INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

IJRCM

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,

Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],

The American Economic Association's electronic bibliography, EconLit, U.S.A.,

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 4064 Cities in 176 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur

(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)

Chancellor, K. R. Mangalam University, Gurgaon

Chancellor, Lingaya's University, Faridabad

Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi

Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana

FormerVice-President, Dadri Education Society, Charkhi Dadri

FormerPresident, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

DR. SAMBHAV GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., HaryanaCollege of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), MaharajaAgrasenCollege, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, Shree Ram Institute of Business & Management, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, YanbuIndustrialCollege, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

UniversitySchool of Management Studies, GuruGobindSinghI. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), GuruGobindSinghI. P. University, Delhi

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P.J.L.N.GovernmentCollege, Faridabad

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PROF. V. SELVAM

SSL, VIT University, Vellore

PROF. N. SUNDARAM

VITUniversity, Vellore

DR. PARDEEP AHLAWAT

Associate Professor, Institute of Management Studies & Research, MaharshiDayanandUniversity, Rohtak

DR. S. TABASSUM SULTANA

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

DR. JASVEEN KAUR

Asst. Professor, University Business School, Guru Nanak Dev University, Amritsar

TECHNICAL ADVISOR

AMITA

Faculty, Government M. S., Mohali

FINANCIAL ADVISORS

DICKIN GOYAL

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF .**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mentionthe following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

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

11. **EQUATIONS**:These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

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

CONTRIBUTIONS TO BOOKS

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

JOURNAL AND OTHER ARTICLES

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

CONFERENCE PAPERS

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

UNPUBLISHED DISSERTATIONS AND THESES

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

ONLINE RESOURCES

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

WEBSITES

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

EFFECTS OF EMPLOYEE RETENTION STRATEGIES ON ORGANISATIONAL COMPETITIVE ADVANTAGE IN THE HOTEL INDUSTRY IN MOMBASA COUNTY

HENRY MWASARU
HUMAN RESOURCE & ADMINISTRATION MANAGER
KENYA MARITIME AUTHORITY
MOMBASA

WILLIAM KAZUNGU KINGI
CHAIRMAN
DEPARTMENT OF BUSINESS
TECHNICAL UNIVERSITY OF MOMBASA
MOMBASA

ABSTRACT
In today's business world, retention of valuable employees is one of the most critical issues confronting leaders. Employees have competencies that are critical for the survival of an organisation. The HR department has to play a key role in designing the policies, practices and strategies, which can enable an organization to retain the human resources contributing significantly to the business. This study examines the phenomenon of employee retention in the hotel industry in the Mombasa County in order to suggest appropriate strategies, which can help the organizations in this sector to retain their valuable talent as its major objective. This was a desk research study which relied heavily on secondary data. The study concludes that the employees seek for promotion and career growth, better compensation, rewards and work appreciation, and training and development. These strategies can be adopted by the hotel organizations to retain their employees. Without sound employee retention strategies the organizations suffer high employee turnover, high business operational costs. Recognising the size and strength of the hotel industry coupled with the demands faced in attraction and retention of employees, it could be concluded that employers in this sector need to focus developing distinctive and sound employee retention strategies which recognises some of the dynamic challenges the hotel industry in Kenya is facing.

JEL CODE
J23 Employment Determination; Job Creation; Demand for Labor; Self-Employment.

KEYWORDS
Career Development, Competitive Advantage, Employee Retention, Training.

1.0 INTRODUCTION
Human resources are the life-blood of any organization. Organizations cannot ignore the importance of retaining skilled employees, during the present time when skills and knowledge of staff are the most desired requirements. Employee retention issues are emerging as the most critical workforce management challenges of the immediate future. Researches have shown that in the future, successful organizations will be those which adapt their organizational behaviour to the realities of the current work environment where longevity and success depend upon innovation, creativity and flexibility. Today employee retention is the top priority of organizations due to increasing competition. It is an efficient and productive advance towards the employee management who are considered to be 'greatest assets' to the company, Bagga (2013). Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached.

The competencies and skills of the worker have become extremely vital competitive advantage in the present day business scenario. All the professionally managed organizations make an all-out attempt to acquire, retain and develop the talent pool that they encompass. Importance of human resources has increased manifold, firstly because of their scarce availability and secondly due to an increasing demand by the growing number of business units seeking quality talent. In this context the ability of an organization to keep hold of its vital and skilled manpower becomes extremely critical. HR department has to play a key role in designing the policies and practices which can enable an organization to retain the human resources contributing significantly to the business.

2.0 LITERATURE REVIEW
To develop a thorough understanding of the conceptual constructs and empirical research for the present study, extensive review of literature was undertaken. This has not only helped in identification of the gaps in the existing body of knowledge but has also enabled to establish a relationship of the present study with what already exists.

2.1 MOMBASA COUNTY
Mombasa County, is the smallest county in the coast province of Kenya, covering an area of 229.7 Km^2 excluding 65 Km^2 of water mass. Administratively, the county is segregated into seven divisions, eighteen locations and thirty sub-location and hosts six constituencies namely Mvita, Changamwe, Jomvu Kuu, Likoni, Kisauni and Nyali. Population distribution and settlement patterns in the county are influenced by proximity to roads, water and electricity facilities. The population is also concentrated in areas where there is availability and accessibility to employment opportunities, affordable housing, and security. The key sectors in Mombasa County include port, fishing, tourism and manufacturing.

2.2 OVERVIEW OF THE HUMAN RESOURCES ISSUES IN HOTELS MOMBASA COUNTY
There are twenty two listed hotels in Mombasa County as at February 2015 (Ministry of Tourism). The hotel industry in Kenya has not been spared in the war for employee retention either. Hotel industry, being a labour intensive industry, needs staff with various skill levels, from the unskilled positions to those that require employees with high levels of skills. The industry however relies mainly on employees and high turnover rates and the costs that come with turnover and low retention level of skilled employees are some of the problems that are encountered by the hotel industry (Delloite Consulting, 2011).

Even though most of the organizations including hotels in Mombasa County are mostly technology driven, human resources are required to run the technology. Human resources are the most vital and dynamic resources of any organization. With all round development in each and every area of the economy, there is stiff competition in the job market. With this development and competition, there are lots and lots of avenues and opportunities available in the hands of the human resources. The biggest challenge that hotels in Mombasa County are facing today is not only managing these resources but also retaining them. Securing and

retaining skilled employees plays an important role for any organization, because employees' knowledge and skills are central to companies' ability to be economically competitive. Besides, continuously satisfying the employees is another challenge that the employers are facing today.
The Human Resource Department in the hotels and other organizations plays an active role in retaining its employees. It make policies for employee betterment such that employee would be satisfied with the organization and stay with the firm for longer time. This shows that it is not just retention of employees but also retention of valued skills Gberevbie(2008).

3.0 IMPORTANCE OF THE STUDY
The study will help in establishing the effects of employee retention strategies on organizational competitive advantage in the hotel industry in Mombasa County and hence provide suggestions on sustainable applicable strategies on the topical issue. The hotel industry in Kenya plays a key role in the growth of the tourism sector which contributes a substantial amount to the growth of the economy of the country.

4.0 STATEMENT OF THE PROBLEM
Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached. They may be the turnover cost which includes hundreds of thousands of money to the company's expenses. Employee retention involves a systematic effort by the organization to create an environment that addresses diverse employee needs so employees will stay with the company.
Employee Retention is an effort by a business to maintain a working environment which supports current staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff. In an industry like hospitality and hotel in Kenya, Outsourcing the work can often be monotonous and opportunities for career growth minimal. So when opportunities beckon, the high rate of attrition is not surprising. However, there are some common reasons that especially cause people to leave.
The hotel industry in Kenya has been experiencing turnover crises over the years. Studies have been conducted on employee turnover and retention but further investigation is needed on talent retention strategies.

5.0 OBJECTIVES
Managing retention of promising employees is considered as fundamental means of achieving competitive advantage among the organizations (Walker, 2001). Organizations need to create an efficient and loyal workforce and this has implications for the hospitality and tourism industries. Loyal, efficient and stable staffs are argued to be one of the key to competitive success (Porter, 1990). High employee turnover rates affect the quality of services and goods, incur large replacement and recruitment costs, and therefore, decrease in profitability. In particular human resource personnel in the hotel industry have to deal with the following factors: (i) compensation and reward (ii) work environment (iii) career development (iv) training and development. (Silbert, 2005).Therefore the research sought to find out the factors contributing to employee retention in the hotel industry in Kenya.

6.0 HYPOTHESES
The Kenyan coastal hotel sector is part of the wider tourism industry in Kenya. The tourism industry in Kenya has experienced turbulent times in the past three years due to insecurity related issues. However this sector is contributing close to 11 percent of Kenya's GDP and employing 18% of the Kenyan workforce. It is therefore crucial to investigate the employee retention strategies used by these hotels in order to enhance their competitive advantage.

7.0 METHODOLOGY
The study utilized a desktop research technique in seeking facts, general information on the topic, historical background and study results that have been published or exist in public documents. The information was obtained from libraries, newspaper archives and websites, journals and magazines. A comprehensive review of existing literature i.e., Journals, Books, Magazines, Internet and Newspapers was undertaken to know the contemporary employee retention scenario and the research undertaken in the field so far. It enabled identification of the prevalent gaps for the study.

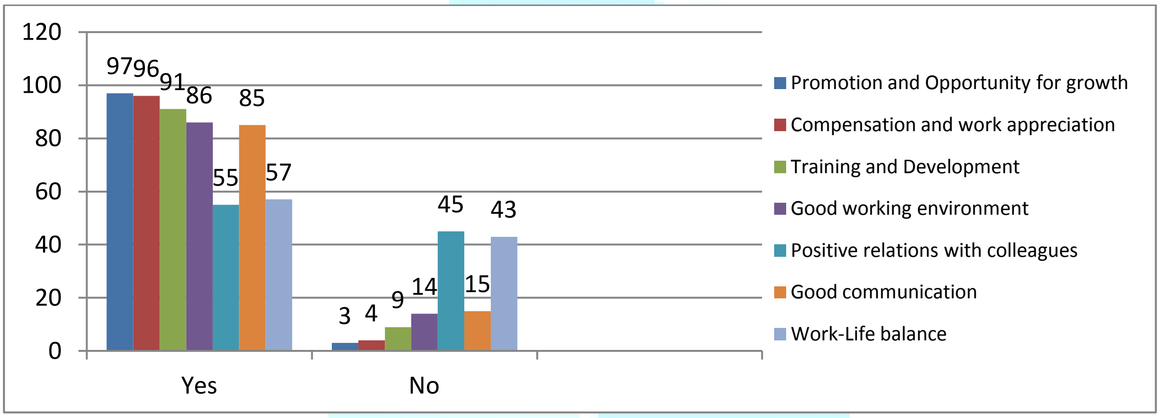
8.0 RESULTS AND DISCUSSION
Policies that are used to attract and retain people can be used to label the organization as an employer of choice. An organization that is an employer of choice is one of which people want to work and stay. Organizations with employer of choice status are able to compete effectively for talent because they are able to meet their needs and the organization needs simultaneously (Armstrong and Murlis, 2007).
Retention of talented employees who have the necessary competencies to assure organisational survival is one of the key issues organisations face in attempting to gain a competitive advantage through their human resources. The inability to retain employees leads to employee turnover, which, in turn, has a direct impact on organisational costs, productivity and business performance. According to Chew and Chan (2008:504), organisations attempt to eliminate these potential problems by striving to create positive organisational climates through the use of various human resource management initiatives in order to retain valuable employees. Issues that are deemed as important to employees include a satisfying working environment, training and career development opportunities, rewards and recognition, good working relationships and resources, challenging jobs and autonomy. Employees will be more committed to an organisation if the organisation provides something valuable to them, leading to the direct consequence of employees being more committed to an organisation and, as such, being less likely to leave (Maurer & Lippstreu, 2008:329). In order to create organisation commitment and develop retention strategies, the factors that operate as motivators for retention, together with the value that they attribute to employees, must be identified (De Vos & Meganck, 2009:47).

FIGURE 1: THE EMPLOYEE RETENTION & JOB SATISFACTION MODEL

9.0 FINDINGS

9.1 EMPLOYEE RETENTION STRATEGIES

FIGURE 2



Source: HR Employee Satisfaction Survey Study; Field Survey, 2014

Figure 2 above shows that promotion and opportunity for growth score 97 per cent from the desk literature review. This is followed by compensation, rewards and work appreciation which had 96 per cent. Good working environment at the hotels is a retention strategy as indicated by 86 per cent and good communication on staff matters follows at 85 per cent. However, work-life balance and positive relations with colleagues had 57 percent and 55 percent respectively so they are strategies that least influence employee retention.

9.2 EFFECTS OF POOR EMPLOYEE RETENTION STRATEGIES

FIGURE 3: EFFECTS OF POOR EMPLOYEE RETENTION STRATEGIES

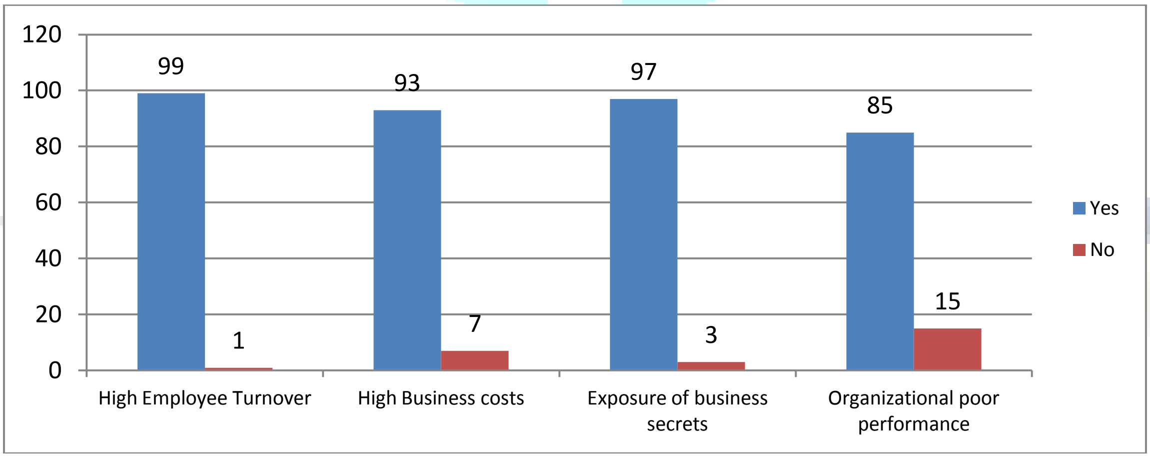


Figure 3 shows the effects of poor employee retention strategies in Hotels in Mombasa County. A 99 per cent of the literature journals reviewed show poor employee strategy results into high employee turnover, 97 percent show it leads to exposure of business secrets while 93 per cent show it leads to high business costs. Another earlier study on “Strategies used by Nairobi hotels in Talent retention”, carried out by Jepngetich and Njue in 2013 gave a similar picture. The aspect of poor organizational performance had 85 per cent count.

10.0 RECOMMENDATIONS

The hotels should develop effective career planning programs for the employees after they attain significant work experience in order to ensure professional developmental opportunities within the organization itself so that the employees do not have to look for professional growth opportunities outside their organization.

As academic qualifications are reported to be significantly related with reduction in the retention of the employees at the hotels, it is recommended that the hotels in Mombasa County should not hire over qualified candidates for these positions as they are less likely to be a part of the organization for a longer time period.

Since fair and competitive salaries as well as performance related incentives have been reported as highly significant factors of employee retention, the organizations should constantly monitor the salary structures and performance oriented incentives offered by the competing organizations in the same industry so as to maintain parity with the competitors, thus reducing the chances of high employee turnover.

As no single factor can be considered detrimental for attaining high rate of employee retention, it is recommended that the organizations should look for variety of effective and suitable employee retention strategies and practices so that their combined effect can enable the organizations in the hotel industry to retain their employees.

It is suggested that the organizations should implement a well-defined talent management system suitable to their business needs so as to acquire, develop and retain the required level of talent for their overall long-term growth and success.

However, in as much as the retention strategies are in place, there is the challenge of job security and as a result, employee turnover will still be a recurring problem, therefore, it would be necessary that further studies be conducted to look into this and propose workable solutions for both the organization and the employee.

11.0 CONCLUSIONS

Human resources are complex and not easy to understand. These are the assets which can make as well as break an organization. Retaining them will help in the long-term growth of an organization and will also add to their goodwill. But the most difficult task faced by an organization today is retaining as well as satisfying these resources.

This research is significant in providing the views of HR managers in the hotel industry on the key aspect of employee retention; this sector is globally and locally important yet relatively under-researched with regard to its contribution to the economy. Recognising the size and strength of the hotel industry coupled with the demands faced in attraction and retention of employees, it could be concluded that employers in this sector need to focus developing distinctive and sound employee retention strategies which recognises some of the dynamic challenges the hotel industry in Kenya is facing.

12.0 LIMITATIONS

There was limitation in getting the relevant information required from the various targeted hotels. This non-disclosure can be attributed to the suspicion on the part of the respondents as the data required touches on critical human resource issues. A second limitation is that the data used is for hotels in Mombasa County, which have small HR departments and HR managers without key strategic roles in HR strategic role formulation. Hence, the findings may not give a true representation of the wider tourism and hospitality industry in Kenya.

13.0 SCOPE FOR FURTHER RESEARCH

The study recommends further research to be done on employee retention strategies on the tourism attraction facilities in Kenya and in the East African Region. This will provide a more detailed comparative analysis of the challenges affecting the entire tourism industry in the region. Future research might also explore whether different categories of employees (e.g. knowledge workers, professionals, labourers) were attracted and retained by differing practices/benefits. Additionally, future research could directly seek the views of union representatives for their insights into challenges in attraction and retention and their own involvement in employment relations decision making in the sector.

14.0 ACKNOWLEDGEMENT

Glory to the Almighty God for the strength and good health He has provided to both the authors without which we could not have moved an inch. To Dr Kingi my co-author and research supervisor your input and valuable academic critique has not only made this paper a success but you have sharpened my research skills; thank you and God bless you immensely.

REFERENCES

1. Armstrong, M. and Murlis H.(2007) Reward Management: A Handbook of Remuneration Strategy and Practice London: Kogan Page
2. Bagga G.. (2013),"How to keep the talent you have got". Human resource management international digest, Vol. 21 NO. 1 2013, pp. 3-4
3. Baruah M. & Das B.L (2013) Employee Retention: A Review of Literature Journal of Business and Management (IOSR-JBM) Volume 14, Issue 2
4. Borstorff, P. C., & Marker, M.B. (2007).Turnover Drivers and Retention Factors Affecting Hourly Workers: What is Important?
5. Boxall P., Macky R., (2003) Employee experiences of high performance work system: An analysis of sectorial occupational, organizational and employee variables. New Zealand Journal of Employment Relations 33(1)
6. Chew, J. & Chan, C.C.A. (2008) Human resource practices, organisational commitment and intention to stay. International Journal of Manpower, 29(6): 503-522.
7. De Vos, A.S., Strydom, H., FouchE, C.B., Delport, C.S.L.(2005). Research at Grass roots: for the social sciences and human service professions. 3rd ed. Pretoria: Van Schaik.
8. Deloitte Consulting LLP. (2011) 14th Annual Top Five Total Rewards Priorities Survey. Washington DC: Deloitte LLP.
9. Gberevbie DE.2008. Staff Recruitment, Retention Strategies and Performance of Selected public and Private organizations in Nigeria. Ph.D. Thesis.Coll.Bus.Soc.Sci.,Covenant Uni., Ota.
10. Jepngetich, M. & Njue, J. (2013). Strategies used by hotels in talent retention: A study of star rated hotels in Nairobi. International Journal of Social Sciences and Entrepreneurship , 1 (3), 652-663.
11. Kinnear L, Sutherland M (2001). Money is fine, but what is the bottom -line? Journal of South African Institute of People Management. 19(1): 15-18.
12. Kinnear L, Sutherland M (2001). Money is fine, but what is the bottom -line? Journal of South African Institute of People Management. 19(1): 15-18.
13. Maertz CP, Griffeth RW (2004). Eight motivational forces and voluntary: A theoretical synthesis with implications for research. Journal of Management. 30(5): 667-683.
14. Maertz CP, Griffeth RW (2004). Eight motivational forces and voluntary: A theoretical synthesis with implications for research. Journal of Management. 30(5): 667-683.
15. Maurer, T.J. & Lippstreu, M. 2008. Who will be committed to an organisation that provides support for employee development. Journal of Management Development, 27(3): 328-347.
16. Meudel K, Rodham K (1998). Money isn't everything – or is it? A preliminary research study into money as a motivator in the licensed house sector. International Journal of Contemporary Hospitality Management. 10(4): 128- 132.
17. Porter, M. (1990). Competitive Advantage: Creating and Sustaining Superior performance, NY: The Free Press.
18. Thorpe, K (2008) Harnessing the Power: Recruiting, Engaging, and Retaining Mature Workers, Conference Board of Canada.
19. Walker, J. W. (2001). "Perspectives" Human Resource Planning. 24 (1):6-10.
20. William B, Werther J (1996). Human Resource and Personnel Management, 5th Edition, Mc Graw-Hill, New York

A COMPARATIVE ANALYSIS OF SOURCES OF INCOME OF COMMERCIAL BANKS IN INDIA DURING 2009-2013

NARASIMHA PRAKASH
RESEARCH SCHOLAR
BHARATHIAR UNIVERSITY
BANGALORE

DR. S. RAMESH
DEAN
DEPARTMENT OF COMMERCE & MANAGEMENT
MOUNT CARMEL COLLEGE
BANGALORE

ABSTRACT
Banks are commercial entities and hence are driven by profit motives. The primary function of banks is intermediation, means acting as a conduit for transformation of savings into productive investments. This continues to remain as an important function in developing countries like India where capital markets are not fully tapped as a source for meeting the funding needs of corporates and other commercial entities. Therefore, interest earned on direct lending and investment activities continue to be a major source of income for commercial banks operating in India. However, with high competition and slow credit offtake for the last few years, banks are compelled to explore the possibilities of stretching their incomes from other sources such as commission, exchange, brokerage, fees and charges on advisory services etc. The present study is intended to analyse the contribution of different sources of banks' income and to do a comparative analysis between different groups of banks operating in India; SBI and associate banks, other nationalised banks, old generation private sector banks, new generation private sector banks and foreign banks.

JEL CODE
G21

KEYWORDS
Interest Income, Income on Investments, Non-interest Income, Other Income, Total Income.

BACKGROUND
Two recent news items regarding bank's earnings prompted an analysis of the income streams of banks in India. These news items were – about the financial performance of ICICI Bank which said "ICICI Bank, India's largest private lender, reported a net profit of Rs. 2,652 crore for the quarter ended March 2014 - an increase of 15% over the net profit of Rs. 2,304 crore earned during the corresponding period last year. A large chunk of the increase in profits came from growth in other income, which rose 34% to Rs. 2,976 crore…………" The second was "Barclays just gave its clearest signal yet that traditional investment banking is dying. The UK bank announced plans today to cut about 7,000 of its 26,000-strong investment banking workforce, which is concentrated in London and New York, by 2016.

It's Barclays' boldest retrenchment to date of investment banking, a business that was one of the industry's most profitable up until a few years ago. Barclays' performance in fixed-income currencies and commodities (a significant part of the investment banking operation), which we've noted has been in decline across the industry, contributed to particularly woeful first-quarter results……"

While the highlight of the ICICI Bank's performance was that of contribution from 'other incomes' which helped the bank to post a higher level of profit for the March 2014 quarter, Barclays on the other hand plans to cut down the size of its investment banking arm due to scale down in earnings because of reduced opportunities in the line of business.

It is worth noting that income from investment banking and treasury operations is a major contributor to other incomes in most of the private and foreign banks. These banks are not satisfied with the mere interest spread that is earned in the normal banking intermediation activity. The reasons are not difficult to understand. Competition for the traditional intermediation activity is very stiff with banks of all hues vying for the limited pie. Therefore, in order to achieve higher than normal profitability, banks focus on commission and fee based incomes to shore up their profits.

This study is intended to understand the breakup of the income of Indian banks for the past 5 years i.e. for the FY ended March 2009 to 2013. The data has been sourced from the RBI and the banks have been analysed under different groups. They are: (1) SBI and its associate banks (2) Nationalised Banks (3) Old Private Sector Banks (4) New Private Sector Banks and (5) Foreign Banks.

OBJECTIVES OF THE STUDY
1) To analyse the contribution of the individual sources of income to the total income of the banks.
2) To examine the variation in the different sources of income under different banking groups.

DATA AND METHODOLOGY
The period covered under the study is for a period of five years from FY 2008-09 to FY 2012-13. The required data has been obtained from the Income Statement of groups of banks from the RBI data base.

The methodology used is ratio analysis of important income ratios and use of simple averages for a five year period relating the different components of income to the total income. The study is intended to understand the contribution of major components of income to the total income of the banks, with special emphasis on the other incomes. The study does not include the expenses side of the profit & loss account or the net profit of these banks.

UNDERSTANDING INCOME STATEMENT OF COMMERCIAL BANKS
Schedule III of Banking Regulation Act, 1949 prescribes the formats in which the banks in India have to present their annual Profit and Loss Account and Balance Sheet. The Act also specifies the Schedules and the format in which the break up of the Interest earned, other income, Interest expenses and Operating expenses have to be disclosed.

As it is intended to examine only the Income streams of the commercial banks and analyse them under different banking groups, the discussions here will be restricted to only the items of incomes of commercial banks.

Before a comparative analysis is attempted, we look at the different streams of incomes presented by banks.

Interest earned has to be presented under different headings in Schedule 13 to the Profit & Loss Account and the Balance Sheet.

I. Interest/discount on advances/bills – this is the primary source of income of commercial banks arising out of their lending activities. This comprises of interest charged on all kinds of fund based lending such as loans & overdrafts and trade bills discounted and purchased.
II. Income on Investments – as the title suggests, interest earned on all types of investments in t-bills, government bonds or other eligible securities meant for meeting the SLR requirements and other investments in the nature of non-SLR investments including debt instruments of corporates etc., made in the normal course of business as a means of employing resources.
III. Interest on balances with RBI and other interbank funds – banks earn interest on the CRR and other surplus balances held with RBI and the interest earned on lending in the call market to other counter parties.
IV. Others – items not grouped under any of the above heads.

Other Income

I. Commission, exchange and brokerage – this is a major source of income other than the interest earned. This comprises of commission and exchange earned by issuing of Demand Drafts/Banker's cheques, funds transfers, Letters of Credit, Bank Guarantees, etc., Banks strive to maximise their earnings from this source.
II. Profit on sale of Investments - includes profits earned on sale of all kinds of investments primarily arising on account of trading in securities.
III. Profit / Loss on revaluation of investments.
IV. Profit/Loss on sale of land, buildings and other assets including leased assets.
V. Profit of exchange transactions – this is one of the major sources of 'other income' arising from foreign exchange transactions, both customer backed transactions also called merchant transactions as well as trading on own account. This is a focused area for many of the private banks and foreign banks. Though margins are low at transaction level and also involve market risk, large volumes help in earning good profits.
VI. Income earned by way of dividends, etc., from subsidiaries/companies and /or joint ventures abroad/in India.
VII. Income from financial lease.
VIII. Miscellaneous Income – other incomes not specified elsewhere.

RATIO ANALYSIS

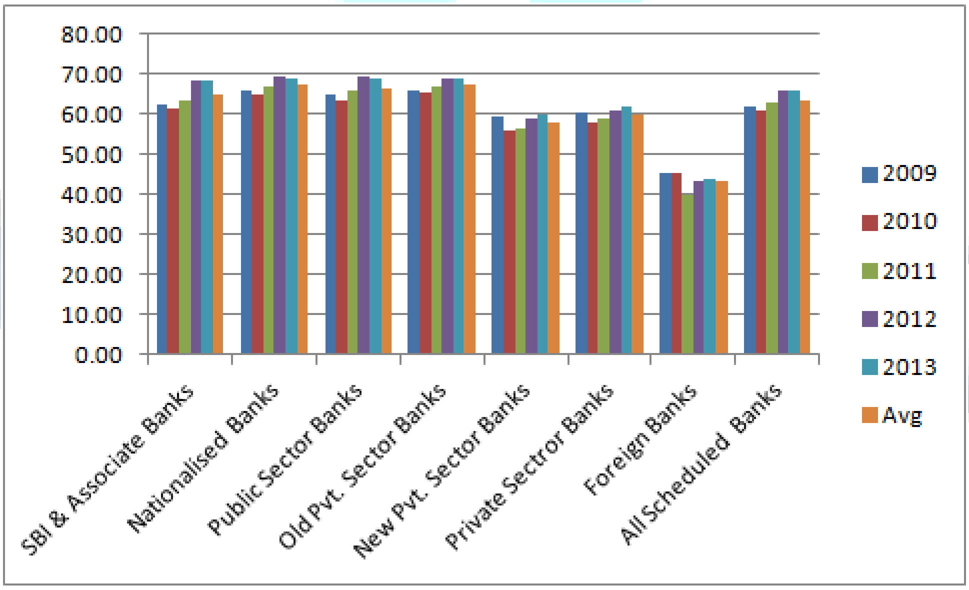
INTEREST/DISCOUNT ON ADVANCES/BILLS AS A % OF TOTAL INCOME

This ratio indicates the contribution of the interest/discount on advances/bills to the total income of the banks. This income/discount is a plain vanilla income and traditionally banks rely heavily on this source of income. Though this is a major source of income for banks arising out of direct lending activities, a comparative analysis with each bank group helps in determining how dependent the banks are on this source of income. As absolute amount of interest/discount earned depends on the size of the loan book, the interest rates charged, the quality of assets etc., a comparison of % of such earnings to the total income provides a better understanding of this source of income.

TABLE-1: RATIO OF INTEREST/DISCOUNT EARNED TO TOTAL INCOME (percentage)

Bank group/Year	2009	2010	2011	2012	2013	Avg
SBI & Associate Banks	62.60	61.25	63.46	68.30	68.26	64.77
Nationalised Banks	65.89	64.74	67.06	69.55	69.03	67.25
Public Sector Banks	64.79	63.60	65.94	69.17	68.80	66.46
Old Pvt. Sector Banks	65.80	65.42	67.02	69.04	68.90	67.24
New Pvt. Sector Banks	59.24	55.70	56.42	58.79	59.92	58.01
Private Sectror Banks	60.61	57.93	58.79	61.10	61.93	60.07
Foreign Banks	45.52	45.17	39.75	43.57	44.09	43.62
All Scheduled Banks	61.99	61.06	62.66	65.82	65.70	63.44

CHART-1: RATIO OF INTEREST/DISCOUNT EARNED TO TOTAL INCOME



INCOME ON INVESTMENTS AS A % OF TOTAL INCOME

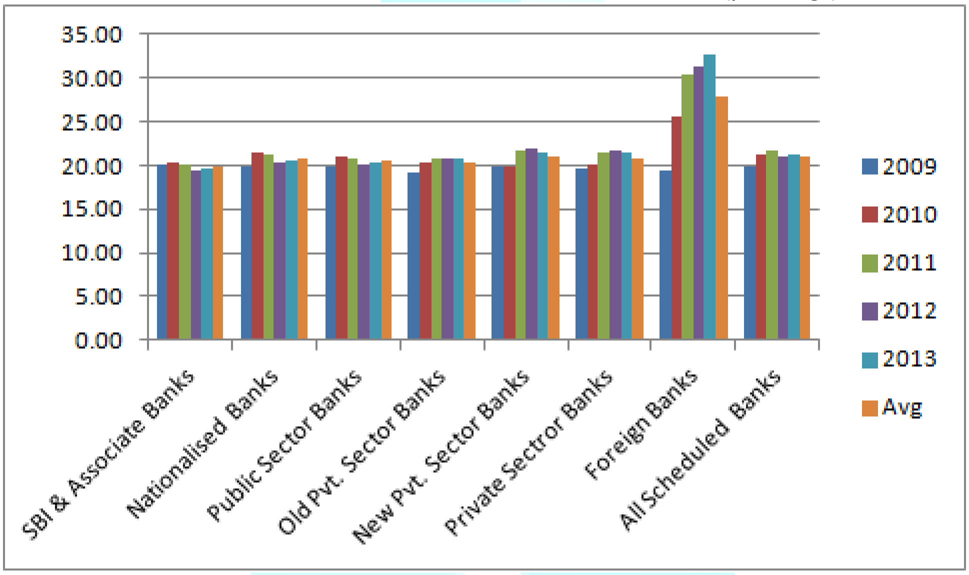
Income on investments is the second major source of income for banks arising out of the investment activities both for meeting SLR requirements as well as the trading activities. It is not merely the income on the investments held that matters, but a higher level of income that can be generated by constant churning of the portfolio to take advantage of the change in the interest yields. As per the RBI regulations, banks need to classify their investments into three categories:

Held to Maturity, Available for Sale and Held for Trading. A comparison of the Income on investments as a % of the total income is an indicator of how well the banks are using this as a source to enhance their earnings.

TABLE -2: RATIO OF INCOME ON INVESTMENTS TO TOTAL INCOME (percentage)

Bank Group/ Year	2009	2010	2011	2012	2013	Avg
SBI & Associate Banks	19.98	20.26	19.99	19.41	19.59	19.84
Nationalised Banks	19.96	21.38	21.27	20.29	20.58	20.70
Public Sector Banks	19.96	21.01	20.87	20.03	20.29	20.43
Old Pvt. Sector Banks	19.25	20.37	20.75	20.69	20.71	20.35
New Pvt. Sector Banks	19.83	19.95	21.78	21.83	21.54	20.99
Private Sectror Banks	19.70	20.05	21.55	21.57	21.35	20.85
Foreign Banks	19.34	25.46	30.40	31.32	32.59	27.83
All Scheduled Banks	19.84	21.14	21.67	21.07	21.29	21.00

CHART-2: RATIO OF INCOME ON INVESTMENTS TO TOTAL INCOME (percentage)



OTHER INCOMES AS A % OF TOTAL INCOME

Other incomes comprise of fees, commission, exchange, brokerage etc., arising out of the non-fund based assets like Letters of Credit & Bank Guarantees, issue of demand drafts/pay-orders/bankers cheques, funds transfer & other payments and settlements. More importantly, income arising out of trading in foreign exchange activities is also reflected in other incomes.

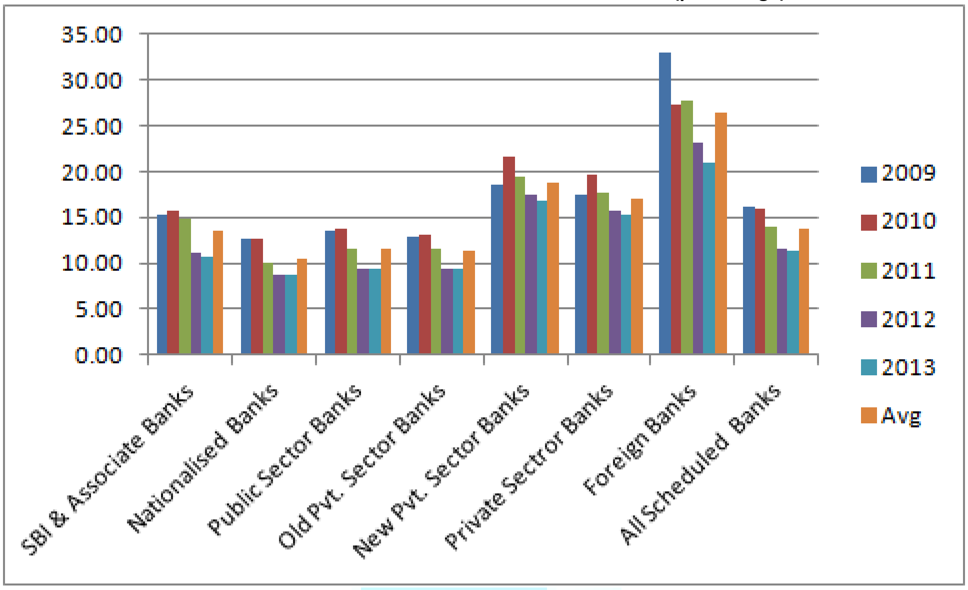
Every bank tries to maximise income from this source as contingent liabilities such as Letters of Credit and Bank Guarantees does not require commitment of funds unless crystallised. However, there is a capital charge based as the assessed credit risk.

Business from the issue of demand drafts etc. not only help the banks in earning commission/exchange, but also helps as float funds until they are paid out. There is no credit risk because the fee is often paid upfront. There are other benefits as well such as the opportunity to build up a diversified customer base for this additional range of services. Fee/commission income uses less capital and also carries no market risk, but does carry other risks such as operational risk.

TABLE-3: RATIO OF OTHER INCOME TO TOTAL INCOME (percentage)

	2009	2010	2011	2012	2013	Avg
SBI & Associate Banks	15.27	15.81	14.91	11.04	10.76	13.56
Nationalised Banks	12.55	12.57	10.04	8.72	8.65	10.51
Public Sector Banks	13.46	13.64	11.56	9.42	9.28	11.47
Old Pvt. Sector Banks	12.90	13.04	11.50	9.44	9.41	11.26
New Pvt. Sector Banks	18.53	21.53	19.40	17.51	16.85	18.77
Private Sectror Banks	17.35	19.58	17.63	15.69	15.18	17.09
Foreign Banks	32.94	27.38	27.78	23.24	20.97	26.46
All Scheduled Banks	16.22	15.89	13.93	11.64	11.35	13.81

CHART-3: RATIO OF OTHER INCOME TO TOTAL INCOME (percentage)



DETAILED ANALYSIS AND FINDINGS

Analysis of the different components of income to the total income for the five year period reveals a definite pattern in respect of each of the banking groups. The following tables show the actual income sources of different banking groups for the five year period followed by the different ratios calculated using these numbers.

TABLE -4: PERFORMANCE OF SBI & ITS ASSOCIATE BANKS, OTHER NATIONALISED BANKS AND PUBLIC SECTOR BANKS AS A WHOLE (Rs. in Crores)

Items	SBI and its Associates						Nationalised Banks						Public Sector					
	2009	2010	2011	2012	2013	Average	2009	2010	2011	2012	2013	Average	2009	2010	2011	2012	2013	Average
Number of reporting banks	7	7	6	6	6		20	20	20	20	20		27	27	26	26	26	
I. Interest Earned	891.96	979.54	1098.28	1435.55	1637.68		1838.92	2085.35	2564.90	3411.77	3911.09		2730.88	3064.88	3663.18	4847.32	5548.77	
a) Interest/Discount earned on advances/bills	659.03	712.61	819.04	1102.25	1252.56		1385.54	1544.32	1911.95	2599.36	2955.66		2044.57	2256.93	2730.99	3701.61	4208.22	
b) Income on investments	210.30	235.71	257.97	313.18	359.54		419.63	509.92	606.44	758.47	881.30		629.93	745.62	864.41	1071.65	1240.85	
c) Interest on balances with RBI and other inter-bank funds	16.76	18.02	6.69	7.15	10.06		23.27	21.07	27.14	38.74	53.16		40.02	39.09	33.83	45.89	63.22	
d) Others	5.87	13.21	14.58	12.97	15.51		10.49	10.04	19.36	15.20	20.96		16.36	23.24	33.94	28.17	36.48	
II. Other Income	160.73	183.94	192.40	178.23	197.44		263.94	299.94	286.25	325.77	370.37		424.66	483.88	478.65	504.00	567.81	
a) Commission, exchange and brokerage	97.39	119.89	141.79	147.70	141.15		87.01	103.24	119.65	133.87	143.40		184.40	223.13	261.44	281.58	284.54	
b) Net profit (loss) on sale of investments	32.68	27.32	12.92	-5.48	16.55		77.34	85.44	34.71	43.94	61.79		110.02	112.76	47.63	38.46	78.34	
c) Net profit (loss) on revaluation of investments					-0.04					-1.06	0.19					-1.06	0.15	
d) Net profit (loss) on sale of land building and other assets	-0.04	-0.11	-0.21	-0.47	-0.42		0.93	0.00	0.00	0.10	0.15		0.89	-0.09	-0.19	-0.37	-0.27	
e) Net profit (loss) on exchange transactions	14.79	18.30	17.03	16.43	19.75		28.33	25.74	35.59	45.53	46.91		43.12	44.03	52.62	61.96	66.66	
f) Miscellaneous income	15.91	18.54	20.87	20.05	20.46		70.33	85.51	96.28	103.38	119.41		86.24	104.05	117.15	123.43	139.87	
Total (I+II)	1052.68	1163.47	1290.68	1613.78	1835.12		2102.86	2385.29	2851.15	3737.53	4281.46		3155.54	3548.76	4141.83	5351.31	6116.58	
Interest/discount earned on bills as a % of total income	62.60	61.25	63.46	68.30	68.26	64.77	65.89	64.74	67.06	69.55	69.03	67.25	64.79	63.60	65.94	69.17	68.80	66.46
Interest/discount earned on bills as a % of Interest earned	73.89	72.75	74.57	76.78	76.48	74.90	75.35	74.06	74.54	76.19	75.57	75.14	74.87	73.64	74.55	76.36	75.84	75.05
Income on Investments as a % of Total Income	19.98	20.26	19.99	19.41	19.59	19.84	19.96	21.38	21.27	20.29	20.58	20.70	19.96	21.01	20.87	20.03	20.29	20.43
Interest on balances with RBI etc as a % of totoal income	1.59	1.55	0.52	0.44	0.55	0.93	1.11	0.88	0.95	1.04	1.24	1.04	1.27	1.10	0.82	0.86	1.03	1.02
Other income as a % of total income	15.27	15.81	14.91	11.04	10.76	13.56	12.55	12.57	10.04	8.72	8.65	10.51	13.46	13.64	11.56	9.42	9.28	11.47
Commission, exchange and brokerage as a % of other income	60.59	65.18	73.70	82.87	71.49	70.77	32.97	34.42	41.80	41.09	38.72	37.80	43.42	46.11	54.62	55.87	50.11	50.03
Net profit/loss on exchange transactions as % of other income	9.20	9.95	8.85	9.22	10.00	9.44	10.73	8.58	12.43	13.98	12.67	11.68	10.15	9.10	10.99	12.29	11.74	10.86

Interest income to the total income for SBI & its group was 62.5% in FY 2009 which decreased marginally to 61.25% during the next financial year, but has moved to significantly higher levels in the following 3 years period with 68.26% in FY 2013. The average for the five year period was 64.77%.

Income on investments as a % of total income has shown a steady trend of around 20% in the five year period under study with average for the five year period of 19.84%.

Non-interest income as a % of the total income has shown a downward trend in the 5 year period starting with 15.27% in 2009 and reaching a lower figure of 10.76% with the average for the five year period of 13.56%. Perhaps a consequence of a pronounced growth in the interest income within the overall income of the banks.

As far as other nationalised banks are concerned, the ratios reveal a different picture. The Interest income as a % of the total income shows a wide variation of 65.89% in 2009 and ends up with 69.03% in 2013 averaging to 67.25% for the five year period. This average is significantly higher compared to that of SBI & its associates of 64.77%.

Income on investments to the total income has shown a marginal growth with 19.96% in 2009 and 20.58 % in 2013 averaging 20.7% for the five year period. Non-interest income as a % of the total income has shown a downward trend in the five year period starting with 12.55 % in the year 2009 and ending with 8.65% in 2013 averaging 10.51% for the five year period. This is much lower compared to the average for SBI and its group of 13.56%.

TABLE-5: PERFORMANCE OF OLD PRIVATE SECTOR BANKS, NEW PRIVATE SECTOR BANKS AND THE PRIVATE SECTOR BANKS AS A WHOLE (Rs. in Crores)

Items	Old Private Sector						New Private Sector						Private Sector					
	2009	2010	2011	2012	2013	Average	2009	2010	2011	2012	2013	Average	2009	2010	2011	2012	2013	Average
Number of reporting banks	15	15	14	13	13		7	7	7	7	7		22	22	21	20	20	
I. Interest Earned	187.90	205.65	232.99	325.80	399.28		662.82	623.10	735.28	1019.75	1265.59		850.71	828.74	968.27	1345.56	1664.86	
a) Interest/Discount earned on advances/bills	141.94	154.72	176.46	248.36	303.66		481.96	442.29	514.67	726.81	911.95		623.89	597.01	691.13	975.17	1215.61	
b) Income on investments	41.52	48.18	54.63	74.42	91.30		161.30	158.43	198.69	269.87	327.85		202.82	206.61	253.32	344.29	419.14	
c) Interest on balances with RBI and other inter-bank funds	3.88	2.11	1.37	2.53	3.80		9.77	8.51	7.46	7.85	10.69		13.65	10.62	8.82	10.39	14.48	
d) Others	0.56	0.64	0.54	0.48	0.53		9.79	13.87	14.46	15.22	15.10		10.36	14.50	14.99	15.71	15.63	
II. Other Income	27.82	30.84	30.29	33.95	41.45		150.78	170.95	176.97	216.53	256.48		178.60	201.80	207.26	250.48	297.93	
a) Commission, exchange and brokerage	9.77	10.66	12.41	15.23	17.14		109.22	111.71	137.32	162.16	185.03		118.99	122.37	149.72	177.39	202.17	
b) Net profit (loss) on sale of investments	6.60	7.43	3.79	2.94	7.14		21.44	20.70	1.81	4.87	16.66		28.04	28.13	5.60	7.81	23.81	
c) Net profit (loss) on revaluation of investments				-	0.11					-4.95	-0.94					-4.95	-0.82	
d) Net profit (loss) on sale of land building and other assets	0.11	0.02	0.18	0.10	0.02		-0.12	0.97	0.31	0.17	0.34		-0.01	0.99	0.49	0.27	0.36	
e) Net profit (loss) on exchange transactions	3.09	2.74	2.98	4.33	4.45		11.02	23.76	26.07	35.89	37.27		14.11	26.50	29.05	40.22	41.72	
f) Miscellaneous income	8.24	9.99	10.93	11.35	12.59		9.22	13.81	11.47	18.39	18.10		17.47	23.80	22.40	29.74	30.69	
Total (I+II)	215.72	236.49	263.28	359.75	440.73		813.60	794.05	912.25	1236.28	1522.06		1029.32	1030.54	1175.53	1596.03	1962.79	
Interest/discount earned on bills as a % of total income	65.80	65.42	67.02	69.04	68.90	67.24	59.24	55.70	56.42	58.79	59.92	58.01	60.61	57.93	58.79	61.10	61.93	60.07
Interest/discount earned on bills as a % of Interest earned	75.54	75.23	75.74	76.23	76.05	75.76	72.71	70.98	70.00	71.27	72.06	71.40	73.34	72.04	71.38	72.47	73.02	72.45
Income on Investments as a % of Total Income	19.25	20.37	20.75	20.69	20.71	20.35	19.83	19.95	21.78	21.83	21.54	20.99	19.70	20.05	21.55	21.57	21.35	20.85
Interest on balances with RBI etc as a % of totoal income	1.80	0.89	0.52	0.70	0.86	0.96	1.20	1.07	0.82	0.64	0.70	0.89	1.33	1.03	0.75	0.65	0.74	0.90
Other income as a % of total income	12.90	13.04	11.50	9.44	9.41	11.26	18.53	21.53	19.40	17.51	16.85	18.77	17.35	19.58	17.63	15.69	15.18	17.09
Commission, exchange and brokerage as a % of other income	35.12	34.57	40.97	44.87	41.35	39.37	72.44	65.35	77.60	74.89	72.15	72.48	66.62	60.64	72.24	70.82	67.86	67.64
Net profit/loss on exchange transactions as % of other income	11.11	8.88	9.84	12.76	10.73	10.66	7.31	13.90	14.73	16.58	14.53	13.41	7.90	13.13	14.02	16.06	14.00	13.02

The picture presented by the private sector banks show a diverse trend. While the old generation private sector banks show some kind of similarity to the nationalised banks, the new private sector banks have charted their own course. In the case of new private sector banks there seems to be more emphasis on incomes other than the interest earnings.

In the case of old generation private sector banks, the Interest/discount as a % of total income for the five year period has increased from 65.80% in 2009 to 68.9% in 2013 with a high of 69.04% in 2012. The average for the five year period was 67.24%. In contrast, the new private sector banks show an average of 58.01%, a significantly lower level with 59.24% in 2009 and reaching a further lower level of 55.7% in 2010, but showing an increasing trend every year with a high of 59.92% in 2013. This is a positive trend and needs to be read along with the contribution of non-interest incomes to the total income.

Income from investment activities as a % of total income does not show any significant variation between the old and new generation private sector banks. While the old private sector banks' average for the five year period was 20.35%, new private sector banks have recorded 20.99%. The trends for the five years period in both do not show any significant variation.

As in the case of interest/discount to the total income, which show a contrasting picture between the two groups of private banks, other incomes as a % of total income also show a similar picture. While in the case of new private sector banks, other incomes to total income average 18. 77% for the five year period, it is only 11.26% in the case of old private sector banks. The average for the new private sector banks could have been higher, but for the lower contribution of other incomes in 2011 and 2012.

Another very significant ratio that stands out between the old private sector banks and the new private sector banks is the contribution of the commission, exchange and brokerage to the other incomes. In the case of new private sector banks this ratio averages to 72.48% for the five year period, the same ratio is just 39.37% in the case of old private sector banks. Why this ratio is significant is that it includes incomes from some of the services such as commission on demand drafts, funds transfer, etc., which do not require any capital charge and banks need to strive to increase their incomes from these sources.

TABLE-6: PERFORMANCE OF FOREIGN BANKS OPERATING IN INDIA

Items	Foreign Banks					
	2009	2010	2011	2012	2013	Average
Number of reporting banks	**31**	**32**	**34**	**41**	**43**	
I. Interest Earned	**303.22**	**263.90**	**285.22**	**359.97**	**422.49**	
a) Interest/Discount earned on advances/bills	205.82	164.16	156.99	204.29	235.71	
b) Income on investments	87.45	92.54	120.08	146.88	174.24	
c) Interest on balances with RBI and other inter-bank funds	7.94	6.14	5.59	11.46	11.47	
d) Others	2.01	1.05	2.56	-2.36	1.06	
II. Other Income	**148.94**	**99.51**	**109.72**	**108.96**	**112.13**	
a) Commission, exchange and brokerage	65.72	65.63	63.98	68.55	62.26	
b) Net profit (loss) on sale of investments	14.67	-9.32	-23.46	-11.37	4.79	
c) Net profit (loss) on revaluation of investments				1.53	0.59	
d) Net profit (loss) on sale of land building and other assets	0.14	-0.01	0.73	1.18	0.88	
e) Net profit (loss) on exchange transactions	58.41	33.70	60.51	39.13	36.62	
f) Miscellaneous income	10.01	9.51	7.96	9.93	6.99	
Total (I+II)	**452.16**	**363.41**	**394.94**	**468.92**	**534.61**	
Interest/discount earned on bills as a % of total income	45.52	45.17	39.75	43.57	44.09	43.62
Interest/discount earned on bills as a % of Interest earned	67.88	62.21	55.04	56.75	55.79	59.53
Income on Investments as a % of Total Income	19.34	25.46	30.40	31.32	32.59	27.83
Interest on balances with RBI etc as a % of totoal income	1.76	1.69	1.42	2.44	2.15	1.89
Other income as a % of total income	32.94	27.38	27.78	23.24	20.97	26.46
Commission, exchange and brokerage as a % of other income	44.13	65.95	58.31	62.91	55.53	57.37
Net profit/loss on exchange transactions as % of other income	39.22	33.87	55.15	35.91	32.66	39.36

It is observed that all the Indian banks make a substantial portion of their earnings from the interest/discount on direct lending activities. Interest/discount to total earnings is – SBI & its associates; 64.77%, other nationalised banks; 67.25%, the old generation private banks; 67.24% and the new generation private banks; 58.01%.

However, the numbers of foreign banks demonstrate some very interesting facts. Their incomes from interest/discount to the total income averages only 43.62% for the five year period under study. Their incomes from investments, commission, exchange, brokerage etc account for a major source of income.

Income from investments as a % of total income accounts for 27.83% for the five year period in the case of foreign banks. This could have been more than 30%, as witnessed in the years 2011 to 2013, but the average has been pulled down by lower levels in the earlier years. A comparison of this with other Indian banks is worth noting – SBI & Associates; 19.84%, other nationalised banks; 20.70%, old generation private banks; 20.35% and new generation private banks; 27,83%.

Other income as a % of total income averages to 26.46% for the five year period in the case of foreign banks which is significantly higher when compared with Indian banks whose average is 13.56% of SBI & associate banks, 10.51% of other nationalised banks, 11.26% of old generation private sector banks and 18.77% of new generation private sector banks. This source of income comprises of commission, exchange, brokerage and other fee based income and thus highlights the need for the Indian banks to improve their performance on this score.

FINAL ANALYSIS AND CONCLUSION

1) The trends and the averages for the five year period under study of different sources of income show that the SBI & Associate banks, other nationalised banks and old generation private sector banks portray somewhat similar picture. The new generation private sector banks have charted a different course.
2) The Interest/discount on direct lending activities is the primary source of income in the case of Indian banks (with the exception of new generation private banks) which accounts for more than 65% or 2/3rds of their income. In the case of new generation private sector banks it stands at 58% and for foreign banks it is way below at 43%. The higher percentage is also a reflection of the fact that Indian banks are not earning much from other non-fund based and fee based sources. While we cannot reduce the importance of this source of income arising due to the primary function of intermediation, banks have to look to other sources of income which do not involve funding or capital charge given the importance of capital for adopting Basel III recommendations.
3) Income on investment activities of all the Indian banks forms about 20% of their total income, while foreign banks are able to make it to about 28% of their total income. The composition of investment book mostly comprise of government securities which also involve capital charge. But a higher contribution from this source in the case of foreign banks is perhaps due to good churning of their portfolio.

4) Other incomes comprising of commission, exchange, brokerage and other fee based incomes arise from funds transfers, foreign exchange trading on merchant transactions and on own account and other fee based incomes. Foreign banks have excelled in this source of income which on an average for five years contributed about 27% to their total income while it is much lower for Indian banks though the new generation private sector banks have shown an average of 19%. This is the source which needs a better focus by Indian banks as they need to engage more in fee based activities.
5) When banks are in a position to bolster their non-interest incomes, they will be in a position to go for high quality assets which commands a lower price. Hence the impact of reduced interest earnings can be compensated by increase in the non-interest incomes and improve the overall quality of assets.

REFERENCES

1. Jonathan Golin & Philippe Delhaise (2012), The Bank Credit Analysis Handbook, John Wiley & Sons, Inc.
2. Moorad Choudhry , The Principles of Banking, Wiley Finance
3. Reserve Bank of India, Master circular – Prudential norms for classification, valuation and operation of investment portfolio by banks (2013).

WEBSITES

4. http://www.investment-banking-info.com dated 8/5/2014 ; “Barclays is about to make it official: Investment banking is dead almost everywhere”.
5. www.rbi.org.in :RBI publications; statistical tables relating to banks in India.
6. www.timesofindia.com dated 26/4/2014; “ICICI Bank's Q4 net up 15% at Rs. 2,652 crore”.

ASSESSMENT OF THE EFFECTIVENESS OF CASH MANAGEMENT INTERNAL CONTROLS IN THE ZIMBABWE RED CROSS SOCIETY CHAPTER

DR. B. NGWENYA
DEAN, FACULTY OF BUSINESS
SOLUSI UNIVERSITY
ZIMBABWE

E. MUNYANYI
MBA STUDENT
SOLUSI UNIVERSITY
ZIMBABWE

ABSTRACT

Cash management internal controls play an important role in the development and growth of non-governmental organisations such as the Zimbabwe Red Cross Society chapter. However, poor management of financial resources has led to serious losses through theft and fraud amongst these organisations. Donors have lost confidence in the capacity of non-governmental organisations to deliver good results. This study was conducted using a non-governmental organisation in Zimbabwe to establish the factors that propel loss sufferings as a result of poor cash management internal controls. A self-constructed structured questionnaire was administered to 45 employees of the Zimbabwe Red Cross Society chapter. The results of the study indicated that the cash management internal controls are significantly weak in terms of segregation of duties; authorisation and approval of transactions; documentation procedures; independent verification, and access restriction. However, factor analysis further isolated "sharing of tasks on processing transactions" and "involvement of cash custodians in initiating transactions" as the main segregation of duties components that have contributed the most towards poor cash management at the Zimbabwe Red Cross Society chapter. The study recommends an establishment of a legal framework by government of Zimbabwe to compel non-governmental organisations embrace mandatory independent verification of financial transactions through external audits.

KEYWORDS

internal controls, external auditing, cash management, segregation of duties, documentation procedures, authorisation, verification, access restriction

INTRODUCTION

Internal Control is defined as the set of policies and procedures designed to promote operational efficiency, ensure the accuracy of accounting information, and encourage management and employee compliance with applicable laws and regulations (Edmonds *et al.,* 2011). Internal controls are a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources. The controls relate to financial and operational policies as well as the compliance with organizational requirements. The resources include financial and human resources among others. Cash management refers to a broad area of finance involving the collection, handling and usage of cash (Romney, etal 2009). According to Williams *et al*. (2010), cash management refers to planning, controlling and accounting for cash transactions and cash balances. It is the management of all financial resources of the organization. Financial resources need maximum protection to avoid unnecessary losses. Utilization of cash resources needs proper management hence the development of cash management internal controls. The controls include segregation of duties, authorization of transactions, responsibility, restrictive measures, documentation procedures and independent verification among others (Romney *et al.,* 2009).

LITERATURE REVIEW

According to Williams *et al*. (2010), cash management refers to planning, controlling and accounting for cash transactions and cash balances. It is the management of all financial resources of the organization. Edmonds *et al* .(2011) defined internal control as the set of policies and procedures designed to promote operational efficiency, ensure the accuracy of accounting information, and encourage management and employee compliance with applicable laws and regulations. The Sarbanes-Oxley Act of 2002 broadly defined internal controls as the procedures and processes used by a company to safeguard its assets, process information accurately, and ensure compliance with laws and regulations. COSO (2005) defines internal control as a process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives. International Standards of Auditing (ISA 400) asserts that ''Internal control system means all the policies and procedures adopted by management of an entity in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of business, including adherence to managerial policies, the safeguarding of assets, the prevention and detection of fraud and error, the preparation and completeness of accounting records and the timely preparation of reliable financial information''**.** Preventive controls are designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure departmental objectives are being met. The preventive controls include segregation of duties, authorizations of transactions, verifications and security of assets. Detective controls are designed to find errors or irregularities after they have occurred. Detective controls play a critical role by providing evidence that the preventive controls are functioning as intended. The detective controls include reviews of performance, reconciliations, physical inventories checks and audits. Romney *et al.* (2009) points out that there are two types of controls: preventive and detective controls. Both types of controls are essential to an effective internal control system. Duties are segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions and handling the related asset are divided (Romney *et al.,* 2009). Phillips *et al.* (2008) pointed out that segregation involves assigning responsibilities so that one employee cannot make a mistake or commit a dishonest act without someone else knowing it. Segregation is most effective when responsibilities for related activities are assigned to people who do not handle the assets or cash they are accounting for.
The conditions for effective segregation as highlighted by Phillips *et al.* (2008) are as follows:

- Never have one individual responsible for initiating, approving and recording any given transaction.
- Separate responsibility of physical handling of cash from the process of recording transactions related to that cash.

Jackson *et al.* (2008) suggest that companies should, whenever possible segregate duties related to record keeping, custody and authorization. Failure to separate the recording of transactions and custody of assets can afford an employee the opportunity to hide theft. According to Ainsworth *et al.* (2009) a good system of internal controls prevents employees from performing more than one phase of any business transaction.
According to Phillips *et al*. (2008) authorization is the basis by which the authority to complete the various stages of a transaction is delegated. These stages include the processes of Recording (initiate, submit, process), Approving (pre-approval, post entry review), and Reconciling. All transactions and activities should be carried out and approved by employees acting within their range of knowledge and proper span of control. Proper authorization practices serve as a proactive approach for preventing invalid transactions from occurring (Phillips *et al.,* 2008). Ainsworth *et al.* (2009) suggest that one way to be sure that employee follow company policies is to ensure that the persons responsible for certain activities have the authority to enforce the policies associated with those

activities. By giving an employee the authority to carry out a particular policy, the company can hold that person accountable for its implementation. Physically lock up all the cash and cash equivalents. Modern measures include electronically securing funds by passwords or installing firewall on all the computer systems. Access should be granted to only responsible people most preferably on dual base so that witnessing of events is achieved at any given time (Edmonds *et al.,* 2011). Jackson *et al*. (2008) reiterate that company resources must be safeguarded, not only from theft, but from unauthorized usage as well. Common controls aimed at protecting the company's assets include locked vaults and safes, locked doors and windows, password-protected computer equipment and security systems. These protect, not only the tangible assets such as cash, inventory and equipment but also business documents and accounting data. A significant loss of assets and or data may cripple an otherwise healthy company. Documents are part of the internal control. By documenting each business activity, a company creates a record of whether goods have been delivered, customer billed and cash received. Without these documents, a company wouldn't know what transactions have already been entered or still needs to be entered into the accounting system (Phillips et *al.,* 2008). Most companies assign sequential number to each document and then check at the end of the accounting period that each document number corresponds to one and only one entry in the accounting system. This is meant to avoid duplication, fraud and theft.

STATEMENT OF THE PROBLEM

Most organizations excel because of sound financial resource management. Significant losses are incurred when poor cash management processes are implemented. Poor cash management processes can expose the organization to fraud and theft. The internal controls practiced by organizations significantly influence the success of those organizations. The Zimbabwe Red Cross society (ZRCS) has failed to account for large sums of money advanced from its donors for programs implementation (ZRCS Bulletin No.12-2009). Deadlines for reporting were not met and donor funding dwindled as the donors lost confidence in the capacity of the organization and eventually this ballooned human suffering. The organization was exposed to financial risks. This information prompted the researchers to carry out a research on the effectiveness of cash management internal controls in the Zimbabwe Red Cross Society chapter.

OBJECTIVES OF THE STUDY

1. To assess the effectiveness of the cash management internal controls practiced by ZRCS chapter in terms of the following:
- Segregation of duties,
- Authorization and approval of transactions,
- Establishment of responsibilities,
- Documentation procedures,
- Independent verification,
- Access restriction?

2. To assess the extent to which the latent factors extracted by factor analysis cause poor cash management at the ZRCS chapter?

HYPOTHESIS

H_1: The ZRCS cash management internal controls implemented are significantly ineffective in terms of segregation of duties, authorization and approval of transaction, establishment of responsibilities, documentation procedures, access restrictions and independent verification.

METHODOLOGY

The researchers used quantitative descriptive method, based on the survey of 45 employees of the ZRCS chapter randomly selected from various departments with a total population of 65. The survey was administered using a self-constructed questionnaire with 28 questions. Data was analysed using the statistical package SPSS version 16.0.

SCOPE OF THE STUDY

The scope of the study is limited to a case study of the Zimbabwe Red Cross Society chapter in Zimbabwe.

ANALYSIS OF THE STUDY

TABLE 1: DESCRIPTIVE STATISTICS SUMMARY

Factor	Mean Statistics	Standard Deviation Statistics
Segregation of duties	2.3700	0.966
Authorization and approval of transaction	1.9000	0,778
Establishment of responsibilities	3.2625	0,784
Documentation procedures	2.4400	1,011
Independent verification	1.8330	1,075
Access restriction	1.9250	0,959

TABLE 2: TOTAL VARIANCE EXPLAINED

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.299	77.613	77.613	16.299	77.613	77.613
2	2.671	12.718	90.331	2.671	12.718	90.331

Extraction Method: Principal Component Analysis.

EFFECTIVENESS OF CASH MANAGEMENT INTERNAL CONTROLS

From table 1 above, segregation of duties has an average mean of 2.37 (SD 0.966) showing that it is contributing to poor cash management at ZRCS. One person could be processing transactions from the beginning to the end without sharing with others. Custodians of cash were also involved in the initiation of transactions. Employees do not rotate jobs. The averages mean of 1.9 (SD 0.778) was revealed that no authorizations were done to most of the business transactions hence poor cash management. The transactions were processed before authorization by the supervisors. Cash budgets were prepared but most of them were not authorized. Employees authorized to do particular activity were accountable for its implementation as revealed by mean of 3.2625 (SD 0.784) which shows that responsibility is often shouldered by employees. Security measures are weak as revealed by an average mean of 1.9250 (0.959). The organisation always uses metal safes which are not dually controlled. These safes have one locking key which is handed over to the other staff member during duty rotation and no regular key changes are done. Access to security areas is not restricted. Large sums of cash are kept in the safes for too long before banking. The documentation procedures contributed to poor cash management with a mean of 2.44 (SD 1.011) this is slightly below the required mean of 2.5. The organisation shares financial reports with its stakeholders however time limits for the reports were sometimes not adhered to. The records are well maintained. The findings revealed average mean of 1.833 (SD 1.075) and this shows independent verification is not often done at ZRCS. ZRCS has an internal audit department but the department never involves itself in the verification of financial transactions. ZRCS engages external auditors who audit its financial statements at year end and on demand owing to availability of funds.

Table 2 depicts the results of factor analysis, particularly principal component analysis. From the factor analysis two important latent factors contributed significantly to poor cash management at ZRCS. These factors or components are "sharing of tasks on processing transactions" and "involvement of cash custodians in initiating transactions", with factor loadings of 77.613% and 12.718% respectively giving a total of 90.331%. These latent factors contributed to poor cash management and are all from segregation of duties.

FINDINGS AND SUGGESTIONS

The results above suggest that the cash management internal controls at the ZRCS chapter are significantly weak. As a result the organisation is vulnerable to losses through fraud and misappropriation of cash resources.

Suggestion1: Segregation of duties is a very serious challenge, and is contributing to poor cash management at the ZRCS chapter. What it means is that one person performs almost all the processes in the function of cash management. This reflects poor cash management that exposes the organisation to potential cash misappropriation and fraud. In this category of cash management procedure, factor analysis identified, "sharing of tasks on processing transactions" and "involvement of cash custodians in initiating transactions" as the most contributing factors to poor Cash management at the ZRCS chapter contributing 77.6% and 12.72% of the variance respectably.

Suggestion 2: Transactions authorization is inconsistent. Payment transactions are at times processed without proper authorization by management. This is reflected by a mean of 1.9, which is way below the acceptable mean of 2.5. Security measures are weak as revealed by an average mean of 1.9250. Access to security areas is not restricted. The findings also revealed that there is no consistence in independent verification of transactions by external auditors. Management engages external auditors as at when it is convenient for them to do so.

Suggestion 3: Establishment of responsibilities amongst employees is very strong, with a mean of 3.2625. The employees are following organisational policies and procedures. However, this appears to be only at lower levels of employees. This means that junior employees are at least accountable and responsible. This is followed by documentation procedures with a mean of 2.44. This means that transactions are at least recorded accordingly. However, there is room for improvement here as it is reflected by a mean of 2.44 which is marginally below the acceptable mean of 2.5.

REFERENCES

1. ACCA FA2 Maintaining Financial Records, 2nd Edition, 2012.
2. Ainsworth A, Deines D Introduction to Accounting: An Integrated Approach 5th Edition, 2009.
3. Banking Supervision Department of Pakistan Circular No. 07, 2004.
4. Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidelines, 2005.
5. Department of Commerce Cash Management Handbook, 2011.
6. Edmonds T P, McNair F M and Phillip R O Fundamental Financial Accounting Concepts, 7th Edition, 2011.
7. Financial Reporting Council, Turnbull Guidance, 2005.
8. International Standards of Auditing (ISA 400).
9. Jackson S, Sawyer R and Jenkins Managerial Accounting 5th Edition, 2008.
10. Merchant K A and Vander-Stede W A Management Control Systems 2nd Edition, 2007.
11. Messier F W, Auditing & Assurance Services: A Systematic Approach 6th Edition, 2008.
12. Millichamp A H Auditing, 2012.
13. Needle B E, Powers M and Crosson S V Financial and Managerial Accounting 8th Edition, 2008.
14. Phillips F, Libby R and Libby P A Fundamentals of Financial Accounting 2nd Edition, 2008.
15. Romney M B, Steinbart P J Accounting Information System, 11th Edition, 2009.
16. Sarbanes-Oxley Act of, 2002.
17. Wood F and Sangster A Business Accounting 1 10th Edition, 2005.
18. Zimmerman J L Accounting for Decision Making 11th Edition, 2009.

A COMPARATIVE ANALYSIS OF CONSUMER BEHAVIOR TOWARDS SELECTIVE MEN COSMETICS IN URBAN AND RURAL AREAS OF NASHIK REGION

VAIBHAV RAMESH BHALERAO
ASST. PROFESSOR
SHOBHABEN PRATAPBHAI PATEL SCHOOL OF PHARMACY & TECHNOLOGY MANAGEMENT
NMIMS (DEEMED TO BE UNIVERSITY)
MUMBAI

DR. ANAND DESHMUKH
PROFESSOR & DIRECTOR
DR. D. Y. PATIL VIDYA PRATISHTAN SOCIETY'S DR. D. Y. PATIL INSTITUTE OF MANAGEMENT & RESEARCH
PUNE

ABSTRACT
In today's professional world where everyone is trying to establish himself as a smart individual, the first impression is created by one's external look rather than his intellectuality. Gone are the days when using cosmetics was considered feminine. Today's youth, men in particular are profusely using cosmetics. The media has played an important role in urging the men to use cosmetics and thus helped in creating a huge market for men's cosmetic. This research is an attempt to comparatively study the consumer behavior towards selective men's cosmetics in the urban and the rural areas of Nashik region. The cosmetics on which the study is based are Deodorants(DD), Hairgel(HG), Fairness cream(FC) and After Shave Lotion(ASL). For this purpose 210 respondents from nashik region were sampled of which 104 belonged to the urban region while 106 were from rural region. The sampling method used was stratified random sampling. Different stratas were formed on the basis of age groups between 18 years to 40 years. The data collected from a structured questionnaire was analyzed using SPSS 17 and MEDCALC.

JEL CODE
M310 Marketing

KEYWORDS
After shave lotion, Consumer behavior, Deodorants, Fairness cream, Hairgel, Men's cosmetics.

INTRODUCTION
Right from the olden days, man as a social animal had been constantly engaged in searching for materials that will make him beautiful so as to distinguish himself from rest of his counterparts. There are many herbs and like materials including turmeric which is said to improvise the skin texture and its color. Similarly there has been a variety of ayurvedic oils that are supposed to lengthen and strengthen the hairs. As science progressed these areas of cosmetics started making a great impact on an individual's life. Science gave new formulations which has the ability to make man more beautiful and young looking. The area of cosmetics so far had been a priority sector for women. But with the marketing dynamism, firms have started manufacturing different cosmetics exclusively for men. There are many products like hairgel, fairness cream, hairoil, shaving creams, aftershaves, deodorants to name a few. These firms have been very successful in convincing men to enhance their masculinity and attract the opposite gender. This has been the only key to increased sales of cosmetics for men. A young country like India is no behind the western and Europeans in this race. Looking at the market size of India, many foreign firms plunged into for having the first mover's advantage. For attracting the youth, many firms have used different promotional methods including celebrity endorsement. Now since the companies are growing towards saturation in the metros, they are targeting the rural markets and urging the rural youth to use various male cosmetics as it is evident in the advertisement featuring the celebrity Mr. Shahrukh Khan urging the rural youth as 'pehelwanji' not to use female fairness cream but male fairness cream. According to analysis and figures given by the Confederation of Indian Industries (CII), the total Indian beauty and cosmetic market size currently stands at US$950 million and showing growth between 15-20% per annum. The size of Indian Cosmetics Industry globally is $ 274 billion, while that of the Indian cosmetic industry is $ 4.6 billion. Industry sources estimate a rapid growth rate of 20% per annum. The industry has grown at a CAGR of around 7.5% during 2002 and 2008 and trend is expected to be more favorable during 2012-2015. Good economic growth, increased purchasing power of the middle class and effective support from the electronic and print media are playing an important role in spreading awareness about various male cosmetics and developing fashion consciousness among the Indian men's cosmetic consumers.

LITERATURE REVIEW
"It was found that there was a close link between customers' satisfaction level of visiting the store and many attributes of the store such as good customer relationship, sellers' product suggestions, and store's convenience to find the products." (Serra Inci Celebi, 2012).
"The consumer decision-making process is very complex, which is shaped by the interaction of various forces, such as culture, self perception, emotions and the emotional and psychological state and needs of the individual. As corporations seek to develop products and services that trigger purchase behavior and consumption, their focus is on understanding the driving forces behind consumer decision-making. However, on the consumer's end there is a need to understand why we buy and consume products and services as a means to address the concerns of the 'consuming society' issues that have surfaced in the recent decades." (Caroline SueLin, TAN, 2010).
"Brand, Quality, Advertising, and Store Location are the key variables of product attributes of male cosmetic concepts which affects the consumer buying behavior." (N.M. Kulkarni and Saket Bansod, 2013).
"Texture of product, promised effects, previous usage experience and suitability to skin type are the key variables of various product attributes which affects the consumer buying behavior." (Siddharth Shimpi and D. K. Sinha, 2012).
"Theory of Reasoned Action can be successfully applied to Thai male consumers, particularly in Bangkok. Further, this modified theory of reasoned action with additional construct "Self-image" appears to fit in a Thai context in terms of explaining or predicting male consumer behaviour in buying specific cosmetic products. In the aspect of normative influences, family and friends were related to self-image. Also salesperson has a positive impact on male consumers attitude towards applying skin care products." (Nuntasaree Sukato and Barry Elsey, 2009).
Study conducted by Nizar Souiden and Mariam Diagne (2009) provides insights into the attitude of men towards the purchase and consumption of cosmetic products in Canada and France. French and Canadian men are found to have different motivations. Advertising and attractiveness are identified to have a strong positive impact on men's consumption of grooming products in both countries. On the other hand, social beliefs and health concerns are reported not to have a significant impact on men's consumption of cosmetics in both countries. As for ageing, image consciousness, purchase situation and lifestyle all were found to

have a varying impact. Thus each group of consumers has different motives and drives when considering the consumption and purchase of men's grooming products.
A study conducted on cosmetics consumption among young males in the greater Helsinki region by Xin Guo (2011) indicated that Finnish young men's cosmetics purchasing behaviors are strongly influenced by cultural and personal factors. The main determinants in purchasing behaviors are hygiene functions, features and fragrance of the product, and price-quality relationship. Although the relatively higher average reflected their positive attitudes to-wards the purchase of cosmetics, they still maintain traditional consumption behaviors.
Fan Shean Cheng, Cheng Soon Ooi and Ding Hooi Ting (2010) studied the factors affecting consumption behavior of metrosexuals toward male grooming products and showed that there is a significant and positive relationship between metrosexuals' concern toward self-image and their consumption of male grooming products. The study also indicates that there is a significant and positive relationship between celebrity endorsements and consumption of metrosexuals toward male grooming products. The study also found that there is a significant and positive relationship between metrosexuals' susceptibility of social expectation and their consumption of male grooming products. According to the findings, perception poses a significant moderating effect on the relationship between the independent variables (self-image, social expectation and celebrity endorsement) and the dependent variable (consumption of male grooming products).
According to Liam Beauchamp and Klairoong Hawa Phairor (2014) advertising has altered to mirror the changes in society and consumers react to gender roles in advertising. The study particularly examined gendered products and studied whether or not consumers are making purchase decisions depending on how they identify their own sexuality. The products that carry a gender identity require careful advertising and marketing when targeting specific markets as consumers use products to represent of themselves. Finally, although gender representations are still prevalent in advertising, they are altering to match the gender roles merging in society.
According to Nindita Herdiyanti and Amol Titus (2013) most of the men try the non male brands. And the main reason to try the product is basically because it is available at home. Similar qualitative study findings also stated that the first brand that men's tried is the one which being used by their sisters/mothers and available at home and those non male brands that they used were already serving their skin needs. One other reason men didn't want to switch to specific male brands is because they didn't want to have an extra spending on this. So it will be beneficial for them to only buy one product which can be used by both of them.

OBJECTIVES

1. To determine the popularity of various male cosmetics among consumers.
2. To identify the reasons behind switching.
3. To find out the effect of celebrity endorsement on the usage of male cosmetics in city and rural area.
4. To determine the average spending of urban and rural men consumers on men's cosmetics.

METHODOLOGY

The present study is a descriptive study undertaken in Nashik City area and Rural areas (Talukas) like Chandwad, Pimpalgaon, Satana, Niphad, Lasalgaon and Yeola. The study was undertaken during October 2014 and December 2014. The study is based on the data collected in the form of a structured questionnaire from 210 respondents aged between 18 years and 40 years. The respondents were selected purposively from the above mentioned areas. Out of the 210 respondents, 104 belonged to the city area while 106 to the rural area according to Table 1 while the proportion of college students and working individuals in the sample size was 102:108 according to the table 2. The data collected were analysed and hypotheses were tested using SPSS 17 and MEDCALC. The statistical tools used were frequency, percentage and chi square test. The hypothesis testing was done using chi square analysis at an α of 5%. The limitation of the study is its restriction to Nashik city and nearby rural areas. Web and print media was used as secondary data.

SAMPLE DISTRIBUTION

TABLE 1

Area	Sample proportion	Percentage
Nashik City	104	49.5
Rural	106	50.5
Total	210	100

According to Table 1. 49.5 percent respondents belonged to Nashik city while those from the rural areas were 50.5. Similarly Table 2 shows that 48.6 percent respondents were college going students while working individuals were 51.4 percent.

TABLE 2

Profession	Sample proportion	Percentage
College Students	102	48.6
Working Individuals	108	51.4
Total	210	100

DATA ANALYSIS AND INTERPRETATION

The respondents were categorized on the basis of age, profession and their annual income, the results of which are as follows.

TABLE 3: AGE DISTRIBUTION

Age (in years)	Frequency	Percentage
18 to 23	81	38.6
24 to 29	66	31.4
30 to 35	50	23.8
36 to 40	13	6.2
Total	210	100

As per table 3, the proportion of respondents in the age group of 18-23 was 38.6 percent while just 6.2 percent respondents in the age group of 36-40 participated in the study.

TABLE 4: PROFESSION DISTRIBUTION

Profession	Frequency	Percentage
Student	102	48.6
Service	108	51.4
Total	210	100

As per table 4, 48.6 percent of the respondents participated in the study were college going students while 51.4 percent of the respondents were working executives.

TABLE 5: INCOME DISTRIBUTION

Annual Income (in Lakhs)	Frequency	Percentage
Less than 1	91	43.3
1 – 2	61	29.0
2 – 3	32	15.2
3 – 4	21	10.0
More than 4	5	2.4
Total	210	100

As per table 5, 43.3 percent of the respondents participated in the study belonged to the income group of less than 1 lakh while just 10 percent belonged to the income group of 3-4 lakhs.

TABLE 6: USAGE DISTRIBUTION

	Cosmetics							
Usage	HG	Percent users	DD	Percent users	FC	Percent users	ASL	Percent users
Yes	91	43.33	121	57.61	108	51.42	88	41.90
No	119	56.67	89	42.39	102	48.58	122	58.10
Total	210	100	210	100	210	100	210	100

Table 6 indicates the popularity in usage of various male cosmetics among the consumers. Deodorants were found to be more famous among the consumers with the highest of 57.61 percent users followed by Fairness cream with 51.42 percent users while the lowest was found with After Shave lotion having 41.9 percent users.

TABLE 7: SWITCHING DISTRIBUTION

Reason behind switching	No. of Consumers	Percent
Dissatisfaction with the present brand.	25	11.9
Stronger appeal from other brand.	39	18.6
Economy of a brand.	21	10
Influence from celebrity of other brand.	16	7.6
For a change.	64	30.5
Total	165	

In the course of data analysis it was observed that only 165 respondents have switched between various brands available in various categories. Table 7 shows various reasons behind brand switching. It was analyzed that 30.5 percent of the respondents have switched between various competitors just for a change while 18.6 percent switched due to stronger appeal from other brand and just 7.6 percent of the respondents got influenced from celebrity of other brand.

TABLE 8: AVERAGE AMOUNT SPEND MONTHLY ON HAIR GEL

			place		
			Nashik city	Rural	Total
	Rs.50-100	Count	18	38	56
		% within place	43.9%	76.0%	61.5%
	Rs.101-200	Count	13	9	22
		% within place	31.7%	18.0%	24.2%
	Rs.201-300	Count	3	1	4
		% within place	7.3%	2.0%	4.4%
	Rs.more than 300	Count	7	2	9
		% within place	17.1%	4.0%	9.9%
Total		Count	41	50	91
		% within place	100.0%	100.0%	100.0%

Table 8 shows that 76% rural hair gel users spend in the range of Rs. 50 – 100 on hair gel as against only 43.9% users in the Nashik city. While 17.1% of city users spend more than Rs. 300 on hair gel as against just 4% users in rural areas.

TABLE 9: AVERAGE AMOUNT SPEND MONTHLY ON DEODORANT

Amount Range		place		Total
		Nashik city	Rural	
Rs.50-100	Count	8	23	31
	% within place	16.7%	31.5%	25.6%
Rs.101-200	Count	22	37	59
	% within place	45.8%	50.7%	48.8%
Rs.201-300	Count	13	7	20
	% within place	27.1%	9.6%	16.5%
Rs.more than 300	Count	5	6	11
	% within place	10.4%	8.2%	9.1%
Total	Count	48	73	121

Table 9 shows that 31.5% of rural deodorant users spend in the range of Rs. 50-100 as against 16.7% users in Nashik city. While there is no significant difference in the spending range of Rs. more than 300 between city and rural users of deodorants.

TABLE 10: AVERAGE AMOUNT SPEND MONTHLY ON FAIRNESS CREAM

Amount Range		place		Total
		Nashik city	Rural	
Rs.50-100	Count	21	42	63
	% within place	51.2%	62.7%	58.3%
Rs.101-200	Count	8	17	25
	% within place	19.5%	25.4%	23.1%
Rs.201-300	Count	5	5	10
	% within place	12.2%	7.5%	9.3%
Rs.more than 300	Count	7	3	10
	% within place	17.1%	4.5%	9.3%
Total	Count	41	67	108
	% within place	100.0%	100.0%	100.0%

Table 10 shows that 62.7% of fairness cream users from the rural areas spend in the range of Rs. 50-100 as against 51.2% users in Nashik city. Similarly in the spending range of Rs. 101-200 the corresponding users are 25.4% and 19.5% respectively while in the spending range of more than Rs. 300 the users are 3% and 7% respectively.

TABLE 11: AVERAGE AMOUNT SPEND MONTHLY ON AFTER SHAVE LOTION

Amount Range			place		Total
			Urban	Rural	
	Rs.50-100	Count	19	45	64
		% within place	54.3%	83.3%	71.9%
	Rs.101-200	Count	10	5	15
		% within place	28.6%	9.3%	16.9%
	Rs.201-300	Count	2	4	6
		% within place	5.7%	7.4%	6.7%
	Rs.more than 300	Count	4	0	4
		% within place	11.4%	.0%	4.5%
Total		Count	35	54	89
		% within place	100.0%	100.0%	100.0%

Table 11 shows that 83.3% of rural users spend in the range of Rs.50-100 on after shave lotion as against 54.3% city users per month. While there are 11.4% city users who spend more than Rs. 300 per month. There are no users in the rural areas who spend in this range.

TABLE 12: INFLUENCE OF CELEBRITY ENDORSEMENT

Influence of celebrity endorsement on the usage of DD		Place				Total
		Urban	%	Rural	%	
	yes	19	40	27	37	46
	No	18	37	32	44	50
	can't say	11	23	14	19	25
Total		48	100	73	100	121
Influence of celebrity endorsement on the usage of HG		Place				Total
		Urban	%	Rural	%	
	Yes	16	39	22	44	38
	No	12	29	19	38	31
	can't say	13	32	9	18	22
Total		41	100	50	100	91
Influence of celebrity endorsement on the usage of FC		Place				Total
		Urban	%	Rural	%	
	Yes	18	44	33	49	51
	No	13	32	21	31	34
	Can't say	10	24	13	20	23
Total		41	100	67	100	108
Influence of celebrity endorsement on the usage of ASL		place				Total
		Urban	%	Rural	%	
	Yes	11	31	6	11	17
	No	11	31	34	63	45
	Can't say	12	38	14	26	27
Total		34	100	54	100	89

The above table shows that 40% of the urban users agreed to be influenced by celebrity endorsement for using Deodorants as against 37% in the rural areas.
39% of the urban users agreed to be influenced by celebrity endorsement for using Hair gel as against 44% in the rural areas.
44% of the urban users agreed to be influenced by celebrity endorsement for using Fairness cream as against 49% in the rural areas.
31% of the urban users agreed to be influenced by celebrity endorsement for using After shave lotion as against 11% in the rural areas.

FINDINGS

The above study was aimed at a comparison between the urban and the rural youth behavior towards selective male cosmetics. In connection with this some hypothesis statements were made and put to test using chi square analysis. SPSS17 and MEDCALC was used in hypothesis testing.

Following are the hypotheses and their results.

1. Rural youths are more influenced by celebrity endorsements than urban youths.
2. There is significant difference between the usage of various cosmetics.
3. Switching depends on the product category.
4. The cosmetics find more usage among urban population than rural.
5. Deodorants find more usage among the age group of 18-23 yrs.

1.Ho-Urban and Rural youths are equally influenced by celebrity endorsements in using male cosmetics.
Ha-Urban and Rural youths are not equally influenced by celebrity endorsements in using male cosmetics.
X_2=4.542, Ho is accepted since p=0.2083 is more than 0.05 at 3 df.
2. Ho - There is no significant difference between the usage of various cosmetics.
Ha - There is significant difference between the usage of various cosmetics.
X_2= 13.6, Ho is rejected since p=0.0035 is less than 0.05 at 3df.
3.Ho-Switching is independent of product category.
Ha-Switching is dependent on the product category.
X_2 = 6.453, Ho is rejected at 6df since p=0.0002 which is less than 0.05.
4.i) Ho-There is no significant difference between usage of DD among urban & rural consumers.
Ha-There is significant difference between usage of DD among urban & rural consumers.
X_2 = 10.18, Ho is rejected at 1df since p=0.0014 which is less than 0.05.
ii) Ho-There is no significant difference between usage of HG among urban & rural consumers.
Ha-There is significant difference between usage of HG among urban & rural consumers.
X_2 = 0.987, Ho is accepted at 1df since p=0.3205 which is more than 0.05.
iii) Ho-There is no significant difference between usage of FC among urban & rural consumers.
Ha-There is significant difference between usage of FC among urban & rural consumers.
X_2 = 10.955, Ho is rejected at 1df since p=0.0009 which is less than 0.05.
iv) Ho-There is no significant difference between usage of ASL among urban & rural consumers.
Ha-There is significant difference between usage of ASL among urban & rural consumers.
X_2 = 6.453, Ho is rejected at 1df since p=0.0111 which is less than 0.05.
5.Ho=Deodorants find equal usage among all age groups.
Ha=Deodorants do not find equal usage among all age groups.
Chi square X_2 = 1.831 at 3 df and p=0.6083.
Since p is more than 0.05 H_0 is accepted.

LIMITATIONS

As the present study is an attempt to comparatively analyze the consumer behavior towards selective male cosmetics in the Urban and Rural areas of Nashik region, the results are limited geographically to this region and cannot be generalized. The study also restricts its discussion to only selective male cosmetics like the Deodorants, Hairgel, Fairness cream and After shave lotion. The reason behind selecting only few male cosmetics was there popularity among the consumers in both the urban and the rural regions of Nashik. The age group selected in sampling is also a limitation as the upper age limit of more than 40 was not considered for this study.

CONCLUSION AND RECOMMENDATIONS

It is concluded that the preferences shown by consumers to any male cosmetic category depends upon the theme of advertisement shown and in accordance to this deodorants were found to be more famous in usage among the consumers followed by Fairness cream, Hair gel and After Shave lotion. This preference to Deodorants may be attributed to the sexual appeal that this category makes in the television advertisements. Consumers of male cosmetics are more interested in tasting different brands in the same product category and for this they switch between various available brands just for a change. This switching depends on the product category. Deodorant is the most switched category of male cosmetics. Majority of the switches made by customers is just to have a different taste and try various brands. But at the same time there is a consumer class who fall prey to the strong appeal from other brand. In this case it would be very difficult to maintain brand loyalty for a particular category. The spending limit depends on the income of consumers. High income consumers spend at the upper limit and vice a versa. In such a situation it is advisable to launch economical brands in small sachets and tap the rural market. Urbans and the rurals are equally influenced by celebrity endorsements for using male cosmetics. Companies of various male cosmetics have been very successful in attracting the rural youth for trying various brands. The rural market is very promising and assures a very huge market potential for different companies. Firms need to be very sensitive in designing adverts to tap the rural market. There is a great difference among the urban and the rural consumer ideology in selecting various cosmetics. Firms therefore need to think on different advertisement strategies to deeply penetrate the rural market.

REFERENCES

1. Beri G. C. (2008), Marketing Research (4th ed.), New Delhi, Tata McGraw-Hill Publishing Company Limited.
2. Celebi, S. I. (2012). Customer satisfaction and store choice – The comparison of textile and apparel stores and cosmetics and personal care products stores in turkey. International Journal of Arts and Sciences, 5(1), 331-342.
3. Cheng, F. Ooi, C. and Ting, D. (2010). Factors affecting consumption behavior of metrosexual toward male grooming products. International Review of Business Research Papers, 6(1), 574-590.
4. Guo, X. (2011). Cosmetics consumption among young males in the greater Helsinki region (Doctoral dissertation). Available from Proquest Dissertations and Theses database.
5. Herdiyanti, N. and Titus, A. (2013). Research on market trends and consumer behavior in male grooming products (especially face cleanser category) in indonesia. The Indonesian Journal of Business Administration, 2(6), 663-671.
6. Kulkarni, N.M. and Bansod, S. (2013). A factor analysis on product attributes for consumer buying behavior of male cosmetics in nagpur city. International Journal of Research in Commerce and Management, 4(6), 1-4.
7. Kumar A. and Meenakshi, N. (2011) Marketing Management (2nd ed.), New Delhi, Vikas Publishing House Pvt. Ltd.
8. Nair, S. (2014), Consumer Behaviour in Indian Perspective (2nd ed.), Mumbai, Himalaya Publishing House.
9. Nargundkar, R. (2008). Marketing Research: Text and Cases (3rd ed.), New Delhi, Tata McGraw-Hill Publishing Company Limited.
10. Shimpi, S. S. and Sinha, D. K. (2012). A factor analysis on product attributes for consumer buying behavior of male cosmetics in pune city. International Journal of Multidisciplinary and Academic Research, 2(2), 1-21.
11. Souiden, N. and Diagne, M. (2009). Canadian and French men's consumption of cosmetics: a comparison of their attitudes and motivations. Journal of Consumer Marketing, 26(2), 97-109.
12. Suelin, C. (2010). Understanding consumer purchase behavior in the japanese personal grooming sector. Journal of Yasar University, 17(5), 2821-2831.
13. Sukato, N. and Elsey, B. (2009). A model of male consumer behavior in buying skin care products in thailand. ABAC Journal, 29(1), 39-52.

FOOD SECURITY STATUS OF WOMEN GARMENTS' WORKERS IN SELECTED GARMENTS UNDER GAZIPUR DISTRICT OF BANGLADESH

SANZIDA ANANNA ZAMAN
ALUMNI
DEPARTMENT OF AGRICULTURAL EXTENSION & RURAL DEVELOPMENT
BANGABANDHU SHEIKH MUJIBUR RAHMAN AGRICULTURAL UNIVERSITY
GAZIPUR

MD. SAFIUL ISLAM AFRAD
PROFESSOR
DEPARTMENT OF AGRICULTURAL EXTENSION & RURAL DEVELOPMENT
BANGABANDHU SHEIKH MUJIBUR RAHMAN AGRICULTURAL UNIVERSITY
GAZIPUR

FOYEZ AHMED PRODHAN
LECTURER
DEPARTMENT OF AGRICULTURAL EXTENSION & RURAL DEVELOPMENT
BANGABANDHU SHEIKH MUJIBUR RAHMAN AGRICULTURAL UNIVERSITY
GAZIPUR

ABSTRACT
The main focus of the study was to determine the extent of food security of the women garments worker in Gazipur district. The study was conducted in Gazipur Sadar Upazila of Gazipur district. Data were collected by the researcher during November to December 2013 by using a pre-tested interview schedule a total of 90 women workers (10%) were selected as sample of the present study through proportionate random sampling from two selected garments of Gazipur district. Eleven socio-demographic characteristics of the respondents were considered as independent variables, while food security of women garments workers was the dependent variable of the study. Finding of this study reveals that all of the family members of the respondents take three meals after joining in garments but earlier only 50 percent respondents could be able to afford three meals per day. Most of the women garments' workers (60.0%) get below standard calories (up to 2122 kcal/day) against the optimum requirements of 2200kcal/day. The mean difference between meal and calorie intake by per person per day during before and after joining in the garments was significant. Wage, working load and wage adequacy had significant relationship with their food security status.

KEYWORDS
Food security, Garments workers, Women.

INTRODUCTION
Bangladesh is one of the densely populated countries in the world. She is bearing 142.3 million of people in her 1, 47,570 sq km of areas (Wikipedia, 2011). Out of them, about fifty percent (105:100) are female. No society can progress unless women become a partner in almost all of national activities (Zia *et al*., 2002). Working women are probably the most important for natural and national development. There is growing willingness among the developing countries to integrate women in various development programs and services at both national and international levels. Ensuring food security for all is one of the major challenges that Bangladesh face today. This is almost synonymous to agricultural development in Bangladesh, as income and livelihood of the vast majority population directly or indirectly depends on agriculture. Bangladesh ranked 129th out of 169 countries in the 2012 Human Development Index (HDI) (Shahiduzzaman *et al.,* 2013). About 40 percent of the population consumes less than the minimum daily recommended amount of food (Shaheen and Islam, 2012). About 4.0 million people are employed in the garment sector. The growth rate of RMG export was over 20% per over the last two decades. Out of 4.0 million manpower employed in Bangladesh Garment Manufacturers and Exporters (BGMEA) member factories, 3.20 million are women (80%), majorities of them are disadvantaged and economically poverty stricken women folk. The country's RMG sector, to a creditable level has relieved Bangladesh from over populous unemployment burden through providing the largest employment next to agriculture, transport, trade and industry sector. This sector has uplifted the neglected section of the population, thus radically transforming the socio-economic condition of the country. Such empowerment and employment raised awareness regarding children education, health safety, population control disaster management only so for. It is an epoch making event in the history of Bangladesh (BGMEA, 2014). It is fair to say that this sector has created enormous economic opportunities for the country's women, who until the late 1970's were almost nonexistent in the labor force. Despite the great effort which these brave women working hard day and night are showing, are not getting the due recognition from their employers which they very rightly deserve. Not only that, they are even denied of their basic rights. When it comes to their reproductive health and other related issues, very less importance are given. Although the scenario is changing for good day by day, nevertheless they are constantly being ignored from many basic facilities which are essential for their day to day living (Mridula and Khan, 2009)). Food security can only be achieved when all people specially women can fulfill their nutrition. In case of working women the concern should be more. Women working in garments industry mostly suffer from sufficient food and nutrition. Although this sector is so important for our economy little is known about the working conditions in which predominantly women workers perform their duties. Under what circumstances they are working and where from they come is mostly a notional issue which needs empirical vouching (Haque *et al.,* 2008).

SIGNIFICANCE OF THE STUDY
Bangladesh is a developing country. Most of the people are still occupied in agriculture sector but the successful export oriented Readymade Garments (RMG) industry of Bangladesh has observed remarkable growth since its beginning late 1970s. There has been an increasing trend of rural women and working mother's involvement in the RMG sector which contributed to a greater extent for increasing family income and sustaining their livelihood. Some structural problems along with policy induced constraint had obstructed industrial growth in Bangladesh. But RMG shows an impressive growth. Bangladesh already has various commitments to maintain labor standard such as minimum wage, maternity leave discourage child labor and so on. But in practice most of these are not implemented by the respective authorities (Bhuiyan, 2012). Very little is known about the socioeconomic condition of the garments workers because specific study on food security status of the garments workers was very limited. The availability of a large number of unskilled or semi-skilled female workers for

employment has been an important contributing factor in the growth of the garments industry in Bangladesh. The current study is perceived to be a valuable addition in the existing literature relating to the food security of the garments workers from the legal, equitable and social aspect.

STATEMENT OF RESEARCH PROBLEM
Today, the number of people in the world suffering from hunger and poverty has risen to more than one billion and Bangladesh is not immune to this reality. Overcoming challenges to food security has played and continues to play a significant role in the development agenda of Bangladesh. Bangladesh's food security is still fragile and major challenges remain (Noman, 2013). In Bangladesh readymade garment is the main sector for the earning of foreign currency. Bangladesh has a good reputation worldwide in a RMG sector. Bangladesh export wears in more than 20 countries. US is the main buyer of Bangladeshi wears. Second largest buyer is EU (Bhuiyan, 2012). In our country Gazipur is an industrial area where RMG get the main emphasis. Most of the garments of the country run in this region. So this area has a great emphasis in RMG sector. Most of the garments worker works here are women. So their food security has great importance for the social, economic and nutritional change of the country.
In order to obtain women garments worker' responses as per objectives of the study, keeping all these in view, the present study was designed to answer the following questions.
1. What are the socio-demographic characteristics of the women garments' workers?
2. What is the level of food security of the women garments' worker?
3. Is there any relationship between women garment workers and their selected socio-demographic characteristics?

OBJECTIVES OF THE STUDY
The specific objectives guided the present study are as follows:
1. To evaluate the selected socio-demographic characteristics of the women garment workers;
2. To determine the food security level of the women garments worker; and
3. To explore the relationship between the food security status of the women garment workers and their selected socio-demographic characteristics.

HYPOTHESIS OF THE STUDY
In studying relationship between the dependent and independent variables, a hypothesis is formulated which stated the anticipated relationship between the variables .The null hypothesis is framed as follows:
H_0: "There is no significant difference on the change in meal intake and calorie intake status of the respondents between before and after joining in garments''.

METHODOLOGY
Two garments situated in Salna, Gazipur Sadar namely Pretty Group and Cutting Edge was selected as the locale of the study. All women workers of the selected two garments (Pretty Group and Cutting Edge) were the population of the study. There were 900 women workers in these two garments where in Pretty Group possessed of 420 women workers and Cutting Edge contained 480 women workers. The lists of women workers were collected from the respective garments. A total of 90 women workers (10%) were selected as sample of the present study through proportionate simple random sampling. Thus from Pretty Group 42 and from Cutting Edge 48 constituted the total sample. Data were collected through face to face interview using interview schedules. Diagnostic research design was applied in the present study. The dependent variable in this study was food security status of selected women garments' workers. Food security was measured under two dimensions, namely access to meal and calorie intake. Respondent's total meal intake was measured in number of meal/day. The change of food intake was determined by computing meal intake after and before involvement with the jobs in garments. Calorie intake was measured based on average monthly calorie intake by her family members including her. For this purpose the household food consumption was converted into calorie intake per person per day. The food items considered were cereal, vegetable, meat, egg, fish, milk, fruits, pulses and edible oil. Calorie uptake was measured by following the formula which was used by *Imai (2003) which are shown in Table1.*Statistical measures like number, range, percent, mean, standard deviation and Pearson's correlation coefficient (r) analysis were utilized both for data evaluation and hypotheses testing by using SPSS program.

TABLE 1: CONVERSION FACTOR OF CONSUMED FOOD ITEM ENERGY (KCAL)

Dietary diversity	Calorific value (CV) (kcal per kg of food item)
Cereal	3490
Vegetable	430
Meat	1090
Egg	80
Fish	1360
Milk	670
Fruit	200
Pulse	3430
Oil	9000

Source: Imai (2003)

RESULT AND DISCUSSION
PERSONAL CHARACTERISTICS OF THE RESPONDENTS
Characteristics profile of the women garments workers were determined and presented in Table2. The findings indicated that majority of the respondents were found young aged (95.56%) having secondary level of education (50%), small family size (80%), low farm size (80%), medium term service experience (72.22%) and higher training utilization (70%). It was also found that majority of the respondents had medium working load(74.44%), medium wage(57.78%), high monthly family income(43.33%), medium wage adequacy (57.78%) and medium (66.67%) financial contribution to the family (Table2).

TABLE 2: DISTRIBUTION OF THE RESPONDENTS ACCORDING TO THEIR PERSONAL CHARACTERISTICS

Characteristics	Categories	Number	Percent	Mean	SD
Age	Young (18 to 35)	86	95.56		
	Middle (36 to 45)	04	4.44	24.46	4.64
	Old (>45)	00	0		
Education	Illiterate	09	10		
	Primary education	36	40	5.93	2.65
	Secondary education	45	50		
Family size	Small (up to 4 members)	72	80		
	Medium (5-7 members)	14	15.56	3.38	1.62
	Large ((above 7 members)	04	4.44		
Farm size	Landless (<0.02 hectare)	72	80		
	Marginal (.02 to 0.20 hectare)	14	15.56	0.02	.07
	Small (0.21 to 1.00)	04	4.44		
Service experience	Low experience	19	21.11		
	Medium experience	65	72.22	3.57	1.39
	High experience	06	6.67		
Training utilization	No training	17	18.89		
	Partially used	10	11.11	-	-
	Fully used	63	70		
Working load	Medium (10 to 11)	67	74.44	10.7	0.85
	High (above 11)	23	25.56		
Wage	Low (up to 5 thousand)	17	18.89		
	Medium (5.1 to 7 thousand)	52	57.78	6.40	1.25
	High (above 7 thousand)	21	23.33		
Monthly income	Low (up to 9 thousand)	15	16.67		
	Medium (9.1 to 15 thousand)	36	40	15.22	6.25
	High (above 15 thousand)	39	43.33		
Wage adequacy	Adequate	82	91.11	1.08	0.28
	Not adequate	08	8.89		
Financial contribution to family	Low (up to 7)	27	11.11		
	Medium (7.1 to 14 thousand)	39	66.67	11.38	5.02
	High (above 14 thousand)	24	22.22		

FOOD SECURITY STATUS OF THE WOMEN GARMENTS' WORKERS

Food security was measured in terms of two dimensions i.e. access to food and calorie intake.

ACCESS TO FOOD (MEALS PER DAY)

Usually in Bangladesh a food secured individual receives three round meals per day, but it varies in case of food insecure individual. Number of full meals taken by the family members/day is shown in Table 3. Findings presented in Table 3 reveals that on an average, cent percent of the family members of the respondents take three meals after joining at garments. But before joining at garments 50 percent of the family members of the respondents took three meals and 50 percent of the family members of the respondents took two meals. Reason behind the insecure food condition might be due to their income from the garments which was somewhat absent before their joining in the garments.

TABLE 3: DISTRIBUTION OF THE RESPONDENTS BASED ON NUMBER OF MEALS TAKEN PER DAY DURING BEFORE AND AFTER JOINING GARMENTS

Status of access to food	Before working at garments			After working at garments			t-value (df=89)
	No. of respondents	Percent	Mean	No. of respondents	Percent	Mean	
Three meals/day	45	50	2.5	90	100	3.0	
Two meals/day	45	50		00	00		9.43**

**= Significant at 0.01 level of probability

The differences between means of access to food (meals/ day) of women worker during before and after working in garments were tested by computing t-value which was 9.43 and it was significant at 0.01 level of probability. Therefore, it might be concluded that meal uptake was increased significantly by the women worker due to joining in the garments.

CALORIE INTAKE BY THE RESPONDENTS

An individual has wide range of options for intake his/ her calorie from varieties of food items. A garments worker having low wage always tries to get food especially cereal in cheap rate. However, findings displayed in Table 4 regarding intake of food items during before and after joining in garments.

TABLE 4: DIFFERENCES BETWEEN MEANS OF CALORIE INTAKE FROM DIFFERENT FOOD ITEMS BY RESPONDENT WOMEN WORKERS DURING BEFORE AND AFTER JOINING IN THE GARMENTS

Dietary diversity	Meals taken (person/kcal/day)					Probability
	Before working in garments		After working in garments		t-value (df=89)	
	Mean	SD	Mean	SD		
Cereal	1.08	364.29	1.26	375.29	10.987**	0.000
Vegetable	43.90	21.90	55.40	21.38	8.722**	0.000
Meat	44.28	33.39	74.16	38.16	10.740**	0.000
Egg	22.29	13.36	37.16	17.95	11.295**	0.000
Fish	96.83	96.60	102.12	62.74	2.190*	0.031
Milk	19.61	28.89	57.35	50.18	7.682**	0.000
Fruit	3.88	4.83	10.16	6.88	11.189**	0.000
Pulse	75.43	64.27	103.05	104.39	3.464**	0.001
Oil	2.15	98.91	3.29	128.94	9.582**	0.000
Total	1.56	432.66	2.02	436.40	19.970**	0.000

**= Significant at 0.01 level of probability, *= Significant at 0.05 level of probability

As shown in Table 4, mean calorie intake from cereal, vegetable, meat, egg, fish, milk, fruit, pulse, oil during before and after joining in the garments. Differences between means of calorie intake from different food items by the women workers during before and after their joining in garments were tested by computing t-value. Paired t-test value as shown in Table 4 clearly demonstrated that garments work exerted significant positive impact on all dietary items. Therefore, it might be concluded that calorie intake increased significantly due to working in garments for all food items.

Calorie intake was calculated for per person per day in kcal. Effort has been made to measure kcal intake by the respondents' family members. Based on the calorie intake the respondents were classified into four categories as following Hossain (2009): 'much below optimum' (upto1800), 'below optimum' (>1800-2122), 'optimum' (>2122-2444) and 'above optimum' (>2444). Distributions of respondents according to their calorie intake (per capita/day) are shown in Table 5.

TABLE 5: DISTRIBUTION OF THE RESPONDENTS ACCORDING TO THEIR CALORIE INTAKE

Categories	Respondents		Mean	SD
	Number	Percent		
Much below optimum (upto1800 kcal/capita/day)	24	26.67	2025.34	436.41
Below optimum (>1800-2122 kcal/capita/day)	30	33.33		
Optimum (>2122-2444 kcal/capita/day)	18	20		
Above optimum (>2444 kcal/capita/day)	18	20		
Total	90	100		

Result presented in Table 5 reveals that above one -third (33.33 %) of the respondents were found to take below optimum level calorie while more than one-fourth (26.67 %) of the women garments worker had taken much below optimum level calorie and equally one-fifth of the women garments worker took optimum level and above optimum level calorie. Therefore, two-fifth (40%) of the women garments worker received optimum and above optimum level but a big majority (60%) of the women garments worker receives much below optimum level to below optimum level calorie which is a very alarming situation for the nation. In our country the national poverty level is 31.51 percent which is also a matter of big concern. (World Bank, 2008).

RELATIONSHIP BETWEEN SELECTED CHARACTERISTICS OF THE RESPONDENTS AND THEIR FOOD SECURITY STATUS

Co-efficient of correlation (r) was used to explore the relationship between the selected characteristics of the respondents and their food security status. The summary of the result of correlation test is presented in Table 6. Based on the correlation analysis it was found that wage, working load and wage adequacy of the respondent had positive significant relationship with their food security where the coefficient of correlations (r value) were 0.464**, 0.209* and 0.314* respectively. It indicates that if there is any increase in their wage, working load and wage adequacy there would be an increase in their food security. The reason behind this might be that in case of wage, more wages makes the individual more powerful to take any decision and capable to increase their purchase capacity and also increase food security. In case of working load , by working hard and long time women garments worker get more wages so that their purchase capacity also increase and they can secure their food. In case of wage adequacy, the women garments worker who get better wage thinks that their wage is adequate. The worker who has income from other different sources thinks that what they get from the garments is their benefit. For this reason food security comes with adequate wage.

TABLE 5: RELATIONSHIP BETWEEN SELECTED CHARACTERISTICS OF THE WOMEN GARMENTS WORKERS AND THEIR LEVEL OF FOOD SECURITY AFTER JOINING TO GARMENTS

Dependable variable	Selected personal attributes	Correlation Co-efficient (r value)
Food security	Age	0.158^{NS}
	Education	0.087^{NS}
	Family size	-0.491**
	Farm size	0.071^{NS}
	Service experience	-0.154^{NS}
	Training utilization	-0.112^{NS}
	Working load	0.209*
	Wage	0.464**
	Monthly family income	0.022^{NS}
	Wage adequacy	0.314*
	Financial contribution to the family	-0.117^{NS}

**=significant at 0.01 level of probability, *=significant at 0.05 level of probability, NS=Non Significant

Family size of the respondent had negative significant relationship with their food security where the coefficient of correlations (r value) was -0.491** (Table 5).It indicates that larger family size and presence of high dependent members in household influence in worsening the food security status of households. This implies that food security increase with the decreasing of family member (Table 5).

LIMITATIONS OF THE STUDY

Though results of this research will reflect the country's overall condition of employee food security in readymade garments factory, data were collected only from specific selected areas In order to keep the study under manageable limit, meaningful, and considering the time, money and other necessary resources available to the researcher the following limitations were recognized.

1. There were many respondents in the study area but a few numbers of respondents were considered for this study due to time and resource constraints ;
2. The questionnaire contains some questions that, if answered properly, might damage the company's image. In this type of questions, the respondents might provide socially acceptable answers. This risk was unavoidable;
3. The researcher dependent upon the information furnished by the respondents; and
4. Since the findings were based on the ability of the respondents to recall memory expressed by them, the objectivity of the study was confined to their ability to recall, and also their sincerity and honesty in providing the needed information.

CONCLUSIONS AND RECOMMENDATIONS

Study revealed that cent percent of the family members of the respondents take three meals after joining in garments but earlier only 50 percent respondents could be able to afford three meals per day, rest 50 percent take two meals per day. The mean difference between meal intake by per person per day during before and after joining garments was significant. Most of the women garments' workers (60.0%) get below standard calories (up to 2122 kcal/day) against the optimum requirements of 2200kcal/day. However among the variables working load, wage and wage adequacy showed positive relationship while, family size showed negative relationship with food security status. It is true that more wages is crucial for ensuring access of the workers to their basic requirements including access to adequate food. Therefore, it is recommended that wage of the respondents should be increased by the garments' authority considering market price of daily essentials and functional training should be provided to the women garments workers by the competent authority to make them more active and inspired in discharging their technical work.

REFERENCES

1. BGMEA. 2014. Bangladesh Garment Manufacturers and Exporters Association: A success story of RMG Sectors. Available at: http://www.bgmea.com.bd/home/pages/aboutus#.VBE348KSxsc
2. Bhuiyan, M. Z. A. (2012). Present Status of Garment workers in Bangladesh: An analysis. *IOSR Journal of Business and Management (IOSRJBM)*, *3*(5), 38-44. http://iosrjournals.org/iosr-jbm/papers/vol3-issue5/F0353844.pdf
3. Haque, M. A., Begum, H. A., & Fahmida, H. (2008). Supply-side effect of health care facilities on productivity amongst the female workers in the readymade garment sector. *Ibrahim Medical College Journal*, *2*(1), 4-8. Available at: http://www.banglajol.info/index.php/IMCJ/article/viewFile/2923/2424
4. Hossain, M. A. 2009. Impact of Food Security Project of the Department of Agricultural Extension on the Livelihood and Food Security Status of the Beneficiaries. *PhD Thesis*, Department of Agricultural Extension and Rural Development. Bangabandhu Sheikh Mujibur Rahman Agricultural University, Gazipur.
5. Imai, S. 2003. Livelihood Survey Forms, SPFS, FAO. In Bangladesh, Asia Pacific Journal of Environment and Development, 4(1):76
6. Mridula, S. M. and Ms. Khoshnur A. K. 2009. Study report: Working Condition and Reproductive Health Status of Female Garments Workers of Bangladesh. Available at: http://www.amrc.org.hk/system/files/Final%20Garments%20Study%20Report.pdf
7. Noman, S. M. S. (2013). Determination of Minimum Wage for Garments Worker in Bangladesh Ensuring Firms Profitability. International Journal, 2(3). http://www.ejournalofbusiness.org/archive/vol2no3/vol2no3_1.pdf
8. Shaheen, N., & Islam, S. (2012). National situation of food and nutrition security in Bangladesh. Available at: http://www.angoc.org/wp-content/uploads/2012/09/12/national-situation-of-food-and-nutrition-security-in-bangladesh/Bangladesh_Paper_National_situation_of_food_and_nutrition_security.pdf
9. Shahiduzzaman, M., Rahman M. Z., Hoque M. J. and Arefin M. S. 2013. Food Security Condition of Landless People in Char Areas of Rangpur District. *Progressive Agriculture*, 24(1&2):281-289. http://www.banglajol.info/index.php/PA/article/view/19180/13314
10. Wikipedia. 2011. Demographics of Bangladesh. Available at: http://en.wikipedia.org/wiki/Demographics_of_Bangladesh
11. Zia, Q., Zahira, B., Saif-ur, R. and Hammad, B. (2002). Role of skilled and unskilled factory working women in the rural economy of Punjab: A case study in Faisalabad. International Journal of Agriculture & Biology, 4(2):1560–1573. Available at: https://www.academia.edu/594547/Role_ of_skilled_and_ unskilled_factory_working_ women_in_the_rural_economy_of_the_Punjab_a_case _study_in_F aisalabad

GROWTH AND PERFORMANCE OF SECONDARY MARKETS: A REVIEW OF EMERGING TRENDS

DR. P. B RAMA KUMAR
HOD & ASSOCIATE PROFESSOR
DADI INSTITUTE OF ENGINEERING & TECHNOLOGY
ANAKAPALLI

K. MADHAVA RAO
ASST. PROFESSOR
DADI INSTITUTE OF ENGINEERING & TECHNOLOGY
ANAKAPALLI

ABSTRACT
Indian Securities Market, especially the Secondary Market is witnessing Fundamental Institutional Changes. Electronic Financial Services have modernized the Stock Exchanges, leading to drastic reduction in transaction costs and significant improvements in Efficiency, transparency and safety when trading leading to increased Trading Volumes and Market Capitalization. The Changes in Regulatory and Governance Framework have also brought about an improvement in Investor Confidence. With the total Market Capitalization of the Secondary Market reaching more than 69,430,493 Crores as on March 2012, the Secondary Market is set to see Phenomenal Changes in the Future. It is in the light of these events, this paper aims to (i) To Study the Trends in Secondary Market with regards Sensex and Nifty (ii) To analyse the Growth of Online Trading in Capital Market (CM) segment of NSE with a view to assess its impact on the trading volume and turnover, (iii) to examine the overall growth and performance of secondary market in India.

KEYWORDS
Internet, Stock Trading, Investors, Stock Exchanges, Online Stock Trading, Capital Markets Financial Markets, Secondary Market, Stock Market.

INTRODUCTION
The financial system in India is in a process of rapid transformation, particularly after the introduction of reforms in the financial sector and the development of information technology. An efficient, competitive and diversified financial system is very essential to raise the rate of capital formation, increase the return on investment and thus to promote the accelerated growth of the economy as a whole. Capital market is, important for raising funds for capital formation and investments and forms a very vital link for economic development of any country .Therefore a vibrant and efficient capital market is the most important parameter for evaluating growth of any economy.

SEGMENTS OF CAPITAL MARKET
Capital market can be divided into two segments (1) primary markets and (2) secondary markets. The primary market is mainly used by issuers for raising fresh capital from the investors by making initial public offers or rights issues or offers for sale of equity or debt. The secondary market provides liquidity to these instruments, through trading and settlement on the stock exchanges.

SECONDARY MARKET OPERATIONS
In the secondary market the investors buy / sell securities through stock exchanges. Trading on stock exchange results in exchange of money and securities between investors. Secondary market provides liquidity to the securities on the exchange(s) and this activity commences subsequent to the original issue. A stock exchange is the single most important institution in the secondary market for providing a platform to the investors for buying and selling of securities through its members. The stock exchanges along with a host of other intermediaries provide the necessary platform for trading in secondary market and also for clearing and settlement. The securities are traded, cleared and settled within the regulatory framework prescribed by the Exchanges and the SEBI.

STOCK MARKET AND ITS OPERATIONS
Secondary markets are also referred to as stock exchanges. They are a part of capital market. the stock exchange is one of the most important institutions in the capital market, which includes term lending institutions , banks , investors , companies and just about anybody and everybody who are engaged in providing long term capital , whether share capital or debt capital , to the industrial sector. Stock exchanges in India now operate with due recognition from Securities and Exchange Board of India (SEBI) / the Government of India under the Securities Contracts (Regulation) Act, 1956.
The history of stock exchanges in India gores back to the eighteen century, Bombay stock exchange, and the oldest stock exchange in India was established in 1875, there are 24 recognized stock exchanges in India out of which one has not commenced its operations. Out of the 23 remaining stock exchanges, currently only on four stock exchanges, the trading volumes are recorded. Most of regional stock exchanges have formed subsidiary companies and obtained membership of Bombay Stock Exchange, (BSE) or National Stock Exchange (NSE) or both. Members of these stock exchanges are now working as sub-brokers of BSE / NSE brokers.In 1994, National Stock Exchange (NSE) came into existence, which brought an end to the open out-cry system of trading securities which was in vogue for 150 years, and introduced Screen Based Trading (SBT) system. BSE's On Line Trading System was launched on March 14, 1995. Now the trading in securities is done using screen based trading system through duly authorized members of the exchange.

REVIEW OF LITERATURE
Massimb and Phelps (1994) presented a comparative analysis of open outcry system and electronic trading system in US on the basis of two measures of market performance, operational efficiency and liquidity. It was revealed that the decision to move from open outcry to electronic matching forces the exchanges, customers and regulators to face a trade-off between efficiency , liquidity and turnover.
Singh (2004) examined the liquidity scenario of Indian stock exchanges and raised the issues related to illiquidity. In the paper, the author explained the indicators and present position of liquidity which showed there were no trades on several companies listed on number of regional stock exchanges. This suggested illiquidity in such securities. It has been observed that the trends of liquidity of shares traded on NSE have remained constant but there has been an increase in turnover.
Khan (2005) observed the existence of close interconnection between undesirable trading practices in stock exchanges and the type, nature and structure of the key body governing the stock exchanges i.e. governing body/ board of directors that dominated by the brokers and speculative interests. The subject chosen for the study by the author was operations, turnover and trading at Indian stock exchanges. It has been concluded that stock market trading has witnessed radical changes at the dawn of new millennium.

Kumar (2008) examined the determinants of trading volume for individual stocks in the emerging India's stock market. The CMIE data was used to construct weekly turnover measures for the individual BSE and NSE stocks from January 1997 to December 2004 (418 weeks). The paper also examined the stock trading volume which increased in the level of institutional ownership and reached at its peak at 33% for NSE stocks. The study argued that behavioural factors affect investor's trading decisions in Indian equity market which had an impact on stock trading volume.

RESEARCH GAP

It can be observed from the literature that most of the research covers the studies which analyze the difference between open outcry system and electronic trading system on the basis of market performance, operational efficiency and liquidity and also they are others studies done to identify the determinants of trading volume for individual stocks in the emerging India's stock market. But little research has been done on analysing the growth of secondary markets in the cash segment .The recent developments like the recession affecting major stocks markets and increased innovations have caused deep impact on the trading volume of the stock markets. The present study aims to investigate in detail the growth and performance of the secondary market in India.

SCOPE AND OBJECTIVES

1. To Study the Trends in Secondary Market with regards to Sensex and Nifty
2. To analyse the Growth of Online Trading in Capital Market (CM) Segment of NSE with a view to assess its impact on the trading Volume and Turnover
3. To Examine the Growth and Performance of Secondary Market in India.

RESEARCH METHODOLOGY

The study is based on the secondary data. The data has been collected from the sites of SEBI, NSE and RBI. The data relates to the period from 2000-2001 to 2011-2012The research is of analytical nature in which facts, figures and information from secondary sources are used to make a critical evaluation. To explain the growth of Capital Market Segment of NSE, the variables like turnover of stock exchanges, relative share of listed and permitted securities and average daily turnover of NSE and BSE have been taken.

SECONDARY MARKET REFORMS AND DEVELOPMENT

Over the last few years, SEBI has announced several far-reaching reforms to promote the secondary market operations and protect investor interests. Reforms in the secondary market have focused on three main areas: structure and functioning of stock exchanges, automation of trading and post trade systems, and the introduction of surveillance and monitoring systems. Computerized online trading of securities, and setting up of clearing houses or settlement guarantee funds were made compulsory for stock exchanges. Stock exchanges were permitted to expand their trading to locations outside their jurisdiction through computer terminals. Thus, major stock exchanges in India have started locating computer terminals in far-flung areas, while smaller regional exchanges are planning to consolidate by using centralized trading under a federated structure. Online trading systems have been introduced in almost all stock exchanges making stock trading much more transparent and quicker than in the past.

TRENDS IN THE SECONDARY MARKET

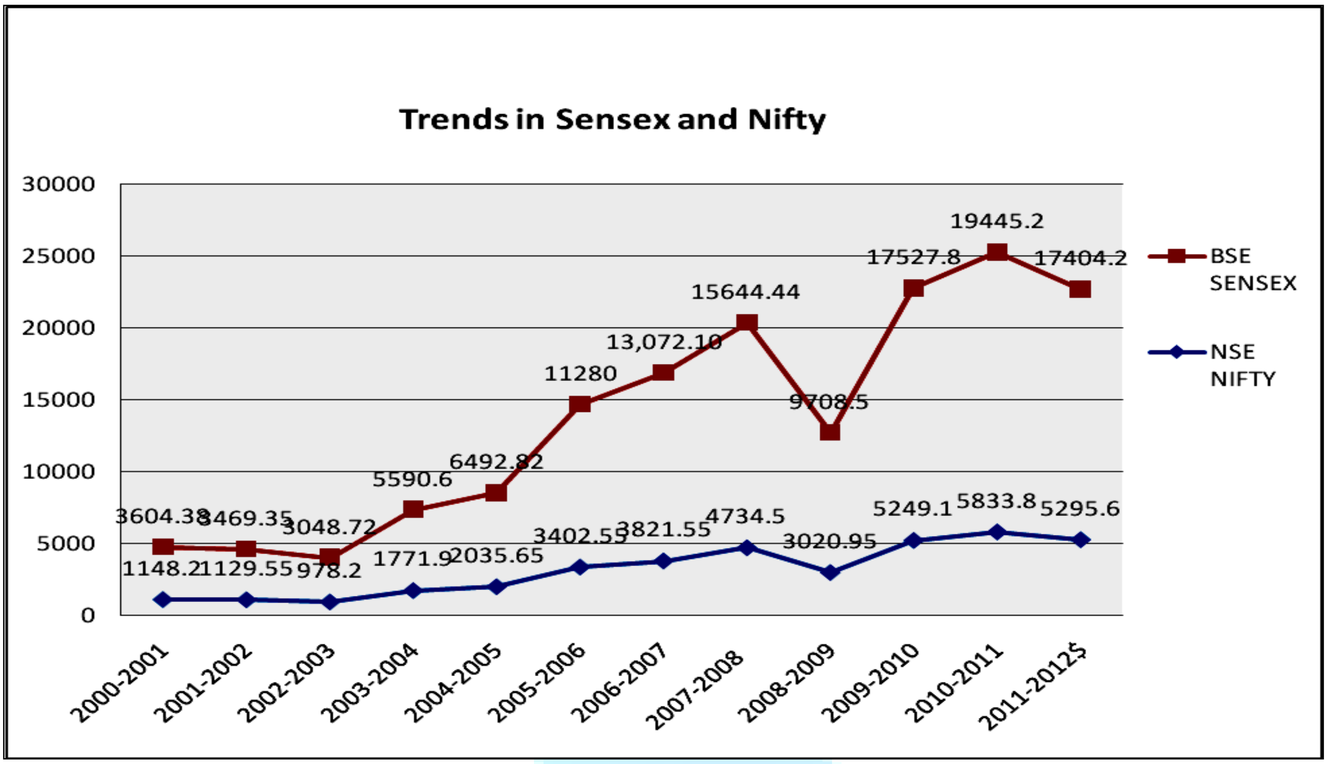
The total numbers of brokers in the year 2000-2001 were 9,782 and in the following year their numbers decreased to 9,687 indicating a drop of 95 members. In 2001-2002 NSE Nifty was at 1129.55 points and BSE Sensex at 3469.35 points. By 2002-2003 the total numbers of trading brokers were 9,519, while nifty closed at 978.20 points and Sensex at 3048.72 points. By 2005-2006 the number of brokers increased to 9,335 indicating an increase of 207 members from 9128 members in 2004-2005, the Nifty closed at 3402.55 points and Sensex was 11280.00 in the year 2005-2006. In 2008-2009 Nifty was at 4734.50 points and BSE Sensex at 9708.50 Points with 9628 number of brokers. In 2009-2010 there was an increase in the number of brokers from 9628 to 9,772, indicating a increase of 144 members, in the same year NSE Nifty closed at 5249.10 points and Sensex at 17527.80. In the year 2010 -2011 the total numbers of stock brokers increased to 10,203, Nifty closed at 5833.80 points and Sensex at 19445.20 points. By the year 2011-2012, October the total number of stock brokers increased to 10,245 indicting a increase of 42 members from 10,203 in the year 2011, while Nifty closed at 5295.6 and BSE Sensex at 17404.2. The following table shows the movement of Sensex and Nifty from the year 2000 to 2012.

TABLE 1: NIFTY AND SENSEX MOVEMENT FOR THE PERIOD 2000-2012

YEAR	NO OF BROKERS	DIFFERNCE (increase / decrease)	NSE NIFTY	BSE SENSEX
2000-2001	9,782	--	1148.2	3604.38
2001-2002	9,687	-95	1129.55	3469.35
2002-2003	9,519	-168	978.2	3048.72
2003-2004	9,368	-151	1771.9	5590.6
2004-2005	9,128	-240	2035.65	6492.82
2005-2006	9,335	207	3402.55	11280
2006-2007	9,443	108	3821.55	13,072.10
2007-2008	9,487	44	4734.50	15644.44
2008-2009	9,628	141	3020.95	9708.5
2009-2010	9,772	144	5249.1	17527.8
2010-2011	10,203	431	5833.8	19445.2
2011-2012$	10,245	42	5295.6	17404.2

Source: SEBI publication

GRAPH 1: NIFTY AND SENSEX MOVEMENT FOR THE PERIOD 2000-2012



Source: SEBI

TRADING VOLUME

CASH SEGMENT AT BSE

In the year 2000-2001 the BSE recorded trading volumes of 1,000,032 Crores and the average daily trading volume was around 3,984 Crores. In the year 2002-2003 the trading volumes in BSE increased to3, 14,073 Crores from 3, 07,292 Crores in 2001- 2002. The average daily turnover was 1.251 Crores in the year 2002-2003. By 2005-2006 the average daily turnover increased from 2,050 Crores in 2004-2005 to 3,251 Crores. The total trading volume of bse was 8, 16,074 Crores. The trading volume in 2008-2009 increase to 11,00,074 and the average daily trading volume was 4,527 Crores .by the year 2010-2011 the daily trading volume was 4.333 Crores which slightly decreased from 5,651 Crores in 2009-2010. In 2011-2012 the total trading volume of BSE is 6, 67,498 Crores and the average daily turnover is 2681 Crores.

CASH SEGMENT AT NSE

In the year 2000-2001 the trading volumes of NSE were recorded as 13, 39,510 Crores and the average daily trading volume were around 5,337 Crores. In the year 2002-2003 the trading volumes in NSE increased to 6, 17,989 Crores from 5, 13,167 Crores in 2001- 2002. The average daily turnover was 2,462crores in 2002-2003. The average daily trading volume also increased by leaps and bounds from Rs. 17 crore during 1994-95 to Rs. 6,253 crore during 2005-2006.the total trading volume of NSE was 15,69,558 Crores. The CM segment registered a record number of trades on April 07, 2006 of 3,864,268 trades. In the year 2009-10, the trading volumes increased by 50.36 % to 4,138,023 crore from 2,752,023 crore during 2008-09.

The Average daily trading volume increased from 11,325 crore during 2008-09 to 16,959 crores during 2009-10. The remarkable aspect was that the trading volumes in the year 2009-10 showed a growth of 16.53 % over the trading volumes witnessed in 2007-2008.By 2012 the total trading volumes at NSE was 28,10,893Crores and the average daily turnover was 11,289 Crores.

TURNOVER RATIO

The increase in turnover ratio shown in Table 3 indicated that there was an increase in trading activities in NSE. The turnover ratio in NSE increased from 16.8% in 1995-96 to 82.2% in 1999-00. The turnover ratio which reflects the volume of trading in relation to size of market has been increasing by leaps and bounds after the introduction of internet based trading system by NSE .It is evident from the table that the turnover ratio rose steeply in 2000-01 and exhibited a declining trend till 2005-06 except 2002-03. From 2006-07, the turnover ratio increased to 95.02% till 2008-09. However, in 2009-10 (April-May) i.e. of two months reported a low turnover ratio due to small period of time. The turnover ratio rose to 203.62% in 2010-2011 and in 2011-2012 the turnover ratio was 80.58% as on 30th September 2012. However, in 2009-10 (April-May) i.e. of two months reported a low turnover ratio due to small period of time. The turnover ratio was 16.15in 2010-2011 and in 2011-2012 the turnover ratio was 10.74 as on 30th September 2012. However, in 2009-10 (April-May) i.e. of two months reported a low turnover ratio due to small period of time. The turnover ratio was 16.15in 2010-2011 and in 2011-2012 the turnover ratio was 10.74 as on 30th September 2012.

TRADING VOLUME AND AVERAGY DAILY TURNOVER AT CASH SEGMENT AT NSE AND BSE

TABLE 2: TRADING VOLUME AT CASH SEGMENT AT NSE AND BSE

	BSE					NSE				
Year	Traded Quantity (Lakh)	Trading value (in crores)	Average trade size (Rs)	Average Daily Turnover (₹crore)	Turnover ratio (%)	Traded Quantity (Lakh)	Trading value (in Crores)	Average trade size (Rs)	Average Daily Turnover (₹crore)	Turnover ratio (%)
2000-01	25,85,111	1,000,032	7,002	3,984	174.96	3,29,536	13,39,510	86,980	5337	203.62
2001-02	1,82,196	3,07,292	24,060	1,244	50.19	2,78,408	5,13,167	29,270	2078	80.58
2002-03	2,21,401	3,14,073	22,226	1,251	54.8	3,64,066	6,17,989	25,776	2462	115.05
2003-04	3,90,441	5,03,053	24,806	1,981	41.87	7,13,300	10,99,534	29,090	4329	98.09
2004-05	4,77,171	5,18,715	21,849	2,050	30.54	7,97,685	11,40,072	25,283	4506	71.9
2005-06	6,64,455	8,16,074	30,911	3,251	27.01	8,44,486	15,69,558	25,044	6253	55.79
2006-07	5,60,777	9,56,186	27,618	29,771	26.97	8,55,456	19,45,287	24,790	7812	57.77
2007-08	9,86,010	15,78,855	29,771	20,342	30.72	14,98,469	35,51,038	30,280	4,148	73.09
2008-09	7,39,600	11,00,074	20,342	4,527	35.64	14,26,355	27,52,023	20,161	11,325	95.02
2009-10	11,36,513	13,78,809	22,768	5,651	22.36	22,15,530	41,38,023	24,608	16,959	68.86
2010-11	9,90,777	11,05,027	20,910	4,333	16.15	18,24,515	35,77,410	23,070	14,029	53.37
2011-12	6,54, 137	6,67,498	16,925	2681	10.74	16,16,978	28,10,893	19,551	11,289	

Source: NSE and BSE

MARKET CAPITALISATION AND TURNOVER STATICTICS

NATIONAL STCOK EXCHANGE (NSE)

The total market capitalization of securities available for trading on the CM segment of BSE was 612,224 Crores in the year 2001-2002, in the same year the total market capitalization of NSE was 636,861 Crores. The Market capitalization witnessed an increase of 4.9 % from the previous year in BSE. , The Market capitalization witnessed an increase of110% in NSE. The market capitalization of NSE was 28,96,194 ,there was a drop of more than 40% from the previous year 2007-2008 when the market capitalization at NSE was 48,58,122 . By 2010-2011 the total market capitalization of BSE was 68, 39,084 and the market capitalization of NSE. Was 67, 02,616 Crores. Both BSE and NSE recorded an increase of 11% and 11.5% at BSE and NSE. In the year 2011-2012 the total market capitalization of securities available for trading on the CM segment of BSE was 62,14,941 Crores and NSE was 60,96,518 Crores ,the Market capitalization of NSE witnessed a fall of more than 9 % from the previous year 2010-2011. The total market capitalization of BSE was 60, 96,518 in the year 2011-2012.

BOMBAY STCOK EXCHNAGE (BSE)

The total market turnover of BSE was 10, 00,032 Crores and 13, 39,510 Crores at NSE in 2000-2001. the following year the turnover decreased to 3,07,292 Crores at BSE which witnessed a fall of more than 69 % and the turnover of NSE was 5,13,167 which dropped by more than 62%. By 2010-2011 the turnover at BSE was 11, 05,027 Crores which showed a decrease of more than 20 % from the previous year 2009-2010 when the total turnover was 13, 78,809 Crores. In 2011-2012 the turnover at NSE was 35, 77,410 Crores which showed a drop of 13% from the previous year 2009-2010 when the total turnover was 41, 29,214 Crores. The total turnover in the year 2011-2012 was 6, 67,498 Crores at BSE and 28, 10,893 Crores at NSE. See Table -3

TRENDS IN THE DEPOSITORY ACCOUNTS

The total numbers of investor accounts were 101.4 lakh at NSDL and 60.3 lakh at CDSL at the end of September 2009, the number of participants were 283 at NSDL and 483 at CDSL. The number of stock exchanges connected was 18 in CDSL and 8 at NSDL. By the following month November 2009 the number of investor's accounts increased to 62.3 lakh at CDSL and 102.6 at NSDL at the number of depository participants increased to 490 at CDSL and 285 at NSDL. By March 2010 the total numbers of investor accounts were105.9 lakh at NSDL and 65.9 lakh at CDSL at the end of December 2010, the number of participants were 289 at NSDL and 539 at CDSL.

The number of stock exchanges connected was 18 in CDSL and 8 at NSDL, the number of investor's accounts increased to 539 lakh at CDSL and at NSDL it was around 289. By the end of December 2011 the number of investor's accounts increased to l78.4 lakh at CDSL and 118.5 at NSDL at the number of depository participants increased to 566 at CDSL and 282 at NSDL.

THE BASIC INDICATORS IN CASH MARKET

TABLE 3: MARKET CAPITALISATION AND TURNOVER AT CAPITAL MARKET SEGMENT AT NSE AND BSE

Year	Market Capitalisation (₹crore)				Turnover (₹crore)			
	BSE	Percentage of growth	NSE	Percentage of growth	BSE	Percentage of growth	NSE	Percentage of growth
2000-2001	5,71,553	--	657847	--	10,00,032	---	13,39,510	--
2001-2002	6,12,224	7	636861	-3.19	3,07,292	-69.27	5,13,167	-62
2002-2003	5,72,197	-7	537133	-15.65	3,14,073	2.20	6,17,988	20
2003-2004	12,01,206	110	1120976	108.69	5,03,053	60.17	10,99,535	78
2004-2005	16,98,428	41	15,85,585	41.44	5,18,715	3.11	11,40,071	4
2005-2006	30,22,189	78	28,13,201	77.42	8,16,074	57.32	15,69,556	38
2006-2007	35,45,041	17	33,67,350	19.69	9,56,186	17.16	19,45,285	24
2007-2008	51,38,041	45	48,58,122	44.27	15,78,855	65.12	35,51,038	83
2008-2009	30,86,075	-40	28,96,194	-40.38	11,00,074	-30.32	27,52,023	-23
2009-2010	61,65,619	100	60,09,173	107.48	13,78,809	25.33	41,29,214	50
2010-2011	68,39,084	11	67,02,616	11.53	11,05,027	-19.85	35,77,410	-13
2011-2012$	62,14,941	-9	60,96,518	-9.04	6,67,498	-39.59	28,10,893	-21

Source: NSE and BSE

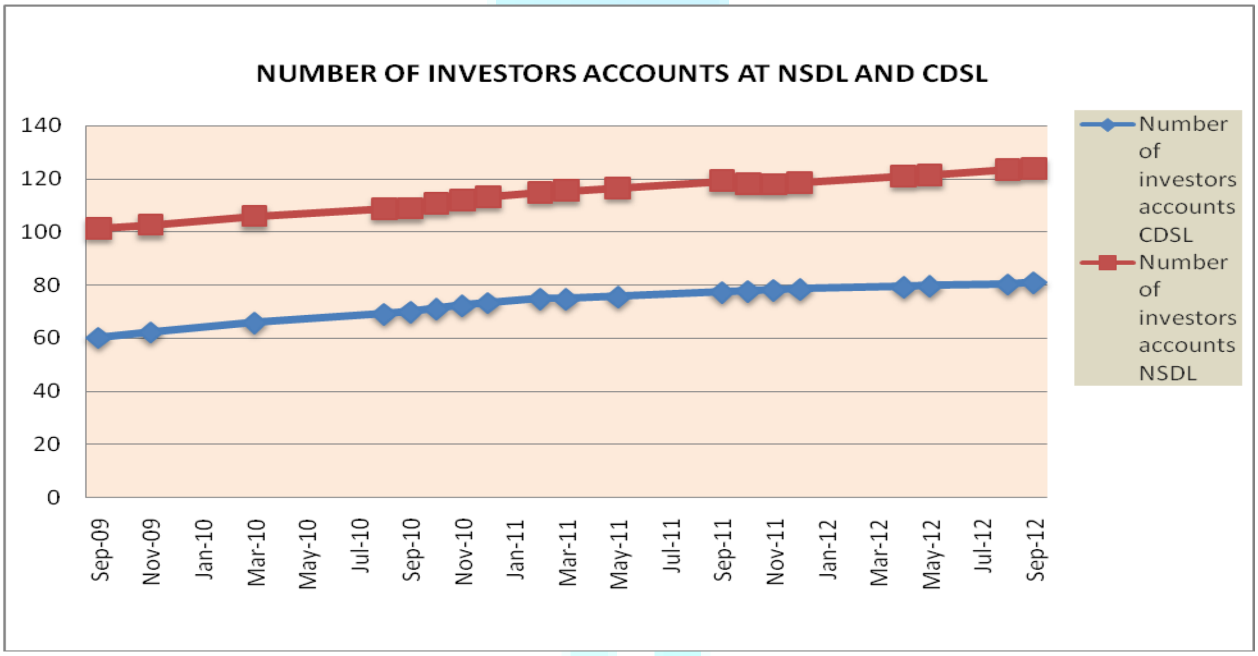
The total number of investor accounts was 119.1 lakh at NSDL and 78.6 lakh at CDSL at the end of January 2012. The number of investor accounts in January 2012 increased by 0.5 percent at NSDL and 0.2 percent at CDSL over the previous month. The total number of investor accounts was 121.4 lakh at NSDL and 79.6 lakh at CDSL at the end of May 2012. By September 2012 the number of investor's accounts increased to 81.0 lakhs at CDSL and 123.8 at NSDL, The numbers of depository participants were 283 in NSDL and 568 at CDSL as on September 2012. The following is the table depicting the number of investors accounts, depository participants, number of stock exchanges connected and number of companies signed in for de-materialization process at CDSL and NSDL as shown in Table -4.

TABLE 4: NUMBER OF INVESTORS ACCOUNTS AT NSDL AND CDSL

Date	Number of companies		Number of investors accounts		Number of participants		Number of stock exchanges connected	
	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL
Sep 2009	6351	7871	60.3	101.4	483	283	17	8
Nov 2009	6421	7919	62.3	102.6	490	285	18	8
March 2010	5979	5053	65.9	105.9	495	286	18	8
Aug 2010	7117	8451	69.2	108.7	516	286	18	8
Sep 2010	7207	8514	69.9	108.8	519	288	18	8
Oct 2010	7292	8570	71.1	110.7	525	290	18	8
Nov 2010	7363	8361	72.3	111.9	531	290	18	8
Dec2010	7501	5158	73.4	113.2	539	289	18	8
Feb 2011	6610	5176	74.9	114.8	540	293	18	8
March2011	6786	5195	74.8	115.4	544	293	18	8
May2011	7033	5222	75.6	116.5	550	293	18	8
Sep2011	5353	5270	77.4	119.1	556	297	18	8
Oct2011	7474	5286	77.7	118.0	559	298	18	8
Nov2011	7541	5299	78.1	117.8	561	284	18	8
Dec2011	7582	5313	78.4	118.5	566	282	18	8
April2012	7801	5378	79.3	120.9	568	283	18	8
May2012	7907	5400	79.6	121.4	569	282	18	8
Aug2012	5508	5436	80.3	123.2	570	284	18	8
Sep2012$	5511	5443	81.0	123.8	568	283	18	8

Source: NSE fact book

GRAPH 2: GROWTH IN THE NUMBER OF INVESTORS IN NSDL AND CDSL



TECHNOLOGY AND APPLICATION SYSTEMS IN NSE

In recognition of the fact that technology will continue to redefine the shape of the securities industry, NSE stresses on innovation and sustained investment in technology to remain ahead of competition. The NSE is the first exchange in the world to use satellite communication technology for trading. It uses satellite communication technology to energize participation from about 2,100+ VSATs from nearly 174 cities spread across the country. NSE's trading system, called the National Exchange for Automated Trading (NEAT), is a state-of-the-art client-server based application. BSE's On Line Trading System was launched on March 14, 1995. NSE's Internet Based Information System (NIBIS) has also been put in place for online real-time dissemination of trading information over the Internet.

ON-LINE TRADING IN INDIA

Today increasingly, investors are attracted to the allure of online investing rather than to rely solely on their stockbrokers for advice and information. Having taken advantage of information technology at an opportune time trading on capital market segment has been witnessing a substantial growth over the years, With the increase in volumes, efficient and transparent trading platform, offering a wide range of securities .The rapid growth in on-line trading volumes can be attributed to the growing sophistication of retail investors, availability of reliable internet connectivity and the sophistication of the internet trading products.

TABLE 5: GROWTH OF INTERNET TRADING

Year	Enabled members	Registered clients	Internet Trading Volume (Rs. Crores)	Internet Trading Volume (US $ millions)	% of Total trading volume
2000-2001	61	1,23,578	7,287.81	1,562.57	0.54
2001-2002	82	2,31,899	8138.81	1,667.79	1.59
2002-2003	80	3,46,420	15,360.76	3,233.84	2.48
2003-2004	70	4,63,560	37,945.08	8,745.12	3.45
2004-2005	78	8,49,696	81,033.81	18,522.01	7.11
2005-2006	142	14,43,291	1,83,428.25	41,118.25	11.68
2006-2007	242	22,79,098	3,37,524	77,432	17.35
2007-2008	305	44,05,134	6,68,399	1,67,225	18.82
2008-2009	349	56,27,789	6,92,789	1,35,974	25.17
2009-2010	363	51,43,705	9,21,380	2,04,116	11.13
2010-2011	387	56,40,513	7,65,271	1,71,393	10.7
2011-2012	428	61,48,447	5,97,430	116.78	10.63

Source: NSE-Fact Book 2012

In 2000 61 members who were permitted to provide internet based trading, the members of the exchange in turn had registered 123,578 lakh clients for web based access as on March 31, 2000- 2001. In 2011-2012 428 members registered 61, 48,447 clients for wed based trading. In 2000 the internet trading volume in the capital market segment was around 7,288 lakh constituting around 0.54% of the total trading volume. In 2001 the volume increased to 8138.81lakh and in 2003 the trading volume was around 15,360.76 lakh and by March 31, 2005 about 499 lakh trades for Rs. 81,034 Crores, constituting 7.11% of total trading volume, were routed and executed through internet. And in 2011 - 2012, a total of 597,430 crore constituting 10.63 % of the trading value was routed and executed through the internet. Online trading increased trade volumes and number of investors trading in stock markets. Table 5 shows the growth of internet trading from the years 2000 to 2012.

SECONDARY MARKET–OVER ALL GROWTH

The exchanges in the country offer screen-based trading system. The market capitalization has grown over the period, indicating that more companies are using the trading platform of the stock exchange. The market capitalization across India was around ₹ 68,430,493 million (US $ 1,532,598 million) at the end of March 2011. Market capitalization ratio is defined as the market capitalization of stocks divided by the GDP. It is used as a measure that denotes the importance of equity markets relative to the GDP. It is of economic significance since the market is positively correlated with the ability to mobilize capital and diversify risk. The all-India market capitalization ratio decreased to 86.89 percent in 2010–2011 from 94.2 percent in 2009–2010.

The trading volumes on the stock exchanges have been witnessing phenomenal growth over the past few years. The trading volumes had picked up from 2002–2003 onwards. It stood at ₹ 9,689,098 million (US $ 203,981 million) in 2002–2003, and witnessed a year-on-year increase of 67.29 percent in 2003–2004, standing at ₹ 16,209,326 million (US $ 373,573 million). The table- 6 depicts the overall growth and turnover in the capital market segment of NSE and BSE.

OVER ALL GROWTH AND TURNOVER OF SECONDARY MARKET—SELECTED INDICATORS

TABLE 6: OVER GROWTH AND TURNOVER OF SECONDARY MARKET

Year	Nifty	Sensex	Market Capitalisation in millions (Rs)	Market Capitalisation (US $ mn)	Market Capitalisation Ratio (%)	Turnover in millions (Rs)	Turnover (US $ mn)	Turn over Ratio (%)
2000-2001	1148.20	3604.38	7,688,630	164,851	54.50	28,809, 900	617,708	374.71
2001-2002	1129.55	3469.35	7,492,480	153,534	36.36	8,958,180	183,569	119.56
2002-2003	978.20	3048.72	6,319,212	133,036	28.49	9,689,098	203,981	153.33
2003-2004	1771.90	5590.60	13,187,953	303,940	52.25	16,209,326	373,573	122.91
2004-2005	2035.65	6492.82	16,984,280	388,212	54.41	16,668,960	381,005	98.14
2005-2006	3402.55	11280.00	30,221,900	677,469	85.58	23,901,030	535,777	79.09
2006-2007	3821.55	13,072.10	35,488,081	814,134	86.02	29,014,715	665,628	81.76
2007-2008	4734.50	15644.44	51,497,010	1,288,392	109.3	51,308,160	1,283,667	99.63
2008-2009	3020.95	9708.50	30,929,738	607,061	55.40	38,520,970	756,054	124.54
2009-2010	5249.10	17527.80	61,704,205	1,366,952	94.20	55,168,330	1,222,161	89.41
2010-2011	5833.80	19445.20	68,430,493	1,532,598	86.89	46,824,370	1,048,698	68.43

CONCLUSION

In secondary markets, the Capital Market Segment of NSE and BSE have been continuously growing over the past few years. The share of turnover of NSE/ is the largest as compared to other stock exchanges. Although a number of listed companies on NSE are much less as compared to the BSE, the NSE has surpassed all records set by the BSE (a 125 year old exchange) in terms of average daily turnover. This is because the NSE has a completely mechanized trading system which includes VSATs connections, separate clearing and settlement system. The secondary markets' behaviour has a powerful influence on the course of economic activity. The role of secondary market in Indian financial system is getting transformed from being peripheral to becoming central. The economic growth of any country requires rising levels of investment. India, with its vast investor base, strong capital market tradition and vibrant industry can optimally utilize the stock markets to raise resources cheaply and provide an impetus for economic growth. But this is possible only through by building investors confidence who contribute to the stock markets' growth. With an increase in the number of investors, (traditional and online) and trading volume, the secondary market is bound to face see phenomenally changes in the future.

REFERENCES

1. Agarwala, K. and Agarwala, D. (2000), Bull, Bears and the Mouse: An Introduction to Online Stock Trading, Macmillan India, New Delhi.
2. Bhole, L.M. (1982), Financial Markets and institutions: Growth, Structure and innovations, Tata Mcgraw- Hill, New Delhi.
3. Coles, M.G. (1999), "Turnover Externalities with Marketplace Trading", International Economic Review, Vol.40, No.4, Nov, pp.851-868.
4. Kato and Long (2006), "Executive turnover and Firm Performance in China", The American Economic Review, Vol.96, No.2, May2006, pp.363-367.
5. Kumar, A. (2008), "Determinants of Stock Trading Volume: Evidence from Indian Stock Market",May. Downloaded from: www.ssrn.com.
6. Massimb, M.N.; and Phelps, B.D. (1994), "Electronic Trading, Market Structure and Liquidity", Financial Analyst Journal, Vol.50, No. 1, Jan-Feb.

WEBSITES

7. www.BSE.com
8. www.NSE.com

AN EMPIRICAL STUDY ON THE RELATIONSHIPS AMONG TRANSFORMATIONAL LEADERSHIP DIMENSIONS, JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT OF BANK EMPLOYEES

FERIT ÖLÇER
ASSOCIATE PROFESSOR
FACULTY OF ECONOMICS & BUSINESS ADMINISTRATIVE SCIENCES
MUSTAFA KEMAL UNIVERSITY
HATAY

ABSTRACT

The purpose of this study was to empirically investigate the relationships among the five dimensions of transformational leadership (idealized influence-behaviors; idealized influence-attributes; inspirational motivation; intellectual stimulation; and individualized consideration), job satisfaction and organizational commitment. This study also tested the mediating role of job satisfaction in the relationship between transformational leadership dimensions and organizational commitment. A survey questionnaire was used to collect data from a sample of employees in banking sector. The data was analyzed by using SPSS software. Multiple regression analyses were conducted to examine the relationships among variables. The results of this study indicated that idealized behaviors, idealized attributes, inspirational motivation, intellectual stimulation, and individualized consideration had positive effects on employees' job satisfaction and organizational commitment. The results also indicated that job satisfaction significantly and positively affected organizational commitment. However, job satisfaction did not mediate the positive effects of transformational leadership dimensions on organizational commitment.

KEYWORDS

transformational leadership, idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, job satisfaction and organizational commitment.

1. INTRODUCTION

Transformational leadership is emphasized and has been studied extensively by leadership researchers because of its positive effects on employees' behavior and outcomes (Barling et al., 1996; Emery & Barker, 2007; Avolio et al., 2004; Podsakoff et al., 1996). Recent research in this area shows that the ability of leaders to properly demonstrate transformational style such as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration in managing organization functions may have a significant effect on employee outcomes, especially performance, job satisfaction and organizational commitment (Bycio et al., 1995). So, transformational leadership is considered to be the most effective leadership style. On the other hand, due to their impact on performance, employee turnover, employee retention and the success of an organization, job satisfaction and organizational commitment are two of the most prevalent work attitudes examined in the work and organizational literature for several decades (Currivan, 1999; Lok & Crawford, 2004). Job satisfaction is considered an important indicator of how staff members' feel about their job commitment to their organization and a predictor of turnover (Spector, 1997). Those employees who are satisfied from the organization they considered are the important assets of an organization and organization want to retain those employees's on long term and want to spend cost of training and development. When employees are satisfied with their job, they are committed and usually not tempted to look for other opportunities (Lok et al., 2007). Moreover, numerous literatures suggest that commitment and involvement of all the organization's members is crucial in the achievement of continuous excellence in services. Because committed employees are more likely to have long tenure and consequently gain more knowledge and experience to improve service quality which will result in higher customer satisfaction. Therefore, organizations try to encourage commitment in their employees in order to achieve stability and avoid cost when employees leave. On the other hand, many theoretical and empirical studies have demonstrated transformational leadership is an important factor that might be affecting both followers' job satisfaction and organizational commitment and concurred that transformational leadership has significant impacts on job satisfaction and organizational commitment (Avolio et al., 2004; Bass & Riggo, 2006; Bodla & Nawaz, 2010; Omar, 2011; Emery & Barker 2007; Koh et al., 1995; Nguni et al., 2006, Barling et al., 1996; Bushra et al., 2011). Mosadeghrad & Yarmohammadian (2006) states that leadership is viewed as an important predictor of job satisfaction and by using appropriate leadership styles, managers can affect employee job satisfaction, commitment and productivity.

As such, this study had three purposes: 1) to determine the significant relationships among transformational leadership dimensions, job satisfaction and organizational commitment, 2) to examine the effects of transformational leadership dimensions on job satisfaction and organizational commitment, and 3) to test the potential mediating effect of job satisfaction on the relationship between transformational leadership dimensions and organizational commitment. To address the purposes of this study, the major research questions addressed by this study are: 1) How and why do perceived transformational leadership dimensions relate to job satisfaction and organizational commitment? 2) Do transformational leadership dimensions have effects on job satisfaction and organizational commitment? 3) How does job satisfaction affect organizational commitment? 3) Does job satisfaction mediate the effects of transformational leadership dimensions on organizational commitment? Thus, this study can close the existing literature gap and make some useful contributions to the body of knowledge on the existing transformational leadership to theorizing about the effects of employees' perceptions of transformational leadership on their job satisfaction and organizational commitment with regards to Turkish banking sector. In addition, the study helps practitioners to adopt transformational leadership style which can help to enhance employees' job satisfaction and in turn, increase organizational commitment to organizations in spite of the availability of alternative job opportunities. It was also hoped that the research findings may offer some insights to the bank organizations in Turkey to better understand on how to increase job satisfaction and organizational commitment of employees through transformational leadership style.

2. LITERATURE REVIEW

Transformational leadership defines by Bass (1985) as a significant performance by the leadership is that it inspires the followers to prefer the interest of group upon own self-interest and the leaders take care the welfares of their teams. Under Bass' model, Transformational leadership consists of five dimensions that include idealized influence (behaviors), idealized influence (attributed), inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985; Bass & Riggio, 2006; Avolio et al., 2004). Idealized influence can also be described as charisma, which leads to modeling the behavior a leader expects of their followers. This aspect is viewed in two perspectives. Idealized influence (attributed) involves communicating and embedding a sense of vision and mission in the followers. Idealized influence (behavior) refers to the leader act as a role model, shows exemplary leadership and followers observe him and perform accordingly. Inspirational motivation refers to the leader communicates the futuristic vision, clarifies the paths for the followers by eliminating ambiguities and uses referent power to persuade their supporters. Intellectual simulation refers to leader supports creativity and encourages followers to solve old problems by adopting new ways, give confidence to do rational reasoning, and brainstorming. Individualized consideration refers to leader truly attach with followers by considering their individual needs, give them care and attention and empowering power. Another variable addressed in the study was job satisfaction. It can be defined as the one's feeling of liking and disliking about the job and its various aspects or the degree to which jobs are liked by the employees (Spector, 1997). It includes specific features of satisfaction associated with pay, benefits, supervision, organizational practices, promotion, work conditions and relationships with co-workers. The other construct of the present study was organizational commitment. Meyer & Allen (1991) defined it as a psychological link between the employee and the organization that makes it less likely that the employee will voluntarily leave the system. They stated that the three constructs of affective, continuance and normative commitment together make up the overall concept of organizational commitment. Affective commitment is the emotional attachment to the organization that an employee feels, as well as a belief in its values. Continuance commitment is the perceived economic value of remaining with an organization compared to leaving it. Finally, normative commitment is an obligation to remain with the organization for moral or ethical reasons.

2.1 The Relationship between Transformational Leadership Dimensions and Job Satisfaction

Transformational leadership style is very important for the employees' positive attitude. Its' absence may present an incomplete picture of impact of working conditions on job satisfaction. Krishnan (2005) expresses transformational leadership as a key factor of high job satisfaction and thus increased employee performance. Transformational leaders create an effective influence on their followers, encourage and motivate their followers to think in a creative and innovative way, therefore provide a high job satisfaction level by supporting followers' act of making individual choices (Watson, 2009). A number of empirical studies found that transformational leadership had significant positive effect on employees' job satisfaction. For example, Zehir et al. (2011) found that transformational leadership had direct and indirect significant effects on subordinate's job satisfaction and organizational commitment. Elkordy (2013) concluded that the path coefficient for the effect of transformational leadership to satisfaction indicate a considerable positive influence of leadership on satisfaction. Atmojo (2012) found that transformational leadership significantly influenced job satisfaction. Wang et al. (2012) confirmed that transformational leadership was affecting positively to nurses satisfaction level in health sector. Similarly, Emery & Barker (2007) supported the proposition that employees managed under a transformational style of leadership will have higher levels of job satisfaction. Riaz & Haider (2010) concluded transformational leadership style had positive impact on job success and career satisfaction in context of Pakistan. Bycio et al. (1995) found that transformational leadership has strong correlations with the three dimensions of organizational commitment. Omar (2011) proved that the relationship of transformational leadership components showed a positive impact on job satisfaction. In the same manner, Bogler (2001), reported that transformational leadership was found to have a strong positive impact on job satisfaction of employees in Israel's' work settings. A research on banking sector employees of Pakistan also concluded the positive impact of transformational leadership on job satisfaction (Bushra et al,. 2011). Awamleh et al. (2005) came to interesting results in their study among bank employees and they confirmed that a transformational leadership style of bank managers is likely to boost employees' job satisfaction and performance. Awamleh & Al-Dmour (2004) confirmed that a transformational leadership style of bank managers had more statistically significant positive effects employees' job satisfaction and performance among bank employees. Walumbwa et al. (2005), in a study conducted among 402 Chinese and Indian banking and finance staff, found that transformational leadership is positively related to organizational commitment and job satisfaction. Barling et al. (1996) found that the application of a transformational leadership training program on bank managers resulted in significant effects on subordinates' perceptions of leaders' transformational leadership, as well as on subordinates' own organizational commitment.

Bodla & Nawaz (2010) found that all dimensions of transformational leadership and employee's job satisfaction have positive correlation, but except for individualized consideration. Likewise, Voon et al. (2011) found that all four dimensions of transformational leadership style have significant relationships with employees' job satisfaction in the public sector organizations in Malaysia. Kieres (2012) found that all dimensions of transformational leadership were the strong, significant predictors of general job satisfaction. Xiaomeng et al. (2011) found that ideal influence and inspirational motivation were the strong predictors affecting the job satisfaction. Zhou (2012) found that idealized influence and individualized consideration had the most important effect on the intrinsic and extrinsic job satisfaction respectively. Podsakoff et al. (1996) found positive effects of transformational leadership behaviors on job satisfaction among a wide range of industries, organizational settings and job levels, including banks. Moreover, he stated that idealized influence and individualized consideration showed very high determinant in predicting subordinate job satisfaction. Barnett (2003) focused on two leadership behaviors, dissemination of vision and individualized consideration, finding that individualized consideration has a greater impact on teacher perceptions of overall satisfaction with leadership than did vision. Other researchers have identified intellectual stimulation (Amoroso, 2002; Mota, 2010) and individualized consideration (Amoroso, 2002) as having a positive impact on teacher job satisfaction. Hanaysha et al. (2012) found that intellectual stimulation was significantly related to job satisfaction. However, they stated that for individual consideration, the relationship was significant but in the negative direction and leader's charisma or inspiration was found to be having no affect on the job satisfaction. Omar & Hussin (2013) found that only intellectual stimulation has positive effect on job satisfaction, while individualized consideration, in contrast exhibits a strong negative relationship with job satisfaction. Arzi & Farahbod (2014) found that intellectual stimulation, vision and supportive leadership had the significant impact on job satisfaction. Based on these arguments and earlier studies, this study hypothesizes that: H_1: Transformational leadership dimensions (i.e., idealized influence-behavior, idealized influence-attributed, inspirational motivation, intellectual stimulation, and individualized consideration) will have positive effects on job satisfaction.

2.2 The Relationship between Job Satisfaction and Organizational Commitment

The relationship between job satisfaction and organizational commitment is very important at the moment because now people often do not wish to continue working for the same organization for longer periods of time. It is believed that these two variables are highly interconnected. However, there are still some controversy issues regarding both constructs. Two points of views emerged: The first is that job satisfaction is considered to be antecedent to organizational commitment. The second point of view is that organizational commitment is considered to be antecedent to job satisfaction. Although the results and conclusions are mixed, there is strong evidence that the first point of view is the most common (Williams & Hazer, 1986; Currivan, 1999; Chen, 2006), assuming the view dominant up to now, that job satisfaction was the cause of greater organizational commitment. For example, the preponderance of empirical evidence in a meta-analytic review conducted by Mathieu & Zajac (1990) supported the notion that job satisfaction has an antecedent influence on organizational commitment rather than the reverse. Meta-analytic findings based on 59 empirical studies indicated that organizational commitment is primarily a consequence, rather than an antecedent, of job satisfaction (Brown & Peterson, 1993). Bogler (2001) states that job satisfaction is a determinant of commitment, and that an individual must be satisfied with their job before developing a sense of organizational commitment. Likewise, Leite et al.'s study (2014) results obtained corroborate the role of satisfaction at work as an antecedent rather than a consequence of organizational commitment. As a result, job satisfaction is one of the attitudinal constructs that has been shown to be related to organizational commitment, but its treatment as an independent construct should be emphasized. Then, this study predicts that job satisfaction is antecedent to organizational commitment. Accordingly, a satisfied employee is more committed and can be retained on the organization for a longer period thus enhancing the productivity of the company (Bushra et al., 2011). Job satisfaction as a significant determinant of organizational commitment has been well documented in numerous studies. Williams & Hazer (1986) found a direct link between job satisfaction and organizational commitment, whereby job satisfaction is an antecedent of organizational commitment. Elkordy's (2013) study results confirmed the importance of job satisfaction as a predictor of employees' commitment to their organization. Nagar (2012) found that job satisfaction was a significant predictor of a teacher's commitment toward his/her organization. Turpin (2009) found that job satisfaction significantly influenced organizational commitment. Ghalandari (2013) found that job satisfaction had a significant direct and positive effect on organizational commitment. Testa (2001) concluded in its study that increases in job satisfaction will stimulate increased organizational commitment and, in turn, service effort. Imam et al. (2013) found a positive impact of job satisfaction on organizational commitment of bank employees. To investigate the relationship between job satisfaction and organizational commitment, the model proposed in this study assumed that job satisfaction was causally an antecedent of organizational commitment and higher job satisfaction produced higher organizational commitment. Thus, we hypothesize that: H_2: Job satisfaction will have positive effect on organizational commitment.

2.3 The Relationship between Transformational Leadership Dimensions and Organizational Commitment

Under the theoretical foundation, Bass (1985) claimed that transformational leadership strengthened subordinates' commitment, involvement, and loyalty level. Transformational leadership would affect employee's commitment of followers through encouraging them to think about critical issues, to apply innovative procedures, to participate in decision-making process, to create loyalty, and to fulfill their different needs. This opinion was supported by Lok & Crawford (2004), which says that the leadership can have a significant impact on organizational commitment. Essentially, there is considerable research available suggesting that the transformational leadership style is positively associated with organizational commitment in a variety of organizational settings and cultures. The empirical and meta-analytic studies suggested that followers working with transformational leaders were more committed to their organizations and demonstrated fewer withdrawal behaviors (Avolio et al., 2004; Barling et al., 1996; Shamir et al., 1993). Avolio et al. (2004) conducted a study on staff nurses in a public hospital in Singapore and found that transformational leadership style positively influences organizational commitment. It is also supported by study of Walumbwa et al. (2004) as their results showed that transformational leadership has a strong and positive effect on organizational commitment. In a doctoral study, Amoroso

(2002) found positive effects of transformational leadership behaviours on commitment. Lo et al. (2010) found that there was a positive direct relationship between three dimensions of transformational leadership which are intellectual stimulation, idealized influence and inspirational motivation, and affective and normative commitment and they were significantly predicting organizational commitment. Nguni et al. (2006) found that transformational leadership behaviors had strong to moderate positive effects on primary school teachers' job satisfaction and organizational commitment in Tanzania and idealized influence had the greatest effect and accounted for the largest proportion of variation on the two variables. Atmojo (2012) found that transformational leadership significantly influences employee organizational commitment. Turpin (2009) found that transformational leadership has a significant positive effect on organizational commitment. In another experimental study, Barling et al. (1996) reported a significant impact of transformational leadership on followers' commitment and unit-level financial performance. Afolabi (2013) concluded that transformational leadership has a statistically significant total effect on total commitment, affective commitment, and normative commitment. Bycio et al. (1995) found that transformational leadership was close positively related to the organizational commitment. Koh et al. (1995) found that transformational leadership did have a significant effect on organizational commitment and teacher satisfaction with their leader in Singapore.

Batool (2013) found that the independent effects of all dimensions of transformational leadership (charisma and intellectual stimulation/individual consideration) had significant and positive effect on employees' affective commitment. Emery & Barker (2007) found that the three factors of transformational leadership, i.e. charisma, intellectual stimulation, and individual consideration, were significantly correlated with the organizational commitment of customer contact personnel in banking and food store organizations. Kieres (2012) found that all of the five transformational leadership behaviors as predictive of teacher job satisfaction and organizational commitment. Findings in Riaz et al.'s (2011) study showed the independent effects of all dimensions of transformational leadership which proved that there was significant and positive relationship between transformational leadership style and organizational commitment of bank employees. More recently, Yunus & Ibrahim (2015) concluded that only individual consideration has significant relationship with affective commitment. Kent & Chelladurai (2001) posited that individualized consideration and intellectual stimulation have positive relationships with both affective commitment and normative commitment. Back (2012) found that two transformational leadership behaviors, such as, charisma and inspirational motivation have statistically significant influence on the perception of PMs' organizational commitment. Cemaloğlu et al. (2012) showed that inspirational motivation and individualized consideration predicted affective commitment significantly. Ahmadi (2014) found that transformational leadership dimensions (idealized influence, inspirational motivation, intellectual stimulation, individual consideration) are effective in predicting organizational commitment. Feizi et al. (2014) found that three components of transformational leadership, namely idealized influence, individual considerations, and intellectual stimulation are considered as predictor variables in secondary school teachers of Germi. Srithongrung (2011) has found that inspirational motivation component of transformational leadership has significant effect on organizational commitment. Hemedoğlu & Evliyaoğlu (2014) found that three was significant effects of inspirational motivation on organizational commitment ant its components. Thus, this study hypothesizes that: H_3: Transformational leadership dimensions (i.e., idealized influence-behavior, idealized influence-attributed, inspirational motivation, intellectual stimulation, and individualized consideration) will have positive effects on organizational commitment.

2.4 Mediating Role of Job Satisfaction

Although transformational leadership is related to organizational commitment conceptually and experimentally, there are few studies dealing with intermediary processes or factors through which transformational leaders influence followers' organizational commitment (Ahmadi, 2014). The present documents could not ascertain the influence of transformational leadership to organizational commitment is direct or indirect. If there is mediating variable, still no way to ascertain the real mediating variable. Although direct effects model based study has provided significant findings, it does not sufficiently explain how and why transformational leadership style affect organizational commitment in dynamic organizations (Avolio et al., 2004; Bycio et al., 1995). Recognizing that a variety of different processes may be involved in transformational leadership, we explored the potential mediating role of job satisfaction with respect to the relationship between transformational leadership and organizational commitment in the present study. Several studies have been conducted on the mediating effect of job satisfaction between commitment and transformational leadership. Afolabi (2013) examined the mediating effect of job satisfaction between transformational leadership and organizational commitment of employees of small certified public accounting firms in the Mid-Atlantic region of the USA. Thus, the conclusion of this study showed that job satisfaction partially mediated the relationship between transformational leadership and organizational commitment. Nguni et al. (2006) stated that job satisfaction appeared to be a mediator of the effects of transformational leadership on teachers' organizational commitment and organizational citizenship behavior. Mohamad (2012) concluded in its findings that the mediating analysis indicated that job satisfaction mediates the relationship between perceived transformational leadership style and organizational commitment. Ghalandari (2013) found that all the effects of transformational leadership dimensions on organizational commitment were expected to be intervened by job satisfaction. Therefore, it can be argued that transformational leadership dimensions significantly influences job satisfaction, which in turn, could lead to increase in the level of organizational commitment. Thus, we can hypothesize that: H_4: Job satisfaction mediates the effects of transformational leadership dimensions on organizational commitment.

3. RESEARCH METHODOLOGY

3.1 Population and Sample

This study used a cross-sectional survey research design by means of a self-administered questionnaire to collect the data. The population for this study consisted of the total of 384 bank employees working at 16 branches of the private bank in Hatay, Turkey. A sample of 250 employees was randomly selected based on the list obtained from the HR department of the bank. Participation in the study was entirely voluntary. Employees' identities were anonymous and confidentiality of responses was assured. All employees were given standardized instructions and completed the questionnaire during normal working hours on bank premises. Of the 250 questionnaires distributed, a total of 120 usable ones were returned and the effective response rate was thus 48%. Among the bank employees, 57.5% were male and 42.5% were female. Regarding the marital status of the employees, 47 employees (39.1%) were single and 73 persons (60.8%) were married. The average age of employees was 31.48±6.032 in this research. Approximately 76.7% of them had an education level of Bachelor degree, with an average organizational tenure of 7.24±5.937 years.

3.2 Measures

The researcher used a survey questionnaire consist of existing standardized scales as the primary research instrument to collect the data pertaining to demographics, perceived transformational leadership, employees' job satisfaction and organizational commitment. The Multifactor Leadership Questionnaire (MLQ-5X-short form) was used to measure transformational leadership style of managers (Bass & Avolio, 2004). It consisted of five subscales and 20 items that measure five dimensions of transformational leadership style which were idealized influence-behaviors, idealized influence-attributed, inspirational motivation, intellectual stimulation, and individualized consideration. Each scale consisted of 4 items that were rated on a 5-point Likert-type scale ranging from not at all (1) to frequently, if not always (5). The Cronbach's alpha reliability estimate for overall transformational leadership was 0.94. The Cronbach's alphas for the five dimensions were 0.86 (idealized influence-behaviors), 0.94 (idealized influence-attributed), 0.92 (inspirational motivation), 0.91 (intellectual stimulation), and 0.92 (individualized consideration). The Minnesota Satisfaction Questionnaire (MSQ-short form) was used to measure the level of job satisfaction among employees. MSQ included 20 items focusing on the measurement of employee intrinsic and extrinsic job satisfaction as well as general satisfaction. The respondents indicated how satisfied they were with the reinforcement on their present job with a scale ranging from very dissatisfied (1) to very satisfied (5). For this study the overall or global measure of job satisfaction was assessed. Responses were summed across the 20 items to obtain the overall job satisfaction score. High scores indicated that the employees had high levels of job satisfaction. In this study, Coefficient alpha for this scale was 0.93. Organizational commitment was measured using Meyer & Allen's (1997) revised Organizational Commitment Questionnaire (OCQ). OCQ consisted of 18 items measuring the three dimensions of organizational commitment, namely affective, continuance, and normative commitment (six items for each dimension) on a 5-point Likert-type scale (from 1=strongly disagree to 5=strongly agree). Researcher used a one-dimensional construct and measured organizational commitment as whole. The scale scores were obtained by calculating the average of the 18 responses, and higher scores indicated higher organizational commitment. The internal reliability coefficient of the overall organizational commitment scale in this study was 0.82.

3.3 Data Analysis

All data were analyzed with SPSS version 16.0 software. The selection of different statistical techniques to analyze the data of this study was based on the research purposes of the study. First of all, Cronbach's alpha coefficients were computed using reliability analysis to assess the internal consistency of the measuring instruments. Descriptive statistics such as mean scores and standard deviations were computed according to the variables. Pearson product-moment correlation analysis applied in order to check the nature of relationship between the variables and also to identify the level of autocorrelations in variables and multicolliniarity. The primary data analysis technique employed to test the research hypotheses was a series of multiple regression analyses. It simultaneously examined the unique strength and direction of the individual contribution of transformational leadership dimensions on the dependent variable in this study. A hierarchical multiple regression analysis was also conducted to test possible mediating effect of overall job satisfaction on the relationship between transformational leadership dimensions and organizational commitment. Standardized beta was used for all of regression analyses. Statistical significance was considered for p values less than 0.05.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics and Correlation Analysis

The descriptive statistics and correlation coefficients for all study variables were presented in Table 1 with the Cronbach's alpha for each scale shown in bold and on the diagonal. The results of mean analysis indicated that aggregate mean value for transformational leadership was 3.16, explaining bank employees viewed about a transformational leadership style of the supervisor. In other words, transformational leadership was being exercised by the managers of the studied banks. Moreover, each dimension was rated with mean value of 3 except for idealized behaviors. In the case of bank employees' perceptions of their managers' leadership behaviors, intellectual stimulation (M=3.39) was the most perceived bank managers' leadership behaviors, while idealized behaviours (M=2.81) was the least perceived leadership dimension. The mean score of employees' job satisfaction reached a mean of 3.65, indicating a moderate level of job satisfaction. The mean of overall organizational commitment was 3.15, showing that the employees were moderately commitment to their banks. The Cronbach's alpha coefficients which reported earlier were between 0.82 and 0.94 and confirmed that all evaluation variables used for this study meet internal consistency.

TABLE 1: DESCRIPTIVE STATISTICS AND CORRELATION ANALYSIS

Variables	Mean	SD	1	2	3	4	5	6	7
Idealized behaviors	2.81	0.88	(0.86)						
Idealized attributes	3.32	0.91	0.43**	(0.94)					
Inspirational motivation	3.05	1.06	0.80**	0.40**	(0.92)				
Intellectual stimulation	3.39	0.90	0.40**	0.61**	0.53**	(0.91)			
Individualized consideration	3.25	1.02	0.51**	0.68**	0.53**	0.59**	(0.92)		
Job satisfaction	3.65	0.93	0.39**	0.56**	0.30**	0.52**	0.54**	(0.93)	
Organizational commitment	3.15	0.58	0.50**	0.45**	0.34**	0.40**	0.29**	0.38**	(0.82)

Note: Cronbach's Alphas are shown in parentheses on the diagonal.
** Correlation is significant at the 0.01 level (2-tailed)

The results of Pearson correlation analysis indicated that all study variables were significantly intercorrelated. The results indicated that the five dimensions of transformational leadership were significantly and positively correlated with each other with a range of 0.40 to 0.80. This relationship provided added empirical support for the five dimensional conceptualization of transformational leadership. The results also showed that job satisfaction, in line with expectations, was significantly and positively correlated with overall transformational leadership (r=0.57) and its five dimensions, namely idealized behaviors (r=0.39), idealized attributes (r=0.56), inspirational motivation (r=0.30), intellectual stimulation (r=0.52), and individualized consideration (r=0.54). This result indicated that the employees who were working for transformational leader had higher level of job satisfaction. Moreover, the correlation results also revealed that job satisfaction was significantly and positively correlated with organizational commitment (r=0.38), thus indicating that the employees who had a high level of job satisfaction were more likely to exhibit greater organizational commitment. Likewise, there was significant positive correlation between overall transformational leadership and organizational commitment (r=0.487). In addition, there were fairly significant, moderate and positive correlations between transformational leadership dimensions, namely idealized behaviors (r=0.50), idealized attributes (r=0.45), inspirational motivation (r=0.34), intellectual stimulation (r=0.40), and individualized consideration (r=0.29) with organizational commitment. This can be interpreted that the employees will be more committed to their organizations if they perceived higher transformational leadership style of managers. As shown in Table 1, all of the bivariate correlations among the seven measures were statistically significant (p<0.01) and less than 0.90, indicating that the data was not affected by serious collinearity problem and providing confidence that the measures were functioning properly. Moreover, the correlations among the study variables provided initial support for our hypotheses.

4.2 The Effect of Transformational Leadership Dimensions on Job Satisfaction

The effects of the five dimensions of transformational leadership on job satisfaction were examined by using multiple regression analysis. In order to test the H_1 of this study, job satisfaction was regressed on the dimensions of transformational leadership. As shown in Table 2, the results revealed that the overall regression model for Equation 1 was statistically significant with an F value of 17.089 (p<0.001). The results also indicated that 42.8% of the variance in job satisfaction was explained by the bank managers' transformational leadership dimensions (R^2=0.428) while remaining 57.2% could be due to the effect of extraneous variables. The Beta calculations showed that the highest variation was explained by inspirational motivation (β=0.322), the next highest was explained by idealized behaviours (β=0.317), and the lowest was explained by individualized consideration (β=0.218). Thus, all dimensions of transformational leadership, namely idealized behaviors, idealized attributes, inspirational motivation, intellectual stimulation, and individualized consideration significantly and positively affected employees' job satisfaction and they were the predictors of job satisfaction. This suggested the more employees perceive their leader as being transformational, the higher their levels of job satisfaction. Therefore, H_1 was fully supported. On the bases of this statistical finding it found that all of the transformational leadership dimensions had significant positive effects on e mployees' job satisfaction. This meant that higher levels of transformational leadership perceptions led to higher levels of job satisfaction. This finding supported previous studies that provide conclusive evidence that transformational leadership has positive impact on job satisfaction (Griffith, 2004; Emery & Barker, 2007; Kieres, 2012; Voon et al., 2011; Bogler, 2001; Nguni et al., 2006; Omar, 2011; Awamleh et al., 2005; Awamleh & Al-Dmour, 2004).

TABLE 2: THE EFFECTS OF TRANSFORMATIONAL LEADERSHIP DIMENSIONS ON JOB SATISFACTION

Transformational leadership dimensions	Dependent variable (Job satisfaction)		
	Beta (β)	t-value	Sig.
Idealized behaviors	0.317	2.579	0.011*
Idealized attributes	0.222	2.107	0.037*
Inspirational motivation Intellectual stimulation	0.322	2.478	0.015*
Individualized consideration	0.302	3.001	0.003**
	0.218	2.039	0.044*
R^2	0.428		
Adjusted R^2	0.403		
F	17.089***		

Note: * p<0.05; ** p<0.01; *** p<0.001; Standardized regression coefficients (β) are reported.

According to the results, inspirational motivation provided the greatest positive impact on job satisfaction. This result was not consistent with previous studies (Hanaysha, 2012; Emery & Barker, 2007; Zhou, 2012). However, this result corresponded with findings reported by earlier researchers (Griffith, 2004; Kieres, 2012 Omar, 2011; Xiaomeng et al., 2011). In order to further reinforce inspirational motivation, bank managers should be aware of Pygmalion, meaning that high expectancy regarding followers and conferring challenging responsibilities to them will improve performance. Also, they should involve followers in defining future vision, missions, and organizational strategies with the purpose of their further participation in achieving goals and optimistic thoughts about the future.

The results revealed that two form of carisma/idealized influence (behaviors and attributes) had positive effects on job satisfaction. This result was not consistent with the findings of Marn's study (2012) who found that charisma does not have any significant impact on job satisfaction. Nevertheless, this finding supported the the finding of previus researches (Kieres, 2012; Xiaomeng et al., 2011; Barnett, 2003). Moreover, Zhou (2012) found that idealized influence had the most relationship with the employee's job satisfaction. This suggested that managers can influence the job satisfaction via idealized influence by increasing assuredness and ability, increasing communication with subordinates. Accordingly, managers who have a clear vision and facilitate the acceptance of group goals lead towards satisfaction with different parameters associated with job.

The results of this study indicated that intellectual simulation provided positive impact on job satisfaction. This result was not consistent with the findings of Zhou (2012) who stated that intellectual stimulation cannot influence the employee's job satisfaction in which working environmental, supervision, co-workers and wages. However, this result was in parallel with the findings of previous studies (Griffith, 2004; Hanaysha et al., 2012; Voon et al., 2011; Amoroso, 2002; Mota, 2010). Emery & Barker (2007) and Omar & Hussin (2013) found that intellectual stimulation was the only factor that significantly and positively predicted job satisfaction. Moreover, Lee et al.'s (2011) findings indicated that only intellectual stimulation was significantly related to team leader job satisfaction in retail banks. Indeed, Bass (1985) proposed that transformational leadership might intrinsically foster more job satisfaction, given its ability to impart a sense of mission and intellectual stimulation. The results of this study revealed that perhaps bank employees favor the support and knowledge exchange that their managers are able to provide them in improving their professional know how and development. With intellectual stimulation in mind, bank managers should encourage employees to provide new solutions by means of awarding new and creative thoughts. Employees should also be given a contextualized model to achieve mutually settled goals and the manager needs to foster innovative thinking to look at the existing working criteria in new ways to enhance individual and group productivity.

According to the results, individualized consideration had the positive impact on job satisfaction. However, Marn (2012), Zhou (2012), and Omar & Hussin (2013) found that individualized consideration have a negative impact on job satisfaction. On the other hand, the result of this study supported previous researches (Barnett, 2003; Zhou, 2012; Omar, 2011; Griffith, 2004; Voon et al., 2011), who all identified individualized consideration as strongly related to job satisfaction. In addition, Long et al. (2014) found that only individualized consideration has a positive and significant relationship with the job satisfaction. Moreover, Kieres (2012) found that individualized consideration can have a profound influence on teachers' commitment and job satisfaction. Likewise, Yagambaram (2012) found that sub-variable of transformational leadership style, individualized consideration behavior proved to be the most frequent and significant predictor of facets of job satisfaction of SME employees in Malaysia. The findings of present study suggested that an organization needs to have a worthy transformational type leader in order to emphasizes more on individual consideration rather than promoting team works to increase job satisfaction among the employees as well as for realizing organizational mission and goals. The managers interested in increasing employees' job satisfaction would be wise to put in place specific routines that allow them to demonstrate individualized consideration. Moreover, the managers should pay attention to requirements and demands of employees for service quality and achievement. In fact, bank managers for achievement and increase of efficiency, effectiveness, and job satisfaction, use of reciprocal communications and interactions, creating learning opportunities, identification employees' individual differences, and evaluation to special treatments of employees. With this regard, bank employees may be motivated by the greater attention paid by their leaders on their personal affairs or perhaps they prefer greater flexibility to perform their jobs rather than personalized attention given to them.

4.3 The Effect of Job Satisfaction on Organizational Commitment

In order to test H_2, a multiple regression analysis was conducted and organizational commitment regressed on job satisfaction. The results indicated that the model for predicting organizational commitment based on job satisfaction was significant ($F=19.280$, $p<0.001$). The R^2 value was 0.140, which meant that job satisfaction was interpreted 14% of the variance of organizational commitment. Therefore, this research was meaningful and the regression results were acceptable. The results revealed that job satisfaction had a positive significant effect on organizational commitment ($\beta=0.375$, $p<0.001$), indicating that job satisfaction was a significant predictor of organizational commitment. Thus, H_2 was accepted.

According to this result, satisfied employees lead to extend more organizational commitment and they were tend to be loyalty and commitment to their banks. It was not surprising to find job satisfaction as the potent predictor because the results corroborated earlier studies (Bogler, 2001; Feinstein & Vondrasek 2001; Williams & Hazer, 1986; Currivan, 1999; Chen, 2006; Mathieu & Zajac, 1990; Leite et al., 2014; Bushra et al., 2011; Meyer & Allen, 1997; Ghalandari, 2013; Turpin, 2009; Nagar, 2012; Testa, 2001), which found job satisfaction to be a good predictor of organizational commitment. Accordingly, the results of this study supported that job satisfaction was an antecedent of organizational commitment and significant positive effect on it. This meant that the greater the job satisfaction among employees at the studied banks, the more committed they will be to the organization. In other words, the employees, who were more satisfied with their jobs, experienced a greater sense of confidence and commitment. Therefore, they were more likely to remain in their current positions. Based on the findings it could be said that management might be able to increase the level of commitment in the organization by increasing satisfaction with compensation, policies, and work conditions. Thus, organizational commitment of employees with their institution should be encouraged by developing and strengthening the feeling of accomplishment that one derives from one's job.

TABLE 3: THE EFFECT OF JOB SATISFACTION ON ORGANIZATIONAL COMMITMENT

Independent variable	Dependent variable (Organizational commitment)		
	Beta (β)	t-value	Sig.
Job satisfaction	0.375	4.391	0.000***
R^2	0.140		
Adjusted R^2	0.133		
F	19.280***		

Note: * p<0.05; ** p<0.01; *** p<0.001; Standardized regression coefficients (β) are reported.

4.4 The Effect of Transformational Leadership Dimensions on Organizational Commitment: Mediating Role of Job Satisfaction

Hierarchical multiple regression analysis conducted to examine the extent of effects of transformational leadership dimensions on organizational commitment and test the mediating role of job satisfaction. Baron and Kenny (1986) gave the specifications of the procedure for regression analysis when a mediating variable was involved. To support for mediation, the following conditions must hold: 1) The independent variable (transformational leadership dimensions) affects the mediating variable (job satisfaction); 2) The mediating variable (job satisfaction) affects the dependent variable (organizational commitment); 3) The independent variable (transformational leadership dimensions) affects the dependent variable (organizational commitment); and 4) After the inclusion of the mediating variable (job satisfaction) into the second regression equation of the previous step, the regression coefficient of the independent variable (transformational leadership dimensions) is lower than the regression coefficient of the previous step, and there is a significant relationship between the mediating variable (job satisfaction) and the dependent variable (organizational commitment). The above results fulfilled the first two conditions of testing mediation. Thus, with regard to the first and second conditions, we have shown that perceived transformational leadership dimensions had significant effect on job satisfaction and job satisfaction had a significant effect on organizational commitment (Tables 2 and 3). In the final step of the analysis, we needed to establish whether perceived transformational leadership dimensions had significant effects on organizational commitment, and whether these effects were reduced or eliminated after the effect of job satisfaction had been taken into account (Table 4).

TABLE 4: THE EFFECTS OF TRANSFORMATIONAL LEADERSHIP DIMENSIONS ON ORGANIZATIONAL COMMITMENT AND MEDIATING ROLE OF JOB SATISFACTION

Independent variables	Dependent variable (organizational commitment)					
	Beta (β)	t-value	Sig.	Beta (β)	t-value	Sig.
Step 1:						
Idealized behaviors	0.605	4.721	0.000***	0.582	4.406	0.000***
Idealized attributes	0.303	2.750	0.007**	0.286	2.549	0.012*
Inspirational motivation Intellectual stimulation	0.283	2.093	0.039*	0.260	1.868	0.064
Individualized consideration	0.254	2.425	0.017*	0.233	2.130	0.035*
	0.240	2.107	0.047*	0.224	2.008	0.037*
Step 2:						
Job satisfaction				0.073	0.741	0.460 *(ns)*
R^2	0.378			0.381		
Adjusted R^2	0.351			0.348		
F	13.862***			11.597***		
R^2 Change				0.003 *(ns)*		
F Change				0.549 *(ns)*		

Note: * p<0.05; ** p<0.01; *** p<0.001; Standardized regression coefficients (β) are reported.

As shown in Table 4, when job satisfaction was not in the model (Step 1), all the five transformational leadership dimensions had significant effects on organizational commitment. The result also indicated that transformational leadership dimensions account for 37.8% significant variance in organizational commitment (R^2=0.378) while remaining 62.2% was the unexplained variability (F=13.862, p<0.001). According to the results, standardized coefficient beta values between idealized behaviors (β=0.605, p<0.001), idealized attributes (β=0.303, p<0.01), inspirational motivation (β=0.283, p<0.05), intellectual stimulation (β=0.254, p<0.05), individualized consideration (β=0.240, p<0.05) and organizational commitment were significant. This result revealed that there were direct positive effects of all transformational leadership dimensions on organizational commitment. They were significant predictors of organizational commitment. Thus H_3 was fully accepted, providing support for the third condition of mediation. In the second step, job satisfaction was introduced into the overall model. When transformational leadership dimensions and job satisfaction were entered together, they accounted for 38.1% of the total variance in organizational commitment (R^2=0.381; F=11.597; p<0.001). Moreover, when job satisfaction was introduced as a mediator (step 2 in Table 4), the relationships between idealized behaviours and organizational commitment (β=0.582, p<0.001), between idealized attributes and organizational commitment (β=0.286, p<0.05), between intellectual stimulation and organizational commitment (β=0.233, p<0.05), and between individualized consideration and organizational commitment (β=0.224, p<0.05) remained significant and the relationship between inspirational motivation and organizational commitment became insignificant (β=0.260, p>0.05). However, job satisfaction had not effect on organizational commitment (β=0.073, p>0.05) in this regression equation. As a result, job satisfaction didn't mediate the relationships between transformational leadership dimensions and organizational commitment. Thus, H_4 was rejected. The obtained results revealed that all of the transformational leadership dimensions were positively and significantly affected the level of employees' organizational commitment and they simultaneously predicted it. This finding of this study suggested that the more dominant transformational leadership style is in the management strategies of managers and leaders, the greater the organizational commitment of staff will be. This meant that adopting transformational leadership style could increase organizational commitment. This result was consistent with previous studies (Shamir et al., 1993; Lok & Crawford, 2004; Walumbwa & Lawler, 2003; Avolio et al., 2004; Nguni et al., 2006; Koh et al., 1995; Bycio et al., 1995; Wang et al., 2012; Chen et al., 2006; Lo et al., 2010; Feizi, 2014; Riaz et al., 2011; Kent & Chelladurai, 2001; Walumbwa et al., 2004; Atmojo, 2012; Turpin, 2009; Barling et al., 1996; Williams & Hazer, 1986; Ahmadi, 2014; Thamrin, 2012; Afolabi, 2013; Zehir et al., 2011; Kieres, 2012). They elucidated that leaders who exhibited transformational leadership styles were effective in achieving significantly higher commitment levels.

The results of the regression analysis revealed that idealized influence (behavior and attributes) had the greatest effect on organizational commitment of bank employees. Significantly, the results indicated that idealized influence was the main factor which caused the bank employees to commit towards organization. This finding was consistent with the findings of previous study conducted by Feizi et al. (2014), Batool (2013) and Lo et al. (2010). Moreover, Nguni et al. (2006) asserted that charisma (comprised of both types of idealized influence) has been shown to have the greatest influence of all the transfonnational leadership dimensions on employee commitment. Also, Emery & Barker (2007) found that charisma was the only factor needed to predict organizational commitment. This suggested that the transformational leadership behaviors, such as charisma, were crucial variables for building a strong organizational commitment. Accordingly, bank employees in Turkey setting can be influence by the behavior of the transformational leadership which that can be cleared the more the leader showed transformational charisma the more he or she can enhance and to be admired from the subordinate. This was consistent with the findings of Back (2012) and Kieres (2012). Based on this finding, it could be said that bank managers should use idealized influence to increase commitment by encouraging followers to develop a sense of identification with and an adherence to the goals, interests, and values of the leader. Thus the bank managers should develop a strong emotional networking with employees, and attract employees to a vision or mission which was effectively articulated. In other words, as Bass (1985) pointed out, managers can appeal to the emotions of employees by counting on persuasion and symbols to provide emotional support and to communicate his or her vision.

The results also revealed that inspirational motivation was predicting organizational commitment. This finding was consistent with previous studies (Srithongrung, 2011; Lo et al., 2010; Cemaloğlu et al., 2012; Hemedoğlu & Evliyaoğlu, 2014). Accordingly, inspirational motivation should be used by bank managers to build emotional commitment to a mission or goal by moving followers to consider the moral values involved in their duties as members of the organization or profession. In addition, the results revealed that intellectual stimulation had positive effect on organizational commitment. This result was not consistent with the findings of Srithongrung (2011) and Lo et al. (2010). However, this finding was in parallel with the findings of Feizi et al. (2011) and Batool (2013). According to this result, managers increase commitment through intellectual stimulation by encouraging and empowering followers to be innovative. By encouraging followers to seek new ways to approach problems and challenges and identifying with followers' needs, transformational leaders are able to motivate their followers to get more involved in their work, resulting in higher levels of organizational commitment (Walumbwa & Lawler, 2003). The results revealed that individualized consideration increased organizational commitment at all levels when leaders provide their followers with a sense of increased competence to carry out directives and meeting their followers' personal and career needs (Bass & Riggo, 2006). This result was not consistent with the findings of Srithongrung (2011). However, this finding was in parallel with the findings of Yunus & Ibrahim (2015), Batool (2013), Feizi et al. (2014), and Cemaloğlu et al. (2012), who concluded that individual consideration has significant relationship with organizational commitment. According to this finding, the fact that employee' organizational commitment was predicted by individualized consideration might mean that bank employees want their managers to be interested in their individual beliefs, norms, and needs. This implied that when managers are considerate to employees and ensure that their expectations are satisfied; employees tend to be committed and willing to serve in the best interest of the customers, which incidentally is a prerequisite for achieving service quality. Therefore, managers who motivate employees and pay attention to their voices may help employees experience deeper affective contact with bank.

Generally, transformational leaders can inspire subordinates by modelling a vision that enhances employee's confidence, motivation and expectations. Additionally, transformational leaders promote cooperation among employees and engage them to achieve objectives they didn't think of. Given these transformational behaviors, followers become more attached and committed to the organization. Consequently, bank managers were able to influence their employees' organizational commitment by promoting higher levels of intrinsic value associated with goal accomplishment, emphasizing the relation between employee's effort and goal achievement, creating a higher level of personal commitment on the part of the leader and employees to common vision, mission, and organization goals, by encouraging them innovative thinking, spending time to teach and coach them, helping them to develop their strengths and achieve their goals, considering their personal feelings before implementing a decision, involving employees in decision-making processes and inspiring loyalty while recognizing and appreciating the different needs of each employee to develop his or her personal potential (Shamir et al., 1993). That is, if managers motivate employees, invest in training to enhance skills, invest in education, consider their personal goals and finally empower employees, it will definitely increase the level of employee commitment with the organization (Bushra et al., 2011).

5. CONCLUSION

This study emprically investigated the relationships among transformational leadership dimensions, job satisfaction and organizational commitment, and the mediating role of job satisfaction in the relationship between transformational leadership and organizational commitment. Firstly, the study examined the possible relationship between the perception of manager as a transformational leader and employees' job satisfaction. The findings showed significant relationships between all transformational leadership dimensions with job satisfaction. Based on the multiple regression results, managers of the banks should utilize transformational leadership style and place a high importance on inspirational motivation and idealized behaviours in further improving their employees' job satisfaction. This meant that when leaders provide the right service climate, resources and opportunity to grow from within such employees tend to be satisfied and passionate about their jobs, will spend more time than what is required and will even put aside their self interest for their organizations, there by offering quality service. Accordingly, when employees perceive their supervisor values, their contributions and encourages their behaviour meets their needs, that is, when they perceive it as a transformative leader, increases job satisfaction. Specifically, the findings revealed that when managers operationalize charisma and utilize inspiration, individualized consideration and intellectual stimulate, they elicit positive reactions from employees. Such transformational characteristics do stimulate higher level needs of employees and result in feelings of satisfaction. Moreover, these findings confirmed previous leadership researches, like the ones of Bass (1985). According to the author, the attention that managers give to employees is be reflected in their general positive attitude toward work and working conditions, which in turn, increases job satisfaction and facilitates performance. This study also implied that transformational leadership, an approach of enhanced interpersonal communications between managers and employees, was a way to create higher level of job satisfaction of bank employees. Because, transformational leaders help employees to become more creative, innovative and bring new ideas, thoughts, which allow the banks to grow better banking functions, and adapt itself to the changing and challenges external environment. Generally, the findings provided evidence to support the use of transformational leadership to increase job satisfaction. The study revealed that when bank employees positively perceive their managers as transformational leaders that are when their satisfaction increases. This implied that transformational leadership was deemed suitable for managing bank organizations. That is, by adopting transformational leadership style, managers could achieve more satisfied bank employees.

On the other hand, statistical findings of this study suggested that transformational leadership dimensions had significant direct positive effect on organizational commitment of the sampled Turkish banks employees. This indicated that it was important for every level of managers in banks to adjust their leadership styles and behavior manners except depending on every type of rule and system, such as exerting a kind of performance appraisal system, reward system and personnel system on the bank employees. This required that the leader himself was a person who was full of charisma, was noble character, considered employee work and development, and demonstrated striving for goal and direction for the employees. Only this could better promote employees' organizational commitment, increase the trust for employees in the leader, further encourage the employees, make them abide by the every promise to the organization, and wish to contribute more wisdom and power for the organization. Further, the study suggested that job satisfaction did not act as a mediating variable in the relationship between transformational leadership dimensions and organizational commitment in the studied banks. However, this study theoretically supported previous studies on the positive effect of job satisfaction on organizational commitment in the context of service industry. As the results of the mean analysis showed, bank employees were only moderately satisfied with their jobs. For human resources managers, the implication was that, to improve organizational commitment, they would need to improve job satisfaction. To do this, one needs to examine the findings obtained for the facets of job satisfaction. One way of addressing this could be by increasing the interactions with employees in staff meetings and increasing guided discussions of topics related to these issues. Employees could be interviewed to determine their perceptions of management's ability to address these issues. Changes in organizational variables, such as pay scales, employee input in policy development, and work environment could then be made in an effort to increase organizational commitment and decrease subsequent turnover (Feinstein & Vondrasek 2001). Therefore, organizations may reexamine its policies related to building commitment by employing strategies such as rapid promotions, pension plans, participative work culture, working conditions, etc., for improving organizational commitment.

The finding of study provided important theoretical contributions extending the transformational leadership, job satisfaction and organizational commitment literature in a non-Western context. Obviously, this study contributed to better understanding about conditions under which transformational leadership was more effective towards employees' job satisfaction and organizational commitment. Essentially, the findings of this study were important because they provided a better understanding of how transformational leadership perceptions may facilitate positive employee outcomes in banking sector. Also it provided additional empirical evidence as to whether job satisfaction was a mediator in the relationship between transformational leadership dimensions and organizational commitment in the context of banking industry in a developing country, Turkey. This finding was also valuable because it revealed that the bank employees like transformational leadership, which was a modern concept in the subject of leadership. It showed that transformational leadership was very curial factor of enhancing job satisfaction and organizational commitment of employees in the Turkey setting. Further, the findings seem to support Bass's (1985) model that suggests that transformational leadership is more predictive of individual and group performance. From a practical perspective, it was believed that this study would help decision makers and the top management in Turkish Banking sector to enhance the employees' job satisfaction and organizational commitment which in turn will be reflected through the high quality service offered by its employees. Inevitably, this study provided some considerable insights and guidelines to help bank managers to better understand how to increase job satisfaction and organizational commitment, by exhibiting better transformational leadership behaviors for their employees. The findings of this study can be used as a guideline by the managers to upgrade the effectiveness of leadership styles in their organizations. This objective may be achieved if the management considers some suggestions. Productivity and performance of an organization depend upon the job satisfaction and organizational commitment of its employees and escort to growing profits. So the organization should know that organizational success in obtaining its goals and objectives depends on managers and their leadership style. This study concluded that if managers adopt transformational leadership behaviors, they can get better satisfied and committed employees. Based on the findings of this study, it was worth noting that transformational leadership styles played an important role to an employee' job satisfaction and organizational commitment and it were very important for organizational policy makers to take this into consideration in order to meet organizational goals. Therefore recognizing, adopting and practicing the appropriate leadership styles are vital for future leaders as it effects on employees job satisfaction, commitment and productivity (Yagambaram, 2012). In particular, managers within organizations can adopt transformational leadership style to affect employee job satisfaction, commitment and productivity. Hence, it was recommended that the organizations should encourage their management or leaders to possess transformational leadership style and bank managers should employ this leadership style to enhance the level of job satisfaction and organizational commitment among employees in the bank.

There are several limitations to this study that must be considered for the implications of the study and future research. The study used a cross-sectional research design which prevents making inferences of causality among the study variables. To address this issue, future research should focus on experimental or longitudinal approach to determine causal relationships. The study was purely quantitative using questionnaires and statistical evidence. Future research should use more experimental approaches and add qualitative measures that use focus groups and observations, allowing more insight regarding the issue of causality. For example, longitudinal research design provided additional and stronger support for the effects tested in this study. The study used self-report measures; therefore the present findings may be partly affected by common method variance. This study used data gathered from the employees working the branches of one private bank at service industry in Turkey and therefore the generalizability of the findings to other organizational settings was questionable. Accordingly, this study needed to be replicated in other kinds of companies in different countries to extend the findings to other industries. The sample size of the study was small and not adequate to get more significant results. It may limit the ability to generalize the results. Therefore, future researchers should use larger sample size in order to receive more precise and also accurate results. In addition, the study only focused on the overall job satisfacion and organizational commitment and did not include the dimensions of them in research model. Future research should employ sub-constructs of job satisfacion and organizational commitment and evaluate the possible effects other leadership style on these sub-constructs, which would contribute to the existing literature. As a result, the theoretical model proposed here was an initial step, which need to be improved by future researches.

REFERENCES

1. Afolabi, F. (2013). The mediating effect of job satisfaction between transformational leadership and organizational commitment in small certified public accounting firms. *International Research Journal of Applied Finance,* 4(11), 1467-1491.
2. Ahmadi, O. (2014). Impact of transformational leadership and psychological empowerment on organizational commitment in Interior Ministry. *Management and Administrative Sciences Review,* 3(3), 440-449.
3. Amoroso, P. (2002). The impact of principals' transformational leadership behaviors on teacher commitment and teacher job satisfaction. *Dissertation Abstract International,* 63(9), 3063A. (UMI No. AAT 3010522).
4. Arzi, S. & Farahbod, L. (2014). The impact of leadership style on job satisfaction: A study of Iranian hotels. *Interdisciplinary Journal of Contemporary Research in Business,* 6(3), 171-186.
5. Atmojo, M. (2012). The influence of transformational leadership on job satisfaction, organizational commitment, and employee performance. *International Research Journal of Business Studies,* 5(2), 113-128.
6. Avolio, B.J., Zhu, W., Koh, W. & Bhatia, P. (2004). Transformational leadership and organizational commitment: Mediating role of psychological empowerment and moderating role of structural distance. *Journal of Organizational Behavior,* 25(8), 951-968.
7. Awamleh, R. & Al-Dmour, H. (2004). The impact of transformational leadership on job satisfaction and self-perceived performance of banking employees: The case of Jordan. *International Business & Economics Research Journal,* 3(11), 29-42.
8. Awamleh, R., Mahate, A. & Evans, J. (2005). A test of transformational and transactional leadership styles on employees' satisfaction and performance in the UAE banking sector. *Journal of Comparative International Management,* 8(1), 3-19.
9. Back, J.H. (2012). *The impact of transactional and transformational leadership on organizational commitment in major league baseball.* Doctorate Thesis, St.Thomas University, Florida.
10. Barling, J., Weber, T. & Kelloway, E.K. (1996). Effects of transformational leadership training on attitudinal and financial outcomes: A field experiment. *Journal of Applied Psychology*, 81(6), 827-832.
11. Barnett, A. (2003). *The impact of transformational leadership style of the school principal on school learning environments and selected teacher outcomes: A preliminary report.* University of Western Sydney.
12. Baron, R.M. & Kenny, D.A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology,* 51(6), 1173-1182.
13. Bass, B. & Riggio, R. (2006). *Transformational Leadership* (2nd Ed.), London: Lawrence Erlbaum Associates.
14. Bass, B.M. & Avolio, B.J. (2004). *Multifactor Leadership Questionnaire* (3rd ed.), CA: Mind Garden, Redwood.
15. Bass, B.M. (1985). *Leadership and Performance beyond Expectations*, The Free Press, New York, NY.
16. Batool, B.F. (2013). An empirical study on effect of transformational leadership on organizational commitment in the banking sector of Pakistan. *IOSR Journal of Business and Management,* 8(2), 38-44.
17. Bodla, M.A. & Nawaz, M.M. (2010). Transformational leadership style and its relationship with satisfaction. *Interdisciplinary Journal of Contemporary Research in Business*, 2(1), 370-381.
18. Bogler, R. (2001). The influence of leadership style on teacher job satisfaction. *Educational Administration Quarterly,* 37(5), 662-683.
19. Brown, S.P. & Peterson, R.A. (1993). Antecedents and consequences of salesperson job satisfaction: Meta-analysis and assessment of causal effects. *Journal of Marketing Research,* 30(1), 63-77.
20. Bushra, F., Usman, A. & Naveed, A. (2011). Effect of transformational leadership on employees' job satisfaction and organizational commitment in banking sector of Lahore (Pakistan). *International Journal of Business and Social Science,* 2(18), 261-267.
21. Bycio, P., Hackett, R.D. & Allen, J.S. (1995). Further assessments of Bass's (1985) conceptualization of transactional and transformational leadership. *Journal of Applied Psychology*, 80(4), 468-478.
22. Cemaloğlu, N., Sezgin, F. & Kılınç, A.Ç. (2012). Examining the relationships between school principals' transformational and transactional leadership styles and teachers' organizational commitment. *TOJNED: The Online Journal of New Horizons in Education,* 2(2), 53-64.
23. Chen, C.F. (2006). Job satisfaction, organizational commitment, and flight attendants' turnover intentions: A note. *Journal of Air Transport Management,* 12(5), 274-276.
24. Currivan, D.B. (1999). The causal order of job satisfaction and organizational commitment in models of employee turnover. *Human Resource Management Review,* 9(4), 195-524.
25. ElKordy, M. (2013). Transformational leadership and organizational culture as predictors of employees attitudinal outcomes. *Business Management Dynamics,* 3(5), 15-26.
26. Emery, C.R. & Barker, K. J. (2007). The effect of transactional and transformational leadership styles on the organizational commitment and job satisfaction of customer contact personnel. *Journal of Organizational Culture, Communication and Conflict,* 11(1), 77-90.
27. Feinstein, A.H. & Vondrasek, D. (2001). A study of relationships between job satisfaction and organizational commitment among restaurant employees. *Journal of Hospitality, Tourism, and Leisure Science,* 1(4), 1-20.
28. Feizi, M., Ebrahimi, E. & Beheshti, N. (2014). Investigating the relationship between transformational leadership and organizational commitment of high school teachers in Germi. *International Journal of Organizational Leadership,* 3, 17-30.
29. Ghalandari, K. (2013). Investigation the relationship between new leadership style (transformational and transactional) with organizational commitment dimensions (affective, continuous and normative) in Iranian higher education institutions. *Life Science Journal,* 10(4), 17-25.
30. Griffith, J. (2004). Relation of principal transformational leadership to shool staff job satisfaction, staff turnover and school performance. *Journal of Educational Administration,* 42(3), 333-356.
31. Hanaysha, J.., Khalid, K., Mat, N.K.., Sarassina, F., Rahman, M.Y. & Zakariak, A.S. (2012). Transformational leadership and job satisfaction. *American Journal of Economics,* June, Special Issue, 145-148.
32. Hemedoğlu, E. & Evliyaoğlu, F. (2014). An analysis of effects of transformational leadership perceptions of employees on organizational commitment. *İşletme Araştırmaları Dergisi,* 4(1), 58-77.
33. Imam, A., Raza, A., Shah F.T. & Raza, H. (2013). Impact of job satisfaction on facet of organizational commitment (affective, continuance and normative commitment): A study of banking sector employees of Pakistan. *World Applied Sciences Journal,* 28(2), 271-277.
34. Kent, A. & Chelladurai, P. (2001). Perceived transformational leadership, organizational commitment, and citizenship behaviour: A case study in intercollegiate athletics. *Journal of Sport Management,* 15(2), 135-159.
35. Kieres, K.H. (2012). *A study of the value added by transformational leadership practices to teachers' job satisfaction and organizational commitment.* Seton Hall University Dissertations and Theses (ETDs).
36. Koh, W.L., Steers, R.M. & Terborg, J.R. (1995). The effects of transformational leadership on teacher attitudes and student performance in Singapore. *Journal of Organizational Behavior,* 16(4), 319-333.
37. Krishnan, V.R. (2005). Transformational leadership and outcomes: Role of relationship duration. *Leadership & Organization Journal,* 26(5/6), 442-457.
38. Lee, P.K.C., Cheng, T.C.E., Yeung, A.C.L. & Lai, K.H. (2011). An empirical study of transformational leadership, team performance and service quality in retail banks. *Omega,* 39(6), 690-701.

39. Leite, N.R.P., Rodrigues, A.C.A. & Albuquerque, L.G. (2014). Organizational commitment and job satisfaction: What are the potential relationships? *Brazilian Administration Review,* 11(4), 476-495.
40. Lo, M.C., Ramayah, T., Min, H.W. & Songan, P. (2010). The Relationship between leadership styles and organizational commitment in Malaysia: Role of leader-member exchange. *Asia Pacific Business Review*, 16(2), 79-103.
41. Lok, P. & Crawford, J. (2004). The effect of organizational culture and leadership style on job satisfaction and organizational commitment: A cross-national comparison. *Journal of Management Development*, 23(4), 321-338.
42. Long, C.S., Yusof, W.M.M., Kowang, T.O. & Heng, L.H. (2014). The impact of transformational leadership style on job satisfaction. *World Applied Sciences Journal*, 29(1), 117-124.
43. Marn, J.T.K. (2012). The impact of transformational leadership practices on job satisfaction of PHEI lecturers. *Journal for the Advancement of Science & Arts,* 3(2), 26-39.
44. Mathieu, J.E. & Zajac, D.M. (1990). A review and meta-analysis of the antecedents, correlates and consequences of organizational commitment. *Psychological Bulletin*, 108(2), 171-194.
45. Meyer, J.D. & Allen, N. J. (1997). *Commitment in the workplace: Theory, research, & application*: Sage Public.
46. Meyer, J.P. & Allen, N.J. (1991). A three-component conceptualization of organizational commitment. *Human Resource Management Review,* 1*(*1), 61-89.
47. Mohamad, M. (2012). Transformational leadership and employees' job satisfaction and commitment: A structural equation investigation. *Journal of American Science*, 8(7), 11-19.
48. Mosadeghrad, A.M. & Yarmohammadian, M.H. (2006). A study of relationship between managers' leadership style and employees' job satisfaction. *Leadership in Health Services,* 19(2), 11-28.
49. Mota, R. (2010). A descriptive analysis of the impact of leadership styles on teacher job satisfaction. *Dissertation Abstract International,* 71(11), 1351. (UMI No.3423822).
50. Nagar, K. (2012). Organizational commitment and job satisfaction among teachers during times of burnout. *Vikalpa: The Journal for Decision Makers,* 37(2), 43-60.
51. Nguni, S., Sleegers, P., & Denessen, E., (2006). Transformational and transactional leadership effects on teachers' job satisfaction, organizational commitment, and organizational citizenship behavior in primary schools: The Tanzanian case. *School Effectiveness and School Improvement,* 17(2), 145-177.
52. Omar, A. & Hussin, F. (2013). Transformational leadership style and job satisfaction relationship: A study of SEM. *International Journal of Academic Research in Business and Social Sciences,* 3(2), 346-365.
53. Omar, A. (2011). Transformational leadership and job satisfaction: The moderating effect of organizational Trust. *LIBERABIT: Lima, Peru,* 17(2), 129-137.
54. Podsakoff, P.M., Mackenzie, S.B. & Bommer, W.H. (1996). Transformational leader behaviors and substitutes as determinants of employee satisfaction, commitment, trust and organizational behavior citizenship behaviors. *Journal of Management,* 22(2), 259-298.
55. Riaz, A. & Haider, M. (2010). Role of transformational and transactional leadership on job satisfaction and career satisfaction. *Business and Economics Horizons (BEH),* 1(1), 29-38.
56. Riaz, T., Akram, M.U. & Ijaz, H. (2011). Impact of transformational leadership style on affective employees' commitment: An empirical study of banking sector in Islamabad (Pakistan). *The Journal of Commerce,* 3(1), 43-51.
57. Shamir, B., House, R.J. & Arthur, M.B. (1993). The motivational effects of charismatic leadership: A self-concept based theory. *Organization Science,* 4(4), 577-594.
58. Spector, P.E. (1997). Job satisfaction: Application, assessment, causes, and consequences. SAGE Publications.
59. Srithongrung, A. (2011). The causal relationships among transformational leadership, organizational commitment, and employee effectiveness. *International Journal of Public Administration,* 34(6), 376-388.
60. Testa, M.R. (2001). Organizational commitment, job satisfaction and effort in the service environment. *Journal of Psychology,* 135(2), 226-236.
61. Turpin, F.D.H. (2009). *Study examining the effects of transformational leadership behaviors on the factors of teaching efficacy, job satisfaction and organizational commitment as perceived by special education teachers.* Doctorate Dissertation, Virginia Polytechnic Institute and State University.
62. Voon, M.L., Lo, M.C., Ngui, K.S. & Ayob, N.B. (2011).The influence of leadership styles on employees' job satisfaction in public sector organizations in Malaysia. *International Journal of Business, Management and Social Sciences*, 2(1), 24-32.
63. Walumbwa, F.O. & Lawler, J.J. (2003). Building effective organizations: Transformational leadership, collectivist orientation, work-related attitudes, and withdrawal behaviors in three emerging economies. *International Journal of Human Resource Management*, 14(7), 1083-1101.
64. Walumbwa, F.O., Wang, P., Lawler, J.J., & Shi, K. (2004). The role of collective efficacy in the relations between transformational leadership and work outcomes. *Journal of Occupational and Organizational Psychology*, 77(4), 515-530.
65. Wang, X., Chontawan, R. & Nantsupawat, R. (2012). Transformational leadership: Effect on the job satisfaction of registered nurses in a hospital in China. *Journal of Advanced Nursing,* 68(2), 444-451.
66. Watson, L. (2009). Leadership's influence on job satisfaction*. Journal of Radiologic Technology*, 80(4), 297-308.
67. Williams, L.J. & Hazer, J.T. (1986). Antecedents and consequences of satisfaction and commitment in turnover models: A reanalysis using latent variable structural equation methods. *Journal of Applied Psychology,* 71(2), 219-231.
68. Xiaomeng, N., Thanatawe, Y. & Kristhanin, D. (2011). Transsactional leadership, transformational leadership and job satisfaction in Chinese companies. *Journal of Global Business Review,* January-June, 21-29.
69. Yagambaram, L. (2012). *Effects of leadership style on job satisfaction in small and medium enterprises (SMEs) in Malaysia.* Master Thesis, Universiti Sains Malaysia.
70. Yeh, H. & Hong, D. (2012). The mediating effect of organizational commitment on leadership type and job performance. *The Journal of Human Resource and Adult Learning,* 8(2), 50-59.
71. Yousef, D.A. (2000). Organizational commitment: A mediator of the relationships of leadership behavior with job satisfaction and performance in a non-western country. *Journal of Managerial Psychology*, 15(1), 6-24.
72. Yunus, N. & Ibrahim, W.N.W. (2015). Employees' organizational commitment: The effect of leaders' transformational leadership and leader-member exchange as moderator. *International Journal of Arts and Commerce,* 4(2), 123-135.
73. Zehir, C., Erdoğan, E. & Basar, D. (2011). The relationship among charismatic leadership, ethical climate, job satisfaction and organizational commitment in companies. *Journal of Global Strategic Management,* 10(December), 49-59.
74. Zhou, M. (2012). *The factors effect of transformational and transactional leadership and organizational commitment on the employee's job satisfaction and job performance.* Master Thesis, University of the Thai Chamber of Commerce.

IMPACT OF WORKING ENVIRONMENT AS A MOTIVATIONAL FACTOR FOR EMPLOYEES & ITS EFFECT ON THEIR PERFORMANCE: CASE STUDY OF SYNDICATE BANK OF INDIA

DR RAJEEV JOHRI
PROFESSOR
TECNIA INSTITUTE OF ADVANCED STUDIES
DELHI

NEHA VASHISTHA
ASST. PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
SHOBHIT UNIVERSITY
MEERUT

ABSTRACT

Work environment is one of the most crucial and critical aspect. In today's era employees have a large number of alternatives, then the working environment becomes a crucial factor for accepting or keeping the job. Motivating work environment is when employees push themselves harder to do the job which enhances the productivity and performance of employees as well as of the company. This paper presents the analysis of working environment of syndicate bank and examines the relationship between the workplace conditions and employees productivity and also studies the working environment as a motivational factor. The study has been done on 50 employees of Syndicate bank. The output is satisfactory and shows that workplace environment does affect the employee's productivity. For the flexible working of the organization both behavioral and physical aspects are very important. There are some requirements to change in the physical layout of the bank.

KEYWORDS

working environment, motivational factors, Syndicate Bank of India.

INTRODUCTION

There is a very deep and wide relationship between workplace environment and productivity. Performance results from the interaction of physical, financial and human resources, the first two are inanimate; they are translated into productivity only when Human element is introduced. Many managers and supervisors labor under the mistaken impression that the level of employee's performance on the job is proportional to the size of employee's pay packet. Although this may be true in few cases, but many surveys have thrown this false, In fact increment in salary, bonus or any extra monetary benefit, have a very limited short term effect. There are many other factors that determine the employees' performance. It is the quality of the employee's workplace environment that most impacts on their level of motivation and following performance. How well an employee is engaged with the organization, influences to a greater extent their error rate, level of innovation and collaboration with other employees. The root cause of occupational health diseases, high absenteeism and low performance is improper working conditions. Many times employees may encounter working conditions problems related to environment and physical factors. Workplace satisfaction has been associated with job satisfaction. This paper presents the analysis of working environment of a public bank of INDIA. The objective of this research paper is to investigate is there any relationship exists between workplace conditions and employee's productivity and working environment as a motivational tool.

Motivation: Motivation is one of the very crucial and important factor that affect employee's behavior and performance. Motivation is a factor that exerts a driving force in our actions and work. According to Greth Jones, Jennifer George and Charles Hill (2000) "Motivation is physiological factors that determine the directions of a person's behavior, a person's level of effort and a person's level of persistence in the face of obstacles". Dubin (1974) has defined Motivation as the complex forces starting and keeping a person at work in an organization. Motivation is something that moves the person to action, and continues him in the course of action already initiated. According to MsFarland (1974), motivation refers to the way on which urges, drives, desires, aspirations, and strivings or needs direct, control or explain the behavior of human being. Kreitner and Kinicki (2004), assume that motivation contains "those psychological processes that cause the arousal, direction and persistent voluntary actions that are goal directed. An individual who has ability, skills and knowledge with added motivation is a sure way to success. If we do not motivate a worker, he would not as such be a problem solver.

Workplace environment: Positive workplace environment is very important factor which enhances the performance and productivity of the employees. When pertaining to a place of employment, the work environment involves the physical and geographical location as well as the immediate surroundings of the workplace, such as construction site or office building. It typically involves other factors related to the place of employment, such as quality of the air, noise level and additional perks and benefits of employment such as free child care or unlimited coffee or adequate parking etc. A positive and effective work environment smoothen the work flow and encourages the employee that results in the growth of the organization. An effective work environment is designed by the attributes such as competitive wages, trust between the employee and employer, equity and a fair workload with challenging and achievable work load. A motivating work environment is the requirement of any successful organization, as work environment plays a very vital role.

REVIEW OF LITERATURE

Mostly managers are working under this false impression that the level of employees performance is proportional to the size of the employee's compensation package. Social contextual conditions that support one's feeling of competence, autonomy and relatedness are the basis for one maintaining intrinsic motivation and becoming more self determined with respect to extrinsic motivation (Ryan & Deci, 2000). Behavioral factor is more important than physical factor for the employees. Workplace environment affects employee's performance but behavioral workplace environment has greater effect on employee's performance. (Demet Leblebici, 2012) Workload, stress, overtime, fatigue, boredom are some factors to enhance job dissatisfaction. On the other hand good working conditions, refreshment and recreation facility, helath and safety, fun at workplace improves the degree to job satisfaction. (Dr Ruchi, Surinder, 2014)

Gerber et al (1998, P. 44) defined working conditions as : " Working conditions are created by the interaction of employee with their organizational climate, and includes physiological as well as physical working conditions" On the other side productivity is a concept that depends on the context in which it is employed. It does not have a singular definite criterion measure or operational definition (Wasiams et al, 1996). The physical environment is a tool that can be used to enhance the productivity (Mohr, 1996) and employee well being (Huang, Robert Son and Chang, 2004) for generating higher commitment of employees, adequate facilities is needed to be providing to employees. Maslow (1954) presented that human needs construct a five level hierarchy ranging from physiological needs, safety, belongingness and love, esteem to self actualization. Herzberg et al (1959) formulated the two factor theory of job satisfaction and presented that satisfaction and dissatisfaction were two separate and sometimes even unrelated phenomenons. Intrinsic factors named 'motivators' (that is, factors intrinsic to nature and experience to do work) were found to be job 'satisfiers' and included achievement, recognition, work itself and responsibility.

Extrinsic factors which are named 'hygiene' factors were found to be job 'dissatisfiers' and includes company policy, administration, supervision, interpersonal relations and working conditions.

From the outlook of safety, Gyekye (2006) presented that environmental conditions affects employees productivity and safety perceptions which impact employee's commitment. Roelofsen (2002), also presented that improving working conditions and working environment results in reduction in a number of complaints and absenteeism and an increase in productivity. Research findings of Patterson et al., (2003) presented that the more satisfied worker is proportional with the better performance of employees in terms of productivity and profitability.

OBJECTIVES OF THE STUDY

The broad objective of the study was to examine the impact of working environment on the performance of employees. The aim was to find out whether the employees are actually satisfied with the working environment and job conditions or not. If not, then what are the reasons of dissatisfactions with the working environment? The objective is to find out what factors motivates an employee to perform and is working environment is one of the factor which works as a motivational factor for the employees? The objective is to ascertain the impact of working environment on job satisfaction.

The study will answer the following –

- To study that effect of working environment as a motivational factor for employees.
- To examine the relationship between office environment and productivity of employees.
- To examine the relationship between work environment and job satisfaction.
- To study and investigate the factors that motivates an employee to perform.
- To analyze the importance of positive workplace environment.

RESEARCH METHODOLOGY

An exploratory research design has been used to study where data was collected by a well defined questionnaire that was used effectively and which gathered information on both overall performance as well as information on specific components of the system. The questionnaire comprised statement on employees working style, their satisfaction level, management interest in motivation and the enthusiasm of the employees.

The research was designed to investigate the dimensions of workplace environment in field of physical, behavioral and social component. The analysis is implemented to Syndicate Bank which has been operating since 1925. In the study both primary and secondary data was used. Primary data comprised of discussion with employees; data collected through questionnaire etc. The primary data is the result of the survey which is conducted among 50 employees. The survey was done on the customer handling staff that is mostly getting affected from the workplace conditions than the other employees. A well versed and designed questionnaire was conducted to collect the primary data. The data collected through the survey was subjected to some basic statistical techniques for analyzing the worker's opinions towards the workplace environment and its impact on the productivity and performance of employees. Secondary data represents the data that are frequently used in literature.

1. TYPE OF UNIVERSE: Meerut district.
2. SAMPLING METHOD: Simple random sampling method was used for the study.
3. SOURCE LIST: Finite
4. SIZE OF SAMPLE: 50
5. TOOLS OF DATA COLLECTION: **Survey** and **Questionnaire.**
6. TECHNIQUES OF DATA ANALYSIS: Parametric test to analyze the data.

DATA ANALYSIS AND INTERPRETATION

1. AVAILABILITY OF FACILITIES REQUIRED FOR JOBS

TABLE 1

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	7	14%
2	Satisfied	21	42%
3	Partially Satisfied	15	30%
4	Dissatisfied	7	14%
5	Highly dissatisfied	0	0%
	TOTAL	50	100%

Availability of all the factors required for doing the job is very important and it motivates an employee to perform his task on time. 42% employees are satisfied and are motivated towards the work environment. While 14% employees reported that they are not getting the desired requisites for performing the job.

2. EQUALITY IN JOB ASSIGNMENT

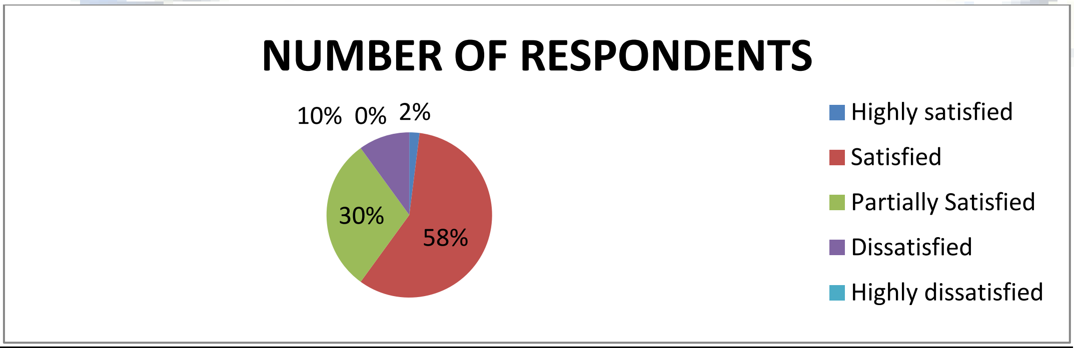
TABLE 2

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	46	92%
2	Satisfied	3	6%
3	Partially Satisfied	1	2%
4	Dissatisfied	0	0%
5	Highly dissatisfied	0	0%
	TOTAL	50	100%

The feeling that the employee is being treated fairly and no biasness exists in the organization motivates an employee and generates a positive work environment. Table 2 shows that 92% employee strongly agree and are highly satisfied that they are treated fairly in the organization.

3. PROBLEM FACED BY EMPLOYEES DURING THERE WORKING HOURS

CHART 1



62% of the employees are affected by the workload and work pressure and 14% employees believe that the only problem is noise, so these are the factor on which attention is necessary to improve the working environment.

4. WORK ENVIRONMENT MAKES THE EMPLOYEES MORE PRODUCTIVE AND ORGANIZED

TABLE 3

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	1	2%
2	Satisfied	29	58%
3	Partially Satisfied	15	30%
4	Dissatisfied	5	10%
5	Highly dissatisfied	0	0
	TOTAL	50	100%

58% of the employees believe that the working environment makes them more productive while 5% are dissatisfied with this and they need more adequate working environment.

5. BOREDOM OR FATIGUE AT THE WORKPLACE

TABLE 4

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	0	0%
2	Satisfied	12	24%
3	Partially Satisfied	32	64%
4	Dissatisfied	6	12%
5	Highly dissatisfied	0	0
	TOTAL	50	100%

64% of the employees partially believe that there is boredom and fatigue at the work place and they do not find themselves enthusiastic at high extent and do not feel motivated to do the job, where as 6% of the employees are dissatisfied with this.

6. WORK ENVIRONMENT MAKE THE EMPLOYEES STRESSED OR JITTERY

TABLE 5

SCORE	RESPONSE	H/C	PERCENTAGE
1	Highly satisfied	0	0%
2	Satisfied	5	10%
3	Partially Satisfied	7	14%
4	Dissatisfied	36	72%
5	Highly dissatisfied	2	4%
	TOTAL	50	100%

72% of the employees feel that they are happy with the environment and do not feel stressed with it and 14% of the employees holds a neutral opinion on it.

7. EMPLOYEES ARE SATISFIED WITH THE OVERALL PHYSICAL AND BEHAVIORAL ENVIRONMENT

TABLE 6

SCORE	RESPONSE	H/C	PERCENTAGE
1	Highly satisfied	0	0%
2	Satisfied	41	82%
3	Partially Satisfied	9	18%
4	Dissatisfied	0	0%
5	Highly dissatisfied	0	0%
	TOTAL	50	100%

82% of the employees are satisfied with the overall physical and behavioral environment of the bank where as 18% employees do not find it that adaptable.

8. FEEL MOTIVATED TOWARDS YOUR JOB

TABLE 7

SCORE	RESPONSE	H/C	PERCENTAGE
1	Highly satisfied	8	16%
2	Satisfied	33	66%
3	Partially Satisfied	9	18%
4	Dissatisfied	0	0%
5	Highly dissatisfied	0	0%
	TOTAL	50	100%

The status shows that 66% of the employees feels motivated and 16% of the employees feels highly motivated towards their job where as 18% of the employee partially agree with this.

9. THE MANAGEMENT PROVIDES CONTINUOUS FEEDBACK IN SOLVING WORK RELATED PROBLEMS

TABLE 8

SCORE	RESPONSE	H/C	PERCENTAGE
1	Highly satisfied	14	28%
2	Satisfied	16	32%
3	Partially Satisfied	9	18%
4	Dissatisfied	5	10%
5	Highly dissatisfied	6	12%
	TOTAL	50	100%

The data shows that 28% of the employees strongly agreed and 32% are satisfied that they are getting feedback from management and 18% are partially agree with the statement whereas 22% of the employees are dissatisfied with the statement. This shows that the management is needed to take some initiative in this concern.

.

10. ENCOURAGED TO COME UP WITH NEW AND BEET IDEAS OF DOING THINGS

TABLE 9

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	20	40%
2	Satisfied	10	20%
3	Partially Satisfied	12	24%
4	Dissatisfied	8	16%
5	Highly dissatisfied	0	0
	TOTAL	50	100%

From this data it can be observed that 40% of the employees agreed that they are appreciated and encouraged when they come up with new and better ways of doing things.

11. MANAGEMENT IS INTERESTED IN MOTIVATING THE EMPLOYEES

TABLE 10

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	0	0%
2	Satisfied	25	50%
3	Partially Satisfied	7	14%
4	Dissatisfied	18	36%
5	Highly dissatisfied	0	0
	TOTAL	50	100%

It has been observed that 50% of the employees are satisfied with the statement and 36% of the employees are disagree by which it can be stated that management is interested in motivating the employees but yes, some steps should be taken so that all the employees should get satisfied with it.

12. SATISFIED WITH THE PHYSICAL LAYOUT OF THE BANK

TABLE 11

SCORE	RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
1	Highly satisfied	2	4%
2	Satisfied	8	16%
3	Partially Satisfied	4	8%
4	Dissatisfied	36	72%
5	Highly dissatisfied	0	0
	TOTAL	50	100%

The physical layout plays a very vital role and acts as a motivating factor for the employees to perform and enhances their productivity. 72% of the employees are dissatisfied with it where as 20% of the employees are good faith in it.

CONCLUSION

The research was investigated on the criteria of workplace environment and work environment as a motivational tool for the employees. The analysis is done on a Public sector bank: Syndicate Bank of India on 50 employees. In this study both primary and secondary data has been used. The result of the study shows that workload, stress, overtime, boredom and fatigue are the factors that are responsible for job dissatisfaction. On the other hand to some extent employees find themselves positive and enthusiastic towards their job. According to the survey it has been proven that the workplace environment affects the performance of employee's productivity. Employees require good working conditions so that they can enhance their productivity and increase their performance. Both behavioral and physical aspects are very important in any organization for its proper functioning. All the employees agree that relations with supervisors, equality in job assignment, fair treatment and proper communication is important. About the overall satisfaction employees give favorable response and declared that they feel motivated towards their job. Employees of Syndicate bank are not satisfied positively with the physical layout of the bank. According to employees there need to be some change in the physical layout of the bank so that they can work more effectively and efficiently. So, to motivate employees, good working conditions and good working environment is very much important because it in itself works as a motivational factor for the employees working in the organization.

REFERENCES

1. **Auriol, et al (2008),** "Status and incentives", RAND Journal of Economics, March.
2. **Chandrasekar. K.** (2011). Workplace Environment and its Impact on Organizational Performance in Public Sector Organizations, International Journal Of Enterprise Computing and Business Systems, Vol:1,Issue:1
3. **Dalton E MC Farland (1974)**, Management Principles and practices. New York Mc millan. Pp 537
4. **Demet Leblebici (2012)**. Impact of workplace quality on employee's productivity: Case study of a bank in Turkey. Journal of Business, economics & Finance Volume 1, Issue 1.
5. **Dr. Ruchi, Surinder (2014).** Employer Branding: A new strategic Aspect of Human Resource. International Journal of Research in commerce, IT and Management.
6. **Elywood, J.(1999).** Models for production and operation design. California
7. **Gerber, Reiff (1998).** Persistent Problem and evolving issues: Learning disabilities, Journal Of learning disabilities, p.(98-100).
8. **Gyeke, S.A. (2006).** Safety management: Perception of workplace safety, Professional safety, 51(7), 34-41.
9. **Herzberg F, et al (1959).** The motivation to work. New York Wiley. PP 157.
10. **Huang, et al (2004)**. The role of environmental control on environmental satisfaction, communication and physiological stress: effects of office ergonomics training environment and behavior, 36(1), 617-638.
11. **Jones gareth, et al (2000),** Contemporary Management (2nd edition). McGraw Hill Higher Education, (Boston, USA).
12. **Keller (2008),** "satisfaction from job facilities", Journal of IMS group (bi-annual journal of IMS, Ghaziabad; volume 5 no.1, Jan-June. ISSN no. 0973-824x)
13. **Kreitner, R & Kinicki,A (2004),** Organizational Behaviour, 6th Edition, Mc Graw Hill, Sydney
14. **Leaman, A, Bordass, B** (1993), Building design, complexity and manageability. Facilities 11(9), 16-27.
15. **Leaman, A.** (1995). Dissatisfaction and office productivity. Journal of Facilities Management , 13(2), 3-19
16. **Mohr, r (1996).** Office space is a Revenue enhancer, Not an expense. Notional real estate investor, 38(7), 46-47.
17. **Morrisey, G.L.** (1977), Management by Objectives and Results for Business and Industry, Addison-Wesley,Reading, MA.
18. **Patterson M.G., et al (1997).** Impact of people management practices on business performance, (Issues in people management NO 22), Institute of Personnel and Development, London.
19. **Robert Dubin (1974), H**uman Relations in administration, New Delhi: Prentice Hall of India, P.53.
20. **Roeloelofsen P (2002).** Impact of office environment on employees performance: The design of the workplace as a strategy for productivity enhancement. Journal of facilities management; 1(3), ABI/INFORM Global pp. 247-264.

21. **Ryam, R.M and Deci, E.L. (2000)**. Self determination theory and the facilitations of intrinsic motivation, social development and well being. American Psychologist, 55, 67-68.
22. **Shaffer, S., (1993),** "A Test of Competition in Canadian Banking," Journal of Money, Credit, and Banking, Vol. 25, pp. 49-61.
23. **Sims W(2000),** "Team space: planning and managing environments to support team work", International Journal of Facilities Management, vol.1, pp. 21-33.

AN INVESTIGATION OF CONSUMER DECISION MAKING STYLE OF YOUNG ADULTS IN JAIPUR CITY IN RAJASTHAN

DR. RUBY JAIN
ASSOCIATE PROFESSOR
DEPARTMENT OF HOME SCIENCE
UNIVERSITY OF RAJASTHAN
JAIPUR

ARTI SHARMA
RESEARCH SCHOLAR
DEPARTMENT OF HOME SCIENCE
UNIVERSITY OF RAJASTHAN
JAIPUR

ABSTRACT

Clothing is a language of a person which reflects person's mood and profession. The purpose of this study is to investigate the decision making styles of male and female young consumers followed in clothing shopping. The study used Sprole sand Kendall's (1986) Consumer Style Inventory (CSI) with modification on a sample of 600males and females in Jaipur city of Rajasthan. Cronbach alpha and exploratory factor analysis was used to evaluate the decision-making styles for both genders. In addition to the four factors of CSI, two new factors viz. environment and health conscious & fabric conscious were identified for male and female consumers.

KEYWORDS

Consumer decision making, clothing shopping.

INTRODUCTION

Consumer shopping styles has been a subject of interest for the past many years. All the consumers do their shopping with certain fundamental decision-making styles. Shopping styles are important to marketing experts because they determine consumer behavior, and are particularly useful for market segmentation and positioning.

The research on consumer-decision making styles can be categorized into three main approaches: the psychographic/life style approach, the consumer typology approach and the consumer characteristics approach (Sproles and Kendall, 1986). According to Lysonksi et al. (1996) between all these three approaches, the consumer characteristics approach appeared to be the most powerful and descriptive as it focused on the mental orientation of consumers in making decisions. Thus, decision-making styles can be determined by identifying the consumer's general orientations towards shopping and buying.

Decision-making styles describe how a consumer thinks and makes choices for buying. Sproles and Kendall, 1986 have defined it as "a mental orientation characterizing a consumer's approach to making choices." Previously Sproles (1985) identified 50 items related to consumers cognitive and affective orientation towards shopping and buying which can identify their decision making style, with the help of factor analysis. Later they refined this inventory and accordingly developed a more parsimonious scale consisting of 8 factors and 40 items.

(1) ***Perfectionist, High-Quality-Conscious Consumer*** - A characteristic measuring the degree of which a consumer searches carefully and systematically for the best quality in products.
(2) ***Brand-Conscious, Price-Equals-Quality Consumer***- A characteristic measuring consumer's orientation toward buying the more expensive, well known brands.
(3) ***Novelty- and Fashion-Conscious Consumer*** -A characteristic identifying consumers who appear to like new and innovative products and gain excitement from seeking out new things.
(4) ***Recreational and Shopping, Conscious Consumer***- A characteristic measuring the extent to which a consumer finds shopping a pleasant activity and shops just for the fun of it.
(5) ***Price- Conscious, Value-for-Money Consumer*** - A characteristic identifying a consumer with particularly high consciousness of sale prices and lower prices in general.
(6) ***Impulsive, Careless Consumer*** - A trait identifying one who tends to buy at the spur of the moment and to appear unconcerned about how much he or she spends (or getting "best buys")
(7) ***Confused by Over choice Consumer***- A person perceiving too many brands and stores from which to choose and who likely experiences information overload in the market; and
(8) ***Habitual, Brand-Loyal Consumer***- A characteristic indicating a consumer who repetitively choose the same favorite brands and store.

A series of investigation on CSI were conducted by different authors in different countries to test the generalizability of the tool (Yesilada & Kawas, 2008; Bakewell & Mitchell,2003; Walsh, Mitchell &Thurau, 2001; Azizi & Makkizadeh, 2012; Kamaruddin & Kamaruddin, 2009; Mokhlis & Salleh, 2009; Zeng, 2008; Unal & Erics, 2008; Akturan & Tezcan, 2007; Hou & Lin, 2006; Kwan, Yeung &Au, 2004; Wang, Sui &Hui, 2002; Mokhlis, 2009). In Indian context few studies were conducted by authors to find the acceptability of CSI in India (eg. Lyonski, Durvasula & Zotos, 1996; Patel, 2008; Nath, 2009; Ravindran, ram, Kumar, 2009; Gayan, 2010) and most of them give recommendation to modify the tool according to culture and country. Jain and Sharma (2013) in their review paper on CSI conclude that most of the researchers confirm some common factors, these are perfectionist high quality conscious, brand conscious, recreational hedonistic, price conscious, confused by over-choice.

Unal & Ercis, (2008) emphasized the role of gender in their words "In the decision making style gender significantly plays the role. In order to develop successful strategies it is necessary for marketers to determine how males and females respond to marketing practices. The biological differences between males and females are reflected in their personality, social relations and roles undertaken. From the consumer's point of view, it is stated that male and female pass through different processes, exhibit different mood and have different preference under the same conditions".

OBJECTIVES

The study is designed to find out the decision making styles of consumers of Jaipur city. Further the styles of both man and women are compared and similarities and dissimilarities are identified.

METHODOLOGY

The study was conducted in Jaipur city of Rajasthan. Jaipur is divided in 8 zones and the most populated 4 zones were selected for the study. Six hundred consumers 300 males and 300 females between the ages of 20-35 years were selected for the study and were approached from public places like malls, park and local market. A structured questionnaire was prepared which consisted of sections on general information towards clothing purchasing and decision making styles. Consumer decision-making styles were measured using the 40-items of Consumer Style Inventory (CSI), developed by Sproles and Kendall (1986). This scale was based on a 5-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Further with the help of focus group discussion & factor analysis certain new factors were traced. The 4 new factors (care and maintenance conscious, environment and health conscious, fabric conscious and influence by significant others) were identified besides CSI, and these were added to the questionnaire for the study. The data was collected during the months of January 2012 to march 2012.

RESULT & DISCUSSION

1. GENERAL PURCHASING BEHAVIOR OF MALE & FEMALE

To analyze the general behavior of male and female frequencies and percentages were drawn. Table- 1 indicated that around 41% males prefer to go seasonally for apparel shopping whereas 33.3 % females prefer to go monthly for shopping. Around 43 % male and 38% female population spends 2-3 hours on each trip of shopping apparel on the other side 35%of females population spends 3-4 hours on each trip of apparel shopping indicates that females go for shopping more often and take more time for shopping compared to male consumers. Male (52 %) and female (47.3 %) both prefer to go with friends for shopping. Almost 51%male consumers prefer to go in branded stores whereas 45% females prefer to go in individual store to shop which indicates that male prefer branded clothes whereas female are not much brand loving. Sixty four percent male and 59% female spend same amount of money(1000-2000 rupees) per month on apparel shopping and they both prefer to shop in nearby markets and love to shop in malls rather than local market. Male(79%) and female (87%)consumers both consider that there is difference in involvement in term of time, money and decision making while purchasing apparels for daily wear or occasional wear. (Table-1)

TABLE- 1 GENERAL PURCHASE BEHAVIOR OF MALE AND FEMALE (N-600)

S.N	Clothing Purchase Behavior	Male (300)		Female (300)	
		F	%	F	%
1	Going for apparel shopping				
	Never	4	1.3	8	2.7
	Every two weeks	26	8.7	35	11.7
	Monthly	60	20	100	**33.3**
	Seasonally	121	**40.3**	95	31.7
	Only during festivals & occasions	77	25.7	55	18.3
	Twice in a year	6	2	4	1.3
	Yearly	6	2	3	1
2	Hours spend on each trip for apparel shopping				
	0-1 hour	33	11	25	8.3
	1-2 hour	76	25.3	52	17.3
	2-3 hour	130	**43.3**	115	**38.3**
	3-4 hour	60	20	106	**35.3**
	Others	1	.3	2	.7
3	Prefer to going for apparel shopping				
	Parents	27	9	55	18.3
	Friends	156	**52**	142	**47.3**
	Alone	47	15.7	31	10.3
	Brothers & sisters	25	8.3	29	9.7
	Husband/wife	45	15	43	14.3
4	Most frequent visited store for buying apparels				
	Department store	31	10.3	31	10.3
	Branded store	152	**50.7**	113	37.7
	Individual store	91	30.3	135	**45**
	Discount store	22	7.3	19	6.3
	Others	4	1.3	2	.7
5	Money spend on clothes monthly by your				
	1000-2000	192	**64**	176	**58.7**
	2001-3000	65	21.7	73	24.3
	3001-4000	22	7.3	29	9.7
	4001-5000	21	7	22	7.3
6	While purchasing clothes and accessories do you prefer market nearby your home				
	Yes	152	**50.7**	167	**55.7**
	No	148	49.3	132	44
7	Which Market you prefer to go for shopping clothes?				
	Mall	188	**62.7**	165	**55**
	Local market	112	37.3	135	45
8	Is there any difference in involvement like (in term of time, money, decision making) while purchasing apparels for daily wear or occasional wear				
	Yes	237	**79**	261	**87**
	No	63	21	39	13

2. CONSUMER DECISION MAKING STYLE

Exploratory factor analysis with varimax rotation was used to summarize the items into modified set of male and female decision making styles. Bartlett's test of sphericity and Kiaser-Meyer-Olkin (KMO) measure were both adopted to determine the appropriateness of data for factor analysis. The result of Bartlett's test of sphericity (0.00) and KMO 0.64 indicated the data was appropriate for factor analysis. For reliability the cronbach alpha value 0.6 or > 0.6 is considered as acceptable level, as many researchers like George &Mallery (2003), Juul et al. (2008) and Malhotra (2001) have considered 0.6- 0.7 cronbach alpha as acceptable value. In the table-2 the values shown against the factor denote the cronbach alpha and values against items are factors loading. Factors having cronbach alpha below 0.6 are excluded and in the selected factors items having factor loading below 0.4 are excluded as these do not represent the Jaipur population.

Results conform 6 factor model for male and 5 factor models for female being appropriate for Jaipur population. The male six factor model shows that four of the eight CSI original factors plus two new male factors (Environment and health conscious& fabric conscious) were found acceptable. The five factors model for female shows the three of eight CSI original factors plus two new female factors (Environment and health conscious& fabric conscious) were conformed. The factor along with the male and female values and items along with factor loading model are presented in table- 2.

TABLE-2: ALPHA & FACTOR ANALYSIS OF MALE AND FEMALE CONSUMER'S (N-600)

S.No.	Consumer Decision Making Style	Cronbach Alpha (α) & Factor loading	
		Male (300)	**Female (300)**
Factor 1	**Perfectionist high quality conscious consumer**	**α=.670**	**α=.334**
	In general, I usually try to buy the best apparel in overall quality	.607	-
	My standards and expectation for apparel I buy are very high	.543	-
	I make special effort to choose the very best quality apparel	.571	-
	When it's come to purchase garment, I try to get the very best or perfect choice	.532	-
	I shop quickly buying the first product or brand I find that seems good enough	.412	-
	Getting very good quality is very important for me	.605	-
Factor 2	**Brand conscious**	**α=.690**	**α=.694**
	The more expensive apparel brands are usually my choice	.574	.577
	The well-known national brands apparel are best for me	.587	.624
	I prefer buying the bestselling apparel brands	.625	.701
	The most advertised apparel brands are usually very good choice	.498	.576
	The higher the price of a apparel, the better its quality	.699	.497
Factor 3	**Habitual brand loyal consumer**	**α=.679**	**α=.635**
	I change brands I buy regularly	.462	.512
	Nice department and specialty stores offer me the best apparel	.671	-
	I have favorite brands I buy over and over	.583	.513
	Once I find a product or brand I like , I stick with it	.487	.434
	I go to same stores each time I shop	.476	.647
Factor 4	**Recreational hedonistic consumer**	α=.381	α=.490
	shopping in store waste my time	-	.125
	I enjoy shopping just for fun	-	.762
	I make my shopping trip fast	-	.144
	Shopping is not a pleasant activity for me	-	.647
	Going shopping for footwear is one of the enjoyable activity of my life		.734
Factor 5	**Impulsive careless consumer**	α=.568	α=.498
	I am impulsive when purchasing footwear	.524	-
	I take time to shop carefully for best buy	-	-
	Often I make careless purchase I later wish I had not	.328	-
	I carefully watch how much I spend	.601	-
	I should plan my apparel shopping more carefully then I do	.630	-
Factor 6	**Novelty fashion conscious**	**α=.694**	**α=.714**
	I keep my wardrobe up to date with the changing fashion	.682	.692
	Fashionable, attractive style is very important for me	.681	.763
	To get variety, I shop different stores and choose different brands	.566	.584
	I usually have one or more outfits of very newest style	.738	.710
	it's fun to buy something new and exciting	.679	.659
Factor 7	**Confused by over choice consumer**	α=.432	**α=.644**
	The more I learnt about footwear the harder it seems to choose the best	-	.624
	there are so many brands to choose from that often I feel confused	-	.527
	Sometimes it's hard to choose which store to shop	-	.711
	All information I get on different footwear confuse me	-	.621
Factor 8	**Price conscious 'price equals money" consumer**	**α=676**	α=.562
	The lower price apparel products are usually my choice	.725	-
	I look carefully to find the best value for the money	.558	-
	I buy as much as possible at sale price	741	-
Factor 9	**Care and maintenance conscious**	α=.243	α=.135
	I buy those fabrics which does not require iron	.363	.423
	I love to take care of my apparels	.534	.354
Factor 10	**Environment and health conscious**	**α=.770**	**α=.793**
	I am willing to pay higher price for those apparel that can maintain my health	.902	.910
	I frequently purchase apparels that claim to be environmental friendly	.905	.923
Factor 11	**Fabric conscious**	**α=.724**	**α=.610**
	I always keep fabric type in mind when I purchase apparels	.797	.849
	I buy a particular/same fabric every time	.737	.832
Factor 12	**Influenced by significant others**	α=.468	α=.519
	Advice from sales people influence my choice of clothing	.485	.621
	It is important that others like the clothing and brands I buy	.598	.432

FACTOR ANALYSIS WITH VARIMAX ROTATION

3. FACTORS IDENTIFIED FOR MALE AND FEMALE

Four factors (brand conscious, novelty fashion, environment and health conscious and fabric conscious) were identified for male and female consumers as Jaipur young population exhibit brand, fashion, environment and health and fabric consciousness in their purchasing behavior. On the other side male consumers shows perfectionism and price consciousness in their buying behavior and female consumers exhibits confusion by over-choice at the time of purchase (Table - 3).

TABLE-3 FACTORS FOR MALE & FEMALE

S.No.	Decision making style		
	Factors for male & female	**Factors for Male**	**Factors for Female**
1	Brand conscious	Perfectionist high quality conscious	Confused by over-choice
2	Novelty fashion conscious	Price conscious	-
3	Environment and health conscious	-	-
4	Fabric conscious	-	-

4. DECISION MAKING STYLE AMONG MALE AND FEMALE POPULATION

To understand the similarities and dissimilarities in decision making style in male and female population mean, s.d. and 't' ratio was calculated and it was found that brand conscious and novelty fashion conscious decision making style were found in both male and female but there is significant difference exists in brand consciousness and novelty fashion consciousness of male and female as the 't' value of brand conscious is 1.97 and novelty fashion conscious is 2.00 which are significant at 0.05 levels. The mean values with s.d. of brand conscious and novelty fashion conscious indicated that male consumers are more brand consciousness compared to females whereas female consumers are more novelty fashion conscious compared to male consumers. A number of authors e.g. Unal & Ercis (2008); Mokhlis & Salleh (2009) and Bae (2004) concluded that male and female college-aged consumers had different shopping patterns. On the other side Chase (2004) found that there is a significant relationship between gender and the Recreational/Hedonistic consumer decision-making style. Females tend to be more recreational shoppers than males. 'T' value for environment health conscious and fabric conscious shows that there is no difference in male and female styles and they both prefer them at the same level.

TABLE- 4: T-RATIO BETWEEN MALE & FEMALE DECISION MAKING STYLE

S. No.	Consumer Decision Making Style	Male		Female		T-ratio
		Mean	**SD**	**Mean**		
F-2	Brand conscious	17.02	3.48	16.41	4.07	1.97*
F-3	Novelty fashion conscious	17.68	3.58	18.29	3.93	2.00*
F-4	Environment and health conscious	6.14	2.29	5.89	2.38	1.302
F-5	Fabric conscious	5.82	1.83	6.09	2.14	1.65

Significant at 0.05* level

CONCLUSION

This study has adapted the Consumer-Style-Inventory developed by Sproles and Kendall 1986, and identified a revised six factor model for males and five factor model for female to fit decision-making styles of the Jaipur samples. Common factors from Sproles and Kendall model confirmed in both populations were brand conscious and novelty fashion conscious. In addition to this two factors of CSI (perfectionist high quality conscious and price conscious) for males and one factor of CSI (confused by over-choice) for females were conformed. Two new factors besides CSI (environment and health conscious & fabric conscious) conformed for both populations. Another important finding is that though both the gender follows few same styles, yet they show significant difference in the levels of decision making styles in perfectionist high quality, brand loyal, and novelty fashion conscious. It is concluded that CSI by Sproles and Kendall, 1986 can be applied in different areas with modification. Modifications are necessary as each country and each region is different in terms of socio, cultural background which has its impact on the purchasing styles of its residents.

REFERENCES

1. Akturan U. and Tezcan N. (2007). Profiling young adults: Decision making styles of college students for apparel products, Journeesnormandes de recherché sur le consummation, 19-20 mars 2007, 1-13. Viewed on 15 May 2012 http://www.argonautes.fr/uploads/.../UlunAkturanetNurayTezcan.do
2. Backwell C. and Mitchell V.W. (2003). Generation Y female consumer decision making styles, *International Journal of retail & distribution management,*Vol. 3 No.2, pp. 95-106
3. Bae, S. (March 2004).Shopping Pattern Differences of Physically Active Korean and American University Consumers for Athletic Apparel, (A dissertation) The Florida State University College of Education.
4. Chase M.W. (2004). The relationship between mind styles, consumer Decision Making Styles, and shopping Habits of Beginning College Students, PhD diss., Virginia polytechnic Institute and State University, Viewedon November 2, 2011 http://scholar.lib.vt.edu/theses/available/etd-05212004-211255/unrestricted/front.pdf
5. Gayen, P.R. (2010). Consumer decision making styles in shopping malls of Bhubaneswar, Viewed on April 27, 2012 http://www.scribd.com/doc/25548421/ Customer-Style-Inventory
6. George D. and Mallery P. (2003). SPSS for windows step by step: A sample Guide & reference, Boston; Allyn & Bacon
7. HouS.C., and Lin Z.H. (2006). Shopping style of working Taiwanese female, Viewed on May 15, 2011 htttp://bai2006.atisr.org/CD/Papers/2006bai6305.doc.
8. Jain R. and Sharma A. (2013). A Review On Sproles & Kendall's Consumer Style Inventory (CSI) For Analyzing Decision Making Styles Of Consumers, Indian Journal of Marketing , Vol. 43 No.3, pp. 40-46.
9. KamaruddinA.R., and Kamaruddin K. (2009). Malay culture and consumer decision-making styles: an investigation on religious and ethnic dimensions, *JurnalKemanusiaan Bil*.Vol.14, pp. 37-50.
10. Kwan C.Y., Yeung K.W., and Au K.F. (2004). Decision making behavior towards casual wear buying: A study of young consumers in mainland China, Journal of Management & World Business Research, Vol.1 No.1, pp.1-10
11. Lysonski S., Durvasula S., and Zotos Y. (1996). Consumer decision making styles: A multi country investigation, European Journal of Marketing, Vol.30 No.12, pp.10-21.
12. Mokhlis S. (2010). Religious contrasts in consumer shopping styles: A factor analytic comparison, *Journal of Business Studies Quarterly*, 2 (1), 52-64
13. Mokhlis S. and Salleh H.S. (2009). Consumer decision making styles in Malaysia: An exploratory study of gender difference, *European Journal of Social Sciences*, 10 (4), 574-584.
14. Nath C. K. (2009). Decision-making styles in retail environment: A new paradigm, Article No: 181, ISSN 0974 – 9497, Vol.3 No.4/4, pp. 1-12.
15. Patel V. (2008). Consumer decision making styles in shopping malls: An Empirical study, New age marketing: Emerging Realities, 627-637, Viewed on august 8, 2011 http://www.scribd.com/doc/2357793/consumer-decision-making-styles-in-shopping-malls-an-empirical-study.
16. Patel V. (2008). Consumer decision making styles in shopping malls: An Empirical study, *New age marketing: Emerging Realities*, 627-637, Viewed on august 8, 2011 http://www.scribd.com/doc/2357793/consumer-decision-making-styles-in-shopping-malls-an-empirical-study
17. Ravindran D.S., Ram H.S., and Kumar G R. (2009). Study on Decision making styles of consumers in malls, *IMS Manthan*, Vol. IV, No.2, pp.103-109.
18. Sproles G.B., and Kendall E.L. (1987). A short test of consumer decision making styles, The Journal of Consumer Affairs, Vol.5, pp.7-14.
19. Sproles, G. B. (1985). From Perfectionism to Fadism: Measuring Consumers' Decision-Making Styles, In: Schnittgrund, K.P, The Proceedings of the American Council on Consumer Interests, Columbia, MO: The American Council on Consumer Interests, pp.79-85.
20. Unal S., and Ercis A. (2008). Decision making styles and personal values of Bosnian and Turkish young people, MIBES- oral, pp. 515-532.

21. Walsh G., Thurau T. H., Mitchell V. W. and Widmann K. P. (2001).Consumers' decision making style as a basis for market segmentation, Journal of Targeting, Measurement and Analysis for Marketing, Vol.10,No.2, pp.117-131.
22. YesiladaF., and Kavas A. (2008). Understanding the female consumer's decision making styles, Isletmefakultesidergisi, Vol.9, No.2, pp.167-185.
23. Zeng Y. (2008). An investigation of decision making style of Chinese college student online apparel shoppers, A thesis B.A. Wuhan university of science and engineering, China, Viewed on September 17 2011 http://etd.lsu.edu/docs/available/etd-11052008123052/unrestricted/Zengthesis.pdf.

COMPOSITION OF INTERNATIONAL RESERVES AND ITS COLLISION ON EXCHANGE RATE AND GROSS DOMESTIC PRODUCT IN INDIA

SHANKAR. R
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
HINDUSTAN COLLEGE OF ARTS AND SCIENCE
COIMBATORE

LAVANYA.M.R
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
SANKARA COLLEGE OF SCIENCE AND COMMERCE
COIMBATORE

ABSTRACT

International Reserves has gained significance over the past two decades either as a precautionary motive or transaction motive. The countries, most particularly, developing nations shown much interest in holding reserves than developed nations. The reason behind this was, having more reserves in their treasury can certainly raise their worthiness among other nations. The Indian international reserves has grown and been growing since the introduction of liberalization policy 1991, at a rapid pace. The present study tries to analyse whether the pace of international reserves have concerned effect on Exchange Rate and Gross Domestic Product in India after 1991 or not. The study further attempted to find out the evaluation of long run relationship exists between international reserves, Exchange Rate and Gross Domestic Product. The study identified the positive long run relationship exists between the international reserves Exchange Rate and Gross Domestic Product in India. Hence, the international reserves accumulation having impact on Gross Domestic Product and Exchange Rate in India.

KEYWORDS
International reserves, Precautionary motive, Transaction motive, Exchange Rate and Gross Domestic Product.

JEL CLASSIFICATION CODE
F31, F39.

I. INTRODUCTION

International Reserves or External Reserves are foreign currencies, foreign deposits and bonds held by Central Banks and monetary authorities of a nation that includes gold and silver, Special Drawing Rights (SDRs) and International Monetary Fund (IMF) reserves positions. Any nation would need International reserves to coordinate its receipts and payments with the rest of the world and to survive occasional speculative raid by dealers in speculative market. The use of International Reserves has become more popular after the decline of gold standards. Indian International Reserves shored up especially after liberalization policy announced in 1991. The Exchange Rate regime of India, since the increasing trend of foreign reserves has faced fluctuations from time to time. The excessive accumulation of foreign reserves is been beyond absorption capacity and has distorted the primary ratios which are theoretically optimized. The present study tries to estimate whether such un-precedent levels of foreign reserves have a bearing on the Exchange Rates and Gross Domestic Product, which otherwise would have a cascading effect.

II. PROBLEM STATEMENT

In today's world, large foreign reserves and its strengthened balance of payments symbolizes the country's strength and worth, as it indicates the strong backing the currency of the country has. Hence, it attracts the assurance of global society present inside the country, as well as in the globe towards the country while a low foreign reserves signal the opposite. It is then necessary for the rising financial system to hold large foreign reserves against disruptive effect of abrupt capital outflows. Looking at some of the domestic and external economic indicators, India seems to have come a long way since the 1991 balance of payment crisis. However, the crisis paved way for supplementary liberalization of the economy and since then trade; Foreign Investment and Exchange Rate reforms have been undertaken leading to a surplus on capital account. Apart from the surge in these capital inflows, RBI has been resistant to Exchange Rate appreciation to protect exports, though India is a domestic demand driven economy, and structural factors more than currency value constrain export growth. This has resulted in the rapid growth in foreign reserves from a mere $5.8 billion in 1991 (Fiscal Year in India is from April- March) to a high of $291 billion by Feb 2013.

Hence, in India, overseas venture followed by exterior commercial borrowings of home firms in 1990-1991 has led to rise in accretion of foreign reserves. India's history of foreign reserves accumulation has its own history. It faced both accelerating and decelerating trend since 1950s. The growth of accumulation of foreign reserves by the nation is extreme during the last two decades competing the global growth, i.e., since 1991. These accumulations are made regardless of whatever effects they have on the Exchange Rate and Gross Domestic Product. This study, therefore, assesses foreign reserves and its impact on Exchange Rate and Gross Domestic Product during the last two decades. Hence the study tends to seek answers for the following questions:

- Whether there is a long run relationship exists between International Reserves, Exchange Rate and Gross Domestic Product of India?
- How far the accumulation of International Reserves affected Exchange Rate?
- What is the impact of International Reserves on Gross Domestic Product?

III. REVIEW OF LITERATURE

Shromon Das (2008)[1]**,** in his article, has agreed that India's foreign exchange reserve have been growing at a rapid pace. He had authentically seen how RBI published a data on sources of accretion to International Reserves in India, which are main components to our International Reserves, along with their values. The data proves how the components have undergone maximum change in the capital account, owing largely to net portfolio inflows.

Muhammad Tohir Khan (2013)[2]**,** by his study, models the relationship and causality link between International Reserves and Exchange Rate for economy of Pakistan using annual data series from 1983 to 2009 by applying Co Integration analysis. The study also examines the causality relationship and also suggests that, in Pakistan both the Nominal Exchange Rate and Real Exchange Rate affects the International Reserves.

Umeora Chinweobo Emmanuel (2013)[3], found in his study the effects of holding International Reserves on Exchange Rates and inflation in Nigeria. The study found no relationship between inflation and foreign reserves and found a significant relationship between Exchange Rate and foreign reserves. Government is advised to ensure optimal management of the nations external reserves. Other causes such as Money Supply (M2) are suspected to be responsible for causing inflation in Nigeria.

IV. OBJECTIVES OF THE STUDY
The objectives of the study are:
- To identify the long run relationship between International Reserves, Exchange Rate and Gross Domestic Product.
- To evaluate the impact of International Reserves on Exchange Rate and Gross Domestic Product during the study period.

V. SCOPE OF THE STUDY
The study has been attempted to analyse impact of International Reserves on foreign Exchange Rate and Gross Domestic Product. It does not cover volatility or cost benefit analysis of the foreign reserves or Exchange Rate or Gross Domestic Product.

VI. HYPOTHESES OF THE STUDY
The hypotheses framed for the study are:
- **H_{01}:** International Reserves, Exchange Rate and Gross Domestic Product have no long run relationship among themselves
- **H_{02}:** International Reserves has no impact on Exchange Rate.
- **H_{03}:** International Reserves has no impact on Gross Domestic Product.

VII. METHODOLOGY FOR THE STUDY
A. SOURCES OF DATA
The study is based on secondary data and the reliable data for the study has been compiled from the Statistical handbook of Indian economy of Indian Central Government and World Bank database.
B. PERIOD OF STUDY
The study period is 23 years from 1990-1991 to 2012-2013.
C. TOOLS USED
The collected data have been used for analysis with the help of both econometric and statistical tools. The statistical tool used is Regression and the econometric tools used are unit root test (Augmented Dicky Fuller Test) and Johansen Co Integration test.
- **Unit root test**

In order to examine the data integration level and stationary the classical unit root test called Augmented Dicky Fuller (ADF) test has been used. It is so because the ADF test is more reliable for testing the non stationary of data series. A variable which have constant mean and variance with respect to time called stationary variable, when a variable is non stationary it requiring first-order differencing to achieve stationery. There are three types of different regression form of ADF unit root test for every time series data.

(I) Without Intercept (c) and Trend (t): $\Delta Y = \delta Yt\text{-}1 + ut$
(II) With Intercept (c): $\Delta Y = \alpha + \delta Yt\text{-}1 + ut$
(III) With Intercept (c) and Trend (t): $\Delta Y = \alpha + \beta T + \delta Yt\text{-}1 + ut$

In the above regression equations each equation has its own critical value which depends on sample size, and in each case the null hypothesis:
Ho: $\delta = 0$
H1: $\delta \neq 0$
Decision rule for accepting or rejecting the null hypothesis are:
(i) If ADF test statistic > critical value, the null hypothesis cannot be rejected, it means that a unit root exists (no stationarity).
(ii) If ADF< critical value, the null hypothesis can be rejected, it means that the unit root does not exists (stationarity).
- **Johansen Co Integration test**

Johansen Co Integration analysis is a statistical analysis used for time series data for determining long run relationship between two or more variables. It is done to identify the integration among variables. After stationary of the variable is found, the next step is to identify the integration among the variables. For the purpose, there are two basic co integration techniques can be used. One is (Engle and Granger 1987) two step Co Integration procedure and the other is Johansen Co Integration test to test the integration among the variables based on trace statistics and Max Eigen value statistics.

VIII. SIGNIFICANCE OF THE STUDY
International Reserves are now accumulated regardless of the opportunity cost and effect on the economies especially in low income and developing countries. India, being a developing nation has been accumulating foreign reserves at a rapid pace against all odds. The accumulation has been made for many reasons as political, financial or economical. Above all needs, India stands among the top ten nations in foreign reserve holdings. The study analysed the foreign reserves impact on Exchange Rate, which has its implications with benefits to policymakers, academicians and information seekers.

IX. LIMITATIONS OF THE STUDY
The major limitations of the study are;
- Since the IMF reserve position was included only after fiscal year 2002-2003, it does not have effect on the study before inclusion.
- The study is made only in consideration with India and not applicable to any part of the globe.
- The study fully depends on the secondary data, which has its own limitations.

X. ANALYSIS OF IMPACT OF INTERNATIONAL RESERVES ON EXCHANGE RATE AND GROSS DOMESTIC PRODUCT USING REGRESSION ANALYSIS
A. AUGMENTED DICKY FULLER UNIT ROOT TEST OF EXCHANGE RATE, INTERNATIONAL RESERVES AND GROSS DOMESTIC PRODUCT

TABLE – I: AUGMENTED DICKY FULLER UNIT ROOT TEST

Variables	t – statistic (level)	Probability*	t – statistic (1st difference)	Probability*
RESERVES	-2.4489	0.3473	-5.9837	0.0692
RATE	-4.7597	0.6592	-6.8252	0.0049
GDP	-4.1136	0.0195	-5.8599	0.0000

***MacKinnon p-values**

Source : Compiled and calculated from Statistical Handbook of Indian Economy 2013 and World Bank.

The table 1 reveals the Augmented Dicky Fuller unit root test for finding stationary of International Reserves, Exchange Rate and Gross Domestic Product of India during the period from 1990-1991 to 2012-2013. The stationary of all the variables are proved at the first difference with the t-statistic values of -5.9837, -6.8252 and -5.8599 for International Reserves, Exchange Rate and Gross Domestic Product respectively, which is smaller than the critical values. Hence, the unit root does not exists and the stationarity of variables is proved.

H_{01}: International Reserves, Exchange Rate and Gross Domestic Product have no long run relationship among themselves

B. JOHANSEN CO INTEGRATION TEST ANALYSIS FOR INTERNATIONAL RESERVES, EXCHANGE RATE AND GROSS DOMESTIC PRODUCT

TABLE – II: JOHANSEN CO INTEGRATION TEST

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.795930	40.89750	29.79707	0.0018
At most 1	0.274796	17.52240	15.49471	0.5178
At most 2	0.036235	0.77506	3.841466	0.3787

**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.795930	33.37510	21.13162	0.0006
At most 1	0.274796	16.74733	14.26460	0.5194
At most 2	0.036235	0.77506	3.841466	0.3787

**MacKinnon-Haug-Michelis (1999) p-values

Source : Compiled and calculated from Statistical Handbook of Indian Economy 2013 and World Bank

The table 2 indicates the Johansen Co Integration test for International Reserves, Exchange Rate and Gross Domestic Product of India during the study Period from 1990-1991 to 2012-2013. The Trace statistics and Max Eigen value statistics shows the value greater than the Mackinnon p-values at 5% level at None and At most 1. Hence, the null hypothesis is rejected and found that there is a long run relationship between the three variables during the study period.

H_{02}: International Reserves has no effect on Exchange Rate in India.

c.Regression analysis of International Reserves and Exchange Rate during the period 1990-1991 to 2012-2013

TABLE – III: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig/Non-significance
1	.831[a]	.690	.675	.05802	Significant

a. Predictors: (Constant), RESERVES

Source : Compiled and calculated from Statistical Handbook of Indian Economy 2013 and World Bank.

The table 3 represents the regression analysis between International Reserves and Exchange Rate for the study period between 1990-1991 and 2012-2013. The analysis placed Exchange Rate as dependent variable and International Reserves independent variable. The analysis shows R^2 value of 0.690, which states that the International Reserves contributed highly for the growth of Exchange Rate in India. The calculated F value is more than the table value and hence, the null hypothesis is rejected and there is a significant effect by International Reserves on Exchange Rate during the study period.

H_{03}: International Reserves has no effect on Gross Domestic Product in India.

C. Regression analysis of International Reserves and Gross Domestic Product during the period 1990-1991 to 2012-2013

TABLE – IV: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Significance/Non-significance
1	.516[a]	.567	.232	.15901	Significant

a. Predictors: (Constant), RESERVES

Source : Compiled and calculated from Statistical Handbook of Indian Economy 2013 and World Bank.

The table 4 shows the regression analysis between International Reserves and Gross Domestic Product for the study period between 1990-1991 and 2012-2013. The analysis placed Exchange Rate as dependent variable and International Reserves independent variable. The analysis shows R^2 value 0.567, which states that the foreign reserves contributed significantly for the Gross Domestic Product in India during the study period. The calculated F value is greater than the table value and hence, the null hypothesis is rejected and there is a significant effect by International Reserves on Gross Domestic Product during the study period

XI. FINDINGS

The major findings of the study are:

- The variables, International Reserves, Exchange Rate and Gross Domestic Product have a significant long-run relationship among themselves during the study period.
- The International Reserves accumulation has a significant impact on Exchange Rate during the study period.
- The International Reserves accumulation has a significant impact on Gross Domestic Product during the study period.

XII. SUGGESTIONS

The suggestions based on findings are:

- The International Reserves accumulation has a significant contribution on Exchange Rate and so the country can continue holding foreign reserves to have stabilised Exchange Rates, which would boost the credit ratings and in turn would draw investors to India in the form of foreign direct investment and portfolio investments and thereby supplying the much needed capital for stimulating Gross Domestic Product.

- The holdings of International Reserves can have the ability to raise the economy of the nation and hence, it can be suggested to continue holdings to meet the internal needs of the nation such as industrial development and infrastructure development.

XIII. CONCLUSION

The International Reserves accumulation, thus from the study have posed significant effect on Exchange Rate and Gross Domestic Product in India. The largest reserve holders have far exceeded defensive levels of International Reserves by most rational measures. Rather, most excess reserve accretion appears in nations with Exchange Rates strongly fixed to the U.S. dollar, and the longing to limit Exchange Rate elasticity likely underlies much of the modern reserve accumulation. Though economists at various views suggests the wrong points of accumulating huge reserves, Indian government keeps on holding more reserves. This may be utilized properly to attain benefits.

REFERENCES

1. **Shromon Das (2008)**, "*What contributes to India's International Reserves",* Journal of International Money and Finance, Vol.6, 2008.
2. **Muhammad Tohir Khan (2013),** *"Exchange Rate as a determinant of fluctuation in International Reserves: Evidence from economy of Pakistan",* Academic Research International, Vol. 4, No. 2, March – 2013.
3. **Umeora Chinweobo Emmanuel (2013)**, *Accumulation of External Reserves and Effects on Exchange Rates and Inflation in Nigeria***,** International Business and Management, Vol. 6, No. 2, 2013, pp. 105-114.
4. **Yongzhong and Freeman (2013)**, *"The International Financial Crisis and China's Foreign Exchange Reserve Management,"* Asia Paper, Vol. 7, No. 2, 29 March 2013.
5. **Umeora Chinweobo Emmanuel (2013),** *"Accumulation of External Reserves and Effects on Exchange Rates and Inflation in Nigeria"* International Business and Management, Vol. 6, No. 2, 2013, pp. 105-114
6. **International Relations Committee, Task Force (IRC, 2006),** *"The accumulation of foreign reserves",* occasional paper series no. 43 / February 2006 https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp43.pdf
7. **Lawrence (2006)** *"Foreign exchange reserves: New realities and options"*, RBI Paper, http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/72903.pdf
8. **Monir Ahmmed, Mohammed Rokibul Kabir and Md. Arif Billah (2006),** *"Maintaining international reserves under three major political regimes in Bangladesh: A performance evaluation using dummy variable approach",* http://www.wbiconpro.com/227-Rakib.pdf
9. **RBI,** *"Cost of India's Burgeoning Foreign Exchange Reserves: What to Do With So Many Reserves?"*
10. http://www.rbi. org. In

CONSUMER BUYING BEHAVIOUR: AN EMPIRICAL STUDY ON PERSONAL COMPUTER

SANTPAL
ASST. PROFESSOR
GOVERNMENT COLLEGE
BAWAL

PRADEEP
ASST. PROFESSOR
CH. BANSILAL GOVERNMENT COLLEGE FOR WOMEN
TOSHAM

ABSTRACT

As we are living in a world of information technology, computer plays a key role nowadays. A lot of research has been done in consumer behaviour. The study identifies various factors that influence consumers to purchase a personal computer. The study also helps marketers to understand consumer needs. It helps in finding out the Brand choice. The student market is a potential market. Which is the populars brand in campus? What is a criterion to purchase and problems faced by the respondents? These questions raised curiosity to do a study on the buying behaviour of the students.

KEYWORDS

Personal computer, Consumer behavior.

CONSUMER BEHAVIOUR

Consumer behaviour refers to the buying behaviour of ultimate consumers, those persons who purchase product for personal or household use, not for business purpose. Studying consumers provide clues for improving or introducing product or services, setting prices, devising channels, creating messages and developing other marketing activities. The aim of marketing is to meet and satisfy target customers needs and wants better than the competitors. According to Prof. Walter C.G and Prof. Paul G.W, Consumer Behaviour is the process whereby individuals decide whether, what, when, how and from whom to purchase goods and services".

INTRODUCTATION OF COMPUTER INDUSTRY IN INDIA

The early days of computer electronic computers were the size of a large room, sconsuming as much power as several hundred modern personal computers. But along with the progress of science, the form and shape of computers have also changed as have their manufacturing methods. Nowadays computers can be made small enough to fit into a wrist watch and be powered from a watch battery. People have come to recognize personal computers and their portable equivalent, the laptop computer, as icons of the information age; they are what most people think of as "a computer". Along with the increasing popularity and usage of computers the number of companies manufacturing computers has also grown. There are now loads of companies in India; too, who manufacture or assemble computers. Here researcher explained some briefs about some computer companies, which manufacture and assemble computer in Indian market.

According to 2011 census, the population of India is 121 crore. India is the second largest populated country in the world. Around 30% of the people are of the age between18 to 25. As we concentrate on the buying behaviour of students, it is essential for us to understand the consumer behaviour process and also various definitions given by eminent people.

STAGES OF CONSUMER BYYING BEHAVIOUR PROCESS

1. Problem Recognition – Every purchase begins with recognition of need or wants. Perceiving a difference between a person's ideal and actual situations big enough to trigger a decision.

2. Information Search – Consumers obtain information about product or service that might satisfy identified need from various resources like Internet, Family, Friends and Others.

3. Evaluation of Alternatives – The evaluation stage is the stage of mental trail of product or service. In evaluating the alternatives, many values are taken into consideration such as product characteristics, brand image, conveniences and facilities.

4. Purchase Decision – It is the positive intention of the consumer that leads to a purchase decision. This stage answers questions like from whom to buy and when to buy.

5. Post Purchase Behaviour – This stage may be a set of positive or negative feelings. Positive feeling or satisfaction result in repeat sales or at least recommending products or services to others. Negative feelings create dissatisfaction, anxiety and doubts.

PC TRENDS IN INDIA

Its recent package for the IT sector, the government has raised depreciation rate on IT products to 60 per cent from the earlier 25 per cent. This will give an impetus to the second-hand PC market as it will be easier for PC users to write off their obsolete IT stuff.

PC density in India is 1.8/1,000, which is tiny compared to the American 400/1,000. The demand for computers is expected to grow substantially in the coming years and many will initially opt for second-hand computers.

The government's decision to provide sops to the IT sector will help lower computer prices which will reduce the price-gap between computers available in the grey market and the branded ones and push the customers to go for the latter. At present, 50 per cent of the PC market is cornered by the assembler's.

With the growth of computer industry in India, India is now emerging as an important destination for global business. The growth of computer industry in India has led to the growth of software industry, the hardware industry and the internet in India. GOI has accepted the fact that to meet the expanding demands of India's 900 million population, intensive computerization is not only inevitable but imperative. Service sectors in the Indian economy have resorted to computerization on a large scale to ensure availability of consistent information at the right time. Of late, both the GOI and private sector have emerged as major end-users of computer systems and software. At the present rate of growth, the country which had only 100 computers before 1970 will have over five million computers before the turn of the century.

REVOLUTIONS IN PC's INDUSTRY

Revolutions come in all shapes and sizes and it is hard to pin their origin to a particular event. The personal computer (PC) came to the fore, it is generally agreed, when IBM introduced its 5150 line in the early 1980s, beige boxes that sat on tables and crunched numbers.

These were the unlikely precursors of the PC as we know it today. They were expensive, with a starting price of US $1,565 and all that this money provided was 16 kilobits of memory and audio tapes to store data, unless you wanted to pay extra for a floppy drive. The case in which this hardware was fitted was an uninspiring beige box.
Today, there are over a billion PCs. From beige it went to black, the text-only green screen was replaced by a graphic-rich colour desktop, computing power increased dramatically and people found newer applications for the computer, besides its primary role as a productivity tool. It revolutionised the publishing industry, has become a gaming platform, music and entertainment centre, and thanks to the Internet, a communications device as well as a window into the rich diversity of the 'World Wide Web'. Starting with a peripheral role in the lives of its users, it has become ubiquitous, spawning a new culture, re-defining relationships and even economies, thanks to the information technology boom.
The IBM 5150 was released on 12 August 1981. For the record, the 5150 was not the first personal computer, there had been others before it, including many from IBM itself, but these were not so successful. The team that built the 5150 did so because Apple II had taken the lead in the market for small computers, as PCs were called then. In a few years, however, all others were the also-rans in the PC race.
Xerox introduced Alto in 1973, but they never commercially produced it. A pity, since it was innovative and many of its features were to be used by computers built 10-20 years later. Alto had a mouse, a graphical user interface (GUI), an object-oriented operating system (OS). As we have seen, so did Apple's I and II and Commodore International's PET.

PC's EVOLUTION
The PC evolved, and unlike calculators and other dedicated devices before it, people found different and newer uses for their PC. They needed newer software for it, and as they became more demanding, the hardware also had to be improved.
IBM has taken a long-term view of allowing its PC to be non-proprietary. After seeing the success of this product, other manufacturers too started making computers based on the IBM platform, often under license from IBM. These were called IBM clones, and notable were those made by Columbia Data Products and Compaq Computer Corp. Who would have known that, in time, IBM would sell its personal computer business to a Chinese company, Lenovo? It did, in April 2005. Dell, Hewlett-Packard, Acer, Lenovo, and Toshiba are the main players in the PC business, a significant part of which are laptops, something that would have been the stuff of fantasy in the 1980s.
The software that ran the computer has evolved as well. What started as text-based interface of the Disk Operating System (DOS) by Microsoft got the bells and whistles of a GUI which made using the computer easier and fun. Only those who have used a DOS computer will realize how great this change was, and how it helped IBM-compatible machines stand up to the graphically superior Apple Macintosh computers. Microsoft had licensed certain parts of its GUI from Apple for use in Windows 1.0 in November 1983. When Microsoft introduced some Apple Macintosh-like GUI features in Windows 2.0, such as overlapping windows, Apple responded with a law suit claiming copyright infringement. It ultimately lost the suit. Bill Gates, founder of Microsoft, was right in betting on software, as opposed to hardware. He has become the richest man in the world proving this point

REVIEW OF LITERATURE
Sayula and Reddy, (1998)- Further asserted that in case of rural consumer ,price of goods was considered to be the most important factor and rated are 'important' by more than 88% of the respondents followed by easy availability by 66.66%, the third important factor considered by 54% of the respondents was 'are by neighbour'
Deborah R. Compeau, Christopher A. Higgins (1995)– The study found that adopters and non-adopters of home computers were contrasted in terms of their demographics, psychographics, and experiences with technical consumer products. Experiences with other computer-related products and services were found to play a major role in movement toward purchase of a computer.
Cuban, L. (2001) - The study had founded several findings related to computer use in classrooms. The study found the students used computers in schools to complete assignments, playing games, explore CD-ROMS to find information, and conduct Internet searches. They rarely used computers for primary instructional tasks such as participating in on-line curriculum and creating multimedia projects.
Alan Ching Biu Tse (1999)- The study examined how perceived product safety may be affected by such product-related factors as price, brand name, store name, Promotion channels, source credibility, country of origin, nature of Product testing authority and warranty. Shows that perceived product safety was significantly affected by all of the variables mentioned above. Implies that, by carefully manipulating these variables in formulating marketing strategies, managers can attract the large and growing market of safety-conscious consumers and gain a competitive edge that cannot possibly be ignored.

OBJECTIVES OF STUDY
This paper has certain specific objectives which are as follows:
(1) To find out major sources of information used by buyers of computers.
(2) To find out factors which contribute to the choice of a particular brand of personal computer?
(3) To find out the problem faced while using the computer.

METHOD0LOGY
This paper is based on primary data. The questionnaire method was considered appropriate for collecting the date. Therefore, the questionnaire has been designed to collect the required information from respondents. In this paper a sample of 110 respondents from Kurukshetra University, Kurukshetra has been taken. Coding is the process of assigning of numerical codes. The data from questionnaire is transferred to coding sheets. The obtained data has been processed for the computation of percentage, frequency, means and standard deviation and rank. All the statistical techniques have been applied with the help of Statistical Package for Social Science (SPSS-7.5).

ANALYSIS AND INTERPRETATION

TABLE-1: AGE, GENDERS, TYPE, BRAND WISE PROFILE OF RESPONDENTS

Variable	Categories	Frequency	Percentage
Age Groups	15-20 years	43	39.10
	21-25 years	47	42.70
	Above 25 years	20	18.20
Genders	Male	60	54.50
	Female	50	45.50
Type	Laptop/Notebook	36	32.70
	Desktop	74	67.30
Brand	Assembled	60	54.50
	Branded	50	45.50

Sources: Primary Data

The table 1 shows the data of respondent's age, genders, brand and type of computer. Table shows that 42.70% of respondents are in the age group 21-25 years, 39.10% are in the age group of 15-20 years and 18.20% of the respondents are of age above 25 years.

It shows that 54.50% of respondents are male and 45.50% respondents are female. Table shows that majority of respondents (67.30%) use desktop computer and 32.70% respondents use laptop/notebook. This show that majority of respondents are using desktop.
The table shows that 54.50% of respondents use assembled computers and 45.50% respondents use branded computers.

TABLE- 2: EXTENT OF IMPORTANCE OF VARIOUS SOURCES OF INFORMATION

Sr. No.	Importance / Variables	Least important	Less Important	Some what Important	Important	Very important	Total
a	Friends	8 (7.3)	5 (4.5)	28 (25.5)	46 (41.8)	23 (20.9)	110 (100)
b	Neighbours	34 (30.9)	41 (37.3)	21 (19.1)	13 (11.8)	1 (0.9)	110 (100)
c	Relatives	22 (20.0)	13 (11.8)	28 (25.5)	32 (29.1)	15 (13.6)	110 (100)
d	Computer Shopkeeper/ Salesman	15 (13.6)	10 (9.1)	13 (11.8)	52 (47.3)	20 (18.2)	110 (100)
e	Advertisement	13 (11.8)	18 (16.4)	33 (30.0)	37 (33.6)	9 (8.2)	110 (100)
f	Websites	22 (20.0)	8 (7.3)	32 (29.1)	30 (27.3)	18 (16.4)	110 (100)
g	Demonstration/ trial run	16 (14.5)	18 (16.4)	22 (20.0)	26 (23.6)	28 (25.5)	110 (100)

Source: Primary Data

Note: Figures in parenthesis indicate percentage

The table 2 shows that a large number of respondents (65.50%) consider it important or very important to collect information from shopkeeper/salesman while purchasing computer. Further respondents consider it important or very important to obtain information through friends (62.70%), demonstration/trial run (59.30%), website (43.70%) while purchasing computer. Also 68.20% respondents consider it least of less important to collect information from neighbors. Similarly, relatives are considered less or least important sources of information by 31.80% of respondents. Even while purchasing computer 28.20% respondents considered advertisement as least or less important sources of information.

TABLE-2.1: EXTENT OF IMPORTANCE OF VARIOUS SOURCES OF INFORMATION (On the basic of mean and S.D.)

Sr. No	Variable	Mean	Standard Deviation (S.D.)	Rank
a	Friends	3.65	1.089	1
b	Neighbours	2.15	1.021	7
c	Relatives	3.05	1.330	6
d	Computer Shopkeeper/Salesman	3.47	1.276	2
e	Advertisement	3.10	1.141	5
f	Websites	3.13	1.342	4
g	Demonstration/trial run	3.29	1.390	3

The table 2.1 reflect that the respondent consider it important to collect information from friends (mean=3.65). Next to it, respondents consider shopkeeper/Salesman (mean=3.47), demonstration /trial run (mean=3.29), website (mean=3.13), advertisement (mean=3.10), relative (mean=3.05) as somewhat important sources of information for taking decision to buy the computer. Neighbor are considered as less important (mean=2.15) sources of information in this regard.

TABLE 3: EXTENT OF IMPORTANCE OF FACTORS CONSIDERED IN CHOOSING THE COMPUTER

Sr. No.	Importance / Variables	Least Import-ant	Less Import-ant	Some what important	Important	Very important	Total
a	Price	5 (4.5)	11 (10.0)	30 (27.3)	46 (41.8)	18 (16.4)	110 (100)
b	Software provided with computer	10 (9.1)	7 (6.4)	15 (13.6)	38 (34.5)	40 (36.4)	110 (100)
c	Quality	1 (0.9)	3 (2.7)	4 (3.6)	20 (18.2)	82 (74.5)	110 (100)
d	Latest technology	1 (0.9)	1 (0.9)	8 (7.3)	23 (20.9)	77 (70.0)	110 (100)
e	Brand name	1 (0.9)	8 (7.3)	34 (30.9)	42 (38.2)	25 (22.7)	110 (100)
f	Type of after sale service/warrantee	1 (0.9)	12 (10.9)	20 (18.2)	48 (43.6)	29 (24.6)	110 (100)
g	Duration of guarantee/Warranty	4 (3.6)	5 (4.5)	21 (19.11)	42 (38.2)	38 (34.5)	110 (100)
h	Maintenance cost	6 (5.5)	6 (5.5)	36 (32.7)	45 (40.9)	17 (15.5)	110 (100)
i	Personal experience	8 (7.3)	12 (10.9)	27 (24.5)	37 (33.6)	26 (23.6)	110 (100)
j	Special scheme	10 (9.1)	24 (21.8)	43 (39.1)	22 (20.0)	11 (10.0)	110 (100)
k	External appearance of computer	8 (7.3)	16 (14.5)	34 (30.9)	36 (32.7)	16 (14.5)	110 (100)
l	Reputation of dealer	10 (9.1)	17 (15.5)	25 (22.7)	40 (36.4)	18 (16.4)	110 (100)

Source: Primary Data

Note: Figures in parenthesis indicate percentage

The table 3 shows that majority of respondents consider quality (92.10%), latest technology (90.90%) duration of guarantee/warranty (72.70%), type of after sale service (68.20%), software provided with the computer (70.90%), brand name (60.90%), price (58.20%), personal experience (57.20%), maintenance cost (56.40%) and reputation of dealer (52.80%) as important or very important factors while purchasing the computer. Further respondents consider special schemes (30.90%), reputation of dealer (24.60%) and external appearance of computer (21.80%) as less or least important factors while purchasing the computer.

TABLE-3.1: EXTENT OF IMPORTANCE OF FACTORS CONSIDERED IN CHOOSING THE COMPUTER (On the basic of mean and S.D.)

Sr. No	Variable	Mean	Standard Deviation (S.D.)	Rank
a	Price	3.55	1.028	7
b	Software provided with computer	3.83	1.248	5
c	Quality	4.63	0.765	1
d	Latest technology	4.58	0.747	2
e	Brand name	3.75	0.923	6
f	Type of after sale service/ warrantee	3.84	0.972	4
g	Duration of guarantee/ Warranty	3.95	1.026	3
h	Maintenance cost	3.55	1.001	7
i	Personal experience	3.55	1.178	7
j	Special scheme	3.00	1.092	10
k	External appearance of computer	3.32	1.131	9
l	Reputation of dealer	3.35	1.193	8

The table 3.1 shows that the respondents considered quality (mean=4.63) and latest technology (mean=4.58) as very important factors in choosing the computer. Next to it, respondents consider duration of guarantee/warranty (mean=3.95), type of after sale service/warrantee (mean=3.84), software provided with computer (mean=3.84), brand name (mean=3.75), price (mean=3.55), maintenance cost (mean=3.15) and personal experience (mean=3.55) as important factors in choosing the computer. Further respondents consider reputation of dealer (mean=3.35), external appearance of computer (mean=3.32) and special schemes as somewhat important factors in choosing the computer.

TABLE- 4: PROBLEM FACED WHILE USING THE COMPUTER

Sr. No.	Importance / Variables	Never	Rarely	Sometime	often	Mostly	Total
a	Starting problem	38 (34.5)	29 (26.4)	27 (24.5)	4 (3.6)	12 (10.9)	110 (100)
b	Colour fading	57 (51.8)	33 (30.0)	14 (12.7)	3 (2.7)	3 (2.7)	110 (100)
c	Hang problem	12 (10.9)	34 (30.9)	38 (34.5)	19 (17.3)	7 (6.4)	110 (100)
d	Virus problem	6 (5.5)	30 (27.3)	33 (30.0)	30 (27.3)	11 (10.0)	110 (100)
e	Operating system problem	22 (20.0)	38 (34.5)	36 (32.7)	9 (8.2)	5 (4.5)	110 (100)
f	New software installation problem	23 (20.9)	37 (33.6)	39 (35.5)	10 (9.1)	1 (0.9)	110 (100)
g	Hardware related problem	18 (16.4)	40 (36.4)	41 (37.3)	8 (7.3)	3 (2.7)	110 (100)

Source: Primary Data

Note: Figures in parenthesis indicate percentage

The table 4 shows that a large number of respondents face virus problem (37.30%), Hang problem (23.70%) and starting problem (14.50%) often or mostly. Further, the majority of respondents never or rarely face colour fading problem (81.80%), starting problem (60.90%), operating system problem (54.50%), new software insulations problem (54.40%) and hardware related problem (52.80%).

TABLE- 4.1: PROBLEM FACED WHILE USING THE COMPUTER (On the basic of mean and S.D.)

Sr. No	Variable	Mean	Standard Deviation (S.D.)	Rank
a	Starting problem	2.30	1.282	6
b	Colour fading	2.77	0.971	7
c	Hang problem	3.09	1.064	2
d	Virus problem	2.43	1.080	1
e	Operating problem	2.35	1.045	4
f	New software installation problem	2.43	0.944	5
g	Hardware related problem	2.44	0.944	3

The table 4.1 shows that the respondents face the problem of virus (mean=3.09) and hang problem (mean=2.77) sometimes. Next to it the respondents face the hardware related problem (mean=2.44), operating system problem (mean=2.43), new software installation problem (mean=2.35), starting problem (mean=2.30) and colour fading (mean=1.75) rarely.

FINDINGS

In net shell, While purchasing the computer the respondents mainly consider friends (mean=3.65), computer shopkeeper/salesman, demonstration/trial run, website and advertisement somewhat important sources of information. Customers consider quality (mean=4.63) and latest technology as very important factors in choosing a computer. While using the computer the responds faced virus (mean=3.09) and color fading problem.

REFERENCES

1. Alan Ching Biu Tse:, “European Journal of Marketing”, Year: 1999 Volume: 33 Issue: 9/10 Page: 911 – 925 Publisher: MCB UP Ltd.
2. Chaudhari, Arjun (2006), ‘Emotional and reasoning in consumer behaviour’ Butterworth-Heinemann.
3. Cuban, L. (2001). Oversold and underused: Computers in the classroom. Massachusssetts: Harvard University Press.
4. De Mooij, Marieke .K (2004), “Consumer Behaviour and Culture: Consequences for Global Marketing and advertising”, SAGE
5. Deborah R.Compeau, Christopher A. Higgins, “Computer Self- Efficacy” MIS Quarterly, Vol. 19, No. 2 (Jun., 1995), PP.189-211.

6. Denis M.S. Lee. "Usage Pattern and Sources of Assistance for Personal Computer Users" MIS Research centre, University of Minnesota. MIS Quarterly, Vol.10, No.4 (Dec. 1986), Pp. 313-325.
7. Dr. A.S.Adithiya (2013)," Consumer Buying Behaviour – An Empirical Study on Laptop Purchase in Bangalore City Volume : 3 | Issue : 2 | ISSN - 2249-555X
8. Gopal, Raja (2010), "Consumer Behaviour: Global Shifts and Local Effects ", Nova Science Publications Inc.
9. Mullen, Brian and Johnson, Craig (1980), 'The Psychology of Consumer Behaviour', Routledge.
10. Rao, T.R., "Consumer Purchase Decision Process: stochastic Model", Journal of Marketing Research, Vol 6, No. 8, May 1969, PP.321-329
11. Sayula, K and Reddy , V.V, Ramana, "Souo- Economic influences of Rural Consumer Behavior- An Empirical study", India Journal of Marketing, Vol 28, No5-7, may-July 1998,PP-13-16
12. Vinson, D.E. Scott, J.E. and lamot, L.M., " The Role of Personal Values in Marketing and consumer Behavior", Journal of Marketing , Vol. 11, April 1997, PP. 44-50

ANNEXURE

QUESTIONNAIRE

1. Respondent's Name …………………
2. Age:
(a) Between 15-20 years ( )
(b) Between 21-25 years ( )
(c) Above 25 years ( )
3. Sex:
(a) Male ( )
(b) Female ( )
4. Education
(a) Graduate (specify)………………………..
(b) Post-Graduate (specify)…………………
5. Do you own a:
(a) Laptop/Notebook Yes/No
(b) Desktop Yes/No
6. Mention the brand of computer you own
(a) Assembled Yes/No
(b) Branded (Mention………………) Yes/No

07. Mention (√) the extent of importance you gave to the following sources of information while purchasing the computer.

	Least Important	Less Imp.	Somewhat Imp.	Imp.	Very Imp.
(a) Friends					
(b) Neighbours					
(c) Relatives					
(d) Computershopkeeper/salesman					
(e) Advertisement					
(f) Websites					
(g) Demonstration					

08. Please Specify extent of the importance of each of the following factors in choosing the computer by tick marking (√) the appropriate choice on the scale against each of the factors.

	Least Important	Less Imp.	Somewhat Imp.	Imp.	Very Imp.
(a) Price					
(b) Software provided with computer					
(c) Quality					
(d) Latest technology					
(e) Brand Name					
(f) Type of After Sale service/warrantee					
(g) Duration of guarantee/warrantee					
(h) Maintenance cost					
(i) Personal experience					
(j) Special scheme					
(k) External appearance of computer					
(l) Reputation of dealer					

09. Mention (√) the extent to which you have faced each of the following problems while using the computer.

	Never	Rarely	Sometime	Often	Mostly
(a) Starting problem					
(b) Colour fading					
(c) Hang problem					
(d) Virus problem					
(e) Operating system problem					
(f) New software installation related					
(g) Hardware related problem					

Thank you for spending and sparing your valuable time.

PERFORMANCE AND STRUCTURE OF CO-OPERATIVE BANKS IN AGRICULTURE CREDIT IN HARYANA

HARDEEP KAUR
ASST. PROFESSOR
DEPARTMENT OF ECONOMICS
SETH NAVRANG RAI LOHIA JAIRAM GIRLS COLLEGE
LOHAR MAJRA

ABSTRACT

Co-operative banking has been playing a crucial role in the development of rural economy and work as a backbone of Indian financial system. The origination of co-operative credit institution in India was made nearly 120 years back with the finding principles of self-help and mutual help. With the passing of co-operative credit societies Act 1904, the official efforts were started to eradicate the peculiar peasantry problems and other financing problems of common public and that is continuing even today through various committees and legislations. The co-operative banks are playing a main role in the achievement of the goal of financial inclusion. These banks are the best substitutes for money lenders. However these banks have played vital role in making available short and long term financing in both rural and urban area in India, yet their performance in the last few decades has been questionable. So an attempt has been made in this paper to examine the performance and structure of co-operative banks in the state of Haryana.

KEYWORDS

agriculture credit, co-perative banking.

INTRODUCTION

Agriculture is the mainstay of the Indian economy. Agriculture and allied sectors contribute nearly 14 percent in GDP and 10.23 percent in total export of India in 2011-12. Gross Capital formation (GCF) in agriculture sector (at 2004-05 prices) has increased from Rs 69,148crore in 2004-05 to Rs 1,30,907 crore in 2010-11. The agriculture sector has shown an average growth rate of 3.3% annually in the eleventh five year plan compared to 2.4% per annuam during the tenth plan. Agriculture is an important sector of the Indian economy from the perspective of poverty alleviation and employment generation.

At present, agriculture is facing many difficulties such as, irrigation, marketing, techniques, credit and other capital equipment etc. Credit is the major factor all of them that affecting the agriculture development.

There are two sources of agriculture credit first is non-institutional i.e. professionals miner lenders, friends, relative etc. and second is institutional sources i.e. co-operative banks, RRBs and commercial Banks. The institutional source of agriculture credit aim is providing high quality loans with low cost. The share of institutional agencies in the total agriculture supply was 7 percent in 1951 which increased to 64.5 percent in 2007-08.

Among these institutional sources of credit co-operative banks play an important role in the agriculture sector. The organization of co-operative credit institution in India was made nearly 120 years back with the founding principles of self-help and mutual help. With the passing of co-operative credit societies Act 1904, the officially efforts were started to eradicate the peculiar peasantry problems and other financing problems of common public and that is continuing even today through various committees and legislation. Based on the report of the maclagan committee on co-operative in 1915 by the end of 1930 a 3 tier cooperative credit structure has been established in all provinces.

In India, the share of co-operative banks in agriculture credit was 23.6% in 1991 which increased to 30% in 2010-11. The short term credit structure consist of 31state co-operative banks, 370 District central co-operative banks (DCCBs) and 94,647 primary agriculture credit societies (PACS). The long term co-operative credit structure consist of 20 state co-operative agriculture and Rural development banks (SCARDBs) with 697 primary co-operative agriculture and Rural Development Banks (PCARDBs) as on 2012. The numbers of branches of SCARDBs and PCARDBs were 844 and 1255 respectively.

OBJECTIVES OF THE STUDY

1. To study the co-operative banks credit structure in Haryana.
2. To study the role of co-operative banks in agriculture credit in Haryana.
3. To examine the financial position of the co-operative banks in Haryana.
4. To study the performance of co-operative banks in Haryana.

RESEARCH METHODOLOGY

The present study is based on the secondary data. The required data is accessed from the annual reports of HARCO bank, journals and websites. The paper covers the period from 2002-03 to 2009-10. Ratio analysis is also done to figure out some more facts about the co-operative banks. As statistical weapons average, percentage and coefficient of variation have been applied.

REVIEW OF LITERATURE

Various studies have been made regarding the co-operative banks .Some important reviewed here:-

Singh (1977) study entitled, "Organization and management of co-operative agro-industries in Haryana" examined the working results, financial position, organization and management of co-operative, agro-processing industries in Haryana. Lack of co-operative education and too much interference by the state Govt. were most important findings of the study.

Desai and Narayana Rao (1978), are of the view that the default rate in co-operative credit is very high. It is relatively high for short term loan than for long term loans. Excepting a few states like Tamil Nadu, Andra Pradesh, Kerala, Punjab and Haryana all the other states have than 30 to 35 percent default rate. The analysis revealed that inappropriate loan term and administration were the most important reasons. It also revealed that these factors were interrelated. For solving these problems, the study emphasized the need for reorientation of the credit projects with better economic analysis.

Krishna (1978) opened that the co-operative societies which reach the remote areas and where government machinery and democratic management in inter-linked can serve the nation in the area of production, processing, consumer distribution, rural industry and transport. He further advocated that the planning commission, while drafting a plan paper should take a hard look at the co-operative sector.

Jain (1980) revealed that for providing a total and comprehensive rural development, the building and strengthening of the co-operative credit system is a must for the success in the sphere of agricultural credit.

Goel (1983) advocated that the objectives of co-operative organization cannot be achieved by sheer multiplication and appointing officials only. Something more is required on the part of policy makers, decision makers and administrators to enhance the image of co-operatives in national building and reconstruction. He concluded that though co-operative cannot provide advances against the produce or loan to produce in terms of harness as it is against the basic principles of co-operatives they ought to be polite and ensure all the comforts that can be provided to their members.

Salim Uddin (1990) evaluated the working and impact of various co-operative financing institutions in Haryana State. He suggested that the professionalization of co-operative management is the need of the hour and a well-defined code of conduct for managers is also need. The author also recommended that for the success of the movement, the Central co-operative banks should have a balanced board of directors with diverse talent, sound polices and commitment for proper implementation. He also suggested that the cost of administration should be reduced and various new practices be introduced for the sound functioning of the banks.

Bhaskaran and Josh (2000) conclude that recovery performance of co-operative credit institution continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organizations in tune with competitive commercial banking.

Prasuna (2001) found that some of the major problems that are immediately identified with the co-operate banks. These are inadequate enter norms, absence of banking, lack of professional management, politicizing of management absence of proper supervision mechanism that damage. He also made several suggestions to control on the above said problems likewise less political interference and strictly follow the prudential norms of banking by co-operative credit institutions.

Dutta and Bhasak (2008) suggested that co-operative banks should improve their recovery performance, adopt new system of computerization monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Chandel and Chander (2010) found the financial position the HARCO Bank Ltd. in term of capital adequacy, liquidity, earning quality and management efficiency parameters was very lackadaisical necessitating immediate intervention.

CO-OPERATIVE CREDIT STRUCTURE IN HARYANA

The co-operative sector is playing a crucial role in sustaining agricultural growth in Haryana. The co-operative credit structure in Haryana caters the need of two categories:-

1. Short term and medium term credit
2. Long term credit

The short term and medium term credit is provided by a three tier structure of 646 primary co-operative credit and service societies (mini bank) at patwar circle, 19 central cooperative Banks at district level and Apex Bank (HARCO Bank) at the state level. The long term credit is provided by the two tier structure having 19 district primary agriculture and rural development bank at district level and Haryana State co-operative agriculture and rural

1. SHORT TERM AND MEDIUM TERM CO-OPERATIVE CREDIT INSTITUTIONS

These institutions provide short term credit does not exceed 15 month and in case of medium term credit range between 15 month and 5 years. The three tier structure is as under:-

(A).HARCO BANK (Haryana state co-operative bank): HARCO BANK works as controller of the state co-operative credit movement and as a balancing center of central finance agency in the state. It lends money of central bank and primary society not directly to farmers. It provides agriculture and non-agriculture loan under which it provide crop loan, credit card, cash credit under various loan schemes. The process of computerization of its head office operation was started in 1990.As per policy of govt. of India kisan credit card schemes has been implemented since July 1999 for providing credit facilities to the members of PACS for meeting cost of crop production. In 2010-11, 15190 credit card were issued and 2911.24 crore loan sanctioned by KCC.

(B). District central co-operative bank (DCCBs): Central co-operative works like a middle man between a apex Bank at the top and Primary co-operative credit and service societies at the bottom. At present, 19 central co-operative banks work at district level with their head quarter 586 branches working in the length and breadth of the state. Membership is confined both to individual and the societies.

(C) Primary Agriculture Co-operative Credit and Service Societies (PACS): These types of co-operative credit societies are essential for ensuring adequate financial facilities to the village farmers including small and marginal ones. The first Primary Agriculture Co-operative Societies was organized in India in 1904. Today PACS are also known as “Rural Credit Banks” or “Mini Banks”. Each society is an association of persons residing in a particular locality it can be started with ten or more persons. The members generally belong to a village if any member needs money, he applies to his society .If the society has no funds at its disposal, it applies to the central bank, and if the CCB is in need of fund. It applies to the apex bank.

PERFORMANCE OF HARCO BANK, DCCBS AND PACS

TABLE 1.1: DEBT EQUITY RATIO

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	3.72	3.26	4.13	3.95	4.96	5.45	4.03	4.40	4.23	4.40
2	DCCBS	5.41	4.75	4.41	4.14	4.46	4.55	4.24	3.86	4.51	9.68
3	PACS	9.59	10.00	11.21	11.47	11.42	9.52	7.59	10.02	10.10	12.00

Source: calculated from the annual reports of HARCO BANKS

C.V.:- Coefficient of Variations.

The table 1.1 shows that the average of DER (debt equity Ratio) is the highest for PACS (10.10) and lowest for HARCO (4.23). The C.V. (coefficient of variations) is the highest for HARCO (15.33) and the lowest for DCCBS (9.68). The reason for higher the average of DER of PACS is that Debt of PACS is greater than equity. The DER of HARCO shows the more variations and the DER of DCCBS shows the less variations as compared to PACS. It means that on the basis of DER, PACS is in worse condition as compared to HARCO and DCCBS.

TABLE 1.2 DEPOSIT TO BORROWING RATIO

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.95	1.11	0.8	0.79	0.59	0.98	0.98	0.98	0.89	16.89
2	DCCBS	1.09	1.23	1.18	1.26	1.14	1.1	1.38	1.61	1.24	13.03
3	PACS	0.07	0.07	0.08	0.08	0.07	0.07	0.07	0.06	0.07	8.41

Source: calculated from the annual reports of HARCO BANKS

The table 1.2 shows that the average of Deposit to Borrowing Ratio (DBR) is the highest for DCCBS (1.24) and lowest for PACS (0.07). The C.V. of DBR is the highest for HARCO (16.89) and lowest for PACS (8.41) It means that Deposit of DCCBS are more than Borrowing and the Borrowings of PACS are more than Deposits. The HARCO Bank shows the more variations of DBR as compared to PACS and DCCBS. It reveals that on the basis of Deposit to Borrowing Ratio PACS is in bad condition as compared to HARCO and DCCBS.

TABLE 1.3: AGRICULTURE LOAN TO TOTAL LOAN ISSUED

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.75	0.83	0.95	0.84	0.77	0.74	0.69	0.74	0.78	9.68
2	DCCBS	0.72	0.94	0.78	0.82	0.81	0.75	0.73	0.77	0.79	8.3
3	PACS	0.93	0.94	0.89	0.95	0.95	0.95	0.95	0.97	0.94	2.34

Source: calculated from the annual reports of HARCO BANKS

The Table 1.3 shows that the average of agriculture loan to total loan issued for PACS is the highest (0.94) and lowest for HARCO (0.78). The C.V. of Agriculture loan to total loan issued is the highest for HARCO (9.68) and lowest for PACS (2.34). It reveals that Agriculture loans are more issued by PACS with more stability as compared to HARCO and DCCBS.

TABLE 1.4: NON-AGRICULTURE LOAN TO TOTAL LOAN ISSUED

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.23	0.16	0.13	0.14	0.22	0.22	0.28	0.25	0.2	24.89
2	DCCBS	0.13	0.1	0.11	0.1	0.11	0.04	0.19	0.13	0.11	34.31
3	PACS	0.06	0.05	0.1	0.04	0.04	0.04	0.04	0.02	0.04	45.21

Source: calculated from the annual reports of HARCO BANKS

The table 1.4 shows that the average of non-Agriculture loan to total loan issued for HARCO Bank (0.20) is the highest and lowest for PACS (0.04). The C.V. of non-agriculture to total loan issued for PACS is the highest (45.20) and lowest for HARCO (24.89). It reveals that non-agriculture loans are more issued by HARCO with more stability as compared to DCCBS and PACS.

TABLE 1.5: AGRICULTURE LOAN TO TOTAL LOAN OUTSTANDING

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.93	0.77	0.79	0.81	0.43	0.77	0.92	0.82	0.78	18.54
2	DCCBS	0.72	0.65	0.78	0.83	0.79	0.75	0.78	0.79	0.76	6.77
3	PACS	0.87	0.87	0.92	0.92	0.93	0.92	0.92	0.91	0.9	2.44

Source: calculated from the annual reports of HARCO BANKS

The table 1.5 shows that the average of agriculture loan to total loan outstanding is the highest for PACS (0.90) and the lowest for DCCBS (0.76). The C.V. of agriculture loan to total loan outstanding is the highest for HARCO (18.54) and lowest for PACS (2.44). It reveals that agriculture loan outstanding of PACS is higher with more stability as compared to HARCO and DCCBS.

TABLE 1.6: NON AGRICULTURE LOAN TO TOTAL LOAN OUTSTANDING

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.03	0.2	0.19	0.17	0.18	0.17	0.23	0.15	0.16	33.74
2	DCCBS	0.14	0.1	0.12	0.1	0.13	0.14	0.15	0.14	0.12	14
3	PACS	0.12	0.12	0.07	0.07	0.06	0.07	0.07	0.08	0.08	26.93

Source: calculated from the annual reports of HARCO BANKS

The table 1.6 shows that the average of non-agriculture loan to total loan outstanding is the highest for HARCO (0.16) and lowest for PACS (0.08). The C.V. of non-agriculture loan to total loan outstanding is the highest for HARCO (33.74) and lowest for DCCBS (14). It reveals that non-agriculture loan outstanding of HARCO is more with more variations as compared to PACS and DCCBS.

TABLE 1.7: TOTAL COLLECTION TO TOTAL DUES

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	C.V
1	HARCO BANK	0.99	0.99	0.99	0.99	0.99	0.99	0.97	0.99	0.98	0.66
2	DCCBS	0.76	0.45	0.82	0.82	0.76	0.78	0.67	0.68	0.71	15.87
3	PACS	0.7	0.75	0.77	0.71	0.71	0.68	0.56	0.61	0.68	9.52

Source: calculated from the annual reports of HARCO BANKS

The table 1.7 shows that the average of total collection to total dues is the highest for HARCO (0.98) and lowest for PACS (0.68). The C.V. of total collection to total due is the highest for DCCBS (15.87) and lowest for HARCO (0.66). It reveals that HARCO Bank total collection is more than dues with greater stability as compare to PACS and DCCBS. But PACS is in bad condition because it dues are more than collection.

TABLE 1.8: RETURN ON CAPITAL EMPLOYED

S. NO.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average	
1	HARCO BANK	0.067	0.59	0.61	0.6	0.34	0.13	0.11	-0.16	0.28	
2	DCCBS	0.26	0.62	0.62	0.34	-0.1	-0.09	0.13	-0.11	0.2	
3	PACS	-0.78	0.3	0.75	-0.02	-0.34	0.02	-0.02	-0.23	-0.04	

Source: calculated from the annual reports of HARCO BANKS

The table 1.8 shows that the average of return on capital employed is the highest for HARCO (0.28) and the lowest for PACS (0.04). On the basis of the return on capital employed it can be said that HARCO, DCCBS and PACS are not in a good condition. But among these PACS is in a worse condition as compared to others.

LONG TERM CO-OPERATIVE CREDIT INSTITUTIONS

These institutions provide loans for long term needs of borrowers, a period of 5 to 20 years. The long term credit institutions comprise a two tier system as follows-

A. The Haryana State Co-operative Agriculture and Rural Development Bank (HSCARDB)

B. The Primary Co-operative Agriculture and Rural Development Banks (PCARDBs).

HSCARDB was set up on First Nov., 1966 under the Punjab co-operative societies act, 1965(replaced by Haryana coop. societies act, 1984). At the time of establishment of the bank, there were only 7 PCARDBs in the state, but now this has raised to 87 PCARDBs .These PCARDBs have now been amalgamated into 19 DCARDBs and the existing PCARDBs at tehsil and sub-tehsil level act as branches of these district PCARDBs. The main objective of the bank is purveyance of long term credit to the agriculturist through DPCARDBs and their branches .HSCARDB act as an apex institution both for providing long term finance and for coordinating the functions of DCARDBs and their branches .NABARD is the main sources of providing funds and its share in the total borrowing of the comes to 90%.The balance of 10% comes from the central and state govt.. The bank is advancing loan for the minor irrigation, farm mechanization, horticulture, land development, animal husbandry and non-farm sector –cottage small scale industries etc. The bank has advanced loan worth Rs. 6258.45 crore to 11.35 lacs beneficiaries from 1966 to 2012 in the state.

SCHEME WISE ACHIEVEMENT OF LOANS

TABLE 1.9 (% of total)

Sr. no	Sector/Schematic	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Minor Irrigation	23.75	17.11	16.81	19.78	25.98	33.68	42.79
2	Farm Mechanization	8.24	9.86	14.73	13.36	13.1	9.49	4.85
3	Land Development	1.13	1.46	3.35	4.31	5.2	7.99	12.56
4	Dairy Development	7.27	12.58	11.45	7.62	6.33	7.07	5.99
5	Farm Forestry	9.45	5.49	3.99	6.8	8.72	11.81	11.58
6	Non- Farm Sector	2.86	6.08	10.6	12.06	12.46	7.48	6.51
7	Purchase	6.49	7.08	9.99	9.53	4.16	3.01	24.41
8	Rural Housing	12.5	22.31	18.82	13.61	0.92	7.93	4.63
9	Cattle Shed	6.22	4.51	0.21	0.82	2	1.87	0.96
10	Rural Go downs	0.75	0.24	0.68	0.32	0.15	0.11	0.11
11	Others	21.26	13.05	9.29	11.73	10.63	9.51	7.64

Source: calculated from the annual reports of HARCO BANKS

The table 1.9 shows that the percentage of different loans schemes to total loan issued. The loan issued for minor irrigation show the highest percentage which is 23.75 in 2004-05 and increased to 42.79 in 2010-11. The lowest percentage is rural go downs which is 0.15 in 2004-05 and then decreased to 0.11 in 2010-11. It means that in the long term loans, miner irrigation loans are more issued by the long term credit institutions and the lowest loan issued for Rural go downs. These institutions aim to given 450 crore loans for different schemes in 2012-13.

CONCLUSION

The co-operative sector is playing a crucial role in sustaining agricultural growth in Haryana. . The co-operative credit structure in Haryana caters the need of two purposes: - Agriculture and non-agriculture credit for Short term, medium term and Long term credit. The short term and medium term credit is provided by a three tier structure of 646 primary co-operative credit and service societies (mini bank) at patwar circle, 19 central cooperative Banks at district level and Apex Bank (HARCO Bank) at the state level. The long term credit is provided by the two tier structure having 19 district primary agriculture and rural development bank at district level and Haryana State co-operative agriculture and rural term. The agriculture loan for short term and medium term are more preferred as compared to long term. In long term credit institutions minor irrigations loans are more preferred as compared to another loans. On the basis of the Debt Equity Ratio, deposit to borrowing ratio, loan outstanding, total collection to total dues and return on capital employed it can be said that performance of co-operative bank are not so good in Haryana. But among these PACS is in a very bad condition and the mostly agriculture loans are provided by PACS. The co-operative banks suffered losses during the study period. It can be suggested that there is need to improve the profitability positions of these banks.

REFERENCES

1. Bala Krishan, V.K. Role of rural Co-operatives, Kurukshetra, April 16, 1978
2. Bhaskaran R ans Pragul Josh P (2000), "Non-performing Assets (NPAs) In Co- operative Rural Financial System: A major challenge to rural development", BIRD'S Eye view Dec. 2000.
3. Chandel Jai Kishan and chander Ramesh (2010), Financial viability of an Apex Co-Operative credit institution. A case study of the HARCO Bank," Asia Pacific Business review, Vol. VI No. 2, April-June 2010, PP 61-70.
4. Desai, B.M. and Narayana Rao, y "Default of Co_operative Loan : Problem, causes and a strategy for solution", Prajna, vol. vi. No.2, April-June 1978.
5. Dutta vttam and Basak Amit (2008), "Apprasal of financial performance of urban Co-Opetative banks a case study,"The Management Accontant, case study, March 2008, 170-174.
6. Goel, B.B., Role of Co-operative in agricultural Development: Citizens perception Indian Co-operative review October 1983 pp. 132-143.
7. Jain. H.C. Co-operatives and agriculture Finance in India, Indian Co-operation review, July 1980s pp. 277-281.
8. Prasuna, D.G. Co-operative banks colluding for a crisis, chartered financial analyst, May 2001, vol VI Issue -IX p. 17 to 20.
9. Salim Vddin, M., Co-Operative Financing Institutions in Hayrna state- A study of heir working and impact; In : saeed, M., (ed): A survey of Research in commerce and Management, Vol. 6, Anmal Publication, New Delhi:
10. Singh Dalid, organisation and management of co-operative Agro Industries in Haryana Ph.D. Thesis submitted in faculty of commerce K.U.K. 1977.

BANK REGULATION AND RISK: A STUDY OF SBI AND ITS ASSOCIATE BANKS

ANKITA TOMAR
ASST. PROFESSOR
SHRI RAM COLLEGE OF COMMERCE
DELHI

ABSTRACT
This paper analyses the data of tier-1, tier-2 and overall capital of SBI and its associate banks under basel-1 and basel-2 for the two years i.e. 2009 and 2010. Our basic premise is that as financial system is becoming more and more complex and banking system as a whole is getting exposed to new risks, there is likelihood that Indian banks are also getting exposed to some of these toxic assets. We also know that institutional mechanism is evolving year by year, therefore the capital adequacy requirements under progressive capital norms must ideally increase. However, the overall minimum capital to risk- weighted assets and minimum tier-1 capital requirement is the same under basel-1 and basel-2 i.e. 9% and 6%, respectively. In this paper, we are examining the capital norms from static point of view. From static point of view, we are examining the norms in their current form i.e. by taking the value of hypothesized mean difference as zero since minimum capital requirement is same in both basel-1 and basel-2.

KEYWORDS
bank, basel norms, risk, regulation.

INTRODUCTION
The rationale for closely regulating and supervising the banking institutions, all over the world, is the fact that the banks are "special". **Sir Eddie George**, the Governor of Bank of England had said on the subject banks being special: *"they remain special in terms of the particular functions they perform - as the repository of the economy's immediately available liquidity, as the core payments mechanism, and as the principal source of non-market finance to a large part of the economy. And they remain special in terms of the particular characteristics of their balance sheets, which are necessary to perform those functions – including the mismatch between their assets and liabilities which makes banks peculiarly vulnerable to systemic risk in the traditional sense of that term."* He is even more forthright in making it clear that treatment of banks cannot be on par with non-banks. *"On the other hand, I am not persuaded that the special public interest in banking activity extends to non-banking financial institutions, though different functional public interests in many cases clearly do."*[1]

Therefore, the need for closely regulating the banks emanates from the need of protecting the interests of public at large and avoiding any systemic risks since failure of banks can have a disastrous effect on the economy as a whole. This is specifically because of the inevitable linkages that the banks have by virtue of the nature of their role in the financial system. Ensuring robustness of the banking system, therefore, becomes a prominent objective of the financial regulators. Institutional mechanisms like prudential norms of capital adequacy, asset classification, income recognition are not only evolving but are getting more and more stringent year by year. Prudential norms relating to capital adequacy are one of the most prominent aspects of regulation. This importance emerges from the central role that banks play in financial intermediation, the importance of bank capital for bank soundness and the efforts of the international community to adopt common bank capital standards.

As pointed out by Dr. Bimal Jalan, RBI's ex- Governor that banking is the only institution that invested other people's money. On capital of 10 rupees they can lend 100 rupees. Bankers must be conscious of this and follow prudential norms of the highest order so that the public money is not threatened. "Banking system's edifice is based on trust, and that should not be eroded"[2]

Basel accords laid the very foundation for strengthening the capital adequacy requirements in the banking system. During 1987, the "Basle Committee on Banking Regulations and Supervisory Practices", as it was then named, arrived at a consensus on 8% as the minimum capital adequacy ratio. After a period of consultation with the banks around the world, this framework was formally adopted in 1988 and was widely endorsed by the supervisory community, world-wide. This standard came to be commonly known as the Basel Accord or Basel I Framework.

It was amended in 1996 to cover market risks arising from banks' open positions in foreign exchange, traded debt securities, traded equities, commodities and options. In 1999, the Basel Committee on Banking Supervision released for comment a proposal to amend the Accord's original framework for setting capital charges for credit risk. In it, the Committee also proposed to develop capital charges for risks not taken into account by the present Accord, such as interest rate risk in the banking book and operational risk. The Accord has also been praised for the international convergence of capital standards and for the improvement of these standards in many countries. Its design, however, has been blamed for several distortions to the business of banking. Growing evidence both on these distortions and on a reduction in the Accord's effectiveness, together with a better understanding of its conceptual shortcomings, has led to proposals to redesign it.

The Basel Committee on Banking Supervision (BCBS), therefore, after a world-wide consultative process and several impact assessment studies, evolved a new capital regulation framework, called "International Convergence of Capital Measurement and Capital Standards : A Revised Framework", which was released in June 2004. The revised framework has come to be commonly known as *'Basel II'* framework and seeks to foster better risk management practices in the banking industry. In India, the Reserve Bank of India (RBI) opted for the adoption of a cautious strategy , in that it decided that all banks will follow the standardised approach. Moreover, the focus will not be on Pillar 1, but on Pillars 2 and 3, which deal with banking supervision and market discipline.

The process of implementing Basel II norms in India is being carried out in phases. Phase I has been carried out for foreign banks operating in India and Indian banks having operational presence outside India with effect from March 31,2008. In phase II, all other scheduled commercial banks (except Local Area Banks and RRBs) will have to adhere to Basel II guidelines by March 31, 2009. The minimum capital to risk-weighted asset ratio (CRAR) in India is placed at 9%, one percentage point above the Basel II requirement. All the banks have their Capital to Risk Weighted Assets Ratio (CRAR) above the stipulated requirement of Basel guidelines (8%) and RBI guidelines (9%). As per Basel II norms, Indian banks should maintain tier I capital of at least 6%. The Government of India has emphasized that public sector banks should maintain CRAR of 12%. For this, it announced measures to re-capitalize most of the public sector banks, as these banks cannot dilute stake further, as the Government is required to maintain a stake of minimum 51% in these banks. (Prasad & Veena, 2011)

This paper analyses the data of tier-1, tier-2 and overall capital of SBI and its associate banks under basel-1 and basel-2 for the two years i.e. 2009 and 2010. Our basic premise is that as financial system is becoming more and more complex and banking system as a whole is getting exposed to new risks, there is likelihood that Indian banks are also getting exposed to some of these toxic assets. We also know that institutional mechanism is evolving year by year, therefore the capital adequacy norms must ideally increase. However, the overall minimum capital to risk- weighted assets and minimum tier-1 capital requirement is the same under basel-1 and basel-2 i.e. 9% and 6%, respectively. In this paper, we are examining the capital norms from static point of view. From static point of view, we are examining the norms in their current form i.e. by taking the value of hypothesized mean difference as zero since minimum capital requirement is same in both basel-1 and basel-2.

---
[1] Cited from "Towards Globalisation in the Financial Sector in India" - Speech by Y.V. Reddy published in RBI Bulletin on Jan 13, 2004; available at link http://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=4961

[2] Cited from "Strengthening Indian Banking and Finance: Progress and Prospects" excerpts from remarks of Dr. Bimal Jalan, ex-Governor, Reserve Bank of India at the twenty-fourth Bank Economists' Conference at Bangalore on December 27, 2002 ; Available at link http://www.bimaljalan.com/speech271202.html

The paper is organized as follows. Review of literature is featured in Section I. Section II deals with the hypotheses of our study. Section III provides an insight into Data and Methodology followed by Section IV which is devoted to Analysis and Results. Section V deals with the Summary and Conclusions.

REVIEW OF LITERATURE

Following are the literature review of some significant work done in the field of capital adequacy norms and the risk.

Dionne (2003) examined that Banks are the financial institutions responsible for providing liquidity to the economy. This responsibility is, however, the main cause of their fragility. Banks' risks are regulated to protect liquidity in financial markets. The government is responsible for limiting the social costs related to the liquidation of investment projects and the reduction of consumption possibilities bank runs or systemic risk may cause. Current regulation of bank capital adequacy has its critics because it imposes the same rules on all banks. This seems particularly unsuitable when applied to credit risk which is the major source of a bank's risk (about 70%). Moreover, diversification of a bank's credit-risk portfolio is not taken into account in the computation of capital ratios. These shortcomings seem to have distorted the behaviour of banks and this makes it much more complicated to monitor them. In fact, it is not even clear that the higher capital ratios observed since the introduction of this new form of capital regulation necessarily lower risks. More fundamentally, it is not evident that current capital ratios have any economic meaning in terms of the true economic capital needed to protect against credit risk, particularly for loans risk. One explanation is the following: The regulator imposes capital ratios that do not correspond to the bank's optimal capital ratios; the bank then makes market adjustments by choosing other parameters which allow it to maximize shareholders' value while taking into account the level of regulated capital as a constraint. Many instruments for doing this are available to banks, such as substituting assets with different risk levels in a given class of capital.

Consequently, it might be appropriate to continue developing national regulation based on optimal deposit insurance (with individual insurance pricing and continuous auditing on individual risk) and to keep searching for other optimal complementary instruments for use against systemic risk, instruments suitably designed to fit the banking industry's peculiar structure. Other market discipline and governance instruments may be more efficient than the current capital requirement scheme for the banks' commitment problem associated to deposit insurance.

Santos (2000) reviews the theoretical literature on bank capital regulation and analyses.

Some of the approaches to redesigning the 1988 Basel Accord on capital standards. Santos observes that despite the progress in the research on banking since 1988, the year of the Basel Capital Accord, there is still no consensus on the optimal design of bank capital regulation. There are differences in opinion regarding the market failure that justify banking regulation. There are differences in the conclusions of the research on the optimal design of capital regulation, albeit explained by different modeling assumptions. In addition, there are still many relevant questions that remain unanswered. Notwithstanding these shortcomings, the research already undertaken, particularly that which builds on contemporary banking theory has produced some useful insights for the design of capital standards. In addition, raising the share of bank capital in the economy may be costly, as securities are not perfect substitutes. The research also shows that there is value in considering banks' informational advantage. In this case, incentive compatibility calls for a regulation that encompasses a menu of different regulatory instruments. Accordingly, in general, it will be advantageous to include in the menu instruments other than capital standards. Finally, a strand of that research points to the importance of capital standards in the implementation of the optimal governance of banks, as they can define the threshold for interference in management and for transfer of control from shareholders to the depositors' representative, the supervisory authority.

An analysis of the Basel Committee's proposal for a new capital adequacy framework reveals that some of these insights have made their way into the proposal, at least in a simplified form. This is evidenced in the replacement of the "one-size-fits-all" approach of the 1988 Accord with a more menu-like approach, offering banks different variants of the regulation. In contrast with the literature, however, the proposal's "menu" does not consider regulatory instruments other than capital standards. However, it is worth noting that in the case of some of the instruments suggested in the literature, such as those related to deposit insurance and the lender of last resort facility, their inclusion in the menu is beyond what supervisors can do on their own. Further evidence in the proposal of an insight of the literature is pillar two, the supervisory review process, which was introduced to enable early supervisory intervention. Here too, though, the proposal does not completely follow the literature, as it does not pre-specify both the trigger points and the corresponding forms of supervisory interference. Finally, in a few areas, such as the minimum capital requirement, it is still not possible to evaluate the new regulation because the Committee's proposal is silent about them.

Blum (1998) examined that in a dynamic framework, capital adequacy rules may increase a bank's riskiness. In addition to the standard negative effect of rents on risk attitudes of banks a further intertemporal effect has to be considered. The intuition behind the result is that under binding capital requirements an additional unit of equity tomorrow is more valuable to a bank. If raising equity is excessively costly, the only possibility to increase equity tomorrow is to increase risk today. This paper has shown that in a dynamic model with incentives for asset substitution, capital adequacy requirements may actually increase risks. If regulators are mainly concerned about reducing the insolvency risk of banks, introducing capital rules, therefore, may not be such a good idea. After all, one of the effects of such a regulation is the reduction of a bank's profits. If future profits are lower, a bank has a smaller incentive to avoid default. In addition to this, the `leverage effect' of capital rules raises the value of equity to the bank. For every dollar of equity, more than one dollar can be invested in the profitable but risky asset. In order to raise the amount of equity tomorrow it may be optimal for a bank to increase risk today. While the effects illustrated in this paper are potentially important, it must be understood that the model used under the study is only an example rather than a general theory. In order to be able to make meaningful statements, one necessarily has to restrict the class of distributions under consideration. The distribution used in this model has two important properties: (i) an increase in risk leads to a higher probability of default, and (ii) the conditional expected return given no default rises as risk is increased. Whatever definition of risk one wants to use, as long as these two properties are satisfied, the results of this paper hold. The results of this paper are a reminder that one has to be careful when assessing the effectiveness of capital adequacy rules. The present model illustrates that by arguing in a purely static framework, important dynamic effects of the regulation are contrary to the ones intended.

HYPOTHESES

As earlier mentioned, our analysis is divided into two parts- static and dynamic analysis. In static analysis, we are performing the analysis by looking at the norms in their current form i.e. by assuming that there is no difference between tier-1, tier-2 and overall capital under basel-1 and basel-2. The rationale for making such hypotheses comes from the minimum capital requirement which is same under basel-1 and basel-2 i.e. 9% for overall capital and 6% for tier-1 capital.

The following hypothesis are tested in this paper-

1. H_0^1 Null hypothesis 1- There is no significant difference between tier -1 capital of SBI and its associate banks under basel-1 and basel-2 in the year 2009.
   H_1^1 Alternate hypothesis 1- There is a significant difference between tier -1 capital of SBI and its associate banks under basel-1 and basel-2 in the year 2009.
2. H_0^2 Null hypothesis 2- There is no significant difference between tier -2 capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2009.
   H_1^2 Alternate hypothesis 2- There is a significant difference between tier -2 capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2009.
3. H_0^3 Null hypothesis 3- There is no significant difference between total capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2009.
   H_1^3 Alternate hypothesis 3- There is a significant difference between total capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2009.
4. H_0^4 Null hypothesis 4- There is no significant difference between tier-1 capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2010.
   H_1^4 Alternate hypothesis 4- There is a significant difference between tier-1 capital of SBI and its associate banks under basel-1 and Basel -2 in the year 2010.
5. H_0^5 Null hypothesis 5- There is no significant difference between tier-2 capital of SBI and its associate banks under basel-1 and basel-2 in the year 2010.
   H_1^5 Alternate hypothesis 5- There is a significant difference between tier-2 capital of SBI and its associate banks under basel-1 and basel-2 in the year 2010.
6. H_0^6 Null hypothesis 6- There is no significant difference between total capital of SBI and its associate banks under basel-1 and basel-2 in the year 2010.
   H_1^6 Alternate hypothesis 6- There is a significant difference between total capital of SBI and its associate banks under basel-1 and basel-2 in the year 2010.
7. H_0^7 Null hypothesis 7- There is no significant difference between tier-1 capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.
   H_1^7 Alternate hypothesis 7- There is a significant difference between tier-1 capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.

8. H_0^8 Null hypothesis 8- There is no significant difference between tier-2 capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.
   H_1^8 Alternate hypothesis 8- There is a significant difference between tier-2 capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.
9. H_0^9 Null hypothesis 9- There is no significant difference between total capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.
   H_1^9 Alternate hypothesis 9- There is a significant difference between total capital of SBI and its associate banks under basel-1 in the years 2009 and 2010.
10. H_0^{10} Null hypothesis 10- There is no significant difference between tier-1 capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.
    H_1^{10} Alternate hypothesis 10- There is a significant difference between tier-1 capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.
11. H_0^{11} Null hypothesis 11- There is no significant difference between tier-2 capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.
    H_1^{11} Alternate hypothesis 11- There is a significant difference between tier-2 capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.
12. H_0^{12} Null hypothesis12- There is no significant difference between total capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.
    H_1^{12} Alternate hypothesis 12- There is a significant difference between total capital of SBI and its associate banks under basel-2 in the years 2009 and 2010.

DATA SOURCES AND METHODOLOGY

This section shall discuss the data sources, empirical exercises and methodological details.

SOURCES OF DATA

The data used in the study is secondary data. The study uses bank level data on Tier1, Tier2 and overall capital under Basel-1 and Basel-2 for the years 2009 and 2010 published in RBI's '**Statistical tables relating to banks in India**". We have limited our study to SBI and its associate Banks.

The empirical exercises that have been undertaken in the later section are-

1. t-test- paired two sample for means
2. Descriptive statistics like Mean, Range, Standard deviation, Coefficient of variation, kurtosis etc.

t TEST- PAIRED TWO SAMPLE FOR MEANS

Paired test can be used when there is a natural pairing of observations in the samples, such as when a sample group is tested twice — before and after an experiment. This analysis tool determines whether observations that are taken before a treatment and observations taken after a treatment are likely to have come from distributions with equal population means. This t-Test form does not assume that the variances of both populations are equal.

t-test- paired two sample for means can be applied on the fulfillment of certain conditions -

- The population from which the sample is drawn is (approximately) normally distributed.
- The two population variances are identical, whatever value they happen to have in other words, there is homogeneity of variances.
- The sample size is small (that is n < 30).
- The population standard deviation (S) is unknown.

Hypotheses for a Paired t-Test

The hypotheses to be tested in a paired *t*-test are similar to those used in a two-sample *t*-test. In this case, X1 and X2 refer to the means of the first and second pair in the case of matched subjects. The null hypotheses may be stated as H_0 and alternate hypothesis as H_1.

Under this method, t-value is computed by assuming a level of significance and degrees of freedom. The decision of accepting the null hypothesis is then based on comparing the paired p-value (significance level) with the 0.05 level of significance or comparing the computed t- value with critical value. The decision rule: Accept Ho, if calculated p-value > 0.05.

The value of t is computed as follows-

$t_{n1+n2-2} = X1 - X2 / S_{(X1-X2)}$

Where;

X1 = Sample mean value of variable-1.

X2 = Sample mean value of variable-2.

$S_{(X1-X2)}$ = Population standard deviation.

$S_{(X1-X2)} = [(n_1-1)\, s2 + (n_2-2)s^2]/ (n_1+n_2-2)$

n_1 = size of variable1

n_2 = size of variable2

$n_1 + n_2 - 2$ = Degree of freedom.

In our study, we have formulated certain hypotheses and then t-test- paired two sample for means is applied to check the validity of our hypotheses.

DESCRIPTIVE STATISTICS ANALYSIS TOOL

The Descriptive Statistics Analysis tool generates a report of univariate statistics for data in the input range, providing information about the central tendency and variability of the data. The Descriptive Statistics Analysis tool provides report on statistical measures like Mean, Standard Error, Standard Deviation, Range etc., to facilitate comparison between different categories of capital under basel-1 and basel-2 for 2009 and 2010.

DATA ANALYSIS AND RESULTS

Data of Tier-1, Tier-2 and overall capital under Basel-1 and Basel-2 of SBI and its associate banks for the years 2009 and 2010 is analysed by computing the descriptive statistics like Mean, Range, Coefficient of Variation, Kurtosis, etc and t-test- Paired Sample for Means by formulating various hypothesis. Graphs are also used to show the comparisons of tier-1, tier-2 and overall capital of SBI and its associate banks under basel-1 and basel-2 for 2009 and 2010.

Let's first have a look at the descriptive statistics for the two years i.e. 2009 and 2010. Table1 and Table-2 shows the summary statement of Descriptive Statistics Analysis for the year 2009 and 2010, respectively.

TABLE-1: SUMMARY STATEMENT OF DESCRIPTIVE STATISTICS FOR THE YEAR 2009

	BASEL-1			BASEL-2		
	TIER-1	TIER-2	OVERALL	TIER-1	TIER-2	OVERALL
Mean	7.18	4.892857	12.07286	7.938571	5.401429	13.34
Standard Deviation	0.762	0.560408	0.899865	0.915741	0.580501	1.053344
Sample Variance	0.581	0.314057	0.809757	0.838581	0.336981	1.109533
Kurtosis	0.354524	-0.85909	-0.20063	-1.18034	0.173925	-0.13118
Skewness	0.849598	-0.23981	-0.47814	0.430773	-0.94726	-0.72892
Range	2.23	1.55	2.6	2.44	1.67	2.99
Minimum	6.3	4.03	10.58	6.94	4.39	11.53
Maximum	8.53	5.58	13.18	9.38	6.06	14.52
coefficient of variation	10.61668	11.45359	7.453621	11.53533	10.74717	7.896131

TABLE-2: SUMMARY STATEMENT OF DESCRIPTIVE STATISTICS FOR THE YEAR 2010

	BASEL-1			BASEL-2		
	TIER-1	TIER-2	OVERALL	TIER-1	TIER-2	OVERALL
Mean	7.804286	4.508571	12.31286	8.572857	4.932857	13.50571
Standard Deviation	0.362209	0.709846	0.642643	0.633133	0.703982	0.740987
Sample Variance	0.131195	0.503881	0.41299	0.400857	0.49559	0.549062
Kurtosis	0.644456	1.009987	5.204703	-0.30383	2.409013	2.614495
Skewness	0.944044	0.551386	2.243563	-0.05406	0.856907	0.813536
Range	1.06	2.22	1.82	1.86	2.32	2.48
Minimum	7.4	3.54	11.89	7.59	3.94	12.42
Maximum	8.46	5.76	13.71	9.45	6.26	14.9
coefficient of variation	4.641153	15.74436	5.219287	7.385318	14.27128	5.486471

MEAN AND COEFFICIENT OF VARIATION

From Table1 and Table2, it can be observed that the mean value of tier-1, tier-2 and total capital has increased from basel-1 to basel-2 in both the years i.e. 2009 and 2010. However, if we compare the data of 2009 with 2010, we see that except for tier-2 capital, the mean of other categories of capital i.e. Tier-1 and Overall Capital has increased from 2009 to 2010 in Basel-1 as well as in the Basel-2.

We found one interesting observation that although the mean of tier-2 capital has increased while moving from basel-1 to basel-2 in both the years i.e. 2009 and 2010 but the mean value is lower than the corresponding mean values of other categories of capital under basel-1 and basel-2 for the two years i.e. 2009 and 2010. This may be because that SBI group as a whole has not undertaken much of the off balance sheet activities since tier-2 capital depends upon particular risk exposure i.e. it is a risk weighted norm and it does not have a fixed minimum capital requirement. It also reflects that SBI and its associate banks have been conservative in their assets portfolio. the dynamic effect of capital norms is felt on tier-1 capital.

From Table-1 and Table-2, if we compare the coefficient of variation of Tier-1, Tier-2 and Overall capital under Basel-1 with the Tier-1, Tier-2, and Overall capital under Basel-2 in the two years i.e. 2009 and 2010, we see that the coefficient of variation for all categories of capital except for Tier-2 has increased under Basel-2. However, if we compare the data of 2009 with 2010, interestingly, coefficient of variation has fallen for all categories of capital except for tier-2 capital which is having a rising coefficient of variation.

Combining the analysis of Mean with the coefficient of variation, we can infer that while migrating from Basel-1 to Basel-2, SBI and its associate banks have increased the capital in all the categories. However, we observe that volatility has also increased under Basel-2 since coefficient of variation is higher while moving from Basel-1 to Basel-2 for all the categories of capital except for Tier-2.

Year wise comparisons shows that Tier-2 capital has fallen in 2010 than it was in 2009 under Basel-1 as well as in Basel-2 which points out a possibility that the Banks have become very conservative in their portfolio selection since both Basel-1 and Basel-2 does not mandate banks to keep a fixed minimum Tier-2 capital. On the other hand, the elements of Tier-2 capital include undisclosed reserves, revaluation reserves, general provisions and loss reserves, hybrid capital instruments, subordinated debt and investment reserve account which shows that amount of tier-2 capital is actually dependent on the kind of investments a bank has made. Data relating to coefficient of variation reveals that volatility has decreased from 2009 to 2010 in all categories of capital except for Tier-2 capital, which implies that there is uniformity amongst SBI and its associate banks in setting the capital norms.

Range- An analytical look at Table1 and Table2 depicts that the range of Tier-1, Tier-2, and Overall capital has increased while moving from Basel-1 to Basel-2 in 2009. Similarly, data for the year 2010 also shows the same trend except for Tier-2 capital.

Kurtosis- Table-1 and Table-2 shows that in 2009, all the categories of capital under both basel-1 and basel-2 are having a platykurtic distribution which means curve would be flatter with a wide peak depicting that there is uniformity in the banking system. In 2010 also, we see the similar trend except for overall capital under basel-1which is having a leptokurtic distribution. Leptokurtic distribution corresponds to the high value of kurtosis implying the dominance of some banks in the SBI group.

Let's now have a look at the results of t-test- paired two sample for means wherein one variable is the data of tier-1, tier-2 and overall CRAR under basel-1 and the other variable is the data of tier-1, tier-2 and overall CRAR under basel-2. This analysis is being done for the two years i.e. 2009 and 2010.

TABLE-3: DATA FOR THE t-TEST- PAIRED TWO SAMPLE FOR MEANS FOR THE YEAR 2009

	Tier-1 capital		Tier-2 capital		Overall capital	
	Basel-1	Basel-2	Basel-1	Basel-2	Basel-1	Basel-2
Mean	7.18	7.94	4.89	5.40	12.07	13.34
Variance	0.581067	0.838581	0.314	0.3369	0.80976	1.1095
Observations	7	7	7	7	7	7
Pearson Correlation	0.963209		0.9555		0.91266	
Hypothesized Mean Difference	0		0		0	
Df	6		6		6	
t Stat	-7.33269		-7.85443		-7.7091	
P(T<=t) one-tail	0.000164		0.000113		0.00012	
t Critical one-tail	1.94318		1.94318		1.94318	
P(T<=t) two-tail	0.000329		0.000225		0.00025	
t Critical two-tail	2.446912		2.446912		2.44691	

TABLE-4: DATA FOR THE t-TEST- PAIRED TWO SAMPLE FOR MEANS FOR THE YEAR 2010

	TIER-1 CAPITAL		TIER-2		OVERALL	
	Basel-1	*Basel-2*	*Basel-1*	*Basel-2*	*Basel-1*	*Basel-2*
Mean	7.804286	8.572857	4.508571	4.932857	12.31286	13.50571
Variance	0.131195	0.400857	0.503881	0.49559	0.41299	0.549062
Observations	7	7	7	7	7	7
Pearson Correlation	0.900619		0.97149		0.74616	
Hypothesized Mean Difference	0		0		0	
Df	6		6		6	
t Stat	-5.89515		-6.64611		-6.29411	
P(T<=t) one-tail	0.000529		0.00028		0.000375	
t Critical one-tail	1.94318		1.94318		1.94318	
P(T<=t) two-tail	0.001058		0.00056		0.000749	
t Critical two-tail	2.446912		2.446912		2.446912	

Table-3 and Table-4 shows the results of t-test- paired two sample for means of tier-1, tier-2 and overall capital under Basel-1 with the tier-1, tier-2 and overall capital under Basel-2 for the years 2009 and 2010. Level of significance is taken at 5% and dof (Degrees of freedom = 5). Now, an analytical look at the tables shows that p- value is less than 0.05 for all the categories of capital which implies that results are highly significant. Therefore, we reject the null hypothesis and accept our alternate hypothesis i.e. Tier-1capital, Tier-2 capital and Overall capital under Basel-1 are significantly different from Basel-2 in both the years i.e. 2009 and 2010.

In this part, we have applied the t-test- paired two sample for means by taking one variable as the data of tier-1, tier-2 and overall CRAR, respectively for 2009 and the other variable as the data of tier-1, tier-2 and overall CRAR for 2010. This analysis has been done for both basel-1 and basel-2.

TABLE-5: DATA OF THE t-TEST- PAIRED TWO SAMPLE FOR MEANS UNDER BASEL-1 FOR BOTH THE YEARS 2009 AND 2010

	TIER-1		*TIER-2*		*OVERALL*	
	2009	*2010*	*2009*	*2010*	*2009*	*2010*
Mean	7.18	7.804286	4.892857	4.508571	12.07286	12.31286
Variance	0.581067	0.131195	0.314057	0.503881	0.809757	0.41299
Observations	7	7	7	7	7	7
Pearson Correlation	0.599594		-0.14642		-0.83446	
Hypothesized Mean Difference	0		0		0	
Df	6		6		6	
t Stat	-2.67533		1.051793		-0.42929	
P(T<=t) one-tail	0.018382		0.166699		0.34135	
t Critical one-tail	1.94318		1.94318		1.94318	
P(T<=t) two-tail	0.036764		0.333399		0.6827	
t Critical two-tail	2.446912		2.446912		2.446912	

TABLE-6: DATA OF THE t-TEST- PAIRED TWO SAMPLE FOR MEANS UNDER BASEL-2 FOR BOTH THE YEARS 2009 AND 2010

	TIER-1		TIER-2		OVERALL	
	2009	*2010*	*2009*	*2010*	*2009*	*2010*
Mean	7.938571	8.572857	5.401429	4.932857	13.34	13.50571
Variance	0.838581	0.400857	0.336981	0.49559	1.109533	0.549062
Observations	7	7	7	7	7	7
Pearson Correlation	0.780814		-0.33419		-0.4581	
Hypothesized Mean Difference	0		0		0	
Df	6		6		6	
t Stat	-2.90364		1.178972		-0.28457	
P(T<=t) one-tail	0.013603		0.14152		0.392768	
t Critical one-tail	1.94318		1.94318		1.94318	
P(T<=t) two-tail	0.027205		0.283039		0.785536	
t Critical two-tail	2.446912		2.446912		2.446912	

Table-5 and Table-6 shows the results of t-test- paired two sample for means of tier-1, tier-2 and overall capital for 2009 with the tier-1, tier-2 and overall capital for 2010 under basel-1 and basel-2, respectively. Level of significance is taken at 5% and dof (Degrees of freedom = 5). Now, an analytical look at the tables shows that p- value is less than 0.05 only for the tier-1 capital under basel-1 and as well as basel-2 which implies that result is significant. Therefore, we reject the null hypothesis and accept our alternate hypothesis i.e. Tier-1capital in 2009 is significantly different from tier-1 capital in 2010 under both Basel-1 as well as Basel-2.

However, tables also reveal that p-value is higher than 0.05 for tier-2 capital and overall capital in both the tables i.e. table5 for basel-1 and table6 for basel-2, implying that result is not significant. Therefore, we accept the null hypothesis which states that tier -2 capital and overall capital in 2009 is not significantly different from tier-2 capital and overall capital in 2010 under both basel-1 and basel-2.

From the above-mentioned results, we may infer that as institutional mechanism for stringent capital adequacy norms is evolving year by year, and we expect banks to strictly follow these norms as the time passes by. But the dynamic effect of such stringency is mostly felt on tier-1 capital because although mean values of tier-2 and overall capital have increased but these values are statistically insignificant.

SUMMARY AND CONCLUSIONS

Our basic premise in this paper is that as financial landscape is becoming more and more complex and banking system specifically is getting exposed to new risks, there is likelihood that Indian banks are also getting exposed to some of these toxic assets. We also know that institutional mechanism is evolving year by year, therefore the capital adequacy norms must ideally increase and become higher than they were in the past periods. However, the overall minimum capital to risk- weighted assets and minimum tier-1 capital requirement is the same under basel-1 and basel-2 i.e. 9% and 6%, respectively. From static point of view, we examined the norms in their current form i.e. by taking the value of hypothesized mean difference as zero since minimum capital requirement for tier-1 and overall capital is same in both basel-1 and basel-2.

We may summarise in the sense that while moving from basel-1 to basel-2, mean values of all categories of capital of SBI and its associate banks have increased in both 2009 and 2010. However, we also observed that volatility has also increased for the SBI group while shifting from basel-1 to basel-2.

One interesting observation which emanated from the study is that although the mean of tier-2 capital increased while moving from basel-1 to basel-2 in both the years i.e. 2009 and 2010 but the mean value was much lower than the corresponding mean values of other categories of capital under basel-1 and basel-2 for the two years i.e. 2009 and 2010. The reason maybe that SBI group as a whole has not undertaken much of the off balance sheet activities post global financial crisis since the level of tier-2 capital depends upon the particular risk exposure of a bank i.e. it is a risk weighted norm and it does not have a fixed minimum capital requirement. It also reflects that SBI and its associate banks have been conservative in their choice of asset basket. We may safely say that the dynamic effect of capital norms is felt on tier-1 capital.

REFERENCES

1. Blum, J. (1999): “Do Capital Adequacy Requirements Reduce Risks in Banking?” Journal of Banking and Finance 23, 755-771.
2. Dionne, Georges, The Foundations of Banks' Risk Regulation: A Review of the Literature (December 2003). HEC Montreal Working Paper No. 03-08. Available at SSRN: http://ssrn.com/abstract=481702 or http://dx.doi.org/10.2139/ssrn.481702
3. Gennotte, G. and D. Pyle (1991): “Capital Controls and Bank Risk,” Journal of Banking and Finance 15, 805–824.
4. Santos, João A. C., Bank Capital Regulation in Contemporary Banking Theory: A Review of the Literature. Financial Markets, Institutions and Instruments, Vol. 10, No. 2, pp. 41-84, 2001. Available at SSRN: http://ssrn.com/abstract=256999

FINANCIAL INCLUSION: CHALLENGES AND OPPORTUNITIES IN INDIA

DR. S. HARI BABU
ASST. PROFESSOR
SCHOOL OF BUSINESS
LOVELY PROFESSIONAL UNIVERSITY
JALANDHAR

ABSTRACT

Bottom of pyramid individuals are the strong pillars of banking system today. Accordingly, various committees are formed to bring inclusive banking in India. Rangarajan Committee recommendations, 2008 has brought a sea change in the financial inclusion that made India to stand at 15th position across the Global Financial Inclusion Index in Asia Pacific Region which is still lagging behind the countries such as Brazil, Bangladesh and China. The present study is an attempt to study the challenges of financial inclusion and the opportunities stem from them. The measures to spread the financial inclusion were also presented in this study.

KEYWORDS

Banks, Mor Committee, Regulation, Technology.

JEL CLASSIFICATION

G20, G21, G28.

INTRODUCTION

"*Financial inclusion remains a distant dream for a majority of Indians. Even after 20 years of banking sector privatization, today only 35% of the Indian population has formal bank accounts compared to an average of 41% in developing economies. In a country where nearly 70% of the population lives in villages, a significant segment of about 6, 50,000 villages do not have a single bank branch*". (Muthoot, 2014)

The above statement presents abysmal condition of the penetration of bank branches in spite of the recommendations of RBI to Commercial banks to tie up with the other conventional and non-conventional channels of distributions. The partnerships with the distribution channels such as Self-help groups, Micro Finance Institutions, Regional Rural Banks, NABARD, NGOs, Joint Liability Groups, Non-Banking Financial Institutions, Insurance companies and Mutual Funds can be seen as win-win perspective from both the sides of bankers and the needy. (Mukherjee and Chakraborthy, 2012).

Financial inclusion can be described as the mechanism to deliver the financial services at affordable costs to the disadvantaged and low income sections of the society. Divya (2013) argued that there should be no discrimination in offering the banking and financial services and it should be the prime objective to the policy makers. The Indian Government in joint effort with the State Level Bankers Committee formulated the strategies to offer financial services overcoming the price or non-price barriers such as savings, credit and micro insurance products to all the sections of the people in the villages with the size of population above 2000 by March 2012. (Divya, 2013).

NEED OF THE STUDY

Banking system in India is still an emerging system because of non-availability of financial services to vast number of people of our country. Access of banking system especially by poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Access to banking system will give an opportunity to save and invest, thereby facilitating the nation to break the chain of poverty. Banking system through its structure should lead to increase the population under financial inclusion, which is much required in a country like India. Financial inclusion is much needed in India because of huge population below poverty line, income level disparity, high levels of unemployment, poor banking system, inefficient infrastructure and low level of literacy. Although Government of India has come up with various plans like No Frills Accounts, Easier Credit facility, simpler KYC norms, bank branch and ATM expansion, financial literacy and credit counseling to increase the number of people in financial inclusion, yet a lot of work is required in order to reduce the level of financially excluded people.

OBJECTIVES OF THE STUDY

The study is conducted with the following objectives.

1. To study the challenges of financial inclusion in India.
2. To study the opportunities for financial inclusion in India.
3. To suggest suitable measures for widening the financial inclusion in India.

FINANCIAL INCLUSION: THE PRESENT STATUS

It is a known fact that finance is the blood of any economic unit and any shortage of it deteriorates the economic conditions of vulnerable sections of the society more miserable. Financial inclusion as a 'Quasi –public' good expected to herald the excluded sections of the society participated and be benefitted from the financial system (Gupte, Venkataramani and Gupta, 2012). The economic reforms paradoxically increased the rich and poor divide and the objective of making the egalitarian society was not achieved due to the lack of access to credit. Islamic banking as a substitute to the present banking system is not fit due to the basic philosophy and the legal constraints in India (Fasih, 2014). The Reserve Bank of India (RBI) has initiated several measures to enhance the financial inclusion in India. The impetus came from schemes like relaxed KYC norms, no-frills' accounts and "General Credit Cards" for small deposits and credit since 2005-06 (Gupte,Venkataramani and Gupta, 2012). In spite of many efforts of RBI millions of people in our country are still under-served from banking services (Rathod and Arelli, 2013).

Financial inclusion can be described as the mechanism to deliver the financial services at affordable costs to the disadvantaged and low income sections of the society. Divya (2013) argued that there should be no discrimination in offering the banking and financial services and it should be the prime objective to the policy makers (Divya, 2013). The Indian Government in joint effort with the State Level Bankers Committee to formulate the strategies to offer financial services overcoming the price or non-price barriers such as savings, credit and micro insurance products to all the sections of the people in the villages with the size of population above 2012 by March 2012 (Divya, 2013).

Various Committees have been set up by RBI to conduct a study on the framework and implementation of financial inclusion mechanism in the country. Among them, Khan Commission (2004) was set up to look in to the financial inclusion and the recommendations were incorporated in the mid-term review of policy. In the year 2008, "Committee on Financial Inclusion" under the Chairmanship of Dr C Rangarajan submitted its report recommending setting up two funds such as "Financial Inclusion Fund (FIF)" and "Financial Inclusion Technology Fund (FITF)".

Since 2006 banks were allowed to appoint Self-help groups, non-governmental organizations, MFIs and other civil society organizations as intermediaries for providing financial and banking services and act as business facilitators. States and UTs such as Puducherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. In spite of many efforts millions of people in our country are still under-served from banking services (Saikumar Rathod, Shiva Krishna Prasad Arelli, 2013). RBI's vision to open 600 million accounts by 2020 is hampered due to maladies in the system such as lack of literacy, low savings and lack of bank branches in the rural areas. Later in the year 2013, RBI constituted The Committee on Comprehensive Financial Services for Small Businesses and Low Income Households chaired by Nachiket Mor to recommend the framework to deepen the financial inclusion in the country which submitted its report in the month of December, 2013.

FINDINGS OF MOR COMMITTEE (Tarapore, 2014)

1. The formal financial structure is still far away for 90 per cent of small businesses whereas 60 per cent of the population has no accessibility for functional bank account.
2. The bank-credit – GDP ratio is around 70 percent of GDP, but the regional and district wise disparities are registered in some states.

RECOMMENDATIONS OF MOR COMMITTEE (Tarapore, 2014)

The committee has set certain ambitious targets to achieve by January1, 2016. Some of them are:

1. Each district should have a credit-deposit ratio of a minimum of 10 per cent which should be raised rapidly by 10 percentage points each year to reach a minimum of 50 per cent by January 1, 2020.
2. There should be a minimum total deposits plus investments to GDP ratio of a minimum of 15 per cent which should be increased by 12.5 percentage points each year to reach a minimum of 65 per cent by January 1, 2020.
3. Every resident Indian over the age of 18 years should have a Universal Electronic Bank Account and every low income household and small business should have 'convenient' access to formally regulated lenders for credit products at an 'affordable' price.
4. The Committee envisages the setting up of payments banks which will provide payments services and deposit products to small businesses and low income households with a maximum deposit of Rs 50,000 per customer.

The Indian economy over the years since the liberalization scenario started recording the impressive progress in various sectors and the future projections lure the socio-political and regulatory bodies to devise strategies deepen financial inclusion (Kapoor, 2014). The economic reforms in the economy paradoxically should reduce the rich –poor and rural-urban divide but the objective of making the egalitarian society is not yet achieved (Fasih, 2014). Fasih (2014) opined that the Islamic banking which follows social-banking policy (Satya R Chakravarty and Rupayan Pal, 2013) can be a substitute to the present banking system to foster the objective of financial inclusion. In fact the pace of financial inclusion is affected by the pro-market strategies followed by the companies and regulatory bodies. Kapoor (2014) opined that the up trends in the Indian economy combined with the changes in the socio-political environment also influenced the pace of financial inclusion.

Raghuram Rajan (Rajan, 2014). in an interview with Economic Times opined that with huge masses for around 900 million mobile connections, there is a huge scope for mobile banking which support the wide spread of financial inclusion in the country. Saikumar Rathod and Shiva Krishna Prasad Arelli (2013) also suggested the cellular technology is another viable option to deliver the financial services at low cost and packet wise transactions to the low income households. Vishal Mishra and Shailendra Singh Bisht (2013) highlighted that the mobile infrastructure is developed as a top-to-bottom approach while mobile banking solutions required for offering low cost financial services needs bottom-to-top approach.

CHALLENGES IN FINANCIAL INCLUSION IN INDIA

India's financial inclusion when compared with the other nations still lagging behind with its counter parts due to the challenges mentioned below.

IMPLEMENTATION

Government of India initiated flagship programmes Community Development Programmes such as health insurance schemes, free education, minimum common programme and food for work programme. Financial inclusion is given an equal importance to other developmental programmes ((Nathanion, World Bank's financial inclusion myopia, 2014)). On the other hand, the suggestions as made by Nachiket Mor Committee are found to be in theoretical (Saha, 2014) and in fact the policy makers are still in perplexion of settling the road map for the implementation.

INFRASTRUCTURE

India recorded a low global financial inclusion index below to countries such as Bangladesh, Malaysia and China. Reports of RBI presents that the country's 157 banks have 1, 04,647 branches, less than 40,000 of which are rural banking branches and there are a total of 95,686 ATMs. Out of India's 6, 28,000 villages, just 2,68,000 have access to formal financial services. As per Census 2001, there are 3,976 villages that have population sizes more than 10,000. But there are also 2,36,004 villages that have a population less than 500. There are villages that have a population less than 50 (Debroy, 2010). These figures press the complexity of the task , given the physical and IT infrastructure available in the rural areas and further it is herculean task to achieve the desired target of implementing the financial inclusion in the present state of villages.

ROLE OF NBFCS

The role of Non Banking Financial Institutions which were scattered every nuke and corner of the country is a good idea in financial inclusion. In fact, NBFCs are not adhered to the norms of RBI for Cash reserve ratio and statutory liquidity ratio (Saha, 2014) . Receiving convergence in ideology of bringing NBFCs under RBI bracket need the consensus among the policy makers and regulators which is another challenge for the penetration of financial inclusion.

BANK LICENSING

One of the key challenges for the financial inclusion is with the number of banking branches spread across the country. In its attempt to reconcile the gap between demand and supply of existing branches, RBI initiated to license to new banks. However, the regulatory regime considered the market entry of banks rather considering the requirement of businesses and preparedness of applicants (Chakraborty, 2014)

TECHNOLOGY

Technology is a key factor in the successful implementation of financial inclusion in the country supported by an effective delivery model. The model is proved to be successful when it is able to cater the needs of large numbers through the transactions at low cost that meet the suitable needs of the large masses. The availability of technology in rural India works as a big challenge for banks to increase number of unbanked in financial inclusion. Technology need to enable the provision of a host of services from depositing money into various government schemes to micro loans and micro insurance. Some of the technology solutions being implemented today are Smart Cards, Biometric ATMs, Point of Service Devices and Mobile Phone Applications. But making available the above mentioned technology is a challenge because of high cost involved and lack of infrastructure in India (Chakraborty, 2014) . Accessible network in interiors of India is technology challenge for Telecom companies to implement initiatives for financial inclusion.

The initiative of banks to startup White Label ATMs is also a matter of concern for the bankers as there has a huge gap in the costs incurred in metro, urban and rural, which counts as hits (per-day use of ATMs). High cost per transaction in ATMs/branches in rural villages dampens the rationale of opening up new branches and installation of ATMs by banks which needs more concern.

CREDIBILITY OF BANKS

The entry of new corporate houses in to the banking sector raises various concerns. The blue print for the implementation of financial inclusion is unambiguous at the regulators end. In fact, the dilemma is whether these business houses would be fit in to the criterion of financial inclusion? Do these business houses are capable of collection and disbursement of people's money? Is there any mechanism to check the credibility of new licensed banks in the short term?

ATTITUDE OF THE UNBANKED

In spite of wide spread of banking branches, increased literacy rates and linking the sanctions and disbursements of finances through banks for Central and State Governments, many people in rural villages still feel excited in visiting the bank (Kumar M. , 2014). It is the responsibility of the local personnel of bank to make feel home for the unbanked to conduct the transactions. The simple economic principle to be followed as cost of transactions per client will decline with increased number of transactions. However, meeting the operating expenses in the low density rural villages is quite a big challenge to the bankers. Containing the financial stress is need of the hour for the bankers due to appreciated cost of delivery of services in time to the unbanked in rural villages.

REGULATORY CONSTRAINTS

The Mor Committee recommendations to set up differentiated banking structure such as payment banks and whole sale banks in the country is criticized by the various sections of society. The argument from one section is that unless Non Banking financial companies are allowed to operate in the banking sector without the obligations of CRR and SRR to be fulfilled, the banking is exposed to the higher cost of delivery of the products and services. In addition, the supervisory and control measures become diluted followed by soaring NPAs will be observed in these segments.

OPPORTUNITIES

There is a saying, every challenge throw opportunities to update the prevailing system. The challenges in financial inclusion provided the regulatory body and the bankers to create opportunities to explore various alternatives for wider financial inclusion.

- Financial inclusion is a unique model provided to the bankers to extend and sustain their service entity till they are financially viable after meeting all their cost of service delivery. 'Door-step delivery' kind of services which were implemented by Mann Deshi Mahila Shakti Bank is a role model for the banking sector to deliver the services at low cost to the financially excluded segments.
- Direct Benefit Transfer Scheme, a flag ship programme of Government of India is being implemented through Banks which motivate the financially excluded to visit and use the banking services is an opportunity.
- The wider penetration of mobile and internet connectivity even in the remote villages of the country emphasized the huge potential of digital finance and role of Post offices is enormous. As said by Sandhya Rani, Postmaster General of the Andhra Pradesh state in India, "*we are able to effectively deliver a variety of financial services, including banking, insurance, and remittances even in the most remote areas of the country"* tie-ups of banks with post-offices will enhance the financial inclusion.
- Huge spread of Banking Correspondence registering around 2,21,341 empanelled by banks, it is a preferred means to banks rather to branches to deliver the services to door step of remotely financially excluded segment.
- Initiatives of mobile service providers for mobile money such as Airtel, Vodafone, and other companies towards mobile banking are an innovation which can be successful model that could catalyse the financial inclusion. Infact, there is a challenge in this model as the individuals who use these services need to be educated which is a misnomer expecting 100 per cent literacy in India.

MEASURES FOR FINANCIAL INCLUSION

- Mere establishing the banking branches and render services to low income households and rural segments will not end up the game. The people are to be educated with the financial products and services and their usage benefits. This practice still lies in the hands of bankers to promote a range of financial services like credit, pension, insurance, remittances and micro loans in an ethical manner.
- Weighted importance need to be given to all the parties of the bank transactions. The unbanked shall not be considered as mutually exclusive one rather they should be treated as rationale customer to attain the economies of scale. Further, micro, small and medium enterprises need to be prioritised in attracting the capital and lending formalities be liberalised.
- Tie-ups with insurance companies by banks as a bancassurance model is welcome initiative. As such tie-ups need to be encouraged among the banks and with NBFCs, Cooperative banks, MFIs (Micro Financial Institutions) and telecom operators. However, this requires clarity and longevity of the regulations from RBI.
- Financial literacy also needs to be given more importance. Without knowing of how to use money and how banks are the appropriate medium of exchange in their spending and investments, opening an account in a bank carries no meaning at all. In fact this is a challenge for the financial inclusion in India.
- Usage of technology will surely reduce the transaction cost of services delivery. However, the 'technology with human touch' will retain the existing customers. The technology should make the transactions easy and understandable but it should not make the poor man run away from the bank.
- All the receipts and payments through Government schemes need to be done through banking services.
- Women being a major contributor to their households through the savings and investments, pro-women banks need to be encouraged. However, pro-women schemes need to be designed to bring women in to the banking net.
- Banking regulators need to be proactive in curbing the NPA (Non-Performing Assets) menace at the corporate level, which influence the credibility of banks upon the minds of banking customers, especially in rural areas.
- In spite of presence of banks in the rural areas, yet the rural farmers depend on indigenous bankers for speedy loans at higher rates. This makes the farmers distant to the banking premises. Even though the farmer or rural household is account holder, he prefers to take a loan from the private money lenders. This situation needs to be addressed by the bankers to reduce the gap between banker and customer.
- In some instances, bankers while issuing the loans to the individuals insist the person to take various products and services at the conflicted interest of the customer. The regulator needs to focus on such issues to increase the credibility on the banking system.

CONCLUSION

Financial inclusion is indeed a worthful effort by RBI to bring unbanked to the banked. The consistent effort of the banking system has brought the cheers in the lives of low income households being as a medium of exchange for various Government schemes to bring sustainable development. In fact financial inclusion has brought many unbanked under banking net. However, the saga of financial inclusion is not an exception from the challenges. The regulators and policy advocates need to create the opportunities from these challenges. The measures to spread the financial inclusion are highlighted in the study.

REFERENCES

1. Akshay Sharma and Aditya Johri. (2014, March). Learning and empowerment:Designing a financial literacy tool to teach long-term investing to illiterate women in rural India. Learning, Culture and Social Interaction, 3(1), 21-33. doi: http://dx.doi.org/10.1016/j.lcsi.2013.10.003
2. Arup Mukherjee and Sabyasachi Chakraborthy. (2012). Financial Inclusion of the Poor and Marginalised in Jharkhand : Analysis of the Existing Model. International Journal of Research and Development - A Management Review (IJRDMR), 1-8.
3. Chakraborty, S. (2014, April 21). The Challenge: a bank account for every one. Retrieved from http://www.business-standard.com/article/finance/the-challenge-a- ban-account-for-everyone-114041900903_1.html
4. Debroy, B. (2010, August 15). The disappearing Indian village. Retrieved from http://www.financialexpress.com/news/the-disappearingindia-village/ 660376
5. Divya, H. (2013, June). A Study on Impact of Financial Inclusion reference to Daily Wage Earners. Journal of Business Management & Social Sciences Research (JBM&SSR), 2(6), 85-92.
6. Fasih, F. (2014). Inclusive growth in India through Islamic banking. Procedia-Social and Behavioral Sciences, 97-110. doi: http://dx.doi.org/10.1016/ j.sbspro.2012.03.278
7. Indian Brand Equity Foundation. (2013, November). Retrieved from www.ibef.org: http://www.ibef.org/industry/insurance-sector-india.aspx
8. Jha, A. (2014, January 23). Financial Inclusion:Statistical illusions do not make a reality. Retrieved from Economic Times: http://economictimes .indiatimes.com/opinion/comments-analysis/financial-inclusion-statistical-illusions-do-not-make-a-reality/articleshow/29227004.cms
9. Kapoor, A. (2014, February). Financial Inclusion and the future of the Indian economy. Futures, 56, 35-42. doi:http://dx.doi.org/10.1016/ j.futures.2013.10.007

10. Kumar, M. (2014, April 18). Manoj Kumar Nambiar:To make 'unbanked' bankable. Retrieved from http://www.mydigitalfc.com/news/bmanoj-kumar-nambiar-b-make-%E2%80%98unbanked%E2%80%99-%E2%80%98bankable%E2%80%99-092
11. Kumar, N. (2013). Financial Inclusion and its determinants:Evidence from India. Journal of Financial Economic Policy, 4-19. doi:10.1108/17576381311317754
12. Muthoot, M. G. (2014, February 27). Need for a new model of financial inclusion. Retrieved from Economic times: http://articles.economictimes.indiatimes.com/2014-02-27/news/47739737_1_new-bank-licences-insurance-sector-financial-inclusion
13. NA. (n.d.). Financial Inclusion. Retrieved from http://www.starfinindia.co.in/financial-inclusion.html
14. Nathanion, V. (2014, March 06). Retrieved April 10, 2014, from http://www.financialexpress.com/news/world-bank-s-financial-inclusion-myopia/1231523/0.
15. Nathanion, V. (2014, March 06). World Bank's financial inclusion myopia. Retrieved from http://www.financialexpress.com/news/world-bank-s-financial-inclusion-myopia/1231523/0
16. Nathanion, V. (2014, March 06). World Bank's financial inclusion myopia. Retrieved April 20, 2014, from Financial Express: http://www.financialexpress.com/news/world-bank-s-financial-inclusion-myopia/1231523/0
17. Rajan, R. (2014, 13 February). Raghuram Rajan bats for technology push for financial inclusion. (T. E. Times, Interviewer) Retrieved from http://economictimes. indiatimes.com/news/economy/finance/raghuram-rajan-bats-for-technology-push-for-financial- inclusion/articleshow/30301590.cms
18. Rajani Gupte, Bhama Venkataramani, Deepa Gupta. (2012). Computation of Financial Inclusion Index for India. Procedia-Social and Behavioural Sciences, 37, 133-149. doi: http://dx.doi.org/10.1016/j.sbspro.2012.03.281
19. Robert B Handfielda, Christian Bechtel. (2013). Addressing access barriers to health services:. Health Policy and Planning, 31(2), 367-382.
20. Saha, M. (2014, April 21). Mor Panel's financial inclusion report may be put on back burner. Retrieved April 20, 2014, from Business Standard: http://www.business -standard.com/article/finance/mor-panel-s-financial-inclusion-report-may-be-put-back-burner-114042100040_1.html
21. Saikumar Rathod, Shiva Krishna Prasad Arelli. (2013). Aadhaar and Financial Inclusion: A Proposed Frame work to provide Basic Financial Services in unbanked Rural India. In K. B. Chiranjit Mukhopadhyay, Driving the Economy through Innovation and Entrepreneurship - Emerging Agenda for Technology Management (pp. 731-744). Springer India. doi:10.1007/978-81-322-0746-7_60
22. Satya R Chakravarty and Rupayan Pal. (2013, September-October). Financial Inclusion in India: An axiomatic approach. Journal of Policy Modelling, 35(5), 813-837. doi:http://dx.doi.org/10.1016/j.jpolmod.2012.12.007
23. Starfin. (2013). Financial Inclusion. Retrieved from http://www.starfinindia.co.in/financial-inclusion.html
24. Tarapore, S. S. (2014, January 26). Nuts and Bolts of Financial Inclusion. Retrieved from www.thehindubusinessline.com: http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/nuts-and-bolts-of-financial-inclusion/article5620559.ece
25. Vishal Mishra, Shailendra Singh Bisht. (2013). Mobile banking in a developing economy: A customer - centric model for policy formulation. Telecommunications Policy, 37(6-7), 503-514. doi: http://dx.doi.org/10.1016/j.telpol.2012.10.004

WHISTLE BLOWING: IS IT SO HARD IN INDIA?

PINKY ARORA
ASST. PROFESSOR
SCHOOL OF BUSINESS & MANAGEMENT
JAIPUR NATIONAL UNIVERSITY
JAIPUR

ABSTRACT

Whistle blowing plays an important role in any organization's corporate governance strategy as it empowers employees to act on incidences of misconduct and helps to maintain ethical environment in the workplace, while protecting profits and reputation of the organization. Whistle blowing is the disclosure of information about perceived wrongdoing in an organization, to individuals or entities. The main aim of Whistle blowing is to protect the public interest and it can be achieved by informing people or organizations that are in a position to prevent harm, to investigate or to take action against those who are responsible for wrongdoing. But is whistle blowing ethical? The act of whistle blowing can cause a conflict of interest between the personal, organizational and societal spheres. Much of this conflict arises from the context that how one views a whistleblower – as someone who is sharing knowledge of misconduct for the benefit of others or someone who is acting 'disloyal' to their organization. This paper explores how whistle blowing helps in exposing the illegal or unethical practices taking place in the organization and thus preventing the organizational ethics in addition to that it also throws light on current scenario, laws and challenges for whistle blowing in India.

KEYWORDS

Corporate Governance, Organizational Ethics, Whistle Blowing.

INTRODUCTION

In India the concept of a Whistleblower had come into existence during the Kautilya regime, who had the policy that - "Any informer (súchaka) who supplies information about fraud and if he/she succeeds in proving it, will get the reward of one-sixth of the amount in question; or if the informant is a government servant (bhritaka), he /she shall get one-twelfth of the amount for the same act."

The term whistle blowing was first coined by 'Ralph Nadar', an US civic activist, in early 1970's. According to the definitions given by various authors whistle blowing is-

Sekhar (2002) defines whistleblowing as an attempt by an employee or a former employee of an organization to disclose what he proclaims to be wrong doing in or by that organization.

Koehn (2003) whistle blowing occurs when an employee informs the public of inappropriate activities going on inside the organization.

Boatright (2003) whistleblowing is the release of information by a member or former member of an organization this is evidence of illegal and/or immoral conduct in the organization that is not in the public interest.

Whistle blowing is not the synonym of grievance (or making the complaint), usually whistle blowing issues involves risk to others (public, customers or employers) and whistle blower is a witness who discloses the sensitive information, and is not required to prove the case while grievance or complaint involves personal issues like breach of employment rights, being poorly treated etc. These issues should be handled under the grievance procedure and the complainant has to prove the case It is classified into two categories i.e.- internal or external where Internal whistle blowing means to report the higher authority about the misconduct or unethical activities, while external whistle blowing refers to informing media and society about such illegal activities.

A senior consultant Mr. Ketan Kothari who is associated with Thakker & Thakker in Mumbai believes that after discovering to unethical, immoral or illegal activities within their organization an employee's typical reactions fall into three categories. First category consists of those employees who blow the whistle; second are those who close their eyes and become neutral and the third category consists of those employees who participate and supports whistle blowers (first category). According to Kothari, most of the people in India fall into the second category, while only a few are risk pursuing and choose first or the third options.

Around the globe in most of the countries, it had been seen that the law do not protect these whistle blowers. Thus the main problem and focus of the paper is, whether one should or should not blow the whistle? Or one should save the society or save his/her own job?

IMPORTANCE OF WHISTLE BLOWERS

"Just as character matters in people, it matters in organization" says Justin Schultz, a corporate psychologist in Denver.

Today in our fast paced world every organization wants to be ahead of another and wants to earn quicker profits for which they adopt immoral or unethical practices that leads to deteriorating corporate governance and organizational values. Companies like Satyam computers services ltd., Bernie Madoff (scandal of 2008), Enron, Parmalat etc. have collapsed because they had adopted corrupt practices. In such situations these whistle blowers has been observed as the useful service providers as they bring in light the illegal and unethical practices happening in the organization like in WorldCom accounting scandal if Cynthia Cooper had not been spoken up, than the unethical practices would have continued and it may cause even more damage than the scandal did, till the time it is exposed to the public .It was also stated in one article of Fortune magazine that- " If Cynthia Cooper had been a good soldier, the whole incredible mess might have been concealed forever" Another prominent case on whistle blower role is of Dinesh Thakur who joined Ranbaxy as director and was responsible for blowing the lid on "false, fictitious, and fraudulent statements" made by Ranbaxy to drug controllers resulting in substandard and unapproved drugs. As a result the Food and Drug Administration (FDA) has increased the number of inspectors allocated to India from four in 2009 to nearly 15 at present. Whistle blowing activities should be practiced by management itself because the quality of 'honesty' brings complete dedication of employees in achieving the organization's mission and success. Therefore by encouraging the whistle blowing culture in the organization the management not only promotes transparent structure, effective communication in the organization but it also increases the employee's accountability and responsibility towards the organization. In addition to that it also creates the public confidence in the work that organization performs.

THE PRESENT SITUATION OF WHISTLE BLOWING IN INDIA

Regulations in India do not mandate companies to set up whistle blowing framework and provide protection to whistle blowers who raise their voice in good faith. Although SEBI in its circular introduced the concept of Whistle Blower Policy under Part IV of Clause 49 of Listing Agreement on 26 August, 2003 that every listed company should formulate a policy that allows employees to report about unethical practices to management without any fear of suspension or retrenchment. The revised Clause 49 which came into existence on 29th October, 2004, incorporates "Whistle Blower Policy" under non mandatory section. In fact, Satyam had a whistle blowing policy since 2005.But it is only after its unexpected scam that awakened The Ministry of Corporate affairs to set up new norms and policies and to undertake measures to cover up the loopholes to prevent future corporate frauds. The Limited Liability Partnership Act, 2008 has also incorporated provisions to protect the interests of whistle- blowers to ensure that no injustice should be done with them but according to a recent review of whistle blowing incidents in India shows that among the whistleblowers, 62% lost their jobs, 18% felt that they were harassed or transferred, and 11% had their job responsibilities or salaries reduced and remaining 9% lost their lives.[1]Therefore life is not the bed of roses for the whistle blowers. It requires tremendous courage and conviction In reality there is no protection available for whistleblowers after they expose the wrongdoers so they will have to depend largely upon the goodwill of the community or some NGOs.

SOME DEMORALIZING CASES OF WHISTLE BLOWERS IN INDIA

SATYENDRA DUBEY

Talking about whistle blowing in the Indian context the first case that comes into the mind is that of NHAI engineer Satyendra Dubey. He was one of those rare young men who were uncomplicatedly honest. A 31 year old civil engineer graduate, from IIT, Kanpur was working as Deputy General Manager for Centre's National Highway Authority of India. On August 2003 he was transferred to Gaya as project manager to supervise the Prime Minister's dream project in the Koderma division in Jharkhand as a part of the Golden Quadrilateral project This project aimed to connect many of the country's major cities by four-lane highways with total length of 14,000 km. There he discovered high level corruption and mismanagement regarding subcontracting and quality control. He saw that the contracted firm, Larsen and Toubro, had been subcontracting the actual work to smaller low-technology groups, controlled by the local mafia. Dubey wrote a letter to the Prime Minister, Atal Bihari Vajpayee, detailing him about the financial and contractual misdeeds in the project. In spite of his request that his identity must be kept secret his letter was sent to the Ministry of Road Transport and Highways. On November 27, Dubey was shot dead by unidentified assailants in Gaya when he was returning from a wedding from Varanasi.

SHANMUGAM MANJUNATH

Another glaring example of the apathy faced by the whistle blowers in India is that of the Indian Oil engineer Shanmugam Manjunath. He was the marketing manager of Indian Oil Corporation (IOC) who was murdered for blowing the whistle on a scheme to sell impure gasoline. An MBA from Indian Institute of Management, Lucknow, Manjunath worked for IOC in Lucknow. While there, he had ordered two petrol pumps at Lakhimpur Kheri to be sealed for selling adulterated fuel for three months. On November 19, 2005, Manjunath was found dead in the backseat of his own car, his body riddled with at least six bullets.

M N VIJAY KUMAR

M N Vijaykumar is an IAS officer in the southern state of Karnataka. He has a penchant for disciplining colleagues who supplement their modest salaries with bribes, kickbacks and garden-variety pilferage. He exposed serious corrupt practices at high levels. His wife, J N Jayashree, set up a website detailing her husband's efforts to fight corruption, and to safeguard her husband's life.

LALIT KUMAR MEHTA

An activist in Jharkhand was murdered May 2008. He had exposed corruption in the local jobs-for-work scheme.

KAMESHWAR YADAV

He was gunned down by unknown persons in Jharkhand in June 2008. He had used the right to information law to expose a nexus between officers, politicians, contractors and middlemen in siphoning off government funds meant for irrigation work.

VENKATESH

A right to information activist from southern Karnataka state, whose questions had exposed encroachments on government land, was murdered on 12 April 2009. A local criminal leader was arrested in connection with the killing.

SATISH SHETTY

A right to information activist from the western city of Pune was killed by unidentified men while on a morning walk on 13 January 2010. His questions had exposed land scandals in the area.

SHASHIDHAR MISHRA

An activist from Begusarai in the eastern state of Bihar, was shot dead by unknown men while he was returning home on 14 February 2010. He had exposed alleged scams in welfare schemes in village councils.

VITTHAL GITE

An activist from the western state of Maharashtra was murdered on 18 April 2010, after exposing alleged irregularities in a village school.

AMIT JETHWA

An environmentalist working in Gujarat's Fir forest was shot dead on 20 July 2010. His applications had revealed illegal mining in the protected forest.

RAMDAS PATIL GHADEGAONKAR

A milk seller from Maharashtra was murdered on 27 August 2010. He was using the right to information law to unearth information about illegal dredging of sand from the Godavari River.

LEGAL FRAMEWORK OF WHISTLE BLOWING IN INDIA

The Whistleblower Protection Bill was passed by Lok Sabha on December 27, 2011 and in Rajya Sabha on February 21, 2014 in order to provide protection to whistleblowers against retaliation and businesses from false or malicious complaints. The major highlights of the Bill are as follows:

1. Whistleblowers can make complaints about corruption, willful misuse of power by any person including a public servant and attempts to commit offences recognized under law by any public servant.
2. According to the act the Central Vigilance Commission (CVC) will receive complaints and assess public disclosure requests.
3. A complaint will not be inquired, if it does not contain the name of the public servant against whom the complaint is been made or if the identity of the public servant or the complainant is found to be incorrect or false.
4. The Competent Authority will not reveal the identity of whistle blower and violation of the same will be penalized with imprisonment up to 3 years and a fine up to Rs.50, 000.
5. The competent authority has the power to set up its own inquiring staff or can use the services of any other legal authority (Central Bureau of Investigation, police etc.) to investigate into complaints it receives.
6. The public official has to generate proof, that any action taken against a whistleblower was not retaliatory. The CVC also has the power to order that whistleblowers who suffered employment retaliation be restored to their prior position.
7. In case, if a company is found guilty of committing the offence then every person in charge of conducting the business of the company will be liable for prosecution and punishment till they prove their innocence
8. If an offence is committed by anybody in a department then its Head will be considered as guilty and will be liable for prosecution and punishment till he/she proves that the offence was committed without his/her knowledge.
9. If the competent authority forwards any recommendation to the public authority then the public authority must comply with it within three months otherwise record the reasons for not doing so.
10. During the investigation process, if any public authority or official do not cooperate or refuse to provide reports when required, then competent authority will impose the penalty of Rs 50,000 on him/her.
11. While investigation process, the competent authority has the power of a civil court and all proceedings brought before it, will be deemed to be judicial proceedings.
12. Bill also seeks to protect the honest government officials and puts penalty on those who file false complaints with Imprisonment up to 2 years and fine up to Rs.30, 000.

MAJOR SHORTCOMINGS OF THE BILL

According to the views of various scholars and legal experts the current whistle blowing bill is "paper tiger" because of the following reasons:

1. The term Whistle blower, Frivolous disclosure' 'Victimization' has not been defined in the bill.
2. The definition of 'Disclosure' is significantly constricted and does not include negligent acts and omissions of public servants.
3. The bill does not specify any penalty for victimization. In addition to that punishment for revealing the identity of whistleblower is insufficient.
4. Provisions made for protection of whistleblowers are inadequate. Besides, there is no separate provision for safety of women whistleblowers as they are more vulnerable to harassment.
5. The bill does not mention any penalty on anonymous complaints and disclosures.
6. There is a provision of penalty for frivolous disclosures which will discourage the persons from reporting against corruption.
7. Special Protection Group (SPG) and Private sector are not covered under the Bill. It is restricted only to the public servants or in works connected with the central government.
8. There is no provision of rewards for the whistleblowers.
9. The bill does not contain any mechanism for protecting the RTI users.
10. Period for filing a complaint increased from five to seven years though it is inadequate for cases involving gross negligence pertaining to public interest, safety and health.
11. Even it is not mention in the bill that what will happen to a case if the inquiry does not complete within the 3 months because such cases may lapse due to doctrine of lashes.

THE FUTURE FOR WHISTLE BLOWING IN INDIA

There is a need of concrete, holistic approach which ensures that the whistleblower is not harmed by the wrongdoers he/she is targeting and would give more individuals the courage to report about the unethical practices they see. Following are some of the principles for whistle blowing legislation based on international best practice that should be considered while developing new legislation.

1. **BROAD COVERAGE**
   The law should have a broad coverage. It should apply to public, private sector employees and also to national security cases.
2. **PROTECTION AGAINST RETRIBUTION**
   The law should also have a broad definition of retribution that covers all types of job sanctions, harassment, loss of status or benefits and other detriments.
3. **PROTECTION OF FREE SPEECH**
   The law should recognize that there is a significant importance of free speech whistle blowing. Public interest and harm tests should be applied to each release of any information that could have been released under FOI cannot be sanctioned.
4. **CONFIDENTIALITY**
   The law should allow for whistleblowers to request that their identity should remain confidential as far as possible. However, the body should make the person aware of the problems with confidentiality and also make clear that the protection is not absolute.
5. **COMPENSATION**
   Compensation should be broadly defined to cover all losses which should also include loss for pain and suffering incurred because of the release and retaliation.
6. **REWARDS**
   Whistleblowers should be rewarded for making disclosures in cases that result in important recovery of funds or discoveries of wrongdoing.
7. **DISCLOSURE PROCEDURES**
   The law should set up straightforward procedures that easily allow whistle blowers to disclose about the wrongdoings outside the organization to legislators and the media in cases where it is likely that the internal procedure would be ineffective. There should be easy access to legal advice to facilitate disclosures and reduce misunderstandings.
8. **NO ENDORSEMENTS FOR MISGUIDED OR FALSE REPORTING**
   The law should not impose penalties against whistle blowers who make false disclosures, only in case of deliberate falsehood, normal sanctions such as a loss of job should be sufficient.
9. **EXTENSIVE TRAINING AND PUBLICATION**
   The government and non-government organizations should adopt policies to encourage disclosures as non-confrontational processes and this effort should be supervised by a high level manager. Even they should provide training to their employees.
10. **REVIEWS AND DISCLOSURES**
    The law should make such provisions that every government and non-government organizations should be required to publish annual reports regarding the disclosures and outcomes etc during that period.
11. **BUILDING A CULTURE OF TRUST AND OPENNESS**
    For effective implementation of whistleblowing policy, an organization must develop the culture of trust and openness that comes from the very top.

CONCLUSION

Corporate whistleblowing, globally considered as one of the best tools to ensure good corporate governance, but it is still in its infancy in India. Many of the companies in India have a whistle-blowing policy in place but they use it as a "good to comply with" measure under Clause 49 recommendations. . Therefore with the growing number of scams related to corrupt practices in corporate there is a need for swift action from government in the form of stringent laws. Although Whistle Blower Protections Bill is one such initiative in this direction which is also not free from its inherent faults. But again its success depends upon its effective implementation, which only the coming time will tell.

ACKNOWLEDGEMENT

I would like to thanks Dr. Lokesh Arora, Associate professor at Jaipur National University for her valuable suggestions.

REFERENCES

1. *Jos, P. E., Tompkins, M. E., and Hays. S. W. (1989). "In Praise of Difficult People: A Portrait of the Com mitted Whistleblower,"* Public *Administration Review*, November-December, 552-561

BOOKS

2. Alford, fred C*., (2002), "*Whistleblowers: broken lives and organizational power" Cornell university press
3. Johnson R., (2003), "whistleblowing: when it works –and why", Lynne Rienner Publishers

JOURNALS

4. Qusqas F and Kleiner B,(2001) "The Difficulties of Whistleblowers Finding Employment", Management Research News, Vol. 24, Issue 4,pp. 97-99
5. Dasgupta S and Kesharwani A, (2010),"Whistleblowing: A Survey of Literature, The IUP Journal of Corporate Governance, Vol. IX, Issue. 4, pp. 57- 70.
6. Berry B, (2004), "Organizational Culture. A Framework and Strategies for Facilitating Employee Whistleblowing", Employee Responsibilities and Rights Journal, Vol. 16, Issue1, pp. 1-5.

7. Patel, Christopher. (2003), "Some Cross Cultural Evidence on Whistleblowing," Journal of International Accounting Research, pp. 69-96
8. Srividhya, S., Shelly, Stalin, C., (2012), Whistle Blowing Protection –A Watch dog for the organization", International Journal of Social Science & Interdisciplinary Research, Vol.1, Issue 10, pp.204-2011.
9. Nagpal,Sonal,(2013), Whistle Blowing Mechanism- A Move towards Better Corporate Governance, Global Journal of Management and Business Studies, Volume 3, pp. 855-860
10. Premlata, Agarwal, Anshika,(2014), "Blowing the facts- Whistle Blowing Policy In India" Research Directions, Volume 1 , Issue 7,pp.1-7
11. Mesmer-Magnus, Jessica R, Viswesvaran, Chockalingam, (2005), "Whistleblowing in Organizations: An Examination of Correlates of Whistleblowing Intentions, Actions, and Retaliation", Journal of Business Ethics, Volume 62, Issue 3, pp. 277-297
12. Sen,kumar,Dilip, (2009), "Raising the alarm", Indian Business Law Journal, Volume 2, Issue 10

WEBSITES

13. http://ethics.csc.ncsu.edu/old/12_00/basics/whistle/rst/wstlblo_policy.html
14. http://en.wikipedia.org/wiki/List_of_whistleblowers
15. http://en.wikipedia.org/wiki/Whistleblower_Protection_Act
16. http://whistleblowers.wordpress.com
17. http://www.astronsolutions.net/library/astronology.
18. http://forbesindia.com/blog/business-strategy
19. http://www.governancenow.com/views/columns/guide-whistleblowers-protection-bill
20. http://www.aljazeera.com/indepth/features/2014/01/whistleblowing-india-giant-corporations
21. http://www.nfcgindia.org/pdf/nandaji

PERFORMANCE OF REGIONAL RURAL BANKS PRE AND POST AMALGAMATION: A STUDY OF HIMACHAL PRADESH

GAGAN DEEP
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
L. B. S. GOVERNMENT COLLEGE
SARASWATINAGAR

ABSTRACT

Era of Regional rural bank in Himachal Pradesh begin with establishment of HGB in 1976 and further one more regional rural bank PGB established in 1985 in the state. Presently both banks are merged and new bank came into existence HPGB in Feb. 2013. Present paper attempt to analyzed the performance of regional rural bank pre and post amalgamation period. Study reveals that Exp.CGR of deposit mobilization of HPGB during post amalgamation has showed 13.3 percent higher than 12.7 percent in pre amalgamation period, loan and advances are also found increasing trend with some lower extent growth rate 16.8 percent during post amalgamation which was 17.4 percent in pre amalgamation period. Furthermore, study reveals that post amalgamation period profits of HPGB surprisingly increased from 31.65 lacs to 1214.48 lacs in two year 2012-13 to 2013-14 but profitability of HPGB found inconsistent as HPGB's coefficient of profit variation is 134.23 higher than HGB and PGB is 34.69 & 112.86 respectively, which is registered in pre amalgamation period. So, it is suggested that bank should increase the loans and advances to the rural people to achieve their objective as well as earn more interest income to maintain the consistent level of profit in future.

KEYWORDS

Himachal Gramin Bank, Parvatiya Gramin Bank, Himachal Pradesh Gramin Bank.

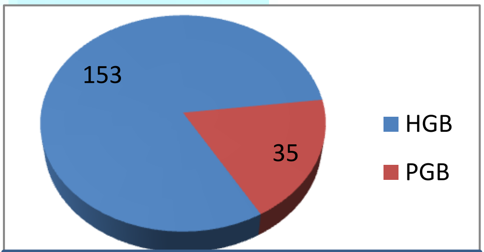
INTRODUCTION

Bank can be proved a boon in improving our rural economy to a large extent. Our rural economy is underdeveloped due to the shortage of finance. People are not able to start new business due to lack of working capital. The economic development of the country mainly depends on the availability of adequate credit facility to the various needy people. It is by providing credit to agriculture laborers, rural artisans, landless laborers, marginal farmers, industrialist, traders and businessmen etc. which can be achieved economic progress. The economy of Himachal Pradesh is dominated by the weaker sections constituted by small and marginal farmers, agriculture laboures, artisans class and scheduled tribes, their position can be improved by providing them credit at low rate of interest so that they can improve their economic position. They always demand two kind of credit (i) Production credit, (ii) Consumption credit, at low interest rate. At present time weaker section need a large amount of credit for the purchase of fertilizers, improved seeds, pesticides and tools and machinery etc. medium and long-term investment in land clearing and irrigation etc. also become essential for increasing agricultural production. The consumption loan is required for religious ceremonies, functions, medical and educational expenses. Following table & figure 1 shows the present position of regional rural bank in Himachal Pradesh.

TABLE 1: REGIONAL RURAL BANKS IN HIMACHAL PRADESH

Sponsor bank	Name of bank	No of branches
PNB	HGB 23.12.1976	153
SBI	PGB 12.11.1985	35
PNB 2012-13	HPGB 15.02.2013	(153+35) 188

FIGURE 1: HIMACHAL PRADESH GRAMIN BANK



HPGB' branches (HGB & PGB are merged) =188

Source: Annual report of HPGB 2012-13

Himachal Pradesh is a hilly state and its economy mainly based on agriculture and horticulture. Agriculture and horticulture plays an essential role in the economic development of the state. To work for real achievement of the target of social upliftment of the poor and weaker sections, the banker must extend financial assistance to the people living in the remote and rural areas. It is possible only if the branch network of these banks is extended in rural and remote area of every state and network of branches will pay a crucial role in the economic development of these areas.

REVIEW OF LITERATURE

Ibrahim (2012)[1] revealed that there has been tremendous achievement in disbursing loans to both the sectors. The priority sector loans constituted higher in percentage throughout the study period. RRBs have lent money to the agricultural sector through the short-term and term-loans for the development of the agriculture sectors in the economy. The disbursements of short-term loans for crops during the study period are encouraging and it constituted a higher rate than that of term-loans. Also the loans provide by the RRBs to various groups in the priority sector shows an increasing trend. **Koti (2013)**[2] concluded that Non Performing Asset not only problem for bank, even bad for the economy of the country. The money which is locked in NPA is not available for productive activities. It adversely affects the profit of the bank and result in higher rate of their diligent credit customer. Study suggested that necessary step should be taken appropriately on the time to avoid NPAs. Qualitative appraisal, Supervision and follow ups should be taken for the present advanced to avoid the further NAPs. It is essential to restructure the strategies for recovery process; this will improve bank general capabilities and meets the prudential requirements. **Chakrabarti (2013)**[3] reveals that banks are playing a significant role in ensuring sustainable development through financial inclusion. However, there is a long way to go for the financial inclusion to reach to the core poor, and noted that K. C. Chakrabarty, Deputy Governor of RBI, "Even today the fact remains that nearly half of the Indian population doesn't have access to formal financial services and are largely dependent on money lenders". Therefore, RRB network will have to be leveraged for benefiting the people of the rural areas through broader banking services; and in West Bengal, these institutions take a long stride towards inclusive economic growth by promoting various financial products meant for broader financial inclusion. **Jarupula (2013)**[4] study the performance of regional rural banks in India. The RRBs yielded positive results in respect of key performance indicators such as number of banks and branches, capital composition, deposits, loans, the trend of investments, current deposit ratio, recovery performance, productivity, NPAs, recovery and financial inclusion. He study several committees have emphasize the need to improve the performance of these banks, which play an important role in the rural credit market in India. The study found that the performance of RRBs in India has significantly improved over time, as steps for their improvement were initiated by the Government of

India after the amalgamation process. **Shashi Kumar et al. (2013)**[5] study revealed that RRBs in Karnataka have achieved significant growth in terms of number of wide branches during the both regimes. Since 1990-91 there were 13 RRBs with 1075 branches working across the districts of Karnataka state. Study shows deposits constitute highest growth about 22.92 percent compared to the Advances of the RRBs during the liberalization regime. During the post liberalization regime the highest growth can be searched in case of Advances constituting about 20.29 percent compared to the deposits. When the growth rate is observed it is the increase of RRBs constituting about 20.39 percent compared to the advances. In this manner since from their inception the RRBs have rendered services to the rural people and play an important role along with other financial institutions. **Rao & Rao (2014)**[6] has studied the performance of Andhra Pradesh Grameena Vikas Bank from 2005-06 to 2011-12. Study revealed growth of branches for the study period is meager which is not in tune with the population growth in absolute figures. Study showed that small and medium loans are increased from 905 Cr to 1391 Cr. and deposits (32.36 %) are significantly increased in the years from 2009-10 to 2010-11 as well as borrowing also shows 8.24% growth in the years from 2010-11 to 2011-12. And, total income has been progressed from 337 Cr. to 862 Cr, similar trend reveal in total expenditure of the bank which is increased from 322 Cr to 695 Cr during study period. Further, study recommended that number of branches should increase in rural areas and also improve the credit facility system to agriculture farming communities.

OBJECTIVES OF STUDY

1. To study the branch expansion level by RRB in the state.
2. To study the growth of deposits and loans advances by regional rural banks in the state.
3. To study the recovery performance of regional rural banks in the state.
4. To study the profitability growth of regional rural banks in the state.

RESEARCH METHODLOGY

This paper has been prepared on the basis of secondary data collaborated from annual reports of Himachal Gramin bank and Parvatiye Gramin Bank which were amalgamated in feb. 2013 with new name Himachal Pradesh Gramin Bank. Following tools and method are used to analysis the data: I) Mathematical- 1) Exponential compound growth rate, 2) Percentage, II) Statistical Analysis- 1) Trend projection, 2) Correlation "r", 3) t Test, III) Financial analysis- 1) Credit Deposit Ratio, Profit per branch, with the help of table, figure and diagrams.

INTERPRETATION OF DATA

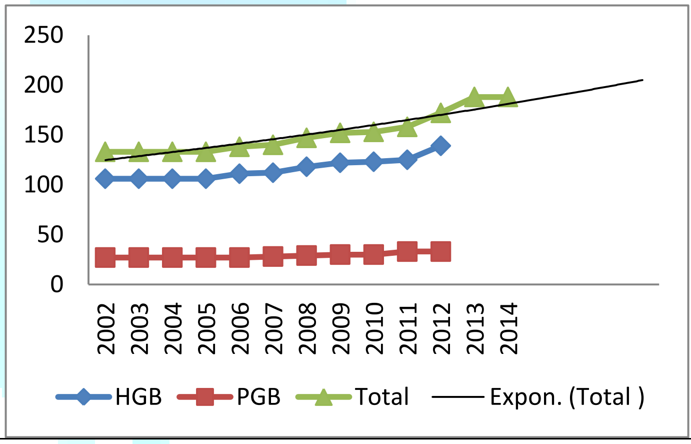
BRANCH EXPANSION

The era of regional rural banking in Himachal Pradesh Commenced in 1976 when the first RRB of state named Himachal Gramin Bank was established in district Mandi, which was sponsored by the Punjab National Bank and second Regional rural bank in Himachal Pradesh was Parvatiya grameen bank sponsored by State bank of India was established in 1985. Himachal gramin bank and Parvatiya grameen bank both are amalgamated on 15.02.2013 due to restructuring process and new bank namely Himachal Pradesh Gramin bank came into existence. So, at present time only single regional rural bank is operating in the state with 188 branch network and catering the financial requirement of the farmers, rural artisans and tiny & small scale industries of the state.

TABLE 2: BRANCH EXPANSION OF RRBS IN HIMACHAL PRADESH

Year	HGB Branches	PGB Branches	TOTAL
2004-05	106	27	133
2005-06	111	27	138
2006-07	112	28	140
2007-08	118	29	147
2008-09	122	30	152
2009-10	123	30	153
2010-11	125	33	158
2011-12	139	33	172
2012-13	**HPGB***		188
2013-14			188
CGR	**3.3**	**3.2**	**4**
TREND 2018 2020			**200 209**

FIGURE 2: BRANCH EXPANSION



Source: Annual Report of HGB, PGB & HPGB from 2004-05 to 2013-14.

Table and figure describe the branch expansion network of regional rural bank in Himachal Pradesh for the period of ten years from 2004-05 to 2013-14. It had a network of 133 branches in 2004-05 which has been tune to 188 branches at the end of the year 2013-14. Regional rural bank shows sustainable compound growth rate 4 percent in last ten year in the state. Before amalgamation HGB and PGB shows equal Compound growth 3.3 & 3.2 respectively which less then post amalgamation branch expansion programme of Himachal Pradesh Gramin Bank. Trend analysis also projected that the branches of HPGB will be increased to 200 branches in the year 2017-18, further in the year 2019-20 it will be projected 209 branches in the state.

TABLE 3: DISTRICT WISE BREAK-UP OF BRANCH EXPANSION OF HIMACHAL PRADESH GRAMIN BANK

Sr. No.	Districts	Urban	Semi Urban	Rural	Total	Percentage
1.	Mandi	-	2	48	50	26.60
2.	Kangra	-	1	45	46	24.47
3.	Kullu	-	1	17	18	9.57
4.	Hamirpur	-	-	7	7	3.72
5.	Una	-	-	6	6	3.19
6.	Bilaspur	-	-	7	7	3.72
7.	Sirmour	-	2	2	4	2.13
8.	Solan	-	1	8	9	4.79
9.	Shimla	1	1	2	4	2.13
10.	Kinnaur	-	-	1	1	0.53
11.	Lahul Spiti	-	-	1	1	0.53
12.	Chamba	-	1	34	35	18.62
	Total	1 (.53)	9 (4.79)	178 (94.68)	188	100.00

Source: Annual report of HPGB for the year 2013-14

The district wise break-up of its branch offices has been shown in present Table. In the year 2013-14 out of the total branches under the operation, 178 are rural branches 1 urban branch and 9 are semi urban branches, located in twelve districts of the state. However, the maximum number of its branches office are in Mandi, Kangra, Chamba districts. About 70 percent of the branch offices are located in these three districts with 4 semi-urban and 127 rural branches and other district had very low percentage of branch network. However, this bank has been concentrating its efforts in rural areas as is evident from the location of its branch offices. Almost 95 % branch offices of the bank are located in rural areas of these 12 districts of the state.

RESOURCE MOBILISATION OF RRB

Resource mobilization is one of the important aspects. In banks, the combination of such resources such as owned fund, borrowings and deposits is known as total funds. Table 4 and figure 3 represent the growth of resource of regional rural bank from 2002-03 to 2013-14. Table reveals that during study period resource mobilization of the HGB, PGB and HPGB have shown an increasing Exponential CGR in all resources except borrowings of PGB show a negative Exponential CGR. (-1.4) percent.

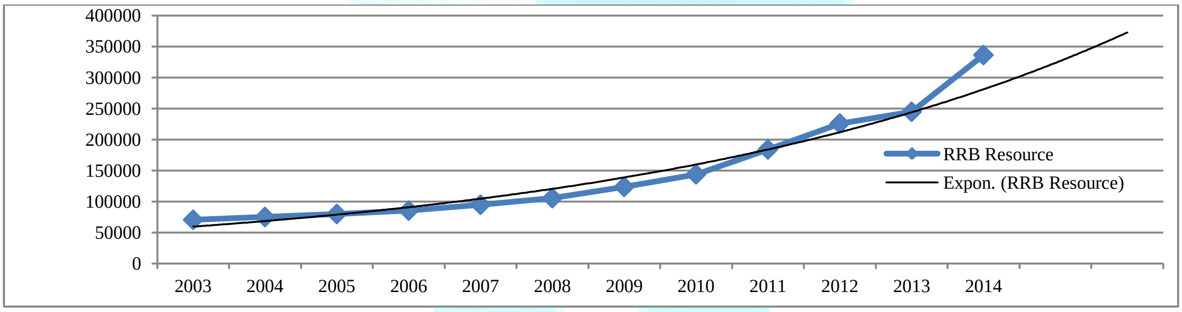
TABLE 4: RESOURCE MOBILISATION OF RRB IN THE HIMACHAL PRADESH (Amt. In lakh)

Year	Owned Fund	**HGB** Deposit	Borrowings	Total	Owned Fund	**PGB** Deposit	Borrowings	Total	Grand total
2002-03	2651.74	54648.07	864.04	58163.85	846.74	10299.69	1041.53	12187.96	70351.81
2003-04	3805.45	57882.74	657.2	62345.39	895.32	10612.43	1002.48	12510.23	74855.62
2004-05	4259.12	60958.79	856.35	66074.26	916.3	11916.17	761.59	13594.06	79668.32
2005-06	4744.84	64819.79	1831.92	71396.55	926.28	12265	529.59	13720.87	85117.42
2006-07	5156.21	71755.02	3053.7	79964.93	1004.66	13236.15	389.57	14630.38	94595.31
2007-08	5572.89	80493.02	2707.76	88773.67	1123.52	14840.86	481.84	16446.22	105219.9
2008-09	6190.56	93805.7	4435.72	104432	1302.79	17035.65	680.19	19018.63	123450.6
2009-10	6233.48	109931.6	5264.98	121430.1	1535.6	20049.55	695	22280.15	143710.2
2010-11	6692.23	133330	18458.32	158480.6	1742.53	22592.32	950	25284.85	183765.4
2011-12	7190.64	164799.1	24517.05	196506.8	2011.78	26346.49	800	29158.27	225665.1
Exp.CGR	**9.5**	**12.1**	**39.4**	**13.2**	**9.8**	**10.6**	**-1.4**	**9.9**	**12.7**
2012-13	10290.4	215864.4	18407.77	244562.6					244562.6
2013-14	11136.29	246526.9	78467.43	336130.7					336130.7
HPGB* Exp. CGR	**7.9**	**13.3**	**145**	**31.8**	**Overall Exp. CGR Trend 2018 2020**				**14.1 350933.9 393813.1**

Source: Annual Report of (HGB, PGB & HPGB) for the years 2002-03 to 2013-14

As it is evident from table 4, the total resources of the regional rural bank have raised from ₹ 70351.81 lacs in 2002-03 to ₹ 336130.7 lacs in 2013-14 with 14.1 percent Exp. CGR. It is reveal from above analysis that Exp. CGR slightly increased after amalgamation from 12.7 to 14.1 percent, so it is concluded that there is positive impact of amalgamation on regional rural banks in resource mobilisation. And, projected trend for 2018; 2020 is estimated 350933.9 and 393813.1 lack respectively.

FIGURE 3: OVERALL GROWTH OF REGIONAL RURAL BANK'S RESOURCES IN HIMACHAL PRADESH



DEPOSIT MOBILIZATION

Table 5 shows the deposit mobilization growth of regional rural banks (HGB, PGB and HPGB) from 2002-03 to 2013-14. Table shows that overall deposit of regional rural bank has increased from 64947.76 lack in 2002-03 to ₹ 246526.9 lack in 2013-14 with 13.3 percent Exp. CGR and increasing trend has been revealed also in deposit per branch during study period. It is noted that deposits per branch of regional rural bank has been recorded to the tune of ₹ 488.33 lacs during 2002-03 and it has touched the level of ₹ 1297.51 lacs during 2013-14. The Exp. CGR has been revealed to the tune of 9.1 from 2002-03 to 2011-12 and 12.2 percent from 2002-03- to 2013-14, which concluded that due to amalgamation regional rural bank become stronger and improved their deposit mobilization.

TABLE 5: DEPOSIT MOBILIZATION BY REGIONAL RURAL BANK IN HIMACHAL PRADESH (Amt. in lakh)

	HGB		**PGB**		**Overall**	
Years	Deposit	Deposits Per Branch	Deposit	Deposits Per Branch	Deposit	Deposits Per Branch
2002-03	54648.07	515.55	10299.69	381.47	64947.76	488.33
2003-04	57882.74	546.06	10612.43	393.05	68495.17	515.00
2004-05	60958.79	575.08	11916.17	441.34	72874.96	547.93
2005-06	64819.79	583.96	12265.00	454.26	77084.79	558.58
2006-07	71755.02	640.67	13236.15	472.72	84991.17	607.08
2007-08	80493.02	682.14	14840.86	511.75	95333.88	648.53
2008-09	93805.70	768.90	17035.65	567.86	110841.35	729.22
2009-10	109931.60	893.75	20049.55	668.32	129981.13	849.55
2010-11	133330.00	1066.64	22592.32	684.61	155922.35	986.85
2011-12	164799.1	1185.61	26346.49	798.37	191145.61	1111.31
Exp. CGR	**12.1**	**9.3**	**10.6**	**8.1**	**12.7**	**9.1**
2012-13	**HPGB***				215864.44	1148.22
2013-14	HGB & PGB are merged and new bank came into existence				246526.9	1297.51
Exp. CGR		***Exp. CGR Overall Trend Projection 2018 2020***			**13.3** ***282161.90*** ***315002.80***	**12.2** ***1504.61*** ***1654.51***

Source: Annual Report of (HGB, PGB & HPGB) for the years 2002-03 to 2013-14

It is evident from the above analysis that deposit mobilization regional rural bank will projected 282161.90 lacs and 315002.80 lacs respectively, as well as deposits per branch will be 1504.61 and 1654.51 lacs respectively forecasted for forthcoming year 2018 and 2020.

LOAN AND ADVANCES

Table 6 shows the growth of loan and advances of regional rural bank from 2002-03 to 2013-14 in the state. Table shows that before amalgamation Exp. growth rate of loans and advance of HGB and PGB revealed 16.1 & 22 percent respectively. And, also per branch exp. CGR revealed 13.3 & 19.5 respectively of both regional rural bank. Overall advances are increased from 19139.99 lacs in 2002-03 to 95305.63 lacs in 2013-14 with Exp. CGR 16.8 percent which is found slightly came down from 17.4 which is recorded before amalgamation period and same trend revealed in per branch wise distribution of loan and advances that Exp. CGR came down from 14.6 percent to 13.4 percent during before amalgamation process and study period respectively.

TABLE 6: LOAN AND ADVANCES OF REGIONAL RURAL BANK IN HIMACHAL PRADESH (Amt. in Lacs)

Years	HGB		PGB		Overall	
	Advances	Per branch wise	Advances	Per branch wise	Advances	Per branch wise
2002-03	16156.3	152.42	2983.69	110.51	19139.99	143.91
2003-04	13738.9	129.61	3326.27	123.19	17065.17	128.31
2004-05	16820.07	158.68	4209.77	155.92	21029.84	158.12
2005-06	20578.98	185.39	5338.82	197.73	25917.8	187.81
2006-07	25275.82	225.67	6746.73	240.95	32022.55	228.73
2007-08	28977.89	245.57	8767.06	302.31	37744.95	256.77
2008-09	35302.33	289.36	10537.95	351.26	45840.28	301.58
2009-10	36877.29	299.81	13134.67	437.82	50011.96	326.87
2010-11	49074.39	392.59	16347.17	495.37	65421.56	414.06
2011-12	61198.75	440.28	20122.7	609.78	81321.45	472.79
Exp. CGR	**16.1**	**13.3**	**22.0**	**19.5**	**17.4**	**14.6**
2012-13	HPGB				88244.46	469.38
2013-14	HGB & PGB are merged and new bank came into existence				95305.63	501.61
		Exp. CGR			**16.8**	***13.4***
		Overall Trend Proj. 2018			***120005.69***	***653.84***
		2020			***135111.00***	***728.05***

Source: Annual Report of (HGB, PGB & HPGB) for the years 2002-03 to 2013-14

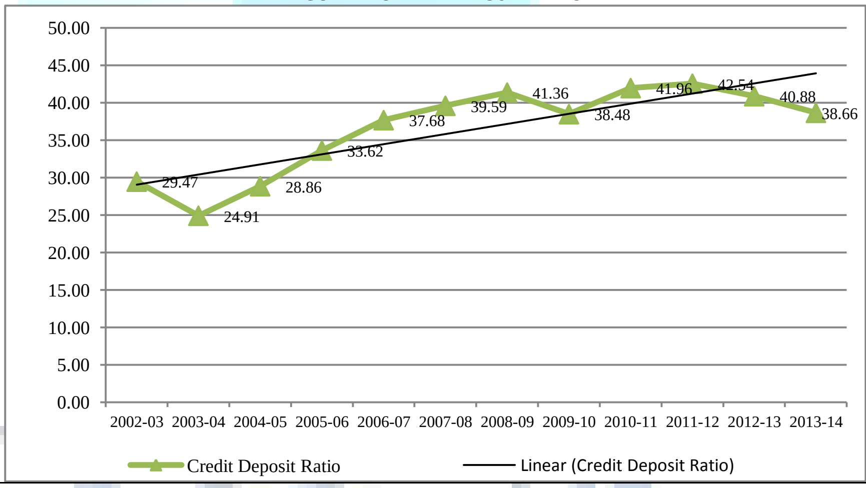
CREDIT DEPOSIT RATIO

Table 7 analyzed the Credit Deposit ratio of Regional Rural Banks in the Himachal Pradesh. In 2002-03 Credit deposit ratio was found 29.47 percent, which is tone up to 38.66 percent in 2013-14 with 4 percent exponential compound growth rate and projected trend of credit deposit ratio will be 49.34 percent and 52.04 percent for the year 2018 & 2020 respectively.

TABLE 7: CREDIT DEPOSIT RATIO OF REGIONAL RURAL BANK'S IN HIMACHAL PRADESH

year	Credit Deposit Ratio
2002-03	29.47
2003-04	24.91
2004-05	28.86
2005-06	33.62
2006-07	37.68
2007-08	39.59
2008-09	41.36
2009-10	38.48
2010-11	41.96
2011-12	42.54
2012-13	40.88
2013-14	38.66
Exp. CGR	**4.0**
Trend 2018	**49.34**
2020	**52.04**

FIGURE 4: CREDIT DEPOSIT RATIO



Source: Annual Report of (HGB, PGB & HPGB) for the years 2002-03 to 2013-14

RECOVERY PERFORMANCE

Recovery process is a complex phenomenon for rural banking. The rising overdue of the bank reflects its operational inefficiency and ineffective machinery for supervision. Misutilization of loan also affects the recovery process and obstructs the recycling of money. Thus, the efficiency of operations of a bank depends upon its performance on the recovery front. Table 8 shows the recovery performance of regional rural bank from the year 2002-03 to 2013-14. Table depict that demand of loan from Himachal Gramin Bank has been 3987.15 lacs in 2002-03 which has been risen to 23135 lacs in 2011-12, similar trend has been revealed in demand of loan from Parvatiya Gramin Bank which is 825.72 lacs in 2002-03 tune to 3836.20 lacs in 2011-12. Table analyzed that recovery performance has been improved 77.78 percent to 90.78 percent of Himachal Gramin Bank and 79.45 percent to 88.35 percent of Parvatiya Gramin Bank. Then, in 2012-13 HPGB came into existence after the amalgamation of both banks. And, after amalgamation in 2013-14 demand of loan from HPGB is registered 32338.43 lacs, recovery registered 29133.82 lacs, overdue registered 3204.61 lacs.

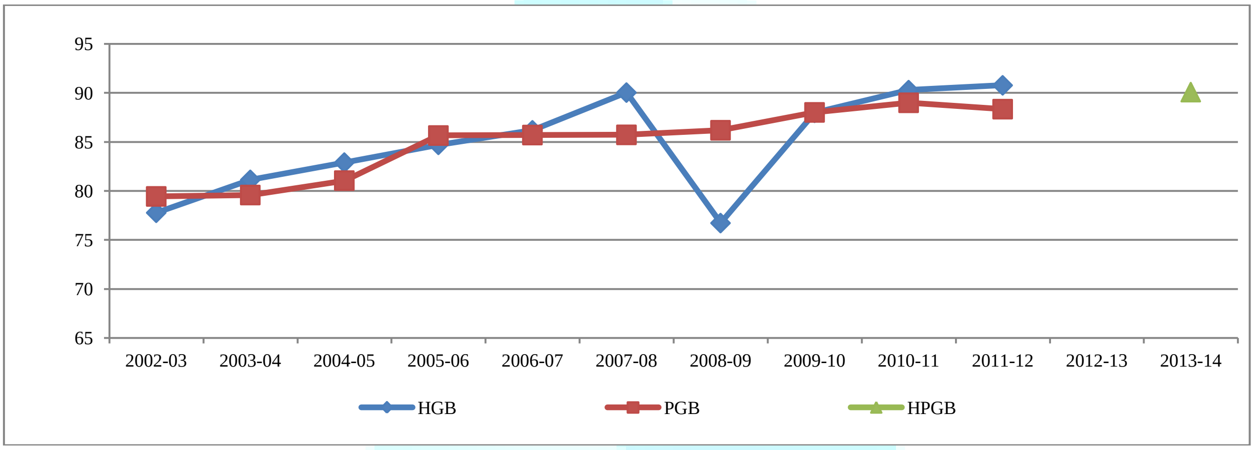
TABLE 8: RECOVERY PERFORMANCE OF REGIONAL RURAL BANK (Amt. in lacs)

	HGB				PGB			
year	Demand	Recovery	Overdue	% Recovery	Demand	Recovery	Overdue	% Recovery
2002-03	3987.15	3101.39	885.76	77.78	825.72	656.04	169.68	79.45
2003-04	4774.75	3874.13	900.62	81.14	1005.32	800.12	205.2	79.59
2004-05	4802.93	3981.47	821.46	82.90	1200.49	973.17	227.32	81.06
2005-06	4969.72	4209.7	760.02	84.71	1386.96	1188.01	198.95	85.66
2006-07	6887.08	5935.68	951.4	86.19	1614.83	1384.06	230.77	85.71
2007-08	8950.57	8058.83	891.74	90.04	1941.16	1664.16	277	85.73
2008-09	12118.98	9298.9	2820.08	76.73	2474.2	2132.65	341.55	86.20
2009-10	14608.47	12853.05	1755.42	87.98	3103.91	2732.03	371.88	88.02
2010-11	17135.48	15471.56	1663.92	90.29	3485.45	3102.16	383.29	89.00
2011-12	23135	21001	2134	90.78	4342.03	3836.20	505.83	88.35
(HPGB*) 2012-13	NA	NA	NA	NA				
2013-14	32338.43	29133.82	3204.61	90.09				

Source: Annual Report of (HGB, PGB 2002 to 2012, & HPGB 2013 to 14)

Figure 5 shows that there was fluctuation in recovery performance of Himachal Gramin Bank. In the year 2008-09 recovery performance of Himachal Gramin Bank was registered 76.73 percent whish was very poor and parvatiya gramin bank registered their very low 79.45 percent recovery performance in the year 2002-03.

FIGURE 5: RECOVERY PERFORMANCE OF REGIONAL RURAL BANKS IN HIMACHAL PRADESH



Presently in the year 2013-14 recovery performance is found 90.09 percent of Himachal Pradesh Gramin Bank which was also registered in relevant previous year during 2011-12, hence it should be improved for forthcoming years and management should give necessary consideration for training facility to improve the recovery mechanism.

PROFITABILITY PERFORMANCE OF REGIONAL RURAL BANK

Table 9 shows the profitability performance of regional rural bank from the year 2002-03 to 2013-14. Table depict that income of Himachal Gramin bank has been mounted from 5503.28 lacs to 15720.32 lacs during pre amalgamation period and expenditure also increased from 5215.03 lacs to 14979.74 lacs during 2002-03 to 2011-12. Profit of HGB also increased from 288.25 lacs to 740.58 in given period. Similarly Income of Parvatiya Gramin Bank has been increased from 1148.05 lacs to 2882.37 lacs and expenditure has been increased 1024.87 lacs to 2469.12 lacs during pre amalgamation period. And, profits of PGB has been risen from 123.18 lacs to 413.25 lacs during pre amalgamation period.

TABLE 9: PROFITABILITY PERFORMANCE OF REGIONAL RURAL BANK (Amt. in lacs)

<table>
<tr><th rowspan="2">Year</th><th colspan="3">HGB</th><th colspan="5">PGB</th></tr>
<tr><th>Income</th><th>Expenditure</th><th>Profit/ Loss</th><th>Income</th><th colspan="2">Expenditure</th><th colspan="2">Profit/Loss</th></tr>
<tr><td>2002-03</td><td>5503.28</td><td>5215.03</td><td>288.25</td><td>1148.05</td><td colspan="2">1024.87</td><td colspan="2">123.18</td></tr>
<tr><td>2003-04</td><td>5691.39</td><td>4812.76</td><td>878.63</td><td>1146.01</td><td colspan="2">1108.5</td><td colspan="2">37.51</td></tr>
<tr><td>2004-05</td><td>5220.59</td><td>4565.1</td><td>655.49</td><td>1122.53</td><td colspan="2">1101.55</td><td colspan="2">20.98</td></tr>
<tr><td>2005-06</td><td>5230.73</td><td>4607.17</td><td>623.56</td><td>1137.01</td><td colspan="2">1127.03</td><td colspan="2">9.98</td></tr>
<tr><td>2006-07</td><td>5906.97</td><td>5466.14</td><td>440.83</td><td>1268.85</td><td colspan="2">1190.47</td><td colspan="2">78.38</td></tr>
<tr><td>2007-08</td><td>7378.75</td><td>6830.53</td><td>548.22</td><td>1533.32</td><td colspan="2">1414.46</td><td colspan="2">118.86</td></tr>
<tr><td>2008-09</td><td>8520.95</td><td>7920.39</td><td>600.56</td><td>1841.54</td><td colspan="2">1662.27</td><td colspan="2">179.27</td></tr>
<tr><td>2009-10</td><td>9566.94</td><td>9328.1</td><td>238.84</td><td>2014.68</td><td colspan="2">1653.48</td><td colspan="2">361.2</td></tr>
<tr><td>2010-11</td><td>11799.18</td><td>11186.17</td><td>613.01</td><td>2222.16</td><td colspan="2">1931.67</td><td colspan="2">290.49</td></tr>
<tr><td>2011-12</td><td>15720.32</td><td>14979.74</td><td>740.58</td><td>2882.37</td><td colspan="2">2469.12</td><td colspan="2">413.25</td></tr>
<tr><td>HPGB* 2012-13</td><td>29224.80</td><td>28908.30</td><td>31.65</td><td colspan="5"></td></tr>
<tr><td>2013-14</td><td>24671.46</td><td>23456.98</td><td>1214.48</td><td rowspan="2">C.V</td><td>HGB</td><td colspan="2">PGB</td><td>HPGB</td></tr>
<tr><td>% Inc/Dec</td><td>(-15.58)</td><td>(-18.86)</td><td>(3737.22)</td><td>34.69</td><td colspan="2">112.86</td><td>134.23</td></tr>
<tr><td colspan="5">Correlation ‘r’ between HGB & PGB’s Profit or loss before amalgamation</td><td>-0.208</td><td colspan="2"></td><td></td></tr>
<tr><td colspan="5">“t value” between HGB & PGB’s Profit or loss before amalgamation</td><td>4.7475</td><td colspan="2"></td><td></td></tr>
<tr><td colspan="9">Significant at 1 %</td></tr>
</table>

Source: Annual Report of (HPGB) for the years 2002-03 to 2013-14

Co-variance of PGB’s found 112.86 is much more than HGB’s C.V. found 34.69, it clearly state that HGB had more consistent for profitability as compared to PGB, correlation also show negative relationship degree (-0.208) and t test is found significant at 1% level. Above analysis state that profitability of the HGB has an upper edge as compared to the PGB’s profitability during pre amalgamation period.

FIGURE 6: PROFIT OR LOSS OF REGIOANL RURAL BANKS DURING 2002-03 TO 2013-14

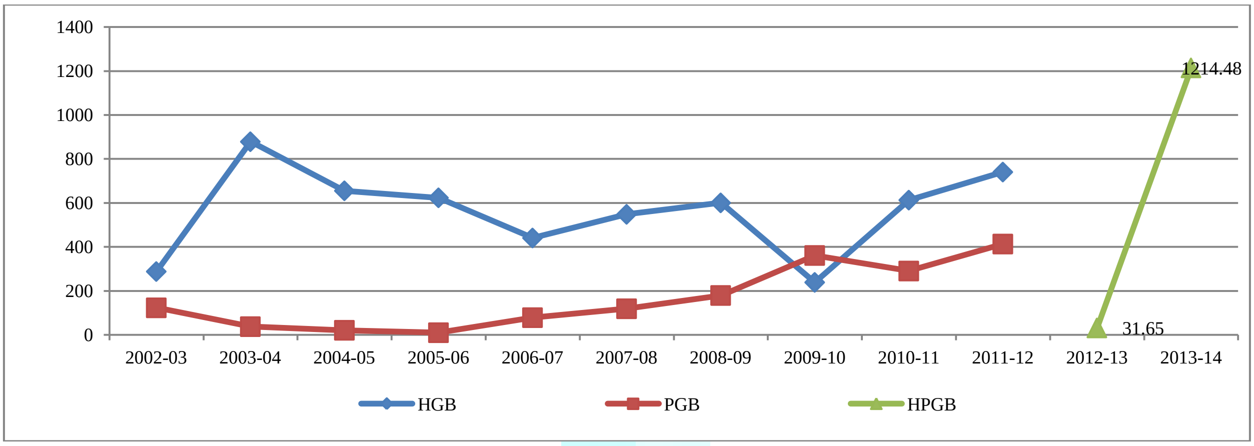
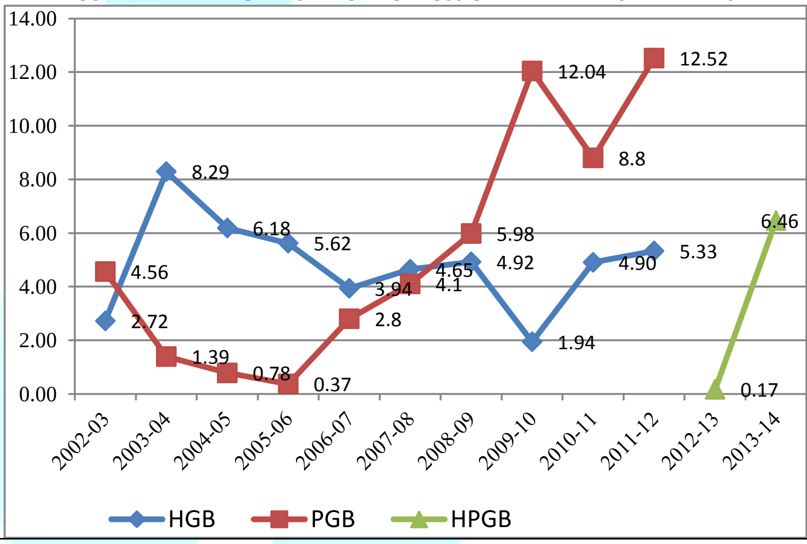


Figure 6 states that Profitability of HPGB instantly has been risen from 31.65 lacs to 1214.48 lacs during post amalgamation. Table 9 clearly depict that income of HPGB is instantly 15.58 percent decreased from 29224.80 lacs to 24671.46 lacs and expenditure also decreased 18.86 percent from 28908.30 lacs to 23456.98 lacs. Due to effective cost control after amalgamation profitability showing tremendous growth but further it need to be consistent to maintain their profits with sustainable growth rate in future also.

TABLE 10: PROFITABILITY PER BRANCH

Year	HGB	PGB	HPGB
2002-03	2.72	4.56	
2003-04	8.29	1.39	
2004-05	6.18	0.78	
2005-06	5.62	0.37	
2006-07	3.94	2.80	
2007-08	4.65	4.10	
2008-09	4.92	5.98	
2009-10	1.94	12.04	
2010-11	4.90	8.80	
2011-12	5.33	12.52	
2012-13	**HPGB***		0.17
2013-14			6.46
Mean	4.85	5.33	3.31
C.V.	36.57	83.50	134.23
r	-0.493	-0.493	
t	-0.276	-0.276	

FIGURE 7: PER BRANCH WISE PROFIT OR LOSS OF RRB IN HIMACHAL PRADESH



Significant at 1%.

Table 10 and figure 7 showing the per branch profitability of regional rural banks from 2002-03 to 2013-14. Table depict that Co-variance of PGB's found 83.50 is higher than HGB's C.V. 34.57, it clearly state that HGB was more consistent for showing profitability before amalgamation, correlation also show negative relationship degree (-0.493) and t test is found significant at 1% level. Above analysis state that per branch wise profitability average of the HGB has an upper edge as compared to the PGB's profitability index. Furthermore, Co-variance of HPGB post amalgamation is found higher than pre amalgamation situation which show higher variability, hence it is suggested that bank should maintain its profitability in consistent and sustainable way in future and necessary steps should be taken by the management of the bank.

FINDINGS OF STUDY

Main finding of the study is following:

- That regional rural bank expanding their Branch expansion with 4 percent Exponential compound growth rate and projected trend for 2018 & 2020 will be 200 & 209 respectively.
- That Exp.CGR of resource of HPGB during post amalgamation has showed 14.1 percent higher than pre amalgamation period 12.7 percent.
- That Exp.CGR of deposit mobilization of HPGB during post amalgamation has showed 13.3 percent growth rate higher than pre amalgamation period which was 12.7 percent. And, per branch wise deposit Exp CGR is increased from 9.1 percent to 12.2 percent in post amalgamation period.
- That Exp.CGR of loans and advances of HPGB during post amalgamation has showed 16.8 percent growth rate is lower than pre amalgamation period which was 17.4 percent. Similar trend reveal in per branch wise loan and advance which is decreased from 14.6 percent to 13.4 percent.
- That Overall Credit Deposit ratio is increasing from 29.47 percent in 2002-03 to 38.66 percent in 2013-14 and it is estimated 49.34 percent & 52.04 percent for the year 2018 and 2020 respectively.
- That HGB & PGB showed 90.78 percent & 88.35 percent respectively recovery performance in 2011-12. And, HPGB shows 90.09 percent recovery performance. Overdue of HGB & PGB was 2134 lacs & 505.83 lacs respectively in 2011-12 further after amalgamation it is 3204.61 lacs in 2013-14
- That post amalgamation period profits of HPGB surprisingly increased 31.65 lacs to 1214.48 lacs in two year 2012-13 to 2013-14 but profitability of HPGB still find inconsistent as HPGB's coefficient of profit variation is 134.23 higher than HGB and PGB is 34.69 & 112.86 which is registered in pre amalgamation period, which showed major improvement should need to maintain consistent and sustainable growth of profit for the well being of the bank.

CONCLUSION & SUGGESTION

On the basis of above analysis and finding it can be concluded that Regional rural bank have achieved remarkable growth in respect of credit expansion and deposits mobilization in pre and post amalgamation period in the state. The branch expansion is soundly noted during the study period, recovery performance of RRB found equally approximately 90 percent pre and post amalgamation period. Study reveals that income decrease 15.58 percent and expenditure decreased 18.86 of HPGB during post amalgamation period 2012-13 to 2013-14. And, so profit are affected and profitability is jumped to 1214.48 lacs form 31.65 lacs but it is in inconsistent manner. According to the finding of the study it is depict that regional rural bank expanding their loans and advances are low as compared to deposit mobilization by bank in the state. Study suggested that bank should expand more loans and advances to the rural people to achieve their objective as well as earn more interest income to maintain the consistent level of profit in future. Furthermore, amalgamation have positive impact on growth of branch expansion, deposit mobilization, recovery of loan, and volume of profit of regional rural bank.

REFERENCES

1. Ibrahim, M. Syed., "Role of Indian Regional Rural Banks (RRBs) in the Priority Sector Lending- An Analysis", *International Management Journal,* Vol. 1 No. 1-2 (January-December, 2012), pp 25-32.
2. Koti. Kartikey, "Management of Non-Performing Assets: A Case Study in Krishna Grameena Bank, Gulbarga District", *Indian Journal of Research in Management, Business and Social Sciences ,* Vol. 1, Issue 2, July. 2013, pp 63-67.
3. Chakrabarti, Dr. Manas., "The Role of Regional Rural Banks (RRBs) in Financial Inclusion: An Empirical Study on West Bengal State in India", *National Monthly Refereed Journal of Research in Commerce & Management*, Volume No.2, Issue NO.8, 2013 pp. 51-62.
4. Chinna, Jarupula., "Performance Evaluation of Regional Rural Banks (RRBs) in India", *Indian Journal of Finance,* Volume 7, Number 7, July 2013
5. Shashikumar T.P., Rangaswamy K. & Kiran S.P., "Regional Rural Banks In India And Karnataka: A Time Series Analysis", *International Journal of Marketing, Financial Services & Management Research ISSN 2277- 3622.* Vol.2, No. 2, February (2013), PP.164-172. *www.indianresearchjournals.com*
6. B. Venkata Rao & G. Sudarsana Rao, "Performance of Regional Rural Banks in India A study on Andhra Pradesh Grameena Vikas Bank in Andhra Pradesh", *International Journal of Advance Research in Computer Science and Management Studies*, Volume 2, Issue 4, April 2014, Available online at: www.ijarcsms.com

JOB SATISFACTION OF HIGHER SECONDARY SCHOOL TEACHERS IN PUDUCHERRY: AN EMPIRICAL ANALYSIS

DR. N. S. PANDEY
ASST. PROFESSOR
KANCHI MAMUNIVAR CENTRE FOR POSTGRADUATE STUDIES (AUTONOMOUS)
PUDUCHERRY

M. KAVITHA
RESEARCH SCHOLAR
KANCHI MAMUNIVAR CENTRE FOR POSTGRADUATE STUDIES (AUTONOMOUS)
PUDUCHERRY

ABSTRACT
The aim and objectives of our research was to analyse the relationship between demographic variables (Age, Educational qualification, Salary, Working Experience) and job satisfaction. The data and information were gathered using the quantitative research method, by means of a standard questionnaire, which was distributed among 50 teachers from higher secondary schools in Puducherry, had taken through convenience sampling techniques out of which 25 were male and 25 were female teachers. The participants completed the questionnaires including pay, promotion, supervision and colleague in order to measure the job satisfaction of government higher secondary school teachers. Chi-square was applied to find out the underlying variance among the variables. T test result shows that there is a significant difference between male and female respondents. Results of the correlation analysis indicate that the following characteristics are more significant for job satisfaction among the higher secondary school teachers expect the age factor and also the regression result indicates that there is a significant and positive relationship between demographic variables(age, educational qualification, work experience) and job satisfaction except salary.

KEYWORDS
Job satisfaction, pay, promotion, higher secondary teachers, work experience.

INTRODUCTION
The teachers' job satisfaction is vital for a long term growth and development of any educational system around the world. Job satisfaction, as defined in a range of literatures is a positive and constructive perception or feeling of a person towards their job. It has also been referred to as a state of mind of an individual and how individuals experience their work lives. Job satisfaction can also be determined as a relationship between the work and the individual. Teachers are those who are willing to constantly learn and change. In education, a teacher is a person who provides schooling for others. A teacher who facilitates education for an individual student may also be described as a personal tutor. Teachers have to generate interest in subjects that students often find tedious.

Job satisfaction refers to the feelings of the individual towards its work. It can be positive or negative thoughts towards the job the individual does. It can be measured through the contentment the worker under goes. If the worker is content with what he receives at the end of a job, it's a positive feeling which means that the worker is satisfied with it. But the negativity arises when an individual is not content with the work or the end result of the work. The satisfaction level reflects the input of the worker.

Locke (1969) defines job satisfaction as "the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values".

Popoola (1984) defined job satisfaction as the totality of employees' social and psychological well-being relative to job performance. Job satisfaction is a positive emotional state that occurs when a person's job seems to fulfill important job values provided these values are compatible with one's needs. It is an individual's emotional reaction to the job itself. It is a person's attitude towards the job. People spend a sizeable amount of their time in work environment.

According to Reddy and Rajasekharan (1991) job satisfaction expresses the degree of congruence between one's expectations and the reality that job provides. Job satisfaction can be seen as a concept where an individual is evaluated from her point of view, and this concept includes the workers' feelings and emotions about her job (Weiss, 2002).

REVIEW OF LITERATURE
Job satisfaction is an affective, cognitive or attitudinal response to work with significant organizational outcomes (Spector, 1997). According to Weiss and Cropanzani (1996) job satisfaction represents a person's evaluation of the job and the work context. It captures the most popular view that job satisfaction is an evaluation and represents both belief and feelings.

Mehta (2012) investigated on job satisfaction among teachers to know whether the perception of job satisfaction among teachers was affected by the type of organization (private vs. Govt.) and the gender (male vs. female). Descriptive analysis was made to study the perception of job satisfaction of male vs. female and t-test was used. Result showed that there would be significant difference in the level of job satisfaction of Govt. and private school teachers.

Spector (1997) it is obvious that teachers differ from typical employees in various ways. Therefore, instruments that usually measure such job satisfaction dimensions as appreciation, communication, coworkers, fringe benefits, job conditions, and nature of work, organization itself, organizations' policies and procedures, pay, personal growth, promotion opportunities, recognition, security, supervision may not always match with teachers' job satisfaction aspects. Some researchers agree upon supervision, work itself, promotion and recognition being important dimensions of teachers' satisfaction with work (Sharma & Jyoti, 2009; Tillman & Tillman, 2008). However, there are also some other aspects that significantly contribute to teachers' satisfaction and should not be excluded in the terms of understanding teachers' job satisfaction phenomenon.

Olcum Cetin, (2006) showed that differences in job satisfaction according to gender was not significant and also showed that differences in job satisfaction according to marital status was not significant and showed the difference in job satisfaction according to age was not significant.

Orisatoki R. O. and Oguntibeju O. O. (2010) found that there was no significant satisfaction difference between genders or between age groups. There was positive correlation between job satisfaction with understanding the goals and objectives of the management and sense of belonging. There was no significant correlation of job satisfaction with other factors such as knowledge about workplace, work stress, relationship with colleagues, but negative correlation of job satisfaction with salary.

THE FACTORS RELATED TO THE JOB
Pay: Wages and salaries are important factors for job satisfaction. Money not only helps personnel attain their basic needs but also instrumental in providing upper-level needs satisfaction (Luthans, 1992). A study of 2000 managers demonstrated that the amount of wages received was very positively related to satisfaction, even with managerial level held constant.

Work Itself: Since Herzberg, Mausner and Syndermann monograph, "The Motivation to Work" was published in 1959, evidence has been accumulated that the work itself plays a significant role in attaining job satisfaction (Feldmann and Arnold, 1985).

Supervision: The behavior of the supervisor plays an important role with regard to employees' reactions to a problematic event. It was showed that the employees who perceived their supervisor as more approachable and responsive were more likely to voice their concerns.

Promotion Possibilities: Promotion possibilities involve the availability of advancement opportunities. If people think that they will not have much promotion possibilities, they may be affected adversely. The most well-known study on the subject was done by Sira to who found a negative relationship between measures of promotional frustration and measures of attitudes toward the company (Feldmann and Arnold, 1985).

Peers: Interaction with peers is an important factor in job satisfaction. A study in an automobile industry demonstrated that isolated workers disliked their jobs. Similarly, it was found that only 43% of the "isolates" in work groups were highly satisfied with their jobs (Feldmann and Arnold, 1985).

Working Conditions: Providing good physical working conditions (e.g. cleanliness of the working place, lightining, adequate tools and equipment) enables employees to carry out their jobs easily, comfortably and efficiently. Working conditions such as flexible time, job sharing and shorter workweeks are quite valued by employees because they can facilitate valued off the job activities such as persuing hobbies (Feldmann and Arnold, 1985).

STATEMENT OF THE PROBLEM

Higher education is an indicator of the progress and prosperity of the nations and it is reflected by the quality of its citizens. In turn, the quality of the citizens depends upon the quality of education. The strength of education based on the job satisfaction of the teachers. Job satisfaction is the combination of psychological and environmental circumstances that cause a person to truthfully say "I am satisfied with my job". It is the feeling of a person's on performing the job. The aim of this study is to measure the job satisfaction level of the teacher working in government higher secondary school at Pondicherry.

SIGNIFICANCE OF THE STUDY

The purpose of the study is to know the job satisfaction of higher secondary school teachers in puducherry hence; the present study obtains socio-personal information of the respondents particularly in higher secondary schools. Therefore doing research on this topic will throw light on many problems which would help the teachers to checkout their satisfactory level.

SCOPE OF THE STUDY

The study constitutes an attempt to provide an empirical support to the hypothesized relationship between selected demographic variables and job satisfaction.

OBJECTIVES OF THE STUDY

The main objectives of the present study are:

1. To measure the job satisfaction of higher secondary school teachers in the government sector.
2. To study the demographic characteristics influencing the job satisfaction of the respondent.

HYPOTHESES

1. **Ho^1:** There is no significant mean difference between male and female higher secondary school teachers in their job satisfaction.
2. **Ho^2:** There is no significant relationship between age and job satisfaction of higher secondary school teachers.
3. **Ho^3:** There is no significant relationship between education and job satisfaction of higher secondary school teachers.
4. **Ho^4:** There is no significant relationship between salary and job satisfaction of higher secondary school teachers.
5. **Ho^5:** There is no significant relationship between working experience and job satisfaction of higher secondary school teachers.

METHODOLOGY

In the research design of this study, level of job satisfaction has served as dependent variable whereas age, education qualification, salary and working experience as independent variables.

SAMPLING DESIGN

The sample of this study consists of teachers working in government higher secondary schools in Pondicherry. A sample of 50 teachers from government schools was taken into consideration. The convenience sampling technique was used for this purpose.

TOOLS USED FOR ANALYSIS

For the purpose of data collection, the standardized job satisfaction questionnaire was used. The present study uses Five Point Likert scale. Questionnaire was divided in to two sections. Part- A consisting questions relating to demographic variable of the respondents and Part-B consisting questions relating to job satisfaction.

SAMPLING TECHNIQUES

Chi-square was applied to find out the underlying variance among the variables. The data was analyse and compared through correlation and regression to find out the significance relationship between demographic variables and job satisfaction among higher secondary school teachers from Puducherry region. The level of significance which we have chosen was 0.05.

DISCUSSION AND RESULTS

RELIABILITY ANALYSIS

In an attempt to determine the internal reliability of the instruments, cronbach alpha co-efficient were calculated. Cronbach alpha co-efficient for job satisfaction is 0.95 Thus, we conclude that the instruments adapted in this study are reliable since the cronbach alpha for each variable is greater than 0.5.

TABLE 1: CRONBACH ALPHA CO-EFFICIENT FOR JOB SATISFACTION

Name of the instrument	No. of Items	Cronbach Alpha	Comment
Job satisfaction	44	0.95	Reliable

TABLE 2: THE DEMOGRAPHIC INFORMATION ABOUT THE PARTICIPANT (N = 50)

Variables		Categories	Frequency (N)	Percent
1	**Gender**	Male	25	50
		Female	25	50
2	**Age**	26 – 35	9	18
		36 – 45	19	38
3	**Qualification**	Professional	39	78
		Academic	6	12
		Others	5	10
4	**Salary**	30001 – 40000	32	64
		40001 – 50000	18	36
5	**Working Experience**	0– 5 yrs	10	20
		6 – 10 yrs	20	40
		11 - 15 yrs	7	14
		16 – 20 yrs	6	12
		21 – 25 yrs	5	10
		26 and above	2	4

"T-test" to Determine Satisfaction according to Gender

TABLE 3: GROUP STATISTICS

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Job satisfaction	Male	25	1.00	.000	.000
	Female	25	2.32	.476	.095

TABLE 4: INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Job satisfaction	Equal variances assumed	161.185	.000	-13.863	48	.000	-1.320	.095	-1.511	-1.129
	Equal variances not assumed			-13.863	24.000	.000	-1.320	.095	-1.517	-1.123

Table-4 Levene's Test for Equality of Variances result shows that the computed p value is significant. The job satisfaction of male respondent with mean value (M=1) and female respondents with mean (M=2.32) is different. Hence, the null hypothesis, "There is no significant difference between the two means i.e. the job satisfaction by male and female higher secondary school teachers." is rejected and alternate hypothesis accepted. It is revealed that female respondents are more satisfied than the male respondents.

TABLE 5: CORRELATIONS MATRIX

		Job satisfaction	Age	Qualification	Salary	Working Experience
Job satisfaction	Pearson Correlation	1	-0.204	0.773**	0.797**	0.890**
	Sig. (2-tailed)		0.156	.000	.000	.000
	N	50	50	50	50	50
Age	Pearson Correlation	-0.204	1	-0.257	0.074	-0.103
	Sig. (2-tailed)	.156		.072	.610	.479
	N	50	50	50	50	50
Qualification	Pearson Correlation	0.773**	-0.257	1	0.660**	0.837**
	Sig. (2-tailed)	.000	.072		.000	.000
	N	50	50	50	50	50
Salary	Pearson Correlation	0.797**	0.074	0.660**	1	0.850**
	Sig. (2-tailed)	.000	.610	.000		.000
	N	50	50	50	50	50
Working Experience	Pearson Correlation	0.890**	-0.103	0.837**	0.850**	1
	Sig. (2-tailed)	.000	0.479	.000	.000	
	N	50	50	50	50	50

Ho2: There is no significant relationship between age and job satisfaction of higher secondary school teachers.

The result in the (table 5) shows there is a negative correlation ($r = -0.204$), $p > 0.01$) between age and job satisfaction, therefore null hypothesis is accepted at 1% level. Hence, it is inferred that job satisfaction has a negative relationship with age. It means, age factor will not reflect job satisfaction among higher secondary school teachers.

Ho3: There is no significant relationship between education and job satisfaction of higher secondary school teachers.

The results in the (table 5) shows that there is significant positive correlation ($r = 0.77$, $p > 0.01$) between educational qualification and job satisfaction, therefore null hypothesis is rejected at 1% level. Hence, it is inferred that job satisfaction has a positive relationship with education qualification. It proves that educational qualification provides more job satisfaction to the school teachers.

Ho4: There is no significant relationship between salary and job satisfaction of higher secondary school teachers.

The results in the (table 5) shows that there is significant positive correlation ($r = 0.79$, $p > 0.01$) between salary and job satisfaction, therefore null hypothesis is rejected at 1% level. Hence, it is inferred that job satisfaction has a positive relationship with higher secondary teacher's salary. It indicates that high pay leads to high job satisfaction.

Ho5: There is no significant relationship between working experience and job satisfaction of higher secondary school teachers.

The results in the (table 5) shows that there is significant positive correlation ($r = 0.89$, $p > 0.01$) between working experience and job satisfaction, therefore null hypothesis is rejected at 1% level. Hence, it is inferred that job satisfaction has a positive relationship with school teachers. It informs that highly experienced persons will has high job satisfaction among higher secondary school teachers.

TABLE 6: REGRESSION ANALYSIS

Coefficients							
Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.011	.134		0.080	0.937
	Age	-.130	.032	-.131	-4.049	.000**
	Qualification	.332	.068	.291	4.887	.000**
	Salary	.014	.094	.009	0.151	0.881
	Working Experience	.082	.045	.156	1.819	0.076*
R^2						0.962
Adj R^2						0.958
F statistics						224.030 (.000)**
Dependent variable: Job Satisfaction.						

The regression results show that (table 5) There is a significant and negative relationship between age and job satisfaction (beta = -0.131, t = -4.049 and p = 0.000 < 0.05). R2 value is 0.962 which means 96.2% of the variation can be significantly explained by the independent variable. There is a significant and positive relationship between educational qualification and job satisfaction (beta =0.291, t = 4.887 and p = 0.000 < 0.05). R2 value is 0.962 which means 96.2% of the variation can be significantly is explained by the independent variable. The result show that job satisfaction (t =1.819) has a significant positive co-efficient with work experience at 5% level. The F statistics is significant in case of job satisfaction at 5% level (224.030, p< 0.05).

TABLE 7: CHI – SQUARE ANALYSIS

S.No	Variables	Chi – Square Value	Analysis
1	Age and Job Satisfaction	$\chi2 = 25.039$ (p<0.001)	Significant
2	Qualification and Job Satisfaction	$\chi2 = 41.869$ (p<0.001)	Significant
3	Salary and Job Satisfaction	$\chi2 = 32.128$ (p<0.001)	Significant
4	Working Experience and Job Satisfaction	$\chi2 = 73.811$ (p<0.001)	Significant

A null hypothesis has been framed to investigate the association between age and level of job satisfaction. Since the calculated value is less than the table value at 1 per cent level of significance, it can be concluded that there is significant association between the age and level of satisfaction. Therefore it can be summed up that age causes significant impact on the level of job satisfaction experienced.

$\chi2 = 41.869$ shows that there is a significant association between the qualification and the level of job satisfaction of the respondent at 0.001 level. It is interpreted that null hypothesis are rejected at 1% level of significance. In other words there is a significant association between educational qualification and level of job satisfaction.

The above analysis for salary $\chi2 = 32.128$ (p<0.001) and work experience $\chi2 = 73.811$ (p<0.001) resulted that the calculated value is less that the table value. Hence the null hypothesis is rejected. The result inferred that there is a significant association between salary and job satisfaction and work experience and level of job satisfaction.

LIMITATIONS

- The study restricted to only government higher secondary school teachers.
- The study consist of only 50 teachers 25(male) and 25 (female).
- The study is conducted only in Puducherry.

CONCLUSION

Higher secondary government school teachers are more satisfied in their relationship among demographic variables [educational qualification, working experience, salary] with job satisfaction. Expect age factor do not infer positive relationship between job satisfaction. The (table 4) results of the study shows that female respondent were more satisfied than the male respondents in the satisfactory level of working in higher secondary level.

REFERENCES

1. Feldman, D. C. and Arnold, H. J. (1985) Managing Individual and Group Behavior in Organizations, Mc Graw- Hill Book Company.
2. Kumari, H. (2010) A comparative study of attitude towards professionalism of government and non-government school teachers. Abhinav national monthly refereed journal of research in commerce & management 2(12): 105 – 115.
3. Locke, E. (1969) What is job satisfaction? *Organizational Behavior and Human Performance* 4: 309-336.
4. Luthans, F. (1992) Organizational Behavior, Sixth Edition, New York: Mc Graw Hill, Inc.
5. Mehta, D. S. (2012) Job satisfaction among teachers. *International Journal of Research in Commerce IT and Management 2(4)*: 77-83.
6. Olcum Cetin, (2006) The Relationship between Job Satisfaction, Occupation and Organization Commitment. *Academy of Business Journal* 8(1): 78-90.
7. Orisatoki R. O. and Oguntibeju O.O., (2010) Job satisfaction among selected workers in St Lucia, West Indies. *Scientific Research and Essays* 5(12): 1436-1441.
8. Popoola, D. (1984) Job satisfaction and employee motivation in institutions of higher education: The university of Lagos experience. *Education and Development* 4(1): 417-425
9. Reddy, K.S., Rajasekharan, T. (1991) Job satisfaction, job involvement and work involvement of permanent and temporary employees. *Indian Journal of Applied Psychology* 28(1): 5-10.
10. Sharma, R.D., and Jyoti, J. (2009) Job satisfaction of university teachers: An empirical study. *Journal of Services Research* 9(2).
11. Spector, P. E. (1997) Job satisfaction: Application, assessment, causes, and Consequences. Thousand Oaks, *CA: Sage*.
12. Tillman, W.R., and Tillman, C.J. (2008) And you thought it was the apple: A study of job satisfaction among teachers. *Academy of Educational Leadership Journal*. 12(3): 1-18.
13. Weiss, H. M., and Cropanzano, R. (1996) Affective events theory: A theoretical discussion of the structure, causes, and consequences of affective experiences at work. *Research in organizational behavior* 18: 1–74.
14. Weiss, H.M (2002) Deconstructing job satisfaction; Separating evaluations, beliefs and affective experiences. *Human Resource Management Review* 173-194.

CORPORATE GOVERNANCE PRACTICES AND ITS IMPACT ON DIVIDEND POLICY: A STUDY ON SRI LANKAN LISTED MANUFACTURING COMPANIES

KALAIARASI KANAPATHIPPILLAI
STUDENT
DEPARTMENT OF FINANCIAL MANAGEMENT
FACULTY OF MANAGEMENT STUDIES & COMMERCE
UNIVERSITY OF JAFFNA
SRI LANKA

S. ANANDASAYANAN
SR. LECTURER
DEPARTMENT OF FINANCIAL MANAGEMENT
FACULTY OF MANAGEMENT STUDIES & COMMERCE
UNIVERSITY OF JAFFNA
SRI LANKA

ABSTRACT
The objective of this paper is to examine the relationship between corporate governance and dividend policy of Sri Lankan listed manufacturing companies. Corporate governance refers to a set of rules and incentives by which the management of a company is directed and controlled. There is a great awareness among the researchers to carry out the researches in "corporate governance'. Very little researches on "corporate governance" are available in Sri Lanka and need to be empowered companies to pay a special attention on corporate governance. The main objective of this study is to examine the relationship between corporate governance practices and dividend policy in listed manufacturing firms in Sri Lanka. The present study is initiated on "corporate governance practices and dividend policy "with the samples of 20 manufacturing companies using the data representing the periods of 2008 – 2012. Leadership structure, board committee, board meeting, board size, board composition, were used as the determinants of corporate governance practices whereas dividend payout and earning per share were used as the measures of dividend policy. The statistical tests were used includes: descriptive statistics, correlation and regression analyses. The study found that determinants of corporate governance are correlated to the dividend policy measures of the organization. Regression model showed that corporate governance affect companies' dividend policy. Further recommendations are also put forwarded in the research. The study only used data from the 2008-2012 annual reports. However, the findings have highlighted the effects of corporate governance of the dividend policy. The study contributes to literature in Sri Lanka. Furthermore, the finding of the paper can be considered as helpful for managers and users that are anxious to develop financial description quality and practices of corporate governance.

KEYWORDS
Corporate Governance, Leadership Structure, Board Committee, Board Meeting, Board Size, Board Composition, Dividend Policy, Dividend Payout, Earning Per Share, Sri Lanka.

INTRODUCTION
Corporate governance, the system by which companies are directed and controlled (Cadbury 1992), has succeeded in attracting a good deal of public interest over the years because of its apparent importance for the economic health of companies and society in general in both developed and developing countries. The roots of the modern corporate governance movement dates back to the publication of 'The Modern Corporation and Private Property', by Adolf A. Berle and Gardiner C. Means in 1932, which argued that dispersion of equity ownership in the modern corporation had separated ownership from control. Based on this seminal summary of Berle and Means (1932) and extensions made by agency theorists (Jensen and Mackling, 1976), scholars normally describe the evolution of corporate governance in terms of changes in the relationship between ownership and control (Chandler, 1977; Galbraith, 1967; Fligstein, 1990).

However, corporate governance received much attention during the last two decades owing to certain economic reforms in countries and accidents of economic history such as regional market crisis and large corporate debacles. Becht, Bolton and Roell (2005) identify these reasons as worldwide wave of privatization of the past two decades; pension fund reform and the growth of private savings; the takeover wave of the 1980s; deregulation and the integration of capital markets; East Asian crisis in 1998; and a series of recent scandals and corporate failures in United States of America (USA). During the East Asian financial crisis, a lot of the attention fell upon the corporate governance systems of developing countries (emerging markets), which tend heavily into cronyism and nepotism. Claessens and Fan (2002) find that lack of protection for minority rights from expropriation of controlling shareholders as the major corporate governance issue in Asia as in many other emerging markets.

STATEMENT OF THE PROBLEM
Mostly, corporate governance has been taken as an independent variable in previous researchers and it is discussed here as a dependent variable on a dividend policy. Meanwhile, corporate governance rules have been mandated by the Securities and Exchange Commission of Sri Lanka. But, we have seen the differences between the practices and mandatory issues on the corporate governance in the listed companies except listed manufacturing companies in Sri Lanka. In the case of board structure, the first issue that the Sri Lankan code required for effective corporate governance was separation of the top two positions of the board (CEO and Chairman). And also, in the case of board committee, listed companies should form the three committees as audit, remuneration and nomination (Code of best practice on corporate governance, 2008). According to our study, in the practice, separate leadership style has been utilized by twelve listed manufacturing firms in the study sample as twenty manufacturing firms. And rest of the eight firms has utilized the combined leader ship in the board structure. In the board committee perspective, Out of twenty listed manufacturing firms, three firms have formed the all three committees as Audit, Remuneration, and Nomination. And rest of the seventeen manufacturing companies has formed the one or two committees. So this study tries to fill research gap by examine the following research question:

"To what extent the corporate governance depends on dividend policy of the listed manufacturing companies"

SIGNIFICANCE OF THE RESEARCH

The introduction of corporate governance practices in Sri Lanka aimed to provide a mechanism to improve investor confidence and trust in management and promote economic development of the country. However, efficiency of the corporate governance structures and practices on corporations operating in the highly volatile environment of Sri Lanka has not been empirically investigated.

The present study will contribute to the existing body of knowledge concerning corporate governance practices and dividend policy by examining the corporate governance structures of Sri Lanka, and how these structures can reflect the accountability of the board to shareholders and other stakeholders through dividend policy.

However, the relationships between corporate governance and dividend policy have not been investigated in a single study in previous research. In addition, studies of the above relationships in the particularly unstable situation of Sri Lanka have not been studied in the research.

REVIEW OF LITERATURE

Corporate Governance is the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as; boards, managers, shareholders and other stakeholders and spells out the rules and procedures and also decision making assistance on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of obtaining those objectives and examining the value and the dividend policy of the companies. Corporate governance refers to a set of rules and incentives by which the management of a company is directed and controlled.

According to Alchian (1950) and Stigler (1958), competition among firms takes care of corporate governance. In the long run, the product market forces the competitors to minimize cost. In order to minimize cost, external finances are generated at lower costs. Monopolies are illegal. Corporate policies and strategies are dependent upon a single decision making authority: the Chief Executive Officer (CEO). Good corporate governance practices are important in reducing risk for investors, attracting investment capital and improving the performance of companies (Velnampy and Pratheepkanth, 2012). Other shareholders seem power less in these systems. Shliefer and Vishney (1997) termed corporate governance as the ways through which suppliers of finance assure themselves of getting the return on their investments.

CORPORATE GOVERNANCE

Corporate governance in developed market economies has been built gradually over several centuries as a consequence of the economic development of industrial capitalism (Chowdary 2003). As a result, different corporate governance structures evolved in different corporate forms to pursue new opportunities or resolve new economic problems.

Magdi and Nadereh (2002) stress that corporate governance is about ensuring that the business is running well and investors receive a fair return. Core corporate governance institutions respond to two distinct problems, one of vertical governance (between distant shareholders and managers) and another of horizontal governance (between a close, controlling shareholder and distant shareholders). The results drawn by different researchers about the impact of corporate governance on firm performance are positive and direct but some researchers also had drawn negative and indirect results, on the other hand there are also some results which vary variable to variable.

Corporate governance regimes are distinguished between the outsider system and the insider system. The insider system prevails in relationship-based economies such as countries in Europe and Asia that are characterized by a concentrated ownership model with controlling shareholders, moderately liquid or weak securities markets, low transparency and disclosure standards, and dependent on loans from banks and support from close business networks (Banks 2004; Clarke, 2007).

Today corporate governance is complex and mosaic, consisting of laws, regulations, politics, public institutions, professional associations and a code of ethics. However, in the emerging markets of the developing countries many details of these structures are missing. For them developing a system of good corporate governance is difficult because such governance is complex and vague due to the confusing relationships between state and financial sectors, weak legal and judicial systems, absent or underdeveloped institutions, corrupt political systems, and scarce human resource capabilities (Chowdary, 2003), which can negatively affect the return on investment (Dallas & Bradley, 2002).

DIVIDEND POLICY

Dividend policy is one of the important components of firm policies and has been viewed as an interesting issue in the literature. Dividend payout decisions effect on the firm's valuation. Moreover, cash dividend has a special position among the shareholders. However, the main problem is the reasons for adopting a policy of divided payout. Dividend policies depend on several factors. One of these factors is corporate governance (MehraniSasan, MoradiMohamad and EskandarHoda (2011). Corporate governance has recently received considerable attention due to the financial scandals. The reason for the attention is the interest conflicts among shareholders in the corporate structure (Gillan S, J. Hartzell, L. Starks (2003). Using an Iran panel data set, this paper examined the possible relationship between corporate governance and dividend policy that was analyzed within the context of the dividend models of Lintner (1956), Waud (1966) and Fama and Babiak (1968).

CORPORATE GOVERNANCE AND DIVIDEND POLICY

A variety of definitions have been put next for corporate governance, stressing for example accountability and shareholder democracy. Jensen (1993) argued that the preference for smaller board size stems from technological and organizational change which ultimately leads to cost cutting and downsizing. Hermalin and Weisbach (1991) argued the possibility that larger boards can be less effective than small boards. When boards consist of too many members agency problems may increase, as some directors may tag along as free-riders. Lipton and Lorch (1992) recommended limiting the number of directors on a board to seven or eight, as numbers beyond that it would be difficult for the CEO to control. However, Linck et al (2008) provides evidence that smaller boards are not necessarily better than larger boards.

Sing and Ling (2008), document that independent directors in Malaysian firms generally play a passive role as their appointment is merely to fulfill listing requirement rather than as a measure at improving CG or to bolster the capability of the firm. Board size has been a particular area of focus for CG researchers. One of the key duties of the board of directors is to hire fire and compensate the Chief Operating Officer (CEO).

Shleifer and Vishny (1997): governance is a mechanism that the suppliers of finance use to ensure a proper return from the enterprise¡±. At the firm level, it encompasses several mechanisms that serve to protect shareholders. Interests and reduce agency conflicts arising from the separation of ownership and control, such as: board independence, proper audits, nomination and remuneration committees; as well as capital structure and dividend payout policies. Corporate governance is primarily concerned with finding a solution to the principal-agent problem (Ehikioya, 2009). Advocates of corporate governance have identified internal and external governance mechanisms that reduce the agency problem (Agarwal and Knoeber, 1996). The corporate governance structure such as ownership structure, Board composition, Board size, and CEO duality have a great influence on performance and corporate decisions. In a series of papers, La Porta, et al. (1997, 1998, 1999, 2000a and 2000b) demonstrate that across countries corporate governance is an important factor in financial market development, firm value and dividends. Yermack (1996) reported that firms are more valuable when the CEO and Chairperson's positions are held separately. Firms where the position of CEO and chairperson are clearly separated are likely to employ the optimal amount of debt in their capital structure (Fosberg, 2004).

Winter (1977), Fama (1980) and Weisbach (1988), the percentage of nonexecutives on the firm.s board, NONEXPCT, is also included to account for the possibility that such outside directors may act as management monitors. Thus, the expected sign for this coefficient is negative, unless the same observations referred about INSTIT apply, in which case a positive relationship might emerge. Fama and French (2001) and Grullon and Michaely (2002) documented that firms with more assets have higher dividend payout. However, Gugler and Yurtuglu (2003) and Farinha (2003) showed that dividend payouts are negatively associated with firm size.

OBJECTIVES OF THE STUDY
The main objective of the study is to analyze the impact of corporate governance on dividend policy in Sri Lanka. To achieve this objective the study first reviews the theoretical and empirical literature on the impact of corporate governance on dividend policy in Sri Lanka. According to the previous literature the corporate governance have a positive impact on dividend policy oh host countries.

The following objectives are taken for the study.
1. To identify the relationship between corporate governance and dividend policy.
2. To find out the impact of corporate governance on dividend policy.
3. To suggest the organization to adopt good governance practices towards dividend policy.

RESEARCH QUESTION
- ✓ Is there any relationship between dividend policy and corporate governance practices of manufacturing companies listed on CSE?
- ✓ Does dividend policy of manufacturing companies listed on CSE have an impact corporate governance practices?

METHODOLOGY
The purpose is to describe the research methodology of this study. Since the aim of the study was to test the effect of corporate governance practices on dividend policy, the design of the methodology was based on prior research into these relationships. This chapter describes the method of data collection, the variables used to test the hypothesis and statistical techniques employed to report the results.

These methods included,

Descriptive statistics: - To collect, summarize and present data. This analysis has given the information for the data through the frequency distribution, central tendency, and the dispersion.

Correlation Analysis: - To find the relationship between corporate governance and dividend policy.

Regression Analysis: - To help to impact of corporate governance on dividend policy.

Model 1) DIP = $\beta_o + \beta_{1LSS} + \beta_{2BC} + \beta_{3BM} + \beta_{4BZ} + \beta_{5PNED} + \beta_n$

Model 2) EPS = $\beta_o + \beta_{1LSS} + \beta_{2BC} + \beta_{3BM} + \beta_{4BZ} + \beta_{5PNED} + \beta_n$

DATA COLLECTION

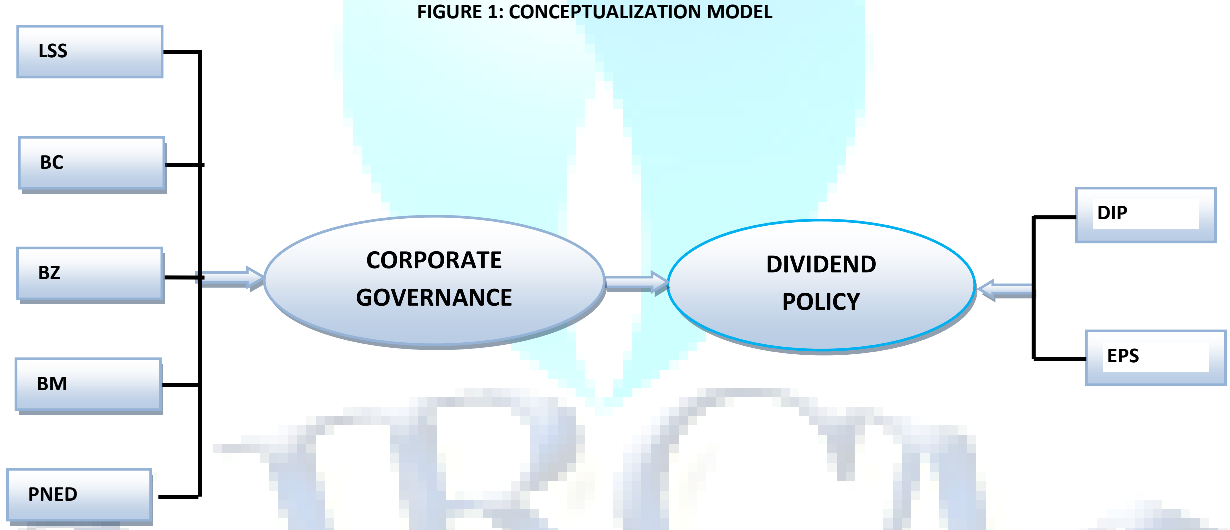
Data on corporate governance practices and dividend policy were collected from secondary sources as Annual reports of the manufacturing companies, Colombo stock exchange publications and URL of the Colombo stock exchange for the period of 2008 to 2012.

SAMPLING

The Colombo Stock Exchange (CSE) has 287 companies representing 20 business sectors as at 31st January 2013. Out of 37 Manufacturing companies 20 companies were selected for the present study.

CONCEPTUAL FRAME WORK
Based on the purpose of the study, the following conceptual model has been constructed. This model of corporate governance practices and dividend policy introduces new constructs and uniquely combines them in specifying that the dividend policy are a function of leadership style, board committee, board size, board meeting and board composition.

FIGURE 1: CONCEPTUALIZATION MODEL



Where

LSS	-Leadership Style	BC	-Board Committee	BM	-Board Meeting	PNED	-Board Composition
BZ	-Board Size	DIP	-Dividend Payout	EPS	-Earning per Share		

OPERATIONALIZATION

The variables used to operationalized the constructs include the corporate governance variables (board leadership (if the positions of chairman and the CEO were held by single person or two separate persons), composition of the board (number of non-executive directors), board activity intensity (number of board meetings), board committees (number of board appointed committees), board size (number of directors in the board) and debt ratio. The corporate performance of this study was measured dividend policy.

TABLE 1: OPERATIONALIZATION

Concept	Variables	Indicators	Measurement
Corporate Governance	Leadership Style	Number of Leadership Style	Increasement (Number)
	Board Committee	Number of Board Committee	Increasement (Number)
	Board Size	Number of Board Size	Increasement (Number)
	Board Meeting	Number of Board Meeting	Increasement (Number)
	Board Composition	Number of Board Composition	Increasement (Number)
Dividend Policy	Dividend Payout	Ratio	Dividend Per Share (DPS) / Earning Per Share (EPS)*100
	Earnings per Share	Ratio	Net Income - Dividends on Preferred Stock /Average Outstanding Shares

HYPOTHESES

The following are the hypotheses formulated for the study.

H_1 : There is a significant relationship between corporate governance and dividend policy.

H_1a : There is a significant relationship between leadership style and dividend policy.

H_1b : There is a significant relationship between board committee and dividend policy.

H_1c : There is a significant relationship between board size and dividend policy.

H_1d : There is a significant relationship between board meeting and dividend policy.

H_1e : There is a significant relationship between board composition and dividend policy.

H_2 : There is a significant impact of corporate governance on dividend policy.

H_2a : There is a significant impact of leadership style on dividend policy.

H_2b : There is a significant impact of board committee on dividend policy.

H_2c : There is a significant impact of board size on dividend policy.

H_2d : There is a significant impact of board meeting on dividend policy.

H_2e : There is a significant impact of board composition on dividend policy.

Hypotheses $_1$, $_1$a, $_1$b, $_1$c, $_1$d and $_1$e are evaluated based on the correlation analysis while regression analysis the basis of evaluation of hypothesis $_2$, $_2$a, $_2$b, $_2$c, $_2$d and $_2$e.

ANALYSIS AND INTERPRETATION

Descriptive statistics were carried out to obtain sample characteristics. Output of the descriptive statistics is presented in table 02

TABLE 2: DESCRIPTIVE STATISTICS

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Leadership Structure	20	1.00	.00	1.00	.4000	.50262
Board Committee	20	2.00	1.00	3.00	2.0500	.51042
Board Meeting	20	10.00	2.00	12.00	7.3000	3.45040
Board Size	20	9.00	2.00	11.00	7.3500	2.39022
Board Composition	20	.55	.00	.55	.3900	.12716
Dividend Payout	20	232.24	-144.47	87.77	20.8980	45.64585
Earnings per Share	20	78.06	.14	78.20	10.0447	16.60505

According to the descriptive statistics in Table 2 for the independent variables indicate that average number of leadership structure, board committee, board meeting, board size, and board composition. The descriptive statistics, data are well set further leadership structure, board committee, board meeting, board size, board composition, dividend payout ratio and earnings per share are in the same level approximately among all the listed manufacturing companies in Sri Lanka.

Correlation analysis was carried out to find out the relationship between determinants of corporate governance and the measures of dividend policy.

TABLE 3: CORRELATION FOR MANUFACTURING COMPANIES

		LSS	BC	BM	BZ	PNED	DIP	EPS
LSS	Pearson Correlation	1	.533*	-.012	-.123	-.231	.548*	.700**
	Sig. (2-tailed)		.015	.959	.606	.328	.032	.001
	N		20	20	20	20	20	20
BC	Pearson Correlation		1	-.129	-.015	-.162	.673*	.772*
	Sig. (2-tailed)			.589	.950	.495	.043	.024
	N			20	20	20	20	20
BM	Pearson Correlation			1	.216	.351	.718**	.809*
	Sig. (2-tailed)				.360	.129	.002	.018
	N				20	20	20	20
BZ	Pearson Correlation				1	.324	.589*	-.320
	Sig. (2-tailed)					.164	.016	.133
	N					20	20	20
PNED	Pearson Correlation					1	-.260	.676*
	Sig. (2-tailed)						.268	.028
	N						20	20
DIP	Pearson Correlation						1	-.026
	Sig. (2-tailed)							.913
	N							20
EPS	Pearson Correlation							1
	Sig. (2-tailed)							
	N							

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

LSS: Leadership Style, BC: Board Committee, BM: Board Meeting, PNED: Board Composition, BZ: Board Size, DIP: Dividend Payout, EPS: Earning per Share

According to the Correlation in Table 3: The results of the correlation analysis in Table 3 show that the determinants of corporate governance such as leadership style, board committee, board meeting, board size, and board composition, are significantly correlated with DIP and EPS as the measures of dividend policy. The

Table shows the relationship between leadership style and dividend payout. From the above table it can be observed that there is a positive relationship between leadership style and dividend payout. The correlation value is 0.548 and which is significant at the level of 5% because the p value (0.032) is less than the significant level of 0.05. The above mentioned Table shows the relationship between leadership style and earnings per share. The correlation value is 0.700 and which is significant at the levels of 1% because the p value (0.001) is less than the significant level of 0.01.
The Table shows the relationship between board committee and dividend payout. From the above Table it can be observed that there is a positive relationship between board committee and dividend payout. The correlation value is 0.673 and which is significant at the level of 5% because the p value (0.043) is less than the significant level of 0.05. At 95% confident level the Table illustrates that there is positive correlation between board committee and earnings per share according to the correlation value of 0.772. The p value (0.024) is less than the significant so there is a significant relationship between board committee and earnings per share.
The Table shows the relationship between board meeting and dividend payout. From the above table it can be observed that there is a positive relationship between board meeting and dividend payout. The correlation value is 0.718 and which is significant at the level of 1% because the p value (0.002) is less than the significant level of 0.01. At 95% confident level the table illustrates that there is positive correlation between board meeting and earnings per share according to the correlation value of 0.809. The p value (0.018) is less than the significant so there is a significant relationship between board meeting and earnings per share.
The Table shows the relationship between board size and dividend payout. From the above table it can be observed that there is a positive relationship between board size and dividend payout. The correlation value is 0.589 and which is significant at the level of 5% because the p value (0.016) is less than the significant level of 0.05. At 95% confident level the table illustrates that there is negative correlation between board size and earnings per share according to the correlation value of -0.320. The p value (0.133) is greater than the significant so there is an insignificant relationship between board size and earnings per share.
The Table shows the relationship between board composition and dividend payout. From the above table it can be observed that there is a negative relationship between board composition and dividend payout. The correlation value is -0.260 and which is insignificant at the level of 5% because the p value (0.268) is greater than the significant level of 0.05. At 95% confident level the table illustrates that there is positive correlation between board composition and earnings per share according to the correlation value of 0.676. The p value (0.028) is less than the significant so there is a significant relationship between board composition and earnings per share.
According to the correlation for manufacturing company's helps to test the hypothesis here the significant P value is less than the 0.05 significant level therefore the alternative hypotheses can be accepted. The result of my study is in line with findings of Kumar (2006), Alii, Khan, & Ramirez, (1993).
The regression analysis was performed to recognize the impact of corporate governance on dividend policy.
The results of the analysis are given in Table 04.
The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (Ndubisi, 2006). The regression analysis was performed to recognize the impact of corporate governance on dividend policy.
The results of the analysis are given
IMPACT OF DIVIDEND POLICY ON CORPORATE GOVERNANCE

TABLE 4: REGRESSION ANALYSIS FOR MANUFACTURING COMPANIES

Model	B		Sig.(Coefficients)		Independent Variable	
	DIP	EPS	DIP	EPS	DIP	EPS
Constant	124.640	22.621	.079	.339		
LSS	34.193	13.039	.028	.017		
BC	-30.444	-9.060	.046	.031		
BM	-1.633	1.762	.036	.015		
BZ	-3.448	.223	.013	.056		
PNED	-45.487	-35.168	.041	.031		
R Square					.233	.298
Sig. (ANOVA)					.036	.047

According to the Regression in Table 4.4 include Model Summary, ANOVA in regression and coefficient in regression analysis. Model summary the specification of the five variables is leadership style, board committee, board meeting, board size, and board composition in the model revealed the ability to predict dividend policy. R2 Value of .233 and .298, which are in the models denote that 23.3% and 29.8% of the observed variability in dividend policy can be explained by the differences in the independent variables namely leadership style, board committee, board meeting, board size, board composition. Remaining 76.7% and 70.2% of the variance in dividend policy is related to other variable which is explained, because they are depicted in the model. R2 values of that 23.3% and 29.8% indicate that there may be number of variables which can have an impact on dividend policy that need to be studied. Hence this area is indicated as a scope for future research.
According to the ANOVA in regression helps to test Model 1 and Model 2 the hypothesis here the significant P value is less than the 0.05 significant level therefore the alternative hypotheses can be accepted.
From the Table 4.10, the regression model can be retrieved as follows.
Model 1) $DIP = \beta_o + \beta_{1LSS} + \beta_{2BC} + \beta_{3BM} + \beta_{4BZ} + \beta_{5PNED} + \beta_n$
$DIP = 124.640 + 34.193LSS + (-30.444)\ BC + (-1.633)\ BM + (-3.448)\ BZ + (-45.487)PNED+\beta_n$
Model 2) $EPS = \beta_o + \beta_{1LSS} + \beta_{2BC} + \beta_{3BM} + \beta_{4BZ} + \beta_{5PNED} + \beta_n$
$EPS = 22.621+ 13.039LSS + (-9.060)\ BC + 1.762BM + .223BZ + (-35.168)\ PNED+\beta_n$
The results of the regression analysis in Table 4.4 shows that the coefficient for all five variables such as leadership style, board committee, board meeting, board size, and board composition are significant. It can be inferred that board committee including independent non-executive directors and executive director should have an effective and complete role in controlling the opportunistic behavior in management and also they should have regular meeting to discuss and monitor the activities of the firms. Further t values for all five variables of corporate governance are significant event at 5% level. It means that these variables are contributing to the dividend policy measures of dividend payout and earning per share. The result of my study is in line with findings of Samuel Kwaku Agyei, Edward Marfo-Yiadom (2011), Kumar (2006) and Alii, Khan, & Ramirez, (1993).

CONCLUSION AND RECOMMENDATION
To conclude, listed companies under the Colombo stock exchange (CSE) are practicing corporate governance system. The results of the study provide evidence that the corporate governance measures are significantly correlated with dividend payout and earning per share as dividend policy. So that hypotheses are accepted. R2 Value of dividend payout and corporate governance and also dividend payout, corporate governance and earning per share .233 and .298, which are in the models denote that 23.3% and 29.8% of the observed variability in dividend policy can be explained by the differences in the independent variables namely leadership style, board committee, board meeting, board size, and board composition. Further corporate governance measures contribute to dividend policy of dividend payout and earning per share.

REFERENCES

1. Agarwal, A., and Knoeber, C., (1996). Firm performance and mechanism to control agency problems between managers and shareholders. *Journal of Financial and Quantitative Analysis, 31*(3), 377-97.
2. Alchian, A. & Demsetz, H. (1972), "Production, Information, Costs and Economic Organization', American Economic Review", Vol. 62; 777-795.

3. Anandasayanan, S., (2012). The Impact of Corporate Governance on Firm Performance of Listed Banks in Sri Lanka. Annual Research Symposium.
4. Anandasayanan, S., Subramaniam, V.A., Sireeranhan, A., & Raveeswaran, M., (2013). The Determinants of Leverage of the Listed Companies in Sri Lanka: An Empirical Study. International Journal of Research in Commerce, Economics & Management. 3, 139-143.
5. Baker, M., and Wurgler, J., (2004). Catering Theory of Dividends. Journal of Finance, *3.*
6. Berle, A., & Means, G., (1932). The Modern Corporation and Private Property, MacMillan, New York.
7. Cadbury, A., (1992). Report on the Committee on the Financial Aspects of Corporate Governance, Gee, London.
8. Chowdary, NV (ed.) (2002), "Corporate Governance: Principles and Paradigms, ICFAI Press, Hyderabad".
9. Claessens, S., & Fan, JPH., (2002). Corporate Governance in Asia: A Survey". *International Review of Finance*, *3*(2), 71-103.
10. Clarke, T., (2007), "International Corporate Governance: A Comparative Approach, Routledge, and London".
11. Fama, Eugene F., & Kenneth R. French., (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay?. *Journal of Financial Economics 60*, 3-43.
12. Jensen, MC., (1993). The Modern Industrial Revolution, Exit, and the Failure of the Internal Control Systems. *Journal of Finance*, *48*(3), 831-80.
13. Jensen.m.C., & Mecklimg.W.H., (1976). Theory of firm managerial behaviour, Agency costs and ownership structure". *Journal of finance economics*, *3*, 499-508.
14. Kajananthan, R., & Nimalthasan. P., (2013). Capital Structure and its impact on Firm Performance: A Study on Sri Lankan Listed Manufacturing Companies. *Journal of Business and Management, 1*(2), 37- 44.
15. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R., (2000). Agency problems and dividend policies around the world. *Journal of Finance* 55; 1- 33.
16. Lipton, M. & Lorsch, J. W. (1992), "A Modest Proposal for Improved Corporate Governance", Business Lawyer, *48*; 59-77.
17. Shleifer, A., Vishny, R.W., (1997). "A Survey of Corporate Governance", *Journal of Finance 52*; 737-775.
18. Subramaniam, V.A., & Anandasayanan, S., "Impact of Working Capital Policy on Corporate Performance- An Empirical Study"
19. Velnampy, T., & Nimalthasan, P., (2013). Corporate Governance Practices, Capital Structure and Their Impact on Firm Performance: A Study on Sri Lankan Listed Manufacturing Companies. *Journal of Finance and Accounting*, *4*(18); 69-79.
20. Velnampy, T., & Pratheepkanth, P., (2012). Corporate Governance and Firm Performance: A Study of Selected Listed Companies in Sri Lanka, *International Journal of Accounting Research U.S.A.*
21. Velnampy, T., (2013). Corporate Governance and Firm Performance: A Study of Sri Lankan Manufacturing Companies. *Journal of Economics and Sustainable Development 4*(3), 228-236.
22. Weisbach, MS (1988), "Outside Directors and CEO Turnover", *Journal of Financial Economics*, *20*(1-2), 431-60.

IMPACT OF SOCIAL MEDIA ON TEENAGERS: A CASE STUDY

MOHAMMAD OSAMA
RESEARCH SCHOLAR
DEEN DAYAL UPADHYAY GORAKHPUR UNIVERSITY
GORAKHPUR

ABSTRACT

It is very true that social media like facebook, twitter, orkut etc has been entered in our life like a blood i.e as we cannot live without blood likewise we cannot live without these social media tools. Now with the help of these tools it is very easy to share any documents, Photos, Videos as it was very difficult and costly earlier. Today the social media has been playing huge role in determining the personalities of all the ages group like children, teenagers, young adult and old People. Sometime it is very useful as well as necessary for all the ages but inspite of this our teenagers and young generation has been doing some un-expectable and unavoidable things which has been distorting the personalities as well as the behavior of our teenagers which resulted in rude behavior, sleeping disorder,Absent mindedness etc. Teenagers have been sharing, Liking and promoting sexual contents, Filthy and violence images under the nostrils of their parents.They have not being watched by their parents/Gaurdians which resulted in bad deeds. The Study will mainly focus on the impact and changing behavior of the teenagers due to excessive use of social media. This study will basically concentrated on the basis of Primary data collected by the scholar and the methods of collecting data will be Convenient sampling techniques will be used. Instead of this some helps will be taken from secondary source of data. The area of the study will be confined to Eastern Utter Pradesh's big cities like Lucknow, Gorakhpur & Varanasi.

KEYWORDS

Social Media, Teenagers, Behavior.

INTRODUCTION

Today the social media is a very important medium to share our feelings, thoughts and ideas in best possible manner in a whole world. Social media is a blood of life for ourself. No one can imagine to live without these medias. In other words we can say that Social media refers to the means of interactions among people in which they create, share, and exchange information and ideas in virtual communities and networks. social media depends on mobile and web-based technologies to create highly interactive platforms through which individuals and communities share, co-create, discuss, and modify user-generated content. It introduces substantial and pervasive changes to communication between organizations, communities, and individuals.

As parents strive day in and day out to provide healthy meals, drive our kids to soccer practice, cheer at the games; attend parent-teacher meetings at school and teach them to say "no" to drugs and other bad habits. While we are busy covering all the basics of being a good parent, we can be far too oblivious of the effects the social media is having on children. Kids today are as technologically connected as anyone on the planet has ever been. They have access to social media like Facebook, Instagram and Twitter and they can be able to chat in real time with their friend who are a thousand miles away.

Various reports suggest that about eighty-three percent of American youth use their phones for email, mobile internet and texting. The report further states that these American teens send and receive text messages 144 times a day. If the teens are not texting, they are usually on social networking sites like Facebook and Twitter where they chat, share photos and video and participate in gaming.

In An survey held in USA -- More than half (55%) of all of online American youths ages 12-17 use online social networking sites, according to a new national survey of teenagers conducted by the few Internet & American Life Project.

The survey also finds that older teens, particularly girls, are more likely to use these sites. For girls, social networking sites are primarily places to reinforce pre-existing friendships; for boys, the networks also provide opportunities for flirting and making new friends.

The negative effects of being this "plugged in" is beginning to take enormous effect on kids. Because social interaction comes overwhelmingly online rather than face to face, American youth are showing severe lack of social skills. They are often more comfortable with technology than they are with talking to people. They have not learned the proper communication and conversation skills, how to deal with interpersonal situations and how to date and get to know other people behind the screen.

LITERATURE REVIEW

Social capital broadly refers to the resources accumulated through the relationships among people Coleman, 1988). Social capital is an elastic term with a variety of definitions in multiple fields (Adler & Kwon, 2002), conceived of as both a cause and an effect (Resnick, 2001; Williams, 2006). Bourdieu and Wacquant (1992) define social capital as "the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (p. 14). The resources from these relationships can differ in form and function based on the relationships themselves.

Researchers have conducted several studies on Internet addiction (e.g., Morahan-Martin & Schumacher,2000; Young, 1998; Young & Rodgers, 1998). Many researchers suggest that people are not addicted tothe Internet as a whole, but rather to the interactivity of the Internet. It appears that specific applicationsare more addictive than others, namely those that are more interactive (Davis, 2001). The ability tocommunicate with other people in real time, present oneself in the manner one desires, and develop adegree of intimacy may be addictive to some people, whereas simply gathering information and sendinge-mail may not be addictive (Morahan-Martin & Schumacher, 2000; Scherer & Bost, 1997; Yang & Tung,2007).

Usage of Facebook now accounts for 22% of consumers time on the Internet, and Facebook usage surpasses the usage of e-mail and the Google search engine (Bilton, 2010). As usage of Facebook hasgrown, so have concerns about addiction to and pathological usage of it. A search on the Google site for"Facebook" and "addiction" revealed more than 5,000 Web pages.

Social capital has been linked to a variety of positive social outcomes, such as better public health, lower crime rates, and more efficient financial markets (Adler & Kwon, 2002). According to several measures of social capital, this important resource has been declining in the U.S. for the past several years (Putnam, 2000). When social capital declines, a community experiences increased social disorder, reduced participation in civic activities, and potentially more distrust among community members. Greater social capital increases commitment to a community and the ability to mobilize collective actions, among other benefits. Social capital may also be used for negative purposes, but in general social capital is seen as a positive effect of interaction among participants in a social network (Helliwell & Putnam, 2004).

For individuals, social capital allows a person to draw on resources from other members of the networks to which he or she belongs. These resources can take the form of useful information, personal relationships, or the capacity to organize groups (Paxton, 1999). Access to individuals outside one's close circle provides access to non-redundant information, resulting in benefits such as employment connections (Granovetter, 1973). Moreover, social capital researchers have found that various forms of social capital, including ties with friends and neighbors, are related to indices of psychological well-being, such as self esteem and satisfaction with life (Bargh & McKenna, 2004; Helliwell & Putnam, 2004).

Putnam (2000) distinguishes between bridging and bonding social capital. The former is linked to what network researchers refer to as "weak ties," which are loose connections between individuals who may provide useful information or new perspectives for one another but typically not emotional support (Granovetter, 1982). Alternatively, bonding social capital is found between individuals in tightly-knit, emotionally close relationships, such as family and close

friends. After briefly describing the extant literature on these two forms of social capital and the Internet, we introduce an additional dimension of social capital that speaks to the ability to maintain valuable connections as one progresses through life changes. This concept, "maintained social capital," permits us to explore whether online network tools enable individuals to keep in touch with a social network after physically disconnecting from it.
Studies of the first popular social networking site, Friendster, (boyd, 2004, boyd, 2006, boyd and Heer, 2006, Donath and boyd, 2004) describe how members create their profile with the intention of communicating news about themselves to others. Boyd, using an ethnographic approach, reveals the possibility of unintended consequences. As in other social networking sites, Friendster members create a profile and make public links to others. What if there is something about your friend's page that might cause embarrassment if viewed out of context? Although members can control what appears on their profile, they cannot control what appears on a friend's profile. Crude pictures on a friend's profile caused concern for a teacher when her students asked to 'friend' her. This placed her in an awkward position, because allowing students access to her profile would also allow them to view her friends, who she knew to have risqué pictures on their profile (boyd, 2004). This incident demonstrates that concerns raised by navigating issues of privacy and trust were apparent in the first scholarly articles on social networking sites.
Tapscott and Williams (2006) consider social networks as a part of a wider trend in communication landscapes. They characterize it as "mass collaboration". In their opinion, transparency, peer collaboration, audience participation and globalization are changing markets and companies and social networks like YouTube or MySpace are crucial. A new type of market is being shaped: copyright, communication strategy and message control by hierarchical management structures is increasingly under attack. Wikipedia is described as symbol of this process that is influencing the communication of brands, fashion, markets, ideas and ideology.
Other reasons may include feelings of affiliation and belonging, need for information, goal achievement, self-identity, values, and notions of accepted behavior (Ridings and Gefen 2004).

OBJECTIVES OF THE STUDY

The objective of the study for the researcher is to estimate the changing behavior of the youths due to excess usage of Social Networking Sites (SNS) in their day to day life. Researcher tries to find out the reasons behind the changing personality of our youths while interacting with his/her parents/Teachers.

RESEARCH METHODOLOGY

A well designed questionnaire has been distributed among the college students age ranging to 16-20 i.e. the college students of high school and intermediate as they seems to be more SNS prone in this age. There is a various objective type and yes/no type questions in the questionnaire ranging from their frequency of using facebook to behavioral changes using facebook. The questionnaire consists of 20 questions and distributed among the various colleges of Lucknow, Varanasi and Gorakhpur and the number of respondents are 350 out of which 160 are females and 190 are male students.

INTERPRETATION OF THE FINDINGS

The result found that out of 360 respondents 288(80%) of the students were facebook prone and they accept that they visits their profile daily, further it is found that 198(55%) of the responded accepted that they use facebook only for time pass and fun only,79(22%) accept that they spend time on facebook to eliminate loneliness in their life as their parents are employed. About 252(70%) of the people accepted that they get scolded by their parents as they spend more than 1 hour on facebook. 54(15%) of the people assume that they got gibberish, freakish due to excess usage of facebook but when the researcher asked this questions to their respective teachers they accept that most of the students getting freakish, rowdy due to excess use of facebook and internet. 36(10%) of the respondents said that they have shown their political view on facebook rest of all are don't know about it. For their internet access medium is concern 238(66%) of the respondents said that they access their SNS profiles through Multimedia/Android base mobiles, 72(20%) said that they access through personal computers/Laptops at home and 50(14%) says that they go to internet café to access the Facebook. When asked about liking of obscene pages during the visit of facebook, most of the respondents 252(70%) says that they have seen that contents but never like it due to some social reasons as it is shown in your profile with rest of your friends while 108(30%) said that they have not goes to that kind of pages regularly but in their life they have gone through.
Females respondents reveals that they have make their profile on FB for making friends, adding new people and increase the social status while boys have said in the questionnaire that they create their profile for flirt, making friends of opposite sex and for time pass. About 136(85%) of the female students accept that SNS are not the safe place for their personal information sharing purpose.
While Discussing to their parents who came to the school to pick and drop their kids researcher discussed on many issues regarding excess use of facebook etc. Mostly parents accept that due to the excess use of facebook etc the children is always in dilemma that whether to study seriously or open our profile. When researcher asked that why you parents have been providing internet access to their childrens they told that it not in our hand as it is a very necessary thing in our life now a days as all the homework, projects is to be done on computer with the help of internet.

REASONS FOR CREATING PROFILES ON SNS

Most of the youth makes their profile on SNS for social belongingness. The main reasons behind making these profile is to increase the friendship circle and socially active. In an study done in USA found that most of the Boys Create their profiles on SNS for Flirt only as well as girls Creates profile on SNS for chatting, Tagging and entertainment.
No doubt social networking becomes the most powerful and fast form of media for communication today. Social networking like Facebook, twitter, LinkedIn, whatsapp, and many more uses among more than billion of people today. According to the survey report 2013 youth spend more than 2 hr on social networking sites. As in the digital age social networking is used for meeting new friends, old friends, connecting with family members globally, sharing ideas, photos. Businessman or woman can use social networking for advertising new product and promoting their services. It is very useful for musician to interact their fans. Apart from these benefits these social networking are becoming most advance form of job search portals. Job seeker can easily search job from a single platform. Now a days it becomes a part of social campaign for corruption, politic, national movements.
People need to be loved and socially accepted; this phenomenon is referred to as "need to belong" (Baumeister and Leary 1995; Leary, Kelly, and Schreindorfer 2001). This need to belong among human beings is a "fundamental human motivation that is something all human beings possess to form and maintain at least a minimum quantity of lasting, positive, and significant interpersonal relationships" (Baumeister and Leary 1995, p. 497). Social networking sites offer a space in which people can address this need to belong by using services provided by the sites that enable conversations and information gathering, along with the possibility of gaining social approval, expressing opinions, and influencing others. Therefore, people's attitudes and behavior with regard to SNS may stem from their need to belong. The strength and intensity of this need varies among people and is considered "difficult or impossible for culture to eradicate" (Baumeister and Leary 1995, p. 499).
Need to belong also can be understood on the basis of a fundamental interpersonal relations orientation, which suggests three basic needs underlie people's group-seeking behavior: inclusion, which pertains to the need to belong to or include others in a circle of acquaintances; affection, or the need to love or be loved by others; and control, which encompasses the need to exert power over others or give power over the self to others (Schutz 1966). Joining SNS can meet all three of these needs; specifically, people may join user-generated content sites such as Facebook to remain "in the loop" and maintain relationships with friends and others, irrespective of time and physical space.
Because the level of the need to belong varies among people, its effect emerges in varying levels of attitudes and willingness by different people to join and participate in user-generated content sites. In other words, there is a greater chance that people will join and participate in SNS if they rate high on the need to belong scale.

SIDE EFFECTS OF SOCIAL NETWORKING SITES

No doubt that social networking sites has been playing a very important role in our life but due to excessive use of these sites the youths minds have been changing in a negative way i.e.

- They are reluctant to study continuously and after a bit of time they check every updates in their profiles.
- Most of the teens are interested to make new friends whether they no each other personally or not.
- It is very common that Teens always eager to make friends of opposite gender.
- There are so many pages can be found which contains inappropriate content and the users are free to see all of them which leave the bad impression on youth minds.
- In a most cases most of the person too much engage on social media that he don't know what he has been eating/having and he takes a lot of food/fast food during surfing.
- Due to excess use of SNS user become freakish and boring.

CONCLUSION

As we have already discussed in the starting of the study that facebook usage have distorted the personality of the children and when we have gathered the data it is found obvious that it is devastating our childrens life too much. In more than 60% of the questionnaire the respondents accept that due to excess usage of facebook sometime we find our self too much desperate and loneliness in our life.

During the gatherings with the parents and teacher they were much more disappointed due to this issue over children as they said that SNS should have to take necessary steps to check the too much activity of any students by modifying in their software.

To sum up we can say that the time has come to take initial steps to check the SNS over activity of our school going children/college students to make their future better and make their life better.

LIMITATIONS OF THE STUDY

To make the study very clear and practical the researcher has taken all the necessary steps to achieve the target but there is a certain limitation of the study like the respondents are free to tick any option as they have no responsibility/seriousness about the study so maybe they have ticked mark in an inappropriate option which does not suites to his/her personality. Some of the Parents was not entertaining us as they said they don't want to give any answer.

Further it is not possible to select all the school/colleges for the research only famous school/colleges were selected for the study.

REFERENCES

1. Baumeister, R. F. and M.R. Leary (1995), "The Need to Belong: Desire for Interpersonal Attachments as a Fundamental Human Motivation," *Psychological Bulletin*, 117, 497-529.
2. Lenhart, A. and M. Madden (2007), "Social Networking Websites and Teens: An Overview," pew Internet & American Life Project, available at http://www.pewinternet.org/PPF/r/198/report_display.asp (accessed August 22,2013).

WEBSITES

3. http://en.wikipedia.org/wiki/Social_media(Accessed on 26/08/2013)
4. http://onlinelibrary.wiley.com/doi/10.1111/j.1083-6101.2004.tb00229.x/full(Accessed on 23/08/2013)
5. http://onlinelibrary.wiley.com/doi/10.1111/j.1083-6101.2007.00367.x/full(Accessed on 23/08/2013)
6. http://sociallyactive.com/social-media- effect/(Accessed on 23/08/2013)
7. http://www.unav.es/fcom/comunicacionysociedad/en/articulo.php?art_id=378(Accessed on 23/08/2013)

DEFINING SIZE STANDARD FOR SMALL AND MEDIUM ENTERPRISES TOWARDS ECONOMIC REVOLUTION IN NIGERIA

GODSPOWER GODWIN ITEMEH
STUDENT
DEPARTMENT OF FINANCE
UNIVERSITY OF LAGOS
NIGERIA

ABSTRACT

The small and medium enterprises SMEs are globally accepted as catalyst for rapid economic development in terms of employment generation, wealth creation, income generation, improving living standards and poverty reduction generally. There are statistical evidences of positive contribution of SMEs to the growth of economies both in the developing and advanced Nations. Different Governments have employed the SMEs to transform their economies. It is however unfortunate that despite all public policies and financing programmes of the Government at all levels in Nigeria on SMEs , have failed to yield the expected positive impact on the economy for more than three decades. The research paper examines the issue of size standard and conflicting definitions of small and medium enterprises by government agencies as a serious obstacle to the development of small and medium enterprises. It is therefore imperative to define size standards for SMEs in Nigeria, considering the relevance of SMEs in economic development.

KEYWORDS

Small and medium enterprises, Small Business, Economic development, Size standard.

1.0 INTRODUCTION

All over the world there are empirical evidence that Small and Medium enterprises (SMEs) serve as catalyst for entrepreneurship and economic development through employment creation , capital formation and income redistribution. Small and medium enterprises play very important roles in creating employment opportunities, producing import substituting machinery and equipment, mitigating rural urban drift, producing specialized items to meet diverse needs, mobilizing local resources as well as stimulation of technological development and innovations among others (Ogunleye G.A 2004). It should be noted that most World's largest enterprises today were once small and medium enterprises at a point in time. SMEs also provide strong buffers against economic crisis , as they are notable job creators, employing more than half of the working population and wealth creators, contributing significantly towards the GDP. Thus it is certainly true that no country can attain its social and economic development goals without the active participation of its SMEs (MSME News Network). The US SMEs is considered among the developed industry in the world today. (Viral M Pandya, 2012).

In US, small and medium enterprises are called foundation enterprises and are the core of the country's industrial base. (Piper 1997). Small business accounts for 99% of US businesses and accounts for 99.9% of the 27 Million employers and non- farm businesses.

There is no universally accepted definition of the term small business or small and medium enterprises. The definition may vary from one country to another depending on the local conditions. (Owualah S.I 1999) affirms "there is no consensus among policy makers and scholars concerning the point at which a business firm is deemed to be small . Indeed there is no universally or even nationally acceptable standard definition except that the scale of business needs to be defined for a specific purpose, thus common sense dictates that practical standards of measurement should be adopted such as number of employees, assets employed, sales turnover, a combination of employees , sales and assets are used in determining the sizes of small business firms" yet countries have identification standards to benchmark small businesses in their respective economies.

WHAT IS SIZE STANDARD?

A size Standard which is usually stated in number of employees or average annual receipts represent the largest size that (including its subsidiaries and business affiliates) may be to remain classified as a small business for Small business administration and Federal contracting programme. The definition of small business varies by industry to industry. Such small business must have no more than 500 employees for most manufacturing and mining industries and no more than $7 million in average annual receipts for most non manufacturing industries.

Some of the factors for determining size standards are; industry structure, Federal procurement – Small business share in Federal contracts, technological change, competing products from other industries, industry growth trends, history of the activity in the industry and impact on Small business administration programme.

"*The inadequacies of current conventions in defining SMEs and the inconsistencies among official SME definitions can lead to serious distortions in the allocation of donor spending for private sector development.The volume of turnover of a business is in general a more appropriate measure of its relative size than either of the more conventional measurements by number of employees or value of assets, when adjusted as described in the text.The use of any single definition of SMEs for multiple countries in diverse stagesof economic development leads to additional distortions.In their presentation key qualitative characteristics of SMEs, go beyond simple numerical tests, which support the rationale for tax-dollar funded promotion of SMEs. In order to provide the sort of clarity currently lacking in SME policy, however,we propose for consideration a new quantitative formula for defining SMEs that blends the principles summarized above. Given that the economic contribution of SMEs depends critically on initial success in their home markets, we believe the size parameters of SMEs should be scaled relative to their home base*." (Gibson T. ,Van Vaart, H.J 2008).

2.0 THEORETICAL PERSPECTIVES

OCED(2014) states SMEs play a key role in transition and developing contries .These firms typically accunt for more than 90% of all firms outside agricultural sector, consitutes a major source of employment and generate significant domestic and export earnings.

Interestingly the definitions of SMEs by various Multifinancial agencises seems to tailored towards their objectives of their respective financing assistance model and this definitional problem is acknowledged by (Oya P A, Natalya M, Valentina S, 200) that stated that one of the main challenges of SMEs analysis is the problem of universal definition of what constitutes an SME. A number of efforts to harmonise SME definition , although the heterogeniety of SMEs themselves and the nature of the country they operate in might mean that establishing a global definition is not feasible . The most common definition used by regulators are based on the numbers of employees, sales and or loan size. The most common among the three is the number of employees. According to (Owualah, S.I 1999) small firms are difficult to count and measure individually. Generally the parameters used in defining SMEs are number of employees, assets employed , and sales turnover. Egypt defines SMEs as enterprises having more than 5 and fewer than 50 employees. In Europe SMEs are enterprises having employees fewer than 250 . In US , small business are firms with less than 500 employees. According to the World Bank SMEs are recognised with these attributes , with maximum of 500 employess or with US$15 million annual sales or with US$15 million in assets value. Nevertheless each of these parameter has its own limitation or shortcoming.For instance small firms with seasonal business cycles orwith prevalence of part time workers or firms using family members are staff might pose challenge in the use of number of employees to determine the size of small business firm. Also with the use of asset employed to define small business firms , the distinction between personal assets of a business owner and company's asset is a problem too. With the use of sales turnover this might be misleading when apllied for different categories of businesses which is usually the case.

The definition of small and enterprises in Nigeria, has varied over the years among Government establishments and agencies. For instance , in 1988, the Central Bank of Nigeria (CBN) defined small business firms as firms (excluding general commerce) whose total investment (including land and working capital) did not exceed N500,000 and /or whose annual turnover did not exceed N5million . Again in 1993, CBN redefined small business as firms whose total cost excluding cost of land but including working capital is above N1million but not exceeding N10 million. By 2001, the CBN in conjunction with Bankers' committee under the SMEEIS defined SMEs as those whose total cost excluding cost of land but including working capital do not exceed N200million. At its 13th Meeting in 2001 in Makurdi, Benue State , the National Council on Industry put forward a set of definitions for micro, medium and large scale industries, according to National council on Industry, a **micro or cottage industry** is one with a labour size of not more than 10 workers or total cost not more than N1.5million in working capital excluding cost of land. **For small scale industry** is defined as a firm with labour size of 11 -100 workers and total cost of not more than N50 million including working capital and excluding cost of land. **Medium scale industry** as industry with a labour size of 101 – 300 workers or total cost of over N50 million but not more than N200 million including working capital and excluding cost of land. **Large scale industry** is defined as an industry with labour size of over 300 workers or total cost of over N200 million including working capital excluding cost of land. In 1989, the National Industrial policy , states that a **micro scale business** is one that has investment or assets value of not more than N100,000 excluding land but including working capital . **Small scale business** is a firm that has between N100,000 and N2 million investment or assets value excluding land but including working capital. The National Industrial Policy did not differentiate between small scale and medium scale firms. The National Policy on MSMSE has adopted a dual criteria for the definition using employment and assets (excluding land and building) as follows, **Micro enterprises** are those enterprises whose total assets (excluding land and building) are less than N5million with a workforce not exceeding 10 employees. **Small enterprises** are those enterprises whose total assets (excluding land and building) are above N5 million with a total workforce of above 10 workers but not exceeding 49 employees. **Medium enterprises** are those enterprises with total assets (excluding land and building) are above N50 million but not exceeding N500 million with a total workforce of between 50 to 199 employees.

TABLE 1

SN	Size Category	Employment	Assets N million Excluding; land & building
1	Micro Enterprise	Less than 10	Less than N5m
2	Small Enterprise	10 to 49	5 to less than N50m
3	Medium Enterprise	50 to 199	50 to less than N500m

Source: SMEDAN SURVEY 2010

In 1990, the Federal Government budget defined small business firms for purpose of commercial bank loans as those firms with capital investments not exceeding N2 million (excluding cost of land) or a maximum of N5million.The National Economic Recovery Fund pegs the total cost for small business firm at N10 million. The Companies and Allied Matter Decree defines a small business company as one with value of not more than N1million.

(Ogunleye , G.A 2004), the terms small and medium are relative and they differ from industry to industry and country to country. The difference amongst industries could be ascribed to the different capital requirements of each business, whilst those among countries could arise as a result of differences in industrial organisations of countries.

In contrast to the situation in Nigeria where a generalised definition is given to small business firms irrespective of industry or financial involvement, other countries have more clarity in defining SMEs. For instance in Japan SMEs are defined according to their industries and capital requirements. It is no secrets why the SMEs in Japan are accurately refer to as growth drivers as the definition of SMEs in Japan's Ministry of Economy, Trade and Investment has appropriately classified these enterprises.

TABLE 2

Industries	Capital Size (M ,Yen)	Number of Employees
Manufacturing	300 or less	300 or fewer
Wholesale	100 or less	100 or fewer
Retail	50 or less	50 or fewer
Services	50 or less	100 or fewer

Sources : SMEs in Japan by Economist Intelligence Unit (2010)

In India the definition of small scale industries has undergone changes and the main criterion for definition was mainly the investment level and number of employees. In 2006 with enactment of MSME Development Act 2006 the micro , small and medium enterprises are classified into two categories , manufacturing and service sectors. And each sector has sub classification into micro, small and medium enterprises. (Rayib, Lahir)

According to (OCED, 2004) "Small and medium-sized enterprises (SMEs) are a very heterogeneous group. SMEs are found in a wide array of business activities, ranging from the single artisan producing agricultural implements for the village market, the coffee shop at the corner, the internet café in a small town to a small sophisticated engineering or software firm selling in overseas markets and a medium-sized automotive parts manufacturer selling to multinational automakers in the domestic and foreign markets. The owners may or may not be poor; the firms operate in very different markets (urban, rural, local, national, regional and international); embody different levels of skills, capital, sophistication and growth orientation, and may be in the formal or the informal economy.

The US Small Business Act (1953) defines Small business firm as one that is independently owned and operated and which is not dominant in its field of operations. While the South Africa National small business Act 1996 defines "Small business a separate and distinct business entity including and cooperative enterprise and non - governmental organisations managed by one owner or more which including its branches or subsidiaries, if any is predominantly carried on in any sector or subsector of the economy --- which can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria mentioned in the columns 3, 4 and 5" The same Small business Act 1996 further define" Small business organisation means any entity , whether or not incorporated or registered under any law which consists mainly of persons carrying on small business concerns in any economic sector or which has been established for the purpose of promoting the interest of or representing small business concern and includes any Federation consisting wholly or partly of such association and also any branch of such organisation"

Statistical definition of SMEs varies from country to country and is usually based on the number of employees, and value of sales and/or value of assets. Due to its ease of collection, the most commonly used variable is the number of employees. The EU and a large number of OECD, transition and developing countries set the upper limit of number of employees in the SMEs between 200-250, with a few exceptions such as Japan (300 employees) and the USA (500 employees). At the lower end of the SME sector, a large number of countries define a group, which is a mixture of the self-employed and "micro"enterprises, with less than 10 employees. Irrespective of the level of development of an economy, a significant proportion of micro and, sometimes, small enterprises are found in the informal sector or the shadow economy. (Schneider 2003) compared the size of the informal sector in 22 transition (former Soviet Union and Central and Eastern Europe) and 21 OECD economies from 2000-2002 and found that the size of the informal sector amounted to an average of 16.7%, 29.2% and 44.8% of GDP in OECD, Central and Eastern Europe and the former Soviet Union economies, respectively."

Still on the SME definition , Khrystyna Kushmir states " within an economy there are often more than one agency that have their own MSME definition (e .g Statistical Institutions, Private banks, government MSME promotion agencies and others). Out of 120 economies covered , 26 economies have more than one MSME definitions . The survey conducted by Kushmir revealed the different countries use different parameters to define the SMEs their countries, some of which are presented below; (Khrystyna k, Melina,L.M, Rita Ramalho,)

CHARACTERISTICS OF SMALL AND MEDIUM ENTERPRISES

Notwithstanding, the definitional problem of SMEs, these enterprises have some common features generally. The common characteristics are ownership and control are vested in one individual/family, low level of eductation, Start up capital provided by one person most of the time, lack market competitiveness, labour intensive, rate of business mortality is high, difficult to separate private funds from business capital, poor management practice and organisational systems, financially exclusion from convention banking institutions and operate both in rural and urban areas.

CONTRIBUTIONS OF SMALL AND MEDIUM ENTERPRISES
SMEs play very significant roles in economies of both developing and developed Nations hence the interest different governments are showing in the development of this sector. The socio –economic benefits include among others, transformation of indigenous sector into modern economies, stimulation of indigenous entrepreneurship and technology, creation of employment, wealth creation and redistribution, mobilisation of savings at the grass root etc.,

Small and medium enterprises are very important in any economy particularly in developing countries. SMEs account for 30 - 40 % of all employment even in developed economies such as USA and Europe. (Amana M, 2004).These explain the increasing interest which developing countries have shown in the promotion of small and medium enterprises across the globe including Nigeria. (Nnanna , O. J , 2004). SMEs are estimated to account for at least 95% of registered firms in the World (Ayyagari, Beck and Drmirguc- kunt 2005).

The World Bank reports the contribution of SMEs in various economies for instance, in the EU, SMEs contribute; 99.5% of all firms in the European Union, 75 Million or 67.4% people of total employment, 58% in 2009 in Value added terms. In the US, SMEs contribute, more than 50% of the nonfarm private GDP , 75% of the net new jobs in the economy, 97% of exporters and produce 29% of all export value. The contribution of SMEs to employment generation varies among countries as the SME sector generate more than 60% and 50% of jobs in high income countries and in middle income countries respectively . (Ayyagari, Beck & Demirguc - kunt , 2005)

In the African continent, (Leah Gatt, 2012)" Small and medium-sized enterprises (SMEs) are increasingly being recognised as productive drivers of economic growth and development among various countries. For example, it is estimated that SMEs account for 70% of Ghana's gross domestic product (GDP) and 92% of its businesses. They also make up 91% of formalised businesses in South Africa and 70% of the manufacturing sector in Nigeria. SMEs not only contribute significantly to the economy but can also serve as an impetus for economic diversification through their development of new and unsaturated sectors of the economy. And in Nigeria, the 2012 Enterprise Baseline Survey conducted jointly by the Pro-Poor Growth and Promotion of Employment Programme and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) with support from the German Development Agency showed that there are 17,284,671 Small and Medium Scale Enterprises in Nigeria, employing 32,414,884 persons and contributing 46.54% to the nation's Gross Domestic Product (GDP) in nominal terms. (myfinancialintelligence.com)

The roles of SMEs in economic developing among others include; employment creation,e ntrepreneurship Development,mobilisation of Domestic savings, backward and Forward linkages, Industrial Dispersal. (Adekunle O O, 2004) the significant role of SMEs in the development process in many developing countries is being increasingly recognised which is why the SMEs in Nigeria have been getting increase policy attention in recent years. The problem of the SMEs are not so much that of dearth of policies or institutions to support them but the effectiveness of such policies and institutions. In other words the bane of Nigerian SMEs lies with implementation deficiencies and not for want of imaginative policies.

An ojective assessment of the roles of small businesses in Nigeria however suffers from the paucity of adequate information to accurately do justice to the job (Owualah S I 1999). Unfortunately the 2010 report by Small and medium Enterprises Development Agency of Nigeria, (SMEDAN) an agency with responsibility of coordination of SMEs in the country could not give emperical data on the contributions of these all important to the any economy of the World. SMEDAN acknwolegdes that "Despite an understanding of the 3.0 importance of MSME in Nigeria in particular, there is a dearth of information about their number, people they employ and sectors they operate in Nigeria. While the development of the MSME is unarguably the mandate of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), The National Bureau of Statistics (NBS) according to the Statistics Act, 2007 is the main National Agency responsible for the development and management of official statistics, the authoritative source and custodian of official statistics in Nigeria. The NBS is responsible for coordinating the National Statistical System (NSS); advising Federal, States and Local Governments on all matters relating to statistical developments; developing and promoting the use of statistical standards and appropriate methodologies in the system among other responsibilities" (SMEDAN 2010)

In the United States of America, it has about 22 million small business enterprises. There are over 5.6m small business employers firms and employing 113,425,965 people and providing a total pay roll of $5.16 trillion as at 2011. In China , the number of SMEs increased from 1,52 million in 1978 to 19 million in 1991. During the same period their employees increased from 28million to 96million . In Iran , the small and medium enterprises sector contributed more than 62% of industrial output and more than 75% of total employment in 1996. In Israel , SMEs accounted for 97% of Israel 's enterprises in 1996, employing some 50% of the country's workforce. In Germany , there are more than 3.3million individual enterprises which accounts for over 90% of all businesses paying sales tax, creating 70% of the jobs, providing 80% of job training opportunities and developing 75% of all patents and innovations.

TABLE 3: SMEs CONTRIBUTION TO TOTAL ECONOMY 2007

Country	No of Enterprises %	Total Employment %	Value Added %
France	99.8	60.5	56.0
Germany	99.5	60.4	53.6
Japan	99.7	69.0	53.0
South Korea	98.9	71.0	45.5
UK	99.6	54.1	51.0
USA	98.9	57.9	na

Source: Economist Intelligence 2010

3.0 COMPARATIVE REVIEW OF SME CLASSIFICATION IN OTHER NATIONS
Belgium is a Federal country governed by a National Government consisting of 3 Regions namely, Brussels, Flanders and Wallonia, each of which is governed by its own Regional government with extensive devolved power relating to industrial policy, investment and infrastructure and many others. SMEs in Belgium are defined by the number of employees as , 0- 9 employees as micro, 10-49 employees as small , 50-199 as medium enterprises while firms with above 200 employees as large enterprises. In 2010, SMEs in Belgium constituted 99.8% of total firms in the Country. The distribution of firms in Belgium (2010) , has 480,908 Micro enterprises (93.8%) , 26,572 Small enterprises (5.2%) , Medium enterprises with 4,248 firms or (0.8%) and large enterprise 840 or 0.2%.

India: The Micro, Small and Medium Enterprises Development Act, 2006, No. 27 OF 2006, "In the Indian context, micro, small and medium enterprises as per the MSME Development Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipments for enterprises providing or rendering services. According to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, (India) a micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees. A medium enterprise is where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees. A small enterprise is where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees.

Kenya, the MSME bill 2009 has used 2 criteria to define SMEs in general number of people/employees and the company's annual turnover for enterprises in the manufacturing sector, the definition takes into account the investment in plant and machinery as well as the registered capital.

4.0 PAST PUBLIC POLICIES TO PROMOTE SMEs IN NIGERIA
In Nigeria, there had been various public sector initiatives to drive the SMEs , unfortunately all these efforts have succeeded in achieving the desired results. Some of these initiatives include;

- **Import-Substitution Industrialisation policy** - On attainment of Independence in 1960 , the initial efforts were directed towards substituting locally produced industrial goods imported ones. In carrying out this import substitution strategy there was no distinction made between small, medium and large business enterprises. All the incentives were tilted in favour of large scale industries.
- **Indigenisation Policy** - The Nigerian Enterprises Promotion Law or Indigenisation Act of 1972 was aimed at transferring indigenous participation in all sectors of the economy.
- **CBN credit guidelines** - which required banks to allocate prescribed minimum percentage of credit at concessionary interest rates to the preferred sectors that include SMEs
- **CBN special intervention funds** - to resuscitate to ailing industries in the economy like textile , Aviation , etc
- **Establishment of Industrial Development centres** (1970 -1975) - In Owerri, Zaria, Oshogbo, Maiduguri, Abeokuta, Sokoto, Benin City Uyo, Bauchi, Akure, Ilorin, Port Harourt, Kano and Ikorodu . There are over 22 IDCs in the country. The programme was constrained by poor funding and bureaucracy.
- **Small scale Industries credit Scheme in 1971 (SSICS**) - The scheme which operated as a matching grant between the federal and State Government was designed to make credit available on liberal terms to the SMEs and was managed by the states' Ministries of Industry. The scheme was badly managed such that many unviable projects were funded leading to massive repayment default and eventual collapse of the scheme.
- **The Nigerian Bank of Commerce and Industry , 1973 (NBCI)**, the NBCI suffered from operational problems , culminating in a state of insolvency in 1989 and absorbed into the newly established Bank of Industry in 2002.
- **The Nigerian Industrial Development Bank ,1962 (NIDB)**, the NIDB failed mainly because of massive loan repayment default and had been merged with the newly created Bank of Industry.
- **SME Apex Fund Scheme** - In order to further expand credit allocation to SMEs, the Federal Government in 1989 negotiated a programme of financial assistance with the World Bank to complement other sources of funding the SMEs . The credit components and other related activities of the World Bank loan were administered by the CBN, which in 1990 established an SME Apex unit for its efficient implementation. It was abolished in 1994
- **The National Economic Reconstruction Fund,1990, (NERFUND)** - In order to bridge the resource gap for the SMEs , the Federal Government set up the National Economic Reconstruction Fund in 1990 with the CBN as one of the facilitating Institutions . The burden debt servicing kill the initiative.
- **National Directorate of Employment, 1986. (NDE),** the NDE operated among others two credit schemes with concessionary interest rates , complemented by an entrepreneurial development programmes to assist SMEs- the Graduate Job creation loan Scheme (GJLS), and Mature People Scheme (MPS). Through the Directorate a number of programmes were promoted such as Small scale Industries, Youth Empowerment and Vocational skills Development, Open Apprenticeship Scheme, Waste to Wealth programme, etc
- **International Financial Assistance** - The Federal Government had over the years approached International financial agencies such as the World Bank/Affiliates, United Nations, African Development Bank to source capital for SMEs which the Federal Government often guarantees and agrees to monitor or co- finance the SMEs receiving such external funding. The policy objectives were to stimulate increased availability of equity capital to SMEs and help in restructuring their capital bases.
- **The Second Tier Securities Market (SSM)** - In order to assist SMEs to source funds through the capital market the Second Tier Securities market was established in 1985.
- **Technical , Training and Extension Services Programme** - Institutions such as the Industrial Training Fund (ITF), Raw Materials Research and Development Council (RMRDC) , Federal Institute of Industrial Research Oshodi (FIIRO) Project Development Agency (PRODA) and Centre for Management Development (CMD) were established to focus on the promotion of SMEs in the country.
- **Efforts of State Governments** - Over the years various State Governments have been promoting and development SMEs in their States through creating of industrial Estates , development of Industrial development centres and Investments Companies.
- **Working for Yourself Programme (WFYP)** - With the assistance of the British Council and the International Organisation , the Federal Ministry of Industries established this programme as a means of improving the skills of business operators.
- **Small and Medium Enterprises Equity Investment Scheme** - the SMEEIS is an initiative of the Bankers Committee to invest 10% of Bank's profit after tax as equity investment some selected sectors of the economy. It is a form of Venture capital. The scheme has been suspended
- **Peoples Bank of Nigeria 1990** - the Peoples Bank of Nigeria was established among other functions to provide basic credit requirements of under privileged Nigerians who are involved in legitimate economic activities in both urban and rural areas and who cannot normally benefit from the services of orthodox banking system due to their inability to provide collateral security.
- **Community Banks** - the government licensed Community banks across to provide banking services to their immediate operating communities. The institutions ceased to exist from December, 2005 with the Microfinance Policy ,Regulatory and Supervisory framework for Nigeria, 2005.
- **Microfinance Policy, Regulatory and Supervisory framework for Nigeria** - This policy is to promote the establishment of Microfinance banks to provide micro finance services to the low income group and micro enterprises in the country.
- **ADB/Export Stimulation loan** - This financing facility was designed to encourage the local processing of export commodities as well as the manufacturing of final goods for export. Foreign denominated facility sourced from African Development bank were lent to SMEs through commercial banks.
- **Family Economic Advancement Programme (FEAP) –** The Family Economic Advancement programme was primarily established as a poverty alleviation programme.
- **Small and Medium Enterprises Development Agency, (SMEDAN)** - The Small and Medium Enterprises Development Agency of Nigeria was established by the SMEDAN Act of 2003 to promote the development of micro, small and medium enterprises [MSME] sector of the Nigeria Economy. SMEDAN was created as a vanguard and focal point for the promotion and development of the SMEs subsector of the Nigerian economy.
- **Rural Banking Programme** - The rural banking scheme was introduced by the Regulatory Authorities to take banking services to the rural communities. The scheme was meant to help developing economies of the rural areas through savings mobilisation and credit extension, however due to the complaints of the commercial banks of its unprofitability ,the rural banking scheme is no longer a priority of both Regulatory Authorities and the Deposit Money Banks.
- **Rural Finance Building Institutions Programme (RUFIN)** - RUFIN is designed to Improve the performance of Member-Based Non- Bank Rural Finance Institutions to enable them develop to sustainable Rural Microfinance Institutions (RMFIs) in the programme participating states. The goal of this Programme is to improve the income, food security and general living conditions of poor rural households, particularly women-headed households, youth and the physically challenged.
- **National Poverty Eradication Programme (NAPEP)** - National Poverty Eradication Programme was established in 2000 to coordinate and monitor poverty alleviation programmes of the Federal Government. NAPEP focussed on Youth empowerment scheme(YES), National Resources development conservation scheme, Rural infrastructure development scheme and Social Welfare services schemes.
- **Urban Development Bank of Nigeria** - The Urban Development Bank of Nigeria was established by 1992 to provide financial assistance and banking services to all level of government and private sector for construction, rehabilitation and maintenance of priority of urban infrastructure.
- **Agricultural Credit Guarantee Scheme (ACGS)** - The Agricultural Credit Guarantee scheme was set up in 1997 to provide guarantee support for agricultural credits granted by conventional Banks, unfortunately the commercial refused to grant loans to the agricultural sector hence the establishment of the Nigerian Agricultural and Cooperative Bank (NACB).
- **Nigerian Agricultural and Cooperative Bank (NACB)** - The Nigerian Agricultural and cooperative Bank was set up to grant loans to individual farmers, corporate bodies, cooperatives and other bodies. It also loans to state Governments and Government agencies.
- **Nigerian Agricultural Insurance Company (NAIC)** - The Nigerian Agricultural Insurance Company (NAIC) is a wholly owned Federal Government of Nigeria Insurance company set up in 1993, specifically to provide agricultural risks insurance cover to Nigerian farmers.

- **Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) -** The Nigerian Agricultural Cooperative and Rural Development Bank is a merger of Nigerian Agricultural and Cooperative Bank (NACB), Peoples Bank of Nigeria (PBN), and Family Economic Advancement Programme (FEAP). The NACRDB as a Development Finance Institution is to provide credit to the agricultural sector of the economy, cooperatives societies and rural businesses
- **Bank of Industry (BOI) -** The Federal Government in 2000 fused the Nigerian Industrial Development Bank (NIDB), Nigeria Bank of Commerce and Industry (NBCI) , and National Economic Reconstruction Fund (NERFUND) to form the Bank of Industry. The Bank of Industry as a Development Finance Institution as a mandated to attract investment opportunities for Nigerian industries
- **Nigerian Export Import Bank (NEXIMB) -** The Nigerian Export –Import Bank (NEXIM) was established in 1991 as an export credit agency to extend credit guarantee and export credit insurance facilities ,provide domestic credit insurance and reinsurance to assist exports. It replaced the Nigerian Export Guarantee and Insurance Corporation.
- **Entrepreneurship Development Centres** - As a complement to its microfinance policy and also to ensure the sustained supply of skilled entrepreneurs to take advantages available to Micro, Small and Medium Enterprises (MSMEs), the Central Bank of Nigeria [CBN] in 2006 initiated plans to support the efforts of the Small and Medium Enterprises Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE), National poverty Eradication Programme (NAPEP), Industrial Training Fund (ITF) etc by establishing or strengthening one Entrepreneurship Development Centre [EDC] in each of the six geo-political zones in Nigeria. This is to encourage private entrepreneurship, self employment, job creations, income growth, poverty eradication and economic development

5.0 PROBLEMS OF SMEs DEVELOPMENT IN NIGERIA
All the efforts and financial support programmes of the government have failed to promote the development of the SME sector largely because these funds have gone to wrong personal sources and misdirected or misapplied. Though there are problems facing the SMEs that are globally common , however in Nigeria there seems to be foundational issues that have not been addressed by the government hence the abysmal failure of the SME sector till date despite all the huge resources that have invested in the sector problem of misconception of SMEs/ definition problem by policy makers and Government agencies, lack of appropriate regulation/law on small business enterprises as in USA, EU, South Africa, India ,over concentration of decision policies at the Federal level , poor and inconsistent macroeconomic policies, hostile business environment, problem of multiple taxation, lack of SME regulatory framework, lack of SMEs funding that are long term nature, Poor infrastructure , lack of venture capital , non fragmentation of the financial system, over concentration of Regulatory functions on the Central Bank of Nigeria with limited manpower and management capacity ,poor management capacity of business owners and management practice, unwillingness of business owners to dilute ownership and control and lack of SME data bank.

6.0 SIGNIFICANCE OF THE STUDY
The study is intended to assist the Government in formulating appropriate policies that would fast track the development of SME Sector thereby positively contributing to the Nigerian economy. The study would also help to realise the core objectives of SMEs like employment creation, wealth redistribution or creation, stimulating the development of the rural economy and ultimately reducing poverty in the Country. SMEs have continued to impact positively on the economic activities of developing and developed World like in USA, Japan, Belgium, Malaysia India, Indonesia , South Africa, Kenya etc.

7.0 RECOMMENDATIONS
These followings might be appropriate to reposition the SME sector in Nigeria ,enactment of appropriate SME legislation along the practice in USA, EU , restructuring or repositioning SMEDAN along the US Small Business Administration , specific definition of enterprises in terms of size standards reflecting their capital requirements and nature of business in Nigeria, decentralisation of SMEs administration by allowing States or Zones to be actively involved the SMEs support programme, ensure a more stable Macroeconomic policies, fragmentation of the financial systems to create room for different financial institutions such as commercial banks, merchant banks, development finance institutions, microfinance banks, mortgage banks, venture capital companies , agricultural banks, and rural banks , establishment of Small business Investments Companies, restructuring all the Development finance institutions to be more active in supporting the productive sector of the economy, establish SME data bank, flexible and fair tax system for SMEs , taxation on SMEs should not be for revenue solely.. Other suggestions include, Bank of Industry should be restricted to Large firms, the National Economic reconstruction Fund (NERFUND) should be revived to primarily cater for revamping ailing or distressed manufacturing firms in the country , Government should discontinue the practice of Intervention funds rather such as financial assistance challenge through relevant Financial institutions, all levels of Government should adopt the US practice of procurement or contact systems for Small business enterprises, the Securities and Exchange Commission should create a window for Small Business Capital market, Government should ensure transparency in all its activities and provision of guarantees funds for SMEs .

REFERENCES

1. Aktas C (2010): The SMEs in the Global World : Issues and Prospects
2. Aman M (2004) : Addressing entrepreneurship development in SMEs
3. Ayyagari B , Demuirguc k (2003, 2005) : Official definition for 74 OCED transition and developing Countries.
4. Economic Intelligence Unit (2010): SMEs in Japan
5. Gibson T, Van Vaart, Vander H J (2008) : Defining SMEs ; A less imperfect way of defining small and medium enterprises in developing countries.
6. Khrystyna K, Melina L.M, Rita Ramalho: Micro , Small and medium enterprises around the World. How many are there? What affects the count.
7. Leah Gatt (2012) : SMEs Africa Growth despite Constraint
8. Lounia Czupper et al (2014) Belgium law for SME financing
9. Maijama 'a S (2004) SME development and Competitive Role in Private Sector Economy
10. Mauro B, et al (2011) : SME Making progress and economic enhancement a Reality for SME
11. MSME News Network : www. msmenewsnetwork.co
12. OECD (2013) : Economy Survey Belgium EVCA Year book
13. OECD (2004) : Promoting SMEs Development
14. Ogundele O.J.K (2007) : Introduction to Enterpreneurship development, corporate Governance and small business Management
15. Ogunleye G.A (2004) : Small and Medium scale Enterprises as foundation for rapid Economic Development in Nigeria.
16. Ojo, J A T (2004) : Small and Medium Enterprises Development and SMIEIS
17. Olumide A.O (2004) : SMIES and critical examination of the SMEs
18. Oshorun A.O (2009) Enterpreneurship
19. Owualah, S.I (1999) ; Entrepreneurship in Small Business firms
20. Oya P A, Natalya M . & Valentina S (2004) : Small and Medium enterprises: A cross country Analysis
21. Rafia Qureshi et al (2012) The small medium Enterprise sector catalyst for Growth in South Africa
22. Rayib, Lahr : Problems and Prospects of Micro , small and medium enterprises in India in the era of Globalisation.
23. Think small first www.sbs.org.
24. US Small Business Administration www. sba.gov/advocacy

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you tosupply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail**infoijrcm@gmail.com** for further improvements in the interest of research.

If youhave any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, nor its publishers/Editors/ Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal is exclusively of the author (s) concerned.

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals