0	30	46	3.8
FDIs into multi brand retailing shall bring down the prices	32	07	03	35	23	3.1
FDIs helps ensuring the quality in procurements	42	31	0	14	13	2.25
FDIs shall help fostering total quality management in retail sector	31	24	03	17	25	2.74

Fair number of respondents has agreed that the proliferation of FDIs into multi brand retailing helps customers choosing from the wide gamut of products which may be made available in the large and spacious commercial outlets. However, there is dichotomy with respect to the quality procurements and total quality management, as the third and fourth statements represents the deviation of 0.49 in terms of ranking. At the same time, Retailers could not decide that the FDIs into Retailing shall bring down the prices of end products as they have rated only 3.1 corroborating the second statement in the above table.

TABLE 3: PERCEPTIONS ON COMPETITION

Statement	1	2	3	4	5	average
FDIs shall establish healthy competition among the retailers	47	28	08	08	09	2.03
FDIs avoid un necessary intermediaries in back end logistics	18	16	0	32	34	3.48
FDIs helps optimizing the cost advantage of locally abundant products	09	11	05	34	41	3.87
FDIs helps material vendors to become part of international supply chain	10	07	05	32	46	3.97

Majority of the respondents have rejected the statement that, FDIs shall impart healthy competition among the retailers, however, they have slight Concorde with respect to the avoidance of undesirable intermediaries in the back end logistics. The retailers have also agreed that the concept of cost advantage and international supply chain are very much feasible through FDIs.

CONCLUSION

The respondents of selected sample representing the conventional Retail shop owners in the twin cities of Hyderabad and Secunderabad have expressed mixed opinions on twelve different issues brought to their cognizance. Therefore, it is concluded that, there is a dire need to address the concerns of conventional retailers before rolling out a red carpet to welcome FDIs into multi brand retail sector. This paper has examined three dimensions, vis, primary aspects, customer orientation and the competition, where very feeble ratings are ascertained with respect to healthy competition, which deserves further enquiry.

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LOAN ASSETS CLASSIFICATION OF SCHEDULED COMMERCIAL BANKS IN INDIA

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ABSTRACT

Indian banking sector is facing a serious problem of NPA. The extent of NPA is comparatively higher in public sectors banks. To improve the efficiency and profitability, the NPA has to be scheduled. Various steps have been taken by government to reduce the NPA. It is highly impossible to have zero percentage NPA. But at least Indian banks can try competing with foreign banks to maintain international standard. The study observed that there is increase in advances over the period of the study. It is found on the basis of analysis that there is considerable development in the management of nonperforming assets in India. The study finally viewed that the prudential norms and other schemes has rushed banks to improve their performance and accordingly resulted into orderly down of NPA as well as enhancement in the financial strength of the Indian banking structure.

KEYWORDS
loan asset classification, commercial banks.

INTRODUCTION

The formal banking system in India comprises the Reserve Bank of India (RBI), Commercial Banks, Regional Rural Banks and the Co-operative banks. In the recent past, private non-banking finance companies also have been active in the financial system, and are being regulated by the RBI. The Scheduled Commercial Banks (SCBs) consist of 28 Public Sector Banks (PSBs), 31 Private Sector Banks (Pvt.SBs), and 31 Foreign Banks. They have a combined network of over 53,000 branches and 17,000 Automatic Teller Machines. According to a report by International Credit Rating Agency (ICRA) Limited, a rating agency, the PSBs hold over 75 per cent of total assets of the banking industry, with the private and foreign banks holding 18.2 per cent and 6.5 per cent respectively. Almost 80 per cent of the businesses are still controlled by PSBs. They are still dominating the commercial banking system. Shares of the leading PSBs are already listed on the stock exchanges. The PSBs will play an important role in the industry due to its number of branches and foreign banks facing the constraint of limited number of branches. Hence, in order to achieve an efficient banking system, the obligation is on the Government to encourage the PSBs to be run on professional lines. The RBI has given licences to new Pvt.SBs as part of the liberalisation process. The RBI has also been granting licences to industrial houses. Many banks are successfully running in the retail and consumer segments but are yet to deliver services to industrial finance, retail trade, small business and agricultural finance. Foreign banks have been operating in India for decades with a few of them having operations in India for over a century. The number of foreign bank branches in India has increased significantly in recent years since RBI issued a number of licenses - well beyond the commitments made to the World Trade Organisation. The presence of foreign banks in India has benefited the financial system by enhancing competition, resulting in higher efficiency.

STATEMENT OF PROBLEM

Increased competition, new information technologies and thereby declining processing costs, the erosion of product and geographic boundaries, and less restrictive governmental regulations have all played a major role for PSBs in India to forcefully compete with Private and Foreign Banks. It has become very mandatory to study and to make a comparative analysis of services of SCBs. This analysis explores an empirical approach to the analysis of loan assets classification of SCBs in India. As per the guidelines issued by RBI loan assets of banks are classified in to four categories i.e. standard assets, sub-standard assets, doubt full assets, and loss assets. Standard assets being the good quality of loan assets on the other hand sub-standard assets, doubtful assets, and loss assets put together constitutes non-performing assets.

REVIEW OF LITERATURE

Rao (2002) concluded that the Indian banking system has transformed itself from banking to the international banking. Regulations are forcing the banks to adopt better operational strategies and upgrade their skills. The system requires a combination of new technologies, well-guarded risk and credit appraisal, treasury management, product diversification, internal control, external regulation as well as skilled human resources to achieve the heights of the international excellence to play its role critically in meeting the global challenges.

Reddy and Reddy (2003) are of the view that the new challenges faced by the banks are forcing to attempt all new things with the same old rigid structure and system. What required is more managerial and administrative freedom to the management with commensurate and result oriented accountabilities. They stressed that the banks should move towards professional banking with requisite freedom to operate freely in the market within the regulatory and prudential framework prescribed by the Reserve Bank of India.

Muniappan (2003) focused on two areas - firstly, challenges faced by the banks and secondly, the management of these challenges. Every aspect of the functioning of the banking industry, be it profitability, NPA management, customer service, risk management, HRD, etc. has to undergo the process of transformation of aligning with the international best practices. He concluded that the future of Indian banking system needs a long term strategy, which would broadly cover areas like structural aspects, business strategies, prudential control systems, integration of markets technology issues, credit delivery mechanism, information sharing, etc.

Arora and Kaur (2006) stated that banking sector in India has given a positive and encouraging response to the financial sector reforms. Entry of new private banks and foreign banks has shaken up public sector banks to competition. Changing financial scenario has opened up opportunities for the banks to expand their global presence through self-expansion, strategic alliances, etc. Banks are diverting their focus on retail banking so as to attain access to low cost funds and to expand into relatively untapped potential growth area.

Sinha (2006) considered the three alternative paradigms - values at risk, expected shortfall and expected excess loss, which may be used to determine the regulatory capital. Furthermore, it outlined the Indian banking scenario in respect of capital adequacy for the period 1996-97 to 2002-03. The results also showed that Tier I capital of Indian commercial banks is positively related to operating efficiency and has negative relationship with NPA ratio. But no definite relationship between the CAR and bank size could be determined from the analysis.

Karunakar, Vasuki and Saravanan (2008) said that economic reforms initiated by the then finance minister and present prime minister of India Dr. Manmohan Singh would have been remained incomplete without the overhaul of Indian banking sector. The problem of losses and lower profitability of Non-Performing Assets (NPA) and liability mismatch in banks and financial sector depend on how various risks are managed in their business. An attempt is made in the study to examine what is NPA? What are the factors contributing to NPA, the magnitude of NPA, reasons for high NPA and their impact on Indian banking operations? The lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism.

Misra and Dhal (2010) analyzed the pro-cyclicality of bank indicators with a focus on the non performing loans (NPAs) of India‟s public sector banks. The analysis demonstrates that banks NPAs are influenced by three major sets of factors, i.e., terms of credit, bank specific indicators relating to asset size, credit orientation, financial innovations (non-interest income) and regulatory capital requirement and the business cycle shocks. The study found that the terms of credit variables such as interest rate, maturity and collateral and bank specific variables had significant effect on the banks' non-performing loans in the presence of macro-economic shocks.

From the above review of literatures, the researcher comes to a conclusion that there is a need to study the loan asset classification of scheduled commercial banks in India.

OBJECTIVES OF STUDY

The main objectives of this analysis are as follows:

- To find out trends in loan assets classification
- To find gross non-performing assets on total advances

ANALYSIS AND RESULTS

The following ratios are calculated to identify the loan assets classification of SCBs in India during the study period from 2006 to 2012.

- Ratio of Standard Assets to Total Advances
- Ratio of Sub-Standard Assets to Total Advances
- Ratio of Doubtful Assets to Total Advances
- Ratio of Loss Assets to Total Advances
- Ratio of Gross Non-Performing Assets to Total Advances

RATIO OF STANDARD ASSETS TO TOTAL ADVANCES

A standard asset is a performing asset. Standard assets generate continuous income and repayments as and when they fall due. Such assets carry a normal risk and are not NPA in the real sense. So, no special provisions are required for Standard Assets. Table 1 shows the ratio of standard advances to total assets of commercial banks in India during the study period.

TABLE -1: RATIO OF STANDARD ASSETS TO TOTAL ADVANCES

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2006	96.10	97.40	97.90
2007	97.20	97.60	98.10
2008	97.70	97.30	98.10
2009	97.90	96.80	95.70
2010	97.70	97.00	95.70
2011	97.70	97.50	97.50
2012	96.80	97.90	97.30
Mean	97.30	**97.36**	97.19
SD	00.67	**00.31**	01.16
CV	00.69	**00.32**	01.19

Source: Off-site returns (domestic) of banks, Dept. of Banking Supervision, RBI

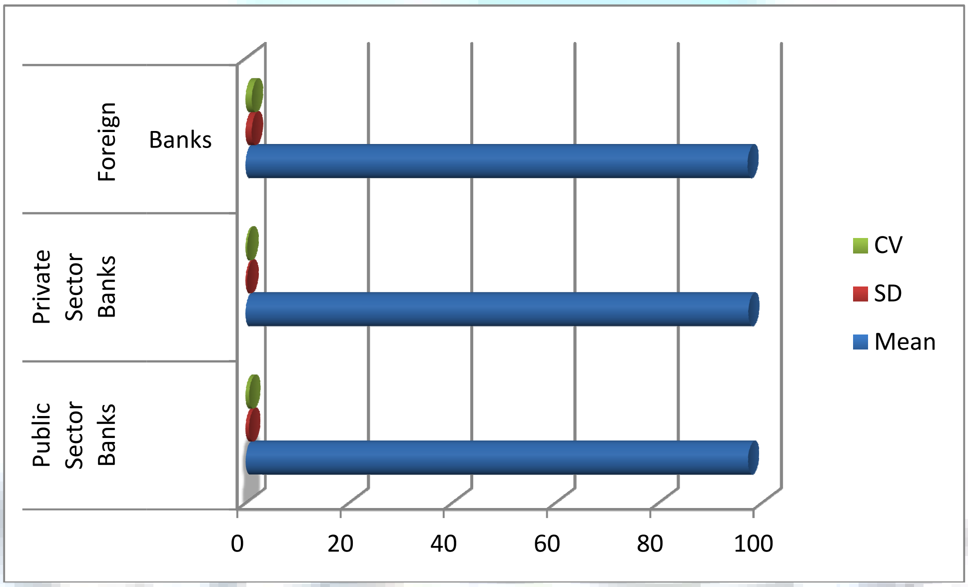


Table 1 shows the ratio of standard assets to total advances of public sector banks, private sector banks and foreign banks during the study period. For PSB, this ratio ranges between 96.1 per cent in 2006 and 96.80 per cent in 2012 with an average of 97.30 per cent. The minimum and maximum percentage of this ratio is registered as 96.10 per cent in 2006 and 97.90 per cent in 2009 respectively. It maintains equal percentage of 97.70 during 2008, 2010 and 2011. The ratio of standard asset to total advances of Pvt.SBs varies between 97.40 per cent in 2006 and 97.90 per cent in 2012 which is the maximum percentage during the study period. It has the highest average of 97.36 per cent while comparing with other sector banks. The Pvt. SBs achieved a minimum of 96.8 per cent during 2009. While observing the data relating to foreign banks, this ratio lies between 97.90 per cent in 2006 and 97.30 per cent in 2012 with the lowest average of 95.70 per cent during 2009 and 2010 and a maximum of 98.10 per cent during 2007-08.

The ratio was more heterogeneous in terms of dispersion for Foreign Banks (C. V. 1.19 per cent) followed by PSBs (C.V. 0.69 per cent) and less consistent for Pvt.SBs (C.V. 0.32 per cent).

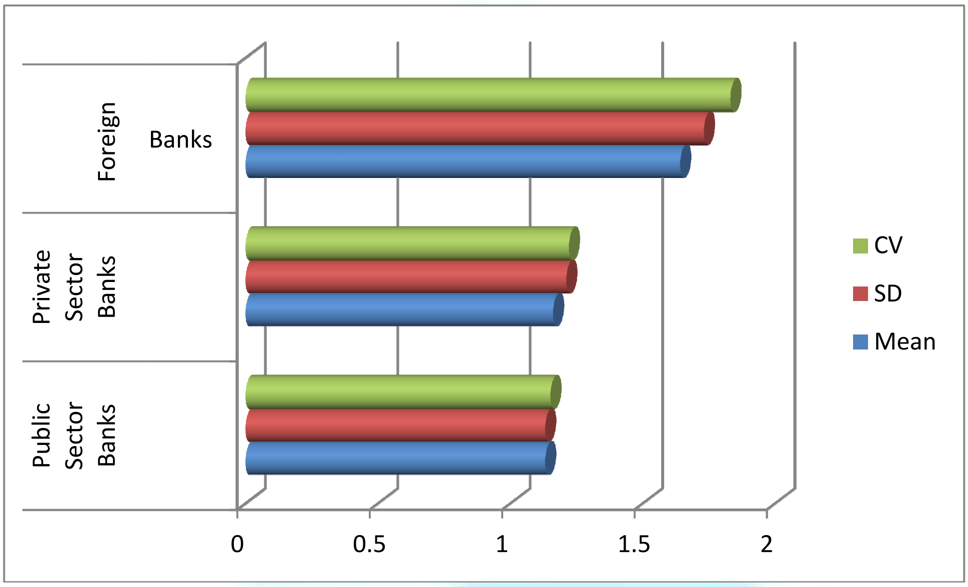
RATIO OF SUB-STANDARD ASSETS TO TOTAL ADVANCES

All those assets (loans and advances) which are considered as non-performing for a period of 12 months are called as Sub-Standard assets. Table 2 shows the ratio of sub-standard assets to total advances of commercial banks in India during the study period.

TABLE -2: RATIO OF SUB-STANDARD ASSETS TO TOTAL ADVANCES

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2006	1.10	0.80	1.00
2007	1.00	1.10	1.10
2008	1.00	1.50	1.20
2009	0.90	2.00	3.50
2010	1.10	1.50	2.90
2011	1.10	0.60	0.90
2012	1.70	0.60	0.90
Mean	1.13	1.16	**1.64**
SD	**1.13**	1.21	1.73
CV	**1.15**	1.22	1.83

Source: Off-site returns (domestic) of banks, Dept. of Banking Supervision, RBI



It is clear from the above Table 2 that the ratio of sub-standard assets of PSBs to total advances varies between 1.10 per cent in 2006 to 1.70 in 2012 with lowest average of 1.13 per cent during the study period. This ratio is constant (1.1 per cent) during 2006, 2010 and 2011. This percentage is minimum of 0.90 per cent in 2009 and maximum of 1.70 per cent in 2012. While observing this ratio for Pvt.SBs, it has an average of 1.16 per cent during the study period. This ratio lies between 0.60 per cent in 2011 and 2012 and 2 per cent in 2009. The average of Foreign Banks is the highest among the three bank groups. The highest ratio of 3.50 per cent in 2009 and lowest ratio of 0.90 in 2011 and 2012 are registered for Foreign Banks.

The ratio was more variant in terms of dispersion for Foreign Banks (C. V. 1.83 per cent) followed by Pvt.SBs (C.V. 1.22 per cent) and more consistent for PSBs (C.V. 1.15 per cent).

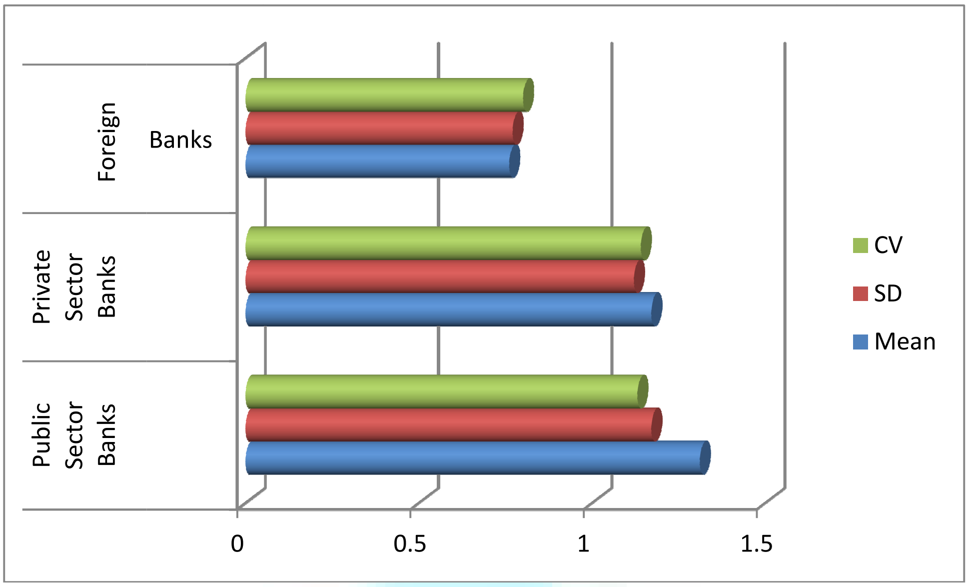
RATIO OF DOUBTFUL ASSETS TO TOTAL ADVANCES

All those assets which are considered as non-performing for period of more than 12 months are called as Doubtful Assets. Table 3 shows the ratio of doubtful assets to total advances of commercial banks in India during the study period.

TABLE -3: RATIO OF DOUBTFUL ASSETS TO TOTAL ADVANCES

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2006	2.30	1.50	0.70
2007	1.50	1.00	0.50
2008	1.10	0.90	0.50
2009	1.00	1.00	0.60
2010	1.00	1.10	0.90
2011	1.00	1.50	1.10
2012	1.30	1.20	1.00
Mean	**1.31**	1.17	0.76
SD	1.17	1.12	**0.77**
CV	1.13	1.14	**0.80**

Source: Off-site returns (domestic) of banks, Dept. of Banking Supervision, RBI



It is obvious that the ratio of doubtful assets of PSBs to total advances varies between 2.30 per cent in 2006 and 1.30 per cent in 2012, 1.50 per cent and 1.20 per cent for Pvt.SBs and 0.70 per cent and 1 per cent for Foreign Banks respectively. The PSBs have a maximum average of 1.31 per cent followed by 1.17 per cent by Pvt. SBs and 0.76 per cent by Foreign Banks during the study period. The PSBs maintains this ratio as 1 per cent continuously for three years starting from 2009 to 2011. The maximum ratio of 2.30 per cent is achieved by PSB and 1.50 per cent by Pvt. SBs during 2006 and 2011 and 1.10 per cent is achieved by Foreign Banks during 2011.

The ratio was less consistent in terms of dispersion for PSBs (C. V. 1.13 per cent) followed by Pvt.SBs (C.V. 1.14 per cent) and more consistent for Foreign Banks (C.V. 0.80 per cent).

RATIO OF LOSS OF ASSETS TO TOTAL ADVANCES

All those assets which cannot be recovered are called as Loss Assets. These assets can be identified by the Central Bank or by the Auditors. Table 4 shows the ratio of loss of assets to total advances of commercial banks in India during the study period.

TABLE - 4: RATIO OF LOSS OF ASSETS TO TOTAL ADVANCES

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2006	0.50	0.30	0.50
2007	0.30	0.20	0.40
2008	0.20	0.30	0.20
2009	0.20	0.30	0.20
2010	0.20	0.40	0.50
2011	0.20	0.40	0.50
2012	0.10	0.30	0.80
Mean	0.24	0.31	**0.44**
SD	**0.21**	0.32	0.43
CV	**0.19**	0.33	0.43

Source: Off-site returns (domestic) of banks, Dept. of Banking Supervision, RBI

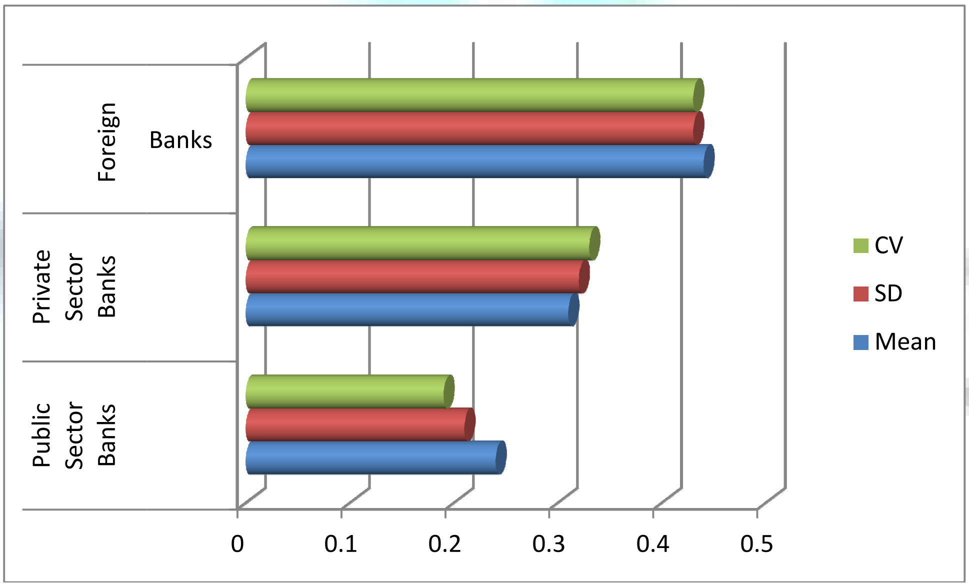


Table 4 clearly states that the ratio of loss of assets of PSBs in India varied between 0.50 per cent in 2006 to 0.10 per cent in 2012 with an average of 0.24 per cent which is the lowest among all the banks. From 2008 to 2011, this ratio remains constant as 0.24 per cent. For Pvt.SBs, this ratio ranges between 0.30 per cent in 2006 and in 2012. The highest ratio of 0.40 per cent is registered in 2010 and 2011 and the lowest of 0.20 per cent in the year 2007. This ratio in Foreign Banks is increased to 0.80 per cent in 2012 from 0.50 per cent in 2006 with a maximum of 0.44 per cent average during the study period. It has a maximum ratio of 0.80 per cent in 2012 and 0.20 per cent as minimum ratio during 2008 and 2009.

The ratio was less consistent in terms of dispersion for Foreign Banks (C. V. 0.43 per cent) followed by Pvt.SBs (C.V. 0.33 per cent) and more consistent for PSBs (C.V. 0.19 per cent).

RATIO OF GROSS NPAS ON TOTAL ADVANCES

A distinction is often made between Gross NPA and Net NPA. Net NPA is obtained by deducting items like interest due but not recovered, part payment received and kept in suspense account etc., from Gross NPA. Table 5 shows the ratio of gross NPAs on total advances of commercial banks in India during the study period.

TABLE -5: RATIO OF GROSS NPAs ON TOTAL ADVANCES

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2006	3.90	2.60	2.10
2007	2.80	2.40	1.90
2008	2.30	2.70	1.90
2009	2.10	3.20	4.30
2010	2.30	3.00	4.30
2011	2.30	2.50	2.50
2012	3.20	2.10	2.70
Mean	2.70	2.64	**2.81**
SD	**2.53**	2.65	2.92
CV	**2.49**	2.68	3.06

Source: Off-site returns (domestic) of banks, Dept. of Banking Supervision, RBI

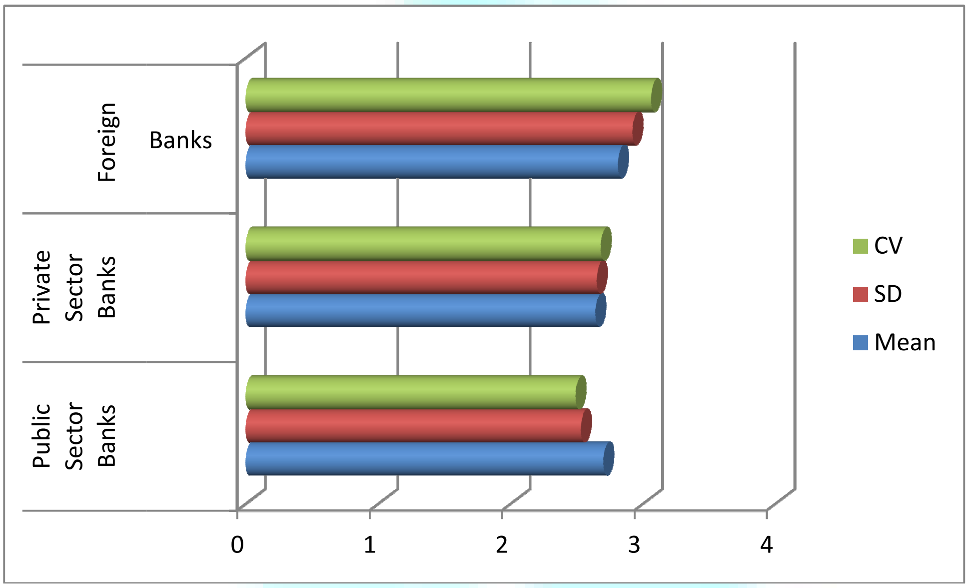


Table 5 presents the ratio of gross Non-performing Assets on total advances of PSBs in India which is decreased to 3.20 per cent in 2012 from 3.90 per cent in 2006. The average of this ratio is 2.70 per cent which is next to highest among the three groups. The maximum percentage of this ratio is 3.90 per cent in 2006 for PSB, 3.20 per cent in 2009 for Pvt.SBs and 4.30 per cent in 2009 and 2010 for Foreign Banks. The Foreign Banks are registered with 2.81 per cent as average which is the maximum among all the groups. The ratio of gross non-performing assets on total advances of Foreign Banks varied between 1.90 per cent in 2007 and 2008 and 4.30 per cent in 2009 and 2010.

The ratio was less consistent in terms of dispersion for Foreign Banks (C. V. 3.06 per cent) followed by Pvt.SBs (C.V. 2.68 per cent) and more consistent for PSBs (C.V. 2.49 per cent).

FINDINGS

While assessing the impact of loan assets classification of SCBs in India, the researcher has observed that the Foreign Banks have highest average in Ratio of Sub-Standard Assets, Loss of assets and gross NPA on Total advances. In case of sub-standard assets, Loss of assets and gross NPA on Total advances, the PSBs have minimum percentage of standard deviation and co variation and so they are more consistent. When the overall position was assessed; it is found that PSBs Banks group has secured the first place and the second place was taken by Foreign Banks.

CONCLUSION

Indian banking sector is facing a serious problem of NPA. The extent of NPA is comparatively higher in public sectors banks. To improve the efficiency and profitability, the NPA has to be scheduled. Various steps have been taken by government to reduce the NPA. It is highly impossible to have zero percentage NPA. But at least Indian banks can try competing with foreign banks to maintain international standard. The study observed that there is increase in advances over the period of the study. It is found on the basis of analysis that there is considerable development in the management of nonperforming assets in India. The study finally viewed that the prudential norms and other schemes has rushed banks to improve their performance and accordingly resulted into orderly down of NPA as well as enhancement in the financial strength of the Indian banking structure.

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EXAMINING FACTORS AFFECTING DIVERSITY IN THE WORKPLACE

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ABSTRACT

The purpose of the study is to examine various organizational factors that influence diversity in the workplace. The factors incorporate organizational policies, management practices, and perceived inequity. The current paper is a conceptual paper solely based on literature review. The findings are reliable with consideration view of these organizational variables to be the factual obstacles in employing and heading workplace diversity issue on. The current study throws light on the significance of managing workplace diversity.

JEL CODE
M19

KEYWORDS
Organizational Policies, Workplace Diversity, Management, Management Practices, Staffing

INTRODUCTION

The "business case for **diversity**" curtails from the development of the replica of diversity within the workplace since 1960's. The inventive model for diversity was positioned around affirmative action drawing strength from the law and a need to act in accordance with equal employment opportunity objectives. This observance based model conferred to the thought that tokenism was the reason; an individual was hired into a company when they differed from the dominant group. This primarily included race, ethnicity, and gender. The social justice model evolved next and extended the idea that individuals outside of the dominant group should be given opportunities within the workplace, not only because it was the law, but because it was the right thing to do. This model still revolved around the idea of tokenism, but it also brought in the notion of hiring based on a "good fit". From social justice developed the model of representation and diversity acceptance where the scope of diversity expanded beyond gender, race and ethnicity to include age, sexual orientation, and physical ability. Today, the diversity model is one of inclusion, which reflects a globalized economy, and multicultural work force where value is placed on diversity of thought, and the perspectives shared from individual standpoints are seen to benefit organizations.

According to Church (1995); cited in Kenyon (2005), we define diversity in an organizational setting in terms of a collective of individuals who differ from each other on one or any number of dimensions including culture, values, education, gender, marital status and age. Diversity deals with visible and invisible characteristics. According to Parvis (2003); cited in Kenyon (2005), Dimensions of diversity include but are not limited to: age, gender, race, sexual orientation, religious beliefs, work experience, ethnicity, physical abilities/qualities, educational background, geographic locations, income, marital status, military experience, parental status and job classification. In the context of the workplace, valuing diversity means creating a workplace that respects and includes these differences, recognizing the unique contributions that individuals with many types of differences can make, and creating a work environment that maximizes the potential of all employees. Diversity is about having the long-term goal that the organization's workforce should generally reflect the population of the state it serves in all dimensions.

Despite the proliferation of research on discrimination, the value of diversity and multiculturalism in organizations, the literature fails to address the more serious dimensions of differences in organizations. In particular, we suggest that more attention must be paid to some common dilemmas of diversity, such as the backlash against any commitment to multiculturalism, the continuing anger and disappointment of women and minorities, and the systematic institutional resistance within organizations to difference (Prasad & Mills, 2007).

The study identifies to focus on diversity issues/problems and to understand the nature of organizational climate towards diversity. The following are the research questions:

RQ 1: What barriers exist or have been created that inhibit open access to opportunities for diversity within the organization?

RQ 2: The nature of the organizational climate toward diversity issues.

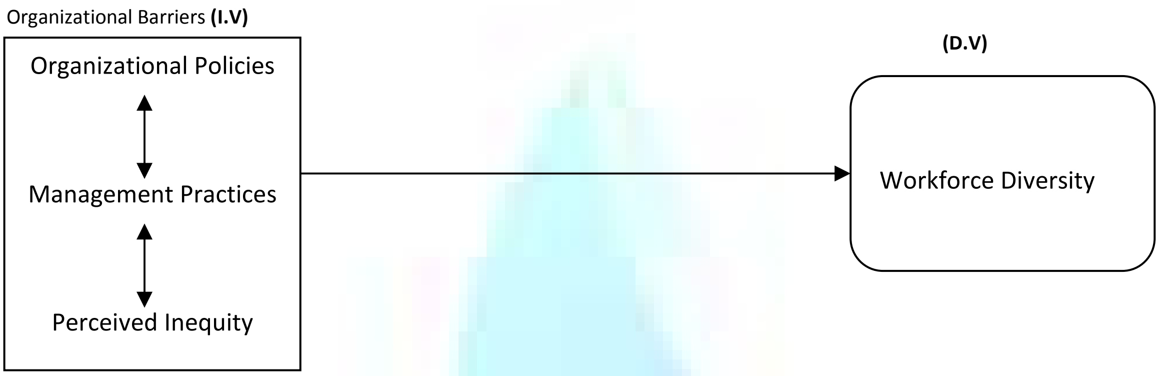
THEORETICAL BACKGROUND

During the past decade, workplace diversity has become one of the most frequently discussed topics in management circles, while academic interest in the actual analysis of workplace diversity has remained limited (Prasad & Mills, 2007). Workplace diversity is characterized as representing two perspectives: functionalist perspectives and critical perspectives. The functionalist perspectives analyze workplace diversity from an organizational effectiveness framework. These approaches assume that positive and negative dimensions of workplace diversity can be identified, monitored, and controlled to benefit the organization. This functionalist approach is grounded in many of the same conceptual and research traditions found in organizational psychology, human-resource management, and systems theory. Conceptual and empirical analyses focus on topics such as organizational leadership, communication, work motivation, decision-making, group dynamics, organizational development/learning, and organizational culture (Argyris, 2006). The goal of work from a functionalist perspective, in both research and practice, is to identify how workplace diversity can enhance overall organizational productivity, responsiveness, and effectiveness (Cox, 2004).

By managing diversity, means planning and implementing organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized. The management of diversity has important ethical, legal, and economic ramifications for the organization. According to Cox (2004) and Hultsman (2005), workforce diversification is not only the right thing to do, but it will ultimately enhance the economic performance and global competitiveness of the organization.

Issues of power and control ultimately have important ramifications for all members of the organizations but may have particularly dramatic impacts on marginalized groups within the organization (e.g., women, racial/ethnic minorities, gays/lesbians, individuals with disabilities, the elderly). Individuals in positions of power typically work, even at unconscious levels, to maintain their control, while those in subordinate positions and/or the powerless work to find equity in the system (Hultsman, 2005). This dynamism, then, leads to persistent clashes and efforts to resolve these tensions (Alvessor and Willmott, 2008). Thus, the analysis of workplace diversity, from a critical perspective, seeks deeper insights into the inner workings of organizations in order to lay bare the systemic inequities that exist at multiple levels of the organization. This uncovering of inequity, as it were, should ultimately foster the meaningful reorganization of such programs and provide opportunities (Alvesson & Wilmott, 2008) for both workers and constituents.

THEORETICAL FRAMEWORK



HYPOTHESIS DEVELOPMENT

Organizational Policies: The manifestation of organizational policies and practices towards diversity.

An organization's commitment to diversity is reflected in the extent to which diversity policies and procedures are mutually understood and communicated (Cox, 2004). Nevertheless, diversity issues including short and long term agency concerns are rarely discussed in any consistent fashion (Allison, 2009). Diversity policies should be in aligned with organizational mission and vision. Numerous organizations have recognized and attempted to respond effectively to the demographic shifts in the workforce by launching diversity initiatives, hiring diversity consultants, and offering an array of diversity training programs (Kalev, Dobbin, & Kelly, 2006).

H1. Organizational Policies and Practices have a great influence on workforce diversity.

Management Practices: Management practices that inhibit responsiveness to diversity issues.

Managing diversity means acknowledging people's differences and recognizing these differences as valuable; it enhances good management practices by preventing discrimination and promoting inclusiveness. Good management alone will not necessarily help you work effectively with a diverse workforce. It is often difficult to see what part diversity plays in a specific area of management. Diversity initiatives depend on the working philosophy of individual staff. However, there is lack of information to staff from the leadership. This creates a gap between whom we think we are serving, whom we would like to serve, and who will really serve.

H2. Management practices influence diversity in the workforce.

Perceived Inequity: Selective hiring and promotion.

Despite more inclusive hiring and promotion patterns at many levels of organizations, there are limited opportunities for women and minorities. Argyris (2003) has observed that it is not unusual for managers to want to clone themselves; to hire people who are like them in style and substance. This organizational cloning makes not only increased comfort levels with coworkers but also allows one to foster continuity in the agency consistent with the current management culture. Such behavior is detrimental to diversity goals and limits the ability of the organization to become increasingly inclusive (Allison, 2009). Selecting or hiring employees based on the rule “he is color of me” become the basis for the loss of a huge talent pool from organization.

H3. Perceived inequity in hiring, promotion and placement inhibits diversity to workplace.

DISCUSSION & CONCLUDING REMARKS

Management needs to be constantly listening for diversity, and looking for the subtle cues that are going to come up, but it's the subtle ones that kind of slip through unless somebody's paying attention to it. The goal of this research was to identify the nature of the organizational climate toward diversity issues. The studies reflected deep complexity of workplace diversity. Policy statements exist, diversity-training workshops are held, hiring and promotion patterns have begun to change, but most of these factors failed to demonstrate substantive commitments to diversity. At many levels, an on-going inconsistency existed between what agencies said about diversity in policy and training and what they actually did about it. The superficial treatments of diversity allowed organizations to believe that they are promoting diversity but in fact they ignored serious issues that affected the morale, effectiveness and productivity of the agency.

To address the diversity issues, most people believe in the golden rule: treat others as you want to be treated. The implicit assumption is that how you want to be treated is how others want to be treated. However, there was a lack of information from managers to their subordinates. A heterogeneous population leaded to varying level of discomforts among the people working. Thus, the management’s practices not fully utilized the benefits of diverse workforce.

Perceived equity was another barrier to diversity in the workplace. The informal "rules of conduct" which surrounded hiring and promotion practices were ultimately linked to the power relations within the organization, and were unspoken and prevalent at all levels of the organization. These rules became so institutionalized that it was difficult for those socialized into the organization to see how their own behavior, policies, and procedures continue to promote inequity, insensitivity, and/or lack of access.

Managing diversity well provides a distinct advantage in an era when flexibility and creativity are keys to competitiveness. An organization needs to be flexible and adaptable to meet new customer needs. Heterogeneity promotes creativity and heterogeneous groups have been shown to produce better solutions to problems and a higher level of critical analysis. This can be a vital asset at a time when the campus is undergoing tremendous change and self-examination to find new and more effective ways to operate.

To address diversity issues, consider these questions: what policies, practices, and ways of thinking and within our organizational culture have differential impact on different groups? What organizational changes should be made to meet the needs of a diverse workforce as well as to maximize the potential of all workers? It depends on the individual. We may share similar values, such as respect or need for recognition, but how we show those values through behavior may be different for different groups or individuals. How do we know what different groups or individuals need?

Perhaps instead of using the golden rule, we could use the platinum rule which states: "treat others as they want to be treated." Moving our frame of reference from what may be our default view ("our way is the best way") to a diversity-sensitive perspective ("let's take the best of a variety of ways") will help us to manage more effectively in a diverse work environment. With effective management of diversity, the campus develops a reputation as an employer of choice. Not only will managers have the ability to attract the best talent from a shrinking labor pool, they can save time and money in recruitment and turnover costs.

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A STUDY ON CONSUMER AWARENESS ABOUT BANKING SERVICES IN MADURAI CITY

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ABSTRACT

Consumer awareness is about making the consumer aware of his/her rights. In terms of economic output, rural India accounts for almost half (48%) of the country's economy, and the rural markets have the potential to reach $500 billion by 2020. E-banking was gradually replacing the traditional branch banking system. Customer awareness is necessary to identify the key success factors to survive in intense competition and increase the market share. Consumer awareness is about making the consumer aware of his/her rights. It is a marketing term which means that consumers are aware of products or services, its characteristics. Though the first consumer movement began in England after the second world war, a modern declaration about consumer's rights was first made in the United States of America in 1962. Bank provides a variety of products & services to the customer, the various services offered by the banks can be utilized by the customers only when they are aware of the services. This study is carried on to find out the consumer awareness level about banking services in Madurai city, The present study is based on primary data collected from 100 respondents by means of a questionnaire. Random Sampling Technique was applied and Statistical tools like Percentage Analysis, and Chi square test, was carried out in order to reveal the results of the study.Following null hypotheses were formulated for testing the assumptions.

KEYWORDS
consumer awareness, banking services, Madurai City.

INTRODUCTION

As the saying goes, change is the only certainty. And it is this change that would govern the banking industry, which is graduating from financial intermediary into risk intermediary. The repetitive and overlapping systems and procedures have given way to simple key-press technology, ensuring accuracy and speed of data flow to improve overall efficiency through Knowledge Management. The emerging Information Technology (IT) facilitates in utilizing Knowledge Management effectively and efficiently to improve both product range and service quality in the banking sector. Definitely by 2020, the vast and enormous differences in the ambience presently noticed between public sector banks and the new generation private sector as well as foreign banks would be noticeably narrowed down. But the dominance of public sector banks, which accounts for nearly 80% share in the banking sector, is likely to reduce considerably by 2020.

Technology has played a vital role in the evolution of banking sector, through speed creation, accuracy and efficiency of operation and reduction in the transaction cost. Banking services are now oriented to "anyhow, anywhere, anytime and any type" banking. The regulatory requirements and compliance regime in post-Basel II scenario and Sarbanes-Oxley Act and Anti money Laundering requirements, complicates the processing of voluminous data besides the process of their storage and retrieval in the desired form and at desired speed. Banks may have to move on to behavior analysis approach for fine-tuning their products. Many financial institutions, particularly banks, may not survive in the new millennium because they are relying on late 1990s surveys to plan third-millennium products and services and thus they may land up with the wrong products, perhaps designed for consumers who no longer exist. Most people see the future as more of the same. Unless one can visualize tomorrow as history so as to perceive what may happen day after tomorrow, perhaps one cannot visualize what will happen a decade or so later.

OBJECTIVES OF STUDY

1. To know the consumer awareness level about banking service
2. To know the customer satisfaction level
3. To know the consumer awareness about various banking technology

HYPOTHESES OF STUDY

HYPOTHESES I

There will be no significant difference between male and female in their Awareness level of internet banking.

HYPOTHESES II

There will be no significant difference between educational qualification and awareness about banking services

CHANNELS

Instead of merely providing what the bank concerned could offer from its fold, banking may encompass extension of all the services that are required and dictated by customers. Clients should get services from the banks on a 24x7 basis on an online ATM connected to the network. Whosoever the banker may be, a customer should be able to access his or her bank account through a PC/laptop/mobile or an ATM around the corner. The time spent by the bank with customers would be reduced, thereby improving profitability through low operational cost that would ensure time saving for the customers, as a by-product.

CORPORATE FINANCE

Most corporate bankers still assume that the nature of their business will protect them from the most destructive effects of the digital revolution. They say that the client relationship is the most important thing, based on trust, and that this cannot be replaced by an electronic channel. While this is certainly true in the short-to medium term, the long-term future is far less certain. The lesson of history is that whatever starts to work on a smaller scale tends to have an impact later on larger financial arrangements. For small- to medium-sized businesses, it is already clear that online banking is going to alter the decisions they take.

CONSOLIDATION IN BANKS

Restrictions of operations of foreign banks in India, currently enjoying marginal share of less than 10%, are likely to go by 2009, paving way for many changes. We might expect greater breadth of products, depth in delivery channels and efficiency in operation, without losing focus on customer needs of Indian populace. A consolidation exercise in the banking industry cannot be kept in cold storage, if we view it from the following angle:

a. Due to diversified operations and varying credit profiles of banks, merger and consolidation would serve as a risk mitigation or risk-sharing mechanism, besides increasing the potential for growth.

b. Owing to greater scale and size, consolidation can help save cost and improve efficiency.

c. Avenues can be explored for raising capital to meet international Basel II norms.

d. Distinct geographical presence could come together to leverage respective strengths.

PROJECTED INDICATORS OF BANKS IN INDIA IN 2020

Consequent to nationalisation in 1969 and economic liberalisation in 1991, banks in India are on fast-track growth in size, technology and deliverables to customers. In view of paradigm shift in banking focus, there cannot be any reasonable estimate of the financial figures that banks are slated to achieve.

- The GDP growth rate is around 7 to 8 per cent per annum with good industrial growth in the manufacturing sector, which is expected to fuel higher need for bank credit — at the corporate, trade and individual levels.
- The country is graduating from a low-income regime to a middle-income one, with large expendable resources/money and disposable income.
- Increased percolation of technology applications from metro and urban centers to semi-urban and rural areas.
- There are many macro-level factors such as government policies dictated by political constraints, technology innovations, enhancements in human skill, increase in real-sector production, national income, etc.
- With international best practices in risk management penetrating into the Indian banking system, the system is growing into a mighty financial network with strong capital base and robust risk management system.
- Apart from competition from foreign banks, the Indian postal department is also exploiting its network and entering commercial banking operations.
- Growth in owned funds are in the range of 15% to 20%, annual credit deployment is about 12%, and fixed assets are going up by 5%.
- Owned funds of banks in India need to be strengthened as they embrace international best practices on risk management.

RESEARCH METHODOLOGY

The research survey was answered by a mix group of people among the customers of the Banks. The survey was conducted through questionnaires to a group of people and only 100 respondents filled in our survey that focused on gathering information about awareness level of banking services offered by banks in Madurai .In this study convenience-sampling method is used, thus the respondents were randomly selected.

RESEARCH DESIGN

Research design is the plan, structure and strategy of investigations conceived to obtain answers to research questions and to control variance. The research design constitutes the blue print for the collection, measurement and analysis of data. It helps the researcher in the allocation of his limited resources by posing crucial choices.

SAMPLE SIZE: Sample sizes of 100 respondents were selected for this study.

TABLE SHOWING THE RESPONDENTS PROFILE

Particulars	No of Respondents	Percentage
Gender		
Male	87	87%
Female	13	13%
	Total	100%
Age		
Up to 25	18	18%
26-35	45	45%
36-45	27	27%
Above 45	10	10%
	Total	100%
Educational level		
High school	22	22%
Bachelor\Diplomo	46	46%
Master	23	23%
PhD	9	9%
	Total	100%
Family Income		
Below Rs.10000	30	30%
Rs.10001-Rs.20000	36	36%
Above Rs.20000	32	32%
	Total	100%
Residential area		
Rural	28	28%
Semi-urban	32	32%
Urban	40	40%
	Total	100%
Familiar banks		
SBI	32	32%
IOB	22	22%
Indian bank	18	18%
Others	28	28%
	Total	100%
Type of account		
Saving account	62	62%
Current a/c	24	24%
Fixed deposit a/c	11	11%
Recurring deposit a/c	3	3%
	Total	100%
Respondents using ATM	82	82%
Respondents not using ATM	18	18%
	Total	100%

DATA ANALYSIS AND FINDINGS

The above table describes the demographic profile of the respondents which consists of gender, age, level of education etc. From a total of 100 completed questionnaires received. According to our analysis of the demographic characteristics of the respondents majority, we can say that, 45 % of the respondents are between the ages of 25 to 35. 27% is between the age group of 36 and 45. Within the respondents 52% are male and remaining 48 % is female. If we check the education level of the respondents we can say that, majority of the respondents are degree holder that is 45% and 9 % of the respondents are doctorate.

TABLE SHOWING THE AWARENESS ABOUT BANKING SERVICES

Banking service	Aware %	Not Aware %
Credit cards	88	12
Internet banking	85	15
Mobile banking	65	35
Banking rates	72	28
Housing loan	95	5
Personal loan	96	4
Education loan	93	7
Cash credit	22	78
Bank over draft	52	48
Letter of credit	15	85

SAMPLING METHOD

Convenience-sampling method has been effective for this study purpose.

DATA COLLECTION

Data will be collected from both primary and secondary sources of information.

PRIMARY SOURCE

All necessary information about the study has been collected from personal contact and discussion by using of Questionnaire method.

Type of data : Primary

Data collection method : Questionnaire

SECONDARY SOURCES

Data has been collected from external sources such as, published articles, websites, web links etc.

CHI-SQUARE TEST

HYPOTHESES I

There will be no significant difference between male and female in their Awareness level of internet banking

Internet banking	Gender		Total
	Male	Female	
Aware	28(30.45)	7(4.55)	35
Not aware	59(56.55)	6(8.45)	65
Total	87	13	100

Source: Primary data

Calculated value	Degree of freedom	Table value
2.3327	5%	3.84

Here the calculated value is less than table value .Hence our hypothesis is accepted. So there is no significant difference between male and female respondents regarding the awareness about internet banking.

HYPOTHESES II

There will be no significant difference between educational qualification and awareness about banking services

Educational qualification	Respondents awareness		Total
	Aware	Not aware	
School level	21(22.42)	8(6.38)	29
Degree	27(25.74)	6(7.26)	33
Master degree	13(13.26)	4(3.74)	17
Others	17(4.38)	4(4.6)	21
Total	78	22	100

Calculated value	Degree of freedom	Table value
6.7	5%	16.9

Here the calculated value is less than table value .Hence our hypothesis is accepted. So there is no significant difference between educational qualifications and awareness about banking services.

CONCLUSION

According to the Madurai study, we conclude that the most of the bank customers are not aware about all the banking services. The banks have to take necessary steps to educate the customers regarding the new technology and other services offered by the banks. Banks may extend customer meeting time with bank officials and also friendly approach is necessary. Definitely it will help to retain the existing customers and to attract new customers. It will automatically improve the banking service and development of banks in India and also in abroad.

Generally, it is concluded that every aspect of banking will be transformed by new technology by 2020. Customer-friendly products, delivery channels, relationship banking, dependency on IT systems and competitive pricing would be the driving forces, but a pressure-cooker atmosphere cannot be avoided. The most successful institutions will be those that combine visionary technology and very competitive pricing with strong relationships and brands built on trust with previous in-depth experience of the client business. Banks may adopt some new strategies to move to high-tech banking as a necessity of e-commerce, e-banking, etc. Identification of select branches from out of the entire spread of the branch network to provide innovative services. In the scenario of severe competition and escalating expectation of the customers for newer products and improved as well as alternative delivery channels, the nerve centre of banking activities will be redefined.

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EVA AND MVA: WHICH METRIC IS EXTREMELY EFFECTIVE IN EXPLAINING REPORTED EARNINGS? – AN EMPIRICAL STUDY ON SELECTED INDIAN FIRMS

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ABSTRACT

Economic Value Added or EVA, is a performance metric used to estimate the true economic profit produced by a firm while Market Value Added or MVA is a wealth metric that measures the level of value a firm has accumulated over time. Both are value based financial performance measure. But when question arises on their explanatory power several researchers have claimed that EVA is highly significant in explaining its relationship with reported Earnings than that of MVA while some other researchers argued that MVA is more significant in explaining its relationship with reported earnings rather than EVA. Various studies have been conducted in this regard till date but the research results are quite mix and at variance. Thus, a modest attempt has been made to examine the relationship between Economic Value Added and Market Value Added with reported earnings in various regression models. Several hypotheses have been tested statistically in order to elucidate the findings and inferences of the study. 30 Indian firms listed in Bombay Stock Exchange for the period from 1st April 2008 to 31st March 2011 have been considered here as sample for carrying out the study. Simple mathematical tools like ratio, percentage, average etc. and various statistical techniques and statistical tools like Pearson's simple correlation, multiple correlation, simple regression, multiple regression techniques and 'F' test etc. have also been applied at appropriate places for analysing the data used in the study. This study divulges that MVA is more significant and effective in explaining its relationship with reported earnings rather than EVA.

KEYWORDS

Economic Value Added (EVA), Market Value Added (MVA), Reported Earnings (Net Income), Bombay Stock Exchange (BSE).

INTRODUCTION

The final aim of implementing a performance measurement system is to improve the performance of the organisation. If a suitable performance measurement system is adopted by the firm, then the information generated through the system will help the firm in measuring its actual status. Thus, the most important challenge before the organisations is to select or to choose the right financial performance measurement system (Ittner C.D., 1998). Erroneous selection of performance measures fails to provide correct information and as a consequence to that the firm will not be able to take optimal decisions which ultimately lead to create negative impact on its valuation. Therefore, while selecting performance measures organisations should be very much careful about its implications.

Modern value-based performance measures such as **Economic Value Added** or **EVA** and **Market Value Added** or **MVA** has gained much popularity since the late 1980s (*Rappaport, 1986; Stewart, 1991*), and thereby, the Value Based became increasingly accepted both as a decision making tool and as a performance measure tool (*Knight, 1998*) because the creation of shareholder value has become an increasingly important demand among shareholders. Economic Value Added or EVA is a performance metric used to estimate the true economic profit generated by a firm while Market Value Added or MVA is a wealth metric that measures the level of value a firm has accumulated over time. Since EVA and MVA both are value based financial performance measure but when the question arises on their explanatory power in relation to reported earnings several researchers have claimed that EVA is highly significant in explaining its relationship with reported Earnings than that of MVA while some other researchers argued that MVA is more significant in explaining its relationship with reported earnings rather than EVA.

In light of above problem statement some research motivational queries arise such as –

- How far the variability in reported earnings is explained by EVA and MVA?
- Which metric will be more effective and reliable in order to predict the trends of reported earnings?
- Which metric will be more useful for investors and shareholders in order to make strategic decisions and investments?

Thus, the title of the paper is -

"EVA and MVA: Which metric is extremely effective in explaining Reported Earnings? – An empirical study on selected Indian firms."

REVIEW OF EXISTING LITERATURE

One of the most contentious questions among the researchers on financial performance measures is "How far modern corporate financial performance measures are extremely effective in explaining its relationship with Reported earnings". Several empirical studies have been conducted over last few decades regarding this question but the question is still unresolved and debatable among the researchers and academicians. A swift gaze through the existing literature on this important issue seems appropriate before pacing the empirical study. **Uyemura *et al*. (1996)** used a sample of the 100 largest US banks for the ten-year period from 1986 to 1995 to calculate MVA and to test its relationship with EVA, along with four other accounting measures (viz., NI, EPS, ROE and ROA). By regressing changes in standardised MVA (defined as MVA divided by Invested Capital) against changes in standardised EVA (defined as EVA divided by Invested Capital) and traditional performance measures, (EPS, NI, ROE and ROA) they concluded that the correlation between MVA and those measures are : EVA 40% , ROA 13%, ROE 10%t, NI 8% and EPS 6%. This indicates that Market is not more likely to react favorably to net income. **Kramer and Pushner (1997)** studied the strength of the relationship between EVA and MVA, using the Stern Stewart 1000 companies for the period between 1982 and 1992. They found that MVA and NOPAT were positive on average but the average EVA over the period was negative. The regression between the levels of MVA and the levels of EVA yielded an r^2 of 10%, which was significant, but left a large part of the MVA unexplained. So they proceeded to run regressions of MVA for the same period and lagged levels of EVA and NOPAT. The study found that changes in EVA were negatively related to changes in MVA, while the correlation between changes in MVA and changes in NOPAT was positive. This indicates that the market is more likely to react favorably to profits than to EVA, at least in the short term. Hence, they found no clear evidence to support superiority of EVA over MVA in explain reported earnings. **Wibowo and Berasategui (2008)** used a sample of 40 listed companies in Indonesian stock exchange for the year 2004-2007 to examine the relationship between Economic Value added and Market Value Added with reported earnings. The study reveals that 30.09% of variability in reported earnings in the same year is explained by EVA while 80.60% of variability in reported earnings in the same year is explained by MVA. Biddle et al. (1999) shows that when they applied some adjustment in a consistent manner they found a better correlation between net income and MVA than with EVA regression. Therefore, there is still no clear evidence that EVA can be used as effectively as MVA in explaining the Reported Earnings.

THEORETICAL FRAMEWORK

Reported Earnings (Net Income)

Reported earnings or net income is the remainders after all expenses have been deducted from revenues. While it indicates the profitability of the company, it also reflects the return to equity holders for a specific period of time.

Mathematically,
Net income or Net loss = Revenue – Cost of goods sold – Expenses + Non operating income – Non Operating expense – Income Taxes.
Economic Value Added (EVA)
EVA is the measure of the true economic profit of a firm. It is a measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit *Mathematically,*
EVA= Adjusted NOPAT –(capital employed x WACC) *"Or"*
EVA = (Rate of return - cost of capital) x capital employed
Where,
NOPAT= Net Operating Profit after Taxes
WACC = Weighted Average Cost of Capital
Rate of Return = NOPAT/Capital Employed
Capital Employed = total assets minus noninterest bearing debt, at the beginning of the year
Cost of capital = cost of equity x proportion of equity + cost of debt (1-tax rate) x proportion of debt in the capital. The cost of capital is nothing but the weighted average cost of capital (WACC) Cost of equity is normally estimated using capital asset pricing model (CAPM).
Economic Value Added (EVA) is important because it serves as an indicator and reflector of management performance. A negative EVA indicates that the business firm did not make enough profit to cover the cost of performing business.
MARKET VALUE ADDED (MVA)
MVA is simply the difference between the current total market value of a company and the capital contributed by investors (including both shareholders and bondholders).
Mathematically,
MV = Total Market Value of company – Total Capital invested
= (MV of Share + MV of Debt) – Total Capital invested
= (Market Value – Book Value) x No. of share Outstanding
Where,
MV of share = Market Capitalization= No. of Shares Outstanding x Share Price
MV of Debt = Book Value of Debt (as an estimate to the MV)
Total Capital Invested = Total Book Value of Equity and Debt
In the formula above, the market value of debt is deemed to be equivalent with the book value of debt since there is no active secondary debt market in India; therefore, it is hard to estimate the market value for the debt. A higher MVA indicates that a company has added more value than what has been contributed to it by shareholders, while a negative MVA indicates that the company has destroyed value.

OBJECTIVES OF STUDY
This study has the following specific objectives-
1. To analyze relationship of EVA and MVA with Reported Earnings.
2. To assess the worth of EVA and MVA as a predictor of the trends of reported earnings.
3. To evaluate the usefulness of EVA and MVA for investors and shareholders in order to make strategic decisions and investments.

However, the general objective of present study is to achieve a better understanding regarding the use of either Economic Value Added or Market Value Added as an effective explainer, interpreter and predictor of reported earnings in order to judge company's financial performance.

HYPOTHESIS DEVELOPMENT
Following hypotheses are made to provide a reasonable argument for stating the explanatory and predicting power of EVA and MVA in relation in to reported earnings:
H1: There is a relationship between EVA and reported earnings.
H2: There is a relationship between MVA and reported earnings.
H3: There is simultaneous relationship between EVA and MVA and reported earnings.
After the hypotheses are developed, two regression models are formulated. Based on these two models, the explanatory and predicting power of EVA and MVA in relation in to reported earnings will be assessed:
$Y_t = a + b_1 (X_{1\,t}) + b_2 (X_{2\,t})$ ……………………………….(1)
$Y_t = a + b_1 (X_{1\,t-1}) + b_2 (X_{2\,t-1})$ ……………………………(2)
Y represents the dependent variable (reported earnings), while X_1 is the independent variable 1 (EVA), X_2 is the independent variable 2 (MVA), a is a constant and b is the slope of the independent variable(s). First model could be used for evaluation purposes which explain the relationship between EVA and/or MVA with reported earnings in the same year. Second model could be used for prediction purposes which explain the relationship between EVA and/or MVA in previous year with reported earnings in the present year. The independent and dependent variables will be tested using regression models and correlation analysis. The regression will then be divided into simple (only one variable, EVA or MVA) and multiple regression (using two variables, EVA and MVA simultaneously).

DATA AND RESEARCH METHODOLOGY
COLLECTION OF DATA: The main object of present study is to achieve a better understanding regarding the use of either Economic Value Added or Market Value Added as an effective explainer, interpreter and predictor of reported earnings in order to judge company's financial performance. The data used in the research is secondary data, The present study is carried out in respect of 30 Indian firms listed in Bombay Stock Exchange for the period from 1st April 2008 to 31st March 2011. A purposive sampling design is made because there are several criteria that should be fulfilled, which are:
1. The company should have been listed in the Bombay Stock Exchange in the years covered under study period.
2. The company should have a complete set of financial statements and variables used in the study under study period.

ANALYSIS OF DATA: While analyzing the data used in this study Simple mathematical tool like ratio, percentage, average etc. and various statistical techniques and statistical tools like Pearson's simple correlation, multiple correlation, simple regression, multiple regression techniques and 'F' test etc. have also been applied at appropriate places.

FINDINGS AND DISCUSSION
HYPOTHESIS 1: THERE IS A RELATIONSHIP BETWEEN EVA AND REPORTED EARNINGS
This hypothesis will be analyzed using regression and correlation analysis between EVA and Reported Earnings. Two models to be used in the analysis:
Reported Earnings $_t$ = a + b (EVA $_t$) ……………………(a)
Reported Earnings $_t$ = a + b (EVA $_{t-1}$)……………………(b)
The Pearson correlation for model 1-a is strong and positive between EVA and Reported Earnings in the same year (0.545); while 1-b is weak positive between EVA in previous year and Reported Earnings in present year (0.327).

The analysis of regression model 1-a, and 1-b show R Square of 0.297 and 0.107 respectively. Model 1-a has the highest R Square i.e., 0.297 which means 29.7% of variability in Reported Earnings can be explained by the EVA in the same year. Meanwhile, model 1-b has the R Square of 0.107 which means 10.7% of variability in Reported Earnings in present year can be explained by EVA in the previous year..

HYPOTHESIS 2: THERE IS A RELATIONSHIP BETWEEN MVA AND REPORTED EARNINGS

The hypothesis two is related to the relationship between MVA and Reported Earnings. Two models to be used in the regression analysis:

Reported Earnings $_t$ = a + b (MVA $_t$) ……………..……(a)

Reported Earnings $_t$ = a + b (MVA $_{t-1}$)……………………..(b)

The Pearson correlation for model 2-a is strong positive correlation between MVA and Reported Earnings in the same year (0.828); model 2-b has strong positive correlation between MVA in previous year and Reported Earnings in present year (0.792);

The analysis of regression model 2-a and 2-b show R Square of 0.685 and 0.627 respectively.

Model 2-a has the highest R Square i.e., 0.685 which means 68.5% of variability in Reported Earnings can be explained by the MVA in the same year. Meanwhile, model 1-b has the R Square of 0.627 which means 62.7% of variability in Reported Earnings in present year can be explained by MVA in the previous year.

HYPOTHESIS 3: THERE IS A SIMULTANEOUS RELATIONSHIP BETWEEN EVA AND MVA AND REPORTED EARNINGS

The hypothesis three is related to the relationships between EVA and MVA with Reported Earnings. Two models to be used in the multiple regression analysis:

Reported Earnings $_t$ = a + b_1 (EVA $_t$) + b_2 (MVA $_t$) ………………(a)

Reported Earnings $_t$ = a + b_1 (EVA $_{t-1}$) + b_2 (MVA $_{t-1}$) ……………. (b)

The Pearson correlation for model 3-a for EVA and MVA with Reported Earnings in the same year is 0.523, while correlation between EVA and Reported Earnings, and MVA and Reported Earnings in the same year are 0.545 (model 1-a) and 0.828 (model 2-a) respectively. Model 3-b has moderate positive correlation between EVA and MVA in previous year with Reported Earnings in the same year is (0.392), while correlation between EVA in previous year and MVA in previous year with Reported Earnings in present year are 0.327(model 1-b) and 0.792 (model 2-b) respectively;

Model 3-a and 3-b have R Square of 0.274 and 0.154 respectively. Model 3-a has the R Square of 0.274 which means that 27.4% of variability of Reported Earnings can be explained by the EVA and MVA simultaneously in the same period. Model 3-b has the R Square of 0.154 which means 15.4% of variability of Reported Earnings in present year can be explained by EVA and MVA in the previous year simultaneously.

CONCLUDING REMARKS

Depending upon the calculations and statistical analyses, there are some conclusions which should be highlighted:

1. The correlation between EVA and Reported Earnings in the same year is 0.545 which indicate a moderately high positive association. While the correlation between MVA and Reported Earnings in the same year is 0.828 which indicate a very strong positive correlation. The correlation between EVA and MVA simultaneously with Reported Earnings in the same year is 0.523. The regression analysis states that 29.70% of variability in Reported Earnings can be explained by EVA in the same year while 68.50% of variability in Reported Earnings can be explained by the MVA in the same year. 27.4% of variability of Reported Earnings can be explained by the EVA and MVA simultaneously in the same period. The above findings conclude that MVA is highly significant and extremely effective in explaining its relationship with Reported Earnings than that of EVA.
2. The correlation between EVA in previous year and Reported Earnings in the present year is 0.327 which indicate a moderately high positive association. While the correlation between MVA in previous year and Reported Earnings in the present year is 0.792 which indicate a very strong positive correlation. The correlation between EVA and MVA in previous year simultaneously with Reported Earnings in the present year is 0.392. The regression analysis states that 10.70% of variability in Reported Earnings in present year can be explained by EVA in previous year while 62.70% of variability in Reported Earnings in present year can be explained by the MVA in previous year . 15.40% of variability of Reported Earnings in present year can be explained by the EVA and MVA in previous year simultaneously .The above findings conclude that MVA is more effective and highly reliable in order to predict the trends of reported earnings in future.
3. In the study MVA showed a better association with reported earnings than that of EVA. The study also reflect that MVA is more effective explainer, interpreter and predictor of reported earnings than that of EVA. So, MVA information will be more useful for investors and shareholders in order to make strategic decisions and investments.

LIMITATIONS AND RECOMMENDATIONS

The limitations of this study are relatively simple calculations of EVA and not all of the Indian listed companies are used as the sample. MVA and EVA had used data for smaller period whereas there is scope for future research on the concept by considering the data pertaining to longer durations in order to test the validity of the concept. Use of large sample and calculation of true EVA after considering the various adjustments may produce contradictory result. Positive reported earnings not always provide additional values. However, from this study it can be suggested that; Indian investors and shareholders should access the MVA related information along with the EVA related information in order to make strategic decision and investment decision.

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APPENDICES

CORRELATION

CORRELATION MATRIX BETWEEN EVA, MVA AND REPORTED EARNINGS

Independent variables	Dependent Variable		
	Reported Earnings $_t$	Reported Earnings $_t$	Reported Earnings $_t$
EVA $_t$	0.545	-	
EVA $_{t-1}$	-	0.327	
MVA $_t$	0.828	-	
MVA $_{t-1}$	-	0.792	
EVA $_t$ & MVA $_t$			0.523
EVA $_{t-1}$ & MVA $_{t-1}$			0.392

REGRESSION ANALYSIS

1. Reported Earnings = α + β (EVA)

	α	β	F-stat	R Square
Model A	1,148,522	0.479	68.264	29.70%
Model B	1,808,211	0.326	25.815	10.70%

2. Reported Earnings = α + β (MVA)

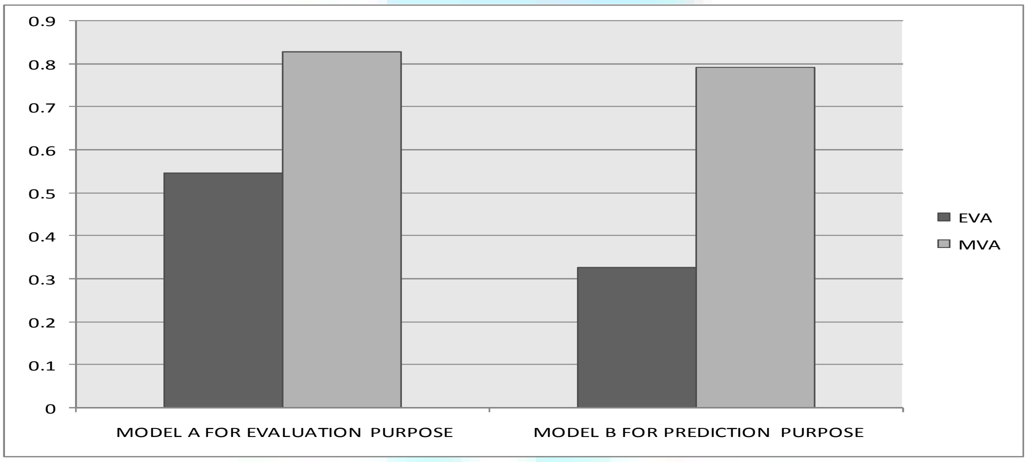
	α	β	F-stat	R Square
Model A	2,16,118	0.073	228.26	68.50%
Model B	3,02,598	0.084	184.81	62.70%

3. Reported Earnings = α + β_1 (EVA) + β_2 (MVA)

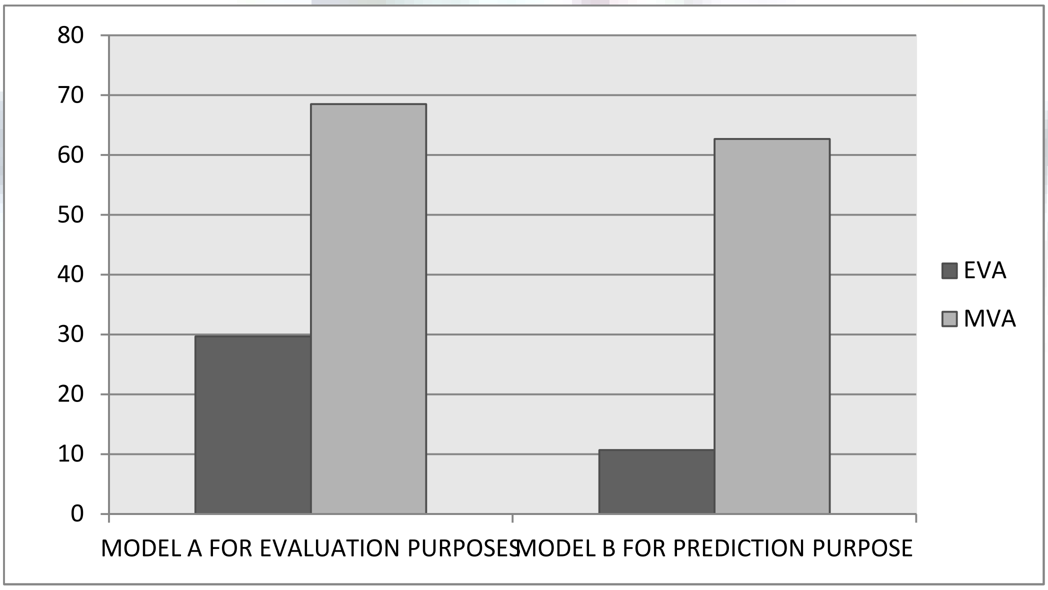
	α	β – avg.	F-stat	R Square
Model A	2,54,654	0.069	53.91	27.40%
Model B	3,17,328	0.089	28.74	15.40%

GRAPHICAL REPRESENTATION

1. MULTIPLE CORRELATION GRAPH SHOWING RELATION BETWEEN EVA, MVA AND REPORTED EARNINGS



2. VARIABILITY OF REPORTED EARNINGS EXPLAINED BY EVA AND MVA PRESENTED THROUG REGRESSION GRAPH



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Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals