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CONTENTS

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   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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   APPENDIX/ANNEXURE

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HARD HIT INVESTORS: GOVERNANCE LAPSES OF NSEL SCAM

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ABSTRACT
With increasing stock scams being unearthed in India and with crores of lost money, the investors who are the catalytic agents of economic development unfortunately bear the wrath innumerable times. The new National Spot Exchange Limited (NSEL) scam that involves more than 15000 retail HNI Investors with an investment of Rs. 5600 crore seems to be moving on the same track alike the Harshad Mehta scam and Ketan Parekh scam. After 33 weeks of closure of scam hit spot exchange, only Rs 330 crore has been paid to the investors as on April 6, 2014. In the paper, the authors have made an attempt to study and put forth the happenings of the National Spot Exchange Limited scam.

KEYWORDS
Forward Markets Commission, National Spot Exchange Limited, Warehouse receipt, Multi Commodity Exchange of India Limited.

1. INTRODUCTION
NSEL was a platform of national level spot market providing its operations in 16 states in India trading in 52 commodities. It was providing delivery based spot trading facilities for purchase and sale of various commodities across India. It is incorporated as a company limited by shares under the Companies Act, 1956 in May 2005 and widely accepted as a developing body either as a service centre, electronic marketing platform, Issuance of license by Govterments of states for setting up spot exchange etc. NSEL has also extended its operation and ties with Eastern European countries like, Republic of Belarus, Russia, Ukraine, Kazakhstan. It received Shariah certification for trading e-Lead, e- Zinc, e-Nickel, e-Copper, e-Gold and e-Silver etc. It has also set up Dubai Gold & Commodities Exchange (DGCX) in Dubai jointly with Dubai Multi Commodities Centre (DMCC) and Multi Commodity Exchange of India Limited (MCX).NSEL operations was infull swing without having any regulator until February 6, 2012, when it was brought under Forward Markets Commission (FMC). Same year in December FMC received a complaint against NSEL for illegal financing operations. After investigation, On July 16, 2013 FMC issued a notice to NSEL to cut the contract cycle to T+10. Investors were not happy with this decision as the reduction of settlement cycle had increased number of trades and thereby transaction cost. The problem started brewing when some of the investors had decided not to roll over. The borrowers were expecting the contracts to roll over and were not ready to pay which caused most of the borrowers to default. This led to suspension of trading of all contracts on 1st August 2013. Further E-series contracts were suspended on 5th August 2013 leading to the complete shutdown of the exchange.

2. OPERATIONS OF NSEL
Spot market is the market where execution takes place immediately after the contract is entered i.e. commodities and money get transferred immediately. Trading in NSEL was different from ordinary Spot market in the sense that NSEL got special notification by Department of Consumer Affairs on June 5, 2007 to trade in "One day duration forwards Contract" i.e. the contracts can be completed in 2 days (T+2) i.e. delivery of goods and transfer of money. Meanwhile NSEL started offering pair contracts of buy and sell for T+2 & T+23, T+2 & T+30 etc. NSEL also got licenses by State Governments to launch contracts for agricultural commodities under State APMC Acts.

3. NSEL (EXCHANGE WITH SPECIAL FEATURES)
In the spot market buyer and seller agree on a price and delivery is made immediately by both the parties. NSEL had made spot trading more convenient and attractive by adding electronic feature in it. This had helped buyers and sellers to enter the contract even if they were at different locations and did not know each other. Other important feature that NSEL had added was that it had taken counter guarantee to all the contracts to ensure the contracts are settled without any default. To facilitate trading, exchange had warehouses at different location in India where seller should keep the goods to avoid default. In case of buyer's default the Exchange had right to sell the goods. At the time of accepting the goods in warehouse it was tested and verified for quality and weight and warehouse receipt (WR) was issued that was used for electronic trading. This warehouse receipt was transferred to the buyer of the goods at the time of purchase which acted as claim and authorized the buyer to take possession of the goods from warehouse. Here it is up to buyer to take immediate possession or to retain the goods in warehouse to sell them later by paying rental charges.

4. MODUS OPERANDI AT NSEL
As per Forward Contracts Regulation Act, only contract that are settled within 11 days are called spot. Within this time period the buyer and seller are permitted to complete the contract by delivering goods and transferring money. If the duration of settlement is more than T+11 days it becomes a "forward" contract and falls under the purview of FMC regulation. As Forward Commodity trading is regulated by Forward Market Commission (FMC), NSEL being spot exchange was not supposed to have a contract of more than T+11 settlement. But in fact NSEL was offering pair contracts ranging T+1 to T+35 settlement cycles; this was in principle a forward contract. The investors in NSEL were buying T+2 or T+3 contracts and selling T+25 or T+33 contracts. It was like arbitrage trading where they used to make more than 15% annual return from price difference of the two contracts.

To understand the operations in simple words, if you are an investor you will trade in a pair contract wherein you will buy T+2 and sale T+ 32 settlement contract. Here you need to pay cash as per T+2 settlements. Electronically generated WR will be transferred to you and you are owner of the commodity for around 32 days. You will get your money back as per as T+32 settlement after returning the WR to the exchange. In NSEL no one is allowed to have only one side of the contract (The contracts were always sold in pairs in NSEL). The goods would lie in the same warehouse and be sold from there. Warehouse storage charges and VAT will be charged accordingly. After meeting all these charges, the brokers were guarantying 15% return without any risk as exchange was taking counter guarantee of all the contracts. The traders who were on the other side of the contracts were Borrowers. They were selling the T+2 contracts and buying T+32 contract to finance their short term requirement of working capital (Raw material- Inventory). Commodities placed in warehouse works as collateral for borrowing money for a short period of time. These borrowers were also known as planters and were 24 in number and were members of exchange. Effective cost of borrowing to these planters was little more than 15%, which is reasonable for those who don't get loan from a bank.

5. FOUL PLAY OF THE BORROWERS

Planters knew that the goods they sell will remain at a warehouse inside their premises. Hence the malpractice by making fake WR without adding goods in the warehouse. On the basis of this fake WR, planters started selling spot (T+2) and buying forward (T+32) to borrow for a month or so. On the maturity, most of the contracts were being rolled over. If borrower has not rolled over and contract requires to be settled then they again borrow against imaginary stock for making the payment. This practice was continued till the time trading was halted by NSEL as most of the investors were rolling over their contracts by entering into a new contract. They did not receive any interest in cash as they used to purchase new contract with interest money. The planters were not paying any money as interest and simply creating new warehouse receipts giving it to investors against interest.

6. ROLE OF THE EXCHANGE IN THE FRAUD

NSEL was aware that the warehouses had very less or no commodities. Planters/borrower had created fraudulent products, based on bogus stocks. They were generating artificial market turnover to create bogus liquidity. On enquiry it has come to light that four to five people involved in the exchange received 3 per cent commission on each deal and today the beleaguered National Spot Exchange (NSEL) is struggling to pay its brokers and investors. When the trading was suspended on instructions from the Ministry of consumer affairs to the exchange, asking it not to offer future contracts, the investors were left holding contracts that the members couldn't buy because they didn't have the money to do so.

7. BORROWERS (THE REAL LOOTERE)

Some of the prime defaulters being NK Proteins, which manufactures Tirupati brand of edible oil, were the first company that had borrowed Rs.350 crores from NSEL. Among the entire borrower NK Proteins is the largest borrower with outstanding amount of Rs.968.89 crores. The company has used the amount to expand its edible oil business into a joint venture with Adani Group, which later discontinued all business ties with NK group. Mohan India is the Second biggest borrower among the two dozen members. It owes Rs 952 crore to the exchange. Another big borrower Lotus Refineries has filed a claim suit worth Rs 2,773.29 crore against NSEL in Bombay High Court. Lotus has alleged that Rs. 1,704 crores were shown paid to them as per records of the stock exchange were never credited to their bank accounts and has accused the spot exchange of faking the Real Time Gross Settlement Systems (RTGS) details. NSEL has not reacted to this claim of Lotus Refineries which has been made public. Lotus Refineries have demanded a stringent probe into the settlements procedure of NSEL stating that the amount might have been used for money laundering.

BOX - 1: LIST OF BORROWERS WITH OUTSTANDING AMOUNT AS ON MARCH31, 2014 (in crores)

Sl. No.	CM Id.	Name of the Borrowers	Total Outstanding Amount (O/S)	Amount Paid	Net O/S
1	13960	AASTHA MINMET INDIA PVT LTD	26.47	3.02	23.45
2	14070	ARK IMPORTS PVT LTD	719.42	0.05	719.37
3	14770	JUGGERNAUT PROJECTS LTD.	220.2	1	219.2
4	14460	LOIL CONTINENTAL FOOD LTD	356.21	8.5	347.71
5	14470	LOIL HEALTH FOODS LTD	294.48	7	287.48
6	14350	LOIL OVERSEAS FOODS LTD	86.19	1.08	85.11
7	14180	LOTUS REFINERIES PVT LTD	252.56	0.08	252.48
8	14680	METKORE ALLOYS & IND. LTD.	114.28	19.2	95.08
9	14510	MOHAN INDIA PVT LTD	600.08	52	548.08
10	14260	MSR FOOD PROCESSING	10.05	1.24	8.82
11	12510	N K PROTEINS LTD	969.89	17.48	952.41
12	13990	NAMDHARI FOOD INT. PVT LTD	53.07	2.05	51.02
13	14170	NAMDHARI RICE & GEN. MILLS	10.75	0.36	10.39
14	14230	NCS SUGARS LIMITED	58.85	5	53.85
15	13790	P D AGROPROCESSORS PVT LTD	644.55	12.96	631.59
16	14270	SANKHYA INVESTMENTS ***	7.74	7.23	0.51
17	13780	SHREE RADHEY TRADING CO	35.34	0.75	34.59
18	14630	SPIN COT TEXTILES PVT LTD	38.26	-	38.26
19	13910	SWASTIK OVERSEAS CORP.	102.98	9.44	93.54
20	14740	TAVISHI ENTERPRISES PVT. LTD.	333.01	-	333.01
21	14660	TOPWORTH STLS & PWR PVT. LTD.	188.01	175.25	12.76
22	14160	VIMLADEVI AGROTECH LIMITED	14.02	0.08	13.94
23	14050	WHITE WATER FOODS PVT LTD	86.12	1.3	84.82
24	14310	YATHURI ASSOCIATES	424.64	19.04	405.6
		Total	**5647.17**	**344.11**	**5303.07**

Source: http://www.nationalspotexchange.com/

8. BROKERS (THE REAL GAINER)

Top broking firms such as Motilal Oswal, Anand Rathi, IIFL and Asit Mehta and many more were making huge brokerage by selling this product from both legs of transaction. They were targeting HNI or retail investors having a capacity to invest two to ten lakhs rupees and selling the NSEL's pair contracts as 100 per cent risk-free investment products to investors. Sometimes they used to show them the detailed charts of previous return earned to lure them. They were also promising that all risks were covered by insurance policies, hence it totally risk free. Among the 32 brokers, involved with the exchange 14 are from Gujarat, 7 from Rajasthan and others are from states like Maharashtra, Delhi, Andhra Pradesh and Punjab.

9. DELAYED ACTION OF REGULATORY

Investors pressurized NSEL to take necessary action against defaulters, so that they can get their money back. Having no other option NSEL filed case against defaulters. "We have filed a case with the Economic Offences Wing of Maharashtra police as the defaulters, despite repeated pleas, have not paid their dues," said an NSEL official. Finally regulatories have come into action. Several raids and arrest were made. Arrests of Amit Mukherjee, Jai Bahukandi, Anjabi Sinha and Nilesh Patel employees of NSEL have been made, by the economic offences wing (EOW) of Mumbai police on 22 October. Patel is the son-in-law of NSEL's former Chairman Shankarlal Guru, who resigned from his post on 19 August. The latest is the sixth arrest, Mr. Surendra Gupta M.D of PD Agro processor has been made who is the third biggest defaulter owing 600 crores to the commodity exchange. Further, the books of AWN Agro of Adani Group having a tie of a joint venture with N.K. Proteins have been investigated EOW attached the property of N.K. Proteins, which also recovered Rs 145.57 crores. Chokshi & Chokshi have been appointed to conduct the forensic audit of NSEL e-series. Charges against the defaulters would not be withdrawn. Violations of Companies Act and Corporate governance have also been surfaced and reported both by Ministry of Corporate affairs and SEBI.

10. RECOVERY ACTION INITIATED BY NSEL

NSEL has tried to show that it concerned with investors loss. It has made a weekly collection schedule with borrowers to collect Rs. 174.72 cr every week for next five months. The biggest defaulter N.K. Proteins has agreed to pay Rs.25 crore upfront and Rs.5 crore every month to NSEL over the next four years as a part of settlement in Bombay high court. But NSEL failed to pay out the promised amount to investors. Total amount collected so far is only Rs.344.11 Cr (Refer Box-1). Then NSEL has invited sealed bids for auctioning of the following properties for recovery of dues.

BOX – 2: LIST OF PROPERTIES FOR AUCTION

SALE OF MOHAN INDIA GROUPS ASSETS

On account of the payment default done by Mohan India Group as per the payment schedule in settlement agreement dt. 31/10/13, NSEL proposes to auction the below mentioned assets of Mohan India group after receiving approval from the Hon. MPID court for the same-

	ASSET DETAILS
1	**Bungalow & land at Delhi** Bungalow no. 7, Court Road, Civil Lines, Delhi (comprising bungalow with land admeasuring 15666 sq. yds.)
2	**Land at Bikaner, Rajasthan** Total land area: 500.5 acres (800 pucca bhiga and 16 biswa)

Vimladevi Agrotech Ltd.

Vimladevi Agrotech Ltd. is ready to sell his soyabean and mustard solvent plant located at Kota, Rajasthan.

Selling price range: Rs 12-14 crores including land, machinery and all other necessary licences.

Metkore Alloys & Industries Ltd.

NSEL is looking for buyers for 14000MT (approx.) of ferrochrome stocks of Metkore.

Source: http://www.nationalspotexchange.com/

11. CONCLUSION

A plethora of measures and series of steps are been taken to tackle the scam which seem insignificant with the long drawn unclear process, the brunt obviously being faced by the investors with the NSEL case proceedings being adjourned by the Bombay High Court. The investors have moved the High Court to direct the payment of their dues through the funds received by FTIL through a deal at Singapore. With such development across the country was it a show biz on the macro level but an inherent perceived interest by a few to defraud the minority. Lapse in the ethical governance is clearly visible.The scam was a result of unholy nexus of NSEL, planters and brokers. The Financial statements of NSEL shows huge amount of window dressing and visible lacunas. The External auditor was changed in the year 2011. The reactive developments occurring on a continual basis in the fate of NSEL investors are many but what would be the ultimate decision which would steer their destiny is awaited.

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TESTING EFFICIENT MARKET HYPOTHESIS IN THE FOREIGN EXCHANGE MARKET

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ABSTRACT
Exchange rate is the most important price in an economy. It has wide ranging impact on almost everything in the economy. Thus trying to understanding its movements becomes very critical. In the current study, we have focussed solely on USDINR exchange rate as the exchange rate with respect to other countries is derived from the USDINR and the exchange rate of the other country with the USD. We have examined whether it is possible to predict the movement of the exchange rate in the short run and the long run. We found that the exchange rate follows a random walk in the short run. This means that the current exchange rate will incorporate all the previous exchange rates. It is not possible to predict the future exchange rates on a daily basis and any analysis of the past exchange rates will not help in making a prediction about the future rate. Thus in the short run, the foreign exchange market is weak form efficient. But in the long run, it is possible to predict the exchange rate as the variation in the exchange rate is governed by fundamentals. We have created a model for the monthly and quarterly variation of the exchange rate with other explanatory variables such as net FDI and FII flows, Sensex Index and DXY Currency Index.

JEL CODE
F31 (Foreign Exchange)

KEYWORDS
Exchange Rate, Market Efficiency, USDINR.

INTRODUCTION
Whenever any person residing in one country wants to enter into any transaction with another person residing in another country, he will require the currency of the foreign country. He cannot enter into the transaction using his domestic country's currency. Transactions between people living in various parts of the world are being conducted through the exchange rates existing between the 2 countries. Exchange rates determine the price at which these transactions occur. An exchange rate is the rate at which any country's currency can be exchanged to buy the currency of another country. It describes the price of a currency in terms of another.

Exchange Rate can be considered to be the most important price in any economy as it affects all other prices. It affects trade balances, capital flows, growth rates, profits, share prices, inflation rates, interest rates and even the relative sizes of economies. It even has an impact on the unemployment prevailing in a country. Exchange rate' movements can have a significant impact on a company's returns. Multinational companies may see significant shifts in their profitability, as exchange rates may make locally held currency more valuable. Even local companies can be affected, as changing FX rates may substantially alter their material costs, or affect their ability to sell their goods in foreign countries at competitive prices. Thus exchange rate plays a big role in the competitiveness as well as the profitability of companies. If the exchange rate appreciates, it makes a country's imports uncompetitive. It will make imports cheaper and thus the domestic goods will be substituted by the cheaper foreign goods. This will have a big hit on the productivity of the export concentrated companies, leading to job cuts and unemployment. This will have a detrimental impact on the growth of the country, thus hampering its progress as well as its welfare.

Generally the quoted price in the foreign exchange market is the Nominal Exchange Rate. It is the rate between the countries is the one country's currency expressed in terms of another country's currency without taking into account inflation. Real Exchange Rate is the inflation adjusted nominal exchange rate. In India the exchange rate with respect to any other country apart from USA is taken through the USDINR exchange rate and the corresponding country's exchange rate with the US Dollar. Hence we are focussing only on the USDINR exchange rate in this study. A nominal effective exchange rate is the exchange rate of the domestic currency vis-à-vis other currencies weighted by their share in either the country's international trade or payments. It is the unadjusted weighted average value of a country's currency relative to all major currencies being traded within an index or pool of currencies. Real effective exchange rates take account of price level differences between trading partners. Movements in real effective exchange rates provide an indication of the evolution of a country's aggregate external price competitiveness. It is the weighted average of a country's currency relative to an index or basket of other major currencies adjusted for the effects of inflation. The weights for both of them are determined by comparing the relative trade balances, in terms of one country's currency, with each other country within the index.

Foreign Exchange markets are the markets where currencies of various countries are traded at the existing exchange rates. Any person or an institution can buy or sell currencies in the foreign exchange markets. Foreign exchange markets serve companies and individuals that purchase or sell foreign goods and services denominated in foreign currencies. Foreign currencies are also needed to purchase foreign physical assets as well as foreign securities.

There are 2 kinds of markets or exchange rates:
- Spot Exchange Rates: It refers to the exchange rate prevailing today. It is the rate at which one currency can be bought with another country's currency today. It is generally delivered immediately.
- Forward Exchange Rates: It is the exchange rate for an exchange to be done in the future. It refers to the exchange rate that is quoted and decided today, but delivered on a future specific date. This is to avoid the impact of the fluctuations in the exchange rates and minimise any potential losses that might occur by the exchange rate either declining or increasing on the future date as the case maybe. Forward rates are quoted for various future dates like 30 days, 60 days, 90 days or one year.

FACTORS AFFECTING EXCHANGE RATES
Exchange rates are influenced by various factors. These factors can be classified based on their impact on the exchange rate with respect to time. Thus we can broadly classify the factors into:
1. Long Run Determinants
2. Short Run Determinants

LONG RUN DETERMINANTS

There are 4 major factors that affect the exchange rate in the long run. They are relative price levels, tariffs and quotas, preferences for domestic versus foreign goods and productivity. The underlying logic is that anything that increases the demand for domestic goods relative to foreign goods tends to appreciate the domestic currency because domestic goods will continue to sell even when the value of the domestic currency is higher. Similarly, anything that increases the demand for the foreign goods relative to the domestic goods tends to depreciate the domestic currency because domestic goods will continue to sell only if the value of the domestic currency is lower.

RELATIVE PRICE LEVELS

In the long run, a rise in the country's price level (price of the goods) relative to the foreign price level causes its currency to depreciate and a fall in the country's price level causes its currency to appreciate. This is in line with the Theory of Purchasing Power Parity which states that exchange rates between any 2 currencies will adjust to reflect changes in the price level of the 2 countries. It is simply an application of the law of one price to national price levels rather than to individual prices. Law of One Price states that if 2 countries produce an identical good, and transportation costs and trade barriers are very low, the price of the good should be the same throughout the whole world no matter which country produces it. Thus any rise in the price of the domestic goods relative to the price of the foreign goods will depreciate the domestic currency where as any decrease in the price of the domestic goods relative to the price of the foreign goods will appreciate the domestic currency.

TRADE BARRIERS

Increasing trade barriers cause a country's currency to appreciate in the long run. Any restriction on the foreign goods in the form of quotas or tariffs tends to increase the demand for the domestic goods thus causing the domestic currency to appreciate.

PREFERENCES FOR DOMESTIC VERSUS FOREIGN GOODS

Increased demand for a country's exports causes its currency to appreciate in the long run as there is a greater demand for the domestic currency as the domestic currency is required to buy the country's exports, whereas increased demand for imports causes the domestic currency to depreciate as it results in the domestic currency being exchanged for foreign currencies leading to depreciation of the domestic currency.

PRODUCTIVITY

In the long run, as a country becomes more productive relative to other countries, its currency appreciates. Increased productivity of the domestic country relative to the foreign country allows it to produce goods at lower costs and thus resulting in an increased demand for its goods relative to the foreign goods. Consequently the domestic currency appreciates.

Apart from the above 4 factors there are other factors as well that affect the exchange rate in the long run. They have been discussed briefly below.

DIFFERENTIALS IN INFLATION

Generally, a country with consistently lower inflation rate exhibits an appreciating currency as its purchasing power increases relative to other currencies. Countries with higher inflation see the value of their currency depreciating relative to its trading partners.

CURRENT ACCOUNT BALANCE

Current Account is the difference between a country's total exports of goods, services and transfers, and its total imports of them. It consists of all payments between the countries. Whenever a country has current account deficit, the country would be requiring more foreign currency to carry out the trade. This will drive down the value of the country's currency thus depreciating it. Similarly if a country has a current account surplus, the country's currency would increase in value and consequently appreciates it.

TERMS OF TRADE

Terms of trade works similar to the current account balance. If a country's exports rise by a greater amount than its imports, the value of the country's currency increase leading to the domestic currency appreciating with its trading partners. The reverse happens when the country's imports rise by a greater amount than its exports.

POLITICAL STABILITY AND ECONOMIC PERFORMANCE

Investors generally invest in country's which has a stable and strong economic performance. With the increase in foreign investments in such stable countries, their currency will appreciate.

SHORT RUN DETERMINANTS

The behaviour of the foreign exchange rate is very unpredictable in the short run. Trying to forecast the future exchange rate is very tough. They key to understand the short run behaviour of exchange rate is to recognise that an exchange rate is the price of domestic bank deposits in terms of foreign bank deposits. Few factors which affect the exchange rate in the short run are:

EXPECTED RETURNS ON DOMESTIC AND FOREIGN DEPOSITS

The most important factor affecting the demand for the domestic deposits when compared to foreign deposits is the expected returns of both of them relative to each other. While comparing the returns, it is imperative to take into consideration the expected appreciation or depreciation of the domestic and foreign currency as any investment in the foreign currency deposits requires conversion of domestic currency into foreign currency and then later while selling the foreign country deposit, converting the foreign currency back into the domestic currency. Let E_t be the current spot exchange rate while i_D be the domestic currency deposit interest rate and i_F the foreign currency deposit interest rate. Thus the return on the domestic deposits for a foreigner or a foreign deposit for an individual of the domestic country can be shown to be:

$R = i_D - i_F + (E_{t+1} - E_t) / E_t$

Thus an increase in the relative expected return of the domestic country deposits causes an increased demand for it, leading to an appreciation of the domestic currency compared to the foreign currency and vice versa.

MARKET EXPECTATIONS

Market expectations affect the spot exchange rate greatly. Similar to stock markets, foreign exchange markets react quickly to news regarding future change in the rates. Future expectations are many a time self-fulfilling. Whenever a large number of investors feel that the currency value is going to decrease subsequently, they start selling the currency. This leads to excess supply of the concerned currency leading to its value actually depreciating. Similarly, whenever investors feel that the currency value is going to increase in the future, they start buying it. This raised the demand for the currency, leading to its value appreciating.

ORDER FLOWS

Order flows refer to the aggregated, small securities that brokers send to dealers often in return for cash payments. There is evidence of a positive correlation between the spot exchange rate movements and the order flows in the inter dealer market and with movements in the customer order flows.

DIFFERENTIALS IN INTEREST RATES

Exchange Rates are greatly influenced by the difference in the interest rates existing in the two countries. By manipulating the interest rates, central banks exert influence over exchange rates. Higher interest rates offer lenders higher returns. This attracts investments from other countries and thus increases the demand for the domestic currency and hence appreciates it. Similarly, if interest rates are decreased, money starts flowing from the home country to other countries which offer higher interest rates. This decreases the value of the domestic currency and thus causes the domestic currency to depreciate. While analysing the effect of the interest rates on the exchange rates, we have to consider the factors causing the interest rates to increase. Fisher's equation says that:

$Nominal\ Interest\ Rate = Real\ Interest\ Rate + Expected\ Inflation$

Thus any increase in the nominal interest rate caused due to an increase in the real domestic interest rate causes the domestic currency to appreciate while any increase due to increase in the expected inflation causes the domestic currency to depreciate. Any decrease in the real interest rate causes the domestic currency to depreciate while any decrease in the expected inflation causes the domestic currency to appreciate.

EFFICIENT MARKET HYPOTHESIS

The main aim of the study is based on trying to find out whether we can predict the movement of the exchange rate in the short run. If we can predict the movement then, steps can be taken so that the exchange rate can be managed effectively. Generally, it is found that foreign exchange markets follow efficient market hypothesis. Hence it is very important to understand what is meant by efficient market hypothesis. Before we try to understand Efficient Market Hypothesis, it is essential to understand the Random Walk Hypothesis, from which Efficient Market Hypothesis evolved.

Random Walk Hypothesis came out in the early 1960s. It is a theory regarding the behaviour of the stock markets. It examines the effect of past or present movement of stock prices or even entire markets on future movements. It says that stocks take a random and unpredictable path and that the past and present movements cannot be used to determine what will be the prices in the future. The chance of a stock's price going up is the same as it going down. The theory holds that it is impossible to stay ahead of the circumstances without taking on a higher amount of risk. It stated that a long term 'buy and hold' strategy is the best and that individuals should not try to time the markets.

Efficient Market Hypothesis is a theory of investment developed by Fama in 1970, which says that the stock market is efficient. Fama defined an efficient market as one in which prices always fully reflect available information. Thus the stock price of a company has taken into consideration all relevant information about a company. It is impossible to outperform the market in the long run and the only way to make profits is by taking on considerable risk. In order to test the efficiency of the market, Fama in his study, defined tests for 3 different levels of market efficiency namely:

1. WEAK FORM

A market is said to have weak form efficiency, if the current prices reflect all information contained in the past price data. The information set which determines the price includes only the history of prices. It states that the return on the market is independent and past rates of return have no effect on future rates. Weak Efficiency thus rejects technical analysis, which is the study of the stock's performance based on past trends.

2. SEMI STRONG FORM

A market is said to exhibit semi strong efficiency, if current prices fully reflect all information known to all market participants, thus all readily available public information. It assumes that stocks adjust quickly to absorb new information and also incorporates the weak form hypothesis. Thus it rejects Fundamental Analysis, which looks at the business's prospects – its products offered financial health, business plans, and competitors as a means of determining its future stock performance. As the current prices already take into consideration all the present available public information, fundamental analysis will not help to beat the market.

3. STRONG FORM

A market is said to display strong form efficiency, if the current prices fully reflect all public and privileged information known to any market participant. Here privileged information refers to the private information which includes all knowledge available to a market maker, insider information available to corporate managers or information that investment managers spend time and money to compile for their own use.

If Efficient Market Hypothesis is a reasonable representation then markets will be in a continuous stochastic equilibrium, i.e. securities will always equal their fair or fundamental values and any change in the fundamental value will be reflected immediately in the market price. As such the only factor which could alter the fundamental value of a security would be new information. Without any additional information we would not expect there to be any change in the value of the security. However news by definition is unpredictable and random, otherwise it is not news. As such movements in the value of a security will also be unpredictable and random. News from one day to the next will affect the security's price in varying directions and by varying magnitudes.

Our major focus of the research is to try to test for the weak form efficiency of the efficient market hypothesis and analysis whether there is any prediction that can be made about the future exchange rates by examining the past exchange rates. We are solely focussing on the USDINR exchange rate in this research. We take the RBI reference rates for USDINR exchange rate. We also try to model the variation in the exchange rates by examining the role played by the Sensex movement, DXY currency index, Brent Oil Prices, FDI and FII flows as well as the Current Account Deficit of India. These variables have been selected as these are few of the major factors that affect the inflow and outflows of foreign currency in the country. Thus by taking these as the independent variables, we regress them over the USDINR exchange rate movements. We run various tests based on the availability of data. We check for the daily variations of the exchange rate as well as monthly and quarterly fluctuations. We try to analyse the significance of the various variables and the validity of the multiple linear regression model that we obtain.

REVIEW OF LITERATURE

Fama(1970) has examined various empirical works, which he has divided into the above 3 forms of efficiency. He found out that the weak form tests of the efficient model are the most voluminous and most of the results are strongly in support of it. Though he found statistically significant evidence for dependence in successive price changes or returns, some of this is consistent with the "fair game" model and the rest in not conclusive enough to declare the market as inefficient. He also found that the semi strong form tests have also supported the efficient market hypothesis. While testing for the strong form of efficiency, he found 2 deviations. First, Niederhoffer and Osborne point out that specialists on major security exchanges have monopolistic access to information on unexecuted limit orders and they use information to generate trading profits. Second, Scholes found that corporate insiders often have monopolistic access to information about their companies. He mentions that apart from these 2 deviations, there is no further evidence of deviation existing down any further in the investment community. Thus he concluded that evidence in support of the efficient market hypothesis was extensive and contradictory evidence very sparse. Then Fama (1991) ina sequel to his previous work, using event studies found that prices react quickly to new information. He also suggested that while private information afforded traders excess returns, such information was rarely obtained.

Various researchers have tested the efficient market hypothesis in the foreign exchange markets in various countries. Various tests have been conducted to check whether the foreign exchange markets are weak form and semi strong efficient. There have been less researches on the strong form efficiency. The general tests conducted to test for weak form efficiencies are Augmented Fuller Test (ADF), Philip Perron (PP) and Kwiatkowski Philips Schmidt Shin analysis. These tests examine for unit root test. The presence of a unit root test proves that the foreign exchange rate movement is a non-stationary variable and it follows a random walk. This proves that the market is weak form efficiency as the current exchange rates incorporate all the previous prices and it is not possible to predict the future exchange rates based on the past prices.

Noman and Ahmed (1998) tested the weak form efficiency for seven SAARC countries' foreign exchange markets for the period 1985 to 2005. They employed Variance Ratio Test of Lo and Mackinlay (1998) and Chow-Denning joint variance ratio test (1993). Their research could not reject the null hypothesis of random walk for all the seven currencies. Thus they concluded that the foreign exchange markets in South Asian region follow random walk process and are weak form efficient.

Al Khazali, Koumanakos conducted empirical testing of the Random Walk of Euro Exchange Rates in 10 Middle Eastern and North African currencies and found out that apart from Kuwaiti and Emirates currencies all other currencies. Ibrahim, Long, Ghani and Mohd. Salleh in their work test the weak form efficiency of the foreign exchange market in 30 Organisation for Economic Cooperation and Development (OECD) countries by applying ADF test, PP and Kwiatkowski Philips Schmidt Shin analysis to examine for the unit root. They found that the foreign exchange market was consistent with the weak form of the Efficient Market Hypothesis.

Cheung, Jen Je Su and Kim Choo examined the market efficiency hypothesis in Euro Foreign Exchange by testing for auto correlation in daily foreign exchange of 82 countries over the period of 1999-2010 and found that the majority of the Euro Foreign Exchange Markets are efficient. Guneratne Wickremasinghe tested weak and semi strong efficiency of the foreign exchange market in Sri Lanka using average monthly spot exchange rates for 6 bilateral foreign exchange rates from January 1986 to November 2000. He found out that the markets are weak form efficient and inefficient in semi strong form. Moorthy (1995) using foreign exchange data found that markets react quickly and efficiently to news of changes in the economic data, US employment figures for example.

METHODOLOGY

In order to test for the weak form market efficiency, we take the daily reference rate published by Reserve Bank of India from April 2nd 2004 to March 30th 2012. In order to find out whether the exchange rate movement over the mentioned period follows a random walk or not, we run LOMAC Variance Ratio Test on the daily exchange rate. It checks for the randomness of the exchange rate variable.

Sensex Movement, DXY Currency Movement, Brent Crude Oil Price movement, net FDI and FII flows are considered as some of the critical variables that might have an influence on the exchange rate movement. These are some of the factors that affect the inflows and outflows of foreign currency in the country. Any fluctuations in these variables will lead to a change in the exchange rate. We try to analyse the impact of Sensex Movement, DXY Currency Index and Brent Crude Oil Prices on the exchange rate by collecting their values over the past one year from April 2011 to May 2012 from the Bloomberg database. We have also collected the RBI reference rate for the USDINR exchange rate over the same period from the RBI website. We check for the presence of unit root test in the above mentioned variables and then try to formulate a multiple linear regression model to explain their movements.

We also take the quarterly data of the Current Account Deficit, the net FDI and FII flows for the past 8 years from April – June 2004 to October – December 2011 and then check for the presence of unit root. We take the difference between the value of the exchange rate at the ending of the quarter and the beginning of the quarter as the value of the variable. Similarly, we take the values for the other variables as well. We then try to create a multiple linear regression model for these variables by taking the exchange rate as the dependent variable and the other variables as the independent variables.

We also take the monthly movements of the exchange rate, Sensex Movement, DXY Currency and Brent Oil Prices by taking the difference between the value of the exchange rate at the ending of the month and the beginning of the month. Again we try to create a multiple linear regression model the same way as we did it in the previous case.

We have used E-Views version 7 to run the above mentioned tests.

FINDINGS AND DISCUSSIONS

We have considered the daily reference rate published by RBI from 2nd April 2004 to 30th March 2012. The variance ratio test has been performed on a period of 5 days, 10 days, 15 days, 20 days, 25 days and 30 days.

The null and alternate hypothesis for the variance ratio tests are given below:

H_0: VR(k,1) = 1

H_1: VR(k,1) ≠ 1

As the alternate hypothesis has an inequality, we have a 2 tailed test. We consider the significance level to be 1%. The critical value for the given level of significance is 2.58. The test result has been shown below:

TABLE 1

	Daily Returns	5	10	15	20	25	30
SUM(RETURNSQ)	0.00808340	0.04317845	0.09210148	0.14757504	0.20684201	0.26544828	0.33009762
m		9655.05154639	19210.46391753	28666.62371134	38023.91752577	47282.73195876	56443.45360825
Variance	0.00000417	0.00000447	0.00000479	0.00000515	0.00000544	0.00000561	0.00000585
VR(k)		1.07274491	1.15003937	1.15112871	1.13462709	1.09053843	1.07509524
ø(k)		0.00247423	2.98608247	4.63298969	6.27130584	7.90103093	9.52216495
Test Statistics M1(k)		1.46245617	0.08682691	0.07021280	0.05375928	0.03221003	0.02433574
µ	0.00003542	0.06871763					

The calculated test Statistics $M_1(k)$ are 1.46, 0.087, 0.07, 0.054, 0.032, 0.024 which are lesser than the critical values of 2.58 for 1% significance level. Thus the null hypothesis that the daily exchange rate follows a random walk cannot be rejected. This proves that the foreign exchange market is weak form efficient.

We will also check for the presence of a unit root in the exchange rate. If a series features a unit root, they are better characterised as non-stationary processes that have no tendency to return to a long run deterministic path. The variance of the series is time dependent and goes to infinity as time approaches infinity, which results in serious problems for forecasting. They also suffer from permanent effects from random shocks. They also follow a random walk.

In our data analysis, we follow the following sequence:

1. Graphically check for the stationarity of the time series of the data.
2. Statistically check for the presence of unit root through the ADF test.
3. If the time series is not stationary we make it stationary by taking the first order difference or any other order difference that is required to make the time series stationary. This is done to eliminate the trend component of the time series.
4. Check for the correlation between the explained variable and the individual explanatory variables. We find out the particular lag of the variable which has more correlation with the explained variable.
5. Run a multiple linear regression over the explained variables and the particular lags of the explanatory variables to obtain a model. We check for the relevance of the model and the individual variables.
6. Check whether the model can be further improved by running multiple linear regression again by checking for multi collinearity.

In the beginning we consider the daily USDINR exchange rate through the reference rates issued by RBI. We also take the daily movements of the Sensex, DXY Currency and Brent Crude Oil Prices. These are the major variables that we feel have a greater influence on the variation of the exchange rate. There are other variables as well in our research that have a say in the fluctuation of the exchange rate, but the values of these variables are available on a daily basis. Hence we are considering only the daily exchange rate movement at this stage. Daily movement of the above variables are shown below:

FIG. 1

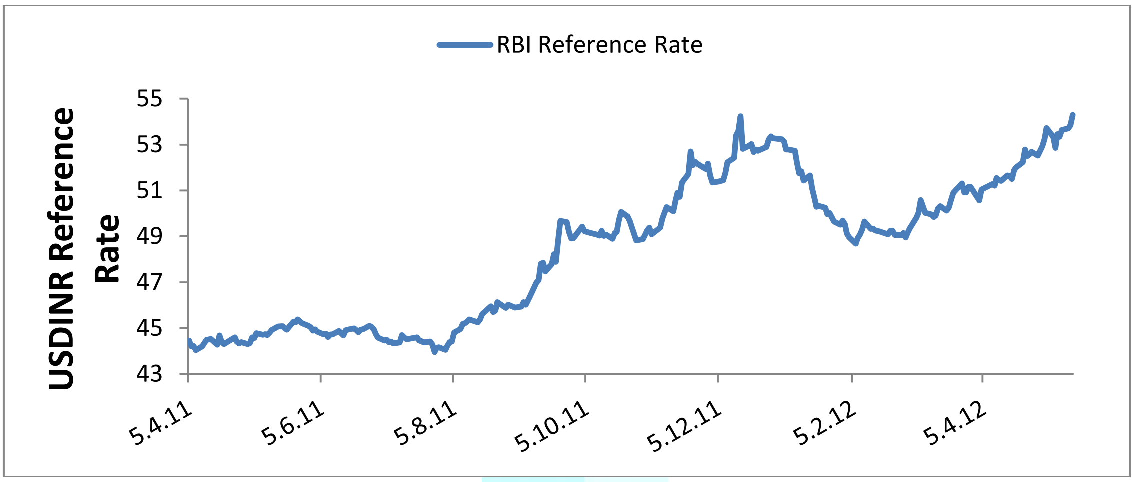


FIG. 2

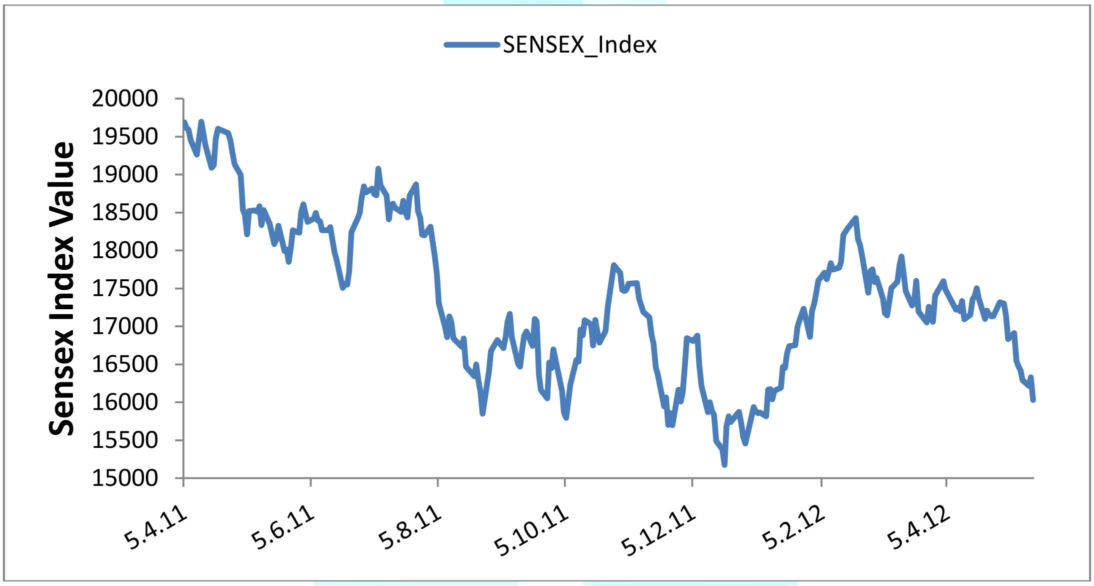


FIG. 3

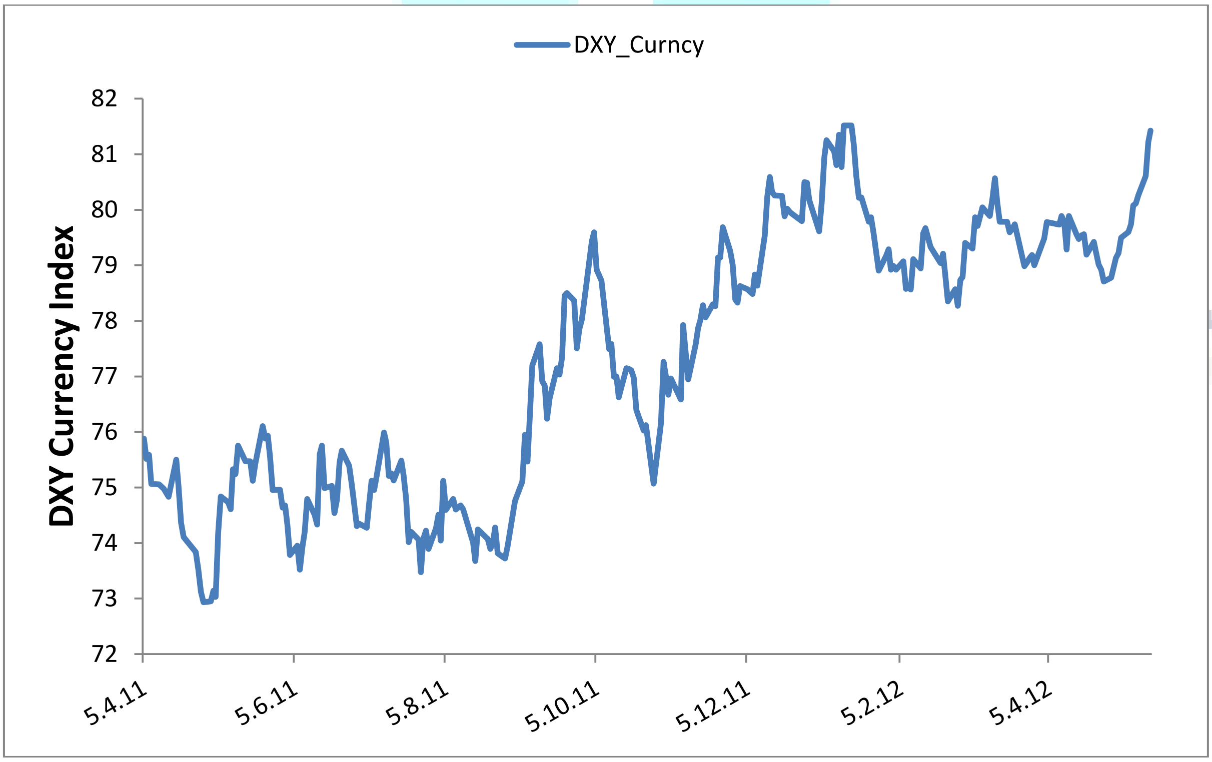
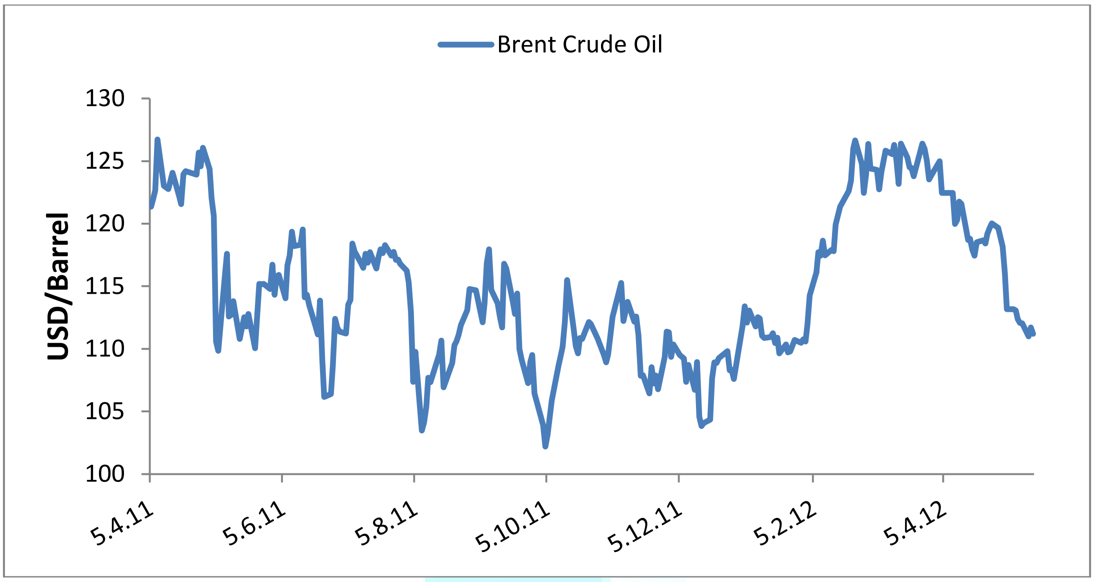


FIG. 4



When we analyse the movements of the above mentioned variables over the time period graphically, we can clearly make out that all the variables are non-stationary. A variable is said to be stationary if its mean and variance are constant over time and the value of covariance between the 2 time periods depends only on the distance or gap or lag between the two time periods and not the actual time at which covariance is computed. They cannot be bounded i.e. they do not have a constant upper bound or a lower bound. The bounds vary with time. The graphs are given below. From the graphs it is clearly visible that the variations in the variable over time cannot be bounded uniformly. The upper and lower bounds are changing as the time period varies. Thus we can conclude that the variables are non-stationary through the graphical analysis.

In the next step we have used the Augmented Dickey Fuller test to statistically check for the existence of unit root. ADF estimates an OLS model such as:

$Y_t = a + bt + uy_{t-1} + e_t$ in the form

$\Delta y_t = (u - 1)y_{t-1} + a + bt + e_t$

And then testing for u=1 (null hypothesis of unit root) using t test. Failing to reject the null is equivalent to failing to reject the existence of a unit root or stochastic trend in the time series. The null and alternate hypothesis of the ADF tests for exchange rate in particular is given below:

Null hypothesis H_0: Exchange rate movement is a non-stationary variable.

Alternate hypothesis H_1: Exchange rate movement is not a non-stationary variable i.e. stationary variable.

We ran the ADF test on the exchange rate movement over the past year and the results are given in the table 1 in the appendix. As shown in the table, the probability that the unit root is present in very high i.e. **0.9913**. This implies that the null hypothesis cannot be rejected. Thus we can deduce that the exchange rate movement is a non-stationary variable. This implies that the movement cannot be predicted and the movement follows a random walk. Thus the foreign exchange rate market with respect to USDINR is **weak form efficient**. We also run the ADF tests by taking exogenous variable as constant and constant linear trend. The results of the tests are given in tables 2 and 3 in the appendix. The probabilities in both the cases are **0.9464** and **0.8378** which are very high. As shown by the above tests, it is clear that the probability that the exchange rate variable has a unit root is very high in all 3 modes. Thus we cannot reject the null hypothesis that the exchange rate movement is non-stationary.

Similarly we check for the presence of unit root in the other variables as well. All of them have a high probability value as shown in the tables 4-6 in the appendix. This means that all of the variables have a unit root and are non-stationary.

In order to make the exchange rate movement stationary by eliminating the trend component in the time series, we take the first order difference and analyse it again using ADF test. First Order Difference is the difference between the value at a given time period and the value in the previous time period. The null hypothesis and the alternate hypothesis are mentioned below:

H_0: The first order difference of the exchange rate movement is a non-stationary variable

H_1: The first order difference of the exchange rate movement is not a non-stationary variable i.e. a stationary variable.

We performed the unit root tests on the first order difference of the exchange rate movement and the result has been shown in Table 7 in the appendix. From the table it is clearly visible that the probability that the probability that the variable has a unit root is 0. Thus we can reject the null hypothesis and accept the alternate hypothesis and infer that the first order difference of the exchange rate movement is a stationary variable. Similarly we also take the first difference of the daily Sensex Index, DXY Currency and Brent Crude Oil Prices. By taking the first difference of the variables, we find that all of them are stationary when we run the ADF tests on them. The results of the tests for all the 4 variables are given in the tables 8-10 in the appendix.

Ordinary least squares (OLS), when used to predict the future value of the explained variable, relies on the stochastic process being stationary. If OLS is being used to explain the explained variables in the time period over which the data is available, it will provide a good model even with non-stationary variables. But when we are predicting the future values, we cannot say with guarantee about how the variables will behave and whether they will behave as suggested by their trend or their values would be different. Hence when the stochastic process is non-stationary, the use of OLS can produce invalid estimates to estimate the future values. Granger and Newbold called such estimates 'spurious regression' results: high R2 values and high t-ratios yielding results with no economic meaning.

As all the above mentioned variable are non-stationary, running a multiple linear regression model to predict the future value of the exchange rate on these variables will result in a spurious regression. We also conduct a multiple linear regression analysis on the above mentioned variables taking the exchange rate as the dependent variable and Sensex Movement, DXY Currency Movement and Brent Oil Prices as the independent variables. We take the daily movement of all the above mentioned variables. The result of the analysis is given in Table 11 in the appendix. The significance value of all the 3 variables is very low. They are significant even at 1% significance level. Thus all the 3 variables are very important. The adjusted R^2 value is also very high indicating that the model explains majority of the variations in the exchange rate movement. But the Durbin Watson stat is very low; 0.22 to be exact, which is almost close to 0. Whenever the Durbin Watson test is close to 2, we can confidently say that auto correlation is absent among the variables. But in this test, the value is close to 0 indicating that auto correlation exists among the variables. When the correlation is calculated between a series and a lagged version of itself it is called autocorrelation. As in this case, even though the adjusted R^2 value is high, it is a spurious regression and we cannot model exchange rate linearly through these variables. Thus in order to make the variables stationary, we take the first order difference of all the variables. We get the first order difference by subtracting the current period value of the variable by the immediate previous period value.

$\Delta y = y_t - y_{t-1}$

We check for cross correlation of exchange rate and all the individual variables. Cross correlation is a standard method of estimating the degree to which two series are correlated. We use the cross correlograms to examine the cross correlation between the variables. In these tests, the correlation between the dependent variable, first order difference of daily exchange rate in this scenario, and the various lags of the dependent variable is examined. We consider it for all the variables. The correlogram clearly shows the particular lag of the variable which has more correlation with the dependent variable. Whenever the correlation bar crosses the dotted boundaries, we say that the correlation between the dependent variable and the particular lag is the highest. In case there is more than one lag of the independent variable that has greater correlation, the earliest lag is taken as the independent variable value for the multiple linear regression model.

Based on the result of the cross correlogram shown in table 12 in the appendix, we take the level data i.e. no lags for First Order Difference of Sensex Index and the first lag for DXY Index and Brent Crude Oil Price as the explanatory variables for the regression. The results of the multi linear regression analysis are shown below:

TABLE 2

Dependent Variable: DREFRATE
Method: Least Squares
Sample (adjusted): 3 265
Included observations: 263 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.029034	0.015778	1.840101	**0.0669**
DSENSEX	-0.000330	7.26E-05	-4.543548	**0.0000**
DBRENT(-1)	-0.017176	0.009191	-1.868791	**0.0628**
DDXY(-1)	0.207157	0.040608	5.101312	**0.0000**
R-squared	0.231995	Mean dependent var		0.038365
Adjusted R-squared	**0.223099**	S.D. dependent var		0.289534
S.E. of regression	0.255201	Akaike info criterion		0.121559
Sum squared resid	16.86800	Schwarz criterion		0.175889
Log likelihood	-11.98505	Hannan-Quinn criter.		0.143393
F-statistic	26.07915	Durbin-Watson stat		**2.152126**
Prob (F-statistic)	**0.000000**			

The adjusted R^2 value of the model **0.223099** is low. All the variables are significant at 10% level of significance. The Durbin Watson stat is **2.152126** and the probability of the F-statistic **0**. But still the adjusted R^2 value of the model is low, indicating that the model is able to explain only a minor portion of the movement if the exchange rate. As much of the information is lost when we take the first order differences, the multiple linear regression model on the variables doesn't give us a model which can help in predicting the movement of the exchange rate. The model obtained above cannot be used to predict the future values of the exchange rate as very little of the exchange rate movement is captured by the model.

Next we try to formulate a multiple regression model for the quarterly value of the exchange rate and the explanatory variables, which are net FDI and FII flows, Sensex Index, DXY Index and Brent Crude Oil Prices. For getting the quarterly value of the exchange rate, we subtract the RBI reference rate at the ending of the quarter and at the beginning of the quarter. Similar to the exercise done in the previous stage, we take the total variation in the exchange rate for the quarter to better capture the movement of the exchange rate. Similarly we capture the movement in the Sensex, DXY Currency and Brent Oil Prices. We add the net FDI and FII inflows for the given months to get the quarterly data for these variables.

The graphs for the above mentioned variables are given below. From the graphs we can clearly make out that apart from net FDI flows, all other variables are stationary as they have a constant mean and variance. But net FDI flows don't look like it has a constant mean and variance. Their mean and variance varies based on the time period. Thus we have a combination of stationary and non-stationary values.

FIG. 5

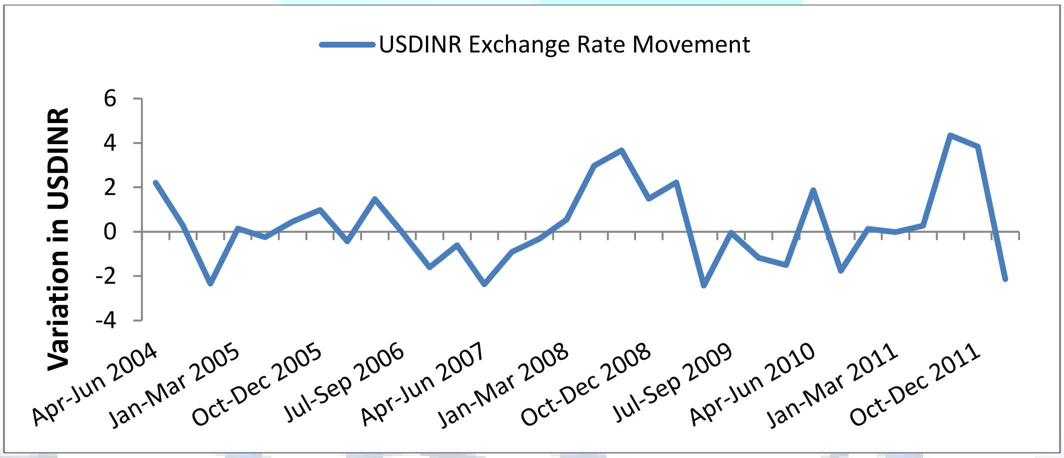


FIG. 6

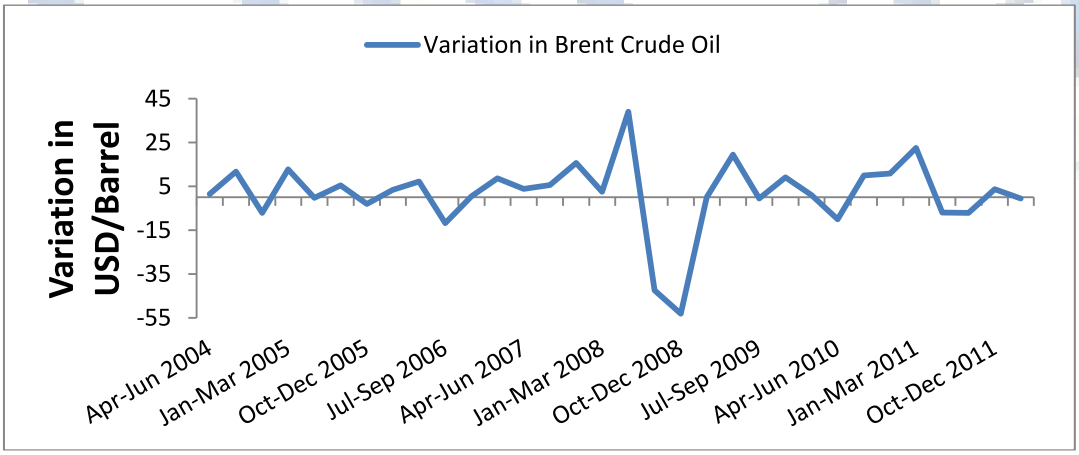


FIG. 7

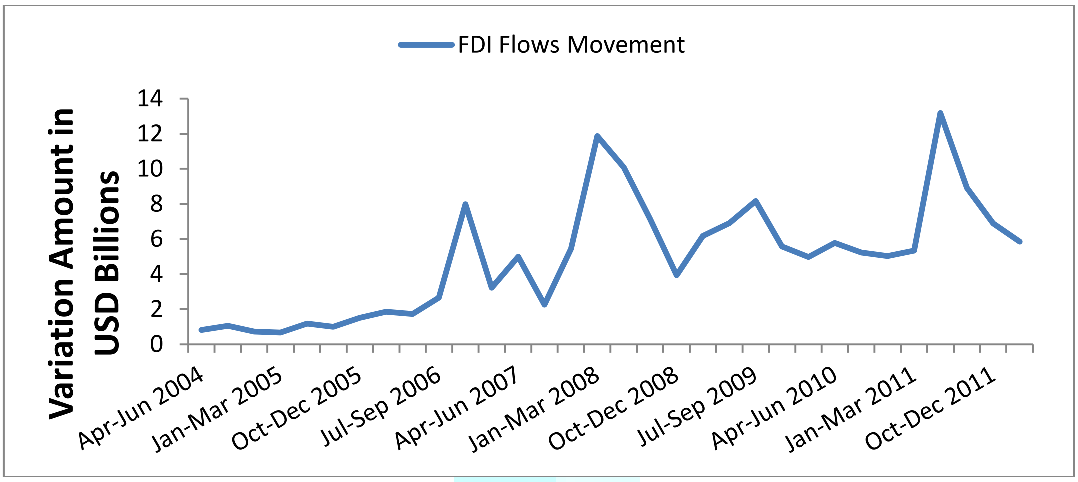


FIG. 8

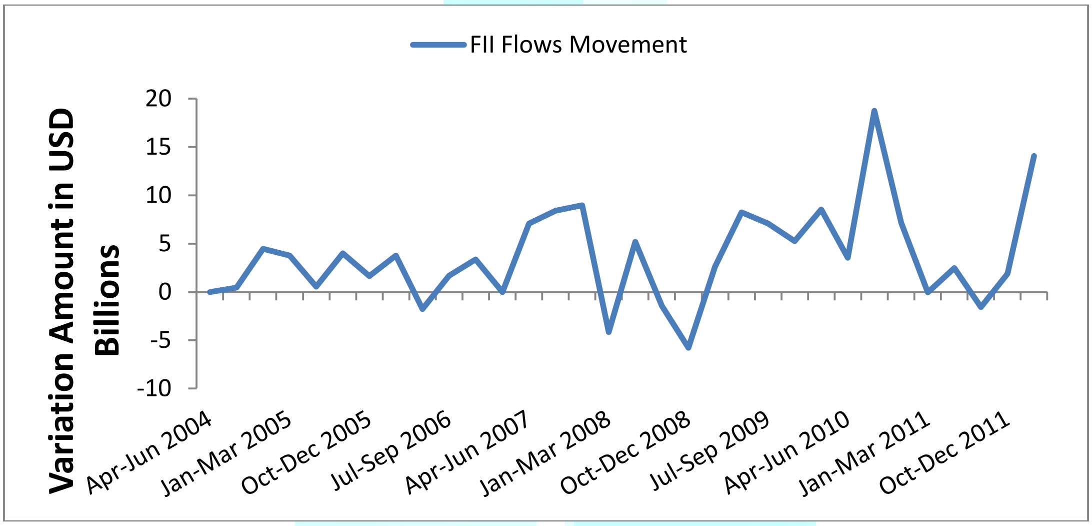


FIG. 9

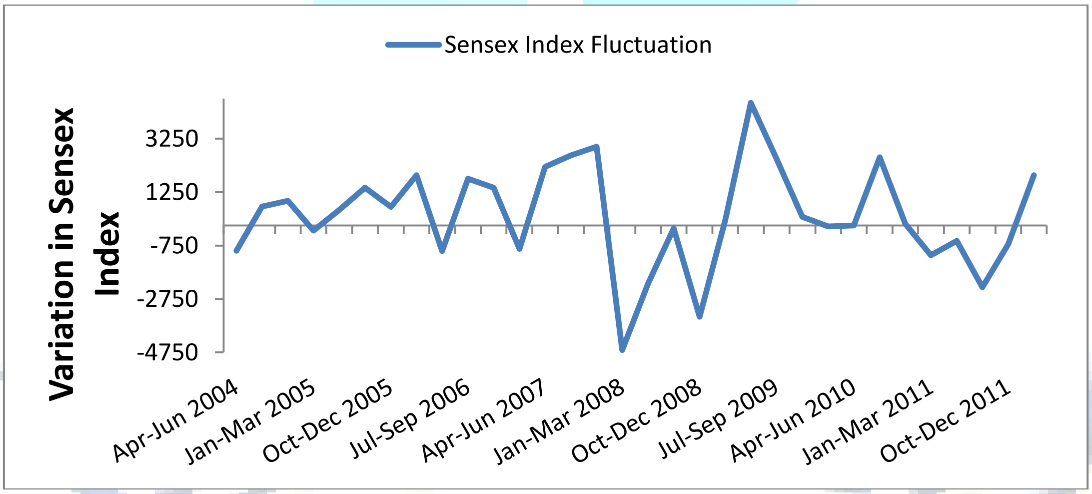
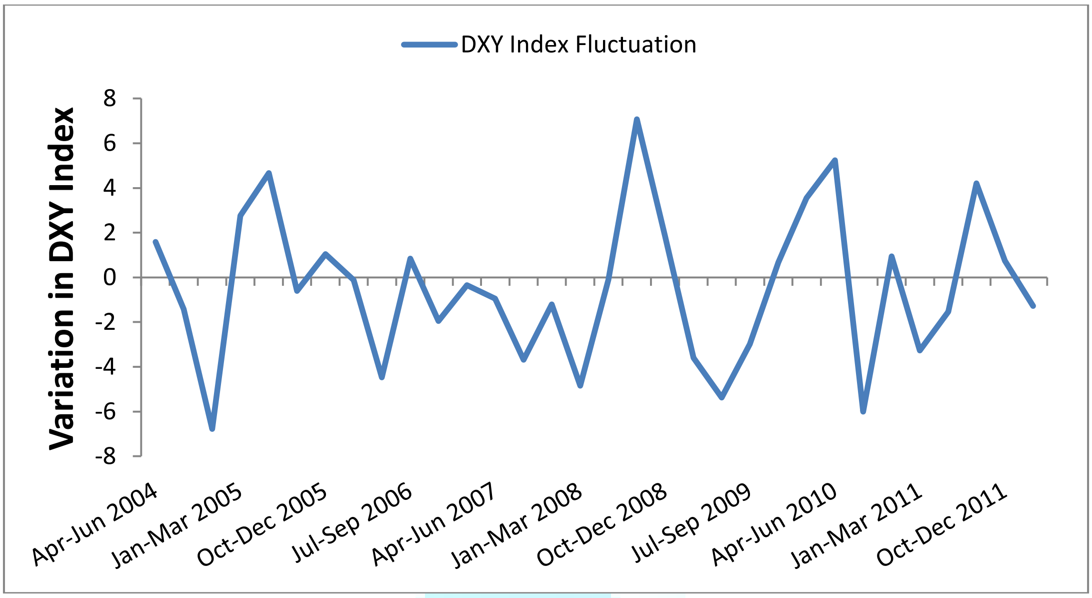


FIG. 10



We next run the ADF tests on the above mentioned variables to statistically check for the presence of unit root. The results of the ADF tests, shown in tables 14-19 in the appendix, prove what we could infer graphically: Sensex Index Variation, DXY Index Variation, exchange rate, FII flows and Brent Crude Oil Prices are all stationary variables as their probability values are high. Only FDI flows is non-stationary with the low probability value. The detailed results are given in tables in the appendix. We next take the first difference of the net FDI flows and then run ADF test on them. The results are given in table 20 in the appendix. From the tables it is clear that all the first order difference of FDI flows is stationary now as it has very low probability values thus proving that the first order differences of the variable is stationary.

We run cross correlation test between the exchange rate and the following variables: Sensex Index, DXY Currency Index, FII flows and Brent Crude Oil Prices as well as the first order differences of FDI flows. The correlogram is shown in table 21 in the appendix. From the table, it is clearly visible that the level data i.e. the data with no lag, of FII inflows, Sensex Index and the DXY index have the highest correlation with the dependent variable. Similarly it can be clearly observed that the third lag of the Brent Crude Oil Prices and the second lag of the FDI inflows have the highest correlation with the dependent variable. Taking these variables as the independent variables and the exchange rate movement as the dependent variable, we run the multiple linear regression. The result of the regression is included in table 22 of the appendix.

From the table, it is clear that none of the variables are significant even at 10% significance level. All of them have high probability values and the adjusted R^2 value is 0.49. Thus the model might be suffering from multi collinearity. Multi collinearity is said to exist in a multiple linear regression model when the variables are not individually significant but the adjusted R2 value of the model is significant. Thus in order to eliminate multi collinearity, we run multiple linear regression by eliminating the variables one by one till we get variables which are significant. The final model that we get is given below:

TABLE 3

Dependent Variable: REFRATE
Method: Least Squares
Sample (adjusted): 3/01/2005 3/01/2012
Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.865227	0.329922	2.622521	**0.0147**
DFDI(-2)	0.168892	0.091182	1.852255	**0.0758**
FII	-0.171721	0.051218	-3.352757	**0.0025**
OIL(-3)	0.031334	0.015412	2.033125	**0.0528**
R-squared	0.509688	Mean dependent var		0.302097
Adjusted R-squared	0.450850	S.D. dependent var		1.839292
S.E. of regression	1.363001	Akaike info criterion		3.584696
Sum squared resid	46.44427	Schwarz criterion		3.773289
Log likelihood	-47.97810	Hannan-Quinn criter.		3.643761
F-statistic	8.662646	Durbin-Watson stat		**1.621818**
Prob(F-statistic)	**0.000410**			

All the 3 variables are significant at 10% significance level. The Adjusted R^2 value is close to **0.45**and the probability of the F-statistic is almost 0. The Durbin Watson stat is also near to **1.62** indicating auto correlation is absent among the residuals. But still its not very close to 2. Hence we further check for auto correlation through the correlogram shown in table 23. Here we check whether the bar for each residual has crossed the boundary in the Autocorrelation column. Thus we can safely say that auto correlation is absent from the model. We also check for heteroskedasticity in the model. That is done through a correlogram among the square of the residuals. This is shown in table 24 in the appendix. As in the previous case, it is clear that all the values are within the specified ranges. Thus it can be said that the model is free from heteroskedasticity. For a multiple linear regression model to be BLUE (Best Linear Unbiased Estimator), the model has to be free from multi collinearity, auto correlation and heteroskedasticity. The model that we obtained is free from all the above defects.

From the model, we can deduce that among the 5 variables which we considered in our analysis, only the quarterly FII flows, second lag of the first order difference of the FDI flows and the third lag of the variation in the Brent Crude Oil Prices have a significant impact on the quarterly variation in the exchange rate. The FII flows has a negative impact while the other 2 variables have a positive impact. This implies that any increase in the quarterly FII flows will decrease the USDINR exchange rate where as any increase in the annual FDI flows and annual Brent Crude Oil Prices will tend to increase the USDINR exchange rate.

We next proceed to analyse the monthly movement of the exchange rate, net FDI and FII flows, Sensex movement, DXY Currency Index and Brent Crude Oil Prices. For getting the quarterly value of the exchange rate, we subtract the RBI reference rate at the ending of the month and at the beginning of the month. If we just take the value of the exchange rate at the ending of the month, then it does not do justice to the exchange rate movement over the past month. The variation in the exchange rate also better explains the movement of the exchange rate over the month rather than taking an average of the exchange rate values over the past month. Hence we take the total variation in the exchange rate for the month to better capture the movement of the exchange rate. Similarly we take the variation in the movement of the Sensex Index, DXY Currency Index and Brent Crude Oil Prices for every month from April 2004 to March 2012. We take the monthly FDI and FII flows available from the RBI website. The graphs of the variation of all the variables are given below. From the graphs it is clearly visible that apart from net FDI flows all other variables are stationary. All of them are mean reverting. We need to test the FDI flows statistically to check whether it is stationary or not.

FIG. 11

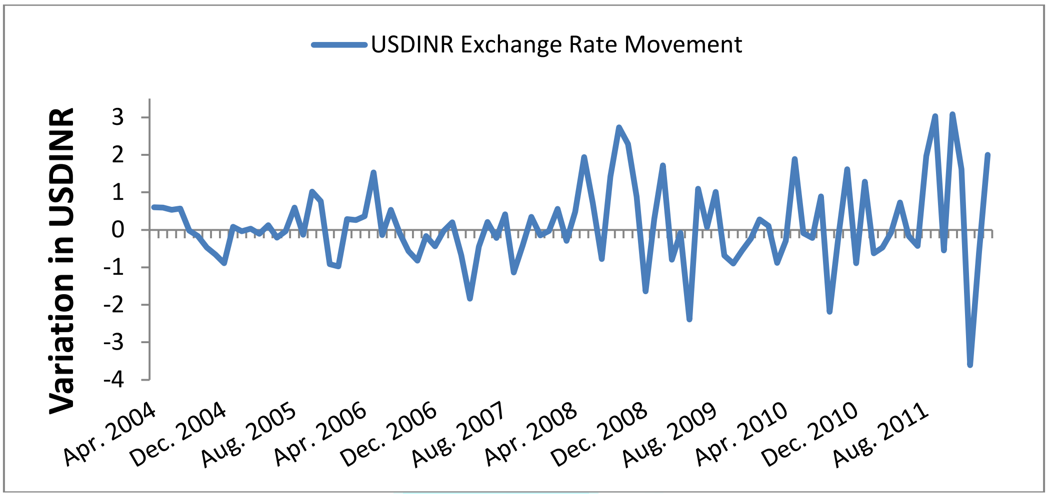


FIG. 12

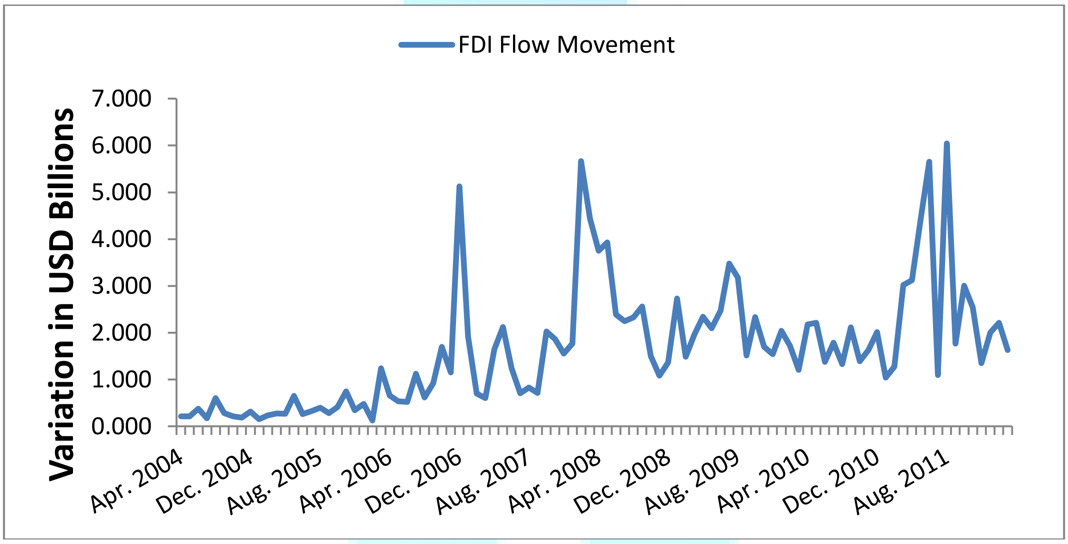


FIG. 13

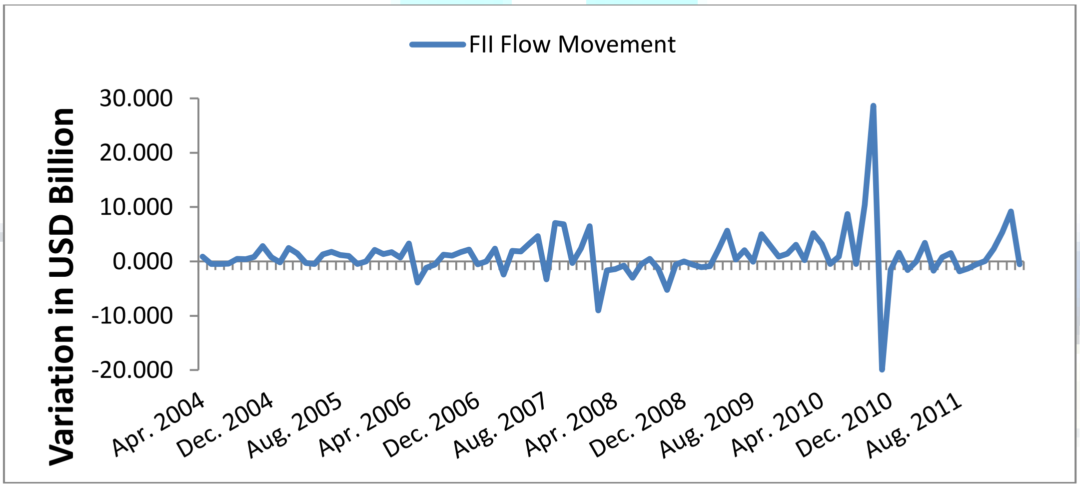


FIG. 14

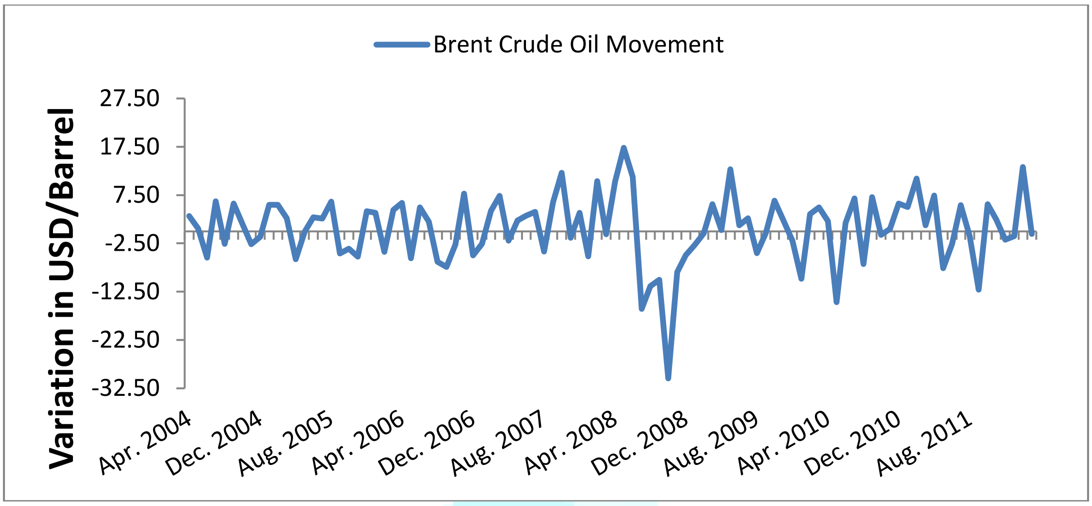


FIG. 15

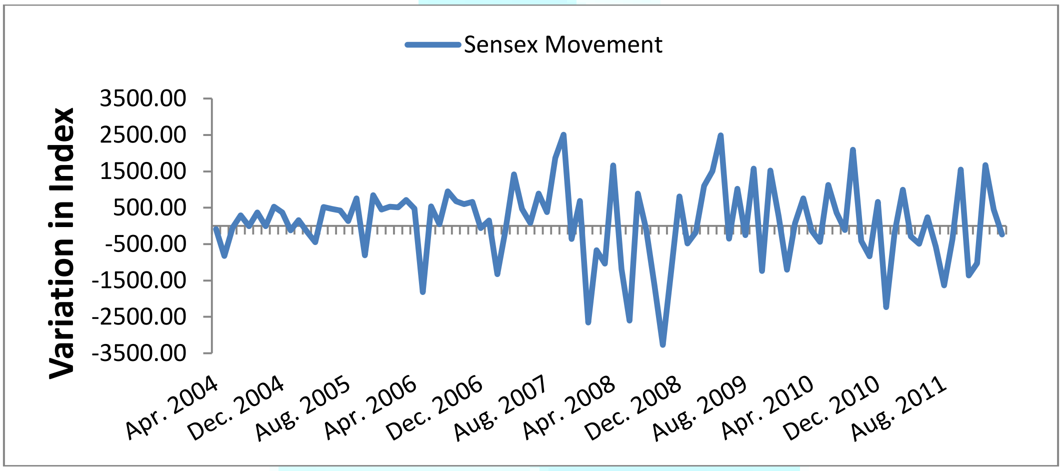
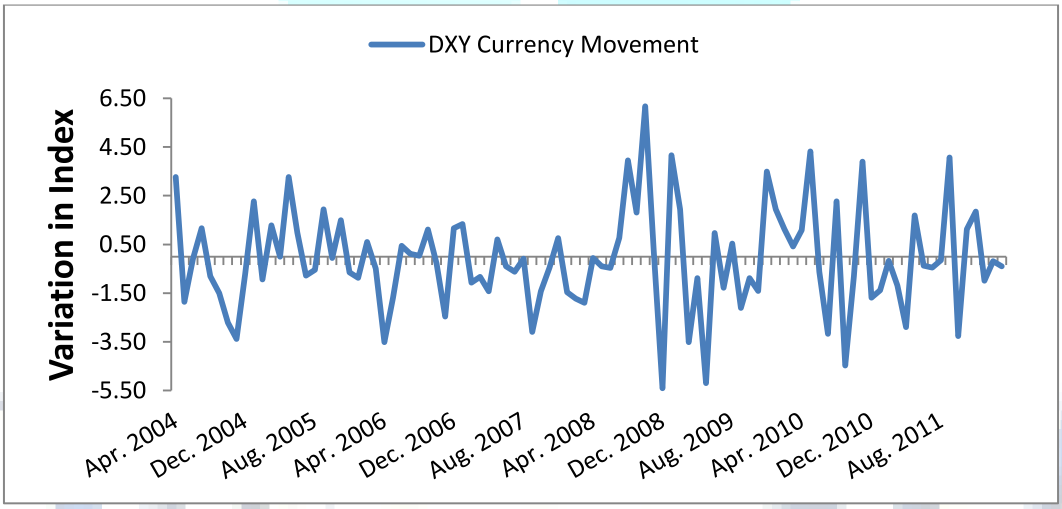


FIG. 16



The results of the ADF tests on the individual variables are given in tables 25-30 in the appendix. The probability values of all the ADF tests for all the variables are very low. Thus the null hypothesis that the series are non-stationary can be rejected and the alternate hypothesis that the series are stationary can be accepted. Next we examine the cross correlation between the individual variables and the exchange rate. The correlograms are shown in table 31 in the appendix. From the table it is clear that the level data of the monthly variation in the DXY Index, Sensex Index, Brent Crude Oil Prices and the net FII flow have the highest cross correlation with the monthly variation in the exchange rate. Similarly we also observe that the first lag of the net FDI flow has the highest cross correlation.

We next run a multiple linear regression model taking exchange rate as the dependent variable and the level data of the monthly variation in the DXY Index, Sensex Index, Brent Crude Oil Prices and the net FII flow as well as the first lag of the net FDI flow as the independent variables. The result is shown in table 32 in the appendix. Almost all the variables have low probability values indicating they are all significant. Only the Brent Crude Oil Price has a high probability value. The adjusted R^2 value of the model is pretty high. Thus the model might be suffering from multi collinearity problem. In order to eliminate it, we again run multiple linear regression on the above variables without considering the Brent Crude Oil Price monthly variation. The result of the test is shown below:

TABLE 4

Dependent Variable: REFRATE
Method: Least Squares
Sample (adjusted): 2004M05 2012M03
Included observations: 95 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.033124	0.125790	0.263326	**0.7929**
DXY	0.167442	0.041254	4.058824	**0.0001**
FDI(-1)	0.110642	0.059484	1.860009	**0.0662**
FII	-0.034732	0.017934	-1.936653	**0.0559**
SENSEX	-0.000465	7.95E-05	-5.842582	**0.0000**
R-squared	0.559730	Mean dependent var		0.112788
Adjusted R-squared	0.540162	S.D. dependent var		1.090171
S.E. of regression	0.739260	Akaike info criterion		2.284861
Sum squared resid	49.18543	Schwarz criterion		2.419275
Log likelihood	-103.5309	Hannan-Quinn criter.		2.339174
F-statistic	28.60497	Durbin-Watson stat		**1.669827**
Prob(F-statistic)	**0.000000**			

All the variables have low probability value indicating that all of the variables are significant. When we check for auto correlation through the correlogram, shown in table 33 in the appendix, we can see that all the values are within the specified limits. Thus we can say that the model is free from auto correlation. But when we check for heteroskedasticity, shown in table 34 in the appendix, we find that heteroskedasticity problem is present in the model as the value in the 2nd lag is exceeding the boundaries. Thus we need to eliminate this issue. We can do it by introducing moving average and Auto Regressive variables. This will help us in getting rid of it. The final model is given below:

TABLE 5

Dependent Variable: REFRATE
Method: Least Squares
Sample (adjusted): 2004M06 2012M03
Included observations: 94 after adjustments
Convergence achieved after 16 iterations
MA Backcast: 2003M10 2004M05

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.012180	0.070310	-0.173229	**0.8629**
DXY	0.195888	0.031557	6.207427	**0.0000**
FDI(-1)	0.114734	0.035489	3.232939	**0.0017**
FII	-0.040894	0.013943	-2.932938	**0.0043**
SENSEX	-0.000365	7.03E-05	-5.193051	**0.0000**
AR(1)	0.202393	0.109545	1.847586	0.0681
MA(2)	-0.576613	0.075529	-7.634291	0.0000
MA(8)	-0.364091	0.075023	-4.853078	0.0000
R-squared	0.658158	Mean dependent var		0.107712
Adjusted R-squared	0.630333	S.D. dependent var		1.094887
S.E. of regression	0.665694	Akaike info criterion		2.105291
Sum squared resid	38.11073	Schwarz criterion		2.321742
Log likelihood	-90.94868	Hannan-Quinn criter.		2.192721
F-statistic	23.65400	Durbin-Watson stat		**2.038130**
Prob(F-statistic)	**0.000000**			
Inverted AR Roots	.20			
Inverted MA Roots	.99	.67-.56i	.67+.56i	.00+.82i
	-.00-.82i	-.67-.56i	-.67+.56i	-.99

Even though the probability of the constant term is very high at 0.8638, we still retain the variable. In case we eliminate it, it means that the exchange rate variation would be 0 in case the other variation in the other variables are 0 for the quarter under consideration. This would be an incorrect assumption. There might some variables which we have not considered and they might have also influence the exchange rate variation as thus we cannot eliminate the constant term. Hence we retain the variable even though it doesn't have significance value. The R^2 value is much higher that the value obtained in the previous stage. The probability of the F-statistics which measures the goodness of fit test is 0 indicating that the model is a valid one. The Durbin Watson statistic is also very close to 2 thus confirming that the model doesn't suffer from auto correlation. The correlograms of both residuals and residual squares are shown in tables 36 and 37 respectively in the appendix. It is clearly visible that both the issues have been eliminated in the model.

FDI and DXY Currency Index have a positive impact on the exchange rate while FII and Sensex have a negative impact. Thus any decrease in the FII flow or the monthly Sensex Variation corresponding to the previous month or any increase in the DXY Currency Index and bimonthly FDI flows will increase the USDINR exchange rate leading to depreciation of the Indian Rupee.

CONCLUSION

It is clearly evident from that the daily exchange rate follows a random walk, proving that the foreign exchange markets are weak form efficient. Technical analysis won't be beneficial in this situation as the current price of the exchange rate incorporates all the previous period exchange rate. Thus we won't be able to predict the future prices through the past prices information. We also tried to model the daily exchange rate prices through the daily Sensex Index value, DXY Currency Index and Brent Crude Oil Prices. But all these variables are non-stationary. We get a spurious regression if we directly try to model these variables as multiple linear regression requires all the variables to be stationary in order to predict the future value of the dependent variable. When we took the first order difference of the variables, the multiple regression model obtained had a low adjusted R^2 value indicating the low explaining power of the model. A lot of information is lost when we take the first order difference of the variables. Thus we cannot model the daily exchange rate values linearly through these variables. We need to consider some extra variables or try a nonlinear model.

In the long run, when we try to model the quarterly variation in the exchange rate, we found that the multiple linear regression model obtained has significant explaining power. We found that FDI and the FII flows as well as the Brent Crude Oil Prices have a significant impact on the quarterly variation in the exchange rate. While the FII flows has a negative impact, the annual FDI flows and Brent Crude Oil Variation have a positive impact on the exchange rate. We also found that the monthly variation in the DXY Currency Index and bimonthly FDI flows have a positive impact on the exchange rate while FII and Sensex have a negative impact when we modelled the monthly variation in the exchange rate.

Hence the exchange rate variable can be modelled whenever we consider the monthly or quarterly variation. Thus its behaviour in the long run is based on fundamentals which can be analysed. But it is not possible to model it on a daily basis. This proves that the movement of the exchange rate variable in the short run is not based on any fundamentals. As it is a random variable, the daily exchange rate movement is random and cannot be predicted. Hence the authorities need to analyse how the random walk pattern of the exchange rate in the short run in mind has an impact on its intervention policy.

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MARKET TIMING OF CORPORATE CAPITAL ISSUES: THE INDIAN EXPERIENCE

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ABSTRACT

The study has made an attempt to verify the existence of market timing theory of Baker and Wurgler (US 2002) in Indian context. For this purpose it examined the effects of market-to-book ratio, fixed assets tangibility, profitability and growth in assets on capital structure decision on Indian companies. The study considered 236 Indian companies which made public offerings during ten years period from 2001 to 2010 as sample of the study. Regression models developed by Baker and Wurgler are used for the present study to examine the applicability of market timing theory in India. The study found that the selected independent variables had significant relationship on capital structure decision by Indian companies during the study period. It evidenced that market timing has existed in India during the study period. Eventhough market timing has been a consideration for equity issues, the mild results revealed that it could not be a major consideration.

KEYWORDS

Market timing, market-to-book ratio, equity, retained earnings, leverage and capital structure.

INTRODUCTION

Financial requirement is continues one for every business organization. Whenever a firm requires finance it goes either for equity or debt. Hence capital of a firm consists of debt and equity, the combination of debt and equity is called capital structure. Decisions taken by the firm on its capital gets its capital structure altered. At the time of need of finance firms take decision on its capital structure. Over the period of time researchers undertook studies on the concept of capital structure and some theories have been developed to explain the concepts of capital structure. The Net Income approach of capital structure was the initial attempt to explain capital structure. According to the theory increase in debt finance in capital structure to the possible extent may minimize the weighted average of cost of capital and this increases the market valuation of the equity shares. It summerises that the cost of equity and cost of debt remain unchanged eventhough market value of debt or equity varies. The successor approach of this theory was net operating income approach. It was propounded by David Durand (1959). According to this approach the overall capitalization rate and the cost of debt remain same in all degrees of financial leverage in capital structure. Unlike the net income approach it argues that the changes in capital structure do not affect the market value of the firm. It also argues that the overall cost of capital remain constant irrespective of mode of financing.

The Modigliani and Miller theory of capital structure (MM Theory) is considered as the initial attempt of modern capital structure theories. Initially this theory was developed with the assumption of non-existence of corporate taxes (1958), but latter a correction was made to the theory by including corporate taxes (1963). According to this theory, cost of capital and value of firm are not affected by capital structure. In other words, whatever the debt-equity mix, the cost of capital and firm value remain same. So capital structure is irrelevant to firm value, hence it is popularly known as irrelevant theory of capital structure.

The trade off theory of capital structure states that a company chooses the quantum of equity and debt finance evaluating the cost and benefit. Here cost refers to dead weight costs of bankruptcy and the benefit is the tax savings by using debt finance under financial distress. Hence optimal capital structure is determined by trade-off between the tax benefits of debt and bankruptcy risk. This theory was supported and critised by various studies. Walter I Boudry et al (2010) had evidence to support the study and Hennessy and Whited (2004), Mihov (2004) and Fama and French (2002) did not find supportive evidences for this theory.

Pecking order theory of capital structure suggests a preferential order of choosing the source of finance when the firm requires finance. The first source of finance preferred by managers is retained earnings (internal source). When it is depleted they move to low risk debt securities then to risky debt finance. They resort to equity issues only when they are not in the position to use neither internal finance nor debt finance. This theory also implies that the managers avoid signaling adverse information about firms by using internal fund. The profitable firms have lower debt ratios not because of lower target leverage, but because of having more internal finance. The studies of Lakshmi Shyam-Sundar and Steward C Myers (1999), Lemmn and Zander (2004), Mihov (2004), Kovacs (2003) and H Sin-Yu Liang and Chen Churamaiah Bathala (2009) supported the theory.

In the flow of theories of capital structure a recent theory was added by Baker and Wurgler in 2002. They had given a new dynamic of market timing attempts and named it as "Market Timing Theory". It explains the timing attempts of security issues. This theory states that the managers of firms take capital structure decisions on the basis of the cost of relative securities. They issue either equity or debt when cost of the respective security is lower than the other. This theory suggests that the managers issue equity when the stocks are valued in the market over and above their book value. On the other hand, when the market value of equity is low they prefer debt issue to meet their financial requirements. They theorized that market timing of equity issues have long lasting effect on capital structure. They also found robust negative association between firm leverage and market-to-book ratio. This theory concluded that the past timing attempts of equity market have persistent impact on capital structure. This theory stated that capitals structure is the cumulative outcome of the past attempts of market timing.

Several studies have been undertaken on the hypothesis of market timing theory of Baker and Wurgler. Aydogen Alti (2006), Silvia Z Islam and Richard Heaney (2007), William Elliott et al (2007), Rongbing Huang and Jay R Ritter (2005) and Brian E Young (2007) are some of the pimportant studies which had supportive evidences to market timing theory both in short run and long run period. The studies of Tijs De Bie and Leo De Hann (2007), Arvind Mahajan and Semiah Tartaroglu (2008), Joseph TL Ooi et al (2010) and Usha R Mittoo and Zhou Zhang (2007) found evidence to support market timing theory in short run only but they did not have supportive evidences in long run explanation of the theory. Studies undertaken by Armen Hovakimian (2006) and Harry De Angelo et al (2007) had evidence against the market timing theory. The present study has been made to test the Market Timing Theory in Indian context.

LITERATURE REVIEW

Rajan and Zingales (1995) found that firm size, tangible assets, market-to-book ratio and profitability were the important factors which were correlated with leverage in G7 countries. Baker and Wurgler (2002) brought out a theory called Market Timing theory as the outcome of their empirical study with US data. The theory stated that capital structure is the cumulative outcome of the past attempts of market timings. Rong Huang and Jay Ritter (2005) identified robust support for market timing theory as an important explanation for time series variation of capital structure. They also found long lasting effect of market timing of securities on capital structure. Ayobgan Alti (2006) in his study supported the market timing and found that firms went for IPO when the market was hot and making more equity issues than cold market firms did. They also found that hot market firms had decline in their leverage ratio during IPO years.

Silvia Islam and Richard Heaney (2007) found that the market-to-book ratio and leverage were negatively associated in Australia firms, which means high market-to-book ratio decreases leverage and assets tangibility, profitability and firm size were associated with lower leverage with very small percentage effect. William Elliott et al (2007) found positive relationship between degree of overvaluation of equity and the proportion of the firm financing by equity issues. The results were strong to firm size. Brian Yong (2007) evidenced that private firms delayed their IPOs when the market conditions were not favourable and they were wait until the market conditions improved.

Tijs De Bie and Leo De Haan (2007) evidenced the existence of market timing theory in Netherlands firms but there was not long lasting impact on capital structure. Usha Mittoo and Zhou Zhang (2007) evidenced that the effect of market timing on capital structure of Canadian SEOs was weak in short run but it did not have effect in long run period. They also stated that the short run effect of market timing on capital structure occurred mainly because of market-to-book ratio. Harry De Angelos et al (2007) argued that market timing was not the primary motive for issuance of securities. They contended that they issue stock when they require funds and the issue decisions could not be the outcome of market timing.

Arvind Mahajan and Semih Tartaroglu (2008) found that there was short run effect of equity market timing attempts on capital structure but there was no persistent effect on capital structure of timing the market in G7 countries by analyzing historical market-to-book ratio. Paritosh Chandra Sinha and Santanu Kumar Ghosh (2009) found that in the over or undervaluation of equity market the cost of asymmetric information related to debt or equity financing reduced in India. Joseph T L Ooi et al (2010) supported market timing theory both at industry level and firm level. They also found that firms took advantages of mispricing of shares to time their financial decisions and minimized cost of capital.

STATEMENT OF THE PROBLEM

Investment in equity stocks are made with an intention to earn returns which occurs through growing value of the investments. Among the determinants of this value, financing decisions is one of the prime factors. Whether an appropriate financing decision had been taken and the consequent capital structure formed will help in augmenting market value and result in maximizing value, is a matter of concern. Among several factors determining capital structure decisions, market timing is an important element of capital structure decisions. The present capital structure, according to one view, is considered as the cumulative outcome of past equity issue decisions indicating that the capital structure decisions would have a long term impact on the firm. Right timing of market in capital structure decisions is expected to be more beneficial to the company. Other than market valuation of equity, many other factors have also been identified and found to have an impact on capital structure decisions. An attempt to find the effects of select important variables as well as timing of public offerings made by Indian companies is expected to throw light on the efficiency with which such decisions were taken.

OBJECTIVES

The study is made with the following specific objectives.

1. To give theoretical backround for capital structure theories and
2. To analyse the market timing effects of capital structure decisions of select Indian companies.

DATA AND METHODOLOGY

The study considered 236 public equity offerings made by Indian companies during the period of ten years from 2001 to 2010. The study required both accounting data and market related data. Accounting data of the sample companies were collected from annual reports supplied by 'Capitaline' database and the market data were compiled from the official website of Bombay Stock Exchange (bseindia.com).

HYPOTHESIS FRAMED

H_o1: There is no significant relationship between the independent variables and net debt issues.

H_o2: There is no significant relationship between the independent variables and net equity issues.

H_o3: There is no significant relationship between the independent variables and retained earnings.

H_o4: There is no significant relationship between the independent variables and growth in assets.

METHODOLOGY

The study basically relates to verification of the existing market timing theory developed by Baker and Wurgler (2002). The regression model developed by the study is adopted for the present study also. The model considered four dependent variables and four independent variables. The independent variables were selected by the study on the basis of the study undertaken by Rajan and Zingales (1995) to identify the factors influencing capital structure. The study identified four variables which influence capital structure namely market-to-book ratio, fixed assets tangibility, profitability and firm size. The present study also has taken these four variables as independent variables. The model had given the results of the effects of independent variables on annual changes in book leverage.

Changes in book leverage was considered as dependent variables. The change was the changes in book leverage over previous year. The changes in leverage was decomposed into equity issues, changes in retained earnings and growth in assets for the purpose of focusing on the actual sources of change. For this purpose the following equation was used.

$$\left[\frac{BL}{A}\right]_t - \left[\frac{BL}{A}\right]_{t-1} = -\left[\left(\frac{E}{A}\right)_t - \left(\frac{E}{A}\right)_{t-1}\right] = -\left(\frac{E}{A}\right)_t - \left(\frac{\Delta RE}{A}\right)_t - \left[E_{t-1}\left(\frac{1}{A_t} - \frac{1}{A_{t-1}}\right)\right]$$

Where,

BL – Book Leverage; A – Total Assets; E – Book Equity; RE – Retained Earnings; E – Changes in book equity minus Changes in retained earnings; t – Current year and t-1 – Previous year

Regression models were applied separately for each dependent variables (Net debt issues, net equity issues, changes in retained earnings and growth in assets) with four selected independent variables viz, Market-to-book ratio, Fixed assets tangibility, Profitability and Firm size. They are,

1. $BL_{it} - BL_{it-1} = \alpha + \beta MBR_{it-1} + \gamma FAT_{it-1} + \delta PR_{it-1} + \varphi \ln (FS)_{it-1} + \varepsilon_t$
2. $D_{it} - D_{it-1} = \alpha + \beta MBR_{it-1} + \gamma FAT_{it-1} + \delta PR_{it-1} + \varphi \ln (FS)_{it-1} + \varepsilon_t$
3. $RE_{it} - RE_{it-1} = \alpha + \beta MBR_{it-1} + \gamma FAT_{it-1} + \delta PR_{it-1} + \varphi \ln (FS)_{it-1} + \varepsilon_t$
4. $A_{it} - A_{it-1} = \alpha + \beta MBR_{it-1} + \gamma FAT_{it-1} + \delta PR_{it-1} + \varphi \ln (FS)_{it-1} + \varepsilon_t$

Where,

BL – Book leverage; D – Net equity; RE – Retained earnings; A – Total assets; MBR – Market-to-book ratio; FAT – Fixed assets tangibility; PR – Profitability; FS – Firm size; t – Current year and t-1 – Previous year

The ratio of dependent and independent variables were calculated as under,

Net equity issue $\left(\frac{\Delta E}{A_t}\right) = \frac{\text{Changes in book equity} - \text{Changes in retained earnings}}{\text{Total assets}} \qquad \left(\frac{(E_t - E_{t-1}) - (RE_t - RE_{t-1})}{A_t}\right)$

Net Debt Issue $\left(\frac{\Delta D}{A_t}\right) = \frac{\text{Changes in external debt over pervious year}}{\text{Total assets}} \left(\frac{(D_t - D_{t-1})}{A_t}\right)$

Changes in Retained Earnings $\left(\frac{\Delta RE}{A_t}\right) = \frac{\text{Changes in retained earnings}}{\text{Total assets}} \left(\frac{(RE_t - RE_{t-1})}{A_t}\right)$

Growth in Assets $\left(E_{t-1}\left(\frac{1}{A_t} - \frac{1}{A_{t-1}}\right)\right) = \left(E_{t-1}\left(\frac{1}{\text{Total Assets}_t} - \frac{1}{\text{Total Assets}_{t-1}}\right)\right)$

Market-to-Book Ratio $\left(\frac{M}{B}\right) = \frac{\text{Total assets} - \text{Book equity} + \text{Market equity}}{\text{Total assets}} \left(\frac{A_t - E_t + E_{mt}}{A_t}\right)$

Fixed Assets Tangibility $\left(\frac{FA}{A}\right) = = \frac{\text{Net Fixed Assets}}{\text{Total assets}} \left(\frac{FA_t}{A_t}\right)$

Profitability $\left(\frac{EBITD}{A}\right) = = \left(\frac{\text{Earning Before Interest Tax and Dividend}}{\text{Total Assets}}\right)$

Firm Size (elog (S)) = elog (Sales)

Where t refers to current year data and t-1 refers to previous year data.

RESULTS AND DISCUSSION

The following section gives the results of descriptive statistics of dependent and independent variables, it reveals mean, standard deviation, minimum, maximum value and number of observations.

TABLE 1: COMMON DESCRIPTIVE STATISTICS

Particular	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	All
MARKET-TO-BOOK RATIO											
Mean	2.1255	1.9868	1.1308	2.8789	2.6574	2.7667	2.4166	2.1945	1.0390	1.5772	1.8626
SD	1.9260	1.7944	0.7375	2.1769	1.3290	1.5956	1.8875	1.7473	0.8093	1.1875	1.5576
Minimum	0.4193	0.5540	0.2831	0.4161	0.4429	0.4638	0.4722	0.3622	0.1592	0.1737	0.1592
Maximum	6.1733	6.4064	2.6718	8.0901	5.9151	8.1608	8.9696	8.7716	5.3388	8.1711	8.9696
FIXED ASSETS TANGIBILITY											
Mean	0.2955	0.3291	0.3327	0.2839	0.3327	0.3279	0.2944	0.3071	0.3259	0.3072	0.3121
SD	0.3419	0.4554	0.3538	0.2649	0.2463	0.2037	0.2218	0.2321	0.2496	0.2396	0.2407
Minimum	0.0292	0.0036	0.0035	0.0027	0.0252	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Maximum	1.0861	1.5766	1.2459	0.9807	1.0249	1.0723	1.1544	1.0053	1.3210	1.0190	1.5766
PROFITABILITY											
Mean	0.1533	0.1474	0.1751	0.1603	0.1623	0.1567	0.1584	0.1610	0.1261	0.1350	0.1457
SD	0.1264	0.2163	0.2684	0.1948	0.1138	0.0787	0.0955	0.1022	0.1244	0.0926	0.1113
Minimum	-0.0127	-0.0865	-0.1335	-0.2455	-0.1788	-0.0601	-0.2631	-0.2934	-0.6015	-0.1206	-0.6015
Maximum	0.3837	0.6934	0.8804	0.6258	0.3401	0.4036	0.4553	0.4909	0.6407	0.4637	0.8804
FIRM SIZE											
Mean	4.1866	4.0790	4.3860	4.7016	5.4993	5.6221	5.6979	5.9175	5.9697	6.0493	5.8173
SD	1.7321	1.9794	1.9965	2.3059	2.1627	1.4272	1.5367	1.5491	1.5953	1.5888	1.6419
Minimum	0.7885	-0.6539	-0.6733	-0.8210	0.1310	1.9213	1.7422	1.8342	1.4884	1.4609	-0.8210
Maximum	6.7245	6.7529	6.8871	7.7747	10.1549	10.2980	11.0365	11.0835	11.1497	11.0664	11.1497
NET DEBT ISSUES											
Mean	0.2711	-0.0231	0.0347	0.1041	0.0845	0.1129	0.0835	0.1178	0.0670	0.0750	0.0875
SD	0.3193	0.2456	0.0836	0.1707	0.1939	0.1709	0.5012	0.1557	0.3999	0.1176	0.2975
Minimum	0.0006	-0.5742	-0.0206	-0.1585	-0.1793	-0.1593	-5.4139	-0.3147	-5.4085	-0.2984	-5.4139
Maximum	0.8494	0.3658	0.2690	0.4571	0.7938	0.7197	0.5452	0.6870	0.5495	0.4270	0.8494
NET EQUITY ISSUES											
Mean	0.2710	0.0582	0.0097	0.0594	0.0342	0.0355	0.0247	0.0167	0.0046	0.0114	0.0192
SD	0.3413	0.1225	0.0299	0.1196	0.0802	0.0393	0.0404	0.0370	0.0269	0.0431	0.0589
Minimum	0.0006	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-0.0094	-0.0552	-0.0174	-0.0552
Maximum	0.9695	0.3454	0.0995	0.3614	0.4172	0.1437	0.2340	0.2646	0.3127	0.4146	0.9695
CHANGES IN RETAINED EARNINGS											
Mean	0.3289	0.1782	0.0789	0.1225	0.1802	0.3261	0.2588	0.2111	0.0530	0.0773	0.1539
SD	0.2703	0.2371	0.1457	0.2379	0.1713	0.2271	0.2442	0.2216	0.1731	0.1137	0.2130
Minimum	-0.0707	-0.1257	-0.1534	-0.3151	-0.1292	-0.1101	-0.4159	-0.3610	-1.0245	-0.2055	-1.0245
Maximum	0.6673	0.5768	0.3785	0.6049	0.5642	0.9298	0.9201	0.8331	0.7698	0.5375	0.9298
GROWTH IN ASSETS											
Mean	-0.4007	-0.1629	-0.1021	-0.1611	-0.1678	-0.2518	-0.2375	-0.2077	-0.0852	-0.0952	-0.1571
SD	0.2285	0.3082	0.1133	0.1809	0.1589	0.1861	0.2062	0.1937	0.1707	0.1107	0.1854
Minimum	-0.7134	-0.7112	-0.3770	-0.5999	-0.4791	-0.7490	-0.9492	-0.9852	-0.7900	-0.6239	-0.9852
Maximum	-0.0067	0.1216	0.0201	0.0445	0.0713	0.1373	0.4030	0.3342	1.1790	0.2536	1.1790

Source: Computed from data obtained from Capitaline database

Table 1 shows the descriptive statistics of market-to-book ratio for the whole study period and for each year. The mean value of market-to-book ratio was decreasing from 2001 to 2003, and it started to increase upto 2006. Latter it had decreased upto 2009. It showed a hike during 2010 over 2009. The highest mean value of market-to-book ratio was found during 2004 (2.8789) and the lowest was found during 2009 (1.0390), because during the year Indian stock market was affected by global financial crisis with market values of stock registering major fall. It was observed that the mean values of fixed assets tangibility shows a fluctuating trend during the study period. There were no major differences between the years. Mean value of fixed assets tangibility for the whole study period stood at 0.3121 with standard deviation of 0.2407. Highest fixed assets tangibility was found during 2004 and 2005 (0.3327). Lowest ratio was found during 2004 (0.2839). Mean value of fixed assets tangibility for the whole study period stood at 0.3121. The table showed that the mean results of profitability also were in fluctuating trend during the period. The mean value of the whole study period was 0.1457 with the standard deviation of 0.1113. Highest mean value was found in 2003 (0.1751), lowest mean value of profitability stood at 0.1261 which was fallen in 2009. The standard deviation was very low during 2006 (0.0787) and highest standard deviation found during 2003 (0.2684). The results indicated that the mean value of firm size showed that there was steady growth in assets over the study period. Mean value of firm size for the whole study period stood at 5.8173 with the standard deviation of 1.6419. Minimum mean value of firm size was found during 2001 (4.1866) and maximum ratio stood at 6.0493 during 2010. Highest standard deviation was found during 2004 (2.3059).

Table 1 also shows the mean value of net debt issues was 0.0875 with the standard deviation of 0.2975. The net debt issues ranges from -0.0231 to 0.2711. The standard deviation of net debt issues was very high during all the years of the study period. The mean values of net equity issues show a fluctuating trend. It was high during 2001 (0.2710) and the lowest net equity issues was documented during 2009 (0.0046). Mean value for net equity issue for all years stood at 0.0192. Standard deviations were high during all the years of the study period. Standard deviation for the whole study period stood at 0.0589. The Mean value of changes in retained earnings stood at 0.1539 with the standard deviation of 0.2130. It was in fluctuating trend over the study period. Lowest mean value was found during 2009 (0.0530) and highest was found during 2001 (0.3289). High standard deviations were present over the study period. The Mean value of growth in assets stood at -0.1571 for the study period of 10 years from 2001 to 2010 with the standard deviation of 0.1854.

In examining the existence of market timing theory of Baker and Wurgler in Indian Scenario, the study has attempted with 236 public offerings made by Indian companies. The results of OLS regression are given below for net debt issues made by the selected companies.

TABLE 2: OLS REGRESSION RESULTS FOR NET DEBT ISSUES

Variables	Co-efficient	t-statistics
Market to Book Ratio	-0.0050[c]	-1.7320
Fixed assets Tangibility	-0.0764[a]	-3.8091
Profitability	-0.1560[a]	4.1352
Firm Size	0.0117[a]	3.7624
Constant	-0.0138	-0.7222
Adj. R^2	0.0477	
F – Stat.	12.2998	

Source: Calculated from secondary data

Note: a, b and c – Significant at 1%, 5% and 10% levels respectively.

Table 2 shows that market-to-book ratio, fixed assets tangibility and profitability influenced net debt issues negatively (-0.0050, -0.0764 and -0.1560). The co-efficient of Market-to-book ratio was significant at 10% level, co-efficient values of other variable were statistically significant at 1% level. Firm size was the only variable which affected the net debt issues positively at 1% level of significance (0.0117). The value of constant stood negatively at -0.0138 which was not statistically significant, which indicated that other than the selected variables other variables influenced net debt issues negatively. The selected independent variables explained net debt issues at 5 per cent as shown by adjusted R square. The calculated value of F-statistics was 12.2998 and it was higher than the table value (3.02), hence the null hypothesis was rejected and the independent variables had significant relationship with net debt issues.

The results of the above table showed that the market value of equity has a negative influence on net debt issues. It means Indian companies reduced debt in their financial structure when the market values of their equity were high. In other words Indian companies went for debt when market value of equity went down. At the lower market valuation of equity, managers go for debt for their financial requirement because at that time they could not fix higher premium on equity shares and cost of capital become higher. To avoid this they tend to issue debt at the time of lower market valuation. The results also showed that firm size and net debt issues had positive relationship, which confirms the theoretical state that large companies depended more on debt rather than any other source of finance. Among other variables, profitability had more negative influence on net debt issues, indicating that high profit companies did not prefer debt as their financial source. Negative influence of fixed assets tangibility on net debt issues of Indian companies showed that companies with high fixed assets tangibility preferred lesser debt finance. Eventhough the results showed positive and negative effects of the variables market-to-book ratio, fixed assets tangibility, profitability and firm size on net debt issues, they were not that very strong. In other words these variables had only mild effects in financing in Indian context. The results of the above results supported the market timing theory in Indian context as market to book ratio had negative influence on net debt issues during the study period.

Pooled OLS regression estimates for the study period of 2001 to 2010, It was arrived at as regression co-efficient × standard deviation. This would express the percentage change in a dependent variable attributable to a unit change in standard deviation of independent variable. This can be stated as one standard deviation increase in market-to-book ratio was associated with 1.17 per cent decrease in net debt issues (which was calculated as -1.17 = -0.0075 x 1.5576, where 1.5576 was the standard deviation of market-to-book ratio). One standard deviation increase in fixed assets tangibility and profitability was associated with 1.65 per cent and 1.49 per cent decrease in net debt issues respectively (-1.65 = -0.0687 x 0.2407 where 0.2407 was the standard deviation of fixed assets tangibility and -1.49 = -0.1342 x 0.1113 where 0.1113 was the standard deviation of profitability). But one standard deviation increase in firm size was associated with 1.28 per cent increase in net debt issues (1.28 = 0.0078 x 1.6419 where 1.6419 was the standard deviation of firm size).

Having dealt with the position of debt with regard to market timing, the main question, namely whether equity issue has been made considering market value conditions is intended to be studied. The following table reports the OLS estimate of regression results of the influence of market-to-book ratio, fixed asset tangibility, profitability and firm size on net equity issues.

TABLE 3: OLS REGRESSION RESULTS FOR NET EQUITY ISSUES

Variables	Co-efficient	t-statistics
Market to Book Ratio	0.0003	0.2975
Fixed assets Tangibility	-0.0203[a]	-3.3254
Profitability	-0.0335[a]	-2.9111
Firm Size	0.0087[a]	9.1727
Constant	-0.0537[a]	-9.2362
Adj. R^2	0.0905	
F – Stat.	23.4450	

Source: Calculated from secondary data

Note: a, b and c – Significant at 1%, 5% and 10% levels respectively.

The regression results of table 3 indicate that market-to-book ratio affected net equity issues positively (0.0003), but it was not statistically significant. Net equity issues were negatively influenced by fixed assets tangibility and profitability (-0.0203 and -0.0335) significantly at 1% level. Firm size influenced net equity issues of Indian companies positively (0.0087) and it was statistically significant at 1% level. According to the results the value of constant stood at -0.0537, which means that variables other than the selected variables influenced net equity issues negatively. These results are in conformity with established theory. The independent variables involved explained net equity issues to the extent of 9% as indicated by the adjusted R^2 value. The calculated value of 'F' statistics stood at 23.4450 which was higher than the table value (3.02), Hence the null hypothesis was rejected. So, all the independent variables together had significant relationship with the net equity issues.

The results of this analysis show positive relationship between market-to-book ratio and net equity issues, which basically means Indian companies issued equity shares when the market values of their equity shares were high. But the results are not strong enough to treat as having major influence. The mild effect reveals that, eventhough there was market valuation implication on timing of equity issues in India, it was not substantial. In other words, eventhough there was timing effect in India, the weak results indicates that the market timing was not given the required importance during equity issue decisions. The results also showed that Indian companies did not prefer debt when the market value of equity were high (market-to-book ratio had positive co-efficient on net equity issues and negative influence on net debt issues). Among the four selected variables two variables had positive influence on net equity issues, market-to-book ratio is one among them and hence market timing has had an influence on equity issuance decisions in India. Since the influence of market-to-book ratio on equity issue was positive, the required finance was raised by equity issues, reducing the need for debt issue.

The negative co-efficient of fixed assets tangibility indicates that fixed assets of a company did not influence equity issues decisions in India. Not only on equity issues, it had negative influence on net debt issues also. The negative result of profitability on net equity issues indicates that Indian companies with high profitability did not prefer equity finance for their financial needs. Firm size had positive influence on net equity issues (0.0087) and net debt issues (0.0117) but the result of net equity issue is lesser than the results of net debt issues which means large size companies preferred debt issues for their financial needs rather than equity issues.

On the whole, among the four independent variables, only two variables namely market-to-book ratio and firm size had a positive influence on equity issues of Indian companies. So, the market values of equities were considered for issue of equity shares by Indian companies during the study period

Using OLS regression for the study period of 2001 – 2010, one standard deviation increase in market-to-book ratio tend to result in 0.13 per cent increase in net equity issues (0.13 = 0.0008 x 1.5576, where 1.5576 is the standard deviation of market-to-book ratio). Fixed assets tangibility had negative influence on net equity issues, where one standard deviation increase was associated with 0.23 per cent decrease in net equity issues (0.23 = -0.0095 x 0.2407, where 0.2407 is the standard deviation of fixed assets tangibility). Profitability had very low positive influence on net equity issues. One standard deviation increase in profitability tends to increase 0.02 per cent of net equity issues (0.02 = 0.0021 x 0.1113, where 0.1113 was the standard deviation of profitability). One standard deviation increase in firm size was associated with 1.31 per cent increase in net equity issues (1.31 = 0.0080 x 1.6419, where 1.6419 was the standard deviation of firm size).

The source of finance sorts by firms to meet their financial needs were debt, equity and retained earnings. The need for financing growth in assets should substantially come from debt and equity, in the sense retained earnings may not always play a substantial role in financing. However since it is considered as a source of funds, its influence in the overall financing decisions needs to be assessed. This aspect is taken up for analysis and the results are presented in table 3.

TABLE 4: OLS REGRESSION RESULTS FOR CHANGES IN RETAINED EARNINGS

Variables	Co-efficient	t-statistics
Market to Book Ratio	-0.0328[a]	-9.9257
Fixed assets Tangibility	0.0013	0.0579
Profitability	-0.5447[a]	-12.6568
Firm Size	0.0278[a]	7.8372
Constant	-0.1382[a]	-6.3564
Adj. R^2	0.3107	
F – Stat.	102.6545	

Source: Calculated from secondary data

Note: a, b and c – Significant at 1%, 5% and 10% levels respectively.

Results of OLS regression analysis presented in table 4 showed that market-to-book ratio and profitability had negative influence on changes in retained earnings (-0.0328 and -0.5447), both results were statistically significant at 1% level. Among the two variables profitability affected the changes in retained earnings much higher than market-to-book ratio. Fixed assets tangibility and firm size influenced changes in retained earnings positively (0.0013 and 0.0278). Regression co-efficient of fixed assets tangibility was not statistically significant but the co-efficient of firm size was significant at 1% level. As explained by adjusted R-square all the independent variables explained the changes in retained earnings at 31%. The value of constant stood at -0.1382 and it was significant at 1% level. The calculated value of F-statistics was 102.6545 which was higher than the table value (3.02) at 1% level, Hence the null hypothesis was rejected and the independent variables together had significant relationship with the changes in retained earnings.

The regression result showed that profitability of Indian companies negatively influenced on changes in retained earnings and interestingly the result was higher than any other selected variables. It shows that Indian companies with high profitability did not prefer internal source of finance for their financial need. Market value of equity shares also negatively influenced on changes in retained earnings, it means companies with high market value did not seek for internal source of finance for their financial requirements. Except the co-efficient of profitability all other results were mild. Positive effect of fixed assets tangibility on changes in retained earnings showed that Indian companies which had high fixed assets tangibility preferred internal source of finance for their financial needs. Firm size also had positive co-efficient on changes in retained earnings. It revealed that large companies went for internal source of finance for their financial requirements. It should be bourn in mind that retained earnings is a residual decision. That is, out of the total profits earned a part is declared as dividends and the balance, that is the residue, is retained earnings.

By using OLS estimates it was found that one standard deviation increase in market-to-book ratio was associated with 7.16 per cent decrease in changes in retained earnings (-7.16 = -0.0460 x 1.5576, where 1.5576 was the standard deviation of market-to-book ratio). One standard deviation increase in fixed assets tangibility had increased 0.13 per cent in changes in retained earnings (0.13 = 0.0053 x 0.2407, where 0.2407 was the standard deviation of fixed assets tangibility). Profitability had strong negative association with changes in retained earnings. One standard deviation increase in profitability was associated with 6.96 per cent decrease in changes in retained earnings (6.96 = -0.6255 x 0.1113, where 0.1113 was the standard deviation of profitability). In case of firm size, when there was one standard deviation increase, it tend 2.54 per cent increase in changes in retained earnings (2.54 = 0.0155 x 1.6419, where 1.6419 was the standard deviation of firm size).

As mentioned earlier financial need arises mainly to meet the investment needs and investment leads to growth in assets. To what extent the determinants influence the growth in assets is also verified and the results are presented in table 5.

TABLE 5: OLS REGRESSION RESULTS FOR GROWTH IN ASSETS

Variables	Co-efficient	t-statistics
Market to Book Ratio	0.0275[a]	9.7749
Fixed assets Tangibility	-0.0574[a]	-2.9442
Profitability	0.4222[a]	11.5149
Firm Size	-0.0248[a]	-8.2074
Constant	0.1782[a]	9.6180
Adj. R^2	0.2968	
F – Stat.	96.1958	

Source: Calculated from secondary data

Note: a, b and c – Significant at 1%, 5% and 10% levels respectively.

The results of table 5 showed that regression co-efficient of all independent variables were statistically significant at 1% level. Market-to-book ratio and profitability had positive influence on growth in assets (0.0275 and 0.4222). Growth in assets was negatively affected by fixed assets tangibility and firm size (-0.0574) and -0.0248). The constant value of co-efficient stood at 0.1782. All the four controlling variables together explained the growth in assets at 30% as explained by adjusted R-square. Other than profitability all other three independent variables had mild effect on growth in assets. The calculated value of F-statistics (96.1958) was higher than the table value (3.02), hence the null hypothesis was rejected and the independent variables had a significant relationship with the growth in assets during the study period.

The positive regression co-efficient of market-to-book ratio showed that market valuation of Indian companies influenced the growth in assets positively. Profitability influenced growth in assets much higher than other independent variables. Fixed assets tangibility had negative influence on growth in assets. Profitability influenced growth in assets positively which indicated that profitability was considered as a variable for different security issues by Indian companies. Firm size was another variable which had a negative influence on growth in assets during the whole period and all the sub-periods of the study.

But what is surprising is the negative influence of the variable fixed assets tangibility on growth in assets. This basically would imply that financing through various sources had gone to increase total assets and not fixed assets. The components of total assets are tangible fixed assets, intangible fixed assets, long term investments and current assets. Hence it is inforced to conclude that raising of funds had been to finance intangible assets, long term investments in securities (purchase of shares of the companies for mergers, acquisition or creating controlling interest in other companies or financing subsidiaries etc.) and investment in current assets. This means the nature of growth has not been in the expected lines of expanding business operations.

Using OLS regression showed that one standard deviation increase in market-to-book ratio was associated with 5.87 per cent increase in growth in assets (5.87 = 0.0377 x 1.5576, where 1.5576 was the standard deviation of market-to-book ratio). One standard deviation increase in fixed assets tangibility tend to decrease growth in assets by 1.55 per cent (-1.55 = -0.0646 x 0.2407, where 0.2407 was the standard deviation of fixed assets tangibility). One standard deviation increase in profitability was associated with 5.53 per cent increase in growth in assets (5.53 = 0.4891 x 0.1113, where 0.1113 was the standard of deviation of profitability). Firm size had negative association with growth in assets, when one standard deviation increase in firm size tend to decrease growth in assets by 2.56 per cent (-2.56 = -0.0156 x 1.6419, where 1.6419 was the standard deviation of firm size).

The results of the hypotheses tested by the study are presented in table 6.

TABLE 6: RESULTS HYPOTHESES TESTED

Hypothesis	Results
There is no significant relationship between the independent variables and net debt issues.	Rejected
There is no significant relationship between the independent variables and net equity issues.	Rejected
There is no significant relationship between the independent variables and changes in retained earnings.	Rejected
There is no significant relationship between the independent variables and growth in assets.	Rejected

Table 6 summerises the results of 'F' test analysis relating to the relationship of dependent and independent variables. The hypotheses were set such that if the hypotheses is rejected it goes as per the established theory. In other words the independent variables market-to-book ratio, fixed assets tangibility, profitability and firm size need to have a significant relationship with the variables net debt issues, net equity issues, changes in retained earnings and growth in assets.

The Market Timing Theory of Backer and Wurgler (2002) found that market-to-book ratio had positive effect on net equity issues and it had negative influence on net debt issues. It means companies issue equity when market value of equity increased and otherwise they seek for debt issues. The present study tested the theory in Indian context and the natures of influence of independent variables on dependent variables are given in table 7.

TABLE 7: NATURE OF INFLUENCE OF INDEPENDENT VARIABLES ON DEPENDENT VARIABLES

Dependent Variables	Nature of Influence			
	MTB	FAT	PR	FS
Net debt issue	-	-	-	+
Net equity issue	+	-	-	+
Changes in retained earnings	-	+	-	+
Growth in assets	+	-	+	-

Source: Computed from secondary data

Table 7 summerises the results of the nature of influence of independent variables on the dependent variables ascertained through regression analysis. It indicates that market timing has been an important consideration since there is a negative influence of market-to-book ratio on net debt issues and a positive influence on net equity issues. This means when market values are low, debt issues have been made and when market values are high compared to book values, equity issues have been made. With regard to other variables namely fixed assets tangibility, profitability and firm size the positive or negative influence on debt and equity issues are explainable. Similarly positive or negative influence of all the variables on growth in assets is also theoretically acceptable. The negative influence of market-to-book ratio and profitability on changes in retained earnings is some what intriguing. Theoretically a positive change in retained earnings results in an enhanced book value which in turn should have the positive influence on market value. This would result in an increase in market-to-book ratio. But in the case of the study companies this has not been the case. This may be explained as due to any one of the following reasons; 1.a low dividend payout might have had a negative influence on market value and/or 2.the future earnings perception of the market might not have been favourable to the company. Both the above would result in lower market values.

CONCLUSION

The study examined the existence of market timing theory of Baker and Wurgler (2002) in Indian context. It found supportive evidences to this theory in India. This study found negative influence of market-to-book ratio on net debt issues and positive influence on net equity issues, it means Indian companies issued equity shares when market value of shares were high and they went for debt issues for their financial requirements when market value was low. Indian companies utilized mispricing of equity shares in market and went for equity issues when market value of equity was high because of lower cost of capital of equity and they were able to fix higher premium on shares at the time of issue. It was also found that the independent variables selected for the study had significant relationship with capital structure decisions in Indian firms. This study indicates that market timing has been a consideration but not a major consideration in equity issue decisions in India.

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BLOCKHOLDER OWNERSHIP STRUCTURE OF SRI LANKAN LISTED COMPANIES

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ABSTRACT

The purpose of this study is to identify the blockholder(s) and blockholder ownership structure (BHO) of Sri Lankan listed companies. The study concentrated on 135 companies from 19 sectors except Bank Finance and Insurance during the period from 2007/08 to 2012/13. Firstly, we identified the number of shares issued by the sample companies and the number of shares held by the blockholders. Based on the shares information, the shareholder indices indicate the great disparity between block shareholdings and minority shareholdings. Further, the distribution of BHO proves that nearly 50 per cent of the sample companies' blockholders have more than 75 per cent of equity shares and more than 80 per cent of the blockholders are institutions. Finally, the study identifies that on average 72 per cent of the shares controlled by minuscule number of blockholders and nearly 90 per cent of the companies are under the control of five or less number of blockholders. Therefore, the study proves that the listed companies of Sri Lankan stock market are controlled by the hefty blockholders.

KEYWORDS

Blockholders, corporate governance, control, ownership.

JEL CLASSIFICATION

G32, G34.

1. INTRODUCTION

The corporate governance determines the relationship and corresponding responsibility among a core group of an organization (OECD, 1999). Several corporate governance theories have evolved in developed market as a result of economic development of industrial capitalism (Chowdary, 2003). Individual nations form its corporate governance based on their economic, political, and legal background. As a result, corporate governance system becomes very complex because it considers legal and institutional frame work; legal provisions; corporate governance guidelines and codes; code of ethics; provisional institutions; and social, political and economic environment (Manawaduge, 2012). However, in emerging market, most of these components are missing and poor corporate governance is considered as one of the main causes of the Asian economic crises (Nam & Nam, 2004).

This financial crises make known that there should be a move towards better corporate governance structure all over the world. Even though, some investors own a significant proportion of voting shares in an entity and could act together, they form a block shareholding (blockholders). If they do act as blockholders, they may be able to influence corporate decisions such as corporate strategies of acquisition policy, on the acquisition and dismissal of directors, financial strategies of dividend policy or capital structuring and investment strategies. Further, minority expropriation is motivated by the private benefit of control enjoyed by the blockholders.

Several companies in various countries are controled by blockholders. Italian voting trusts or voting syndicates are group of large shareholders. In Sweden, corporate control become concentrated in the second half of the 20th century, but controlling ownership is being diluted with the growth of firms and stock market. Blockholder ownership is also significant in South Korea, Russia and China (Tricker, 2009).

2. LITERATURE REVIEW

The important problem of principal – principal problem has been articulated in the context of listed public companies in matured capital markets and has recently been tested in emerging markets. The principal – principal problem is described in a firm with one large shareholder and a fringe of small shareholders (Villalonga & Amit, 2006). In such a firm, the traditional principal – agent conflict is alleviated due to the large shareholder's greater incentives to monitor the managers, but a second type of conflict emerges as large shareholders exercise their substantial control and influence over firm matters and, as agency theory suggests, they have incentives to consume the firm's resources at the expenses of minority shareholders (Anderson & Reeb, 2004). It is important to note that the principal – principal problem overshadows the principal – agent problem when the large shareholder is an individual or family or an institution. This is because an individual or family will have incentives for the firm through excessive compensation, related – party transactions, or special dividends (Ibid). These expenses may lead to poor firm performance related to the principal – principal cost.

Several researches identify that large blockholders dominates the emerging market firms (Shleifer & Vishny (1997), Lins, K (2003) Thomson, S. (2004)). But, these markets are usually associated with low shareholder protection. (Ibid). The block ownership is low in the developed countries compared to developing countries. The top five blockholder ownership is 25 per cent in US firms (Demsetz & Lehn, 1985), 33 per cent in Japanese companies (Prowse, 1992), 52.05 per cent in New Zealand companies (Boone, 2011), and 66.29 per cent to 69.56 per cent in Indonesia (Yuliani, 2012). In Sri Lanka, 92 per cent of small – investment shareholders hold 10 per cent of share capital. A small number of large shareholders control a greater proportion of voting rights; on average, 1.25 per cent of shareholders are large shareholders, they own 73 per cent of shares (Samarakoon, 1999). Manawaduge, De Zoysa, & Rudkin (2009) found that the largest one shareholder in Sri Lankan listed companies controlled 10.57 per cent to 83.15per cent of shares and majority of shares under the control of minority number of shareholders. Kalainathan & Vijayarani (2013) proves that Sri Lankan Finance sector' 66.47 per cent of the equity shares are controlled by 0.22 per cent block shareholders.

Blockholders have power to influence on corporate activities and control (Kalainathan & Vijayarani, 2012). The large /block shareholders reduce agency cost and hence increase the firm value (Manawaduge *et al.,* 2009). The effect of blockholder ownership on firm value could be positive or negative; the positive effective may come about because large shareholders have greater power and stronger incentives to ensure shareholders value maximization (Thomsen, 2004). A negative effect may occur, if blockholder ownership above a certain level leads to entrenchment of owner – manager that expropriates the wealth of minority shareholders (Fama & Jenson, 1983).

The blockholders may be individuals, government, directors, financial institutions and corporate blockholders (Boone, 2011). Several countries' institutional ownership is more than the other categories of block ownership (Boone, 2011; Senaratne & Gunaratne, 2007). Konijn, Kraussl, & Lucas (2009) argues that the directors' stake of company is good for value determination and external blockholders are bad for firm value. The financial institutions positively influence the firm value (Boone, 2011).

3. IMPORTANCE OF THE STUDY

The present study will contribute to the existing knowledge concerning ownership structure, especially block owners and their types by examining the different blockholders.

In the existing literature, several researchers studied corporate governance, and ownership structure in Sri Lanka (Samarakoon (1999); Senaratne and Gunaratne (2007); Waduge (2010); Waduge (2012); and Wellalage and Locke. (2012)). Most of the studies concentrated on ownership impact on performance of Sri Lankan listed companies (Manawaduge *et al*., (2009); Heenetigala and Armstrong (2011); Kajanathan R. (2012); and Pathirawasam and Wickremasinghe (2012)).

Further, it is suitable to know the large/block, shareholders in Sri Lankan stock market. At the same time, the blockholder ownership and firm value has not been investigated as a single study in previous research in Sri Lanka. Therefore, this study will contribute to knowledge as this will be the first study to identify the blockholders in Sri Lankan listed companies and the types of blockholders who dominate the stock market.

4. STATEMENT OF THE PROBLEM

Several corporate failures – Enron, World com, and Xerox, etc, - show the importance of good corporate governance system in all over the world. The corporate governance safeguards the key players such as managers, employees, suppliers, customers, shareholders, executive managers, and board of directors.

During the period from 1990s, several corporate scandals taken place in Sri Lanka have caused much turmoil in stakeholders of companies. In December 2008, Golden Key Credit Card Company (GKCC) of Ceylinco Consolidated collapsed. It is apparent from the facts revealed so far that the collapse of GKCC is associated with both the mismanagement and mis- appointment of funds by directors and managers of the company. These corporate scandals raise the obvious question as to why such incidents take place and who is accountable for these incidents.

Several studies indicate that the owners' influence on management decisions and most of the countries have large controlling shareholders. (Cleassens *et al.,* 2002; La porta *et al.,* 1997). LaPorta *et al.,* (1997) investigate the issues of ultimate control of large companies and found that the controlling shareholders typically have power over these firms significantly in excess of their cash flow rights, primarily through the use of pyramids and participation in management. Further, Senaratne & Gunaratne (2007) found that in the owner controlling companies, the owners can exert more influence on management as they usually participate in the board and management. This argument supported Jenson & Meckling (1976) finding of owner manager and owner controlled firms do not have the same incentives to divert resources, since they would suffer directly from reduced share values while non – owner manager would not.

Although the owners who have block shares could act as an effective monitoring mechanism in companies, these owner directors or managers are invariably confronted with the situations where their interest as major shareholders conflicts with that of other minority shareholders. Further pyramids and cross holding structures in Sri Lankan listed companies allow blockholders to achieve control rights in excess of cash flow rights in a company. This creates tunnelling in these companies. In Sri Lanka, majority of voting shares are controlled by the minuscule number of shareholders (Manawaduge, *et al*., 2009). Therefore, in Sri Lankan listed companies, the principal – agent problem mainly lies between the blockholder (controlling owners) and the minority shareholders (Senaratne & Gunaratne 2007).

At the same time, as the experience of Ceylinco Group, it is argued that the failure of corporate performance is an indicator of failure of selection of directors. (Daily Mirror, 10 March 2009). The appointment of board of directors is in the hands of very few equity shareholders who have power to control entire organization. These block shareholders (blockholders) have power to control all organizational activities.

Further, the blockholder ownership motivates shared benefit of control and private benefit of control. This two-control mechanism will lead to decision-making control and value of the firm. Therefore the research focuses on the research question.

What is blockholder ownership structure in Sri Lankan listed companies and the type of blockholders?

5. OBJECTIVES

1) Identify the distribution of shares and ownership to blockholders and its changes in Sri Lankan stock market
2) Identify the blockholder ownership structure and blockholders in Sri Lankan stock market.

6. METHODOLOGY

6.1. SAMPLE SELECTION

In order to identify the blockholder ownership in Sri Lankan stock market a set of data are needed. As on 31st December 2013, the Colombo Stock Exchange (CSE) had 289 listed companies representing 20 business sectors. According to the Manawaduge *et al.,* (2009), Wellalage & Locke (2012); Imam & Malik (2007), the Banking Finance and Insurance sector is excluded because its applicable regulations vastly differ from other sectors, especially in shareholding. To avoid this bias on analysis, the sample companies comprised 19 sectors.

At the end of 2013, out of 289 companies, 66 companies were listed and 12 companies were delisted during the study period. These companies were excluded from the study. Out of 235 companies, 100 companies did not upload their all annual reports in the CSE web site during the study period. So, the sample consisted of 119 companies except 16 finance companies.

6.2. PERIOD OF STUDY

The data include six years information which were gathered from financial reports for the financial years from 2007/08 to 2012/13. The samples include companies whose financial year ends in December or March. For the purpose of estimation of blockholder ownership, financial year ending in December of a given year and March of the following year are treated as corresponding to one financial year.

Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued the voluntary codes of best practices on corporate governance in 2003 and in 2007, corporate governance standards were made mandatory for all listed companies for the financial year commencing on 1st April 2008. The new Company Act No.07 of 2007 was introduced with effect from March 3, 2007. Therefore, the study period comprised from 2007/08 financial years to 2012/13 financial year.

6.3. VARIABLES

Blockholder Ownership (BHO) - A blockholder is defined by the literatures as the shareholders that own 5 per cent or more of the company's common shares. This blockholder ownership is divided into the following categories:

i. **Institution Block Ownership** - The institutions both financial institutions and corporate directly invested in a company's common stock.
ii. **Director Block Ownership** - These are shareholders who are present in the Board of directors.
iii. **Individual Block Ownership-** These are shareholders who own shares of companies with an intention of earning future dividends and for the potential of growth in the value of investments.
iv. **Government Block Ownership** – This ownership is classified as governments block ownership when either the Sri Lankan Government or related Government Agencies are one of the blockholders.

7. RESULTS AND DISCUSSION

7.1 DISTRIBUTION OF SHARES

The blockholder ownership has been studied in many countries. The details of blockholder information will support to know the disparity between blockholders and minority holders in a stock market. In order to provide real facts related to blockholders in Sri Lankan stock market, it identified the shareholders information such as total number of shares, number of shareholders, number of shares held by blockholders and number of blockholders in each sample years.

TABLE 1: SHAREHOLDERS INFORMATION

Year	Number of Shares (in millions)	Number of Shareholders	Shares held by Blockholders (in millions)	Number of Blockholders
2007/08	15,469.34	398,796	12,217.04	374
2008/09	16,379.84	406,105	12,652.47	380
2009/10	17,130.69	418,859	13,124.60	366
2010/11	20,920.27	467,007	15,798.82	358
2011/12	22,179.47	477,545	16,628.34	359
2012/13	24,750.67	466,698	18,799.64	354

Source: Annual reports of sample companies

Based on the shares and shareholders information gathered in each sample years, the Table 1 shows that the number of shares issued over 2007/08 is 15,469.34 million and this number increased to 24,750.67 million in 2012/13. During the sample period, the number of shares in sample companies increased by right, bonus and new issue. Number of shareholders in sample companies is 398,796 in 2007/08 and this number increases as 466,698 in 2012/13. Compare to number of shareholders in 2011/12, number of shareholders decreased by 10,847 in 2012/13. This downward trend is a sign of loss of investors' confidence in Sri Lankan stock market. Further, shares held by blockholders in 2007/08 are 12,217.04 million and this number of shares increased as 18,799.64 million in 2012/13. Number of blockholders in 2007/08 is 374 and this number decreased as 354 in 2012/13. Other than 2008/09 financial year, falling number of blockholders illustrate about blockholders downward trend during the sample period. Further, number of shareholders and number of blockholders notify that great disparity between majority holders and minority holders, that is minority of block holders control hefty shares and majority of minority holders have power over a very small proportion of equity shares.

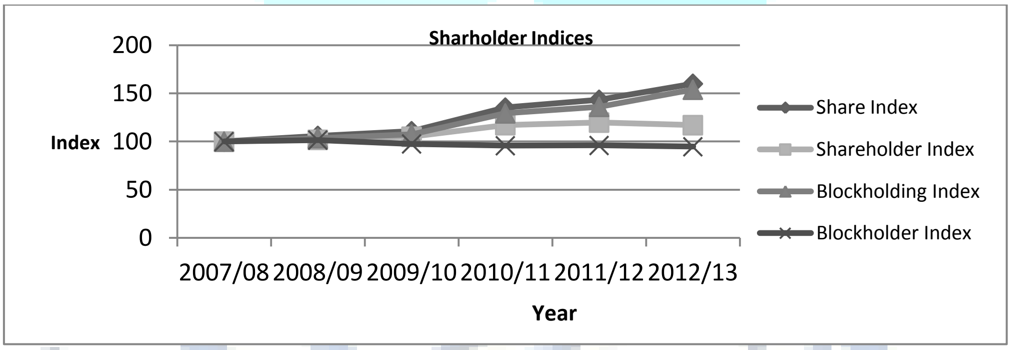
The movement of disparity among number of shares, number of shareholders, number of shares held by blockholders and number of blockholders computed by indices such as Share Index, Shareholder Index, Blockholding Index and Blockholder Index. Financial year 2007/08 is considered as base year for index calculation because corporate governance standards were made mandatory for all listed companies from the financial year commencing on 1st April 2008. The new Company Act No.07 of 2007 was introduced with effect from March 3, 2007. Therefore, based on the financial year 2007/08 as base year, the Table 2 provides movement detail of indices from 2007/08 to 2012/13 financial years.

TABLE 2: SHAREHOLDERS INDICES

Year	Share Index	Share holder Index	Block holding Index	Block holder Index
2007/08	100	100	100	100
2008/09	105.89	101.83	103.56	101.60
2009/10	110.74	105.03	107.43	97.60
2010/11	135.24	117.10	129.32	95.72
2011/12	143.38	119.75	136.11	95.99
2012/13	160.00	117.03	153.88	94.65

Source: Calculated from shareholders information in annual reports of sample companies

FIGURE 1: SHAREHOLDER INDICES



Shares Index reports that the shares issued by sample companies increased by 60 per cent from 2007/08 to 2012/13. In 2010/11, number of shares shows a distinct shift by 25 per cent than 2009/10 and then gradually increases year by year. The Blockholding Index also increases simultaneously with Share Index. The trend of Share Index and Blockholding Index confirm that most of the shares issued during the sample period were purchased by blockholders. The Figure 1 obviously indicated that both the lines of Share Index and Blockholding Index move together with same pattern of upward trend without much gap. The Shareholder Index reports that an upward trend from 2007/08 to 2011/12 and down by 2.74 per cent in 2012/13 compared to 2011/12. Total trend of Shareholder Index shows that the majority of new shares issued by sample companies during the sample period were distributed to blockholders and a small number of shares issued to minority holders. Further, a lesser number of new investor's arrival is observed during the survey period. The Blockholder Index reveals that the number of blockholders decreases while blockholding increases. This leads to a gap between Blockholding Index and Blockholder Index deviating year by year. This is an indication that the existing blockolders boost their strength and disparity between Blockholder Index and Blockholding Index significantly increases. This kind of movement shows that the companies voting rights and control system move towards autocratic system.

Great disparity between blockholding and total shareholding indicates that the minority holders are dissatisfied with the company's activities and these dissatisfied - minority shareholders "walked away" by selling their shares. This situation informs that the minority holders are reluctant to keep their investment in this stock market. Any dissatisfied – large shareholders can follow "investor activism"[1] or "relationship investing"[2] (Lashgari, 2004). This situation leads to concentrated and cross holding. Sri Lankan legal system allowed concentrated and cross holding. Further, the system allowed large shareholders to be a combination of aggressively controlling management as well as a friendly one.

[1] Investor activism is a way in which shareholders can influence a corporation behavior by exercising their rights as owners (Investopedia.com)
[2] There is an established committed link between a company and one or more shareholders (Bloomberg Business week)/ Interaction between institutional investors and managers (Chidambaran & John (1998).

This shareholders' activism involves the task of aggressive monitoring and controlling the firm's management for the purpose of enforcing changes in the firm's structure of internal control and increasing shareholders wealth.

7.1.1 DISTRIBUTION OF BLOCKHOLDER OWNERSHIP AND BLOCKHOLDERS

It is important to understand the blockholder distribution among sample companies. Based on the control power we have identified four BHO ranges such as Very Low (5% ≤25%), Low (25% ≤50%), High (50% ≤ 75%) and Very High (75% ≤100%). The Table 3 provides information on blockholder distribution for sample period. Panel A of Table 3 provides details of number of companies based on different ranges of BHO and Panel B of Table 3 provides details of number of blockholders based on different ranges of BHO.

TABLE 3: BLOCKHOLDER OWNERSHIP DISTRIBUTION

BHO Ranges	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Panel A – Number of companies based on BHO						
Very low (VL)	1	1	1	1	1	0
Low (L)	7	6	9	9	9	9
High (H)	53	48	50	54	53	50
Very High (VH)	58	64	59	55	56	60
Total	**119**	**119**	**119**	**119**	**119**	**119**
Panel B – Number of Blockholders based on BHO						
Very low (VL)	2	2	1	1	2	0
Low (L)	18	18	27	20	21	24
High (H)	177	158	160	166	159	150
Very High (VH)	177	202	178	171	177	180
Total	**374**	**380**	**366**	**358**	**359**	**354**
Panel C – Average Number of Blockholders						
Overall	3.14	3.19	3.08	3.01	3.02	2.97

Source: Annual reports of sample companies, twenty largest shareholders schedule.

Different ranges of ownership structures influence in different ways on corporate activities and firm value. 5 per cent of equity ownership is the minimum threshold to determine blockholder ownership. Table 3 classifies blockholders' equity ownership from 5 per cent. Very low level BHO range and Low level BHO ranges show the Low level of control on firm activities and more than 50 per cent of BHO ranges shows the full control on firm activities.

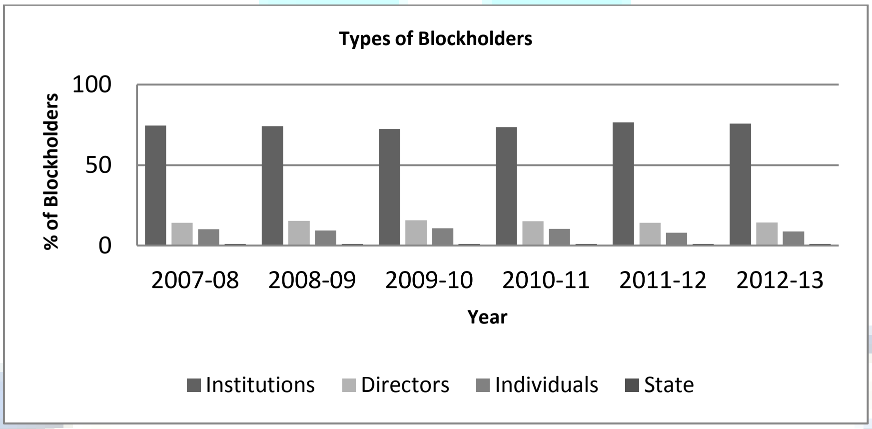
Very low level block equity shares are in one company for first five sample periods and these shares are controlled by two and one shareholder/s from 2007/08 to 2011/12. In 2012/13 none of the companies' block equity shares come under this Very Low level. Low level equity shares are under the control of blockholders in seven companies, six companies and nine companies in 2007/08, 2008/09 and from 2009/10 to 2012/13 respectively. Numbers of blockholders with low level control are fluctuated from 18 to 27 in this survey period. But, more than 50 per cent of shares are controlled by blockholders in 111, 112, 109 and 110 companies out of 119 companies in 2007/08, 2008/09, 2009/10 to 2011/12 and 2012/13 respectively. These absolute control go to 354, 360, 338, 337, 336 and 330 blockholders in 2007/08, 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 respectively. Nearly 50 per cent of the sample companies' blockholders have more than 75 per cent of the equity shares.

These results prove that rigid blockholders control the sample companies and these numbers of blockholders gradually decrease. This result is further strengthened by Panel C of Table 3. It shows that average number of blockholders decrease from 3.14 to 2.97. Therefore, the Table 3 proves that the Sri Lankan listed companies are controlled by hefty blockholders.

7.1.2 TYPES OF BLOCKHOLDERS

According to the number of blockholders presented in the Panel B of Table 3 the categories of blockholders are presented in the Table 4. Based on the previous literatures (Lee (2010) as cited by Wellalage & Locke (2012); Waduge, 2010; Jenson & Meckling (1976); Lins, K. 2003; Boone, 2011; Senaratne & Gunaratne, 2007; Kalainathan & Vijayarani, 2013) related to Sri Lanka and other countries major groups of blockholders are the institutions, directors, individuals and state identified as types of blockholders in this stock market. Different types of blockholders have different purpose to invest in a particular company. According to their purpose, the influence on decision making may differ. Therefore, it is essential to identify the types of blockholders.

FIGURE 2: TYPES OF BLOCKHOLDERS



Institutions are the major equity holders in CSE. 74.6 percentages of blockholders are institutions in 2007/08 and this percentage increases as 75.7 percentages in 2012/13 financial year. At the same time, numbers of institutions are 279 in 2007/08 and this number decreased as 268 in 2012/13. During this study period, the number of institutions and percentage of shares held by institutions show smaller differences on trend. In addition to this total trend, all ranges, Very Low, Low, High and Very High level of institutional BHO prove that there are minute fluctuations on shareholdings.

Directors are the second large blockholders in Sri Lankan stock market. Among all blockholders in sample companies, nearly 15 per cent (on average) are directors. In 2007/08, 14.2 per cent are directors and this value increases as 14.4 per cent in 2012/13. During the sample period, percentages of directors fluctuated minutely. Numbers of directors are 56 in 2007/08 and decreased as 51 in 2012/13. Both, percentages and numbers of director blockholders show that there is an insignificant change in directors' blockholdings and blockholders. All ranges of director blockholders also prove this result.

Individual blockholders are the third category. They are 10.2 per cent in 2007/08 and decreased as 8.8 per cent in 2012/13. During the sample period, individual blockholders have a small fluctuation as other category of blockholders.

State BHO also remains unchanged as 1.1 percentages in all sample periods. Therefore, all categories of blockholders are remaining unchanged to hold their shareholdings. These results prove that the blockholders are very rigid to keep their shareholdings and institutions dominate the stock market.

7.2 BLOCKHOLDER OWNERSHIP STRUCTURE AND BLOCKHOLDERS

Identification of BHO will provide clear information regarding the importance of blockholders and types in CSE. The BHO is calculated as a percentage of total number of equity shares to total shares and percentage of blockholders as a percentage of total number of equityholders. The total BHO of sample companies and their different types of BHO are presented in the Table 5. Panel A of Table 5 explains the percentage of BHO and the types of BHO and Panel B of Table 5 explains the percentage of blockholders and their type. The analysis focuses on two key statistics of BHO structure; the mean percentage of BHO and the mean percentage of blockholders in each sample period.

TABLE 5: BLOCKHOLDER OWNERSHIP STRUCTURE

Blockholder	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Panel A - Blockholder Ownership (in percentage)						
Institutions	61.81	63.78	62.07	61.89	63.92	64.42
Directors	6.05	6.61	6.51	6.27	5.67	5.21
Individuals	4.17	3.22	3.41	3.41	2.62	2.87
State	0.61	0.61	0.52	0.51	0.52	0.52
Total	**72.64**	**74.22**	**72.51**	**72.08**	**72.73**	**73.02**
Panel B - Blockholders (in percentage)						
Institutions	0.279	0.266	0.223	0.197	0.181	0.165
Directors	0.109	0.111	0.100	0.071	0.067	0.047
Individuals	0.081	0.070	0.066	0.061	0.042	0.050
State	0.000	0.000	0.000	0.000	0.000	0.000
Total	**0.469**	**0.447**	**0.389**	**0.329**	**0.289**	**0.262**

Source: Annual reports of sample companies, twenty largest shareholders schedule

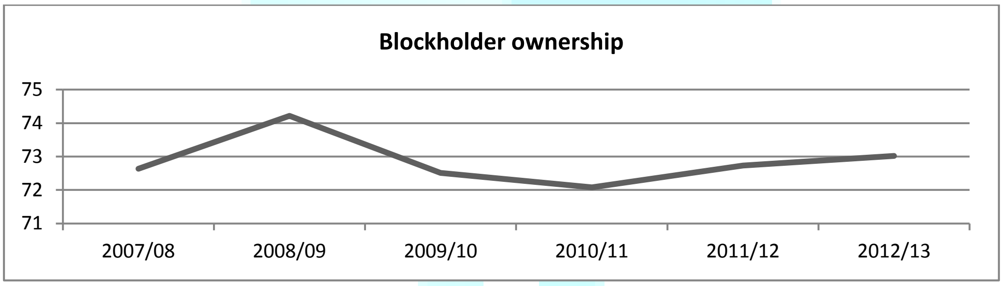
Institutions are the large blockholders and they hold a good grasp of ownership, which is 61.81 percentages equity shares in 2007/08 in the sample companies. These institutional grasps of ownership increases as 64.42 percentages in 2012/13 and BHO values vary between these two values during the sample period. As Lee (2010) mentioned, it is observed that as an undeveloped equity market and weak investor protection, domestic investors are reluctant to invest in emerging market. Therefore, institutional investors dominate this market. While institutional investors are dominant shareholders in this market, they raise their power to monitor and control Board of Directors (BOD) and management. According to Vittas (2000), this kind of dominant institutional shareholders can no longer exist without disturbing the market; instead they exercise their voice mostly through various collective bodies. Waduge (2010) argues that the increase of institutional investors in Sri Lankan stock market positively influence for best governance practice.

Directors are the second large blockholders and they hold 6.05 percentage of shares in 2007/08 and 5.21 percentages in 2012/13. Directors BHO gradually increases up to 2009/10 and from 2010/11 it gradually decreases. Individuals are the third category of blockholders owning only 4.17 percentages of shares in 2007/08 and this value slowly decreases with little fluctuation and reaches 2.87 percentages in 2012/13. State BHO is the last category owning only 0.61 percentages of shares and this value fluctuate up to 0.52 per cent and 0.51 per cent in these sample periods. The state ownership is in plantation sector only. Total BHO during the sample period fluctuates from 72.64 per cent in 2007/08 to 73.02 per cent in 2012/13 and this fluctuation is insignificant.

Panel B of Table 5 shows the percentage of blockholder. Institution blockholders are 0.298 per cent in 2007/08 and gradually decreases as 0.165 per cent in 2012/13. Directors and individuals blockholders percentages also gradually decrease and State has very tiny percentage equal to 0.0 percentages. Total blockholders percentages show that the blockholders on the total shareholders decrease every year and their shareholdings do not change considerably.

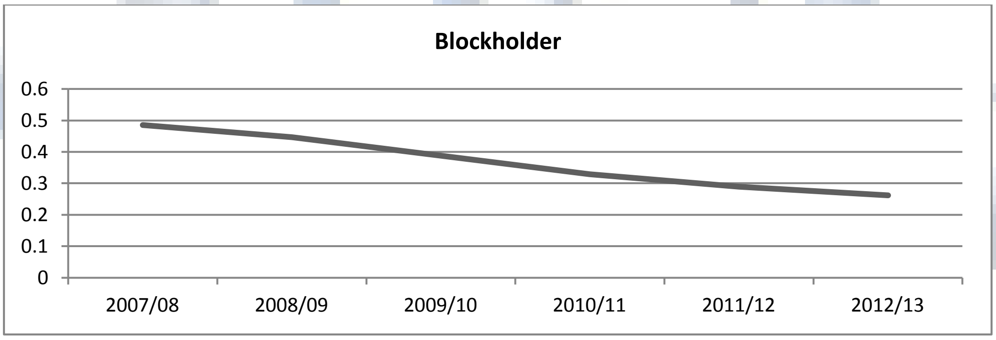
The following figures 3 and 4 show the BHO and percentage of blockholders.

FIGURE 3: BLOCKHOLDER OWNERSHIP



From 2007/08 to 2012/13, the BHO fluctuates with minute differences. In the financial year of 2008/09, there is a distinct shift of BHO structure. End of civil war in May 2009 might be the reason for this peak. After this peak pattern of BHO structure becomes its normal level. This result confirms that the BHO has rigid power over equity shares.

FIGURE 4: PERCENTAGE OF BLOCKHOLDER



The blockholders percentages slowly but surely decrease from 0.485 percentages to 0.262 percentages. This figure proves that the numbers of total shareholders increase during the sample period by new issues and sales of shares, but the new issues and sales failed to bring new shareholders into companies. Therefore, the Table 5 and the Figures 3 and 4 proves that majority of voting shares are controlled by minuscule percentage of shareholders. This kind of share ownership pattern may lead to minority expropriation.

7.2.1 NUMBERS OF BLOCKHOLDERS IN COMPANIES

In addition to BHO structure, the numbers of blockholders may influence on companies' activities. Less numbers of blockholders have more power on voting than high numbers. Numbers of blockholders in the sample companies are presented in the Table 6. There are maximum ten blockholders that control majority of the equity shares in the sample companies. Numbers of companies, percentage of companies are identified based on numbers of blockholders.

TABLE 6: NUMBER OF BLOCKHOLDERS IN COMPANIES

Number of Block holders	2007/08		2008/09		2009/10		2010/11		2011/12		2012/13	
	Companies	Percentage	Companies	Percentage	Companies	Percentage	Companies	Percentage	Companies	Percentage	Companies	Percentage
10	1	0.84	1	0.84	1	0.84	1	0.84	1	0.84	1	0.84
8	1	0.84	1	0.84	1	0.84	1	0.84	1	0.84	1	0.84
7	2	1.68	3	2.52	1	0.84	3	2.52	2	1.68	2	1.68
6	6	5.04	6	5.04	6	5.04	5	4.20	5	4.20	5	4.20
5	13	10.9	15	12.6	15	12.61	9	7.56	8	6.72	8	6.72
4	21	17.7	19	16.97	18	15.13	19	15.97	22	18.49	19	15.97
3	24	20.2	25	21.01	26	21.85	29	24.37	31	26.05	31	26.05
2	34	28.6	30	25.21	29	24.37	30	25.21	27	22.69	31	26.05
1	17	14.2	19	15.96	22	18.48	22	18.49	22	18.49	21	17.65
Total	**119**	**100**	**119**	**100**	**119**	**100**	**119**	**100**	**119**	**100**	**119**	**100**

Source: Annual reports of sample companies, twenty largest shareholders schedule

One blockholder is in seventeen companies in 2007/08 and this numbers of companies increased as twenty one in 2012/13. During the sample period, one blockholder companies increase every year. Two and six blockholder companies are thirty four and six respectively in 2007/08 and these numbers of companies gradually decrease during the sample period. Three and five blockholders companies show an increasing trend and four blockholders companies fluctuated during this period. Eight and ten blockholders are in one company and none of the companies has nine blockholders.

These calculations in the Table 6 reveal that more than 96 per cent of the companies have six or less blockholders and more than 62 per cent of the companies have three or less blockholders. These results prove that minuscule numbers of blockholders control entire companies in CSE.

Blockholder ownership structure in Sri Lankan listed companies is higher than the developed countries. This ownership pattern has encountered hurdles to trading coming from both major private investors and errant government elements. At the same time, as an emerging market CSE is so small and a small group of investors with deep pockets can manipulate prices. That is the reason that CSE had not grown since then to keep pace with the growth of the economy.

The manipulation in CSE includes pumping and dumping and insider trading created by these dominant group of blockholders. During the period from 2008 – 2012, it is identified that 182 instances of suspected dealing have been found by investigation unit of the SEC (Eye Sri Lanka).

The pumping and dumping involves the overvaluing of shares at an artificially inflated price. However, this is happen at the expenses of another party. In early 2011, the bubble burst and the index was reached around 5,000 points. Foreign investors have withdrawn funds and CSE is rated as one of the world's "worst performing" market (Gunadasa, 2012). Further, the Employees' Provident Fund (EPF) loss of Rs.1389 million in July 2012 (Position paper, Transparency International, Sri Lanka) is the one example of pumping and dumping activity during the study period.

Insider trading is another problem of market manipulation. Position paper (Transparency International, Sri Lanka) indicates peculiar detail of Sri Lankan investor community; geographical distribution of stock market players aids in the speedy transparence of material information. Therefore, some investors including regulators become as a close – knit society. These controversial remarks highlight not only ease with which the material information pass through investor circles, but also the callousness with which perpetrators may publicly claim their nefariousness. National Saving Bank (NSB) purchased 13 per cent of The Finance Company (TFC) shares for Rs.49.74 per share, where typical share prices were at Rs.30 at the same day. These TFC shares purchased from two of the company directors.

Market manipulation may occur by several reasons. But, it is pointed out that it could be greed in the mind of the controlling interest or senior marketing director or it could very well be poor corporate governance.

As seen in the NSB scandal, the saving of the Sri Lankan people was plundered in order to artificially inflate stock prices. Another consequence of market manipulation is the shareholders fatigue; this fatigue occurs when minority shareholders do not receive dividends on their preferred stock while company directors tied up with profit reaping on their manipulations.

Therefore, share market manipulation makes serious losses to minority shareholders and weak investors as well as society. This white collar crime has to be changed; it is not that whether the rich are stealing from the rich; it is quite evident that the rich are stealing from society as a whole.

8. FINDINGS

1. Most of the issued shares in CSE are controlled by the blockholders. The new issues also purchased by the blockholders. This result is proved by the total trend of Shareholder Index. Further, a lesser number of new investor's arrival is observed during the survey period. The Blockholder Index reveals that the number of blockholders decreases while blockholding increases. This leads to gap between Blockholding Index and Blockholder Index deviating year by year.
2. It is observed that rigid blockholders control these sample companies and these numbers of blockholders gradually decrease. This result proved in the study by the average number of blockholders decreased from 3.14 to 2.97.
3. Majority, 75 (on average) percentages of blockholders are institutions in the study period, nearly 14 (on average) percentages of blockholders are directors, nearly 10 (on average) percentages of blockholders are individuals and only 1percentage of the blockholder is government.
4. More than 72 per cent of the equity shares are controlled by the blockholders and these blockholders are only less than 0.4 per cent (on average) on total shareholders.
5. Maximum of 10 blockholders are in the sample companies and more than 90 per cent of the companies have five or less numbers of blockholders.

9. RECOMMENDATIONS

1. The government of Sri Lanka should take necessary action to make CSE as an efficient market. Therefore, government should consider small investor protection schemes.
2. The Securities and Exchange Commission (SEC) must take strong stance against white collar crime, resisting political, dominant families and individual interferences.
3. Public awareness campaigns on the misuse of public funds by the dominant shareholders should be made by the SEC and code of best practices should be strengthened to encourage small investors to invest in the stock market.

10. CONCLUSION

The study identifies the blockholder ownership of Sri Lankan listed companies. Most of the issued equity shares are controlled by the blockholders and disparity between block shareholding and minority shareholding is very high in CSE. Further, it is observed that the majority, more than 90 per cent, of the blockholders control more than 50 per cent of the share. This situation shows that majority of the companies ultimate control is in the hands of minority blockholders and majority of companies are controlled by high and very high level ranges of BHO and majority of blockholders are institutions. More than 90 per cent of companies have 5 or less blockholders. Therefore, this study proves that blockholders control is very high in Sri Lankan stock market than in other countries stock markets.

11. LIMITATIONS

Notwithstanding the findings, the present study does have its own limitations, which point to potentially fruitful further research.

1. The research focuses on the blockholder ownership structure of Sri Lankan listed companies. Generalization of these findings to other countries needs to be done with caution.
2. Nearly 50 per cent of non – financial companies are included because of availability of data.
3. The study excluded financial related firms because applicable regulations from the finance sector are vastly different from other sectors.

12. SCOPE FOR FURTHER RESEARCH

The blockholder ownership is higher in Sri Lanka than inother developed countries. Therefore, the scope for further researches is:

1. How blockholders influence on corporate activities, especially decision making and controlling.
2. How blockholder ownership determines the value or performance of companies.

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UNREVEALED 'LADAPURAM'

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ABSTRACT
The tourism industry in India has become one of the most efficient and dependable earners of precious foreign exchange revenue for the country. Not only the centre but the state governments too have begun to invest in tourism infrastructure and facilities to capitalize on this growing industry. As more and more people are acquiring surplus purchasing power the demand for leisure activities is growing on a parallel with the development of the road, rail and air networks. The surprising fact is that despite of being possessed of some of the most diverse and compelling natural assets, ranging from rugged mountains and picturesque hills to marvelous beaches and forests, from historical splendors of forts, palaces and shrines to an amazing variety of wildlife, for many decades since independence these were not given more than cursory attention in the successive Plans. It is only recently that the Government of India has woken up to the stark fact that tourism, if encouraged in the planned and appropriate direction, can earn the country thousands of crores of rupees in foreign exchange as well as provide domestic tourism the necessary infrastructure to make it a truly desirable and attractive proposition. The research theme chosen for this study has three faces: geography, culture and tourism. Ladapuram being a small town situated at the foothills of the Pachamalai hills appears on the centre stage for an in-depth examination of " development" and "tourism", the latter being the main theme of Tourism Geography, justifying land use for recreation and tourism .Funniest thing that one finds in the development planning is that the place invites multitudes of visitors, but neither the TamilNadu tourism nor the local bodies' cares to apportion land for use of tourism activities. With all these limitations, this study is a modest effort to unravel Ladapuram, establishing it as a perfect tourist place for all the nature lovers and the environment friendly tourist.

KEYWORDS
Natural assets, Development, Tourism, Unravel.

INTRODUCTION
An urge to travel is an inborn instinct in human beings. People like to see the wide world with its variety of languages, Habits, cultures, climates and an ever changing landscape. To the intellectual type, the art, culture, tradition, festivals and architecture is an added attraction. Man has changed his mode of travel over the centuries from barges and boats to high speed jet planes.

The restful, but time consuming voyage on a ship in contrast to a speedy and spectacular ride on a jet is more fascinating. In the fast changing world, the jets of today will be old fashioned and obsolete before the supersonic giants.

It has well been understood that tourism as an industry has the potential to revitalize all developing economies with its proved multiplier effect. Tourist spending relates not only to expenditure on accommodation, food, transport, shopping, etc., but also to earnings of those trades and services which supply the tourism industry with goods and services. Backward area development is assured with the right kind of tourism inputs.

Tourism has a tremendous impact on the economy of any country-the invisible gains in the balance sheet of the country. The countries tourist potential consists mainly of what is already a part and parcel of the land. The tourist does not part with any of these real assets but the impression and the experience gathered from the local people.

LITERATURE REVIEW
Within a short span, human numbers increased tremendously, particularly in the urban centres. All these factors culminated into ushering a new wave of migration, typically termed as 'mass tourism'.

Mass Tourism

Mass tourism has been, in many cases, a bane to the hosting communities, specially the third worlders, where adverse environmental impacts have been documented by social scientists as well as ecologists (Noronha, 1976; Pizam, 1978; Cohen, 1989; Smith, Fish and Richter, 1992).Some such studies have brought to light cultural shocks, demonstration effects, irreversible damages to fauna and flora, crime and prostitution besides other small similar dehumanizing influences. There is still much more to discover about the impacts of tourism on the environment as the subject is all too complex and challenging, demanding multi-disciplinary field analysis. One of the difficulties in understanding tourism holistically is that it cuts across many branches of disciplines. This complexity necessitates a mega-disciplinary approach in the study of tourism.

Tourism and Pilgrimages

India has had a unique tradition of age old domestic tourism in pilgrimage and sacred journeys. These pilgrimages constitute an important form of cultural tourism having religious bearing and are just as important for socio-economic reasons as any other form of tourism(Bharadwaj,1973).Secular tourism, which somewhat forms an antithesis of religious tourism, needs to be scientifically examined. The blending of the two phenomena is a challenging task that involves the identification and allocation of resources, at the grassroots, so as to cause the least damage to the environment and culture.

Studies indicate that such resources generally abound in backward areas where primitivity safeguards the cultural genius of the region. Introducing convention tourism into these socially and economically depressed regions is a task beset with difficulties because of the fact that resources of these areas are sensitive and fragile. In many cases, they are reservoirs of culture heritage of the country. To achieve the best out of tourism, research based planned development becomes a pre-condition. Of all the recreation resources, cultural heritage is most sensitive and susceptible to tourism induced changes.

Cultural Tourism

India abounds in heritage resources with all its human history and the wondrous doings of man in the form of art, architecture and archaeology besides cultural expressions that manifest themselves in performing arts, dance, drama, fairs, festivals and the like. These assets have carelessly been harnessed for tourism promotion with a little or no research base and in many cases without sufficient planning and development policies. All these have resulted in cultural shocks and resource damage. It has been observed that development of cultural tourism can pose more problem than mass tourism. Cultural tourism relates to the 'doing of man' that lends attractiveness to the landscape. These cultural expressions constitute potential recreation resources like people, lifestyles, bizarre traditions, mores, manners, beliefs and faiths which often find expression in local/regional fairs and festivals, art forms and architecture. These human resources, coupled with heritage ruins of history, contribute to the richness of any landscape which a student of cultural tourism must study with geographical curiosity.

Tourism does not exist in isolation. It has certain basic components without which it cannot operate. In order to understand tourism systematically, it is necessary to know the various components which together make tourism in a region. Although tourism consists of various components, four of these may, however, be considered to be basic. These four basic components of tourism areas follow:

a) Transport
b) Locale
c) Accommodation
d) Food and cuisine

Tourist, in order to get to his destination, has to travel and, therefore, some mode of transport is necessary for this. This mode of transport may be a motor car, a coach, an aeroplane or a train which enables a traveler to reach his predetermined destination. The locale may include the holiday destination and what it offers to the tourist. The holiday destination may offer natural attractions like sunshine, scenic beauty or even pilgrimage facilities. Accommodation is another basic component which is essential for providing food and also rest. After having reached his destination, a tourist must have some kind of accommodation which provides him food and sleep.

Locale with its attractions and amenities is the most important as these are very basic to tourism. Unless these are there, the tourists will not be motivated to go to a particular place. However, since interests and tastes of tourists vary widely, they might choose from a wide range of attractions available at various destinations all over the world. Tourist demands are very much susceptible to changes in fashion. Fashion is an important factor in the demand for various tourist attraction and amenities. The tourist who visits a particular place for its natural beauty may decide to visit some other attractions due to change in fashion.

However, in addition to these basic components there are certain elements or ingredients which are also crucial to tourism.

These elements are the fundamental attractions of tourism. These include:
a) Scenic attractions
b) Amenable weather
c) Historical and cultural factors
d) Accessibility
e) Amenities

Scenic attractions like good weather are very important factors in tourism. Scenery or the landscapes consisting of mountains, lakes, waterfalls, forests, are strong forces attracting people to visit them. Areas with attractive winter climates, winter warmth and sunshine are also important centres of tourist attraction. Climate then, is of particular significance to tourism and, there are many areas which because of their beautiful bracing climates can be potential tourist areas.

Characteristics of *historical and cultural* interest exert a powerful attraction for many. Since many centuries these have had a profound influence on the traveler. Large numbers of tourists are attracted every year to the city of Agra because of the presence of Taj Mahal.

Accessibility is a very crucial factor as it is a means by which a tourist can reach the area where attractions are located. Tourist attractions of whatever type would be of little importance if their locations are inaccessible by the normal means of transport. Easy accessibility thus is a key factor for the growth and development for tourist movements.

Amenities are a necessary aid to the tourist centre. It can be of two types; natural e.g. beaches, sea bathing, trekking etc., and manmade e.g., various type of entertainments and facilities which cater for the special needs of the tourists.

Accommodation is very basic to any tourist destination. The demand for accommodation away from one's home is met by a variety of facilities. The term is loosely used to cover food and lodging. The types of accommodation have undergone considerable changes since the last 25 years. There has been a decline in the use of boarding houses and small private hotels. The larger hotels are managing more or less to keep their share of holiday trade, especially in big metro areas and popular tourist destinations.

A choice of tourist destination, however, depends on a variety of other factors as well in addition to the ones discussed above. Hospitality is one such factor. A friendly and appreciative attitude on the part of the nationals of the host region will make visitor feel at home and help enjoy his stay better. A satisfied tourist is an asset and helps promote a destination in a much more effective way than any tourist promotional campaign or publicity.

Establishment of information bureaus is another important step in the direction of welcoming visitor. It is very necessary to have information bureaus where the visitor who is unfamiliar with the region and who is perhaps not familiar with the language of the region or the place can readily acquire information about places of interest and the various facilities available there. Trained and competent guides familiar with the tourist language are also essential and are a great help to the tourist.

Tourism promotion and marketing may be instrumental in creating and fostering a tradition of travel. The promotional activities of individual operators and of the official tourist organizations will enhance the growth of tourism in the region. Newspapers, magazines, films, radios, televisions play a important role in the use of leisure through the dissemination of information about leisure activities, industry, travel and holidays.

At the local level there is a face to face contact between the host / residents and the tourist. So planning at the local level entails a different process. Given below are certain requirements for local level planning:

1. *Resource Analysis:* one of the basic requirements for all localities embarking on tourism development efforts is to be aware of the resources available to attract tourists to an area before undertaking any efforts. Too, often, local development effort focuses on bringing tourists into an area before understanding why anyone would want to come. Resource analysis or inventory preparation, thus, is the pre-requisite for local planning level.
2. *Community Awareness:* local residents do not often understand the economic benefits from tourism, especially if they are not on the receiving end of the tourist expenditures. Instead, they tend to focus more on the negative impacts resulting from congestion and overcrowding, inflation and other ills related to hosting function.
3. *Opportunity Recognition:* one of the most difficult things is to recognize the tourism possibilities in their own area. Too often, communities overlook even some of the spectacular attractions available to them. There appears a feeling that if it exists in your backyard, then it must not be notable attraction. Attractions that are not easily recognizable such as ethnic or socio-cultural resources, receive even less attention. At the same time what might be identified may not have a market; hence, proper identification of attractions is crucial.
4. *Tourist profile:* concurrent with attraction inventory assessment, a visitor profile assessment should be undertaken. Current tourists can reveal a great deal of information about not only the quality of present attractions, but of services present or lacking and the need for additional attractions. Tourist profile will also reveal the quality of guests coming to the area and whether the residents want these kinds of tourists or not.

The onus of local level tourism planning is with the elected local bodies and officials. Very often they not only lack expertise in the area but are also not aware of the tourism potential. This leads to lack of will and initiative and often danger of playing to the tune of outsiders is there. There is a triangular interaction at the destination between tourists, local communities and the tourism products (Attractions).

HYPOTHESES

This study considers the under mentioned assumptions:

1. Given the scenic beauty along with a combination of nature and architecture in the form of temples, tourism promotion can definitely stimulate economic process of development in the Ladapuram region.
2. Tourism development has to be researched based, appropriate and technologically sound to integrate with other sectors of regional economy; the contrary can be counter productive and likely to damage the resources.
3. Gifted with some of the best resources, Ladapuram can be placed on the tourist map with sound marketing and management techniques that shall develop it into a growth centre.

PURPOSE OF STUDY

The present study was undertaken with the following basic objectives:

1. To position a small but beautiful tourist site amidst the limelight of Tourism.
2. To explore the resources through direct interaction with the tourist and the local people.
3. To prepare a tourism profile of Ladapuram as a tourist destination in Tamil Nadu.

METHODOLOGY

Because of the crisis in basal information of the place, physical surveys of the various places were considered the best method approach for obtaining purposeful information for this work.

Physical surveys of the distinctive attractions as sample areas in Ladapuram were conducted for a closer look into the history and facilities on the spot. Historical and cultural facts on the place were collected from a few writings by surveyors and geographers. To understand the influence of tourism on the social environment sample surveys were carried out on the host community, especially on that segment of population that is in direct contact with the guests.

Discussion and interviews were also organized with planners and local people with an aim to formulate appropriate plans and policies.

THE STUDY AREA: LADAPURAM

Ladapuram is situated in the foothills of the Pachamalai Hills.Pachamalai is a green hill range, just 80 kms from Tiruchirapalli to Perambalur in Tamilnadu. "Pachai" means Green and "malai" means mountain. Pachamalai which spread with a few range is a heaven of the tribal of this region, with unique culture and way of life. Its altitude is 500 m to 1000 meters above msl. This mountain range in itself has different small regions like Thenparanadu, kombainadu , Athi Nadu and Vannadu. It is a good hill range for trekking to enjoy nature and the animal life small streams and falls add colour to these hills.

PACHAMALAI HILLS

Ladapuram is located in the north-east end of Perambalur district, the nearest city is Tiruchirapalli or presently called as Trichy most famous for its Rockfort temple. The Pachamalai hills surround the town of Ladapuram. So small a spot, it is not even on the map. Ladapuram is regularly given the slip by the normal tourist, mainly because of ignorance (**hence referred to as a hidden**). But this place is a regular jaunt for the ones who like to rough it out, to get away, far from the maddening crowd. Deserted as it may sound, don't be surprised to find a bunch of die-hard adventurers camping out.

Just about 80 km ride from the city; one can come face-to-face with rural Tamil Nadu, but connected by the National Highway 45. The main attraction of Ladapuram is its wilderness and nature. The experience of camping out is what draws people here. Ladapuram is complete with a waterfall, small hillocks, ideal for climbing (for any inexperienced climber) and greenery all around. The road from the last village towards the hillocks is nothing but a sand pathway with huge boulders and rocks strewn around. It is an ideal picnic spots, located near the falls. Ladapuram is close to both Thuraiyur as well as Perambalur.The average rainfall is about 600mm to 1400 mm which is lesser than Western ghats. The average width of Eastern ghats is about 125km over a length of 1600km between the Mahanadi river and Vaigai along the Eastern ghats. The Eastern ghat is divided in three major sub regions. The Pachamalai and Kollimalai come under the central Eastern Ghats. The summer temperature goes to around 40 degree while the winter temperature is around 10-12 degree.

On the way to Ladapuram one has to pass through Perambalur,[*about 50 km from the nearest city, Trichy*], the district under which Ladapuram falls. There are also several tourist places or places of interest at Perambalur. Some of the places of interest at Perambalur are as follows…

- *Gangaikonda Cholapuram:-* the great monument at Gangaikondacholapuram, the second Brihadisvara Gangaikkondacholesvara temple rears its head nobly and bespeaks the imperial dignity of the capital that Rajendra(1012-44), the son of Rajaraja, established after his victorious march to east India up to the river Ganga. The capital itself has disappeared even the place where the emperor dwelt does not exist except inruins marked by brick debris about 1.5 km away from the temple, at a place known as Ulkottai, wherea mound even now called Maligaimedu, 'palace –mound', supplies bricks to the villages. At the temple itself a ruined gopura greets the visitor; it is in the inner compound-wall of the temple, the outer and largest wall, with its gopuras, having been despoiled long ago. On entering through the gopura one sees, beyond the bali-pitha a huge bull, which unlike its counterpart at Thanjavur, is not monolithic. The temple is 54.86m high and in arrangement follows its Thanjavur predecessor. But while the latter is tall and stately, with its contour straight and severe, suggestive of strength, the present one is shorter and its contour more graceful and delicate and somewhat feminine in its lack of angularity.
- *Siruvachur Mathurakaliamman Temple:* Siruvachur Mathura Kaliaman temple at Siruvachur in Perambalur taluk is one of the most popular shrine in the district. The presiding deity of the temple is known as Sri Mathura Kaliaman. She is one of the forms of Kali. Poojas are performed on Monday and Friday of every week. The Car festival is celebrated on the first in Chithirai.
- *Chettikulam Thandayuthapani Swami Temples*: The Ancient Arulmigu Ekambareswar and Thandayuthapani Swami Temples are situated in Chettikulam Village, Perumbalur District. The temples were built by King Kulasekara Pandian, some 500 years ago. These temples are situated 22 kms away from Perambalur and 8 km west of Alathur gate in Tiruchi-Chennai National Highway{ NH-45}. These temples reflect the architecture of the early days.
- *Ranjankudi Fort*: Ranjankudi is located 17 kms north of Perambalur. The Fort was built by a jagirdari under Nawab of Carnatic in the 17^{th} century A.D.. The fort walls are built with neatly cut stone blocks. There are three fortification walls at different heights and the bottom most is the main rampart. It is oblong on plan with semi circular bastions and encircled by a moat fed by a tank on the Southern side. The fort contains a palace, residential buildings, underground chambers, mosque and flag mast.

Architecture and landscape have worked significantly together in shaping the cultural landscape of Ladapuram region. It is a fusion of natural and man-made resources i.e., both water falls, scenic beauties and temples. Temples are one of the major attractions in Ladapuram. Some of them are

- Sivan Kovil
- Mariaamman Kovil
- Vinayagar Kovil
- Murugan Kovil
- Alai amman Kovil
- Draupadi amman Kovil
- Ramar Kovil

With all this in the backdrop, interestingly the religious factor makes it a unique region, quite distinctive from the other regions of Tamil Nadu. While socio-economic backwardness that plagues the region has on one hand preserved its native charms and rusticity, on the other it becomes an important reason to provide a dose of development through viable tourism which can act as a catalytic agent for economic revitalization and growth stimulation in the region.

A SURVEY OF AREA CHARACTERISTICS

Ladapuram is situated in the foothills of the Pachamalai hills having a total population of about ten thousand two hundred and thirty one, with six thousand two hundred males, but having a very seasonal climate very much unlike to the hill resort climate of Ooty or Kodaikanal. Ladapuram is located in the north-east end of Perambalur district; the nearest city is Tiruchirapalli or presently called as Trichy – 80 kms. Trichy is well connected with the other parts of Tamil Nadu through airways, railways as well as roadways. Ladapuram is connected with Trichy through roadways with only one bus. Bus timings from Trichy are as follows:-

Evening at 8.45 pm. starting from Mainguard gate, Trichy. The same bus stays in Ladapuram and starts at Morning 5.45 am. One can also take a bus to Perambalur which is around 50 kms from Trichy and from Perambalur he can take a bus to Ladapuram.

There are also bus services from Ladapuram to Perambalur:

Morning-4.40, 8.15, 10.30 am
Afternoon-12.15 noon
Evening-4.00 pm
Night- 9.00 pm
Bus fare:
Trichy to Perambalur; Rs.25.00/-
Perambalur to Ladapuram; Rs.15.00/-
Trichy to Ladapuram; Rs.35.00/-
After reaching Ladapuram one has to arrange their own modes of Transport.
Through the Ages:
The Dravidian roots.......!!
Tamil Nadu represents the nucleus of Dravidian art and culture. Ancient customs and traditions, going back 3000 years, still flourish, woven inextricably into the lives of the people. Their mother tongue, Tamil, is the oldest living language of the world.
The perfect blend of Geography and History richly contribute to the overall gestalt of this unique and aesthetically appealing landscape. The green landscape all around Ladapuram gives a soothing effect to the tourist especially for those who want to take a break from daily hassles of everyday life. Being a very quite place, growing in popularity as visitors find that they can holiday here without burning their pockets. One can also find the remains of the past in the form of cave temples.
One of the major attractions according to the local people and the tourist is the place called as “Nathakadu”[See above] where they believe the “PANCHA PANDAVAS” spent their days of exile when they were send for the same by Duryodhana. One can find the rock on which it is believed that Arjuna- the great archer used to practice his art by sitting on it. One can even observe the footmarks on the stone {as believed by the local people}.
Another major attraction is the “Mayilootru Aruvi” or as famous with the local people- peacock falls. Mayil means peacock and Aruvi means waterfalls. This falls is basically a seasonal and natural falls which is to be developed by the government to make it a major attraction. One can find water only during the rainy season from late October as monsoon starts late in this part of Tamil Nadu. It is believed that lot of peacocks used to come to this lace during rainy season and hence the name.
This complexity of resource mosaic, however, defies practically all attempts to quantify the touristic attributes under specific categories
for eco-friendly tourism development. Nevertheless, an effort has been made to select a suitable methodology for a scientific resource analysis of Ladapuram’s potentials for tourism development.

GASTRONOMY
Ladapuram is a region more known for its typical vegetarian south Indian cuisine particularly idlis and dosas. The best places to eat are found around Perambalur which is about 18 kms from Ladapuram. The best food to go for is good idlis, and dosas, the south Indian vegetarian meals, and parathas served with a special khorma made from coconut. Egg parota and kothu parota are two non-vegetarian specialities in the region other than Biryani. Boiled egg pakora is one more item which is very famous as a snack specially during tea time in the evening.

THE LADAPURAM REGION
Growth andDevelopment of tourism
Tamil Nadu represents the nucleus of Dravidian art and culture. Ancient customs and traditions, going back 3000 years, still flourish, woven inextricably into the lives of the people. Their mother tongue, Tamil, is the oldest living language of the world.
The history of the Tamils presents an exciting pageant of a powerful civilization whose origin dates back to ancient times. It is clear that the Tamils, who belong to the Dravidian race, were the first major occupants of the country and settled in the north-western part of India long before the coming of the Indo-Aryans. Excavations have revealed that the features of the people of the Indus Valley Civilization bore a strong resemblance to this race.
Temples and worship are the dominant characteristics of Tamil Nadu. Even the small towns like Ladapuram are replete with temples- each more famous than the other and all of them engraved with the finest carvings, for that was the temple architect's highest offerings to the Gods they worship round the year, when in trouble and when joyously happy.
The Tamils have always been a God-fearing people and are ardent worshippers of Siva, Vishnu, their consorts Parvati and Lakshmi, Vinayaka, Subramanya (also known as Muruga). And each of these god takes on different names at different temples depending on the legend of the temple. In simple terms, for the sake of identification it is enough to know that whenever 'Eswaran' is the suffix in the name of the presiding deity, the temple is dedicated to Lord Siva. The South has very few temples where Siva is depicted as anything other than a lingam. A few notable exceptions are the temple of the Cosmic Dancer at Chidambaram and the Ardhanareeswarar temple at Tiruchengodu. Out of all the temples in Ladapuram, the most famous among the local people is the Mariaamman Amman temple which resembles the goddess shakti and the goddess is kept inside a kugai(cave). However, none of these places could develop as a regular centre of visitation except the Mayilootru Aruvi(Falls), in the study area which was no better than a subdued wilderness until even 2 years back, when it started attracting local tourist.
Understanding travel motivation and relating them to the different types of tourist attractions and forms of tourism are vital for tourism planning of a country, region or an area. Tourist attractions, be they natural, man-made or special interest requires a planned development approach. Many attractions have developed spontaneously. However, often there are problems which result from lack of planning and development controls. Hence these attractions require planned rejuvenation.
Tourism plans must be based on realism i.e something that can be implemented. The plan should necessarily consider the techniques and procedures of implementing what is recommended while the plan is being formulated. Outlining the implementation guidelines, techniques and procedures to be followed makes the plan more perfect. Tourism’s complicated and multi-sectoral character makes plan implementation a challenging task. Plan implementation, to a large extent, is solely dependent on the political process. This is because governance is involved in achieving implementation. Inherent in the political considerations of the plan being adopted and implemented, especially at the local level, is community understanding and support of the plan. After a through physical survey of the area it was observed that till date neither the local panchayat nor the Tamil Nadu government has taken any sort of initiative to uplift the area as far as tourism is concerned. The roads inside Ladapuram are still far from modernization and still one has to travel through a rugged sand and bolder pathway not more than four feet wide. The main attraction at Ladapuram, i.e the Falls, doesn’t have a proper pathway to reach and becomes extremely difficult for the tourist to climb the big boulders and cross them in order to see the beautiful peacock falls or Mayilootru Aruvi as it is famous.
The planners with their pious intentions should promise to retain the original character of the region by providing spaces for gardens and greens and by creating amusement parks and entertainment areas for the tourists, a dream that remains yet to be realized. The hard fact is that the town planners are not the developers of the region, nor the native residents seem to have any say in the development of the city they inhibit. The community tourism development planners should organize periodic awareness programme to instruct the local residents of the benefits of tourism. Few other tourist infrastructure like decent accommodation, enough number of food outlets are lacking at Ladapuram though there is enough space that could be used for the development of accommodation purpose.

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IMPACT OF STRESS AND JOB SATISFACTION TOWARDS WORK LIFE BALANCE OF IT PROFESSIONALS AND PRIVATE SECTOR EXECUTIVES: AN EMPIRICAL STUDY

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ABSTRACT
In the current scenario of stiff competition, organizational productivity depends to a very great extent on the performance of employees which ultimately leads to job satisfaction. Organisations today strive to augment job satisfaction in their workforce to be more productive and to keep in pace with the competition that prevails in an era of globalsiation. Stress at work place is related to the various tasks performed by the employee in the workplace which is considered to be an important determinants of performance of an employee. Employees today are therefore expected to have a proper balance between their personal and professional life which eventually leads to job satisfaction and stress reduction. Work-life balance is a matter of concern for both the employees and the employers. It concerns the employees in terms of their stress level and its resultant outcomes in terms of ill-health (both physical and mental), and it concerns the employers, as the ill-health of their employees translates into reduced productivity .The present study examines the impact of work life balance and stress on job satisfaction among employees in the IT sector and employees in the executive cadre in the private sector.A sample of 313 respondents were taken for the study, out of which 191 belong to the IT sector and 122 executives belong to the private sector. Convenience sampling method is used in this study .The findings reveal that while work-life balance and job satisfaction were positively related to each other, elements of stress dimension like de-motivation, work pressure and meaninglessness were negatively related to job satisfaction. The study also conveys the fact that work life balance is found to more among the executives in the private sector when compared to that IT professionals .Further, findings show that job satisfaction was higher among the male respondents in comparison to the female respondents. Interestingly, the IT group had lower work-life balance and job satisfaction, while it had higher meaninglessness, de-motivation and work pressure compared to that of executives in the private sector.

KEYWORDS
Job Satisfaction, Meaninglessness, Work–Life Balance, Stress.

INTRODUCTION
The globalization scenario that persists today has made change as a necessity and it has become a common phenomena in this universe. The effectiveness of any organization depends upon its competitive and talented work force. Economic liberalization in 1990s has led to the emergence of knowledge based organizations. The successful outcome of any organization depends on the performance of its employees, which in turn depends on numerous factors. These factors can be related to work or family or both. In today's competitive and changing organizations, stress has becomes an important and influential factor. The relationship between personal and professional life can better be accomplished through emotional intelligence and better management of stress which in turn will help to accomplish Work Life Balance. Work Life Balance attempts at striking a balance between work and non-work schedules. Work Life Balance warrants for achievement as well as enjoyment (i.e) achievement through work and enjoyment through life. Work Life Balance of employees have a significant role to play towards organizational effectiveness. In the current scenario, work-life balance is now regarded as one of the most important workplace qualities.

Work Life Balance is found to have a significant impact towards employee morale and satisfaction, reduced family and work life stress. Strategic moves are taken, guidelines prescribed for employees and organizations need to have a compliance checklist to chalk out in order to ensure that the WLB practices are not only fortified but they are implemented too as they offer apparent benefits to the organizations. Knowledge workers need to have effective management of stress in order to strike a balance between private and professional life. It is the key to achieve the desired balance between work and life which ultimately leads to success in the professional as well as personal life. Work-life balance is a state of equilibrium in which the demands of both a person's job and personal life are equal.

Knowledge based organizations in the current scenario seeks for employees with high innovative skills, intelligent and independence and these employees are incredibly valuable. IT Professionals, Executives , engineers., stock analysts and community planners , Professors, etc fall under the category of knowledge workers. Information Technology (IT) is the fastest growing business sector contributing to an unprecedented economic growth in India since the 1990s. The increasing prevalence of work-life conflicts and increasing concern about work-life issues in the corporate arena present both a challenge and opportunity for Information Technology (IT) professionals. Managers in organizations are pressurized to upgrade their competitive skills to survive, manage and adapt themselves to changing environments not only efficiently but also effectively. Studies suggest that stress levels amongst IT professionals and private sector executives are relatively high because of long working hours and forgone holidays, leading to imbalances in work and personal life. Work-life balance is a matter of concern for both the employees and the employers. It concerns the employees in terms of their stress level and its resultant outcomes in terms of ill-health (both physical and mental), and it concerns the employers, as the ill-health of their employees translates into reduced productivity.

Work-life conflicts affect employee well-being in a myriad ways. Work-life balance initiatives designed to help employees balance their work and personal lives are not only an option, but also a necessity for many employers today. There is a need for organizations to adopt strategies and policies that accommodate the work-life needs of a diverse workforce in the current business environment. Maintaining a balance between one's personal and professional life has become a predominant and vital topic in the society.

REVIEW OF LITERATURE
Niraj Kishore and Virendra (2013) in their study attempted to find out the benefits of Work-Life Balance (WLB) from the perspective of organizations and employees. A multiple regression analysis was conducted. While the organization perceived that effective WLB policies reduce absenteeism, the employees perceive that effective WLB policies result in job satisfaction and autonomy. The one sample t-test was conducted to find the significance of the benefit variables. The organizational perspective revealed that reducing absenteeism and turnover, improving productivity and image, and ensuring loyalty and retention are the benefits of WLB, whereas the employees' perspective highlighted that job satisfaction, job security, autonomy, stress reduction and improving health are the benefits of WLB.

Mihir Dash & Vivek Anand (2012) in their study on "Perceptions of Work-Life Balance Among IT Professionals" identified that stress levels amongst IT professionals are high because of long working hours and forgone holidays, leading to imbalances in work and personal life. The findings indicate that the perception of work-life balance does not vary significantly across different demographic profiles.

Lazăr *et al.* (2010) in their study have highlighted the quality relationship between paid work responsibilities and unpaid responsibilities and show how WLB initiatives and practices affect the performance of the employees of an organization by extending these policies not only to the employees but also to their families. The concept of work-life conflict is associated with lack of engagement, absenteeism, turnover rates, low productivity and poor retention levels which may compromise the availability and use of these practices.

Amita Singh (2010) in her study attempted to find out the extent of awareness of WLB policies among the software professionals and identified that they were on the moderate or lower side. It is also suggested that the management should create awareness for those policies. A formal strategy for communicating these policies is essential which can be achieved by the means of a variety of channels, namely, staff meetings, e-mail, newsletters, fact sheets, brochures, posters, articles in in-house magazines (if existent) and information packages. Discussions between the management and the staff will go a long way in increasing the understanding of mutual expectations and develop solutions to WLB policy issues.

Vikshal, Lokesh and Ashwitha (2010) in their study attempted to identify the occupational stress among the employees in the banking sector and found out that the level of occupational stress among the employees in banks are found to be relatively high . The study also highlights the fact that work life balance and impact of occupational stress on employee job satisfaction in the banking sector showed no significant differences.

Karatepe, Osman, and Mehmet (2006) found that work-family conflict increased emotional exhaustion and decreased job satisfaction among the frontline bank employees; this finding is consonance with past research (Boles *et al.*, 1997; Boles and Babin, 1996; Hyman and Summers, 2004; Babakus *et al.*, 1999; Low *et al.*, 2001). Work-family conflict and emotional exhaustion are among the two critical variables that have adverse effects on job outcomes of front-line employees (Babakus *et al.*, 1999, Boles *et al.*, 1997, Netemeyer *et al.*, 2004).

Indradevi and Kamalapriya (2006) in their study found out that women working in call centers are personally affected in the family and social life. This is because they face stress due to various reasons like night shifts, and less autonomy at work. Finally, the authors have identified that poor work environment also adds to stress.

Greenhaus *et al.* (2003) have delved into the multiple roles definition of WLB with a focus on equality of time or satisfaction across an individual's multiple life roles. WLB was therefore defined as "the extent to which an individual is engaged in—and equally satisfied with—his or her work role and family consisting three components of work family-balance, time balance, involvement balance and satisfaction balance (Greenhaus *et al.*, 2003)."

NEED FOR THE STUDY

Research work over the past 20 years or more has shown that the experience of stress among managers in the workplace has undesirable consequences towards their health and safety as well it is detrimental and for the well-being of their organizations. Work stress incurred cost not only to the organization, but the nation as well. It is in this scenario, the research has been carried out to identify the various dimensions and impact of Work Life Balance and impact of stress on IT Professionals and Executives.

OBJECTIVES OF THE STUDY

1. To study the impact of Work Life Balance on job performance of employees in the IT sector and Executives in the Private Sector
2. To identify the influence of Stress on Job performance of knowledge workers
3. To find out the impact of Stress, Work Life Balance and job performance on male and female executives and IT professionals
4. To know the job satisfaction of employees based on the effective Work Life Balance in organizations.

HYPOTHESES

H1: Work-life balance increases job satisfaction and performance .
H2: Stress at work hinders job satisfaction.
H3: Male employees will have greater job satisfaction and stress and lesser work life balance compared to the female group.
H4: IT employees have greater work-life balance and job satisfaction compared to the Private sector executives

RESEARCH METHODOLOGY

The type of research used for this study is descriptive in nature and the research attempts to identify the impact of stress on IT professionals and private sector executives and to identify their work life balance. A sample of 313 professionals including 218 male and 95 female respondents was taken for the study in Chennai . The number of respondents in the IT group was 191, including 153 male and 38 female respondents. The total number of executives taken from the private sector was 122, including 65 male and 57 female respondents. The sampling technique that is adopted for this study is convenience sampling which is a non-probability sampling. The research instrument that is used for this study is a structured questionnaire. The respondents were asked to rate different items using a 6-point Likert type scale where 6 indicated Strongly Agree while 1 represent Strongly Disagree.

RESULTS AND DISCUSSION

TABLE 1: CRONBACH ALPHAS FOR DIFFERENT SCALES (N=313)

Scale	Cronbach Alpha	Number of Items
Job satisfaction	0.71	6
Work life balance	0.76	3
Work Pressure	0.89	12
Exhaustion	0.91	9
De-motivation	0.77	7

Cronbach Alpha value for different scales taken for the study clearly indicate that the reliability of the research instrument is found to be relatively high and therefore all the above mentioned factors are taken for further analysis and discussion.

CORRELATION RESULTS

TABLE 2: INTER-VARIABLE CORRELATIONS AMONG THE DIFFERENT VARIABLES FOR THE TOTAL SAMPLE (N=313)

Variables	Work-life balance	Meaninglessness	work Pressure	Demotivation
Work-life balance	–			
Meaninglessness	-0.46**	–		
work Pressure	-0.43**	0.89**	–	
De-motivation	-0.39**	0.87**	0.84**	–
Job satisfaction	0.46**	-0.35**	-0.31**	-0.30**
**p<.01.				

The Table above clearly shows that the relationship between job satisfaction and stress dimensions, i.e., meaninglessness, work pressure, and de-motivation was negative, indicating that the greater stress the lesser job satisfaction. Also the higher work life balance, the higher job satisfaction. The pattern of relationships was similar in the cases of the IT Professionals and private sector executives which is clearly implied from the tables given below. (Tables 3 and 4). Thus, the hypotheses 1 and 2 are accepted.

TABLE 3: INTER-VARIABLE CORRELATIONS AMONG DIFFERENT VARIABLES FOR THE IT SECTOR (N=191)

Variables	Work-life balance	Meaninglessness	Work Pressure	Demotivation
Work-life balance	–			
Meaninglessness	-0.28**	–		
Work Pressure	-0.33**	0.87**	–	
De-motivation	-0.26**	0.84**	0.78**	–
Job satisfaction	0.32**	-0.22**	-0.18*	-0.15*
*p<.05,**P<.01.				

TABLE 4: INTER-VARIABLE CORRELATIONS AMONG DIFFERENT VARIABLES AMONG THE PRIVATE SECTOR EXECUTIVES (N=122)

Variables	Work-life balance	Meaning-lessness	Work Pressure	Demo-tivation
Work-life balance	–			
Meaninglessness	-0.59**	–		
Work Pressure	-0.46**	0.91**	–	
De-motivation	-0.48**	0.88**	0.87**	–
Job satisfaction	0.56**	-0.41**	-0.36**	-0.39**
**p<.01.				

REGRESSION RESULTS

Stepwise regression was performed to establish the relationship of work-life balance and burnout with job satisfaction. In case of the total sample (N=313), Table 5 shows that out of 4 predictors, only two variables work life balance and meaninglessness entered the equation for job satisfaction, explaining 22.8 percent of variance. The pattern was similar in case of the IT sector (N=191) as Table 6 shows that work-life balance and meaninglessness entered the equation for job satisfaction and explained 11.2 percent of variance. In case of private sector executives it is found that as Table 7 shows, only work life balance entered the equation and explained a variance of 30.3 percent in job satisfaction.

TABLE 5: WORK–LIFE BALANCE AND MEANINGLESSNESS AS PREDICTORS OF JOB SATISFACTION FOR THE TOTAL SAMPLE (N=313)

Model	Variables	Adjusted R Square	Beta Value Standardised	t- value	F-value
1	Work-life balance	0.21	0.46	9.17	82.18
2	Work-life balance	0.23	0.38	6.75	47.13
	Meaninglessness		-0.18	-3.13	

**p<.01.

TABLE 6: WORK–LIFE BALANCE AND MEANINGLESSNESS AS PREDICTORS OF JOB SATISFACTION FOR THE IT SECTOR (N=191)

Model	Variables	Adjusted R Square	Beta Value Standarised	t- value	F- value
1	Work-life balance	0.10	0.32	4.65	21.62
2	Work-life balance	0.11	0.28	3.94	13.00
	Meaninglessness		-0.14	2.01	

**p<.01.

TABLE 7: WORK–LIFE BALANCE AS PREDICTORS OF JOB SATISFACTION FOR THE PRIVATE SECTOR EXECUTIVES (N=122)

Model	Variables	Adjusted R Square	Beta Value Standarised	t- value	F- value
1	Work-life balance	.30	.56	7.33**	53.66**

**p<.01.

T-test Results

Table 8 reveals that the male and female groups differed only on job satisfaction, with the male group displaying greater job satisfaction than the female group. Table 9 shows that work-life balance and job satisfaction were significantly higher among the executives of the private sector compared to the IT group. On the other hand, all stress dimensions, i.e., meaninglessness, work pressure and de-motivation were higher in the IT group compared to the private sector executives. Thus, the hypothesis 4 is rejected.

TABLE 8: COMPARISON OF MALE AND FEMALE GROUPS ON DIFFERENT VARIABLES

Variables	Sex				t-value
	Male (N=218)		Female (N=95)		
	Mean	S.D.	Mean	S.D.	
Work-life balance	12.67	3.30	12.43	4.07	0.54
Meaninglessness	30.95	11.62	33.61	16.58	-1.62
Work Pressure	23.04	9.38	23.09	11.66	-0.05
De-motivation	19.42	6.40	20.27	8.18	-0.99
Job satisfaction	23.64	4.81	22.30	5.27	2.2*

*p<0.05, **p<0.01.

TABLE 9: COMPARISON OF THE IT PROFESSIONALS AND EXECUTIVES ON DIFFERENT VARIABLES

Variables	Sector				t-value
	IT (N=191)		Executives (N=122)		
	Mean	S.D.	Mean	S.D.	
Work-life balance	11.86	3.28	13.75	3.64	4.75**
Meaninglessness	33.38	10.65	29.22	16.46	2.72**
Work Pressure	24.73	8.42	20.43	11.87	3.75**
Demotivation	20.47	5.82	18.45	8.37	2.52*
Job satisfaction	22.55	4.28	24.31	5.78	3.09**

*p<0.05; **p<0.01.

DISCUSSION

The findings of the present study show that work-life balance is positively associated with job satisfaction. It implies that when employees are able to pay equal attention to both personal and professional lives, they like their jobs and feel satisfied. The nature of job in the IT sector and the managerial jobs in the private sector is such that it is difficult to strike a balance between work and life. IT industry are prone to the high employee turnover and commitment. In line with the prediction, stress dimensions, i.e., meaninglessness, work pressure, and de-motivation are negatively related to job satisfaction, indicating that greater the level of stress, the lower will be the job satisfaction. When jobs are stressful , employees loose their interest in jobs and they feel dissatisfied. As a result, employees become less committed and develop an intention to leave the job. At the same time, organisations give attractive rewards to better performance; consequently, employees overstretch and stress themselves.

The results further show that, job satisfaction is higher in the male group compared to the female group. The main reason behind such finding is that men attach more importance to their work and it is central to their life. Sometimes, they even ignore their family to achieve more in their career. Men feel more satisfied when they are achieving more on the job, even at the cost of ignoring family needs. Conversely, women stress on both work and family as source of their satisfaction. For them, family is equally important to work and at times they perceive that family is more important than work. When work does not permit women to take care of their family, they feel frustrated. They draw tighter boundaries between work and family. Hypothesis 3 was partially supported. The plausible reason behind the lack of difference between men and women may be that women have the same kind of work expectations and demands that men have. In addition, they have to also work at home. They have major responsibility for household work and child rearing. They may face greater conflict between work and family, conducive to stress and strain.

Results from the study also clearly indicate that the private sector executives have greater work-life balance and job satisfaction when compared to the IT Professionals. Conversely, the executives in the private sector are found to be lower on meaninglessness, work pressure and de-motivation. This may be because of clearly defined fixed schedules, job profile, and routine, and less demanding work among the executives in the private sector. Their expectations are met by their organisations, sometimes even exceeded. Therefore, they might be more satisfied. On the other hands, the IT respondents have tight timelines and highly demanding work.

CONCLUSION

It can be concluded that work-life balance and stress dimensions definitely have their impact on job satisfaction among the IT Professionals and the executives of the private sector. Poor job satisfaction results in lower morale and productivity. Employees today expect their organisations to help in managing work-life balance and in reducing stress and burnout. Work life balance is a situational variable, while stress is a personality variable. Both together determine job satisfaction that, in turn, affects employee engagement and productivity. Work-life balance also negatively affects stress. It implies that if the organisation and individual make concerted efforts, stress can be reduced to a very great extent and employees may therefore in a better position to strike a proper balance between their professional and personal life. It is primarily the responsibility of an individual to balance work and life and initiate steps to reduce stress and burnout. Individual have to explore their values, aspirations, and goals to understand what they expect from work and life and then develop suitable ways of balancing work and life. Stress in due course may result in burn out when an individual is unable to manage stress in the context of human service. It also occurs when there is high level of conflict between work and life. The organisation, on the other hands, can initiate cutting edge work -life balance practices to help the employees manage their affairs more effectively. It can also train employees to understand the issues of work-life and burnout management and commence employee assistance programmes.When there is proper cooperation and coordination among both the organisation and the employees in this regard, accomplishing work life balance will no more be a complicated and difficult task. Moreover , proper work life balance of employees is expected to contribute towards greater job satisfaction which in turn will lead to enhanced organizational productivity.

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SELF HELP GROUP SCHEME: A CATALYTIC AGENT TO PROMOTE SOCIAL ENTREPRENEURSHIP

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ABSTRACT

It is good to feel and witness the fruits of growth in the economy. Meanwhile, it is disheartening that there are growing social problems affecting us in our everyday life. Growth in standard of living without peace is meaningless. Hence, there arises the need for proactive measures to identify, to tackle and to end the social issues. For this to happen, we need an entirely new set of entrepreneurship viz., Social Entrepreneurs. Many individuals by themselves are turned into social entrepreneurs out of sheer anger due to the injustice caused to the downtrodden. The number of such individuals turned into social entrepreneurs is not sufficient when looking into the quantum of issues in our society. Hence, efforts must be taken to involve many people. Self Help group scheme is the one which is successful in turning its members not only into business entrepreneurs but also social entrepreneurs. This article outlines how social issues can be successfully tackled by self help group women.

KEYWORDS
self help group, social entrepreneur, social issues.

INTRODUCTION
National prosperity is not inherited – but created – said Michael Porter. Prosperity of a nation or a state or a village largely depends upon competitiveness of its economy. Competitive economy cannot be created in isolation; it has to be created through a well-planned process aided by flawless execution. Planning aspect will always be superb as far as India is concerned. But the well defined plans are not yielding desired results due to their poor execution. In order to execute the plans aiming to bring about prosperity of poor, to fix accountability, to provide incentives to performance, to complete tasks on time and within budgeted cost and to the satisfaction of the beneficiaries, the awareness level of people should be raised. To raise the awareness of people, a new bandwagon of entrepreneurs viz., Social Entrepreneurs are required.

CONCEPT OF SOCIAL ENTREPRENEURSHIP
Social Entrepreneurship refers to the activity undertaken by individuals with innovative solution to society's most pressing social problems. Social Entrepreneurs are mass recruiters of local change makers. They are the role model proving that citizens who channel their passion into action can do almost anything.

CHARACTERISTICS OF A SOCIAL ENTERPRISE
A social enterprise or the social dimensions of the initiatives should have following features:
- An initiative launched by a group of citizen.
- A decision making power not based on capital ownership.
- A participatory nature, which involves the persons affected by the activities.
- Limited profit drive.
- An explicit aim to benefit the community.

CONCEPT OF SHG
Self Help Group is a group with an average size of about 15 people from a homogeneous class formed to save and mutually agree to contribute common fund to be lent to its members as per group decision for their socio-economic development.

CHARACTERISTICS OF A GOOD SELF HELP GROUP
Well functioning SHGs should have the following structural features.
- An ideal SHG comprises 15-20 members.
- All members should belong to the same socio-economic strata of society
- Group should have strong band of affinity.
- Rotational leadership should be encouraged for distribution of power and to provide leadership opportunities to all.
- To provide gainful employment to involve the poor in productive activities.
- To involve women in decision making to promote leadership qualities among women.
- SHG should be socially viable institution.

RELATIONSHIP BETWEEN SHG SCHEME AND SOCIAL ENTREPRENEURSHIP
There is a close linkage between SHGs and Social Entrepreneurship on looking into the common characteristics both of them viz., Group activity, participatory decision making, benefiting the community, limited profit drive etc.

SHG SCHEME AND DEVELOPMENT OF SOCIAL ENTREPRENEURSHIP
The members of SHGs can be termed as Social Entrepreneurs since their participation in the scheme has helped in addressing various social problems. The rural women who were mere spectators of social problems were turned into specialists in tackling the social issues through the constant encouragement of NGOs, Government Departments and follow groups. The issues that can be tackled successfully are:
- Poverty
- Unemployment
- Social Injustice
- Communal disharmony
- Inadequate Infrastructure
- Exploitation by politicians

The following pages discuss how SHG scheme laid a ground to tackle the above social problems through inculcation of social entrepreneurship among its members.

SOCIAL ISSUES AND SELF HELP GROUPS

a) POVERTY

SHG Scheme form groups among poorest of the poor and induce them to save very small amount thus a corpus fund created internally is in turn utilized to meet the immediate financial needs of its members. Thus the habit of savings and availability of cheap loans from the corpus fund they create brings the households out of poverty. They are saved from the clutches of money lenders who charge exorbitant interest rates and keep borrowers as borrowers always. Micro finance, banking the unbankables, granting credit to millions of people without collateral also is a financial service available to members of Self Help Groups. With micro credit they can start micro enterprises and can uplift their economic status.

Thus the members of the Self Help Group can be termed as social entrepreneurs due to their initiative to be part of SHG schemes and thereby tackling the social issue "Poverty".

b) UNEMPLOYMENT

SHG Scheme aim at imparting skill training, entrepreneurial development training etc... Liberal bank loans and marketing assistance are also provided to them. Thus ground work is laid through self help group scheme to enable members to take up entrepreneurial ventures. Thus women who were home makers are turned into job-creators. The employment avenues become more and the family members of the group and the villagers stand to gain employment.

Thus the members of SHG started tackling the social issue "unemployment" by undertaking ventures through the assistance by SHG Scheme.

c) SOCIAL INJUSTICE

The Self Help Group Scheme aims at forming groups amongst women residing in the same locality. Hence, there is every chance for women to come out in open and discuss their problems. Women are exposed to torture by their spouse and family members , pressure under the custom of dowry, Social harassment at workplace, denial of basic facilities like water and misuse of benefits meant for their benefit introduced by government . Synergy in ideas, strategy and action plans to tackle social injustice caused to them, emerge in the meetings held periodically at village and block levels. They can put pressure through their joint effort on authorities viz.,government officials, police, and panchayats to execute their duties. SHG members are not showing hesitation to take weapons like filing petition, staging rallies and blockades and skillful negotiation to fight against social injustice.

Thus the members of SHGs act as social entrepreneurs.

d) COMMUNAL VIOLENCE

Indian society is plagued with caste system. The SHG scheme reduces communal tension. The NGO's having wide development focus make participation across castes a condition of their programme. As part of a deliberate strategy, this takes persistence, time and a lot of convincing by field staff. It leads to some degree of interaction across castes including SCs and different sub-castes. Such a group when formed and have its strong base will aid in social harmony. The marginalized will gain confidence and certain prejudices will be broken. Thus the traditional attitudes and divisions are bridged by SHGs having mixed caste membership and through joint action across groups of different castes.

Thus the members of SHGs shoulder the responsibility to maintain communal peace, harmony and amity in the villages and be termed as social entrepreneurs.

e) DENIAL OF POWER

Women who were confined within the four walls of a house are not given their due share in decision making in family, community etc. This issue is solved through Self Help Group scheme. Self Help Group women have more chances to acquire political power by contesting elections. The exploitation by politicians and government officials will be put to an end if the credible and hardworking member of a group gains political power with the support of other members. The political status may improve the importance of the women in the community and family. Further, Self Help Group women acquire in- house decision making power because they add to the income of the family by involving themselves in economic activities.

Thus the scheme helps the women members to acquire power in the family and society.

f) POOR INFRASTRUCTURE

SHGs have been involving in uplifting the infrastructure of the village by contributing finance and labour. As a result, the following developmental work takes place in the village community without government intervention.

- Improvement in water resource through construction of water tanks and installation of hand pumps.
- Laying village roads
- Construction of Community Halls.
- Setting up parks

Thus Self Help Group members can be termed as social entrepreneurs bringing about improvement in infrastructure in their own place of dwelling.

CONCLUSION

Social Entrepreneurs created in huge members through Self Help Group scheme are sure to bring about a turnaround growth and development in the society with ever lasting peace and harmony.

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ETHICAL INVESTING ON THE STOCK MARKET: SHARI'AH-COMPLIANT INDEXES – A DYNAMIC INVESTMENT MECHANISM

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ABSTRACT

Investing activities that adheres to Islamic restrictions of not investing in socially harmful businesses is known as Islamic investments. Islam also puts a check on human behavior and manners that are harmful for society such as gambling, short-selling, cheating etc. It should be noted that there is nothing 'Islamic' about Shari'ah compliant indexes, as most of the underlying companies are not from the Muslim countries. These compliant companies just happen to pass primary business screens (akin to social-ethical indexes) and financial screens (eliminates companies with high debt, high account receivable translating sales into earnings, and too much non-operating interest income). Today Shari'ah compliant indexes are operating in seventy four countries around the world including India, of these only thirteen countries are Islamic countries. In most of the cases in comparison to conventional indexes they outperform. In India the BSE in late 2010, launched the BSE Shari'ah Index and subsequently NSE too, has its Shari'ah Index, the S&P CNX Nifty Shari'ah.

JEL COLDE
G1: General Financial Markets

KEYWORDS
Indexes; Islamic; Shari'ah; Sukuk; Takaful.

INTRODUCTION

The US financial system is the main engine that drives the entire global economy. Obviously, if the prime engine breakdowns, it will show a negative impact on others. Despite many measure taken by the RBI and government of India, the fact remains that India, like the rest of the Asia, is very much linked to the health of the American financial system. Capital flows in the Indian stock market under FII depend on the easy liquidity in the American financial system. The catastrophic global shockwaves form the US blocked the liquidity so that world stock markets witnessed a massive disaster of stock markets in Asia and Europe.

On the other hand during the crisis period the stocks and stock indices which adhered to the Shari'ah Compliant Investment Principles were safer and resisted the onslaught.

This paper introduced the basic concepts of Shari'ah Compliant Investment Principles which can be guiding principles for future investments for both the individuals and the financial institutions.

OBJECTIVES

Majority of the individual investor on the stock market are unaware of better options available to invest on the same stock market. This paper is an attempt to:

- Create awareness about Shari'ah Complaint Index investment opportunities.
- Highlighting the ethical advantages of Shari'ah Complaint investments.
- Identifying the Shari'ah Complaint Index in India.

RESEARCH METHODOLOGY

Desk Research Technique has been adopted for this paper,
Data has been collected from various sources like books, magazines, journals etc. both offline and online.

LIMITATIONS

The area of study is very vast. Here only limited reference is taken and the analysis done is basic. There is ample scope for further detail in-depth analysis.

ISLAMIC INVESTMENTS OR SHARI'AH COMPLIANT INVESTMENT

Investing activities that adheres to Islamic restrictions of not investing in socially harmful businesses is known as Islamic investments. Islam also puts a check on human behavior and manners that are harmful for society such as gambling, short-selling, cheating etc.

ISLAMIC NORMS OF INVESTMENTS

- Business activities must be beneficial to the society, economy and environment;
- Non-serious traders must stay away from the market;
- Traders/investors should not participate in Short-selling, gambling, risk trading and any kind of interest-based activities;
- Check on debt and earnings from impure sources; and
- Increased Charity and public welfare activities;

DIFFERENCE BETWEEN SHARI'AH V/S CONVENTIONAL INVESTMENT IN STOCK

TABLE 1

Shari'ah Investments	Conventional Investments
Hedging using derivatives not allowed	Hedging is allowed
Cash settled futures is prohibited	Cash settled in future is allowed
Investment in banks, insurance and any company conducting non-Shari'ah business is not allowed	Investment in banks, insurance companies, etc. is allowed
Investment can't be made in Interest bearing instruments & securities. Free cash to be kept in current account therefore returns could be affected	Investment can be made in bonds, CP, CD, and other interest bearing instruments to reduce volatility
Shari'ah Audit to confirm that Shari'ah principles are followed in making investments.	No special audit
Copy of Shari'ah Compliant Audit provided to investors.	No specific compliance audit provided to investors

THE GROWTH OF ISLAMIC FINANCE

Islamic Finance has been on the increase over the years. It includes Islamic banking, Sukuk (Islamic Bonds), Takaful (Islamic Insurance) and Islamic fund assets. The tables and charts below are self-explanatory.

CHART 1: COUNTRY WISE BANKING, TAKAFUL & FUND ASSETS IN US $ IN BILLION & PERCENTAGE AT THE END OF 2009

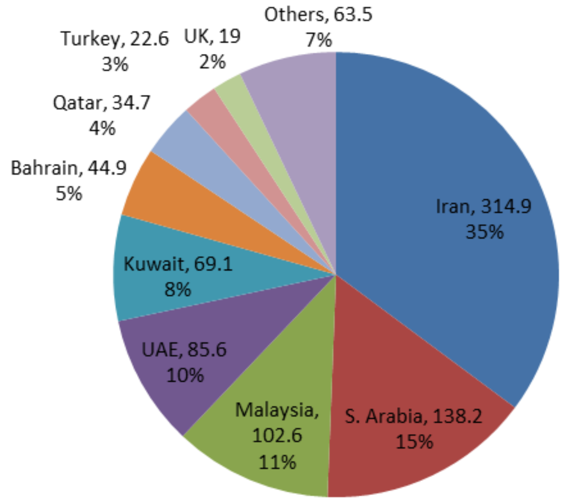
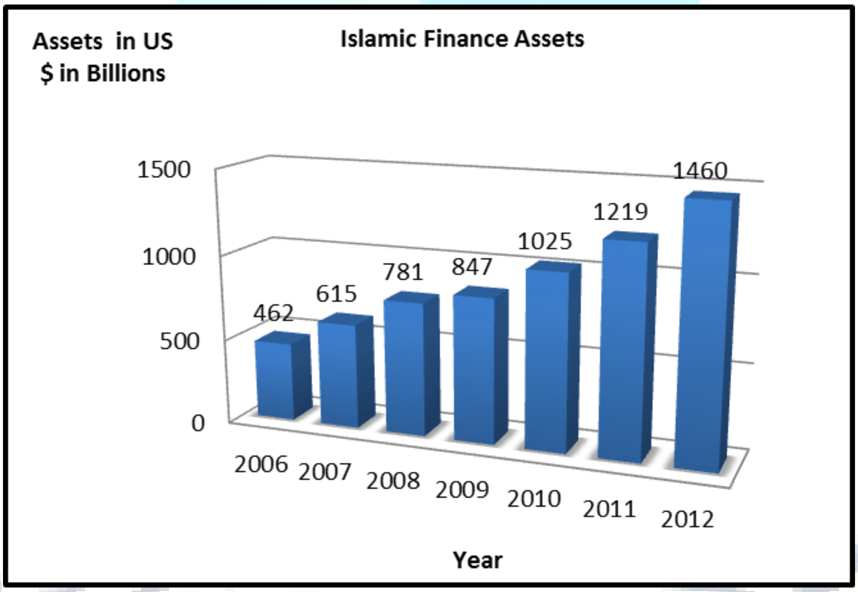


TABLE 2: COMPOSITION OF ISLAMIC FINANCIAL ASSETS (US$ Billion, 2012 E)

Countries/Blocs	Banking Assets	Sukuk Outstanding	Islamic Funds Assets	Takaful Contributions
Asia	171.8	160.3	22.6	2.7
Gulf Cooperation Council (GCC)	434.5	66.3	28.9	7.2
Middle East & North Africa (MENA) (exc. GCC)	550.6	1.7	0.2	6.9
Sub-Sahara Africa	16.9	0.1	1.6	0.4
Others	59.8	1.0	10.8	00
Total	**1273.6**	**229.4**	**64.2**	**17.2**

CHART 2: GROWTH IN ASSETS



Source: The Charts and table created by the author with the data procured from, The Banker, Ernst & Young & thecityuk

INTERNATIONAL SCENARIO

SHARI'AH-COMPLIANT INDEXES[1]

The year 2011 was the year for Shari'ah compliant index out-performance against all conventional developed and emerging market country indices and almost all frontier countries.

Looking at Shari'ah compliant indexes, it should be noted that the 'Islamic' tag about Shari'ah compliant indexes has nothing to be repulsive about with reference to Islam. Most of the underlying companies are not from the Muslim countries and majority of the investors are from various religion. These compliant companies just happen to pass primary business screens (akin to social-ethical indexes) and financial screens (eliminate companies with high debt, high account receivable (translating sales into earnings, and too much non-operating interest income).

May be such screening is the need of the hour for all investors during external shocks or financial tsunamis of sub-prime credit crisis, sovereign debt crisis, so on. Shari'ah Compliant Indexes adhere to it.

SHARI'AH-COMPLIANT INDEX DESIGN[2]

Shari'ah-compliant indexes can be differentiated from their conventional counterparts in three main ways. Shari'ah supervisory boards establish inevitability guidelines and monitor the process; then the guidelines are applied to the universe of securities; and finally, purification rules are set to "cleanse" any impure profits from securities-paying dividends.

The first step in the screening process is to exclude companies that are active in prohibited industries. This includes companies that are involved in hospitality and gaming, alcohol, pork, pornography, many media companies, as well as conventional financial services institutions and insurance.

Companies passing the first screen are then sifted through a second screen consisting of financial ratios. For the Dow Jones Islamic Market Index family, exclusions are applied to companies with:

- more than 33% total debt divided by a 24-month average market capitalisation;
- more than 33% cash and interest-bearing securities divided by a trailing 24-month average market capitalisation; and
- accounts receivable more than 33%.

Regular qualitative scrutiny is particularly relevant when it comes to company debt. To take one example, a company's stock may have a portion of non-Shari'ah-compliant debt, which is not apparent from information contained in publicly released financial statements.

A debt-to-market capitalisation ratio better captures the "new economy" economies, service-orientated companies, or companies that rely on larger amounts of goodwill. This is also more dynamic, as it captures market-sector rotations. Because debt-to-market capitalisation is market value based, it is less subject to manipulations than debt-to-market assets, which are an accounting treatment.

Thanks to this methodology, it is also easier to measure the health of the companies included in the index. For instance, companies like Enron, WorldCom, Tyco, and Global Crossing were all in the Dow Jones Islamic Market Index, but as their accounting issues emerged into the public domain, their market capitalizations were negatively impacted. Since they violated the debt-to-market-cap screen, they were removed from the indexes at the next quarterly review, before they had bigger problems.

COMPARISON BETWEEN CONVENTIONAL AND SHARI'AH OF DEVELOPED COUNTRIES INDICES

TABLE 3: DEVELOPED COUNTRIES INDICES

Sr. No.	Country	Conventional	Shari'ah
1	Austria	-36.98%	-27.55%
2	Australia	-13.40%	-22.97%
3	Belgium	-16.96%	-16.02%
4	Canada	-14.59%	-19.67%
5	Switzerland	-9.41%	-3.04%
6	Germany	-23.12%	-15.21%
7	Denmark	-19.46%	-10.10%
8	Spain	-16.77%	2.31%
9	Finland	-35.38%	-28.35%
10	France	-23.69%	-5.61%
11	Greece	-62.77%	-29.84%
12	Hong Kong	-21.26%	-19.84%
13	Ireland	-3.25%	4.43%
14	Israel	-29.74%	-24.69%
15	Italy	-27.61%	-21.29%
16	Japan	-14.43%	-11.24%
17	Korea	-10.90%	-7.47%
18	Luxembourg	-34.45%	-1.36%
19	Netherlands	-16.42%	-9.97%
20	Norway	-18.06%	-14.92%
21	New Zealand	-3.85%	-3.60%
22	Sweden	-18.52%	-17.71%
23	Singapore	-21.15%	-11.46%
24	United Kingdom	-6.67%	-3.45%
25	United States	-0.82%	1.60%
26	Portugal	-30.96%	NA

SOME OBSERVATIONS FROM THE S&P DEVELOPED COUNTRY INDICES FOR 2011

- Shari'ah compliant indices out-performed conventional counterpart indices in 23 of the 25 developed countries, excluding Portugal (no Shari'ah index)
- Shari'ah compliant indices out-performed conventional counterpart indices in all the major countries encountering turmoil in 2011: US (positive return), Greece, Spain (positive return), Ireland (positive return), Italy, etc. There were not enough compliant companies for a Portugal Shari'ah compliant index.
- Shari'ah compliant indices out-performed conventional counter-part in Germany and France, two countries with large exposure to sovereign debt crisis in Europe
- Shari'ah complaint indices under-performance in resource plays of Australia and Canada yet out-performed in technology (IT) heavy Shari'ah compliant Israel Index.

COMPARISON BETWEEN CONVENTIONAL AND SHARI'AH OF EMERGING MARKET COUNTRY INDICES

TABLE 4: S&P EMERGING MARKET COUNTRY INDICES FOR 2011

	Emerging Markets	Conventional	Shari'ah
1	South Africa	-17.42%	-17.66%
2	Brazil	-24.41%	-29.56%
3	China	-21.67%	-13.81%
4	Colombia	-12.00%	-8.67%
5	Czech Republic	-15.02%	-2.41%
6	Chile	-24.14%	-22.19%
7	Egypt	-49.14%	-42.66%
8	Hungary	-35.29%	-30.46%
9	Indonesia	1.14%	-12.71%
10	India	-38.05%	-32.84%
11	Morocco	-17.72%	-23.21%
12	Mexico	-14.84%	-22.08%
13	Malaysia	-1.14%	3.81%
14	Peru	-21.31%	-25.20%
15	Philippines	0.22%	8.29%
16	Poland	-33.35%	-21.14%
17	Russia	-23.38%	-18.80%
18	Thailand	-4.73%	14.44%
19	Turkey	-37.01%	-29.55%
20	Taiwan	-25.58%	-23.08%

Some observations from the S&P Emerging Market Country indices for 2011

- Shari'ah compliant emerging market country indices outperformed conventional counter-part indexes in 14 of the 20 countries.
- Shari'ah compliant Muslim country indices outperformed (Turkey, Malaysia, Egypt) conventional in 3 of the 5 (Morocco and Indonesia) emerging market countries
- Shari'ah compliant indices from the BRIC countries out-performed in three (Russia, India and China) of four (Brazil) countries.
- Shari'ah compliant indices from SAMI countries out-performed in three (Turkey (Ankara), Malaysia, and Saudi (classified as frontier country) of the four (Indonesia) countries.
- Shari'ah compliant indices had positive return in three countries, Thailand, Malaysia and Philippines, whereas conventional had positive return for only one country, Philippines.

COMPARISON BETWEEN CONVENTIONAL AND SHARI'AH OF FRONTIER MARKET COUNTRY INDICES

TABLE 5: FRONTIER MARKETS (Courtesy: S&P)

Sr. No.	Frontier Markets	Conventional	Shari'ah
1	Argentina	-30.22%	-28.02%
2	Bangladesh	-42.31%	-45.56%
3	Bulgaria	-22.10%	-16.61%
4	Croatia	-30.34%	-20.68%
5	Coted'voire	-15.15%	-16.33%
6	Kenya	-31.63%	-38.83%
7	Kazakhstan	-36.40%	NA
8	Lebanon	-22.21%	-19.76%
9	Lithuania	-16.14%	-20.12%
10	Mauritius	-2.51%	20.72%
11	Romania	-18.16%	-27.39%
12	Slovakia	3.05%	-4.54%
13	Slovenia	-30.74%	-19.02%
14	Tunisia	-13.43%	-17.30%
15	Ukraine	-36.29%	-25.62%
16	Vietnam	-26.82%	-6.86%
17	Zambia	-1.29%	4.21%
18	Jordan	-16.24%	-7.69%
19	Sri Lanka	-23.04%	-8.18%
20	Nigeria	-29.54%	-17.16%
21	Pakistan	-18.80%	-14.04%
22	United Arab Emirates	-16.48%	-30.42%
23	Bahrain	-14.37%	-31.60%
24	Kuwait	-21.36%	-26.58%
25	Oman	-14.09%	-9.80%
26	Qatar	3.34%	3.59%
27	Saudi Arabia	-3.90%	-1.69%

SOME OBSERVATIONS FROM THE S&P FRONTIER COUNTRY INDICES FOR 2011

- Shari'ah compliant indices out-performed in 16 of the 26 frontier countries. It should be noted that 11 of the countries, including Kazakhstan, did not have a Shari'ah compliant country due lack of enough companies for an index. Kazakhstan stands out because it has made statements of wanting to be an Islamic finance hub.
- Shari'ah compliant indices from the Muslim countries outperformed better than conventional country indices in 7 of the 13, ex Kazakhstan, countries. It should be noted most of the Muslim countries are classified as frontier countries except five countries: Turkey, Malaysia, Morocco, Indonesia and Egypt.

It should be noted the S&P Malaysia Shari'ah BMI (+3.8%), ahead of S&P Qatar Shari'ah (+3.5%), was the best performing Shari'ah compliant index from the 18 Muslim countries covered by S&P. Although, the S&P Malaysia BMI conventional index (at -1.14%) underperformed the Shari'ah complaint index, it was the second best performing in the Muslim world behind S&P Qatar (+3.34).

The S&P Malaysia Shari'ah BMI (at +3.8%) outperformed all conventional developed and emerging market S&P country indexes, and only underperformed three conventional country frontier countries: Jamaica (+28%), Panama (+18%), and Namibia (+6%).

PERFORMANCE: SHARI'AH-COMPLIANT INDEXES VS. CONVENTIONAL INDEXES

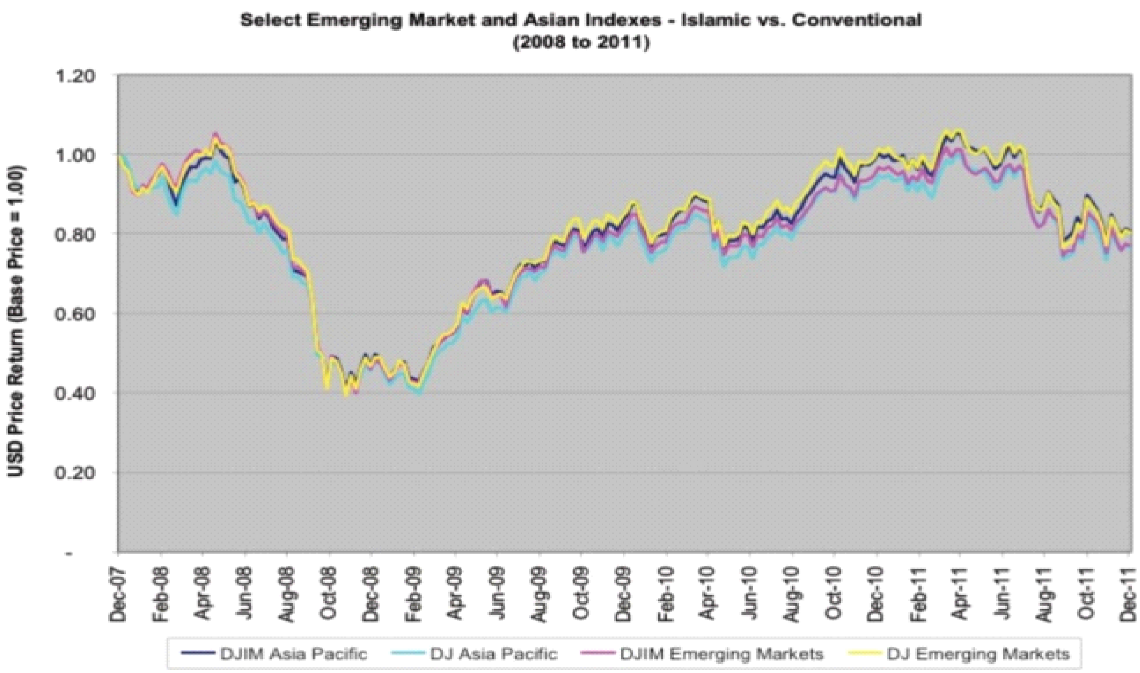
CHART 3

Source: businessislamica.com

When Dow Jones Indexes launched the Islamic index family in 1999, it was challenging to assess the indexes' performance. It was clearly a niche market with growing demand, but no one would have guessed that Islamic indexes would outperform conventional indexes.

The figure above indicates that the DJIM World index has outperformed the Dow Jones (DJ) Global Index by a significant margin. A similar situation prevailed with the DJIM US versus the DJ US and the DJIM Europe versus the DJ Europe.

CHART 4



Source: businessislamica.com

When compared to other markets and regions, the Islamic indexes still outperform conventional indexes (see figure above), but not in all cases. In Asia and the emerging markets, there was a lesser gap between the performance of Islamic and conventional indexes. According to Figure 2, the DJIM Asia Pacific Index outperformed the DJ Asia Pacific Index; however, the DJ Emerging Markets Index outperformed the DJIM Emerging Markets Index. This is due to two main factors: first, Shari'ah-compliant screens remove all highly leveraged companies, which tend to be more volatile — they increase faster in bull markets and fall faster in bear markets. Secondly, Shari'ah-compliant screens tend to result in indexes that are overweight in certain industries — such as healthcare, technology, oil & gas — while, at the same time, are underweight in such sectors as financial services, insurance, entertainment, media and hospitality.

TRENDS AND OUTLOOK FOR 2014

Islamic indexes have provided much needed transparency, which is crucial in a post-financial crisis world. Retail investors particularly put their trust in index providers and expect them to have completed due diligence on their behalf.

Two important developments during these years has been first the development of Shari'ah-compliant exchange-traded funds (ETFs), which is in operation in fifteen countries and the listing of Islamic funds in key fund domiciles. Asset managers continue to flock to these market — some estimates suggest that there are about 500 Islamic product providers worldwide.

INDIAN SCENARIO

In late 2010, it launched the BSE Shari'ah Index. Shari'ah, the religious law of Muslims, has strictures relating to finance and commerce — to be abided by the faithful. Arab investors invest in 'clean' stocks only. The National Stock Exchange (NSE), too, has its Shari'ah index — S&P CNX Nifty Shari'ah.

The indices shun companies that disregard their 'faith'. Internationally, there are many such indices built on various themes. Examples include S&P's Global Luxury and Global Water Index and FTSE's Good Index. There are a number of thematic and strategic indices on the Dow Jones. The MSCI, too, has theme-based indices. These indices invest across sectors, providing you with ample diversification.

Take a look at the BSE's Shari'ah Index — it has 50 stocks of companies that do not deal in alcohol, conventional financial services (banking and insurance), entertainment (cinemas and hotels), tobacco, pork, defence and weapons. TCS is the biggest stock in the index, with 8.26 per cent allocation (ONGC, RIL, Bharti Airtel and HUL follow). The index has risen 3.13 per cent in one month and 5.2 per cent in a year. In contrast, the Sensex was up 2.89 per cent in the last month and down slightly by 0.51 per cent in a year.

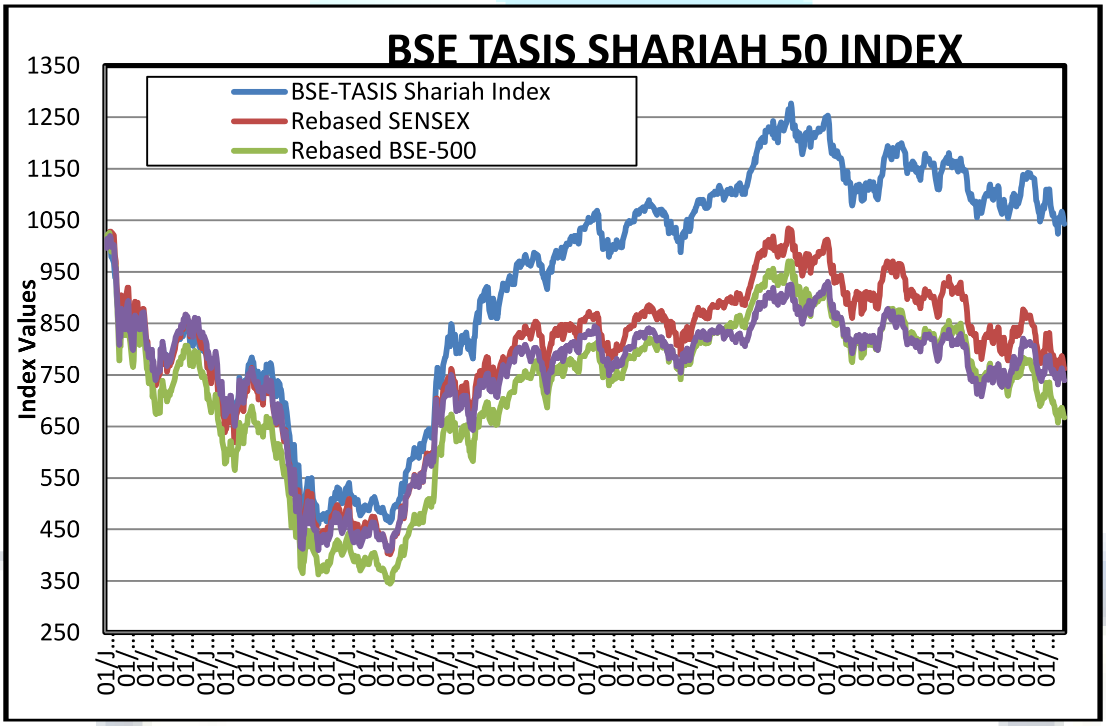
TABLE 6: THEME INDEX

INDEX	1-Month Return (%)	1-Year Return (%)
SENSEX	2.88	-0.52
BSE Greenex	3.06	0.17
BSE TASIS Shari'ah 50	3.20	5.27
MSCI World Islamic Index	3.49	-2.96
MSCI USA Catholic Values Index	3.92	4.08
S&P Global Luxury Index	6.27	12.24
S&P Global Water Index	4.16	-0.06
FTSE4 Global Good Index	4.55	-5.49

Source: Compiled by B S Research Bureau

Retail investors have to be extra-vigilant when it comes to investing directly in stocks. Do the usual background check for investments — such as looking at the fundamentals of the company, its valuations, and the stock price performance.

CHART 5: PERFORMANCE OF INDEXES STARTING FROM 1 JAN. 2008 TO 1 DEC 2011



Source: shariqnisar.com

CONCLUSION

One challenging and volatile year (2011) does not establish a performance pattern for Shari'ah compliant indexes that are 'light' on exposure to the conventional financial sector, typically the largest market capitalization weighted in almost all countries. However, it shows that 'low-debt, non-financial-social/ethical' way of investing does well when there was an external shock to the financial/capital markets.

In today's evolving market, Islamic finance has developed a solid track record and, as a result, will continue to be a dynamic and evolving industry. Index providers, both the larger and the regional, will continue to evolve and stay on top of these developments. The current market presents exciting prospects for the industry as conventional finance begins to look more closely at Islamic finance to see what lessons could be learnt from it. Time will tell if conventional finance develops some of the core principles of Islamic finance.

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NOTES

1. Rushdi Siddiqui, Global Head of Islamic Finance, Thomson Reuters
2. Tariq Al-Rifai, Director, Islamic Market Indexes, Dow Jones Indexes

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POVERTY ALLEVIATION THROUGH MICRO FINANCE

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ABSTRACT
Poverty alleviation is one of the major objectives of planning in the country and a number of programmes are being implemented to achieve this. Self-help groups is an effective instrument for the amelioration of the economic conditions of the poor.Improvement of women's social, economic and political status has now been widely accepted. The present study has been undertaken with the objective to examine the impact of Self-Help Group (SHG) membership on monthly income, to ascertain the opinion of members about SHG, to suggest measures for the effective functioning of SHGs. Hundred and twenty members have been selected by random sampling from the list of groups obtained from Mahatma Gandhi Ashram, which is acting as Non-Governmental Organisation (NGO). One of the finest forms of poverty alleviation programme is the formation of SHGs. They do wonders in that the poor people's income level has gone up significantly. The members of the group make use of the funds they get from the banks in the most efficient manner that they are able to earn high returns. Government, both the centre and the state are voluntarily associating themselves with the SHGs, providing financial assistance. The growth of Self-Help Groups has to be ensured and their prosperity has to be sustained. In this direction it would be more helpful if the government charts out new programme assistance for marketing the products of Self-Help Groups.

KEYWORDS
Micro finance, Self Help Groups (SHGs).

INTRODUCTION
Poverty alleviation is one of the major objectives of planning in the country and a number of programmes are being implemented to achieve this. Self-help is an effective instrument for the amelioration of the economic conditions of the poor. Improvement of women's social, economic and political status has now been widely accepted. It is an essential pre-requisite for the empowerment of women. Mishra (2002) said that, "Self-Help Groups (SHGs) are organized as viable alternative to achieve the objectives of rural development and to get community participation in rural development programmes. In case of self movement, thrift and credit are the entry points of activity. Micro finance or provision of financial services to low income households has come to be accepted in policy implementation in developing countries as the most efficacious intervention to alleviate poverty". Micro finance relies on rotational investment done to motivate poor to empower themselves and to save for the future and use those resources during the time of need.

Dinker Rao (2003-04) defines, SHG as a group of about 20 people from a homogeneous class, who come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions, and account-keeping. This gradually builds financial discipline among them. They also learn to handle resources of a size that is much beyond individual capacities of any of them. The SHG members begin to appreciate that resources are limited, and have a cost. Once the groups show this mature financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the group's own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.

LITERATURE REVIEW
Several research studies have been conducted on Micro Credit in India and abroad. The results of some of the studies conducted in India and abroad are presented in the following paragraphs.

Jaya Arunachalam (1986) emphasized that women must break away from the accepted way of perceiving problems and must have the courage, foresight, and dedication to guide the programme through its difficulties and a small number of women from the community must be prepared to take a bold step.

Women in the savings and loan cooperatives of FUNDE in Central America describe their new roles, opportunities and responsibilities in the following ways: They have more control over what happens to them, they have great influence over decisions in the household, they have the resources to invest in their children's education, and they think of ways to improve their community and help it to become a good place for their children to grow up in (Judieth Bruce,(1986)).

Anh.T. Le (2000), in his analysis of the determinants of immigrant self employment in Australia has found that the existence of enclave markers, ie, ethnic enclaves created through a common language provided more relevant prospects for self-employment than the concentration of immigrants by birthplace. Educational attainments, Australian labour market experience, the availability of capital, marital status, and job related characteristics are important influences on self employment outcomes.

Michael Tucker (2000) found that to reach a level of operational excellence required to become financially self-sufficient, Micro Finance Institutions require well-trained, honest and motivated management. But personnel skilled in business may be difficult to attract and retain in a developing country where such skills are in short supply and are well rewarded in the profit sector of the economy.

Dadhich (2001) has described the successful experience of a public sector bank, without the involvement of either the Government or any non-governmental organization (NGO) in India. He found that properly designed and effectively implemented micro finance could be a means not only to alleviate poverty and empower women but also be a viable economic and financial proportion.

Madheswaran and Anita Dharmadhikary (2001) have analysed the impact of SHGs in providing credit to rural women to help them uplift their economic status. The results obtained from their study show that the success of group lending are attributable not only to peer monitoring to other factors such as lending for consumption purposes, saving, rotation of saving by group members and not the least because of an active NGO.

Samar. K. Datta and Raman (2001) has described that the SHGs were able to provide various credit services such as business loan, consumption loan, loan for settlement of old debts and loan for other contingency purposes to their members.The findings showed that an increase in net income per member reduced the level of risk facing SHGs. Micro Credit and Empowerment have been examined by Sudha Rani, Uma Devi, and Surendra (2002) who ascertained that the participation of women in Self Help Groups enriched the empowerment of women in these four aspects. When their participation is high in number of meetings, interaction with different officials, they are empowered to some extent. Their decision making power also increased with the period of participation.

Manimekalai and Rajeswari (2002) observed that these women have been depending only on agriculture and now have become independent. Apart from the improvement on the personal ground, the community as a whole has gained through the organization of the SHGs. Punithavaty Pandian and Eswaran (2002) have concluded that the Micro Credit has provided the rural poor access to finance without the burden of collateral through Self Help Groups which have empowered the women folk economically and socially.

Neeta Tapanis (2009) described that micro credit has emerged as the most suitable and practical alternative to the conventional banking in reaching the hitherto unreached poor population. Micro credit enables the poor people to be thrifty and helps them in availing the credit and other financial services for improving their income and living standards. The Self-help Group (SHG)-Bank Linkage Programme was formally launched in the year 1992 and aptly supported by the RBI through its policy support. The Programme envisages organisation of the rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms.

Women's empowerment takes place when women challenge the existing social norms and culture, to effectively improve their well being. This is tested by Ranjula Bali Swaina and Fan Yang Wallentinb (2009) in their study 'Does microfinance empower women? Evidence from self-help groups in India'. It empirically validates this hypothesis by using quasi-experimental household sample data collected for five states in India for 2000 and 2003. A general model is estimated by employing appropriate techniques to treat the ordinal variables in order to estimate the impact of the Self Help Group (SHG) on women's empowerment for 2000 and 2003. The results strongly demonstrate that on average, there is a significant increase in the empowerment of women in the SHG members group.

Kessler, Ronald C, Mickelson, Kristin D and Shanyang Zhao (2011) explored that a new interest in self-help groups has developed among clinicians and social policy analysts as financial constraints increasingly have restricted the range of services available to clients of the human services system. The sample of 3,032 respondents was recruited from a random digit dial sampling frame of the coterminous United States. Eligibility was restricted to people in the age range 25 to 74. it was clear from the fact that many people in professional treatment also participate in self-help groups that this generally does not occur. By the same token, the fact that many self-help group participants also seek out professional treatment suggests that the mutual support model of self-help groups lacks something that is provided in the helper-recipient model of professional treatment.

SIGNIFICANCE OF THE STUDY

The present study has been conducted to know the impact of the participation of the women in the "Self-Help Groups" to empower themselves and how far they are utilizing their collective strength to upgrade their status in society. The bankers can understand the members, through this study, what they are expecting from the banks. The Government can provide assistance to the groups based on their requirements. Also, through this study, the NGOs may be able to understand the credit need of SHGs and accordingly suggest to the banks for extending the ceiling of loan.

STATEMENT OF THE PROBLEM

Success of SHGs exclusively depends on how the members associate themselves with the groups. In this direction it becomes highly important to examine with what purpose the members join SHGs. Further, SHGs play an important role of providing funds to the members through the banks. What are the purposes to which such loans are utilized by the members? Do they find the amount of loan adequate? SHGs are claimed to bring forth many benefits to the members. They enable them get economically empowered. What is the impact of SHG membership on monthly income? How do the members of SHGs at Anaimalai view the SHGs? What do they think about the SHGs?

In order to find solutions to all the questions raised above, the present study has been undertaken.

OBJECTIVES OF THE STUDY

Accordingly, the following objectives have been framed. They are,

1. To examine the impact of SHG membership on monthly income
2. To ascertain the opinion of members about SHG
3. To suggest measures for the effective functioning of SHGs.

METHODOLOGY

Primary data have been collected through interview schedule, in order to ascertain the functioning of Self-Help Groups and the opinions of members about SHGs. Majority of the members are illiterates, therefore, interview schedule has been used to collect data. Hundred and twenty members have been selected by random sampling from the list of groups obtained from Mahatma Gandhi Ashram, which is acting as Non-Governmental Organisation (NGO) to ascertain the opinion of members about SHG.

RESULTS AND DISCUSSION

The Self-Help Groups provide the benefits of economies of scale, cost effective alternative for different financial services, collective learning, democratic and participatory culture, a firm base and platform for dialogue and co-operation. Moreover, the benefits of Self-Help Groups are based on co-operation rather than competition. The SHGs are informal groups where members come together toward collective action for a common cause. The common need here is meeting their emergent economic needs without being dependent on outside help. The main objectives of Self-Help Groups is to inculcate the habit of thrift, savings, banking culture - that is, availing of the loan and repaying the same over a given period of time and in the process, gain economic prosperity through credit.

SOCIAL PROFILE OF SHG MEMBERS

The social profile of the Self Help Group members broadly includes their age, marital status, educational qualification, occupation, type of family, total number of members and total number of dependents which are explained in the following paragraphs. Table – 1 has been prepared to know the social profile of SHG members.

I. AGE

The composition of members includes different age groups. Table-.1 shows that of the 120 members, 24 (20.00%) members are with age ranging up to 30; 70 (58.33%) are with age ranging between 31 and 40 and the rest 26 (21.67%) are above 40 years. It indicates that the number of members is very high in the case of 31 - 40 age group compared with the other groups.

II. MARITAL STATUS

Of the 120 members, 106 (88.33%) members are married and 14 (11.67%) are widows. It is found that there are no unmarried women members in the selected SHGs. From the table it can be noted that the number of married members is high.

TABLE -1: SOCIAL PROFILE OF SHG MEMBERS

Particulars	Number of Members (N = 120)	Percentage to Total
i. Age		
i. Up to 30	24	20.00
ii. 31 to 40	70	58.33
iii. Above 40	26	21.67
ii. Marital Status		
i. Married	106	88.33
ii. Widow	14	11.67
iii. Educational Qualification		
i. Illiterate	99	82.50
ii. Educated	21	17.50
iv. Occupation		
i. Agriculture	61	50.83
ii. Business	20	16.67
iii. Unemployed	39	32.50
v. Type of Family		
i. Nuclear	101	84.17
ii. Joint	19	15.83

III. EDUCATIONAL QUALIFICATION

The educational status of the respondents do not deviate much. Almost 99 (82.50%) of them are illiterate; 20 (16.67%) members have studied up to primary level and the rest one (0.83%) member has received secondary education. It is observed that the number of illiterate members is more when compared with other groups.

IV. OCCUPATION

The SHGs have members with different occupation. Out of 120 members, 54 (45.00%) members are agricultural labours; three (2.50%) are marginal farmers; four (3.33%) are small farmers; three (2.50%) members are running a petty shop; two (1.67%) members are running sweet stalls; six (5.00%) members are vegetable vendors and nine (7.50%) members are engaged in business activities such as appalam business, etc. Thirty nine (32.50%) members are unemployed. It can be seen from the table that the number of members are more in case of those who are agricultural labourers.

V. TYPE OF FAMILY

It can be seen from the table that of 120 members, the type of family of 101 (84.17%) is nuclear and the rest 19 (15.83%) members belong to joint family. It is clear from the table that the percentage of members is high in the first case.

ECONOMIC PROFILE OF SHG MEMBERS

The improvement in women's participation due to group activities is quantified through the comparison of different parameters in pre – and post – group formation situations. One significant change that can be expected is the increase in the level of income. To examine whether the income levels of the members have gone up, the following table has been prepared. The table also shows the economic status of the group members.

TABLE – 2: ECONOMIC PROFILE OF SHG MEMBERS

Monthly Income	Number of Members (N = 120)	Percentage to Total
i. Before joining SHG		
a. Nil	39	32.50
b. Up to Rs.300	45	37.50
c. Rs. 301 – Rs. 600	34	28.33
d. Above Rs.600	2	1.67
ii. After joining SHG		
a. Nil	26	21.67
b. Up to Rs.300	22	18.33
c. Rs.301 – Rs.600	45	37.50
d. Above Rs.600	27	22.50

It can be seen from the table that of 120 members, 39 (32.50%) member's monthly income before joining in this group is nil; 45 (37.50%) member's monthly income has ranged up to Rs.300; 34 (28.33%) member's monthly income has ranged between Rs.301 and Rs.600 and two (1.67%) member's monthly income has ranged above Rs.600. Majority of the members are earning income ranging up to Rs.300 before they have joined the SHG.

Out of 120 members, 26 (21.67%) members do not earn any amount even after joining in this group; 22 (18.33%) member's monthly income after joining in this group ranges up to Rs.300; 45 (37.50%) member's income ranges between Rs.301 to Rs.600; 27 (22.50%) member's income ranges above Rs.600. From the table it can be noted that the number of members with monthly income ranging between Rs.301 and Rs.600 is high when compared with other groups. Table - 2 shows the family income of SHG members. Out of 120 members, almost 120(100.00%) member's family income ranging up to Rs.2000.

IMPACT OF SHG MEMBERSHIP ON MONTHLY INCOME

One of the prime objectives of SHGs is to enhance the economic independence of women. By undertaking different types of businesses, mostly collectively, women are able to upgrade their income level. Understanding this, many women are now willing to join the SHGs. To test whether there is really an increase in the level of income after a member has joined SHG, the following hypothesis has been framed and examined through paired 't' test. While applying 't' test , a section of the sample has not been considered. This section consists of 57 members who have just joined the SHG and who have not been earning before joining SHG. Since they are new comers, the possibility of earning income is quite remote. Thus, setting aside these members, the rest 63 members have been included for the 't' test. These members have been earning income now and were also earning or just were not earning, before their entry in to SHG.

Ho: *There is no difference in monthly income before and after joining SHG.*

TABLE – 3: MONTHLY INCOME BEFORE AND AFTER JOINING SHG

Particulars	Before	After
Mean Income	Rs. 283.33	Rs. 571.43
Range	Rs. 100 – Rs. 800	Rs. 200 – Rs. 1000

Cacluated 't' value 14.901 d.f. 62

n = 63

Table value at 5 per cent level = 1.96

It can be seen from the table that the mean income of the group members before joining SHG is Rs.283.33. The monthly income before joining SHG has ranges between Rs.100 and Rs.800. After joining SHG, the mean income has increased to Rs.571.43. The monthly income after joining SHG ranges between Rs.200 and Rs.1000. Hence, it can be said that the member's income has increased substantially after joining SHG. Members whose occupation is agriculture, may not have regular employment and regular income but after joining SHG, they start a business and they earn regularly. As the calculated 't' value is greater than the table value at five per cent level, there exists a significant difference in monthly income earned before and after joining SHG.
The members whose occupation is business do not have sufficient amount to invest further to develop their own business but after joining SHG they get loan based on savings bank account and from Revolving Credit. They take it as a chance to improve their business and earn income regularly. Therefore, micro credit and self help groups are better schemes to improve the economic empowerment of the women. This implies that much effort has to be taken to popularize the scheme so that rural households can lead a better life.

MICRO CREDIT AND ITS USAGE

Micro Credit is distinctly different from other poverty alleviation schemes. Micro Credit continues to target the rural and urban households, with emphasis on women borrowers, provision of finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by Micro Credit providers themselves independently or through NGOs, Self Help Groups.

A. **LOAN FROM REVOLVING CREDIT**

Groups are to be rated as per the laid down procedures and efforts are required to rectify their weak areas. There is no uniformity of revolving fund assistance among groups by the sponsoring agency. In order to examine the number of members who have received loan from revolving credit, the following table has been prepared.
Out of 120 members, 82 (68.33%) members have got loan from Revolving Credit and the rest 38 (31.67%) have not got loan from Revolving Credit. Out of 82 members who got loan from Revolving Credit, three (3.66%) got an amount up to Rs.1000; 74 (90.24%) got an amount ranging between Rs.1001 and Rs.2000 and the rest five (16.10%) got more than Rs.2000.
It can be seen from Table - 4 that of 82 members, 21 (25.61%) members repay the loan on a monthly basis paying Rs.100, the monthly instalment of 42 (51.22%) members ranges between Rs.101 and Rs.200 and the rest 19 (23.17%) repay more than Rs. 200 on a monthly basis.

TABLE – 4: REVOLVING CREDIT AND REPAYMENT

Particulars	Number of Members (N = 120)	Percentage to Total
i. Loan from Revolving Credit		
i. Yes	82	68.33
ii. No	38	31.67
ii. Amount of Loan(n = 82)		
i. Up to Rs.1000	3	3.66
ii. Rs.1001 – Rs.2000	74	90.24
iii. Above Rs.2000	5	6.10
iii. Monthly Repayment (n = 82)		
i. Up to Rs.100	21	25.61
ii. Rs.101 – Rs.200	42	51.22
iii.Above Rs.200	19	23.17

Table - 4 shows that the majority of members have got loan from revolving credit, ranging between Rs.1001 and Rs.2000 and most of them are repaying the loan amount on a monthly instalment basis. The repayment amount of most of the members ranges between Rs.101 and Rs.200

B. **PURPOSE OF GETTING LOAN FROM REVOLVING CREDIT**

The members may utilize the loan from Revolving Credit for different purposes. They usually invest the amount in their own business or use it to start a new business or spend for children's education. Table - 5 reveals the purpose of getting loan from revolving credit.

TABLE – 5: PURPOSE OF RECEIVING REVOLVING CREDIT

Particulars	Number of Members (n = 82)*	Percentage to Total
i. To invest in the present business	13	15.85
ii. To start a new business	13	15.85
iii. To spend for children's education	10	12.00
iv. To meet family ceremonial expenses	1	1.22
v. To repay money borrowed from outsiders	7	8.54
vi. To meet medical expenses	34	41.46
vii. To meet household expenses	51	62.20
viii.To meet emergency needs	4	4.88
ix. To invest in family run business	2	2.44

***** Multiple replies are involved

It is found that 13 (15.85%) members have invested the loan amount in their present business. The members may use the loan amount to start a new business. It is found that 13 (15.85%) members have used the loan amount to start a new business; 10 (12.20%) have used for their children's education; one (1.22%) has utilized to meet family ceremonial expenses; seven (8.54%) have used the loan amount to repay the money borrowed from outsiders; 34 (41.46%) have used to meet medical expenses; 51 (62.20%) have used to meet household expenses; four (4.88%) have utilized to meet their emergency needs; and two (2.44%) have used to invest in the family-run business. It can be seen from Table - 5 that majority of the members have used the loan amount to meet their household expenses.

C. **TYPE OF BUSINESS**

The members get a loan from Revolving Fund and use it for different purposes. They invest the loan amount in a common business or share among themselves and use it for different purposes individually. Table – 6 has been prepared to ascertain the type of business, started by the group members by using the loan from Revolving Credit.

TABLE – 6: TYPE OF BUSINESS

Particulars	Number of Members (n = 13)	Percentage to Total
i. Type of business started without the help of Revolving Fund		
i. Vegetable Vending	6	46.15
ii. Petty Shop	1	7.69
iii. Sweet Stall	2	15.38
iv. Cloth Business	1	7.69
v. Appalam, Pickles making, etc	3	23.08
ii. Type of business started with the help of Revolving Fund		
i. Road and Building Contract	6	46.15
ii. Cloth business	2	15.38
iii. Vegetable Vending	1	7.69
iv. Rice Business	1	7.69
v. Others	3	23.08
III. Adequacy of Finance		
i. Yes	12	92.31
ii. No	1	7.69

The members may invest the loan amount in their own business started already. Out of 13 members, who are running business already, six (46.15%) members are doing vegetable vending; one (7.69%) is running a petty shop; two (15.38%) are running sweet stalls; one (7.69%) is running a cloth business and the rest three (23.08%) are doing appalam business and pickles business without the help of Revolving Fund.

The members may invest the loan amount in a new business. It can be seen from the table that of 13 members who have started a new business with the help of Revolving Fund, six (46.15%) have started a road contract and building contract business; two (15.38%) have started a cloth business; one (7.69%) member has engaged himself in vegetable vending; one (7.69%) has started Rice business and the rest three (23.08%) have started other businesses such as soap manufacturing, appalam making, etc, with the help of Revolving Fund.

Micro credit ensures the poor women employment and income. Out of 13 members who have started a new business with the help of Revolving Fund, 12 (92.31%) members feel that the amount is enough to start a new business and the rest one (7.69%) thinks that the amount is not enough to start a new business and raised Rs.1000 from money lenders. Table - 6 reveals that majority of members are running vegetable vending and think that the amount is enough to start a new business.

D. **MONTHLY INCOME**

In the rural area women are involved in a wide range of income generating activities. Micro credit is given to the women through Self Help Groups for productive purposes by the banks. The economic empowerment of the poor women is the only means to poverty eradication. Table - 7 shows that the monthly return from the business, who have started a new business with the help of Revolving Fund.

TABLE – 7: MONTHLY RETURN

Monthly Return	Number of Members (n = 13)	Percentage to Total
i. Up to Rs.500	7	53.85
ii. Rs.501 to Rs.1000	4	30.77
iii. Rs.1001 to Rs.2000	1	7.69
iv. Above Rs.2000	1	7.69

It could be seen from the table that of the 13 members who have started a new business with the help of Revolving Fund, seven (53.85%) members earn a monthly return ranging up to Rs.500; four (30.77%) earn an amount ranging between Rs.501 and Rs.1000; one (7.69%) member earns an amount ranging between Rs.1001 and Rs.2000 and the rest one (7.69%) earns monthly return more than Rs.2000. Table -7 shows that the majority of members earn a monthly return from their business amounting up to Rs.500.

ASSITANCE FROM GOVERNMENT

SHG financing is in implementation in various forms in several developing countries, which is emerging as an alternative choice for alleviating rural poverty in India. The role of central banks in the micro finance sector brings out the commitment or otherwise, of the policy planners to assist development of sustainable micro finance in the developing economies. Table 6.34 has been prepared to ascertain the expectation of assistance from the Government.

TABLE – 8: ASSISTANCE FROM GROVERNMENT

Particulars	Number of Members (N = 120)	Percentage to Total
i. Assistance from the Government		
i. Yes	16	13.33
ii. No	104	86.67
ii. Sort of Assistance (n = 16)		
i. Increased marketing facilities	3	18.75
ii. Increased transport facilities	1	6.25
iii. Quick disbursement of Loan	7	43.75
iv. Housing and other loans	5	31.25

It can be seen from Table - 8 that of 120 members, 16 (13.33%) members need assistance from the Government and the rest 104 (86.67%) do not expect any assistance from the Government. Majority of them are not in need of any assistance from the Government because they would like to get success on their own.

It is found that out of 16 members who expect assistance from the government, three (18.75%) feel that the marketing facilities should be increased, one (6.25%) member expects increased transport facilities, seven (43.75%) think that the time taken for disbursement of loan should be reduced and five (31.25%) think that individual loan and housing loan should be provided through these groups. Most of them think that the period of disbursement of loan should be reduced.

POVERTY ALLEVIATION THROUGH SHGs

Micro Credit programmes extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families. The poor always need credit which the formal credit system and the Government's poverty alleviation schemes could not cater to. SHG is a mechanism to alleviate poverty and financing these SHGs will help eradicate poverty. How the members feel about the ability of SHGs in removing poverty is captured in Table – 9.

TABLE – 9: SHG AND ERADICATION OF POVERTY

Poverty Alleviation through SHGs	Number of Members (N = 120)	Percentage to Total
i. Yes	116	96.67
ii. No	4	3.33

From Table - 9 it can be seen that of 120 members, 116 (96.67%) believe that SHG can alleviate poverty and the rest four (3.33%) have no faith on alleviation of poverty through SHGs. Majority of the members believe that SHG can alleviate poverty.

SUGGESTIONS
The following are the suggestions to improve Self Help Groups.
1. Government should encourage and support NGOs to attempt group approach and create favourable policy environment for SHGs to easily open their bank account.
2. There is possibility of loss of resources of the poor if not protected adequately against any possible crisis. So there is an urgent need to streamline the norms that govern micro finance initiatives in the country.
3. Necessary steps should be initiated to solve the problem of shortage of the supply of raw materials to the members of SHGs.
4. Subsidy should be given to town panchayat also.
5. Government should encourage export of goods which are produced by the group members.
6. Government should bear the discount amount which is allowed by the groups on the sale of their products.
7. Creation of a separate cell for solving problems is needed.
8. Separate place for running the business, which are started by the group members, should be provided.

CONCLUSION
One of the finest forms of poverty alleviation programme is the formation of SHGs. They do wonders in that the poor people's income level has gone up significantly. The members of the group make use of the funds they get from the banks in the most efficient manner that they are able to earn high returns. Government, both the centre and the state are voluntarily associating themselves with the SHGs, providing financial assistance. The growth of SHGs has to be ensured and their prosperity has to be sustained. In this direction it would be more helpful if the government charts out new programme assistance for marketing the products of SHGs.

The groups which are organized by Mahatma Gandhi Ashram, Anaimalai alone are taken for the study. Therefore, the groups which are organized by other NGOs are not included. As the opinions of members are likely to vary over time, caution is to be exercised while generalizing the results of the study.

The success of a SHG depends solely on how well-knit is the group. In this direction, the group cohesiveness of SHG may be examined. SHGs could scale new heights only if the leaders posses the desired qualities. What are the qualities of the SHG leaders, how the leaders of successful SHGs differ from those SHGs which do not perform well may be studied so that pre-requisites for success could be prescribed. Yet another scope for further research lies in carrying a comparative study of groups between two block or two districts.

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IMPACT OF GLOBALIZATION ON WORK LIFE BALANCE IN IFFCO, AONLA, BAREILLY

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ABSTRACT
In the era of globalization, the word 'Work-life balance' has become a undividable part of any organization. The study of Work life of any organization comprises three factors—global competition, personal lives/family values, and an aging workforce—present challenges that exacerbate work/life balance. On the other hand, researcher try to offer a holistic picture of work-life steadiness benefits and programmes (WLBPs) offered by IFFCO Aonla Unit, Bareilly. With the basis of present literature, primary and secondary data, the researcher try to understand the current status of WLBPs at IFFCO Aonla Unit, Bareilly, and find out its future implications. The paper has discussed the challenges for effective implementation of such policies, which can help HR managers to be careful before introducing WLBPs in their respective organisations.After analyzing the factors, it is found that family-friendliness of employers at IFFCO Aonla Unit, Bareilly have been reflect in a variety of welfare provisions which has been a matter of concern for employers since industrialization. Moreover, the variety of WLBPs varies transversely organisations and there is still a long way to go when WLBPs will become strategic HR initiatives in most organisations. The paper suggests that IFFCO company need to include WLBPs and encourage such programmes which results increase in productivity and ensure employees loyalty & commitment towards organization and while making WLBPs, similarity between employee needs and organisational values also should be taken into consideration.

KEYWORDS
Globalization, Work-Life Balance, Work-Family Conflict, Family-Friendly policy, Work-Life Benefits, Orgnization Culture.

INTRODUCTION
Life is a complementary act, and it is probably right to say that everyone is looking for work/life balance in Indian society. But the question is, what is exactly meaning of work/life balance?

Work life balance is a concept including proper prioritizing between work (Career & Ambition) & Lifestyle (Health, pleasure, leisure, & spiritual development).Search for work/life balance is a common topic of conversation.
Demographic changes as seen in the increasing number of women in the workplace and dual career families have generated an increasingly diverse workforce and a greater need of employees to balance their work and non-work lives (Bharat, 2003; Komarraju, 1997; Rajadhyaksha & Bhatnagar, 2000; Ramu, 1989; Sekharan, 1992).
In reply to these changes, employers have introduced inventive practices that permit employees to discover greater work-life balance. As a result, initiatives such as flexible working hours, alternative work arrangements, leave policies and benefits in lieu of family care responsibilities and employee assistance programmes have become a significant part of most of the company benefit programmes and compensation packages.
This type of policies and benefit programmes are usually termed as 'family-friendly policies' (FFPs) or 'work-life benefits and practices' (WLBP).
However, employers' concern for employees' family lives is not a recent phenomenon. Employers have been providing various welfare measures such as good working conditions, health, safety, and security provisions to employees since industrialization.
These welfare practices became norms of most factories and organisations either as a result of employers' pragmatic concern for employees and their families or unions' conscious bargain for employee welfare. In true sense, World War II brought a considerable interest in employee work-family issues worldwide because of the increase of women employees in defense industries which led the federal government to provide facilities such as child care facilities.
Post war era saw the increase of government mandated provisions being offered to employees such as health and life insurance, social security like pension plans, and disability protection in forms of worker's compensation for accidents, and diseases institutionalizing the notion that employers had at least some obligations to provide security to employees' families (Glass & Estes, 1997). In due course of time employers' family-friendliness has gone beyond providing mere welfare provisions.
Though, work-life balance as a concept has got considerable attention and as a campaign has been practiced by various organisations as a matter of policy and strategy, still we are not sure of what constitutes WLBPs. Some organisations provide a bundle of policies and programmes such as alternative work arrangements, leave policies, child-care centers while some provide services such as gymnasiums and recreation facilities at work in the name of WLBPs.
We are not sure if the policies and practices are similar across organisations. Since employee work-life balance as a concept has got recognition from employers and HR managers in India only in recent years, the organisational initiatives in this regard are hardly known. Given this, the present paper has made an effort to understand the meaning and concept of WLBPs, prevalent policies and practices across the countries.
Moreover, despite the numerous benefits of such initiatives as demonstrated in empirical studies across countries, only a few organisations have introduced WLBPs. It raises the question: what are the reasons behind an organisation's decision to introduce WLBPs? Furthermore, among those organisations that have implemented WLBPs only a few have reaped the acclaimed benefits. Unless and until we have an understanding about the contextual as well as individual factors that might influence effective implementation and use of WLBPs, it will be difficult to advocate such practices.
To address the above concern, the present paper has made an attempt to identify the factors, which influence the adoption, implementation and utilization of WLBPs on the basis of extant literature to provide suggestions and a road map for organisations in India.. Finally the paper discuss the origin, growth and current status of WLBPs at IFFCO Aonla Unit, Bareilly and their future prospects.

FACTORS INCLUDED IN WORK LIFE BALANCE
Factors of work life balance vary from one organization to other in their implementation because of many reasons. Some of main factors are discussed below:
1. ORGANISATION'S CHARACTICSERSTICS SUCH AS SIZE, NATURE
Big organisations are more visible and receive more attention from regulators, media, and public.
2. FAMILY RESPONSIVENESS OF EMPLOYERS AND HR MANAGERS
Organisations are more likely to recommend WLBPs when work and family issues are most important to higher-ranking HR staff as well as employers.

3. SALIENCE TO WORK-FAMILY DISAGREEMENT PROBLEMS

Employers approve WLBPs in order to respond to workforce problems linked to work/family issues, such as non-attendance, delay and work stress.

4. GENDER COMPOSITION OF THE WORKPLACE

Work-family problems are possible to be more in organisations where female employee population is more. Likewise, managerial women employees negotiate certain working arrangements from their employers in a better way as compared to their male counterpart (Ingram & Simons, 1995). Hence, it is observed that organisations with greater percentage of female managers offer a complete WLBP package such as extended maternity leave, schedule flexibility, and childcare assistance.

RESEARCH METHODOLOGY

Research Type: Discriptive & Exploratory Research
Research Area: IFFCO Aonla Unit, Bareilly.
Sample Size: 100(80 Male & 20 Female)
Sample Unit: Middle level & lower level Employees of IFFCO company
Data collection Technique: Primary data through questionnaire & sec. through internet & journals etc.

QUESTIONNAIRE

Name:
Gender:
Designation:
Marital Status:

Q1. Are you satisfied with flexible working hours, providing at your organization?
a) Yes 72 b). No 28

Q2. Do you get the facility of alternative work arrangements?
a) Yes 64 b) 36

Q3. Are you getting all types of leave according to HR policies?
a) Yes 59 b). 41

Q4. Are you getting benefits in Lieu of family care responsibilities?
a) Yes 58 b) No 27 c) Can't say 15

Q5. Does organization conduct employee assistance programmes?
a) Yes 47 b) No 35 c) Don't Know 18

Q6 Are you satisfied with compensation packages provided by company?
a) Yes 72 b) No 19 c) Don't Know 09

SOME PROVISIONS MADE BY GOVERNMENT FOR EMPLOYEES WELFARE (as given by labour legislations)

1. NO. OF WORKING HOURS

The Factories Act, 1948 regulates the working hours of employees including leave, holidays, overtime, and employment of children, women and young persons. This is the first of its kind legislation in India that has regulated the working conditions in factories and has ensured basic minimum requirements for the safety, health and welfare of factory workers. The working hours for an adult worker are prescribed not to exceed 48 hours in a week and 9 hours a day. This Act also restricts the working time of women employees and adolescents during evening that is 7 pm to 6 am. It provides for weekly holidays of one day so that the total workdays do not exceed 10 consecutive days. In case of requirement to work on a holiday a worker should be allowed a compensatory holiday (Secs. 52, 53 and 71).

2. CHILD CARE

The Factories Act, 1948 also requires having crèches in factories employing more than 30 women workers to take care of their children (Sec. 40) which can be considered as a kind of WLBP since it helps women workers to better integrate their work and family demands.

3. PROVISIONS FOR LEAVE

Various kinds of leave provisions and benefits are available under Factories Act, 1948, Industrial Employment (Standing Orders) Act, 1946 and Employee State Insurance Act, 1948. These include, 1) Earned Leave (the convenient leave sought by individual employee) 2) Casual Leave (leave for some family related purpose e.g. burials, weddings etc.) 3) Sick Leave (most times with doctors' recommendations) 4) Compensatory leave (compensated with leave with wages for the absence from duty against the work performed by worker on any other day than normal working day). Under Employee State Baral and Bhargava / International Journal of Business, Management and Social Sciences, Vol. 2, No. 1, 2011, pp. 33-42 37 Insurance (ESI) Act, 1948 every insured employee is entitled to get cash benefits for the period of sickness occurring during the benefit period and certified by a duly appointed medical officer.

4. MATERNITY BENEFITS

Another much acclaimed benefit considered to be family-friendly is, maternity benefit provided to working women for certain periods before and after childbirth. In western countries much talked statutory provision for maternity benefit comes from the Family & Medical Leave Act (FMLA), 1993 which mandates that all "eligible"employees of a covered employer can take up to twelve weeks of unpaid, job-protected leave during any 12-month period to care for a newborn child or newly adopted child; to take care of a child, parent, or spouse with a serious health problem; or to recover from one's own serious health problem. Some of these benefits are also provided to working women in India under Maternity Benefit Act, 1961. The Act extends to the whole of India and is applicable to every factory, mines or plantation (including those belonging to Government) and to every shop or establishment wherein 10 or more persons are employed or were employed on any day of the preceding 12 months. Every woman shall be entitled to, and her employer shall be liable for, the payment of maternity benefit, which is the amount payable to her at the rate of the average daily wage for the period of her actual absence. As per this Act, any woman shall be entitled to maternity leave of 12 weeks in all whether taken before or after childbirth. However, one cannot take more than six weeks before the expected delivery as per the amendment made in the act in 1989.

The ESI Act, 1948 ensures comprehensive health coverage for employees below a certain income level. A periodical cash benefit is payable to an insured woman employee, in case of confinement, miscarriage, medical termination of pregnancy, premature birth of a child, or sickness arising from pregnancy, miscarriage, etc., occurring or expected to occur in a benefit period. Medical bonus or expense in lieu of medical expenditure or confinement expenses (up to a certain limit) is paid to an insured woman and an insured person in respect of his wife, if confinement occurs at a place where necessary medical facilities under ESI scheme are not available.

Apart from these statutory provisions, many other provisions are provided by organisations voluntarily to their employees either as a result of union's bargain or as pragmatic concerns of employers. These provisions include high standards of working condition, housing facility to more encompassing benefit packages that include health, dental and life insurance, vacation and leave policies, investment and retirement plans.

THE PATH TO THE LEAD

After analyzing secondary reports and primary data collected through questionnaire surveys suggest that IFFCO, Aonla, Bareilly have certainly realized the need for work-life balance of employees and has started offering policies and programs that are more employee growth oriented and family-friendly than mere welfare and safety oriented.

Even though, these policies and programs differ one organization to other, but it surely has provided new directions for organisations in similar sectors to adopt such progressive HR initiatives to recognize and accommodate the diverse needs of the employees.
However, highest care should be taken before taking decisions to approve and implement these inventive practices as the success of such policies and practices are reliant on many individual and organisational factors which are discussed above. appropriate communication should be made to employees about various policies, practices and they should be encouraged to use them. Appropriate significance should be given to employees' needs such as their child education medical, compensation etc to cope up with global challenges.

FUTURE IMPLICATIONS
Significant analysis of the history and growth of employment policies **IFFCO, Aonla, Bareilly** suggest that WLBPs have their roots in the statutory and voluntary welfare practices offered by employer during and post industrialization era. requirements such as:
- working hour regulations,
- motherhood benefits,
- crèches, and
- leave policies

have received continued attention in government mandated provisions.
Government's interference to protect employees from unfair workplace terms and conditions made by employers and in some cases employers' realistic concerns for their employees' health, safety and welfare can be considered as the major reasons behind introduction of such policies.
The socio demographic and economic changes have pressurized employers to look beyond welfare practices and provide more humane and family-friendly concerns so that employees can accommodate both their family and work needs thereby maintaining a healthy work-life balance and being productive at the work place.
However, the results are in a position to provide some directions to HR professionals in India to review their present policies and practices regarding work-life balance and redesign them accordingly. Certain cautions and proactive actions should be taken before implementing WLBPs in order to reap the benefits of the same. Policies and programs offered in pieces may not help in general neither a common program fits for all.
IFFCO, Aonla, Bareilly need to take lessons from organisations across countries and design their benefit plans keeping in mind the nature of the industry, profile of the work force, gender specific needs, individual initiated bargains, local culture and environment as well as policy implications.
While a growing number of studies find that WLBPs benefit employees, empirical support for the business cases in India for investing in such initiatives is less developed which needs immediate concern of researchers. A few questions need to be answered before talking about the effectiveness and use of WLBPs IFFCO, Aonla, Bareilly.
Future research program could be to understand if WLBPs are able to reduce work-family conflict and if they really add to company underneath line. Efforts should be taken to understand if employees recognize their organisations providing these policies to be family-friendly and whether the culture of the company is supportive towards using such programs. This paper is just an attempt to set the base for further research in this area in the Indian context.

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A STUDY ON MARKET POTENTIAL OF RURAL BANKING AMONG CUSTOMERS IN POLLACHI

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ABSTRACT

Banking services can be offered to the rural population at close vicinity like a mini branch. The Banks in turn would benefit greatly because of the improved business adding to the bottom line of the bank. Banks need to reach out the needy through micro-credit, self- help groups. There must be exclusive focused attention to the financial inclusion of the unbanked areas. We need to extend rural banking services at the customer's convenience. Also, banks must expand their reach through various alternate channels. The purpose of this paper is to assess the level of banking penetration in a sample village and to find the relationship between bank accounts and related factors, such as, occupation, income and asset-holding status. The findings provide practical implications for bankers in terms of providing banking services in rural areas. The existing gap in credit facilities offers manifold opportunities to bankers for providing various credit facilities. Since the findings indicate that majority of the respondents show an inclination for availing credit for dairy activities, suggestions are offered for tapping potential customers.

KEYWORDS
Banking, Rural, Customers, Services

INTRODUCTION TO THE STUDY

HISTORY OF BANKING IN INDIA

From the ancient times in India, an indigenous banking system has prevailed. The businessmen called Shroffs, Seths, Sahukars, Mahajans, Chettis etc. had been carrying on the business of banking since ancient times. These indigenous bankers included very small money lenders to shroffs with huge businesses, who carried on the large and specialized business even greater than the business of banks Without a sound and effective banking system in India it cannot have a healthy economy.

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money.

Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dial a pizza. Money have become the order of the day. The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases.

They are as mentioned below: Early phase from 1786 to 1969 of Indian Banks

- Nationalisation of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

To make this write-up more explanatory, the topic is divided as Phase I, Phase II and Phase III.

PHASE I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders. In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small.

To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in india as the Central Banking Authority. During those days public has lesser confidence in the banks. As an aftermath deposit mobilisation was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

PHASE II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalised Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of india to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country was nationalised. Second phase of nationalisation Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949 : Enactment of Banking Regulation Act.
- 1955 : Nationalisation of State Bank of India.
- 1959 : Nationalisation of SBI subsidiaries.
- 1961 : Insurance cover extended to deposits.

- 1969 : Nationalisation of 14 major banks.
- 1971 : Creation of credit guarantee corporation.
- 1975 : Creation of regional rural banks.
- 1980 : Nationalisation of seven banks with deposits over 200 crore.

After the nationalisation of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

PHASE III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalisation of banking practices. The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money. The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

KEY MILESTONES

- The origin of western type commercial Banking in India dates back to the 18th century.
- The story of banking starts from Bank of Hindustan established in 1779 and it was first bank at Calcutta under European management.
- In 1786 General Bank of India was set up. Since Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, it became a banking center.
- Three Presidency banks were set up under charters from the British East India Company- Bank of Calcutta, Bank of Bombay and the Bank of Madras. These worked as quasi central banks in India for many years.
- The Bank of Calcutta established in 1806 immediately became Bank of Bengal.
- In 1921 these 3 banks merged with each other and Imperial Bank of India got birth. It is today's State Bank of India.
- The name was changed after India's Independence in 1955. So State bank of India is the oldest Bank of India.
- In 1839, there was a fruitless effort by Indian merchants to establish a Bank called Union Bank. It failed within a decade.
- Next came Allahabad Bank which was established in 1865 and working even today.
- The oldest Public Sector Bank in India having branches all over India and serving the customers for the last 145 years is Allahabad Bank. Allahabad bank is also known as one of India's Oldest Joint Stock Bank.
- The Oldest Joint Stock bank of India was Bank of Upper India established in 1863 and failed in 1913.
- The first Bank of India with Limited Liability to be managed by Indian Board was Oudh Commercial Bank. It was established in 1881 at Faizabad. This bank failed in 1958.
- The first bank purely managed by Indian was Punjab National Bank, established in Lahore in 1895. The Punjab national Bank has not only survived till date but also is one of the largest banks in India.
- However, the first Indian commercial bank which was wholly owned and managed by Indians was Central Bank of India which was established in 1911. So this bank is called India's First Truly Swadeshi bank.
- Central Bank of India was dreams come true of Sir Sorabji Pochkhanawala, founder of the Bank.
- Sir Pherozesha Mehta was the first Chairman of this Bank.
- Many more Indian banks were established between 1906-1911. This was the era of the Swadeshi Movement in India. Some of the banks are Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.
- Bank of India was the first Indian bank to open a branch outside India in London in 1946 and the first to open a branch in continental Europe at Paris in 1974. The Bank was founded in September 1906 as a private entity and was nationalized in July 1969. Since the logo of this Bank is a star, its head office in Mumbai is located in Star House, Bandra East, Mumbai. There was a district in Today's Karnataka state called South Canara under the British empire. It was bifurcated in 1859 from Canara district , thus making Dakshina Kannada and Udupi district. It was the undivided Dakshina Kannada district. It was renamed as Dakshina Kannada in 1947. Four banks started operation during the period of Swadeshi Movement and so this was known as "Cradle of Indian Banking.
- This was the first phase of Indian banking which was a very slow in development. This era saw many ups and downs in the banking scenario of the country.
- The Second Phase starts from 1935 when Reserve bank of India was established.
- Between the period of 1911-1948, there were more than 1000 banks in India, almost all small banks. The Reserve Bank of India was constituted in 1934 as an apex Bank, however without major government ownership. Government of India came up with the Banking Companies Act 1949. This act was later changed to Banking Regulation (Amendment) Act 1949.
- The Banking Regulation (Amendment) Act of 1965 gave extensive powers to the Reserve Bank of India. The Reserve Bank of India was made the Central Banking Authority.
- The banking sector reforms started immediately after the independence. These reforms were basically aimed at improving the confidence level of the public as most banks were not trusted by the majority of the people. Instead, the deposits with the Postal department were considered safe.
- The first major step was Nationalization of the Imperial Bank of India in 1955 via State Bank of India Act.
- State Bank of India was made to act as the principal agent of RBI and handle banking transactions of the Union and State Governments.

OBJECTIVES OF THE STUDY

- To study the industry of rural banking
- To study the consumer awareness about various services offered by rural banks
- To understand consumer's behaviour and attitude in the rural market
- To analyse the market potential of rural banking
- To understand the problems faced in rural banking.

SCOPE OF THE STUDY

The study is much relevant to today's context. Rural banking in India started since the establishment of banking sector in India. Rural Banks in those days mainly focused upon the agro sector. Today, commercial banks and Regional Rural Banks in India are penetrating every corner of the country and are extending a helping hand in the growth process of the rural sector.

The study will be much useful for the researcher in gaining practical knowhow about the scenario that is prevalent among bankers and resources they offer. It also helps the researcher to understand the rudiments of a project of this nature and familiarize her with a real time atmosphere. The study yielded valuable insight into personality profiles of consumers. Such information will go long way to understand the behaviour of the consumers as well as designing apt market impetus for enhanced sales.

The Indian banking sector has witnessed a multitude of developments and initiatives over the last decade. The sector has been bolstered by constructive efforts and mandates effected by policy-makers, such as the Reserve Bank of India, NABARD, Ministry of Finance, which have strengthened and sustained the growth of the sector in the wake of changing macro-economic situations and that have resulted in notable performance of the Indian banking sector compared to other geographical markets.

The study is useful for the banking industry in the areas of decision – making for future improvements in the banking atmosphere. It also helps in analyzing the effective performance of the employees in the rural banks. Market Potential of the rural banking customers are analyzed and the problems faced by them were found and reason behind the problems were also found and suggestions have been given.

LIMITATIONS OF THE STUDY

- Knowledge of customers with regard to rural banking was meager.
- The literacy level of customers was less.
- As the study was restricted to few areas in Pollachi, generalization cannot be made.
- The sample size was restricted to 191 and thus generalizations made are not the true representation of the population.

REVIEW OF LITERATURE

A review of the literature is an essential part of your academic research project. The review is a careful examination of a body of literature pointing toward the answer to your research question. Literature reviewed typically includes scholarly journals, scholarly books, authoritative databases and primary sources. Sometimes it includes newspapers, magazines, other books, films, and audio and video tapes, and other secondary sources.

- Primary sources are the origin of information under study, fundamental documents relating to a particular subject or idea. Often they are first hand accounts written by a witness or researcher at the time of an event or discovery. These may be accessible as physical publications, as publications in electronic databases, or on the Internet.
- Secondary sources are documents or recordings that relate to or discuss information originally presented elsewhere. These, too, may be accessible as physical objects or electronically in databases or on the Internet.

All good research and writing is guided by a review of the relevant literature. Your literature review will be the mechanism by which your research is viewed as a cumulative process. That makes it an integral component of the scientific process. 54 Studies relating to the problem focus of the research are reviewed and various findings there in are presented in this chapter.

RESEARCH METHODOLOGY

Research is the investigation of the underlying process operative in the lives of persons who are in association. The process used to collect information and data for the purpose of making business decisions is said to be Research Methodology. The methodology may include publication research, interviews, surveys and other research techniques, and could include both present and historical information.

RESEARCH DESIGN

Research design is defined as "A plan structure and strategy of investigation conceived so as to obtain answer to research question and control variables". Research Design in the conceptual structure within which research is conducted. The research study is descriptive. The research study is descriptive, which is concerned with describing the characteristics of what is studied or under research study that is, it describes the state of affairs as it is or what is happening as it includes questionnaire.

PERIOD OF STUDY

The period of study is from Dec 1, 2012 till Feb28, 2013.

AREA OF STUDY

The area of study is Pollachi, Coimbatore Dt.

POPULATION

The customers who are having account in various banks who are both existing as well as new customers are taken into our consideration.

SAMPLING TECHNIQUE

The sampling methodology used is convenience sampling which is one of the non probability sampling method. This method does not provide every item in the universe with the known chance of being included in the sample.

SAMPLE SIZE

The total number of respondents is 191, who were given the questionnaire to fill up and data was collected in the places in and around Pollachi.

DATA COLLECTION

Primary Data was collected through Questionnaire. Secondary Data was collected from various Books, Journals, and reports.

DATA ANALYSIS

The data collected through Questionnaires has been analysed by following methods:

1) Percentage Analysis
2) Chi-Square Analysis
3) Cross Tabulation

SPSS TOOL

SPSS stands for Statistical Package For the Social Sciences and it is a comprehensive system for analyzing data. It is easy to learn and use. It includes a full range of data management system and data editing tools. It provides in-depth statistical capabilities.

DESIGN AND PRE-TESTING OF QUESTIONNAIRE

Information gathered directly from the respondents through questionnaire, i.e. survey method. The questionnaire was pre-tested among 10% of the associates by conducting pilot study. There were few inhibitions from the associates during the study regarding the options in the questionnaire which needed be reframed and they were implemented during the real study. The findings of pilot study is subjected to through examination to realize that an individual is not likely to think of all ways in which group might respond and that are cannot anticipate adequately the interpretation of others. This makes the pilot study all the more important tools and techniques used for analysis:

DATA ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS

The simple percentage analysis is a basic statistical tool, which can exhibit each factor value in percentage. It helps to scale the attributes into desired size and make decision.

From the analysis of various factors influencing to avail rural banking service, factors being mortgage, low interest, micro-credit, financial advice. We understand that 55.5% of the customers feel that mortgage is the factor to avail rural banking service, 22.5% of the customers feel is due to low interest, also 9.4% of the customers preferred microcredit and 9.4% of the prefer their factor is financial advice due to which they have availed rural banking service.

It is also evident that the major factor which influenced the customers to avail rural banking service is mortgage and followed by low interest factor. Micro credit and financial advice plays a minor role in influencing customers to avail the service.

Similar percentage analysis was carried out for Time taken for processing customer requests, Channels through which service availed, Mode of payment, factor based on which service availed, Awareness about various interest rates, Problems faced by the customers due to various reasons, Type of interest rate availed by customers, Occupation based analysis, Monthly Income based analysis, Monthly Savings based analysis, Residing in own house customers, Accessability of Banks from customers' residence, Bank Account availability, Awareness of various rural banking services, Service Awareness Source, Purpose of Availing Service, Range of rate of interest, Awareness of various interest rates available, Education level of respondents,.

CHI – SQUARE TEST

Chi- Square test is a a statistical method assessing the goodness of fit between a set of observed values and those expected theoretically. Chi-square tests enable us to compare observed and expected frequencies objectively, since it is not always possible to tell just by looking at them whether they are "different enough" to be considered statistically significant. Statistical significance in this case implies that the differences are not due to chance alone, but instead may be indicative of other processes at work.

Analysis Between various Banks and purpose of availing the rural banking service

Ho - There is no relationship between the type of bank and the reason for availing the rural banking service by the customers.

H_1 - There is relationship between the type of bank and the reason for availing the rural banking service by the customers.

From the analysis, it is clear that the significance level is less than 0.05 and hence null hypothesis is rejected. i.e There is no relationship between the type of bank and the reason for availing the rural banking service by the customers.

Thus, the customers are not able to differentiate between public sector and private sector banks and the type of service given by each bank.It is evident that the customers choose their bank based on their need, convenience and easy accessibility.

CHI-SQUARE TESTS

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	81.258[a]	54	.010
Likelihood Ratio	74.432	54	.034
Linear-by-Linear Association	21.026	1	.000
No of Valid Cases	191		

Analysis Between Customers Occupation and factors influencing them to avail the service

Ho - There is no relationship between the kind of occupation and the purpose of availing the rural banking service by the customers.

H_1 - There is relationship between the kind of occupation and the purpose of availing the rural banking service by the customers.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.846[a]	28	.000
Likelihood Ratio	62.231	28	.000
Linear-by-Linear Association	14.476	1	.000
No of Valid Cases	191		

From the analysis, it is clear that the significance level is less than 0.05 and hence null hypothesis is rejected. Thus, there is relationship between the kind of occupation and the purpose of availing the rural banking service by the customers.

The study shows that occupation of the customer plays an important role in determining their reason for availing the rural banking services. Due to their earning background, necessity to meet the day to day affairs, the respondents are forced to avail rural banking services. They are in a position to fulfill more needs beyond their normal works.

CROSS TABULATION ANALYSIS

Cross tabulation (or crosstabs for short) is a statistical process that summarizes categorical data to create a contingency table. They are heavily used in survey research, business intelligence, engineering and scientific research. They provide a basic picture of the interrelation between two variables and can help find interactions between them.

Cross Tabulation between various banks and purpose of availing the service was carried out and it was found that most of the customers are having account with State Bank of India and their corresponding major purpose of availing rural banking service being agriculture, jewel loan and enhancement of existing loans. Followed by Indian Bank and Canara Bank customers and their primary purpose being enhancement of existing loan.

Customers choose nationalized banks as their primary banker, because the interest ratesfor lending is lower when compared to private sector banks .SBI is nationalized bank as well as commercial banker from the side of Govt. of India. Customers have to choose the bank which is nearer to house and that branch will handle all type of transactions.

Similar cross tabulation was done between monthly income of customers and factors influencing service, and it was obvious that Public sector banks are trustworthy & more customer convenient than private sector banks. They have standard rules, only IT salaried, and govt staff can enter in their capsule. Also have their exterior and interior with bricks for poor.To add with, they are more co operative and being carriers of Govt Policies, they are always in public contact.

Cross tabulation between various banks and awareness level of various rural banking services offered was done and it was clear that Public sector banks are more responsible than private banks, as the services provided by them are cheaper. They are essentially more secure and a better investment in long run. Also to be noted is the fact that most public banks are gearing up and have fortified their service levels.

To add with, tabulation between various banks and various interest rates offered was done and it was found that nationalized banks are mainly responsible for the economic development of the country. They are also updating their ambience, technology, promptness. And focuses on average nationals. Also, they are traditional in nature, they trust in customer relations, know your customer norms, and strictly adhere to the RBI Norms, some of the issues like motivating the staff, empowering the staff are concerned.

FINDINGS OF THE STUDY

- Most of the customers have used banker as a channel to avail rural banking services.
- Major factor based on which service availed is asset.
- Prime problem faced by customers is due to poor service
- Majority of our customers’ occupation are small scale industry and next major customers are agriculturist.
- Most of the customers are only aware of account facility and loan facility in the various rural banking services.
- The major awareness source will be through friends which contribute to around 45%. Followed by loan melas and newspapers.
- The major purpose of availing services will be enhancement of existing loan, and other major purposes will be agriculture loan and jewel loan.
- Majority 53% of the respondents are graduates.
- There is no relationship between the type of bank and the reason for availing the rural banking service by the customers.
- It is very clear that most of the respondents nearly 75 customers are having account with SBI – nationalized bank, and their corresponding major purpose of availing rural banking service being agriculture.
- Majority of the customers in the monthly income range between Rs10001- Rs15000 have availed the service for the factor being mortgage..
- It is very evident that majority of SBI customers having more awareness about the types of accounts such as savings and current accounts as well as regarding loans. Majority of the customers who have account with SBI have availed fixed rate of interest. This shows that still customers are in traditional way of banking.
- Customers choose nationalized banks as their primary banker, because the interest rates for lending is lower when compared to private sector banks.
- Public sector banks are trustworthy & more customer convenient than private sector banks. Also have their exterior and interior with bricks for poor. To add with, they are more co operative and being carriers of Govt. Policies, they are always in public contact.

- Public sector banks are more responsible than private banks, as the services provided by them are cheaper. They are essentially more secure and a better investment in long run. Also to be noted is the fact that most public banks are gearing up and have fortified their service levels.
- Nationalized banks are mainly responsible for the economic development of the country. They are also updating their ambience, technology, promptness. and focuses on average nationals

SUGGESTIONS

- Bank must provide comprehensive product knowledge training for bank staff.
- Customers Service must be improved taking into account customers' requirements.
- Banks must simplify obtaining of documentation process and give top priority to customer needs to avoid delay.
- Banks must press into services more ATM's in rural areas.
- Bank timings should be changed to suit to the requirement of rural customers.
- Number of counters inside the branches must be increased in banks to provide speedy and accurate services for rural customers.
- Lobby Manager Concept must be introduced in all the rural branches so that rural customers will find banking user-friendly.
- Queue manager such as Token system must be introduced in rural branches also so that the 'first come first serve' principle is adopted without any discrimination.
- Specialized counters must be opened during festive seasons to effectively manage the crowd.
- Frequent product awareness camps should be conducted at periodicalintervals to enhance customer knowledge of the banking products.
- Once in three months, a demonstration camp may be held inside the bank branch to disseminate the information about operation of the ATMs. Through this, customers will come to know how to operate the ATMs. The British Library conducts similar type of instructional program for their new library users, who come to know how to locate a book in the library, look in the catalogue, etc. which helps them in locating a book of their choice easily without anybody's help.
- Banks can tie up with India Postal Services to penetrate effectively in the rural market.
- Banks must undertake a massive financial literacy and credit counselling program.
- Smart cards, bio metric scanning for signatures and hand-held devices and other innovative technology needs to be introduced. It will help in bringing down the cost of operation per transaction as well as help improve service delivery in rural areas.

CONCLUSION

Regional Rural Banks (RRBs), which emerged as an important financial institution in India for meeting the rural credit requirement. It is always argued that the RRBs have not been able to earn much profit in view of their policy of restricting their operation to target groups. In spite of that the RRBs made a remarkable performance.

The Banking sector has played a crucial role in developing the rural economy by providing credit and creating financial awareness. But as we are aware, despite all the efforts that we have made, a huge section of the rural population is still out of the banking net. Rural India has huge potential for development and it provides tremendous business opportunity for the banks, when the bankers through this platform to put their heart and soul in making a rural India where each and every household has a bank account and is imbued with financial awareness. Where Bharat and India morph to one entity and growth with equity becomes a reality.

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CORPORATE PHILANTHROPY Vs. CORPORATE SOCIAL RESPONSIBILITY: AN INDIAN INSIGHT

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ABSTRACT

Corporate social responsibility (CSR) and corporate philanthropy is a highly misunderstood & misinterpreted term in India, people often interlink this two term which are having altogether a different prospective. Some Indian companies believe that they are complying with laws & regulations fulfill their need for social responsibility. A corporate must take these activities with sincerity in order to provide a growth full nation. Although India is a favorable business destination but unless poor people have equity in the growth of economy, India can never achieve the title of super economy. Corporate social responsibility is one such important area of corporate behavior & governance that needs to be given thorough importance. At the same time csr is one such effective tool that synergizes the efforts of corporate & the social sector agencies towards sustainable growth & development of the societal objectives at large. This paper emphasizes that how CSR has become a ladder for development of any corporate organizations. This paper tries to bring out CSR initiatives taken by various organizations in India. An emphasis has been made in order to have an understanding about how corporate are utilizing the initiates at name of philanthropy and counting them to be there CSR activity and how the upcoming ceiling of mandatory 2% CSR is getting on their nerves and making them to enter and explore some hidden unexplored arenas of governance. This paper is completely a work based on articles and secondary data so collected.

KEYWORDS
CSR, Corporate, Business, India, Responsibility, Philanthropy.

INTRODUCTION
Both corporate philanthropy and corporate social responsibility help define a company's reputation and image and both create goodwill with the community and prospective customers. An increasing trend is being followed now a day by big brand corporate houses for contribution certain amount to society in terms of charity or donations or integrating social responsibility into their overall operating strategies. However, the impact of two strategies adopted is entirely different both for company and community.

Corporate philanthropy is strictly an executive decision, with only senior management deciding when and how much to donate, or to whom to award grants. Sometimes, all employees are involved, especially with fundraising events or drives. For corporate social responsibility to succeed, however, every employee and every department must play a role. Corporate social responsibility, often called CSR, is frequently a company-wide effort, involving activities like manufacturing, processing or even marketing. Because of this, every employee must understand the company's CSR strategy and how he or she contributes to the success of the initiative.

While corporate philanthropy may be used to enhance a company's image, it is generally separate from a corporation's long-term business strategy, and has less effect on the organization's bottom line and ability to attract customers. Corporate philanthropy's primary benefit may be on creating goodwill among the community it serves. Corporate social responsibility programs attempt to merge two goals: adhering to high ethical standards while also enhancing profits. With CSR programs, companies find a way to integrate the needs of the community with programs and features that also boost its bottom line. For example, a company may donate a portion of every item sold to a specific charity, helping the charity while simultaneously encouraging people to buy its product or service.

OBJECTIVE OF THE STUDY
The study has been conducted mainly to:
- Understand the nature and extensive parameters of corporate social responsibility in India
- To understand the challenges in execution of Corporate Social Responsibility
- Corporate Social Responsibility Practices and its impact on Business
- To understand the difference between corporate philanthropy and CSR.
- To have a glance at how the two being misinterpreted or used interchangeably.

LITERATURE REVIEW
Yoon et al (2006) found that, CSR activities improve a company's image when consumers attribute sincere motives, are ineffective when sincerity of motives is ambiguous, and hurt the company's image when motives are perceived as insincere. Denis et al (2012) argues that, the factors, community, policy, mission and vision, workforce, and environment have critical role in making CSR a very successful execution. Among these factors, environment and mission and vision had the strongest predictive power in people's preference to stay, willingness to pay, perception of service quality, and brand image and Waddock (1997) found that, CSR results in an improvement in firm performance in all levels.

Galbreath Jeremy (2009) explored how corporate social responsibility (CSR) can be effectively built into firm strategy.

Gabriel Juan (2009) From the decision-maker's viewpoint, the success of a social responsibility program rests heavily on a corporation's ability to create links in the public consciousness between the CSR activities of an organization and its performance to different stakeholders. However, thinking broadly about CSR outcomes often results in a list that is much too long to be of any practical use. The purpose of this paper is to provide an empirical study to provide understanding as to why business organizations are increasingly engaging in corporate social responsibility issues.

Jones Brian (2009) explored and explained corporate social responsibility (CSR) as a theoretical construct that has implications and consequences for corporate governance in particular, and more generally for the economy, business and society.
David Fatima (2009) discussed the interrelationship between corporate income tax (CIT) and corporate social responsibility (CSR) within the international framework of the European Union (EU).
Jose Rigoberto (2009) developed an analytical model for appraising and measuring corporate social responsibility (CSR). The theoretical and conceptual grounds that sustain the model are based on previous approaches.
Karin Greenberg (2009) aim is the understanding of the mechanisms involved when an organization decides to direct its focus on CSR issues. CSR efforts are carried out on a long term basis, often in a turbulent business.

RESEARCH METHODOLOGY

Descriptive Research Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically (Kothari1998). A researcher should think about the way in which he should proceed in attaining his objective in his research work. The researcher has to make a plan of action before starting the research. This plan of study of a researcher is called the research design. Descriptive research design is used for this study. Descriptive research design is used to those studies which are concerned with characteristics of a particular group.

SOURCE OF DATA COLLECTION

Secondary data: Secondary data has been collected from text books, research papers and websites.

CORPORATE PHILANTHROPY AND COMPANY GAIN

When you engage in philanthropy, your peers and the public do not expect you to gain from it, publicizing your philanthropic efforts as a way to improve your company reputation can be highly injurious for a business concern. So this is of no gain for a company in long run. Since it is a kind of voluntary contribution or kind of image building effort on part of corporates for gaining publicity. For having a wider understanding on the concept let's try to analyses some key benefits from philanthropy practice with some drawbacks:

- **Support of community and surrounding markets** especially by using profits derived from the community to benefit that same community (filled with its customers) businesses can greatly increase their prospects of future revenue flows. Supporting a community can lead to greater local economic success - creating income that can then be used at the business.
- **Market development** can also occur through the improved reputation of the business. The goodwill that a company can generate through corporate philanthropy can increase customers' interest and favorable opinions of the company. This may lead to increased sales, especially when the philanthropy is combined with effective advertising and co-branding.
- **Direct giving can hamper goals:** on downside or taking as drawback of philanthropy, philanthropy or charity or donation might not able to change the community as it perhaps thinking as it vision. As a business house is contributing funds to an non – profit organization which might can put an restriction on utilization of funds and as result the funds might not get utilized in a manner as business house decide it to be .

CORPORATE SOCIAL RESPONSIBILITY AND COMPANY GAIN

A business house can publicize its efforts for being socially responsible. The public tends to accept this and may respect the company for its boldly stating fact that social responsibility is a corporate duty. If a company can engage the community and customers in helping efforts to engage in socially responsible business, they can create goodwill. This goodwill can translate into loyal customers and positive brand recognition.
In today's digital, fast speed world, each business, small or big, needs to have a CSR program in place. If CSR is not yet part of your daily business practice, you must act fast. Or else you'll lose the trust of the people who are important to your business. The expectations of your staff, customers and the wider community have changed. Why CSR is turning so important or gaining importance, sum point with supporting downfalls are stated below:
Why CSR?

- Win new business.
- Increase customer retention.
- Develop and enhance relationships with customers, suppliers and networks.
- Attract, retain and maintain a happy workforce and be an Employer of Choice.
- Save money on energy and operating costs and manage risk.
- Differentiate yourself from your competitors.
- Generate innovation and learning and enhance your influence.
- Improve your business reputation and standing.
- Provide access to investment and funding opportunities.
- Generate positive publicity and media opportunities due to media interest in ethical business activities.

After attracting so many benefits yet certain corporate houses are still not involving CSR as part of their main business strategy because of some perception and beliefs at the back of your brain.

- **Increased operational cost** : CSR activities require a fixed fund to be allocated by business houses there by increasing cost of company which can lead to short term decrease in profits of a company.
- **Loss of competitive advantage** : A company performing CSR activity allocate a part of its profits for CSR activities as compare to company which is not engaged in CSR activity. Hence their main focus will be on core company objective thereby taking competitive edge over the company engaged in CSR .

DOING BOTH CORPORATE PHILANTHROPY & CSR

Corporate philanthropy and social responsibility are different but not mutually exclusive. You can engage in both. Since philanthropy and social responsibility come with costs, you should evaluate the extent of your financial commitments before your make them. In particular, avoid overcommitting and then having to back out due to financial stresses. The negative publicity from such action can hurt your company. Engaging in philanthropy and social responsibility simultaneously can help others while establishing your company as a good neighbor and generous giver. Many companies are still in the verge of two subjects and prefer philanthropy as there CSR initiative which is distinct. I envisioned companies going beyond simple philanthropic contributions to communities and starting to adopt truly sustainable business practices. This subject is gaining much more clarity in countries like India especially with more decisions, talks, understanding, focus and upcoming of most awaited company bill 2013.
Currently in India there is no clear understanding over what constitutes CSR. For the majority of companies, the focus has been on charity-based social initiatives, and many of those businesses are fiercely opposing the passing of the 2% mandatory spending. It is important to remember that while in developed countries many social services (health and education, for example) are adequately provided by central governments, in India the scenario is entirely different. In a situation where several governmental failures and endemic corruption have allowed for the majority of the population to live below the poverty line with little or no access to basic public services, corporate philanthropy towards community initiatives has the potential for becoming a crucial contribution to the national development. Hence, majority of business houses are fulfilling their CSR requirement by corporate philanthropic practice. Let's have an insight in what these business houses contributed in India and what our new company act 2013 hold for us or make it mandatory for us to think about sustainable development and putting a crunch on big brand money launderers.

CSR IN INDIA

Corporate Social Responsibility is on the rise all over the world and in India also. Civil Societies, consumers and other actors have increased pressure on companies to adhere to social and environmental standards and this pressure has impact on the business in India.

Top 10 activities in India where corporates were involved as CSR activities.

- **Adopt a school in a village**: Due to the inherent lack of quality primary education in the rural areas, the company could adopt a school in a village and employ qualified teachers with high backgrounds in their subjects. They can also provide for good sanitation, uniforms for the students, sufficient stationary and opportunities for extra-curricular activities.
- **Provide computers and free training for students in rural areas**: The company can donate computers to schools in rural areas and also provide free of cost computer training to the students, so that they can learn and enhance their IT skills.
- **Get affiliated with an NGO**: Join hands with an NGO and help them out by providing monetary funds and the likes. The employees of the company can also join the NGO on various activities it conducts for the area it is targeting.
- **Free medical camps for the backward regions**: The company can tie-up with a prolific hospital and provide free health check-ups in rural areas. Sometimes it could be for specific medical purposes, like polio vaccination in children, cervical cancer vaccinations in women, testing for malaria/dengue/swine flu, etc.
- **Blood Donation Camps**: Blood donation camps are one of the best ways to give back to the society, and the company can organize one and invite the general public to donate blood alongside the employees.
- **Donation of Sports Equipment in Schools**: With the increasing awareness of fitness and athletics, and the ever growing adoration for sports in India, donating quality fitness and sports equipment would not only persuade the students to adopt a more healthy lifestyle, but also advocate the company as a health and fitness promoting institution.
- **Adult Literacy Programmes**: This is an activity used by Tata Consultancy Services. India has so many able adults who are unemployed because they are illiterate and haven't received proper education, so this is an initiative that can increase the employment rate of the country and bring down the poverty levels.
- **International Scholarships for students from backward regions**: For students of brilliant academic caliber but no means to fulfill their potential abroad, the company can provide to fund for the student's tuition fee, accommodation fee and day to day living expenses, thereby providing deserving people with an opportunity they would have otherwise been devoid of.
- **Food Camp**: The Company can invite the general public to donate as much as food as they want to, in a food camp, which will later be given to, says an orphanage or distributed in a village.
- **Donation to Orphanage**: The employees can donate handsome amount of money, new clothes, toys etc. to an orphanage. They can also be required to visit the orphanages and spend quality time with the children there periodically, like say once a month.

CHARITIES /DONATIONS/ TOP PHILANTHROPISTS – INDIANS CONTRIBUTIONS

After having a look at what India has done so far on roads of CSR let's have a look at top 10 Indians who made their contribution through generous charity & donations on roads of CSR initiatives which helped in development of Indian society at large:

- **Azim premji (chairman of Wipro)** : He has made a donation worth $ 2 billion towards the upliftment of education in rural India. The transfer amounts to over a tenth of Premji's total wealth from Wipro, which stands at ₹80,670 crore. According to him, "He believe that good education is crucial to building a just, equitable, humane and sustainable society. We want to contribute significantly towards improvement of education in India, and through that towards building a better society." his Foundation works towards education of rural children in India.
- **Shiv Nadar (the Founder of HCL):** He has donated over ₹580 crore. He earned the amount by selling his stake of about 2.5 percent in the company owned by him. By far the amount donated by him is bigger than standards set by large firms. It's not only about him, but his wife too had made significant contribution when it comes to charity. She has donated $40 million over the years to support causes such as education, microfinance, health care and environment.
- **Anand Mahindra (chairman & managing director of Mahindra &Mahindra)**: He made a contribution by donating $ 10 million to his alma mater, Harvard University. The amount was donated to Harvard's Humanity Centre for a Humanity Program in the University. The donation will help promoting scholarships, discussion, conferences and workshops.
- **Vineet Nayyar (Managing Director of Tech Mahindra):** He donated one-third of his shares in the company to the Essel Social Welfare Foundation, a Delhi-based charitable organization run by his wife, Reva Nayyar. He has gifted 3.5 lakh shares, which is worth ₹31.78 crore. His wife is associated with a number of NGOs in the country and supports education for underprivileged children including visually handicapped and girl child.
- **Ratan Tata (The Chairman of Tata Group)**: Ratan Tata, made donation for the top university in the world, Harvard University. He donated ₹22 crore to the eminent university. The amount donated from the Tata Education and Development Trust and the Dorabji Tata Trust will be used for constructing new educational and residential buildings in the university's campus in Boston. He was honoured with Alumni Achievement Award for taking part in university's advanced management programme.
- **Nandan Nilekani (Infosys Co-Founder and Chairman)**: He has donated $ 2 million to a charity founded by his wife that focuses on water issues such as purification, rain water harvesting and getting supplies to the poor. He has also started the New Foundation India along with historian Ram Chandra Guha. The organization supports research in social science by providing relevant scholarships.
- **G M Rao (The Chairman of GMR Group):**He made a generous contribution by donating ₹152.89 crore towards the education of underprivileged children. The endowment made by Rao is equivalent to his personal share of his business. According to a business magazine Forbes, Rao's net worth is estimated around $2.6 billion. According to him he feels that his action goes with the philosophy of nation building before any other consideration.
- **Anil Agarwal(The Chairman of mining outfit Vedanta Resources)**: donated $1 billion to construct a new university along the shores of Bay of Bengal in eastern state of Orissa. He feels India needs a lot of Universities with medical, business and engineering schools, all in one campus. Giving credit to his father, Anil says, "My father [who didn't go to college either] reads a lot." "He told me that great higher education was fundamental to where the U.S. is today. It had the vision, and it created a mass [higher] education system. Because of that, it has produced the best politicians, huge liberal arts programs, best medical research. I always felt that India should have that.
- **Sunil Mittal (The Chairman and Group CEO of Bharati Enterprises):** He was named the Philanthropist of the Year by the Asian Awards 2010 for his contribution through the Bharti Foundation in area of education for disadvantaged children. The Bharati Foundation Schools provide education to about 30,000 children in states like Punjab, Haryana, Tamil Nadu and Rajasthan. It also promotes employment by hiring local people as teachers and staff in schools.
- **Mukesh Ambani (Chairman of Reliance Industries Limited)**: He invested around ₹500 crore to set up Reliance Foundation with plans to scale up its contribution to ₹1,000 crore. His wife, Nita Ambani, look after Relaince's Foundation, a corporate-responsibility program that supports many charitable organizations, have run make and supported many NGO's together with being philanthropy partner of most popular TV show Satyamev Jayati. It addresses issues like formal and vocational education, affordable high-quality health care, meaningful rural development and urban renewal, and protection and promotion of India's heritage of arts and culture.

Business houses in India have their focus so far on corporate philanthropy rather than focusing on CSR . due to which India has been updating its corporate law and legal framework to increase transparency, accountability, and align with international business standards. The primary focus of these efforts has been the revision of the Companies Act of 1956 and replacing it with company's act 2013.

HOW THE NEW 2013 ACT GOING TO CHANGE THE PICTURE OF CORPORATES IN INDIA?

The corporates as we discussed up till now have their major focus on corporate philanthropy rather than having a base of corporate social responsibility. It was so far a kind of choice based activity rather than being mandatory but upcoming of new act 2013 makes it mandatory for all business houses based on few requirements. Let's have a look at which it holds for them:

- **MANDATORY CSR CLAUSE**

Clause 135 of the Companies Bill (the "CSR Clause") requires a qualifying corporation to spend on CSR at least 2 percent of its average net profits made in the preceding three financial years (the "2 Percent Formula").

Recognized CSR activities are list in Schedule VII of the Companies Bill (outlined below). A qualifying company that fails to spend the required amount will have to explain that failure in the report of the board of directors.

- **PENALTY IN NON- COMPLIANCE WITH THE REQUIREMENT**

While a company is not subject to liability for failing to spend on CSR under the 2 Percent Formula, a company and its officers are subject to liability for not explaining such a failure in the report of the board of directors.

Failure to explain is punishable by a fine on the company of not less than 50,000 rupees (about U.S. $900) and up to 25 *lakh* rupees (about U.S. $46,000). Further, officers who default on the reporting provision could be subject to up to three years in prison and/or fines of not less than 50,000 rupees (about U.S. $900) and as high as 5 *lakh* rupees (about U.S. $9,200).

- **APPLICABILITY**

The CSR Clause of the Companies Bill is applicable to any company with:

(1) A net worth of rupees 500 *crore* (about U.S. $90 million) or more;
(2) A turnover of rupees 1000 *crore* (about U.S. $180 million) or more; or
(3) A net profit of rupees 5 *crore* (about U.S. $900,000) or more in any fiscal year.

- **REQUIRED ACTIVITIES FOR QUALIFYING COMPANIES**

A qualifying company under the CSR Clause must perform the following activities:

- Create a CSR committee on the board of directors with the committee consisting of three or more directors of which at least one has to be an independent director
- The committee is required to formulate and monitor the company's CSR policy and recommend the expenditure to be incurred on such activities
- The CSR activities may comprise any number of activities listed in Schedule VII of the Companies Bill (outlined below)
- The board report will require the disclosure of the CSR committee and the contents of the CSR policy
- The board is required to ensure that the activities provided under the CSR policy are undertaken and that the company spends at least 2% of the average net profits made by the company in the preceding three financial years in accordance with the policy
- Where the board fails to spend such an amount, it is required to provide the reasons for such failure in the report of the board of directors.
- **PERMISSIBLE CSR ACTIVITIES**

The CSR Clause leaves it to the discretion of the company's board to determine the exact manner in which the CSR amounts are spent. However, Schedule VII of the Companies Bill requires the CSR policy created by the CSR committee involve at least one of the following focus areas:

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- Combating [HIV], [AIDS], malaria and other diseases;
- Ensuring environmental sustainability;
- Employment-enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Such other matters as may be prescribed.

CONCLUSION

Changes made so far in new companies bill has made CSR activities more challenging. An activity which was merely a voluntary act of corporate houses in order to gain there marketability has turned around into a mandatory act with the upcoming of new companies act 2013. Every company will be in a grip of government in term of expenses so made in uplifting society or building there goodwill. Further companies will have to hire the brightest and the most outstanding talent to drive their CSR initiatives since they will now begin to also impact their bottom lines.

To conclude we can say with the government act of turning strict towards the entrepreneurs the corporate philanthropy which use to be followed since ages is going take a new shape heading towards actually corporate social responsibility which is a need of an hour for overall development not just development in one specific sphere as charity or donation but it requires an involvement of employees and society both.

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A STUDY TO DETERMINE IF STATISTICAL DIFFERENCE EXISTS IN SATISFIED MOTORCYCLE PILOTS IN GOA

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ABSTRACT

The study was conducted on motor cycle pilots who form an integral part of the transportation in Goa. Although other means of transport exist in Goa, it is the motorcycle pilot who can drop you at the remotest part of Goa at any hour at nominal rates. The study was conducted to find out if any difference existed among the satisfied motorcycle pilots in terms of number of years working, insurance cover, in educating their children and income levels. The study was conducted on 100 motorcycle pilots from across Goa. Of them the number of satisfied pilots was 45 whereas 55 showed dissatisfaction. From these 45 pilots, the Chi square tests were done to ascertain whether differences existed among satisfied pilots in terms of insurance coverage, number of years of work, income and in educating their children. The study concluded that among satisfied pilots, there existed a statistical difference in those having an insurance cover and those without it, that is pilots with insurance cover were found to be more than those without, further pilots with 5 or more years of experience were found to be more than those with less experience, and the satisfied pilots were also found to educate their children to a large extent only upto12th std. No difference was found between satisfied pilots who had income above or below 10,000.

KEYWORDS
education, insurance, motorbike pilots, satisfaction, subsidy.

1. INTRODUCTION
The motorcycle pilots are certainly unique to Goa. In no other state in India or in the world will you find them, although one will find rickshaws and taxis galore. They are at all the prominent locations from early morning to well into the night. Although in the year 1985, the concept of the motorcycle pilot was to be introduced in Andhra Pradesh and around 40 graduates started the business out there after observing how it was run in Goa, it never clicked and hence discontinued.

Many motorcycle pilots do not possess a license to ride a bike for ferrying passengers, and their bikes do not carry the black and yellow colours. Some have full time Government jobs and do the business when the cops are not around, which is early in the morning or after sunset. But these intruders so as to say have a bad effect on those motorcycle pilots who depend totally on the motorbike business to earn their livelihood, as they undercharge/overcharge the clients, or tend to treat the passengers in a shabby manner.

When the motorcycle pilot came on the scene in Goa is a question nobody really knows, but Goa being a tourist destination, and with the tourists finding it difficult to get to the city by bus in most times at night the answers are plenty. Perhaps a tourist may have asked a kind soul for a lift and paid him on reaching his destination. This could have led the person who gave the lift to realize that this could be a good profession and so it could all have begun. Although the motorcycle pilots came on the scene soon after liberation, their bikes were registered as motorcycle taxis only in 1979. Today in Goa there are no less than 2500 motorcycle pilots, around half of which are registered with the Motorcycle Association of Goa while others are not. With the demand for their services on a decline with the increase in *rent a bike* motorbikes, and the buses going even in the interior regions, the number of motorcycle pilots have dropped drastically from over 6000 some years back to its current number.

Most of the motorcycle pilots as of today are well equipped with mobile phones, so as to receive calls from their clients. On a day they run many trips which includes also reaching children to school and bringing them back. They also charge waiting charges and to any person they appear pretty well off. But looks can be deceptive, as they lead a rather dangerous life. With accidents a plenty and the wear and tear of sitting and driving on the roads which are not always kind, their life span tends to take a beating. Insurance can be taken but the premiums to be paid regularly seem unimaginable with their uncertain income.

Suresh Thakur, the President of the Goa Motorcycle Taxi Rider's Association has plenty to say regarding the plight of the pilots. " Most of them are totally dependent upon this business but wish to join the association only if they see some benefit coming to them. The Jeevan Dayini Scheme and the Group Insurance scheme are not being taken full advantage of as they just cannot save to pay the premium each year. Some of them had very old bikes for which the Government gave a subsidy and allowed them to purchase new ones. We are all along asking the Government to provide shelters to the pilots which is going on deaf ears. However we managed to give our association members helmets, which has saved many lives. We also give talks at various places so as to make the pilots more sensitive to their clients in terms of mannerism, good service and ways and means to build up the confidence of the client in the pilot.". " With all that we are doing we hope that the Government pays heed to some of our demands" he adds.

2. IMPORTANCE OF THE STUDY
To conduct a study on the satisfaction levels of the unique motorcycle pilots in Goa in terms of number of years working, income, educating their children and insurance cover.

3. STATEMENT OF THE PROBLEM
The satisfaction levels among the pilots are on the decrease. It was therefore required to determine among the satisfied pilots if there existed any statistical difference among different variables.

4. OBJECTIVES
1. To determine if a statistical difference exists among satisfied pilots in having an insurance cover or not.
2. To determine if a statistical difference exists among satisfied pilots in terms of number of years of work.
3. To determine if a statistical difference exists among satisfied pilots in terms of income levels.
4. To determine if a statistical difference exists among satisfied pilots in terms of children education.

5. HYPOTHESIS
The chi square hypothesis was made use of in analyzing these objectives. The Null hypothesis states that no difference exists between two variables A& B.

Formula:	f1	F1	(f1-F1)	(f1-F1)2/50
	A			
	B			

Where A & B are the variables, f1 is the observed frequency, F1 is the theoretical frequency, and (f1-F1)2/50 is the final result. The final result of both A and B are added together to arrive at the calculated chi sq value. If the calculated chi sq is less than the tabular chi sq at (k-1) degrees of freedom where K stands for number of variables and at 95% confidence level, then the null hypothesis is said to be true.

6. RESEARCH METHODOLOGY

A random, direct, structured questionnaire was utilized wherein a personal interview was conducted on 100 motorcycle pilots spread across Goa. The research design was of an exploratory design.

7. FINDINGS

Four Chi square analysis were conducted.

7a. The first was **to find out if any difference exists among the satisfied pilots in having an insurance cover or not**

Null Hypothesis: There is no difference among satisfied pilots in having an insurance cover or not

Of the 45 satisfied pilots sampled, 80%(A) had insurance cover whereas 20% did not have

	f 1	F1	f1-F1	(f1-F1)2/F1		
A	80	50	30	900/50	=	18
B	20	50	-30	900/50	=	18
					=	36 - computed calculation

At k-1 degrees of freedom and at 95% confidence(.05), the null hypothesis will be true if the probability of getting a chi square less than 3.84 is seen in the computed calculation. Since the calculated value (36) is more than 3.84, we can conclude that the Null hypothesis is false and a difference exists among pilots who have and do not have an insurance cover

Analysis of the findings: **Satisfied motorcycle pilots with an insurance cover are more than without an insurance cover**. This stems from the fact that in today's uncertain world, one is unsure of reaching home safely. Coupled with the fact that you are driving a motorcycle day in and day out, it becomes a serious concern for motorcycle pilots who can meet with an accident at any point of time. I recently encountered a motorcycle pilot who met with an accident in Mapusa who is with a foot cast for over a year. To add to his woes, his wife is a homemaker and he has 3 small children in the age group of 7-14 years. The fear of facing such a situation makes a majority of motorcycle pilots go in for an insurance.

7b.The second **Chi square** analysis was conducted **to find out if any difference exists among the satisfied pilots in the number of years of working as a motorcycle pilot**

Null Hypothesis: There is no difference between satisfied pilots in the number of years they are working in this field.

Of the 45 satisfied pilots sampled, 85%(A) were working for more than 5 years whereas 15 % were working for less than 5 years

	f 1	F1	f1-F1	(f1-F1)2/F1		
A	85	50	35	1225/50	=	24.5
B	15	50	-35	1225/50	=	24.5
					=	49 – computed calculation

At k-1 degrees of freedom and at 95% confidence(.05), the null hypothesis will be true if the probability of getting a chi square less than 3.84is seen in the computed calculation. Since the calculated value (49) is more than 3.84, we can conclude that the Null hypothesis is false and a difference exists among pilots who have 5 years experience and those who do not have.

Analysis of the findings: **Satisfied motorcycle pilots with 5 years and more experience outnumber those with less than 5 years experience**. This is probably because with time one learns to accept realities and becomes satisfied with ones job. In contrast motorcycle pilots who have just joined are more driven by money and when they do not get it, they tend to get frustrated and quit the profession. They cannot wait for passengers for long periods which once again increases their frustration levels and this increases dissatisfaction. All of this implies that motorcycle pilots with more than 5 years experience in general outnumber those with less than 5 years experience in the satisfied motorcycle category.

7c. The third **Chi square** analysis was finally **conducted to find out if any difference exists among the satisfied pilots in the income levels**

Null Hypothesis: There is no difference between the number of satisfied pilots in terms of income

Of the 45 satisfied pilots sampled, 55%(A) had income levels of less than 10,000 whereas 45 % had incomes over 10,000

	f 1	F1	f1-F1	(f1-F1)2/F1		
A	55	50	5	25/50	=	0.5
B	45	50	-5	25/50	=	0.5
					=	1 -computed calculation

At k-1 degrees of freedom and at 95% confidence(.05), the null hypothesis will be true if the probability of getting a chi square less than 3.84 is seen in the computed calculation. Since the calculated value (1) is less than 3.84, we can conclude that the Null hypothesis is true and **no statistical difference exists among pilots who have incomes above or below 10,000**.

Analysis of the findings: This proves that money is not the sole motivator. True that 22% felt among the satisfied motorcycle pilots that money was important, yet 44% felt that freedom and no boss were important whereas 33% felt that kindness of customers was equally important.

7d.And the fourth **Chi square** analysis was finally **conducted to find out if any difference exists among the satisfied pilots in educating their children**

Null Hypothesis: There is no difference between the number of satisfied pilots in terms of educating their children beyond HSSC.

Of the 45 satisfied pilots sampled, 77%(A) had educated their children upto HSSC whereas only 23% had educated their children beyond HSSC

	f 1	F1	f1-F1	(f1-F1)2/F1		
A	77	50	27	529/50	=	10.58
B	23	50	-27	529/50	=	10.58
					=	21.16 -computed calculation

At k-1 degrees of freedom and at 95% confidence(.05), the null hypothesis will be true if the probability of getting a chi square less than 3.84 is seen in the computed calculation. Since the calculated value (21.16) is more than 3.84, we can conclude that the Null hypothesis is false and **a statistical difference does exists among pilots in terms of educating their children.**

Analysis of the findings: Since motorcycle pilots struggle to make ends meet, they are invariably unable to educate their children beyond HSSC. As a result it is seen that **a large number of pilots do not end up in educating their children beyond HSSC.**

8. CONCLUSIONS

1. Satisfied motorcycle pilots with an insurance cover are more than without an insurance cover.
2. Satisfied motorcycle pilots with 5 years and more experience outnumber those with less than 5 years experience.
3. No statistical difference exists among satisfied pilots who have incomes above or below 10,000, which proves that money is not the sole motivator.
4. A statistical difference does exists among pilots in terms of educating their children beyond HSSC. i.e lesser number of satisfied pilots educate their children beyond 12^{th} Std.

9. LIMITATIONS

a) The study was conducted on only 100 motorcycle pilots
b) Other than chi square test no other test could be utilized.

10. SCOPE FOR FURTHER RESEARCH

A year later a study can once again be undertaken and the satisfaction levels could be once again tested to see if there is a difference between the present data and the data one year hence.

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ANNEXURE

How does one become a motorcycle pilot

1. A license to ride a motorcycle has to be first obtained .
2. A badge is then given to the person who wishes to ride a bike to transport passengers. This is given usually after 6 months and a requirement of 7th or 8th Std pass is essential
3. The license or permit to use the bike for transporting passengers is then given and the stand too is notified.

DIRECT TAXES CODE 2013: AN OVERVIEW

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ABSTRACT

After releasing Direct Tax Code on August 12, 2009 (DTC-I) and revised Direct Taxes Code on August 30, 2010 (DTC-II), again a fresh bill in the form of Direct Tax Code 2013 (DTC-III) was tabled on April 1, 2014 by the Indian Ministry of Finance (MoF) for public comments and review, with the aim to replace the more than five-decade-old Income-Tax Act, 1961 and Wealth Tax Act, 1957. Various stakeholders submitted their suggestions to the Standing Committee on Finance (SCF) on DTC-II. The SCF after deliberating with various stakeholders submitted their report to the Parliament on March 9, 2012. Finally, out of 190 recommendations made by the SCF, 153 have been accepted wholly or with partial modifications in DTC-III. The present paper seeks to highlight the major changes made in DTC-III from that of DTC-II accepting some suggestions of SCF. It encompasses introduction of and/or modification in significant concepts like indirect transfer of capital assets, place of effective management, super rich persons, wealth tax etc. It also pinpoints some of the recommendations that have been rejected by the MoF, e.g., proposal to link exemption limit to the consumer price index, deduction for CSR expenditure in backward regions and districts, general anti-avoidance rules (GAAR) while designing this new revised Direct Tax Code (DTC-III).

KEYWORDS
Direct Tax Code, Income Tax Act, Ministry of Finance, Standing Committee on Finance, Wealth Tax Act.

INTRODUCTION
The draft Direct Taxes Code (DTC), which aims to replace the archaic Income Tax Act,1961 and Wealth Tax Act, 1957, was released, along with a Discussion Paper (DP-I) on August 12, 2009 for public discussion and comments. Since then, a number of valuable inputs on the proposals were received from a large number of organisations and individuals. The inputs were examined and the major issues on which various stakeholders had given their views were identified. The Revised Discussion Paper addresses these major issues. The revised Direct Taxes Code (DTC-II) making changes in the earlier DTC (DTC-I), subsequent to the issue of Discussion Paper-II (DP-II) was introduced in the Lok Sabha on August 30, 2010. The Bill shows that in DTC-II, not only the changes mentioned in DP-II have been made, but a host of other changes and new provisions, like those relating to settlement of cases and settlement commission have also been incorporated (Gupta, 2012).

Various stakeholders have submitted their suggestions to the SCF on the DTC 2010. The SCF, after deliberating with various stakeholders, submitted their report to the Parliament on March 9, 2012. Since the Direct Taxes Code Bill, 2010 (DTC-II) was introduced in the Parliament, a good number of amendments were carried out in the Income-tax Act, 1961 and the Wealth-tax Act, 1957 through Finance Acts, 2011, 2012 & 2013. Incorporating these amendments and recommendations of SCF in the DTC Bill, 2010 would have made the Bill incomprehensible and the legislative process cumbersome. So, it was decided to present the Direct Taxes Code as a fresh Bill incorporating the amendments and most of the recommendations of SCF. Accordingly, a new revised Direct Taxes Code was drafted and unveiled on April 1, 2014 as Direct Tax Code, 2013.

OBJECTIVES OF THE STUDY
The current study has the following major objectives:

a) To highlight the major changes proposed in the direct tax legislation of India through DTC 2013.
b) To pinpoint some significant recommendations of SCF trashed by the MoF in designing DTC 2013.

MAJOR CHANGES PROPOSED IN DTC 2013
Out of 190 recommendations made by the SCF, 153 are proposed to be accepted as it is or with partial modifications. In addition to the recommendations forming part of the report, 61 suggestions forwarded by the SCF at the discussion stage, have also been accepted for incorporation in the revised Code i.e., DTC 2013. Some of the recommendations of the SCF which have been proposed to be accepted are as under:-

(A) **AN INDIRECT SHARE TRANSACTION WILL BE TAXED IN INDIA IF ATLEAST 20% OF THE ASSETS ARE BASED IN INDIA:** DTC 2010 introduced provisions to tax income of a non-resident, arising from indirect transfer of a capital asset situated in India. It provided for a 50% threshold of global assets to be located in India for taxation of income from indirect transfer in India. However, this threshold of 50% has been perceived by the Finance Ministry to be too high. In their opinion, "there could be a situation that a company has 33.33% assets in three countries but it will not get taxed anywhere" (MoF explanatory notes). The revised DTC 2013 provisions relating to tax incidence arising on indirect transfers provide for a threshold of 20% of the value of global assets to be located in India for triggering a tax incidence in the country. This would pertain to deals such as the one between Vodafone International Holdings BV and the Hutchison Telecommunications International Ltd (HTIL) (www.livemint.com). Further SCF's recommendations relating to exception to intra group restructuring outside India and transfer of listed shares outside India have not been accepted in DTC 2013. The only silver lining is that an exemption has been provided for transfer of small shareholdings (up to 5%) outside India (TOI, April 2, 2014).

(B) **PLACE OF EFFECTIVE MANAGEMENT:** Currently, a company is treated as a tax resident of India and subject to tax on worldwide income if it is registered in India or, during a year, the control and management of its affairs is situated wholly in India. DTC 2010 had introduced the globally accepted norm of POEM to determine tax residency. However, an ambiguous definition meant that even a stray Board meeting by a foreign company in India could result in its global income being taxed in India.

Now, there is much clarity in determining tax residency for companies as the revised DTC 2013 has suitably amended the definition of place of effective management (POEM). DTC 2013 has provided that POEM means the place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made (www.businessworld.in).

(C) **TAX PINCH FOR 'SUPER-RICH' PERSONS:** DTC 2013 focuses on raising more revenue from high net worth individuals, Hindu Undivided Families (HUFs) and artificial juridical persons by levying 35% tax rate on annual total income over Rs. 10 crore, while leaving the tax slabs unchanged for others. In this connection it is worth mentioning that the MoF has rejected several recommendations made by SCF, including a change in income tax slabs and removal of some of the cesses, arguing that the move will result in an approximate revenue loss of Rs. 60,000 crore. The panel (SCF) headed by former Finance Minister Yashwant Sinha had favoured revising the slab with no tax on income up to Rs.3 lakh (now Rs. 2 lakh), 10 per cent on income between Rs.3 lakh and Rs.10 lakh (Rs.2-5 lakh), 20 per cent on Rs.10-20 lakh (Rs.5-10 lakh) and 30 per cent for income beyond Rs.20 lakh (now Rs.10 lakh and above). So, the country's super-rich may end up paying more tax on their earnings if the recommendations in the draft Direct Taxes Code Bill, 2013, become a reality. With a view to maintaining overall progessivity in levy of income tax, the revised Code has provided for this fourth slab for individuals, HUFs and artificial judicial persons.

(D) **WEALTH TAX WILL COVER FINANCIAL ASSETS TOO :** Financial assets, as per DTC 2013, will be included under the ambit of wealth tax as compared to only physical assets at present. It is another bad news for the moneyed as the proposal says that Wealth Tax will now extend to financial assets as well. The good news is that the threshold is being raised from Rs. 30 lakh to 50 crore and the levy is proposed to be brought down from 1% at present to 0.25%. So, if DTC 2013 is accepted in the present form, the distinction between physical and financial assets will be removed for wealth-tax which is proposed to be levied on individuals, HUFs and private discretionary trusts.

(E) **LEVY AN ADDITIONAL 10% TAX ON THE RECIPIENT OF DIVIDEND PAYMENTS IF THE DIVIDEND INCOME EXCEEDS Rs. 1 CRORE:** Under the Income-tax Act as well as in the DTC Bill, 2010, a dividend distribution tax of 15% is levied on the company distributing the dividend and not on those who receive the dividend. This favours high net worth taxpayers who pay only a fraction of their earnings as tax on their investments in the capital market. The draft DTC (i.e., DTC 2013) proposes to remove this anomaly by levy of 10% additional tax on the resident recipient if the total dividend in his hand exceeds Rs.1 crore (Direct Taxes Code,2013). This could bring promoters of big companies who receive a huge amount of income as dividend under the net.

(F) **RATIONALISATION OF PROVISIONS FOR NON-PROFIT ORGANISATIONS:** Taxation of non-profit organisations (NPO) has been rationalised by taxing their surplus at a concessional rate of 15%, at the same time allowing basic exemption limit of Rs.1 lakh and permitting all capital expenditure as revenue outgoing as well. In addition, the draft Code does not provide for specific modes of investments. It says that an NPO would be free to make its investments, other than the limited prohibited modes of investments. Consequently, specific deduction for accumulation and the provision for carry forward of deficit are proposed to be removed in DTC 2013(www.incometaxindia.gov.in).

(G) **SCALE DOWN THE R&D BENEFITS FROM TAXATION:** DTC Bill, 2010 provides for weighted deduction of 175% to the donor on any donation made by it to the specified institutions to be utilised by them in scientific research. Weighted deduction of 200% is also provided for in-house scientific research. Since, the weighted deduction reduces the actual expenditure on research and there is significant potential for its misuse, the new Code now provides for a reduced weighted deduction of 150% for in-house scientific research and only 125% deduction for donations to specified institutions. This may prove to be a major setback for institutions who had geared up to set up R & D facilities for availing the attractive deductions (www.thehindubusinessline.com).

REJECTED RECOMMENDATIONS OF SCF

The recommendations of the SCF which were found to be inconsistent with the broad taxation policy of the Government have not been incorporated in the revised Code. Some of the significant recommendations of the SCF, still not discussed in the present paper and which have been rejected by the MoF while framing DTC 2013, are mentioned below:

(A) **PROPOSAL TO LINK EXEMPTION LIMIT TO THE CONSUMER PRICE INDEX:** MoF felt linking exemption limit to the consumer price index impracticable for a number of reasons. Out of the reasons stated by them, one important doubt in their mind was the ambiguity as to why the Consumer Price Index (CPI) should be the base and why not the Wholesale Price Index (WPI). Their further defense in support of rejecting the recommendation was that, indexing the slabs to inflation index would not a be comprehensive approach as the slab structure is dependent on a number of factors, including other reliefs given to a taxpayer, number of taxpayers who would go out of the tax net and consequent potential revenue loss to the Government, etc. So, the suggestion to link the exemption limit to the consumer price index has been trashed by the ministry.

(B) **THE RATE OF TAX FOR LIFE INSURANCE COMPANIES KEPT AT 30% INSTEAD OF THE PROPOSED 15%:** Under the existing Income-tax Act, tax on a life insurance company is levied at the rate of 12.5% of the surplus generated in the profit and loss account of the company based on actuarial valuation. But, in the Code (DTC 2010), the tax base for a Life Insurance Company is limited to the surplus generated for the company in the shareholders account and the surplus determined in the policyholders' account (technical account) is not taxable. Therefore, rate of tax chargeable on life insurance companies, as proposed in DTC 2010, is also kept in line with that applicable to other companies, i.e., 30%. Hence, the proposal of SCF that the rate of tax applicable for life insurance companies be reduced to 15% , has not been accepted in DTC 2013.

(C) **PROPOSAL TO ABOLISH SECURITIES TRANSACTION TAX (STT):** The recommendation is also rejected by the MoF. It has argued that the levy is needed to regulate day trading and the burden has already been reduced by reducing STT rate significantly by the Finance Act, 2013. So, complete abolition of STT as was proposed by the SCF has been trashed by the Finance Ministry of India.

(D) **DEDUCTION FOR CSR EXPENDITURE IN BACKWARD REGIONS AND DISTRICTS:** The Companies Act, 2013 provides that every company, on fulfilment of certain conditions, is required to incur certain expenditure (2% of their net profits) on Corporate Social Responsibility (CSR). But, there is no specific provision to allow such expenditure either under the Act or DTC 2010. So, SCF wanted a deduction in respect of CSR expenditure in backward region and districts to encourage more CSR activities in those designated places. But, MoF argued that allowing deduction for CSR expenditure would imply that the government would be contributing one third of this expenditure as revenue foregone and hence, no provision has been proposed in DTC 2013 to allow CSR expenditure as a deductible expenditure.

(E) **GENERAL ANTI-AVOIDANCE RULES (GAAR):** Provisions of GAAR, originally introduced in DTC 2009, has been subsequently included in the Income Tax Act through amendments, applies to transactions which are 'impermissible avoidance agreement'. In its present form in the Act, even if a part of the arrangement is impermissible arrangement, the entire arrangement is considered as impermissible arrangement. It was proposed by the SCF that only part of the arrangement should be revoked which has been proved to be impermissible instead of the entire. But, the recommendation has not been accepted in DTC 2013.

Some other significant recommendations of the SCF which are proposed to be accepted are as under:-

(i) Deductions for individual taxpayers to be focused on long term needs like social security.
(ii) Maintaining uniformity in 'grandfathering' provisions so that the available benefits for different categories under the existing Income-tax Act are phased out in a uniform and non-discriminatory manner ensuring smooth transition to DTC provisions.
(iii) A distinction should be made between commercial and non-commercial renting of properties for the purposes of taxation of income under the head 'Income from house property'. The concept of unrealised rent should also be built in as is the position under the existing Income-tax Act.
(iv) In case of self occupied house property, for the purposes of deduction in respect of interest on loan taken, the loan given by the employer should also qualify for this concession.
(v) Tax neutrality should be provided on conversion of a partnership firm under the Partnership Act, 1932 into a limited liability partnership (LLP) or a company.
(vi) Where compensation is received on compulsory acquisition of an investment asset, the period for acquiring the new asset for the purpose of relief from capital gains should be calculated from the date of receipt of such compensation.
(vii) With a view to facilitate smooth transition from IT Act to Direct Taxes Code, provision be made to treat losses, remaining to be carried forward and set off as per the provisions of the existing Income-tax Act, on the date on which DTC comes into effect.
(viii) The non-profit organisations should be given an option to adopt either the cash system or accrual system of accounting for computing their income.
(ix) The Income-tax Act provides for carry forward of tax paid on book profit (MAT credit). A provision may be made in the DTC Bill to carry forward the unutilised MAT credit under the IT Act, on the date on which the DTC comes into force (www.incometaxindia.gov.in).

CONCLUSION

Finally, it can be said that the latest version of Direct Taxes Code, which was published on the website of income tax department website for comments from the stakeholders, is aimed at widening the tax net, removing ambiguities and plugging loopholes in the current tax laws, has been a mixed bag with some dampener for industry and also some positive surprises. But, the fate of DTC depends on the policies and priorities of the next Union Government.

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IMPLEMENTATION OF E-CRM PRACTICE IN A NATIONALIZED BANK

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ABSTRACT
The Customer Relationship Management (CRM) is essential and vital function of customer oriented marketing. Its functions include gathering and accumulating customer-related information in order to provide effective services. e-CRM is a tool of IT sector but also the key strategy to electronic commerce. e-CRM is a combination of software, hardware application and management commitment. Aim of e-CRM system is to improve customer service, develop a relationship and retain valuable customers. e-CRM is a concern for many organizations especially in banking sector. This paper aimed to examine the implementation of e-CRM practices in Indian banking services. Through several analyses on the differences, several demographic indicators were tested against the implementation of e-CRM. In attempting to explore the outcome of e-CRM implementation, two constructs focusing on information technology & information system, and service support were selected for the purpose of analyzing their influence on the e-CRM.The administration of data was performed by using self-administered questionnaire where data were collected cross-sectionally by using purposive sampling. A quantitative survey was completed by assessing 90 respondents among the staff of SBI in Odisha state from 6 branches. The finding generated from the investigation is expected to provide useful insights to the banking industry and SBI in particular in determining factors that can influence the understanding of e-CRM. The result indicated that of the seven selected demographic indicators, all of them demonstrated that there were no significance difference as to their understanding and implementation of e-CRM. The evidence from the survey is expected to provide an insight about the importance of e-CRM in strengthening the banking industry.

KEYWORDS
CRM, E-CRM, IT, Sales, Marketing.

INTRODUCTION
E-CRM (Electronic Customer Relationship Management) is known as the use of electronic devices in attracting, maintaining and enhancing customer relationships with the organization. With the widespread of Internet, e-CRM can enhance the efficiency and effectiveness of communication and relationship management between organizations and customers. Computers, information technology and networking are fast replacing labor-intensive business activities across industries and in government. Since the early 1990s, the computer, the Internet, and information technology have been merged to become a viable substitute for labor and paper intensive banking processes between and across commercial banks. This has been seen in the widespread use of the ATM, credit cards, debit cards, smart cards and lending through e-CRM via the Internet. This type of computer-based bank-to-bank, bank to consumers and consumer-to-consumer transactional and informational exchange has been referred to as Electronic Commerce (EC). Elias M.(2000). Scullin et at., (2002) believes that increased customer loyalty, information accumulated by e-CRM system helps organizations to identify the actual input cost of wining and retaining long lasting relationships with customers. Internet and e-business are accountable for e in the e-CRM. It is essentially about conveying increased value to customers and to do business through digital channels. Dramatically all business are becoming a part of whole business. At present new things are possible which are in need of new technologies and skills. (Friedlien, 2003).

OBJECTIVES OF THE STUDY
The significance of this investigation lies in the expected contribution to the understanding of e-CRM in promoting the attractiveness of SBI bank to serve its customers. Specifically, this research seeks to identify purpose of customer relationship management, the perceptions of implications of having good services and implications of having good relationship with customers that will lead the company to achieve its goals. Besides, this study may provide ideas on how to solve the problems in managing marketing effectiveness toward sustaining business competitiveness. Thus focusing on the understanding of e-CRM among SBI bank staff in all branches within the state of Odisha assumed to be critical as customer's information could be lost when CRM does not been seriously implemented by all staff of the organization.

RESEARCH OBJECTIVES
The research objectives are as follows:
- To examine the implementation of e-CRM concept among the banking staff.
- To investigate the differences between the demographic profiles (gender, age group, working experience, marital status, salary scale, education level, and job position) with the implementation of e-CRM.
- To investigate the relationship of the IT and IS in e-CRM.
- To investigate the relationship between marketing approach and the understanding of e-CRM.

LITERATURE REVIEW
Customer Relationship Management (CRM) is still at the infancy stage. It is a concept that seeks to build long term relationships with customers. Through CRM initiatives it is expected to gain confidence and loyalty of the customer. The concept of CRM demands the sharing of customer combination management through the positioning, value added strategies and reward, which aimed at sharing with customer (Wayland and Cole, 1997). Thus, the five best ways to keep customer coming back are: be reliable, be credible, be attractive, be responsive and be empathic (Leboeuf, 1987).
Internet and e-business are accountable for e in the e-CRM. It is essentially about conveying increased value to customers and to do business through digital channels. Dramatically all business are becoming a part of whole business. At present new things are possible which are in need of new technologies and skills. (Friedlien, 2003).
Dyche, (2001) described that e-CRM is combination or software, hardware, application and management commitment. E-CRM can be different types like operational, Analytical. Operational e-CRM is given importance to customer touch up points, which can have contacts with customers through telephones or letters or e-mails. Thus customer touch up points is something web bases e-mails, telephone, direct sales, fax etc. Analytical CRM is a collection of data and is viewed as a continuous process. It requires technology to process customer's data. The main intention here would be to identity and understand customers demographics pattern of purchasing etc in order to create new business opportunities giving importance to customers.
Vital and important key point is that e-CRM takes into different forms, relying on the objectives of the organizations. It is about arranging in a line business process with strategies of customers provided back up of software's. (Rigby et at, 2002). According to Rosen.K, (2000) e-CRM is about people, process and technology and these are key paramount to success.
Traditional definition of e-CRM according to Stanton et al. (1994) is to include attitude for entire business. Like identifying and defining the prime goal to everyone in the organization and creating a sustainable competitive advantage. Their study explores how e-CRM enhances the traditional definition of marketing concepts and enabling the organizations to meet their internal marketing objectives.

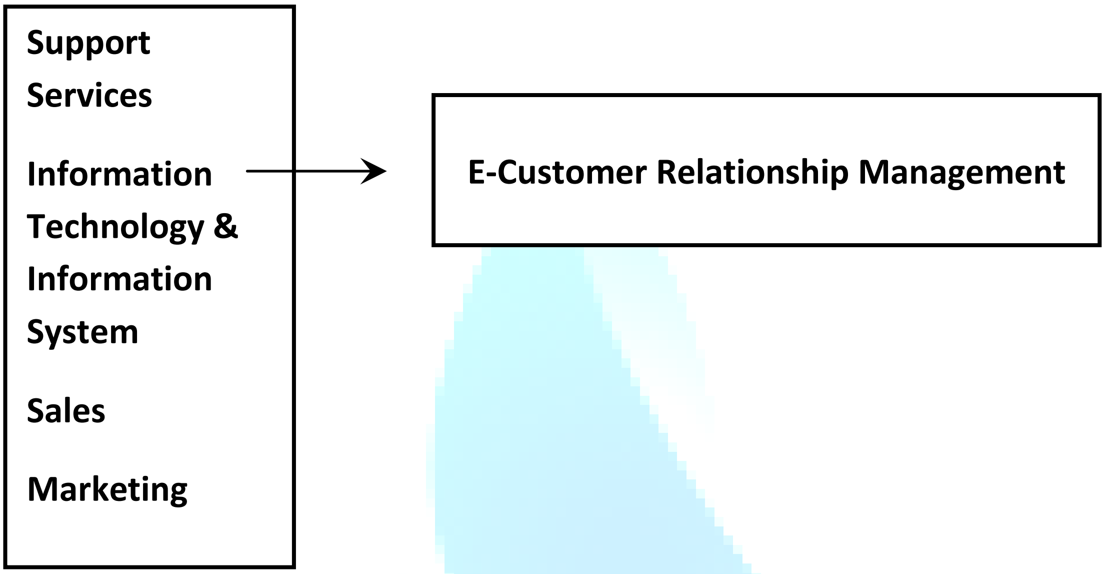
RESEARCH METHODOLOGY

The study which is descriptive in nature was designed to explore how e-CRM can be interpreted as a process of digitizing a staff's knowledge about his or her customers. In addition with the selection of several identifiable variables as in the framework below, it is expected to develop long term and sustainable customer relationship that add value for both the customer and the company.

THEORETICAL FRAMEWORK

FIGURE 1: RESEARCH INVESTIGATION FRAMEWORK

Independent Variables *Dependent Variable*



The research framework was adopted from West (2001). The identifiable independent variables assumed to be crucial components in supporting and maintaining the whole CRM process. e-CRM which is the core part of the framework includes general discussion, concept, and managerial aspects of CRM. Marketing is the function most often associated with CRM. It also described the evolution of e-CRM from direct sales to mass marketing, target marketing, and then to customer relationship marketing thus emphasizing that marketing and CRM are inseparable. The sales function is direct interaction with customers, which makes up e-CRM. It is important to develop sales strategies at the customer level to build and maintain relationships with customers to achieve revenue goals. High quality customer support service is the key to improving customer retention rates and maintaining a good relationship with customers. In a competitive environment, companies must know to fulfill the needs of each customer quickly and accurately. IT and IS play a key role as they can be used to automate and enable some or all e-CRM processes. Moreover, the use of IT and IS can enable the collection of the necessary data to determine the economics of customer acquisition, retention, and life-time value.

HYPOTHESES

H1 – There is a significant difference between demographic profiles with e-CRM implementation.
H2 - There is a significant relationship between support service strategies with e-CRM understanding.
H3 - There is a significant relationship between information technology and information system strategies with e-CRM understanding.
H4 - There is a significant relationship between sales, marketing with e-CRM understanding.

SAMPLING PROCEDURES

The execution of sampling procedure strategies involved deciding the target population from sampling frame generated by the human resource department. The purposive sampling technique was adopted using the sample size of 90 out of 195 staff working in SBI from 6 branches. The selection of sampling units is left primarily to the interviewer Questionnaires were distributed after determining the potential respondents from each of the branches. Understanding the nature of operational task of the participants, each of them was given approximately one week to respond. The significance of using purposive sampling is more appropriate as the sampling units are accessible and cooperativeness of the respondents was assured.

INSTRUMENTATION AND DATA COLLECTION PROCEDURES

The process of finalizing the research instrument went through a pilot study where 30 staff was selected. Through several discussions with the manager, some improvement of the items was introduced. The researcher used questionnaire as survey instrument to collect cross-sectional data for the study. The questionnaire has been distributed to each respondent personally through the appointed representative. The questionnaire consists of five sections, which are A, B, C, D, E and F. Section A asking about questions of demographic background such as position, gender, age and marital status. Section B included the question about understanding of e-CRM. Section C has generated information about marketing. For section D, the researcher needs to know about IT& IS. As for section E, the items cover on how the employees increase the sale to reach the target. Last but not least, in section F, researcher has asked respondents about the support service that has been given to customers.

FINDINGS

RELIABILITY ANALYSIS

The data collected was subjected to the reliability analysis to establish the reliability of measure. The result for the reliability test for e-CRM, Marketing, Information technology, service, and sales found to be reliable based on the alpha value of 0.859, 0.880, 0.862, 0.835, and 0.888 respectively. Few of the items have to be dropped from the analysis due to the issue of multicollinearity of the items measured.

FREQUENCY DISTRIBUTION

TABLE 1: RESPONDENT'S PROFILE

Category	%	Freq.	Category	%	Freq.
Gender			**Educational Level**		
Male	45	50	Intermediate./Certificate	35	38.9
Female	45	50	Diploma	50	55.6
			Degree	5	5.6
Age			**Working Position**		
18-29 Years	16	17.8	Manager	5	5.6
30-39 Years	40	44.4	Executive	16	17.8
40-49 Years	34	37.8	Non Executive	64	71.1
			Asst. Executive	5	5.6
			Working Experience		
Marital Status			2 Years & <	5	5.6
Single	74	82.2	2- 6 Years	24	26.7
Married	16	17.8	6 – 10 Years	29	32.2
Others			10- 15 Years	15	16.7
Salary			15 Years & >	17	18.9
Rs.7500 & <	59	65.6			
Rs.7500-Rs.10499	30	33.3			
Rs.10500- Rs.13499	1	1.1			
Rs.13500 & >					

Table 1 above showed the profile of the respondent for this study. Both genders were equally represented. Considering the respondents' age distribution, 44.4% were those between 30-39 years old. However, those between 18-29 years old made up only 17.8% of the sample. The representation on marital status of the respondent, displayed that 82.2% were married, followed by the respondents who were single (17.8%).

Analysis from the aspect of education level exhibited that 38.9% have Intermediate/ Diploma, 55.6% of the respondents have Bachelors Degree, and 5.6% of the respondents have further Degree such as Master. A total of 71.1% of the respondents were convergent to the group of work who are in the group of non-executive, 17.8% were from executive, 5.6% were from manager and assistance executive respectively.

Looking at the working experience, 32.2% of the respondents have been working between 6 -10 years. Respectively those with 2 to 6 years, 15 years & above, 10 to 15 years, and less than 2 years of working experience were 26.7%, 18.9%, 16.7%, and 5.6% represented. Attempt was initiated to get the involvement of more senior managers to participate. The analysis revealed that 65.6%, 33.3%, and 1.1% of the respondents earned an income of Rs. 7500 –Rs. 10499, Rs. 10500 – Rs. 13499, and Rs. 13500 – Rs. 14499 respectively representing the sample.

ANALYSIS OF DIFFERENCES

Based on the distribution of samples collected, the analysis of differences was conducted by using several techniques that satisfy the basic statistical requirement. Among the technique used were: T-test, Mann-Whitney U, and Kruskal-Wallis.

TABLE 2: T-TEST FOR TESTING DIFFERENCES BETWEEN GENDER AND E-CRM

Variable	Gender	N	Mean	Sig. (2-tailed)
e-CRM	Male	45	3.48	.707
	Female	45	3.53	
Know about e-CRM	Male	45	3.44	.814
	Female	45	3.49	
Good e-CRM lead high quality	Male	45	3.11	.063
	Female	45	3.49	
e-CRM easy to cooperate	Male	45	3.11	.663
	Female	45	3.20	
e-CRM improve relation with company	Male	45	3.91	.362
	Female	45	3.73	
e-CRM improve relation with customer	Male	45	3.33	.640
	Female	45	3.42	
Updating knowledge about e-CRM	**Male**	**45**	**4.18**	**.028**
	Female	**45**	**3.76**	
e-CRM software effective locating customer information	Male	45	3.67	.825
	Female	45	3.71	
e-CRM let know about characteristics	Male	45	3.11	.063
	Female	45	3.49	

T-test was performed to analyze the differences between gender as to their understanding of e-CRM. As a whole there was no significant difference regardless of gender status. However among the measurement, items concerning updating of knowledge about e-CRM displayed the significant difference at sig. value of 0.028. In this particular item the mean value for men is 4.18 demonstrated its difference at significant level of 5% as compared to the female mean value of 3.76. There were other items that indicated close to significant difference such as e-CRM lead to high quality (0.063), and e-CRM let me (staff) know more about customer characteristics (0.063). The rest of other measureable items indicated the value of no differences.

TABLE 3: KRUSKAL-WALLIS PROCEDURE FOR TESTING DIFFERENCES BETWEEN AGE GROUP, SALARY CATEGORY, HIGHEST EDUCATION LEVEL, WORKING POSITION, WORKING EXPERIENCE, WITH e-CRM

	Sig. Value (2-tailed)				
Variables	**Age**	**Salary**	**Education Level**	**Working Position**	**Working Experience**
e-CRM	.889	.810	.180	.899	.949
Know about e-CRM	.891	.819	.184	.455	.999
Good e-CRM lead high quality	.177	.663	.080	.976	.861
e-CRM easy to cooperate	.223	.143	.259	.494	.478
e-CRM improve relation with company	.780	.348	.119	.851	.847
e-CRM improve relation with customer	.574	.806	.834	.769	.551
Updating knowledge e-CRM	.096	.644	.560	.120	**.015**
e-CRM software effective locating customer information	.456	.788	.732	.423	.475
e-CRM let know about characteristics	.177	.663	.080	.976	.861

For other demographic profiles like age group, salary category, highest education level, working position, and working experience, analysis of differences were tested by using Kruskal-Wallis. Analysis of these profiles clearly indicated that there were no significant differences as to the understanding of e-CRM. However among the measureable items used, items concerning updating knowledge on e-CRM indicated the value of differences at sig. value of 0.015. It also provides a value of close to differences when testing the similar item with the age group. Other analysis that displayed the value close to significant differences is the believed that good e-CRM lead to high quality (0.080) when tested with highest education level.

TABLE 4: MANN- WHITNEY U TESTING OF DIFFERENCES BETWEEN MARITAL STATUS WITH e-CRM

Variables	**Marital Status**	**N**	**Mean Rank**	**Sig. (2-tailed)**
e-CRM	Married	74	45.64	.915
	Single	16	44.88	
Know about e-CRM	Married	74	45.16	.777
	Single	16	47.06	
Good e-CRM lead high quality	Married	74	44.78	.543
	Single	16	48.81	
e-CRM easy to cooperate	Married	74	43.85	.178
	Single	16	53.13	
e-CRM improve relation with company	Married	74	46.36	.482
	Single	16	41.53	
e-CRM improve relation with customer	Married	74	46.56	.376
	Single	16	40.59	
Updating knowledge e-CRM	Married	74	47.09	.189
	Single	16	38.13	
e-CRM software effective locating customer information	Married	74	44.55	.438
	Single	16	49.88	
e-CRM let know about characteristics	Married	74	44.78	.543
	Single	16	44.88	

Another testing procedure used for the analysis is Mann- Whitney U. Referring to the scores in table 4, the result revealed that there were no significant difference when comparing the marital status with the understanding of e-CRM. Further reviewing on each measurable items provides similar finding.

TABLE 5: CORRELATION ANALYSIS

	Marketing	IT	Service	Sales
e-CRM				
Pearson Correlation	.952(**)	.604(**)	.549(**)	.455(**)
Sig. (2-tailed)	.000	.000	.000	.000

** Correlation is significant at the 0.01 level (2-tailed).

Table 5 above displayed a very strong relationship between e-CRM and marketing (r=.952), and the p value indicated that there was a significant relationship between e-CRM and marketing (sig. value of 0.000, p<0.01). As for the correlation between IT & IS, Support Service, and Sales, with e-CRM, the strength of relationship indicated the magnitude of moderate. The value of 0.604, 0.549, and 0.455 displayed in table 5 suggested their relationship. With this relationship the p-value provide evidence that each of the four identifiable variables demonstrated their significant relationship with e-CRM.

MULTIPLE REGRESSION ANALYSIS

TABLE 6: MODEL SUMMARY OF THE RESEARCH FRAMEWORK

Model	R	R-Square	Adjusted R-Square	Std Error of estimate	F Change	Sig. Value
1	.954(a)	.911	.907	.20184	217.555	.000

a. Predictors: (Constant), Mean SERVICES, Mean MARKETING, Mean SALES, Mean IT&IS
b. Dependent Variable: Mean e-CRM

Our analysis used the R value in the model summary of the multiple correlation coefficients between the entire predictor variable and the dependent variable. As indicated in table 6, the value of adjusted R-square was .907 which provides an indication that 90.7% of the variance in the dependent variable is explained by the independent variable in the above table. Only 10 % of the model was unexplained.

TABLE 7: COEFFICIENTS CORRELATION

Variables	**Beta**	**Asym-Sig(2-sided)**
Marketing	0.899	0.000
IT	0.041	0.360
Service	0.061	0.195
Sales	-0.006	0.887

a Dependent Variable: M_e-CRM

The above coefficients values indicated the increase in the value of the dependent variable for each unit increase in the predictor variable. The unstandardized coefficient for IT & IS value of 0.044, suggested that for each percentages rise in IT&IS, e-CRM will increase by 4.4%. Meanwhile the percentage for e-CRM will increase 0.5% when each percentages rises in sales. Concerning the support services, it indicated that each percentages rise in support services will increase e-CRM by 5.2% and each percentages rise in marketing will increase e-CRM by 84%. Only marketing is statistically significant predictor for e-CRM.

DISCUSSION AND CONCLUSION

Business environment is getting more competitive. It is a trend that customers are making their buying decision on the basis of relationship that they have with the company (Adke and Dhande, 2011). Thus understanding the differences on the profiles will provide an interesting database for decision making. Our analysis clearly demonstrated that there were no significant differences on the seven (7) selected profiles as to the understanding of e-CRM. Only one of the instruments concerning updating of knowledge on e-CRM revealed some possibility of differences. Thus with these evidences, it would be much easier for the bank management to lay out vision and strategies in strengthening its operation within the changing needs of the market and economic forces.

The finding provides a strategic framework to SBI in acknowledging the critical contribution of e-CRM for establishing stronger customer relationship. The evidence generated from the regression analysis clearly indicated that 91% variation in e-CRM can be explained by variation in overall independent variables (marketing, sales, IT & IS and support service). In addition, with the strength of correlation value of 0.925 and significant at p-value at 0.000, clearly strengthened the importance of marketing in relation to the practice of e-CRM. The relative significant contribution of marketing was further explained by looking at the Beta score of our analysis. From the result of Beta coefficient, the β value for first independent variable that is marketing is 0.847, at $p<0.05$ which explained each percentage increase in mean marketing will increase mean e-CRM by 84%. SBI should continuously maximize marketing campaigns by emphasizing the one to one marketing such as meeting the customers personally. With the comprehensive understanding of the customers across all functional areas and contact channels, banking business expected to remain stable and competitive. In other words they should also join functions that can make them closer with customer.

e-CRM is now becoming a new comprehensive approach for developing business sustainability. e-CRM implementation is therefore a highly recommended step. This is because e-CRM is important for industries that have close contact with end customers but have lesser value to industries that are further away from the end customers. However, while e-CRM could promise all of these benefits, but still many organizations failed or have failed to implement e-CRM systems. For banks and other financial institutions, the competition makes it difficult or impossible to show competitive differentiation, and harder than ever to show profit. A typical financial institution has thousands of local, regional, national and global competitors. In this increasingly fragmented industry, most players hold a relatively small and unreliable market share. Customers stick around until enticed by the latest short-term interest rate or direct mail offer. With the entry of many foreign banks and setting up mergers in banking industries the need for attaining competitive advantage remain vital. The management of each banking institutions must realize that the importance of building and maintaining customer relationship should be a major concern for survival.

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