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   INTRODUCTION

   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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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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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.

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- 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UNPUBLISHED DISSERTATIONS AND THESES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.

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WEBSITES

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

HOSPITALS OUTSOURCING COMPLETE DEPARTMENTS: A STUDY

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ABSTRACT

Some of the hospitals are outsourcing various Departments. This article investigates what are the various Departments outsourced by those hospitals separately. Further, the study also analyzes the relationship between various Departments by using a procedure called Pattern Analysis. The procedure identifies various Departments that are outsourced by the hospitals and gives a binary digit either 1 or 0. Further, the procedure also generates a code value of various Departments outsourced by the hospitals. The code provides us to identify various combinations of Departments that are outsourced by hospitals. By using these code values we can decompose the Codes and can identify various Departments that are outsourced by various hospitals.

KEYWORDS

Outsourcing, Hospitals, Departments, Pattern Analysis.

INTRODUCTION

As services spread out, a number of non-cores necessary activities are also coming into view. Now-a-days most of the world's largest hospitals are facing the challenge of competition. To meet this challenge, leading hospitals are concentrating more on their core services rather than non-core services. These processes need the management time, energy and also additional cost.

Outsourcing is one of the best solutions for such problems. **S. Nakkiran et al (2004),** defined as "the transfer or delegation, to an external service provider of the operations and day-to-day management of the business process"[2]. Outsourcing means delegating the ownership, administration and operation of a process to a third party. It helps the hospitals to concentrate more on core competencies and also helps the patients to get better services for their diseases.

Outsourcing and downsizing has become a buzzword for all the three sectors, viz., government, public and private, as the volume and nature of activities within the organizations are changing. Following are the other important reasons for outsourcing.

- lack of technical know-how or not being able to provide whatever is required for the hospitals,
- the in-house cost of service may be high,
- to reap the benefits of lower costs globally,
- the service process may require a special equipment and may not be competent enough to match with a major service provider,
- to reduce waiting – time,
- reduced capital and operational expenditure,
- reduced time-to-serve, access to sophisticated and scare technical expertise,

Hospitals and healthcare systems are facing increased financial difficulties because of the Balanced Budget Act of 1997 and managed care. As a result, healthcare executives face the challenge of reducing costs while maintaining quality patient care. One of the strategic tools healthcare executives use to meet this challenge is outsourcing. Managing outsourcing requires an understanding of outsourcing strategy, the benefits and risks of outsourcing, the evaluation process, and the methods to manage outsourcing strategically. With appropriate management, strategic outsourcing should provide healthcare executives with a viable strategy for controlling costs and maintaining quality patient care.

Before 1980, it was obligatory on the government to look after the health of the general public. Some charitable trusts on their own interest started hospitals to serve society. As the Indian economy started growing, corporate hospitals entered the healthcare industry. The lead of corporate hospitals was taken in India is by *M/S Apollo Healthcare* (Apollo hospitals). The first corporate hospital was opened in *Chennai*, and now corporate hospitals are available in all major cities throughout India.. *Yashoda, Medwin, Mediciti, Kamineni, Usha Mullapudi* followed suit in and around *Hyderabad*.

REVIEW OF LITERATURE

Achal Dhruva (2003), mentioned in the study that Industrial Development Bank of India (IDBI), located at IDBI Towers, Cuffe Parade (south Mumbai), has two canteens in the building, one for the officers and the other for the class III and IV employees. While they out-source the food from a private contractor to cater to the class III and class IV employee, the officers' canteen is run by the company, which caters to a staff of 800 on a daily basis. IDBI has a staff of 56 employees plus two officers assisting A H Dudhani, general manager, catering to run the operations of the officers' canteen, which also looks after buffet and banqueting for company functions.

Soumya,v (2001), mentioned in the study that Hardikar hospital, Pune(2001), they outsourced laundry and catering services and observed that it reduces cost to half[4].

Olenchek et al. (2002), mentioned in their study that The Cipla Foundation, in Pune, outsource housekeeping, laundry, gardening, catering and partly nursing services[5].

In studies **(2003),** it came to know that "Pinnacle Health System, the Harrisburg based health system saves $1.75 million every year by hiring outside companies to handle certain hospital **services**, such as patient transport management and laundry. That savings helps Pinnacle Health put more resources into patient care.".

NEED/IMPORTANCE OF THE STUDY
Health care is one of the most important components in our life. Disease or illness can really mean a down turn in our life. The biggest asset we can have in life therefore is health. Health care is normally defined as the management or treatment of any health problem through the services that might be offered by medical, nursing, dental or any other related service. When we talk about the care of health, we are talking of all goods and services that are produced to improve on our health. They may be curative, preventative or even palliative solutions. A system of health care is one that is organized to give health services to a population or a group of people.

A number of health problems require intensive medical treatment and personal care which normally are not available at the patients' home or in the clinic of a doctor. The hospital, a major social institution, offers considerable advantage to both patient and society. It is the place where a large number of professionally and technically skilled people apply their knowledge and skill with the help of world class expertise, advanced and sophisticated equipment and appliances. The first and foremost function of a hospital is to give proper care to the sick and injured without any social, economic or racial discrimination. Of late, the hospitals are set up with a motto to serve all sections of the society. The increasing of heath conscious, awareness of various diseases, availability of health insurance schemes are some of the reasons for people are opting for better treatment.

The traditional concept of managing the hospital services can serve for few purposes. The application of modern management principles would cover the way for rationalising the services, standardising the services offered, optimising the fee structure, and promoting the services with the help of most sophisticated communication devices. The world opened the doors for challenging the services. One of the strategic tools healthcare executives use to meet this challenge is **outsourcing**.

OBJECTIVE OF THE STUDY
The present paper has two objectives:

- To know various Departments those are completely outsource to other Hospitals in Hyderabad and Secunderabad.
- To examine the degree of association, if any, between various Departments that are completely outsource to other hospitals.

DESCRIPTIVE PROFILE OF THE RESPONDENTS FOR THE STUDY
As per the records of APNA (Andhra Pradesh Private Nursing Homes Association) and Directorate of Government Hospitals there are 586 registered Private and 16 government hospitals were identified for this study in Hyderabad and Secunderabed, all together 602 hospitals were considered initially. Among those 602 hospitals, 102 private and 9 government hospitals have responded for the purpose of the study. A well structured questionnaire consisting of the questions on the aspect that various hospitals that are outsourced to various services has been given to CEOs and Directors of these hospitals. The questionnaire has included open-ended questions, structured questions and ranking questions. The present study includes questions about various hospitals that completely outsourced various Departments.

ANALYSIS AND INTERPRETATION
The Data analysis is mainly divided into two sections

i) Completely outsourced Departments to other hospitals

ii) The degree of association, if any, between various Departments that or which are completely outsource to other hospitals.

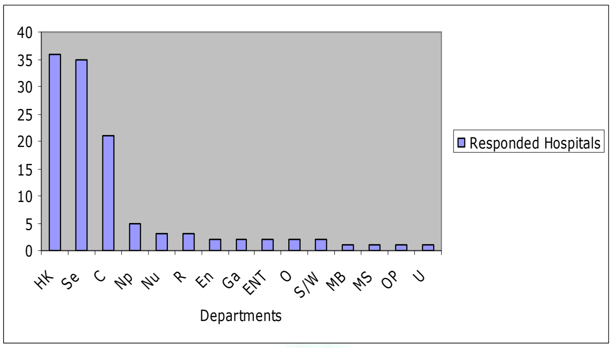
I) COMPLETELY OUTSOURCED DEPARTMENTS
Some hospitals have completely outsourced Medical and Non-medical Departments for the smooth running of the hospital. The table 1 shows the various Departments completely outsourced by the hospital.

36 hospitals (32.4 percent) have completely outsourced Housekeeping Department. 35 hospitals (31.5 percent) have completely outsourced Security Department. 21 hospitals (18.9 percent) have completely outsourced Cardiac Surgery Department. Five hospitals (4.5 percent) have completely outsourced Nephrology Department.

TABLE 1: COMPLETELY OUTSOURCED DEPARTMENTS

Department	Responded Hospitals	Percentage
Housekeeping (Hk)	36	32.4
Security (Se)	35	31.5
Cardiac (Card)	21	18.9
Nephrology (Nph)	5	4.5
Neurology (NU)	3	2.7
Radiology (R)	3	2.7
Endocrinology (En)	2	1.8
Gastroenterology (Ga)	2	1.8
ENT	2	1.8
Oncology (On)	2	1.8
Software Development (S/W)	2	1.8
Microbiology (MB)	1	0.9
Microsurgery (MS)	1	0.9
Ophthalmology (OP)	1	0.9
Urology (U)	1	0.9

FIG 1: COMPLETELY OUTSOURCED DEPARTMENTS



II) PATTERN ANALYSIS COMPLETELY OUTSOURCING DEPARTMENTS

Further, to substantiate the study statistically the following procedure is developedby **Prof. B.Krishmareddy** and **T. Lata Sujata** which is termed as **Pattern Analysis.** The simple procedure adopted inprevious section, gave 15 (see Table 1) departments that are completely outsourced to other hospitals in the descending order for order of priority Then 2^0 is given to the Department for which maximum number of hospitals are completely outsourcing i.e. , outsourcing "Housekeeping", 2^1 is assigned to the next Department for which hospitals are outsourcing i.e., the service "Security". Similarly, the remaining 13 Departments are also assigned a code from 2^2 to 2^{14}. These codes and their values for all 15 Departments are given below:

TABLE 2: CODES FOR DEPARTMENTS

2^0=1= Housekeeping	2^5=32= Radiology	2^{10}=1024= S/W Development
2^1=2= Security	2^6=64= Endocrinology	2^{11}=2048= Microbiology
2^2=4= Cardiac	2^7=128= Gastroenterology	2^{12}=4096= Micro Surgery
2^3=8= Nephrology	2^8=256= ENT	2^{13}=8192= Ophthalmology
2^4=16= Neurology	2^9=512= Oncology	2^{14}=16384= Urology

Using these codes for each hospital we can obtain a "Coded value" to specify what Departments are outsourced by that hospital. If a hospital is given Departments that are outsourced we can find the "Coded value" for that hospital and if the "Coded value" is given for any hospital we can de-code the value and identify the Departments outsourced by the hospital using **Pattern Analysis**.

If any hospital is outsourcing 'n' number of Departments then the pattern will be 2^n -1 combination.

PATTERN ANALYSIS PROCEDURE

Using these codes for each hospital we can obtain a "Coded Value" to specify what services ready to outsource by that hospital. If "Coded Value" is given for any hospital we can de-code the value and identify the Departments that are outsourced by that hospital using

PATTERN ANALYSIS

These numbers can be put into a vector C where

C= [2^0 2^1 2^2 2^3 2^4 2^5 2^6 2^7 2^8 2^9 2^{10} 2^{11} 2^{12} 2^{13} 2^{14}]

= [1 2 4 8 16 32 64 128 256 512 1024 2048 4096 8192 16384]

The number of possible patterns of their incidence is 2^{14}-1=16383, though many patterns are not found to occur in reality.

Each hospital is associated with 15 Departments. A binary vector is defined if the hospital was outsourced any one of the Department. An index value of 'one' is given for that Department which is outsourced and is given, a 'zero' if any Department is not outsourced. All these vectors representing each hospital can be put into a matrix called **Incidence matrix** having 0 or 1 as its entry and it is represented by vector **I**.

Multiplication of vector C with vector I^T corresponding to i^{th} hospital results in a composite index whose (i.e., coded value) binary expansion reveals the pattern of services which would like to outsourced. The number obtained as a result of the inner product of **C** and $\mathbf{I}^T$ vectors.

For example:- Suppose a hospital X gives its specified Departments outsourced as vector **I**. Consider the **C** vector given in the procedure.

C = [1 2 4 8 16 32 64 128 256 512 1024 2048 4096 8192 16384]

I = [1 0 1 1 0 0 0 0 0 0 0 0 0 0 0]

CxI^T =(1x1 + 2x0 + 4x1 +8x1 +16x0 +32x1 +64x0 +128x0 +256x0 +512x0 + 1024x0 + 2048x0 + 4096x0 + 8192x0 + 16384x0)

= {1+4+8}

= 13.

13 is the "Coded Value" for hospital X.

This Coded Value 13 can be decomposed to get back the details of individual Department which is outsourced by that hospital. Thus, we can determine the combination of Departments which are outsourced by each hospital and also identify the number of hospitals which are outsourcing the same combination of Departments.

If two hospitals get same Coded Value, then the two hospitals are outsourcing the same Departments.

Example: two hospitals X and Y are considered with code value 13. The decomposition can be done by using back calculation. Since the highest power of 2 whose value is less than 13 is 3. i.e., 2^3 = 8 < 13. The code 2^3 represents Nephrology (from Table 3). By subtracting this from Coded Value we get the balance Coded Value.

$=13 – 2^3= 13 – 8 = 5$.

The balanced Coded Value after subtracting the code 2^2 < 5 for Cardiac will be

$= 5-2^2 = 5 - 4 = 1$.

This Coded Value is for Housekeeping. It is nothing but 2^0. This decomposition can be summarized in the following table.

TABLE 3: DECOMPOSITION OF CODED VALUE

Code Value	Eliminated Department Code	Eliminated Department
13	$8=2^3$	Nephrology
5	$4=2^2$	Cardiac
1	$1=2^0$	Housekeeping

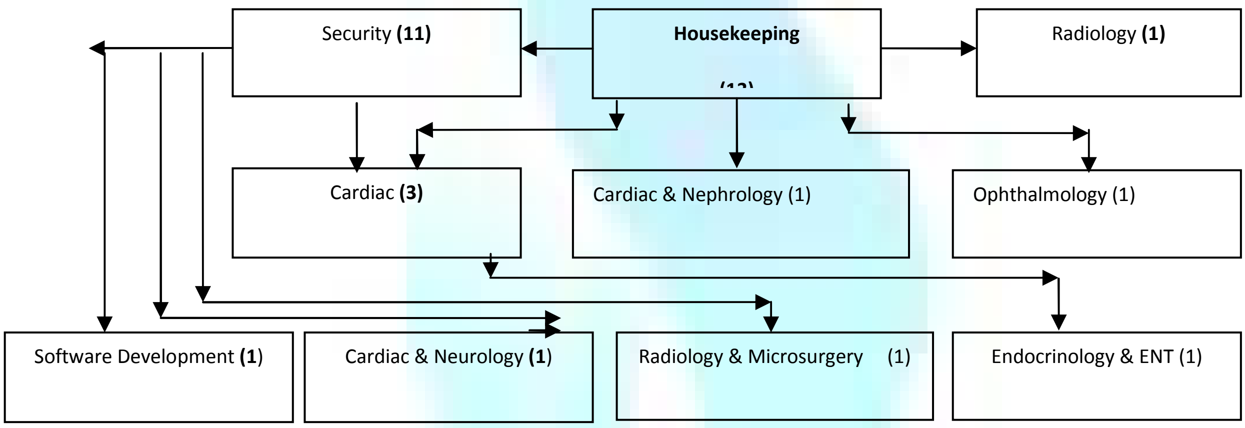
Therefore, these two hospitals are outsourcing Departments Nephrology, Cardiac and Housekeeping.

By saying "degree of association between hospitals" we mean that the number of hospitals are outsourcing of Departments in the same combination. The following table gives the degree of association between various Departments which are already outsourcing by hospitals.

TABLE 4: COMBINATION OF DEPARTMENTS OUTSOURCED

Code Value	Department	Responded Hospitals
1	Housekeeping	13
2	Security	17
3	Housekeeping & Security	11
4	Cardiac	9
5	Housekeeping & Cardiac	3
12	Cardiac & Nephrology	3
13	Housekeeping , Cardiac & Nephrology	2
20	Cardiac & Neurology	1
23	Housekeeping, Security, Cardiac & Neurology	1
32	Radiology	1
33	Housekeeping & Radiology	1
128	Gastroenterology	1
327	Housekeeping, Security, Cardiac , Endocrinology & ENT	1
454	Security, Cardiac , Endocrinology, Gastroenterology & ENT	1
512	Oncology	2
1027	Housekeeping, Security & Software Development	2
2048	Microbiology	1
4131	Housekeeping, Security, Radiology & Microsurgery	1
8193	Housekeeping & Ophthalmology	1
16402	Security, Neurology & Urology	1

FIGURE 2: VARIOUS COMBINATIONS OF DEPARTMENTS



CONCLUSION

1.Different hospitals are outsourced different Departments. 36 (32.4 percent) hospitals outsourced Housekeeping Department, 35 (31.5 percent) hospitals outsourced Security Department, and 21 (18.9 percent) hospitals outsourced Cardiac Department.

2. The **Pattern Analysis** results show that 3 hospitals are outsourced Housekeeping Department and Cardiac while 2 hospitals outsourced Housekeeping, Cardiac & Nephrology and 3 hospitals outsourced Cardiac & Nephrology.

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A STUDY OF CORPORATE BOND MARKET IN INDIA AND ITS LIQUIDITY

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ABSTRACT

Corporate Bond Market in India has not achieved the efficiency which the time demands. Various efforts have been taken by Government authorities by injecting reforms in the system. But in comparison to other financial securities and developed countries Bond Markets Indian Corporate Bond Market still stands inefficient. Liquidity is assumed to be one of the parameter of measuring the efficiency of the market as Liquid markets bring various benefits with it. This paper tries to provide a study of the corporate bond market in India and its liquidity. The paper studies the current Market position and various reasons listed out by the researchers for the subdued state. The second part of the paper focuses on the liquidity of the Market and tries to measure the Liquidity. Out of the various measures available Turnover ratio has been used to measure the liquidity of the corporate bond market in India in this paper. Though there is no single theoretically correct universally accepted measure to determine a markets degree of liquidity, market specific factor can be a good indicator and suggestive of the current state of the market if compared over a period of time.

KEYWORDS

Corporate Bond Market, Liquidity, Turnover Ratio, Outstanding securities.

INTRODUCTION

MEANING OF SECURITIES

Though the term security has not been defined formally but in general it can be described as financial instruments and can be broadly categorized into debt securities ,equity securities, and, Derivative contracts. Debt Securities have been defined under chapter 1 of Securities And Exchange Board Of India (Issue And Listing Of Debt Securities) Regulations, 2008 as : “debt securities” means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by the Board , security receipts and securitized debt instruments.

CORPORATE BONDS

In broader terms Corporate bonds are fixed income securities issued by corporate i.e. entities other than Government. Corporate bonds are debt securities issued by private and public corporations.

Corporate Bond Market in India and need for the development Market is a place where the buyer and seller meet together to meet each other’s demand. When it comes to securities market, It is the place where the buyers and seller come together to meet the objective of creating securities from sellers point of view and buying and trading securities from buyers point of view.

Corporate Bond Market is the market where the corporate bonds are created and traded. When it comes to the Corporate Bond market in India it is in existence in real sense since December 2003, with the amendment in disclosure norms to make listing of companies made mandatory and with an initiative to provide a similar trading system for the bond market as like equity market. The objective being to provide a platform for corporate and investors to exchange and fulfill their needs i. e. mobilizing the funds at affordable rate in case of corporate and for investors a good investment with good long term returns at less risk. So far the corporate bonds market has failed to achieve the desired objective; it considerably lags in point of time. The secondary debt market in India is practically non-existent.

Various studies have been made in past and recently as well to study the reasons and various reforms have also been suggested through these studies. Serious effort has been made by government to match with the expectations; still the results are not so visible, which creates a need of study.

REVIEW OF LITERATURE

India needs to develop a corporate debt market to meet the projected investment of USD 1 trillion required to sustain the country's economic growth rate in the 12th Five-Year Plan (2012-2017)

These are the comments of Prime Minister Manmohan Singh in his speech on Wed Feb 16 2011 realizing the need for a vibrant corporate debt market in India.[1]

The Corporate Debt Market in India has not reached the levels which the time demands. The various benefits which a developed corporate bond brings have been the reason for the attention on the issue. It’s not the first time that the need for corporate bond markets has been arised and expressed. The literature shows that the issue of development of corporate bond market has been the point of attraction not only in India but in the world since way back.

Tadashi Endo, Financial Markets Advisory Department, International Finance Corporation, The World Bank Group in his paper ‘The Development of Corporate debt markets’[2] (2000) at world level or the Indian researchers Dr. R H Patil in his working paper ‘Broad basing and Deepening the Bond Market in India’[3] (2001-02), Suchismita Bose and Dipankor Coondo[4] (2003) and Pronab Sen, Nikhil Bahel and Shikhar Ranjan in the working paper series of Planning Commission, Government of India ‘Developing the Indian Debt Capital Markets: Small Investor Perspective’[5] (2003) studied the various benefits of a developed corporate bond market and also the reasons for an underdeveloped Corporate Bond Market and also suggested the various measure for the development.

The above study shows the importance of the development of Corporate Bond markets in India and also the importance of the role of small investor in the process and justifies the selection of the topic by the researcher. The period after 2005 saw a considerable amount of policy changes in the system towards development. Some of the important developments being

1) 2006-07, Acceptance of, recommendations of the Report of the High Level Expert Committee on Corporate Bonds and Securitization for creating a single, unified exchange traded market for corporate bonds.
2) December 2006, SEBI permitted BSE to set up a reporting platform. Access to the platform for reporting was given to all market intermediaries. Non-members of the Exchange were provided connectivity through Virtual Private Network (VPN).
3) January 2007, BSE operationalised its reporting platform to capture information related to trading in corporate bond market.
4) July 2007, BSE and NSE trading platforms became operational.
5) April-May 2008, SEBI discussed with the stock exchanges BSE and NSE on introduction of mandatory clearing and settlement for trades in corporate bonds.

6) February 2009, the first public issue of non-convertible debt securities
7) May 2009, SEBI put in place the simplified listing agreement for debt securities.
8) August 2011, SEBI amended the Regulations for Mutual Funds, permitting Mutual Funds to set up Infrastructure Debt Funds under the Mutual Funds Framework.[6]

All these necessary policy reforms were taken considering the need of development of corporate debt market in India. The same was also expressed by various researchers in the same period.

'Why a corporate bond Market: growth and direct finance' by Marvin Goodfriend overviewed the role of direct corporate borrowings verses bank loans in the process of economic development.[7]

During the same period Dr. Y V Reddy Governor, Reserve Bank of India gave remarks at Washington in October 2007 that the development of a corporate bond market in India has lagged behind in comparison with other financial market segments and also that the secondary market has not developed and market liquidity has been an issue.[8]

A similar observation was presented in 'The Indian Corporate Debt Market: Prescription for revival' in 2007 by Tamal Datta Chaudhari by showing a comparative picture of a subdued Indian corporate bond market with Government Bonds in India and also with Size of Domestic Corporate debt market as percentage GDP showing outstanding Corporate Bonds to be only 3.3% of GDP as compared to 128.8 per cent of United States. (Based on BIS 2006).[9]

Further the reasons for the failure of corporate Debt Market in India were also discussed in 'The Indian Corporate Debt Market – Need of the hour' Various steps taken to tackle such problems have resulted only in a slight improvement. The Corporate debt market in India has reached only 6.5 per cent of GDP as compared to 3.3 per cent in 2006. But is negligible as compared to government debt sector which is nearly 40 per cent of GDP.[10]

In India banks accounted for 14.4% of the financing of large firms in 2000-01, which went up to 17.8% in 2010-11. But the bond market stagnated, with 3.5% in 2000-01 and 3.9% a decade later.[11]

Though it is clear from the above literature and the available data that the Indian Corporate Bond market has not been so efficient, it can further be tested by measuring the liquidity of the market as well. Liquidity has been considered as one of the parameter of efficiency by many researchers like Abdourahmane Sarr and Tonny lybek , (2002) Measuring liquidity in Financial Markets, Working Paper Series, International monetary Fund[14] and also by Dr. Venkat R. Eleswarapu, and Dr. Chandrasekar Krishnamurti in liquidity, stock returns and ownership structure: An empirical study of the Bombay stock exchange.[13]

OBJECTIVES OF THE STUDY

- To study the Meaning types and features of Corporate Bonds and the Corporate Bond Market in India.
- To study the public issues and trading pattern of Corporate bonds in Corporate Bond market in India.
- To study the term liquidity and to measure the liquidity of Corporate Bond Market in India with the help of Turnover ratio -one of the tools available.

HYPOTHESES

The Indian corporate bond market is poor in liquidity.

INDIAN CORPORATE BOND MARKET – AN OVERVIEW

There has been a development in the field of Corporate Bond Markets of India though various reforms and policy changes but it has been very slow and the Corporate Bond Market Still remains underdeveloped.

The Number of Public Issues and amount collected can be said to be the representative of the underdeveloped market.

TABLE 1: PUBLIC ISSUES AND TRADING VOLUMES OF NON-CONVERTIBLE DEBENTURE

Year	Number of Issues	Amount	Number of securities traded	Number of trades	Traded Value (Rs. In cr.)
2008-09	1	1500	2543	4967	50029
2009-10	3	2500	5559	12231	156616
2010-11	10	9451	4504	8006	155951
2011-12	20	35611	5401	9798	176609
2012-13 (figures till Sept.2012)	6	2223	5728	9984	106272

Source: http://www.sebi.gov.in/cms/sebi_data/statistics/corporate_bonds/publicissuedata.html
http://www.nseindia.com/products/content/debt/corp_bonds/cbm_trades_archives.htm

Various reasons for this subdued state of market can be summarized as follows

- Market restricted to only highly rated issues, with pension funds, commercial banks and insurance companies as investors.
- Absence of transparency, regulatory autonomy Trustworthy and transparent benchmarks and Liquidity
- Credit risk and interest risk
- Absence of liquid market for Credit default swaps
- High Stamp duty
- High costs of funds as a key deterrent to growth of Indian corporate bond market.
- Key factors alleviating cost of funds being liquidity and transparency
- Information asymmetry, liquidity and lack of market making

To overcome the above difficulties many measures have been suggested and have been introduced on to the system as reforms. Even though the efforts are not getting the expected results the process has not been stopped as the purpose brings various benefits to the economy of the country.

NEED FOR THE DEVELOPMENT OF CORPORATE BOND MARKET

To achieve the expected GDP growth of Indian Economy, Development of Corporate Bond Market has been the high priority agenda of the Government this being the highly untapped market. Many such reforms are taking place since 2007 in full force but are not generating the expected results. The time has come for better reforms which will attract small investors not only to achieve the above mentioned reason but also to support the banking system in the country which facing the big problem of – Asset Liability Mismanagement.

It can be seen that the private placement route has been the most preferred route by the issuers for the benefits of low cost but with the limited scope it has the issuers need to fine the alternative source. Looking at the Indian saving statistics the one area which the researcher feels to be the opportunity is the household sector, the small investors.

LIQUIDITY OF CORPORATE BOND MARKET IN INDIA

Market liquidity is a multifaceted Concept and is characterized by many dimensions like depth, breadth tightness etc. Many traditional measures can be useful to measure the same like Bid –ask spread, turnover ratios and even price based indicators.

Liquid markets bring various benefits with it like improved allocation of finance, stable monetary mechanism, and support to financial institutes to manage larger asset liability mismatch, and making it more attractive for the investors. Though the last benefit may not stand true when taken collectively, as per Keynes.[14]

An effort has been made in this paper to judge the liquidity of the Indian corporate debt Market. A financial Asset is said to be liquid if it can be sold even in large quantities without affecting the price much. Though there is no single theoretically correct universally accepted measure to determine a markets degree of liquidity, market specific factors can be a good indicator. Out of the various measures available Turnover ratio has been used to measure the liquidity of the corporate bond market in India in this paper. The turnover ratio which is derived by the following equation gives an indication of the number of times the outstanding volume of the assets changes hands.

Turnover ratio = Quarterly trading /outstanding securities

Turnover and trading volume are couple of reflectors of the depth of the market. Trading Volume measures the market participants and the transactions. If outstanding volumes are considered along with trading volumes it becomes more meaningful tool of measuring the liquidity. The outstanding securities are the securities currently held by investors.

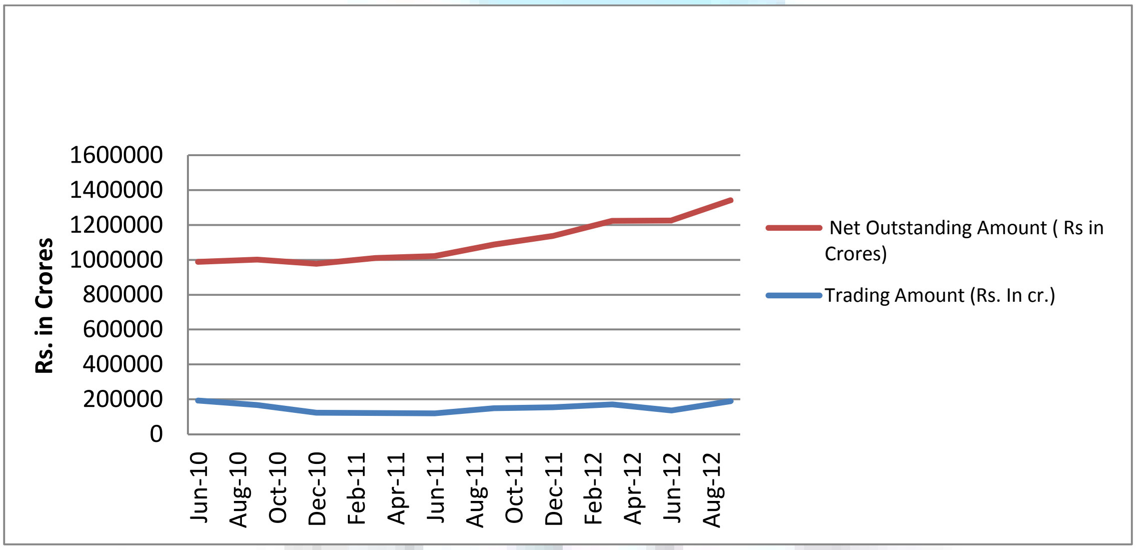
TABLE 2: NO OF TRADES, TRADING AMOUNT, NET OUTSTANDING AND TURNOVER RATIO

Quarter Ended	No. of Trades	Trading Amount (Rs. In cr.)	Net Outstanding Amount (Rs in Crores)	Turnover Ratio
June 2010	14519	193963.12	794022.20	0.24427922
September 2010	11847	166854.8	833824.56	0.2001078
December 2010	9046	123563.36	853513.47	0.14477025
March 2011	8648	120892.96	889509.84	0.13590964
June 2011	10607	119734.43	902290.18	0.13270058
September 2011	13891	148773.22	938337.56	0.15854979
December 2011	12122	153639.46	983425.75	0.15622884
March 2012	14913	171636.23	1051638.70	0.16320836
June 2012	13391	136506.69	1088691.37	0.12538603
September 2012	17820	189607.00	1151535.56	0.16465579

Source: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1354526833902.html
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1351766868318.html
http://www.sebi.gov.in/cms/sebi_data/statistics/corporate_bonds/corpbondsarchivesnew.html

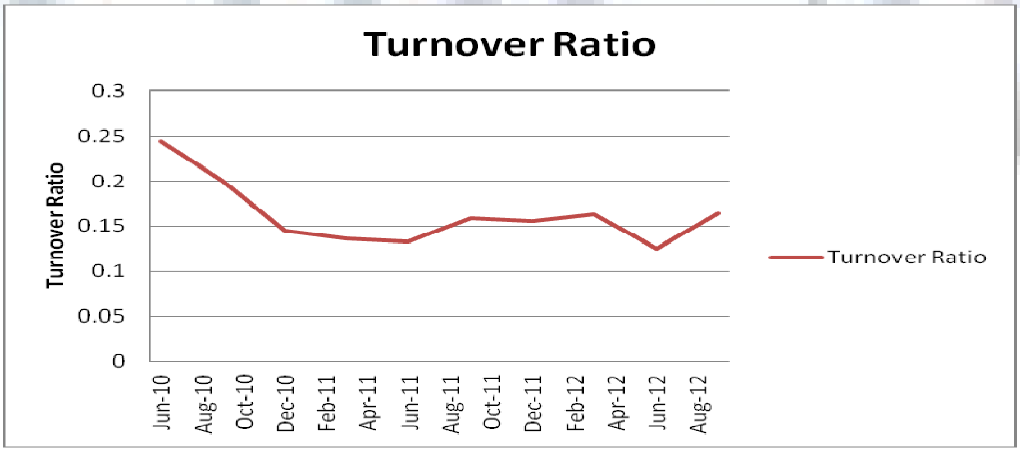
As can be seen the secondary debt market in India is practically non-existent. The number of trades and the trading volumes are persistently low as compared to the developed market like US where the average daily trading volume was $22 billion (Quarter 2 2012).[18]

CHART 1: TRADING TRENDS IN INDIAN CORPORATE BOND MARKET



From the chart number 1 it can be observed that the trading amount has been over a selected period has moved up from a small range. Though the net outstanding amount has an increasing trend that to at a higher rate. Net outstanding amount is obtained by adding the new issued amount and deducting the redemption amount from the opening net outstanding amount.

CHART NO 2: TURNOVER RATIO



As like other emerging markets the Turnover ratio of Indian Corporate Bond market is also well below one[19]. This indicates the liquidity being drastically low. It can be for various reasons discussed by various researchers and as discussed in literature review part.

CONCLUSION

A well developed corporate bond market brings various benefits in to the economy. The need has been felt in India as well and the necessary actions have been taken through reforms. But the reforms do not seem to get the intended results. The poor liquidity of the Indian Corporate Debt Market suggests the reforms have failed to achieve the intended objective. The persistently low trading volumes, turnover ratio and the increasing net outstanding corporate bond amount hint the same. Few more investor friendly reforms are required to be injected in the system to derive the benefit.

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FRUIT AND VEGETABLE MARKETING FOR SMALL SCALE GROWERS IN INDIA

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ABSTRACT

India is the second largest producer of the fruits and vegetables in the world after China. Since the 1980s the international trade in fruits and vegetables has expanded rapidly. The number of commodities as well as the number of varieties produced and traded have drastically increased during the past 30 years. There is an overall increase in the demand of fruits and vegetables for consumption both in fresh and the processed form. Also there is a wide diversification in production pattern globally. Income in this sector is increasing which is driving the supply. In spite of being one of the largest producers of fruits and vegetables in the world, the export competitiveness among the Indian producers remains low. But with new marketing initiatives, the post-harvest losses and wastage due to poor infrastructure facilities such as storage and transportation are reduced to a considerable extent, yet a lot needs to be done in this sector. Marketing is important to all farm enterprises, regardless of size. Some farmers, such as cash grain farmers or dairy farmers, have large, well-established markets. They can use existing organizations to perform the marketing function for them, or they can band together, form a cooperative, and market their products jointly. Small-scale fruit and vegetable growers generally have more difficulty finding established markets; therefore, they usually develop marketing systems tailored to their unique situations. It is strongly recommended that grower identify and research the market before growing fruit and vegetable.

KEYWORDS

Small scale vegetable and fruit grower, Fruits and Vegetable Markets.

INTRODUCTION

India is essentially agrarian and rural, with ample scope for lands for farming and cultivation and it has also helped for the cultivation of a large variety of fruits as well as vegetables. India being a home of wide variety of fruits and vegetables holds a unique position in production figures among other countries. However, the old age implements and tools of the Central Indian administration, is being upgraded every fiscal year, a domain which truly looks towards guaranteed future.

India has been perhaps been renamed as the vegetable and fruit basket in the world, a factor that weighs fascinatingly upon the cultivation of fruits in the country. India serves as the home to various kinds of vegetable as fruits, and holds a vital position in the field of productions of fruits and vegetables amidst different countries of the world. India leads the world in the production of mango, banana, and acid lime and in productivity of grapes per unit land area.

Mango is the most important fruit cultivated in the country and banana comes next in rank occupying second position. Citrus fruits rank third in area and production, Guava is the fourth most widely grown fruit crop and Grapes occupies fifth position amongst fruit crops in India. More than 90 percent exports from India move to the western parts of Asia and also to the markets of Eastern Europe. Fresh vegetables and fruits export from India has steadily increased. This amplification list includes products like walnut, fresh grapes, fresh mangos and umpteen other fresh vegetables and fruits. The comprehensive and exhaustive cultivation of vegetables, flowers and fruits is referred to as horticulture.

Horticulture in this country has been thoroughly involved with the cultivation of fruits in India, besides also laying simultaneous stress upon vegetables and gardening of rare plants. Cultivation of fruits in India and in the international scenario, involves the consolidation of wide spectrum of disciplines. As the new technologies and developments have gradually become readily available in the country, the cropping and cultivating systems and production practices have also remained witness to significant metamorphoses.

India is the second largest producer of the fruits and vegetables in the world after China. Since the 1980s the international trade in fruits and vegetables has expanded rapidly. The number of commodities as well as the number of varieties produced and traded have drastically increased during the past 25 years. There is an overall increase in the demand of fruits and vegetables for consumption both in fresh and the processed form. Also there is a wide diversification in production pattern globally. Income in this sector is increasing which is driving the supply. In spite of being one of the largest producers of fruits and vegetables in the world, the export competitiveness among the Indian producers remains low. But with new marketing initiatives, the post-harvest losses and wastage due to poor infrastructure facilities such as storage and transportation are reduced to a considerable extent, yet a lot needs to be done in this sector.

Marketing is important to all farm enterprises, regardless of size. Some farmers, such as cash grain farmers or dairy farmers, have large, well-established markets. They can use existing organizations to perform the marketing function for them, or they can band together, form a cooperative, and market their products jointly.

Small-scale fruit and vegetable growers generally have more difficulty finding established markets; therefore, they usually develop marketing systems tailored to their unique situations. It is strongly recommend that you identify and research your market before you become a fruit and vegetable grower.

Some of the most prominent fruits which are cultivated in India include banana, citrus fruits, mango, apple, papaya, pineapple, guava and grapes. India produces near about 41 percent of world`s mangoes and around 23 percent bananas. The total export value of the main exporting fruit crop from India is mango. Exports of mangoes, grapes, mushrooms have started going to the United Kingdom, Middle East, Singapore and Hong Kong. These Indian fruits are also processed in several products like canned fruit, concentrates and fruit juices, dehydrated fruit, jellies and jams.

Some of the well-known varieties of mangoes which are cultivated in and exported from India include Dashehri, Kesar, Alphonso, Banganpalli, Chausa, Langra, Mallika and Swarnrekha. Some of the reputed importers of Indian mangoes include Bangladesh, U.A.E, U.K, Nepal and Saudi Arabia. The notable places for the cultivation of mangoes in India are the states of Gujarat, Uttar Pradesh, Andhra Pradesh, Bihar, Karnataka and Maharashtra. Apart from mangoes, India also exports fresh table grapes to the global market.

MAJOR MARKETS

Fruits and vegetables are produced seasonally, but the market requires products throughout the year. For many decades, this problem of matching product availability with consumer demand was solved in two ways: (1) selling fresh products during harvest and shortly thereafter, and (2) processing the rest to meet demand during the rest of the year. As technology improved and consumer incomes increased, it became possible to provide fresh produce year-round. Indian consumers now expect fresh fruits and vegetables every month of the year. In addition, a strong demand remains for processed fruits and vegetables.

FRESH MARKETS
Increased consumer incomes and year-round demand for fresh produce force retailers or their representatives to establish buying points both in different growing areas of the India and in foreign countries. Some retailers contract year-round with fresh fruit and vegetable packers, who may in turn contract with growers. Contracts and large volume buying practices enable packers to obtain sufficient quantities of individual products. Large fresh fruit and vegetable packers may contract with growers in several different production regions to ensure that fresh fruits and vegetables are available every week of the year. These packers generally contract only in regions with a large number of growers. Further, they contract mainly with the largest growers, even in concentrated production regions. Some packers ensure supplies by growing commodities themselves. Large retailers and packers are unlikely to purchase products directly from a single, small-scale grower, especially a grower in a remote production area. For small-scale fresh fruit and vegetable grower, there is need for selling directly to retailers in order to avoid intermediaries. Although some chain stores and independent retailers have buy-local programs for fresh produce, such stores and programs are not common. There is urgent need for developing their own marketing system. In effect, farmers must become the grower, packer, and wholesaler.

PROCESSING MARKETS
To stay competitive, processors must keep unit costs low, so large corporations generally do the processing. Many of the smaller local processors have found it difficult to compete with these corporations and have gone out of business. Almost all processors contract with growers for their raw product needs. Over the past twenty to thirty years, most processors have moved their plants to major production areas. Therefore, it may be difficult to locate processors interested in buying from small-scale growers. If a processor does indicate a willingness to buy, insist on a purchase contract with the processor before planting the crop. Growers may wish to process your own fruits and vegetables. It will probably be impossible for processing and market produce at costs as low as those incurred by larger processors. As a result, it may be very difficult to compete for sales with processed fruits and vegetables through conventional retail outlets. Consider processing specialty items with strong local or regional demand where you will be able to charge a "premium" price. Sometimes a small processor will process fruits or vegetables for a grower on a contract basis, especially if the product being produced does not interfere with its own processing requirements.

EVALUATING MARKET DEMAND
Larger growers, particularly those located in major production areas, can pursue either of the two traditional marketing alternatives: wholesale fresh marketing or processing. Small-scale growers who find these marketing avenues closed to them will need to take a direct-to-consumer approach. This requires thorough research of the market and customer behavior before planning crop production. Some farmers generate profits by planting first and then looking for a market, but this is extremely risky for fruit and vegetable growers. There are far more failures than success stories in this situation. If there are a new growers, or an established one planning to produce a new item, you should first attempt to evaluate the market demand for the product and then decide which direct marketing channel(s) will best meet the needs of your consumers. Growers estimates of profitability should include the marketing channel costs as well as production costs. Small-scale growers should collect three types of information before deciding to produce and market fresh fruits and vegetables. Determine and define the geographic area where you will market fresh fruits and vegetables. Identify potential customers before you investigate consumer demand. Assess the level of unfulfilled demand among consumers within the defined marketing area. It is advisable to estimate the amount that consumers (buyers) within that market buy at present. In the process, you will gain insight into how they might be better served. Consider the competitive structure of your market. Knowing who your potential competitors are, where they are located, and what services they provide are important pieces of information for you as a new grower-marketer. Note potential competitors who might have marketing advantages (lower costs, better locations, and higher-quality produce) or may provide potential consumers with similar products. You must find out as much as possible about consumers who may buy your product(s). What products are your potential consumers buying, where are they buying, and when are these products available?

Supermarkets are major suppliers of fresh fruits and vegetables but generally are not strong competitors for sales of in-season crops. Other direct marketers, whether they are pickyour- own operations, roadside markets, farmers markets, or curb markets, are the primary competitors. The entry and exit from the market can occur very quickly. In recent years direct marketers have expressed concern about the increased number of competitors and the possibility of profit loss in existing operations. Here are some important questions that you as a grower marketer must answer:

1) Who are the likely consumers of your produce and where do these consumers live?
2) How many people live within your marketing area?
3) Are consumers currently buying a particular fruit or vegetable?
4) How much of the product(s) do your potential customers currently use? Is this use seasonal?
5) What prices are consumers paying for high-quality products?
6) Are consumers adequately served at present?

If consumers in the area are being adequately served, here are some additional questions:

1) Can you do the job better and draw part of the market away from competitors?
2) Can the quantity that consumers purchase be increased by providing better quality than is now available?
3) Will your anticipated production come at a time when little else is offered for sale?
4) What level of quality must you produce to meet the need unfulfilled demands of consumers?
5) How must you prepare and package the produce? What size containers are most popular? What marketing costs will be incurred?

SELECTING A DIRECT MARKETING CHANNEL
Several factors must be considered when choosing a direct marketing channel. Location can have a major impact on an enterprise's profitability because location affects the direct marketing channel used as well as the ability to attract customers. Furthermore, some direct marketing channels, such as pick-your-own operations, work well for some products but not as well for others. Bringing fruits and vegetables to market requires special handling. To preserve quality and maintain marketability, each crop must be harvested, prepared for market, packaged, and shipped. Any direct marketing of produce may increase exposure to risk.

CONCLUSION
Small-scale fruit and vegetable growers generally have more difficulty finding established markets; therefore, they usually develop marketing systems tailored to their unique situations. It is strongly recommend that you identify and research your market before you become a fruit and vegetable grower. Increased consumer incomes and year-round demand for fresh produce force retailers or their representatives to establish buying points both in different growing areas of the India

There is exigent need for selling fresh products during harvest and shortly thereafter, and processing the rest to meet demand during the rest of the year. Indian consumers now expect fresh fruits and vegetables every month of the year. In addition, a strong demand remains for processed fruits and vegetables.

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PERFORMANCE OF PROFITABILITY MANAGEMENT IN LANCO INDUSTRIES LIMITED: AN EVALUATION

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ABSTRACT

The overall objective of business enterprise is to earn at least reasonable return on the funds invested, consistent with maintaining a sound financial position. The present research paper aims at focusing the objectives to appraise the profitability performance from the point view of sales levels, to analyze the profitability performance from the point view of investments. The gross profit margin reported the ups and downs over the study period. The profitability performance in relation to sales was thin over the study period in LIL and hence not satisfactory. The net profit margin had never touched even six percent of sales which is standard norm during the entire period of study excluding 2010. It may be observed that the net profit performance in relation to sales was sad in LIL. The return on net worth ratio had exceeded the standard norm of 12 per cent over the study period barring beginning and closing years of study. The profit performance in relation to investment was highly satisfactory with an exception of beginning and closing year of study. The profitability performance in LIL was much satisfactory in terms of investment. It is a clear indication that the net assets were used productively in the LIL. The return on investment ratio is quite encouraging to the existing investors and to the prospective investors. It is also welcoming feature for taking capital budgeting decisions to obtain assets which provide appropriate return on investment. The profitability performance in relation to sales shall be improved to the satisfactory level. Hence, it is suggested that the LIL has to go for integrated marketing practices so that it can increase its sales. Consequently, the profits will be increased. The LIL is suggested to improve the net profit by increasing the volume of sales. The company's profitability performance is declined due to various reasons in the concluding years of the study. Hence, it is better to forecast the future trends, and make changes in the company's financial policies to get good returns.

KEYWORDS
Gross profit margin, net profit margin, return on net worth and return on investment ratio in Lanco Industries Limited.

INTRODUCTION
Management evinces interest in evaluating financial aspects of the firm's performance. They have to protect the interests of stakeholders and to enable the firm to grow profitably. The financial analysis is measured from the point of view of profitability. The business undertaking has to earn profit from its operations. In other words, its receipts from operations should be more than the expenses over a period of time usually in an accounting year. The overall objective of business enterprise is to earn at least reasonable return on the funds invested, consistent with maintaining a sound financial position.

OBJECTIVES
The Present research paper aims at focusing the following objectives:
- to appraise the profitability performance from the point view of sales levels;
- to analyze the profitability performance from the point view of investments.

TOOLS OF ANALYSIS
The data drawn from the manual reports of Lanco Industries Limited (LIL) have been carefully, analyzed, tabulated and interpreted by using well established financial tools. The analysis of data is carried out through profitability ratios such as gross profit margin, net profit margin, return on equity and return on investment ratio. Statistical tools like mean, standard deviation, coefficient of variation and coefficient of correlation are also applied. Graphs and diagrams are presented to illuminate the facts and figures.

SCOPE AND COVERAGE
The present study is confined to Lanco Industries Limited (LIL). The LIL, Chittoor District in Andhra Pradesh, India has been selected because of the proximity to the investigator. This study is restricted to assess the performance of Profitability Management in LIL with the help of the ratio analysis. The time period considered for evaluating the study is seven years i.e. from 2006 to 2012.

PROFITABILITY RATIOS
A company should earn profits to survive and grow over a long period of time. Profits are essential, but it would be wrong to assume that every action initiated by management of a company should be aimed at maximizing profits, irrespective of concerns for customers, employees, suppliers or social consequences. Profit is the difference between revenues and expenses over a period of time (usually one year). Profit is the ultimate 'output' of an enterprise, and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the company in term of profits. The profitability ratios are calculated to measure the operating efficiency of the company. Generally, two major types of profitability ratios are calculated:

PROFITABILITY IN RELATION TO SALES
- Gross profit margin ratio
- Net profit margin ratio

PROFITABILITY IN RELATION TO INVESTMENT
- Return on equity capital
- Return on shareholders' investment or net worth

GROSS PROFIT MARGIN RATIO

This ratio indicates the average spread between the cost of goods sold and the sales revenue. When we subtract the gross profit margin is subtracted from 100 percent, cost of goods sold to sales ratio is obtained. A high gross profit margin ratio is a sign of good management. The ratio establishes a relationship between gross profits to sales. The fundamental profitability ratio is gross profit margin ratio.

GROSS PROFIT MARGIN RATIO = GROSS PROFIT / SALES x 100

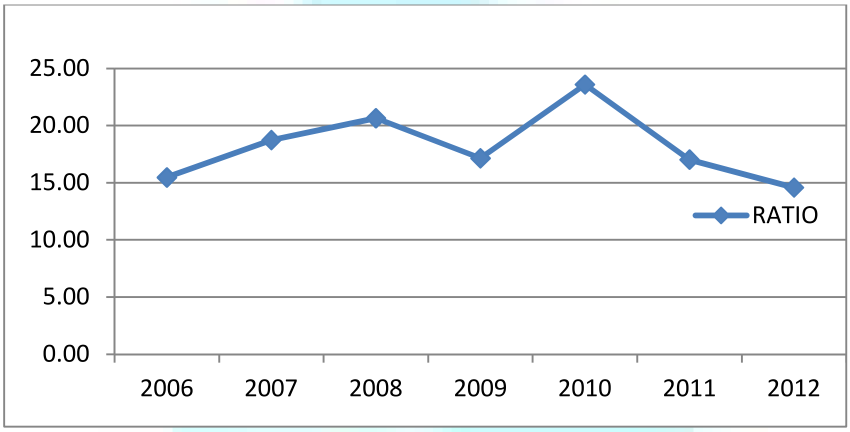
The gross profit margin ratio of the Lanco Industries Limited is presented in the Table 1 and Figure 1:

TABLE 1: GROSS PROFIT MARGIN RATIO OF LIL

Year	Gross Profit (Rs. in crores)	Sales (Rs. in crores)	Ratio (in percentage)
2006	*46.84*	*302.96*	*15.46*
2007	*69.20*	*369.37*	*18.73*
2008	*95.77*	*463.66*	*20.65*
2009	*110.51*	*644.72*	*17.14*
2010	*162.91*	*690.58*	*23.59*
2011	*123.57*	*726.00*	*17.02*
2012	*114.79*	*787.00*	*14.58*
Mean	***103.37***	***569.18***	***18.16***
Standard deviation	***37.76***	***189.03***	***3.12***
C.V(%)	***36.53***	***33.21***	***17.18***
CO-efficient of Correlation between debt and equity (r)=0.84			

Source: Compiled from Annual Reports of Lanco Industries Limited

FIGURE 1: GROSS PROFIT MARGIN RATIO OF LIL



The higher gross profit ratio is indicated better performance and lower gross profit ratio is shown unfavorable. It is apprehend a that the gross profit had depicted a rise over the period under reference on line with the sale. Gross profit had moved from Rs.46.84 crores in the beginning year 2006 to Rs.162.91 crores in 2010 and thereafter declined in the last two years. The gross profit ratio had fluctuated between the lowest of 14.58 percent in 2012 and the highest of 23.59 percent in 2010. The ratio reported the ups and downs over the study period. The Gross profit margin was less than 25 percent during the study period. The ratio had crossed 20 percent margin only in two years over the seven years. Thereby, the profitability performance in relation to sales was thin over the study period in LIL and hence not satisfactory. The mean, standard deviation and co-efficient of variation of gross profit margin ratio in LIL are 18.16, 3.12 and 17.18 per cent respectively. The average gross profit and sales worked out to be Rs.103.37 crores and 569.18 crores respectively. The average gross profit margin ratio was registered at 18.16 percent. The coefficient of correlation between gross profit and sales in LIL was 0.84 and thereby, denoting that there was highly positive correlation between gross profit and sales.

NET PROFIT MARGIN RATIO

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. The ratio establishes a relationship between net profit and sales and indicates management's efficiency in manufacturing, administrating and selling the products. This ratio is the overall measure of the firm's ability to turn each rupee sales into net profit. If the net margin is inadequate, the firm will fail to achieve satisfactory return on owner's equity. A firm with a high net margin ratio would be in an advantageous position to survive in the face of falling selling prices, rising costs of production or declining demand for the product.

NET PROFIT MARGIN RATIO = NET PROFIT / SALES x 100

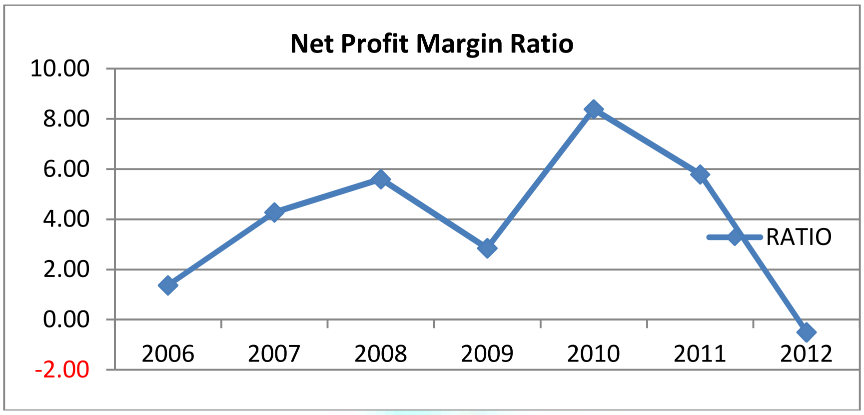
The net profit margin ratio of the Lanco Industries Limited is presented in the Table 2 and Figure 2:

TABLE 2: NET PROFIT MARGIN RATIO OF LIL

Year	Net Profit (Rs. in crores)	Sales (Rs. in crores)	Ratio (in percentage)
2006	*4.15*	*302.96*	*1.37*
2007	*15.81*	*369.37*	*4.28*
2008	*25.92*	*463.66*	*5.60*
2009	*18.35*	*644.72*	*2.85*
2010	*57.94*	*690.58*	*8.39*
2011	*42.03*	*726.00*	*5.79*
2012	*-3.95*	*787.00*	*-0.50*
Mean	***22.89***	***569.18***	***27.78***
Standard Deviation	***21.39***	***189.03***	***2.99***
C.V.(%)	***93.45***	***33.21***	***10.76***
CO-efficient of Correlation between debt and equity (r)=0.29			

Source: Compiled from Annual Reports of Lanco Industries Limited

FIGURE2: NET PROFIT MARGIN RATIO OF LIL



It is obvious that net profit was very meager in the beginning year of the study and gradually improved to 42.03 crores in 2011 and sharply declined and registered a net loss of Rs.-3.95 crores. It quantitative terms the net profit performance had depicted an improvement in intervene years. The net profit margin had fluctuated between the lowest of -0.50 percent to the highest of 8.39 percent over the study period. The net profit margin had never touched even six percent of sales which is standard norm during entire period of study excluding 2010. It may be observed that the net profit performance in relation to sales was sad in LIL. The mean, standard deviation and co-efficient of variation of net profit margin ratio in LIL are 27.78, 2.99 and 10.76 per cent respectively. The average net profit and sales worked out to be Rs.22.89 crores and 569.18 crores respectively. The average net profit margin ratio was registered at 22.78 per cent. The coefficient of correlation between net profit and sales in LIL was 0.29 and thereby, implying that there was minimum positive correlation between net profit and sales.

RETURN ON NET WORTH (OR) EQUITY

This ratio is one of the most important relationships in financial analysis. The earning of satisfactory return is the most desirable objective of a business. This in turn, measures the profitability of the equity funds invested in the company and shows the shareholders, how efficiently their investments have been utilized. Common or ordinary shareholders are entitled the residual profits. This ratio is of great interest to the present as well as prospective shareholders and also of great concern to management which has the responsibility of maximizing the owner's welfare. A return on shareholder's equity is calculated to see the profitability of owner's investment.

RETURN ON NET WORTH = PROFIT AFTER TAXES / NET WORTH x 100

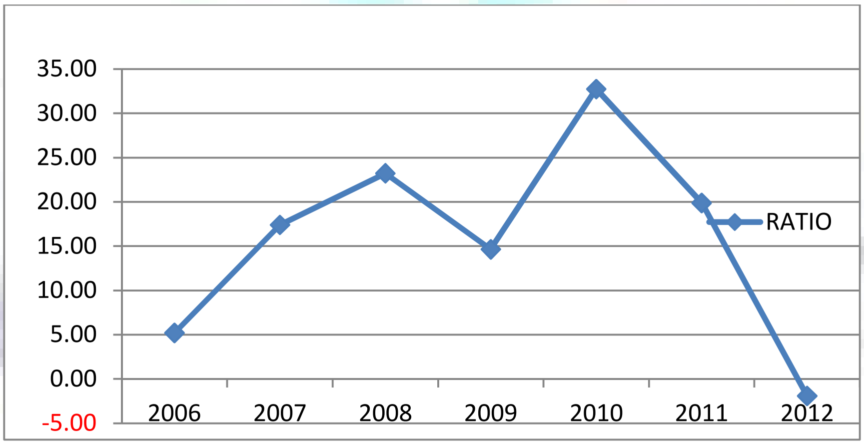
The return on capital ratio of the Lanco Industries Limited is presented in the Table 3 and Figure 3:

TABLE 3: RETURN ON NET WORTH OF LIL

Year	Profit After Tax (Rs. in crores)	Net Worth (Rs. in crores)	Ratio (in percentage)
2006	*4.15*	*79.69*	*5.20*
2007	*15.81*	*90.85*	*17.40*
2008	*25.92*	*111.56*	*23.23*
2009	*18.35*	*125.26*	*14.65*
2010	*57.94*	*176.90*	*32.75*
2011	*42.03*	*211.40*	*19.88*
2012	*-3.95*	*206.86*	*-1.91*
Mean	***22.89***	***143.22***	***15.88***
Standard Deviation	***21.39***	***54.68***	***11.47***
C.V.(%)	***93.45***	***38.18***	***72.22***
CO-efficient of Correlation between debt and equity (r)=0.33			

Source: Compiled from Annual Reports of Lanco Industries Limited

FIGURE 3: RETURN ON NET WORTH OF LIL



It is clear that net worth had jumped from Rs.79.69 crores in 2006 to Rs.206.86 crores in 2012, had registered a net loss of Rs.3.95 crores in 2012. The return of net worth ratio had gone up from 5.20 percent in 2006 to 19.88 percent in 2011 and thereafter recorded a negative ratio -1.91 percent. It is gratifying to note that the return on net worth ratio had exceeded the standard norm of 12 percent over the study period barring 2006 and 2012. It may be deduced that the profit performance in relation to investment was highly satisfactory with an exception of 2006 and 2012. The mean, standard deviation and co-efficient of variation of return on net worth (or) equity in LIL are 15.88, 11.47 and 72.22 per cent respectively. The average profit after tax and net worth worked out to be Rs.22.89 crores and 143.22 crores respectively. The average return on net worth ratio was registered at 15.88 per cent. The coefficient of correlation between profit after tax and net worth in LIL was 0.33 and thereby, denoting that there was minimum positive correlation between profit after tax and net worth.

RETURN ON INVESTMENT

The term investment may refer total assets or net assets. The fund employed in net assets is known as capital employed. Investments represent pool of a funds supplied by shareholders and lenders. Net assets equal net fixed assets plus current assets minus current liabilities excluding bank loans. Alternatively, capital employed is equal to net worth plus total debt. The conventional approach of calculating return on investment is to divide profit after tax by investment. Where ROTA and RONA are respectively return on total assets and return on net assets. RONA is equivalent of return on capital employed. Calculate return on investment by dividing

RETURN ON INVESTMETNT = EBIT/ NET ASSET x 100

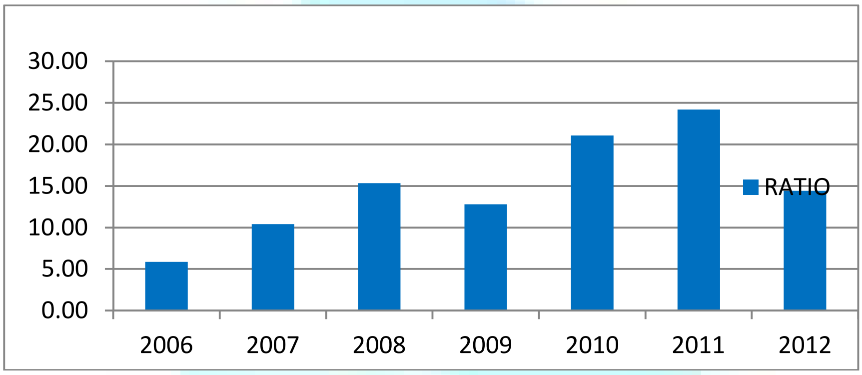
The return on capital ratio of the Lanco Industries Limited is presented in the Table 4 and Figure 4:

TABLE 4: RETURN ON INVESTMENT OF LIL

Year	EBIT (Rs. in crores)	Net Asset (Rs. in crores)	Ratio (in percentage)
2006	*19.25*	*329.01*	*5.85*
2007	*41.98*	*403.87*	*10.39*
2008	*67.32*	*438.36*	*15.35*
2009	*68.76*	*537.56*	*12.79*
2010	*113.24*	*537.41*	*21.07*
2011	*78.52*	*324.66*	*24.18*
2012	*53.70*	*372.38*	*14.42*
Mean	***63.25***	***420.46***	***14.86***
Standard Deviation	***29.60***	***89.29***	***6.20***
C.V.(%)	***46.80***	***21.24***	***41.72***
CO-efficient of Correlation between debt and equity (r)=0.62			

Source: Compiled from Annual Reports of Lanco Industries Limited

FIGURE 4: RETURN ON INVESTMENT OF LIL



It is obvious that both the variables EBIT and net assets had registered with fluctuations over the study period. But the oscillations were wild in the case of EBIT in compare to net assets. The EBIT had gone from Rs.19.25 crores in 2006 to Rs.113.74 crores in 2010 and thereafter decline. Net assets had moved from Rs.329.01 crores in 2006 to Rs.537.41 crores in 2010 and their after reduced and thereby indicating similar trend as in the case of EBIT. Return on investment ratio had improved from 5.85 percent in 2006 to 24.18 percent in 2010 and thereby registered decline. The ratio had recorded with fluctuations over the study period. But the ratio had exceeded the standard norm of 12 percent barring in the first two years of the study. It is also welcoming feature for taking capital budgeting decisions to obtain assets which provide appropriate return on investment. The mean, standard deviation and co-efficient of variation of return on investment in LIL are 14.86, 6.20 and 41.72 per cent respectively. The average EBIT and net asset worked out to be Rs.63.25 crores and 420.46 crores respectively. The average return on investment ratio was registered at 14.86 per cent. The coefficient of correlation between EBIT and net asset in LIL was 0.62 and thereby, denoting that there was satisfactory positive correlation between profit after tax and net worth.

CONCLUSION

The gross profit margin reported the ups and downs over the study period. The profitability performance in relation to sales was thin over the study period in LIL and hence not satisfactory. The net profit margin had never touched even six percent of sales which is standard norm during entire period of study excluding 2010. It may be observed that the net profit performance in relation to sales was sad in LIL. The return on net worth ratio had exceeded the standard norm of 12 per cent over the study period barring beginning and closing years of study. The profit performance in relation to investment was highly satisfactory with an exception of beginning and closing year of study. The profitability performance in LIL was much satisfactory in terms of investment. It is a clear indication that the net assets were used productively in the LIL. The return investment ratio is quite encouraging to the existing investors and to the prospective investors. It is also welcoming feature for taking capital budgeting decisions to obtain assets which provide appropriate return on investment. The profitability performance in relation to sales shall be improved to the satisfactory level. Hence, it is suggested that the LIL has to go for integrated marketing practices so that it can increase its sales. Consequently the profits will be increased. The LIL is suggested to improve the net profit by increasing the volume of sales. The company's profitability performance is declined due to various reasons in the concluding years of the study. Hence, it is better to forecast the future trends, and make changes in the company's financial policies to get good returns.

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KEY CHALLENGES FOR INDIAN MANAGERS: IMPACT OF FDI ENTRY IN RETAIL MARKET

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ABSTRACT

Modernization of retail market is a critical and necessary condition for sustaining high growth impulse in the economy. With greater investment and new technologies, the sector can act as a growth driver rather than a drag with its outdated practices and inability to take advantage of either economies of scale or of scope. Global retail brands will bring in better management practices and backend infrastructure that benefit not only farmers but also the consumers. This would be viable only on allowing FDI in retail marketing. Even though the challenges before Indian Managers due to entry of FDI in retail market are to be tough, they are definitely to bring lot of improvement in the sector like modern inventory management practices, improved supply chain management, new storage and vending technologies and advanced organization skills will go for a long way in the modernization of this sector.

KEYWORDS

FDI, Retail Marketing, Management practices, Supply Chain management.

1.1) INTRODUCTION

As we have seen in the last decade, the mere entry of large format retail has not resulted in the desired level of modernization of the sector. Those who entered this space were largely from the real estate sector and did not have the necessary technological and management experience to put retail on a qualitatively different growth trajectory. It is to be hoped that FDI will make a difference. While it is true that retail trade does not require rocket science for its modernization, it is also equally evident that relying exclusively on indigenous efforts would require a significantly longer time. India was very skeptical about the virtues of free trade and investment. Consequently, in the 1970s and 1980s Indian government imposed trade restrictions and capital controls as part of a policy of import-substitution industrialization aimed at protecting domestic industries and conserving scarce foreign exchange reserves. While the FDI in single-brand retailing was allowed earlier, FDI in multi-brand retailing is being allowed now. Fears that the entry of FDI in multi-brand retail may cause unemployment as foreign firms may not procure material from domestic producers and may import the same from international market are unfounded as the entry of big companies like Reliance, Bharti Enterprises and Tata has substantially improved the life standard of farmers and villages from where they are procuring. India had to open up the retail trade sector to foreign investment as she is a signatory to the World Trade Organization's General Agreement on Trade & Services, which includes wholesale and retail services. An identification of responsibilities and actions needed at the national, regional, and international level is important for two reasons, especially the role of Indian Managers and Entrepreneurs. The first is that globalization has increased the competition for FDI flows among developing countries. Since India is not only the preferred destinations for investment among foreign investors, it is increasingly being recognized that actions by India would have to be complemented by efforts at the regional and international levels in order to improve the prospects for FDI flows to the region. It is therefore important to identify areas of responsibilities at different levels to give policy makers and their development partners' concrete ideas on what they can do to increase FDI flows to the region.

1.2) STATEMENT OF THE PROBLEM

Due to entry of FDI in retail sector, Indian managers are likely to face new challenges to manage the issues like (a) High dependence on commodities, (b) Increased competition, (c) Corruption and weak governance, (d) Poor and ineffective marketing strategy, (e) to update themselves with knowledge on new modernization technologies, (f) to build upgraded infrastructure to meet up the new requirements, (g) to enhance the talent acquisition with new skills to manage new technologies and retain the skilled resources. This study details about the mentioned issues and attempts to highlight the possible ways to overcome the same.

1.3) SCOPE OF THE STUDY

This study is to understand the role and importance of entry of FDI in Indian retail market and the challenges likely to be arisen for Indian Managers. It details about the new changes expected in retail market infrastructure and services. The study focuses on retail business and in particular from the point of view only in Indian market. In specific, the study is based on the changes expected in retail market during this decade, post introduction of FDI in Indian retail market. This study emphasizes a new approach to the promotion of management practices that is based on improving standards with existing managers rather than focusing exclusively on costly activities of deputing skilled resources from foreign agencies. Furthermore, it identifies clearly what needs to be done at the national, regional, and international level to enhance retail business management in India.

1.4) OBJECTIVES OF THIS STUDY

a) To brief the concepts of FDI and impact in retail sector in India
b) To expedite new challenges for the managers due to entry of FDI in retail market
c) To attempt to trace the possible ways to meet up the challenges

1.5) LIMITATIONS OF THE STUDY

This study certainly enhanced our understanding of knowledge on different benefits and new management practices are to be experienced by Indian Managers due to entry of FDI in retail market. At the same time, there were limitations that need to be acknowledged and addressed regarding the present study. The important limitation that has to do with the extent to which the findings can not be generalized beyond the cases studied.

2) FDI & ITS IMPACT IN RETAIL SECTOR

Foreign direct investment (FDI) refers to foreign capital that is invested to enhance the production capacity of the economy. However, FDI in retail is different from the investment in corporate, manufacturing or infrastructure sectors. Retail can be single or multi brand and may be described as a sale to the ultimate consumer at a margin of profit.

a) **Changes in revenue**: There is a significant change in revenue outflows after the entry of FDI in all countries. The details are compared between developed countries and developing countries as mentioned in Table 1.1 But in India, the figures are very insignificant and FDI entry can definitely bring positive changes.

TABLE 1.1) REVENUE CHANGES DUE TO FDI

Region \ Revenue	FDI inflows			FDI outflows		
	2009	2010	2011	2009	2010	2011
	(Billions of dollars)					
World	1198	1309	1525	1175	1451	694.4
Developed economies	606.2	618.6	747.9	857.8	989.6	237.5
Developing economies	519.2	616.7	684.4	268.5	400.1	383.8
India	**3.5**	**2.5**	**2.6**	**1.4**	**0.9**	**0.9**

Source: UNCTAD, FDI/TNC database

b) **Retail is to become more organized sector:** The Indian retail sector is highly fragmented with around 97 per cent of its business being run by unorganized retailers. Organized retail is still at a nascent stage. With the entry of FDI, the retail sector will become organized. Foreign investment in food-based retailing would ensure adequate flow of capital into the country and its productive use.

c) **Removal of Intermediaries:** Indian farmers, at present, realize only 1/3rd of the final price paid by the consumer as against 2/3rd realized by farmers in the countries with a greater share of organized retail. FDI will assist in reducing the dominance of value chain by intermediaries. FDI in retail will make the consumer happy as well. In the absence of intermediaries, the consumer will end up paying lower price for a better product.

d) **Standardized processes:** Besides, in the unorganized sector, consumer has to argue and fight a lot in case he has to return some faulty product to the retailer. This process will be standardized. It will also serve as an antidote to inflation as the producer will get direct payment from the retailer and the same will be higher than what he was getting earlier due to the foul play by intermediaries. In accordance to the provisions made, any company going for 51% partnership in retail will have to tie up with a local partner. This will improve the income levels of all concerned and will make economy flourish with quality branded products at a lower price.

e) **Transfer of modern technologies:** Foreign firms typically make significant investments in research and development. Consequently they tend to have superior technology relative to firms in developing countries. FDI gives developing countries cheap access to new technologies and skills thereby enhancing local technological capabilities and their ability to compete on world markets. FDI will become a catalyst in avoiding distress sale and erosion & wastage in quality and quantity of the produce. India will flourish in terms of quality standards and consumer expectations. The present public distribution system will also be strengthened with better products and storage facility.

f) **Improvement in existing technologies:** FDI will improve investment in logistics of the retail chain, leading to an efficient market mechanism. Allowing FDI in multi-brand retail will bring about supply chain improvement, investment in technology, manpower & skill development, upgrade in the agriculture sector, and benefits to the government through greater GDP and tax income. The organized sector will also lay stress on producing more and will generate more employment in production as well as retail industry.

g) **Enhanced efficiency:** Opening up an economy to foreign firms increases the degree of competition in product markets thereby forcing domestic firms to allocate and use resources more efficiently.

h) **Employment generation and growth:** By providing additional capital to a host country, FDI can create new employment opportunities resulting in higher growth. It can also increase employment indirectly through increased linkages with domestic firms. More specifically, the location of a foreign firm in a host country generally leads to the establishment of domestic firms that provide inputs to it hereby increasing the demand for labour.

i) **Raising skills of local manpower:** Through training of workers and learning by doing, FDI raises the skills of local manpower thereby increasing their productivity level. The idea that FDI enhances the productivity of the labour force is supported by empirical evidence suggesting that workers in foreign-owned enterprises are more productive than those in domestic-owned enterprises (Harrison, 1996).

3) SUMMARY OF FINDINGS / CHALLENGES FOR INDIAN MANAGERS

The below factors that account for the low FDI flows to the region made Indian Managers to face the tough situation

a) **Increased competition:** Globalization has led to an increase in competition for FDI among developing countries thereby making it even more difficult for Indian states to attract new investment flows. It must be pointed out that the intense competition resulting from trade and financial liberalization puts Indian states at a disadvantage because they have failed to take advantage of the globalization process.

b) **High dependence on commodities:** Because the prices of primary commodities are highly volatile, they are highly vulnerable to terms of trade shocks, which results in high country risk thereby discouraging foreign investment.

c) **Corruption and weak governance:** Weak law enforcement stemming from corruption and the lack of a credible mechanism for the protection of property rights are possible deterrents to FDI in the region. Foreign investors prefer to make investments in countries with very good legal and judicial systems to guarantee the security of their investments.

d) **Poor and ineffective marketing strategy**: Investment promotion activities in the region have not been as successful due to increased political risk: frequent and abrupt changes in government; and border disputes, inconsistencies between union government promotion activities and state level political developments. Apart from this, there is also the problem that created by state governments were highly bureaucratic, expensive to maintain, and have not been successful in reversing the declining trend in FDI flows to the region.

e) **Knowledge on new modernization technologies:** In order to sustain and improve up on the performance in market, business managers are necessarily to have regular updates on the knowledge of new modern technologies and competitive strategies to be adopted time to time. The investment partners from foreign agencies shall expect such skilled resources to enhance their business through new investments.

f) **To build upgraded infrastructure to meet up the new requirements:** Due to introduction of new modern technologies by foreign companies, existing infrastructure of retail market is necessarily to be upgraded and new need to be created. Indian managers are likely to face this challenge often as Indian retail market is so unorganized, now.

g) **Talent acquisition & retention of labour force with new skills:** It becomes very difficult for the existing manpower to understand and adopt new modern technologies, introduced by foreign investors. Hence Indian managers are to face stiff situation in acquiring skilled resources and also in retaining such skilled resources due to heavy completion, likely.

4) RECOMMENDATIONS

a) **Promoting good governance:** The use of a regional surveillance mechanism based on peer pressure will promote good governance and improve the investment climate.

b) **Infrastructure development:** Initiating and encouraging more cooperation in infrastructure development projects—for example, in telecommunication, transportation, power generation, and the provision of water—at the regional level. This will increase access to and reduce the cost of provision of these facilities, thereby lowering transactions costs, boosting trade, and increasing the attraction of the region to foreign investors.

c) **Improved market access:** Through the elimination of trade barriers and unfair subsidies on agricultural goods exported by Indian states will enhance trading opportunities in the region and create an incentive for foreign investors to invest in the region.

d) **Investment promotion assistance:** Governments of developed countries can assist the region in investment promotion through providing accurate information to investors in their countries about the investment environment and opportunities in the region. This type of investment promotion is likely to be more effective than the current approach used by Indian States because investors in developed countries take the information received from their governments more seriously than those from developing countries.

e) **Technical assistance:** Developed countries can also help improve investment conditions in the region and increase its attraction to foreign investors by providing more technical assistance in areas such as capacity building, infrastructure development, health and education.

5) CONCLUSION

FDI can play an important role in the development efforts of the region. To date, Indian Managers have not been successful in attracting significant FDI flows, reflecting largely the combined effects of political and macroeconomic instability, weak infrastructure, poor governance, inhospitable regulatory environments, intensification of competition for FDI flows due to globalization, and poor marketing strategies. This requires concerted efforts at the national, regional, and international level. The realization of India's FDI potentials will also depend on the **ability of its Managers and Entrepreneurs** to improve the FDI climate and take advantage of the new global interest in the affairs of the region by implementing sound macroeconomic policies, enforcing the rule of law, reducing risks of policy reversals, and improving the provision of infrastructure. If the current wave of privatization sweeping through the continent continues unabated, there will be an increase in the number of public utilities marked for privatization in several Indian states. Although we are optimistic about the future prospects for FDI in the region, it should be noted that not all countries are likely to attract significant flows in the future.

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IMPACT OF FOREIGN INSTITUTIONAL INVESTMENT ON STOCK INDICES IN INDIA

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ABSTRACT
Foreign Institutional Investment (FII) is now important investment in the country's economic growth. In developing countries like India foreign capital helps in increasing the productivity of labour and to build up foreign exchange reserves to meet the current account deficit. Foreign Investment provides a channel through which country can have access to foreign capital. Since the opening up of India's capital markets, the FII activity has been on a constant rise. This paper is an effort to analyze the relationship between the FIIs equity investment pattern and Indian stock indices and to analyze the impact of FIIs equity investment on specific industrial sector. The study will provide a very clear picture of the impact of foreign institutional investors on Indian stock indices.

KEYWORDS
FII, stock indices.

INTRODUCTION
Foreign capital flows have come to be acknowledged as one of the significant sources of funds for economies that would like to rise at a rate higher than what their domestic savers can support. The Investment by FII's have been registering a stable growth since the opening of the Indian capital markets in September 1992. FIIs flows to India have been almost positive, they have also been negative during the periods of external shock or a domestic political uncertainty.

REVIEW OF LITERATURE
Chakrabarti (2001) has examined in his research that following the Asian crisis and the bust of info-tech bubble internationally in 1998-99 the net FII has declined by US$ 61 million. But there was not much effect on the equity returns. This negative investment would possibly disturb the long-term relationship between FII and the other variables like equity returns, inflation, etc. has marked a regime shift in the determinants of FII after Asian crisis. The study found that in the pre-Asian crisis period any change in FII found to have a positive impact on the equity returns. But in the post-Asian crisis period it was found the reverse relation that change in FII is mainly due to change in equity returns. Hence, any empirical exercise on FII has to take care of this fact.

Sivakumar S (2003) has analyzed the net flows of foreign institutional investment over the years, it also briefly analyses the nature of FII flows based on research, explores some determinants of FII flows and examines if the overall experience has been stabilizing or destabilizing for the Indian capital market

Agarwal, Chakrabarti et al (2003) have found in their research that the equity return has a significant and positive impact on the FII. But given the huge volume of investments, foreign investors could play a role of market makers and book their profits, i.e., they can buy financial assets when the prices are declining thereby jacking-up the asset prices and sell when the asset prices are increasing. Hence, there is a possibility of bi-directional relationship between FII and the equity returns.

Rai Kulwant et al (2003) examined that the determinants of Foreign Institutional Investments in India, which have crossed almost US$ 12 billion by the end of 2002.. In this study, by using monthly data, we found that FII inflow depends on stock market returns, inflation rate and ex-ante risk. In terms of magnitude, the impact of stock market returns and the ex-ante risk turned out to be major determinants of FII inflow. Stabilizing the stock market volatility and minimizing the ex-ante risk would help in attracting more FII inflow that has positive impact on the real economy.

Samy Dr. P. Chella et al (2006) held that Investors can pick up stocks at these levels for a growth story for long term i.e. for equities a 5 years holding period is reasonable to give a very above average return. Caution may be exercised to buy only good, well established market movers and never, to buy on margins or play intraday or dabble in derivatives market, which is high risk

RESEARCH METHODOLOGY
RESEARCH PROBLEM
This paper studies the relationship between FIIs Equity investment and stock indices. For this purpose India's two major indices i.e. Sensex and S&P CNX Nifty are selected. These two indices, in a way, represent the picture of India's stock markets. There may be many other factors on which a stock index may depend i.e. Government policies, budgets, bullion market, inflation, economic and political condition of the country, FDI, Re./Dollar exchange rate etc. But for this study I have selected only one independent variable i.e. FII and Independent variables stock Index. Their investments include equity only. The sample data of FIIs investments consists of monthly average from January to December of 2010, 2011 & 2012 (3 years) .

RESEARCH DESIGN
Exploratory Research: This study aims to find the new insights in terms of finding the relationship between FII'S and Indian Stock Indices.

Null Hypothesis (Ho): The various BSE indices and S&P CNX Nifty index does not rise with the increase in FIIs investment.

Alternate Hypothesis (Ha): The various BSE indices and S&P CNX Nifty index rises with the increase in FIIs investment.

SAMPLING DESIGN
Universe-In this study the universe is finite and will take into the consideration related news and events that have happened in last few year.

Sampling Unit: -As this study revolves around the Foreign Institutional Investment and Indian stock market. So for the sampling unit is confined to only the Indian stock market.

Sampling technique: -Convenient Sampling: Study conducted on the basis of availability of the Data and requirement of the project. Study requires the events that have impact on the Indian stock market.

Data collection Method: Secondary data: For the secondary data various literatures, books, journals, magazines, web links are used.

Research Analysis Tools: 1.Trendlines 2.Regression & 3.Correlation Analysis

OBJECTIVES OF THE STUDY

1. To find the relationship between the FIIs investment pattern and Indian stock indices.
2. To analyze the impact of FIIs equity investment on specific industrial sector (FMCG, Auto, Banking) Indices.

ANALYSIS

TO FIND THE RELATIONSHIP BETWEEN THE FIIS EQUITY INVESTMENT PATTERN AND INDIAN STOCK INDICES

The sample data consists of 36 observations for FII, Sensex, S&P CNX Nifty, BSE Auto, BSE Bankex and BSE FMCG starting from January 2010 to December 2012 (3 years). Average index of all the indices and monthly average of net investments made by FII is taken into consideration in the study. FII was taken as independent variable. Stock indices were taken as dependent variable. The data was taken from various financial sites the relationship between the FII's equity investment pattern and Indian stock indices is studied for the year 2010, 2011 and 2012 with the help of correlation and regression analysis. The results and the analysis are shown below:

RESEARCH ANALYSIS TOOLS

Trend lines: Trend line is simply a momentum indicator. The difference between trend lines and other momentum indicators is to visually identify the trend.

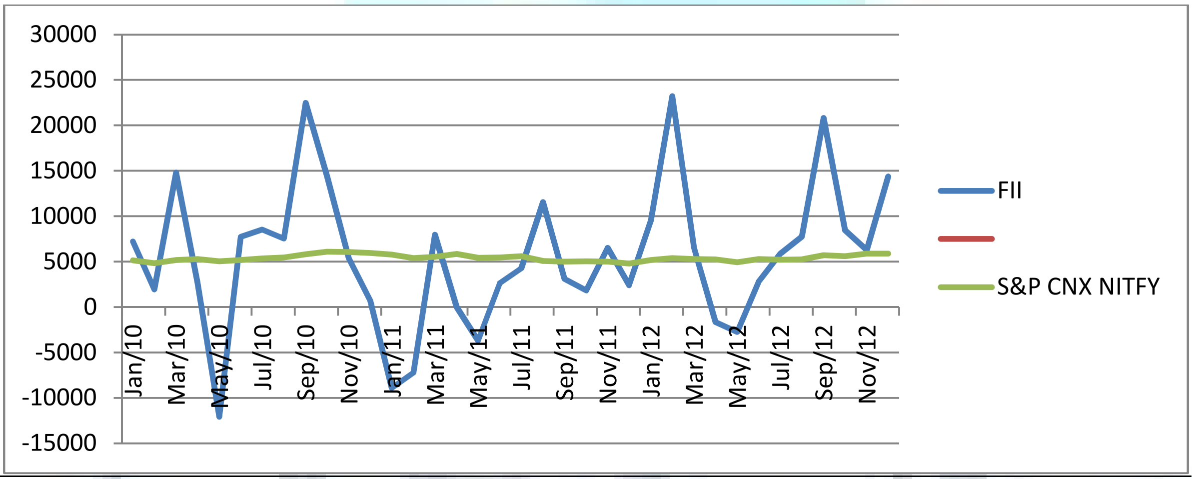
Regression Analysis: We can analyze how a single dependent variable is affected by the values of one or more independent variables. Regression analysis is a statistical technique for estimating the relationships among variables. It includes many techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependant variable and one or more independent variable

Correlation: This analysis tool and its formulas measure the relationship between two data sets that are scaled to be independent of the unit of measurement. The population correlation calculation returns the covariance of two data sets divided by the product of their standard deviations. We can use the Correlation tool to determine whether two ranges of data move together — that is, whether large values of one set are associated with large values of the other (positive correlation), whether small values of one set are associated with large values of the other (negative correlation), or whether values in both sets are unrelated (correlation near (zero).

TABLE 1: FOREIGN INSTITUTIONAL INVESTMENT AND S&P CNX NIFTY INDICES

YEAR & MONTHS	FII-2010	S&P CNX NIFTY-2010	FII-2011	S&P CNX NIFTY-2011	FII-2012	S&P CNX NIFTY-2012
January	7,216.67	5156.224	-8,903.60	5782.71	9,469.14	5199
February	1,943.47	4839.573	-7,213.39	5400.918	23,236.38	5385
March	14,792.33	5178.148	7,976.89	5538.418	6,526.73	5296
April	2,667.37	5294.755	4.40	5839.094	-1,663.36	5248
May	-12,071.12	5052.971	-3,705.37	5429.198	-2,756.26	4924
June	7,713.95	5187.775	2,662.76	5472.636	2,794.68	5279
July	8,541.06	5359.745	4,281.50	5596.588	5,902.95	5229
August	7,537.30	5457.239	11,559.20	5076.743	7,747.11	5259
September	22,475.64	5811.483	3,088.87	5015.579	20,807.81	5703
October	14,388.06	6096.107	1,842.47	5060.16	8,442.93	5619
November	5,350.87	6055.331	6,508.71	5004.278	6,291.51	5879
December	722.19	5971.32	2,387.14	4782.364	14,366.49	5905

TRENDLINES OF FII AND S&P CNX NIFTY INDICES



TO FIND THE IMPACT OF FII ON S&P NIFTY

CORRELATION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND NIFTY

		FII	S&P CNX NIFTY
FII	Pearson Correlation	1	.189
	Sig. (2-tailed)		.269
	N	36	36
S&P CNX NIFTY	Pearson Correlation	.189	1
	Sig. (2-tailed)	.269	
	N	36	36

REGRESSION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND NIFTY

ANNOA(b)Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	160231.348	1	160231.348	1.261	.269(a)
	Residual	4321701.325	34	127108.863		
	Total	4481932.673	35			

a Predictors: (Constant), FII

b Dependent Variable: S&P CNX NIFTY

COEFFICIENTS (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	5363.986	74.859		71.654	.000
	FII	.009	.008	.189	1.123	.269

a Dependent Variable: S&P CNX NIFTY

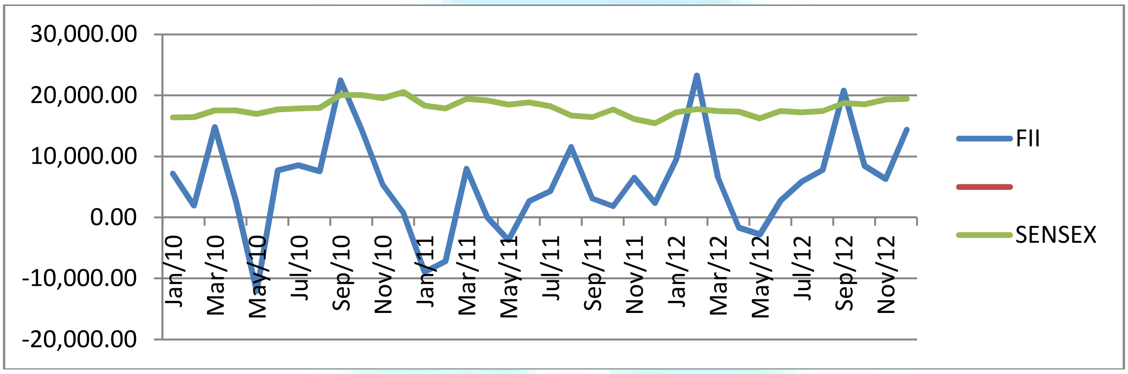
INTERPRETATION: From the above table, the data includes 36 observations of monthly of FIIs and S&P CNX NIFTY, the correlation and regression is calculated.
Number of Observations = 36 Correlation = r = .189 and regression p= .269
S&P CNX NIFTY = 5364+0.009 FII

- From the Correlations table, it can be seen that the correlation coefficient (r) equals 0.189, indicating it is weak positive correlation. There is positive effect of FII on S&P CNX NIFTY but the correlation coefficient is low. This means that S&P CNX NIFTY has a relation with FII but the FII is not influencing the S&P CNX NIFTY much.
- The regression coefficient is 0.269 which reflects 26.9 % variability in S&P CNX NIFTY with the independent variable and how much the FII affects the S&P CNX NIFTY.

TABLE 2: FOREIGN INSTITUTIONAL INVESTMENT AND BSE SENSEX INDICES

YEAR & MONTHS	FII-2010	SENSEX-2010	FII-2011	SENSEX-2011	FII-2012	SENSEX-2012
January	7,216.67	16,357.96	-8,903.60	18,327.76	9,469.14	17,193.55
February	1,943.47	16,429.55	-7,213.39	17,823.40	23,236.38	17,752.68
March	14,792.33	17,527.77	7,976.89	19,445.22	6,526.73	17,404.20
April	2,667.37	17,558.71	4.40	19,135.96	-1,663.36	17,318.81
May	-12,071.12	16,944.63	-3,705.37	18,503.28	-2,756.26	16,218.53
June	7,713.95	17,700.90	2,662.76	18,845.87	2,794.68	17,429.98
July	8,541.06	17,868.29	4,281.50	18,197.20	5,902.95	17,236.18
August	7,537.30	17,971.12	11,559.20	16,676.75	7,747.11	17,429.56
September	22,475.64	20,069.12	3,088.87	16,453.76	20,807.81	18,762.74
October	14,388.06	20,032.34	1,842.47	17,705.01	8,442.93	18,505.38
November	5,350.87	19,521.25	6,508.71	16,123.46	6,291.51	19,339.90
December	722.19	20,509.09	2,387.14	15,454.92	14,366.49	19,426.71

TRENDLINES OF FII AND BSE SENSEX INDICES



CORRELATION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND SENSEX

		FII	SENSEX
FII	Pearson Correlation	1	.274
	Sig. (2-tailed)		.105
	N	36	36
SENSEX	Pearson Correlation	.274	1
	Sig. (2-tailed)	.105	
	N	36	36

REGRESSION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND SENSEX- ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3984691.970	1	3984691.970	2.766	.105(a)
	Residual	48980549.363	34	1440604.393		
	Total	52965241.333	35			

a. Predictors: (Constant), FII
b .Dependent Variable: SENSEX

COEFFICIENTS (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	17667.316	252.016		70.104	.000
	FII	.044	.026	.274	1.663	.105

a. Dependent Variable: SENSEX

INTERPRETATION

From the above table, the data includes 36 observations of monthly of FIIs and BSE SENSEX, the correlation and regression is calculated.
Number of Observations = 36
Correlation = r =.274 and regression p= .105
SENSEX = 17667.316+.044 FII

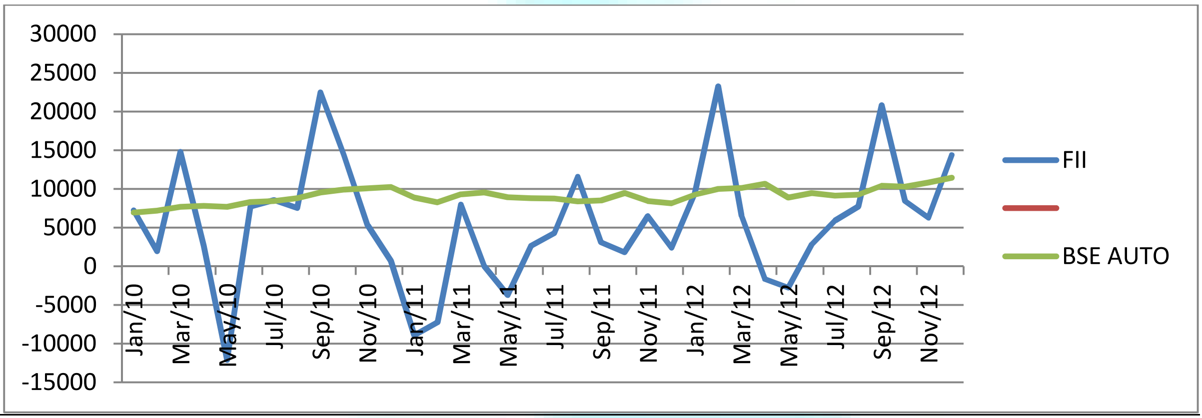
- There is positive effect of FII on BSE Sensex but the correlation coefficient is low(r=0.274). This means that BSE Sensex has a relation with FII but the FII is not influencing the BSE Sensex much.

- The regression coefficient is 0.105 which reflects 10.5 % variability in Sensex with the independent variable how much the FII affects the SENSEX. It is almost unrelated.

TABLE 3: FOREIGN INSTITUTIONAL INVESTMENT AND BSE AUTO INDICES

YEAR & MONTHS	FII-2010	BSE AUTO 2010	FII-2011	BSE AUTO-2011	FII-2012	BSE AUTO-2012
January	7,216.67	6953.2	-8,903.60	8894.58	9,469.14	9241.78
February	1,943.47	7170.99	-7,213.39	8252.92	23,236.38	9994.61
March	14,792.33	7671.24	7,976.89	9290.75	6,526.73	10134.8
April	2,667.37	7799.85	4.40	9559.94	-1,663.36	10645.52
May	-12,071.12	7699.94	-3,705.37	8932.74	-2,756.26	8873.01
June	7,713.95	8323.3	2,662.76	8798.48	2,794.68	9457.91
July	8,541.06	8424.2	4,281.50	8758.83	5,902.95	9114.07
August	7,537.30	8813.79	11,559.20	8396.16	7,747.11	9240.4
September	22,475.64	9527.64	3,088.87	8498.42	20,807.81	10413.19
October	14,388.06	9909.91	1,842.47	9477.19	8,442.93	10307.26
November	5,350.87	10099.95	6,508.71	8434.28	6,291.51	10814.46
December	722.19	10235.41	2,387.14	8143.65	14,366.49	11426.21

TRENDLINES OF FII AND BSE AUTO INDICES



TO FIND THE IMPACT OF FII ON BSE AUTO

CORRELATION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND BSE AUTO

		FII	BSE AUTO
FII	Pearson Correlation	1	.310
	Sig. (2-tailed)		.066
	N	36	36
BSE AUTO	Pearson Correlation	.310	1
	Sig. (2-tailed)	.066	
	N	36	36

REGRESSION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND BSE AUTO-ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3641360.436	1	3641360.436	3.614	.066(a)
	Residual	34262130.700	34	1007709.726		
	Total	37903491.136	35			

Predictors: (Constant), FII
b Dependent Variable: BSE AUTO

COEFFICIENTS (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	8859.931	210.778		42.035	.000
	FII	.042	.022	.310	1.901	.066

a. Dependent Variable: BSE AUTO

INTERPRETATION

From the above table, the data includes 36 observations of monthly of FIIs and BSE AUTO, the correlation and regression is calculated.
Number of Observations = 36
Correlation = r = .310 and regression p= .066
BSE AUTO = 8860+.042 FII

- There is positive effect of FII on BSE AUTO but the correlation coefficient is low. This means that BSE AUTO has a relation with FII but the FII is not influencing the BSE AUTO much.
- The regression coefficient is.0.066 which reflects 6.6 % variability in BSE Auto with the independent variable how much the FII affects the BSE Auto. It is almost unrelated.

TRENDLINES OF FII AND BSE BANKEX INIDCES

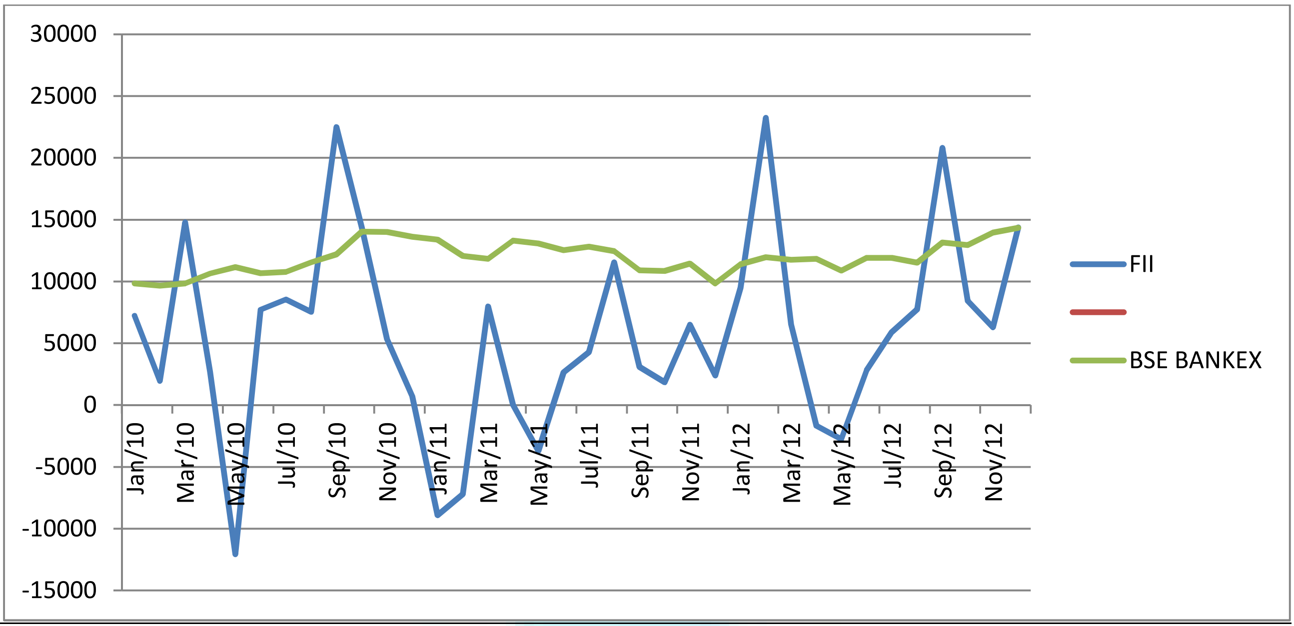


TABLE 4: FOREIGN INSTITUTIONAL INVESTMENT AND BSE BANKEX INDICES

YEAR & MONTH	FII-2010	BSE BANKEX -2010	FII-2011	BSE BANKEX -2011	FII-2012	BSE BANKEX -2012
January	7,216.67	9654.09	-8,903.60	12064.01	9,469.14	11390.7
February	1,943.47	9828.68	-7,213.39	11840.34	23,236.38	11974.16
March	14,792.33	10652.35	7,976.89	13299.77	6,526.73	11751.18
April	2,667.37	11155.07	4.40	13076.97	-1,663.36	11828.63
May	-12,071.12	10656.56	-3,705.37	12543	-2,756.26	10884.53
June	7,713.95	10765.03	2,662.76	12821.05	2,794.68	11908.71
July	8,541.06	11539.55	4,281.50	12447.83	5,902.95	11910.46
August	7,537.30	12190.64	11,559.20	10904.24	7,747.11	11515.94
September	22,475.64	14025.04	3,088.87	10850.73	20,807.81	13138.71
October	14,388.06	14016.21	1,842.47	11454.03	8,442.93	12947.29
November	5,350.87	13618.77	6,508.71	9850.43	6,291.51	13951.88
December	722.19	13379.73	2,387.14	9153.39	14,366.49	14344.99

TO FIND THE IMPACT OF FII ON BSE BANKEX

CORRELATION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND BSE BANKEX

		FII	BSE BANKEX
FII	Pearson Correlation	1	.301
	Sig. (2-tailed)		.075
	N	36	36
BSE BANKEX	Pearson Correlation	.301	1
	Sig. (2-tailed)	.075	
	N	36	36

REGRESSION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND BSE BANKEX- ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5589470.745	1	5589470.745	3.377	.075(a)
	Residual	56282269.180	34	1655360.858		
	Total	61871739.925	35			

a Predictors: (Constant), FII
b Dependent Variable: BSE BANKEX

COEFFICIENTS (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	11624.034	270.149		43.028	.000
	FII	.052	.028	.301	1.838	.075

a. Dependent Variable: BSE BANKEX

INTERPRETATION

From the above table, the data includes 24 observations of monthly of FIIs and BSE Bankex, the correlation and regression is calculated.
Number of Observations = 36
Correlation = r = 0 .301 and regression p= 0.075
BSE BANKEX = 11625 +0. .052FII

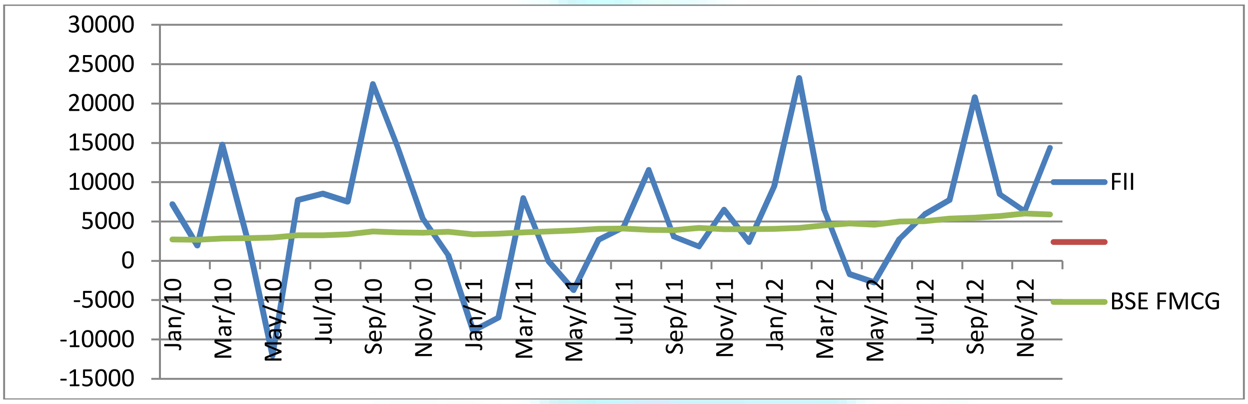
- There is a weak positive correlation between FII and BSE Bankex but the correlation coefficient is low (0.301). This means that BSE Bankex has a relation with FII but the FII is not influencing the Bankex much.

- The regression coefficient is 0.075 which reflects 7.5 % variability in BSE Bankex with the independent variable how much the FII affects the BSE BANKEX. It is almost unrelated.

TABLE 5: FOREIGN INSTITUTIONAL INVESTMENT AND BSE FMCG INDICES

YEAR & MONTH	FII-2010	BSE FMCG-2010	FII-2011	BSE FMCG-2011	FII-2012	BSE FMCG-2012
January	7,216.67	2725.38	-8,903.60	3366.2	9,469.14	4074.37
February	1,943.47	2662.05	-7,213.39	3432.42	23,236.38	4166.85
March	14,792.33	2831.12	7,976.89	3596.1	6,526.73	4493.1
April	2,667.37	2877.76	4.40	3755.16	-1,663.36	4772.07
May	-12,071.12	2980.55	-3,705.37	3858.14	-2,756.26	4574.26
June	7,713.95	3230.23	2,662.76	4045.42	2,794.68	4992.03
July	8,541.06	3229.86	4,281.50	4093.12	5,902.95	5045.5
August	7,537.30	3385.07	11,559.20	3949.57	7,747.11	5355.64
September	22,475.64	3719.54	3,088.87	3910.39	20,807.81	5507.36
October	14,388.06	3605.1	1,842.47	4196.59	8,442.93	5687.3
November	5,350.87	3582.71	6,508.71	4040.82	6,291.51	6037.91
December	722.19	3684.12	2,387.14	4035.31	14,366.49	5916.22

TRENDLINES OF FII AND BSE FMCG INDICES



TO FIND THE IMPACT OF FII ON BSE FMCG

CORRELATION BETWEEN THE FII'S EQUITY INVESTMENT PATTERN AND BSE FMCG

		FII	BSE FMCG
FII	Pearson Correlation	1	.235
	Sig. (2-tailed)		.168
	N	36	36
BSE FMCG	Pearson Correlation	.235	1
	Sig. (2-tailed)	.168	
	N	36	36

Regression between the FII's equity investment pattern and BSE FMCG

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1555285.175	1	1555285.175	1.986	.168(a)
	Residual	26632486.866	34	783308.437		
	Total	28187772.041	35			

a Predictors: (Constant), FII
b Dependent Variable: BSE FMCG

COEFFICIENTS (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3880.048	185.833		20.879	.000
	FII	.027	.019	.235	1.409	.168

a Dependent Variable: BSE FMCG

INTERPRETATION

From the above table, the data includes 24 observations of monthly of FIIs and BSE FMCG, the correlation and regression is calculated.
Number of Observations = 36
Correlation = r = .235and regression p= 0.168
BSE FMCG = 3880+0.027 FII

- There is positive effect of FII on BSE FMCG but the correlation coefficient is low (0.235). This means that BSE FMCG has a relation with FII but the FII is not influencing the BSE FMCG much.
- The regression coefficient is 0.168 which reflects 16.8 % variability in BSE FMCG with the independent variable how much the FII affects the BSE FMCG.It is almost unrelated.

FINDINGS

After the analysis following are the findings of the study:

1) **Impact of FIIs on SENSEX**: There is weak positive correlation effect of FII on Sensex in 2010, 2011 and 2012 but the correlation coefficient is low. This means that Sensex has a relation with FII but the FII is not influencing the Sensex much. The standard error is not high. It means that relation is true. The regression coefficient is 0.105 which reflects 10.5 % variability in Sensex with the independent variable how much the FII affects the SENSEX. It is almost unrelated.

2) **Impact of FIIs on NIFTY:** The S&P CNX NIFTY is low positively correlated with FIIs. FII are almost unrelated to nifty. The standard error is not high. It means that relation is true. FII. The regression coefficient is 0.269 which reflects 26.9 % variability in S&P CNX NIFTY with the independent variable and how much the FII affects the S&P CNX NIFTY

3) **Impact of FIIs on BSE Sector wise**

- Impact of FIIs on BSE AUTO

The correlation between FIIs and BSE AUTO is unrelated in 2010, 2011 and 2012. The BSE AUTO is weak positively correlation. FII are almost unrelated to BSE AUTO. The standard error is not high. It means that relation is true. The regression coefficient is 0.066 which means 6.6% variability in BSE AUTO due to a single factor FII.

- Impact of FIIs on BSE BANKEX

The correlation coefficient of FIIs and BSE BANKEX is unrelated in 2010,2011 and 2012. The BSE BANKEX is weak positively correlated with FIIs. FII are almost unrelated to BSE BANKEX. The standard error is not high. It means that relation is true. The regression coefficient is 0.075 which means 0.75% variability in BSE BANKEX due to a single factor FII.

- Impact of FIIs on BSE FMCG

The correlation coefficient of FIIs and BSE FMCG is unrelated in 2010, 2011 and 2012. The BSE FMCG is low positively correlated with FIIs. FII are almost unrelated to. BSE FMCG The standard error is not high. It means that relation is true. The regression coefficient is 0.168 which means 16.8% variability in BSE FMCG due to a single factor FII.

4) FIIs have less impact on Indian stock indices and other unexplained variables are also influencing the Indices.

CONCLUSION

In developing countries like India foreign capital helps in increasing the productivity of labour and to build up foreign exchange reserves to meet the current account deficit. Foreign Investment provides a channel through which country can have access to foreign capital. FII do have any significant impact on the Indian Stock Market but there are other factors like government policies, budgets, bullion market, inflation, economical and political condition, etc. do also have an impact on the Indian stock market. There is a positive correlation between stock indices and FIIs but FIIs didn't have any significant impact on Indian Stock Market.FII is not the only factor affecting the stock indices. There are other major factors that influence the bourses in the stock market.

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TREND AND PROSPECT OF PRIVATE EQUITY FUND IN ASIA-PACIFIC COUNTRIES: A LESSON FROM INDIA

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ABSTRACT

Private equity, as an asset class, is probably one of the less well-understood segments of today's financial markets though it is one of the most specialised asset classes. Private equity investments in companies involve considerable risk at an individual company level, and are broadly comparable with other asset classes at the portfolio level. Continuous improvement in savings, abundant liquidity propelled by petrodollars, sovereign wealth funds as well as hedge funds and an accommodative monetary policy that enabled a low interest rate environment accelerated the growth of private equity investment in the world as well as in Asia-pacific countries including India. Over the years, Venture capital and private equity (VC/PE) industry made their presence felt in the Indian economy as a conduit to finance young entrepreneurial firms which require substantial capital to drive growth and innovation. This paper is an attempt to explore the trend, progress and prospect of VC/PE industry in India in comparison with the other countries in Asia –pacific region.

KEYWORDS
Asia-pacific countries, India, private equity, specialised asset classes, venture capital.

01. INTRODUCTION

Financial globalization and hunger for increasing risk & return among global investors has given birth to a new genre of global financial intermediaries such as the private equity (PE). Growth in savings, abundant liquidity propelled by petrodollars, sovereign wealth funds as well as hedge funds and an accommodative monetary policy that enabled a low interest rate environment accelerated the growth of private equity investment in the world. Since 2000 various regulatory changes such as pension fund reforms and numerous financial innovations like securitization motivated the growth of alternative asset classes like private equity and more particularly, the leveraged buyout industry. Venture capital and private equity (VC/PE) industry has originally evolved as a conduit to finance young entrepreneurial firms which require substantial capital to drive growth and innovation. These enterprises are characterized by major intangible but limited tangible assets, expect a period of negative earnings and have uncertain prospects which makes debt financing difficult (Povaly; 2007). Similarly, private equity organizations finance firms trapped in troubled waters which typically find it difficult to pull debt finance. Private equity organizations finance in high risk situations and expect high rewards in return. They have been facilitating the productive use of existing assets and resources, usually by identifying companies with untapped potential and reorganizing their operations in ways that improve their value. While venture capital firms invest in early stage, low profitable firms and rarely use bank debt, PE sponsors usually buy mature, profitable businesses *via* leveraged/management buyout transactions finance the transactions with large portion of bank debt and assume control of board of directors but are less likely to assume operational control. They protect the value of their equity investments by conducting careful and extensive due diligence before making an investment regarding business, financial, regulatory and environmental issues relevant for the company in question.

Today, VC/PE funds have become a crucial source of finance for corporate and has earned the status of an important asset class. It is the provision of capital and management expertise to companies in order to create value and subsequently, with a clear view to an exit, generate capital gains after a medium to long holding period. Private equity investors draw capital from a defined pool; and invest predominantly in unquoted companies on the basis of a medium to long-term strategy and holding period with a focus on financial gain through exit by sale or flotation. They have dedicated professional team; negotiated contractual relationship with qualified / professional investors; and involve active ownership driving value creation. Further, they have strong self-regulation with defined reporting and valuation requirements; and involving stand-alone management of each individual company.

Over the years, VC/PE industry made their presence felt in the Asia – pacific countries and more particularly in Indian economy too. It has now become a potential source of corporate finance supplementing the traditional sources of resource mobilization such as public equity issues, private placements, euro issues and external commercial borrowings in these regions. The key driving factors behind the major flow of PE capital into India are its strong macro-economic fundamentals characterized by high growth rate, high gross domestic investment, burgeoning domestic customer market, stable democratic government & credible legal framework, a well-established public equity market and one of the best higher education systems in the emerging market and widespread knowledge of English. In fact, private equity interest grew from 2003 onwards when the domestic stock markets recorded higher returns in India. A booming secondary market and regulatory reforms in the primary market widened the exit possibilities for private equity firms and hence attracted them to India. Over the last few years, private equity has emerged as a key source of finance for the cash strapped small and medium enterprises, infrastructure sector, education and environment sensitive sectors too. In India, the terms "venture capital" and "private equity" or "risk capital" are often used interchangeably. For the purposes of this paper, private equity is used as the generic term to encompass all the sub-sets of financing stages which comprise venture capital, expansion capital, and management buy-outs and buy-ins.

02. OBJECTIVES AND RESEARCH METHODOLOGY

The present study is basically analytical in nature and aspires to make an overall evaluation on the trend, progress and prospect of private equity capital in Indian economics along with in Asia-pacific countries. This study also tries to explore reasons behind uncertainty in PE flows, with a view to envisage its future in India. To be specific, the main objectives of the study are:

- To explain the conceptual aspect of Venture Capital / Private Equity (VC/PE) capital or fund
- To describe need for VC/PE fund particularly in the developing countries.
- To explore the history of private equity capital.
- To explain VC/PE fund in global perspective and in the context for India.
- To examine the prospects and problem of VC/PE fund in Indian economics.

Accordingly, the reminder of the paper is organised as under. Section two laid down the conceptual aspect on VC/PE fund. Section three narrates benefits of the same; while section four investigates into the history of private equity capital. Section five presents a brief sketch on the trend and progress of VC/PE funds in the world. Section six explain trend and progress of VC/PE fund in India, prospect of the same and point out various problems those are need to be solved for a healthy growth of private equity market in this region. The last section is devoted for concluding observations.

The study is basically exploratory in nature and depends exclusively on secondary data. Secondary data are collected from various reports published by Bain and Co. Inc, KPMG, Price water house cooper (PWC) and EMPEA (Emerging Market Private Equity Association), IVCA (Indian Venture Capital Association, the Altasset (Private Equity Placement & Advisory) Newsletter, the Fourth Wheel (Private Equity in the Indian Corporate Landscape) Newsletter. Parameters like ratios, percentage of growth and others are considered for some meaningful comparison and to derive some concrete conclusion.

03. PRIVATE EQUITY: CONCEPTUAL ISSUES

3.1 MEANING OF PRIVATE EQUITY

A private equity is a collective investment scheme or reserve capital used for making investments in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with private equity firm. However, there is no universally agreed definition of private equity. Various academic studies and private equity associations in different countries have defined private equity in a diverse way depending on their activities in those countries. Lerner (1999) broadly defines private equity organization as partnerships specializing in venture capital, leveraged buyouts (LBOs), mezzanine investments, build-ups, distressed debt and other related investments. Fenn, Liang and Prowse (1995) have identified them as 'financial sponsors' acquiring large ownership stakes and taking an active role in monitoring and advising portfolio companies. Ljungqvist and Richardson (2003) describes private equity as an illiquid investment since there is no active secondary market for such investments, investors have little control over investment pattern and investment profile covers a long horizon. The European Venture Capital Association defines private equity as the provision of equity capital by financial investors – over the medium or long-term – to non-quoted companies with high growth potential. It is also called 'patient capital' as it seeks long term capital gains rather than short term regular reimbursements. Similarly, the International Financial Services, London discussed private equity as any type of equity investment in an asset in which the equity itself is not freely tradable on a public stock market. Private equities are generally less liquid than publicly traded stocks and are thought of as a long-term investment.

All private equity firms are organized as limited partnerships with a fixed term of 10 years (often with annual extensions) where private equity firms serve as general partners and large institutional investors and high net worth individuals providing bulk of the capital serve as limited partners (Metrick & Yasuda; 2008). There are also other types of structures which are controlled and managed by the specific private equity firm acting as the general partner (GP). A limited partnership is sometimes known as a "fund". In this case the general managers of the limited partnership are known as the "management company". Many times there will be a separate and unique company that is associated with the general partner. Equity funds get their capital commitments from investors who are qualified. This includes funds from financial institutions, pension funds, as well as money from individuals who have invested a certain amount of their funds. The investors who have provided this capital become a "passive" partner within the hierarchy of the partnership. The investor is permitted to "call" the equity capital when an investment opportunity is announced by the general partner. At this time the limited partner will fund a portion, or pro rata, of its share of the required commitment. The general partner makes all of the decisions about the private equity fund and is also in charge of managing the fund's portfolio. The portfolio contains all of the fund's investments. During the span of a fund, which can be as long as ten years, the equity fund will make anywhere from 15 - 25 different types of investments. In most cases one particular investment won't exceed more than 10% of the total commitments of the fund. A private equity fund will earn gross returns of over 20% annually. The general partner of a private equity fund will be compensated, or paid, with a management fee based on a certain percentage of the total amount of the fund's capital. Usually the management fee will be 1% to 2 % annually of the total amount of capital that has been committed. As well, the general partner will earn a "carried interest" which is essentially a performance fee that is based on the total amount of profits that have been earned by the fund and go up to 20% over and above the hurdle rate (target rate of return).

3.2 MAJOR PARTICIPANTS IN PRIVATE EQUITY MARKET

There are three major participants in private equity market (Povaly, 2007)-

i. Issuers or firms who were seeking private equity. These issuers are usually firms that do not have recourse to an alternative source of financing such as a bank loan, private placement or the public equity market (IFSL Research, 2008). These firms vary in their size and reasons for acquiring capital.
ii. Financial intermediaries which are private equity funds themselves. These are mostly organized as limited partnerships where investors who contribute to the fund's capital are limited partners, while the professional managers running the fund serve as the general partners.
iii. Investors who are contributing capital to private equity firms. These may include public and corporate pension funds, endowments, foundations, bank holding companies, investment banks, insurance companies and wealthy families and high net worth individuals (HNI).

3.3 DIFFERENCE BETWEEN PRIVATE EQUITY, VENTURE CAPITAL AND HEDGE FUND

Presently there is lot of ambiguity surrounding the concepts of private equity and alternative investment channels like venture capital and hedge funds. Venture capital is a subset of private equity which is guided as equity investments for the commencement, early development or expansion of a business. It emphasised on entrepreneurial undertakings rather than on mature businesses. The concept of private equity and venture capital were used interchangeably in most of the literature. Hedge Funds differ from private equity firms in terms of their time-to-hold, liquidity, leverage and strategic direction of investments which in turn guided the differences in their exit strategy, risk tolerance and desired rate of return of the two types of funds. Hedge funds seek a quick return of their investments with the average length of their investments being 6-18 months, whereas the time horizon of private equity investment is around 3-5 years. Hedge funds are also inclined towards volatile withdrawal of investments as opposed to private equity firms which are focussed on long term returns. However, of late, it has been observed that the arena of activities of such institutional investors is not mutually exclusive. Many private equity firms own hedge funds and make long term investments in hedge funds. Further, attracted by the significant returns in leverage buyout deals, many hedge funds have joined hands with private equity players to make large buyout deals. Given the differences in activities and risk tolerance of the two players coupled with the absence of any reliable public reporting norms of their activities, the synergy between the two players has raised regulatory concerns, of recent.

04. BENEFITS OF PRIVATE EQUITY FINANCE

In recent times, private equity finance has become very much popular in developed as well as in developing countries because it not only serve to the concerned company but also provide numerous benefits to the industry, country and the society at a large. A survey on 119 PE-sponsored firms in Asia conducted by KPMG has establish that most private equity firms conceptualise 'provision of capital' as their most important contribution towards growth of business followed by optimizing company's financing structure, general management guidance at the board level, aptitude to recruit the best managers to run the business, improve corporate governance and development of business processes. Host companies also benefit from international network of contracts like inoculation of international know-how, *etc.* Several studies have also documented that private equity/venture capitalists speed up product commercialization (Hellman and Puri; 2000), adoption of human resource development policies and strengthen commercialization strategies of the companies (Gans, Hsu, Stern; 2002; Hsu, 2006).

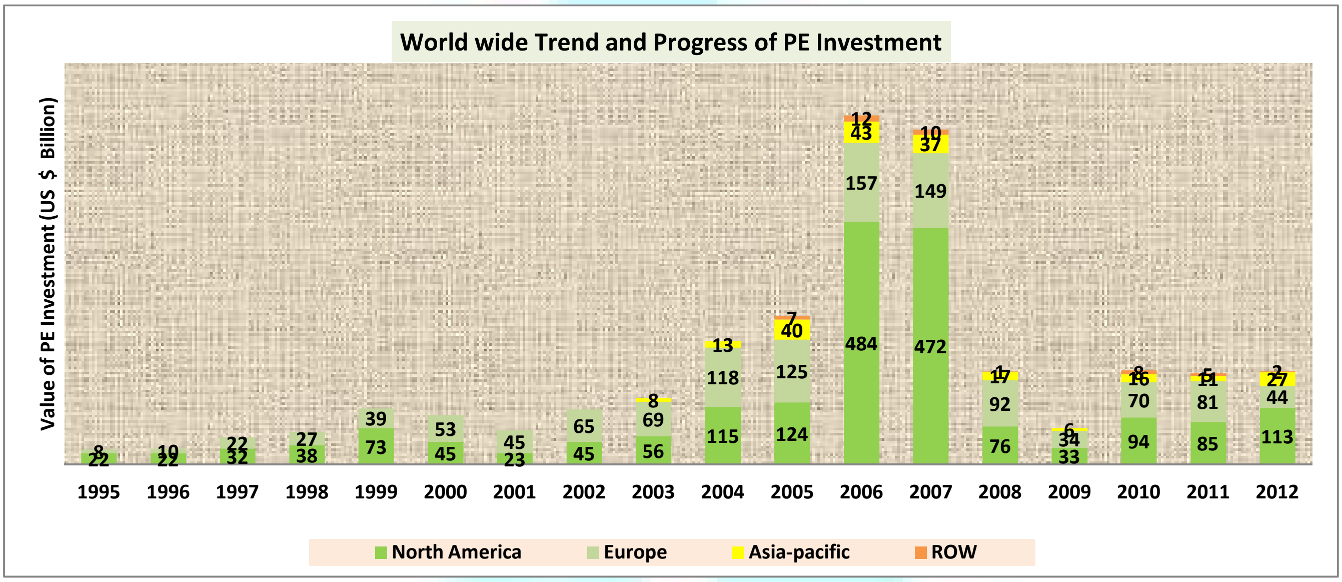
During a systemic crisis, private equity firms can balance the system through brisk trading because of their long term funding requirements (Persaud: 2008). Private equity fund also looked upon as a 'company builders' as they provide 'venture capital'. It helps a company to execute better in several ways. A survey of firms receiving private equity investments in Australia in 2006 has shown that PE investors encourage collaboration with universities in R&D. They outline portfolio companies innovative strategies by investing at the right time and making them public at the right moment (Rin and Penas; 2007) and thus freeing of capital to reinvest it in new ventures (Michelacci and Suarez; 2004). They inspire management for add-on acquisitions or for launch of new higher margin products or markets. A survey of PE-firms in Asia-Pacific by KPMG has shown that in India, the average share price of PE-sponsored companies trading for 501-616 days rose by 195 per cent, while non-PE sponsored companies' stock gained only 99 per cent. PE-firms are also extending several social benefits such as improving environment, building infrastructure, encouraging R&D and upgrading human capital. The survey of Australian PE firms has shown that investee companies help in productivity improvements and ongoing Australian R&D. IFSL Research study find that private equity backing companies in UK accounted for the employment of approximately 3 million people in 2007. This is equivalent to 16 per cent of UK's private sector employees. According to Venture Intelligence, the growth in employment in private equity firms (8 per cent) is greater than in other private sector firms (less than one per cent in FTSE 100 companies). A survey of Indian PE firms has also shown that PE-backed firms have shown higher annual wage growth of around 32 per cent as compared with 6 per cent growth in non-PE backed firms. Annual sales grew by over 22 per cent in PE-backed firms as compared with 10 per cent in non-PE backed firms. Private equity also benefits the economy at large by incentivising capital formation, optimizing allocation of resources, encouraging competition and thereby raising social welfare of the economy as a whole.

The role of private equity in developing economy like India may broadly be described as arranging capital for the capital starved sectors such as SMEs and infrastructure, emerging sectors like realty, telecom, IT, *etc*., restructuring of loss making companies as well as the high value agriculture sector. With better policy support, private equity can revolutionise the disinvestment process in India. This will require policy support such as relaxation of archaic labour laws and land legislations that have hitherto disabled transfer of capital and other resources into more productive pursuits.

05. PRIVATE EQUITY CAPITAL: GLOBAL PERSPECTIVE

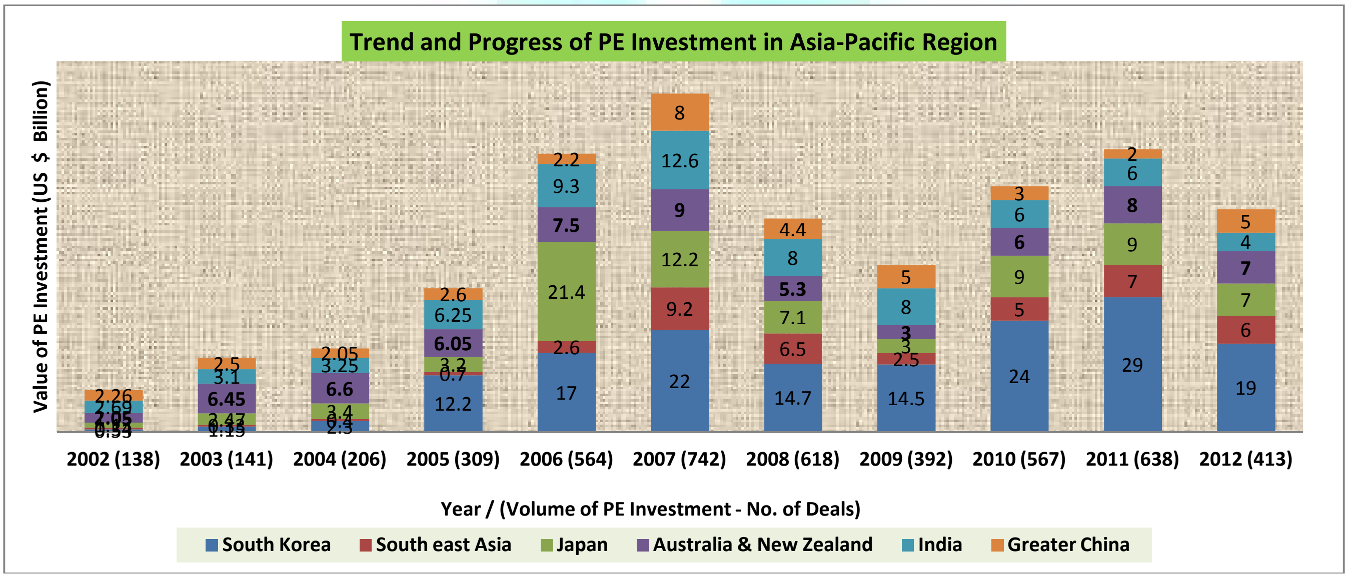
Soon after World war II the PE industry have grown up simultaneously in US and Europe . However, the degree and pace of development of the PE market varied significantly on the two continents since then (Povaly; 2007). The first formal PE firm, ARD was established after World War II in 1946 in the US. But the PE industry started a rapid growth after the 1970s due to post amendment to the so-called 'prudent man' rule governing the pension fund investments and lowering of capital gains tax rates in 1978. The import and indigenous development of private equity in Asia-pacific region like Malaysia and Singapore was aided by the PE support policies of the State as well as inflow of money from public sources. According to an OECD report, approximately 3,000 private equity funds are currently operating worldwide managing over US$ 1.5 trillion. According to the India Private Equity Report published by Bain and company. Inc, global private equity Investment (global buyout deal value) increased to a peak of US$ 696 billion in 2006 from just US$ 30 billion in 1995, recording a growth of over 230.0 per cent. The global private equity industry is dominated by north American countries, particularly US and Canada **(see Graph 1).** United States accounted for around 62.0 per cent of total global fund raisings and more than 57.0 per cent of global PE investments in 2012. But after 2007 global private equity investment showed no significant increase except North America. The Asia-Pacific market declined by approximately 20%, and South Korea was the only nation to see an increase in PE activity **(see Graph 2).** Decreasing deal values in both India and China played a large part in causing decline in PE investment in Asia-pacific region. One of the main reasons for the declining PE investment is that LPs are showing more caution when allocating funds and becoming increasingly picky about the fund managers they work with. The factors contributing to the cautious approach of LPs are – Changing macroeconomic environment, sustained pressure on exists, expectation mismatch over asset valuation and concern about return.

GRAPH - 1



Source: Bain IVCA VC/PE research survey 2013

GRAPH – 2



Notes: *Investments with announced deal value only done in APAC (GC, SEA, ANZ, Japan, South Korea and India). Includes only closed deals, deals in agreement in principle or definitive agreement status. Does not include bridge loans, franchise funding seed/R&D and concept deals. Excludes all non PE / VC deals (such as M&A, consolidation, acquisition). Excludes deals of value less than $10 million. Excludes real estate, hotels & lodging and infrastructure (airports, railroad, highway, other heavy infrastructure). Excludes large domestic transfers from SWF to government (such as CIC investing in Bank of Communications). Greater China includes China (PRC), Taiwan, Hong Kong and Macau; SEA (Southeast Asia) includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.*

Source: *Asian Venture Capital Journal (22.01. 2013)*

06. TRENDS, PROGRESS AND PROSPECTS OF PRIVATE EQUITY CAPITAL IN INDIA

6.1 TRENDS AND PROGRESS OF PRIVATE EQUITY CAPITAL IN INDIA

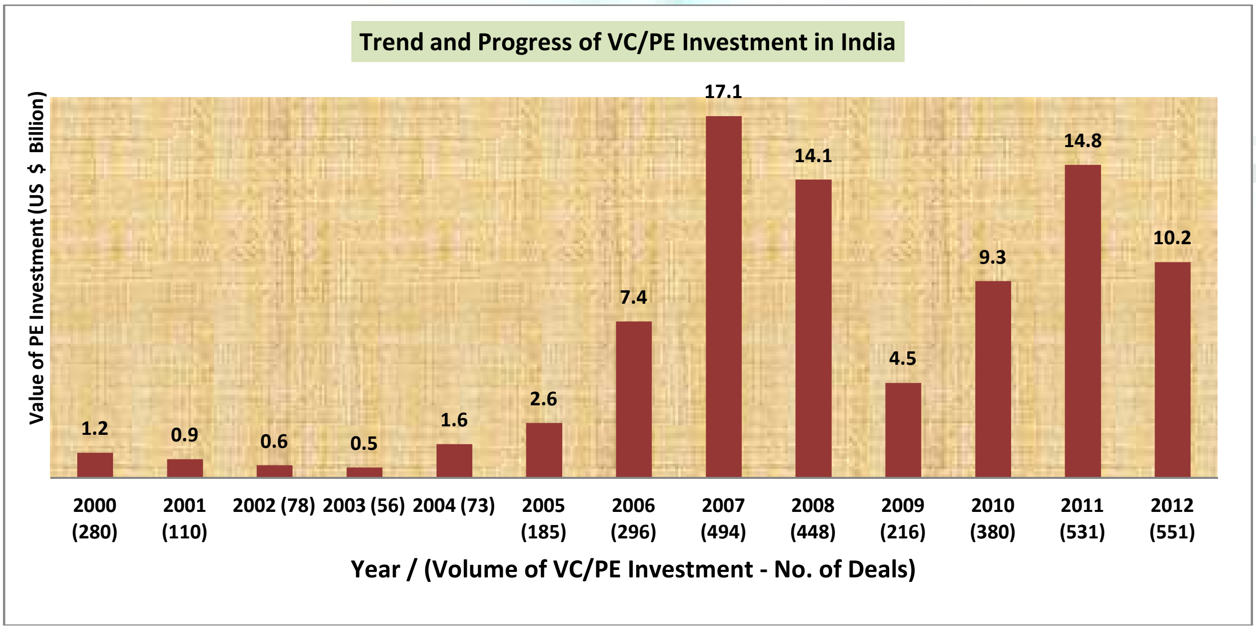
The history of private equity in most of the South Asian regions started with venture capital firms which later graduated themselves into indigenous private equity firms by widening their activities. The seed of the Indian private equity (PE) and venture capital (VC) was laid in the mid 1980's. and it scaled new heights in 2000 primarily because of the success demonstrated by India in assisting with Y2K related issues as well as the overall boom in the Information Technology (IT), Telecom and the Internet sectors, which allowed global business interactions to become much easier. In fact, the total value of such deals done in India in 2000 was $1.2 billion and the average deal size was approximately US $4.14 million. The first generation venture capital funds, which treated as a subset of private equity funds were launched by financial institutions like ICICI and IFCI. For encouraging start-up ventures in the private sector and emerging technology sectors ICICI launched its venture capital scheme in 1984. This was followed by the establishment of 'Technology Development and Information Company Ltd' and IFCI sponsored 'Risk Capital and Technology Finance Corporation of India Ltd'. Commercial banks like Canara Bank also came up with their own venture capital funds - CanBank Venture Capital Fund Limited. Subsequently, various regional venture capital funds started their activities in Andhra Pradesh, Kerala and Gujarat e.g. Andhra Pradesh Industrial Development Corporation (APIDC), Kerala Ventuer Capital Fund Private Limited, Gujrat Venture Fund Limited. In late 80's and early 90's, various private sector funds also came into being like IL&FS Investments Managers Limited, Kotak Mahindra Finance Ltd, Punjab Venture Capital Limited etc. Between 1995-2000, several foreign PE firms like Baring PE partners, CDC Capital, Draper International, HSBC Private Equity, Merlion India Fund (Standard Chartered Private Equity) and Warbug Pincus also started their function in India. During the mid 1990's, laws for venture capital funds formally started taking shape. The Securities and Exchange Board of India issued the SEBI (Venture Capital Funds), Regulations, 1996. These regulations were amended in 2000 on the recommendations of K.B. Chandrasekhar Committee. According to Euromonitor, VC/PE investment in India reached at 0.5 % of GDP in 2012 which is higher than those of China (0.26%) and Brazil (0.26%).

Investing in India came crashing down when NASDAQ lost 60 percent of its value during the second quarter of 2000 (the technology boom burst) and other public markets including those in India also dropped substantially. Consequently, during 2001-2003, with a view to minimize risks, the PEs started investing less in new companies and more in matured companies. Many foreign PE investors fled India during that period. Investment activity revived in 2004 with the upward trend in domestic stock market. Six PE-backed companies went public successfully. Investment focus also turned towards non-IT investments like manufacturing, healthcare and those dependent on domestic consumption growth.

In India, private equity has been emerging as a potential source of corporate finance supplementing the traditional sources of resource mobilization such as public equity issues, private placements, euro issues and external commercial borrowings. Today, India is among the most attractive investment destinations globally, driven by a combination of strong macro-economic fundamentals, an improving regulatory and policy environment, high gross domestic investment and a booming stock market. A well regulated and attractive secondary market and regulatory reforms in the primary market widened the exit possibilities for private equity firms and hence attracted them to India. Even though the global economy as a whole experienced several corrections in its recovery from recession, India was able to continue its growth trajectory. India is generally considered a "must have" destination for foreign institutional and private equity investors, who recognize the potential of Indian companies to generate high returns leveraging on the country's economic growth. Various sectors of the economy like IT, ITES, FMCG, real estate, retail, education etc. also have grown rapidly. Recognizing the macroeconomic indicators and the investment environment in India, PE investors, have played a significant role in the development of several sectors in India over the past decade. Important among them are, technology, healthcare, telecom, retail, education etc. Over the last few years, private equity has emerged as a potential source of finance for the cash strapped small and medium enterprises, infrastructure sector and environment sensitive sectors too. The number of private equity deals in India increased from 280 in 2000 to 551 in 2012 with the total investment rising from US$ 1.2 billion in 2000 to US$ 10.2 billion in 2012 **(see Graph 3).** An important feature of the resurgence in the PE activities in India since 2000 has been diversified in nature **(see Graph 4).** The investors, in terms of value of Investment focused on almost all the sectors, e.g., IT and ITES (IT Enabled Services, commonly known as Business Process Outsourcing or BPO), Real Estate and infrastructure, Banking and financial (BFSI), pharmaceuticals and healthcare, Media and Publishing, Power and Energy, textile and Apparels, Manufacturing, Automotive, Hospitality, FMCG, Food and Beverages, Engineering, Retail, Logistics, Education, Electrical and Electronics. This was mainly because the growth in the Indian economy was no longer limited to the IT & ITES sector; it was also spreading more evenly to other sectors as well.

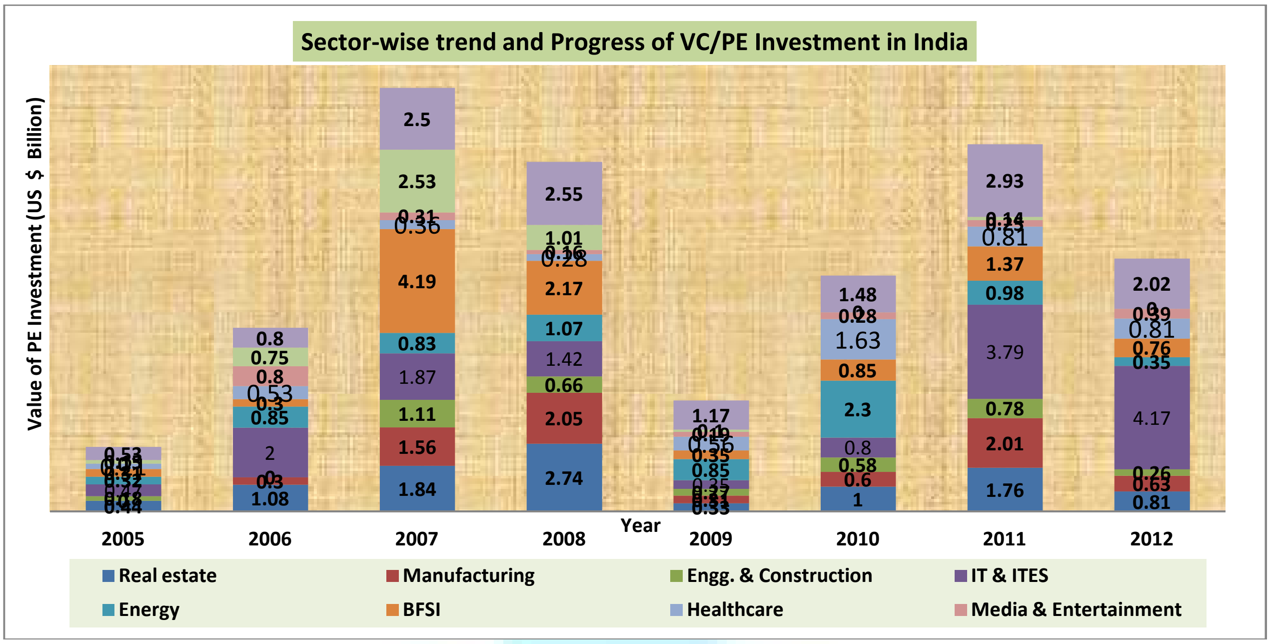
In India, private equity is not a regulated activity (Gopinath; 2009). However, indigenous and foreign venture capital funds are controlled and regulated by SEBI (Venture Capital Funds) Regulations, 1996 and Foreign Venture Capital Funds Regulations, 2000. Further, private equity/venture capital funds investments from abroad have to stick to the restrictions on foreign capital inflows. In other words, although there may not be any open regulations for private equity fundraising and investment in India like in US and UK, private equity funds are regulated within the ambit of existing regulations. This legislation enumerated the norms for registration of venture capital funds, investment conditions and restrictions, general obligations and responsibilities and investigation and inspection. Again, foreign venture and private equity funds came to invest in India through the FDI route. Foreign investments, either through FII route or FDI route, are subject to sectoral caps. Government of India has imposed investment limits for FIIs of 10 per cent and the maximum FII investment in each publicly listed company may at times be lower than the sectoral cap for foreign investment in that company. Under the FDI route, FIPB approval is required for foreign investments where the proposed shareholding is above the prescribed sector cap or for investments in sectors where FDI is not permitted or where it is mandatory that proposals be routed through the FIPB.

GRAPH: 3



Source: Bain IVCA VC/PE research survey 2013

GRAPH: 4



Notes: *"Others" includes consumer products, hotels and resorts, retail, shipping and logistics, textiles, education and other services; ITES is information technology enabled services; BFSI is banking, financial services and insurance*

Source: *Bain IVCA VC/PE research survey 2013*

6.2 PROSPECTS OF PRIVATE EQUITY CAPITAL IN INDIA

According to UK research firm Preqin, globally around 675 private equity funds raised approximately $320 billion in 2012, but a total of 55 funds have a mandate to invest in India and the total fund value allocated to India was only $3.5 billion, down from $6.8 billion in 2011 —a substantial drop and an indicator of the change in global attitudes towards India. Actual VC/PE investment fall from $14.8 billion in 2011 to $10.2 billion in 2012; however, the number of deals increased from 531 to 551 over this period. At 4%, this increase is very low, in line with the overall mood of caution in the market last year. This restraint, coupled with a decline in the total funds invested, saw deal size significantly impacted, with average deal size falling from $28 million in 2011 to $18.4 million in 2012. Early-stage growth and venture capital (VC) have played a critical role in deal making in 2012, with the number of early-stage deals under $10 million almost doubling to 244. Also, the top 25 deals made up only $4.3 billion, as opposed to $5.9 billion in 2011, and the average deal size at the top 25 dropped by almost a quarter to $175 million per deal last year. Investment is rising in consumer sectors, particularly in healthcare. Investments in healthcare nearly tripled over the past few years, improved from $0.46 billion to nearly $1.3 billion in 2012. The number of deals also rose by 50%, with 44 deals made in the sector in 2012. About 140 healthcare companies have received investment over the past five years, with 15% to 20% raising more than one round of capital.

As India's PE sector matures, there is no doubt that LPs are becoming more selective with their investments and are showing increasing caution when allocating funds. However, global private equity investment showed no significant increase in 2012, continuing 2011's trend towards flat growth. North America was the strongest-performing market, while activity in Asia fell around 20% over 2011. Although these issues create some cause for concern, we have reason to believe that the fundamentals of the Indian PE market are sound. The LPs and GPs were unanimously believe in the long-term potential of private equity in India and in India's growth story. While the economy may have slowed down, GDP continues on its upward trajectory, bringing continual increases in trade flows, industrial production and consumer spending. India's middle class grows by the day, pushing more and more households above the baseline for additional spending and creating a thriving upper middle class, with large disposable incomes. The VC/PE market in India is showing signs of maturity with all key stakeholders becoming more comfortable with the idea of private equity (PE) funding. The GOI becoming more proactive and bring forward some key pieces of legislation along with SEBI to create greater transparency in the regulatory environment. In 2012, 80% of funding came from overseas investors, a theme that has been observed since the early days of private equity investment in India. The private equity investors from around the world are increasing their bets on Indian corporate or making new ones. Some of the prominent players in all include big name US firms like Blackstone Group, Carlyle Group and General Atlantic Partners, and Britain's Actis Partners. Local firms such as ICICI Venture Funds Management Ltd. and Kotak are also stepping up VC/PE investments.

6.3. MAJOR PROBLEMS NEED TO BE SOLVED FOR A HEALTHY PRIVATE EQUITY MARKET IN INDIA

Bain IVCA VC/PE research survey - 2013 identifies the following factors as challenges and barriers to VC/PE industry in India:

(i) Challenges to exist; (ii) Bad corporate governance; (iii) mismatch in valuation expectation; (iv) Non supportive regulatory environment; (v) Difficulty in generating value from portfolio companies; (vi) Tough competitive environment; (vii) volatile macroeconomic factors; (viii) Unwillingness of the promoters or CEO to sell any stake; (ix) Non-supportive regulatory framework, and (x) limited availability of investment professional.

07. CONCLUSION

The beginning of VC/PE industry has reshaped the entrepreneurial climate in India. They help in the productive use of existing assets and resources, usually by identifying companies with untapped potential and reorganizing their operations in ways that will increase their value. In fact, the concept of 'financial inclusion agents' may be extended beyond the purview of banks to include enterprises like 'private equity firms' which can supply much needed and timely financial assistance to sectors like small and medium industries, infrastructure sector with long gestation periods and excess capacities in the short run, high value agriculture investments *etc.* For achieving a 9.0 per cent growth and a lot more scope remaining for infrastructure development, private equity investment will have a decisive role to play in the coming years. However, the rapid growth and globalization of the PE industry has raised demands for increased regulation and disclosure within the sector due to concerns regarding anti-competitive behaviour, excessive tax benefits and stock manipulation. There is a need to clearly define in our regulations as to what is a private equity firm and the kind of activities they are allowed to pamper in India. At present there is no provision in our existing regulations to report the sources of funds and investments of private equity firms on a regular basis. Hence it is necessary that private equity firms originating in India be asked to file an annual report explaining fund raising and investments activity in a year. At the same time, it is important to create a conducive environment for the development of a lively private equity market by relaxing both entry and exit barriers for the industry. To support this, there is a need to relax caps on FDI sectors especially infrastructure and technology intensive sectors, easing of norms on repatriation of profits, reform of labour laws and urban land ceiling legislation, rationalisation of tax laws to bring transparency and stability in tax policies and expediting capital market reforms such as developing corporate debt market and shortening of the IPO process to enable smooth flow of capital to more productive sectors.

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CORPORATE ENVIRONMENTAL REPORTING IN THE CONTEXT OF RECENT CHANGES IN REGULATORY FRAMEWORK WITH SPECIAL REFERENCE TO INDIA

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ABSTRACT

Environmental Accounting and Reporting is a new addition to the legal jurisprudence. The global state actors have already taken some greening accounting initiatives under the forum of the United Nations Division for Sustainable Development, the United Nations Statistical Division, and the United Nations Conference on Environment and development known as Earth Summit in Rio de Janeiro, Johannesburg Conference 2002, Kyoto convention etc. This study will provide an overview of the environmental accounting and reporting laws and regulation across the countries based on secondary sources. An attempt has been made in this paper to summarise laws and guidelines relating environmental accounting and reporting in some selected countries. We investigate how environmental disclosures vary under environmental laws across the countries. To this end, we investigate Environmental Accounting and Reporting laws and guidelines in India. We found that Environmental Accounting regulation in India is still at nascent stage. In the absence of suitable enforcement mechanisms, real convergence and harmonization is unlikely to happen.

KEYWORDS

GRI, International Integrated Reporting Committee (IIRC) , International Financial Reporting Standards (IFRS), IAS.

1. INTRODUCTION

Worldwide growth of public concern for the natural environment has been one of the most important developments in recent decades. Globalization has helped connect societies and their environmental fates more closely than ever before. At the same time, environmental problems increasingly transcend national borders and pose serious challenges to the health of the planet. The development of more effective environmental laws and legal systems throughout the world has thus become critical to directing economic development and growth onto a path of environmental sustainability.

Guidelines regarding issues on environmental accounting have been issued by many organisations such as Financial Accounting Standard Board's (FASB) Emerging Issues Task Force, Canadian Institute of Chartered Accountants, United Nations Inter- Governmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR).

As regards environmental reporting different organisation such as International Integrated Reporting Committee (IIRC), GRI, FEE, FASB and ISAR also issued guidelines which are of advisory in nature.

1.1 OBJECTIVE OF THE STUDY

The objective the study is to provide an overview of the environmental accounting and reporting laws and regulation across the countries based on secondary sources. An attempt has also been made to examine the need for comprehensive Environmental Accounting and Reporting Laws in India.

1.2. IAS AND IFRS

IAS is International Accounting Standards (IAS) which were issued between 1973 and 2001 by the International Accounting Standard Committee (IASC). On 1 April, 2001, IASC was replaced by International Accounting Standards Board (IASB). Since then International Accounting Standards Board (IASB), based at London - UK is now responsible to issue International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). IASB is an independent body and consists of members from nine different countries around the globe having variety of functional backgrounds. During its first meeting the Board adopted existing IAS and SICs. The IASB has continued to develop standards calling the new standards IFRS.

International Financial Reporting Standards (IFRS) are Standards, Interpretations and the Framework for the Preparation and Presentation of Financial Statements set and adopted by the International Accounting Standards Board. IFRS has replaced the older term international accounting standard. Many of the standards forming part of IFRS are known by the older name of International Accounting Standards (IAS). IFRS are considered "principles based" set of standards in that they establish broad rules as well as dictating specific treatments. International Financial Reporting Standards comprise:

a) International Financial Reporting Standards (IFRS) - standards issued after 2001.
b) International Accounting Standards (IAS) - standards issued before 2001.
c) Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) - issued after 2001.
d) Standing Interpretations Committee (SIC) - issued before 2001. There is also a Framework for the Preparation and Presentation of Financial Statements which describes of the principles underlying IFRS.

IFRS 6 directly deals with extractive industries and IFRIC 5 provides the guidance for decommissioning, rehabilitation and restoration of environment related expenditure. Rights (allowances) to emit pollutant continue to be treated as intangible assets to be accounted for according to IAS 38 (Intangible Assets). Furthermore, it is important to note that a number of other standards provide an indirect support for the recognition, measurement and disclosure of environmental assets and liabilities. IAS 37 (provisions for contingent liabilities and assets) can be linked to environmental liabilities. IFRS 3, IAS 27, IAS 28, IAS 31, IAS 24 and IFRS 8 respectively deal with business combinations, investments in joint ventures and associates, related party disclosures, and specify the reportable segments of a geographically dispersed global company.

Our analysis of IAS/IFRS shows that no international standard is exclusively dedicated to environmental information, but environmental issues are mentioned in several standards and interpretations. They deal directly or indirectly with the recognition, measurement and disclosure of environmental expenses, assets, and liabilities. The debate as to whether to capitalize Environmental Capital Expenditure (ECE) or to expense it rages on. Whereas FASB (1989, 1990) requires that ECE be capitalized considering that they are long-lived pollution abatement expenditure, certain critics however query the rationale considering on their part that since such expenditures do not result in incremental future economic benefits, ECE should be expensed in current year (CICA 2003). According to Clarkson and Richardson (2004:330), there is a consensus that site remediation costs should be expensed since there are no incremental future economic benefits.

The challenge facing possible international standards, the IASB is that there are not yet agreeable standards on environment costs and particularly, valuation of natural resources inventory for the balance sheet or valuation for depletion or degradation. For example, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB:2004) on the emerging Markets for Emission Rights in the European Union released two interpretations – IFRIC 3 Emission Rights and IFRIC 4 which determine whether an Arrangement contains a Lease. No sooner than these releases were made than they were subsequently withdrawn in June 2005. Reasons were:

1. Markets for Emission Rights although developing, but were still thin, and
2. That there was need to comprehensively provide for the development at the appropriate time.

These **standards and interpretations are analyzed in the Appendix 1.**

1.3. KYOTO PROTOCOL

The issues on environment arising from the Kyoto Convention have further implications for need for compliance to regulations for pollution prevention and environmental protection. Besides, it touches on Carbon Allowances for nations and accounting valuation for Carbon Trading among trading nations.

The Kyoto protocol is a 1997 international treaty which came into force in 2005, which has introduced a cap and trade system for the six major greenhouse gasses. In Cap and Trade scheme, governments issue rights or allowances to participating entities to emit specified level of emissions. According to Wikipedia encyclopaedia, emissions trading (or Cap and Trade) is an administrative approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants. A central authority (usually a government or international body) sets a limit or *cap* on the amount of a pollutant that can be emitted. Companies or other groups are issued emission permits and are required to hold an equivalent number of *allowance (or credits)* which represent the right to emit a specific amount. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emissions must buy credits from those who pollute less. The transfer of allowances is referred to as a trade. In effect, the buyer is paying a charge for polluting, while the seller is being rewarded for having reduced emissions by more than was needed (Wikipedia). The issues on environment arising from the Kyoto Convention have further implications for need for compliance to regulations and for pollution prevention and environmental protection.

Many companies in worldwide have started establishing system for reducing carbon dioxide emissions in the atmosphere. Many related accounting issues have arisen due to carbon trading which must be answered by accounting bodies.

1.4. ENVIRONMENTAL REGULATORY FRAMEWORKS IN SOME SELECTED COUNTRIES

In several countries, various regulations impose corporate reporting requirements on environmental issues. This section explores the regulations on mandatory environmental reporting for companies in some selected countries.

As contained in Environmental Management Accounting, IFAC (2005:79), the European Commission in 2001, adopted a recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and reports of companies. This recommendation was to enable for reporting of high levels of environmental issues in annual accounts and reports of companies. Although EC recommendations were voluntary, but European Countries in 2003, have made the reporting of environmental issues in annual accounts and reports mandatory.

DENMARK

In Denmark, green accounting and corporate reporting environmental issues are increasingly pursued. System of National Accounts is not the focus of this study though, but attention will be on corporate financial accounting reporting and managerial accounting for internal management. According to EMA in IFAC (2005:79), Green Accounting in Denmark requires EMA material accounting in companies. Companies therefore, require in their reports the following:

- data on consumption of water, energy and raw materials
- significant types and volumes of pollutants emitted to air, water and soil;
- significant types and volumes of pollutants in production processes, waste or products.

NORWAY

The Enterprise Act of 1989 in Norway requires that Board of Directors' Report should include information on the levels of pollution emission, contamination and details on the measures undertaken or planned in the pollution prevention activity (Roberts, 1992; Salomone and Gallucio 2001). The accounting Act (1999) requires that all companies includes more detailed environmental information in Director's reports in annual financial reports from 1999 onwards.

AUSTRALIA

Australia is seen to have a mix voluntary-regulatory framework on environmental disclosures. Local standard-setters have not issued any specific standards or guidelines on environmental accounting and disclosure. However, the issue of liability recognition is dealt with in the Statement of Accounting Concepts (SAC) 4: *Definition and Recognition of Elements of Financial Statements* and the issue of the disclosure of relevant and reliable information is dealt with in SAC 3: *Qualitative Characteristics of Financial Information*. In addition, the notable Section 299(1) (f) of Corporations Act 2001 requires that a directors' report for a financial year must:

If the entity's operations are subject to any particular and significant environmental regulation under a law of the commonwealth or of a state or territory – give details of the entity's performance in relation to environmental regulation (Yusuf and Lehman 2006).

In general, Australia has an extensive suite of environmental legislation that can affect corporations by way of restricting or regulating their business practices that may have impacts on the environment by creating assessment, compliance and reporting measures. Among them are Environmental Protection and Biodiversity Conservation Act 1999, Renewable Energy (Electricity) Act 2000, Australian Forestry Standard 2002 and numerous State government's enactments and enforcement strategies (Lehman, 2006)

Climate change has been a key driver of the sustainability agenda along with National Greenhouse and Energy reporting system (NGER) and the Carbon Pollution Reduction Scheme (CPRS) by the Australian Government and revision of Australian securities exchange (ASX) Principle 7, which now include the consideration of sustainability – related issues as a material business risk (KPMG International Survey of Corporate Responsibility Reporting 2008).

FRANCE

Environmental and social reporting is mandatory in compliance with "Law No. 2001-420 related to new economic regulations (Art.116)" (May 2001), for publicly –quoted companies, starting with data for the 2002 financial year (KPMG International Survey of Corporate sustainability Reporting 2002).

In France, a concept of "Ecological Balance Sheet" has been developed, which concerns the relationship between an enterprise and the environment (Pramanik A K. 2007). The ecological balance sheet contains information about the acquisition and utilisation of equipment used to reduce pollution, recycled by products and reduced energy and raw materials consumption. The regulation entitled "Nouvelles Régulations Economiques" (New Economic Regulations) was enforced in 2002. This regulation states that all listed companies have to provide information on the environmental impact of their operations in their annual reports.. The Second Grenelle Act of 2009, applicable from 2011, extends environmental reporting to any polluting activity initiated by companies with more than 500 employees. The mandatory disclosures cover both financial and non-financial information, and refer to the environmental impact of a company's operations (air, water, emissions, energy, materials), as well as to the firm's commitment to environmental protection, remediation and limitation of adverse consequences of economic activities on the natural environment (Barbu and Dumontier, 2012).

GERMANY

In Germany, there is no specific regulation on environmental disclosure. However, the National Institute for Standard-Setting (Deutche Institut Fur Normierung) issued in 1997 a memo entitled "Leitfaden für Umweltberichte" (Guidelines for Environmental Reports to the Public). This guide, later repealed, established the minimum amount of information to be included in corporate environmental reports (Barbu and Dumontier, 2012).

SWEDEN

Annual Act (Amendment) 1999 requires the companies to have environmental permits or must notify the environmental authorities, have an obligation to include a brief disclosure of environmental information in the board of director's report.(KPMG International Survey of Corporate sustainability Reporting 2002)

In November 2007, the Swedish Government was the first government in the world to publish mandatory guidelines for sustainability reporting for all state owned companies. These "guidelines" for external reporting by the state owned companies states that GRI guidelines are to be used for sustainability reports. Moreover, the guidelines states that the sustainability report shall be subject to assurance by a third party (KPMG International Survey of Corporate Responsibility Reporting 2008).

USA

In the U.S., few financial accounting standards address disclosure of environmental activities/liabilities. During the 1990's, the primary accounting standards addressing environmental issues included Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies" and requirements associated with disclosure of asbestos remediation costs (Emerging Issues Task Force (EITF) 89-13 Accounting for the Cost of Asbestos Removal) and other remediation expenditures (EITF 90-8 Capitalization of Costs to Treat Environmental Contamination) In the early 1990's, the U.S. Securities and Exchange Commission (SEC) became worried about the lack of disclosure of environmental issues in financial statements. The SEC issued Staff Accounting Bulletin (SAB) 92, which increased the disclosures required in the Management Discussion and Analysis section of financial reports submitted to the SEC, (i.e., for publicly traded companies).2 The additional disclosures required under SAB 92 include enhancements to Item 103, which requires the corporation to describe its legal proceedings (this includes administrative and legal activities, pending and contemplated, that could affect the corporation or subsidiaries); Item 303, which requires a discussion of any known trends or any known demands, commitments, events, or uncertainties that are likely to affect the registrant's liquidity in a material way; and Financial Reporting Release 36, which requires disclosure when management is unable to determine that a material effect is "not reasonably likely" to occur (Jorgensen and Soderstrom,2006)

US regulator and lawmakers have focussed their attention on sustainability. In USA, the Securities and Exchange Commission requires disclosure on legislative compliance, judicial proceedings and liabilities relating to the environment in Form K-10. In Chicago, an exchange has traded carbon offsets since 2003. In late 2008, 10 north eastern US state opened the nation's first market for trading greenhouse gas permits, with buyer demands for "allowance" four times the existing supply. Seven western states plan a similar system in 2012 (KPMG International Survey of Corporate Responsibility Reporting 2008).

MALAYSIA

Currently, environmental reporting is a total voluntary exercise in Malaysia. However, the Malaysian Accounting Standard Board (MASB) has incorporated standards that explicitly encourage greater disclosure of environment-related information. Para 10 of Financial Reporting Standard (FRS) 101: *Presentation of Financial Statements* (formerly known as MASB 1) stated that:

Many enterprises present, outside the financial statements, additional statements such as environmental reports and value added statements, particularly in industries where environmental factors are significant and where employees are considered to be an important user group. Enterprises are encouraged to present such additional statements if management believes they will assist users in making economic decisions. FRS 137 (formerly known as MASB 20): Provisions, Contingent Liabilities and Contingent Assets in Para 20 recognized environmental obligations such as penalties or clean-up costs for environmental damage and decommissioning costs of an oil installation as potential business provisions. Furthermore, the appendix section provides examples of circumstance, among others like contamination land, offshore oilfield (the decommissioning costs) and legal requirement to fit smoke filters (Yosuff and Lehman 2006).

CANADA

The securities commission requires public companies to report the current and future financial or operational effects of environmental protection requirements in an Annual Information form. In 1994, Canadian Institute of Chartered Accountant (CICA) published a research report on Environmental cost and Liabilities to guide the organisation on various environmental reporting issues. CICA also approved an accounting standard on remediation costs, which has been passed by the Canadian Standards Committee (Pramanik A. K. 2007)

UK

In the UK, the Companies Act of 1985 forced all listed companies to publish an annual operating and financial review (OFR) that had to include information on significant corporate environmental impacts. These disclosure requirements were extended to large non-listed companies by the Companies Act of 2006, which imposes disclosure of key environmental performance indicators in the Business Review section of annual reports. However, the Companies Act gives managers considerable discretion in the information to be disclosed, which potentially undermines the integrity of the reported information (Williamson and Lynch-Wood, 2008)

UK Companies Act 2006 requires that: 'a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have (amongst other matters) regard to the impact of the company's operations on the community and the environment'.

In particular, a director must make decisions concerning the company's compliance with the Companies Act requirement to report on environmental issues. This requirement is part of the need to include a business review within the directors' report, 'Unless the company is subject to the small companies' regime, the directors' report must contain a business review'.(ICAEW)

In UK, The Institute of Chartered Accountants in England and Wales (ICAEW) in 2009 published a report on "Environmental issues and annual financial reporting". This report shows how the existing accounting and reporting framework, including the business review, is already capable of generating useful information about environmental performance, one of the key dimensions of sustainability. The UK accounting standards most likely to be relevant to the treatment of environmental issues are those concerned with valuation, provisions and transparency of presentation.

- In the case of tangible fixed assets such as land, plant and machinery, impairment often arises from an incident of contamination, physical damage, or non-compliance with environmental regulations. In such circumstances, the carrying amounts are reduced to the value in use or realisable value (IAS 16/FRS 15).
- IFRS 3 *Business combinations* and FRS 7 *Fair values in acquisition accounting* require identifiable assets or liabilities acquired in a business combination to be measured at their fair value at the date of acquisition, which should, if appropriate, reflect environmental impacts.
- Intangible assets, which include greenhouse gas emission allowances, are subject to an impairment test on their carrying value if they exceed the recoverable amount from use or realisation (eg, through trading) (IAS 38/FRS 10).
- Issued in 2004, IFRIC 3 *Emission rights* required an entity to account for emission allowances as intangible assets, recorded initially at fair value. Actual emissions give rise to a liability for the obligation to deliver allowances to cover those emissions (or to pay a penalty). When allowances are awarded by government for less than fair value, the difference is treated as a government grant. IFRIC 3 was withdrawn by the IASB in June 2005, as the accounting proved to be controversial due to the mismatch in the standards dealing respectively with intangibles, provisions and government grants.
- In December 2007, the IASB started its work on a new project on emission allowances. Despite its withdrawal, IFRIC 3 remains a valid, but illogical, interpretation of existing IFRS. However, its withdrawal means that, under the hierarchy for selecting accounting policies under IAS 8, other accounting models are acceptable. In addition to the method in IFRIC 3, two alternative methods of accounting for emissions are: cost of settlement approach based on initial market value; and cost of settlement approach where provision is only made for the cost of buying emissions rights not covered by allowances.
- Possible liabilities that give rise to a provision include waste disposal, pollution, decommissioning and restoration expenses. There may also be liabilities arising from participation in a specific market, such as vehicle production or the manufacture of electrical and electronic equipment. A provision is recognised when an entity has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (IAS 37/FRS 12). It should be noted that the accounting standards on provisions are under review. (ICAEW, 2009).

Apart from these national regulations and guidelines, there are many international bodies who have taken keen interest in corporate environmental reporting aspect and some of these have issued guidelines in this connection. There are attempts to harmonize reporting on environmental issues. Global Reporting Initiative (GRI) however provides the following core environmental indicators - materials, energy, water, biodiversity, emissions, effluents and waste, suppliers, products and services, compliance and transport.

1.5. Global Reporting Initiative (GRI): The GRI is a network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. Participants are drawn from global business, civil society, labour, academic and professional institutions. The GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.GRI issued its first set of guidelines in 2000, the second in 2002(known as G2 guidelines) and third in late 2006 (G3 guidelines). The GRI has put significant effort into promoting the guidelines around the globe.

GRI is now connecting the program with more traditional standard-setters such as the Securities and Exchange Commission (SEC) and the International Federation of Accountants (IFAC). The GRI is currently drafting the next generation of guidelines (G4) which are widely expected to reflect up-to-date standards that respond to recent changes in reporting and regulation (KPMG International Survey of Corporate Responsibility Reporting 2011).

1.6. International Integrated Reporting Committee (IIRC): The GRI is one of the initiators of the International Integrated Reporting Committee and firmly believes integrated reporting to be the next step in sustainability reporting. The International Integrated Reporting Committee (IIRC) was established in 2010 to achieve a globally accepted integrated reporting framework. The committee enjoys representation from both the financial and the sustainability sectors who work together to develop a framework that brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format (KPMG International Survey of Corporate Responsibility Reporting 2011).

The concept of integrated reporting has exploded onto the CR agenda over the past three years. At its simplest, 'integrated' reporting reflects the growing practice of including key CR information in a separate section in the corporate financial reporting process.

According to the International Integrated Reporting Council (IIRC*), "Integrated Reporting is a new approach to corporate reporting that demonstrates the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing".*

Thus, the concept of integrated reporting refers to the integrated representation of material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organisation demonstrates stewardship and how it sustains value.

Prospective framework of Integrated Reporting and its present status

On 12th Sept 2011, International Integrated Reporting Council (IIRC) published its discussion paper "*Towards Integrated Reporting –communicating value in the 21st century"*. The discussion paper identified six key elements determining the content of an integrated report and these are mentioned below:

- Organisational overview and business model;
- Operating context, including risk and opportunities;
- Strategic objectives and strategies to achieve these objectives;
- Governance and remuneration;
- Performance;
- Future outlook.

The above key content elements are based on the five guiding principles identified by the IIRC, which are as follows:

- Strategic focus;
- Connectivity of information;
- Future orientation;
- Responsiveness and stakeholders inclusiveness;

A total of 214 responses to the Discussion Paper from organizations and individuals in over 30 countries were received. The IIRC's Pilot Programme is made up to test the principles, content and practical application of integrated reporting and develop the International Integrated Reporting Framework. The Pilot Programme comprises of over 75 businesses across the globe from the corporate to public sectors; and an Investor Network with 25 institutional investors. The International Integrated Reporting Council (IIRC) has planned to publish the world's first Integrated Reporting Framework by the end of 2013.

1.7. UNCTAD: United Nation Conference for Trade and Development (UNCTAD), an intergovernmental body and the principal organ of United Nations General Assembly in the field of trade and development, plays a positive and pioneering role in the matter of environmental accounting. As its part, Intergovernmental working group of expert on International Standard on Accounting and Reporting (ISAR) was formed in 1982 and has issued number on recommendation on Environmental Accounting and Reporting.

1.8. The **International Standard Organisation (ISO)** has developed an extensive range of standards. Among those ISO 14000 series is directly related to the environment. The voluntary criteria of ISO 14001: *Environmental Management Standards* (EMS) represents an international consensus on what constitutes best practice about environmental management systems. ISO 14001 assists organizations to improve their performance and make a positive impact on business results. ISO 14001 accredited companies are obliged to develop their mission, targets, policies and procedures that continuously monitor the effects of their operations against the natural environment.

2. ENVIRONMENTAL ACCOUNTING AND REPORTING STANDARD IN INDIA

Various laws have been enacted during the time of late Prime Minister Indira Gandhi. During her tenure the Water (Prevention and Control of Pollution) Act was passed in the year of 1977 to prevent water courses both surface and underground from pollution. Again in 1981, another act was enacted to prevent air from pollution, which came to be known as Air (prevention and control of pollution) Act, 1981. After the Bhopal gas tragedy, more comprehensive and well formulated act was passed which is known as Environment (Protection) Act, 1986. Environmental clearance from various Government authorities has now taken as the core phase in project clearance. With increasing global concern over the protection of the environment, India too has set up a Union Ministry of Environment with the object of coordinating among the states and the various ministries, the environmental protection and anti-pollution measures.

There are legislations in India for environmental protection from industrial pollution. There are regulations for direct control of effluent/emissions discharge by industrial units besides indirect control, such as reduction in the resource consumption, and incentives for introduction of clean technologies. The major environmental legislations presently existing in the country include (Tiwari, 2001):

a) Water (Prevention and Control of Pollution) Act 1974.
b) The Air (Prevention and Control of Pollution) Act 1981.
c) Environmental (Protection) Act 1986.
d) Hazardous Wastes (Management & Handling) rules 1989.

THE WATER (PREVENTION AND CONTROL OF POLLUTION) ACT 1974

The main purpose of this Act is to prevent and control the pollution of water. Along with this objective, it also tries to maintain or restore wholesomeness of water and to constitute Pollution Control Boards for the aforesaid purpose.

THE AIR (PREVENTION AND CONTROL OF POLLUTION) ACT 1981

The Air (Prevention & Control of Pollution) Act was enacted by the Parliament in 1981.

This is an Act to provide for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes, of Boards, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. Under Section 19 of this act the whole of National Capital Territory of Delhi has been declared as air pollution control area by the Central Government. Under this section the government approved fuels to be used in the air pollution control area.

THE ENVIRONMENT (PROTECTION) ACT 1986

This legislation consists of 26 sections and is divided into four chapters. This is an Act to provide for the protection and improvement of environment and for matters connected therewith. By protecting and improving environment, it aims at prevention of hazards to human beings, other living creatures, plants and property. This was enacted to supply the deficiencies of Water Act and Air Act which had failed to produce the desired effect (Tiwari, 2001).

HAZARDOUS WASTES (MANAGEMENT AND HANDLING) RULES, 1989

In exercise of the powers conferred by Sections 6, 8 and 25 of the Environment (Protection) Act, 1986, the Central Government has made the rules relating to 18 categories of hazardous wastes and their management and handling.

Some other legislations indirectly related with environmental issues prevailing in the country are:

a) The Forest (Conservation) Act, 1980.
b) Constitutional provision (Article 51A).
c) The Factories Act, 1948.
d) Public Liability Insurance Act, 1991.
e) Motor Vehicle Act, 1991.
f) Indian Fisheries Act, 1987
g) Merchant of Shipping Act, 1958.
h) Indian Port Act
i) Indian Penal Code.
j) The National Environment Tribunal Act, 1995
k) Environmental Impact Assessment Notification, 1994
l) Environmental Impact Assessment (Public Hearing) Notification, 1997
m) Bio-medical waste (Management and Handling) Rules, 1998
n) Noise pollution (Regulation and Control) Rules, 2000

All new projects require environment clearance approval from both the Union Ministry of Environment and Forests and the corresponding State Govt. department of environment. Guidelines have been issued and all such projects are expected to obtain environmental and anti-pollution clearance before they are actually set up. A Central Pollution Control Board (CPCB) has also been set up. Wherever cases of violating of standards of water or air pollution have been detected, show cause notices have been issued to industrial units and all such units are being kept under constant surveillance (Chauhan. M, 2005).

The Ministry of Environment and Forests is the apex body in India which is responsible for planning, promotion, coordination and overseeing of Environmental programmes in India. The CPCB have identified seventeen categories of industries (large and medium) as highly polluting industries.

In order to minimize the global environmental problems, India has made the production and abatement technology mandatory (Chakrabarti and Mitra, 2005).

NOTIFICATION BY MINISTRY OF ENVIRONMENT AND FORESTS

(a) **A Gazette Notification** on Environmental Audit had been issued by the Ministry of Environment and Forests on 3.3.1992, since amended vide Notification GSR 386(E), dated 22.4.1993.

(b) **Applicability:** The Notification is applicable to any person carrying on an industry, operations or process which requires -

• Consent to operate by or under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 or under Section 211 of the Air (Prevention and Control of Pollution) Act, 1981 or both; or

• Authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 issued under the Environment (Protection) Act, 1986.

(c) **Reporting Requirements:** As per the Notification, an Environmental Statement shall be submitted to the Pollution Control Board.

(d) **Contents:** The Environment Statement of the concerned industry should provide information on –

• Water and Raw Material Consumption,
• Pollution Generated,
• Nature of Hazardous Wastes, Solid Wastes and Disposal Practices, and
• Impact of Pollution Control Measures on conservation of natural resources.

The National Environmental Policy (NEP) 2006, approved by the Ministry of Environment and Forest recommends the use of the use of "standardized environmental accounting practices and norms" in preparation of statutory financial statements for large industrial enterprises, in order to encourage greater environmental responsibility in investment decision-making, management practices, and public scrutiny.

- **Reporting requirements as to Environmental Statement in the Directors' Report of Companies.**

Under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, every Company is required to disclose particulars relating to –

(a) Energy conservation measures taken;
(b) Additional investments and proposals, if any, being implemented for conservation of energy
(c) Impact of the measures at (a) and (b) above, for reduction of energy consumption and consequent impact on the cost of production of goods;
(d) Total energy consumption and energy consumption per unit of production as per Form A (in respect of 21 specified industry groups e.g. Textiles, Fertilisers, Aluminium, Steel, Sugar, Tea, Paper etc.)
(e) Efforts made in technology absorption, adaptation and innovation as per Form B.

Moreover, Companies Bill 1993 and 1997 proposed the amendment of section 173 to require the board of directors to report the measures taken for protection of environment in such manner as may be prescribed by the authorities (Pramanik A. K. 2007).

- **Disclosure Requirements under Companies Act, 2013:** Section 134(3)(m) requires the Board of Directors to include in their Annual Report, inter-alia, the prescribed particulars in respect of – (i) conservation of energy and (ii) technology absorption.

Section 166(2) of the Companies Act 2013 requires that a director of a company shall act in good faith in order to promote the objects of the company for protection of the environment.

When the Companies Act 2013 is examined from an environmental point of view, a number of insights can be made such as;

- Activities relating to ensuring environmental sustainability should be incorporated by companies in their Corporate Social Responsibility Policies (Schedule VII).
- Director should report the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year [Section134 (3) (o)]
- Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more, shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy [Section 135 (5)]. Further if the company fails to spend such amount, the Board shall, in its report made under clause (*o*) of sub-section (*3*) of section 134, specify the reasons for not spending the amount.

The disclosures required under the Companies Act have a minimum scope but constitute a starting point for voluntary disclosure by Companies. However, considering the inadequate level of environment related disclosures in the Corporate Annual Reports, the possibility and constraints of inclusion of the Environmental Statement in the Directors Report should be judged by the user.

The economic reforms started by Government of India during early 90s, have paved way to rapid economic development and accelerating the process of industrialization. As the industrialization is also creating more environmental problems such as pollution, companies have started providing information about their environmental performance and policies owing of increased accountability. At the same time, there has been a growing awareness internationally on the disclosure of environmental performance, particularly from those firms that have a direct and substantial influence on the environment like manufacturing, power generation, mining etc, to provide information regarding the environment implications of their operations. Multinational Companies of European Union, United States of America (USA) and Japan are strengthening their global presence in India. These international companies bring in their responsible good practices thereby helping Indian companies to set higher international disclosure standards. Environmental awareness among different Indian stakeholders gets strengthened with advancement in communication technology.

But the level of environmental disclosures in corporate annual report is not an encouraging level. The status of voluntary environmental disclosures in annual report of the Indian companies is not satisfactory. Current financial accounting framework in India is not comprehensive enough to deal with various issues such as environmental costs and liabilities, environmental risk involved in the investment etc. Neither the company law nor the accounting standard/ guideline issued by the Institute Of Chartered accountant Of India (ICAI) any accounting and or disclosures norms for the environment related issues in the annual report. The regulatory framework governing corporate disclosure in India includes the Companies Act 1956 and the Securities and Exchange Board of India (Amendment) Act 2002. However, neither the company law nor the accounting standards/guidelines issued by Institute of Chartered Accountants of India (ICAI) prescribes disclosing norms for the environmental related matters in the corporate financial statements. In such a case, poor environmental performance may bind them to non-disclosure or less disclosure (Pramanik et al., 2007). Therefore, Indian companies disclose environmental information on a voluntary basis.

Accounting bodies in India must settle the accounting related issue on carbon trading arisen due to Kyoto protocol agreement. Despite the fact that the environment policy related Carbon trading has entered India, the accounting standard setters have yet to come up with a standard or guideline to account for such activity. There is again no requirement by the Companies Act, 1956 about reporting requirements on the environment cost and liabilities. However, there is limited disclosure requirement on environmental issues by listed companies as required by Stock Exchanges. Even the Securities and Exchange Board of India (SEBI) has not issued any specific guidelines about the investors' protection measures for the environmental losses and liabilities.

3. SUMMARY AND CONCLUSION

Environmental accounting and reporting in most of the countries is still voluntary in nature including India. Some of the countries introduce mandatory reporting requirements on environment for companies. Several financial reporting regulations worldwide require companies to disclose known future uncertainties and trends that may materially affect financial performance. It has been observed from the study that the international and national accounting standard setters have generally chosen to avoid dealing directly with the topic of environmental issues in financial reporting. Some professional accounting bodies and International Organisations have issued guidelines on environmental accounting and reporting. GRI and IIRC initiative made the environmental reporting an important part of corporate accounting and reporting system worldwide. However, only a few international accounting standards exist on environmental issues. It is worth mentioning that UN ISAR have given various important recommendations on some specific issues on environmental accounting.

Most of the organizations in India are now trying to be environmentally friendly not only to avoid penalty and other costs associated with environment but also for availing the greater benefits that corporations may attain in the forms of effective decisions made on the basis of information provided by accountants on environmental issues. The accounting profession in India has tremendous potential to support industry in developing environmental and sustainability solutions. The ICAI should develop separate standards/guidelines on Environmental issues and accounting related issues in Carbon Trading. It should develop sustainability reporting framework which needs to be consistent with the Intergovernmental Panel on Climate Change (IPCC) principles, GRI and IIRC. A more integrated form of reporting should be developed, in which key environmental, social and sustainability indicators are offered.

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APPENDIX

APPENDIX 1: LIST OF STANDARDS (IAS/IFRS) OR INTERPRETATIONS (IFRIC) RELATED TO ENVIRONMENTAL ISSUES

STANDARDS

- ✓ IAS 1 *Presentation of Financial Statements* prescribes the basis for presentation of general purpose financial statements. Their objective is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions. For this reason, financial statements provide information about an entity, including environmental assets, environmental liabilities and environmental expenses. At the same time, IAS 1 contains several remarks on additional information and reports issued by companies, to provide their stakeholders with a comprehensive view of their environmental and social impacts. Entities are encouraged to produce such reports, whenever managers consider that they are useful in shaping the external users' opinions and actions.

- ✓ IAS 2 *Inventories* is relevant whenever highly polluting industries, such as mining, recognize their waste as assets with a residual value. This standard requires such waste to be recognized as inventories only if additional costs were to be incurred to convert the waste products into marketable goods.
- ✓ IAS 8 *Accounting policies, changes in accounting estimates and errors* prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The standard doesn't contain a direct mention of environmental elements but these prescriptions are applied, for example, when the company changes the estimates of environmental provisions or it corrects material errors in accounting of environmental costs and liabilities.
- ✓ IAS 10 *Events after the Balance Sheet Date* describes the steps to be taken by any entity when disclosing relevant events occurring after the balance sheet date. Such events, which may carry an environmental impact, should be described in concert with the causes that had generated them before year-end.
- ✓ IAS 12 *Income taxes* prescribes the accounting treatment for income taxes. The general principle of this standard is that deferred tax liabilities and assets should be recognized, with some exceptions, for the taxable/deductible temporary differences. For example, when the carrying amount of an evironmental asset is bigger than its tax base, results include a taxable temporary difference and a deferred tax liability.
- ✓ IAS 16 *Property, plant and equipment* indicates that some fixed assets may be acquired for safety or environmental reasons. The acquisition of such elements, even in the absence of future economic benefits, may be necessary for the uncompromised use of other operating fixed assets. In this case, it is clear that the acquisition of environmental assets is outside the scope of the general definition of an asset. This derogation is based on the fact that future economic benefits may be compromised in the absence of certain environmental assets, even though the latter are only accessories to the main operation. As an example, the Standard presents the case of a chemical plant which is forced to introduce new substance manipulation processes to conform to current legal obligations; the operational improvements are capitalized as environmental assets, since the firm would not be able to produce and sell its chemicals without these processes. IAS 16 also requires the incorporation of future dismantling and decommissioning costs into the value of the fixed asset. These costs are estimated at the beginning of the asset's useful life, and are assimilated to a provision in compliance with IAS 37. Future expenses with dismantling and site restoration may also be derived as a consequence of the continuous use of an asset whose environmental impact is not negligible. However, PriceWaterhouseCoopers (2004) considers that, whenever environmental degradation is outside the industrial parameters for the use of a certain asset, the supplementary expenses should be incurred immediately.
- ✓ IAS 20 *Accounting for Government Grants* contains an implicit reference to the initial distribution of emission rights and their recognition in the financial statements.
- ✓ IAS 32, IAS 39, IFRS 7 and IFRS 9 on *financial instruments* are linked to the present and future risks emerging in such cases as hedge accounting, the measurement of environmental derivatives, and the treatment of other financial elements occurring as a result of environmental impacts.
- ✓ IAS 36 *Impairment of Assets* can be applied whenever a company's environmental assets are suffering impairment, either as consequence of a contamination, physical accident, loss of contractual rights or depletion of mineral resources.
- ✓ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* presents several details on the recognition and measurement of provisions and contingent liabilities and contingent assets. A provision is a liability whose value and date of payment are uncertain and which is recognized whenever: (a) the company has a current obligation (e.g. of an environmental nature) from a past event; (b) an outflow of future economic benefits is to be expected in this circumstance; and (c) a good estimate can be provided for this obligation. Unlike ordinary liabilities, the standard defines a constructive obligation as an uncertain liability imposing the recognition of a provision. For example, a company conducts its extractive operations in a country with no environmental legislation. However, the company has published its environmental policy, which states that any remediation expenses arising from polluting activities will be supported by the firm. In case such incidents occur, the company has a constructive obligation and an implicit provision for the best estimate of these future expenses. However, the standard does not provide any details on the type and magnitude of an event that is deemed to trigger a constructive obligation. A contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. For example, when a lawsuit or other legal measure has been taken against the company, environmental cleanup and protection responsibility generate a contingent liability if the monetary impact of new regulations or penalties on the company is uncertain. An entity should not recognize contingent liabilities in the financial statements but should disclose them, unless the possibility of an outflow of economic resources is remote.
- ✓ IAS 38 *Intangible Assets* is linked to the recognition and measurement of environmental assets such as development expenses or emission rights, either received as a subsidy or acquired from the market.
- ✓ IAS 41 *Agriculture* is a specialized standard with no mention of environmental elements, but targeting a sector with a highly sensitive environmental profile. This standard introduced fair value accounting for all biological assets. The fair value measurements may imply monetizing the environmental contribution of biological assets. For example, the development of markets in forest carbon credits will impact forest valuation and hence financial reporting.
- ✓ IFRS 3 *Business combinations* specify the financial reporting by an entity when it undertakes a business combination. It provides that identifiable assets and liabilities acquired in a business combination should be evaluated at their fair value. Consequently, all environmental liabilities assumed in business combinations (such as environmental liabilities associated with the retirement of tangible long-lived assets) must be measured at their acquisition-date fair value.
- ✓ IFRS 6 *Exploration for and Evaluation of Mineral Resources* is linked to extractive activities, which are widely acknowledged as environmentally-sensitive. The standard is a guide to the recognition of exploration expenses, including the recognition of mineral resources as assets. It also imposes the recognition of any dismantling and relocation obligations as a result of the exploration of mineral resources.
- ✓ IFRS 8 *Operating segments* establishes certain disclosure elements to be provided in the annual reports of large companies. Diversified firms sometimes own an operating segment having a clear connection with environmental services and environmental protection, such as clean energy, urban services, decontamination services, recycling, green technologies, etc.

INTERPRETATIONS

- ✓ IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* presents several details on the recognition and measurement of liabilities generated by decommissioning and dismantling activities, such as the closure of a chemical plant, the restoration of sites after extractive activities or the removal of heavy equipment.
- ✓ IFRIC 3 *Emission Rights* provides that a cap-and-trade scheme gives rise to three elements: an asset for the allowances held, a government grant for the value of the allowances at the date of receipt, and a liability for the obligation to deliver allowances equal to emissions that have been made. Due to the pressure exerted by the business community and the disapproval from the European Commission, IASB decided to withdraw IFRIC 3 in 2005. Considering that no new interpretation has been issued, the recognition of emission quotas has remained a controversial problem. Adopting the methods applicable under US GAAP is a viable solution, as IAS 8 allows use of accounting policies from other standard-setters if no specific international standard exists.
- ✓ IFRIC *5 Rights to Interests Arising from Decommissioning, Restoration and*
- ✓ *Environmental Funds* discusses the integration into the accounting process of all these rights. The purpose of decommissioning, restoration and environmental rehabilitation funds is to segregate assets to fund some or all of the costs of plant decommissioning (such as a nuclear plant) or certain equipment (such as cars), or in undertaking environmental rehabilitation (such as rectifying pollution of water or restoring mined land).
- ✓ IFRIC 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* clarifies when certain producers of electrical goods are required to recognize a liability under IAS 37 for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment supplied to private households (Barbu and Dumontier, 2012).

BRAND CHOICE DECISION OF INDIAN URBAN FAMILY

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ABSTRACT

An understanding of consumer behavior based on the traditional Western nuclear family (husband, wife and unmarried children) model is inadequate to handle marketing on a global scale or to interpret changes at home. The number of relatives influencing purchase and who they are can vary as can the type of decision making, which may be allocable, stressing individual responsibility, or consensual. This article re-examines our basic assumptions and then considers marketing under alternative family scenarios extended families, further familial shrinkage, and more participatory decision-making. Past research has presented conflicting evidence regarding the effect of time between purchases on consumer brand choice. This study investigates the time effect on brand purchase probabilities after homogenizing the data with respect to store switching, size of purchase, and frequency of the product purchase. Two exponential models have been proposed and their over-all effectiveness compared with a naive model. The contribution of the study is in building a realistic model of consumer purchase choice by incorporating the elements of the marketing environment. The project was given to determine the process of brand choice decision in Indian urban families. Research on family decision making has been largely confined to spouses, who have been considered as the relevant decision making unit in a family. However, the role of third party influences, such its children, on decision making strategies and negotiations is essential to taking a broader view of the relevant unit of analysis. Traditionally, women were seen to be the purchasing agents for the family. Nonetheless, increasing participation of women in the workforce has prompted a shift in this role as children are increasingly the "buyers" for the entire family. Corporate branding is a potentially strong tool for re-aligning a corporate strategy and ensures that the corporation- big or small - is leveraging adequately on the untapped internal and external resources. From the research, I come across several interesting results about the brand choice decision in Indian urban families which include different sectors like FMCG, FMCD automobiles etc, about people's perception and different strategies followed by different organization to promote their products and services. From the analysis, it is found that most of the families are in favor of the branded products and strongly believe in Customer Relationship management. Then other factors come across.

KEYWORDS

Brand choice decision, marketing.

INTRODUCTION

In today's marketing context, taking into consideration the rigorous customer orientation that is expected from marketer's category, it may be worthwhile to consider the conceptual aspect of mass customization. The need of the hour in marketing is not only breakthrough innovations; continuous incremental innovations clearly redefine the brand cycle and brand life as a whole. There has to be integration between production and innovation as expected by consumer, flexibility and quick response has to be an inherent part of product management and mass customization has this vital marketing trait. Liberalization policies of the government have resulted in changes in life styles, increased awareness and changes in need and wants of the consumers. Michael Porter's dimensions of competition i.e bargaining power of the consumers, bargaining power of the suppliers, threat of the new entrants with substitute products and rivalries among the existing players in the market can be witnessed today. Increased buying power, western influence, information explosion and the flow of new technologies are some of the factors responsible for the product and brand proliferation in the Indian market. The rural markets which did not have any significance in yesteryears have opened up new vistas for companies selling consumers on packaging aspects. Brands are vying with one another to obtain a favorable and appropriate perception of consumers. Brands today try to create brand personalities entities with which consumers can emotionally associate them. Common place products are being perceived with new psychological perspectives. Cigarettes, wrist watches, designer wear, two wheelers and chocolates are being gives a symbolic orientation by the marketers. In the present marketing scenario, customer-orientation is achieved through a sequence of well-integrated steps. These steps involve planning of marketing mix elements, choosing the right technology which will be in tune with the need of the target segments and formulating competitive strategies. Customer orientation" operates in a dynamic environment and hence should be fine tuned in accordance with the changing needs of the customers. The greatest challenge for the marketers today is to involve the consumers in the offering made by them. There is a plethora of information available in the environment and the consumers are becoming discerning. The decision making process of consumers is triggered by the level of involvement brands that are able to generate, both with the core aspects of the products and with the kind of communications with which they are associated.

OBJECTIVES OF THE STUDY

1. To find out the predominant decision maker for a given product categories in Indian urban families.
2. To find our various factors of a given product category that is most effective in brand choice decision.
3. To find out the role of various media, marketing mix towards the brand choice decision of the urban families thereby finding out the perception of the customers towards a particular brand.

REVIEW OF THE LITERATURE

The problem of predicting innovation adoption at the individual level is considered using a choice-based approach. The choice model incorporates information uncertainty, risk aversion, perceived product attributes, and product use norms in a utility maximization framework to predict innovation adoption. Testable hypotheses regarding innovation adoption are developed. This paper attempts to provide a link between diffusion modeling and consumer diffusion research by examining the consumer's innovation adoption decision in a utility maximization context and proposes a choice model to aid in the prediction of innovation adoption. The model incorporates multi-attribute preference, risk, and information uncertainty in an individual level expected utility framework. (SOO-JIUAN TAN, 72-78).The role that total purchases play in determining the choice among brands has been considered in microeconomic theory for quite some time, but for traditional goods only. Consumption of outdoor recreation is an unusual good, most often measured using an individual's recreational trip. Adding the trips made on a number of choice occasions seems the obvious way to aggregate this good, but doing so leads to several problems in defining a meaningful price index. The Hicks—Leontief conditions for aggregation suggest that trips to destinations may be thought of as brand choices on consumption occasions, and the continuous analogue to total purchases may in fact be the individual's total travel. An empirical example of the model is used to estimate welfare impacts for a group of anglers. (W. Douglass Shaw & J. Scott Shoukwilcr, University of Nevada, Reno,1994).This study explores brand choice behavior of older Chinese consumers in comparison with the X-Generation (aged 18-35 years). Based on a survey of 23,174 respondents from five major cities on their purchase behavior of 397 brands across eight categories of fast moving consumer products, we have found that old consumers share many similarities of brand choice behavior with the X-generation while some significant differences do exist. Theoretical and managerial implications of the findings are discussed. Older adults constitute a rapidly growing demographic segment, but stereotypes persist about their consumer behavior. Thus, a more considered understanding of age-associated changes in decision making and choices is required. The author's underlying theoretical model suggests that age-associated changes in cognition, affect, and goals interact to differentiate older consumers' decision-making processes, brand choices, and habits from those of younger adults. They first review literature on stereotypes about the elderly and then turn to an analysis of age differences in the inputs (cognition, affect, and goals) and outputs (decisions, brand choices, and habits) of the choice process. Past research suggests that consumers who have greater perceived control over a situation are more likely to evaluate the situation in a favorable manner. In the current study, this theoretical prediction is extended to the domain of product trial and brand choice. Specifically, the results of the study suggest that consumers who experience a product trial resulting from a brand choice process will find the trial to be more useful and valid, and they will feel more expert at judging the brand in the trial compared to those consumers who did not freely choose the trial brand but were simply given a sample of the target brand. There is also some indication that consumers experiencing free choice will judge the brand more favorably in the trial Implications for theory and practice are discussed. Grocery store managers change prices on a weekly basis either as part of price promotions or in response to changes on their supply side. Consumers experience this price variability and may respond to it. Even though behavioral literature suggests that price variability affects consumers' decisions, most brand choice models have not focused on the consumers' response to such variability. This study attempts to remedy this omission and examine the effect of price variability on consumer brand choice. We use scanner data to show that price variability affects consumer's price sensitivity. We also find that accounting for the effects of price variability in brand choice models improves the model fit over conventional benchmark models. Our finding has important managerial implications for the strategic use of price variability. (B.P.S. Murtha, the University of Texas at Dallas ,Ernan Harvey, the University of Texas at Dallas ,HeZhang, HSBC North America).

RESCEARCH METHODOLOGY

Questionnaire method and survey method was adopted for this study .field work was carried out to collect the necessary data. People are asked unstructured questions according to a prepared schedule of questions. The information that was gathered through personal interview constitutes primary data and through books, internet and references are secondary data. Simple random sampling, judgment sampling and convenient sampling were used during the study for generating `ideas .

DATA ANALYSIS

FACTORS THAT DRIVES CUSTOMER TO PURCHASE THE AUTOMOBILE PRODUCTS

FACTORS	VALUE IN %
MILEAGE	20%
STYLE	10%
PRICE	35%
MAINTENANCE	15%
AFTER SALES SERVICE	16%
RESALE VALUE	4%

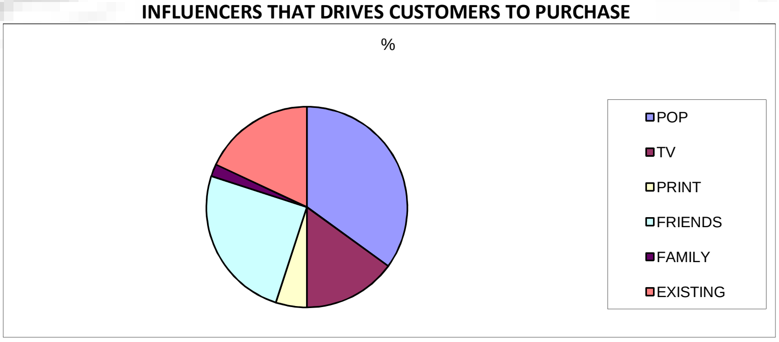
It has been found the analyzing the factors that drives customers to purchase different automobile brands where price becomes the predominant factor followed by mileage, after sales services and maintenance where as style and resale value are least influencing factors for brand purchase decision making.

FACTORS RESPONSIBLE FOR THE PURCHASE OF THE GARMENTS (RANK WISE)

FACTORS	RANK
PRICE	1
QUALITY OF MATERIAL	2
BRAND	3
DURABILITY	4
GOODWILL	5
AFTER SALES SERVICE	6

In case of garment segment the factors that influence the purchase decision making is mostly price and quality of material. The factors like brand and durability of material are next in the rank in purchasing garments, while after sale service is not so influencing factor as it has been in case of automobile sector.

INFLUENCERS THAT DRIVES CUSTOMERS TO PURCHASE



By analyzing the influencer that drives customer to purchase mostly promotional measures of companies influence customer to purchase Point of Purchase and opinion social relationships friends are found to be the major influencer .The impact of Television advertisement and family are found to be moderate the decision making process. There is also an influence of the existing notion and belief of the consumer about the brand.

CONCLUSION
For almost any common grocery product, consumers shopping in the typical American. The supermarkets are able to make their selection from among numerous competing brands. The ability to correctly select the "best" brand was demonstrated as poorer at both low and high information load levels, compared to intermediate levels. There are three types of consequences were examined by the consumer during purchase decision. They are accuracy, time, and several subjective states which occurs concurrent with and subsequent to the purchase decision (e.g. satisfaction, certainty, confusion).Increases in the amount of total information were positively correlated with amount of time spent on arriving at a decision. Switching from a no-purchase to a certain brand is proportional to the market share of this brand. This study investigates the time effect on brand purchase probabilities after homogenizing the data with respect to store switching, size of purchase, and frequency of the product purchase. The effects of price variability in brand choice models improve the model fit over conventional benchmark models. Awareness differentials seem to be a powerful influence on brand choice in a repeat purchase consumer product context. Consumers act in quite a similar manner when making purchase decisions in a product category that is new to them. Consumers learn through experiences and their choices evolve as they become more knowledgeable about a product category. Knowing that consumer preferences evolve is instrumental in helping marketers design offers and marketing programs that co-evolve with the customer. In addition, knowing when customers needs change helps management better understand how to value their customer base, by providing supporting information for equating lifetime customer value assessments. Search goods are products for which it we are able to observe the quality of the product through inspection. Experience goods require experience in use before the product quality is ascertainable. Credence goods the quality of the offer is difficult to distinguish even after the purchase and consumption by the customer. In the Newbie Phase, a phase with low loyalty, the consumer is bound to try a variety of offers. In the Apprentice Phase the consumer is awakening to knowledge about the category and, as things progress, is better able to search for optimal solutions.This study also intended lo examine the impact of product display of a good quality underdog brand on consumers' learning of product information and brand choice. Basically, it is assumed that, without differentiating the level of product display across competing brands, subjects will make a brand choice based on their previous brand attitude and brand experience, with the current formal of product information on the Web. This assumption is based on the literature concerning the impact of the decision making environment on choice, and it will be tested in this study. Shoppers who have planned their purchasing (made a decision before entering the store) do not process in-store information and show no response to point-of-purchase promotions. Consumers who have not planned their purchasing in a category (deciding at the point of purchase) may process in-store information and may be strongly influenced by promotions. Providing criteria to evaluate the quality of competing brands of stereos facilitates the encoding, retrieval, and alignment of the sensory attribute in brand choice task.

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FOREIGN DIRECT INVESTMENT IN INDIAN MULTI BRAND RETAIL TRADE: STAKEHOLDER PERSPECTIVE

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ABSTRACT

The subject matter FDI in Multi brand retail has been interpreted and subjected in distinct ways. The research included statistics, articles, journals and magazines circulating across the nation and substantive use of Internet Facility. The review of literature over the highly debatable issue, discussed in the parliament which is pertinent now days was interpreted and designed in form of 'aspects of Indian retail industry stakeholders'. The issues of both interested and uninterested parties were formulated and have been made into this paper. It was to study and to analyze the current retail scenario in India, investigate the controversial views of the various stakeholders and evaluate the likely challenges and threats of FDI in Multi-Brand Retailing.

KEYWORDS
Foreign Direct Investment, Stakeholders, Retailing, Multi brand.

INTRODUCTION
The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, retail industry is one of the fastest growing industries in India, especially over the last few years. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The Indian retail industry is expected to grow from Rs. 35,000 crore in 2004-05 to Rs. 1,09,000 crore by the year 2010 and hence is the most promising emerging market for investment (Baskaran, K., 2012) In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country, while it rose to 12% in 2009 and reached 22% by 2010. Unorganized retailing is by far the prevalent form of trade in India – constituting 98% of total trade, while organized trade accounts only for the remaining 2% – and this is projected to increase to 15-20 per cent by 2010.3 Nonetheless the organized sector is expected to grow faster than GDP growth in next few years driven by favorable demographic patterns, changing lifestyles, and strong income growth. In this context the present paper attempts to review the issues and implications of FDI inflows in to the Indian retail sector (Gupta R., 2012).

Retail in India is essentially "unorganized." 98% of the retail industry is made up of counter-stores, street markets, hole-in-the-wall shops and roadside peddlers. The term "unorganized retail" is better understood when comparing this form of retail to the organized retail that one is familiar with in developed countries. Unorganized retail is characterized by Family-run stores, lack of best practices when it comes to inventory control and supply-chain management, lack of standardization and essentially a sector populated by anyone who has something to sell (Baskaran, K., 2012).

Unorganized Retail is essentially the next-step above agriculture for those seeking to climb the ladder of affluence in search of a higher income. Recognizing the short-term and long-term growth of retail in India, a number of domestic business giants have entered the retail industry or are planning to do so in the near future. Some like Pantaloon Retail, Shopper's Stop and Pyramid Retail have been in the industry for a decade. Others like Reliance Retail Ltd. (RRL) (RRL is part of the Mukesh Ambani run Reliance Industries Ltd., one of India's largest industrial houses) have entered and Birla (Also known as the Aditya Birla Group, another large industrial house with various business interests) and Bharti (India's largest cellular service provider) opened up a number of stores across the country (Baskaran, K., 2012).

OBJECTIVES
- To assess the market situations for the same changes in other countries.
- To review the challenges to be faced by FDI's while investing in India.
- To evaluate the change in the customer's requirements after introduction of FDI in retail.
- Analysis and highlights on farmer's issues towards FDI in multi brand retailing.
- Overview the two faces of retail sector – Limitations and Challenges.
- Review the impact of Organized Retailing on the Unorganized Sector.

MULTI BRAND RETAIL IN INDIA
The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. In July 2010, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail (Discussion Paper on FDI in Multi Brand Retail Trading, http://dipp.nic.in/DiscussionPapers/DP_FDI_Multi-BrandRetailTrading_06July2010.pdf). The paper doesn't suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous '*kirana*' store.

In India the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles. The first challenge facing the organized retail sector is the competition from unorganized sector. Needless to say, the Indian retail sector is overwhelmingly swarmed by the unorganized retailing with the dominance of small and medium enterprises in contradiction to the presence of few giant corporate retailing outlets (Baskaran, K., 2012).

The trading sector is also highly fragmented, with a large number of intermediaries who operate at a strictly local level and there is no barrier to entry', given the structure and scale of these operations (Singhal 1999).The tax structure in India favors small retail business. Organized retail sector has to pay huge taxes, which is negligible for small retail business. Thus, the cost of business operations is very high in India. Developed supply chain and integrated IT management is absent in retail sector. This lack of adequate infrastructure facilities, lack of trained work force and low skill level for retailing management further makes the sector quite complex. Also, the intrinsic complexity of retailing- rapid price changes, threat of product obsolescence, low margins, high cost of real estate and dissimilarity in consumer groups are the other challenges that the retail sector in India is facing. The status of the retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers also show impact on retail industry. Even though economy across the globe is slowly emerging from recession, tough times lie ahead for the retail industry as consumer spending still has not seen a consistent increase. In fact, consumer spending could contract further as banks have been overcautious in lending. Thus, retailers are witnessing an uphill task in terms of wooing consumers, despite offering big discounts. Additionally, organised retailers have been facing a difficult time in attracting customers from traditional kirana stores, especially in the food and grocery segment (Gupta R., 2012).

While in some sectors the restrictions imposed by the government are comprehensible; the restrictions imposed in few others, including the retail sector, are utterly baseless and are acting as shackles in the progressive development of that particular sector and eventually the overall development of the Indian Inc. The scenario is kind of depressing and unappealing, since despite the on-going wave of incessant liberalization and globalization, the Indian retail sector is still aloof from progressive and ostentatious development. This dismal situation of the retail sector undoubtedly stems from the absence of an FDI encouraging policy in the Indian retail sector.

Also FDI encouraging policy can remove the present limitations in Indian system such as

Infrastructure: There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (about 180 million MT), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages, having a total capacity of 23.6 million MT. , 80% of this is used only for potatoes. The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage in quality and quantity of produce in general. Though FDI is permitted in cold-chain to the extent of 100%, through the automatic route, in the absence of FDI in retailing; FDI flow to the sector has not been significant.

Intermediaries dominate the value chain: Intermediaries often flout *mandi* norms and their pricing lacks transparency. Wholesale regulated markets, governed by State APMC Acts, have developed a monopolistic and non-transparent character. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail (Gupta R., 2012).

Improper Public Distributon System ("PDS"): There is a big question mark on the efficacy of the public procurement and PDS setup and the bill on food subsidies is rising. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern. The absence of a *'farm-tofork'* retail supply system has led to the ultimate customers paying a premium for shortages and a charge for wastages.

No Global Reach: The Micro Small & Medium Enterprises (MSME) sector has also suffered due to lack of branding and lack of avenues to reach out to the vast world markets. While India has continued to provide emphasis on the development of MSME sector, the share of unorganised sector in overall manufacturing has declined from34.5% in 1999-2000 to 30.3% in 2007-08. This has largely been due to the inability of this sector to access latest technology and improve its marketing interface (Gupta R., 2012).

Thus the **rationale behind allowing FDI** in Indian retail sector comes from the fact, that it will act as a powerful catalyst to spur competition in retail industry, due to current scenario of above listed limitations, low completion and poor productivity. Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country & its productive use, in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation (Nabael Mancheri, 2010).

Apart from this, by allowing FDI in retail trade, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and cost-competitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade. Lastly, it is to be noted that the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country, which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also come to conclusion that investment of big' money (large corporate and FDI) in the retail sector would in the long run not harm interests of small, traditional, retailers(Sarthak Sarin, (Nov 23, 2010)). In light of the above, it can be safely concluded that allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GDP and overall economic development, but would *inter alia* also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them. With the implementation of this policy all stakeholders will benefit whether it is consumer through quality products at low price, farmers through more transparency in trading or Indian corporates with 49% profit share remaining with Indian companies only.

It may be imagined that, if the entry of trans-nationals in retail trade leads to harmful consequences, the government can restrict and regulate their activities, or even remove them altogether (Pareek, S., Prakash, K., 2011). However, TNCs in services are striving to bring in changes in the General Agreement on Trade in Services (GATS) to ensure that their entry is irreversible and ever-expanding. A number of concerns have been raised with regard to opening up of the Multi-brand retail sector in India. In this research paper we have analyzed the threats posed to the three stakeholders which are as follows:

(1) Current Retailer who are the natives of India
(2) The foreign Investors
(3) The Indian Economy

THREATS TO CURRENT RETAILERS

Retail in India has tremendous growth potential, Retail is already the *second largest employer* in India and any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only *create unemployment* on the front end retail but also the middleman who have been working in this industry and the chain will impact the governments growth and employment problems in a long term.

It would lead to unfair competition and ultimately *result in large-scale exit of domestic retailers*, especially the small family managed outlets, leading to large scale displacement of employed in retail sector. Further, as the manufacturing sector has not been growing fast enough, the persons displaced from the retail sector would not be absorbed there (Pareek, S., Prakash, K., 2011).

The Indian retail sector, particularly *organized retail*, is still *under-developed* and in a *nascent* stage and that, therefore the companies may not be able to survive in the ex-parte competition and may give up in front of global giants (Pareek, S., Prakash, K., 2011).

If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their *self competitive strength.*

Earlier this year, the Prime Minister had sought a debate on opening up the sector. There has been an overwhelming apprehension among political parties of different hues that the entry of foreign direct investment in retail business would signal the end of the conventional small ***"mom and pop"*** (kirana) stores as they would be swamped by the multi-national corporations.

THREATS TO THE FOREIGN INVESTORS

Before investment approval is given, the application of foreign investors has to pass through various transfer channels which are dominated by the Bureaucrat. This is referred to as *Red Tapism*. This results into delay in decision making regarding investment beginning. *Delay in approvals leads to disinterested corporate giants.*

Corruption is another major concern. India has a number of anti-corruption cells and anti-corruption acts, but some foreign firms have identified corruption as one of the major obstacles to FDI in India.

India has requirement for the number of permits and significantly longer median number of days to start a firm than almost all countries, which are included in the **Global Competitiveness Report's Database**. According to the report by **World Bank**, starting a business in *India requires 11 procedures and median time is 71 days as compared to china, which has 14 procedures with a median time of 48 days* (Pareek, S., Prakash, K., 2011).

THREATS TO THE ECONOMY

The country might easily come in threats by Global business cycles. In the year 2008-2010 the Indian economy remained little affected due to inflation which caused severe financial harm to the investors worldwide because of limited opening of the economy. The opening of the sector would *lead to recurrent threats due to change in business cycles of the Global partners.*

Today India already has foreign debt {US$ 79 Billion} + trade deficit {US $ 100 billion}+ current account deficit + FDI {US$ 40 billion} + FII {US$ 100 billion} = approx **350 US$ billion** and more. This means almost all resources and transactions in India are owned or financed by Foreign Nations especially Indian Economy is completely weakened to Foreign Currency influence that kills Indian Rupee. When Rupee value is killed globally that kills natives which is visible as, Rising Commodity Prices, Rising Fuel Prices and Rising Debts. FDI in retail may bring in investment which will have an impact on Indian small and medium Manufacturing sector. It is already dented by China Products which will further hurt due to allowance of FDI into retail (Pareek, S., Prakash, K., 2011).

More of an opportunity, less of a threat!!! THE CRAWLING ADVANTAGES

Analysis of FDI flows in trade indicates that, over the 1990s, developed countries faced market saturation and became relatively less attractive to foreign investors. Instead, developing countries and Central and East European countries became increasingly attractive to foreign investors (Pareek, S., Prakash, K., 2011).

Adoption of liberalized policy for the Multi-brand retail sector would be more of a positive step as it would bring added advantage of the following:

Foreign Direct Investment (FDI) is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, and research and development in the host country

With the growth of organized retailing, the average size of shops is increasing; both in terms of turnover and employment, and the density of retail outlet is declining. Moreover many retailers have entered into joint ventures, strategic alliances and co-operation agreements. This in turn result into growth of economy and adding to it will give opportunities to young Human Resource of the nation to exploit the resources in the prevalent competitive environment.

FDI can be a powerful catalyst to spur competition in industries characterized by low competition and poor productivity. Examples include the cases of consumer electronics in Brazil and India, food retail in Mexico, and auto in China, India, and Brazil (Pareek, S., Prakash, K., 2011).

FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity. It can bring about: Supply Chain Improvement, Investment in Technology, Manpower and Skill development, Tourism Development, Greater Sourcing From India, Progression in Agriculture, Benefits to government: through greater GDP, tax income and employment generation (Pareek, S., Prakash, K., 2011).

The retail sector is severely constrained by limited availability of bank finance. The Government and the RBI need to evolve suitable policies to enable retailers in the organized and unorganized sector to expand and improve efficiencies.

Impact of FDI in multi brand retail on various stake holders of retail industry:

1. IMPACT ON FARMING COMMUNITIES

A supermarket revolution has been underway in developing countries since the early 1990s. Supermarkets (here referring to all modern retail, which includes hain stores of various formats such as supermarkets, hypermarkets, and convenience and neighbourhood stores) have now gone well beyond the initial upper- and middle-class clientele in many countries to reach the mass market. Within the food system, the effects of this trend touch not only traditional retailers, but also the wholesale, processing, and farm sectors (Gupta R., 2012). When supermarkets modernize their procurement systems, they require more from suppliers with respect to volume, consistency, quality, costs, and commercial practices. Supermarkets' impact on suppliers is biggest and earliest for food processing and food-manufacturing enterprises, given that some 80% of what supermarkets sell consists of processed, staple, or semi-processed products. But by affecting processors, supermarkets indirectly affect farmers, because processors tend to pass on the demands placed on them by their retail clients. Supermarket chains prefer, if they are able, to source from medium and large processing enterprises, which are usually better positioned than small enterprises to meet supermarkets' requirements. The rise of supermarkets thus poses an early challenge to processed food microenterprises in urban areas. By contrast, as supermarkets modernize the procurement of fresh produce (some 10–15% of supermarkets' food sales in developing countries), they increasingly source from farmers through —specialized and dedicated wholesalers (specialized in product lines and dedicated to modern segments) and occasionally through their own collection centers. Where supermarkets source from small farmers, they tend to buy from farmers who have the most non-land assets (like equipment and irrigation), the greatest access to infrastructure (like roads and cold chain facilities), and the upper size treacle of land (among small farmers). Where supermarkets cannot source from medium- or large-scale farmers, and small farmers lack the needed assets, supermarket chains (or their agents such as the specialized and dedicated wholesalers) sometimes help farmers with training, credit, equipment, and other needs. Such assistance is not likely to become generalized, however, and so overtime asset-poor small farmers will face increasing challenges surviving in the market as it modernizes. When farmers enter supermarket channels, they tend to earn from 20 to 50% more in net terms. Among tomato farmers in Indonesia, for example, net profit (including the value of own labour as imputed cost) is 33–39% higher among supermarket channel participants than among participants in traditional markets. Farm labour also gains. But supplying supermarket chains requires farmers to make more up-front investments and meet greater demands for quality, consistency, and volume compared with marketing to traditional markets (Gupta R., 2012).

Support for retail reforms: In a pan-Indian survey conducted over the weekend of 3 December 2011, overwhelming majority of consumers and farmers in and around ten major cities across the country support the retail reforms. Over 90 per cent of consumers said FDI in retail will bring down prices and offer a wider choice of goods. Nearly 78 per cent of farmers said they will get better prices for their produce from multi format stores. Over 75 per cent of the traders claimed their marketing resources will continue to be needed to push sales through multiple channels, but they may have to accept lower margins for greater volumes (Reuters, 4th Dec. 2011).

Farmer groups: Various farmer associations in India have announced their support for the retail reforms.

For example: Shriram Gadhve of All India Vegetable Growers Association (AIVGA) claims his organization supports retail reform. He claimed that currently, it is the middlemen commission agents who benefit at the cost of farmers. He urged that the retail reform must focus on rural areas and that farmers receive benefits. Gadhve claimed, "A better cold storage would help since this could help prevent the existing loss of 34% of fruits and vegetables due to inefficient systems in place." AIVGA operates in nine states including Maharashtra, Andhra Pradesh, West Bengal, Bihar, Chattisgarh, Punjab and Haryana with 2,200 farmer outfits as its members (The financial express, 2nd Dec. 2011).

Bharat Krishak Samaj, a farmer association with more than 75,000 members says it supports retail reform. Ajay Vir Jakhar, the chairman of Bharat Krishak Samaj, claimed a monopoly exists between the private guilds of middlemen, commission agents at the sabzi mandis (India's wholesale markets for vegetables and farm produce) and the small shopkeepers in the unorganized retail market. Given the perishable nature of food like fruit and vegetables, without the option of safe and reliable cold storage, the farmer is compelled to sell his crop at whatever price he can get. He cannot wait for a better price and is thus exploited by the current monopoly of middlemen. Jakhar asked that the government make it mandatory for organized retailers to buy 75% of their produce directly from farmers, bypassing the middlemen monopoly and India's sabzi mandi auction system (The financial express, 2nd Dec. 2011).

Consortium of Indian Farmers Associations (CIFA) announced its support for retail reform. Chengal Reddy, secretary general of CIFA claimed retail reform could do lots for Indian farmers. Reddy commented, —India has 600 million farmers, 1,200 million consumers and 5 million traders. I fail to understand why political parties are taking an anti-farmer stand and worried about half a million brokers and small shopkeepers (Suryamurthi, R., 2011). CIFA mainly operates in Andhra Pradesh, Karnataka and Tamil Nadu; but has a growing member from rest of India, including Shetkari Sanghatana in Maharashtra, Rajasthan Kisan Union and Himachal Farmer Organisations.

Prakash Thakur, the chairman of the People for Environment Horticulture & Livelihood of Himachal Pradesh, announcing his support for retail reforms claimed FDI is expected to roll out produce storage centers that will increase market access, reduce the number of middlemen and enhance returns to farmers (Suryamurthi, R., 2011). Highly perishable fruits like cherry, apricot, peaches and plums have a huge demand but are unable to tap the market fully because of lack of cold storage and transport infrastructure. Sales will boost with the opening up of retail. Even though India is the second-largest producer of fruits and vegetables in the world, its storage infrastructure is grossly inadequate, claimed Thakur (Suryamurthi, R., 2011).

CASE 1.**PepsiCo India HELPING FARMERS IMPROVE YIELD AND INCOME**

- The company's vision is to create a cost-effective, localized agro-supply chain for its business by:
- Building PepsiCo's stature as a development partner by helping farmers grow more and earn more.
- Introducing new high-yielding varieties of potato and other edibles.
- Introducing sustainable farming methods and practising contact farming.
- Making world-class agricultural practices available to farmers and helping them raise farm productivity.
- Working closely with farmers and state governments to improve agro sustainability and crop diversification.
- Providing customized solutions to suit specific geographies and locations.

(Source: http://pepsicoindia.co.in/purpose/environmental-sustainability/partnership-with-farmers.html)

This and many other cases suggest that opening of Indian retail sector to FDI is a win-win situation for farmers. Farmers would benefit significantly from the option of direct sales to organized retailers. For instance, the profit realization for farmers selling directly to the organized retailers is expected to be much higher than that received from selling in the mandis.

2. IMPACT ON CONSUMERS AND EXISTING SUPERMARKETS

Supermarkets tend to charge **consumers** lower prices and offer more diverse products and higher quality than traditional retailers—these competitive advantages allow them to spread quickly, winning consumer market share. In most countries supermarkets offer lower prices first in the processed and semiprocessed food segments (Gupta R., 2012).

Only recently, mainly in the first- and second-wave countries have supermarket prices for fresh fruits and vegetables been lower than traditional retailers' (except in India). The food price savings accrue first to the middle class, but as supermarkets spread into the food markets of the urban poor and into rural towns, they have positive food security impacts on poor consumers. For example, in Delhi, India, the basic foods of the urban poor are cheaper in supermarkets than in traditional retail shops: rice and wheat are 15% cheaper and vegetables are 33% cheaper (Gupta R., 2012). **Existing Indian retail firms** such as Spencer's, Foodworld Supermarkets Ltd, Nilgiri's and ShopRite support retail reform and consider nternational competition as a blessing in disguise. They expect a flurry of joint ventures with global majors for expansion capital and opportunity to gain expertise in supply chain management. Spencer's Retail with 200 stores in India, and with retail of fresh vegetables and fruits accounting for 55% of its business claims retail reform to be a win-win situation, as they already procure the farm products directly from the growers without the involvement of middlemen or traders. Spencer's claims that there is scope for it to expand its footprint in terms of store location as well as procuring farm products. Foodworld, which operates over 60 stores, plans to ramp up its presence to more than 200 locations. It has already tied up with Hong Kong-based Dairy Farm International. With the relaxation in international investments in Indian retail, India's Foodworld expects its global relationship will only get stronger (Gupta R., 2012).

3. IMPACT ON SMALL SHOPS AND LOCAL VENDORS

The main question being raised is whether the traditional mom and pop stores will survive and co-exist or leave the field for major organized retail players? The answer could be a co-existence. The major advantage for the smaller players is the size, complexity and diversity of our Indian Markets. If we look at the organized retail players, most of them have opened shop in the Metros, Tier 1 and Tier 2 towns. Very rarely do we find organized players in the rural areas and we have more than 70% of the population living in the rural areas (Gupta R., 2012). There are a multitude of reasons being floated around to prevent the liberalization of the FDI norms for Indian retail:

- Primary among these is the concern regarding the kirana stores as well other locally operated Mom and Pop stores being adversely affected by the entry of global retail giants such as Walmart, Carrefour and Tesco. As these brands would come with advanced capabilities of scale and infrastructure in addition to having deep pockets, it is argued that this would result in the loss of jobs for lakhs of people absorbed in the unorganised sector.
- Fears have also been raised over the lowering of prices of products owing to better operational efficiencies of the organised players that would affect the profit margins of the unorganised players.
- Instability surrounding the political arena with a number of scams of varying magnitudes doing the rounds has also led to a sense of uncertainty among foreign investors.

Many Industry experts though, feel that the reservations against the introduction of Multi-Brand retail are mostly misplaced. The successful deployment of 100%FDI in China is a case in point. Partial FDI in retail was introduced in 1992 in China. Subsequently, in December 2004, the Chinese retail market was fully opened up to utilise the enormous manpower and wide customer base available that has led to a rapid growth of the sector. Today, its retail sector is the second largest (in value) in the world with global retailers such as Walmart, 7-Eleven and Carrefour comprising 10% of the total merchandise. Thus the above discussion and case of China suggest that it is too early to predict the erosion of mom and pop stores in India with opening of multi-brand retail sector in India to foreign investors (Gupta R., 2012).

FDI in multi-brand retail is therefore a necessary step that needs to be taken to propel further growth in the sector. This would not only prove to be fruitful for the economy as a whole but will also integrate the Indian retail sector with the global retail market. It is not a question of how'it will be done but when'.

CONCLUSION

The discussion above highlights:

- Small retailers will not be crowded out, but would strengthen market positions by turning innovative/contemporary.
- Growing economy and increasing purchasing power would more than compensate for the loss of market share of the unorganised sector retailers.
- There will be an initial and desirable displacement of middlemen involved in the supply chain of farm produce, but they are likely to be absorbed by increase in the food processing sector induced by organised retailing.
- Innovative government measures could further mitigate adverse effects on small retailers and traders.
- Farmers will get another window of direct marketing and hence get better remuneration, but this would require affirmative action and creation of adequate safety nets.
- Consumers would certainly gain from enhanced competition, better quality, assured weights and cash memos.
- The government revenues will rise on account of larger business as well as recorded sales.

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EFFICIENT MARKET HYPOTHESIS IN CHINA STOCK MARKETS

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ABSTRACT

This is a working paper which has examined the weak form of efficiency on two major stock exchanges of china that is Shanghai Stock Exchange and Shenzhen Stock Exchange. Historical index values were gathered on monthly basis for a period of 10 years (1st April 2002 to 2nd May 2013) for the Shanghai and Shenzhen Composite index. The random walk hypothesis is examined using two statistical methods, namely a serial autocorrelation test and a non-parametric runs test. In our earlier studies we have documented that Indian Stock Market (BSE) is weak form efficient whereas in this study we have concluded that Chinese stock market is not weak form efficient.

KEYWORDS
Shanghai stock exchange, Shenzhen stock exchange, serial correlation, runs test, Weak-form Efficiency.

JEL CODE
G14

1. INTRODUCTION
1.1 OVERVIEW OF CHINA

China experienced tremendous change, from centrally planned economy in the middle of twentieth century to more market orientated economy since eighties. China has become the centre of global attention. It is the world's fastest growing major economy, with growth rates averaging 30% over the past 30 years.[1] GDP growth averaging about 10 percent a year has lifted more than 600 million people out of poverty. As China's economic importance has grown, so has attention to its stock markets.[2] Chinese emerging stock markets experienced a tremendous growth and development, since its two main stock exchanges – Shanghai Stock Exchange and Shenzhen Stock Exchange were established in 1990.Though both the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) are relatively young with their respective inauguration in December 1990 and July 1991, they are the world's leading emerging stock market in terms of market capitalization, and Asia's second largest after Japan.[3]

The Shanghai Stock Exchange (SSE) was founded on Nov. 26th, 1990 and in operation on Dec.19th the same year. The exchange occupies large trading floor (more than 3600 square meters), making it the largest Exchange in Asia-Pacific region. It is the world's 5th largest stock market by market capitalization. It is a membership institution directly governed by the China Securities Regulatory Commission(CSRC). After several years' operation, the SSE has become the most preeminent stock market in Mainland China in terms of number of listed companies, number of shares listed, total market value, tradable market value, securities turnover in value, stock turnover in value and the T-bond turnover in value. As at the end of 2011, there were 931 listed companies on SSE, with 39 new listings in 2011 (including 1 holistic listing). By the end of the year, there were 975 listed stocks on SSE with a total market capitalization of RMB 14,837.622 billion, decreasing by 17.11% year-on-year, and free-float market capitalization of RMB 12,285.136 billion, up 13.69% from the previous year. The year-end total share capital of all the listed companies reached 2,346.65 billion shares, of which 1,799.38 billion shares or 76.68% were tradable. A large number of companies from key industries, infrastructure and high-tech sectors have not only raised capital, but also improved their operation mechanism through listing on Shanghai stock market.[4]Shenzhen Stock Exchange (SZSE), established on 1st December, 1990, is a self-regulated legal entity under the supervision of China Securities Regulatory Commission (CSRC). SZSE is committed to developing China's multi-tiered capital market system, serving national economic development and transformation and supporting the national strategy of independent innovation. The SME Board was launched in May 2004. SZSE's products cover equities, mutual funds and bonds. The product lines include A-shares, B-shares, indices, mutual funds, fixed income products, and diversified derivative financial products. Chinese stock market actually consists of several sub-markets, with limited access and ability to buy stock and shares. This situation suggests the possibility of a difference in market efficiency between markets for A and B shares. Class A shares are (with rare exceptions) restricted only to domestic investors. They are listed either on Shanghai or Shenzhen exchange, and they are denominated in not freely exchangeable Renminbi (abbr. RMB). Foreign investors can trade "B" class shares, but these shares don't carry ownership rights in a company. Before 2005 China didn't experienced boom that was present on other stock markets. The reasons were different, but what should be primarily pointed out is, that Chinese currency was pegged to USD, and not many firms were interested in listing B-class shares, which could be only bought by foreigners (market for A-class shares were restricted to domestic investors). When these strict regulations were partially liberalized, China experienced tremendous boom – in next year Shanghai Composite Index went up by 130% and Shenzhen Composite Index even more – by 197%.All A & B class shares on Shanghai and Shenzhen exchange Stock are indexed by SSE and SZSE Composite Index. SSE Composite Index- Constituents for SSE Composite Index are all listed stocks (A shares and B shares) at Shanghai Stock Exchange. The Base Day for SSE Composite Index is December 19, 1990. The Base period is the total market capitalization of all stocks of that day. The Base Value is 100. The index was launched on July 15, 1991. [a]Shenzhen composite index is basically similar to the index on the SSE. The SZSE Composite Index includes all A-share and B-share companies listed on the SZSE.

[a]http://english.sse.com.cn/information/indices/list/s/singleIndex/000001/intro/intro.shtml?code=000001&type=2

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[2] http://en.wikipedia.org/wiki/Economy_of_China
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1.2 OBJECTIVES AND METHODOLOGY
The core objective of this paper is to investigate whether the Chinese capital market is efficient in the weak-form degree with the observations including indices of both Shanghai and Shenzhen Stock Exchanges. Purpose of this study is also to find out whether Chinese stock returns violate the random walk hypothesis or not. In our study monthly closing prices for Shanghai and Shenzhen composite index over a period of 1_{st} April 2002 to 31_{st} March 2013 are used and various types of statistical tests are applied to examine market efficiency. This study applies a classical framework of testing market efficiency. To determine whether or not the time series predictability in Chinese stock returns violate the random walk model, which maintains that past stock return changes cannot be used to predict future stock returns. Statistical tests include serial correlation and runs test for null hypothesis of a random walk are employed.

2. LITERATURE REVIEW
Bachelier (1900) was the first person who had formulated the theory of random walks for the first time. Later on Osborne (1959) did more defined work on the formulation of random walk theory. There were two basic assumptions of random walk model presented by Bachelier and Osborne. First assumption was that new information upon which the analysts are used to estimate intrinsic value would occur in an independent or an unsystematic manner over the time. Second assumption was that the evaluation of the new information would also be independent which means that the evaluation by one analyst would not influence the evaluation of another analyst. On these assumptions Bachelier and Osborne had concluded that successive market price changes should be unsystematic. Fama (1965) had defined efficient market that is a place where there are large numbers of rational investors competing actively, where each investor is trying to forecast future market values of stocks and where important current information about stocks is almost freely available to all participants of market. Thus, in such market at any point in time, the actual price of a security would be a good estimate of its intrinsic value. He further argued that theory of random walk has borne out from the concept of efficient markets. The random walk theory states that prices of securities follow a random walk and thus the prices of the stock market cannot be predicted. Fama (1970) gave detail description on efficient markets. He elucidated that in an efficient market, prices of stocks entirely reflect all available information regarding stocks. He added that may be in reality efficient market model is not 100% achievable but it would probably serve as best viewed as a benchmark against which performance of market efficiency can be judged. Jensen (1978), the efficient market is where prices of securities reflect information up to the point in such a way that marginal benefits of acting on the information don't exceed than the marginal cost of collecting it. Additionally he said that regarding information a market is said to be efficient, if someone has information set and on the basis of this information set it is impossible to gain economic profits. Economic profits can be defined as the risk adjusted returns net of all costs. Then Fama (1970), did further analysis on the three types of efficient market based on information set. First, weak form efficient market, where prices of securities fully reflect historical information of past prices and returns in such a manner that no investor can generate excess returns on the basis of this set of information. Secondly, Semi-strong form efficiency where prices of securities fully reflect all public information and this public information should be known to all investors in such a manner that no investor can generate excess returns on the basis of this set of information. Finally, strong form efficient market is where prices of securities fully reflects all public & private information and this public & private information should be known to all investors in such a manner that no investor can generate excess returns on the basis of this set of information. Fama (1991) argued that the lower the transaction costs in a market, including the costs of obtaining information and trading, the more efficient the market. In the paper he mentioned that to test the efficient market event study is more effective as we just need to investigate the timing of information event and it's the speed of adjustment in prices. So if the prices react and show change rapidly after the occurrence of an event it means prices absorb the new information and hence market is efficient. He further argued that the events may hold information like investment decisions, dividend changes or changes in capital structure. Following by Fama's theory and comprehensive empirical work of efficient capital market a plethora of studies were devoted to testing validity of the weak form of the EMH. A large number of these researches have centred on developed markets.

Emerging stock markets have recently attracted increasing attention from both researchers and investors. The great interest is not surprising because during early nineties growth of emerging markets were remarkable. The empirical evidence on weak form efficiency of the emerging markets is controversial. Most of the emerging stock markets have been demonstrated to be inefficient even in the weak sense, while others were found to be efficient. Sharma and Kennedy (1977) compared the behaviour of stock indices of the Bombay, London and New York stock exchanges during 1963-73 using run test and spectral analysis. Both runs test and spectral analysis confirmed the random movement of stock indices for all the three stock exchanges. They concluded that stocks on the BSE (Bombay Stock Exchange) follow random walk and are weak- form efficient. Ramachandran (1986) tested for the weak – form of Efficient Market Hypothesis using weekend prices of 60 scrips over the period 1976-81. He used filter rule tests in addition to runs test and serial correlation tests and found support for the weak – form of EMH. *Poshakwale (1996)* presented evidence concentrating on the weak form efficiency and on the day of week effect in the Bombay Stock Exchange under the consideration that variance is time dependent. Moving from its traditional functioning to that required by the opening of the capital markets, the BSE has presented different patterns of stock returns and supports the validity of day of the week effect. The frequency distribution of the prices in BSE does not follow a normal or uniform distribution, which is also confirmed by the non-parametric KS Test. Vulic(2010) tested the efficiency of Montenegro stock exchange using unit root, runs test and autocorrelation test. Daily data was taken for a period March 3rd 2003 to July 31st 2009. The sample of 1675 observations concluded the inefficiency of Montenegro stock exchange. Wu (1996) used the serial correlation test on 8 and 12 individual shares for the period from June 1992 through December 1993 for the Shanghai and Shenzhen markets respectively and argued that CSMs seem weak. Mookerjee and Yu (1999) tested two market indices (Shanghai and Shenzhen) using the serial correlation and runs tests, concluded that the markets were inefficient. They concentrated their investigation of the market behaviour on the period from December 1990 to May 1992 and from May 1992 to December 1993.

Laurence *et al*. (1997) implemented serial correlation test based on daily data from 1993 until 1996. The results show the market for A shares to be efficient and that for B shares to be inefficient Liu *et al*. (1997) implemented unit root test using daily data from 1992 until 1995. On the basis of the results, it was asserted that both the Shanghai and Shenzhen markets are efficient. Li(2008)tested the efficiency of stock markets in China and Japan with Runs test, Dickey-Fuller Unit root test and Variance ratio test. The data of Shanghai, Shenzhen and Tokyo stock market indices from 2000 to 2007 was tested and found that even Shanghai and Shenzhen stock markets conform to the Random walk to some extent under the Runs Test1, they are still not efficient while Tokyo stock market was tested to conform to the Random walk characteristic under strict tests.

3. RESEARCH METHODOLOGY
3.1 DATA
The data used in this study are monthly closing prices of composite stock index for Chinese stock exchanges in Shanghai and Shenzhen. The data is collected from the yahoo finance and the observation period ranges from April 2002 to May 2013.

3.2 HYPOTHESIS
The main objective of this study is to examine whether the Chinese stock market follows a random walk or is weak form efficient. Accordingly, the hypothesis of the study is:

H0: The Chinese stock market follows a random walk/ is a weak-form efficient

H1: The Chinese stock market does not follow the random walk

3.3 METHODOLOGY
In this study, we use two statistical methods, namely a serial correlation test and runs test to examine market efficiency.

RUNS TEST

Runs Test is a traditional method used in the random walk model and ignores the properties of distribution. It determines whether successive price changes are independent. In this test actual number of runs is being compared with the expected number of runs. If the actual number of runs is not significantly different from the expected number of runs, then the price changes are considered independent, and if this difference is significant then the price changes are considered dependent. In order to test the significant difference between the actual number of runs and expected number of runs the test statistics employed will be 'Z'.

SERIAL CORRELATION

Serial correlation test measures the correlation coefficient between a series of returns and lagged returns in the same series, whether the correlation coefficients are significantly different from zero. Positive serial correlation means that positive returns tend to follow positive returns and vice versa. If the serial correlation is statistically significant it shows that successive price changes are related and market is inefficient.

4. EMPIRICAL FINDINGS

4.1 DESCRIPTIVE STATISTICS

Before employing any test it is very important to find out the normality of the data which can be found out by statistical description of the data. Table-1 presents statistical description of Shanghai stock exchange (SSE) and Table-2 represents description of Shenzhen Stock exchange. Under this mean, standard deviation, variance, minimum, maximum, skewness and kurtosis have been calculated. The critical values for skewness and kurtosis are 0 and 3 which represents that the observed data is perfectly normally distributed**.** The calculated value of skewness for SSE and SZSE are **-0.1167 and -0.02164 respectively** and value of kurtosis for SSE and SZSE **are 1.059523 and 0.332467**. The values from the table show that neither the skewness nor the kurtosis of both the indices shows normality of the data. The skewness is less than 0 and kurtosis is less than 3 which imply that data is not normal.

SHANGHAI STOCK EXCHANGE TABLE-1

MEAN	0.006032
MEDIAN	0.006586
MAXIMUM	0.274464
MINIMUM	-0.24631
STD DEV	0.083608
SKEWNESS	-0.1167
KURTOSIS	1.059523

SHENZHEN STOCK EXCHANGE TABLE-2

MEAN	0.009713
MEDIAN	0.010372
MAXIMUM	0.289396
MINIMUM	-0.23516
STD DEV	0.092109
SKEWNESS	-0.02164
KURTOSIS	0.332467

4.2 RUNS TEST

Our non-parametric analysis is made using Runs test. In case of SSE (Table 3) and SZSE (Table 4) it is noted that the z-values are computed as -1.03052 and -2.27027 respectively. The value of SSE lies inside the 95% confidence interval and so we accept the null hypothesis. This implies that the succeeding price changes move in an independent manner and so Shanghai stock exchange follows the random walk model. However in SZSE Z value lies outside the confidence intervals that is we fail to accept the null hypothesis. Hence Shenzhen stock exchange is not weak form efficient.

SHANGHAI STOCK EXCHANGE TABLE 3

Total No. of runs	63
Total No. of positives (N1)	69
Total Number of negatives (N2)	67
Total Number of observations (N1 + N2)	136
Estimated value (Mean)	68.98529
Variance	33.73344
Standard Deviation	5.80805
Z – statistics	-1.03052
significance level 5%	-1.96

SHENZHEN STOCK EXCHANGE TABLE 4

Total No. of runs	55
Total No. of positives (N1)	73
Total Number of negatives (N2)	62
Total Number of observations (N1 + N2)	135
Estimated value (Mean)	68.05185
Variance	33.05148
Standard Deviation	5.749042
Z – statistics	-2.27027
significance level 5%	-1.96

4.3 SERIAL CORRELATION

Under the weakest version of the random walk the increments or first-differences of the level of the random walk is uncorrelated at all leads and lags. Serial correlation test measures the correlation coefficient between a series of returns and lagged returns in the same series, whether the correlation coefficients are significantly different from zero. The autocorrelation in returns of Chinese stock markets are tested whether returns can be characterized by serial dependence.

SHANGHAI STOCK EXCHANGE TABLE 5

R - square (A)	0.325
No. of Samples (B)	132
(A) x (B)	42.9
value of chi - square at 4 degree of freedom at 5% level of significance	9.488
As 42.9 > 9.488 so we reject null hypothesis i.e. there is randomness and accept alternate hypothesis i.e. there is auto correlation	

SHENZHEN STOCK EXCHANGE TABLE 6

R - square (A)	0.11
No. of Samples (B)	130
(A) x (B)	14.3
value of chi - square at 4 degree of freedom at 5% level of significance	9.488
As 14.3 > 9.488 so we reject null hypothesis i.e. there is randomness and accept alternate hypothesis i.e. there is auto correlation	

5. CONCLUSION

This research mainly hunted for the evidence of weak form efficiency by hypothesizing normality of the SSE and SZSE monthly return series and random walk assumption. Regarding skewness and kurtosis, the monthly return series were found non-normal. Based on runs test carried out on the sample drawn from SSE and SZSE, it is concluded that the Shanghai stock market returns follow random walk and they support the weak form of market efficiency whereas Shenzhen stock market returns do not follow a random walk. So another test named serial correlation was used to test weak form efficiency. It is concluded that both shanghai and Shenzhen stock market returns follow random walk. Hence, the empirical study suggests that Chinese stock market is not weak form efficient and abnormal returns can be generated based on past price trends / information. In our earlier studies we have documented that Indian Stock Market (BSE) is weak form efficient whereas in this study we have concluded that Chinese stock market is not weak form efficient. Unlike India technical analysis can be used to predict future stock prices in case of Chinese stock markets.

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PORTFOLIO PERFORMANCE EVALUATION OF SELECTED SECTORS INDEX OF BSE

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ABSTRACT
The models of evaluating portfolio's performance are based on two factors viz., Return and Risk, which are suitable for short term and a major shortcoming is that these models evaluate different types of investment companies by these same factors. This study suggests a model for evaluation of long-term portfolio's performance by accounting contingency multi criteria for each field of investment company classification. In this research paper we are going to evaluate the performance of different BSE sector index such as BSE BANKEX, BSE CG, BSE FMCG, etc with five different portfolio evaluation measures. i.e. Sharpe measure, Treynor measure, Jensen measure, Fama measure and M^2 measure.

KEYWORDS
Portfolio Performance Evaluation, Sharpe, Treynor, Jensen, Fama, M Square

INTRODUCTION
Studies on portfolio performance evaluation began in the 1960's along with the development of modern asset pricing theory. After the selection of a portfolio, its performance is evaluated. Portfolio evaluation has been concerned with models, which indicate the type of components of the management process, which contributed to the results. Many measures have been used to evaluate investment performance. They include:

- Index of return per unit of total risk (Sharpe measure)
- Index of return per unit of systematic risk, (Treynor measure)
- Index of excess return relative to a benchmark, adjusted for systematic risk (Jensen measure).
- Index which compares the performance, measured in terms of returns, of a portfolio with the required return commensurate with the total risk associated with it. The difference between these two is taken as a measure of the performance of the fund. (Fama net selectivity)
- Index which adjust the portfolio return where volatility matches the volatility of market index. (M^2 Measure)

LITERATURE REVIEWS
1. **Rahdari(2009),** in his research paper titled "Evaluation of long term portfolio' performance" published in *Bimaquest - Vol. IX Issue I, January 2009* used three portfolio performance measures. i. e. Sharpe, Treynor & Jenson to measure the performance of portfolio.
2. **Rashmi Shankar and Paroma Sanyal (2007),** in their paper titled "Impact of ownership, competition and productivity on profitability and spreads in India's commercial bank sector following the 1991 reforms" This paper examines the performance of different banking sector index by using different portfolio performance measures.
3. **Indian Journal of Finance(2007),** titled "Performance Evaluation and Future Prospects of Mutual Fund Industry in India" used different measure of portfolio performance evaluation for evaluating the performance of different mutual fund scheme.

OBJECTIVES
- To quantify the performance of selected sector Index of BSE in form of return (%) and Risk (Standard Deviation & Beta).
- To evaluate the performance of selected sector Index of BSE with the help of various Portfolio performance evaluation measures.
- Compare the performance of selected Sector Index of BSE and rank them with the help of each performance measure.

HYPOTHESIS OF STUDY
H_0 = There is no significance difference in the performance of selected sectors Index of BSE for a selected time period using Sharpe/Treynor/Jensen/Fama/M^2 Measures. ($\mu_1 = \mu_2 = \ldots\ldots = \mu_{13}$)

RESEARCH DESIGN
SAMPLING
For measuring the financial performance of Indian Stock Market thirteen different BSE Indices has been selected for measuring performance. These indices are BSE Realty, BSE Bankex, BSE CG, BSE CD, BSE Auto, BSE Oil & Gas, BSE PSU, BSE Metal, BSE IT, BSE Power, BSE FMCG, BSE HC, BSE Teck. The performance of these indices will be measure by taking BSE SENSEX 30 as market index.

THE DATA COLLECTION AND PERIOD OF THE STUDY
Quarterly closing Price movement of sample BSE sector Index data has been collected for a period of two year. (01/01/2011 to 31/12/2012). For Market risk & return as well as volatility BSE SENSEX will be used.

TOOLS & TECHNIQUES
1. For analyzing the quarterly closing price of selected indices tools like mean, standard deviation and beta have been used for finding risk and return.
2. For measuring the performance of selected indices theories and formulas of Sharpe, Treynor, Jensen, Fama and M^2 measures have been applied on risk and return of selected indices.
3. For comparing the Index performance of different BSE Indices, One Way ANOVA test has been applied.

DATA ANALYSIS & INTEPRETATION

TABLE – 1 QUARTERLY RETURN OF SELECTED INDEX

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	6.1	4.86	10.24	-2.16	4.07	4.45	8	2.91	0.28	2.78	-1.17	6.83	-3.42	3.28
11-Jun	-3.08	-13.6	-3.6	5.08	6.64	-5.3	-10.08	-4.66	-6.8	-6.84	-3.69	12.49	6.21	-4.19
11-Sep	-12.69	-12.7	-15.37	-22.74	-4.39	-3.41	-7.75	-13.33	-27	-13.53	-18.63	-3.34	-8.29	11.99
11-Dec	-6.07	-13	-15.64	-24.9	-16.9	-4.17	-11.36	-14.03	-15.48	9.04	-15.5	3.19	0.05	3.96
12-Mar	12.61	29.17	28.38	24.3	21.16	24.45	7.41	14.87	22.09	5.74	16.43	11.34	12.86	5.39
12-Jun	0.15	-6.14	1.34	-0.03	-3.02	-6.68	-0.15	-0.73	-4.94	-5.21	-4.95	11.1	3.9	-6.12
12-Sep	7.65	10.74	10.33	9.3	11.77	10.1	7.26	2.17	-2.38	2.73	3.08	10.32	9.36	2.17
12-Dec	3.54	14.28	9.18	-0.82	11.23	9.73	-1.65	-1.09	5.15	-4.03	-2.83	7.42	8.02	0.32

***Risk free rate of return in Dec2012 is 8.5% p.a. (T-bill Rate, RBI)**

TABLE – 2 QUARTERLY INDEX PERFORMANCE EVALUATION TABLE AS PER SHARPE MEASURE

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	0.756	0.24	0.97	-0.463	0.288	0.316	1.029	0.148	-0.204	0.121	-0.44	1.28	-1.4	0.23
11-Jun	-0.949	-1.34	-0.664	0.337	0.65	-0.953	-2.08	-1.12	-1.036	-1.43	-0.78	2.8	1.08	-1.16
11-Sep	-2.734	-1.27	-2.053	-2.738	-0.91	-0.707	-1.68	-2.57	-3.404	-2.51	-2.83	-1.43	-2.7	-2.61
11-Dec	-1.504	-2.07	-2.085	-2.977	-2.68	-0.806	-2.3	-2.68	-2.054	1.13	-2.4	0.31	-0.6	0.36
12-Mar	1.967	2.34	3.11	2.462	2.697	2.917	0.928	2.147	2.354	0.598	1.98	2.49	2.8	0.63
12-Jun	-0.349	-0.7	-0.081	-0.227	-0.71	-1.132	-0.37	-0.46	-0.817	-1.17	-0.96	2.43	0.48	-1.52
12-Sep	1.044	0.75	0.98	0.804	1.374	1.052	0.9	0.024	-0.517	0.11	0.15	2.22	1.89	0.03
12-Dec	0.281	1.06	0.845	0.314	1.297	1.002	-0.63	-0.52	0.367	-0.98	-0.67	1.44	1.55	-0.32

ANOVA: Single Factor

Ho = There is no significance difference in the mean Sharpe portfolio measure in between different index.

Ha = There is significance difference in the mean Sharpe portfolio measure in between different index.

Interpretation: There is no enough evidence to reject null hypothesis which indicates that there is no significance difference in the mean Sharpe portfolio measure in between different index, which shows that all index perform in the same manner.

Source of Variation	SS	df	MS	F	F crit
Between Groups	36.36365	13	2.797204	1.191767	1.821327
Within Groups	230.0164	98	2.347106		
Total	266.3801	111			

TABLE – 3 QUARTERLY INDEX PERFORMANCE EVALUATION TABLE AS PER TREYNOR MEASURE

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	4.07	1.51	5.491	-2.96	1.98	1.98	6.52	0.87	-1.24	1.08	-2.54	12.18	-12	1.7
11-Jun	-5.11	-8.31	-3.758	2.16	4.47	-5.97	-13.2	6.55	-6.3	-12.7	-4.54	26.53	9.18	-8.4
11-Sep	-14.72	-7.86	-11.62	-17.54	-6.23	-4.43	-1067	-15.1	-20.7	-22.4	-16.4	-13.59	-23	-19.1
11-Dec	-8.09	-12.8	-11.8	-19.07	-18.4	-5.06	-14.6	-1573	-12.49	10.08	-13.9	2.96	-4.3	2.6
12-Mar	10.59	14.5	17.61	15.78	18.57	18.29	5.88	12.59	14.31	5.33	11.45	23.62	23.7	4.5
12-Jun	-1.88	-4.35	-0.46	-1.45	-4.9	-7.1	2.37	-2.7	-4.97	-10.4	-5.54	23.01	4.1	-11.1
12-Sep	5.62	4.64	5.55	5.15	9.46	6.59	5.71	0.14	-3.15	1.02	0.84	21.03	16.1	0.2
12-Dec	1.51	6.53	4.78	-2.12	8.93	6.28	-4.01	-3.06	2.23	-8.7	-3.86	13.68	13.1	-2.3

ANOVA: Single Factor

Ho = There is no significance difference in the mean Treynor portfolio measure in between different index.

Ha = There is significance difference in the mean Treynor portfolio measure in between different index.

Source of Variation	SS	df	MS	F	F crit
Between Groups	2437.027	13	187.4636	1.716429	1.821327
Within Groups	10703.29	98	109.2172		
Total	13140.31	111			

Interpretation: There is no enough evidence to reject null hypothesis which indicates that there is no significance difference in the mean Treynor portfolio measure in between different index, which shows that all index performs in the same manner.

TABLE – 4 QUARTERLY INDEX PERFORMANCE EVALUATION TABLE AS PER JENSEN MEASURE

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	0	-4.81	2.12	-9.93	-2.15	-2.56	2.25	-3.27	-7.45	-2.08	-8.32	3.2	-7.3	-1.73
11-Jun	0	-6.01	2.02	10.26	9.87	-1.06	-7.23	-1.47	-1.68	-5.31	0.71	12.49	6.52	-2.47
11-Sep	0	12.9	4.64	-3.99	8.75	12.61	3.71	-0.34	-8.39	-5.31	-2.14	0.45	-3.6	-3.22
11-Dec	0	-8.8	-5.55	-15.5	-10.6	3.73	-5.97	-7.8	-6.16	12.65	-7.34	4.36	1.72	7.87
12-Mar	0	7.28	10.51	7.33	8.22	9.44	-4.31	2.04	5.22	-3.66	1.08	5.14	6.01	-4.4
12-Jun	0	-4.64	2.13	0.6	-3.12	-6.4	-0.45	-0.84	-4.34	-5.93	-4.69	9.82	2.73	-6.77
12-Sep	0	-1.84	-0.11	-0.66	3.96	1.18	0.08	-5.59	-12.29	-3.21	-6.01	6.08	4.77	-3.97
12-Dec	0	9.42	4.89	-4.98	7.64	5.85	-5.06	-4.66	1	-7.11	-6.76	4.8	5.31	-2.82

ANOVA: Single Factor

Ho = There is no significance difference in the mean Jensen portfolio measure in between different index.

Ha = There is significance difference in the mean Jensen portfolio measure in between different index.

Source of Variation	SS	df	MS	F	F crit
Between Groups	981.3138	12	81.77615	2.509568	1.860124
Within Groups	2965.303	91	32.58574		
Total	3946.616	103			

Interpretation: There is enough evidence to reject null hypothesis which indicates that there is significance difference in the mean Jensen portfolio measure in between different index, which shows that some index performs well compared to others.

TABLE – 5 QUARTERLY INDEX PERFORMANCE EVALUATION TABLE AS PER FAMA MEASURE

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	0	-5.95	1.81	-11.03	-3.32	-3.39	1.58	-3.64	-8.19	-3.94	-8.71	1.98	-8.4	-2.81
11-Jun	0	-4.58	2.41	11.63	11.34	-0.03	-6.59	-1.01	-0.74	-2.98	1.2	14.02	7.87	-1.12
11-Sep	0	17	5.77	-0.04	12.98	15.58	6.11	1	-5.72	1.41	-0.72	4.86	0.29	0.68
11-Dec	0	-6.53	-4.93	-13.33	-8.29	5.36	-4.65	-7.06	-4.69	16.34	-6.56	6.79	3.85	10.02
12-Mar	0	4.31	9.69	4.48	5.18	7.31	-6.04	1.08	3.3	-8.49	0.06	1.96	3.21	-7.21
12-Jun	0	-4.12	2.27	1.1	-2.58	-6.02	-0.15	-0.67	-3.99	-5.07	-4.43	10.38	3.22	-6.27
12-Sep	0	-3.41	-0.54	-2.17	2.34	0.05	-0.84	-6.1	-13.31	-5.77	-6.56	4.39	3.29	-5.46
12-Dec	0	8.99	4.77	-5.39	7.21	5.54	-5.31	-4.8	0.73	-7.8	-6.9	4.35	4.91	-3.22

ANOVA: Single Factor
Ho = There is no significance difference in the mean fama portfolio measure in between different index.
Ha = There is significance difference in the mean fama portfolio measure in between different index.

Source of Variation	SS	df	MS	F	F crit
Between Groups	994.1256	12	82.8438	2.301266	1.860124
Within Groups	3275.93	91	35.99923		
Total	4270.056	103			

Interpretation: There is enough evidence to reject null hypothesis which indicates that there is significance difference in the mean Fama portfolio measure in between different index, which shows that some index performs well compared to others.

TABLE – 6 QUARTERLY INDEX PERFORMANCE EVALUATION TABLE AS PER M^2 MEASURE

Date	Sensex	Realty	Bankex	BSE CG	BSE CD	BSE Auto	BSE O&G	BSE PSU	BSE Metal	BSE IT	BSE Power	BSE FMCG	BSE HC	BSE Teck
11-Mar	0	-2.76	1.15	-6.56	-2.52	-2.37	1.47	-3.28	-5.17	-3.42	-6.43	2.84	-12	-2.81
11-Jun	0	-2.12	1.53	6.92	8.61	-0.02	-6.11	-0.91	-0.47	-2.58	0.89	20.18	10.9	-1.12
11-Sep	0	7.88	3.67	-0.02	9.85	10.91	5.66	0.9	-3.61	1.23	-0.53	6.99	0.4	0.68
11-Dec	0	-3.03	-3.13	-7.93	-6.29	3.75	-4.31	-6.35	-2.96	14.18	-4.84	9.78	5.35	10.03
12-Mar	0	1.99	6.16	2.67	3.93	5.12	-5.59	0.97	2.06	-7.37	0.04	2.83	4.46	-7.22
12-Jun	0	-1.91	1.44	0.66	-1.95	-4.22	-0.16	-0.6	-2.52	-4.4	-3.27	14.95	4.48	-6.28
12-Sep	0	-1.58	-0.35	-1.29	1.76	0.03	-0.78	-5.49	-8.41	-5.01	-4.84	6.32	4.57	-5.47
12-Dec	0	4.17	3.03	-3.21	5.47	3.88	-4.92	-4.32	0.46	-6.77	-5.1	6.26	6.81	-3.23

ANOVA: Single Factor
Ho = There is no significance difference in the mean M square (M^2) portfolio measure in between different index.
Ha = There is significance difference in the mean M square (M^2) portfolio measure in between different index.

Source of Variation	SS	df	MS	F	F crit
Between Groups	1053.283	12	87.77356	3.734469	1.860124
Within Groups	2138.83	91	23.50363		
Total	3192.113	103			

Interpretation: There is enough evidence to reject null hypothesis which indicates that there is significance difference in the mean M Square (M^2) portfolio measure in between different index, which shows that some index performs well compared to others.

FINDINGS

The findings of the study are expressed in the following table:

TABLE-7: COMBINED RANKING OF SELECTED SECTOR INDEX BY USING ALL PORTFOLIO PERFORMANCE MEASURE

Index	Sharpe	Treynor	Jensen	FAMA	MM	Average	Ranking
Realty	6	6	6	6	6	6	6
Bankex	5	5	4	4	5	4.6	5
BSE CG	8	8	7	7	7	7.4	7
BSE CD	3	3	3	2	3	2.8	2
BSE Auto	4	4	2	3	4	3.4	4
BSE Oil& Gas	10	9	8	9	9	9	8
BSE PSU	12	10	11	11	11	11	11
BSE Metal	13	12	13	12	12	12.4	12
BSE IT	9	14	10	10	8	10.2	10
BSE Power	14	13	12	13	13	13	13
BSE FMCG	1	1	1	1	1	1	1
BSE HC	2	2	5	5	2	3.2	3
BSE Teck	11	11	9	8	10	9.8	9

1. The best performing Index out of the 13 selected sector index is BSE FMCG in all the different portfolio performance measures.

2. The top three performing index along with BSE FMCG is BSE CD & BSE HC, while bottom three performing index are BSE PSU, BSE Metal & BSE Power considering all five portfolio performance measures.

CONCLUSION

Before the evolution of portfolio performance measure, investment has been done on the basis of historical return and risk of any particular security and it has been also evaluated on the basis of actual return and risk that this particular security or portfolio has generated. Now a day five different measure has been there for evaluating portfolio performance. In this study performance of different BSE index has been evaluated by using the different portfolio performance measures. From that evaluation we come to know that for a selected time period BSE FMCG is the best performing Index while BSE power is the worst performing index which can be revel from ranking given in Table no. 7.

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A STUDY OF SERVICE QUALITY PERSPECTIVES AND CUSTOMER SATISFACTION

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ABSTRACT

The objective of this study is to examine the level of service quality as perceived by customers of Bajaj Allianz Life insurance company working in Mangalore. To measure the Service quality Parasuraman et al. (1988) developed SERVQUAL Model which evaluates the service quality in five dimensions like Reliability, Responsiveness, Empathy, Assurance, and Tangibles. The data is analyzed by PZB gap analysis. The results of this study show that Responsiveness has maximum average gap score of 0.820 which is higher than other four dimensions, implying dissatisfaction of customers. The Bajaj Allianz Life Insurance Company should have positive approach towards customers and require individual attention which helps the company to improve their brand image in the mind of the customers.

KEYWORDS
customer satisfaction, Service quality, SERVQUAL Model.

1. INTRODUCTION

Quality is considered as an important issue in every organization. Every organizations give due importance to quality work and services and it is regarded as a strategic organizational weapon. Because of many service organizations, there is a demanding need for measuring of service quality. The accuracy and perfection is reflected in service quality. The organizations give greater attention to service quality and customer satisfaction because of increased competition and deregulation. To understand the determinants and process of customer evaluations, the Academicians are also involved in service quality research. To strengthen competitiveness and profitability, every organizations give due importance to improve their service quality. The customer satisfaction and service quality is positively associated with firm's performance and it is proved in much research. Parasuraman et al. (1985) developed conceptual model to measure the service quality of business organisations. Thereafter many researchers examined the service quality through this model and become an area of research interest in marketing. Bolton and Drew, 1991b; Brown and Swartz,1989; Carman, 1990; Cronin and Taylor, 1992, 1994; Parasuraman et al., 1988, 1994; Teas, 1993, 1994; and Zeithaml et al., 1996 used SRQUEL Model to measure the service quality of many service organization. But some of them through their research questioned the validity of SRQUEL Model. Lewis and Mitchell (1990) found that if expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. Cronin and Taylor (1992) revealed that perceived service quality has positive effect on satisfaction of customer in four service sector i.e dry cleaning, fast food, pest control and banking. **Avikaran (1994)** evaluated service quality in Australian Banks and found four dimensions of service quality i.e. communication, credibility, staff conduct and access to teller services. Johnston (1995) found assurance, empathy, responsiveness and reliability dimensions in banking industry. Lee and Ulgado (1997), Mels et al. (1997), Jiang et al. (2000), Cook and Thompson (2001), Van der Wal et al. (2002) and Kilbourne et al. (2004) used SERVQUAL Model for assessing the service quality of repair and maintenance service providing firm, long-distance telephone corporation, telecommunication, credit card company, information system, libraries, insurance, restaurant, health care and retail chains are found significant relationship with all the five dimensions. Bahia and Nantel (2000) developed six dimension scales for evaluating service quality in banks which includes reliability, tangibles, access, effectiveness and assurance, range of services and prices. Othman and Owen (2001) added an extra dimension of "compliance to the Islamic law' to the SERVQAL five dimension scale. Jabnoun and Al-Tamimi (2003) modified SERVQUAL model based on three dimensions i.e. empathy, tangibles and human skill. **Aldaigan and Buttle (2002)** found significant correlations between overall customer satisfaction and service quality dimensions. Lam (2002) used SERVQUAL in Chinese banking sector and identified six dimensions of service quality i.e. tangibles, reliability, responsiveness, assurance, empathy of understanding of needs and empathy of convenient operating hours. Wong and Hui (2003) found that service quality enhances the customer loyalty and it helps to reach the success in service organizations. Zhou (2004) found that service quality and customer satisfaction in banking sector is strongly influenced by reliability and assurance. Arasli et al. (2005) identified three dimensions influencing the service quality i.e tangibles, reliability, and responsiveness-empathy in Cyprus banking industry. Brady et al (2005) and Arsali et al. (2005) reported that there is a direct impact of service quality on customer satisfaction in USA, Netherland, Hong Kong, morocco Australian and Greek banking industry. Bei and Chiao (2006) reported positive influence of perceived service quality on three service providers i.e. petrol station, automobile repair and banking. **Nam (2008)** evaluated service quality in retail banking in US and South Korea and identified four dimensions of service quality i.e trustworthiness, functionality, appearance and helpful employees. Guo et al. (2008) examine service quality of corporate banking in China was evaluated. The service quality dimensions identified were reliability, technology, communication, technical quality and human capital.

The above literature review shows that the perceived service quality has positive impact on satisfaction of customers and it can be measured by SERVQUAL Model. This study intends to contribute to the existing literature on customers' perceptions of service quality by using the gap analysis. The rest of the paper organized as follows. Section 2 provides a brief review of the service quality and its dimensions, section 3 presents objectives of the study, section 4 provides sample, data and methodology, section 5 presents the results and discussions and finally conclusion is presented in section 6.

2. SERVICE QUALITY AND ITS DIMENSIONS

Service quality is increasingly becoming a major strategic variable and the researchers have tried to develop conceptual models to explain the service quality and to measure consumers perceived service quality in different industries. A good operational example of a standardized framework for understanding service quality is the SERVQUAL Model developed by Parasuraman. The researchers discovered five general dimensions with focus group interviews which they labeled: reliability, responsiveness, tangibles, assurance and empathy. Parasuraman et. al (1985, 1988) developed 5 general dimensions of service quality of any service provider. These dimensions include:

1. Tangibility: physical facilities, tools, machines, personnel, materials and communication channels.
2. Trustworthiness: the ability to provide promised services in a proper and reliable way.
3. Accountability: to have the interest in providing appropriate service and generally helping customers.
4. Reliability: knowledgeable and polite personnel and their ability to win customers trust and confidence.
5. Sympathy: taking care and paying attention to individuals

In the present scenario if any service organizations fail to surpass customer expectations and meet customer satisfaction will not be able to compete with their rivals. It is the most difficult challenge for any organization to manage their customers who switch their transactions to the rival firm because of better services Currently Indian financial service industry has a competitive environment. Increasing private participation in the area and improvements in the kind and way services have been offered, increasing expansion of financial and credential institutions an organs to provide financial and non-financial services, and increasing development of technology in service industry offers a competitive and special environment to any organization. It requires that active organization in any industry in the country should pay more attention to customer satisfaction. This goal will not be achieved without localized models and indicators through which one can make sure of customer satisfaction. This study aims to estimate and evaluate indicators of Parasuraman model of service quality through a survey from customers of Bajaj Allianz Life insurance to have a better understanding of these dimensions. We intend to evaluate five dimensions of service quality according Parasuraman SERVQUAL Model.

3. OBJECTIVES OF THE STUDY

The following are objectives of the study.

- To study dimensions of service quality and to evaluate the effects of these dimensions on satisfaction of Bajaj Allianz Life insurance company customers
- To evaluate the perceived service quality of Bajaj Allianz Life insurance company

4. SAMPLE, DATA AND METHODOLOGY

SAMPLE AND DATA

The study was carried out with an objective to understand the gap of the e-services offered by the Bajaj Allianz Life insurance company. The study is based on the primary data collected from the customers who are using e-services services of Bajaj Allianz Life insurance company. Data collection was done through survey method. A sample size of 100 respondents who were the customers of Bajaj Allianz Life insurance company is selected randomly from Mangalore City. A structured questionnaire is used to collect the data.

METHODOLOGY

To find out the perceived service quality, the structured questionnaire is used which was originally developed by Parasuraman et al. (1985, 1988). The SERVQUAL Model consists of two sections i.e. Perception and Expectation. Both sections have five dimensions as Tangibles, Reliability, Responsiveness, Assurance and Empathy. Perceived Service Quality is the difference between Perception and Expectation (P-E). There are also five gaps between each dimensions of service quality i.e. Tangibles Gap= Perceived Tangibles – Expected Tangibles, Reliability Gap = Perceived Reliability- Expected Reliability, responsiveness Gap= Perceived Responsiveness – Expected Responsiveness, Assurance= Perceived Assurance – Expected Assurance and Empathy = Perceived Empathy– Expected Empathy. The questionnaires were given to the customers of the Bajaj Allianz Life Insurance Company to judge their perceived service quality.

5. RESULTS AND DISCUSSIONS

The result of SERVQUAL Model of Bajaj Allianz Life Insurance Company is presented in table 1, 2, 3 and 4. Table 1 present the average gap score Bajaj Allianz Life Insurance Company, table 2 present the un-weighted score, table 3 show assigning weights and table 4 shows Weighted Score. The average mean score on five dimensions of Bajaj Allianz Life Insurance Company is presented in figure 1.

TABLE 1: AVERAGE GAP SCORE OF BAJAJ ALLIANZ LIFE INSURANCE COMPANY

Expectation		Perception		Gap score
Tangibility	**E**	**Tangibility**	**P**	**E-P**
will have modern equipment as well as technology	5.017	Has modern-looking equipment and technology.	4.683	0.334
Physical facility will be visually appealing	5.133	Physical facilities are visually appealing	4.817	0.316
Employees will appear neat	5.200	Employees and agents are neat appealing	4.717	0.483
Total	**15.35**		**14.217**	**1.133**
Average Gap Score[Total of E-P/3]				**0.38**
Reliability	**E**	**Reliability**	**P**	**E-P**
When employees/agents promise to do something by a certain time, will they do so	5.133	Keep up promises	4.583	0.55
When a customer has a problem employees and agent will show a sincere interest in solving it.	5.350	Employees and agents show a sincere interest in solving it	4.517	0.833
Will perform the service right the first time as soon as you login.	5.117	Perform the service right the first time	4.667	0.45
Will provide the service at the promised time	5.417	Provide service at the promised time	4.567	0.85
Total	**21.017**		**18.334**	**2.683**
Average Gap Score[Total of E-P/4]				**0.67**
Expectation		**Perception**		**Gap score**
Responsiveness	**E**	**Responsiveness**	**P**	**E-P**
Will inform the customers exactly service will be performed	5.333	Inform customers exactly when services will be performed	4.417	0.916
Will offer prompt service to customers.	5.383	Employees and agents offer prompt service to the customers.	4.633	0.75
Will always willing to help customers	5.633	Always willing to help its customers while using e-channels.	4.583	1.05
Will never being busy to respond to customer requests	5.350	Employees and agents never be too busy to respond customer request	4.767	0.583
Total	**21.699**		**18.4**	**3.299**
Average Gap Score[Total of E-P/4]				**0.82**
Assurance	**E**	**Assurance**	**P**	**E-P**
The behaviour of employees/agent in will in still confidence in customers.	5.367	Employees and agents behaviour installs confidence in customer.	4.683	0.684
Policy holder feel safe in their transactions	5.667	Customer feel safe in their transactions	4.933	0.734
Employees and agents will be consistently courteous with customers	5.450	Employees are consistently courteous with the customers	4.733	0.717
Employees and agents will have adequate knowledge to answer customers' questions.	5.500	Employees and agents possess sufficient knowledge to answer customers questions	4.550	0.95
Total	**21.984**		**18.899**	**3.085**
Average Gap Score[Total of E-P/4]				**0.77**
Empathy	**E**	**Empathy**	**P**	**E-P**
Will give customers individual attention.	5.100	Gives me individual attention to its customers.	4.583	0.517
Will have operating hours convenient to all their customers.	5.333	Have convenient operating hours	4.650	0.683
Will have employees who give customers personal attention.	5.500	Have employees and agents give personal attention.	4.450	1.05
Will have their customer's best interest at heart	5.300	My life insurance has my best interest at their heart	4.667	0.633
Will understand the specific needs of their customers.(Ability to understand)	5.450	Employees and agents understand my specific needs of the customer	4.533	0.917
Total	**26.683**		**22.883**	**3.8**
Average Gap Score[Total of E-P/5]				**0.76**

Source: Source-based on primary data

The un-weighted score was calculated to normalize the total average score of each dimension. Weights were assigned by the respondents to identify the level of importance given to each dimensions.

TABLE 2: UN-WEIGHTED SCORE

	Categories	Gap Score
1	Average gap score for Tangibles	0.380
2	Average gap score for Reliability	0.670
3	Average gap score for Responsiveness	0.820
4	Average gap score for Assurance	0.770
5	Average gap score for Empathy	0.760
Total		3.40
	Un-weighted score [Average(Total/5)]	0.68

Source: Source-based on primary data.

The weights are assigned by the respondents to identify the level of importance given to each dimensions

TABLE 3: ASSIGNING WEIGHTS

Dimensions	Un-weighted score	Weights	Weighted score
Tangibles	0.380	0.23	0.0874
Reliability	0.670	0.21	0.1407
Responsiveness	0.820	0.19	0.1558
Assurance	0.770	0.20	0.154
Empathy	0.760	0.17	0.1292
Total weighted score			0.6671

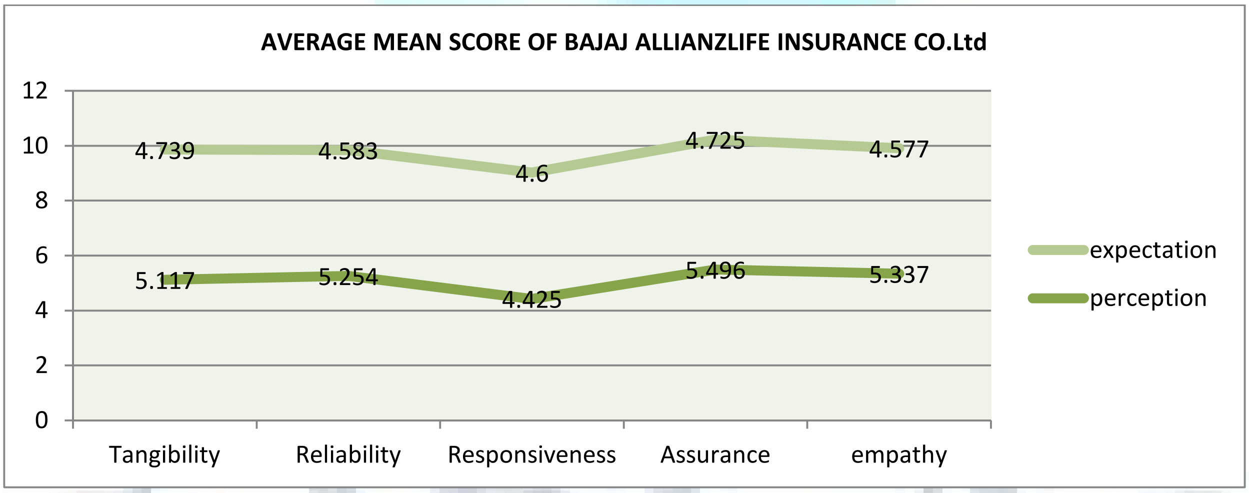
Source: Source-based on primary data.

TABLE 4: WEIGHTED SCORE

	Dimensions	Weights
1	The appearance of life insurance company's physical facility equipment, personnel and communication materials.	23
2	The life insurance company's ability to perform the promised service dependably and accurately.	21
3	The life insurance company's willingness to help customer and provide prompt service.	19
4	The knowledge and courtesy of the employees and their ability to convey trust and confidence.	20
5	Caring, individualized attention by life insurance company to its customers.	17

Source: Source-based on primary data.

FIG. 1: AVERAGE MEANS SCORE ON FIVE DIMENSIONS- BAJAJ ALLIANZ LIFE INSURANCE



Source: Source-based on primary data.

The SERVQUAL Model measures of service quality in terms of difference between customers' perceptions (P) and expectations (E). The degree of difference between them measures how well the facilities and services provided by the Bajaj Allianz Life Insurance Company match the customer expectations. The above results show that the difference between exception and perception regarding the service quality is positive for all the five dimensions. This implies that the respondents rated these dimensions between 'agree' and 'partially disagree' for the service rendered by the Bajaj Allianz Life Insurance. The mean gap score analysis is done which shows that all the dimensions with positive scores i.e. tangibility gap score is 0.380, reliability is 0.670, responsiveness is 0.820, assurance is 0.770 and empathy is 0.760. All gaps have positive values with highest being responsiveness followed by assurance and the lowest is tangibility. The SERVQUAL Model states that the larger the gap score is the more is the dissatisfaction (Parasuraman (1988)). Since the gap score is minimum in tangibility, it reveals that customers are highly satisfied with physical facilities, tools, machines, personnel, materials and communication channels associated with the service of Bajaj Allianz Life Insurance Company. Responsiveness has maximum average gap score of 0.820 which is higher than other four dimensions, implying dissatisfaction of customers. Responsiveness means preparedness of organisation's employees to help customers and provide them with quick service". This refers timeliness and promptness in providing the service. Therefore, the company should take adequate measures to pay attention on individuals to understand their requirements and respond them positively. Further the results also shows that the Bajaj Allianz Life Insurance Company is are not exceeding customer expectations in all the five dimensions of SERVQUAL Model

6. CONCLUSION

The customer satisfaction and perceptions of quality depends on the level to which customer expectations are matched with products/services delivered by the insurance company. The customer expects the responsiveness and reliability from the company in their services. They also expect that the company should be equipped with good resources and services. Understanding customers' preferences in the service delivery dimensions reveal their priorities and this help the company to reduce the gap in the services quality. Good word of mouth presentation increases customer loyalty and attracts new customers. Service quality is a strategic tool used by every organization as competitive advantage over the competitors. The level of competition in insurance industry is increasing and better service quality is the need for an hour. In a competitive environment every insurance company will analyses their service quality. Analysis of gap score of Bajaj Allianz Life Insurance Company reveals that 'Responsiveness' has maximum average score among other four dimensions. The results also show that the Bajaj Allianz Life Insurance Company is not exceeding customer expectations in all the five dimensions of SERVQUAL Model. Therefore the company should implement those strategic policies which help the company to reach the customer expectations. The Bajaj Allianz Life Insurance Company should have positive approach towards customers and require individual attention which helps the company to improve their brand image in the mind of the customers.

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A STUDY ON COST EFFECTIVE METHOD OF RECRUITMENT AT KGISL

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ABSTRACT

The study report is the outcome of the study undertaken in KG Information Systems Private Limited., (KGISL) Coimbatore. The major objective of the study is to know the best recruitment method which is cost effective to KGISL through seven different dimensions of recruitment. Simple Random Sampling was used for selecting the recruiters from the collected database. A sample size of 100 recruiters, which includes Human Resource Executives, Vice President Human Resource, Senior Executives Human Resource, Manager Human Resource, Assistant manager Human Resource. Primary data was collected through Unstructured questionnaire. The data collected were analyzed by using Conventional Analysis (Simple percentage), Weighted Average and Correlation. Suitable Suggestions and Recommendations were given for corrective actions. It is found that among the seven sources of recruitment, Internal Promotion holds the first rank. The second best source of recruitment is Job Fair. The third best source is ranked for the Campus Recruitment. The rest four sources are ranked as Head Hunting, Advertisement, Referrals and Consultancies. The sources of recruitment have positive correlation between factor and cost. As many of the respondents feel that job fair gives them better candidates, job fair kind of recruitment method can be improved and updated. Such type of fairs can filter better candidates from a larger crowd. Number of rounds of interviews can be equally compressed in such type of fairs which will not eat away the recruiter's time.

KEYWORDS

Best sources, Cost effective, seven dimensions of recruitment, Sources of Recruitment.

INTRODUCTION

CONCEPT OF RECURITMENT

Recruitment refers to the process of attracting, screening, and selecting qualified people for a job at an organization or firm. For some components of the recruitment process, mid- and large-size organizations often retain professional recruiters or outsource some of the process to recruitment agencies.

The recruitment industry has five main types of agencies: employment agencies, recruitment websites and job search engines, "headhunters" for executive and professional recruitment, niche agencies which specialize in a particular area of staffing and in-house recruitment. The stages in recruitment include sourcing candidates by advertising or other methods, and screening and selecting potential candidates using tests or interviews.

Recruitment can conduct by 9 methods as follows:

1. RECURITMENT BY CAMPUE METHOD

Campus is the location of a university, college, or school's main buildings. This method is based on recruitment at university, colleges

2. RECURITMENT BY JOB CENTERS

Job centers often specialize in recruitment for specific sectors. They usually provide a shortlist of candidates based on the people registered with the agency. They also supply temporary or interim employees.

3. HEAD HUNTING

Head hunting are recruitment agents who provide a more specialized approach to the recruitment of key employees and/or senior management.

4. RECUTITMENT BY ADVERTISEMENT

They can be found in many places such as

1) Newspaper
2) Job posting on jobsites
3) Ads on websites related to positions recruited.

5. DATABASE SEARCH ON JOB SITES.

Company can buy data from job websites for a week or a month to search candidates.

6. EMPLOYEE REFERRAL

This method often refers to as 'word of mouth' and can be a recommendation from a colleague at work.

7. CONTRACT STAFFING

Company can buy staffing contract from HR outsourcing.

8. WORD-OF-MOUTH RECURITMENT

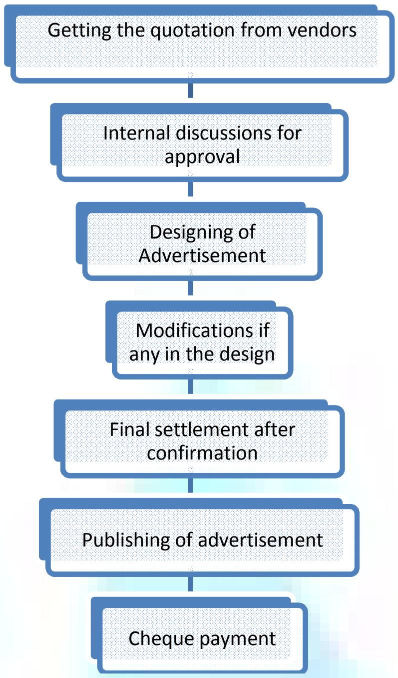
9. INTERNAL RECUTITMENT

Internal recruitment can conduct by types of:

1) Present permanent employees (based on programs of career development).
2) Present temporary/casual employees.
3) Retired employees.
4) Dependents of deceased disabled, retired and present employees

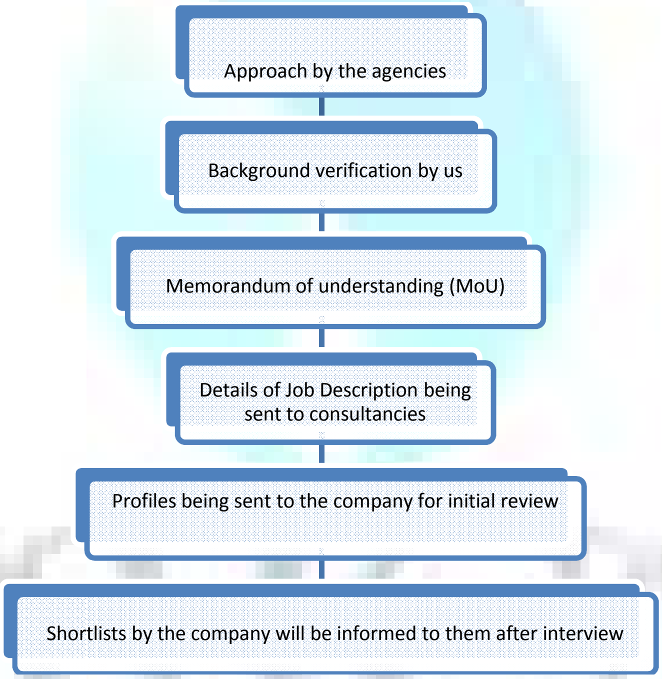
RECRUITMENT PROCESS FOR THE SOURCES

ADVERTISEMENT



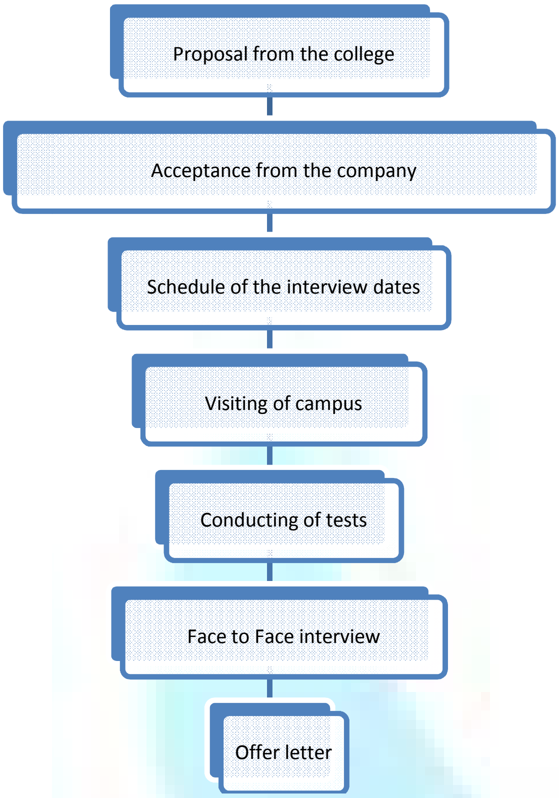
Time Taken: A week's time
Cost Incurred: Rs.20000 approximately

CONSULTANCIES AND AGENCIES



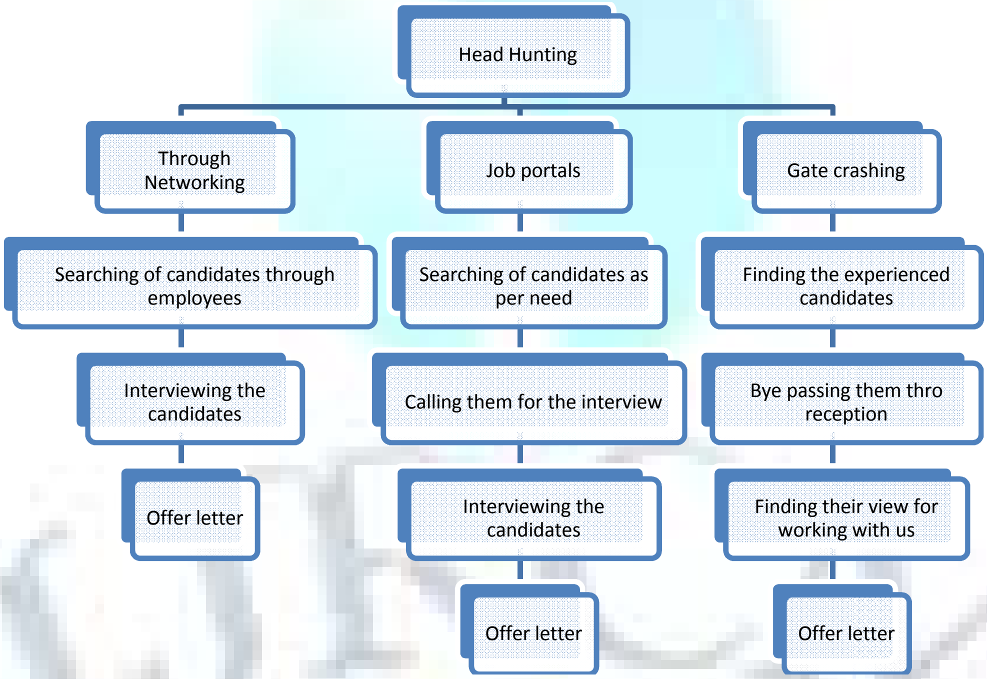
Time taken: More than one and half months
Cost Incurred: 10 to 12 percent from the salary of the selected candidates

CAMPUS RECRUITMENT



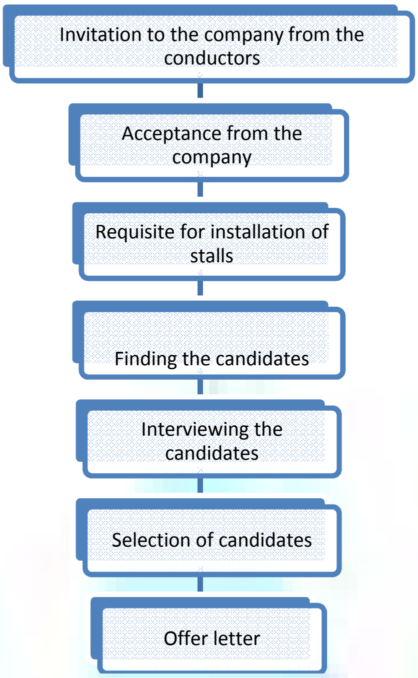
Time taken: A week's time
Cost Incurred: Nil it is barred by the college

HEAD HUNTING



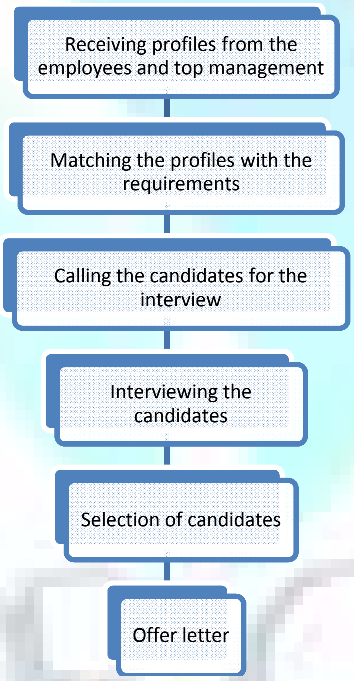
Time taken: Less than 2 months
Cost Incurred: Certain percentage depending on the candidate

JOB FAIRS



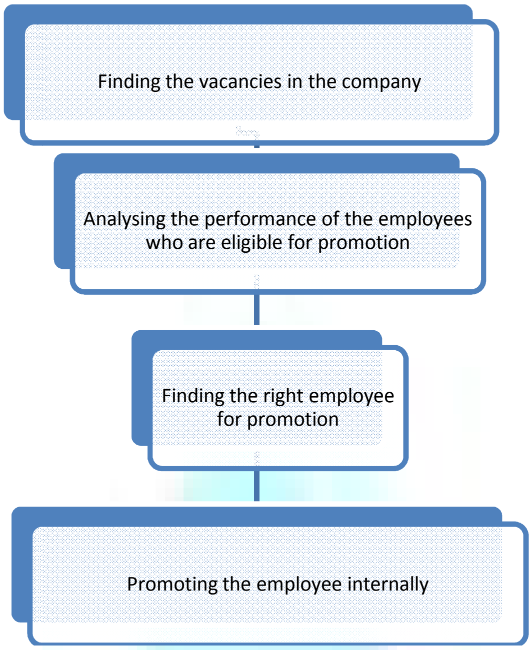
Time taken: One month
Cost Incurred: Travel expenses

REFFERALS



Time taken: More than 2 months
Cost Incurred: Incentives to the employee

INTERNAL PROMOTION



Time taken: 3 months
Cost Incurred: Nil

REVIEW OF LITERATURE

"Cost-effectiveness of Recruitment Methods in an Obesity Prevention Trial for Young Children"

Research Done By

Jodie L. Robinson, M.A., M.B.A, Janene H. Fuerch, B.S, Dana D. Winiewicz, B.S, Sarah J. Salvy, Ph.D, James N. Roemmich, Ph.D, and Leonard H. Epstein, Ph.D

Background

Recruitment of participants for clinical trials requires considerable effort and cost. There is no research on the cost-effectiveness of recruitment methods for an obesity prevention trial of young children.

Methods

This study determined the cost-effectiveness of recruiting 70 families with a child aged 4 to 7 (5.9 ± 1.3) years in Western New York from February, 2003 to November, 2004, for a two year randomized obesity prevention trial to reduce television watching in the home.

Results

Of the 70 randomized families, 65.7% (n = 46) were obtained through direct mailings, 24.3% (n = 17) were acquired through newspaper advertisements, 7.1 % (n = 5) from other sources (e.g. word of mouth), and 2.9% (n = 2) through posters and brochures. Costs of each recruitment method were computed by adding the cost of materials, staff time, and media expenses. Cost-effectiveness (money spent per randomized participant) was US $0 for other sources, US $227.76 for direct mailing, US $546.95 for newspaper ads, and US $3,020.84 for posters and brochures.

Conclusion

Of the methods with associated costs, direct mailing was the most cost effective in recruiting families with young children, which supports the growing literature of the effectiveness of direct mailing

"A Practical, Cost-effective Method for Recruiting People into Healthy Eating Behavior Programs"

Research Done By

Paul W McDonald, PhD, *Asst. Professor*

Paul W McDonald, Department of Health Studies and Gerontology, University of Waterloo; Waterloo, ON, N2L 3G1, Canada,

Introduction

The population impact of programs designed to develop healthy eating behaviors is limited by the number of people who use them. Most public health providers and researchers rely on purchased mass media, which can be expensive, on public service announcements, or clinic-based recruitment, which can have limited reach. Few studies offer assistance for selecting high-outreach and low-cost strategies to promote healthy eating programs. The purpose of this study was 1) to determine whether classified newspaper advertising is an effective and efficient method of recruiting participants into a healthy eating program and 2) to determine whether segmenting messages by transtheoretical stage of change would help engage individuals at all levels of motivation to change their eating behavior.

Methods

For 5 days in 1997, three advertisements corresponding to different stages of change were placed in a Canadian newspaper with a daily circulation of 75,000.

Results

There were 282 eligible people who responded to newspaper advertisements, and the cost was Can $1.11 (U.S. $0.72) per recruit. This cost compares favorably with the cost efficiency of mass media, direct mail, and other common promotional methods. Message type was correlated with respondent's stage of change, and this correlation suggested that attempts to send different messages to different audience segments were successful.

"Effectiveness and cost of recruitment strategies for a community-based randomized controlled trial among rainwater drinkers"

Research done by

Shelly Rodrigo

Department of Epidemiology and Preventive Medicine, School of Public Health and Preventive Medicine, Monash University, Melbourne, Australia

Background

Community-based recruitment is challenging particularly if the sampling frame is not easily defined as in the case of people who drink rainwater. Strategies for contacting participants must be carefully considered to maximize generalisability and minimize bias of the results. This paper assesses the recruitment strategies for a 1-year double-blinded randomized trial on drinking untreated rainwater. The effectiveness of the recruitment strategies and associated costs are described.

Methods

Community recruitment of households from Adelaide, Australia occurred from February to July 2007 using four methods: electoral roll mail-out, approaches to schools and community groups, newspaper advertising, and other media involvement. Word of mouth communication was also assessed.

Conclusion

The use of electoral roll mail-out and advertising via schools were effective in reaching households using untreated rainwater for drinking. Employing multiple strategies enabled success in achieving the recruitment target. In countries where electoral roll extracts are available to researchers, this method is likely to have a high yield for recruitment into community-based epidemiological studies.

NEED FOR THE STUDY

- To know the cost effective source of recruitment
- To know the best recruitment source for KGISL
- To know the effective source of recruitment from the seven different dimensions

OBJECTIVE OF THE STUDY

- To Study the best source of recruitment for KGISL.
- To suggest the best source of recruitment which is cost effective to KGISL?
- To study the cost effective source through seven different dimensions of recruitment

RESEARCH METHODOLOGY

Research Methodology is used to systematically solve the problem. Considering the Objective of the study, the methods are logically chosen and adopted, so that the results are capable of being evaluated either by the researcher or by others.

RESEARCH DESIGN

The type of research conducted for this study is "Descriptive Research Studies" which are concerned with describing the characteristics of particular variables.

SAMPLE

Sample size

The Sample Size consists of 100 Respondents from Coimbatore City.

Sample design

It is a technique or procedure the researcher would adopt in selecting the items for the sample. Respondents were chosen at **Probability Simple Random Sampling**

DISCUSSIONS

CONVENTIONAL ANALYSIS

TABLE 1.1 SHOWING COST INCURRED ON VARIOUS RECRUITMENT

Category	Strongly Agree	Agree	Neither agree or disagree	Disagree
All in Percentage (%)				
Advertisement	32	0	68	0
Consultancies	2	0	42	56
Campus Recruitment	18	72	10	0
Head Hunting	0	68	32	0
Job Fair	0	72	22	6
Referrals	0	10	72	18
Internal Promotion	70	10	12	8

The table 1.1 the majority 70% of the respondents strongly agree that internal promotion reduces the cost since employee is not new. The 12% of the respondents neither agrees nor disagree that internal promotion reduces the cost since employee is not new.The10% of the respondents agrees that internal promotion reduces the cost since employee is not new. Only 8% of the respondents disagrees that internal promotion reduces the cost since employee is not new. The 72% of the respondents agree that cost is incurred on job fair. The 22% of the respondents neither agree nor disagree that cost is incurred on job fair. 72% of the respondents agree that cost incurred is worth on campus recruitment.18% of the respondents strongly agreed that cost incurred is low on campus recruitment. The rest 10% of the respondents strongly agree that cost incurred is low on campus recruitment. The 68% of the respondents agree that cost incurred is low on head hunting. The rest 32% of the respondents neither agree nor disagree that cost incurred is low on head hunting. The majority of 68% of the respondents neither agree nor disagree that cost is incurred on advertisement..32% of the respondents strongly agree that cost is incurred on advertisement. The 72% of the respondents neither agree nor disagree that cost is involved in referrals .18% of the respondents disagree that cost is involved in referrals.10% of the respondents agree that cost is involved in referrals. 56% of the respondent disagree that consultancies are effective for the cost incurred.42% of the respondent neither agree nor disagree that consultancies are effective for the cost incurred. The rest 2% of the respondents alone strongly agree that consultancies are effective for the cost incurred.

WEIGHTED AVERAGE FOR THE SOURCES OF RECRUITMENT

TABLE 1.2: SHOWING WEIGHTED AVERAGE FOR THE SOURCES OF RECRUITMENT

S.No	Sources of Recruitment	Weighted Average	Rank
1	Advertisement	7.12	5
2	Consultancies	5.64	7
3	Campus Recruitment	8	3
4	Head Hunting	7.8	4
5	Job Fairs	8.04	2
6	Referrals	6.08	6
7	Internal Promotion	9.14	1

The result presented in the table about weighted average score for the various sources of recruitment. Internal Promotion holds the weighted average of 9.14, Job fair holds of 8.04, Campus recruitment holds of 8.00, Headhunting holds of 7.8, Referrals holds of 6.08 and Consultancies holds of 5.64.

CORRELATIONS BETWEEN THE SOURCES OF RECRUITMENT

TABLE 1.3: SHOWING THE CORRELATION BETWEEN THE SOURCES OF RECRUITMENT

S.no	Relationship between	Pearson correlation (r)	Relation	Level of significance
1	Advertisement cost and Advertisement factors	0.241	Positive	0.05
2	Consultancies cost and Consultancies factors	0.348	Positive	0.05
3	Campus recruitment cost and Campus recruitment factors	0.599	Positive	0.05
4	Head Hunting cost and Head Hunting factors	0.549	Positive	0.05
5	Job fairs cost and Job fairs factor	0.733	Positive	0.05
6	Referrals cost and referrals factor	0.668	Positive	0.05
7	Internal promotion cost and Internal promotion factor	0.711	Positive	0.05

From the above table it is evident that sources of recruitment have **Positive Correlation** between the factor and cost.

SUGGESTIONS AND RECOMMENDATIONS

- As many of the respondents feel that job fair gives them better candidates, job fair kind of recruitment method can be improved and updated. Such type of fairs can filter better candidates from a larger crowd. Number of rounds of interviews can be equally compressed in such type of fairs which will not eat away the recruiter's time
- In campus recruitment programs can be improved by filtering the students before getting into the first level of interview process. This method would help in recruiting lower level employees
- The referrals would be the best source of recruitment in case of hiring middle level employees. This provides us a gap to save our time and make our process easy and confidential.
- Head Hunting is another competitive method which will work on cost effective manner to get top management requirement.
- Though the advertisement creates opportunity, the cost and risk involved in it are more. So advertisement method can be chosen for bulk recruitment.
- As there is a tough competition among HR consultancies expectation of satisfied consultancy service by a recruiting company stands as a question mark. Therefore it is better not to depend on such type of agencies for recruitment process. Unless and otherwise there is a tough need it is suggested that companies can go with their own HR team to proceed on their own HR team for their recruitment process.
- The new technologies of recruitment can also be adopted to update the process of recruitment in each source.
- The recruitment methods should be adopted according to the requirement of the candidates.

CONCLUSION

It was found among the seven sources of recruitment, Internal Promotion holds the first rank .The second best source of recruitment is Job Fair. The third best source is ranked for the Campus Recruitment. The rest four sources are ranked as Head Hunting, Advertisement, Referrals and Consultancies

SCOPE OF FURTHER RESEARCH

Now a day's recruiters also use more online 'word-of-mouth' (WOM) marketing programmers to attract candidates. This might mean producing an employer video that shows what it likes to work within the organization. Make it amusing or entertaining enough and your potential candidates might see it as it is passed around via email, Instant Messenger and on YouTube and elsewhere.

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STRUCTURED EMOTIONAL CAREER COUNSELLING AND CAREER DEVELOPMENT

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ABSTRACT

Emotional Intelligence (EI) is considered as a tool to manage almost all types of human behavior problems. When a human being enters the stage when he has to choose one career option out of innumerable alternatives available, his selection faces serious conflict of interest and choice. Now days, most of the career counselors are using scientific techniques to explore actual interest areas of their clients to guide them on what career choice will be best suitable for them. Researchers have also proved that interest areas of individuals are subject to change over time and affect their workplace performance to great extent. In contrast of mere time bound interests, emotion based interests are found to have more influence on successful and satisfactory career of individuals. Based on these assumptions, this research unveils the significance of emotional intelligence in the area career counseling. In order to reach to the purpose, research uses both primary and secondary data. Analysis is made to probe into perceptions and experiences of individuals over careers they are pursuing and importance of EI in selection of one specific career option. Scientific techniques of questionnaire development have been used to develop the 'Structured Emotional Career Counseling Questionnaire' - a tool to investigate core emotional interest areas which is expected to help career counselors to facilitate clients to make perfect career decisions.

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KEYWORDS
Emotional Intelligence, Interests, Career, Counseling, Satisfaction

1. INTRODUCTION

In most of the countries including India, students in high school age (15-18 years) need to choose subject of their choice which they find suitable for their career ahead. For the students of this age hence, the most crucial decision is to decide what subject domain they should select to pursue in future as their career. Not only for students but for their parents too this is one of the most difficult situations as to how to finally select one subject domain out of innumerable available. In order to solve this problem they take help of professional career counselors. These qualified professionals provide proper guidance after testing and assessing student's personality, intelligence, interests, skills etc. with the use of psychometric tests. This is where the field of psychology comes into existence with reference to the counseling of the students to choose appropriate career. Career counselors integrate psychological theories and research with client's situational variables that affect his career choice.

Different studies and theories on career development & counseling discuss different factors that affect individual's choice of particular career or vocation. Holland (1985, 1997) has provided a strong yet simple typology framework focusing on individual's career interests based upon his personality traits and environmental traits. He postulated that individual's vocational interest is an expression of his personality, and that vocational interests could be conceptualized into six typologies, which are Realistic (R), Investigative (I), Artistic (A), Social (S), Enterprising (E), and Conventional (C). If a person's degree of resemblance to the six vocational personality and interest types could be assessed, then it is possible to generate a three-letter code (e.g., SIA, RIA) to denote and summaries one's career interest. Parallel to the classification of vocational interest types, Holland also states that vocational environments could also be arranged into similar typologies. In the career choice and development process, people search for environments that would allow them to exercise their skills and abilities, and to express their attitudes and values. When they find these aspects available with any sort of vocation they get inclined towards that.

Donald E. Super (1980) in his Life Span, Life Space Approach to Career Development stated that career is the combination of sequence of roles played by an individual during course of his life. He postulated a life stage developmental framework with consequent stages of growth, exploration, establishment, maintenance (or management), and disengagement. In every stage individual needs to manage vocational development tasks successfully that lie in the given chronological age range and are socially expected of him. This theory has given counselors the unique tool to play the role of a historian who asks clients to construct autobiographical stories of development. Counselor examines then these stories for recurrent themes or threads of continuity that make sense of the past, explain the present, and draw a blueprint for the future.

Gottfredson (1981, 1996, 2002, 2005) assumed that career choice is a process requiring a high level of cognitive proficiency. A child's ability to synthesize and organize complex occupational information is a function of chronological age progression as Ill as general intelligence. Cognitive growth and development is instrumental to the development of a cognitive map of occupation and conceptions of self that are used to evaluate the appropriateness of various occupational alternatives. In recent revisions of her theory, Gottfredson's (2002, 2005) elaborated on the dynamic interplay between genetic makeup and the environment. Genetic characteristics play a significant role in shaping the basic characteristics of a person, such as interests, skills, and values, yet their expression is moderated by the environment that one is exposed to. Even though genetic makeup and environment play a crucial role in shaping the person, Gottfredson maintained that the person is still an active agent who could influence or mould their own environment. Hence, career development is viewed as a self-creation process in which individuals looked for avenues or niches to express their genetic proclivities within the boundaries of their own cultural environment.

Lent, Brown, & Hackett, 2002; Lent, 2005 postulated a mutually influencing relationship betIen people and the environment. Their study offers three segmental, yet interlocking process models of career development seeking to explain (a) the development of academic and vocational interest, (b) how individuals make educational and career choices, and (c) educational and career performance and stability. The three segmental models have different emphasis centering around three core variables, which are self-efficacy, outcome expectations, and personal goals. The theory offers international career guidance practitioners and researchers an overarching framework to guide practice, as Ill as tangible propositions and hypotheses that could be tested empirically.

Theory of Work adjustment is another great work in the area of counseling psychology which was originally developed by René Dawis, George England and Lloyd Lofquist from the University of Minnesota in 1964. Theory provides an introduction to person-environment-correspondence (PEC) counseling. The more closely a person's abilities (skills, knowledge, experience, attitude, behaviors, etc.) correspond with the requirements of the role or the organization, the more likely it is that they will perform the job Ill and be perceived as satisfactory by the employer. Similarly, the more closely the reinforcers (rewards) of the role or organization correspond to the values that a person seeks to satisfy through their work, the more likely it is that the person will perceive the job as satisfying. They list six key values that individuals seek to satisfy from the vocation he pursues: achievement, comfort, status, altruism, safety and autonomy. The study offers career guidance professionals a template to locate entry points to assist individuals with career choice and adjustment concerns.

All the above discussed literature clear that scholars and researcher have been assuming number of factors like personality traits, interests, skills, values, life history and background etc. as the determinants of individual's career choice and choice of strategy for his career development. Now here, I put our assumptions into place which emphasize that it is also human emotions and his emotional intelligence which determine individual's success in particular career. It is emotional intelligence, the ability to manage emotions in various situations which has great significance over individual's success in particular vocation. It is therefore necessary to think emotional intelligent way what career choice will ensure highest level of career satisfaction. It is also assumed that if person chooses his passion, something he really loves to do as his career, he is sure to perform most efficient manner and will achieve great success in life. Hence while counseling for career and vocation selection counselors should primarily focus upon areas pursuing which individual experiences high levels of emotional satisfaction.

With the objective of discussing significance of emotions in career counseling, study aims at:

- Identifying current and usual trends in career counseling with special reference to focal elements on the basis of which career choices are made;
- To explore views of professionals in various vocations regarding significance of emotions in career development and counseling
- To develop Structured Emotional Career Counseling Questionnaire for investigating individual's core emotional interest areas which is expected to help career counselors to facilitate their clients make perfect career decisions

2. RESEARCH METHODOLOGY

Design of this research is based upon following three assumptions:

1. Researchers and counselors in the field of career counseling and development give more emphasis to individual's interests, personality, traits and other aspects ignoring their emotional requirements;
2. Emotions have got more significance than other factors in selecting career choices by individuals;
3. Structured Emotional Career Counseling Questionnaire to identify individual's core emotional interest areas can be developed to help career counselors to facilitate their clients make perfect career decisions.

To empirically test these assumptions both primary and secondary data have been used and processed to furnish relevant findings, conclusions and suggestions. Primary data have been collected through structured interviewing technique where questions have been framed to investigate perceptions of professionals working in various vocations pertaining to the role of emotions in career development and selection. Assumption number one although has been supported more by the analysis of secondary data where various theories of career counseling have been studied to know the views of researchers about the best way to facilitate counseling to individuals regarding their careers, primary data also clears that most of the attention is paid by career counselors on personalities, interests, intelligence, skills and other factors rather than emotions of the candidate. In order to support assumption number two interview data which is the primary source of information, have been processed and results are produced showing perceptions of professionals on the significance of emotions in career counseling. In order to support assumption three, 'Structured Emotional Career Counseling Questionnaire' has been developed using scientific techniques of questionnaire development. On the basis of the assumptions finally, conclusions are made with suggestive findings of the study.

3. ASSUMPTIONS – 1 AND 2

While discussing literature and theories of career counseling and development in introduction section of this paper, number of times we come across the areas which are focused as the core decision element in career selection and development. For example Holland's study emphasize that it is the personality traits of human beings which should be kept in mind which selection of particular career as he postulated that individual's vocational interest is an expression of his personality and affects most his success in that career. Similarly, Gottfredson propounds that it is chronological age progression situations which determine his choice of career. In his further modifications to the study he focuses upon interests, skills, and values of human beings that affect individual's vocation selection and development. Donald E. Super states that individual's stages of life span and his social expectations in each of his role in the life space influence his choice of profession whereas Lent, Brown, & Hackett suggested that three core variables, which are self-efficacy, outcome expectations, and personal goals affect human's choice of vocation. In the theory of Work adjustment by René Dawis, George England and Lloyd Lofquist it is stated that it is person – environment correspondence which determine individual's success in his job role. They also assume that there are six factors that affect person's satisfaction from the vocation and they are achievement, comfort, status, altruism, safety and autonomy.

I have observed form review of concerned literature that researchers have continuously been focused upon aspects like personality traits, interests, skills, values, life span, life space, background, relationships etc. which influence his career choices and further career development. Nobody has so far taken emotions under consideration which is assumed to be one of the most important determinants of career selection, development and success. When people select particular career they do it in two ways. They either go to the professional counselor or do it themselves. Parents who cannot afford to go to counselors often ask their children to either take option that they think is best or one which seems interesting to the child. Nowhere in both the ways have 'emotions' been taken into consideration. In order to study the significance of 'emotions' in career selection, after observing the patterns in career counseling I come to know that generally career counselors focus on the following aspects during counseling the clients:

- Generating awareness amongst clients about what careers in current perspective have better scope of development;
- Applying technique of psychometric tests or discussion to know client's interests, personality type, intelligence, skills, competence etc
- On the basis of assessment done through tests or discussions, suggesting best career choice to the client

First assumption of this study that 'researchers and counselors in the field of career counseling and development give more emphasis to individual's interests, personality, traits and other aspects ignoring their emotional requirements' is supported with the help of above mentioned observation and literature review. Second assumption 'emotions have got more significance than other factors in selecting careers and achieving success in particular vocation' is proved with the help of enumerations in interview based survey. First two assumptions are discussed in sections 3.1 and 3.2.

3.1 SIGNIFICANCE OF 'EMOTIONS' IN CAREER SELECTION AND DEVELOPMENT

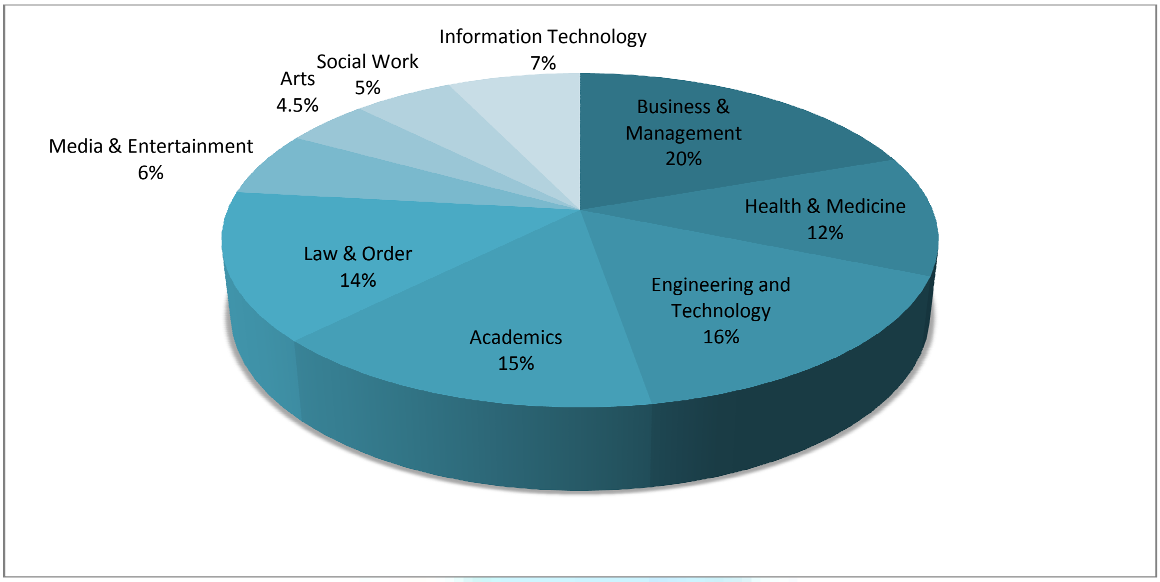
Emotions have been described as discrete and consistent responses to internal or external events which have a particular significance for the organism. Emotions are brief in duration and consist of a coordinated set of responses, which may include verbal, physiological, behavioral, and neural mechanisms. In simple language, emotion basically is organism's response to various events he encounters. This response can be seen through his behavior or his expressions (except when someone purposefully tries to hide original emotional response). Different people respond to the same situation differently as they have different set of emotions dominant in their personalities. Some person in one situation gets angry soon whereas other person in the same situation, with the same context seems quite and calm. This happens due to first person's tendency to become angry soon and another person's tendency to hold to the patience and avoid anger. Each and every sort of human's action is driven by emotions he possesses. Emotions are those feelings which are responsible for person's satisfaction and success in any role and hence it is very important to focus upon emotional requirements and repercussions before taking any decision in life. Decisions which lead to the situation which is putting person in state of confusion, sadness, annoyance should be avoided and those which tend to give him happiness, joy and satisfaction of mind should be taken. In context of decisions pertaining to the career, which is one of the most important aspects of human's life, emotions should be given due importance. If person is experiencing his job role satisfactory and joyful his level of performance will definitely be high as compared to those who do not like what they do with respect to jobs and vocations.

Emotional intelligence has been defined in many ways by many scholars. It is basically person's ability to manage and regulate his emotions in various situations. Two types of intelligences – Intrapersonal and Interpersonal together formulate person's Emotional Quotient (EQ). In context of career counseling intrapersonal side of emotional intelligence should be used to exactly understand the areas pursuing which person experience highest levels of satisfaction. These areas have also been considered as one's 'passion', which can be pursued as vocation. Larry Smith in his interview with Carmine Gallo for Forbes explains the significance of pursuing one's passion in life. He says that most people fail to land a great career because they fail to pursue their passion. He supports the assumption that person should adopt his passion as the vocation. With passion he means something that gives a person highest level of emotional satisfaction and contentment. He mentioned "Find and use your passion and you'll have a great career. Don't do it, you won't. It's as simple as that. People don't look for their passion because they haven't tasted it. If you've never tasted what it's like to get up in the morning and be pleased to go to work, you don't know what you're missing." He actually wants people to think carefully, find out what vocation will ensure highest levels of 'happiness and joy' (two basic emotions), pursue the vocation of their choice and taste it. He also makes it certain that taking career decisions this way will definitely make career a happy experience and individuals will be able to perform with highest levels of efficiency in their desired roles.

3.2 SURVEY AND THE RESULTS

In order to support assumptions (1 and 2) empirically, I conducted a survey in which 112 professionals from various domains of vocations were enumerated. The survey was done by way of personal interviews as purpose was to seek information with respect to significance of emotions which needed explanation of certain terms by interviewer. Scientifically designed structured questionnaire was used to take responses. 22 professionals from Business and Management, 13 from Health and Medicine, 18 from Engineering and Technology, 17 from Academics, 16 from Law and Order 07 from Media and Entertainment, 05 Artists, 06 Social workers and Socialites and 08 professionals from the field of Information Technology were enumerated.

FIGURE 1: CLASSIFICATION AND PERCENTAGES OF PROFESSIONALS ENUMERATED



Interviewer first explained the scientific meaning of emotions to the respondents. Also various terms belonged to the research specific jargons were described in detail in order to avoid any ambiguity during the interview. Approximate values have been taken into consideration to reduce decimal related errors. To the first question 'How much are you satisfied with various roles you perform in your present job?' 7% said they are highly satisfied, 19% admitted to be satisfied, 49% agreed to be partially satisfied whereas 34% were found to be not satisfied with roles they perform in their current jobs. As we are considering highly satisfied and satisfied professionals as 'really satisfied', only 26% respondents were found to have achieved emotional satisfaction from their respective vocations.

'Do you agree that at the time of selecting your vocation area (during high school or higher secondary – 16 to 19 years of age) you were not exactly sure about best suitable career choice for you?', 29% were completely agreed, 37% - agreed, 15% were partially agreed whereas 19% of respondents disagreed to the question. It shows that small number of professionals that is 19 percent exactly were clear about their best suitable career choices and rest were either totally unsure, unsure or confused that time. To the next question, 'Do you believe that emotions play an important role in keeping you satisfied or dissatisfied in various roles of your vocation?' 48% said they are completely agreed, 34% were agreed, 12% - partially agreed and only 6% found to disagree the opinion. Great number of 82% of respondents accepted that emotions play remarkable role when it comes to satisfaction or dissatisfaction from roles we perform during our jobs. 'Do you believe that interests are mere time bound attractions, personalities and skills are vulnerable to situational changes whereas emotions are lifelong motivators in context of careers selection and development?', 39% said they are completely agreed, 34% accepted to be agreed, 18% were partially agreed and 9% disagree to the question. Most of the professionals that is 73% agreed to the fact that emotions have more significance than interests, personalities, traits and skills of individuals with reference to career selection and development.

'In light of above question do you think that counseling for career should be focused more upon emotionally satisfying career alternatives rather than alternatives matching their personalities, traits, skills and interests?' 47% found to be completely agreed, 30% agreed, 13% partially agreed and 10% disagreed to the notion. In total 77% of respondents accepted that career counselors should focus more upon areas where individual find himself emotionally satisfied. Here we give them the idea of emotional career counseling (discussed in detail in next section) and asked them 'Do you believe that emotional career counseling can be proved helpful in making right career choice at the time of selecting career out of various alternatives?' 57% respondents believed that would be highly helpful, 29% said it would be helpful, 10% said it is going to be partially helpful and 4% said it will not be helpful at all. Maximum number of respondents that is 86% of them accepted that emotional career counseling can be a useful tool to help individuals selecting right career choice.

Last we ask them 'Do you believe similar EI based interventions (EI Sensitization Programmes, EI Trainings etc.) can help individuals perform better at various stages of their careers – from inception, to growth, to maturity and decline career stages?', 48% were completely agreed, 30% said they agree to this notion, 16% were partially agreed whereas 6% found to be disagreed. Despite disagreements majority, that is 78% of professionals agreed to believe that EI based interventions can be of great importance to counsel individuals about using EI to perform better at all stages of their careers.

4. ASSUMPTION – 3

Assumption - *'Structured Emotional Career Counseling Questionnaire to identify individual's core emotional interest areas can be developed to help career counselors to facilitate their clients make perfect career decisions.'* In order to develop the questionnaire the scientific method of questionnaire development has been used. Questionnaire can be seen in 'Appendix 1 - Structured Emotional Intelligence Questionnaire'.

There are following steps involved in the development of questionnaire:

- Decided the information required: information and topics related to various vocations available in job market are being taken into consideration.
- Defined the target respondents: Students and Aspirants who are on the stage of making decision about selection of career out of number of available options.
- Chosen the method(s) of reaching your target respondents: It was decided that to reach to the target respondents Interview technique should be adopted as questions which need to be answered require description by interviewer on some technical terms used therein. Further I went across following steps to draft the final questionnaire:
- Decided on question content
- Developed the question wordings which were simple and easy to understand
- Put questions into a meaningful order and format
- Checked the length of the questionnaire
- Pre-tested the questionnaire and
- Developed the final survey form

4.1 PILOTING

In order to make questionnaire ready for full scale survey it is been tested to determine the following points:

- whether the questions as they are worded will achieve the desired results
- whether the questions have been placed in the best order
- whether the questions are understood by all classes of respondent
- whether additional or specifying questions are needed or whether some questions should be eliminated
- whether the instructions to interviewers are adequate

Testing was done on 100 students ranging age 15 – 25 in the city of Bhopal from 1st of February to 1st of March 2013.

4.2 SCALE OF MEASUREMENT OF RESPONSE

Likert Scale has been used to measure the response from the questionnaire. Five items that are established to measure responses on the scale range from feeling - Joyful – Happy – Neutral – Sad – Angry. Using these five basic emotions, questionnaire seeks to identify what vocation areas are more suitable for the candidate to pursue as the career. For 'Joy' which is most positive emotion, there are 10 points, for 'Happy' there are 5 points, for 'Neutral' there are no points, for 'Sad' there are -5 points and for 'Angry', there are -10 points allotted. It is assumed that if a candidate selects some vocation task area to be full of 'Joy', he is going to enjoy that task and his productivity in that task would be at highest and hence highest marks 10 are given to that. Other extreme on the scale if candidate marks some task he feels 'Angry' to perform, he will not be able to achieve satisfaction performing that and hence he will be least productive in that so, 10 marks will get deducted from his score.

4.3 VOCATION AREAS AND TASKS

In depth and thorough analysis have been done to finalize main vocations to be taken into consideration. 10 vocations are selected after investigations that offer most appealing careers in today's context. In each vocation 10 tasks are asked to be rated on the scale. Vocation that score highest marks will be considered best suitable career candidate should pursue on the basis of emotional satisfaction.

5. DISCUSSION, CONCLUSION AND SUGGESTIONS

It is always crucial yet most important time when student selects any vocation as career to pursue for lifetime. Selection of wrong alternative this time may make entire life complicated. At the time of selection psyche of student revolves around number of reasons to choose particular option. Fundamentally, counselors suggest areas which they find very much 'in fashion' and where they see more chances of career growth and development. That time student finds that alternative suitable due to tempting packages and urges to achieve esteemed status. Finally candidate starts taking interest in that particular area. But this type of interest is always time bound as it is been generated and synthesized keeping other motivators in mind ignoring emotional satisfaction of the individual. Further, counselors focus on certain other aspects too while counseling. They assess individual personalities, their skill sets, their competencies, interests etc. and do not focus on individual emotions.

Much of emphasis though is given to individual's personality during career counseling it is found in recent studies that even personalities get change over time. The researchers, of the University of Manchester's School of Psychological Sciences found during their study that personalities can and do change. According to them personality changes relates much more strongly to changes in life satisfaction. Their study clears how changes to our circumstances, such as a higher income, getting married or a different job might influence our wellbeing which finally changes some or many of our personality attributes. Changes to attributes of personality also are the results of the emotions we experience. Extent to which we encounter positive or negative emotions determine how and what sort of personality attributes will get affected and changed. Similarly as discussed in previous sections interests of a person could also be time bound. Area in which person finds his motives get fulfilled, he starts taking interest in that which is highly artificial and synthesized. Skills, competencies, abilities all can get learned and unlearned but there is one aspect with every human being that never changes and that is his tendency to get emotional and experience variety of positive, negative, primary and secondary emotions. Human's success in every role depends upon how emotionally he is satisfied with tasks he performs and returns he gets from that role. How much the vocation is aligned with human's personality, skills, interests or competencies, if he is coming across negative emotions in that job, he will not be able to develop his career in that sphere. This is what this research has emphasized to prove.

The survey conducted during the research advocates how professionals in various vocations agree to the fact that emotions have got great significance in career success and development. Further, they admitted that during the process of career counseling, those vocations should be recommended wherein individual experiences highest levels of emotional satisfaction. On these findings the structured emotional intelligence questionnaire is developed as a suggestive tool using which counselors can easily discover areas where candidate experience positive emotions. However this questionnaire has some limitations like due to limitations of time, efforts and resources only ten vocation areas could get studied and included out of hundreds available in today's scenario. Some more potential areas like hospitality, banking & insurance, public administration and polity, aviation etc. can further be added to the questionnaire. Also this questionnaire can be converted to simulation exercise where individual can experience various tasks the way they are performed in real life situations. Despite all limitations this study generates new stimulus and opens new areas of investigation as to how emotions are significant to career counseling and career development.

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APPENDIX

APPENDIX 1 - STRUCTURED EMOTIONAL INTELLIGENCE QUESTIONNAIRE

Questionnaire

Name:

Age:

Note: *Please tick mark the emotion which you feel is dominant in your case against each task mentioned under vocation areas*

Vocation Area: Business and Management

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Working as a General Manager in a company					
2. Running your own enterprise					
3. Designing the Marketing campaign					
4. Working with financial data of the company					
5. Supervising factory production					
6. Formulating HR policies in the company					
7. Making efforts to boost up sales					
8. Making data entries of the business					
9. Making presentations and negotiating over new projects					
10. Liasoning with national and international parties					
Total Scores					

Vocation Area: Commerce, Economics and Finance

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Auditing the company's Accounts					
2. Providing Advisory services to companies on tax management and tax planning under Income Tax, Excise and Customs Laws					
3. Analyzing financial information to produce forecasts of business, industry, and economic conditions for use in making investment decisions					
4. Working as an Economic Analyst					
5. Market survey specialist					
6. Financial and Economic planning for the locality					
7. Provide advice and consultation on economic relationships to businesses, public and private agencies, and other employers					
8. Compile, analyze, and report data to explain economic phenomena and forecast market trends, applying mathematical models and statistical techniques					
9. Acting as arbitration/conciliator in domestic and international commercial disputes					
10. investigation to ascertain the financial position of business house for the purpose of issue of new shares, purchase or sale or financing of business, finding out reasons for increase or decrease of profits, reconstruction and amalgamations					
Total Scores					

Vocation Area: Engineering and Technology

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Working as the researcher in the Biotechnology lab					
2. building and testing machines, engines and other mechanical devices					
3. designing equipment and processes for large-scale chemical manufacturing					
4. planning, designing, constructing and maintaining structures – such as buildings, roads, bridges and dams					
5. designing, developing, testing and supervising the manufacture of electrical and electronic equipment					
6. drawing from many engineering fields and backgrounds to combine emerging technologies to create new ideas and materials					
7. Looking at how engineering and technology can be applied to the human body.					
8. Designing, development, testing and evaluation of computer software and hardware systems					
9. Researching and developing the processes, instruments and systems needed to derive benefits from nuclear energy and radiation					
10. applying engineering technology and biological science to agriculture, and design agricultural machinery and equipment					
Total Score					

Vocation Area: Medicine and Health

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Working as the general physician					
2. Working as a specialist (Neurologist, Cardiologist, Ophthalmologist, Pediatrician, Psychologist, Orthopedician, Dentist etc.)					
3. Running the Healthcare Center					
4. Running the Fitness Center					
5. Consulting people on type of diet they should take					
6. Training on spiritual healing, yoga and meditation					
7. Giving consultation using traditional form of treatments like Ayurveda, Unani, Homeopathy etc.					
8. Conducting research on medicine and pharmaceuticals					
9. Running your own health clinics					
10. Running a rehabilitation center					
Total Score					

Vocation Area: Media, Entertainment and Communication

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Designing graphics and digital media					
2. Working as a journalist and reporter					
3. Producing and directing television and radio programmes/movies					
4. Creating and maintaining web pages, web sites, email newsletters, newsfeeds, and other web or Internet-based communications materials					
5. Planning and coordinating events and tradeshows; and manage vendors, such as PR agency and Marketing contractor, as well Co-marketing Partners and Customers					
6. Anchoring/Presenting work at the front line of television or radio with introducing and host programs, read the news, interview people and report on issues and events					
7. Operating consoles and other equipment to control, replay, and mix sound from various sources in live concert performances and in the production of records, tapes, and films					
8. Working with digital, electronic and film cameras in multi and single camera operational conditions, producing pictures for directors by combining the use of complex technology with creative visual skills					
9. Assembling footage of feature films, television shows, documentaries, and industrials into a seamless end product					
10. Organizing and making arrangements to make sets for programmes and events					
Total Score					

Vocation Area: Arts and Literature

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Choreographing dance performances					
2. Singing songs for television, cinema and concerts					
3. Composing and playing Music for radio, television, cinema and concerts					
4. Writing scripts for movies, dramas and other programmes					
5. Engaging in Photography and videography tasks					
6. Working as an art director of theatre, movies and television programmes					
7. Designing jewellery, costumes, sets etc.					
8. Acting in television programmes and cinema					
9. Writing books and literature					
10. Painting and drawing artwork for exhibitions					
Total Score					

Vocation Area: Law and Order

	Scale Ratings				
Tasks	Joyful	Happy	Neutral	Sad	Angry
1. Advising clients concerning business transactions, claim liability, advisability of prosecuting or defending lawsuits, or legal rights and obligations					
2. Interpreting laws, rules and regulations for individuals and businesses.					
3. Analyzing the probable outcomes of cases, using knowledge of legal precedents					
4. Gathering evidence to formulate defense or to initiate legal actions, by such means as interviewing clients and witnesses to ascertain the facts of a case					
5. Working as legal specialist (commercial, civil, administrative etc.)					
6. Analyzing the case description and giving judgment over the case					
7. Designing the legal regulatory amendments and pass orders for implementation					
8. Preparing legal documentation on behalf of clients to represent them in a host of legal matters					
9. Liasoning with government and regulatory bodies to gather facts about various issues on enforcement of laws					
10. Helping and solve disputes in tribunals					
Total Score					

Vocation Area: Education

	Scale Ratings				
Tasks	Joyful	Happy	Neutral	Sad	Angry
1. Teaching students in college or university					
2. Teaching in high and higher secondary schools					
3. Teaching in primary and pre primary schools					
4. Instructing to teach teachers the ways of teaching					
5. Administering all the academic tasks in the institute					
6. Researching various aspects of specific area of interest					
7. Coordinating various courses and programmes offered by institute					
8. Administering all non academic tasks in educational institute					
9. Counseling students over matters they need help					
10. Helping to organize events and programmes in Institutes					
Total Score					

Vocation Area: Social Work

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Helping children in orphanage					
2. Serving the rehabilitation center of physically and mentally challenged ones					
3. Helping people be aware of hygiene, nutrition, prevention of diseases etc.					
4. Works as child rights activist					
5. Working for women empowerment and safety					
6. Working for poor and deprived sections of the society					
7. Running own non profit organization for social welfare					
8. Making arrangements of housing for slum dwellers					
9. Working as a catalyst of change to bring revolution to transform society					
10. Collaborating with government and international bodies to leverage social welfare on mass level					
Total Score					

Vocation Area: Beauty and Fashion

Tasks	Scale Ratings				
	Joyful	Happy	Neutral	Sad	Angry
1. Designing jewellery and costumes					
2. Running own boutique					
3. Running own beauty clinic or spa					
4. Working as a model to advertize various products					
5. Working as make up and make over artist					
6. Working as hair dresser					
7. Designing overall accessory requirements					
8. Merchandizing and retailing fashion products					
9. Merchandizing and retailing beauty products					
10. Researching upon new development of costmetics					
Total Score					

Vocation earned highest score:	
Vocation earned lowest score:	

CUSTOMER PERCEPTION OF SERVICE QUALITY DIMENSIONS IN INDIAN BANKING INDUSTRY

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ABSTRACT

In the present competitive environment in India, it has become difficult to survive in the service sector in general and banking in particular. For long run survival and continuous profitability for the banks in India, there is a need to firstly understand the customer perception of service quality and then to effectively implement it. The present paper is an attempt to understand the customer perception of service quality dimensions in banking industry. A sample of 100 customers of different public and private both banks in tri- city (Chandigarh, Panchkula and Mohali) was selected by using random sampling technique. Responses of customers were analyzed with the help of factor analysis. Ten factors were extracted. The result shows that the level of consideration is the most important factor in forming the customer perception regarding service quality in banking industry. The findings of this paper may benefit the banks by applying these findings to create better satisfaction to the customers.

KEYWORDS

Banking Industry, Customer Perception, Customer Satisfaction, Service Quality.

INTRODUCTION

Today the banking system is facing the challenges of stiff competition and technology advancement. Now the services provided by banks have become more easy and convenient to access. Banks are putting more efforts to give excellent services to their customers. Mobile banking and net banking have introduced. The entire system has become more convenient and swift. Time is given more importance than money. With years, banks are adding services to their customers. Now the market is completely customer oriented. Now banks are providing their services after taking feedback from them regarding what they want. The customers have more choices in choosing their banks. Today the market is very competitive. The Information Technology has completely turned the face of banking industry, which forcing them to re-engineer many of their basic processes and systems. Few of the technology-driven electronic banking services being offered are viz. Automated Teller Machines ATM, Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), Tele-Banking, Internet Banking etc. New technological capabilities could be effectively used to create value and to better manage customer relationship. In this fast changing financial environment, fierce competition and changes in the regulatory policies has created uncertainty and risk for the Indian banking industry. Modern banking involves a great deal of processing of mass information and commitment to technology is the only solution that ensures timeliness, accuracy and resultant improved performance and enhanced customer service To meet the challenges posed by the entry of foreign banks, Indian banks will have to invest heavily in technology to meet competition, reduce cost, improve customer service, improve productivity and offer new products/services.

SERVICE QUALITY

Parasuraman explained the service quality as the ability of the organization to meet or exceed customer expectations. Customer expectations may be defined as the "desires and wants of consumers" i.e. what they feel a service provider should offer rather than would offer. Service quality is customers' perception of how well a service meets or exceeds their expectations (Zeithaml et. al., 1990). Service quality is judged by customers not by organisation. This distinction forces service marketers to examine their quality from customers' viewpoint. Thus it is important for service organisation to determine what customers expect and then develop service products that meet or exceed those expectations

Gronroos (1982, p. 37) defined service quality as ''the outcome of an evaluation process where the consumer compares his expectations with the service he perceived he has received.'' In other words, perceived service is measured against expected service.

SERVICE QUALITY IN BANKING INDUSTRY

Cut throat competition and customer focused market have introduced the new marketing practices in the Indian banking sector and has brought the customer satisfaction as the key element of success. It has become very important for the banks to retain the customer as well as to attract the new one. As the numbers of banks are increasing; customers' expectations of service quality is also increasing. It has become essential to measure the service quality of the bank so that the service providers can assess their level of service quality and identify the quality gaps for improvements. Service Quality is seen to be one of the main determinants of customer satisfaction.

The current problem for the banking industry in India is to determine the various dimensions of customer perception of service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of service according to customer perception of quality and can have greater control over the overall outcome. Hence, to gain and sustain competitive advantages in the fast changing public retail banking industry in India, it is crucial for banks to understand in-depth what customers perceive to be the key dimensions of service quality and what impacts the identified dimensions have on customers' behavioral intentions?

LITERATURE REVIEW

Perceived service value is the final antecedent to customer satisfaction in banking industry and there is also a difference in the customers' perceptions of service quality of various banks in different countries.

Mamta Brahmbhatt and Dharmendra Panelia, 2008 conducted a study "An Assessment of Service Quality in Banks", to compare service quality and customer satisfaction among private, public and foreign bank. The main objective of this study was to analyse the customer perception about service quality in Indian retail banking. Primary data is collected by using SERVEQUAL questionnaire and the sample size was 246. Factor analysis and reliability testing were employed to identify service quality attributes. Study results show that service quality is at the root of customer satisfaction. Considering tangibility factor, foreign banks have less service quality gap than public and private sector banks. On assurance factor, public sector banks are performing better than private sector banks.

Mengi Pooja (2009) conducted a study, "Customer Satisfaction with Service Quality: An Empirical Study of Public and Private Sector Banks", on customers of Public sector, private sector and foreign banks operating in Jammu of India. The main purpose of this study was to compares customers' perceptions of service quality of public and private banks of Jammu. The service quality of both the banks has been measured using SERVQUAL scale. SERVQUAL scale was used to determine different dimensions of service quality and chi-square analysis was used to understand the impact of SERVPERF (service performance) dimensions on customer satisfaction. It was found that majority (47.7%) of bank customer are from service class, and mostly (58%) bank customers are belong to the income category of more than 3 lakhs per annum. Researcher also found that customers of public sector banks are more satisfied with the service quality, than those of private sector banks.

Dr. K. Ravichandran, Ms. K.Bhargavi, Mr. S. Arun Kumar(2010) conducted a study, "Influence of Service Quality on Banking Customers' Behavioral Intentions", The purpose of this study were to identify the important underlying perception of service quality dimensions among public retail banking consumers and to evaluate the degree to which service quality dimensions among public banking customers in India. The study was conducted in Tiruchirappalli City of Tamilnadu

India by using the SERVQUAL instrument. A total of 102 usable responses were collected from customers of two public banks located in Tiruchirappalli (bank A-with the widest customer base and largest number of branches, and bank B-with the narrowest customer base and least number of branches. The results indicate that there is a degree of prediction of service quality on the multidimensional model of behavioral intentions developed by Parasuraman, et al, 1996.

M.Kailash(2012) conducted a study, "A study on customer satisfaction with service quality in Indian public and private sector banks ," to make a comparison in customer satisfaction regarding banking services of public and private sector banks and to find out the association between demographic variables and the choice of banks. A survey was conducted in conducted a study Vijayvada district by using simple random sampling technique. A SURVEQUAL questionnaire was used. The sample size was 175 customers. The major statistical tools used in this study are Percentage analysis, Chi square test and student's t-test analysis. The findings of the research say that considering overall satisfaction, private bank customers are more satisfied than public sector banks. In conclusion it is recommended that to provide quality service, there is a need to make investments in upgraded technology which helps to deliver superior service and provide better Management Information Systems and Decision Support Systems.

OBJECTIVE OF THE STUDY

The study has been undertaken with regard to the objective, 'To study the customer perception of service quality dimensions in Public and Private Banks in India'.

RESEARCH METHOD

For the purpose of the study, target population was bank customers in Tricity (Chandigarh, Panchkula and Mohali). The sample population consisted of 100 customers. Sample was selected by Convenience sampling technique. Structured questionnaire was used as research instrument. It consisted of two sections. Section 1 consisted of demographic details of the respondents, and Section 2 consisted of 44 statements of banking services. Percentage, frequencies, factor analysis were used as data analytical tools.

DATA ANALYSIS

Out of 100 respondents, 15% falls in the age category of up to 20 years, 78% belongs to age category of 21-40 years, 6% belongs to age category of 41-60 years and only 1% belongs to age category of above 60 years. On gender wise distribution 63% were Males and 37% were females. Qualification wise out of total respondents 6% Matriculation, 12% Senior Secondary, 35% Graduates, and 8% PhD and 39% were Post Graduates. On occupational ground 23% respondents were student, 31% service, 34% professionals, 9% business man and 3% respondents are not working.75 % are public bank customers and 25% customers have their account in private banks. Out of 100 responses 8% respondents have their accounts in SBP, 42% PNB, 21% SBI, 13% HDFC, 3% AXIS BANK, 5% ICICI, 3% CORPORATION BANK, 1% YES BANK, 1% INDIAN BANK, 1% BANK OF MAHARASHTRA, 1% UCO BANK AND 1% HSBC. On the basis of frequency of using the bank service the result shows that 19% weekly, 26% fortnightly, 42% monthly and 13% quarterly and that 66% customer access banking service personally by contacting to the branch, 8% through internet and 26% access by either way or both of them.

TABLE 1: PROFILE OF RESPONDENTS

Demography	Frequency	Percent
Age		
Up To 20 Yrs	15	15
21-40 Yrs	78	78
41-60 Yrs	6	6
Above 60 Yrs	1	1
Total	100	100
Gender		
Male	63	63
Female	37	37
Total	100	100.0
Education		
Matric	6	6
Senior Sec	12	12
Graduate	35	35
PG	39	39
PhD	8	8
Total	100	100
Occupation		
Student	23	23
Service	31	31
Professional	34	34
Businessman	9	9
Not Working	3	3
Total	100	100
Type of Bank		
Private	25	25
Public	75	75
Bank Name		
SBP	8	8
PNB	42	42
SBI	21	21
HDFC	13	13
AXIS	3	3
ICICI	5	5
CORPORATION BANK	3	3
YES BANK	1	1
INDIAN BANK	1	1
BANK OF MAHARASHTRA	1	1
UCO	1	1
HSBC	1	1
TOTAL	100	100
Frequency Of Using Bank		
Weekly	19	19
Fortnightly	26	26
Monthly	42	42
Quarterly	13	13
Total	100	100
Mode of Dealing		
Personally	66	66
Internet	8	8
More Than One Mode	26	26
Total	100	100

FACTOR ANALYSIS: The explanatory factor analysis is used in order to identify the factor affecting the satisfaction level of 100 respondents in tricity. To test the suitability of the data for factor analysis, the following steps have been taken;

- The correlations matrices are computed and examined. It reveals that there are enough correlations to go ahead with factor analysis.
- Anti- image correlations were computed. These showed that partial correlations were low, indicating that true factors existed in the data.
- Kaiser-Meyer-Olkin measure of sampling adequacy for individual variables is studied from the diagonal of partial correlation matrix. It is found to be sufficiently high for all variables.
- To test the sampling adequacy, Kaiser Meyer-Olkin measure of sampling adequacy is computed, which is found to be 0.84
- It is indicated that the sample is good enough for sampling.
- The overall significance of correlation matrix is tested with the Bartlett test of Sphericity for satisfaction banking industry.
- Hence, all these standards indicated that the data is suitable for factor analysis. For extracting factors we have employed “principal components analysis” and Varimax with Kaiser Normalization were also applied. Eigen values greater than 1 are considered significant.

TABLE 2: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.84
Bartlett's Test of Sphericity	Approx. Chi-Square	3030.14
	Df	946
	Sig.	0.00

TABLE 3: TOTAL VARIANCE EXPLAINED

Component	Initial Eigen values			Extraction Sums Of Squared Loadings			Rotation Sums of Squared Loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance
1	16.75	38.06	38.06	16.75	38.06	38.06	9.85	22.38
2	2.97			2.97	6.76	44.82	3.58	8.13
3	2.15	4.88	49.70	2.15	4.88	49.70	3.17	7.21
4	1.72	3.90	53.60	1.72	3.90	53.60	3.07	6.98
5	1.60			1.60	3.63	57.23	2.77	6.30
6	1.46	3.32	60.55	1.46	3.32	60.55	2.15	4.90
7	1.18	2.68	63.23	1.18	2.68	63.23	2.02	4.58
8	1.13	2.56	65.79	1.13	2.56	65.79	1.93	4.39
9	1.08	2.46	68.25	1.08	2.46	68.25	1.42	3.22
10	1.06	2.41	70.66	1.06	2.41	70.66	1.13	2.56

There are only ten factors each having Eigen value exceeding one. The index for present solution account for 70.66% of the total variations (Table 3), but this variance is not uniformly distribute across all component where only the first component account for 38.06% of variance. Thus for uniformly distributed variance, a rotation of component matrix is required. After using the Varimax rotation method, the variances become evenly distributed in range of 22.38-2.56%, which was 38.06-2.41% before rotation.

TABLE 4: ROTATED COMPONENT MATRIX

Components										
	1	2	3	4	5	6	7	8	9	10
s1	0.32	**0.52**	0.22	0.25	0.17	0.06	0.11	0.09	0.15	0.07
s2	0.37	**0.64**	-0.01	-0.02	0.27	0.08	0.04	0.17	0.03	0.03
s3	**0.58**	0.35	0.12	-0.05	0.03	0.14	0.01	0.14	0.30	-0.14
s4	0.23	**0.70**	0.20	0.06	-0.15	0.22	0.18	-0.17	0.03	0.21
s5	**0.70**	0.38	0.14	-0.01	0.16	0.16	-0.08	0.11	0.07	0.03
s6	0.35	0.29	0.16	0.18	0.07	**0.59**	0.09	0.23	0.15	-0.14
s7	0.42	**0.66**	0.06	0.14	0.02	0.12	0.18	0.07	0.04	-0.04
s8	0.16	0.21	0.20	**0.66**	-0.09	0.25	0.07	0.03	0.12	-0.17
s9	-0.05	0.26	0.12	0.11	0.18	0.26	0.05	**0.49**	0.30	0.04
s10	0.38	**0.67**	0.07	0.18	0.24	0.05	-0.16	0.15	0.04	-0.11
s11	**0.82**	0.25	0.05	0.11	-0.01	0.07	0.12	0.10	0.06	0.19
s12	**0.65**	0.05	0.11	0.14	-0.30	0.22	0.38	0.18	0.14	0.06
s13	0.21	0.13	0.06	0.23	0.11	0.16	0.04	**0.70**	-0.07	0.00
s14	-0.02	0.18	0.03	**0.70**	0.21	0.02	0.09	0.19	-0.06	0.37
s15	0.06	0.03	0.10	**0.85**	0.15	0.10	0.09	-0.02	-0.12	-0.01
s16	0.32	0.09	0.04	**0.63**	0.17	0.07	0.06	0.38	0.09	-0.10
s17	**0.68**	0.23	0.37	0.07	0.14	0.12	0.08	0.14	0.05	-0.17
s18	**0.73**	0.26	0.23	0.04	0.12	0.08	0.13	0.21	-0.07	0.08
s19	**0.72**	0.15	0.14	0.13	0.11	0.12	0.15	0.15	0.06	0.02
s20	**0.69**	0.21	-0.04	0.17	0.17	-0.01	0.17	0.11	-0.02	0.32
s21	0.32	0.21	0.31	0.23	**0.33**	0.30	0.28	0.10	0.15	0.23
s22	**0.53**	0.08	0.33	0.18	0.17	0.24	0.11	-0.35	0.17	0.08
s23	0.09	0.07	0.00	-0.04	0.01	0.01	0.04	-0.01	**0.87**	0.01
s24	0.37	0.14	0.22	0.21	0.09	0.15	**0.54**	-0.35	0.10	0.11
s25	0.38	0.19	0.19	0.16	**0.63**	0.01	-0.09	-0.02	0.06	0.16
s26	**0.82**	0.17	0.09	-0.02	0.20	0.09	0.16	-0.03	-0.11	0.13
s27	0.05	**0.47**	0.01	0.30	0.07	0.20	0.12	0.30	-0.06	-0.32
s28	**0.54**	0.11	0.44	0.18	0.19	0.01	-0.26	0.00	0.27	0.09
s29	**0.67**	0.22	0.16	0.14	0.24	0.16	0.16	-0.14	-0.11	-0.10
s30	**0.70**	0.08	0.31	0.18	0.09	-0.03	0.23	-0.02	0.07	-0.26
s31	**0.68**	0.11	0.40	0.04	0.26	0.01	0.09	-0.05	0.05	-0.18
s32	**0.49**	0.24	0.36	0.02	0.39	0.15	0.21	-0.27	0.05	-0.15
s33	**0.71**	0.20	0.03	0.21	0.18	-0.01	0.01	-0.04	0.10	-0.26
s34	0.39	0.08	-0.20	0.22	**0.54**	0.16	0.36	0.14	-0.05	-0.19
s35	0.28	0.31	0.04	0.20	0.06	-0.33	**0.55**	0.13	0.08	-0.20
s36	0.17	0.09	0.21	0.18	**0.78**	0.07	0.07	0.19	0.00	-0.02
s37	0.28	0.08	**0.74**	0.12	-0.07	0.26	0.02	0.09	-0.18	-0.14
s38	0.20	0.11	**0.65**	0.29	0.18	-0.07	0.08	-0.04	0.11	0.35
s39	0.51	0.05	0.37	-0.05	0.24	**0.52**	0.06	0.16	-0.01	0.00
s40	0.24	0.00	0.38	0.03	0.33	0.23	**0.42**	0.16	0.15	0.08
s41	0.31	0.17	**0.58**	0.02	0.29	-0.09	0.24	0.10	0.06	-0.06
s42	0.36	0.09	0.16	0.22	0.02	0.04	**0.42**	0.32	-0.28	0.11
s43	0.07	0.20	-0.03	0.23	0.03	**0.78**	-0.04	0.09	-0.03	0.02
s44	**0.53**	0.08	0.36	0.02	0.34	-0.08	0.39	-0.05	-0.06	0.04
Extraction Method: Principal Component Analysis. Rotation method: varimax with Kaiser normalization										
a. Rotation converged in 26 iterations.										

Factor No. 1 Level of Consideration Total Variance Explained has revealed that this Factor explained variance of 22.38%. 17 items (3, 5, 11, 12, 17, 18, 19, 20, 22, 26, 28, 29, 30, 31, 32, 33 and 44) were loaded on this Factor. This factor is named as Level of consideration as it includes statements related to bank's individual concern towards customer, their query handling, customer centric approach.

Factor No. 2 Physical Evidence The 2nd Factor explained a variance of 8.13. Six items (1, 2, 4, 7, 10, and 27) were loaded on this factor. This factor is named as Physical evidence as it includes statements related to Bank's physical facilities, equipments & fixtures.

Factor No. 3 Sense of Security: The third factor explained a variance of 7.20 four items were loaded on this factor (36, 37, 38 and41). This factor is named as sense of security and it include safety in using e- services.

Factor No. 4Accessibility: The Fourth factor explained a variance of 6.98. Two items were loaded on this factor (14, 15, 16 and 8). This factor is named as accessibility as it includes easy accessibility to services and availability of staff.

Factor No. 5 Level of Concern: The fifth factor explained a variance of 6.29. Three items were loaded on this factor (21, 25, and 34). This factor is named as Level of Concern as it includes availability of staff, timely information availability and quick complaint handling.

Factor No. 6 Knowledge of Action: The sixth factor explained a variance of 4.89.Three items were loaded on this factor (6, 39, and 43). This factor is named as Knowledge of Action as It deals with processing time and competency of front line staff.

Factor No. 7 Level of Response: The seventh factor explained a variance of 4.58. Four items were loaded on this factor (24, 35, 40, 42). This factor is named as Level of Response as it deals with the services like toll free number operation ability and quick service related to issue of new cheque book and online demand draft facility.

Factor No. 8 Reliability: The eighth factor explained a variance of 4.38. Three items were loaded on this factor (9 and 13). This factor is named as Reliability as it deals with Location safety and error free records.

Factor No. 9 Automation of Services: The ninth factor explained a variance of 3.22. One item was loaded on this factor (23). This factor is named as Automation of Services as it includes mobile and internet banking services.

Factor No. 10 Competitive Services: The tenth factor explained a variance of 2.55. No item was loaded on this factor. So we are not considering this factor as important one.

TABLE 5: NAMING OF FACTORS

Factor No.	Name of Factor	Label	Statements	Factor Loading
F1	Level of Consideration	S3	My Bank recognizes me as a valued customer	0.58
		S5	My Bank staff gives me fast and efficient service.	0.70
		S11	My Bank staff takes quick action in solving my problems.	0.82
		S12	My Bank staff tells me exactly the time in which service will be executed.	0.65
		S17	My Bank staff deals in friendly and courteous manners	0.68
		S18	My Banks staff gives me individual attention.	0.73
		S19	My Bank staff shows willingness to listen and respond to my needs.	0.72
		S20	I find efficient and no long lines up at counter hence no wait services.	0.69
		S22	I get quick connection to the right person through phone.	0.53
		S26	My Bank staff carries out my requests quickly.	0.82
		S28	My Bank staff is able to give me good advice regarding investments plan and tax saving investments.	0.54
		S29	Very less time is taken to sort out your complaint.	0.67
		S30	My Bank staff is empowered to resolve the customer complaint on the spot	0.70
		S31	The way of complaint handling is very good.	0.68
		S32	There is a proper follow up by the bank staff when you file some complaint	0.49
		S33	My Bank staff apologizes for any mistake.	0.71
		S44	My Bank regularly measures the customer satisfaction several times through out the year.	0.53
F2	Physical Evidence	S1	My Bank's ambience has professional and attractive appearance.	0.52
		S2	My Bank has clean and well cared facilities	0.64
		S4	My Banks operating hours are convenient to me.	0.70
		S7	My Bank fulfills its promises in time indicated.	0.66
		S10	My Bank has modern equipments and tools.	0.67
		S27	My Bank provides me reliable and credible services by maintaining secrecy regarding my password and account statements.	0.47
F3	Sense of Security	S36	Online banking is very safe with my bank.	0.78
		S37	My bank provides me competitive interest rate and attractive promotional plans.	0.74
		S41	In case of forgetting or corruption of PIN number of my debit card my bank provides me duplicate pin number in very less time.	0.58
		S38	My bank provides loan facility at very competitive and reasonable rates.	0.65
F4	Accessibility	S8	Material associated with the service like pamphlets, statements and forms etc are appealing and easily available at my bank.	0.66
		S14	My Banks branches are available in convenient locations	0.70
		S15	ATM machines are available in convenient locations.	0.85
		S16	My Bank's ATM is safe for me to use at night.	0.63
F5	Level of Concern	S21	My Bank's staff is available on time to provide me desired service when needed.	0.33
		S25	Bank's new promotional offers are informed timely.	0.63
		S34	In case of loss/ damage of ATM/passbook or any filled cheque I can register my complaint easily.	0.54
F6	Knowledge of Action	S6	My Bank staff has the knowledge to answer my queries.	0.59
		S39	Processing time of a transaction in my bank is very less.	0.52
		S43	My bank debit cards are acceptable in other bank's ATM machines.	0.78
F7	Level of Response	S24	My all Telephone enquiries are handled promptly and not put on hold.	0.54
		S35	Toll free number given by my bank is operational and gets easily connected	0.55
		S40	My Bank issues me cheque book in a stipulated time period on my request	0.42
		S42	My bank provides me online request for the demand draft facility	0.42
F8	Reliability	S9	My Bank records (passbooks, statements etc.) are error free	0.49
		S13	I feel safe in my transaction with my bank.	0.70
F9	Automation of Services	S23	I can deal with my bank by using modern ways of banking like through mobile and internet.	0.87

CONCLUSION

Analysis of demographic variables shows that the majority of respondents belong to the age group of 21-40, professionals, males and they have their account in public sector banks. The research shows that the level of consideration is the most important factor in forming the customer perception regarding service quality in banking industry. Level of considerations means bank's individual concern towards customer, their query handling, fast and efficient service delivery and customer centric approach.

The next important factor is physical evidence. This is the only tangible factor that supports the service quality. It includes the ambience, clean and well cared facilities, equipments and tools and convenient operating hours. Automation of services is the least considered factor for determining service quality in banking sector. The third factor which helps in making perception about service quality is security aspect. This includes the feature like safety in using online and automated services and bank is providing competitive services.

The forth factor is accessibility to banking facilities like ATM, branches and Physical evidences. This factor is also important in today's competitive environment. The fifth factor is Level of concern which helps in framing individual perception about service quality is level of concern. The sixth factor is knowledge of action which shows how knowledgeable and updated are the staff members to provide satisfactory services to the customers. The next factor is level of response which shows how quick and responsive is your bank in service.

As today's customers are the regulators of the market and they demand individual attention, quick and best service. So strategist in banking industry must give due importance to all these factors. This paper will also help the policy maker in banking by giving an idea about the way in which consumer perceive about service quality in Indian banking industry.

SCOPE FOR FURTHER RESEARCH

In this paper the information is collected from tri city (Chandigarh, Panchkula and Mohali) only. By collecting the information from some more cities the sample will be more representative.

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A COMPARATIVE STUDY OF ORGANIZED AND UN-ORGANIZED FOOD RETAILING IN AHMEDABAD CITY OF GUJARAT

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ABSTRACT

Food retailing, which was dominated by the unorganized sector until 1990s, is now witnessing a rapid growth with entry of corporate groups in organized sector. Entry of organized sector provided a ray of hope to the supply chain efficiency of the perishable food items as these have the capability to invest in the supply chain infrastructure to prolong the shelf line of food items. Additionally, farmers are also expected to be benefitted as the alternate channel for selling their agricultural produce will give them fair prices. The study tries to explore the supply chain management practices and the constraints faced by these organized and unorganized retailers in the Ahmedabad city of Gujarat. It is found that direct procurement of food items from farmers is still not a big practice with majority of the organized and unorganized retailers procuring from the traders. Organized retailers are quite ahead in making the use of infrastructure to improve the supply chain efficiency. Organized along with unorganized retailers are felt as threat for the unorganized retailers.

KEYWORDS
Food Retail, Organized Retail, Unorganized retail.

INTRODUCTION
Retailing is a term which encompasses sale of goods and merchandise for personal or household consumption. The retail industry, which, until the early 1990s, was dominated by the unorganized sector, witnessed a rapid growth in the organized sector with the entry of corporate groups such as Future group, Reliance, ITC etc. into the retailing market. Though with a population of more than 1.2 billion and a middle class population of over 300 million, organized retailing (in the form of food retail chains) is still in its infancy in the Country. Organized retail is a meager 2% of the total retail sector in India. Food & Grocery sector constitutes about 14 % of the organized retailing in India. However, this figure is rapidly changing towards upward direction. Food is a perishable item & hence success of a retailer lies in proper supply chain management. Numerous infrastructural challenges prevail in the retail business, naming a few are improper roads, poor connectivity between production centers and markets, lack of proper cold-chain facility like refrigerated transportation, warehousing etc. With good access to financial resources, organized sector has invested in infrastructure which is much needed for highly perishable food sector. On the other hand, unorganized sector is experiencing tough competition from their counterpart. In the backdrop of these information the study was undertaken with the specific objectives of (a) To study the supply chain management adopted by organized and un-organized retailers in food segments, and (b) To identify the constraints faced by the organized and un-organized retailers.

REVIEW OF LITERATURE
It has been estimated that retail market in India along with Russian Federation and China grew by 10-14% in 2001-06, though retail sales in these countries were relatively small. It is forecasted to have compound annual growth rate of around 10% during 2001- 2011 (FAO, 2009).

Joseph M., et al. (2008) studied on “Impact of Organized Retailing on the Unorganized Sector” concluded that the share of organized retail has increased in all the developing countries in the recent years and unorganized retailers in the vicinity of organized retailers have been adversely affected in terms of their volume of business and proft. This adverse impact tapers off over time. The kirana stores are trying to increase credit sales to retain customers, their reliance on institutional finance remains low. Farmers are benefitted through direct procurement by organized retailers, though intermediaries do not appear to be adversely affected so far.

A study conducted by NABARD (2011) concluded that food retailing contributes about 61% of the total retail in India, with organized food retailing still urban centric. It also found that the food retailing is essential but not very profitable for the organized retailers. It has relatively low margin but ensures regular footfall into the store. Direct procurement of fruits and vegetables from the farmers by the organized retailers results in farmers realizing better share of consumer spending and also reduced cost to the consumers.

Rasheed S.V., et al. (2011), in their study on “Organized Retailing of Fresh Fruit and Vegetables: Opportunities for putting Research into use?” concluded that producers are benefitted when alternate marketing channels emerge. However, only a few farmers have benefitted, with majority still continue to depend on traditional markets for selling their produce.

MATERIAL & METHODS
The study was carried out in Ahmedabad city of Gujarat. A total of 7 retail outlets from organized sector and 66 from unorganized sector were surveyed purposively during January-March- 2013. Out of those 66 unorganized sector stores, 29 were Grocery stores, 10 fruit sellers, 10 vegetable sellers and 17 processed food stores. The data were collected through personal interviews using well-structured schedules. Food items were categorized as following considering one item for each category.

TABLE 1: SELECTED FOOD CATEGORIES FOR STUDY

Food item category	Food considered for survey
Cereals	Rice
Pulses	Tur
Fruits	Banana
Vegetables	Cauliflower
Spices/condiments	Coriander
Processed food	Bakery items

The data were subjected to tabular, percentage analysis and correlation as a statistical tool.

RESULTS & DISCUSSION

TABLE 2: OWNERSHIP STRUCTURE OF THE RETAIL OUTLETS

	Proprietorship	Partnership	Pvt. Ltd.	Public Ltd.	Total
Organized			57.1%	42.9%	100.0%
Unorganized	72.7%	27.3%			100.0%
Total	65.8%	24.7%	5.5%	4.1%	100.0%

Organized sector shows presence of Public Ltd. & Pvt. Ltd. Companies whereas Unorganized has around three-fourth proprietorship and remaining as partnership firms. These proprietorship firms are operated and managed by the family members with one or two hired unskilled labours.

TABLE 3: SOURCE OF PURCHASE OF FOOD ITEMS (in Percentage)

	Cereals		Pulses		Fruits		vegetables		Spices/ condiments		Processed Food	
Source	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized
A			40		60	10	50	16				
B		6.9		6.9			16.7	57				
C	100	93.1	60	93.1	40	80	33.3	27	60	100	60	74.3
D						10						
E									40			
F											40	25.7
G												

(Legend: A-Farmers directly, B-Farmers through appointed agent, C-Traders, D- Both Farmers & Traders, E- Both Farmers & Appointed Agents, F- Processors (Millers), G- Others)

Traders are involved in all the categories of food items for both organized and unorganized retailers. Purchasing from farmers directly is prevalent in case of fruits and vegetables for both organized and unorganized retailers. As Banana growing farmers are there in the nearby areas, it becomes possible for some of the unorganized sellers too to purchase from them directly. Majority of the unorganized vegetable sellers purchase from the farmers through appointed agents. It can be visualized from the above table that farmers are still not the best choice for purchase from the organized players. It could be because they may not get the assured supply from the selected farmers, which can be overcome by purchasing from other market intermediary such as traders of appointed agents.

TABLE 4: FREQUENCY OF PURCHASE FOOD ITEMS (in Percentage)

	Cereals		Pulses		Fruits		vegetables		Spices/ condiments		Processed Food	
	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized
Daily	20	3.4	20	3.4	60	70	50	100	20		40	25.7
Weekly	40	44.8	40	41.4	40	30	50		40	38.9	60	60
Fortnightly		27.6		31						61.1		14.3
Monthly		10.3		10.3								
Price Based									40			
Inventory based	40	13.8	40	13.8								

Organized retailers make purchasing of cereals, pulses, spices and processed food items mainly daily and weekly basis. In addition, inventory based purchasing is also prevalent for cereals & pulses. Fruits & vegetables purchase is made on weekly and more often on daily basis in both the retail formats. Food items having relatively longer shelf life are have longer purchase period, in contrast to the fruits and vegetables which have very short purchase period.

TABLE 5: MODE OF PAYMENT AND CREDIT PERIOD

Cereals		Pulses		Fruits		vegetables		Spices/ condiments		Processed Food	
Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized
Centralized	15 days	Centralized	15 days	Cash	7 days	Cash	7 days	Centralized	15 days	Cash	10 days

For organized retailers, for cereals, pulses & spices the purchasing is centralized and payment is made by cheque. The outlets are expected to provide the details regarding past sale and future sales forecast. For fruits and vegetables payment is made by cash. In case of unorganized retailers, businesses are on credit basis which usually ranges from 7 days in case of fruits & vegetables to 15 days in case of cereals, pulses & Spices.

TABLE 6: PHYSICAL MARKETING FUNCTIONS

Functions	Cereals		Pulses		Fruits		vegetables		Spices/ condiments		Processed Food	
	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized	Organized	Unorganized
Cleaning	0	0	0	0	0	0	0	22	0	0	0	0
Grading	0	0	0	0	0	0	0	15	0	0	0	0
Packaging	43	0	43	0	0	0	0	0	71.4	0	86	59
Storage and Warehousing	100	22.2	100	22.2	100	83.3	100	75	100	6.7	66.7	50
Transportation	100	36.4	100	36.4	100	75	100	66.7	100	0	100	50

Majority of the organized and unorganized retailers are engaged in storage and transportation of various food items. Organized players are also selling pre-packaged food grains which they do in-house. But none are involved in cleaning and grading except few for vegetables. It can be inferred that in-house physical marketing functions are avoided as much as possible. Even organized retailers rely more on the concept of concentrating on the core business, i.e. retailing of food items. Cleaned and graded items are only purchased or these activities are being outsourced.

TABLE 7: INFRASTRUCTURE DETAILS

	Organized	Unorganized
In-store Refrigeration	100%	43.1%
IT Infrastructure		
Computerized billing	100%	9.2%
Bar code	100%	7.7%
Business IT solution	100%	0%

Organized sector is leading ahead of the unorganized counterpart in terms of In-store Refrigeration and IT infrastructure with cent percent presence. In unorganized format, Grocery stores and processed food stores have In-store Refrigeration, with few having computerized billing and Bar coding system in vague. But Business IT solution like ERP has not yet penetrated in the unorganized retail sector.

TABLE 8: CORRELATION BETWEEN VARIOUS FACTORS

Correlations						
			Total Floor Area of the shop (Sq. ft.)	Total Floor Area of the Food Segment (Sq. ft.)	Distance of the nearest organized retail outlet	Annual Sales Turnover
Spearman's rho	Total Floor Area of the shop (Sq. ft.)	Correlation Coefficient	1.000	.891**	.029	.548**
		Sig. (2-tailed)	.	.000	.817	.000
		N	72	68	67	61
	Total Floor Area of the Food Segment (Sq. ft.)	Correlation Coefficient	.891**	1.000	.033	.413**
		Sig. (2-tailed)	.000	.	.795	.001
		N	68	68	63	57
	Distance of the nearest organized retail outlet	Correlation Coefficient	.029	.033	1.000	-.140
		Sig. (2-tailed)	.817	.795	.	.294
		N	67	63	68	58
	Annual Sales Turnover	Correlation Coefficient	.548**	.413**	-.140	1.000
		Sig. (2-tailed)	.000	.001	.294	.
		N	61	57	58	62
**. Correlation is significant at the 0.01 level (2-tailed).						

The above table shows correlation between various factors. There is high positive correlation between increase in the total floor area of shop and the total area dedicated for the food segment. There is also positive correlation between floor area of shop and the annual turnover, as well as between floor Area of the Food Segment and the annual turnover. It can be inferred that food segment always expands if there is expansion of a retail outlet , which is contrary to the NABARD (2011) study which shows food business as essential but not profitable.

TABLE 9: AVERAGE RATING POINTS OF RISKS AS PERCEIVED BY THE RATAILERS

Risk	Average Rating	
	Organized	Unorganized
Supply default	3.17	2.48
Late supply	2.67	2.86
Poor quality of supply	2.67	2.92
High price volatility	2.67	3.21
High Price	2.50	3.32
Unsold stock	3.17	2.41
Stock Outs	2.83	2.11
High cost of storage	3.50	2.12
High losses	3.17	2.18
Lack of manpower	3.33	1.56
High level of training required	2.17	1.21
High attrition	2.67	1.28
Low footfalls	1.50	2.86
Low sales	2.17	2.79
Seasonal/periodic sales	2.50	2.85
High competition from organized retail	2.86	3.53
High competition from unorganized retail	1.14	3.52

The above table shows the average rating of the risks as perceived by the retailers of both the organized and unorganized formats in a five point scale ranging from least affecting to most affecting. For organized retailers the lack of manpower and high storage costs are rated more affecting. Unsold stock and high losses are also considered to be major risk factors. Whereas for unorganized retailers high competition from both the organized and unorganized counterparts are affecting more. High price and price volatility also contributes towards risk for the unorganized retailers.

CONCLUSION

In both organized & unorganized retail formats, traders are important market functionaries for procurement of food items. Direct procurement from farmers is very less which is required to be increased to shorten the chain thus enabling higher producer's share in consumer's rupee. With cent percent presence of In – store refrigeration in Organized retail, in addition to IT infrastructure, organized players are leading quite ahead of unorganized in case of technology adoption. Unlike Organized, Un-Organized retailers perceive high competition from both organized as well as Un-Organized retailers. And it may be inferred that consumers are likely to gain in situation where there is more competition among the sellers.

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MERGERS AND ACQUISITIONS A PREREQUISITE GROWTH STRATEGY FOR INDIAN HEALTHCARE INDUSTRY: A CRITICAL ANALYSIS OF RANBAXY-DAIICHI ALLIANCE

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ABSTRACT
The global scenario has undergone rapid restructuring in the corporate sector in the form of consolidation strategies to overcome the challenges posed by new pattern of globalisation and competition which has led to greater and more robust integration of various economies. The intensity of such operations is increasing with the deregulation of various Government policies as a facilitator of the new economic regime. Healthcare sector has a great potential in the present globalised world. The Ranbaxy-Daiichi Alliance is one of the landmarks in the pharmaceutical sector where two strong contenders have altered the paradigm for business and their synergies have enhanced the overall scope, scale and effectiveness of the business. The present paper critically analyses the Ranbaxy-Daiichi Alliance case in term of the post alliance effectiveness. The study is conceptual based on the available secondary source information in the nature of previous research reports available in literature and tertiary like various indexed and referred information.

KEYWORDS
Healthcare, Pharmaceutical, Merger and Acquisition.

INTRODUCTION
Prime Minister Shri Manmohan Singh on October 11, 2011 in a high level meeting quoted, *"India will continue to allow FDI without any limits (100%) under the automatic route for investments in the pharma sector. This will facilitate addition of manufacturing capacities, technology acquisition and development."*. Healthcare sector thus is believed to have a great potential in the present globalized world. It is one of the world's largest industries with total revenues of approximately US$ 2.8 Trillion. It has emerged as one of the largest service sector in India too. Indian healthcare sector has estimated revenue of around $ 30 billion constituting 5% of GDP and offering employment to around 4 million people (CII Report 2011). According to Investment Commission of India, the sector has witnessed a phenomenal expansion in the last few years growing at over 12% per annum. As per a recent CII-McKinsey report, the growth of healthcare sector can contribute to 6-7% of GDP and increase employment by at least 2.5 million by 2012. The financing of health services can come from sources within a country tax or insurance for example, or from without. The latter can be further sub-divided into commercial finance, official aid or non-governmental finance. Commercial financial flows may further be divided into portfolio/equity investments, commercial loans or FDI.
Despite predictions that the global healthcare industry will grow by 6 percent year-over-year till 2030, there are many challenges that need to be addressed to ensure a profitable growth. The increasing demand from health systems around the world to provide cost-effective and quality-driven healthcare is threatened by overwhelming healthcare costs, increasing inaccessibility, and inequality in the healthcare delivery. The challenge to provide cheap and quality healthcare has forced the leading companies to move across borders for accessing innovative technologies and processes. Mergers & Acquisitions (M&A) has, therefore, become the key strategy being adopted by major healthcare companies to attain profitable growth in times of poor organic growth. Although the other industries witnessed a marginal increase in the global M&A deals, the healthcare industry witnessed a considerable increase by the end of 2011.

OBJECTIVES AND METHODOLOGY
The aim of the present paper is to study the Mergers and Acquisitions in Indian healthcare sector. The objective of the study is to critically analyse in detail to find out the benefits, synergies and bottlenecks of Daiichi-Ranbaxy deal. The study is descriptive in nature and based on the secondary data that is gathered from the books, various articles from journals, reports and other valid online sources.

MERGERS AND ACQUISITIONS AS A GROWTH STRATEGY
With expansion of business there are two types of growth organic and inorganic. Organic growth, also called internal growth, occurs when the company grows from its own business activity using funds from one year to expand the company the following year. While ploughing back profits into a business is a cheap source of finance, it is also a slow way to expand and many firms want to grow faster. A company can do so by inorganic growth. Inorganic growth, or external growth, occurs when the company grows by merger or acquisition of another business. Getting involved with another company in this way makes good business sense as it can give a new source of fresh ideas and access to new markets. Most business enterprises are constantly faced with the challenge of prospering and growing their businesses. Growth is generally measured in terms of increased revenue, profits or assets. Businesses can choose to build their in-house competencies, invest to create competitive advantages, differentiate and innovate in the product or service line (Organic Growth) or leverage upon the market, products and revenues of other companies (In-organic Growth).

INDIA A PREFERRED DESTINATION
The pharmaceutical industry's main markets are under serious pressure. North America, Europe and Japan jointly account for 82% of audited and unaudited drug sales; total sales reached US$773 billion in 2008, according to IMS Health. Annual growth in the European Union (EU) has slowed to 5.8%, and sales are increasing at an even more sluggish rate in Japan (2.1%) and North America (1.4%). Impending policy changes, promoting the use of generics in these key markets are expected to further dent the top and bottom-line of global pharma majors. The industry is bracing itself for some fundamental changes in the marketplace and is looking at newer ways to drive growth. Further, higher R&D costs, a relatively dry pipeline for new drugs, increasing pressure from payers and providers for reduced healthcare costs and a host of other factors are putting pressure on the global pharmaceutical companies. Pharma companies are looking for new ways to boost drug discovery potential, reduce time to market and squeeze costs along the whole value chain. India is becoming a preferred destination for many healthcare giants. Since, India's population is growing rapidly, as is its economy – creating a large middle class with the resources to afford Western medicines. Further, India's epidemiological profile is changing, so demand is likely to increase for drugs for cardio-vascular problems, disorders of the central nervous system and other chronic diseases. Together these factors mean that India represents a promising potential market for global pharmaceutical manufacturers. More than that, India has a growing pharmaceutical industry of its own. It is likely to become a competitor of global pharma in some key areas, and a potential partner in others. India has considerable manufacturing expertise; Indian companies are among the world leaders in the production of generics and vaccines. As both of these areas become more important, Indian producers are likely to take a large role on the world stage – and potentially partner with global pharma companies to market their wares outside of India. Indian companies have also started entering into the realm of R&D; some of the leading local producers have now started conducting original research. India has the world's second biggest pool of English speakers and a strong system of higher education, so it should be well-positioned to serve as a source for research talent. A new patent regime provides better protection of intellectual property rights, although some issues remain. Clinical trials can also be conducted here much more cost-effectively than in many developed nations, and some local companies are beginning to develop the required expertise. All of these factors add up to a strong case for partnering with Indian companies around R&D, including clinical

testing. Further, healthcare has become one of the key priorities of the Indian Government and it has launched new policies and programmes to boost local access and affordability to quality healthcare. Global players in the pharma industry cannot afford to ignore India. The country, many predict, will be the most populous in the world by 2050. India will make its mark as a growing market, potential competitor or partner in manufacturing and R&D, and as a location for clinical.

The policy of government to allow 100% FDI in Pharma industry encouraged big merger & acquisition deals in this industry. Matrix laboratory's acquisition by US based Mylan Inc in August 2006, Dabur Pharma's acquisition by Singapore based Fresenius Kabi in April 2008, Ranbaxy labs. Ltd's Acquisition by Daiichi Sankyo in July 2009, acquisition of Shantha Biotech by France based Sanofi Aventis in July 2009, Piramal Healthcare acquired by US based Abbott Labs in May 2010 are some such examples. Concerned over the spree of acquisitions of Indian pharmaceutical companies by foreign pharma companies, the government had decided to bring in a new set of policies to ensure that pharmaceutical sector is not controlled by foreign companies thereby denying availability of cheaper drugs in the domestic market. However, a High-Level Expert Group Report on Universal Health Coverage for India was formed under the chairmanship of Planning Commission Member Shri Arun Maira at the behest of the Cabinet Committee on Economic Affairs suggested status quo in the FDI policy for the pharma sector while recommending oversight by the Competition Commission of India (CCI) on pricing and competition issues. That recommendation was opposed by both Department of Industrial Policy & Promotion (DIPP) and the Health Ministry. As a temporary measure 17a high-level meeting chaired by the Prime Minister Shri Manmohan Singh on October 11, 2011 decided that all the mergers and acquisitions (M&As) in the pharmaceutical sector should be vetted by the Competition Commission of India (CCI) and not by the Foreign Investment Promotion Board (FIPB) as sought by the Health and Commerce and Industry Ministries.

CRITICAL ANALYSIS OF RANBAXY AND DAIICHI SANKYO MERGER

Introduction

Ranbaxy Laboratories Limited was incorporated in 1961, promoted by Ranbir Singh and Gurbax Singh. It was listed on Bombay Stock Exchange on 1973 and it became one of the largest pharmaceutical companies in India.

The rationale behind the deal

In 2001 India liberalised foreign direct investment (FDI) norms for the pharmaceutical sector. As a result, 100% FDI was allowed through the 'automatic route' (without prior permission) in pharmaceutical manufacturing (except in sectors using DNA technology). The FDI policy did not make any distinctions between *'greenfield'* (new facilities) and *'brownfield'* (takeover of existing facilities) investments. However, during the last 12 years MNCs did not make any major effort to undertake greenfield investments in India, largely opting for brownfield investments, i.e., acquisition of Indian companies. Ranbaxy at the time of takeover was among the top 100 pharmaceuticals in the world and that it was the 15th fastest growing company in India. Daiichi Sankyo was Japan's third-largest drug maker. Daiichi Sankyo had its operations in 21 countries at the time of the deal. The deal with Ranbaxy would expand its presence to 56 countries and provide it the platform to launch its innovator products at competitive prices and expand its global operations.

The Deal

In the month of June, 2008, Daiichi entered into a share purchase and share subscription agreement with Ranbaxy and the controlling shareholders (i.e. Promoters), to acquire controlling stake in Ranbaxy. It acquired 129,934,134 fully paid-up equity shares representing 34.81% of the total fully paid-up equity capital of Ranbaxy at a Negotiated price of INR 737/- (Rupees Seven Hundred Thirty-Seven only) per fully paid up equity share in cash. As per Regulations 10 and 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (—Takeover Code), acquisition of shares/ voting rights in a listed company, which in aggregate, gave the acquirer 15% or more of the voting rights in the company or acquisition of control over a listed company, would immediately trigger an open offer requirement. On June 27, 2008, Daiichi made the open offer at a price of INR 737 per share to all shareholders of the Company. Daiichi acquired 11.42% shares from the stock market & raised equity stake in Ranbaxy up to 63.92%.

Key Financial Highlights of the deal

Financial Performance for the quarter ended September 30, 2012 (Q3'12)

a) Consolidated sales were Rs.26, 514 Mn ($480 Mn) [Q3'11: Sales Rs.20, 232 Mn ($442 Mn)]. Sales growth of 31% over the corresponding quarter.
b) Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) was 16% of Sales at Rs.4, 179 Mn ($76 Mn) [Q3'11: EBITDA Rs.1, 324 Mn ($29 Mn)].
c) Profit After Tax (PAT) was Rs.7,542 Mn ($137 Mn) [Q3'11: Loss of Rs.4,646 Mn ($103 Mn)]
d) Base business profitability, excluding forex gain continued to improve. Profitability below the EBITDA line in the Quarter was favourably impacted largely by mark-to-market (MTM) gain on long dated derivatives contracts and foreign currency loans owing to a stronger rupee; the impact was adverse in Q3, 2011. Financial Performance for YTD ended September 30, 2012 (YTD Sep'12)
e) Consolidated sales were Rs.95, 209 Mn ($1,803 Mn) [YTD Sep'11: Sales Rs.62, 180 Mn ($1,374 Mn)] Sales growth of 53% over the corresponding period.
f) An earnings before Interest, Tax, Depreciation & Amortization (EBITDA) was 19% of Sales at Rs.17, 699 Mn ($341 Mn) [YTD Sep'11: EBITDA Rs.8, 057 Mn ($178 Mn)].
g) Profit After Tax (PAT) was Rs.14,152 Mn ($ 276 Mn) [YTD Sep'11: Rs.830 Mn ($19 Mn)]

CONCLUSION

The Indian market is impossible to ignore, given its economic prospects. The country's growing capabilities in contract manufacturing, R&D and clinical trials also make it a preferred outsourcing partner for global pharma at every stage of the value chain. Mergers and acquisitions provide an avenue to access the markets and tools required for sustainable growth. These changes in Indian pharma's strategic direction have major implications regarding access to healthcare to low income users and the future direction of pharmaceutical policy in developing countries

Daiichi Sankyo's move to acquire Ranbaxy has enabled the company to gain the best of both worlds without investing heavily into the generic business. The patent perspective of the merger clearly indicates the intentions of both companies in filling the respective void spaces of the other and emerge as a global leader in the pharmaceutical industry. Daiichi Sankyo has now access to Ranbaxy's entire range of 153 therapeutic drugs across 17 diverse therapeutic indications. Additional NDAs from the US FDA on anti-histaminic and anti-diabetics is an added advantage. Through the deal, Ranbaxy has become part of a Japanese corporate framework, which is extremely reputed in the corporate world. From one of India's leading drug manufacturers, Ranbaxy can leverage the vast research and development resources of Daiichi Sankyo to become a strong force to contend with in the global pharmaceutical sector. A smooth entry into the Japanese market and access to widespread technologies including, plant, horticulture, veterinary treatment and cosmetic products are some things Ranbaxy can look forward as main benefits from the deal. However, the recent ban on the US imports of more than 30 Ranbaxy drugs is a major pain point for the company now. Post the deal, Ranbaxy's debt has significantly reduced and will impart more flexibility to pursue growth opportunities.

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IFRS: NEED OF PRESENT SCENARIO

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ABSTRACT

We can match the balances of both sides of our financial statements. But what will happen when no matching of the balances of both sides….this will happen when we have to prepare our financial statement according to IFRS (International Financial Reporting Standards). IFRS is a principle –based standards rather than rule based. IFRS are recognizing as Global Reporting Standards for Financial Standards. More than 100 companies of the world are using these IFRS. Indian companies are listed in overseas stock exchanges and there is need to prepare accounts with respect to GAAP followed in respective countries Also, FDI and FII's are more comfortable with the application of one global accounting language which can be applicable and understand universally.

KEYWORDS

IFRS, Financial statements, FDI, FII's, GAAP.

INTRODUCTION

International accounting and standard board issued new accounting standards which are known as IFRS (International Financial Reporting Standards). IFRS are accounting principles–based standards, interpretations and the framework. Board of international Accounting Standards committee (IASC) issued different international Accounting Standards (IAS). The Standards issued between 1973 and 2001 are known as IAS and standards issued after 2001 are known as IFRS. From 1st April 2001, IASB is having the responsibility to develop new IFRS. IFRS are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit-oriented organizations. Profit-oriented entities are those which engage in financial, commercial, industrial and all entities engaged in similar activities.

REVIEW OF LITERATURE

Uttam Prakash Agarwa l(2009), convergence with international Accounting Standards (IASs) /IFRS issued by the international Accounting Board(IASB) has gained momentum in recent years all over the world. IFRS was implemented in January 2005 with more than 8,000 EU-Listed companies adopting these standards. Countries like Australia, Hong Kong, China and the Middle East have mandated IFRS compliance for publicly listed companies. In what is seen as a strong endorsement for IFRS, the U.S. Securities and Exchange Commission (SEC) has also allowed foreign private filers in America to file IFRS-compliant financial statements.

IFRS is by itself a very difficult and challenging process in the current business environment. Urgent regulatory clarity on the implementation matters listed above is a pre-requisite to enable Indian companies plan and manage the transition successfully. This will also ensure that IFRS convergence results in tangible benefits, whereby financial statements prepared using the converged IFRS framework meet the requirements of all relevant stakeholders outside India.

Jagadeeshj (Sep 2010)

The adoption of IFRS is expected to have a significant impact on all stakeholders, such as regulators, professionals, prepares of financial statements, analysts, users of financial information and so on. The Economy: the convergence with IFRS benefits the economy as a whole by accelerating growth of international business. It strengthens the economy with a strong and efficient capital market, where cost of capital becomes cheaper, leading to inflow of international investment into the country. The investors: Convergence with IFRS facilities those investors who want to expand their cross-border business operations. For this purpose, investors want information that is relevant, reliable, timely and comparable across location

Convergence with international standards will mean a clear understanding of financial statements by investors .The Industry: Entity can raise capital from foreign market at lower cost only if they can trust and confidence in the minds of the foreign investors through "True and Fair" presentation of their financial statements by adopting globally acceptable standards. The Accounting Professional: Convergence benefits accounting professionals who can offer their service to different parts of the world. It offers diverse opportunities to accounting professionals in any part of the globe, as the same accounting practice prevail throughout the world.

WHY THE NEED TO CHANGE FINANCIAL STATEMENTS?

Experts and almost all the accounting boards are giving the comments that new look of financial statements will give more fair and clear information to the users. By having the look of present financial statements users are not in the position to assess the fair financial position of the related entity.

NEED OF IFRS IN INDIA

IFRS are recognizing as Global Reporting Standards for Financial Standards. Indian economy is growing and increasing integration with the global economies, almost all the Indian corporate are raising globally. Under all these circumstances, it is now imperative for all Indian corporate to follow IFRS for their financial reporting. Indian companies are listed in overseas stock exchanges and there is need to prepare accounts with respect to GAAP followed in respective countries. In India there are so many subsidiaries of foreign companies and they have to prepare their accounts in order to meet overseas reporting. Also, FDI and FII's are more comfortable with the application of one global accounting language which can be applicable and understand universally. More than 100 countries such as Australia, New Zealand, Russia and European Union permit the use of IFRS in their Countries and now to compete them we are in same need.

COMPONENTS OF IFRS

IFRS are "Principles based" bundle of standards in which they established broad rules as well as decisively specific treatments.

International Financial Reporting Standards comprise:

- International financial reporting standards (IFRS)- Standards Issued after 2001
- International Accounting Standards (IAS)- Standards Issued Before 2001
- Standing Interpretations Committee (SIC)- Standards Issued Before 2001
- Conceptual Framework for Financial Reporting (2010)
- Notes, comprising a summary of significant accounting policies and some more explanatory information and
- Also a statement of financial position as at the beginning of the earliest comparative period when the particular entity started using an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when the particular entity classifies items in its financial statements.

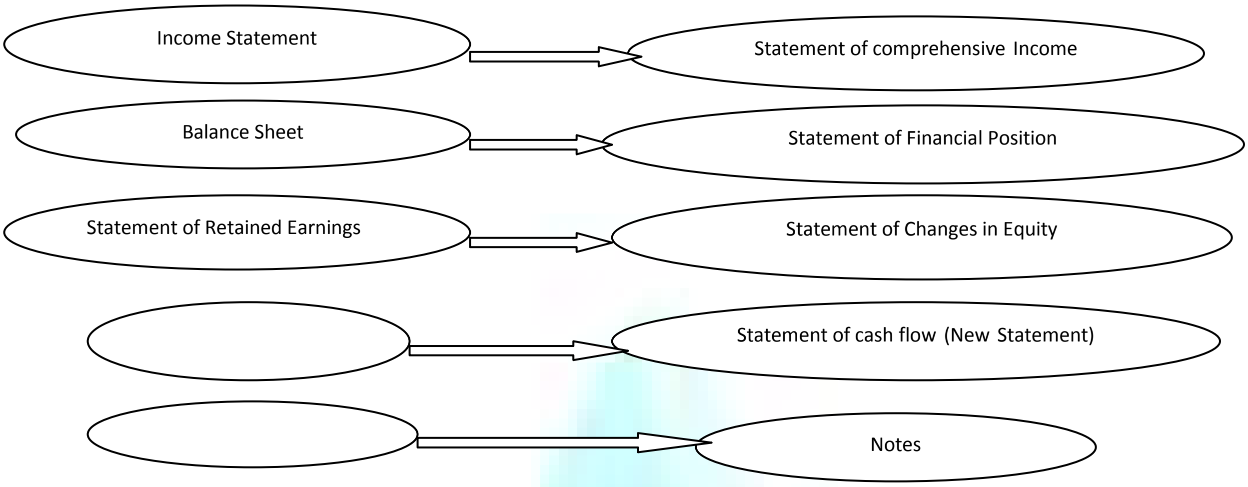

FIGURE-1 Showing changes in the Headings of old Financial Statements according to IFRS

On one thing we have to pay more attention that any entity may use titles for its financial statements other than those used in the standards.

NUMBER OF IFRS

The following are the IFRS which are currently issued:

TABLE NO. 1: TOTAL IFRS TILL THE DATE AND ITEMS COVERED UNDER EACH STANDARD

NO. OF IFRS	ITEM COVERED
IFRS 1	First –Time Adoption of International Financial Reporting Standards(IFRS)
IFRS 2	Share –Based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-Current Assets held for Sale and Discontinued Operations
IFRS 6	Exploration and Evaluation of Mineral Assets
IFRS 7	Financial Instruments: Disclosure
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other Entities
IFRS 13	Fair Value Measurement

INDIAN CONCERNS WHICH COMES UNDER IFRS

Ministry of Corporate Affairs makes it clear that following Indian concerns comes under IFRS:

An entity;

1. Whose equity or debt securities are listed or are in the process of listing on any stock exchange , whether in India or outside India; or
2. Bank , Cooperative Banks, Financial Institution ,Mutual Funds, Insurance entities; or
3. Whose turnover (excluding other types of incomes) exceed rupees 100 Cr.(chore) in the immediately preceding accounting year; or
4. Which has public deposits and/ or borrowings from any banks or banks and from any Financial Institute/ or Financial Institutes in excess of rupees 25 Cr. at any time during the immediately preceding accounting year; or
5. Which is a holding or a subsidiary of any entity and which is covered under (i) to (iv) mentioned in above points.

Explanation of New Financial standards issued under IFRS

As per new accounting standards following are the topics (Statements) that must have to be covered. And in this heading we are going to discuss about the details of our Financial Statements.

1) Statement of comprehensive Income
2) Statement of Financial Position
3) Statement of Changes in Equity
4) Statement of cash flow(New Statement)
5) Notes

(1) STATEMENT OF FIANANCIAL POSITION (PRESENTLY TERM AS "BALANCE SHEET)

According to IFRS there is no specific format for Financial Statements. Still a minimum line of particular items is presented in the Financial Statements under IFRS that is describing as under:

- Property, Plant and Equipment (PPE)
- Investment Property
- Financial Assets such as investments
- Intangible Assets
- Investments (using equity method)
- Biological Assets
- Inventories
- Trade and any other receivables
- Cash and any other cash equivalents
- Total of Assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5th which is for Non-Current assets held for sale and discontinued operations
- Trade and other payables

- Provisions
- Financial Liabilities
- Tax Liabilities or advance tax (to be disclosed net of Liabilities or advance tax as the case may be)
- Deferred Tax Liabilities and assets (to be disclosed net of Liabilities or assets as the case may be)
- Non-controlling interest presented within equity and
- Issued capital and all reserves

Financial Statements (Statements of Financial Position) shall contain all additional items or information, Headings and subtotals (as the case may me) which are necessary to understand the financial position of the related particular entity.

An entity shall be in the position to disclose the amount expected to be recovered or settled after more than one year for each and every Asset and Liability that combines the amount expected to be recovered or settled:

- Not more than 1 year after the reporting period; and
- More than 1 year after the reporting period

It is the best way for any entity to present its all current assets, non-current assets, current Liabilities and non-current liabilities as separate classification in its Financial Statements (Statements of Financial Position) except when a presentation which is based on liquidity provides information that is more relevant and much reliable. An entity is in the position to present all its assets and liabilities in order of liquidity, when that exception applies.

An entity must have to classify all it's assets and liabilities as current assets and current liabilities when it expect to realize the assets or intends to sell or use the assets or the entity wants to pay it's liabilities within 1 year after reporting period.

An entity have to classify it's all other assets and liabilities as non-current.

(2) Statement of comprehensive income (presently known as "Income statement")

-There is not any specific format set under IFRS for Statement of Comprehensive Income

-An entity is in the position to present it's all income and expenses related with a particular financial year under IFRS. Items under this particular head are as:

- Within only a single **Statement of Comprehensive Income**; or
- Within two statements which include (i) Statement Displaying Components of Profit and Loss (separate Income Statement) (ii) Statement beginning with Profit and Loss and displaying components of other comprehensive income (Statement of Comprehensive Income).

-For any entity there will be a minimum line of items which have to be placed in the Statement of Financial Position is authorized and these authorized items are:

i. Financial cost
ii. Revenue
iii. Tax expenses
iv. Any single amount which consist the total of following items:
   - Post -Tax profit /Loss of discontinued operations; and
   - Post-Tax gain/loss recognized for the calculation of fair value less cost to sell either on the disposal of the assets or disposal groups/group
v. Each and every item of other comprehensive income (items classified by nature)
vi. Profit/Loss
vii. Share of profit and loss of the particular associations and joint venture for using the equity methods
viii. Share of the other comprehensive income of associates and joint venture accounted for using any equity method; and
ix. Total comprehensive Income

-As under IFRS, any entity has to disclose the following items in the Statement of Comprehensive Income as period of allocation:

- Profit / Loss for the period attribute for non-controlling interest and also for owners.
- Total Comprehensive income for the period attributed for non-controlling interest and also for owners.

- Statement of Comprehensive Income shall contain all additional items, information, Headings and subtotals (as the case may me) which are necessary to understand the financial position of the related particular entity.

- Statement of Comprehensive Income/any separate income statement/Notes shall not any presentation of any item of income/ expenses as extraordinary item.

- An entity shall in the position to recognize all it's Incomes/expense related with a particular financial year in profit and loss until an IFRS require or permit otherwise.

- An entity has to disclose the amount of it's income tax related with every item which are related with other comprehensive income (including reclassification adjustment which takes place in Statement of Comprehensive Income or in notes)

- An entity has to reclassification adjustment which takes place in other Comprehensive Income

- Items of other Comprehensive Income may presented in (i) net of related tax effects (ii) before related tax effects(one out of the given two) and with one amount shown for the aggregate amount of income tax related with given items.

- In the case of the concept of materiality, the items of income /expenses of the entity must disclose separately according to their (we are speaking about items) nature and amount

- There shall presentation in the form of analysis of expenses in profit/loss using classification according to (i) nature (ii) function and the most important aspect is that all provided information must have the quality of relevancy and reliability.

- An entity must aggregate it's expenses in profit and loss according to the nature of given expenses and also make analysis of the same in the given manner. Some examples are below:

o Depreciation
o Expenses on the different benefits to employees
o Expenses on purchase of material (cost of material also included) etc.

-In the condition when entity analyzed the above given items with the help of the any of the given two methods (function of expenses or by cost of sales method) then the above given expenses must classified according to their function. And if the above given expenses are disclosed by function then there is need of disclosure of additional informations on the basis of nature of particular expenses which should comprises (i)Depreciation (ii) all expenses(cost) related to employees benefits (iii) amortized expenses

(3) STATEMENT OF CHANGES IN EQUITY (PRESENTLY KNOWN AS STATEMENT OF RETAINED EARNINGS)

According to IFRS there is need of a statement which presents **"**CHANGES IN EQUITY". For that purpose as per IFRS third statement is "STATEMENT OF CHANGES IN EQUITY". According to the present accounting standards this statement (STATEMENT OF CHANGES IN EQUITY) is call "STATEMENT OF RETAINED EARNINGS". STATEMENT OF CHANGES IN EQUITY must include:

I. Some of the comprehensive income for the given financial period attributed for non-controlling interest and also for owners;
II. For each item related with equity of the entity, effect of retrospective application or retrospective restatement recognized according to IAS 8;
III. For each item related with equity of the entity must separately disclosing changes resulting from:

o profit /loss,
o each item of other comprehensive incomes,
o each item of income or expenses directly recognized in the equity such a
o directly recognized the effect of changes in accounting policies related with equity and any other correction of error as permitted under IAS 8;
o changes in ownership interests in subseries (not result in loss of any type of control)
o Any additional issue of shares/Buy back of shares/ redemption of shares/forfeiture of shares(any type of change in shares)

Iv. There should be disclose of the total amount of dividend and also the amount of Dividend per share (DPS)
And this disclose must be in any of the given two statements (i) Statement of Changes In Equity (ii) Notes(as the case may be)

(4) STATEMENT OF CASH FLOW

Main purpose of preparation of "**STATEMENT OF CASH FLOW**" is to know how there is changes in cash and cash equivalents as there are changes in:

— Statement of comprehensive Income
— Statement of Financial Position
— Statement of Changes in Equity

As per IFRS, the related entity has to prepare a Statement of Cash Flow which present and analyses changes in cash/cash equivalents during given financial year (accounting year). Under this statement of cash flow we break the analysis down to operating, investing and financial activities. During preparation of statement of cash flow, cash flow from operating activities may report using either:

I. By direct method;
II. By indirect method.

Direct Method is the method in which all major classes of gross receipts and all cash payments are exposing.
Indirect Method is the method in which there is adjustment of profit /loss for the effect of non-cash transactions or for any accruals of past or future operating cash receipt and payments /or any other item which is related with income or expenses (income and expenses which are related to investing and financial cash flow)

(5) NOTES

Notes are the fifth step as per International Financial Reporting Standards (IFRS). As per the guidelines under IFRS "any uncovered information will take place in notes". Here uncovered means any information which in not yet covered in rest four statements under IFRS.

- An entity shall provide all the information related with accounting policies and other basics of financial statements in the notes. Notes shall present in a proper systematic manner.
- If the entity wants to give some additional information about any transition or about any component of Statement of comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and statement of cash flow, then with the help of assignment of references to the particular items, these additional information shall keep under the head "Notes".
- Judgment made by the management should clearly shown under the heading "Notes" because this "judgment's followed during application of accounting policies.
- Assumptions (if applicable) in the form of (i) Nature of the particular assumption (ii) Amount, if any. And they should be during the particular reporting year.
- Under note there is also discloser about different **legal aspects** of the related entity. And some of these points are as:
  - Registered office address,
  - Full name of the entity
  - The name of the country in which company is registered,
  - Domestic and legal form of the entity,
  - Information about the life of the entity(if the entity is limited life entity)
  - Principal place of business(if different from registered address of the office)
  - Information about the business of the entity (about activities such as production/services/financial/non-financial/profit oriented/non-profit organization, etc.)
- Disclose about:
  - Proposed divided,
  - Amount of declared dividend before the financial statements were authorized for issue but that dividend was not recognized as a distribution to owners during the given time period and the there should be discloser about per amount of dividend on these shares.
  - Amount of cumulative preference dividends not recognized.
- It is not mandatory for any entity to disclose any information about budget and or any other information related with any type of forecasting.

ORDER OF PRESENTATION OF NOTES

There is a set of order according to which an entity (covered under IFRS) present it's notes. This order is as:

I. Statement of compliance (under IFRS)
II. Summary of all significant accounting policies applied by entity
III. Supporting Information(additional information) for items prepared in the statements of Financial Position, Statement of comprehensive Income, Statement of Changes in Equity and statement of cash flow, in which each statement and each line of related items is presented
IV. Any other disclosure, including(i) Contingent Liabilities (as per IAS 37) and (ii) unrecognized contractual commitments (iii) non-financial disclosure such as financial risk management objective and related policies of the entity.

APPLICATION OF IFRS TILL THE DATE IN DIFFERENT COUNTRIES OF THE WORLD

IFRS is used in many parts of the world. 100+ countries are using the IFRS. European Union, Australia, Hong Kong, Malaysia, Pakistan, Russia, GCC countries, South Africa, Turkey and Singapore are using IFRS.
According to a report of IFRS US "In early January, SEC chairman, Mary Schapiro, echoed Kroeker's remarks when she said that a decision on IFRS will be decided in the next a few months. She added that there are some challenges that have to be addressed before the SEC will be comfortable making the ultimate decision about whether to incorporate IFRS into the US reporting Regime. The major hurdles she spoke of include the international Accounting Standards Board and the quality and enforceability of standards." Japan and India also planning for the application of IFRS.

WHEN IFRS IN INDIA

The Reserve Bank of India (RBI) once again clear the concept RBI is having a strong desire for the implementation of IFRS in India. On 6th March 2012, RBI asked urban Co-operative Banks (UCBs) to take all necessary steps for the esurient of smooth transition to IFRS from April 2014. The Reserve Bank of India (RBI) said in a notification "UCBs are advised to take necessary steps to ensure that they are in readiness to adapt to IFRS convergence. IAS from April 1, 2012, or April 1, 2014, as the case may be."
It is clear from the above statement that IFRS will come in India in April 1, 2013 or from April 1, 2014(not yet decided).
According to a roadmap of the Ministry of Corporate Affairs (MCA), from April, 2013, it is now mandatory for all the large commercial schedule banks to prepare their books of accounts books according to IFRS (International Financial Reporting Standards). On the other hand smaller urban co-operative banks and non-banking financial entities have to prepare their financial statements according to IFRS from April 1, 2014. RBI and other regulatory authorities make it clear that all banks, NBFCs(Non- Banking Financial Companies , Listed companies, etc., should upgrade their internal skill, manage their management information system(MIS) and their software (accounting and other related software technology) for smooth transition according to IFRS.

IFRS- ROADMAP IN INDIA

- IFRS to Indian companies shall apply in 3 phases (as per under given table).
- The draft of the Companies (Amendments) Bill, proposed for changes in Indian Companies Act 1956, will be prepared by February, 2010.
- The Institute of Chartered Accounts of India (ICAI) has submitted to MCA (Ministry of Corporate Affairs) revised IV Schedule to the Indian Companies Act 1956. The NACAS (National Advisory Committee on Accounting Standards) shall review the draft and submit a revised schedule VI to the MCA (Ministry of Corporate Affairs) by 31st January 2010. Amendments to Schedule XIV will also carry out in a time bound manner.
- Non-Listed companies with net-worth of less than INR 500 Cr. and other Small and Medium-Sized Enterprises (SMSEs) have been given an option to continue to either follow a non converged standard (Indian GAAP) or to adopt IFRS.
- Convergence of all the accounting standards with IFRS will be completed by the ICAI by March 31st, 2010(not apply) and the NACAS (National Advisory Committee on Accounting Standards) will submit its final recommendations to MCA by April 30th, 2010(not yet possible).
- RBI decide a roadmap for Banking and insurance companies (as per the instructions of MCA and other regulatory authorities of India)

Here NACAS (National Advisory Committee on Accounting Standards) is a set body under Sec.210A of the Indian Companies Act 1956 by the Government of India. NACAS gives advises to the Indian Central Government on the formulation and laying down of Accounting policies and Accounting standards for adoption of companies.

TABLE NO. 2: PHASE, DATE AND COVERAGE UNDER IFRS

PHASE	DATE	COVERAGE
Phase 1	Opening Balance Sheet as on April 1, 2011*(Assumed)	(a) Companies which are listed in NSE Index-Nifty 50 (b) Companies which are listed in BSE Sensex-BSE 30 (c) Companies whose shares or other securities are listed in a stock exchange outside India (d) Companies (listed or not listed) should have a Net-Worth of more than INR 1000 (Cr.) Crore
Phase 2	Opening Balance Sheet as on April 1, 2013* (Assumed according to above time period)	Companies not having covered in phase 1 and having Net-Worth exceeding INR 500 Cr.(Crore)
Phase 3	Opening Balance Sheet as on April 1, 2014*(Assumed according to above time period)	Listed companies not covered in the earlier phases take place under this phase
Note: As we all know that the date of commencement of new financial year of any entity is April 1, but if the Financial Year of the entity is start other than April 1, then it have to prepare its opening balance sheet at the commencement of immediately following financial year.		

UNDERLYING ASSUMPTIONS FOR USING IFRS

(a) Accrual Basis: the effect of transactions and other vents are recognized when they occur and to which periods they relate, they are recorded in the accounting records and reported in the concern financial statements as per rules in the same period.

(b) Going Concern concept: generally all the entities prepare their financial statements on the basis of the assumption that entity is going concern and will continue its operations for long time in future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate its business. If such intention is there, the financial statements may have to prepare on a different basis and, if the same is there, then the basis used is disclosed.

PROCESS OF APPLICATION OF IFRS IN INDIA

- Even MCA show interest that India should cover under IFRS
- At 269th meeting of ICAI decided that public interest entities such as all listed companies, banks, insurance companies and large-sized organizations have to cover under IFRS for accounting period commencing on or after 1st April 2011(but it is not possible as per decision. We have to wait for implementation of these principles)
- ICAI had a proposal related with Small and Medium –sized enterprises(other than public interest entities) that a separate standard may be formulated which based on the IFRS for Small and Medium –sized enterprises issued by the IASB after modifications, as per requirements.
- ICAI is taking the matter of Convergence with IFRS with NACAS(National Advisory Committee on Accounting Standards which was established by the Ministry of corporate Affairs, Government of India, RBI(Reserve Bank of India), SEBI(Securities and Exchange board of India),IRDA(Insurance Regulatory and Development Authority) etc.

COMMON BENEFITS FOR EVERY COUNTRY OF USING IFRS

- IFRS would boost International investments and there will be more foreign capital inflow into India.
- When every entity prepares their financial statements according to IFRS then it will be easy to make a comparison between financial statements of various companies of the world(at global level)
- When every entity prepares their financial statements according to IFRS then investors want to invest in other countries also other than their own country.
- After application of IFRS there would be reduction on cost of compliances the enterprises because there is no need to prepare different accounting requirements in various countries.
- Accounting field professional easily get jobs in any part of the world because there will be same procedure to prepare financial statements in each country of the world.

IFRS MAY BOOST ACCOUNTING QUALITY AND CORPORATE GOVERNANCE

No doubt that IFRS may results into boost of quality of present accounting standards. Under IFRS there would be more detailed disclosure about every fact in a comparison with Indian GAAP. According to IFRS every entity have to review their business policies , procedures, valuation models, depreciation methods, valuation methods, agreements , etc. on the place of the fact that many organizations carry forward from year to year without any review .

Presently in India, companies are not in the favor of IFRS but rather consider it as a label and not even as a commitment to provide investors with high quality financial information's.

According to a European study based on IFRS, there is high governance quality companies will have more desire to apply the standards early, even if they have no incentives to do the so as opposed to companies with worse governance practices.

IFRS IMPLEMENTATION AND IMPACT

After implementation if IFRS, entities will have following impacts:

- Accounting policies and procedure
- Presentation of accounts
- Language of legal documents
- Way the entities will look at their business model and conduct business.

After implementation of IFRS companies have to pay more attention on their accounting policies and procedures because they affect company's financial position of companies and their operations.

CHALLENGES FACED BY COMPANIES IN IFRS IMPLEMENTATION

Only a few more time is left in the hands of entities because very soon they are in the position to apply IFRS in to their systems. Government is not looking forward to extend the date of 2014.

- GAAP and IFRS are two different set of accounting rules and difference between the two may impact on financial performance and the decision making of related entities.
- There is need of more trained persons for IFRS
- There is need to spend more money for the training of present employees
- IFRS is a moving target with a lots of changes being done in a continuously manner.
- IFRS is a new concept and only a few people are aware from the concept
- In India, if there is application of these IFRS then there is need to make modification in various regulatory requirements such as, The Companies Act,1956, Income Tax Act(1961), SEBI, RBI, etc.
- Entities have to spend a lot additional amount for modification of their present IT systems and different software.
- There are different stakeholders of the particular business i.e. shareholders, employees, auditors, regulators, tax authorities, debtors, creditors, other investors, banks, etc. All the stakeholders must be trained or having knowledge about the IFRS, only then they may deal with the particular entity.

CONLUSION

New look of financial statements will give more fair and clear information to the users. After application of IFRS there would be reduction on cost of compliances of, boost International investments and there will be more foreign capital inflow into India. When every entity prepares their financial statements according to IFRS then it will be easy to make a comparison between financial statements of various companies of the world (at global level). Accounting field professional easily get jobs in any part of the world because there will be same procedure to prepare financial statements in each country of the world. . Indian economy is growing and increasing integration with the global economies, almost all the Indian corporate are raising globally. Under all these circumstances, it is now imperative for all Indian corporate to follow IFRS for their financial reporting.

FURTHER RESEARCH

Further research could extend the treatments of different components of our financial statements under new accounting standards (IFRS). This might involve proper format and some sample problems of new Financial Statements under IFRS. Also we could make a study which is based on application of IFRS to different types of organizations such as banks, other financial institutions, insurance companies, mutual funds, etc. and see the differences which comes due to use of IFRS on the place of using IAS.

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THE ROLE OF LEADERSHIP IN THE GROWTH OF YOUTH OWNED ENTREPRISES IN KENYA: A CASE OF NYERI COUNTY

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ABSTRACT

Leadership is an important component in the growth of business enterprises in any given society. The study evaluated the youth leadership skills and its impact to business growth of youth enterprises in Kenya. Through stratified sampling a sample of 30 business enterprises were studied. Results revealed that leadership skills and styles as well as followers behavior had a positive relationship with business successes. The study recommends that a planned form of leadership training should be given to the youth venturing in business to boost their leadership capabilities.

KEYWORDS
Youth, Business, Enterprise, Entrepreneur, Leadership.

INTRODUCTION

History suggests that in the eighteenth century when large formal networks were being established at the workplace, workers were engaged at the shop floor for most of their time. As a result they had little time to nourish their social relationships that comprised primarily of the family and society. This became a major source of discontentment among workers and it threatened their ability to derive a sense of purpose and meaning from life. It was then that the scholars turned to the heads of organizations. They hoped that they would play the role of the creator and perpetrator of purpose and values, helping employees to see meaning in what they were doing. Hence, the relationship between leadership and its role in establishing a sense of purpose was established, and leadership became synonymous with stewardship of values and meaning Ferber (2002).

It is believed that, good leadership generates investor goodwill and confidence. Thus corporate leadership has been identified to have a significant impact on the performance of firms. For instance, Dittmar (2007) show that good corporate leadership is able to double the value cash holdings of firms as compared to poorly governed firms. They again show that the market value of excess cash for well-governed firms is about one half times of the market value of excess cash of poorly governed firms. More interestingly it is shown that well governed firms have their cash resources better “fenced” in and that firms with poor corporate leadership structures dissipate excess cash more quickly Dittmar (2007). In other studies Pinkowitz (2006) on leadership, cash and dividends show that good corporate leadership enhances the value of cash holdings. Thus, it is clear that poorly governed institutions are less efficient in their performance.

Good leadership for successful businesses cuts across age and gender. Unfortunately, youth owned SMEs are faced with the threat of failure with past statistics indicating that three out five fail within the first few months of operation (Gok, 2007). This is a major blow bearing in mind that In Kenya majority of the managers and business owners fell within 25-34 year age bracket. Clearly, most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s (GoK, 1999). Yet youth leadership is part of the youth development process and a major component in the achievement of Kenya’s vision 2030.

It is against this background that the study aims to examine the role of leadership on the growth of youth owned enterprises in Kenya, exploring the challenges faced and the ingredient the youth bring in the development agenda in Kenya. Emphasis is put on youth enterprises that were funded by Youth Enterprise Development Fund (YEDF) in Nyeri county, a fund established in 2007 to empower youths in the country.

LITERATURE REVIEW

LEADERSHIP SKILLS

Leadership is genuinely connecting with those you work with and who work for you. When you connect well with others, you develop a trusting, productive relationship that benefits everyone (Cole, 2004). To be a leader, one needs an exclusive set of human relations and interpersonal skills**.** In any business, exceptional leadership skills are needed in order to succeed. Whether you own the business, manage it or is an employee looking to make way up the corporate ladder, the right leadership skill is essential in order to reach your goals. Both human and technical skills are essential for any business. Such skills are important in decision making which has a direct impact on a leader’s acceptability (Kimani, 2008).

INFLUENCE OF LEADERSHIP STYLES

Kurt Lewin (1930) developed a leadership framework based on a leader's decision-making behavior. Lewin argued that there are three types of leaders: Autocratic leaders make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome. Democratic leaders allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This type of style is important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas. Laissez-faire leaders don't interfere; they allow the team to make many of the decisions. Typically this happens when the team is highly capable and motivated, and it doesn't need close monitoring or supervision. The leadership theories and styles discussed so far are based on research. However, many more terms are used to describe approaches to leadership, even if these don't fit within a particular theoretical system.

According to Conger **(**1999), most theorization and empirical studies on charismatic and transformational leadership have been conducted in the area of leader behaviors and their effects. The theoretical perspectives held by these groups appear essentially to have in common the following elements: (a) influencing followers by establishing a vision for a better future, (b) inspiring followers as opposed to controlling them, (c) leading by example through role modeling, (d) contributing to subordinates’ intellectual stimulation, (e) enhancing meaningfulness of goals and behaviors, *(*f) fulfilling followers’ self-actualization needs, (g) empowering followers through intrinsic motivation, (h) exhibiting confidence in subordinates’ ability to attain higher levels of achievement, and (i) enhancing collective identity (Conger, 1999).

CHARACTERISTICS OF FOLLOWERS

As organizations become more and more team-based, managing diversity forms a major challenge for organizations. Folk wisdom has it that ‘birds of a feather flock together’ but also that ‘opposites attract.’ These two proverbs predict opposite processes: similar people might work well together, but dissimilar people might like one another. Empirical findings support both. Some researchers have found positive effects of diversity. For instance, diverse groups consider a

greater range of perspectives and generate more high-quality solutions. The number of team in an enterprise may be viewed in terms of departments and workgroups (Cole, 2005).
Researchers now recognize that there are at least two distinguishable dimensions that contribute independently to overall performance. Task performance bears a direct relation to the organization's technical core, either by executing its technical processes or by maintaining and servicing its technical requirements. In contrast, contextual performance supports the broader, organizational, social, and psychological environment in which the technical core must function. Conway (1999)
Technical-administrative task performance includes all non-leadership oriented tasks such as paperwork, organizing, planning, quality of output, and business judgment. In contrast, leadership task performance involves human relations and people management, as well as motivating, supervising, and evaluating subordinates. Although similar in some ways, leadership task performance is distinguished from contextual performance in that it is specifically oriented toward goal achievement and focuses primarily on guidance and motivation, whereas contextual performance emphasizes promoting morale and showing personal concern (Conway, 1999).
In modern organizations, teams have become the method of choice for responding quickly to technological and market changes and thus improving the organization's chances of survival. Considerable research effort and human energy have been invested in understanding how to create and develop effective teams. Although research on teams within organizations has developed somewhat independently from research on organizational conflict, over the past 20 years an increasing number of studies have emphasized the impact of conflict on team dynamics and outcomes .Conflicts are common within the interpersonal context of teams, as are attempts made to manage these conflicts. In such conflicts, team members become aware of discrepancies, incompatible wishes, or incompatible desires. Among other issues, teams must contend with conflicts over how to distribute work and rewards effectively and fairly, how to cope with social loafing, and how best to accomplish their goals (Wageman, 1995).

IMPORTANCE OF THE STUDY
The study is beneficial to various parties including youth group and the civil society the government and other stakeholders for budgeting and planning at the national level. In particular it will assist the government in designing the most appropriate leadership training that enables SMES improve their performance. The study also sets a foundation for further research focusing the youth as the springboard of economic development in Kenya

STATEMENT OF THE PROBLEM
Leadership is core to future business and economic success and is required in the process of envisioning; motivating and building confidence in an enterprise. It is vital in making difficult decisions and risk taking during periods of both growth and recession (GoK, 2005). However, most youth owned enterprises in Kenya that start small, stay small. These enterprises are faced with slow growth rate with past statistics indicating that three out five fail within the first few months of operation and the remaining 40% that survives register slow growth (GoK, 2007). Leadership remains one of the most relevant aspects of the organizational growth context in defining the unity of direction and purpose of the enterprise (Mead, 1999) as well as identification of investors and generation of investor goodwill and confidence that are important for significant impact on the performance of these firms (Longenecker, 2006).
In exploring the above concern this study aims to examine the role leadership plays in the growth of youth owned enterprises in Kenya with a special focus on youth enterprises that have been funded by Youth Enterprise Development Fund (YEDF) in Nyeri municipality, Kenya

OBJECTIVES
1. To investigate the role of leadership on the growth of youth owned enterprises.
2. To establish the effect of the leader's attributes to the growth of youth enterprises.
3. To assess the extent to which leadership styles influence the growth of youth enterprises.
4. To examine the influence of followers on the growth of youth enterprises.

RESEARCH QUESTIONS
1. What is the role of leadership on the growth of youth enterprises ?
2. What effect do leader's attributes have on the growth of youth enterprises?
3. How do leadership styles influence the growth of youth owned enterprises?
4. How does follower behaviour influence leadership?

RESEARCH METHODOLOGY
The study focused on a total population of youth groups owned enterprises funded by YEDF in Nyeri Municipality with a total population of 120 businesses as shown in the table below:

TABLE 1: STUDY POPULATION

Size of enterprise	Number of enterprises
5-10 employees	60
11-15 employees	40
16-50 employees	20
Accessible population	120

Through stratified random sampling a 40% sample was used as depicted in the table below:

TABLE 2: SAMPLE SIZE

Size of enterprise	Number of enterprises	Representative sample of 40%	Sample
5-10 employees	60	30	18
11-15 employees	40	30	12
16-50 employees	20	30	6
Total	120	30	36

Questionnaires and interview schedule were used as data collection instruments. In order to ensure reliability of the research instruments, a test –retest method was used in order to estimate the degree to which the same results would be obtained with a repeated measure of accuracy of the same concept. A pilot test was administered to ten members of youth enterprises who were not part of the sample after two weeks the same tool was administered to the same group of respondents. A correlation coefficient of 1.0 was obtained it was acceptable because it was above 0.8 as cited by Nachmias and Nachmias (1996).
Once the data was collected it was edited to ensure consistency across the respondents and locate any omissions. It was also summarized, coded and analyzed using descriptive statistics with a view of presenting the results to the readers. The study used the Statistical Package for Social Science (SPSS) to derive descriptive statistics and facilitate proper presentation in form of tabulation, percentages, frequencies and pie charts. This enabled the researchers to make inferences, recommendations and conclusions.

DATA ANALYSIS AND INTERPRETATION

From this study, eighty percent (80%) of the respondents were between 21- 35 years of age this revealed that more youth were engaged in business; Only one out of 32 respondents were above the youth age, that is below 35 year of age. Interesting persons aged between 15–20, were 18% an indicator that community awareness level was high among the young people.

EFFECTS OF LEADERSHIP SKILLS ON THE GROWTH OF YOUTH OWNED ENTERPRISES

The study revealed that the level of leadership training received was too minimal as represented on table 4

TABLE 3: ON WHETHER TRAINED ON LEADERSHIP SKILLS

Variable	Yes	No	Total
Negotiation/decisional skills	10 (31%)	22 (69%)	32(100%)
Interpersonal/communication skills	14 (44%)	18 (56%)	32 (100%)
Conceptual /design skills	5(16%)	27(84%)	32(100%)

EFFECTS OF THE LEADER'S ATTRIBUTES TO THE GROWTH OF YOUTH ENTERPRISES

On how leadership enables the staff to develop their intra-preneurship characteristic; innovativeness was inclined to negative where 39% of the respondents disagreed. The respondents indicated the same on risk-taking where 40% of the respondents disagreed. Leadership was failing in developing the two characteristics in their employees.

However, on creativity, 45% agreed, 24% disagreed and 31% were not sure. Team building character development was also positively rated with 44% of the respondents agreeing, 19% undecided and 37% disagreeing.

When the respondents were asked to rate their leaders in respect to knowledgeablility, outgoing level, inspirational grounds, qualification and motivational aspects, the respondents positively indicated knowledgeable and qualification. On attribute of outgoing, inspirational and employee motivation, the respondents indicated negative.

On whether leaders were knowledgeable, 57% of the respondents agreed they were, 16% were undecided and 27% of them disagreed. They also agreed at 50% that their leaders were knowledgeable and experienced in their work, with 22% undecided and 28 % disagreed.

The leaders were poorly scored on being outgoing, where 44% of the respondents disagreed, 37% were not sure and 21% agreed they were. Leaders of the youth enterprise were not inspirational as indicated by 41% of the respondents who disagreed, 29% were undecided and 30% agreed. The leaders were not motivating their workers as indicated by 48% of the respondents, 26% not sure and only 26% agreed

RELATIONSHIP OF LEADER'S ATTRIBUTES ON BUSINESS PERFORMANCE

Leader's attributes influence performance of the business where sixty nine percent (69%) of the enterprises that leadership was innovative, creativity and risk taking indicated positive growth of the enterprise. 72% of enterprises with qualified and risk taking showed continued sustainability while 56% on were successful where the leader was good in team building .This is attributed to the competitive nature of the enterprises in this area of study where most young people start business at an early age.

INFLUENCE OF LEADERSHIP STYLES ON GROWTH OF ENTERPRISES

On employee involvement in meetings, 55% of the respondents agreed that they were involved. Only 26% indicated otherwise; that were not involved in the meetings. The consultation of employees before decision making were made, forty four percent (44%) agreed that they were consulted while 31% were not. Twenty two percent (22%) of the respondents were undecided on whether they were consulted.

On the question whether leaders made all decisions alone, 31% were undecided, 36% agreed and 33% disagreed. Thus, most of the respondents were for the opinion that leaders made decisions alone without consulting. On whether employees were creative and innovative on their own, 39% of the respondents were undecided, 39% were not in agreement while 22% agreed. Therefore the respondents were inclined to the negative.

This goes hand in hand with the leadership style.

4.5.2 Relationship between Leadership Style and Business Performance

Enterprises with democratic leadership indicated high growth as supported by 52.27% while poor choice of leadership style indicated negative growth this was in line with Lewin (1990) who emphasis on proper choice of leadership styles.

CHARACTERISTICS OF FOLLOWERS AND THEIR INFLUENCE ON THE GROWTH OF YOUTH ENTERPRISES

On whether the enterprise had adequate number of staffs, 73% were positive and only 27% indicated otherwise. On whether, the nature of task the employees were assigned matched their qualification and experience, 82 % of the respondents indicated that the task given was not in line with their qualification and experience. Only 18 % of the respondents were positive about it as shown in table 5

TABLE 4: CHARACTERISTIC FOLLOWERS

Variable	Yes	No	Total
Availability of adequate Number of Staff and teams	23 (72%)	9(28%)	32(100%)
Nature of Task Assigned in relation to Qualifications and Experience	6 (18%)	26(82%)	32(100%)
Employees' Qualification and Task Performance	19 (60%)	13 (40%)	32(100%)
Given a job Description on Employment	8 (25%)	24 (75%)	32(100%)
Supervisor adherence to the Job Description when Assigning Roles	11 (35%)	21(65%)	32(100%)
Induction Process upon Employment	9(28%)	24 (72%)	32(100%)

RESULTS AND DISCUSSION

From this study it clear that majority of the managers and business owners fell within 25-34 year age bracket. Clearly, most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s (GoK, 1999). Those not trained reported that their businesses were doing poorly as compared to those who had some form of leadership training. On the other hand the qualifications of entrepreneurs had an influence on business growth which is in line with Peterman & Kennedy (2003) who asserts that enterprise education has a positive impact on leaders attributes, and in effect business growth. Autocratic style of leadership was singled out as a cause for diminish growth trend. There is a positive relationship between the followers behavior and the business performance.

CONCLUSION AND RECOMMENDATIONS

In conclusion the role of Leadership in the growth of youth enterprises has enormous impact on the success and survival of these firms. Leadership skill, appropriate leaders' attributes, use of proper leadership styles and team building determines the growth of youth enterprise. However the study established that there is lack of leadership skills in the management of youth enterprises, inappropriate choice of leadership styles, and weak leadership strategies in motivating and team building. Leadership aim at broadening and elevating the interests of followers, generate awareness and acceptance among the followers of the purpose and mission of the group and motivate followers to go beyond their self-interests for the good of the organization.

The study recommends that the enterprises should offer leadership training to young people who are engaged in business because youth forms the spring board for economic development. The Youth Enterprises Development Fund (YEDF) should embark on conducting regular leadership workshops to the enterprises which they have funded in order to make them more adoptable to the business world. Moreover, the ministry of education should design a curriculum that will enable young people to inculcate the culture of entrepreneurship from the primary level up to the university.

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INFLUENCE OF UNIVERSITY INCENTIVES FOR CAREER DEVELOPMENT ON LECTURERS' PERFORMANCE IN PUBLIC UNIVERSITIES IN KENYA

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KENYA

ABSTRACT

This study sought to examine the effect of university incentives on lecturers' performance in public universities in Kenya. This was based on the Psychological Contract Theory that holds that employees expect reciprocal relationship and obligation from their employers when they offer superior service. When looked at from a career development perspective, lecturers expect to be given incentives that will encourage them to undertake further training and development programmes that will assist them to advance in their careers, improve their performance and embrace additional responsibilities. The study utilized the Descriptive Survey Design. Data was collected from 328 teaching staff in all the seven public universities in Kenya who had been selected through stratified and random sampling. Document analysis was also used in triangulating the study. The data was then qualitatively analyzed using frequencies, percentages, means and standard deviations and quantitatively using Pearson's Product Moment Correlation Coefficient Test. The study found out that university incentives for career development positively affected lecturers performance in public universities (r=0.430, p=0.000).The study recommends that public universities should improve the incentives given to lecturers in order to encourage them to undertake career development programmes.

KEYWORDS

Career Development, Incentives, Lecturers' performance.

INTRODUCTION

Increased competition in the globalised business environment has augmented the demand for skilled, innovative and qualified human resources, capable of giving firms a competitive advantage. According to Baruch (2004), it has become imperative for organizations to seriously examine how they manage their employees as well as planning and managing their careers. This concern has arisen from the need to curb staff turnover by talented employees as well as distinguish the firm as a caring employer in an effort to gain and maintain a competitive edge.

Career development has been identified as a means of helping organizations to tap into their wealth of in-house talent for staffing and promotion by matching the skills, experience and aspirations of individuals to the needs of the organization (Kapel and Shepherd, 2004; Kaye, 2005). Extensive research has been carried out in a bid to unearth the extent to which an organization can support career development initiatives for its employees. Such research has focused on the extent to which such practices foster organizational effectiveness (Appelbaum, *et al*, 2002) and result in job satisfaction among employees. Other scholars have focused on the extent to which such practices encourage employee commitment (Purcell and Hutchinson, 2007).

The focus with which an organization puts a premium on career development has tended to differ from one organization to another. Whereas Career development results in the organization attracting and retaining talented employees, creation of a human capital pool that will create value (Katono, 2010; Lee and Bruvold, 2003) and ensure a competive advantage as well as long term organizational growth (Thite, 2001; Kulivasaechana, 2006), organizations differ in the manner in which they support such initiatives. In the higher education sector, career development has been a major theme in most strategic plans of various universities in the world.

Because higher education is of paramount importance for economic and social development of any nation, considerable interest has been generated in analyzing the extent to which graduates of universities are equipped with knowledge and skills required for positions of responsibilities in government, business and professions (World Bank, 1994). The quality of the graduates depends on various factors such as availability of teaching and learning resources, duration and content of courses undertaken and qualification and experience of lecturers among other factors. Of these determinants of quality university education, the qualifications and experience possessed by the lecturers as resource persons is of paramount importance (Chacha, 2004, Kadenyi, Onsongo and Njuguna, 2010).

In an effort to improve the quality of their teaching staff, universities have designed human resource development policies that have incorporated career development as one of the pillars of creating and sustaining a competitive human resource pool. In Kenya, most public Universities have career development programmes as part of their plans and mandate (Chacha, 2004). With the realization that most teaching staff do not have a PhD degree compared to many sub-Saharan countries (Lewa, 2009), these Kenyan Public Universities have encouraged their members of the teaching staff to undertake further studies as well as other career development initiatives. Some universities do finance such initiatives (Kinyanjui, 2007). In this study, the term lecturer was used to connect all teaching staff in the universities.

LITERATURE REVIEW

According to the Psychological Contract Theory, employees have expectations that the employer will reciprocate by giving them fair treatment and meeting other commitments when they offer superior service (Armstrong, 2006). This unwritten expectations, though not part of a formal employment contract plays a major role in determining employee turnover intentions as well as their perception of the work environment (Rousseau, 2001, Dabos and Rousseau, 2004)

From a career development perspective, they expect that the employer will avail career development programmes as well as finance these career development initiatives. They will therefore give superior service to the employer if they feel the employer is making an effort towards meeting such expectations. According to Bartlett (2001), employees view career development as a benefit that accrues to them from their employment relationship. In return, they will offer the employer loyalty, commitment and requisite effort needed to attain organizational goals.

Career development programmes differ from one profession to another. Whereas some may require long periods of academic and professional learning leading to academic or professional qualifications, others involve participants in a given field regularly meeting to exchange ideas on how to tackle challenges they face in performing their duties in various industries. The expected result of such initiatives is improvement in employees' performance. Scholars have advanced different measures to connote employee performance. There are those who view it in terms of one's achievements in relation to objectives, level of competence or employees' day to day effectiveness (Armstrong 2006; Compton, 2005) .Others such as Cole (2002) and Kiriri and Gathuthi (2010) view it in terms of quality of work, meeting organizational objectives, regular attendance, knowledge of work and leadership among others. There is however agreement on the positive effect of career development on employee performance (Kamoche *et al*, 2004; Baniya, 2004; Maher, 2009).

University Lecturers are expected to undertake training and development programmes to enhance their relevance and boost their effectiveness in research, teaching and execution of responsibilities. Research shows that continuous and systematic training and development enables one to perform present and future duties and responsibilities in a better manner (Olaniyan and Ojo, 2008; Kibet *et al*, 2010). Lecturers' performance in Public Universities can be measured in terms of effectively teaching allocated work loads, attendance of learned conferences, publication of books and journal articles, furtherance of academic and professional qualifications as well as monitoring students (Kiriri and Gathuthi, 2010).

Just like for other employees, various factors will determine the extent to which the lecturers will undertake career development initiatives. Some of these include availability of time, resources and institutions to offer such initiatives, willingness of employees to engage in the exercise, institutional support for the exercise, benefits expected to accrue from undertaking such an exercise among others.

Incentives given to lecturers to undertake career development programmes can be monetary or non monetary in nature. Monetary incentives include expectations of salary increases, payment of partial of full fees for the studies to be undertaken, payment of subsistence expenses during the career development exercises among others. Non monetary incentives includes expectations of promotion challenging work, increased responsibility, enhanced status or autonomy. Research by Kim (2005) and Benson (2006) shows that internal promotion given after successful completion of career development programmes such as advanced training results in enhanced loyalty, commitment and extra effort by employee since he/she feels appreciated. Monetary rewards also improve one's performance of duty (Dessler, 2005). However, it is unclear which type of incentives, whether monetary on non monetary, leads to the greatest push for career advancement among public university lecturers. This study therefore sought to examine this phenomenon.

STATEMENT OF THE PROBLEM

Kenyan Public Universities have encouraged their teaching staff to undertake further studies, participate in conferences as well as conduct research and publish their findings in refereed journals. This has been done to ensure that their lecturers, as generators and disseminators of knowledge are skilled, competent and prized reservoirs of knowledge that will give them a competitive advantage.

Despite this effort, studies show that research, conference presentations and publishing by Kenyan Public Universities' lecturers have been dropping (Chacha, 2004). According to Lewa (2009), most of them do not also have a PhD degree as their highest academic qualification yet they are meant to be the leaders and mentors of others. This scenario has been attributed to various factors such as increased student enrolment hence higher workload, low teaching staff levels and insufficient funding for career development and research due to low budgetary funding by the Government (Kiriri and Gathuthi, 2010; Kinyanjui, 2007). This is despite the fact that funding for career development plays a major role in motivating employees to undertake career development programmes.

This paper therefore sought to establish the influence of university incentives for career development on lecturers' performance in public universities in Kenya.

STUDY OBJECTIVES

The study was guided by the following objectives:

(i) Establish the various incentives given to lecturers to encourage them to undertake career development programmes.
(ii) Identify the career development programmes undertaken by lecturers in public universities in Kenya.
(iii) Examine the influence of university incentives for career development on lecturers' performance in Public Universities in Kenya.

STUDY HYPOTHESES

Ho1 There is no relationship between monetary incentives for career development and lecturers' performance in public universities.
Ho2 There is no relationship between non monetary incentives for career development and lecturers' performance in public universities.
Ho3 There is no relationship between university incentives for career development and lecturers' performance in public universities.

METHODOLOGY

The study was carried out using the descriptive survey design. Data was collected from all Public Universities in Kenya where a sample of 351 lecturers was chosen to participate in the survey. The sample was chosen through stratified and random sampling to ensure each cadre of the university teaching staff was represented in the sample. Questionnaires were the main data collection tool although document analysis of the universities' strategic plans and human resource management policies were also analysed to triangulate the study. The questionnaires were subjectet to reliability and validity tests where Cronbach Alpha coefficient tests were done as we as expert opinion on the constructs, was sought. The Cronbach Alpha coefficient of 0.885 for the items showed high reliability of the instrument.The data was then qualitatively and quantitatively analyzed using means, standard deviations, frequencies, percentages and Pearson's product moment correlation coefficient tests.

FINDINGS

Out of the 351 questionnaires that were administered to lecturers in public universities, 328 were filled and returned, representing a 91.9% response rate. From the responses, a majority of the respondents were male (65.5%) aged between 30 and 40 years (49.9%) and held the position of either Assistant lecturer or tutorial fellow (35.7%). Most of them had a Masters degree as their highest academic qualification as seen in Table 4.1.

TABLE 4.1: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Characteristics	N = 328	Frequency		%	
University	Kenyatta	50		15.24	
	Masinde Muliro	40		12.70	
	Moi	49		14.90	
	Nairobi	50		15.24	
	Maseno	46		14.02	
	Jomo Kenyatta	44		13.41	
	Egerton	49	328	14.94	100
Gender	Male	216		65.9	
	Female	112	328	34.1	
Age	Below 30 years	76		23.2	
	30 – 40 years	162		49.4	
	41 0 50 years	61		18.6	
	Above 50 yers	29	328	8.8	100
Highest Academic qualification (Degree	Bachelors	64		19.5	
	Masters	170		51.8	
	PhD	94		28.7	100
University Teaching Experience	Below 5 years	158		48.2	
	6 – 10 years	95		29	
	11 – 15 years	47		14.3	
	Above 15 years	28	328	8.5	100
Designation	Graduate Assistant	42		12.8	
	Assistant lecturers/ Tutorial fellow				
	Lecturer	117		35.7	
	Associate Professor	107		32.6	
	Professor	30		11.9	
		16		4.9	
		7	328	2.1	100

Source: Research study, 2012

The study also found out that lecturers in Public Universities are encouraged to undertake further studies and other career development initiatives. Among the career development programmes that were embraced by these institutions for their teaching staff included pursuit of higher academic qualifications, attendance of conferences, workshops and seminars, presentation of research findings in such conferences, workshops and seminars, publication of books or papers in refereed journals and engaging in consultancy services in their fields of specialization.

The study also found out that Public Universities had human resource policies that encouraged academic staff to undertake career development initiatives. A majority of the respondents were in agreement that both monetary and non monetary incentives are given by the institutions to encourage the lecturers to undertake career development programmes. This was confirmed by 133 (40.5%) and 106 (32.3%) of the respondents who strongly agreed and agreed respectively with the statement on the issue as seen in Table 4.2.

TABLE 4.2 RESPONSES BY LECTURERS TO STATEMENTS ON MONETARY AND NON MONETARY INCENTIVES GIVEN FOR CAREER DEVELOPMENT BY PUBLIC UNIVERSITIES

STATEMENT	SA f (%)	A f (%)	FA f (%)	D f (%)	SD f (%)	Mean	S.D
1. Monetary							
*Academic staff of my university who successfully undertake further studies are given salary increment.	133 (40.5)	106 (32.3)	34 (10.4)	39 (11.9)	16 (4.9)	3.92	1.192
*Money for subsistence to lecturers attending conference, workshops and seminars	118 (36)	174 (53)	17 (5.2)	15 (4.6)	4 (1.2)	4.18	0.844
* The scheme of service for academic staff has monetary incentives for attainment of higher academic qualifications	74 (22.6)	187 (57)	35 (10.7)	22 (6.7)	10 (3)	3.89	0.931
My university pays fees (partial/full) for those undertaking further studies.	150 (45.7)	159 (48.5)	04 (1.2)	15 (4.0)	0 (0)	4.35	0.727
2. Non-Monetary Incentives							
* Academic staff who successfully undertake career development programmes are given additional responsibilities eg. Head of Department	97 (29.6)	125 (38.1)	64 (19.5)	28 (8.5)	14 (4.3)	3.80	1.087
* Academic staff in my university who successfully complete further studies are promoted to the next grade.	90 (27.4)	145 (44.2)	44 (13.4)	44 (13.4)	5 (1.5)	3.83	1.027
* My university prioritizes internal appointments & promotion based of successful completion of career development programmes.	99 (30.2)	162 (49.4)	45 (13.7)	22 (6.7)	0 (0)	4.03	0.842
* My university gives opportunities to members of academic staff to be on leave when undertaking career development programmes.	81 (24.7)	157 (47.9)	50 (15.2)	35 (10.7)	5 (1.5)	3.84	0.969

Source: Research study 2012

According to the findings of the study, additional responsibilities and promotions given to academic staff are also primarily pegged on successful completion of career development programmes. This was confirmed by 90 (27.4%) and 145 (44.2%) of the respondents who strongly agreed and agreed respectively with statements on the issue.

In general, the study identified salary increments, scholarships, partial fee payment and subsistence allowances as the monetary incentives given to lecturers who undertake career development programmes. It also identified promotions, additional responsibilities and opportunities to be on leave or off duty when undertaking these programmes as the non monetary incentives given for those undertaking career development.

The study found out that career development programmes incentives had improved lecturers performance. This performance was seen in terms of effective teaching of allocated work, conference attendance, conference paper presentation and publishing in refereed journals, book publishing and mentoring as shown on Table 4.3.

TABLE 4.3: EFFECT OF INCENTIVES FOR CAREER DEVELOPMENT ON LECTURERS' PERFORMANCE

STATEMENT	SA f (%)	A f (%)	FA f (%)	D f (%)	SD f (%)	Mean	SD
Career development incentives motivate me to teach allocated work leads effectively	192 (58.5)	127 (38.7)	4 (1.2)	3 (0.9)	2 (0.6)	4.54	0.634
I have attended one learned conference / workshop/seminar this year due to university incentives	119 (36.3)	132 (40.2)	16 (4.9)	47 (14.3)	14 (4.3)	3.90	1.167
I have presented a paper at an academic conference this year due to university incentives	102 (31.1)	79 (24.1)	40 (12.2)	92 (28)	15 (4.6)	3.49	1.309
I have had my paper published in a refereed journal this year due to university incentives	77 (23.5)	93 (28.4)	29 (8.8)	98 (29.9)	31 (9.5)	3.27	1.354
I have published a book/book chapter this year due to university incentives	63 (19.2)	53 (16.2)	34 (10.4)	125 (38.1)	53 (16.2)	2.84	1.392

Source: Research study, 2012

Although most of the respondents had attended learned conferences, workshops and seminars and presented papers there, only almost half of them had published papers in refereed journals. Also, only 35.4% of the respondents had been motivated by the monetary and non-monetary incentives to write books or book chapters.

The study then tested the three null hypotheses that had been formulated at the beginning of the study. The results are presented on table 4.4.

TABLE 4.4: RESULTS OF PEARSON'S' PRODUCT MOMENT CORRELATION TESTS ON THE RELATIONSHIP BETWEEN INCENTIVES FOR CAREER DEVELOPMENT AND LECTURERS' PERFORMANCE

Lecturers' performance			Decision
Monetary Incentives	Pearson's correlation	0.345	Reject Ho_1
	Sig. (2 tailed)	0.000	
	N	328	
Non Monetary Incentives	Pearson's correlation	0.410	Reject Ho_2
	Sig. (2 tailed)	0.000	
	N	328	
Incentives for career Development (monetary & non monetary)	Pearson's correlation	0.430	Reject Ho_3
	Sig. (2 tailed)	0.000	
	N	328	

Source: Research study, 2012

Based on the results of the Pearson's Product Moment Correlation Coefficient tests, all the null hypotheses for the study were rejected. This led the study to conclude that:

1. There is a positive relationship between monetary incentives for career development and lecturers performance in public universities in Kenya (r = 0.345).
2. There is a positive relationship between non monetary incentives for career development and lecturers' performance in public universities in Kenya.
3. There is a positive relationship between university incentives for career development and lecturers' performance in Public Universities in Kenya.

DISCUSSIONS

The findings of the study indicate that a majority of the university lecturers' are Masters' degree holders yet the international standards call for them to be PhD degree holders. This necessitates the need for the emphasis on career development initiatives in these institutions. The findings also pointed to a scenario of gender imbalance in the composition of the teaching staff that called for the implementation of affirmative action.

The findings of the study showed that non monetary rewards were more strongly correlated to lecturers' performance (r = 0.410) than monetary rewards (r = 0.345). This indicated that lecturers put a higher premium on non monetary incentives such as being given additional responsibilities, getting promotions, and being recognized that on just getting a salary increment or other monetary incentives. This is based on the realization that non monetary incentives have more long lasting effects than monetary rewards .Overall, the study found out that university incentives for career development positively influences lecturers' performance in Public Universities in Kenya (r = 0.430). The findings of this study are similar to those of earlier studies by Khan, Farook and Ullah (2010) done in the banking sector in Pakistan. These earlier studies concluded that organizational incentives positively influenced employee performance.

CONCLUSIONS

Based on the findings of the study, the study concluded that university incentives for career development positively, influenced lecturers' performance in public universities in Kenya. Non monetary incentives that were given to lecturers who successfully undertook career development initiatives had a greater influence on lecturers' performance than monetary incentives.

RECOMMENDATIONS

The study recommends that:

(i) Universities should avail monetary and non monetary incentives for career development to their teaching staff to encourage superior performance from them.

(ii) Universities should allocate resources for holding conferences, workshops and funding further studies of its staff to encourage more lecturers to participate in career development programmes.

(iii) Affirmative action should be undertaken to encourage women to undertake further studies as well as to be employed as teaching staff in public universities.

LIMITATIONS

This study covered only the public universities in Kenya. As a result their findings may not be applicable to private universities or constituent colleges of these public universities. The low value of the correlation between incentives for career development and employee performance shows that there are other factors apart from incentives which influence lecturers' performance.

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ENTREPRENEURIAL BEHAVIOUR AND BUSINESS SUCCESS OF SMALL SCALE ORGANIC VEGETABLE FARMERS

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ABSTRACT

The importance of sustainable agriculture has been widely recognized by the researchers and professionals all over the world. Organic Agriculture per se is not merely a new concept to Sri Lanka. However, the rate of expansion of Organic Agriculture production in commercial scale is not adequate enough to cater the escalating market demand. There are number of reasons for the slow growth rate of Organic Agriculture production in the country. Entrepreneurship and economic success are important parameters to be monitored to promote Organic agriculture. Hence, the present study aimed at investigating the entrepreneurial behavior and Business Success of the micro and small scale organic vegetable farmers in a selected district of Sri Lanka. Since the EB cannot be measured directly, ten constructs were deployed to measure it and those constructs were selected based on the previous research works. The other main variable of the study; Business Success, was determined measuring both financial and non-financial indicators. The study revealed that there are three main agribusiness models namely, Independent Organic Farmer Model, Member Farmers of Organic Association Model and Contract Organic Farming Model. Further, the ANOVA tests revealed that Entrepreneurial Behavior and the Business Success are significantly different each other. The Contract Farmers possessed the highest Business Success and member farmers of Organic Organizations exhibited the highest Entrepreneurial Behaviour. As ascertained through the regression analysis, in overall, the Business Success of micro and small scale organic vegetable farmers was significantly affected by the entrepreneurial behavior, market assurance, total family income, number of organic product they produced, land extent and level of education.

KEYWORDS

Entrepreneurial Behavior, Business Success, organic agribusiness models.

1. INTRODUCTION

The importance of sustainable agriculture has been widely recognized by the researchers and professionals all over the world with the experience of tragic aftermaths of non-sustainable agricultural production systems. Among major sustainable agricultural systems in use, Organic Agriculture (OA) has gained an extraordinary attention and popularity all over the world. In addition to the definite ecological benefits, social and economic benefits of organic farming are certainly exciting. Accordingly, Organic Agriculture has become a very vibrant, specialized and organized agribusiness activity. Demand for organic produce is driven by beliefs that organic produce are safe, nutritious, tasty, and environmentally friendly than the conventional products. According to Willer and Kilcher (2012), there are about 37.2 million hectares of organic agricultural lands in the world and the total value of organic food and beverage market has been some 44.5 billion euros or 59.1 billion US dollars by year 2010. At present, commercial certified Organic Agriculture has spread to over 130 countries worldwide. This trend has created an undisputed economic opportunity to the farmers, specifically micro and small scale farmers, to get benefited from Organic Agriculture and it could be a viable alternative to the resource poor micro and medium scale farmers to integrate into the main stream economic activities and thereby to improve their income levels and the quality of life.

Organic Agriculture per se is not merely a new concept to Sri Lanka. It has been there for centuries and the ancestor farmers had been able to make the country self-sufficient in rice by practicing Organic Agriculture and even the surpluses had been exported as reported in the historical documents. According to the survey conducted by the Sri Lanka Nature Forum in 2008, total occupied lands under the Organic Agriculture was about 25,335.03 hectares and it is approximately 1.08% of the total cultivated lands. Sri Lanka is famous in the international market for its organic teas and spices where number of companies has been engaged in the organic business and the organic market of the country has been described as a “niche market”. At the same time, the local organic produce market is being expanding gradually as the awareness and preference of local consumers have been shifting towards more healthy and safe food. At present, number of organic products such as tea, spices, fruits and vegetables are increasingly being sold in some major local supermarkets and in some dedicated sales outlets.

However, the rate of expansion of Organic Agriculture production in commercial scale is not adequate enough at all to cater the escalating demand in both local and international market. There are number of reasons for the slow growth rate of Organic Agriculture production in the country. Ambiguity about the demand, what marketing channels to be used, the economic viability of organic farming and lack of technological innovations could be considered as the main reasons that prevent the farmers largely from Organic Agriculture. In this context, if it is to overcome the above contemporary challengers and to promote the organic agricultural business among micro and small scale farmers, or in other words to drive the famers to seize the growing opportunities in the organic agribusiness sector, it is utmost important to develop the entrepreneurial skills of organic farmers. However, majority of research and other efforts, both in local and global context, have been greatly focused towards sustainability and technical aspects of organic farming. Hence, the available information and understanding about the entrepreneurial, managerial and economic aspects of organic farming are not adequate and comprehensive enough to make effective interventions in order to motivate and support the current and prospective organic farmers to best capture the growing opportunities in the organic agribusiness. Admitting the complexity of the issue to be investigated, the present study is specifically aimed at investigating the entrepreneurial behavior and its’ impact on Business Success of the micro and small scale organic vegetable farmers in a selected district of Sri Lanka. The Badulla district of Sri Lanka was purposefully selected for the present study considering the high level of organic activities taken place in the district.

2. REVIEW OF LITERATURE

2.1. ORGANIC AGRICULTURE SECTOR OF SRI LANKA

Organic Agriculture is not a new concept to Sri Lankan Agriculture. Since ancient time it was practice in default. Ancient farmers use highly sophisticated traditional agricultural system, such as Kakulama in rice cultivation and Chena cultivation for field crops and crop rotation system, agro-forestry system etc. In Sri Lanka, organic farming practices with proper standards were initiated in 1979 by a non-government organization, namely, "Gami Seva Sevana" (Jayakody, 2001). UNESCAP (2006) report says, Sri Lanka is at leading positions among major organic food producers and organic tea is primary. According to Willer and Kilcher (2012), there are about 43, 664 hectares of land under organic management in Sri Lanka, with a share of total agricultural land of 1.7 %. The Organic Directory published in 2005 states that the number of registered exporters had since raised to 30, non-governmental and farmer organizations number 34, the number of certified estates number 21 and there are 177 independent growers who come under the umbrella of the Department of Export Agriculture. Most of these organic products are exported to Europe, Japan and Australia.

2.2. CHALLENGERS FACED BY ORGANIC AGRICULTURE SECTOR

Despite the generally positive outlook, the organic agriculture sector faces number of hurdles as it expands globally. Kristiansen, et al, (2006) highlighted that major challenge for Organic Agriculture is maintaining sustainability in the global economy: balancing organic principles with commercial imperatives. Through the studies carried out in Austria, Vogl, Hass and Kummer (2005) highlighted some fundamental questions that should be answered to promote Organic Agriculture such as is organic farming compatible with neo-liberal economy and globalization or does it need an alternative economic approach? What should this alternative approach look like, if needed? Which steps need to be undertaken to ensure the further expansion of organic farming? Can they be supported better by forces of the market or do they need political and public financial support? Does an expansion of organic farming need institutional diversity, "multi-voice" and individual approaches or a single strategy of all members of the movement? Accordingly, economic aspects of organic farming have been a central concern by today.

2.3. ENTREPRENEURSHIP IN AGRICULTURE
The agriculture sector of the world has experienced profound changes in recent years. Policy reforms have reduced the scale of support in Agriculture, while demand side changes, in the form of increasing retailer concentration and complex patterns of consumer preference, have required the development of sophisticated market driven strategies (Alsos et al., 2011). Shucksmith and Hermman (2002) also stressed that profound changes experienced by the agriculture sector as consequence of policy liberalization and changes in the demand side and, in particular , the recognition of farmers' uneven propensity to adjust and adapt have shown attention to the need of better understand in variation in individual attitude and farm strategies. In this backdrop, the necessity of an entrepreneurial culture in agricultural land has been recognized and highlighted in many forums. Anderson (1995) defines entrepreneurial activity as "the creation and extraction of value from an environment", which is particularly relevant in this context because in the farming environment, value does not have to be measured in economic terms: farmers are motivated by things other than financial reward. However, in the midst of all these discussions, the extent to which farmers are entrepreneurial is contested. In essence, for Carter (1998), farmers have traditionally been entrepreneurial. Furthermore, according to Carter and Rosa (1998), farmers are primarily business owner– managers, and farms therefore can be characterized as businesses.

2.4. MEASURING ENTREPRENEURSHIP
There have been numerous research activities taken place all around the world to assess the entrepreneurial characteristics, entrepreneurial behaviour and entrepreneurial orientation of the farmers operates in different scales. A large stream of research has examined the concept of entrepreneurial orientation (EO). Entrepreneurial orientation (EO) has been suggested as an essential attribute of high performing firms (Covin and Slevin 1989; Lumpkin and Dess 1996; Dess et al., 1997). Previous studies indicate that entrepreneurial orientation is the key resources for new ventures to obtain sustained competitive advantages, and there is a positive relationship between entrepreneurial orientation and new venture performance (Covin & Slevin, 1991; Lado & Wilson, 1994; Lee, Lee & Pennings, 2001; Lumplin & Dess, 1996; Zahra & Garvis, 2000; Zahra, Nielsen & Bogner, 1999). More than 100 studies of EO have been conducted, which has led to wide recognition and acceptance of the conceptual meaning and relevance of the concept. EO refers to the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions (e.g., Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). The Entrepreneurial Orientation Questionnaire (Covin & Slevin, 1989) is the most widely utilized instrument for measuring this orientation and it is the commonly used measure in entrepreneurship literature. It was developed by Covin and Slevin (1989), referring on the previous studies of Khandwalla (1976/1977) and Miller and Friesen (1982). As reported in the literature, several researchers have agreed that entrepreneurial orientation could be explained by innovation, proactiveness, and risk taking (Wiklund, 1999). Based on Miller's (1983) conceptualization, three dimensions of EO have been identified and used consistently in the literature: Innovativeness, risk taking, and proactiveness. Lumpkin and Dess (1996) suggested that two additional dimensions were salient to entrepreneurial orientation and they identified competitive aggressiveness and autonomy as additional components of the EO construct.

2.5. MEASURING THE ENTREPRENEURIAL IMPACT
Measuring the performance or level of success of organic firms and finding its relationship with entrepreneurial behavior is the main task of the present study. The empirical literature reports a high diversity of performance indicators a common distinction is between financial and non-financial measures. Non-financial measures include goals such as satisfaction and global success ratings made by owners or business managers; financial measures include assessments of factors such as sales growth and ROI. As highlighted by Lumpkin & Dess (1996), performance is a multidimensional concept and the relationship between EO and performance may depend upon the indicators used to assess performance. Thus, conceptual arguments suggest that EO leads to higher performance. However, Ireland, Hitt, & Sirmon, (2003) suggest that the magnitude of the relationship seems to vary across studies. While some studies have found that businesses that adopt a strong entrepreneurial orientation perform much better than firms that do not adopt an entrepreneurial orientation (e.g., Covin & Slevin, 1986; Lee, Lee & Pennings, 2001; Wiklund & Shepherd 2003).

3. METHODOLOGY
The present study is aimed at investigating how the Entrepreneurial Behaviour (EB) of micro, and small scale organic vegetable farmers does impact on their Business Success. The study population was the micro, small and medium scale organic vegetable farmers of the Badulla district and the study covered Badulla, Moneragala and Mahiyangana area. The research followed both quantitative and qualitative research methodologies where the key informant interviews and questionnaire survey method were adopted. The study was conducted during February 2012 to February 2013 where the data collection was completed during October 2012 and January 2013.

Entrepreneurial behavior and business success are the key variables concerned in this study. Since the EB cannot be measured directly, ten constructs were deployed to measure it and those constructs were selected based on the previous research works. (e.g. Covin & Miles, (1999); Lado & Wilson, (1994); Lee, Lee & Pennings, (2001); Lumplin & Dess, (1996); Zahra & Garvis, (2000)). Accordingly, the variables measured in this study to gauge the EB were Personal Objective (PO), Self-confidence (SC), Knowledge Accumulation (KA), Risk Orientation (RO), Management Competencies (MC), Innovativeness (INO), Autonomy (AU), Networking (NT), Profit Orientation (PO) and Proactiveness (PA). Questions pertaining to each constructs were framed based on the previous research works recorded in the literature (E.g. Covin & Miles, (1999); Lado & Wilson, (1994); Lee, Lee & Pennings, (2001); Lumplin & Dess, (1996); Zahra & Garvis, (2000); Mappigau and Msi, (2012); Chaudhari et al., (2007); Kabiri and Mokshapathy, (2012)) and five point Likert scale was used get the responses. The response to each Likert question ranges from "1" – strongly disagrees to "5" – strongly agree. A total of fifty Likert questions were evaluated in which 5 questions for Personal Objective, 5 questions for Self-confidence, 5 questions items for Knowledge Accumulation, 6 questions for Risk Orientation, 5 questions for Management Competencies, 5 questions for Innovativeness , 4 questions for Autonomy , 5 questions for Networking ,6 questions for Profit Orientation and 4 questions for Proactiveness. To minimize the acquiescence bias inherited with the Likert scale, every possible effort was taken to include both negative and positive statements in the questionnaire. Indices were calculated for each construct using the method proposed by Mappigau and Msi (2012) and by summating the ten indices, Entrepreneurial Behavioral Index (EBI) was calculated. Chaudhari et al (2007) has proposed and used the Entrepreneurial Behavior Index in assessing the relationship between entrepreneurial behavior and Business Success. Monthly organic income was measured as the financial indicator and percentage growth in farmland extent during last two years was measured as a growth indicator. Owner's satisfaction towards present business status and his or her self-success rating were measured as non-financial indicators. Further, market assurance, number of organic products produced, cultivated land extent, other income, education, training and gender were evaluated as the other independent variable that could have an impact on the business success of the organic farmers.

To collect the primary data, a structured questionnaire was developed in which the questions were organized in two parts; part one was dedicated to the questions pertaining to the variable measurements (independent and dependent) and the part two was to reveal the demographic information of the respondents. The questionnaire was pretested with 15 randomly selected respondents and according to their feedback, a couple of minor adjustments were done and the questionnaire was finalized. According to the previous works of Perera and Mahindarathne (2012), there are about 850 small and medium scale organic farmers who have been producing organic fruit and vegetables in the Badulla District, out of which approximately 15% of them are Independent Organic Farmers, 50% are Member Farmers of Organic Associations and about 35% are contract famers of some private companies. Hence, stratified random sampling technique was deployed to draw the sample where the strata were Independent Organic Farmers, Member Farmers of Organic Associations and Contract Farmers. In this study, in order to be qualified to participate in the survey, a respondent should be engaged in the Organic Agriculture at least for two years and he or she should produce organic vegetable for sale.

The collected data were coded using Microsoft Excel so it was in a suitable format to feed into the statistical software package (SPSS) used in the study. Then, several techniques were used to analyze the data collected in the study. Demographic and other related data collected through the farmers' survey was analyzed descriptively to illustrate the characteristics of sample population. Cronbach's alpha test was performed to check the reliability of the Likert items used in the Likert Scales. Further, the normality and multicolinearity of the data set were tested to assure the suitability of application of parametric statistics.

Analysis of Variance (ANOVA) was performed to determine whether there is any significant difference with respect to the Business Success and with respective Entrepreneurial Behaviour among the three agribusiness models. Subsequently, LSD mean separation technique was deployed to compare the means quantitatively. The Multiple Regression Analysis was performed to determine influence of entrepreneurial behavior and other factors that would affect on the Business Success of organic farmers.

4. RESULTS AND DISCUSSION

In the study, 231 farmers were interviewed and the overall gender distribution in the survey sample was recorded as 73% of female and 27% of male but it was remarkably different when it comes to the individual agribusiness models; 79% female in independent farmers model, 92% of female in Organic association members and only 45% of female when it comes to contract organic farming. In overall, about 62 percent of farmers have less than 20 perches as organic cultivation and only about 14 percent of farmers owned half to one acre of organic cultivation. Extent of organic cultivation found to be very low among the Independent Farmers and about 88% do their farming in an area less than 20 perches. A vast majority of Association Member Farmers owned (80 percent) organic extent of about 20- 40 perches. Among the Contract Farmers, about 50 percent of them cultivate about 20 – 80 perches and the balance owned more than 80 perches up to 3 acres. According to the survey finding, organic farming activities played an important role in household economy where, in overall, 38% of the respondents have indicated that the organic farming activity as one of their main household income generating activities while 62% indicated it as a supportive income activity. However the economic importance of organic farming activity has been deviated from the overall trend when it comes to the Independent Organic Farming Model and Contract Farming where only 21% of the Independent Organic Farmers have indicated it as one of main income activity while 45% of Contract Farmers stated the same. As revealed in the study, none of the Independent Organic Farmers or Member Farmers of Organic Associations held organic certification and that may has not been an issue for them because they exclusively catering for local market where the organic certification is not mandatory or demanded by the consumers. The study further revealed that, in overall, about 82% of the respondents have participated in some form of organic training session and only 18% have not undergone in any training. When compares the training experience of the farmers of three organic agribusiness models, lowest training exposure has shown by the Contract Farmers (68%) followed by Independent Organic Farmers (79%) and Member Farmers of Organic Associations (87%). Various types of programs have been conducted by the organic Farmer Associations to promote the organic farming so that their members are frequently exposed to those programs.

Cronbach's Alpha test was performed to check the internal consistency of Likert items used in the Questionnaire. The Cronbach's Alpha was reported as 0.867 and it implies that the items used in the scale have an internal consistency to an acceptable level. The normality test revealed that the Entrepreneurial Behavioral index does not follow a normal distribution, however according to the Central Limit Theorem if the sample size is larger, the sample expected to be behaved approximately normal. Further, there were not multiple peaks, outliers and sever skewness observed in the data set. Therefore, in this study, it was assumed that sample is normally distributed. Multicolinearity was tested and it was not a threat as all correlation coefficient between variables were below 0.70.

TABLE 4.1: RESULTS OF ANOVA FOR BUSINESS SUCCESS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.598	2	0.299	29.020	0.000*
Within Groups	2.349	228	0.010		
Total	2.947	230			

*Alpha level is at the 0.05 levels

TABLE 4.2: RESULTS OF MEAN SEPARATION (LSD) - BUSINESS SUCCESS

Dependent Variable	(I) BIZMODEL	(J) BIZMODEL	Mean Differ. (I-J)	Sig.
Business performance	Independent	Members	-0.0796*	0.000
		Contract	-0.1524*	0.000
	Members	Independent	0.0796*	0.000
		Contract	-0.0728*	0.000
	Contract	Independent	0.1524*	0.000
		Members	0.0728*	0.000

*The mean difference is significant at the 0.05 level

ANOVA test (Table 4.1) revealed that the Business Success of three Organic Business Models adopted by the organic farmers was significantly different. Then the mean separation test (LSD) (Table 4.2) further revealed that the Contract Farmers possessed the highest Business Success followed by the Association Member Farmers and then the independent Farmers.

Further, the ANOVA test conducted to compare the Entrepreneurial Behaviour showed (table 4.3) that the Entrepreneurial Behaviour exhibited by the organic farmers fitted into three business models was significantly different to each other. Further, according to the results of LSD analysis (Table 4.4.), member farmers of Organic Organizations exhibited the highest Entrepreneurial Behaviour. Contract Farmers and Independent Farmers expressed medium and low Entrepreneurial Behaviour respectively. Exceptional Entrepreneurial Behaviour exhibited by the Organizational Member Farmers may be due to their relatively high exposure to the training and education programs than that of other two groups, but the practical application of that entrepreneurial spirit by them may be questionable because their Business Success does not rationally reflect their entrepreneurial behavior. Independent Farmers showed lowest Entrepreneurial Behaviour and it may be due to lack of opportunity to acquire the knowledge and their backward attitudes towards entrepreneurship and business.

TABLE 4.3: RESULTS OF ANOVA FOR ENTREPRENEURIAL BEHAVIOUR

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.346	2	0.173	35.506	0.000*
Within Groups	1.110	228	0.005		
Total	1.456	230			

*Alpha level is at the 0 0.05 levels

TABLE 4.4: RESULTS OF MEAN SEPARATION (LSD) FOR ENTREPRENEURIAL BEHAVIOUR

Dependent Variable	(I) BIZMODEL	(J) BIZMODEL	Mean Diffe.(I-J)	Sig.
Entrepreneurial Bahaviour	Independent	Members	-0.1149*	0.000
		Contract	-0.0779*	0.000
	Members	Independent	0.1149*	0.000
		Contract	0.0371*	0.000
	Contract	Independent	0.0779*	0.000
		Members	-0.0371*	0.000

The relationship between Entrepreneurial Behaviour and Business Success of small and medium scale organic farmers was ascertained by regression analysis and the results are given in the Table 4.5. The recorded "P" value for the regression model was 0.000, so that the fitted model is statistically significant. Adjusted "R Square" value of the regression analysis was reported as 0.6, which implies that the model adopted is quite capable of explaining the factors affecting the Business Success of small and medium scale organic farmers to about percent. As shown in the table 4.5, regression analysis revealed that Entrepreneurial Behaviour, Market Assurance, Number of Organic Products Produced, Cultivated Land Extent and Education of the Farmer are significantly and positively affected on the Business Success of small and medium scale organic vegetable farmers whereas the Total Monthly Household Income is significant but negatively affected on the Business Success. Significant and positive relationship between the Entrepreneurial Behaviour and Business Success is obvious and this has been revealed in many number of previous research studies. Kabiri and Mokshapathy (2012) also reported that there is a strong association between innovativeness of EO and performance of farmers in the study of Entrepreneurial Orientation and Farmers Performance. Also the finds of the present study is consistence with the previous studies of Wilklund (1999). Further, this relationship indicates that if the Entrepreneurial Behaviour of the farmers is shaped and improved, the level of Business Success would also be improved.

TABLE 4.5: RESULTS OF REGRESSION ANALYSIS – FACTORS AFFECTING THE BUSINESS SUCCESS OF ORGANIC FARMERS

Parameter	Beta	Sig.
Entrepreneurial Behavior	0.588	0.000*
Market Assurance	0.169	0.002*
No: of Organic Products	0.193	0.000*
Total monthly household income	-0.127	0.009*
Land Extent	0.310	0.000*
Experience	0.039	0.4140
Education	0.152	0.001*
Training	0.026	0.5860
Gender	0.075	0.1610

*Significant at the Alpha level of 0.05

Marketing of agricultural produce is one of very critical factors and there have been lots of gaps and inefficiencies in agricultural produce marketing. As revealed in the regression analysis, without an exception, Market Assurance is one of very critical factors that determine the Business Success in organic agriculture context. If the Market Assurance can be established, the producer farmers tend to display some encouragement and motivation to continue the farming activities. This is very important specifically in organic agriculture in the present context because, the local organic market is not developed yet; it is being developing and expanding slowly. As depicted in the above table, regression analysis has further revealed that there is a significant, positive relationship between Number of Organic Products Produced by the farmers and the Business Success, suggesting that higher is the number of produce, higher the Business Success. It may be inferred that when a farmer produces variety of produces, there might be a higher probability to get good demand and good price at least for some products that helps to improve the profit status of the farmers. Further, Total Family Income indicated a significant relationship with the Business Success and it was found to be negative. This may be due to the fact that when the total family income is high, or in other word the relative importance of the income generated from organic farming is low, farmers are likely to give lower attention towards the organic farming activity resulting a lower Business Success in organic farming. Organic land extent has also shown a significant relationship with the Business Success and it is simply straightforward that when the extent of cultivation is high, the farmer does have the ability to produce more and a variety of crops. Further, in the case of organic farming, having diversity is one very fundamental requirement and to have the diversity, it is necessary to a sufficiently large land extent. The other variables like gender, experience and training exposure were reported to be not significant.

5. CONCLUSION

The study revealed that there are three main agribusiness models namely, Independent Organic Farmer Model, Member Farmers of Organic Association Model and Contract Organic Farming Model. The Business Success of the three Business Models found to be significantly different each other and the Contract Farmers possessed the highest Business Success followed by the Association Member Farmers and then the independent Farmers. Then, the Entrepreneurial Behaviour of the framers fit in to three Business Models also found to be significantly different each other and member farmers of Organic Organizations exhibited the highest Entrepreneurial Behaviour and Contract Farmers and Independent Farmers expressed medium and low Entrepreneurial Behaviour respectively. In overall, the Business Success of micro and small scale organic vegetable farmers was significantly affected by the entrepreneurial behavior, market assurance, total family income, number of organic product they produced, land extent and level of education. Summing up the findings of the research, it can be said that member farmers of organic association model and contract organic farming model can be recognized as viable options to promote organic agribusiness whilst independent organic farming seems to be quite challenging under the present context.

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DOES ENTREPRENEURSHIP PROGRAMS INFLUENCE BUSINESS PERFORMANCE? AN EMPIRICAL INVESTIGATION OF THE NIGERIA SMEs

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ABSTRACT
Entrepreneurship program is believed to be one of the major areas identified as key determinants of economic growth especially in the developing countries where after decades of numerous macroeconomic policies, poverty is still rampant. Solutions to poverty are increasingly being sought in entrepreneurship which has been associated with starting and running one's own business. The study aim at examining the effect of entrepreneurship programs on SMEs business operation performance in Nigeria.The study was carried out in Lagos State with Three hundred (300) Questionnaires administered and distributed to the member of national association of small-scale enterprises (NASMEs) across all the (20) twenty local government in Lagos state. Sample was drawn from small and medium scale enterprises consisting of manufacturing, services businesses, printing businesses, food vendors and restaurants, business centers, and Artisan with employment capacity ranging from 2-15 employees, Two hundred and sixty (260) of the distributed questionnaires were found useful for the purpose of the study. Data collected were coded and analyzed using frequency table and percentage while non-parametric statistical test, ANOVA was used to test the formulated hypothesis using STATA 10 data analysis package. The result of the findings reveals that there is significant relationship between government entrepreneurship program and SMEs business operation performance. The result of hypothesis tested showed entrepreneurship program is positively significant to the performance of SMEs operation in Nigeria. Entrepreneurship scheme by the government will positively influence SMEs performance and increase level of country economy as whole. To this end, it is recommended that Government should ensure stable macroeconomic and framework conditions to underpin the entrepreneurial business environment,

KEYWORDS
Entrepreneurship Program, SMEs, Performance, Poverty Alleviation, Nigeria.

INTRODUCTION
Entrepreneurships program prepares individuals not only to be gainfully employed but also to be self-employed and be employer of labour (Annaitive, 2006; Balunywa,2010). Entrpreneurship programme is however designed to make beneficiaries gaze beyond white-collar jobs. Entrepreneurs have the ability to spark new ideas and develop new products and services that create new businesses. The role of entrepreneurship in the economic development of any nation is so crucial that it cannot be over-emphasized (Thurick, 2009). The economies of African countries are no doubt characterized by a growing population and a general decrease in formal employment. Entrepreneurships program as introduced in tertiary institutions in Nigeria by the Nigerian Federal Government is expected to inculcate in students, the practical skills and experience needed to be self-employed and be self-reliant, through the management of small-scale businesses operation (Ogechukwu and Ayozie, 2006). According to Parker (2009), entrepreneurship programs are considered as an effective escalator out of poverty for the poor people to involve in small businesses, then improve their skills and enlighten them to fight against poverty. In other words, they are the ladder that people climb to get out of poverty. Entrepreneurship programs emphasize the individual functions, competences, types, and behavior of entrepreneurs (Grilo and Irigoyen, 2006; Carree et al, 2007). This shed light on their roles, responsibilities and skills used in building successful enterprises and which have impact on poverty alleviation.

The World Bank Report (2010) identified successive governments in Nigeria which have embarked on a lot of poverty alleviation programmes such as follows:
- 1985 - 1993: Structural Adjustment Programme (SAP).
- 2000: The Poverty Alleviation Programme (PAP)
- 1987 up to Date: The National Directotare of Employment (NDE) is saddled with the responsibility of creating jobs for the teaming unemployed youths in Nigeria.
- 2001 up to Date: The National Poverty Eradication Programme (NAPEP) – a central coordination point for all anti-poverty efforts from the local government level to the national level executed with the sole purpose of eradicating absolute poverty. Such schemes includes:
    - Youth Empowerment Scheme (YES).
    - Rural Infrastructure Development Scheme (RIDS).
    - Social Welfare Services (SOWESS).
    - Natural Resources Development and Conservation Scheme (NRDCS).

Small scale enterprises (SMEs) in Africa is a way of producing and manufacturing of good or product and services for consumption (Ogujuiba et al., 2004). It is very easy to establish and simple to manage with good management scheme (entrepreneurship program). One of the major difficulties facing researchers in the small-scale sector is the problem of conceptualization. Since a complete spectrum of firm areas exit in any country, any definition creates a rather arbitrary dividing line between firms. The measure most commonly used is the number of employees but the dividing line chosen varies from country to country and extends from 5 to 500. Though, the foregoing could be regarded as basic ingredients for a small-scale enterprise, there are varying interpretations, which differ from country to country and from industry to industry.

This research is directed to establish the performance effect of entrepreneurship programs on small and mediun scale enterprises operations in Lagos state Nigeria between 1985 and 2013..

STATEMENT OF THE PROBLEM
Evidence from the literature shows that entrepreneurship program is expected to improve small business operation, provide access to fund and promote economic development. Studies in this regards have been more in developed world. The effect of entrepreneurship program in improving the performance of small scale business operation has not been greatly explored in a developing country such as Nigeria. Few of the studies in developing economy are in Asian countries and some part of African countries (Fabaya, 2009; Odunnaike and Amoda 2009).

Prior to this time, the Nigerian Government has embarked on several entrepreneurship development programmes with the purpose of poverty Alleviation (Lee, Florida and Acs, 2004). Findings from previous studies revealed that most entrepreneurship programmes failed to achieve the target goals of poverty reduction (Ajaikaye and Adeyeye, 2001; Ogwumike 2001; Ogechukwu, 2006; Vandenberg, 2006). This calls for further empirical investigation as to the effectiveness of the government entrepreneurship programs on SMEs performance. Also a review of the impact of the Nigerian government entrepreneurship programs on entrepreneurship development in connection with Small Businesses performance becomes imperative in the era of financial sector reform and financial inclusion. In view of the foregoing this paper aims to examine the effect of Entrepreneurship programs on the performance of small scale business operation in Nigeria. Specifically, the study is expected to answer the following research questions:

- Is there any relationship between Entrepreneurship Programs and the performance of small scale enterprises in Nigeria?
- What are the challenges of Small scale business Enterprises access to Government Entrepreneurship facilities?
- How do the sampled Small and Medium Enterprises perceive the benefits of Government Entrepreneurship Programs?

RESEARCH HYPOTHESES
The hypotheses for this study are stated in the null form as follows:
Ho1: Entrepreneurship Programs has no significant influence on the performance of small scale business operation in Nigeria.

LITERATURE REVIEW AND CONCEPTUAL EXPLANATION
Poverty is described as a socio-economic problem that affects growth and development in the region. In Nigeria, the federal government has initiated several measures and policies to reduce the level of poverty among the masses. Entrepreneurship is one of the measures embraced by the government to reduce mass poverty and unemployment in the country. This study is not established to evaluate past measures of poverty reduction in Nigeria, but aimed at investigating the performance effect of entrepreneurship-related programmes on small and medium scale enterprises. The development process of any country is determined by the way the production forces in and around the economy is organized. For most countries the development of industry had depended a great deal on the role of private sector. Entrepreneurship has played a major role in this regard. Entrepreneurship remains the gateway to sustainable wealth creation in Nigeria (Kiggundu, 2002). In view of Khanka (2005), if Nigeria desire to move out of the disturbing high level of unemployment and ravaging level of poverty, adequate attention must be given to the growth of entrepreneurship. Entrepreneurship is increasingly accepted as an important means and a valuable additional strategy to create jobs and improve livelihoods and economic independence of young people. Entrepreneurship, according to Parker (2009) is the process of emergence behavior and performance of entrepreneur. The concept of entrepreneurship was first established in the 1700s, and the meaning has evolved ever since. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant change for profit. Others emphasize the entrepreneur's role as an innovator who markets his innovation. Still other economists may say that entrepreneurs develop new good or products that the market demands and are not currently being supplied. Business expert Shane (2003) took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits change as an opportunity. A quick look at changes in communications – from typewriters to personal computers to the internet – illustrates these ideas.

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies. In the developing World, successful small businesses are the primary engines of job creation, income growth, and poverty reduction. Therefore, government support for entrepreneurship is a crucial strategy for economic development. The observations of Acs and Szerb (2007) have thrown a big challenge for increased academic research into entrepreneurship dynamics, processes and performance. It is hoped that this study will be a major contribution in filling this observed gap. In doing so, it is needful to take stock of existing body of knowledge, particularly in terms of theories and definitions of entrepreneurship and other related concepts.

SMALL AND MEDIUM SCALE ENTERPRISES
Small and medium scale enterprises have been long recognized as an instrument of economic growth and development. This growing recognition has led to the commitment of World Bank group on SMEs sector as core element in its strategy to foster economic growth, employment and poverty alleviation. the importance of small and medium scale enterprises has not been in doubt, unfortunately classifying businesses into large and medium scale is subjective and premised on different value judgment. Such classification has followed different criteria such as employment, sales or investment for defining small and medium scale enterprises. According to extant literature the definition vary in different economics but the underlying concept is the same. Ayaggari et al (2003); Buckley (1989:1) contends that the "definition of small and medium scale enterprises varies according to context, author and countries". Small and medium scale enterprises are certainly not transnational company, multinational cooperation, publicly owned enterprises or large facility of any kind. However they can depend on business and ownership structure to become a large business unit (Macqueen 2006) while it can be argued that 80% of the financing of SMEs come from owners, friends and families, business form can take different form including private ownership, limited partnership, contract and sub-contracts, cooperatives or association (Kozak, 2007). Small and medium scale enterprises have a narrow context within which its operation is carried out. However, where it is effectively operated it has capacity to sprout the economic growth and national development. In every economics small and medium scale enterprises has been seen has a pivotal instrument of economic growth and development either in developed for developing economics. Several studies have confirmed this (Ogujiuba; et al 2004, Onugu, 2005, Ihua; 2009).

PROBLEMS OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA
It is worrisome that despite the incentives, favourable policies and regulations and preferential support by government aimed at improving small and medium scale business, SMEs has performed below expectation of Nigeria. While the challenges associated to small and medium scale enterprises and their failure has been widely acclaimed. Some of these include lack of planning, inimical government regulations, poor marketing strategies, lack of technical know-how, and lack of capital (Ogechukwu 2006). Yet some of the challenges of the SMEs are induced by the operating environment (government policy, globalization effects and financial institutions. The association of Nigeria development finance institutions in 2004 issued a statement in relation to the why SMEs performed poorly in Nigeria. Truly, finance is usually a constraint to SMEs, while this may be true empirical evidence shows that finance contributes to only about 25 percent of the success of SMEs (Ogujuiba et al., 2004). Thus the creation of other appropriate support system and enabling environment are indispensable for the success of SMEs in Nigeria. In Nigeria most SMEs are folding up or lack competitiveness because they lack the much require financial capacity to prosecute their manufacturing concern. Most of these enterprises cannot access loan on a long and short term basis. In a World Bank report in 2001, it was reported that almost 50 percent of micro, 39 and 37 percent of the small and medium scale firm are financially constrained in Nigeria as oppose to 25 percent of the very large firm (World Bank, 2001). The implication of this shows that small and medium scale enterprises are either discriminated against or cannot access funds at the credit market. Although the fact that most of these banks declared huge profit does not mean that the operating environment is good, it is public knowledge that most of the banks in Nigeria have been seen to doctored their account book on account of claiming a clean health bill. The truth however is that the state of infrastructural facilities in Nigeria is poor. Power supply is unstable and inadequate, the states of the roads are terrible and water is not sustainable, telecommunication services are not effective. Where infrastructural facilities are neither present nor inadequate and functional, the investment environment cannot stimulate improvement for small and medium scale enterprises. In these instances, Banks would not be willing to invest in SME because of high risk and the uncertainty of the investment climate. The inability of government to execute favorable fiscal policies and policies inconsistencies has undermined the capacity of small and medium scale enterprises. As Njoku (2002) identifies, inconsistencies in government policies is a major problem affecting small and medium scale enterprises.

PROSPECTS OF SMALL AND MEDIUM SCALE ENTERPRISE IN NIGERIA
In spite of the challenges confronting small and medium scale enterprises in Nigeria, government realized the role of SMEs as the catalyst for economic growth and development through employment and their contribution to macro-economic development. It is therefore only proper to say government is making tremendous effort in ensuring that these challenges are tacked. This explains why, apart from the past effort by government, the emergence of democracy have also increase government effort since democracy is tied with economic development (Omolola, 2008). Government in the past has established various support

institutions and reliefs measures aimed at enhancing and improving the capacity of SMEs. Example of such includes, specialized banks meant to offer investment credits and loans to improve the investment capacity of SMEs. In addition, government also initiates regulatory and preferential laws as a measure of protection and offers preferential treatment to small and medium scale enterprises for the purpose of its improvement and development.The opportunity on the future of SME has started yielding result, because the economic reforms has show evidence of improvement in the legal and regulatory environment, particularly regarding company registration, taxation, infrastructural improvement (especially telecommunication). The establishment of Bank of Industry (BOI), small and medium scale enterprises development agencies of Nigeria, the facilitation of small and medium scale industries equity investment scheme (SMIEIS) and other employment generation and poverty alleviation scheme at various levels of government. Such as National Economic Empowerment and Development strategies (NEEDs-at national level, SEED-at State level and LEEDS-at Local Government level). As Onugu (2005) put it economic reform programme would aid the creation and consolidation of existing small and medium scale enterprises because of its focus on income generating opportunities for the people.

Considering the wage employment option and having regard to the background of the poor, employment opportunities for the poor can be only be found in unskilled jobs and low productivity sector. The direct consequences of this are low wage rate and high underemployment rate, which in turn reinforce poverty.

HISTORY OF SMALL AND MEDIUM SCALE ENTERPRISES

As the United States took the big jump from agriculture – dominated society to an industry society, self-employment statistics also changed dramatically. By 1900, about 80 percent of the work force was self employed, while about 20 percent worked for other firms. As the year 2000 approaches, the opposite is essentially true. 20 percent of workers today are self-employed, while 30 percent work for other firms and businesses. One might conclude from this that there are fewer small firms in the Country, but that is not true. In fact, small firms are as popular as ever. The decrease in self-employment came from a decline in the number of Independent farmers, which was largely offset by an increase in large firm employment. But the shift in the business economy from self-employment to large firm employment changed how our economy functions and even governments attitude toward business. The ups and downs of business cycles are far more hazardous to people dependent upon large firm payrolls. And this has led to a greater dependence upon workers protection such as social security, Medicare, and mandatory worker's compensation insurance, unemployment insurance, and other measures designed to combat economic dimensions and unemployment. These changes have also made it necessary for the small scale firm entrepreneurs to have a better grounding in management and the ability to anticipate and deal with economic and business cycles when necessary.

FINANCIAL SECTOR REFORM

Financial Sector is the backbone of any economy and it plays a crucial role in the mobilization and allocation of resources (Ogujuiba et al., 2004). The constituents of the financial sector are Banks, Financial Institutions, Instruments and markets which mobilize the resources from the surplus section and channelize the result to the different needy sectors in the economy (World Bank,2010). The process of increasing capital accumulation through institutionalization of savings and investment fosters economic growth. In 1986, the CBN commenced and extensive reform of the financial system as part of structural adjustment programme (SAP) it adopted interest rate. A solid and stable financial sector is essential to make a well exchange rates promoting market-based system of credit allocation, enhancing competition and functioning national economy and to ensure balanced liquidity within the economy (CBN, 2011). Financial Sector Reform has been adopted by the Nigerian Government as a part of their economic reform program. Through this reform program, the government intended to liberalize the financial sector and to ease the entry in the banking sector. Financial Sector Reform in Nigeria had been started with the deregulation of rates of interest (Omolola, 2008).

THE ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (EDP) AS AN INTERVENTION MECHANISM

Employment is the life line of any economy. "Human development will definitely be grossly undermined and impaired without employment" (NEEDS document, 2004). How soon Nigeria sets to address the problems of mass unemployment, low productivity, high inflation and poverty to a large extent depends on how speedily it is able to develop the millions of its labour force into a knowledgeable and skilled people needed for the required change. The world in the 21st century is witnessing a wave of entrepreneurship happening with more and more people looking for self-empowerment and business ownership. The role of governments and big businesses as a provider of jobs is shrinking and people are looking to empower themselves in other ways. The Entrepreneurship Development Programme, as an urgent mechanism to youth unemployment is specifically designed for the Nigeria youths, informing them about the world of business and opportunities to create their own businesses. The EDP provides youths with insights into entrepreneurship and enterprise; it aims to help them realistically consider the options of starting a small business or of self-employment.

METHODOLOGY

There are 4,535 registered SMEs in Lagos state metropolis (www.businessdayonline.com) and all this constitute the study population of the research. However For purpose of this research the population was drawn from the list of member of national association of small-scale enterprises (NASMEs) Lagos state chapter. The choice of Lagos state is connected with the fact that Lagos has high degree of socio-economic activities and serve as a settlement state that accommodate a lot of people from other part of country which consequently lead to its rapid market expansion. Multi-stage sampling techniques were used in which Lagos state was stratified into local government from which the sample of various Associations of small medium scale enterprises was drawn through the simple random sampling procedure. Three hundred (300) Questionnaires were administered and distributed to the member of national association of small-scale enterprises (NASMEs) across all the (20) twenty local government in Lagos state, the 300 small and medium scale enterprises consisting of manufacturing, services businesses, printing businesses, food vendors and restaurants, business centers, and Artisan with employment capacity ranging from 2-15 employees, Fifteen (15) NASMEs each was picked from the twenty (20) approved and recognized local government in Lagos state. Two hundred and sixty (260) were found useful for the purpose of the study representing 86.7% of the total questionnaire distributed. . The major instrument used in the collection of data for this research work was questionnaire. The questionnaire consists of questions that are related to Entrepreneurship program and SMEs Operation performance as identified in the literature. Likert five point scales ranging from 1-5(1=strongly agree &5=strongly disagree) were used as a basis of the questions. Data collected coded and analyzed using frequency table, percentage and mean score while non-parametric statistical test, ANOVA was used to test the formulated hypothesis using STATA 10 data analysis package/software.

RESULTS AND DISCUSSIONS

ENTREPRENEURSHIP PROGRAM INFLUENCE ON PERFORMANCE OF SMEs OPERATION

Table I reveals that majority of the respondents that is (76.92%) of the total respondents agreed; 16.92% of them disagreed, and 6.16% of the respondent are undecided to the motion that Great understanding of Entrepreneurship Development Programs serve as a key determinant of sustainable economic development. Hence these shows that a Great understanding of Entrepreneurship Development Programs serve as a key determinant of sustainable economic development. Similarly, the table indicate that large number of respondents, i.e.(9.62%) of the respondents agreed that There is no correlation between small business operation and entrepreneurship programs, while (75.00%) also disagreed to the motion; and (15.38) undecided. Also, the table I indicate that a large number of respondents, i.e.(78.00%) of the respondents, agreed that Entrepreneurship scheme improve the performance of SMEs operation in Nigeria, while (9.50%) also disagreed, and (13.50%) undecided. Furthermore, 78.46% agreed, 15.77% disagreed, while 5.77% undecided that government entrepreneurship programmes have positive effect on SMEs operation in Nigeria. In addition, 75.00% of the respondents agreed, 9.62% disagreed, 15.38% were undecided. Hence, this show that majority believed that government entrepreneurship programmes have positive effect on SMEs operation in Nigeria. Similarly, from the table I, 73.08% of the respondents agreed that Entrepreneurship Scheme increases small business development and serve as a poverty reduction mechanism in Nigeria., 33.07% disagreed to it, while 13.85% were undecided. Hence, it show that majority believed that Entrepreneurship Scheme increases small business development and serve as a poverty reduction mechanism in Nigeria. Likewise, 76.92% of the respondents agreed, 19.23% disagreed, while 3.85% were undecided that it is difficult to obtain information on how to start a business without entrepreneurship skill. Hence, these signify that majority support that it is difficult to obtain information on how to start a business without entrepreneurship skill.Also, 7.7% of the respondents agreed, and 81.15% disagreed while 11.15% were undecided that Entrepreneurship does not positively influence the performance of SMEs operation in Nigeria. Hence, the majority respondents disagreed the motion that Entrepreneurship does not positively influence the performance of SMEs operation in Nigeria. Moreover the Table I indicate that 87.30% of the respondents agreed, 8.08% disagreed, while 4.62% were undecided that it is difficult to start one's own business due to in adequate finance. Hence, the majority respondents imply that it is difficult to start one's own business due to in adequate finance. Finally 75.00% of the respondents agreed, 12.70% disagreed, 12.30 undecided, that Entrepreneurship skill helps entrepreneur in attaining personal satisfaction. Hence majority of the respondents believed that Entrepreneurship skill helps entrepreneur in attaining personal satisfaction.

TABLE I: DISTRIBUTION OF RESPONSES ON NASMES PERCEPTION OF ENTREPRENEURSHIP PROGRAM INFLUENCE ON SMEs OPERATION PERFORMANCES.

QUESTIONS	SA	A	D	SD	U	TOTAL
Great understanding of Entrepreneurship Development Programs serve as a key determinant of sustainable economic development	145 (55.77)	55 (21.15)	20 (7.69)	24 (9.23)	26 (6.15)	260 (100)
There is no correlation between small business operation and entrepreneurship programs.	20 (7.69)	5 (1.92)	86 (33.08)	109 (41.92)	40 (15.39)	260 (100)
Entrepreneurship scheme improve the performance of SMEs operation in Nigeria	70 (26.00)	135 (51.00)	8 (3.0)	17 (6.50)	35 (13.50)	260 (100)
government entrepreneurship programmes have positive effect on SMEs operation in Nigeria	76 (29.23)	128 (49.23)	25 (9.62)	16 (6.15)	15 (5.77)	260 (100)
Entrepreneurship programs have the capacity of developing the economy in a positive manner	86 (33.08)	109 (41.92)	5 (1.92)	20 (7.69)	40 (15.38)	260 (100)
Entrepreneurship Scheme increases small business development and serve as a poverty reduction mechanism in Nigeria.	128 (49.23)	62 (23.85)	18 (6.92)	16 (26.15)	36 (13.85)	260 (100)
It is difficult to obtain information on how to start a business without entrepreneurship skill	80 (30.77)	120 (46.15)	19 (7.31)	31 (11.92)	10 (3.85)	260 (100)
Entrepreneurship does not positively influence the performance of SMEs operation in Nigeria	10 (3.85)	10 (3.85)	163 (62.69)	48 (18.46)	29 (11.15)	260 (100)
It is difficult to start one's own business due to in adequate finance	170 (65.38	57 (21.92)	13 (5.00)	8 (3.08)	12 (4.62)	260 (100)
Entrepreneurship skill helps entrepreneur in attaining personal satisfaction	95 (36.54)	100 (38.46)	10 (3.85)	23 (8.85)	32 (12.30)	125 (100)

***Note**: the bracket Figures indicate the percentage& figure not bracket indicate the frequency*

Source: Computations and Output of STATA10 based on Authors' Field Survey (2013).

TEST OF HYPOTHESIS

H_0: Entrepreneurship Programs has no significant influence on the performance of small scale business operation in Nigeria.

The model undertakes an investigation into the influence of Entrepreneurship Programs on performance of small scale business operation in Nigeria. Findings were presented in table II below. According to the result presented in table II and III, a unit increase in questions1, 3, 4 and6 responses over the study period resulted in a 5.41666667 per cent, 11.3111111 percent, 2.01617647 percent and 1.71915375 per cent increase on the influence of Entrepreneurship Programs on the performance of small scale business operation respectively. Furthermore in table(III) the result of Breusch- Fagan/ Cook-Weisberg test for Heteroskedasticity result support that the model is significant since the Prob>Chi2 is 0.0001 with Chi2 (4) =23.61. Individually, the questions are statistically significant since their Prob>F 0.0000 with F-value 26.21, 72.98, 9.76 and 8.32 respectively. Collectively the statistical properties of the model indicate that the model is statistically significant since prob>F is 0.0000 with F-value 367.51.

Due to the observed level of significance and Entrepreneurship Programs influence on operation performance by the Nigeria SMEs through questions tested which make all the figures to be statistically significant with the probability of F = 0.0000 we reject null hypothesis stated earlier that Entrepreneurship Programs has no significant influence on the performance of small scale business operation in Nigeria. It was concluded that improvement in government entrepreneurship program will significantly improve SMEs operation performance.

TABLE II: ANALYSIS OF VARIANCE RESULT FOR ENTREPRENEURSHIP PROGRAM EFFECT ON SMES OPERATION PERFORMANCE IN NIGERIA

Number of obs = 260, R-squared = 0.9576, Root MSE = .259982, Adj R-squared = 0.9550

SOURCE	PARTIAL/SS	DF	MS	F -VALUE	Prob>F
Model	2.84.794444	15	18.9862963	367.51	0.0000
Q1	5.41666667	4	1.35416667	26.21	0.0000
Q3	11.3111111	3	3.77037037	72.98	0.0000
Q4	2.01617647	4	.504044118	9.76	0.0000
Q6	1.71915375	4	.429788437	8.32	0.0000
Residual	12.6055556	244	.51662113		
Total	297.4	259	1.14826255		

Source: Computations and Out-Put of STATA 10 based on Author's Field Survey (2013)

TABLE III: HETEROSKEDASTICITY TEST (breusch-pagan / cook-weisberg test for Heteroskedasticity)

Ho: Constant variance
Variables: Q1 Q3 Q4 Q6

chi2(4)	23.61
Prob> chi2	0.0001

Source: Computations and Out-Put of STATA 10 based on Author's Field Survey (2013)

CONCLUSION AND RECOMMENDATION

Small and medium scale enterprises are center of creating job and reducing poverty, SMEs also serve as engine of growing a country's economy. One of appropriate solutions for the development of these enterprises is government entrepreneurship program. The minimum consequences development of small and medium companies is attract investment and create jobs. Hence providing field of appropriate financing scheme by the government in the context of small and medium scale enterprises will be of best possible of way of increasing performance of SMEs operation in Nigeria. The result of the findings reveals that there is significant relationship between government entrepreneurship program and SMEs business operation performance. The result of hypothesis tested showed entrepreneurship program is positively significant to the performance of SMEs operation in Nigeria. Entrepreneurship scheme by the government will positively influence SMEs performance and increase level of country economy as whole.

To this end, it is recommended that:

- Government should ensure stable macroeconomic and framework conditions in order to underpin the entrepreneurial business environment
- Entrepreneurship should integrate at all levels of the formal education system in order to gain access to information, skills and expertise relating to entrepreneurship scheme.
- Also An evaluation culture should be developed for entrepreneurship program in order to ensure that programmes are systematically monitored and assessed for their performance in achieving objectives.
- Integration of intellectual property issues in programmes and policy initiatives should be Strengthen by the government in order to foster innovation in SMEs.

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VOLATILITY OF INDIAN STOCK MARKET WITH REFERENCE TO CHANGE IN FII POLICY 2001

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ABSTRACT

The Foreign Institutional Investors (FIIs) have emerged as noteworthy players in the Indian stock market and their growing contribution adds as an important feature of the development of stock markets in India. FII is allowed to enter into our country only through stock exchanges either in the form of equity or debt. It makes an impact on the rise or fall of SENSEX, since FII is allowed to be purchased or sold daily. This paper attempts to study the impact of market openings to FIIs, on Indian stock market behavior. India announced its policy on 8th March 2001 for FII investments in equity and related instruments. Using stock market data related to Bombay Stock Exchange, for both before and after the FIIs policy announcement day. An empirical examination has been conducted to assess the impact of the market opening on the return and volatility of stock return. This Research paper is mainly divided into two parts. Firstly researcher has examined impact on stock prices & average return before and after event day. And secondly it's been examined change in volatility in the Indian stock market by comparing variances of return for the event period under study. We have tried to cover one year time period before and after the event day to understand the exact validity and reliability of the result. Moreover the sample size of our study is 500 days daily market return. However validity of results and empirical tests has been taken place by applying Wilcoxon-Mann -Whitney test, also called as the rank sum test. Finally results indicate that there are no significant changes in the Indian stock market average returns and volatility of stock prices returns after changes in percentage of investment from 24% to 49%.

KEYWORDS
Indian stock market, FII.

1. INTRODUCTION

Until 1980, there was a general reluctance towards foreign investment or private commercial flows as India's development strategy was focused on self-reliance and import substitution and current account deficits were financed largely through debt flows and official development assistance. Since 1990-91, the Government of India embarked on liberalization and economic reforms with a view of bringing about rapid and substantial economic growth and move towards globalization of the economy. As a part of the reform process, the government under its new industrial policy revamped its foreign investment policy recognizing the growing importance of Foreign direct investment as an instrument of technology transfer, augmentation of foreign exchange reserves and globalization of the India economy. The Government, for the first time, permitted portfolio investments from abroad by Foreign institutional investors in the Indian capital market. Foreign Institutional Investors means an institution established or incorporated outside India which proposes to make investment in India in securities.

Foreign institutional investors (FIIs) from September 14, 1992, with suitable restrictions, were permitted to invest in all securities traded on the primary and secondary markets, including shares, debentures and warrants issued by companies which were listed or were to be listed on the stock exchanges in India and in schemes floated by domestic mutual funds. Such inflows of investments from other countries is encouraged since it complements and stimulates domestic investments in capital-scarce economies of developing countries. The Government guidelines for FII of 1992 allowed, inter-alia, entities such as asset management companies, nominee companies and incorporated/institutional portfolio managers or their power of attorney holders (providing discretionary and non-discretionary portfolio management services) to be registered as Foreign Institutional Investors.

1.1 DEFINITION OF 'FOREIGN INSTITUTIONAL INVESTOR - FII'

An investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds.

1.2 MEANING: 'FOREIGN INSTITUTIONAL INVESTOR - FII'

The term is used most commonly in India to refer to outside companies investing in the financial markets of India. International institutional investors must register with the Securities and Exchange Board of India to participate in the market. One of the major market regulations pertaining to FIIs involves placing limits on FII ownership in Indian companies.

1.3 DIFFERENCE BETWEEN FII & FDI

FII: Foreign institutional investors mainly invest in stock and debenture i.e., Gilt edged securities.

Where as FDI : Foreign direct investors will invest mainly in capital goods products i.e., for example Machineries and other capital equipments in use of production of goods and services.

1.4 HEDGE FUNDS

A fund, usually used by wealthy individuals and institutions, which is allowed to use aggressive strategies that are unavailable to mutual funds, including selling short, leverage, program trading, swaps, arbitrage, and derivatives. Hedge funds are exempt from many of the rules and regulations governing other mutual funds, which allows them to accomplish aggressive investing goals. They are restricted by law to no more than 100 investors per fund, and as a result most hedge funds set extremely high minimum investment amounts, ranging anywhere from $250,000 to over $1 million. As with traditional mutual funds, investors in hedge funds pay a management fee; however, hedge funds also collect a percentage of the profits (usually 20%)

2. FIIS INVESTMENT IN INDIAN COMPANIES

FIIs can invest in the stocks and debentures of the Indian companies. In order to invest in the primary and secondary capital markets in India, they have to venture through the portfolio investment scheme (PIS). According to RBI regulations, the ceiling for overall investment for FIIs is 24% of the paid up capital of the Indian company. The limit is 20% of the paid up capital in the case of public sector banks. However, if the board and the general body approves and passes a special resolution, then the ceiling of 24% for FII investment can be raised up to sectoral cap for that particular segment. In fact, recently Sebi allowed FIIs to invest in unlisted exchanges as well, which means both BSE and NSE (the unlisted bourses) can now allot shares to FIIs also. There is a long list of entities that are eligible to get registered as FIIs such as pension funds, mutual funds, insurance companies, investment trusts, banks, university funds, endowments, foundations, sovereign wealth funds, hedge funds and charitable trusts. In fact, asset management companies, investment managers, advisors or institutional portfolio managers set up and/or owned by NRIs are also eligible to be registered as FIIs. The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank. Apart from being allowed to invest in securities in primary and secondary markets, FIIs can also invest in mutual funds, dated government securities, derivatives traded on a recognised stock exchange and commercial papers.

2.1 THE PARAMETERS ON WHICH SEBI DECIDES FII APPLICANTS' ELIGIBILITY

- Applicant's track record, professional competence, financial oundness, experience, general reputation of fairness and integrity. (The applicant should have been in existence for at least one year)
- Whether the applicant is registered with and regulated by an appropriate Foreign Regulatory Authority in the same capacity in which the application is filed with SEBI
- Whether the applicant is a fit & proper person.

2.2 PROCEDURIAL STEPS FOR REGISTRATION AS FOREIGN INSTITUTIONAL INVESTOR

"Form A" as prescribed in SEBI (FII) Regulations, 1995has to be filled while applying for FII registration. The primary required documents for registration are 1.Certified copy of relevant clauses (clauses permitting the stated activities) of Memorandum of Association, Article of Association or Article of Incorporation. 2.Audited financial statement and annual report for the last one year (period covered should not be less than twelve months . US $ 5,000 is the fee for registration as FII. For the mode of payment, Demand Draft in favour of "Securities and Exchange Board of India" payable at New York has to be given by FII to SEBI for its registration. SEBI generally takes seven working days in granting FII registration. However, in cases where the information furnished by the applicants is incomplete, seven days shall be counted from the days when all necessary information sought, reaches SEBI. The FII registration is valid for just five years after this it has again apply for renewal for its procedurial guidelines. The application for renewal should be submitted three months before expiry of the FII registration.

2.3 INVESTMENTS BY FIIS

There are generally two ways to invest for FIIs.

• **Equity investment**

100% investments could be in equity related instruments or up to 30% could be invested in debt instruments i.e.70 (Equity Instruments): 30 (Debt Instruments)

• **100% Debt**

100% investment has to be made in debt securities only

2.4 REGULATION RELATING TO FII OPERATION

• Investment by FIIs is regulated under SEBI (FII) Regulations, 1995 and Regulation5(2) of FEMA Notification No.20 dated May 3, 2000. SEBI acts as the nodal point in the entire process of FII registration.

• FIIs are required to apply to SEBI in a common application form in duplicate. A copy of the application form is sent by SEBI to RBI along with their 'No Objection' so as to enable RBI to grant necessary permission under FEMA.

• RBI approval under FEMA enables a FII to buy/sell securities on stock exchanges and open foreign currency and Indian Rupee accounts with a designated bank branch.

• FIIs are required to allocate their investment between equity and debt instruments in the ratio of 70:30. However, it is also possible for an FII to declare itself a 100% debt FII in which case it can make its entire investment in debt instruments.

• All FIIs and their sub-accounts taken together cannot acquire more than 24% of the paid up capital of an Indian Company. Indian Companies can raise the above mentioned 24% ceiling to the Sectoral Cap / Statutory Ceiling as applicable by passing a resolution by its Board of Directors followed by passing a Special Resolution to that effect by its General Body. Further, in 2008 amendments were made to attract more foreign investors to register with SEBI, these amendments are:

- ✓ The definition of "broad based fund" under the regulations was substantially widened allowing several more sub accounts and FIIs to register with SEBI.
- ✓ Several new categories of registration viz. sovereign wealth funds, foreign individual, foreign corporate etc. were introduced.
- ✓ Registration once granted to foreign investors was made permanent without a need to apply for renewal from time to time thereby substantially reducing the administrative burden.
- ✓ Also the application fee for foreign investors applying for registration has recently been reduced by 50% for FIIs and sub accounts. Also, institutional investors including FIIs and their sub-accounts have been allowed to undertake short-selling, lending and borrowing of Indian securities from February 1, 2008.

3. FIIS IMPORTANCE FOR INDIAN MARKETS

FIIs are among the major sources of liquidity for the Indian markets. If FIIs are investing huge amounts in the Indian stock exchanges then it reflects their high confidence and a healthy investor sentiment for our markets. But with the current global financial turmoil and a liquidity and credit freeze in the international markets, FIIs have become net sellers (on a day to day basis).

Foreign Institutional Investors (FIIs) have been playing a significant role in the Indian capital market and hence, in the process of capital formation and economic development of the country since the implementation of New Economic Reforms in 1991. FII flows are considered to increase the domestic investment without increase in foreign debt. FII flows can raise stock prices, lower cost of equity and stimulate investment by Indian firms and lead to improvements in securities market design and corporate governance. Thus, FIIs increase the depth and breadth of the market; expand securities business, and their policy of focusing on fundamentals of the shares cause efficient pricing of shares. However, market pundits often attribute fall of the stock market to the flow of funds by FIIs. FIIs exacerbate small economic problems in a country by making large and concerted withdrawals.

The positive impacts of FIIs have made the Indian capital market more attractive to FIIs and Indian capital market has witnessed a Bull Run till mid-2008, which was driven by increased buying by the FIIs. FIIs investment in emerging economies in general and India in particular; one view is that FIIs are believed to improve market efficiency and helps in lowering the cost of capital the other view holds FIIs responsible for increasing the volatility in stock markets.

FIIs contribute to the foreign exchange inflow as the funds from multilateral finance institutions and FDI (Foreign direct investment) are insufficient. Following are the some advantages of FIIs.

• It lowers cost of capital, access to cheap global credit.
• It supplements domestic savings and investments.
• It leads to higher asset prices in the Indian market.
• And has also led to considerable amount of reforms in capital market and financial sector

3.1 Current Scenario of FII

- Foreign investors see huge long term growth possibilities that India presents according to Ernt & Young's 2011 Indian Attractiveness Survey.

- FII bought a record of Rs 110 bn. Worth of shares in FY 2011. Of these, Rs 61 bn. Were through primary sources and Rs 48.8 bn. From BSE and the NSE. These invetors had stepped up holdings by 170 basis points to 20.4 %.
- 21 institutions registered as FIIs with SEBI in FY2012 till September, enhancing the presence of registered FIIs to 1743. Also the number of registered sub-accounts has increased by 342, taking the counts to 6,028 in September 2011. Both the figures are all time highs.
- FIIs have increased their stake in ten out of 100 companies in quarter ended September 2011. (Data from BSE)
- India's foreign exchange reserves marked a new high at US$ 319 billion as on July 29 2011, as per data by the RBI.
- Government of India has reduced the residual maturity limit and the lock-in-period for investment in infrastructure bonds. As on current policy, FIIs are allowed to invest up-to US$ 25 bn. Long-term infrastructure bonds that have a minimum residual maturity of five years and a lock-in period of at least three years.
- FIIs have infused a net amount of about Rs 44,000 crore so far in the entire Indian stock market and more than half of this inflow has gone to the Sensex companies.
- The limit in government bonds has been increased by $ 5 billion to $ 20 billion in June 2012.
- RBI enlarged the basket of investors including sovereign wealth funds (SWFs), multilateral agencies, endowment funds, insurance funds, pension funds and foreign central banks; to invest in government bonds for entire limit of $ 20 billion.
- A doorway was opened last year to directly invest in India's secondary markets, equity and listed corporate debt and through mutual funds.
- Foreign institutional investors (FIIs) have invested $1.46 billion in India's equity markets. After three consecutive months of selling, in the first 17 days of July 2012 alone, FIIs have invested around Rs 8,092 crore (as on July 17) in Indian stocks.

4. REVIEW OF RELATED LITERATURE

Vikram K. Joshi and Miss Richa saxena(2011), presented a paper on " Analytical Study of Impact of FII on Indian Stock Market with Special Reference to BSE SENSEX". The objective of this paper is to find out the existence of relationship between SENSEX and FII and to analyze the significance of variation between SENSEX and FII. To achieve the above objective last quarter data has been collected for the year 2010-2011. Separate data for each month from January 2011 to March 2011 was collected and analytical study has been done. Daily data has been collected from BSE SENSEX regarding closing SENSEX, Equity net investment, Debt net investment, Total investment and Total Turnover. To achieve the objective hypothesis has been framed and separately for each month statistical methods has been used which includes Regression analysis, Standard error, t statistics and F statistics with 5% degree of freedom. The results for each month is different for FII Turnover, for the first month for both the objective null hypothesis is rejected and alternative hypothesis is accepted, while for the second month for first objective null hypothesis is rejected and alternative is accepted, while for the second objective null hypothesis is accepted and alternative is rejected and for the last month the result is same as for the month of February 2011. The results for each month for FII Investments is different, it says that in the month of January 2011 null hypothesis is accepted will alternative is rejected for 1st objective while for 2nd objective null hypothesis is rejected and alternative is accepted, for February 2011 for 1st objective null hypothesis is rejected while alternative is accepted and for 2nd objective null hypothesis is accepted and alternative is rejected and for the month of March 2011, for both the objective null hypothesis is rejected and alternative hypothesis is accepted. Thus the comparative analysis concluded that on an overall basis, when the relationship between SENSEX vs. Total turnover & SENSEX vs.Net investment exists and it is significant, it produces a positive impact in the SENSEX as it starts moving up, but when the case is opposite, it tends to remain on a lower side. FII Investment when withdrawn up to a large extent causes the SENSEX to fall just as it happened in the case of January & February. But if a proper balance between FII inflow & outflow is there, it prevents the BSE SENSEX from falling as evident from the case of March 2011.

Anand Bansal (2009) presented a paper on " Foreign Institutional Investor's impact on Stock Prices in India". The objective of this paper is to study the impact of market opening to FIIs, on Indian Stock Market behavior. India announced its policy regarding the opening of stock market to FIIs for investment in equity and related instruments on 14th September 1992. Stock market data related to Bombay Stock Exchange, BSE SENSEX, for both before and after the FIIs policy announcement day has been collected which includes 330 days from 23rd January 1991 to 29th March 1994. To evaluate the impact of Indian Stock market opening to FIIs on stock prices, average return before and after the event day has been calculated for different sub sample days, it was examined that there exist no difference in Indian stock prices return before and after the entry of FIIs. To examine the change of volatility in the Indian stock prices variances of the returns of sub sample days before and after the event day has been compared by using standard deviation as the statistical tool which again conclude that there is no difference in stock prices volatility before and after the entry of FIIs. To check the significance of differences in the average market returns of the all sub sample before and after the event days, Wilcoxon-Mann- Whitney test/ U test has been used, which accepts null hypothesis that there is no difference in Indian stock prices return before and after the entry of FIIs. Even Levene test has been used here which used the average of the absolute deviations, instead of the mean square of deviations. By using this test it was found that the volatility has been changed significantly for different periods.

The outcome suggest that by the entry of FIIs in Indian market, the market volatility did not change for the immediate two months period, however after two months volatility reduced significantly, so the null hypothesis is accepted. An empirical examination has been conducted to assess the impact of the market opening on the returns and volatility of stock return. It has been seen that there is no significant changes in the Indian Stock Market average returns, volatility is significantly reduced after India unlocked its stock market to foreign investors.

Jatinder Loomba (2012), presented a paper on the topic " Do FIIs impact volatility of Indian Stock Market?"

The objective of the paper is to develop an understanding of the dynamics of the trading behavior of FIIs and effect on the Indian equity market. The study is conducted using daily data on BSE SENSEX and FII activity over a period of 10 years spanning from 1st Jan 2001 to 31st Dec 2011. 'Pearson correlation' was used, which concludes that there is statistically significant relation between BSE SENSEX absolute change and FII activity in Indian Capital Market, so null hypothesis is rejected. It provides the evidence of significant positive correlation between FII activity and effects on Indian Capital market, it also finds that the movements in the Indian Capital market are fairly explained by the FII net inflows.

5. DATA AND METHODOLOGY

Bombay Stock Exchange (BSE) is the only surviving oldest exchange in India. BSE is considered as the barometer of Indian economy. The data related to its prominent market index, SENSEX (consisting of 30 blue chip stocks) has been used in this paper to empirically compare the market behaviour before and after the Indian market opening day (the event day). Exclusively we study the change of market return and volatility after the entry of FIIs to Indian capital market. The 8th,March 2001 has been chosen as event day because there was a change in FII Policy investment limit from 24% to 49%. We used the market index data from 8th,March 2000 to 8th,March 2002. Our data set covers about two years period that included data of 250 trading days before the event day and 250 trading days after the event day.

Period before event date :	8th March 2000 to 8th March 2001 (Total 250 trading days)
Period after event date :	8th March 2001 to 8th March 2002 (Total 250 trading days)
Name of Stock Exchange :	Bombay Stock Exchange
Index used to calculate daily return and volatility :	BSE SENSEX
Frequency of data :	Daily

5.1 STOCK PRICES RETURN

To evaluate the impact of Indian stock market opening to FIIs on stock prices, average return before and after the event day has been calculated for different sub sample days. The return has been calculated by taking the difference in the natural logarithm of the closing index values for two consecutive trading periods. Symbolically, the rate of return has been calculated as follows:

$R_t = \log_e (p_t / p_{t-1}) * 100$

R_t stands for the rate of return for a given period t, where log e is the natural logarithm, p_t is the closing value of stock index (SENSEX in our case) on date t and p_{t-1} is the closing value of stock index . On the basis of daily return, average market return has been calculated for k trading days before and k days after the event day. If the average returns for k days before and k days after event days are represented by (r_{11}, r_{12}, ... r_{1k}) and (r_{21}, r_{22}, ... r_{2k}) respectively, we can test the null hypothesis of equal average return as:

Null Hypothesis : $H_0 : \mu_1 = \mu_2$

(There is no difference in Indian stock prices return before μ_1 and after μ_2 the FII Policy change)

5.2 STOCK PRICE VOLATILITY

The change of volatility in the Indian stock prices has been examined by comparing the variance of the returns of sub sample days before and after then event day. Standard deviation is the statistical tool used to measure the volatility in the returns of various markets. Thus, volatility can be calculated as:

$$S.D = \sqrt{\frac{1}{N-1} \; \Sigma(rt-r)^{-2}}$$

Here, n is the number of observations (no of trading days in a sub sample), rt is the daily rate of return in a sub sample, r is the average return in a sub sample. Let ⍰⍰denote the variance of both periods that is before and after event, then the hypotheses to be tested can be written as:

Null Hypothesis H_0 : $\sigma_1 = \sigma_2$

(There is no difference in stock prices volatility before σ_1 and after σ_2 the FII Policy change).

6. EMPIRICAL RESULTS

6.1 IMPACT OF FIIS INVESTMENT FLOWS ON STOCK PRICES RETURN

The calculated average returns for before and after sub samples are reported in table II. Wilcoxon-Mann-Whitney test, also called the rank sum test or U test, is the measure which has been used to check the significance of differences in the average market returns of the all sub sample with same – and + event days. Wilcoxon-Mann-Whitney test is used to test the null hypothesis that two sub samples are identically distributed or not. The Mann Whitney U statistic is defined as:

$$\mathrm{U} = n1 * n2 + \frac{n1(n1+1)}{2} \sum \mathrm{Ri}$$

(Here n1 and n2 are sample size and$\sum$ Ri is sum of ranks)

The mean of U statistic is: μ_u = (n1 * n2) / 2

Standard error (or standard deviation): sd = $\sqrt{n1.n2}\frac{(n1+n2+1)}{12}$

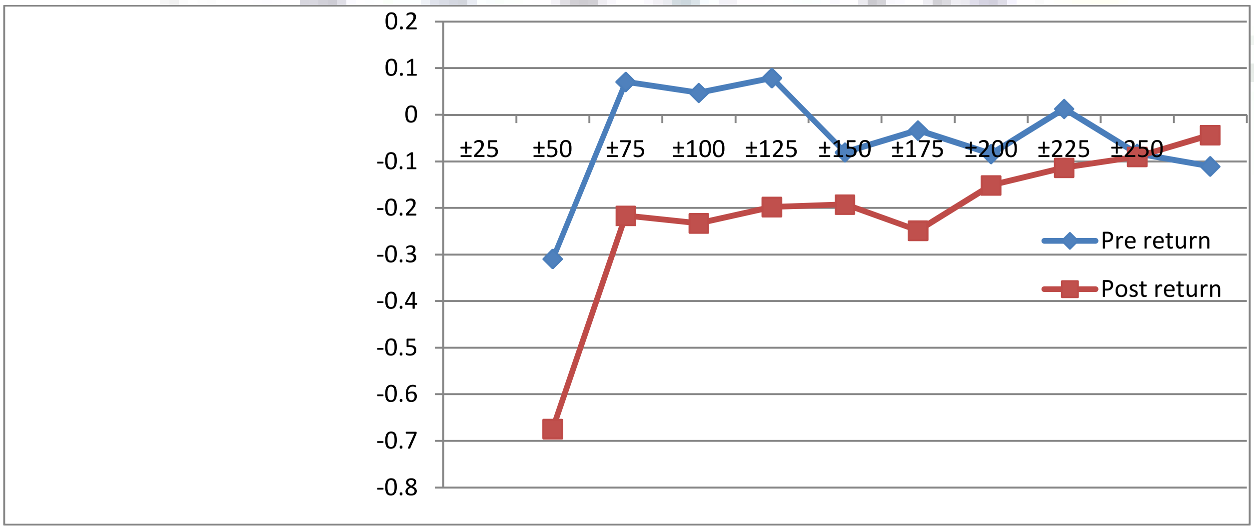
If the sample size is more than 8, with the given level of statistical significance, the test will report whether the calculated value of U test statistic falls within the acceptance region or not. The U test statistic can further be interpreted by using the Z statistic as Z is a standard normal deviate whose significance can be checked from tables of the normal distribution. If the calculated Z (ignoring signs) value does not equal or exceed the critical Z value of 1.96 (critical Z value for a two-tailed test at 5%), then it can be assumed that the null hypothesis is correct and there is no difference between two groups of sample. However if the Z value exceeds 1.96 then there is sufficient evidence to reject the null hypothesis and accept the alternative hypothesis.

TABLE 1 : TESTING THE AVERAGE RETURN CHANGE

Reference count	Pre return	Post return	Z score	Significance level
±25	-0.3091241	-0.6741375	-0.8634	0.5092
±50	0.07092091	-0.216561	-9.2550	0
±75	0.04730109	-0.2326706	-1.1858	0.234
±100	0.07914921	-0.1976729	-1.4318	0.1528
±125	-0.0804012	-0.1923865	-0.9052	0.3628
±150	-0.0332254	-0.2485363	-1.1767	0.2380
±175	-0.0838999	-0.151331	-0.4650	0.6384
±200	0.01293494	-0.1135139	-0.9635	0.3370
±225	-0.0832631	-0.0899957	-0.4056	0.6818
±250	-0.1105123	-0.0432573	-0.0552	0.9522

The daily mean return for the 25 days, prior to the entry of FIIs has been calculated at -0.3091241, while for the 25 days period following the event day is -0.6741375. Whereas the mean return for 50,75 and 100 days before is decreased from 0.07092901 to 0.04730109 and increase from 0.04730109 to 0.07914921 after 75 days, while mean return following the event day for 50, 75, and 100 days are decreased from -0.216561 to -0.1976729 after FIIs entry. While for days prior to event day for 125, 150, 175 are fluctuating from -0.0804012 to -0.0838999 and for days following to event day for 125, 150, 175 are again fluctuating from -0.1923865 to -0.151331. At last for the remaining 200, 225, and 250 days prior to event day is constantly declining while for days following event day for 200, 225, and 250 is increasing from -0.1135139 to -0.0422573. So in long run it gives positive average market return with the respect to change in percentage of investment from 24 to 49.

FIGURE 1: STOCK PRICES RETURN BEFORE AND AFTER THE FII POLICY CHANGE



Using the Mann-Whitney Test (Wilcoxon Rank Sum Test) and a significance level of α = 0.05 (5%), there is enough evidence to conclude that there is no significant difference in mean daily return before and after the announcement date for the entry of FIIs in Indian market. Evidence is strongly in the favor of null hypothesis as the two tail probability levels (0.5092, 0.2340, 0.1528, 0.3638 and so on) for all the sub sample is more than 0.05 and the values of Z (ignoring signs) are also less than 1.96 (tabulated values of Z at 5%). We have to accept our null hypothesis that is there is no difference in Indian stock prices return before ($\mu 1$) and after ($\mu 2$) the entry of FIIs.

6.2 IMPACT OF FIIS INVESTMENT FLOWS ON STOCK PRICE VOLATILITY

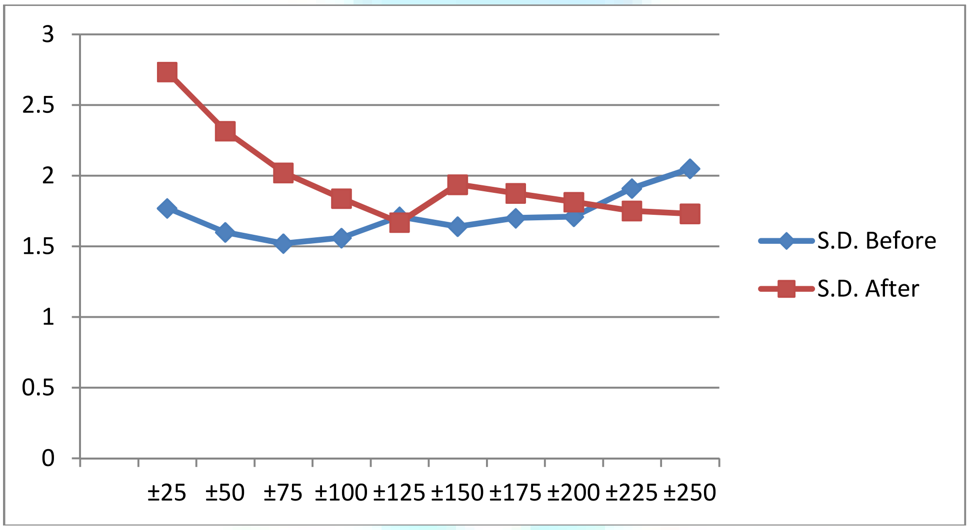
The change in stock prices volatility level has been studied by comparing the variance of returns, before and after the entry of FIIs. Our null hypothesis for testing is $\sigma_1 = \sigma_2$ and alternative hypothesis is $\sigma_1 \neq \sigma_2$, where σ_1 is the variance before the announcement, and σ_2 is the variance after the announcement of FIIs policy in India.

The Table 2 presents the standard deviation of stock market volatility for sub sample periods before and after the event day. The daily volatility for the first sub sample i.e. 25 days prior to the event day has been 1.7737, while for the 25 days after the entry of FIIs has been 2.7341. Similarly the subsequent values for 50 days and 75 days before and after are 1.5979, 2.3153 and 1.5214, 2.0210 respectively. As it can be seen from Table II, all sub sample standard deviations after the entry of FIIs have been greater than the corresponding counterparts before the entry of FIIs except for the 225 & 250 days before and after event day. So with this empirical and statistical null hypothesis $\sigma_1 = \sigma_2$ has been rejected & $\sigma_1 \neq \sigma_2$ alternative is accepted. (There is significant difference in stock prices volatility before σ_1 and after σ_2 the FII Policy change).

TABLE 2: TESTING THE MARKET VOLATILITY

Reference count	S.D. Before	S.D. After
±25	1.7737	2.7341
±50	1.5979	2.3153
±75	1.5214	2.0210
±100	1.5598	1.8385
±125	1.7094	1.6690
±150	1.6383	1.9374
±175	1.6975	1.8756
±200	1.7137	1.8132
±225	1.9123	1.7514
±250	2.0501	1.7311

FIGURE 2: STOCK PRICE VOLATILITY BEFORE AND AFTER EVENT DAY



7. CONCLUSION

Looking to the Globalization of Indian economy in the fast phase of growing world market as a developing nation efforts were put to understand the impact of Foreign institutional investors growing demand in Indian market for investment and its contrary effect on stock market daily return and volatility of stock market with reference to change in FII percentage investment from 24% to 49% . on the basis of the above empirical results and discussion researchers were come to the conclusion that average market return for policy period change in study declined reasonably and volatility has been reduced significantly after the entry of FII. As per the observation to important market highlighter like SENSEX, NIFTY, Market capitalization and Market turnover which is strongly correlated in India, but FII Investment and Market Volatility and Market return has been comparatively very low. Hence it can be said that volatility in Indian market is not due to FII investment flows but it is a result of many more other significant market related factors.

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INFLUENCE OF EMPOWERMENT ON EMPLOYEE PERFORMANCE: A CASE OF PRIMARY SCHOOL TEACHERS' IN KAKAMEGA CENTRAL DISTRICT, KENYA

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ABSTRACT

Employee empowerment seeks to increase the employees' responsibility, build their morale and improve the quality of their work life by creating a working environment where an employee is allowed to make his own decisions or participate in the decisions of the management in specific work-related situations. Ideally, when an employee feels valued in an organization, he will be more productive, loyal and confident. The main purpose of this study was to establish the influence of employee empowerment on primary school teachers' performance in Kakamega Central District., Kenya. The study used descriptive and correlation survey design to collect data from 164 teachers through questionnaires and document analysis. Data was analysed using frequencies, percentages and Pearson's Product moment correlation coefficient test. The study concluded that the autonomy the teachers' had in their work execution and the impact of their duties had the greatest influence on teachers' performance. Competence, manifested as training, knowledge and skills they possessed had a minimal effect on teachers' performance. The study recommends that employees should be encouraged to value their work and be allowed to participate in decision making especially on issues related to task accomplishment in a bid to enhance their performance.

KEYWORDS

Empowerment, Employee performance.

INTRODUCTION

With increased competition in modern organizations brought by globalization, organizations are forced to make changes and improve their operations to cope with the changing scenarios. To successfully do so, they should not keep their employees in the dark about major decisions affecting them. The organization should involve the employees in the decision making at all levels (Mathieu and Rapp, 2005). Many organizations have shunned "command and control" as a model of leadership. Instead, a more open and collaborative framework that will seek to exploit the various talents and abilities of all the employees especially by involving them in decision making is being embraced. Employees of the organization must be involved in defining objectives and setting the means of achievement (Carter,2009) if they are to understand the need for being creative and remaining committed to changing their behaviour at work in new and improved ways. Empowering employees therefore serves to create a sense of belonging among the workers as well as a congenial environment where both the management level of the organization and the workers voluntarily contribute to healthy working relations (Noah 2009). In order to improve the employees' commitment and humanise the work place with the intention of improving work performance, managers need to permit a high degree of empowerment.

The Kenyan Government embraced pursuit of Education for All in 2005 through the adoption of the Sessional Paper No. 1 of 2005 (Government of Kenya, 2005).This policy document targets the provision of all inclusive quality education that is accessible and relevant to all Kenyans. At the Primary school level, the key concerns to education are access, retention, equity, quality and relevance as well as internal and external efficiencies within the education system. Primary school teachers, being implementors of the policy are expected to be empowered to enthusiastically play their role in helping the country achieve this endevour.

STATEMENT OF THE RESEARCH PROBLEM

Research shows that empowerment positively affects employee performance and job satisfaction (Indradevi, 2012; Ugboro and Obeng, 2000; Carless, 2004). Organizations therefore have to ensure that they embrace the practice and facilitate the involvement of employees in organizational goal formulation, task assignment and decision making. The extent to which this practice is appreciated may however differ from one economic or social sector to another. Further, this may depend on the policies and leadership style prevalent in a given organization. Kenyan primary schools face the challenge of weak management and internal inefficiencies (Government of Kenya, 2005). The Education Act assigns the management of primary schools to School Management Committees whose membership includes the head teacher and selected parents' representatives. In most of these schools, the major decisions are undertaken by the head teachers and School Management Committees and rarely do they directly involve the parents and teachers. This can result in a high level of dissatisfaction by the teaching staff especially when the teachers are not empowered nor consulted when major decisions affecting them are undertaken without their involvement. They want to have a say in how the work is carried out and take advantage of opportunities to participate in decision making.

Whereas previous studies in this area have focused on the relationships between employee empowerment and organisational performance in the hotel industry (Chiang and Hsieh,2012), manufacturing firms, software firms (Indravedi, 2012) and banks (Tutar, Altinoz and Cakiroglu, 2011) little is known about the extent of this relationship particularly among non-profit organizations like public schools. Moreover, results of such research in the Kenyan context are not available. This study sought to fill this gap by establishing the effect of employee empowerment on Primary schools' teachers' performance in Kakamega Central District, Kenya.

OBJECTIVES OF THE STUDY

The study sought to achieve the following objectives:

1. Examine the effect of autonomy on employee performance in the primary schools' education sector.
2. Explain the relationship between staff influence in decision making and employee performance in the primary school education sector.
3. Determine the effect of competence on employee performance in the primary schools' education sector.
4. Establish the relationship between Meaningful work and employee performance in the primary schools' education sector.

STUDY HYPOTHESES

The study tested the following null hypotheses:

H01 There is no significant relationship between Employee autonomy and employee performance in the primary schools' education sector.

H02 There is no significant relationship between staff influence in decision making and employee performance in the primary school education sector.

H03 There is no significant relationship between Competence and employee performance in the primary schools' education sector.

H04 There is no significant relationship between Meaningful work and employee performance in the primary schools' education sector.

LITERATURE REVIEW

The concept of employee empowerment has received widespread attention from scholars. This is based on the central position employees play in ensuring organizations attain desired performance goals. Empowerment has been seen as an attempt to give staff members more power so as to achieve desired outcomes (Conger and Kanungo, 1988; Ashcraft and Kedrowicz, 2002). It is a special form of delegation in which the sub-ordinate gains greater control and freedom of choice with respect to bridging the communication gap between the management and the workers. It also refers to the degree of employee's involvement in a firm strategic planning activity. Empowerment gives an employee a sense of freedom, autonomy and personal responsibility in determining whatever goes on in the organization. As a result, they are intrinsically motivated to perform tasks for the benefit of the organization (Chiang and Hsieh, 2012) Empowerment gives employees a feeling of freedom, autonomy and personal responsibility in determining whatever goes on in the organization. As a result, they are intrinsically motivated to perform tasks for the benefit of the organization (Chiang and Hsieh, 2012).

According to Spreitzer (1995), empowerment has four dimensions. These include meaning, self determination, competence and impact. Meaning refers to the extent to which an employee attaches value to a given job based on his own standards, beliefs, attitudes or ideals. The greater the meaning, the more committed one will be in the performance of duties. Self-determination on its part refers to the autonomy with which an employee makes decisions about his or her work. Where employees are allowed to decide what is to be done, how a task is to be accomplished and when it is to be done, it gives a sense of ownership which is intrinsically motivating. According to Indradevi (2012), it results in employees being creative and accepting responsibility for their work. Competence refers to the ability one has to perform tasks or responsibilities assigned. It calls for one to be equipped with knowledge, skills and attitudes relevant to perform certain activities. Competence can be gained through participation and investment in various training and development activities (Kamoche, 2001). Lastly, impact refers to the degree to which one can influence outcomes at work as well as the belief that they have real impact on organizational results and outcomes.

Using these four constructs of empowerment, scholars have carried out studies to determine the effect that empowerment has on organizational performance, job satisfaction and team performance. According to Tuuli and Rowlinson (2009), there is a direct and positive relationship between psychological empowerment and employee job performance. To them, employees who are motivated displayed positive performance behaviours which resulted in derived performance. In another study by Indradevi (2012), empowerment was found to predict job performance of employees in the Indian software sector. Specifically, his study found out that meaning and impact were the most important components of empowerment in predicting job performance, followed by autonomy and competence.

A study by Tutar *et al* (2011) also confirmed that employee empowerment predicted the performance of employees in the banking sector in Turkey. Employee empowerment predicted the performance of employees in these entities with employee individual traits such as skills, willingness and creativity predicting their contextual performance. In the same study, meaning had the greatest effect followed by impact, self determination or autonomy and finally competence. These findings are similar to those of Indradevi (2012) in their conclusion of meaning and impact as being the main predictors of employee performance. Another study by Sally and Carless (2004) also established that empowerment affected the relationship between psychological climate and job satisfaction of employees, hence impacting on employee performance. Other studies by Chiang and Hsieh (2012) and Mathieu and Rapp (2005) also point to the predictive characteristic of empowerment on employee performance.

According to Sahoo and Das (2011), empowerment recognizes employees' talents hence increase the degree of their commitment to the organization. It shifts the management of employees from the traditional hierarchical control system to one centred on organizational commitment and driven by self discipline of employees. This is however dependent on the treatment employees received that shows equity and fairness, how challenging the job is, clarity of purpose and congruency (Fornes, Rocco and Wollard, 2008). Most of the reviewed literature relates to studies done in Europe and the East with minimal studies being reported in Africa that explore the relationship between empowerment and employee performance. This scantiness in literature of African studies on the issue affects the generalizability of the findings of earlier studies hence the need for a study touching on the relationship between empowerment and employee performance in the African context.

RESEARCH METHODOLOGY

The study used a descriptive survey and correlation research designs to collect data from a sample of 164 primary school teachers who were selected to participate in the study. It utilized stratified and simple random sampling methods to pick the samples. Questionnaires were the main data collection tool. They contained both open ended and closed ended items that sought information on empowerment and teachers' performance. Most of the items on the questionnaires were adapted from the questionnaire on empowerment developed by Spreitzer (1995). Document analysis was also done to triangulate the study especially on teachers' performance where Kenya Certificate of Primary Education (KCPE) examination results of various schools in Kakamega Central District, Kenya where the respondents taught were examined. The items of the questionnaires were subjected to Cronbach Alpha coefficient test which yielded an r-value of 0. 82. This indicated a high reliability value of the questionnaire. The data that was collected from the respondents was then descriptively and inferentially analyzed using frequencies, percentages and Pearson's product moment correlation coefficient test.

RESULTS AND DISCUSSIONS

The study targeted 210 teachers to be respondents but only 164 of them filled and returned the study questionnaire, representing a 78% response rate. The study captured the respondents' demographic characteristics as shown in Table 1.

TABLE 1: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Characteristics	N=164	Frequency	%
Gender	Male	77	46.95
	Female	87	53.05
Age	Below 30 years	27	16.46
	31-40 years	45	27.44
	41-50 years	66	40.24
	Above 50 years	26	15.86
Highest Academic Qualification	P1 Certificate	75	45.73
	Diploma	34	20.73
	Bachelors' Degree	54	32.93
	Masters Degree	01	00.61
	PhD	00	00.00
Teaching Experience	Below 5 years	69	42.07
	6-10 years	25	15.25
	11-15 years	34	20.73
	Above 15 years	36	21.95

Source: Research Study, 2012.

The demographic results show that a majority of the respondents were female, 87(53.05%) and many were aged between 41 and 50 years. People in this age bracket are usually settled in their careers and desire to contribute their knowledge and skills to tasks at the workplace. As a result, they appreciate if their contribution is valued and taken into consideration when making decisions. Most of the respondents also had certificate, 75 (45.73%) and Diploma, 34(20.73%) as their highest academic qualification. Of all the respondents, 54 (32.93%) of them had pursued Bachelors degree level of education, a pointer to the zeal existing among the primary school teachers to enhance their competence. One respondent (00.61%) had a Masters degree.

The study further revealed that most of the respondents had taught for below five years, 69 (42.07%) and between six and ten years, 25 (15.25%). This is an indicator of teachers who are young in the profession and who require approval for whatever they do. They may also need to be granted freedom in determining how they are to accomplish desired tasks.

The study further sought the opinions of respondents on various constructs of empowerment and how they affected employee performance. The respondents were asked to comment on the extent to which they agreed with statements on the issue on a Likert scale ranging from **1**-*Strongly Disagree* to **5**-*Strongly Agree* as shown on Table 2.

TABLE 2: RESPONDENTS PERCEPTION OF EMPOWERMENT AND EMPLOYEE PERFORMANCE

Statement	SA(%)	A(%)	U(%)	D(%)	SD(%)
The work I do is important to me.	101(61.59)	34(20.73)	10(6.10)	17(10.37)	02(1.21)
I really care about what I do on my job	111(67.68)	42(25.61)	04(2.44)	07(4.27)	00(00)
My job activities are personally meaningful to me.	99(60.37)	51(31.10)	03(1.83)	11(6.7)	00(00)
I have significant autonomy in determining how I do my job.	25(15.24)	36(21.95)	01(0.61)	22(13.42)	80(48.78)
I can decide on my own on how I go about doing my job.	21(12.80)	43(26.22)	06(3.66)	33(20.12)	61(37.20)
I have considerable opportunity for independence and freedom in how I do my job.	25(15.24)	34(20.73)	05(3.05)	46(28.05)	54(32.93)
I have a chance to use personal initiative in carrying out my work.	27(16.46)	31(18.90)	08(4.88)	51(31.10)	47(28.66)
I have great control on what happens in my school.	24(14.63)	35(21.34)	04(2.44)	47(28.66)	54(32.93)
My opinion counts in departmental decision making processes.	19(11.58)	28(17.07)	03(1.83)	56(34.15)	58(35.37)
My opinion counts in school decision making process.	31(18.90)	04(2.44)	03(1.83)	02(1.22)	78(47.56)
My impact on what happens in school is large.	42(25.61)	06(3.66)	03(1.83)	41(25)	72(43.90)
I am confident about my abilities to do my job.	121(73.78)	35(21.34)	00(00)	08(4.88)	00(00)
My job is well within the scope of my abilities.	130(79.26)	04(2.44)	01(0.61)	17 (10.37)	12(07.32)
I have mastered the skills necessary for my job.	119(72.56)	39(23.78)	02(1.22)	02(1.22)	02(1.22)
I am self-assured about my capabilities to perform my work activities.	123(75.00)	29(17.68)	00(00)	10(06.10)	02(1.22)
I have personally contributed to my school's excellence in academics.	131(79.88)	21(12.80)	00(00)	11(06.71)	01(0.61)
I have received personal recognition for my school's performance in academics and co-curricular activities.	110(67.07)	32(19.51)	00(00)	09(5.49)	13 (7.93)
The mean score of my school in KCPE has improved every year.	38(23.17)	70 (42.68)	01(0.61)	13(07.92)	43(26.22)

Key: SD-Strongly Disagree, D-Disagree, U-Undecided, A-Agree, SA-Strongly Agree

Source: *Research study, 2012*.

The results on Table 2 indicate that most of the respondents were in agreement that the work they do meant a lot to them. A majority of them, 101 (61.59%), strongly agreed with the statement on the importance of the work they do to them. This highlights the meaning they attach to the job. Ninety nine (60.37%) of them strongly agreed that the job activities personally had meaning to them. However, the study established that the respondents were not given autonomy in determining how they were to undertake tasks. Many of them strongly disagreed, 54(32.93%) and disagreed, 33(20.12%) respectively with the statement on whether they were allowed to decide on their own on how to go about doing their job. A majority of them further disagreed, 51(31.10%) and strongly disagreed, 47(28.66%) respectively with the statement that sought to find out if the teachers got a chance to use personal initiative in carrying out their work. This results pointed to a scenario where teachers' creativity was not encouraged and nurtured hence the respondents were left to undertake tasks as per the dictates of others.

The respondents further felt that they had no control over what happened in their schools. Their opinions did not count in departmental matters as highlighted by 56(34.15%) respondents who disagreed and 58(35.37%) who strongly disagreed with a statement that stated the contrary. Their opinion was similar on matters concerning decision making processes affecting their schools. From an empowerment perspective, this meant that the respondents felt that they lacked impact in the outcome of their work.

Lastly, further descriptive analysis showed that the respondents felt they had the required competence to perform their work. In response to the statement as to whether they had mastered the skills necessary for the job, 119(72.56%) strongly agreed and 39(23.78%) agreed with the statement on the issue. This corroborates their response with regard to their highest qualification in Table 1 where all of them had at least P1 Certificate level of training, the requisite minimum qualifications needed for one to teach in a primary school in Kenya. They therefore had the basic skills and training needed to perform their job.

In general, there was agreement among the respondents that they had personally contributed to the performance of their school both in academic and co-curricular activities. As a result most of them had been recognized for their individual contribution as noted by 110(67.07%) of the respondents who strongly agreed and 32(19.51%) respondents respectively who agreed with the statement on the issue as shown on Table 2.

HYPOTHESES TESTS

Pearson's Product Moment Correlation Test was used to test the study hypotheses. The results of the tests are presented in Table 3.

TABLE 3: CORRELATION BETWEEN EMPOWERMENT AND EMPLOYEE PERFORMANCE

		Impact	Meaning	Competence	Autonomy
Employee Performance	Pearson's Correlation(r)	0.779	0.638	0.543	0.689
	Sig. (2 tailed)	0.001	0.001	0.001	0.001
	N	164	164	164	164

Source: Research study 2012

From the findings of the tests, it can be deduced that empowerment constructs namely autonomy, competence, meaning and impact have a positive and significant relationship with employee performance. Influence/impact had the greatest influence on employee performance (r=0.779, p=0.001) followed by autonomy (r=0.689, p=0.001), meaning (0.638) and competence (0.543, p=0.001). Based on the findings, all the four null hypotheses were rejected and the alternative ones accepted. This led to the study to conclude that employee autonomy, competence, influence in decision making and meaningful work had a strong and positive influence on employee performance.

These findings concur with earlier studies done in different contextual environments that held that empowerment had an effect on employee performance (Indradevi, 2012; Tutar, *et al*, 2011; Sahoo and Das, 2011; Tuuli and Rowlinson, 2009). The findings however differ with these earlier studies in the ranking of the specific constructs of empowerment and their impact on employee performance. In this study, unlike that by Tutar *et al* (2011) and Indradevi (2012), Impact had the greatest on employee performance followed by autonomy or self determination. In this Kenyan context in the Primary School education sector therefore, the impact of the teachers had the greatest influence on employee performance, highlighting the importance the teachers place in carrying out their duties. To them, the benefit that will accrue to their clients, that is, their pupils was paramount hence their focus to meaningfully execute their tasks with dedication. Their contribution in decision making also had an influence in their job performance hence they felt disappointed if their effort was not appreciated. The degree to which they were allowed autonomy in performance of their duty therefore played a critical role in determining their performance.

CONCLUSIONS AND RECOMMENDATIONS
The study concluded that employee empowerment had an effect on their performance. Specifically, the impact of tasks performed by employees and the extent to which they were given autonomy and allowed to be independent and free in performing tasks greatly contributed to their performance.

Based on the foregoing, the study recommends that employee empowerment be encouraged by organizations in general since it is a great predictor of organizational performance. In the education sector in particular, teachers should be allowed to participate in decision making, goal setting and task assignment. The tasks assigned should be designed in such a way that they are meaningful to the performer as well as leave room for them to be creative in task accomplishment.

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THE IMPACT OF HRM PRACTICES IN INDIAN SUGAR INDUSTRY

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ABSTRACT
Human Resource Management (HRM) as a function of management has come a long way. The traditional version of HRM, Personnel management (PM) is a concept that can be appropriately related to the old model of organization, is bureaucratic in character, with less suppleness, and higher degree of centralization and formalization, i.e., adherence to rules and regulation. HRM, on the other hand refers to the overall philosophy about the organization and how people should be managed and is not merely limited to certain specific functions. HRM focuses on congruence and commitment instead of compliance and control. Human resource is considered as the backbone of any economic enterprise. In recent years the economist has added "Human resource" besides land, capital and technology as the key factor for building and developing the nation. The human resource management is a proactive central strategic management activity which is different from conventional personnel management. Human resource management is a sun set concepts. The HRM has tremendous relevance to productivity industry. Human input is the single largest that goes in the sugar industry. The level of efficiency of production of this input reflected in the quality of product provided in its totality and a planned approach is needed for maximizing the human resources. The sugar industry is one of the large scale organizations in the employing of human resources with entire satisfaction of employees. It was decided that to know their human resource policies of employees and level of satisfaction is carried out by the researcher in this study.

KEYWORDS
HRM, HR Practices, Indian Sugar Industry, Productivity Industry.

INTRODUCTION
Human Resource Management (HRM) has become the central concern of any organization either in public, private or co-operative sector. Human resources play a crucial role in the development process of modern economics. In the changing economic environment, HRM is assuming much greater importance than ever before. It is conceived to be different from the traditional and conventional notion of 'Personnel Management". A nation with an abundance of physical resources will not benefit itself unless human resources make use of them. In fact; the human resource is solely responsible for effective use of physical and natural resource and for the transformation of traditional economics into modern and industrial economics.

In the last 15 years or so, the discipline of human resource management (HRM) at the global level has transformed itself a great deal, or stands even revolutionized HRM, especially in professionally- managed and multi-national companies, it has moved from performing a transactional to a transformational role in organization's working and turnaround.

In a competitive scenario, effective utilization of human resources has become necessary and the primary task of organization is to identify, recruit, and channel competent human resources into their business operations for improving productivity and functional efficiency.

It is an irrefutable truth that most of the problems in an organization are human problems. Since human nature is complex, managing human resources in any organization is a very challenging task. The human resource is an active force in industrialization, and strategies for development should concentrate particularly on their enhancement. They make organization more dynamic and also enable them to attain their objectives with a high degree of morale and with utmost satisfaction.

The advent of the era of liberalization, globalization, socio-economic, Geo-Political and Techno-Scientific trends, along with the advancements in information technology (IT) have transformed the world around us. It has brought to the center stage the importance of human resources, more than ever before. The purpose of human resource management (HRM) is to enable appropriate deployment of human resources. It is a fact that Human Resource (HR) dynamics prevalent in Indian organizations are different from those in other parts of the globe. But in the recent past, a new orientation is taking place in the Indian organizations because of the globalization of business.

HRM DEFINED
Human Resource Management (HRM) is a management function that helps manager's recruit, select, train and develops members for an organization. Obviously, HRM is concerned with the people's dimension in organizations. It is rather difficult to say spontaneously what management means, though we have studied a course in Management. But it is necessary to recall what management is before studying Human Resource Management (HRM). Management has been defined by Mary Parker Follett as, "the art of getting things done through people".

EVOLUTION OF HUMAN RESOURCE MANAGEMENT
The history of development of personnel management in India is comparatively of recent origin. But Kautilya had dealt with some of the important aspects of human resources management in his book "Arthasastra" about 2500 years back. The Government in those days adopted the techniques of H.R.M. as suggested by Kautilya. In its modern sense it had developed only since independence. Though the importance of labour officers was recognized as early as 1929, the appointment of officers to solve labour and welfare problems gained momentum only after the enactment of the Factories Act of 1948.Section 49 of the Act required the appointment of Welfare Officers in Companies employing more than 500 workers. At the beginning, Government was concerned only with limited aspects of labour welfare. The earliest labour legislation in India dealt with certain aspects of Regulation of Recruitment, Forwarding and Employment of Indian laborers sent to various British colonies in 1830.

SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT
Human Resource Management is central concern of every manager in any organization. Organizations exist for people, as the people make them up of people and Management is the process of getting things done with and through the people to accomplish the organizational goals.

Arthur Lewis observed “There are great differences in development between countries which seem of have roughly equal resources, so it is necessary to enquire into the difference in human behaviour”. Lack of organization of human resources is largely responsible for the backwardness of the nation. Countries are underdeveloped because their people are underdeveloped. In essence, “The difference in the level of economic development of the countries is largely a reflection of the differences in quality of their human resources. The key element in this proposition is that the values, attitudes, general orientation and quality of the people of a country determine its economic development.

The management process includes planning, organizing, motivating and controlling activities to accomplish the objective. Accordingly, human resource management is concerned with the dimension of “individuals” in management process. Since every organization is made up of people, it is essential to acquire their services, develop their services, develop their skills, motivating them to high levels of performance and ensuring their maintenance with commitment to achieve their objectives. Human resources system in an organization is not only unique sub-system but also a principal and central sub-system and it operates upon and controls all other sub-systems. Thus, in the words of Wendell L.French, “Personnel Management is a major pervasive sub-system of all organizations”. The Human Resource Management system and the entire organizations operate under the same cultural, economic, social, legal, political and other constraints. Hence, greater the effectiveness and productivity of personnel, the more will be the effective functioning of an organization. “Peter F. Drucker has rightly observed the significance of personnel as, managers is fond of repeating the truism that the only real difference between one organization and the other is the performance of people”. In essence the survival, development and performance of an organization – although not solely but heavily – depend on the quality of personnel.

HUMAN RESOURCE MANAGEMENT PRACTICES

The ongoing restructuring of management and organization practices designed to cope with an increasingly complex and rapidly changing knowledge – based economy has received increasing attention from scholars from a diversity of disciplines and fields. In particular, much attention has been given to the restructuring of the employment (HRM) practices that have accompanied the emergence of firms specialized for competing in dynamic and information – rich environments.

These practices encompass various types of team – based organization, continuous learning, decentralization of decision rights incentives, systems for mobilizing employee proposals for improvements, quality circles, emphasis on internal knowledge dissemination, etc.[20] Human resource practices help the organization for success.

In any organization, HRM Policies are formulated to provide guidance to all employees including the employees of the HRM department. Policies refer to the objectives of management. They lay down specific procedures and the rules and regulations for the attainment of objectives. The procedures lay down by the policies provide operational guidelines to lower level managers and supervisors towards the achievement of stated objectives. Tarneja, Clothier and Spriegel have listed the various areas of policy formulations in HRM, they are:-

i) Policy of hiring of employees which covers factors like age, marital status, caliber, minority group, like SC, ST, Women and the selection procedures to be followed,
ii) Policy on terms and conditions of employment which covers factors like wage policy, payment method, pay periods, job evaluation and payment, hours, overtime, shift working, promotion opportunities, lay off, termination of services and welfare;
iii) Medical assistance and other benefits covering sickness allowance, Employees State Insurance (ESI) and company medical facilities;
iv) Educational facilities covering areas such as apprentice training, company- run training institute, training on the job and training for promotion;
v) Industrial Relations cover trade union recognition, collective bargaining, grievance procedures and workers participation in management and communication with the work force.

Policies are of various types. For example, Centralized policies are formulated at the head office level and apply throughout the organization. There could also be a functional grouping of categories of employees and workers for whom different sets of policies could apply.

In this context, it is essential to note that personnel policies should be stable but flexible to meet the changing conditions. Stability tends to create a climate of security. Regarding the process of policy formulations, it can be said that the ultimate responsibility for policy formulations and implementation lies with the top management. Top management in this regard is dependent on the HRM department. Policies remain on paper unless they are put into practice. Different industries play different emphasis on the various HRM policies; it is difficult to generalize about the range of HRM functions performed in Indian industries owing a variety of factors such as organization needs, philosophy and attitude.

As the present study is concerned with HRM policies and practices in Sugar industry, an attempt is made by the researcher in the ensuring analysis to present in general terms of the HRM policies and practices relating to Sugar industry. Some important human resource management practices are:

HUMAN RESOURCE PLANNING

Conceptually, human resource planning should be an integral part of business planning. It is the top management responsibility to project shared vision and strategic plans of the organization into long – term vision and short – term goals. The Line Management then translates the projected vision and plans into human resources requirements for their respective departments. Detailed analysis of required competencies in terms of levels and numbers are developed by personnel who also list the existing competencies, list the gaps, and specific requirements, feed this information to line management and prepare detailed human resource requirements, time wise. Human resource planning has an important role to play in preparing worker competencies and numbers required for the projected vision and plans, as well as develop plans of multi – skill training of workers.

RECRUITMENT

Recruitment is the art of discovering and procuring potential applicants for actual and anticipated organizational vacancies. Recruitment as “The process of searching for prospective employees and stimulating them to apply for jobs in the organization”. The purpose of recruitment is to search for the most appropriate candidates from different sources, and encourage them to apply for jobs. Recruitment sources for employees include: advertisements in newspapers and magazines, campus recruitment, trade unions, professional agencies, friends and relatives, casual applicants, etc. Recruitment is considered as one of the most important functions in an organization.

SELECTION

Selection is the process by which an organization chooses from a list of screened applicants, the person(s) who are the best suitable for the job, must be taken as the selection criteria for the positions available. Generally the systematic selection procedure aims at choosing the most appropriate candidates for the jobs and it involves the steps like application blank, written examination, preliminary interview, group discussion, employment tests, final interview, and medical examination and reference checks.

PLACEMENT

Placement is “The determination of the job to which an accepted candidate is to be assigned and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands (job requirements), it is a matching of what he imposes and what he offers in the form of pay roll, companionship with others, promotional possibilities etc.

INDUCTION

The introduction of the employee to the job is known as induction. It is the process by which new employees are introduced to the practices, policies and purposes of the organization. It is basically a welcoming process. Induction follows placement and consists of the task of orienting or introducing the employee to the company. Instead of leaving him to stumble through the organization, it is better to systematically introducing to the company, its policy and its position in the economy.

ORIENTATION

Orientation, also called induction, is designed to provide a new employee with the information he or she needs to function comfortably and effectively in the organization. A formal definition of orientation is "planned introduction of employees to their jobs, their co-workers and the organisation".

TRAINING AND DEVELOPMENT

Training and Development are terms which are sometimes used inter changeably. Development was seen as an activity associated with managers. In contrast training has a more immediate concern and has been associated with improving the knowledge and skill of non-managerial employees in the present job.

Such a distinction is too native in an age characterized by developments in HRM. Because in the present days development of the entire employee is crucial. Such development would facilitate multi-skilling and a flexible mode of operation. These days' even managers require training as they need current operational skills associated with management development.

Training and development may be regarded interactive, each complementing other. The logical step for the organization is to produce a plan for human resource development (i.e. training and development) which will dovetail into the employee resourcing plan (i.e. selection) and the organization's overall strategic plan. Mr. Keep has rightly pointed out saying "training and development of employees is not an option, it is an intrinsic part of the practice of HRM and is an investment in people".

Training which a vehicle for human resource development. It is concerned with improving the skills of the employees and enhancing their capacity to cope with the ever-changing demands of the work situation. It also makes a positive contribution to the empowerment of the employees**.**

TRAINING METHODS

As a result of research in the field of training, a number of programmes are available. Some of these are new methods, while others are improvements over the traditional methods. The training programmes commonly used to train operative and supervisory personnel are discussed below. These programmes are classified into on-the- job and off-the-job training programmes as following.

ON-THE JOB TRAINING METHODS

This type of training, also known as job instruction training, is the most commonly used method. Under this method, the individual is placed on a regular job and taught the skills necessary to perform the job. The trainee learns under the supervision and guidance of a qualified worker or instructor. On-The Job Training has the advantage of giving firsthand knowledge and experience under the actual working conditions. While the trainee learns how to perform a job, he is also a regular worker rendering the services for which he is paid. The problem of transfer of trainee is also minimized as the person learns on-the-job. The emphasis is placed on rendering services in the most effective manner rather than learning how to perform the job. On-the-job training methods include job rotation, coaching, job instruction or training through step-by-step and committee assignments.

(a) **JOB ROTATION:** This type of training involves the movement of the trainee from one job to another. The trainee receives job knowledge and gains experience from his supervisor or trainer in each of the different job assignments. Though this method of training is common in training managers for general manager positions, trainees can also be rotated from job to job in works of jobs. This method gives an opportunity to the trainee to understand the problems of employees on their jobs and respect them.

(b) **COACHING:** The trainee is placed under a particular supervisor functions as a coach in training the individual. The supervisor provides who feed back to the trainee on his performance and offer him some suggestions for improvement. Often the trainee shares some of the duties and responsibilities of the coach and relives him of his burden. A limitation of this method of training is that the trainee may not have the freedom or opportunity to express his own ideas.

(c) **JOB INSTRUCTIONS**: This method is also known as training through step by step. Under this method, trainer explains the trainee the way of doing the jobs, job knowledge and skills and allows him to do the job. The trainer appraises the performance of the trainee, provides feedback information and corrects the trainee.

(d) **COMMITTEE ASSIGNMENTS**: Under the committee assignment, group of trainees are given and asked to solve an actual organization problem. The trainees solve the problem jointly. It develops team work.

OFF-THE-JOB METHODS

Under this method of training, trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees. Off-the-job training methods are as follows.

(a) **VESTIBULE TRAINING**: In this method, actual work conditions are simulated in a classroom. Material, files and equipment those are used in actual job performance are also used in training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from days to a few weeks. Theory can be related to practice in this method.

(b) **ROLE PLAYING**: It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foremen, workers and the like. This method is mostly used for developing interpersonal interactions and relations.

(c) **LECTURE METHOD**: The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives it a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

(d) **CONFERENCE OR DISCUSSION**: It is a method in training the clerical, professional and supervisory personnel. This method involves a group of people who pose ideas, examine and share facts, ideas and data, test assumptions, and draw conclusions, all of which contribute to the improvement of job performance. Discussion has the distinct advantage over the lecture method in that the discussions involve two-way communication and hence feedback is provided. The participants feel free to speak in small groups. The success of this method depends on the leadership qualities of the person who leads the group.

(e) **PROGRAMMED INSTRUCTIONS**: In recent years this method has become popular. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is expensive and time consuming.

WORKERS' PARTICIPATION IN MANAGEMENT

The concept of workers' participation in management is considered as a mechanism where workers have a say in the decision – making process of an enterprise. "Workers' participation in management crystallizes the concept of Industrial Democracy, and indicates an attempt on the part of an employer to build his employees into a team which work towards the realization of a common objective".

WAGE AND SALARY ADMINISTRATION

In the realm of wages, six important concepts have been identified. They are (i) statutory minimum wage (ii) bare or basic minimum wage (iii) minimum wage (iv) fair wage (v) living wage and (vi) need based minimum wage.

Statutory minimum wage refers to the wage fixed under the provisions of the minimum wages Act, 1948 to protect the interest of workers employed in un-organized sector or scheduled employment. This is meant for elimination of exploitation and sweated conditions of workers.

Basic minimum wage is used in judicial pronouncements. It refers to bare subsistence meant to cover the bare physical needs of worker and his family. No, industry has right to exist unless it is able to pay its worker's at least a bare minimum wage.

The concept of minimum wage, fair wage and living wage were defined by the committee on fair wages appointed by the government in 1948. Minimum wage, according to the committee, must provide not merely for the bare sustenance of life but for the preservation of the efficiency of worker. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities.

The fair wages were something which falls between a minimum wage and living wage. The committee on fair wages that stated that while lower limit of fair wages must obviously be the minimum wage, the upper limit is equally set by what may be called "The capacity of industry to pay". Between these two limits the actual wages will depend on (a) The productivity of labor, (b) The prevailing rates of wages in the same or similar occupation, (c) The level of the national income and (d) The place of the industry in economy.

Living wage, according to justice Higgins of Australian common wealth court of conciliation in the Harvester case, must provide for "The normal needs of average employee, regarded as human being living in a civilized community". According to the committee on fair wages, living wage represented the highest level of the wage and naturally, it could include all elements which a citizen living in a modern civilized society was entitled to expect when the economy of the country was sufficiently advanced and the employee was able to meet the expanding aspirations of his workers. From this it appears that in India it will take decades when the working class could hope to get living wages. Till then it only remains as an ideal.

Need based minimum wage concept was evolved in India by the 15th session of the Indian Labour Conference (ILC) held in 1957. It was agreed at the conference that the minimum wage must be need-based and should ensure the minimum human needs of worker and his family. Such wage should cater to the needs of a standard family consisting of three consumption units. While calculating the quantum of wage, it should consider the food, clothing and shelter requirements of the standard family. In addition, the wages should also cover feel, lighting and other miscellaneous expenditure. The conference enjoined on all the wage fixing authorities like wage boards etc., to take into account the norms suggested by Indian Labor conference in calculating the needs of workers family.

HRM PRACTICES IN SUGAR INDUSTRY

Sugar industry is an agro based industry. Its success depends up on the integration of human resources, capital, equipment and raw material. Yet, human resource is considered a major asset of production, which needs special attention. In India, the policies and practices relating to HRM in Sugar industry focus on the recruitment and selection procedures, training and development, wages, incentives and welfare facilities which are governed by the statutory Acts and legislation enacted by the government and central wage board on sugar industry. The working of sugar industry in all the states of India is regulated by the factory Act.

The problems of human resource in the Sugar industry are peculiar, as most of the sugar factories are located in the rural areas. Though the managers are drawn from higher levels of society, the workers are generally drawn from the agricultural classes. It is a well known fact that sugar industry is a seasonal one and so the workers can be employed only for the period of crushing season which usually lasts for five to six months. However, the industry needs to maintain the managerial staff and at least 40 to 50 per cent of workers need to be employed on permanent basis. Therefore, majority workers may not have regular and suitable employment during the off season when the industry is not working. Further most of the temporary and seasonal workers have no guarantee that they would be re-employed at the commencement of the next crushing season. In addition to this, the Sugar industry is dis-organized and consequently does not possess any bargaining capacity.

In this context, it is interesting to note that the labor integration committee at the time of its inquiry and the found that workers were generally recruited at the gate through the heads of the departments. The supervisory, technical or superior staff was appointed by the General Manager in consultation with the proprietors, This indicates the development of suitable policy of HRM in sugar industry. The central wage board of the sugar industry has evolved certain policy guidelines to be practiced in engaging apprentices and learners in the sugar industries. Regarding their employment, it suggested that:

i) No apprentices shall be taken for unskilled manual job;
ii) An apprentice shall not be paid less than sixty per cent of the minimum basis wages and dearness allowances or consolidated wages, as the case may be, of the occupation in which he is receiving training and
iii) The period apprenticeship in a Sugar factory shall not exceed two years. Regarding the absenteeism in Sugar industry in India, it can be said that absenteeism is at the abnormal level of 40 per cent.
iv) Certain industries in some seasons. It demonstrates the need for evolving suitable policy in this direction.

However, the causes of absenteeism have been found which can be summed up as detailed below

i) Lack of interest and satisfaction in the job;
ii) Personnel maladjustment;
iii) Irresponsibility;
iv) Difficult such as transportation, housing and home problems; and Sickness.
v) Wages constitute an important factor for productivity. But India has no viable wage policy so far.

The various committees set up by the government of India such as the fair wage committee, the minimum wage committee, the tripartite wage boards, the Bipartite wage negotiating committees and even judgment by the supreme court in wage revision appeals and adjudication by industrial tribunals, labor appellate tribunals have grappled with the problem of wages. No rational wage policy has emerged so far taking all kinds productive fields including sugar industry.

Collective Bargaining with its constraints such as multiple trade unions has not succeeded. According to the recommendations of the second wage board, employees in supervisory, clerical, highly skilled grades are getting a retaining allowance and those in the semi-skilled grade at 25 per cent of their monthly basic pay and dearness allowances. This is the policy usually adopted by the sugar industry retaining allowance to seasonal workers. The scheme of gratuity is applicable to all permanent and seasonal workers, except apprentices employed in or concerned with sugar factors.

As per the policy worked out by the 'Government on the recommendations of the first wage board report, the gratuity amount is fixed at one half of a month pay to permanent and one fourth of a month's pay to a seasonal workmen for every continuous year or season of services, as the case may be, subject to a minimum of 15 month pay. This is payable on the death of an employee while in employment irrespective of the length of the services or on the retirement or regression due to continued ill health or on the attainment age of superannuation. No gratuity is payable to a workman who is dismissed from the services for the serious misconduct such as in subordination moral turpitude, injury to the property employer or financial loss to the employer. The gratuity and Bonus is payable to the worker in the terms of the provision of the payment of Bonus, 1972 as amended from time to time. The policy guiding superannuating fixed the age of superannuation at 58 years. The superannuation age is fixed at 60 based on the recommendation of the third wage board of so far industry.

Regarding labor welfare facility in sugar industry, it can be said that welfare measures are introduced to combat the sense of frustration of workers. According to the labor investigation committee, educational facilities existed in majority of the sugar industry in India. Similarly, majorities of the sugar industries provide dispensary where free medical aid is given to workers and their families. The third wage board refers to the medical officer and staff who are entitled to revised scale of pay for effective performance. In India factories Act shops and establishment Acts have made legal provision with regard to employee's safety, health, working conditions including matters such as sanitation cleanliness, lighting, drinking water and reforms.

The relevant laws also provide for subsided canteens. The policy regarding associating workers with management to ensure close collaboration and any increased share in the affairs of the industry received official recognition in India since the second-five year plan. The objectives envisaged to establish relationship between the workers and management emphasize that the policy should cover i) establishment of cordial relations between management and workers to establish mutual trust among them; ii) substantial increase in productivity in the interest of management, workers and the Nation; iii) training and education of workers and employees; and iv) securing better welfare facilities for workers.

CONCLUSION

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the employee's productivity. Recent decades have focused on increased concern for the quality of working life, total quality management and worker's participation in management. These three phases may be termed as welfare, development and empowerment.

Management of human resources is not the only task of personnel department. It is important activity of every manager. Every manager in the organization is responsible for the recruitment, selection, development and maintenance of human resources of the people at work. The HRM department simply assists them or guides them by training various policies and programme. The above discussion suggests that HRM policies and practices have universal implications in the changing economic environment.

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RADIO LISTENERS AND ADVERTISEMENTS: AN EXPLORATORY APPROACH

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ABSTRACT

Purpose of the study: This research paper is intended to know whether the radio advertisement makes any positive impact on the listeners of the radio/ FM stations. This is also an attempt to explore the relationship between the listener's likeliness and the radio advertisements. Approach/ Design: A sample of 300 listeners was drawn. Convenience sampling technique is used to collect the data from the listeners. The data was analyzed by using Chi-Square Test (Systat software version 13) as the statistical tool. It is observed that Advertisements in the radio stations are not fully clear with the concept and this research paper endeavor on the customer likeliness and what the customer feel about the radio station in terms of advertisements/popularity and so on. This research paper leads us to the conclusion that influence of radio/FM advertisements makes a no positive impact on the radio listeners. Especially the majority of the respondents are interested in listening to more music and entertainment programs. It is difficult for any of the program in radio station to bind the listeners. It is quite complicated task to satisfy the listeners as their view and perception keeps on changing, sometimes they like the program or on the other hand they avoid the other.

KEYWORDS

Radio Advertisements, Ads, advertisements, Radio listener.

INTRODUCTION

India is proved to be the best place for the opportunities from the last decade. Many of the foreign companies are looking forward to establish their business setups in India. As the Indian economy is accelerating at a high pace, the Media/ Entertainment Industry also try to attract its Audience/Listener in number of ways. Radio is one of the media which got more listeners. All thanks to the odd working hours and traffic jams people found the radio to be their best partner and this has increased the popularity of Radio stations at large in Metro cities like Bangalore. In the recent times, the Radio stations are quite popular because of the Education Programs, Entertainment and knowledge oriented programs.

This paper briefs on the account of the advertisements in the radio stations, recent studies were focused on the implications of the advertisements but not given the full solutions to the existing problems. This is an attempt to portray the existing problems and the possible solutions to enhance/ to attract more listeners towards the Radio Stations rather than choosing the exits alternative.

The pattern of this research paper is as follows. The first level will be focused on the impact of radio advertisement on listener. Second level is projected on the Listener likeliness of the Radio station. And final level proposed on the findings and suggestions.

REVIEW OF LITERATURE

Neha Bansal (2012): This research aims at Advertisement Management System; it takes a tremendous amount of effort in the form of man-hours and money for advertisers to promote their product or service through the traditional advertising intermediate, such as the television medium, billboards, and print/ press. Coming to the Internet, marketing got more wide, and with the new frontiers for advertisers as well as publishers. For advertisers to reach out to more audience, it is essential to utilize trendy networks such as Google Search and social media like Face book and MySpace.

Rajagopal (2010): This study aims at analyzing the impact of radio advertisements on urban commuters towards buying behavior in retail stores and attempts to determine the role of radio advertising on dissemination of information on the promotions of sales. The enforcement of radio advertisements on the store choice and buying preferences are analyzed based on empirical analysis. The study discloses that behavior of urban consumer at retail stores in response to radio advertisements is highly influenced by the cognitive, economic and physical variables.

OBJECTIVES

- To know the impact of Radio Advertisement on the listener
- To emphasize the relationship between radio advertisements and listener likeliness of the Radio station in Bangalore region

HYPOTHESIS

The hypothesis is as follows:

1) **H_0**: There is no positive impact of radio advertisements on the radio listeners in Bangalore region

H_1: There is a positive impact of radio advertisements on the radio listeners in Bangalore region

2) **H_0**: There is no optimistic relationship between the radio advertisements and the likeliness of listener on radio station

H_1: There is optimistic relationship between the radio advertisements and the likeliness of listener on radio station

SCOPE OF THE STUDY

This study was carried out in Bangalore city. The consensus cannot be broaden to entire Karnataka state or India. In addition to this, the study can be conducted in a bigger scale to authenticate the consequences.

RESEARCH METHODOLOGY

Utilization of research methodology/ design is discussed in this section; this research study is descriptive in nature. The details are listed below.

SURVEY INSTRUMENT

For this research study, survey method has adopted for data collection from a sample size of 300 respondents. The sampling technique used was Convenience Sampling method.

DATA COLLECTION

The researcher visited the listeners personally for the extraction of data. All the 300 listeners are responded to the questionnaire. The response from 300 listeners is considered for the primary data. Journals, Magazines and web are used to gather secondary data for the study.

DATA ANALYSIS METHODS

The data was analyzed by using Chi-Square Test (Systat software version 13) as the statistical tool.

ANALYSIS AND INTERPRETATION

Reviewed Statistics of Sampled Radio Listeners, N=300

TABLE 1: CLASSIFICATION OF RESPONDENTS

Sl. No.	Factors	Category	No. of Respondents	Percentage
1.	Gender	Male	177	59
		Female	123	41
		Total	**300**	**100**
2.	Age	Below 25 years	193	64.33
		26-40 years	66	22.0
		41-50 years	27	9.0
		Above 50 years	14	4.67
		Total	**300**	**100**
3.	Qualification	Up to Matriculation	69	23
		10+	119	39.67
		Graduate	59	19.67
		Post Graduate	37	12.33
		Others	16	5.33
		Total	**300**	**100**
4.	Occupation	Business	47	15.67
		Profession	83	27.67
		Household	57	19
		Services	89	29.66
		Others	24	8
		Total	**300**	**100**

Source: Compiled from primary data

A good majority of the radio listeners (as shown in table 1) were males (59%) in the age group of below 25 years of age (64.33%) and were 10+ (39.67%). Most of them were services/ service industry (29.66%).

HYPOTHESIS TESTING

1) **H_0**: There is no positive impact of radio advertisements on the radio listeners in Bangalore region

H_1: There is a positive impact of radio advertisements on the radio listeners in Bangalore region

TABLE 2: CHI – SQUARE TEST VALUE

Level of Significance	Degrees of freedom	Table/Critical Value	Calculated Value	Mean	S.D
5%	3	7.81	0.1017	37.5	37.962

The critical (or Table) value of χ^2 = 7.81 at α=0.05 and degree of freedom= 3. Since the calculated value of χ^2 = 0.1017 is less than its table value, the null hypothesis is accepted. Consequently we can say that the radio advertisements make no positive impact on the radio listeners.

2) **H_0**: There is no optimistic relationship between the radio advertisements and the likeliness of listener on radio station

H_1: There is optimistic relationship between the radio advertisements and the likeliness of listener on radio station

TABLE 3: CHI – SQUARE TEST VALUE

Level of Significance	Degrees of freedom	Table/Critical Value	Calculated Value	Mean	S.D
5%	3	7.81	10.704	37.5	28.63

The critical (or Table) value of χ^2 = 7.81 at α=0.05 and degree of freedom= 3. Since the calculated value of χ^2 = 10.704 is greater than its table value, the null hypothesis is rejected. By looking out the results we can say that there is optimistic relationship between the radio advertisements and the likeliness of listener on radio station.

FINDINGS

1) According to the survey and the response from the listeners, it's clear that the age group below 25 years (64.53%), 26-40 years (21.98%), 41-50 years (8.51%), above 50 years (4.96%) are keenly interested in the radio advertisements. The reasons are that the advertisement passes the latest updates, covering the local and national issues. Listeners also believe that the advertisements are of good informative, knowledge based. The listeners expect more jingle and dialogue based advertisements to keep the information in the mind.
2) In contrast with the above mentioned data, the listeners are not interested in listening to advertisements as the age group below 25 years (64.15%), 26-40 years (22.01%), 41-50 years (9.43%), above 50 years (4.4%). As listeners are interested in more music/ entertainment, more news, latest updates on entertainment industry, and also some gossips from the entertainment industry.
3) It is been observed that the listeners are not happy with most of the radio/FM stations as they focus more on the advertisements and the music is very less. And listeners are quite convinced about the radio jockey and the languages are used while interacting with the listeners.

CONCLUSION

This research paper leads us to the conclusion that influence of radio/FM advertisements makes a no positive impact on the radio listeners. Especially the majority of the respondents are interested in listening to more music and entertainment programs. It is difficult for any of the program in radio station to bind the listeners. It is quite complicated task to satisfy the listeners as their view and perception keeps on changing, sometimes they like the program or on the other hand they avoid the other. The perception of the listeners varied from person to person and listener to listener. It is been observed that the FM station tries to bind the listeners to the maximum extent but at the time of the advertisement the link will be broken, by switching to the other station. Finally it is proved that there is optimistic approach/ relationship exists between the radio advertisements and the likeliness of the listeners towards radio/ radio station.

LIMITATION OF THE STUDY

The research study has some limitations. Initially, the paper has been carried out in Bangalore city. It is quite obvious that the opinion/belief of people of different cities may be diverse. The respondents for this study were both educated and some are them are less/no educated people might have the dissimilar views.

SCOPE FOR FURTHER RESEARCH

Considering the limitations of this study mentioned above, future research can be focus on expanding to study the comparison between the radio stations in terms of unique selling proposition (USPs). A study can be done to determine the gap between prospect and insight of the listeners on the radio stations.

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THE IMPACT OF TOTAL QUALITY MANAGEMENT ON BANKS AND WORKERS PERFORMANCE: A CASE STUDY

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ABSTRACT

Total Quality Management plays a crucial role in the today's competitive environment. Competition is not only associated with few sectors, each and every field of business sector facing this rivalry environment. Among them, bank is one. No doubts, banks play a key pivotal role in the economic development of a country, because they are the financial intermediaries who involved in transfer of funds within and outside the country. Banking sector is getting more competitive every day. Qualities, speed, efficiency, innovation are the main points on which quality programs are designed. All banks are engaged in same basic banking activities but it is the way of delivery of services that distinguishes one bank from the other. Customer expectations and need for banking services are changing. As customer become more educated, they demand new products, better delivery channels and more reliable as well as responsive services. Improvement in service standard in other industries also raises the expectation of banking customers. Banks need to deal with a generation of more demanding customers. To improve competitiveness, banks have to satisfy their customers by providing higher quality services. Here is an attempt to study about the challenges to implement the TQM in banks and customers opinion about the quality management in different banks. The study covers the basic concept of Total Quality Management, process of Quality Management System and workers' perception towards quality management in banks.

KEYWORDS

Total Quality Management, banking industry.

TOTAL QUALITY MANAGEMENT- A THEORETICAL FRAMEWORK

TOTAL QUALITY MANAGEMENT

Total Quality Management is a management`s approach towards the quality, it can be in regard to products, customer satisfaction and employees satisfaction. The concept of TQM was developed by an American **W. Edwards Deming** and that's why it is called as "Deming`s concept of TQM."

In simple, Total Quality Management (TQM) means,

Total = Quality involves everyone and all activities in the Bank (Company).

Quality = Conformance to Requirements (Meeting Customer Requirements).

Management = Quality can and must be managed.

TQM = A process for managing quality; it must be a continuous way of life; a philosophy of perpetual improvement in everything we do.

TQM focused on customers and considered customers as king. While defining the term "Quality" it has been noticed that everything was focused on customers.

TQM is essentially a management philosophy where every individual in an organization is motivated to work towards a common vision, in an ideal environment, continuously improving their performance, resulting in better business opportunities.

According to **Michael J. Stahl** – "TQM provides market and sector leadership by the establishment of processes and systems which promote excellence, prevents errors and waste, without duplication and ensures that every aspect of the organization is aligned to the needs of both the external and internal customer.

LITERATURE REVIEW

Dr. R. Krishna Kumar, (September, 2011), he suggest that, a modern approach of TQM should be practiced in the banking industries to lead a successful path in order to overcome from the globalization challenges as well as their continuous growth progress in their day-to-day operations by fulfilling the cent percent customers' satisfaction. It includes four aspects viz, continuous improvement, customer focus, prevention and universal responsibility[2].

Durgesh Pattnayak and Dr. K. Maddulety(2011), they explored that, even though many researchers conducted studies on various TQM dimensions independently, it seems that no research work, still has collectively taken all these dimensions into consideration in the service sector. Some dimensions of TQM can be applied both in manufacturing and the service sector. So they focused on importance of TQM in banking industry. Because customers' are important aspect of bank and loyal customers' can add value to profitability of banks. TQM can improve performance of a bank by lowering costs, increasing revenues, delighting customers, and empowering employees. Also customer satisfaction is important for banking industry. And implementation of TQM in banking industry helps improving customer satisfaction, so using TQM banks can be benefited[3].

Hummayoun Naeem, and et.al (November, 2008), they examined that in this competitive age, the survival of a business mainly depends upon the quality associated with the product. Similarly, in order to succeed in commercial banking, there is a need to develop an organizational culture based on Quality Management approach where everybody is involved in quality enhancement processes and the bank management is keen and fully committed to the satisfaction of both internal and external customers[5].

STATEMENT OF PROBLEM

The quality management is a systematic way of managing any organization (i.e. bank), in order to meet the needs of the customer consistently and to achieve continuous improvement in each and every organization of its banking activities. But the banks are facing the problem with the workers participation and involvement. Along with that, implementing a TQM system in banks requires extensive training for employees and this leads to high cost of implementation of TQM. Many of the workers are refuse to change the existing methods of management. In addition to this, this may impact both in negative and positive way. So to know about impact of TQM on both the parties (I.e. banks and workers), the title of the study is "The Impact of Total Quality Management on Banks and Workers Performance- a Case Study".

OBJECTIVES OF THE STUDY

1. To seek positive and negative opinion from the workers regarding their performance.
2. To find out the reasons for problem associated with the workers participation and involvement.
3. To know the different procedures in order to reduce the high cost of expenditure for TQM.
4. To find the degree of TQM implementation in the organization.
5. To know the measures that helps to reduce the cost of training to the employees.
6. To ascertain the reasons for employees rejection to change the existing method of management.
7. To suggest suitable measures based on findings of the study.

METHODOLOGY

In order to meet the objectives of the study the required data is collected from the both primary and secondary sources. Primary data is collected through the personal interviews and structures questionnaire and the secondary data is meant for various sources like Newspaper, Annual Reports, Bank Websites, Magazines, Books, articles, Journals and E-source etc.

SCOPE OF THE STUDY

The Study helps to know the impact and growth of Banks by adopting TQM in Bank with the involvement of personnel in TQM practices. The geographical location for the study is restricted to selected banks in Shimoga district (Karnataka state, India) only.

ANALYSIS AND INTERPRETATION

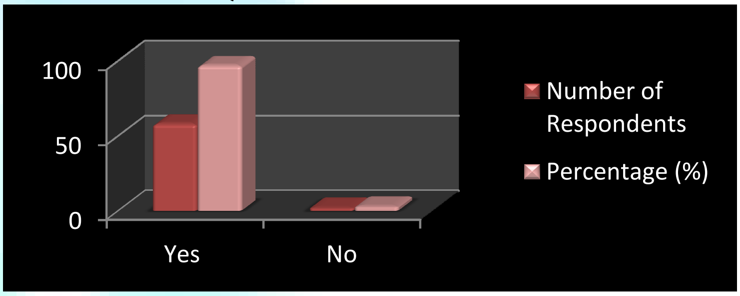
PROFILE OF THE RESPONDENTS

	Variables	No of respondents	Percentage (%)
Gender	Male	38	63
	Female	22	37
Age Group	18-25	13	22
	26-30	06	10
	31-40	22	37
	Above 40	19	31
Education	Under Graduation	11	18
	Graduation	23	38
	Post Graduation	13	22
	Other	13	24

Source: Sample Survey

TABLE & FIGURE 1.1: RESPONDENTS OPINION ABOUT NECESSITY OF TOTAL QUALITY MANAGEMENT IN BANKS

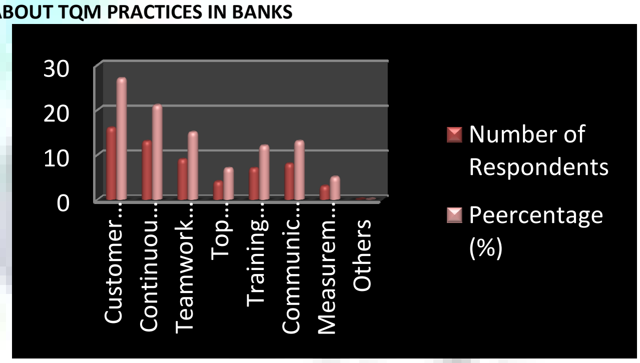
TQM Practice Necessary	Number of Respondents	(%)
a. Yes	58	97
b. No	02	03
Total	**60**	**100**



Source: Sample Survey

TABLE & FIGURE 1.2: RESPONDENTS RATINGS ABOUT TQM PRACTICES IN BANKS

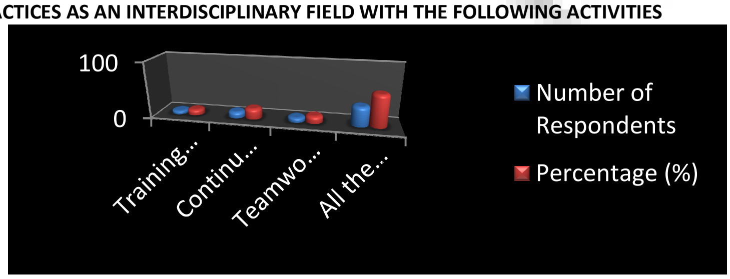
TQM Practices like to Prefer	No of Respondents	(%)
a. Customer Focus	16	27
b. Continuous Improvement	13	21
c. Teamwork and Involvement	09	15
d. Top Management Commitment and Recognition	04	07
e. Training and Development to Workers	07	12
f. Communication in Bank	08	13
g. Measurement and Feedback	03	05
h. Others	00	00
Total	**60**	**100**



Source: Sample Survey

TABLE & FIGURE 1.3: RESPONDENTS' OPINION ABOUT THE TQM PRACTICES AS AN INTERDISCIPLINARY FIELD WITH THE FOLLOWING ACTIVITIES

Activities	Number of Respondents	(%)
Training and Development	06	10
Continuous Improvement	11	19
Teamwork and Involvement	08	13
All the above	35	58
Total	**60**	**100**



Source: Sample Survey

SUMMARY, RECOMMENDATIONS AND CONCLUSION

Quality standard is to the advantage of all the customers of the banks but from the study this claim was found not to be true. Rather the results show that it is purely on request. The Banka are having good image in the minds of customers. Majority of the customers (97%) are attracted by good service, good security and they opined that TQM Practices is an essential one in the Banks. The study reveals that, half percentage of the respondents agreed to carry out off-the Job Training Technique benefits to develop knowledge, helps to innovate and improve the skills of the workers. The bankers fails to communicate effectively regarding the team approach of Total Quality Management, workers may fearful which leads to employee resistance and this Workers are resist to change, it can lower employee morale and productivity of banking business.

RECOMMENDATIONS

1. The bank must keep a frequent touch with its customers after providing services to its customers they should have customer relationship management policy.
2. There is a necessary of top management guidance and commitment in order to motivate the workers participation and involvement.
3. It has been suggested that management should effectively communicate the team approach of Total Quality Management, required changes in mindset and methods for performing their jobs to the worker.
4. They has to look after workers understand their participation and involvement in TQM is essential to its success, morale and productivity improve, workers become empowered through participation on quality improvement teams.
5. Management should concentrate towards workers and understanding their grievances and should provide job satisfaction by considering their needs.
6. Management should give more importance for modern updated technology demands in the society.
7. Bank should consider the present competition and requirements and it should act according to the workers needs.
8. Bank should keep proper eye on the safety, security and satisfaction of the workers.

CONCLUSION

In this competitive age, the survival of a business mainly depends upon the quality associated with the product. Similarly, in order to succeed in commercial banking, there is a need to develop an organizational culture based on quality management approach where everybody is involved in quality enhancement processes and the bank management is keen and fully committed to the satisfaction of both internal and external customers. In order to ensure a successful implementation of TQM in the banks, there is a need to motivate employees to improve the level of services provided by them. Also, appointment of qualified and competent managers will successfully contribute to the management of the bank together with giving enough training and education to employees so that they understand specific quality policy and TQM strategy. Lastly, monitoring the customer satisfaction and taking the feedback frequently would further improve the performance of the banking sector. Above all there is a need of top-management commitment towards TQM and giving full support for its successful implementation. As a modern approach of TQM should be practiced in the banking industries lead a successful path to overcome the globalization schallenges as well as their continuous growth progress in their day-to-day operation by fulfilling the cent percent customers' satisfaction. TQM can improve performance of a bank by lowering costs, increasing revenues, delighting customers, and empowering employees. Also customer satisfaction is important for banking industry. And implementation of TQM in banking industry helps improving customer satisfaction. So using TQM banks can be benefited by satisfying consumers.

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EXAMINING THE RELATION OF WORK ETHICS TO JOB SATISFACTION AND WORK STRESS IN EMPLOYEES OF PAYAME NOOR UNIVERSITY CENTRAL ORGANIZATION

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ABSTRACT
The purpose of this study is to examine the relation of employees' perceptions of work ethics dimensions with job satisfaction and job stress. The study's method was descriptive. Its population was middle and operational managers and the experts from central organization of Payame Noor University and the sample volume was estimated 119 based on Morgan tables that were selected using cluster and random sampling. The researcher used three questionnaires: 1- Work ethics questionnaire 2- Job satisfaction questionnaire and 3- job stress questionnaire. Collected data were analyzed using correlation coefficient and multi variables analysis. The results indicate that there is a positive and significant relation between employees' perceptions of work ethics and job satisfaction, and there is a negative and significant relation between employees' perceptions of work ethics and job stress. The results of regression analysis also indicate that three dimensions of work ethics (job attachment, persistence, human and healthy relationships in the work setting) are significant predictors of job satisfaction, but just two dimensions of work ethics (interest and persistence) are significant predictors of employees' job stress.

KEYWORDS
Payame Noor University, Work Ethics, Job Satisfaction, Job Stress.

INTRODUCTION
In our society, along with the positive factors in religious and national culture (in which work is valued) there are other dominant values in society structure which devalue work ethics and work conscientiousness. In this regard, Rezaeimanesh believes that: Morality in Iran is not desirable in the sector of general services and to reach a desirable ethical status in organizations of general services sectors, the mere reliance on strategies of intraorganizational ethical management is not adequate. On the other hand, political, economical and managerial structures play the most effective role in the ethical structure. If managers support financial and spiritual moralities, if the ethics codes and the standards of job and professional behaviors are more compiled, if there are more active control and disclosure systems, if there are more ethical trainings, if the system of wage, salary and motivation is more efficient, civil society will be more active and the ethics in the sector of general services of the society will be improved (Attarian, 2008).

According to the fact that work ethics is considered as one of the culture fields and it also includes the work – related beliefs, values and norms, obeying the principles of work ethics can result in creating a better situation to provide needs of organizations' human resources, increase job satisfaction, decrease job stress and finally to reach purposes.

As Moeidfar (Moeidfar, 1998) believes in his article with the title of "work ethics and its effective personal and social factors" that those people who are more optimistic about future of their society, who have more autonomy in their works, who trust their promotion in the work setting more than others and those whose works mach their position will obey work ethics in organizations more than others. Findings of this study also indicate that those who are more obedient to traditional social values and more optimistic to their social surroundings, are in more desirable status interest to the work ethics. Conversely, those who are more obedient to modern social values and are work ethics. It is worth nothing that social cooperation, social justice and cultural unity and coherence have a very close relation to commitment to the work ethics.

The subject of ethical management is more important than the other ones. Experiences of various countries in the field of programming have indicated that these trainings in the framework of our country's educational System are considered as important parts of the Development Program with the purpose of training experts in line with strategies of economical and social development.

Payame Noor University has stepped in such a field that by appropriate training of students and employees of the university in all its branches all around the country and modifying the job pyramid, it has increased productivity in different sectors effectively, with the purpose of developing religious knowledge, establishing Islamic – Iranian values and training academy members with ethical virtues. So; it is necessary to consider employees' job satisfaction and stress (Aboei, 2001).

Job satisfaction, one of the most widely studied issues in the relevant literature, may be defined as 'the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values' (Locke, 1969).

The term (Job Satisfaction) refers to the general personal attitudes to one's job. A person whose job satisfaction is in high level, has positive attitude to one's job. In contrast a person whose job satisfaction is in low level, has negative attitude to one's job (Robbins, 1991). It is considerable that job satisfaction refers to employees' attitude about six factors: 1- Work, it refers to a group of activities and duties which are done in a special place 2- salary, it refers to a fixed amount of money which is given to employees ever month 3- Organization, it refers to a special system or ministry in which people work 4- Colleagues, it refers to people who work at a same place 5- Promotion, it refers to reaching a higher level in the work setting which includes more important responsibilities in compare with the previous job level 6- Supervisor, it refers to a person or people who work in organizations as managers or supervisors (Soleymani, 2001).

It could be argued that job satisfaction leads to increasing productivity, employees' commitment to organizations, increasing employees' interest in organizations, increasing work quality and quantity, creating healthy and human relationships in working place, increasing moral and interest in work and decreasing stress (Homan, 2002). On the other hand decrease of job satisfaction leads to increase absenteeism or relocating employees and decrease productivity (Rafiei, 2003).

One of the aftermaths of modern life is stress in working places. Job stress is one of the reasons of decreasing production, employees' absenteeism and disintegration of organizations. Workaholism and inadequate necessary training are hidden reasons of leaving job because of excessive stress in working place (Carestenj, 2006).

When a person faces some requirements in the work setting which do not mach one's current capacities, needs and requests, he/she will suffer from conflicts and to reduce that, he/she must adopt oneself to the new conditions (Rahimi, 2007). Miller believes that job stress is a kind of psychological mood according to Kals's belief. He argues that lack of balance between personal perception of one's needs in the working place and one's ability to adopt oneself with those needs (Miller, 2000). Job stress is very much an individual reaction, and differs from general stress as it is also organization, and job related (Chen & Silverthorne, 2008) Based on these definitions job stress can produce adverse consequences for both the individual and the company since it has the effect of lowering motivation levels and performance, and increases turnover intentions (Montgomery, Blodgett & Barnes, 1996).

According to researchers, job stress and satisfaction result from different personal, group, organizational and para organizational factors. Among these factors work relations with managers, supervisors, colleagues and subordinates so determinative in the framework of work ethics. Ethics does not necessary relates to a special rule or religion. It exists in all human societies. It consists of a group of principles and spiritual values which determine correctness of person or group behaviors. These values determine the criteria of goodness of behaviors and decisions (Zahedi, 2000).

Ethical behavior is both a broad and specific topic. By definition, behavior means a way to act in certain circumstances or situations, conduct, behavior. Ethical behavior in organizations means to act in ways that are in accordance with the ethical values held by that organization. More discussion and research supports the importance of ethical behavior in organizations functioning. The organizations that stress ethics have better images and reputation and yield higher long-term interests. Reputation is of immense importance to all organizations, whether they are commercial, governmental, or not-for-profit. To achieve goals, remain competitive, and prosper, the received wisdom is that good reputation paves the organizational path to acceptance and approval by stakeholders (Tom Watson, 2007). For organizations reputation is seen as a major element alongside and included in financial performance and innovation. The organizational reputation is magnified in a crisis because of the loss of physical assets and business momentum, the impact on people assets and the expected clear-up and associated legal costs associated (Fombrun & Van Riel, 2004). Unethical behavior usually causes dissatisfaction of the parties involved, scandals, and may even lead to the organization's bankruptcy (Robertson, 2008).

Individuals' attitude about work ethics differs. But generally it is believed as realizing the concept of correctness in working place and consequently doing right and avoiding wrong and in a perfect explanation. "Work ethics could be described as a social norm or a group of personal qualifications". Work ethics as a social norm relates a positive value to work when it is done perfectly as if it has an innate value (Yankelovich and Immer, 1984). Work ethics is a part of social culture. As mentioned before, it entails beliefs, values and norms which are related to work and although its concept differs in different societies due to historical trends, it is so significant and considerable in all societies. According to sociology approach, work ethics entails beliefs, values and norms of the field of economical activities specially the field of production which result from cultural system and values of societies. This part of beliefs, values and norms are impressed strongly by the process of socializing people specially by educational institutions in societies.

When work ethics is assumed as an independent variable, its effects can be observed on group or personal results of employees' work in organizations. For instance, Saks and his colleagues' (1996) research findings indicate that stronger belief in work ethics has a direct relation to job satisfaction and organizational commitment and it is indirectly related to less desire to leave the job. Yousef research (2000) indicates that work ethics has direct and positive effects on triple dimensions of organizational commitment (emotionally, continuous norm). Findings of another research which was done by Yousef (2001) on 425 Moslem employees of some organizations in United Arab Emirates indicate that there is a positive and significant relation between work ethics and organizational commitment. Another research done by Schwepker (2001) on salesmen indicate that creating an ethical atmosphere which is dependant to ethical rules and policies leads to more job satisfaction and organizational commitment and less desire to leave the job. Findings of another research by Petti John and Charles (2008) in a commercial institute on salemen's perception of work ethics principles, consuming behaviors and relations between these observations and their job satisfaction indicate that there is a positive relation between salemen's perception of work ethics and their employer's ethical principles and their job satisfaction. Okpara and Wynn (2008) did a research in 2008 with the purpose of studying effects of wok ethics on job satisfaction and organizational commitment in Nigeria and they found that there is a significant relation among organizational work ethics, organizational commitment and job satisfaction. Chye Koh and Boo (2004) clarified the relation among structure of ethical culture in organizations, job satisfaction and organizational commitment. Rafiei and Kosha (2007) studied about the "consequences of ethical management on success of organizations in Information Age" and presented the findings in the 5th management international conference which showed that ethical management by observing work ethics and social responsibility guide organizations to success through increasing eligibility of organization's performances, using the advantages which result from increasing income, profitability and competition improvement.

Other studies in Iran indicate the same results. For instance, there is a positive and direct relation between ethical atmosphere in organizations and managers' job satisfaction (Attarian, 2007). Also, the relation between dimensions of managers' ethical behavior (personal, organizational, social and profitability) and modification of pattern of consumption behavior in public organizations has been determined (Sabori, 2010).

In conclusion, enforcing ethical management in organizations not only leads to some suitable intraorganizational direct results such as increasing work profitability and reinforcing group conscientiousness producing and establishing new ethical values and also changing organizational culture but also is considered as one of the important indices to evaluate organizations' performances (Soltani, 2003). So, the researcher believes that there is still lack of theorization and research activities in the cognition field of ethics. For that reason, this study is to examine the relation between employees' perceptions of work ethics and their job satisfaction and job stress.

RESEARCH QUESTIONS

1- Is there any relation between observing work ethics by employees and their job satisfaction and job stress?
2- What are the effective factors on job satisfaction?
3- What factors lead to job stress?

RESEARCH HYPOTHESIS

1- There is a significant relation between employees' perception of work ethics and their job satisfaction.
2- There is a significant relation between employees' perception of work ethics and their job stress.

RESEARCH METHOD

This research is categorized in the group of descriptive – correlative research in respect to the method of collecting data and in the group of applicable ones in respect to the purpose. It included two levels, for collecting data and hypothesis test, there was a field and archival study based on surveying through questionnaire which firstly indices of work ethics were obtained based on job satisfaction and job stress in respect to managerial books, afterwards a model was made by experts' comments and finally they were evaluated in Payame Noor University and the influence of observing work ethics on job satisfaction and job stress was examined. Statistical population of this study were middle and operational managers (faculty members and administrative employees) and experts from central organization of Payame Noor University who had bachelor certificate or higher degree. 119 participants were selected randomly as the research sample from 248 participants of statistical population. They were selected from groups of males and females experts, males and females administrative managers and males and females from faculty staff.

For collecting data, three questionnaires were used. Conscientiousness questionnaire of work ethics: this tool was made in 1990 by Grigory Sypety for this concept. Pety (1990) believes that quadric dimensions of work ethics include: job attachment (16 questionnaires), persistence in work (12 questionnaires), healthy and human relationships in work setting (14 questionnaires) and cooperation in work setting (8 questionnaires). Work ethics questionnaire consists of fifty items on a five – point Likert scale (I am always like this, I am often like this, I am sometimes like this, I am rarely like this, I am never like this). This questionnaire has a good content validity because of good theoretical basis and is confirmed by experts in the field (Moeidfar, 1998).

JOB SATISFACTION QUESTIONNAIRE

The original copy of this questionnaire was compiled by Robbins (1991) which includes six factors: work (10 questionnaires), organization (8 questionnaires), supervisor (10 questionnaires), colleagues (10 questionnaires), promotion (5 questionnaires) and salary (5 questionnaires). There are 60 pair questions or pair terms in this questionnaire based on Likert continuum. As this questionnaire has been compiled by one of the famous experts of organizational behavior (Robbins, 1991) according to theories of motivation and job satisfaction and it has been revised and used by domestic researchers (Soleimani, 2000), it is believed to have a good content validity.

JOB STRESS QUESTIONNAIRE

This questionnaire had twenty items which examined and evaluated individual job stress from three months before filling out the questionnaire till the time of filling it out. This questionnaire was standardized by Sotodeh in 2002. The most and least score for each participant was 80 and 0 respectively (Sotodeh, 2003).

To determine reliability of questionnairs, a primary study was applied on 35 participants of statistical population (except for the main sample) and the coefficients of Cronbach's Alpha were calculated as follows in table 1.

TABLE 1: QUESTIONNAIRES RELIABILITY COEFFICIENTS

Questionnaire	Number	Alpha Coefficient
Work ethics	35	0/945
Job satisfaction	35	0/956
Job stress	35	0/93

DATA ANALYSIS METHOD

Correlation coefficient and regression analysis were used to analyse data.

As mentioned before the research questionnaires have a good content validity.

TEST OF RESEARCH HYPOTHESIS

Hypothesis 1: There is a significant relation between work ethics and job satisfaction.

TABLE 2: CORRELATION MATRIX BETWEEN WORK ETHICS DIMENSIONS AD JOB SATISFACTION (Dependent Variable)

Spearman	Pierson	Index	Job attachment	Work ethics dimensions
0/283	0/3014	Correlation coefficient		
216	216	Numbers		
0/000	0/000	Significant level		
216	216	Numbers	persistence	
0/284	0/289	Correlation coefficient		
0/000	***0/000***	Significant level		
216	216	Numbers	Healthy human relationships	
0/043	0/065	Correlation coefficient		
0/534	0/345	Significant level		
216	216	Numbers	Cooperation	
0/128	0/128	Correlation coefficient		
0/085	0/061	Significant level		
216	216	Numbers	Work ethics	
0/247	0/240	Correlation coefficient	)Total index(	
0/000	***0/000***	Significant level		

As table 2 indicated, correlation coefficient between dimensions of "job attachment" and "job satisfaction" was obtained 0/301 and this coefficient between "persistence in work" and "job satisfaction" was 0/289 both of which were significant at 0/01.

This coefficient between "human and healthy relationships" and "job satisfaction" was 0/06 which was not significant.

Correlation coefficient between "cooperation in work place" and "job satisfaction" was 0/128 which was not significant.

Correlation coefficient between "employees' perceptions of work ethics" and "job satisfaction" was 0/24 which was significant according to 99% confidence level.

To determine multiple correlation coefficient between dimensions of work ethics and job satisfaction, researcher used regression analysis in stepwise method:

TABLE 3: REGRESSION MODEL

sig	F	Standard Deviation	Adjusted correlation coefficient	Squared Correlation coefficient	Correlation coefficient	Model
0/000	***10/88***	***0/542***	***0/121***	***0/133***	(c)***0/365***	***3***

The predictors were "interest to work", "Healthy and human relationships" and "persistence in work" and dependent variable was job satisfaction.

As table 3 indicated, multiple correlation coefficient 0/365R is significant at 0/99. In fact more than 12% of variance related to job satisfaction variable was explained based on three dimensions of work ethics such as job attachment, healthy and human relationships and persistence in work. To determine prediction model of regression coefficient see table 4.

TABLE 4: REGRESSION COEFFICIENT

Significant level	t	Standard coefficient	Unstandard coefficient		Dimensions
		Beta	Standard deviation	Beta	
0/000	***3/924***		***0/447***	***1/753***	Constant Number
0/004	***2/916***	***0/270***	***0/120***	***0/351***	Job attachment
0/007	***-2/718***	***-0/222***	***0/120***	***-0/326***	Healthy human relationships
0/014	***2/487***	***0/230***	***0/110***	***0/273***	persistence

According to table 4, all obtained "t" values for regression coefficients were significant at least at 0/05 level. Thus according to model, three dimensions of work ethics were significant predictors of job satisfaction and the below regression equation was obtained according to regression coefficient.

Job satisfaction= (1/753) + Job attachment (0/27) + Healthy and Human relationships (- 0/222) + Persistence in work (0/230)

Hypothesis 2: There is a significant relation between employees' perceptions of work ethics and their job stress.

TABLE 5: CORRELATION MATRIX BETWEEN WORK ETHICS (INDEPENDENT VARIABLES) AND JOB STRESS (Dependent Variable)

Spearman	Pierson	Index	Job attachment	Work ethics dimensions
-0/391	-0/415	Correlation coefficient		
216	216	Numbers		
0/000	0/000	Significant level		
-0/420	-0/418	Correlation coefficient	persistence	
216	216	Numbers		
0/000	***0/000***	Significant level		
-0/300	-0/292	Correlation coefficient	Healthy human relationships	
216	216	Numbers		
0/000	0/000	Significant level		
-0/339	-0/320	Correlation coefficient	Cooperation	
216	216	Numbers		
0/000	0/000	Significant level		
-0/440	-0/434	Correlation coefficient	Work ethics	
216	216	Numbers	Total index	
0/000	***0/000***	Significant level		

As table 5 indicated all of the correlation coefficients were significant at 0/01. Therefore; the first hypothesis was confirmed with 0/99 confidence. Thus there is a negative and significant relation between work ethics dimensions and employees' job stress.
To determine multiple correlation coefficient between work ethics dimensions and job stress by regression analysis see table 6.

TABLE 6: REGRESSION MODEL IN BRIEF

sig	F	Standard Deviation	Adjusted correlation coefficient	Squared Correlation coefficient	Correlation coefficient	
0/000	52/27	5690/	1980/	2050/	(b) 4530/	

The predictors were "job attachment" and "persistence in work" and dependent variable was job stress.
According to table 6 and obtained correlation coefficients. Regression model was predictive of job stress. Correlation coefficient in this model was 0/453 which means that more than 20% of job stress variance would be explained with two dimensions of work ethics.
Regression coefficients to determine regression equation was explained as follow:

TABLE 7: REGRESSION COEFFICIENTS

Significant level	t	Standard coefficient	Unstandard coefficient		Dimensions
		Beta	Standard deviation	Beta	
0/000	734/9	-0/251	3980/	3/875	Constant Number persistence
0000/	-2/977		1100/	-0/326	Job attachment
0000/	867-2/	2420/-	1210/	346-0/	

According to table 7 all obtained "t" value for regression coefficient were significant at 0/05. According to the above table the regression equation for predicting job stress based on the dimensions of work ethics is:
Job stress= (3/875) + Persistence in work (-0/251) + Interest to work (-0/242)

RESULTS AND RECOMMENDATION

According to the first hypothesis, the first result of this study showed that employees' perception of work ethics has a positive and significant relation with job satisfaction. In other words, result showed that the more employees feel the work ethics in work setting, the more they experience higher job satisfaction (P<0/05). Basis of the subject and confirms the result of studies conducted by researchers such as Saks (1996), Yousef (2000 & 2001), Schwepker (2001), Okpara and Wynn (2008) and Chye Koh and Boo (2004). These studies confirm the positive relation of ethics in organizations with job attitudes (organizational commitment and job attachment).
Results of some studies done in Iran also, confirms this finding. For instance, Haghiri (2009) showed that ethical management increases organizational commitment and job attachment in employees. Attarian (2007) showed the relation between organizational ethics with job satisfaction in employees. Sabori (2010) also found that managers ethical behaviors affects pattern of employees consuming behavior in governmental executive institutions.
The second finding of this study is indicative of a negative and significant relation between employees' perception of work ethics with job stress. In other words feeling of work ethics in the work setting reduces the job stress accordingly. This finding is in line with theories in psychology and job relations. Work ethics in the organization would reduce detrimental factors employees' attitude and behaviors. Although there have not been any relevant research in the literature to support this finding, it is consistence with intellectual and experimental evidence.
According to job stress theories, personal factors are among influential factors in job stress which are shaped by individuals' feelings, experiences, beliefs and perceptions about their and others' behaviors in the work setting. Among these factors, individuals' perceptions of work ethics relevant to collective behaviors are more influential than other factors.
Overall, for explaining this study's findings it could be argued that work ethics is based on philosophical, social, cultural and psychological principles each of them which affects employees' attitudes and personal, group and organizational behaviors. In a philosophical respect, managers' assumptions, values, beliefs and perceptions about society, organization and work shapes their theoretical and practical ethics. Also, in a social and cultural respect, managers' perceptions of rules, norms and current behavioral procedures in societies and organizations, strongly influences their ethical management. It appears that the parts of work ethics which is based on psychological principles are relevant to motivational factors and if they are manifested in a superb way in the work setting, they could improve job attitude and conversely could reduce factors contributing to stress.
At the end, although the result of present study are promising due to the broad range of components of ethical behaviors and multitude of theories in this field on one hand and complications of measuring ethical behaviors on the other hand, results should be generalized with caution – finally it is recommended that other approaches to ethics in organizations be defined and measured and their effects on job attitudes and employees' performance be studied.
"This study has been conducted using a special reputation research by Payam E Noor University"

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FDI AND MULTI BRAND TRADE IN INDIA

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ABSTRACT

Despite encouraging signal, India's retailing industry remains largely off-limits to large foreign retailers like Wal-Mart and Carrefour. Opposition to liberalizing FDI in this sector raises concerns about employment losses, unfair competition resulting in large-scale exit of incumbent domestic retailers and infant industry arguments to protect the organized domestic retail sector that is at a nascent stage. Based on foreign market evidence, we suggest that allowing entry by large foreign retailers into the Indian market may help tackle inflation especially in food prices. Moreover technical know-how from foreign firms, such as warehousing technologies and distribution systems can improve supply chain efficiency in India, in particular for agricultural produce. Better linkages between demand and supply have the potential to improve the price signals that farmers receive and also serve to enhance agricultural, allied agriculture and other exports.

KEYWORDS
FDI, brand trade.

FOREIGN DIRECT INVESTMENT

FDI is defined as the net inflows of investment (inflow minus outflow) to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor.FDI is the sum of equity capital, other long-term capital, and short-term capital as shown the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward and outward, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares.

FOREIGN DIRECT INVESTMENT IN INDIA: ITS RATIONALE

1. FDI in single and multi-brand retail will pave the way for improving supply chain infrastructure and logistics.
2. It will curb inflation.
3. It will result in reduced cost to the ultimate consumer and enable a fair return to the farmers.
4. Economy will get the benefit with capital inflows from global giants that will develop the front-end and back-end infrastructure in different segments.
5. It would act as an important employment absorber for the present social system.
6. The consumer will get access to some of the major global brands. Entry of foreign brands would also improve the quality and variety of products, increase competition and expand manufacturing.

RETAIL SECTOR STRUCTURE

The retail sector structure in India maybe divided into two parts: (i) **Unorganized retailing**, and (ii) **Organized retailing.** Unorganized retailing is those which are operating under traditional formats of low- cost retailing and normally not registered for sales tax, income tax etc. These include local kirana shops, owner-manned general stores, handcraft, pavement vendors, paan-beedi shops, convenience stores etc. In India, 96% market of retail sector is dominated by unorganized retailing. Organized retailing is those which are operating their retailing activities taking license from the Government and registered for sales tax, income tax etc. These include the corporate- backed supermarkets, hypermarkets and retail chains, and privately owned large retail business houses like Tata Group, Reliance Retail Group (RRG), and RPG Group etc. It accounts for only 4% of retail market share.

MAJOR INDIAN RETAIL PLAYERS

Pantaloon's Retail has scripted Indian retailing in a new way through introduction of various types of retail chain catering to varied needs of the consumers. It has both lifestyle and value retail chains which includes Pantaloons, Central, Brand Factory, Home Town, e-Zone, Big Bazaar, Food Bazaar and KB's Fair price. Madura Fashion & Lifestyle owns Planet Fashion, which is in 86 cities through 1300 stores. Its brands are the like of Peter England, Allen Solly, Louis Philippe, Van Heusen etc. Spencer's Retail is multi-format retail chain and spread across 45 cities with 200 stores. They are expected to add 25 hyper-markets through 2013. Trent, a retail arm of Tale Sons, own a life style retail chain Westside hypermarket chain Star Bazaar and the book and music retail store Land-mark. With entry of the foreign retails in Indian market, the domestic players will face competition and try to improve their offerings and provide better service. This will benefit the customers who will get better value for their money.

FDI IN MULTI-BRAND RETAILING IN INDIA

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail market in the world, with 1.2 billion people.

India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.

In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

In June 2012, IKEA announced it has applied for permission to invest $1.9 billion in India and set up 25 retail stores. Fitch believes that the 30 percent requirement is likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. This decision has been welcomed by economists and the markets, however has caused protests and an upheaval in India's central government's political coalition structure. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.
On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The Feds managed to get the approval of multi-brand retail in the parliament despite heavy uproar from the opposition. Some states will allow foreign supermarkets like Walmart, Tesco and Carrefour to open while other states will not.

REASONS FOR INVESTMENT (FDI) IN INDIA BY GLOBAL RETAILERS

After the waves of LPG marketing scenario particularly retailing has changed radically. Around 40 million people are engaged in retail trade in India. Small and medium enterprises dominate the Indian retail scene. Compromising of organized and unorganized sectors, this industry is one of the fastest growing industries in India, especially over the last few years. According to the 8th Annual Global Retail Development Index (GRDI) of A.T Kearney, Indian retail industry is the most promising emerging market for investment.
Some of the major reasons for attraction to invest in Indian retail industry by Global Retailers are:

1. High consumer spending over the years by the young population.
2. Rising disposable income.
3. Rise in the purchasing power of Indians.
4. Improvements in infrastructure.
5. Liberalisation of the Indian economy.
6. Increase in urbanization.
7. Rise of self- employed class.
8. Shift in consumer demand to foreign brands.
9. Vast growing economy.

FUTURE PLANS OF FOREIGN RETAILERS IN INDIA

Wal-Mart is among the first large global retailers entering in Indian retail market and had been working with Bharti retail as a Joint Venture for wholesale cash and carry & back-end supplying chain management operation. The company is looking forward at opening at least 15 more cash-and-carry stores. It is also planning to enter the retail e-commerce space as it considers Indian market having great potential for online retailing. Carrefour, world's second largest retailer, has opened their second cash & carry out in Jaipur in mid-2011, and is also planning to explain their operation in India. They are also in a talk with Future group to provide them back-end support. UK retail giant Tesco has a plan of setting up cash-&-carry outlets and are having agreement with Trent. Through this, Trent's hypermarket chain, Star Bazaar can us Tesco's supply chain, retail expertise inventory infrastructure management. Tesco also supplies merchandise to Star Bazaar wholesale outlets.
Australian retailer Woolworths has signed agreement with Tata's Infinity Retail to develop network of consumer electronic retail store and will also provide some retail management expertise to it Indian counterpart. Germany's Metro Cash & Carry- which presently operates in 8 Indian cities — have planned to open 8-10 stores annually in the next four years with an overall investment of 2,400 crore a looking for presence in 40 cities. These facts tell about the growth prospect of Indian retail sector which will also create a huge employment opportunity ix organized retail sector.
The Indian Council of Research in International Economic Relations (ICRIER), a premier think-tan of the century, which was entrusted to look into the impact of large capital inflows in retail sector, has pointed out that investment of huge money in the retail sector would be in long run not harm interests of small traditional retailers. The growing middle class society is an important factor for the continuous growth of retail sector in India. By 2030 it is estimated that 91 million households will be 'middle class' up from 21 million today. In addition to that, by 2030, 570 million people are expected to live in cities, nearly double the population of the United States today.
To avail this opportunity a number of global retail giants are waiting to enter the Indian retail sector. Growth rate of this sector along with the changing consumer trends such as increased use of credit cards. Brand consciousness, and the growth of population under the age of 35 are factors that encourage the foreign players to establish outlets in India. The FDI in retail sector would not only invite huge foreign capital into the economy but also offer multiple benefits to produces and customers.
FDI in retail sector ensures a wider variety of products at lower cost to consumers; ensures higher quality controls, customer guarantees and safeguards. Multinational retailers would purchase products directly from farmers and producers—thus they can realize better price than sell to the middlemen. Moreover, multinational retailers will create a steady supply chain for their product and invest in logistics technology for their suppliers. They will also try to improve the storage facility which will protect the food grains and fruits from spoilage. This will also lessen the inflationary pressure, and help in bringing down cost.
Also, with entry of branded retailers, the market will increase and create additional employment in retail and tertiary sectors. Indian SME sectors, mainly in the textile and leather segment will get a boost as the foreign retails will source their products from them. Not only will the back-end operations, even the front-end retailing create an enormous employment opportunity.
The critics of FDI in retail sector point out that entry of large global retailers will kill local shops and millions of jobs since the unorganized retail sector employs huge population just after the agriculture sector, they will exercise their monopolistic power to raise sales prices and reduce purchase prices. Many trading associations, political parties and industrial associations have argued against FDI in retailing due to these reasons.
On the other hand, the Economic Survey has made a strong recommendation for opening up gradually the FDI for multi-brand retail. FDI in multi-brand retail is required for improving the investment environment and setting modern logistics system and create other infrastructure to ensure sustained benefits. As a survival strategy, moves towards allowing FDI in the multi-brand retailing sector are in process which will provide fresh flow of equity in this sector and definitely give the Indian retail sector a much-needed boost.
The advantages of allowing FDI in retail sector evidently outweigh the disadvantages attached to it. In Thailand and China, the issue of allowing FDI in the retail sector was first met with incessant protest but later turned out to be one of the most promising political and economic decisions of those governments. That decision not only led to the commendable rise in the level of employment but also led to enormous development of GDP of those.
The Government may seriously consider the FDI in multi-brand retailing considering all its merits and demerits and a gradual opening up could be made possible. Despite the country's wide speculation on the plight of small retailers, India needs to take a lesson from China and Thailand where organized and unorganized retail seems to co-exist and grow together.

CHALLENGES FOR FOREIGN FIRMS IN RETAIL SECTOR

The first challenge is competition from the unorganized sector. Traditional retailing has been established in India for many centuries, and is characterized by small, family-owned operations. Because of this, such businesses are usually very low-margin, are owner-operated, and have mostly negligible real estate and labour costs. Moreover, they also pay little by way of taxes. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. It is often said that the mom-and-pop store in India is more like a father-and-son enterprise.
Such small shops develop strong networks with local neighbourhoods. The informal system of credit adds to their attractiveness, with many houses 'running up a tab' with their neighbourhood *kirana* store, paying it off every fortnight or month. Moreover, low labor costs also allow shops to employ delivery boys, such that consumers may order their grocery list directly on the phone. These advantages are significant, though hard to quantify. In contrast, players in the organized sector have to cover big fixed costs, and yet have to keep prices low enough to be able to compete with the traditional sector.

Getting customers to switch their purchasing away from small neighbourhood shops and towards large-scale retailers may be a major challenge. The experience of large Indian retailers such as Big Bazaar shows that it is indeed possible. Anecdotal evidence of consumers who return from such shops suggests that the wholesale model provides for major bargains – something Indian consumers are always on the lookout for.

The other major challenge for retailers in India, as opposed to the US, is the storage setup of households. For the large-scale retail model to work, consumers visit such large stores and return with supplies likely to last them for a few weeks. Having such easy access to neighbourhood stores with whom, as discussed above, it is possible to have a line of credit and easy delivery service, congested urban living conditions imply that few Indian households might be equipped with adequate storage facilities.

In urban settings, real estate rents are also very high. Thus the opportunities in this sector are limited to those retailers with deep pockets, and puts pressure on their margins. Conversely, for retailers looking to set up large stores at a distance from residential neighbourhoods may struggle to attract consumers away from their traditional sources of groceries and other products.

CONCLUSION

The retail industry is definitely one of the pillars of the Indian economy. It contributes a lot to the GDP. Retail sector in India is one of the major employment providers. Opening up of FDI in multi-brand retail in India could possibly be a mixed blessing for domestic players. FDI in retail sector ensures a wider variety of products at lower cost to consumers; ensures higher quality controls; customer guarantees and safeguards. Multinational retailers would purchase products directly from farmers and producers- thus they can realize better price than sell to middleman. Moreover multinational retailers will create a steady supply chain for their products and invest in logistics and technology for their suppliers. They will also try to improve the storage facility, which will protect the foodgrains and fruits from spoilage also, with entry of branded retailers; the market will increase and create additional employment in retail and tertiary sectors**.**

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