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RESEARCH METHODOLOGY
RESULTS & DISCUSSION
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RECOMMENDATIONS/SUGGESTIONS
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ETHICAL DECISION MAKING: GUIDING PRINCIPLES

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ABSTRACT
Issues connected with business ethics have recently acquired prominence in the changing business scenario. The anxiety of global investors in emerging markets is not only about the quality of management but also the ethical framework for decision-making and the collapse of the South East Asian countries has stressed the issue further. In the process of adopting new techniques and ideas for ethical decision making-let us not throw out the existing good stuff that has helped us build and shape civilization as we know and enjoy today, even in future. In this paper an attempt is made to recollect the principles with seminal works developed by few of the great conceptualists. Further, the paper offers models for ethical decision making.

KEYWORDS
ethical decision making, virtue ethics, ethical reasoning, eternal law, hedonism/egoism, utilitarianism, universalism, distributive justice, personal liberty and rights.

INTRODUCTION
Ethics always says, "Not I, but thou." Its motto is, "Not self, but non-self." The vain ideas of individualism, to which man clings when he is trying to find that infinite power or that infinite pleasure through the senses, have to put yourself last, and others before you. The senses say, "Myself first." Ethics says, "I must hold myself last." Thus, all codes of ethics are based upon this renunciation; destruction, not construction, of the individual on the material plane.

– ***Swamy Vivekananda***

"Ethics is not definable, is not implementable, because it is not conscious; it involves not only our thinking, but also our feeling"

– ***Valdemer W. Setzer, Brazilian Anthropologist***

It is important to realize that different professionals may implement different courses of action in the same situation. There is rarely one right answer to a complex ethical dilemma. However, if you follow a systematic model, you can be assured that you will be able to give a professional explanation for the course of action you chose. Decision making is informed, consistent, balances the requirements of multiple stakeholders and is responsible and ethical. Moreover, Code of Ethics is actively applied as the benchmark for individual conduct and open and accountable governance.

When deciding ethical dilemmas take time to think out the problem, as this is not the moment to make snap-decisions. Seeking aid to take appropriate decision in a righteous manner, the earlier seminal works can always act as basis. Proficient people contributions towards guiding principles of making decision ethically can demystify the changing needs of the organization at present as well as in the future by considering moral standards at the work and organization.

According to Sunil Kumar Maheswari and M P Ganesh (2006) The ethical decision making and behavior of individuals in the organization are influenced by various factors which can be classified into three major headings namely: a) Intrinsic variables (internal ethical issues/ethical dimension in a given problem or opportunity and managerial concerns in an organization), b) Extrinsic variables (Environmental factors like culture, legal frameworks etc) and c) Moral issue related variables (Personal characteristics of decision maker and organizational guiding principles/philosophy and code of conduct). These above given variables are going to influence the decision making process in general, whereas the moral concerns are to be guided by seminal principles of earlier experts. Here, the below conceptualizations are going to be the foundation for students, academicians and practitioners while making ethical decisions.

PRINCIPLES GUIDING ETHICAL DECISION MAKING
Ethical issues involve dilemmas and managers require some sort of guidance in resolving them. Many theoretical approaches to guide ethical decisions and behavior have been evolved. The theories of business ethics which explain approaches to ethical decision making fall into two groups, one based on traits another based on methods of reasoning.

(A) VIRTUE ETHICS
Virtue ethics theories maintain that the habitual development of sound character traits determine the ethical value of persons. Individual character, work character and professional character are covered by these theories. It focuses on improving the character or traits of the agent. Virtue theorists try to identify the list of virtues and give an account of each. They also explain why they are important. Plato and Aristotle pursued the questions: What is a good person? What are the virtues associated with a good person? For the Greeks virtue meant excellence, and ethics was concerned with excellence of human character. The list of possible virtues is long and there is no general agreement on which is most important. Aristotle, in his Nicomahean Ethics, espouses moral virtues, such as courage and truthfulness. Other often stated virtues are: honesty, generosity, tolerance and self control. The virtues are dispositions to find the golden mean between two extremes and help us find happiness and fulfillment.

(B) ETHICAL REASONING
Two distinct sets of theories of business ethics are found as given under:
- Teleological ethics theories maintain that good ends and/or results determine the ethical value of actions (Eternal law, Hedonism, and Utilitarianism).
- Deontological ethics hold that fulfilling obligations, responsibly following proper procedures, doing the right thing and adhering to moral standards determine the ethical value of an action (Universalism, Distributive justice and Liberty).

A brief of the six theories under the two categories is presented here.

A). ETERNAL LAW

Many church leaders and some philosophers (Thomas Aquinas and Thomas Jefferson among them) believe that there is an Eternal Law, incorporated in the mind of God, apparent in the state of Nature, revealed in the Holy Scripture, and immediately obvious to any man or woman who will take the time to study either nature or the scripture. Religious leaders tend to emphasize the revealed source of the truth more than the reasoned nature, but they also believe that the state of the Law is unchanging, and that the rights and duties are obvious: if we are to be loved, then we must love others. This reciprocal exchange is summarized in Christian theology by the Golden Rule; "Do unto others as you would have others do unto you".

Thomas Jefferson, really the first of the secular humanists, believed that the truths of this law were "self-evident," in his famous phrase, that the rights were "inalienable," and that the duties could easily be derived from the rights. If people had rights to "life, liberty and the pursuit of happiness," then they had obligations to ensure those rights to others, even if this meant revolution against the British Crown.

The philosopher David Ross qualifies that sometimes duties arise from our special relationships in life, and they are not absolute. Our character as well as our circumstances, therefore determines what our actions are.

- *Golden rule principle*: You act on the basis of placing yourself in the position of someone affected by the decision and try to determine how that person would feel.

B). HEDONISM/EGOISM

It refers to the self serving philosophy of individuals who seek to maximize their pleasure in the world in which they live. The following three ethical principles attempt to justify self-serving decisions and behaviors.

- *Hedonist Principle*: You do whatever is in your own self-interest, but not clearly illegal.
- *Might-equal-right principle*: You do whatever you are powerful enough to impose without respect to ordinary social conventions and widespread practices or customs, but not clearly illegal.
- *Organization interest's principle*: You act on the basis of what is good for the organization and the achievement of its goals, but not clearly illegal.

C). UTILITARIANISM

The utilitarian view of ethics says that ethical decisions are made solely on the basis of their outcomes or consequences. It focuses on net consequences and not individual intentions. It is termed 'Utilitarianism', a philosophy originated by Jeremy Bentham (1748-1832), a British thinker. The name of the philosophy is derived from the word utility, which had an eighteenth-century meaning that referred to the degree of usefulness of a household object or a domestic animal; that is a horse could be said to have a utility for plowing beyond the cost of its upkeep. Utility has this same meaning, and this same derivation, in microeconomic theory; it measures our degree of preference for a given good or service relative to price.

This theory advocates that a good course of action as being that which brings the greatest amount of good over bad, both over the long term and the short-term. It uses a quantitative method for making ethical decisions by looking at how to provide the greatest good for the greatest number. The use of a cost and benefit analysis is one of the ways in which one can make a decision.

The basic principle is:

Every one ought to act so as to bring about the greatest amount of happiness for the greatest number of people.

The utilitarian principle provides a decision procedure. When you have to decide what to do, you should consider the happiness – unhappiness consequences that would result from your various alternatives. The alternative that produces the most overall net happiness is the right action.

Acts Vs. Rules

Utilitarians have recognized the difficulty in making cost benefit analysis in all cases.

- Sometimes we must act quickly
- Sometimes consequences are impossible to foresee
- Sometimes consequences are difficult to measure or quantify

To save time, and to avoid the need to compute the full consequences of every decision and action, most Utilitarians recommend the adoption of simplifying rules. Rule utilitarians argue that we adopt rules that, if followed by everyone, would, in the long run, maximize happiness. Examples of utilitarian rules are:

- Be honest
- Tell truth
- Do your duty
- Keep your promises
- Don't reward behaviors that cause pain to others.

Act utilitarians, put the emphasis on individual actions rather than rules. 'Act' in these ways to bring happiness to people. Rule utilitarians believe that rules are universally applicable and take them to be strict. However, act utilitarianism regards rules as rules of thumb general guidelines. They are at best relative, as they have varying implications depending on the situation.

- Use of water - Putting water in swimming pools and watering lawn is right in a water-abundant situation and wrong in an environment in which water is scarce. Therefore, rules to be effective should be flexible and changing with the times.
- Divorce - Rules and laws that break marriage bonds are unknown earlier. Today they are found in many societies.
- Lying - It is wrong as per the rules, but lying may sometimes bring happiness without harm. A sick husband may lie to his wife so as not to create stress in her. However, lying in all cases is not good. It destroys the trust between the husband and wife.

Both act and rule principles can be used to formulate a decision-making procedure for figuring out what one should do in a situation. In fact, the principles can be used to determine and evaluate the laws of a society. Law against killing, stealing, fraud, breaking contracts and so on, can be justified on utilitarian grounds. Laws are criticized when they fail to produce net good consequences. The debate on changing the law examines alternative approaches that maximize the good and minimize the harm.

- *Means-end principle*: You act on the basis of whether some overall good justifies any moral transgression, but not clearly illegal.
- *Utilitarian principle*: You act on the basis of whether the harm inherent in the decision is outweighed by the good in it, but not clearly illegal.

D). UNIVERSALISM: A DEONTOLOGICAL THEORY

The deontological approach is the reverse of teleological theory. The term deontology is derived from Greek word *deon* (duty) and *logos* (science). Etymologically, then deontology means the science of duty. Deontology says that individuals are valuable in themselves, and not because of their social value. Further they argue:

(1) The capacity for rational decision making is the most important feature of human beings.
(2) We are moral beings, because we have the capacity to give ourselves rules and laws and to follow them.
(3) What morality requires is that we respect each other as valuable persons in themselves. We should refrain from valuing them only as aids, facilitators or means to our ends.
(4) Happiness is not the only end. Humans seek a variety of goals.

It emphasizes on intentions and not outcomes - It states that the moral worth of an action cannot be dependent upon the outcome because those outcomes are so indefinite and uncertain, at the time the decision to act is made; instead, the moral worth of an action has to depend upon the intentions of the person, making the decision or performing the act.

Intentions guide actions - Personal intentions can be translated into personal duties or obligations because, if we truly wish the best for others, then we will always act in certain ways to ensure beneficial results.

Actions become duties - The theory states that these ways of actions become duties that are incumbent upon us, rather than the choices that are open to us. It is our duty to tell the truth; it is our duty to adhere to contracts; it is our duty not to take property that belongs to others. In teleological theory, these are the actions that bring the greatest benefits to others.

Duties are universal - Our personal duties are universal, applicable to everyone and consequently deontological theory is also termed as 'Universalism'. The common law is a form of Universalism: Everyone, who secured a loan, should repay it and no one, needing money, should rob banks.

Treat others as ends - The first duty of Universalism is to treat others as 'ends' and not as 'means'. Other people should be seen as valuable ends in themselves, worthy of dignity and respect, and not as impersonal means to achieve our own ends.

Categorical Imperative - Immanuel Kant (1724-1804) proposed a simple test for personal duty and goodwill. The test is to ask yourself whether you would be willing to have everyone in the world, faced with similar circumstances, forced to act in exactly the same way.

'Never treat another human being merely as a means but always as an end.'

This is the Categorical Imperative; "categorical," of course, means absolute or unqualified, and the precept is that an act or decision can be judged to be "good" or "right" or "proper" only if everyone must, without qualification, perform the same act or reach the same decision, given similar circumstances.

The two formulations by Kant, in his words:

1. To act only in ways that I would wish all others to act, faced with the same set of circumstance, and
2. Always treat other people with dignity and respect.

The first version says that what is morally right for me must be morally right for others. Everyone is of equal value. If this is so, then no person's rights should be subordinated to those of anyone else. If that is so, then we must treat people as free and equal in the pursuit of their interests. For example, when I start a business, success is my goal. I hire employees to work in my company to achieve the success. If I make them work for longer hours and extract heavy work ignoring their well being, I can improve my success, but it is exploitation. It is unfair because I have used people as a means to the end (success).

Take another example, when a researcher assures confidentiality of information,

Is he justified in hiring research assistants to process the responses?

No, because he is violating a promise.

Will he be right when individual responses are secretly coded?

Yes, because he is not using respondents as objects but as humans and treating their concerns with respect.

A related principle that helps managers in decision making therefore is:

- *Professional standards principle*: You act on the basis of whether the decision can be explained before a group of your peers, but not clearly illegal.

E). DISTRIBUTIVE JUSTICE

In 1971, John Rawls, a Professor at Harvard University, examined the distributive justice in his book "A Theory of Justice". It is explicitly based upon the premise of a single value: justice. Justice is felt to be the first virtue of social institutions; our laws and institutions, no matter how efficient or accepted, must be reformed or abolished if they are unjust. Professor Rawls proposes that society is an association of individuals, who co-operate to advance the good of all. Therefore the society and the institutions within that society are marked by conflict as well as by collaboration. The collaboration comes about, since individuals recognize, that joint actions generate much greater benefits than solitary efforts; the conflict is inherent because people are concerned by the just distribution of those benefits. Each person prefers a greater to a lesser share and proposes a system of distribution to ensure that greater share. The alternative systems are:

(i) ***Absolute equality*** - They would not select absolute equality in the distribution of benefits, Professor Rawls argues, because they would recognize skills; develop greater competences, and so on.

(ii) ***Absolute inequality*** - They would not agree to absolute inequality based upon effort, skill or competence because they would not know who among them had those qualities and consequently who among them would receive the greater and the lesser benefits.

(iii) ***Conditional inequality*** - Instead, they would develop a concept of conditional inequality, where differences in benefits had to be justified, and they would propose a rule that those differences in benefits could be justified only if they could be shown to result in compensating benefits for everyone, and in particular for the members with least advantage in their society. That is, the distribution of income would be unequal, but the inequalities had to work for the benefit of all, and they would work for the benefit of all by helping in some measure, the least benefited, who would then continue to contribute and co-operate.

Rawls, understands that individuals are self interested. Therefore, they will be influenced by their own experiences and their own situations when they think about fair arrangements. This may result in injustice favoring the powerful and influential ones.

Smart people would want rules that favored intelligence.

Strong people would want a system that rewarded strength.

Justice will be possible only when individuals take decisions behind the veil of ignorance with regard to their own characteristics (intelligence, strength, etc). Rawls argues that individuals in their original position (unaware of characteristics) would agree to two rules, they are:

1. Liberty – Each person should have an equal right to the most extensive basic liberty compatible with a similar liberty for others.
2. Opportunity – Social and economic inequalities should be arranged so that they are both:

a. Reasonably expected to be to everyone's advantage, and
b. Attached to positions and offices open to all.

Theory of justice suggests, framing and enforcing rules fairly and impartially by following a suitable base of distribution consistent with legal rules and regulations. Modern economic systems make use of distributive systems that have five very different bases as given in the Table 1.

TABLE 1: METHODS OF DISTRIBUTIVE SYSTEM

Method	Example
to each person equally	public education
to each according to his or her need	welfare payments
to each according to his or her effort	sales commissions
to each according to his or her contribution	public honors
to each according to his or her competence	managerial salaries

The distributions are justified by the principle of equity.

- *Distributive justice principle*: You act on the basis of treating an individual or group equitably rather than on arbitrarily defined characteristics, but not clearly illegal.

F). PERSONAL LIBERTY AND RIGHTS

The theory of Personal Liberty is proposed by Robert Nozick, a member of the Harvard faculty. This system is based upon the primacy of a single value, 'liberty'. Liberty is thought to be the first requirement of society. An institution or law that violates *individual liberty in making choices*, even though it may result in greater happiness and increased benefits for others, has to be rejected as being unethical. Professor Nozick argues as follows:

Society is an association of individuals and co-operation between those individuals is necessary for economic gain. The co-operation comes about as a result of the exchange of goods and services. The exchanges can be considered to be "just" as long as they are voluntary. Non-voluntary exchanges, based upon the use of social force or other coercive means, are unjust. Individuals must be allowed to make informed choices among alternative courses of action leading towards their own welfare. Those choices are "just" or "right" or "proper" as long as the same opportunities for informed choices are extended to others. Justice depends upon equal opportunities for choice and exchange, not upon equal allocations of wealth and income.

The principle that helps managers in decision making is:

- *Disclosure principle*: You act on the basis of how the general public would likely to respond to the disclosure of the rationale and facts related to the decision, but not clearly illegal.

Rights theory, is concerned with respecting and protecting individual liberties and privileges such as the right to privacy, freedom of conscience, free speech, life and safety and due process. This would include, for example, protecting the free speech rights of employees who report legal violations by their employers and refusal of overtime when needed. Rights are positive and negative. Negative rights are rights that require restraint by employers. Employer should refrain from exploiting employees. Positive rights, on the other hand, imply that others have a duty to do something to or for the right holders. Employers have to create rules and regulations that facilitate a fair day's work with a fair day's pay and a climate of participation. Positive rights are more controversial than negative rights because they have implications that are counter-intuitive. Positive rights include better wages, good welfare facilities, sound training, proper supervision and right environment. Rights are legal and moral. Legal rights are rights that are created by law. Moral rights are claims that are independent of law. Utilitarian arguments generally tend to recognize a legal right. Rights are deeply rooted in the tradition of social contract theories. Humans agree to do things for a consideration. The agreement (social contract) creates obligations that are moral and legal.

The appropriate principle that aids managers in decision making is:

- *Principle of Individual Rights:* This behavior gives due respect to the rights of all the affected persons in terms of the basic human rights.

The Rights based theory by John Locke states, that human beings have duties because they have rights. Liberty is related closely with life in a community of people. Negative rights, on the other hand, place duties on other people not to interfere with one's life. One may also talk of having rights to certain goods and services, health care, a clean environment or education.

The below given Table 2 summarizes the six major ethical systems.

TABLE 2: SUMMARY OF MAJOR ETHICAL SYSTEMS

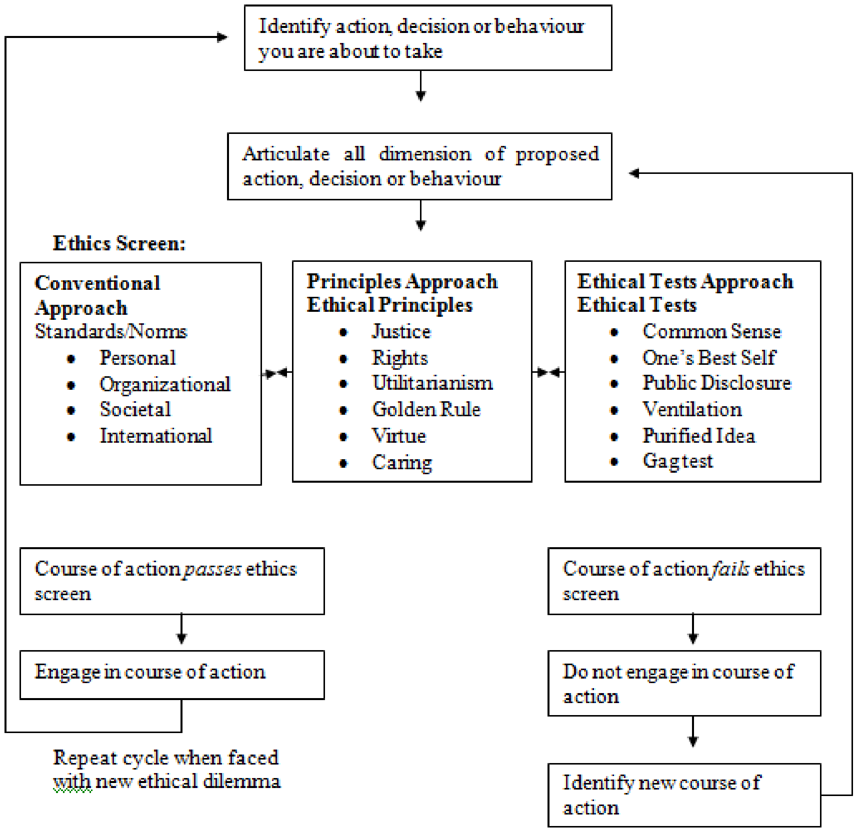
Theory	Guiding question	Nature of the Ethical Belief	Principles
Eternal Law	Is the decision based on natural human duties and rights of decision maker?	Moral standards are given in an Eternal Law, which is revealed in Scripture or apparent in nature and then interpreted by religious leaders or humanist philosophers.	Golden rule
Hedonism/ egoism	Does a given decision give maximum benefit to self or organization?	Moral standards are self serving. Maximum benefit to self or organization.	Hedonist principle, Might equal rights principle, Organization interest's principle:
Utilitarian Theory	Does a given decision result in greater benefits than damages for society as a whole, not just for our organization as part of that society?	Moral standards are applied to the outcome of an action or decision; the principle is that everyone should act to generate the greatest benefits for the largest number of people.	Means-end principle, Utilitarian principle
Universalist Theory	Is the decision self-serving, or would we be willing to have everyone else take the same action when faced with the same circumstances?	Moral standards are applied to the intent of an action or decision; the principle is that everyone should act to ensure that similar decisions would be reached by others, given similar circumstances.	Professional standards principle
Distributive Justice	Will the decision lead to social cooperation?	Moral standards are based upon the primacy of a single value, which is justice. Everyone should act to ensure a more equitable distribution of benefits, for this promotes individual self-respect, which is essential for social cooperation.	Distributive justice principle
Personal Liberty	Will the decision increase or decrease the liberty of others to act? Is the decision protecting the rights of others?	Moral standards are based upon the primacy of a single value, which is liberty. Everyone should act to ensure greater freedom of choice, for this promotes market exchange, which is essential for social productivity.	Disclosure principle Principle of individual rights

Source: Hosmer, *"The Ethics of Management"* Universal Book Stall, New Delhi, 1987, Pp.106.

ETHICAL DECISION MAKING MODELS

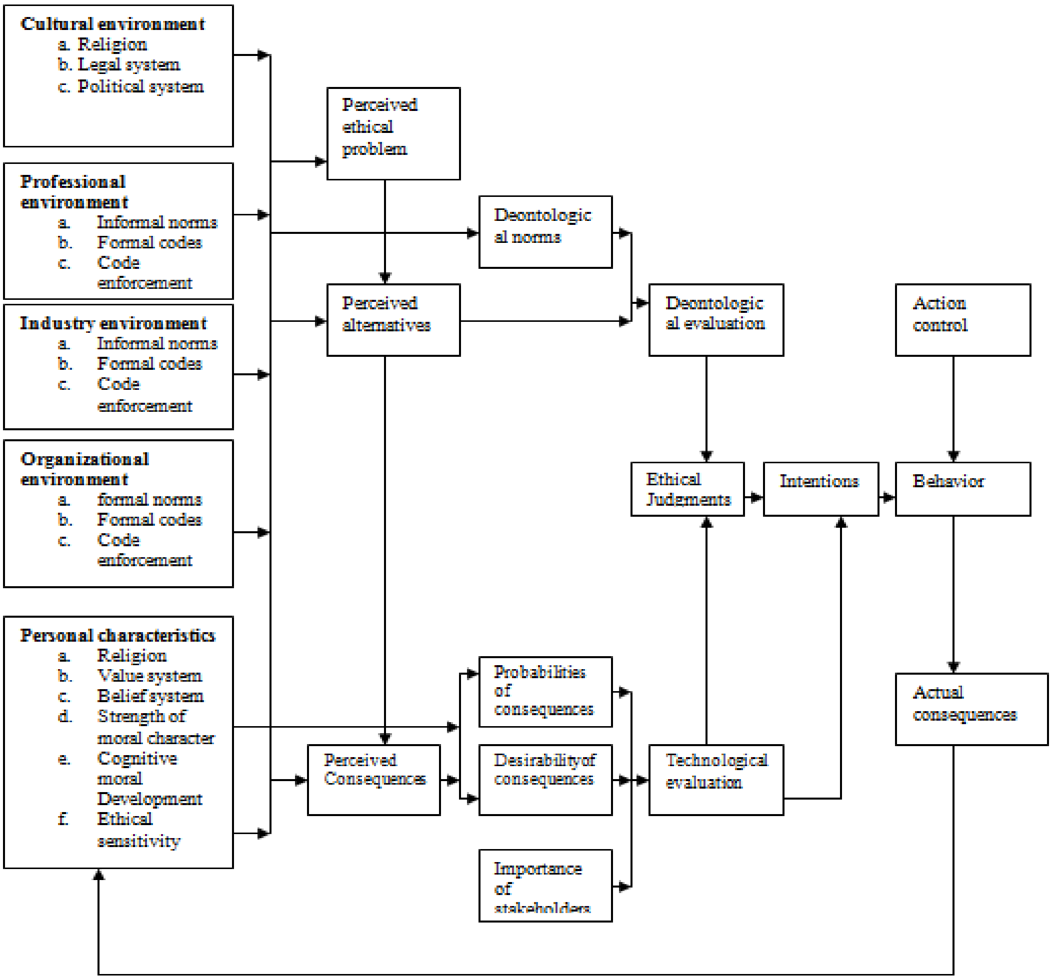
Ethical decision making is not a simple process but rather a multifaceted process which is complicated by the characteristics just described. Carroll and Buchholtz, (2003) model shown in Figure 1 identifies the decision making process as influenced by ethical screen with three variables that filter decision making: Conventional norms, principles and tests. The following Hunt – Vitell (1986) model of ethical decision making illustrates how and where such factors enter into and influence the decision making process. Moreover, Hunt-Vitell, (1986) developed a theory that provides a general model of ethical decision making that would draw on both the deontological and teleological ethical traditions in moral philosophy. This model as shown in Figure 2 addresses the situation wherein an individual confronts a problem perceived as having ethical content. This perception of an ethical problem situation triggers the process depicted by the model. If the individual does not perceive some ethical content in a problem situation, subsequent elements of the model do not come into play.

FIGURE 1: A PROCESS OF ETHICAL DECISION MAKING



Source: Carroll and Buchholtz, (2003) "*Business and Society: Ethics and Stakeholder Management*, Thomson Publications, 5th edition, PP.229.

FIGURE 2: HUNT - VITELL MODEL OF ETHICAL DECISION MAKING



Source: Hunt and Vitell (1986). Copyright © 1991 by Shelby D.Hunt and Scott J. Vitell as cited in *Business ethics* edited by Rober A.Peterson and O.C.Ferrell, (2005), Prentice-Hall, India, pp20.

There are six major ethical systems, as summarized in Table I. Each ethical system expresses a portion of the truth. Each system has adherents and opponents. And each, it is important to admit, is incomplete or inadequate as a means of judging the moral content of individual actions or decisions. In the same way figure 1 &2 discloses two different models for ethical decision making which get influenced by different sets of variable. What does this mean to managers?
Moral reasoning of this nature, utilizing all five ethical systems, considering all the sets of influential variables is not simple and easy, but it is satisfying. It does work. In case of corporate businesses, their performance in ethical terms can be identified by factors such as: the nature of business, the availability and use of information, participation, employment relationships, connections with the government in power, attitudes to their staff and customers and society (degree of autonomy, warmth, support etc.) Since ethical issues pervade in all aspects of organizational activities and performance, it will be necessary to identify the nature of all the legitimate interests of all those concerned with corporate governance.

CONCLUSION
The issues connected with business ethics have recently acquired prominence in the changing business scenario. The anxiety of global investors in emerging markets is not only about the quality of management but also the ethical framework for decision-making and the collapse of the South East Asian countries has stressed the issue further. In the process of adopting new techniques and ideas for ethical decision making-let us not throw out the existing good stuff that has helped us build and shape civilization as we know and enjoy today, even in future.

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MONETARY POLICY COMMITTEE AND SPECTRE OF COMMITTED BANKING

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ABSTRACT
One of the major second generation reforms being considered is the reform of financial sector. The Financial Sector Legislative Regulatory Committee (FSLRC) has recommended creation of a unified regulator, Monetary Policy Committee (MPC) and Indian Financial Code (IFC). The proposed reform seeks to assert government supremacy in determination of monetary policy and repo rate. This is understandably causing concern amongst discerning analysts who foresee emasculation of Reserve Bank of India (RBI) as an independent institution. This paper takes an overview of the role of RBI so far in terms of inflation targeting etc, the turbulent journey of US Federal Reserve Bank whose policies have global impact and the need to have professional approach to address serious issues like fiscal stability of a country's currency, without undue political interference and influence of crony capitalism. Drawing reference to the turbulence the nation witnessed during (1971-1975) due to coinage of terms like committed judiciary, the paper strongly pitches for ring fencing the institutional autonomy of RBI and for management of its affair in the hands of RBI Governor and his professional associates.

KEYWORDS
FSLRC, MPC, IFC, RBI, repo rate, inflation targeting.

INTRODUCTION
The Financial Sector Legislative Regulatory Committee (FSLRC) had submitted a wide array of recommendation in 2013 by bringing in greater accountability and transparency in the functioning of the regulatory bodies. The suggestions include **Unified Regulator for all financial sectors (except RBI), Indian Financial Code (IFC)** for consumer protection, and a more effective bankruptcy law. Dr. Rajan had called the proposal for a unified regulator as 'Schizophrenic' and Kenneth Rogoff had called the recommendations 'inhibiting'. In an interesting riposte, Justice B.N. Srikrishna who headed FSLRC had observed that **'to claim immunity from judicial review on the ground of flexibility runs against the fabric of rule of law'**. The government has decided to implement the recommendations. The MoF website on 24th July has put up a few suggestions for strengthening the regulatory accountability of financial agencies, and has indicated the likely composition of Monetary Policy Committee (MPC). The balance has been tilted towards central government control which will effectively decide on monetary policy and repo rate, as against the earlier recommendation of Urjit Patel Committee (2014) to preserve the primacy in the role of RBI. It looks as though under the guise of upholding rule of law the government is trying to emasculate institutional independence of the RBI. The provocation seems to be stonewalling of the RBI to persistent lobby by the corporate sector and vested interests to reduce 'repo' rate. There are also strident political voices who espouse that RBI needs to have the right cocktail between price stability and economic growth. Our paper, tries therefore, to take (a) An overview of the role of RBI; particularly in the context of determination of Repo Rate, (b) A comparison with the practice obtaining in US Fed Reserve Bank and (c) Lessons and challenges for India.

RBI & Its ROLE SO FAR
The RBI came up vide Act No. 2 of 1934 with a statement to "**ensure confidence in the management of Indian credit, currency and exchange, and to be free from any political interference**". The major functions outlined are (a) Regulate issue of bank notes, (b) Secure monetary stability (c) Operate currency and credit system to country's advantage. The Act was amended in 2006 to use a larger variety of financial instruments like derivatives, repo and reverse repo and remove the lower and upper ceiling of CR and lay down policy dealing in government security, money market instruments and derivatives. The RBI Governor along with the Deputy Governors are at the helm of this business and are expected to conduct eight meeting a year. The repo rates are announced every quarter. The Governor normally plays the role of 'primus inter-pares' and has a veto power.
While the role of RBI has been to secure **monetary stability**, "**inflation targeting**" has become the thrust area of late with sharp spurt in prices of primary articles beyond acceptable levels. **The Urjit Patel committee has recommended a threshold level of 4% and has also recommended that a MPC should be constituted with five members in which the RBI will have a majority of three members. In contrast, the draft of the government proposes to have a seven member committee in which four persons would be from the Central Government. The other major change being proposed is to combine growth with price stability as the dual policy mandate of the RBI. This is based on the amendment US made to its Fed Reserve Bank Act in 1993 as per which besides "inflation targeting" stabilization of output and employment have been identified as conjoint policy concerns.**

FED RESERVE BANK AND ROLE OF ECONOMIC LOGIC
Fed Reserve Bank has the biggest footprint in the global market. The repo rates in US is decided by FOMC a committee, which is exclusively composed of bankers who deliberate on economic and financial conditions; risks to long-term goal of price stability and sustainable economic growth. The activities of the **Fed Reserve Bank is subject to congressional oversight twice a year in regard to its rationale and conduct of monetary policy**. The Fed Reserve Governors have played a very significant role, with some of them becoming larger than life. **Volker slayed the demon of double digit inflation in the 1970s by hiking repo rate to 19% (1982) from the previous highest rate of 9%**; something unprecedented. This was in the backdrop of OPEC's cartelization and abnormal hike in oil prices in the 1971 leading to high cost push inflation (>10%). Increasing consumerism and abnormal military expenditure in Vietnam War added fat to the fire. **Volkerism was a sequel to the hawkish monetary policy peddled by Milton Friedman, as a counterpoint to the beguiling charm of Keynesianism that ruled the roost from 1936-1970.**
His successor, Alan Greenspan, considered the 'greatest banker' brought in the "**ease money policy" and debunked the economic hypothesis of NAIRU adduced by Modigliani-Papademos (1973). NAIRU refers to an unemployment level below which a country will countenance wage increases and inflation**. To ruling such a possibility Modigliani had suggested a repo rate hike. Alan Greenspan, defying this conventional logic, reduced repo rate in 1994 to 3% even through

unemployment in USA had come below NAIRU. This spurred growth and the 'animal spirits' amongst the investors of the times. His **Age of Turbulence (2008)** provides a fascinating account of how the FOMC very often went against the tide of public opinion and proved to be prescient.
With Bernanke, as his successor, 'inflation targeting' is now looked at in sync with stabilization of output and employment. The repo rate came down to around **1%, a drop from 6% in 2000**. The following table provides a glimpse of what is happening in USA over the last three years.

TABLE 1: EMPLOYMENT, OUTPUT GDP, AND INFLATION & REPO RATE: USA

Parameter	July 2013	January 2014	July 2014	January 2015	July 2015
Unemployment	7.6	7.0	6.3	+5.8	5.3
GDP	+1.9	+1.8	+2.1	+2.3	+2.3
Inflation	+1.5	+1.5	+1.9	+1.6	+0.4
Repo Rate	0.25	0.25	0.25	0.25	0.25

Source: The Economist

It would be seen that both in terms of inflation and GDP, USA is as a safe trajectory. The containment of unemployment to around 5% has ensured that repo rate is very minimal.

CONTRASTING PICTURE IN INDIA

In contrast, India is witness to a sharp drop in GDP growth from its high growth path upto 2010-2011 besides sharp fluctuation in CPI. This has made the job of the RBI governors extremely unenviable. In particular the steep policy rate hike by Mr. Subba Rao for 4.75% (2009-2010) to 8.25% (2011-2012) has left a legacy which is really contentious. As the following table would show, his logic of reducing repo rate for 5.5% (2008-2009) to 4.75 (2009-2010) when inflation had zoomed for 9.1% to 12.4% defies every economic logic.

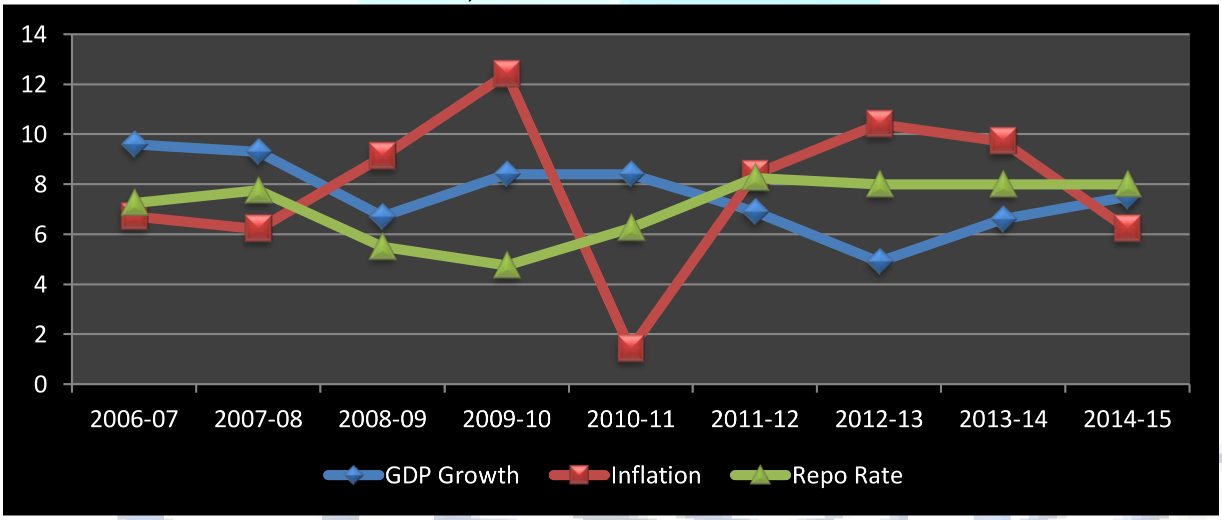
TABLE 2: GDP GROWTH, INFLATION, UNEMPLOYMENT AND REPO RATE: INDIA

Year	GDP Growth	Inflation	Unemployment	Repo Rate
2006-2007	9.6	6.7	8.35	7.25
2007-2008	9.3	6.2	8.35	7.75
2008-2009	6.7	9.1	8	5.5
2009-2010	8.4	12.4	8	4.75
2010-2011	8.4	10.4	9.4	6.25
2011-2012	6.9	8.4	9.4	8.25
2012-2013	4.9	10.4	6.3	8.0
2013-2014	6.6	9.7	5.2	8.0
2014-2015	7.5	6.2	4.9	8.0

Source: The Economist & RBI Bulletin

In the context of unemployment, however, it must be mentioned that most of the reduction is due to additional employment generated in the unorganized sector which accounts for nearly 90% of India's employment and the construction segment. In contrast the government sector and the organized manufacturing sector shows hardly has to any increase in employment over the years. With around 12 million additional job seekers getting added every year, the performance of the government in terms of generating adequate quality employment in manufacturing sector remains unaddressed.

FIGURE 1: GDP, INFLATION AND REPO RATE-TRENDS IN INDIA



TAYLOR RULE AND ITS RELEVANCE

While economic theories like NAIRU have been proved to be unrealistic, the Taylor Rule (1995) in contrast has been a significant policy template for policy makers. This rule brings out how the **RBI should change the nominal interest rate keeping in view actual and potential figures for inflation and out**.

THE TAYLOR RULE

The rule states $\mathbf{i_t = \Pi_t + r^*_t + 0.5(\Pi_t - \Pi^*_t) + 0.5(y_t - \bar{y}_t)}$. Where i_t = National Interest, Π_t = Rate of Inflation, Π^*_t = Desired Inflation, y_t = Real GDP, $\bar{y}_t$ = Potential GDP, r^*_t = Equilibrium Interest Rate.

This formula thus sets the benchmarks for a country's optimal GDP (G_n of Harrod-Domar Model) and the floor level of inflation. In India's context it's pitched arrow 9% for GDP and 4% for CPI. While the output of a country is a function of consumption and investment i.e. Y=C+I+G, fiscal policy in terms of allocational priority, tax levels, and debt policy and trade policy in terms of boosting a country's export becomes an essential conjoint with RBI's monetary policy.

INSTITUTIONAL INDEPENDENCE

Montesquieu (1755) envisioned the imperative of separation of powers between Legislature, Executive & Judiciary so that "**the influence of any one power would not be able to exceed that of the other two, either singly or in combination**". The Indian Constitution provides institutional independence to a variety of institutions like CAG, CEC and UPSC. These functionaries are ring fenced from legislative and executive interference through charged expenditure and elaborate impeachment procedure [Article 148 (1)] for (AG). In contrast an independent monetary policy institution like the RBI Governor can be removed under Section 11 of RBI Act by Central Government based on political whims and expediency. The integrity of a country's currency, both within its borders and outside is the professional remit of the RBI. Even during colonial rule 'political interference' was frowned upon. RBI is managed by a wide array of professional experts and Governors like **I.G. Patel, Narasimham & Rangarajan** have brought enormous luster to this organization through their professional integrity and have evolved with the times.

The Supreme Court of India is resisting the predatory moves of the political class to pack its benches with their favorites through the NJAC, where the criteria to select 'eminent persons' is opaque. The government is the biggest litigant in the courts accounting for almost 70% of cases of various hues. Therefore Justice Venkatachaliah had rightly recommended to give primacy to the judges in the selection committee of NJAC. In the same vein, the money and financial sector is deluged with **the interests of large corporates who in cohort with the politicians and bureaucrats** would like the RBI to sub serve their interests. The Urjit Patel Committee in March, 2014 had, therefore, rightly recommended that the bankers should have a majority say in the proposed MPC.

COMMITTED BANKING AND THE WAY FORWARD

Given such disconcerting moves, it would be useful to recall the dark phase of emergency (1975), supersession of judges (1973) & overlooking of Justice Khanna in 1976 for the post of Chief Justice due to his dissenting judgement in ADM Vs. S.P. Shukla Case (1978). The recent witch-hunting of the distinguished lawyer, Gopal Subramanian by denying him judgeship in Supreme Court because of his fascist courage to open the underbelly of Shahabuddin murder case is emblematic of tendency of party in power. The New York Times (April 30, 1976) reflecting on supersession of Justice HR Khanna had observed that "**The submission of an independent judiciary to absolutist government is virtually the last step in the destruction of a democratic society**". Mr. Georges Clémenceau had observed that "War is too serious a business to be left to the Generals". In the same vein, the monetary policy should not be left to the pusillanimity of our self seeking bureaucrats of whom Shah Commission had observed "**Most Indian Administrative Service officers accepted orders even though they thought these orders were improper and had political motives. Even the cream of the talent in the country in the administrative field often collapsed at the slightest pressure**. The IAS officers practiced forging of records, fabrication of grounds of detention, ante-dating detention orders, and callous disregard of the rights of detainees as regards revocation, parole, etc. The overall picture is that the civil servants felt that they had to show loyalty to the party in power in order to advance their careers".

The big corporates of this country are the biggest defaulters in the banking system accounting for nearly **3% of NPA i.e. around 4.5 lakh crores**. The debt recovery mechanism is extremely ineffective because of dubious combination of highly paid lawyers and sloppy rules scuffling recovery process. Marx was dead right when he had observed that **"the superstructure of a country like its legal system sub serves the rich and frustrates the poor".**

The professionals in independent India like Homi Bhabha, Vikram Sarabhai, M. S. Swaminathan, and Verghese Kurien have been real institution builders. The RBI Governors have not been far behind. Modi's open endorsement of Rajan's vision and clarity in the recent annual meeting of RBI was therefore heartwarming. However, such an acknowledgment sits **uneasily with undercurrents and machination that masquerade as financial sector reforms to promote crony capitalism**.

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HUMAN RESOURCE ACCOUNTING IN KRL: A CASE STUDY OF KOCHI REFINERIES LIMITED

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ABSTRACT

The success of any enterprise to a great extent depends upon the quality, caliber and character of human resource working in it. The economic growth of any nation depends upon the harnessing and exploitation of human resources as well as non-human resources along with their blending in a proper ratio. Human Resource (HR) is the most valuable asset in an enterprise. HRA is the identification and measuring process of HR and its communication to the interested parties. It is an extension of the basic functions of accounting and communications of information to the internal and external parties. To ensure growth and development of any organization, the efficiency of employees must be accounted in the right perspective. Human resource accounting is one of the latest concepts adopted by Indian companies in recent times. In view of the growing importance of HRA, many companies in India are voluntarily disclosing information about their human resources. Hence, an attempt is made for a case study on Human Resource Accounting in Kochi Refineries Limited.

KEYWORDS
human resource accounting, variables, reporting and annual reports.

INTRODUCTION
The success of any enterprise to a great extent depends upon the quality, caliber and character of human resource working in it. The economic growth of any nation depends upon the harnessing and exploitation of human resources as well as non-human resources along with their blending in a proper ratio. Human Resource (HR) is the most valuable asset in an enterprise. HRA is the identification and measuring process of HR and its communication to the interested parties. It is an extension of the basic functions of accounting and communications of information to the internal and external parties.

The concept of HRA was first pioneered by Public sector giant BHEL in India during the year 1974-75. Likert(1967), Johnson & Kaplan (1987) said that absence of human resource as an asset in the balance sheet, violates the accrual principles of disclosure, underrates the firms net worth and current income and thereby not reflect the true and fair view of the organization.

"Accounting for people as an organizational resource. It involves measuring the costs incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization" – Eric Flamholtz.

It was pioneered by BHEL and SAIL back in the 1970's. The service, technology and other knowledge based sectors recognized the importance of the contribution of HR. Infosys technologies was the first software company to value HR in India, followed by many other leading software companies. Now a day's many other public and private sector enterprises are reporting HRA information in their financial statements. They are (CCI), (MMTC), (ONGC), (NTPC), (EIL), (OIL), (HPCL), (HSL), (HZL), (INFOSYS) etc.

OBJECTIVES OF THE STUDY
1. To examine the prevailing HRA reporting practices in KRL.
2. To enlist the items of human resource information to be disclosed in the annual reports.
3. To examine model used for the valuation of human resources in KRL.
4. To derive conclusions and suggest measures for improvement of HRA practices in KRL.

KRL MERGE WITH BPCL
Bharat Petroleum Corporation Limited (BPCL) acquired the Government of India's shares in KRL in March 2001. Consequent to the merger Order dated 18 August, 2006 issued by Ministry of Company Affairs; the refinery has been amalgamated with Bharat Petroleum Corporation, hence forth to be known as BPCL – Kochi Refinery.

SCOPE OF THE STUDY
The present study is undertaken to study on Human Resource Accounting Practices in KRL. For this purpose, HRA practices followed by KRL have been examined for the period from the financial year 1998-99 TO 2004-05.

PERIOD OF THE STUDY
The period of the study is selected seven consecutive years which are from the financial year from 1998-99 to 2004-05. The study is mainly based on published annual reports of KRL.

RESEARCH METHODOLOGY
The study is mainly based on the secondary data's. The secondary data are extracted from the sources like annual reports, different books of management accounting, journals, research papers and website of KRL.

To investigate the efficiency of the HRA model adopted by KRL, the study is carried out by analyzing the behaviour of all the important variables indicating efficiency and profitability and also the components used for the valuation of human resources.

These variables are:
1. Total Number of Employees
2. Average Age of Employees
3. Manpower Cost per Employee
4. Discount Rate
5. Human Resource Value per Employee
6. Turnover per Employee
7. Value Added per Employee
8. Return on HRV
9. Profit After Tax

The collected data is further analyzed and then the qualitative analysis is done.

DISCLOSURE RELATING TO HUMAN RESOURCE ACCOUNTING IN KRL

Disclosure in corporate, annual reports has been identified as "... the companies need to provide information externally to investors in order to attract capital" The large amount of studies conducted in recent years, is concerned with disclosure research and is taking a user approach. Very few authors carried out disclosure studies taking a company approach.

TABLE – 1.1: HRA PRACTICES IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05

Public Enterprise	HRA Introduced	Valuation Model Used	Discount Rate (%)
KRL	1987-88	Lev & Schwartz Model	15

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.1 shows HRA practices in KRL in India during the period from 1998-99 to 2004-05. KRL is continuously valuing and reporting HRA information during the period from 1998-99 to 2004-05. KRL had introduced HRA from 1987-88. It had adopted the salary based economic valuation model proposed by Lev & Schwartz and the discount rate is 15%.

BEHAVIOURAL ANALYSIS

This section studies the behavior of individual variables over the period of our study. The present analysis uses the Index number analysis.

TOTAL NUMBER OF EMPLOYEES

KRL reports total number of employees excluding the number of apprentices. Whereas for the purpose of reporting the value added per employee they consider the total employee including the number of apprentices.

TABLE – 1.2: TOTAL NUMBER OF EMPLOYEES IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05

Particulars	1999	2000	2001	2002	2003	2004	2005
Total Number of Employees	1825	2035	2062	2067	2082	2055	2047
(Index)	100	111.51	112.99	113.26	114.1	112.6	112.16

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.2 shows total number of employees in KRL during the period from 1998-99 to 2004-05. During, all these years total number of employees increased from 1825 to 2047. In the last seven years, number of employees increased by 1.12 times.

AVERAGE AGE OF EMPLOYEES

At the KRL, number of employees increase by 1.12 times in the last five years, but during these years the average age of employees increased by three years only.

TABLE – 1.3: AVERAGE AGE OF EMPLOYEE IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05

Particulars	1999	2000	2001	2002	2003	2004	2005
Average Age	36	36.5	37	38	39	NR	NR
(Index)	100	101.39	102.78	105.56	108.3	NR	NR

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.3 shows average age of employees in KRL during the period from 1998-99 to 2004-05. The above table makes it clear that average age increased by 1.08 times in last five years. For the remaining year average age is not reported.

TOTAL MANPOWER COST

KRL reports salaries, wages, ex- gratia etc. contribution to provident and other funds, provisions for gratuity, provision for leave encashment and staff welfare expenses as the manpower cost.

TABLE – 1.4: TOTAL MANPOWER COST IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs. In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
Manpower cost	34.4	55.37	55.88	109.96	81.13	101.6	114.37
(Index)	100	160.82	162.3	319.37	235.6	295.1	332.18
Manpower Cost per employee	0.02	0.03	0.03	0.05	0.04	0.05	0.06
(Index)	100	150	150	250	200	250	300

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.4 shows total manpower cost and manpower cost per employee in KRL during the period from 1998-99 to 2004-05. Total Manpower Cost increased by 3.32 times in last seven years and the manpower cost per employee also increased by 3 times in last seven years. As KRL is merged with BPCL in 2005-06, the further analysis for two years is not possible.

DISCOUNT RATE

The discount rate is one of the most important factors in the valuation of the human resources of KRL because the company follows the Lev & Schwartz Model where the valuation of human resource is the present value of future expected earnings. Therefore, the discount rate is an imperative factor in the human resource valuation following the Lev & Schwartz Model.

TABLE – 1.5: DISCOUNT RATE IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (In Percentage)

Particulars	1999	2000	2001	2002	2003	2004	2005
Discount Rate	15	15	15	15	15	15	15
(Index)	100	100	100	100	100	100	100

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.5 shows discount rate in KRL during the period from 1998-99 to 2004-05. KRL is discounting the future expected return of employees at the constant rate of 15 percent. This helps in keeping the HRV near to reality based on the input of the model.

HUMAN RESOURCE VALUE

The concept of human value is derived from general economic value theory. The human value as a whole is the present worth of its expected future services to an enterprise.

TABLE – 1.6: HUMAN RESOURCE VALUE IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs.In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
Human Resource Value	337.14	396.1	503.28	572.94	770	NR	NR
(Index)	100	117.49	149.28	169.94	228.4		
HRV per Employee	0.18	0.19	0.24	0.28	0.37	NR	NR
(Index)	100	105.55	133.33	155.55	205.6		

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.6 shows human resource value and human resource value per employee in KRL during the period from 1998-99 to 2004-05. The total HRV at KRL was Rs. 337.14 crores at the year end 1998-99, which increased during last five years to reach to Rs.770 crores at the year end 2002-03. This increase is 2.28 times over the base year i.e. 1998-99.

Increase in number of employees by 1.12 times would persuade the HRV due to direct relationship between number of employees and HRV. HRV per Employee increased by 2.05 times in last 5 years. This means that the total HRV increased at a higher rate than HRV per employee.

TOTAL TURNOVER

The turnover is the mirror of resources performance. Therefore to have an idea about the performance of the employees, we have also calculated the turnover per employees. The turnover of the organization reflects the performance of resources.
KRL reports the total turnover as well as turnover per employee.

TABLE – 1.7: TOTAL TURNOVER IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs. In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
Total Turnover	4171.47	5798.5	8071.1	6762.1	10598	11721	15450.83
(Index)	100	139	193.48	162.1	254.1	281	370.39
Turnover per Employee	2.29	2.85	3.91	3.27	5.09	5.7	7.55
(Index)	100	124.45	170.74	142.79	222.3	248.9	329.69

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.7 shows total turnover and turnover per employee in KRL during the period from 1998-99 to 2004-05. From the year 1998-99 to 2004-05, KRL had experienced tremendous increase in the total turnover by 3.7 times in the last seven years. The turnover per employee at KRL increase by 3.3 times during the same period. Increase in total turnover is at higher rate than the turnover per employee.

TURNOVER & COST RELATIONSHIP

Turnover and Cost Relationship is studied to know, what proportion of profit is shared by company with employee payments. To check the same thing let us match the turnover with the employee cost.

TABLE – 1.8: TURNOVER & COST RELATIONSHIP IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (In Percentage)

Year	Total Turnover	Total Manpower Cost	Manpower cost as a % age of Total Turnover
1999	4171.47	34.43	0.82
2000	5798.54	55.37	0.95
2001	8071.13	55.88	0.69
2002	6762.08	109.96	1.63
2003	10597.5	81.13	0.76
2004	11721.4	101.6	0.87
2005	15451	114.37	0.74

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.8 shows turnover and cost relationship in KRL during the period from 1998-99 to 2004-05. In the year 2001-02 it was RS. 109.96 crores, which is 1.63 percent of the total turnover which is highest. Again it was 0.76 percent in 2002-03, 0.87 percent in 2003-04 and final 0.74 in 2004-05. So, it is clear from the above figures that with the increase in profit and turnover, payment to employees decreased.

VALUE ADDED

KRL calculates the total value added by deducting the raw materials, power and fuel cost, other manufacturing expenses and miscellaneous expenses from the total revenue earned during the year. The amount of value added is before deducting or charging employee cost other operational cost, financial expenses, tax liability and depreciation. Therefore, the value added indicates the earning power of all the resource of organization or enterprise.

TABLE – 1.9: VALUE ADDED IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs. In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
Value Added	689.52	516.92	464.31	531.09	1048	1442	1703.18
(Index)	100	74.97	67.34	77.02	152	209.1	247.01
Value Added per Employee	0.38	0.25	0.23	0.26	0.5	0.7	0.83
(Index)	100	65.79	60.53	68.42	131.6	184.2	218.42

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.9 shows value added and value added per employee in KRL during the period from 1998-99 to 2004-05. Value Added was Rs. 689.52 crores in the year 1998-99 and with total increase of 2.47 times, it reached to Rs. 1703.18 crores at the year end 2004-05. Value Added per Employee was Rs. 0.38 crore per employee in the year 1998-99 and with a total increase of 2.18 times it reached to Rs. 0.83 crore per employee for the year 2004-05.

RETURN ON HRV

KRL does not publish the information about the return on HRV in the annual report .Here it is calculated as profit after tax divided by the human resource value. Return on HRV of the enterprise reflects the efficient use of resources.

TABLE – 1.10: RETURN ON HRV IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (In Percentage)

Particulars	1999	2000	2001	2002	2003	2004	2005
Return on HRV	100.32	59.38	21.75	12	59.22	NR	NR
(Index)	100	59.2	21.68	0.12	59.04		

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.10 shows return on HRV in KRL during the period from 1998-99 to 2004-05. Return on HRV depends upon profit after tax and HR value. So, the above effect of Return on HRV is due to low PAT and HRV of the enterprise in subsequent year.

TABLE – 1.11: PROFIT AFTER TAX IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs. In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
Profit After Tax	338.23	235.21	109.46	68.76	456	555.1	842.12
(Index)	100	69.54	32.36	20.33	134.8	164.1	248.98

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.11 shows profit after tax in KRL during the period from 1998-99 to 2004-05. In last seven year, it increased by 2.48 times from the base year. Due to low PAT, Return on HRV is also low.

TABLE – 1.12: RETURN ON HRV PER EMPLOYEE IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (In Percentage)

Particulars	1999	2000	2001	2002	2003	2004	2005
Return on HRV per Employee	105.5	63.16	20.83	10.71	59.46	NR	NR
(Index)	100	59.87	19.74	10.15	56.36		

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.12 shows return on HRV per employee in KRL during the period from 1998-99 to 2004-05. Return on HRV decreased by 41% from the base year and Return on HRV per Employee decreased by 44% from the base year.

TABLE – 1.13: PROFIT AFTER TAX PER EMPLOYEE IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05 (Rs. In Crores)

Particulars	1999	2000	2001	2002	2003	2004	2005
PAT per Employee	0.19	0.12	0.05	0.03	0.22	0.27	0.41
(Index)	100	63.16	26.31	15.8	115.8	142.1	215.8

Source: Annual Reports of KRL during the period from 1998-99 to 2004-05

Table 1.13 shows profit after tax per employee in KRL during the period from 1998-99 to 2004-05.PAT per Employee increase by 2.15 times in seven years.

DESCRIPTIVE SUMMARY: KOCHI REFINERIES LIMITED (KRL)

Most of the companies had experienced changes in almost all the variables. Therefore, to check the nature of change, the volatility analysis has been carried out using standard deviation (SD) and volatility coefficient.

HRV is a result of multiparty impact of variables like total number of employees, average age of employees, discount rate, turnover, value added, profit after tax and return on HRV etc.

TABLE – 1.14: DESCRIPTIVE SUMMARY IN KRL DURING THE PERIOD FROM 1998-99 TO 2004-05

Particulars	N	Average	Std. Deviation	Volatility
HRV per Employee	5	0.252	0.077	0.307
Total No. of Employees	5	2,014.200	107.120	0.053
Average Age of Employees	5	37.300	1.204	0.032
Manpower Cost per Employee	5	0.034	0.011	0.335
Turnover per Employee	5	3.482	1.076	0.309
Value Added per Employee	5	0.324	0.115	0.354
Return on HRV per Employee	5	51.932	37.812	0.728

Table 1.14 shows descriptive summary in KRL during the period from 1998-99 to 2004-05.

KRL has experienced changes in almost all the variables. The following observations are made from the above table:

(i) Total Number of Employees is highly variable among all, as it shows highest S.D. value 107.120 and manpower cost per employee shows very low variability as it shows low S.D. value 0.011.

(ii) In case of volatility, average age of employees shows more stability as it has low volatility value 0.032 among all variables while return on HRV per employee shows less stability as its volatility value is 0.728.

CONCLUSION: DESCRIPTIVE SUMMARY

1. Total Number of Employee is highly variable and manpower cost per employee has very low variability.
2. Average Age of Employee variable is more stable and return on HRV per employee is less stable.
3. Average Age of Employees is highly correlated with HRV per employee.
4. Return on HRV per Employee is negatively correlated with HRV per employee.
5. Correlation coefficient with discount rate cannot be computed since discount rate is constant throughout the period.
6. The value of regression coefficient with respect to manpower cost per employee is highly positively correlated, which indicates that one unit change in this variable lead to (4.731) unit change in HRV per employee at KRL, assuming other factors to be constant.
7. The value of regression coefficient with return on HRV per employee is negative, which will decrease HRV per employees.

FINDINGS

1. One of the first attempts to estimate the value of human resource in monetary terms was made around 1691 by Sir William Petty.
2. In India, the first initiative in the direction of human resource accounting and valuation came from the public sector giant BHEL from the financial year 1974-75.
3. KRL- divides its total staff into two main groups – management and non- management employees
4. There are several approaches or models for valuation of human resources. All these models have different backgrounds and different theoretical foundations. It was observed that KRL had adopted the Lev & Schwartz Model (1971) of economic value and have used an employee's anticipated future earnings as a surrogate of his value.
5. It was observed that KRL had variable discount rate 8%.
6. It is concluded that human resource value totally depends upon the variables. So, individual variables total number of employees, discount rate, average age of employees, manpower cost, turnover, valued added, profit after tax and return on HRV do equally affect the valuation of human resources.
7. It was observed that among 7 variables identified for the study, total number of employees' variable is found highly variable in KRL (325.025). While, manpower cost per employee variable is found least variable at KRL (0.009).
8. The variables which are highly correlated are return on HRV per employee (1.000**) at KRL
9. The variables which are highly negatively correlated are: total number of employees at KRL (-0.770). The result of regression coefficient with total number of employees at KRL (-3.86E-04) is highly negative.

LIMITATIONS OF THE STUDY

1. The study is limited to only one company only.
2. The present study is limited for a specified period of seven years from 1998-99 to 2004-05.
3. This study is mainly based on secondary data from published annual reports, websites and literature. The limitations of secondary data influence the study.

CONCLUSION

In the present study an attempt has been made to evaluate the Human Resource Accounting practice in KRL. The conceptual thinking about valuation of human resources is still in a developing stage. No model of HR Accounting is accepted by the accounting bodies all over the world, therefore Human resource valuation is the most confusing and critical problem for companies in India.

Hence, considering the great significance of HRA proper initiation should be taken by the government along with that other professional and accounting bodies both at the national and international levels for the measurement and reporting of such valuable assets.

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ORGANISATIONAL CULTURE OF BHARATIYA MAZDOOR SANGH: IDENTIFYING THE DIMENSIONS OF OPINIONS ON THE OFFICE BEARERS

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ABSTRACT

Organisational culture has attained the shape of a critical lever in the success chain for the organisations. In this paper an attempt has been made to identify the dimensions of opinions on the organisational culture of Bharatiya Mazdoor Sangh (BMS) separately for office bearers of organisation. For this, 26 statements relating to organisational culture of BMS have been identified and important dimensions were extracted with the help of Factor Analytical Technique.

KEYWORDS

Organisational Culture, Bharatiya Mazdoor Sangh, Factor Analysis.

INTRODUCTION

In the present scenario, office bearers of BMS are well aware about the need to elicit the best efforts from members towards the achievement of organisational goals. Organisational theorists and corporate leader have produced voluminous material on organisational culture and its offspring-symbol, language, ideology, belief, ritual, and myth (Pettigrew, 1979). Organisational culture one of the latest concepts in the field of management and organisation theory has derived metaphorically from the idea of cultivation of soil. As human beings, we are continually activating the process of culturing, that is, producing and reproducing social realities in the ways that are liberating, inhibiting, puzzling, boring or exciting (Smircich, 1983).

ORGANISATIONAL CULTURE

Organisational culture is described by Robbins & Coulter as the shared values, beliefs, or perceptions held by employees within an organisation or organisational unit.

Organisational culture has become a focus of contemporary research. This has been stimulated by two main factors. One is the realisation that leadership and culture are closely interrelated and thus two sides of the one coin (Schein, 1984; Schein, 1992). This is especially important in the area of leadership development for if leadership is to be enhanced from a practical point of view then attention also needs to be directed simultaneously at modifying organisational culture.

BHARATIYA MAZDOOR SANGH

The Bharatiya Mazdoor Sangh (BMS) is the largest Central Trade Union Organisation. The learned economist and visionary, Mananiya Dattopantji Thengdi who has dedicated his life to the service of the society, along with some like minded nationalists, founded it on auspicious Lokmanya Tilak Jayanti 23 July 1955. Starting from zero in 1955, BMS is now a well-knit organisation in all the states and in private and public sector undertakings. Several organisations of the State and Central government employees are also affiliated to the BMS. The Sangh also enjoys the premier position in several industries.

SCOPE OF THE STUDY

BMS is the largest nation-wide Central Trade Union Organisation in India. . The researcher has brought out the, its organisational culture analysed the dimensions of its organisational culture based on the opinions of office bearers of BMS.

OBJECTIVES OF THE STUDY

In the light of the above discussion the researcher has undertaken the present study with the following objectives:

1) To identify the dimensions of organisational culture of Bharatiya Mazdoor Sangh;
2) To analyse the opinions of office bearers of BMS.

METHODOLOGY

For the present study, secondary data were collected from the books, journals, websites, publications of Labour Ministry, Government of India, National Productivity Council, International Labour Organisation and Bharatiya Labour Research Centre and annual reports of BMS.

To gather opinions of office bearers of unions affiliated to BMS, the researcher has adopted the survey method. Survey is conducted through questionnaire.

SAMPLING PLAN

For the purpose of primary data collection, sample respondents are selected systematically on the following basis. In order to select sample respondents for the present study, convenience sampling method has been adopted.

In total there are 92 All India office bearers. Out of them 54 have been selected for the present study. There are 340 state level office bearers. 155 district level office bearers have been selected for the study.

With the assistance of the Presidents and General Secretaries of all state level units of BMS and all BMS federations, the researcher has selected the respondents. In total 399 sample respondents have been selected. They consist of 339 office bearers of unions affiliated to BMS.

The researcher has taken sufficient care in the selection of sample respondents.

TOOLS OF ANALYSIS

In order to identify the organisational culture of BMS, factor analysis has been adopted.

LIMITATIONS OF THE STUDY

The study suffers from certain limitations:

1. The researcher has followed mailed questionnaire method for getting the opinion of the office bearers of BMS.
2. The time and fund constraint in personally approaching the office bearers of unions affiliated to BMS throughout India.

THE ANALYTICAL FRAME WORK

The technique adopted to identify and analyse the opinions of office bearers of BMS is Factor Analysis. The principal factor analysis method is mathematically satisfying because it yields a unique solution to a factor problem. Its major solution feature is the extraction of maximum amount of variation as each factor is calculated. In other words, the first extracts the most variance and so on.

Most of the analytical methods produce results in a form that is difficult or impossible to interpret. Thurstone argued that it was necessary to rotate factor matrices if one wanted to interpret them adequately.

He pointed out that original factor matrices are arbitrary in the sense that an infinite member of reference frames (axes) can be found to reproduce any given "R" Matrix.

There are several Methods available for factor analysis. But the principal factor Method with orthogonal variance rotation is mostly used and widely available in factor analysis computer programme.

Further orthogonal rotations maintain the independence of factors that is, the angles between the axes are kept at 90 degrees. One of the final outcomes of a factor analysis is called rotated factor matrix, a table of co-efficient that expresses the ratios between the variable and the factors that have been prepared. The sum of squares of the factor loadings of variable is called communalities (h^2)

The communality (h^2) of a factor is its common factor variance. The factors with factor loadings of 0.5 or greater are considered as significant factors. This limit is chosen because it had been judged that factors with less than 50 percent common variation with the rotated factor pattern are too weak to report.

In the present study, the Principal Factor Analysis Method with Orthogonal Varimax rotation is used to identify the significant dimensions of opinions of office bearers and members of BMS.

TESTING FOR SAMPLING ADEQUACY

Before extracting the factors, to test the appropriateness of the factor model, Bartlett's test of sphericity was used to test the null hypotheses that the variables are inter correlated in population. The test statistics of sphericity is based on a Chi-Square transformation of the determinant of the correlation matrix.

Another useful statistics is the Kaiser-Meyer Oklin (KMO) test of sampling adequacy. Small value of the KMO statistic indicates that the correlation between parts of variable cannot be explained by other variables and that factor analysis may not be appropriate. Generally, a value greater than 0.5 is desirable.

The correlation matrix was examined carefully and the two tests namely Bartlett's test of sphericity and Kaiser – Meyer Oklin test were undertaken to test if it was judicious to proceed with factor analysis in the present study. The computed results are given in Table 1.1.

IDENTIFYING THE DIMENSIONS OF OPINIONS OF OFFICE BEARERS OF BMS ON ORGANISATIONAL CULTURE

The analysis of 26 variables through factor analysis among office bearers of BMS revealed five factors. The suitability of the data for factor analysis was analysed through Kaiser – Meyer Oklin (KMO) Measures. The results of the Tests are presented in Table 1.1.

TABLE 1.1: MEASURES OF SAMPLING INADEQUACIES – OFFICE BEARERS

Measures		Estimated Value
Kaiser – Mayer Oklin Measure of Sampling Adequacy		0.9218
Bartlett's Test of Sphericity	Approximate Chi-Square	3364.3738
	Degrees of Freedom	325
	Significance	0.0000

KMO test indicates the proportion of variance in the variables might be caused by the underlying factors. The test result is a high value (0.9218) and it indicates that the factor analysis can be used in the study.

Bartlett's test of Sphericity indicates whether the correlation Matrix is an identity Matrix. Since the resulting significance level is less than 0.5 it can be concluded that there is a significant relationship among the variables identified. Hence, it shows that the factor analysis can be suitably employed in the study.

Table 6.1.6 shows the factor loadings of 26 variables of opinions of office bearers of BMS on organisational culture. The factor analysis reduced the 26 variables (statements) into five factors namely F1, F2, F3, F4 and F5.

TABLE 1.2: ROTATED FACTOR MATRIX FOR THE OPINIONS ON ORGANISATIONAL CULTURE OF BMS – OFFICE BEARERS

Sl. No.	Variables	Factor Loadings					
		F1	F2	F3	F4	F5	h²
1	Meeting together, thinking together, deciding together and working together is the practice of BMS	0.6792	0.1417	0.1088	0.2939	0.0144	0.50
2	BMS has effective strategies for recruitment and development of talents	0.6108	0.1995	0.1124	0.3191	0.1401	0.44
3	Encourage active support and participation in corrective measures from those involved	0.5871	0.3314	0.4210	-0.0375	0.0522	0.50
4	There is Team Spirit among the office bearers of BMS	0.5750	0.1212	0.1208	0.3283	0.1795	0.58
5	Decision making is carried out with more emphasis on group participation and consensus	0.4922	0.2749	0.3961	0.2409	0.1082	0.54
6	Suggestions and ideas coming from other organisations are considered with due respect	0.2393	0.6629	0.1472	0.0451	0.1122	0.64
7	When co-workers express doubts, concerns and feelings , understand them supportively and work with them in complete faith	0.3723	0.6300	0.0984	0.1266	0.1566	0.47
8	The office bearers express doubts, concerns and feelings in an open, natural way and also encourage co-workers to follow the same method	0.1560	0.5948	0.0136	0.2394	-0.0276	0.62
9	The union fulfils the interests of the workers and not the office bearers	-0.0708	0.5496	0.2014	0.3960	0.1024	0.55
10	During talks / negotiations BMS never allows hatred to assume an upperhand	0.0107	0.5435	0.3176	0.3912	0.1096	0.46
11	There is an openness to suggestions from people at all levels of the organisation	0.4369	0.4822	0.1680	0.0360	0.2969	0.44
12	An ordinary member of BMS has a say in the organization	0.2882	0.4363	0.4023	0.1600	0.1076	0.59
13	BMS instils patriotism among its members	-0.0235	-0.0300	0.7470	0.2428	0.0815	0.53
14	The emphasis is on labourisation of industry	0.1068	0.2259	0.6690	0.1871	0.0837	0.54
15	The goal is to industrialise India by utilising huge manpower	0.1650	0.1171	0.5808	0.1278	0.2644	0.58
16	The objective is collective performance	0.4001	0.1026	0.5689	0.0352	0.0922	0.55
17	Share credit among co-workers for successes; assume the bulk of responsibility for criticism of the organisation	0.2981	0.2769	0.4734	0.1744	0.1343	0.62
18	The cadre of BMS are self disciplined	0.2716	0.0634	0.2294	0.6727	0.1861	0.57
19	Union's money is used only for the organisation and not for personal gains	0.1889	0.1900	0.1047	0.6373	0.2815	0.56
20	The agitations are disciplined	0.1676	0.2895	0.3905	0.5555	0.0202	0.57
21	Full- time workers are required to keep strict accounts of their expenses and should submit their accounts every month	0.2132	0.2035	0.1555	0.5546	0.0843	0.43
22	In BMS, there is mutual confidence, mutual trust and communication among members	0.4401	0.1879	0.1308	0.5488	0.1769	0.51
23	BMS is a non-political organisation	-0.0708	-0.0102	0.1693	0.3206	0.7182	0.50
24	BMS is a family type of organisation	0.3241	-0.0010	0.0928	0.2307	0.6309	0.65
25	BMS does not collect money from business people or factory owners for organisational work, office construction, conference etc.,	0.0329	0.3220	0.2923	0.0735	0.5475	0.56
26	Elections at all levels of BMS are by consensus and for three terms of 3 years each.	0.3249	0.3642	0.0496	-0.0202	0.5470	0.54
	Variance explained	8.9861	1.4562	1.3293	1.1545	1.1253	
	Cumulative variance	8.9861	10.4423	11.7716	12.9261	14.0514	

Note: The principal factors method with orthogonal variance rotation is used to extract factors.

Factor I (F1)

Factor I includes the variables namely meeting together, thinking together, deciding together and working together is the practice of BMS (0.6792); BMS has effective strategies for recruitment and development of talents (0.6108); encourage active support and participation in corrective measures from those involved (0.5871); there is team spirit among the office bearers of BMS (0.5750) and decision making is carried out with more emphasis on group participation and consensus (0.4922). These five variables have a higher factor loading in the rotated component matrix. Since these variables are related to team spirit, they are is characterised as "Team spirit".

Factor II (F2)

F2 represents suggestions and ideas coming from other organisations which are considered with due respect (0.6629); when co-workers express doubts, concerns and feelings , understand them supportively and work with them in complete faith (0.6300); the office bearers express doubts, concerns and feelings in an open, natural way and also encourage co-workers to follow the same method (0.5948); the union fulfils the interests of the workers and not the office bearers (0.5496); during talks / negotiations BMS never allows hatred to assume an upperhand (0.5435); there is an openness to suggestions from people at all levels of the organisation (0.4822) and an ordinary member of BMS has a say in the organisation (0.4363). These variables relate to open mindedness and it is renamed as "Open mindedness".

Factor III (F3)

The third factor includes the variables namely BMS instils patriotism among its members (0.7470) ; the emphasis is on labourisation of industry (0.6690); the goal is to industrialise India by utilising huge manpower (0.5808); the objective is collective performance (0.5689) and share credit among co-workers for successes, assume the bulk of responsibility for criticism of the organisation (0.4784). These items have higher factor loading in factor three. These variables are related to clear goals and it is named as "Clear goals".

Factor IV (F4)

The fourth factor includes the variables the cadre of BMS are self disciplined (0.6727); union's money is used only for the organisation and not for personal gains (0.6373); the agitations are disciplined (0.5555); full- time workers are required to keep strict accounts of their expenses and should submit their accounts every month (0.5546) and in BMS, there is mutual confidence, mutual trust and communication among members (0.5488). These are the items with high loading on factor four. The above items refer to criteria self discipline and welfare of workers and it is characterisd as "Self discipline and Welfare of workers".

Factor V (F5)

In factor five, BMS is a non-political organisation (0.7182); BMS is a family type of organisation (0.6309); BMS does not collect money from business people or factory owners for organisational work, office construction, conference etc.,(0.5475) and elections at all levels of BMS are by consensus and for three terms of 3 years each (0.5470) have the highest factor loading. These variables are related to type of organisation and it is renamed as "Type of organisation".

The newly named dimensions and the variables with highest loadings are given in Table 1.3.

TABLE 1.3: VARIABLES WITH HIGHEST FACTOR LOADINGS WITH DIMENSIONS OF OPINIONS OF OFFICE BEARERS

Factor	Newly extracted dimension (Factor)	Selected variable with highest factor loading	Factor loadings
F1	Team spirit	Meeting together, thinking together, deciding together and working together is the practice of BMS	0.6792
F2	Open mindedness	Suggestions and ideas coming from other organisations are considered with due respect	0.6629
F3	Clear goals	BMS instils patriotism among its members	0.7470
F4	Self discipline and Welfare of workers	The cadre of BMS are self disciplined	0.6727
F5	Type of organisation	BMS is a non-political organisation	0.7182

It is inferred from Table 1.3 that the variables (statements), meeting together, thinking together, deciding together and working together is the practice of BMS (0.6792); suggestions and ideas coming from other organisations are considered with due respect (0.6629); BMS instils patriotism among its members (0.7470); the cadre of BMS are self disciplined (0.6727) and BMS is a non-political organisation (0.7182) are the statements with highest loading under the dimensions namely Team spirit, Open mindedness, Clear goals, Self discipline & Welfare of workers and Type of organisation.

Hence, these are the identified dimensions of office bearers on the basis of their opinions about organisational culture of BMS.

FINDINGS

The factor loadings of 26 variables of opinions of office bearers of BMS on organisational culture are analysed. The results of factor analysis revealed that it extracted out of 26 variables five significant dimensions namely, Team spirit, Open mindedness, Clear goals, Self discipline & Welfare of workers and Type of organisation.

The statement with highest loading for each factor was meeting together, thinking together, deciding together and working together is the practice of BMS (0.6792); suggestions and ideas coming from other organisations are considered with due respect (0.6629); BMS instils patriotism among its members (0.7470); the cadre of BMS are self disciplined (0.6727) and BMS is a non-political organisation (0.7182) (Table 1.3).

SUGGESTIONS

It is concluded that BMS has a strong organisational culture. The researcher puts forth the following suggestions to sustain and develop it further:

- More young activists of BMS with character, capability and organisational understanding are to be recruited and trained by organising regularly the study classes at various levels to improve organisational culture as originally envisaged by the founder of BMS.
- There are reputed workers/office bearers in other CTUOs. They may also be invited in the BMS study classes and their views also may be heard patiently.

CONCLUSION

The results of this study suggest that organisational culture does have a positive effect on attitudes of office bearers of BMS. A strong culture creates a feeling of belonging and increases job satisfaction and commitment. The central focus of this research maintains that organisations can have a positive effect on the creation and internalisation of the organisational culture. One of the most effective ways for organisations to accomplish this is through their training. Training is obviously used to impact the knowledge, skills, and abilities needed to successfully meet the organisation's objectives.

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GROUP LENDING AS AN INSTRUMENT OF CREDIT RISK MANAGEMENT IN CAMEROONIAN MFIS

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ABSTRACT

Micro-entrepreneurs in developing countries are often excluded from bank credit because they can not provide sufficient material collaterals and also because the costs of screening and monitoring are very high. Following this point of view, we can say that micro-financial intermediation complements bank financing of micro-entrepreneurs. Based on the analysis of 70 group loans of 5 Cameroonian, we show that group loans granted by MFIs in Cameroon has an aspect a non-tangible collateral due to variables underlying their constitution and their functioning.

KEYWORDS

Microfinance, group lending, repayment performance, credit risk, information asymmetry.

RESUME

Les micro-entrepreneurs dans les pays en développement sont souvent exclus du crédit bancaire parce qu'ils ne peuvent fournir des garanties matérielles suffisantes et aussi parce que les coûts de sélection et de surveillance sont très importants. Dans cette perspective, l'intermédiation microfinancière est à même d'apporter une contribution complémentaire à celle des banques dans le financement des micro-entrepreneurs. Nous montrons à cet effet en nous basant sur l'analyse de 70 groupes de prêts appartenant à 5 IMF camerounaises que les prêts de groupe octroyés par le IMF revêtent un caractère de garanties immatérielles du fait des variables qui sous-tendent leur constitution et leur fonctionnement.

MOTS CLES

Microfinance, prêts de groupe, performance de remboursement, risque de crédit, asymétrie d'information.

INTRODUCTION

If banks function following a financial logic of returns, microfinance institutions (MFIs) defined as suppliers of a set of financial products to all those who are excluded from the formal financial system have a double mission which is both social and financial. The proclamation of the year 2005 as the international year of microcredit by the United Nations contributed to the development of the MFI sector in Africa from the geographical point of view as well as the products offered. The MFI sector thus appeared as a vector of development in African countries. However this accelerated growth today results in the closing of several MFIs that unfortunately could not control this evolution. Meeting both social and financial objectives in the activity of microfinance requires a good mastery of credit risk.

The microfinance sector in Cameroon really took-off in the 90's with laws N° 90/053of the 15th of December 1990 on the freedom of association and n° 92/006 of the 14 of August 1992 on cooperatives and common initiative groups. This regulation considers three classes of MFIs, with none having the status of bank or financial institution. We can distinguish category 1 MFIs who collect savings from their members and use it to grant loans exclusively to these same members. It is therefore a form of Mutual Insurance Company. The second category consists of MFIs registered as limited companies and is similar to banks. They collect savings from the public and grant loans to everybody. The third and last category is made up of companies who grant loans to the public but don't collect savings. This last category mainly consists of project financing lines.

Cameroon is the leading country in the Central African region with more than 400 MFIs. With the increase in number of these institutions, many difficulties emerged both at the macroeconomic (the effect on fiscal and monetary policy) and microeconomic level (ensuring the security of savings and loans, transparency, the execution of contracts). As concerns loan reimbursement performance in Cameroon, from December 2006 to September 2007, outstanding loans represented 13% of total credit while bad loans stood at more than 25% of total credit between September 2007 and December 2008[1]. This high level of outstanding debts in the microfinance sector is one of the causes of the problems witnessed by the sector. This problem was addressed by the Ministerial Committee of the Central African Monetary Union who after witnessing the growing importance of the sector in the economies of the region adopted a regulation fixing the conditions of exercise and control of this activity in the Economic and Monetary Community of Central African States (ECCAS) signed on the 13th of April, 2002. Through the signing of this regulation, many prudential regulations were adopted and implemented by the Banking Commission of the sub-region (COBAC). This prudential regulation innovated credit risk management and control in the microfinance sector through the adoption of many regulations which include:

- COBAC regulation number COBAC EMF 2002/07 on risk coverage which restricts the granting of loans to cases where outstanding payments are less than or equal to 10% of the total credit;
- COBAC regulation number COBAC EMF 2002/08 relating to the sharing of risk which requires the respect of a given ratio between the amount of shareholders equity or net assets and the total risk incurred by the MFI in its operations with a single partner. The ceiling is fixed at 15% for category 1 MFIs and 25% for category 2 MFIs.
- COBAC regulation number COBAC EMF 2002/18 relating to the management and writing off of bad loans.

However, despite this regulatory framework (relating to risk management, coverage and sharing), MFI performance in terms of loan reimbursement hasn't improved with time as shown by the quality of the loans portfolio of the private sector cited above and Taken from different statistical reports of COBAC.

This issue of risk of default or non-repayment, with which the MFIs are confronted, is all the more alarming as the microfinance has a double mission:

- a social objective according to which the microfinance is considered as a set of financial and/or non-financial tools at the service of those that are poor, excluded from the traditional financial system, or deprived of material collaterals. Generally, the majority of this population draws her income from the informal sector and have difficulties to finance income generating activities or their development.
- an objective oriented towards financial viability as basis of the continuity of the activities of saving and microcredit of the MFI and pledge of its financial autonomy in the long run. The reimbursement performance appears here as a major element capable of increasing the amount of loans since an improvement of the rates of reimbursement leads to wider access to microcredit. The dilemma between solidarity and continuity thus constitute the central question faced by the operators of microfinance today. Concerning this dilemma, the MFI will have to arbitrate between the two preceding objectives within the framework of their activity of granting loans. Group lending appears to be an alternative making it possible to connect these two objectives.

Commercial banks when granting loans generally evaluate level of risk posed by their customers by investing in screening or project selection techniques and requesting important material collaterals. However, given the information context that generally characterises Sub-Saharan African countries and Cameroon in

[1] COBAC 2007 and 2008 annual reports

particular, the micro-entrepreneurs are unable to provide the collaterals required by commercial banks seeking to reduce information asymmetries. They are thus directed towards MFIs which can resort to immaterial collaterals (group lending, individual loans) to grant credit.
This study examines the mechanisms of formation and operation of groups as basis of the efficiency of group loans as regards loan reimbursement in Cameroonian MFIs. The first part of the study is devoted to the presentation of the theoretical analyses of group lending as a factor of reduction of the default risk. In the second part, we try to highlight the variables which significantly affect reimbursement of loans granted to groups by MFIs.

I) THE PRACTICE OF GROUP LENDING AS A FACTOR THAT REDUCES THE RISK OF DEFAULT: A THEORETICAL ANALYSIS

I-1) GROUP LENDING: A FINANCIAL TECHNIQUE THAT REDUCES AGENCY COSTS

Group lending is based on the granting of a loan to a group of people, each one being the surety of the other**.** If a problem arises, the responsibility of all the members is at stake. When a customer does not reimburse, social pressure makes sure that in one way or the other, the loan is reimbursed. However, the reputation of this bad debtor suffers and leaves him little chances for another loan. Group lending is based on joint responsibility and joint collaterals.
The first form of group lending was developed by the Grameen Bank in Bangladesh in 1976. Small loans were granted to groups of poor women at the rate of 20% for them to develop income generating activities. These loans start to be reimbursed from the second week following their granting. The borrowers hardly have personal collaterals to offer to reduce the risk in case of default. The financial institution basis itself on the group's self monitoring. In this aspect, we can say that it applies to bank lending a mechanism that has been in practice for long in informal finance, particularly tontines (Lelart M, 2002).
Imperfections on the credit market are the reference framework that justifies the recourse to microcredit, particularly group lending. According to Gandré P. (2012), credit relationships are modelled by agency relations. These relations can be defined as involving a principal and an agent, the first (the bank) employing the second (the borrower) to carry out a task determined within the framework of a contract (the reimbursement of a loan). The behaviour of the agent is not observable by the principal. The fact that the bank has a negative perception or is not perfectly informed on the behaviour of the borrower and the quality of his projects, can lead the bank to increase the interest rate and/or to require greater collaterals, which gives birth to a problem of adverse selection and moral hazard.
Stiglitz J. and Weiss A. (1981) show that credit rationing is an efficient response to the problem of adverse selection. They show that an increase in the interest rates or the collaterals required beyond a certain threshold systematically has an effect of adverse selection which is against the interests of banks. In fact, the increase in the interest rates or the collaterals required attracts the most risky borrowers and this has a negative screening effect because good borrowers leave the market because they refuse to pay these rates or provide these collaterals considering given that it is an unjustified allowance for risk.
Moral hazard is analyzed by Williamson S. (1986) who shows that when the results of the projects of potential borrowers are not directly observable, a bank cannot know without cost, the output of the projects which it finances. Rather than to bearing these costs, it will prefer to ration credit. Concerning moral hazard, asymmetry of information is related only to the will of reimbursement of the borrower since the capacity of reimbursement of this borrower is considered to be known by the bank at the beginning of the negotiation of the contract. Moral hazard originates from the incapacity to control and evaluate the future behaviour of the borrower. This problem of moral hazard will lead the bank to encourage the borrower to reveal the true result of his investment in view of reducing the costs of control. An increase in the interest rates and/or collaterals will encourage the borrowers wishing to maximize profits to choose a project which presents greater prospects of profitability for him but also a higher probability of default for the lender.
Information asymmetry and its consequences explain the exclusion from the formal banking sector from which many micro-entrepreneurs and low income earners in the developing countries suffer. New innovative mechanisms by the MFIs can reduce the risks of adverse selection and moral hazard in a context dominated by informal projects Fall Seck F.(2011). This is especially true in context of information asymmetry where there seems to exist a positive correlation between the amount of collateral required by the commercial banks for microcredit and the rate of outstanding payments according to Nsabimana A. (2004). This positive correlation owes its existence to the fact that collaterals accentuate adverse selection within the borrowers and that once the loan is granted, the commercial banks exercise less monitoring since they count on the collaterals in the event of non reimbursement. However in microfinance, the collateral plays a minor role compared to the proximity between the MFI and their customers which makes it possible to reduce the cost of information retrieval and treatment of credit operations simultaneously. This is why Churchill and Coster (2001) hold that the absence of collaterals is one of the reasons why MFIs were born. The MFIs are targeted towards a category of the population described as "poor" and does not have the material collateral necessary in order to be financed by commercial banks. The Grameen Bank made a success of the revolution in microcredit by obtaining excellent rates of refunding while lending to poor customers who are unable to provide material collaterals. This success shows that MFIs in the absence of material collaterals can develop various mechanisms to address credit default risk and improve the quality of the credit portfolio. Among these mechanisms, Armendàriz and Morduch (2000), Lelart M. (2002) cite group lending as a means of reducing the default risk among borrowers. Group lending is governed by simple mechanisms. The MFI lends to a group of agents, a loan that is not based on individual or collective material collaterals but on the social capital of the individuals i.e. their honour or their reputation. The clause of collective responsibility between the individuals and the MFI implies that in the event of default of one or more members, the other members commit themselves to reimburse the entire loan. According to Wassini Arrasen (2013), microcredit rests on the following incentives to ensure the refunding of the loan:
- a threat exerted by the MFI not to grant any more loan to the customer if the conditions are not respected;
-the granting of greater amounts (for the development of the activity) is conditioned by former reimbursement performance (ready progressive).
Group loans are thus granted to groups of agents gathered in more or less homogeneous groups with each agent having privileged information on the others. This collective approach helps to reinforce the group abilities and optimize reimbursement according to Guerin I. (2011). The group approach is also instrumental in reducing monitoring costs through the delegation of various responsibilities to group members and enables an easier collection of funds by their credit agents, a form of "soft[2]" information that reduces agency costs. Group lending is thus one of the non-material collaterals on which MFIs base themselves in the process of granting loans, it is based on the joint surety and monitoring by the agents which replace material collaterals. Group lending makes it possible to reduce ex-ante and ex-post asymmetry, minimize transaction costs and to better manage the risk of default. Given the crises faced by MFIs as concerns outstanding payments which often result in bankruptcy, the practice of group lending seems a factor which can limit these crises. It is based on the reciprocal knowledge of the members and the sharing of standards and values which creates confidence (Lapenu C (2004)). This enables it the MFI to reduce monitoring costs and minimize transaction costs. Theoretical studies highlight the role of joint collaterals in the reduction of credit market imperfections. Thus, Stiglitz J(1990), Banerjee A. V. Besley T, Guinnane T W (1994), Armendàriz B (1999) and Chowdhury H (2005), show that joint collaterals reduce moral hazard and problems of monitoring. .

I-2) GROUP LENDING AND THE REDUCTION OF DEFAULT RISK: AN EMPIRICAL REVIEW

Two main approaches are identified in the many empirical studies carried out; a first approach based on surveys includes the studies of Zeller M (1998), Wenner M (1995) and Hermes et al., (2006) on the one hand and those of Wydick B (1999), Paxton et al., (2000), Hermes et al., (2005) on the other. A second empirical approach based on theoretical models include the works of Ahlin C. and Townsend R. M (2007), Karlan D.S (2007), Cassar et al., (2007), Fisher G. (2008), Giné X, and Karlan D.S(2010).
Zeller M. (1998), Wenner M. (1995) and Hermes et al., (2006) show that social links improve reimbursement performance while those who establish rules of operation within the group have better results in terms of reimbursement. For Wydick B. (1999), the geographical distance between the members of a group has a negative effect on the reimbursement performances while information on the weekly turnover of the members is positively correlated with reimbursement performance. For Paxton J, Graham D., and Thraen C (2000), homogeneity within the group (ethnicity, profession, social class, etc) reduces the reimbursement performance because the proximity between the members of a group would accentuate the risk of collusion. This proximity increases information asymmetry and moral hazard by weakening infiltration, control and *enforcement.* Lastly, Hermes et al., (2005) show that the leader of the group plays a major role in the reduction of moral hazard. Wassini Arrasen (2013) notes that although these studies describe certain dominating factors in the operation of group loans (reduction of asymmetries of information and the moral hazard), they also have drawbacks; the indicators of measurement of the social relationships are rudimentary or uni-

[2] Soft information is considered as qualitative information on the customer that is collected all through the loan duration

dimensional, these empirical studies are carried out in very different geographical areas (culture, level of development, etc) and this makes it difficult to draw some the general conclusions.

Empirical studies that primarily seek to test the predictions of theoretical models try to remedy the disadvantages of the preceding models.

Ahlin C. and Townsend R.M (2007) empirically test four theoretical models of group lending; those of Stiglitz J. (1990) and Banerjee A. V., Besley T., Guinnane T. (1994) where the joint collaterals and control by group members attenuate the problems of moral hazard; that of Besley T. and Coate S. (1995) and that of Ghatak M. (1999), where group lending improves infiltration of risk. They show that the social relationship and particularly the degree of parenthood between members of the group do not necessarily improve the rate of reimbursement of the loans. On the other hand, Karlan D.S. (2007) shows that the members of the group having strong social links are more inclined to reimburse and save than others because they are ready to exercise monitoring and control on one another. They therefore improve the reimbursement performances of the group. Also, members having strong social connections are able to make the difference between the strategic default and default related to an exogenous shock. They can consequently take suitable decisions relating to the person to be penalized for a given behaviour. Thus, more efficient control "*enforcement*" is positively related to the reimbursement performance of the group. Social connections thus play a significant role in reimbursement.

Cassar A., Crowley L., Wydick B. (2007) deepen the analysis of the role of social links by using the concept of "*social capital* ". According to them, social capital is based on the confidence of the members of the group in the company and between the members of the group, as well as the reciprocal knowledge each member has on the others. It is also related to the confidence based on positive past experiences of loan reimbursement. Thus, reimbursement by a member of the group is influenced by the conviction that the other members will act in the same way, because that conditions the availability of credit for the following cycle. This conviction is related to the existence of social capital inside the group.

If according to Karlan D.S (2007) and Cassar A., Crowley L, and Wydick B (2007), social links play a significant role in reimbursement performance, they also affect risk taking. Fischer (2008) for example reveals an ambiguous effect of joint collaterals on risk taking. For him, joint collaterals create an insurance which results in an incentive to risk taking. Fischer G., (2008) shows that the joint collaterals lead to free riding behaviour. The role of joint and collaterals depends on the informational context: under incomplete information, the agents having a low aversion to risk make risky investments without rewarding (through transfers) their partners for the insurance which they got. Under complete information, joint collaterals do not increase risk taking. The control that the agents exert in the investment decisions of their partners (group contract of credit with the agreement of the members) reduces the moral hazard ex-ante by discouraging the risky projects.

Empirical studies testing the theoretical models on the question of the impact of group lending in the reduction of the risk of default thus appears unclear.

Few studies have been done on the mechanisms which affect the effectiveness of group lending in sub-Saharan Africa in a general and in Cameroon in particular.

II) FACTORS THAT ENCOURAGE THE REIMBURSEMENT OF GROUP LOANS OF MFIS IN CAMEROON

The principle of solidarity group consists in granting a loan to a group of people who mutually surety each other. In this type of contract, no material collateral is required. In the face of imperfect information in this type of credit relationship, the risk of default is very significant. It is therefore interesting to investigate the set of mechanisms which would guarantee a better reimbursement performance of the group loan.

II-1) THE PROCESS OF STRUCTURING OF LENDING GROUPS AND THE RESPECT OF THE REIMBURSEMENT SCHEDULE

A lending group refers to a group of people having in common the desire to have access to financial services. These groups exist in the majority of the developing countries under various names with the most common being tontines. The difficulties that arise at the time of the constitution of these groups are generally related to the selection of the members, the pooling of risk and the optimal size of the group (Lanha M, 2004).

According to these authors, groups are made up of people who know each other more or less well, owing to the fact that they have commercial relationships or that they belong to the same ethnic or social group, etc. Because of this, information to which the lender cannot gain access becomes available through the proximity of each member. Thus, the limitation of information asymmetry is made possible through the proximity between group members and the collateral responsibility of the members of the group. Ghatak M. (1999) shows that group lending programmes use the collective responsibility to obtain information on the borrowers during the formation of the group. The formation of a group requires the borrowers to constitute themselves in groups and to specify the responsibilities of each individual member of the group (the amount of loan that each one must reimburse) and the shared responsibility (the sum which each member must pay in the event of failure of the project of his partner). The obligation to pay for the other in the event of failure of his project will push each member to pay attention to the reputation of his future partner for he will not want to join somebody who presents a reputation lower than his.

This is why the basis for the structuring of groups remains an important variable in group lending given that the risks of adverse selection are real. Some individuals can decide to put themselves together knowing that they will fail the others once the loan is obtained. This gives rise to the need for MFIs to really study before validating the lending groups which are proposed to them. Pooling is a diversification technique that can reduce the risk for the lender. It consists in the MFI retaining in its portfolio only groups made up of the members having different activities. Lanha M. (2001) suggests the rejection of groups whose members belong to the same family and those whose members are not residing in distant places nor have distant business places. This reasoning is in line with those of Varian H.R (1990) and Ghatak M (1999) for who the validation of homogeneous groups must result from the existence of perfect information between the members of the group unlike in the contrary case where information is imperfect i.e. where the members do not have good information on the projects of the other members of the group and it is important to retain very mixed groups. This last approach is in line with the logic of the theory of portfolio diversification in finance.

From what precedes, we can make the following hypotheses:

H.1: The mode of formation of the lending group determines the respect of reimbursement schedule by the group.

The validation of the lending group is done at the constitution of the group. Another important variable is the operation of the group.

II-2) MECHANISMS OF CONTROL OF LENDING GROUPS AS A STIMULANT TO REIMBURSEMENT

Besides the approach based on the constitution of the group is another that is based on the collateral responsibility of the borrowers or members of the group which makes it possible to resolve the problem of moral hazard.

In his group lending model in microfinance known as the "peer monitoring[3]" model, Stiglitz J. (1990) lays emphasis on the auto-formation of the group and shows that financial intermediation can draw local information by implementing a structure that incites the villagers to do the monitoring on behalf of the institution. In this manner, the cost of monitoring which the MFI would have supported is partially internalised by the group of borrowers. Thus, once the loan is granted, each member pays attention to the behaviour of the others and supervises them, which limits the risk of default. According to Wamba H. (2008), the group members have a comparative advantage as regards monitoring on the MFI. Putting this comparative advantage at the service of the group creates a form of social collateral that enables the improvement of social welfare.

Furthermore, peer monitoring makes it possible to transfer advice to the members of the group whose projects did not succeed. In fact, the common responsibility of the peers in the event of failure of one of the members encourages them to help each other. This mutual aid is frequent in the sequential model (Varian H.R 1990) where future access to credit depends on the good results of the other members of the group.

Lapenu C (1999) notes that peer pressure plays a significant role in the respect of the loan reimbursement schedule. This pressure is of two types; the "passive" social pressure and the "active" social pressure. "Passive" social pressure results in a guilty feeling from the members having been faulty. "Active" social pressure results in measures taken by the entourage such as: verbal or even physical aggressions, confiscation of belongings, denunciations in public and in front of the local authorities.

Within the framework of group lending, failure to reimbursement can affect the portfolio only if all the members decide not to reimburse or to break the solidarity underlying the contract. Peer pressure can therefore play a very important role in group lending contracts and this role is only efficient when there is social cohesion between the members of the group. This social cohesion depends on the existence of strong social links between members. These social links will for

[3]Peer monitoring

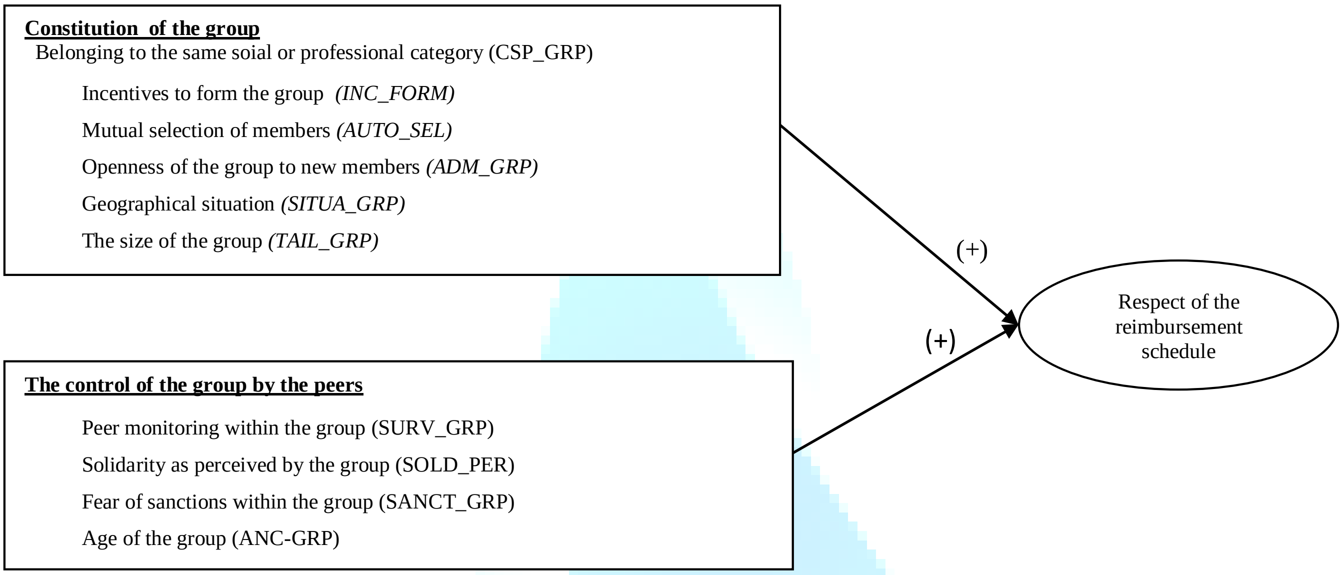
example permit members whose projects succeeded to support those who are in the difficulty because of the failure of their projects. According to the opinions of certain members of the group, the sanctions inflicted to the members of the group arise in various forms such as the loss of the residual social capital and exclusion from the group. Kamalan E. (2007), rather evokes the humiliation which consists making known to the general public the image of the faulty member and the recourse to a third person considered to be influential in the immediate environment of this faulty member, thus creating exclusion and the rupture of the social links. From what precedes, we can formulate our second hypothesis as follows:

H.2: The mode of operation of the group has a positive impact on the respect of the reimbursement schedule

In the theoretical analysis developed above, we see clearly that the process of formation of the group and its control by the peers determine the respect of the reimbursement schedule by the group. We therefore test the validity of these hypotheses.

The theoretical model is as follows:

FIGURE 1: THE THEORETICAL MODEL



III) METHODOLOGY OF THE STUDY

The objective of this study is to identify the variables on which the formation of the lending group and its control are based and which determine the reimbursement performance of loans by these groups. To achieve this objective, we use a two stage methodology. The first stage consists in carrying out directed and semi-directed interviewa with some credit agents and groups having benefitted from a loan from these MFIs. The second stage consists in going from the information collected to formulate a questionnaire which is administered on 70 lending groups that benefitted from loans from 5 MFIs made up of 3 independent and 2 networked MFIs.

The explanatory variable is the respect of the reimbursement schedule by the independent lending groups which is measured here according to whether the group the credit or defaulted.

The main aim is to show that certain variables which are at the base of group lending enable a reduction in the risk of default, making them a fundamental instrument of management of the risk of non reimbursement. All our variables are binary and our theoretical model of analysis is as follows:

$$P(\emptyset = \emptyset_i) = logit(Y) = \frac{e^Y}{1 + e^Y}$$

With

$$Y = c + \sum_{i=1}^{n} \beta_i X_i + \varepsilon$$

Y: The explained variable or reimbursement performance;

X_i: The vector of independent variables of the model related to the process of formation of the lending group and peer control (operation of the lending group);

β_i: The vector of the coefficients representing the set of parameters of the model;

c : The constant term of the model:

ε: The residual or error term.

Inspiring ourselves from the literature, we retained many variables for our model. These variables are presented in two groups. The first relates to the elements related to the formation of the group and the second to the mechanisms of peer control of the group.

The variables related on the process of formation and the procedure of validation of the group by the MFI is presented in the table below:

TABLE 1: PRESENTATION OF THE VARIABLES RELATED TO THE FORMATION OF THE LENDING GROUP

Variable	Description
Incentives to form the group (INC_FORM)	Motivations of the initiative to form the group, which makes enables us to know if the group was formed in order to gain access to credit (INC_FORM=1) or if it existed before (tontines, friendship clubs, socio-professional grouping, etc) and the issue of access to the credit arrived only later. (INC_FORM=0)
Admission of new members in group (ADM_GRP)	This shows the openness of the lending group and the possibility that this group admits new members (ADM_GRP=1) or not (ADM_GRP=0)
The auto-selection of members (AUTO_SEL)	This materialises the system of choice of members of the group; it is thus a question of knowing if the MFI imposes the members of the lending group (= 0) or if the members of the lending group choose themselves mutually (AUTO_SEL=1)
Size of group (TAIL_GRP)	This variable enables us to appreciate the size of the lending and know its number compared to the regulations or procedures of the MFI (if > 5personnes then TAIL_GRP=0, if not TAIL_GRP=1)
Belonging to the same socio-professional category (CSP_GRP)	Enables us to appreciate the belonging of the members of the lending group to the same socio-professional category (CSP_GRP=1) (CSP_GRP=0)
The geographical situation of the members of group (SITUA_GRP):	Allows us to appreciate geographical proximity (same quarter, village…) of the members of group (SITUA_GRP=1) (SITUA_GRP=0)

For the variables related to the peer control of the group, we can distinguish:

TABLE 2: PRESENTATION OF THE VARIABLES RELATED TO THE PEER CONTROL OF THE GROUP

Variables	*Description*
Perceived mutual assistance (solidarity) (SOLD_PER)	Solidarity as perceived by the MFI: (SOLD_PER=1, if the members have strongly commit themselves to cooperation, if not, SOLD_PER=0)
Peer monitoring (SURV_GRP):	Capacity of the various members of the group to monitor the use of the credit (SURV_GRP=1 it represents the mutual monitoring by all the group, in the reverse case, SURV_GRP=0)
The system of constraints/ sanction (SANC_GRP)	The fear that the members of the group have to be sanctioned by the group and fear not to have anymore access to credit in future (SANC_GRP=1 if the sanction were considered to be effective, if not SANC_GRP=0)
Age of the group of credit (ANC_GRP)	Shows the age character of the lending group, (ANC_GRP=1 if the group had existed for at least a year, if not ANC_GRP=0)

The vector of independent variables is: (INCI_FORM, ADM_GRP, AUTO_SEL, TAIL_GRP, CSP_GRP, SITUA_GRP, SOLD_PER, SURV_GRP, CONT_GRP, ANC_GRP)
The success of the operation supposes that the group refunds the entire loan. Thus, the reimbursement performance is a binary variable taking the value 1, if the group reimbursed i.e. respected its schedule and 0 if not.
We therefore seek to identify through our model, the variables related to the formation of lending groups and those related on the control or operation of the group which guarantee, even if it is in a theoretical way, the respect of the reimbursement schedule.
As concerns the data analysis, the description of the variables was done using simple tabulation and we used logistic regression (model LOGIT) to test our model.
According to the simple tabulation carried out, the independent variables are as follows: 79,2% of the groups were created at the beginning in an informal way. 77,4% were made of more than five people, 89,6% of the members of the different groups belonged to the same socio-professional category. Concerning the geographical proximity of the members, 89,6% were close. In 67% of cases, the acceptance of a new member was made by the group and 33% imposed by the credit agent. 71,7% of the members had found effective the sanctions within the group. 78,3% of the lending groups were aged at least a year. 73,6% of the members found there was solidarity within the group. The monitoring of the members of the lending group was ensured by the whole of the group for 88,7% of the cases and only 44,3% of groups were open to the recruitment of new members. The reimbursement schedule of the loans was respected in 72,6% of cases.
Before presenting the characteristics of our model and validating its components, it is necessary to validate our hypotheses. To do this, we used the cross tabulation. This approach is used in order to describe the common evolution of certain variables and identify possible links between them. Our variables being qualitative and nominal, the main technique to use is the test of association (exact test of Fisher).

III-1) THE RESPECT OF THE REIMBURSEMENT SCHEDULE IS A FUNCTION OF THE PROFILE OF FORMATION OF THE LENDING GROUP

This hypothesis aims at showing that the respect of the reimbursement schedule of loans within the lending groups is a function of the formation of the group. This led us in this study to identify the variables related to the profile of the lending group which can affect the reimbursement performance. We identify several variables related to the incentives for the formation of the group, the admission of a new member into the group (whether the group is open or closed), the mechanism of selection of members (mutual selection or not), the size of the group (group of less than 5 people or more), the membership to the same socio-professional category and the geographical situation of the members (far away or near).
After having presented the simple tabulation, we crossed these variables with the reimbursement performance of the groups of our sample. The results obtained enable us to say that apart from the size of the groups of our sample, all the other variables have an effect on the respect of the reimbursement schedule by the group (see table n° 01).

TABLE 3: TEST OF ASSOCIATION BETWEEN THE VARIABLES RELATED TO THE CONSTITUTION OF THE LENDING GROUPS AND REIMBURSEMENT PERFORMANCE

	Exact test of Fisher	
	Exact significance (bilateral)	Exact significance (unilateral)
PERF_REMB*INC_FORM	,057	, 034 *
PERF_REMB*ADM_GRP	,000	, 000 *
PERF_REMB*AUTO_GRP	,000	, 000 *
PERF_REMB*TAIL_GRP	,073	,051
PERF_REMB*CSP_GRP	,033	, 033 *
PERF_REMB*SITUA_GRP	,061	, 035 *

* Significant at the 5% level
At the end of the statistical analysis presented in the table above, we find that the variables are significant. We can globally say that the process of constitution of lending groups and its validation by the MFI determines the respect of the reimbursement schedule refunding by the group. This enables us to validate our first hypothesis.

III-2) THE MODE OF OPERATION OF THE GROUP (PEER CONTROL OF THE GROUP) POSITIVELY INFLUENCES THE RESPECT OF THE REIMBURSEMENT SCHEDULE

From literature, it emerges that the functioning (operation) of the lending group affects the respect of the reimbursement schedule by the group. It should be noted that our second hypothesis is based on this general idea, and shows the importance of peer control within the group. In order to test this hypothesis, we identified variables related to the operation and peer control of the group which influence its members and incite them to reimburse the loan. The variables selected are as follows: the perceived solidarity by the members, peer monitoring of the members of the group, the fear of the sanctions inflicted by the group (generally financial and social), the age of the group (which testifies a priori the effectiveness of the social structures in the group).
As done previously, we crossed these variables with the reimbursement performance and find that all the variables are significant except for the variable age of the group. This shows that the age of the group does not impact positively on the respect of the reimbursement schedules of the group. On the other hand, perceived solidarity, peer monitoring and the fear of the sanctions significantly influence the respect of the reimbursement schedules by the group (see Tableau n°04 below).

TABLE 4: TEST OF ASSOCIATION BETWEEN THE VARIABLES RELATED TO THE STRUCTURE OF THE GROUP AND THE LOAN REIMBURSEMENT PERFORMANCE

	Exact test of Fisher	
	Exact significance (bilateral)	Exact significance (unilateral)
PERF_REMB*SOLD_PER	, 000	, 000 *
PERF_REMB*SURV_GRP	, 003	, 003 *
PERF_REMB*SANC_GRP	, 008	, 006 *
PERF_REMB*ANC_GRP	, 188	,123

* Significant at the 5% level
Of the various variables related to the structure of the group, only one (the age of the group) is insignificant. Although this appears paradoxical, it is justified by the fact that the age of the group induces free rider behaviour or carelessness among certain members. In a general manner, we can affirm that the peer monitoring of the group determines the respect of the reimbursement schedule by the group.

III-3) MOST SIGNIFICANT VARIABLES THAT ARE INCENTIVES TO REIMBURSEMENT OF GROUP LOANS

We previously identified variables related to the formation of the group and those related to its operation which we separately crossed with the reimbursement performance of the groups. These tests made enabled us to confirm the relevance of the majority of the variables selected. However these tests do not explain the specific contribution of each of these variables in the reimbursement performance of group loans. The tests on the parameters of estimated equation

reimbursement performance below comes to supplement the previous results by making it possible to explain the weight and relative importance of each variable on the reimbursement performance.
Looking at table n°03 below, we see that the variables auto-selection, mutual solidarity, peer monitoring and perceived sanction seem the most significant in explaining the reimbursement performance of group loans.

TABLE 5: ESTIMATES OF THE PARAMETERS OF THE EQUATION OF REIMBURSEMENT PERFORMANCE N = 70; Iteration count: 6

	β_I	Signif	Exp(B)	IC for Exp(B) 95,0%	
				Inferior	Superior
PERF_REMB*ADM_GRP	-2,732	, 000 **	,065	,015	,284
PERF_REMB*AUTO_GRP	1,512	, 033 *	4,538	1,128	18,250
PERF_REMB*TAIL_GRP	-2,948	, 004 **	,052	,007	,389
PERF_REMB*SOLD_PER	1,467	, 049 *	4,337	1,003	18,749
PERF_REMB*SURV_GRP	2,636	, 018 *	13,951	1,575	123,578
PERF_REMB*SANC_GRP	1,461	, 035 *	4,310	1,111	16,726
Constancy (?)	-, 126	,917	,881		

* Significant at the 5% level, ** Significant with the 1% level

CONCLUSION
Group lending makes it possible to manage the risk of default by reducing the risks of adverse selection and moral hazard. However certain lessons emerge from our analysis; it appears judicious for the members of lending groups to choose themselves mutually accepting the consequent division of risks. In addition, open groups and groups having a relatively large size are exposed to risks since as these elements tend to reduce solidarity between the members of the group, finally, peer monitoring and the perception of a strong sanction in the event of strategic default (voluntary) must be permanent. It is only in these conditions that the IMF will be able to grant loans to micro-entrepreneurs in a context of absence of collaterals while remaining profitable and ensuring their survival.

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A STUDY ON RELATIONSHIP BETWEEN STORE LOYALTY AND SATISFACTION IN CUSTOMERS OF ORGANISED RETAILERS IN INDORE

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ABSTRACT
Loyal and satisfied customers are the backbone of a firm. In a highly competitive marketing environment, developing loyal and satisfied customers is a most desirable task for companies and especially in Retailing business, it plays a vital role. It is a known fact that loyal customers are the real partners in the success of a firm. Therefore companies need to put efforts to develop loyal and satisfied customers. With this phenomenon in mind, our research aims to assess the effects of the satisfaction on store loyalty at popular organised retailers at Indore. The paper analyzes the relationship between store satisfaction and store loyalty by conducting a survey of 300 respondents. Correlation, Regression, ANOVA test, F-test was being used. The result indicated that store satisfaction has positive relationship with store loyalty. Also store satisfaction was determined to be a significant predictor of store loyalty.

KEYWORDS
Store loyalty, customer satisfaction, organized retailers.

INTRODUCTION
RETAIL AND RETAIL SCENARIO IN INDIA - AN OVERVIEW
Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. It includes every sale of goods and services to the final consumer. Retailing includes all activities directly related to the sale of goods or services to the ultimate customer for personal non-business use. So, retailers collect an assortment of goods and services from various sources, buy them in large quantity and sell in small quantities to consumers.

Retail is India's largest industry being the fifth largest in the world, is one of the sunrise industry in India with the highest impact on the population and the world's second largest place in consumer market and has huge potential for growth and development. It comprises of both organized and unorganized sectors and the organized sector is the most important addition in the Indian economy. The recent report by the Indian Brand Equity Foundation estimated the present value of the Indian retail market as US$ 520 billion.

Over the globe, foreign investors showed their inclination towards the investment in Indian retail. India remains an appealing country and regarded as the top retail investment destination among the 30 emerging markets across the world. India's retail market has been ranked as the 14th most attractive destination for global investment according to A.T. Kearney's Global Retail Development Index.

LOYALTY
Loyalty was understood as a purchases made on repetitive basics. It is the process that shows that the behaviour of purchasing becomes a habit. Repetitive purchases are the purchases that a consumer makes without a certain emotion and attitude depicted by Mowen, (1990) and similar notion was given by Oliver who gave emphasis to rebuy a particular product or service consistently. Further Reichheld and Sasser (1990) connected loyalty with positive behaviour towards the service provider. Additionally it is communicated by other authors that loyalty is a dependence of a customer on a certain brand. So it is inferred that loyalty is mainly a positive attitude towards brand and dependability of consumer.

As the researcher investigated and depicted meaning of loyalty in different decade. The study on loyalty has enlarger view of three decades described as a concept. In the middle 1980s, loyalty was only restricted on product or service quality and company started focusing on customer's needs and responding to their grievance in the 1990s. In the late 1990s, company's focus began to shift to competitors and they tried to produce product through generating latest and different from competitors in order to be competitive in the market. In the twentieth century, companies produce as per need of the customers and deliver service accordingly and customer satisfaction is primary goal of any organization. Hence loyalty has taken different shape and meaning at present scenario and importance lies in satisfying needs of customers and making them satisfied is the crux, the higher the level of satisfaction in customer results in the higher the level of loyalty . Hence, retailers should identify the driver that enhances customer satisfaction which leads to loyalty and implement the suitable strategies.

STORE LOYALTY
Store loyalty is reviewed by many experts and they examined it differently. One of the studies proposed by Dick and Basu (1994) classified the Customer Loyalty into Brand Loyalty, Vendor Loyalty, Service Loyalty and Store Loyalty. Hence it gives the understanding that origin of store loyalty arises from customer loyalty. The former studies also found a close relationship between brand loyalty and store loyalty. In case the consumer's brand loyalty toward a certain brand is strong, and that the store offers to sale this brand affects the store preference. Likewise, when the customer does not have enough information about the product or if it is risky, then the customer firstly decides about the brand and later determines the store where to buy this product.

OBJECTIVES
The primary objective of this study is to test the relationship between Satisfaction & Store Loyalty of organized retail outlets of Indore. Thus study aims to evaluate that the Store satisfaction has positive relationship with store loyalty and the satisfaction.

LITERATURE REVIEW
Oliver (1996) defines satisfaction as the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer's prior feeling about the consumer experience. Since the early 1990s, service and satisfaction research has grown to include an emphasis on cumulative satisfaction, defined as a customer's overall evaluation of a product or service provider to date (Johnson & Fornell, 1991). Grisaffe (2001) suggests that satisfaction is an indicator of met or exceeded expectations. Satisfaction is one driver of recommend and repurchase intentions. If a customer received what she or he expected, the customer is most likely to be satisfied (Reichheld, 1996).

Satisfaction is also a much desired target for businesses, since a satisfied customer is likely to buy more, return to the store and spread positive word-of-mouth opinions to other customers (Anderson, Fornell, & Lehmann, 1994). Customer satisfaction leads to greater customer loyalty (Bolton & Drew, 1993), reduces the costs of future transactions (Reichheld & Sasser, 1990), positively impacts firm's revenues (Bolton 1998), and minimizes customer defection if quality falters. During the past decades, customer satisfaction has frequently been advanced to account for customer loyalty (Dick & Basu, 1994, Oliver 1996; Zeithaml et al., 1996).

Josee Bloemer, Odekerken –Schroder, Gaby (2002) investigated Store Satisfaction and Store loyalty explained by Customer and Store-Related Factors. In this study Dickson's framework was taken as a starting point and distinguish a consumer relationship proneness, store image and positive affect antecedent of store image. Results revealed that consumer relationship proneness as well as store image as well as positive affect have a positive impact on store satisfaction. Moreover it was found that satisfaction positively impact trust which in turn leads to commitment and finally to increased word -of- mouth, purchase intentions and price insensitivity. Finally, it was concluded store loyalty was expressed by word of mouth, price insensitivity and a purchase intention is explained by commitment. However it needs to be recognized that purchase intentions could be explained best on the basis of commitment. The result implies that commitment should be the ultimate goal for a supermarket striving for positive purchase intentions.

Dong-Mo Koo (2003) compared and contrasts the interrelationships among store images, store satisfaction, and store loyalty among Korea discount retail patrons. Their study examines how various characteristics of the discount retail store, considered to be an abstract and global image component, influence consumer's satisfaction and how consumer's satisfaction, in turn affects store loyalty. Results indicate that forming the overall attitude is more closely related to in-store services: atmosphere, employee service, After sales service and merchandising and store satisfaction is formed through perceived store atmosphere and value, (3) the overall attitude has strong influence on satisfaction and loyalty and its impact is much stronger on loyalty than on satisfaction, (4) store loyalty is directly affected by most significantly location, merchandising and after sales service in order, (5) satisfaction is not related to customer's committed store revisiting behaviour.

Tafadzwa Machirori and Olawale Fatoki, (2011) conducted empirical investigation of customer satisfaction and customer loyalty at big retail stores. The study investigates customer satisfaction and customer loyalty in four big retail stores. To measure customer loyalty, the Harvard Business Review Apostle model was used. According to the Apostle model, loyalists report both high satisfaction and high loyalty. Hostages report high loyalty despite low satisfaction. Mercenaries report high satisfaction, but low loyalty. Defectors report both low satisfaction and low loyalty. The results in indicate that customers are loyal to the big stores. Customer loyalty thus exists at the four big retail stores. These customers are termed "loyalists". The results are insignificant in terms of customer satisfaction and customer loyalty. This indicates that there is no significant difference in the mean scores of males and females with respect to customer satisfaction and customer loyalty. The results indicate that there are no significant differences in the mean scores of the different age groups in relation to customer satisfaction and customer loyalty. The results indicate that holistically, customers are satisfied and loyal to the retail stores.

Sushil Kumar and Niraj Mishra (2013) conducted a study to identify Retail Store's Attributes Influence Customer Satisfaction. Their study examined the relationship between retail store attributes and customer satisfaction. Attracting customers and retaining them become keys to success in increased industry competition. Respondents were surveyed about their expectations and experiences with respect to ten dimensions of store attributes using a structured questionnaire using Mall Intercept Survey technique and the dimensions were range of merchandise, Price of merchandise, In-store convenience, Post purchase service, Location convenience, quality of merchandise, Facilities and service, Sales Personnel, store atmosphere, and sales Promotion scheme. Correlation and regression analysis were used for data analysis. The outcome of the analysis is establishment of relationship between store attributes and customer satisfaction and it clearly indicates that there is a significant influence of satisfaction with store attribute on customer's overall satisfaction with the store.

Yongmei Xu, Xiaowen Ye, Fan Zhang, (2013) measured customer satisfaction. This research has studied customer satisfaction from the point of view of the enterprise using the 7-ELEVEn stores in Hong Kong as an example. This research has established a retail enterprise customer satisfaction model based on CCSI models. Factor analysis and correlation was also performed. With the principal component analysis, it can be found that three important factors were value and overall satisfaction, employee service quality, shopping environment and brand image, besides three satisfaction factors were shopping environment, the staff's service quality and perceived value At last, the things to do are integrating the sample data, having a comprehensive evaluation on the service quality and customer satisfaction, and summarizing the main points to analyze the relationship between service quality and customer satisfaction, to improve customer satisfaction. The aim of this study is to provide reference for the key of enterprise's future work and also for the optimal distribution of resources.

A research by Saravana Jaikumar (2013) identified the Relationship between the dimensions of satisfaction and loyalty. The objective of the study was to find out that what aspects of satisfaction have an impact on loyalty. The aspects of satisfaction examined in this study include satisfaction with the sales process, complaint handling and relationship experience. The author argues that customer's level of satisfaction with the sales process has a positive relationship with passive loyalty. Similarly satisfaction with complaint handling and the relationship with service provider are hypothesized to impact active loyalty. Structural equation modelling with observed variables was used to test the hypothesized relationships. Findings reveal that Average level of passive loyalty is much lower than that of active loyalty. The means of the various dimensions of satisfaction are relatively closer to each other. Standardized effect of sales process satisfaction is not found to be significant. Hence it cannot be concluded that sales process satisfaction leads to passive loyalty. However the standardized effects of complaint handling and relationship satisfaction on active loyalty are significant. Both the effects are in the right direction i.e. positive. Moreover, the effect sizes are also significantly high indicating a strong impact of the two constructs complaint handling and relationship satisfaction on active loyalty. It is imperative to note that relationship satisfaction has a higher impact on active loyalty compared to complaint handling satisfaction. The impact of complaint handling and relationship satisfaction on active loyalty is found to be significant and in the right direction.

RESEARCH METHODOLOGY

UNIVERSE

The population of the study consists of customers of those who are interested and goes to various retail outlets. For effective coverage and lower cost, non-probability and convenient sampling technique was used to select the participating respondents. Consumers were sub-divided into three groups: Business class, service class, Professionals, students, and households.

SAMPLE SIZE

The study was conducted in a popular mall in the Indore city. A systematic sample of total 300 customers was intercepted as they came out of the mall for making a purchase. Every eligible shopper was explained about the purpose of the survey and was requested to participate in the study.

DATA COLLECTION AND QUESTIONNAIRE DEVELOPMENT

The data collection methods used in this research involves the search for both primary and secondary data. Only secondary sources were used to collect information about operations of retail store. Primary data, being the most significant is gathered through self-structured questionnaire based on 5-point Likert Scale. The questionnaire consisted of self-designed questions and also tested the reliability and validity. Popular organised retailers were surveyed at Indore City. A survey was conducted to measure the variables of shop loyalty behaviour. Close-ended questions were asked to analysis the pre-determined objectives.

STATISTICAL ANALYSIS OF DATA AND TOOLS OF ANALYSIS

The data coded in excel using Ms-Office package. The coded data was then analyzed using SPSS version 17.0. The data was analyzed using descriptive statistics. First all questions were subjected to frequency analysis and item total correlation to check whether the scale is measuring any variation or not. Thereafter, the reliability and validity of the scale were done using Cronbach's Co-efficient Alpha, Correlation analysis.

Once the reliability and validity of the scale and its dimensions was carried out, an attempt to segment respondents was tried using various statistical analyses viz, T-test, one way-ANOVA, Correlation and Linear Regression analysis to identify any significant segment descriptors.Correlation Analysis check the relationship between the shop loyalty behaviour and satisfaction. Regression Analysis examined the impact of variables of Store Satisfaction loyalty behaviour of customers. Descriptive Statistics shows the Demographic profile of respondents. (ANOVA)- The analysis of variance is a statistical test that is utilized to determine if differences exist among the means of two or more independent samples and it was employed to check the consistency between two variables. F-test was used to determine if a significant difference existed in the preference of attributes differing in store satisfaction with regard to shop loyalty behaviour.

DATA ANALYSIS AND RESULTS

CHARACTERISTICS OF RESPONDENTS

The demographic characteristics of customers generated to make a clear understanding about the profile of the respondents and their behaviour towards store loyalty. It is concluded from the above tables and graphs of the profile of the respondents that majority of the respondents (57.3%) are between 20-35 of age group, 28% between 36-50 and the remaining are above 50 years. In the same way educational qualification is concerned, 55.7% respondents are professionally qualified, 16.7% are Graduates, 14% Post Graduates and 13.3% are senior secondary passed.

As far as Annual Income is concerned, 40.6% respondents are lying 2-4 Lacs, 34% having 4.1-6 Lacs, 18.7% have 6.1-8 Lacs and the rest have above 8 Lacs. 37% are Males and 63% are females. And also 47.3% respondents belong to service class, 20.4% are students, 17% belong to the business class and 15.3% are housewives. As marital status is concerned 67% are married and remaining 33% are unmarried.

HYPOTHESES

The following hypotheses have been framed for study in the light of the objectives.

H_0: Store satisfaction has no positive relationship with store loyalty.

H_1: Store satisfaction has positive relationship with store loyalty.

TABLE 1.1: DESCRIPTIVE STATISTICS

	Mean	Std. Deviation	N
Store Loyalty	215.5400	26.45919	300
Store satisfaction	40.9933	7.75934	300

TABLE 1.2: CORRELATIONS

		Store Loyalty	Store Satisfaction
Pearson Correlation	Store Loyalty	1.000	.916
	Store Satisfaction	.916	1.000
Sig. (1-tailed)	Store Loyalty	.	.000
	Store Satisfaction	.000	.
N	Store Loyalty	300	300
	Store Satisfaction	300	300

The value correlation coefficient between Store Satisfaction and Store Loyalty is 0.916, and it is significant at 5% level of significance thus, it may be concluded that satisfaction plays greater role in generating store loyalty. Furthermore, since the value of correlation coefficient r suggests a strong positive correlation, we can use a regression analysis to obtain a relationship between the variables. The following table shows the regression analysis.

TABLE 1.3: MODEL SUMMARY[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	.839	.839	10.61872
a. Predictors: (Constant), Store Satisfaction				
b. Dependent Variable: Store Loyalty				

TABLE 1.4: MODEL SUMMARY[b]

Model	Change Statistics				
	R Square Change	F Change	df1	df2	Sig. F Change
1	.839	1558.435	1	298	.000
b. Dependent Variable: Store Loyalty					

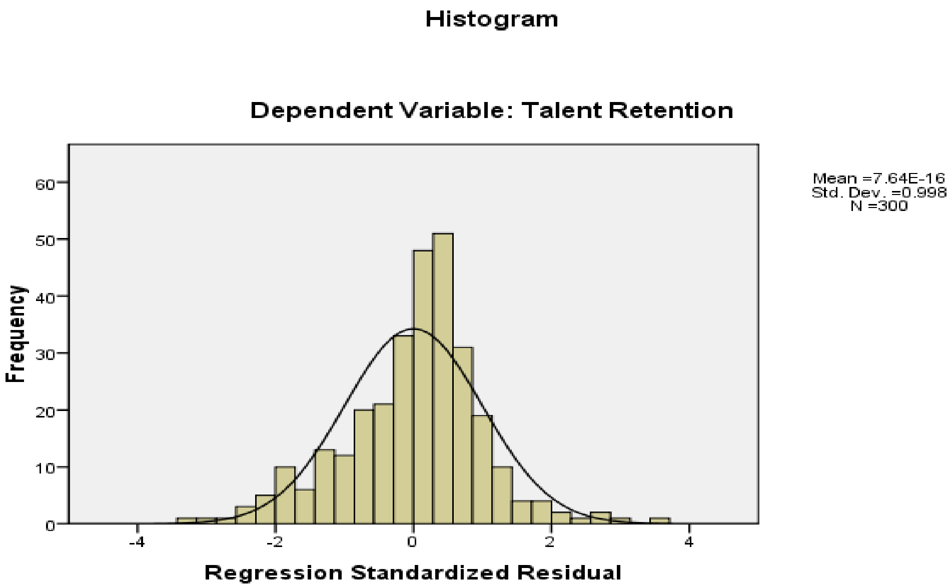
TABLE 1.5: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	175724.857	1	175724.857	1558.435	.000[a]
	Residual	33601.663	298	112.757		
	Total	209326.520	299			
a. Predictors: (Constant), Store Satisfaction						
b. Dependent Variable: Store Loyalty						

TABLE 1.6: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	87.463	3.302		26.490	.000
	Store Satisfaction	3.124	.079	.916	39.477	.000
a. Dependent Variable: Store Loyalty						

FIG. 1



REGRESSION ANALYSIS

Store Loyalty is taken as a dependent variable and Store Satisfaction is taken as independent variable. Model summary shows the values of R^2, adjusted R^2 and R^2 change, which are all same in this case. Here R^2 is 0.839 with standard error of estimate equal to 10.618. We can interpret this as 83.9% of the variation in Store loyalty is explained by Store Satisfaction. This value of coefficient of determination (R^2) is significant and therefore the association can be considered as significant. ANOVA table gives results of Analysis of variance. Since the p value is less than 0.01 and 0.05 it is significant at both the levels of significance and it lead to reject the hypothesis of all model coefficients being zero or we can say that variation explained by the model is not due to chance. And we should conclude that all the model coefficients differ significantly from zero and store satisfaction can be used to measure the store loyalty.

The regression equation, which can be formed using coefficients table, is

Store Loyalty = 87.463 + 3.124*Store Satisfaction

Since p-value is less than 0.05 the hypothesis that the slope of the regression line is zero is rejected. The model is considered to be statistically acceptable.

A Residual is the difference between observed and model predicted value of the dependent variable. A histogram is used to check the assumption of normality error term or residuals. Since the shape of the histogram for regression standardized residuals is approximately normal. Thus the assumption of regression analysis about the normality of residuals is fulfilled.

The results of the study clearly states that there is positive correlation between store satisfaction and store loyalty and Null hypotheses which says store satisfaction has no positive relationship with store loyalty is being rejected. Thus it is clearly indicated that consumers are satisfied with service quality of big bazaar. Employees are equally trained and helpful for consumers in selecting the product and guiding the consumers on various issues. Consumers are also happy with the product range and brands available.

CONCLUSION

The knowledge of factors which creates satisfaction is very useful to retailers and the strategists to plan the policy and formulate strategies accordingly for customer retention and improving loyalty towards their store. The changing consumer expectation can be understood and plans be accordingly implemented.

The consumers are more inclined to get an experience of their shopping. Customer expects hassel free shopping experience and overall comfortable experience which may relieve them from day-to-day stressful life. The consumers do not want the shopping also to be another pain. Convenient shopping, prompt billing counters, courteous sales personnel, good ambience, convenient parking, and variety of products etc.

Retailers should focus on improving their service focusing on improving the convenience of the consumers. It should improve the overall product range offered by the retailer. They should try to attract new customers and also retain existing one by adopting suitable and satisfying strategies.

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DIMENSIONALITY OF CUSTOMER LOYALTY: A STUDY IN THE INDIAN CONTEXT

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ABSTRACT
The views on loyalty have oscillated between uni-dimensional and two-dimensional views. The dimensionality of loyalty construct has important theoretical and practical issues. Consensus is absent in the marketing literature on how loyalty should be conceptualized and measured. The purpose of the present study is to re-examine the two dimensional structure of loyalty in mobile phone services context in India. Structural equation modeling approach was used to compare a totally disaggregated first-order model with a model which considers behavioral and attitudinal loyalty as two separate factors. The results provide support for a two-dimensional view of customer loyalty. The findings highlight the potential value of including both behavioral and attitudinal loyalty in customer loyalty model.

KEYWORDS
Customer Loyalty, behavioral loyalty, attitudinal loyalty, structural equation modeling.

INTRODUCTION
Since the beginning of the 1990's, the topic of customer loyalty has gained importance both in marketing theory and practice (Odin et al. 2001; Bennett and Rundle-Thiele 2005; Bandyopadhyay and Martell 2007; Russell-Bennett et al. 2007; Cahill 2007; Han, Kwortnik Jr. and Wang 2008). The increased interest in customer loyalty can be attributed to the emergence of relationship marketing paradigm (Gronross 1994; Berry 1995). The relationship marketing approach emphasizes the maintenance of mutually profitable and long-term relationships between customers and company (Ravald and Gronross 1996).

The development of long-term customer relationships has long been regarded as a valuable tool for building effective marketing strategies by marketing academics and practitioners (Reichheld and Sasser 1990; Heskett et al. 1994; Zeithmal et al. 1996; Bennett and Bove 2002; Agustin and Singh 2005). Research has shown that it is financially desirable to retain existing customers because obtaining new customers is costly (Rust and Zahorik 1993). Researchers have found a positive relationship between customer loyalty and long-term financial performance (Anderson et al. 1994; Heskett et al. 1994; Reichheld and Sasser 1990, Jones and Sasser 1995; Ryals 2002). Customer loyalty translates into benefits such as increased profits from repeat purchase and cross buying, lower marketing costs, more efficient operations and free word-of-mouth advertising (Reichheld 1996; Anderson and Mittal 2000; Colgate and Norris 2000; Castaneda 2010). According to Ganesh et al. (2000), loyal customers are at the heart of a company's most valuable group because of their current and potential future value.

Considering the positive benefits of customer loyalty, developing and increasing customer loyalty is crucial factor in company's growth. One of the crucial issues of today is to understand how or why a sense of loyalty of develops in customers (Pritchard et al. 1999). A review of previous literature highlights a lack of agreement over the definition and operationlization of the construct of loyalty. There is no consensus in the literature on what loyalty is, and what constitutes the major driving forces of brand loyalty (Li and Petrick 2008). The purpose of the present study is to examine the dimensional structure of loyalty in the Indian context.

LITERATURE REVIEW
Customer loyalty as a concept has its origins in the 1920's. The views on loyalty have oscillated between uni-dimensional and two-dimensional views (Russell-Bennett 2002). There are two schools of thought to define and operationalize customer loyalty: stochastic and deterministic approach. The stochastic approach defines loyalty in terms of observable behavior i.e. i.e. the pattern of past purchases (Tucker 1964; Cunningham 1956; McConnell 1968). The deterministic approach considers loyalty as an attitude and seeks to explain it in terms of attitudes, values and beliefs (Bennett and Bove 2002). Recent research in area of customer loyalty has acknowledged multidimensional view of customer loyalty, which is important, both to understand dimensions and measures of loyalty (East et al. 2005; Rundle-Thiele 2005).

BEHAVIORAL LOYALTY
Behavioral approach to customer loyalty has been at the core of early marketing research. The behavioral approach suggests that the repeat purchasing of a brand over time by a consumer expresses their loyalty (Tucker 1964; McConnell 1968; Chaudhuri and Holbrook 2001). The major assumption of defining loyalty from behavioral perspective is that repeat purchasing captures the loyalty of a consumer towards the brand of interest (Bandyopadhay and Martell 2007). The most frequently used measures of behavioral loyalty are: sequence-of-purchase (Tucker 1964; McConnell 1968; Dekimpe et al. 1997); proportion-of-purchase (Cunnigham 1956; Jones and Sasser 1995; Dekimpe et al. 1997) and purchase probability measures (Javalgi and Moberg 1997). The advantage of behavioral measures are that they measure observable behaviors (Odin et al. 2001) and thus help marketers to understand how people buy primarily in markets where data is readily available (Rundle-Thiele 2005). Another advantage of behavioral measures is that they are not incidental as they are based on purchasing behavior over a period of time (Mellens et al. 1996). The behavioral measures are useful and easy to measure through panel and scanning data (Amine 1998).

A major shortcoming of loyalty measures based on repeat purchase behavior is that they make no attempt to understand the underlying repeat purchase (Dick and Basu 1994). The behavioral measurements fail to distinguish customers who buy products and service strictly for habit or convenience from those whose repeat purchase behavior is based on genuine attachment (Amine 1998; Pritchard et al. 1999; Palmer et al. 2000; Odin et al. 2001). High repeat purchase may reflect situational constraints, such as brands stocked by retailers; where as low repeat purchase may simply indicate lack of choice, variety seeking or different usage situations etc. (Dick and Basu 1994; Mellens et al. 1996; Hart et al. 1999).

ATTITUDINAL LOYALTY
To overcome the limitations of behavioral approach, researchers have proposed measuring loyalty by means of an attitudinal dimension in addition to behavioral dimension (Day 1969; Jacoby and Kyner 1973; Srinivasan, Anderson et al. 2002). The attitudinal perspective assumes that consistent buying of a brand is a necessary but not sufficient condition to 'true' brand loyalty and it must be complemented with a positive attitude towards this brand to ensure that this behavior will be pursued further (Amine 1998). Attitudinal measures of brand loyalty incorporate consumer preferences and dispositions toward brands to determine levels

of loyalty (Javalgi and Moberg 1997). The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance (Bowen and Chen 2001). Attitudinal loyalty refers to the level of consumer's psychological attachments and attitudinal advocacy towards the supplier (Chaudhuri and Holbrook 2001).
The attitudinal measures based on stated preferences and commitment, distinguish loyalty from repeat buying and are also less sensitive to short-run fluctuations (Mellens et al. 1996). Attitudinal loyalty measures help brand managers to understand reasons for customer's purchase of their brands as well as those of competitors and also help to identify strengths and weaknesses of their brands (Bandyopadhay and Martell 2007). Attitudinal measures are not an accurate representation of reality as they rely on consumer declaration and not on observed behavior and it is possible that consumers may not provide true information (Mellens et al. 1996; Odin et al. 2001). Another disadvantage of attitudinal measurements is that while operationalzing attitudinal loyalty, researchers use either antecedents or consequences of loyalty (Odin et al. 2001).

COMPOSITE LOYALTY

A number of researchers have stressed the need to combine behavioral and attitudinal aspects of loyalty (Day 1960; Jacoby and Kyner 1973; Bowen and Chen 2001; Back and Parks 2003). The composite approach to loyalty considers customer's favorable attitudes, intentions and repeat purchasing as measure of true loyalty (Shoemaker and Lewis 1999; Rundle-Thiele 2005). The composite approach to loyalty claims that to be truly loyal the consumer must hold a favorable attitude toward the brand in addition to repeat purchasing it (Jensen and Hansen 2006). Dick and Basu (1994) conceptualized loyalty as the strength of the relationship between an individual's relative attitude and their repeat patronage. Recent studies have operationalized loyalty using the composite approach (Pritchard et al. 1999; Ganesh et al. 2000; Chaudhuri and Holbrook 2001; Yi and Jeon, 2003; Rauyren and Miller 2007; Li and Petrick 2008).

METHODOLOGY

Two studies were conducted to address the research issue. In both the studies, data were collected with the help of questionnaire that comprised measured of behavioral and attitudinal loyalty. The measurement items of behavioral and attitudinal loyalty are derived from Chaudhuri and Holbrook (2001); Evanschitzky et al. (2006); Gremler and Brown (1996) and Zeithmal et al. (1996). The purpose of the first study was to test internal consistency of the scale. Study two was designed to test the dimensional structure of loyalty.

STUDY 1

Data was obtained through self-administered questionnaires from 250 postgraduate business students of a major university in India. Convenience sampling was used to collect data. The sample consisted of 132 (52.8%) females and 118 (47.2%) males.

RESULTS OF STUDY 1

Item-total correlation, corrected item-to-total correlation and means and variances of items were examined for each dimension. Items with high correlations with the total score of other constructs, low corrected item-to-total correlation and smaller means and variances were deleted (Churchill 1979; Kumar and Beyerlien 1991; Nunnally and Bernstein, 1994; Tian et al. 2001). This process resulted in deletion of 4 items of 'behavioral loyalty' and 3 items of 'attitudinal loyalty'.
The internal consistency of the items belonging to each construct was then examined using Cronbach alpha and exploratory factor analysis at the subscale level (Ruekert and Churchill 1984; Flynn 1991). Principal component analysis was used to examine whether items in each measure load on one factor or not. Table 1 indicates that items in each subscale load on one factor. All the obtained eigenvalues exceed the criterion of 1.0 (Flynn 1991).
Cronbach alpha is concerned with the degree of interrelatedness among a set of items designed to measure a single construct (Netemeyer et al. 2003). Table 1 depicts the reliability alphas for various constructs. As can be seen, the coefficient alpha values are above .60 which is an acceptable limit for early stages of basic research (Nunnally and Bernstein 1994).

TABLE 1: RELIABILITY AND INTERNAL CONSISTENCY OF MEASURES

Construct	Item Label	Eigen Value	Factor Loading	Cronbach Alpha	Variance Explained
Behavioral	BL1	1.159	.761	.692	57.951
Loyalty	BL2		.762		
Attitudinal	AL1	1.965	.811	.887	65.494
Loyalty	AL2		.797		
	AL3		.820		

STUDY 2

Data was collected through self-administered questionnaires from 1000 mobile phone users. The survey was carried out in the northern part of India. A total of 855 usable responses were obtained for an overall response rate of 85.5 percent. The sample included 58.2% of males and 41.8% of females. The age profile of respondents ranged from 20 years to 45 years with almost 87% of the respondents in the age group between 20 years and 24 years. Regarding current provider subscription, 38 per cent of the respondents were using Airtel followed by Vodafone (22 %), BSNL (17 %), Spice (15 %), IDEA (3 %), Reliance Communications (1.7%) and TATA Indicom (1.4%).

RESULTS OF STUDY 2

For testing the dimensional structure of loyalty, Confirmatory Factor Analysis was used. We proposed two alternative models. We used different model fit measures to compare the competing models. The alternative models were compared on the following criteria:

- **Comparative Fit Index (CFI) –** CFI indicates the overall fit of the model-implied covariance matrix to the sample covariance matrix (Hair et al. 1998).
- **Incremental Fit Index (IFI)** – IFI addresses the issues of parsimony and sample size in the model (Byrne 2001).
- **Tucker Lewis Index (TLI)** – TLI measure is used to compare alternative models against a null model (Shumacker and Lomax 1996). TLI shows how effective the model is compared to a null model (Dion 2008).
- **Normed Fit Index (NFI)** – NFI indicates the proportion in the improvement of the overall fit of the researcher's model relative to a null model (Kline 1998).
- **Root Mean Square Error of Approximation (RMSEA)** – RMSEA is related to the difference in the sample data and what would be expected if the model were assumed correct (Dion 2008). Lower values of RMSEA indicate a better model fit (Hair et al. 1998).
- **Akaike Information Criterion (AIC)** – AIC addresses the issue of parsimony in the assessment of model fit (Byrne 2001). When choosing between several models, the smallest AIC estimate indicates the model with the best fit (Kline 1998).
- **Browne-Cudeck Criterion (BCC)** – When comparing two models, smaller values of BCC represent a better fit of the hypothesized model (Schreiber et al. 2006).
- **Expected Cross Validation Index (ECVI)** – ECVI measures the discrepancy between the fitted covariance matrix in the analyzed sample, and the expected covariance matrix that would be obtained in another sample of equivalent size (Byrne 2001). When choosing between several models, the smallest ECVI estimate indicates the model with the best fit (Schermelleh-Engel, Moosbrugger and Muller 2003).

MODEL A - DISAGGREGATED FIRST-ORDER MODEL

In Model A (Figure 1), customer loyalty was examined using a totally disaggregated first-order model. In this, 5 items were proposed to measure a single first-order factor called loyalty. This model generated a poor model fit. The fit indices obtained are $\chi 2$ = 404.497; df = 5; CFI = 0.734; NFI = 0.732; IFI = 0.735; TLI = 0.468; and RMSEA = 0.306 (see Table 2).

MODEL B – FIRST-ORDER FACTOR MODEL

In Model B (Figure 2), it was hypothesized that the 5 items formed two correlated first-order factors – behavioral and attitudinal loyalty. In this model, each of the six factors was treated a separate factor. The fit indices for Model B are $\chi 2$ = 48.975; df = 4; CFI = 0.970; NFI = 0.968; IFI = 0.970; TLI = 0.925; and RMSEA = 0.115 (see Table 2).

FIGURE 1: DISAGGREGATED FIRST-ORDER MODEL (MODEL A)

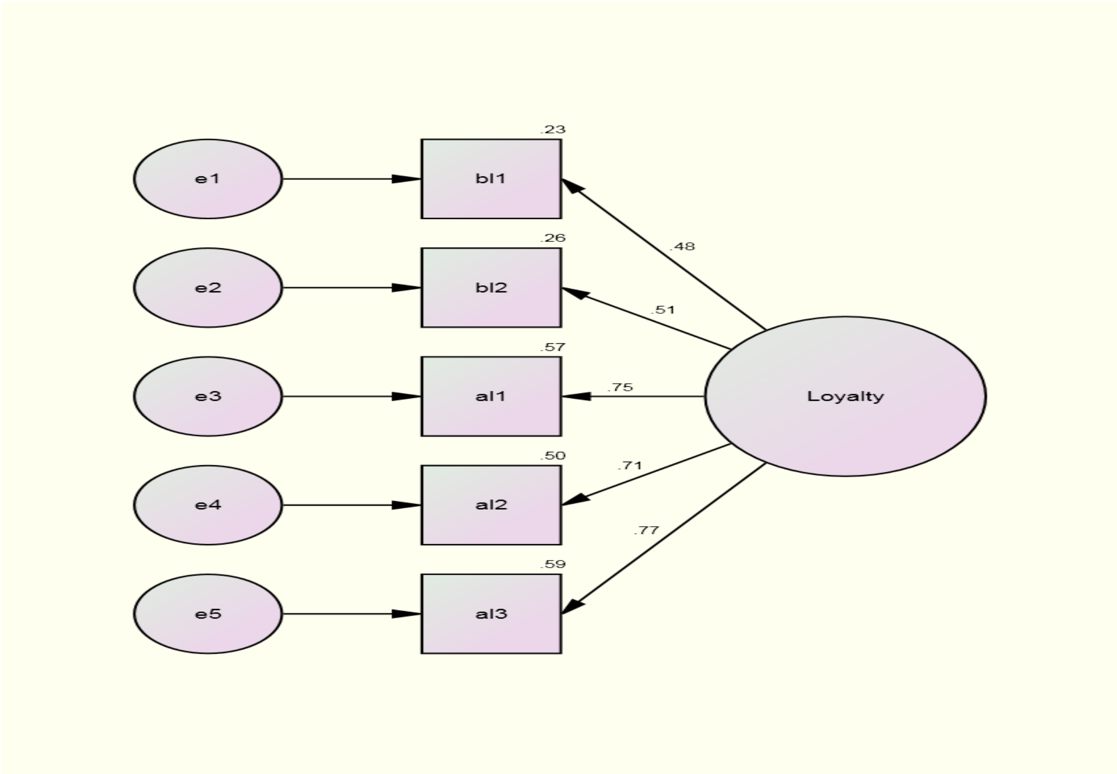

FIGURE 2: FIRST-ORDER FACTOR MODEL (MODEL B)

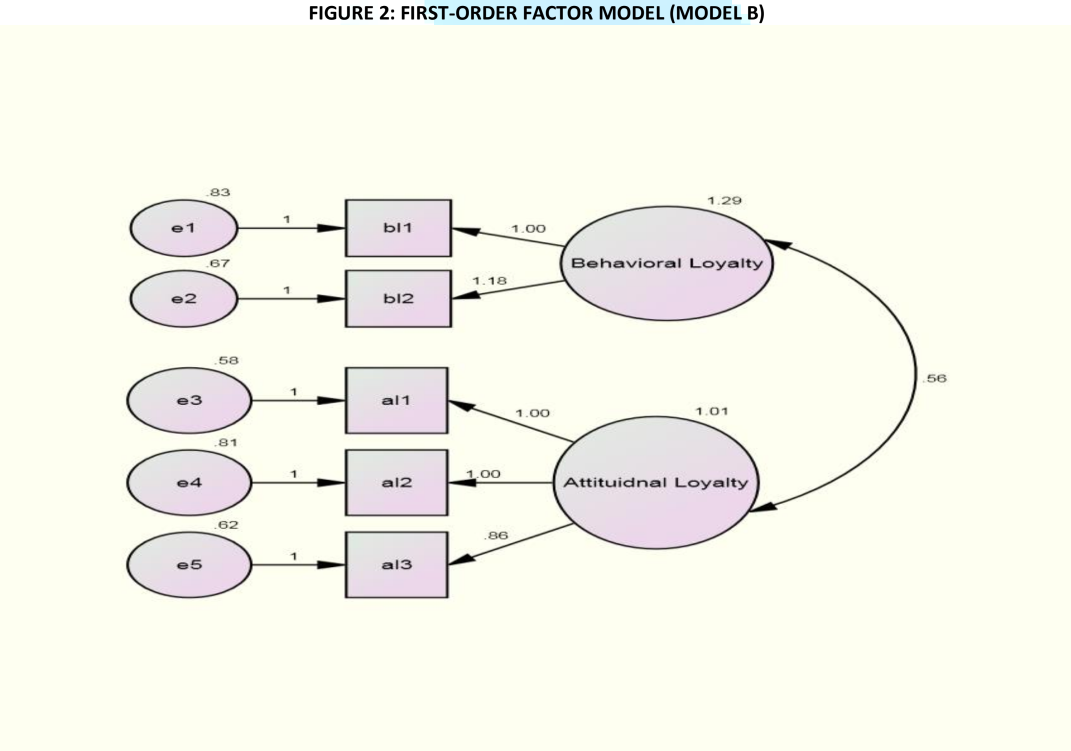

Table 2 shows that model B has the lowest χ^2 value, the highest CFI, IFI, TLI, and NFI values, and very close to the lowest RMSEA. The models were also compared the models based on AIC, BCC, and ECVI. It can be seen that Model B has the smallest values for AIC, BCC and ECVI. The factor structure of loyalty is best represented by Model B. The results that loyalty is comprised of behavioral and attitudinal dimensions. The findings are similar to results of Jones and Taylor (2007), who concluded that loyalty captures, in essence, what referred to as "what the person does" (behavioral loyalty) and the psychological meaning of the relationship (attitudinal loyalty).

TABLE 2: MODEL FIT INDICES OF ALTERNATIVE MODELS

Model	χ^2	df	CFI	IFI	TLI	NFI	RMSEA	AIC	BCC	ECVI
Model A	404.497	5	.734	.735	.468	.732	.306	424.497	424.639	.497
Model B	48.975	4	.970	.970	.925	.968	.115	70.975	71.131	.083

CONCLUSION AND IMPLICATIONS

The data analysis provides support the two-dimensional structure of customer loyalty, which consists of behavioral and attitudinal dimensions. This was empirically examined by testing two competing models. In the first model, customer loyalty was examined using a totally disaggregated first-order model and in the second model, a two dimensional model of customer loyalty consisting of behavioral and attitudinal dimensions was examined. Comparative analysis of both models revealed that the second model fits the data better than the first model. This provides support for the importance of including both behavioral and attitudinal dimensions of loyalty in a model of customer loyalty.

This study provides support for a two-dimensional view of customer loyalty. By measuring loyalty as a composite measure consisting of both behavioral loyalty and attitudinal loyalty, we provide evidence of the multidimensional nature of loyalty construct. There are several studies that have recommended that, for understanding long-term relationships both behavioral and attitudinal dimensions of loyalty are important (Day 1969; Dick and Basu 1994; Baldinger and Rubinson 1996). Research findings support the two-dimensional measures as better predictors of customer's loyalty (Chaudhuri and Holbrook 2001; Ganesh et al. 2000; Rauyren and Miller 2007; Yi and Jeon 2003). The findings of the present study are similar to results of Jones and Taylor (2007), who concluded that loyalty captures, in essence, what referred to as "what the person does" (behavioral loyalty) and the psychological meaning of the relationship (attitudinal loyalty).

The present study highlights the potential value of including both behavioral and attitudinal loyalty in customer loyalty model. The results also point out that in a service industry context, attitudinal loyalty positively influences behavioral loyalty. This means that development of customer loyalty in this setting involves decision-making rather than routine behavior. The loyalty measures developed in this study provides managers with an easy tool to identify attitudinal and behavioral differences among customers. Marketing managers can draw meaningful distinctions between customers who buy out of habit and those who buy because of emotional attachment to the company. The service providers can use the behavioral and attitudinal measures to segment their customer base according to type of loyalty exhibited by customers and accordingly develop strategies to enhance loyalty and hence profits. The segmentation of customers based on their loyalty may also help managers to direct differentiated communications and marketing messages according to the loyalty exhibited by customers.

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COMPARATIVE ANALYSIS OF MUTUAL FUNDS/SCHEMES AMONGST THE REGIONS OF AMERICAS, ASIA - PACIFIC AND EUROPE - AFRICA - MIDDLE EAST

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ABSTRACT

Mutual funds are useful to capital formation. The main objectives of this paper are to test whether there is any significant difference from one region to another region in terms of number of mutual funds as well as the total net assets value. The SPSS 16.0 version was applied to derive the results by applying the techniques of paired sample statistics, paired samples correlations and paired samples test. The study found that the number of mutual funds as well as total net assets of one region to another region was positively correlated. The Europe - Africa - Middle East holding higher number of mutual funds/ schemes followed by the Americas and Asia - Pacific. The higher total net assets owned by the Europe - Africa - Middle East followed by the Asia - Pacific and Americas, due to concentration of higher number of countries or stock exchanges were prevailing with the available market. Hence it is suggested to strengthen the total net assets value of mutual funds to view a better capital formation in all the countries which is useful to develop the world.

KEYWORDS

mutual funds, NAV, Americas, Asia - Pacific and Europe - Africa - Middle East.

INTRODUCTION

It is a non-depository or non banking financial intermediary which acts an important vehicle for bringing wealth holders and deficit units together indirectly. Mutual funds are corporation which accept dollars from savers and then use these dollars to buy stocks, long term bonds, short term debt instruments issued by business or government units, these corporations pool funds and thus reduce risk by diversification. The mutual funds available in the form of income fund, Money Market Funds, Balanced Funds, Specialized fun, **Americas, Asia - Pacific and Europe - Africa - Middle East** s, leveraged funds, dual purpose fund, Real estate fund, performance funds, and Specialty funds are constituted as a portfolio classification of mutual funds. The functional classification of funds consists of open-end fund and close-end fund. The geographical classification of mutual funds consists of domestic mutual funds and offshore mutual fund. The main advantage of mutual funds, reduce the risk specifically for small investors through the diversification, economies of scale in transaction cost and professional finance management. The other benefits are diversified investment, revolving nature in investments. The holders of mutual funds procured returns in the form of dividends, capital gains, increase or decrease in net asset value and sale shares and purchase of mutual funds. The concept of mutual fund originated in Britain during the 19th century and spread across the European Nations. In United States of America the concept of mutual fund attract the attention of investment professionals around the beginning of the twentieth century.

The mutual funds sell their shares to public and redeem at Current Net Asset Value (CNAV) of shares which is calculated as follows

NAV = Total market value of all mutual fund holdings –Liabilities/ No of funds outstanding shares

The holding period return (HPR) is measured as follows

HPR = Income from Charge + Interest or Capital or Cash gains or dividend + disbursements/NAV at beginning of period.

The sharpe's index is applied to determine the efficiency of mutual funds as it takes the risk and return of investment.

Sharpe's Index = Portfolio Return -Riskless rate of return/ standard deviation

Treynor Index = Portfolio Return -Riskless rate of return/ Beta

Jensen's Index = Risk –free rate+(Market Rate of Return-Risk free rate)X Beta.

REVIEW OF LITERATURE

Laura T. Starks (2015) opined that actively managed funds are more active and charge lower fees when they face more competitive pressure from low-cost explicitly indexed funds. Overall, our evidence suggests that explicit indexing improves competition in the mutual fund industry.**William G. Droms andDavid A. Walker, (2014)** concluded that risk-adjusted and unadjusted investment returns are not related to whether a fund is load or no-load, and asset size, expense ratios, and turnover rates are not related to investment performance. They emphasized that performance is not affected by fund size, given the explosive growth of international mutual funds**Zoran Ivković (2009)** emphasized on Socially responsible mutual funds have shown an increase both in total net assets and in number of investors; but the sector is by far behind the United States . **Chiulien C. Venezia,v (2007)** Opined that higher degree of market concentration always associates with poor performance , a fund's market share becomes larger, the negative influence on fund performance of market concentration will get stronger. The smaller a fund's market share the stronger negative impact on fund performance of market concentration, suggesting that mutual funds endowed with too weak or too strong market power can erode their performance. **Miranda Detzler,James Wiggins(1997)** said that international mutual funds allow individual investors to diversify abroad at a reasonable cost. The active international funds provide global diversification of benefits. **Overview Graciela L. Kaminsky, Richard K. Lyons and Sergio L. Schmukler**, opined that international mutual funds are key contributors to the globalization of financial markets and one of the main sources of capital flows to emerging economies. Due to large redemptions and injections, funds' flows are not stable. Withdrawals from emerging markets during recent crises were large, which is consistent with the evidence on financial contagion's of the mutual fund industry devoted to screened funds.

RESEARCH PROBLEM

Is there any significant difference from one region (America to Asia - Pacific, Asia - Pacific to Europe - Africa - Middle East, Europe - Africa - Middle East to Americas) to another region in terms of mutual funds/ schemes.

OBJECTIVES OF THE STUDY

Based on the research problem the following objectives have adopted:

1) To test whether there is any significant difference from one region of world to another region of world in terms of mutual funds and schemes.
2) To know relationship between mutual funds of one geography of world geography of world.
3) To offer a suitable suggestions to view the better performance of mutual funds.

METHODOLOGY OF THE STUDY

The data collected from the SEBI, Hand book statistics of 2013, PP 239, as a source of Investment Company Institute. The data obtained from the year 2005 to 2013 regarding worldwide number of mutual funds/ schemes. For this purpose all countries are divided into Americas, Asia - Pacific and Europe - Africa - Middle East .Region of Americas consists of Argentina, Brazil, Canada, Chile, Costa Rica, Mexico, United States. The aggregation of mutual funds in all the countries of a particular concern to the total number of mutual funds of America's in a particular year. The Asia - Pacific region consists of China, Japan, Korea Rep, Newzeland, Pakistan , Philippines and Taiwan. The Europe - Africa - Middle East comprises Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and South Africa. The aggregation of all these countries mutual funds equaling to the mutual funds of the Europe - Africa - Middle East. The data are as of September 2013. The same application available for the total net assets of mutual funds (Hand Book Statistics of SEBI, PP 240). **Techniques :** The SPSS 16.0 version was applied to derive the results. The paired sample tests, paired samples correlations and paired sample statistics applied to infer the results.

FORMATION OF HYPOTHESIS

HYPOTHESIS -1

Null Hypothesis (Ho) : There is no significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

Alternative Hypothesis (Ha) : There is a significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

HYPOTHESIS -2

Null Hypothesis (Ho) : There is no significant difference between number of mutual funds of Asia - Pacific to Europe - Africa - Middle East.

Alternative Hypothesis (Ha): There is a significant difference from number of mutual funds of Asia - Pacific to number of mutual funds of Europe - Africa - Middle East.

HYPOTHESIS -3

Null Hypothesis (Ho) : The is no significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

Alternative Hypothesis (Ha) : There is a significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

HYPOTHESIS-4

Null Hypothesis (Ho) : There is no significant difference regarding total net assets mutual funds of Americas to the total net assets of mutual funds of Asia-Pacific.

Alternative Hypothesis (Ha) : There is a significant difference regarding total net assets of mutual funds of Americas to the total net assets of mutual funds of Asia - Pacific.

HYPOTHESIS-5

Null Hypothesis (Ho) : There is no significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

Alternative Hypothesis (Ha) : There is a significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

HYPOTHESIS-6

Null Hypothesis (Ho) : There is no significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

Alternative Hypothesis (Ha) : There is a significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

ANALYSIS

INPUT TABLE 1: INFORMATION REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

	Name of the Region in the World		
Year	**Americas**	**Asia-Pacific**	**Europe-Africa-Middle East**
2005	13763.0	10973.0	30677.0
2006	14475.0	11912.0	33901.0
2007	15460.0	13130.0	36041.0
2008	16459.0	14358.0	37583.0
2009	16918.0	14205.0	35718.0
2010	17984.0	14605.0	36145.0
2011	19763.0	15518.0	36509.0
2012	21061.0	16011.0	35754.0
2013	21577.0	17236.0	35603.0

Source: Investment Company Institute: SEBI, Hand Book Statistics of 2013,pp:240.

Input Table -1: This table reveals that world number of mutual funds/schemes regarding various countries of different regions (Americas, Asia-Pacific and Europe-Africa-Middle East) from the year 2005 to 2013. The number of mutual funds has been increasing from the year 2005 with reference to Americas, Asia - Pacific but mutual funds of Europe - Africa - Middle East had been increasing up to the year 2011 and afterwards has been decreasing.

OUT PUT TABLE 1: PAIRED SAMPLES STATISTICS REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Americas	1.7496E4	9	2814.19829	938.06610
	Asia-Pacific	1.4216E4	9	1975.28777	658.42926
Pair 2	Asia-Pacific	1.4216E4	9	1975.28777	658.42926
	Europe-Africa-Middle East	3.5326E4	9	1991.63645	663.87882
Pair 3	Europe-Africa-Middle East	3.5326E4	9	1991.63645	663.87882
	Americas	1.7496E4	9	2814.19829	938.06610

Source: SPSS

Output Table -1 :Shows the paired samples statistics from one region to another region., It reflected that mean value of American mutual funds were higher than that of Asia - Pacific implies that the more number of mutual funds traded in Americas rather than Asia - Pacific like Europe - Africa - Middle East exceeds the Asia - Pacific as well as the Americas. Hence it can be concluded that more number of mutual funds traded in Europe - Africa - Middle East, followed by Americas and Asia - Pacific.

OUTPUT TABLE 2: PAIRED SAMPLES CORRELATIONS REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013.

		N	Correlation	Sig.
Pair 1	Americas & Asia-Pacific	9	.967	.000
Pair 2	Asia-Pacific & Europe-Africa-Middle East	9	.679	.044
Pair 3	Europe-Africa-Middle East & Americas	9	.521	.150

Source: SPSS

Output Table -2 :This table discloses that relationship between numbers of mutual funds traded from one region to another region. The table tell us that very strong relationship existed between mutual funds of America's to mutual funds of Asia - Pacific and also suggested that there was a significant difference between each other, it also revealed that the strong relationship existed from mutual funds of Asia - Pacific and Europe - Africa - Middle East, and the moderate relationship witnessed Europe's traded mutual funds to the Middle East ,America's Mutual funds. Finally it was witnessed that Asia - Pacific's mutual funds established very strong relationship with America's mutual funds, strong relationship with Europe - Africa - Middle East.

OUT PUT TABLE 3: PAIRED SAMPLES TEST REGARDING WORLD WIDE NUMBER OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013.

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Americas - Asia-Pacific	3.27911E3	1034.88278	344.96093	2483.62979	4074.59243	9.506	8	.000
Pair 2	Asia-Pacific - Europe-Africa-Middle East	-2.11092E4	1589.83118	529.94373	-22331.27465	-19887.16979	-39.833	8	.000
Pair 3	Europe-Africa-Middle East – Americas	1.78301E4	2458.18558	819.39519	15940.58240	19719.63982	21.760	8	.000

Source: SPSS

HYPOTHESIS -1

Null Hypothesis (Ho): There is no significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

Alternative Hypothesis (Ha): There is a significant difference between number of mutual funds of Americas to number of mutual funds of Asia - Pacific.

Analysis: The Value of t was 9.506 at df was 8 and significant value was 0.000, hence it can be concluded that the proposed null hypothesis was rejected and alternative hypothesis was accepted and inferred that there was a significant difference from mutual funds of America's to the mutual funds of Asia - Pacific.

HYPOTHESIS -2

Null Hypothesis (Ho): There is no significant difference between number of mutual funds of Asia - Pacific to Europe - Africa - Middle East.

Alternative Hypothesis (Ha): There is a significant difference from number of mutual funds of Asia - Pacific to number of mutual funds of Europe - Africa - Middle East.

ANALYSIS: This table shows that the value of t was -39.833 at df was 8 and significant value was 0.000, hence, it can be inferred that proposed null hypothesis was rejected and concluded that there was a significant difference from mutual funds of Asia - Pacific region to the mutual funds of Europe - Africa - Middle East.

HYPOTHESIS -3

Null Hypothesis (Ho): The is no significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

Alternative Hypothesis (Ha): There is a significant difference from number of mutual funds of Europe - Africa - Middle East to number of mutual funds of Americas.

Analysis: This table tells us that the value of t was 21.760 at df was 8 and significant at 0.000, hence it confirmed that proposed null hypothesis was rejected and alternative hypothesis was accepted and came to know that there was a significant difference from Europe mutual funds to Middle - East - America's mutual funds.

INPUT TABLE 2: INFORMATION REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

	Name of the Region in the World		
Year	**Americas**	**Asia-Pacific**	**Europe-Africa-Middle East**
2005	9750205	1438188.0	6067904.0
2006	11470489	1767218.0	7881903.0
2007	13423909	2751322.0	9030082.0
2008	10581943	1974731.0	6300307.0
2009	12579987	2584950.0	7651540.0
2010	13581058	2955902.0	8044147.0
2011	13518371	2833757.0	7344851.0
2012	15133487	3207709.0	8374729.0
2013	16458588	3232532.0	9084985.0

Source: Investment Company Institute: SEBI, Hand Book Statistics of 2013,pp:240.

Input Table -2 : This table discloses the information of total net assets value of mutual funds/ schemes, from the year 2005 to 2013. The table reflects that the mixed response from the total net assets of the different regions.

OUTPUT TABLE 4: PAIRED SAMPLES STATISTICS REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Americas	1.2944E7	9	2.12708E6	7.09025E5
	Asia-Pacific	2.5274E6	9	6.48137E5	2.16046E5
Pair 2	Asia-Pacific	2.5274E6	9	6.48137E5	2.16046E5
	Europe-Africa-Middle East	7.7534E6	9	1.06183E6	3.53942E5
Pair 3	Europe-Africa-Middle East	7.7534E6	9	1.06183E6	3.53942E5
	Americas	1.2944E7	9	2.12708E6	7.09025E5

Source: SPSS

Output Table -4 : This table reflects that the total net assets of Asia - Pacific were more than that of total net assets of America's and the net assets of Europe - Africa - Middle East higher than that of Asia - Pacific as well as the America's. Hence it can be concluded that higher amount of total net assets of mutual funds owned by the Europe - Africa - Middle East, followed by Asia Pacific and America's.

OUTPUT TABLE 5: PAIRED SAMPLES CORRELATIONS REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

		N	Correlation	Sig.
Pair 1	Americas & Asia-Pacific	9	.944	.000
Pair 2	Asia-Pacific & Europe-Africa-Middle East	9	.760	.018
Pair 3	Europe-Africa-Middle East & Americas	9	.845	.004

Source: SPSS

Output Table -5 :This table tell us that the relationship between two net assets of mutual funds of two different regions. It reveals that there was a very strong relationship from total net assets of America's to the total net assets of Asia - Pacific and from total net assets of Europe - Africa - Middle East America's and strong relationship existed between total net assets of Asia - Pacific to the total net assets of Europe - Africa - Middle East. Hence it was witnessed that total net assets of one region to another region was positively correlated.

OUTPUTTABLE 6: PAIRED SAMPLES TEST REGARDING TOTAL NET ASSETS OF MUTUAL FUNDS/SCHEMES REGARDING VARIOUS COUNTRIES OF DIFFERENT REGIONS IN THE WORLD FROM THE YEAR 2005-2013

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Americas - Asia-Pacific	1.04169E7	1.53057E6	5.10191E5	9.24036E6	1.15934E7	20.418	8	.000
Pair 2	Asia-Pacific - Europe-Africa-Middle East	-5.22602E6	7.08500E5	2.36167E5	-5.77062E6	-4.68141E6	-22.128	8	.000
Pair 3	Europe-Africa-Middle East – Americas	-5.19084E6	1.35471E6	4.51570E5	-6.23216E6	-4.14952E6	-11.495	8	.000

Source: SPSS

HYPOTHESIS-4

Null Hypothesis (Ho) : There is no significant difference regarding total net assets mutual funds of Americas to the total net assets of mutual funds of Asia-Pacific.

Alternative Hypothesis (Ha) : There is a significant difference regarding total net assets of mutual funds of Americas to the total net assets of mutual funds of Asia - Pacific.

Analysis : This table reveals that the value of t was 20.418 at df was 8 and significant value was 0.000, hence it came to know that the proposed null hypothesis was rejected and alternative hypothesis was accepted and confirmed that there was a significant difference from the total net assets of America's to the total net assets of Asia - Pacific.

Hypothesis-5 :

Null Hypothesis (Ho) : There is no significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

Alternative Hypothesis (Ha) : There is a significant difference from total net assets of mutual funds of Asia - Pacific to the total net assets of mutual funds of Europe - Africa - Middle East.

Analysis : This table depicts that the value of t was -22.128 at df was 8 and significant value was 0.000, hence it came to know that proposed null hypothesis was rejected and concluded that there was a significant difference from the total net assets of Asia - Pacific to the total net assets of the Europe - Africa - Middle East.

HYPOTHESIS-6

Null Hypothesis (Ho) : There is no significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

Alternative Hypothesis (Ha) : There is a significant difference from total net assets of mutual funds of Europe - Africa - Middle East to total net assets of mutual funds of Americas.

Analysis : This table represents that the value of t was -11.495 at df was 8 and significant value was 0.000, hence it was observed that the proposed null hypothesis was rejected and confirmed that there was a significant difference from the total net assets of Europe to the total net assets of Middle - East America's.

FINDINGS OF THE STUDY

The study observed the following findings, after interpretation of the results and issues.

1. The number of mutual funds has been increasing from the year 2005 with reference to region of Americas, Asia - Pacific but mutual funds of Europe - Africa - Middle East had been enhanced up to the year 2011 and afterwards have been decreasing, but occupied a higher number of mutual funds than the other two.
2. The study found that Americas mutual funds higher than the Asia - Pacific, Europe - Africa - Middle East mutual funds higher than the Asia - Pacific as well as Americas, then Europe - Africa - Middle East followed by the Americas and Asia - Pacific.
3. The study observed that there was a strong relationship existed between numbers of mutual funds of Americas to the number of mutual funds of the Asia - Pacific and there was a significant difference between each other.
4. The study also observed that there was a strong relationship between number of mutual funds of Asia - Pacific to the number of Europe - Africa - Middle East and also further identified that there was a significant difference between each other.
5. The study found that moderate relationship existed between from total number of mutual funds of Europe - Africa - Middle East to the total number of number of mutual funds of Americas.
6. The study found that Europe - Africa - Middle East owning of higher total net assets followed by the Asia - Pacific and Americas.
7. The study found that very strong relationship existed between total net assets of Americas to the total net assets of Asia - Pacific, strong relationship existed from Europe - Africa - Middle East to the Americas and Asia - Pacific and further stated there was a significant difference from the total net assets of the one region to the total net assets of the another region.

CONCLUSION AND SUGGESTIONS

The study finally came to know that the number of mutual funds as well as total net assets of one region to another region was positively correlated. The Europe - Africa - Middle East owning higher number of mutual funds/ schemes followed by the Americas and Asia - Pacific. The higher total net assets possessed by the Europe - Africa - Middle East followed by the Asia - Pacific and Americas because of in this area higher number of countries / stock exchanges were prevailing with the available market. Hence it is suggested to strengthen the total net assets value of mutual funds to view a better capital formation in all the countries which is useful to develop the world.

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IMPACT OF FOREIGN DIRECT INVESTMENT ON NON-LIFE INSURANCE SECTOR IN INDIA

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ABSTRACT
Foreign direct investment in the insurance sector has been increased from 26 per cent to 49 per cent. The increase in the limit has an impact on the number of policies issued, incurred claims ratio and assets under management of non-life insurance companies. In the study, whether foreign direct investment has impact on the performance of the non-life insurance companies has been analyzed using the secondary data collected for a period of 13 years from April 2001 to March 2014. The data for the study was collected during the period when FDI limit was at 26 per cent. The private sector non-life insurance companies are focusing on the motor insurance followed by health insurance in second place, fire insurance at third and marine insurance at last. The foreign direct investment effect has been examined by using Pearson's Correlation and Simple Regression Analysis. The assets under management (investment decisions) of the private sector non-life insurance companies were influenced by the foreign promoters. The public sector non-life insurance company is facing a tough competition after opening up the non-life insurance market to foreign players.

KEYWORDS
foreign equity capital, insurance density, insurance penetration, non-life insurance.

INTRODUCTION
The fundamental basis of insurance in India is pooling of resources which is re-distributed in times of calamities such as fire, floods, epidemics and famine, which always touched the concept of non-life insurance. India is the fifth largest insurance market among the globally emerging insurance economies. Non-life insurance is an insurance that is not determined to be life insurance. It includes fire, marine, automobile and health insurance policies. The insurer collects premium and provide payments depending on the loss from a particular financial event. Insurance forms a crucial part in a properly constructed financial plan and is mainly used as a tax saving instrument.

India is the second most preferred destination for foreign direct investment (FDI) after China. It is predicted that foreign investment inflows would double and cross the US$ 60 billion in the financial year 2015-16. The central government's policy and favouring business environment have ensured that the foreign capital keep flowing into the country. The insurance sector has already undergone the sweet and sour experience of foreign investment in the early parts of 1990s. The government formed the Malhotra Committee in the year 1993 to propose recommendations for reforms in the insurance sector. One of the suggestions of the committee was to allow foreign insurance companies to purchase equity holdings of the Indian insurance companies and can do business in India as a joint venture with Indian partners. Forming of IRDA in 1999 was considered a major boost in the insurance sector. IRDA is acting as a watchdog and frames the rules and regulations for the activities of both government and private insurers in India. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26 per cent. But it had a little effect on the insurance sector only for a decade. IRDA batted for a hike in the foreign direct investment limit to 49 per cent in the insurance sector from the previous 26 per cent. Thus the FDI limit was raised from 26 per cent to 49 per cent in the Union Budget of 2014-15.

REVIEW OF LITERATURE
Mohanasundari and Balanaga Gurunathan (2010) had analyzed the changing face of Indian health insurance sector. They observed that at the time of liberalization policy being implemented, the role of private participants in the insurance sector was very less but later private companies started to give a tough competition to the public sector companies. The use of innovative and customized products, proper distribution channels and aggressive marketing strategies employed by the private insurers increased their share in both life and non-life insurance. It was at the end of the 20th century, the government set a slab to the foreign promoters to keep their paid-up capital up to 26 per cent in an Indian company and with a capital of Rs. 100 crores. The private insurers have in order to compete in the market introduced many new schemes with various tangible and intangible benefits.

ICICI Research (2012) had propounded that increase of FDI limit in insurance sector is a positive move by the central government. The Cabinet Committee for Economic Affairs has increased the FDI cap in insurance sector to 49 per cent and many foreign players are expected to take smaller stakes. It is expected that foreign funds can come much faster in insurance sector than others. The hike in FDI limit and tax breaks in life insurance premiums can lead to revaluation of multiples of insurance companies.

Yogita Sharma (2013) made a SWOT analysis about the foreign direct investment in the insurance sector in India. The author opined that the major strengths or opportunities available for the insurance sector are a variety of products that can be launched to cater the different segments of the people and replacement of traditional agents with other channels like internet and bank branches. The major weakness or threats facing the insurance sector are the public sector insurance companies are still dominating the insurance sector and the re-insurance service is only provided by General Insurance Corporation. India is the lowest spending nation in Asia in respect to purchasing of insurance policy. There must be reforms in the tariff structure of both life and non-life insurance.

Sourajit Aiyer (2013) had focused on the challenges lying ahead for the Indian insurance companies. The private participants gained momentum in the insurance sector due to growing economic condition, increasing purchasing power, more disposable income and increasing awareness. The insurance companies are facing difficulty in developing physical networks, retaining potential agents and customer acquisition which eat away majority of the profits. Foreign companies are trying to make use of their experiences gained globally, technological know-how, innovative products, client servicing tools which would be relevant to move forward. Though insurance is still a push product in India, the demand for it increases are due to hospital expenses, changing lifestyle diseases and medical advancement

OBJECTIVES
(1) To analyze the effect of foreign direct investment on the non-life insurance sector in India.
(2) To analyze the impact of foreign direct investment on the performance of non-life insurance companies in India.
(3) To analyze the impact of foreign direct investment on the investment decisions of the non-life insurance companies in India.

RESEARCH METHODOLOGY

TYPE OF STUDY

It is a comprehensive and in-depth study about the performance of the non-life insurance companies in India which are decade-old and have proved their worth in terms of performance and effective returns.

SOURCES OF DATA

The required secondary data for the research have been collected from published information in the websites of IRDA, RBI, MEA, DIPP, FIPB, SEBI, IBEF and the websites of concerned insurance companies, newspapers, magazines, books, periodicals, research journals and reports.

PERIOD OF THE STUDY

The information about the performance of non-life insurance companies in India was collected for a period of 13 years from April 2001 to March 2014.

RESULTS AND DISCUSSION

The following statistical tools of SPSS were employed to analyze the data and they were Analysis of Variance (ANOVA), Karl Pearson's Correlation and Simple Linear Regression.

ANALYSIS OF VARIANCE

One way ANOVA was used to test variance among the year-wise inflow of foreign capital in the private sector non-life insurance companies in India. (Significance level, $\alpha = 0.05$)

H_0: There is no significant difference between foreign equity share capital inflows in the private sector non-life insurance companies.

H_a: There is significant difference between foreign equity share capital inflows in the private sector non-life insurance companies.

The result of ANOVA is presented in the Table 1 below:

TABLE 1: ANALYSIS OF VARIANCE OF FOREIGN EQUITY SHARE CAPITAL OF NON-LIFE INSURANCE COMPANIES OVER THE SPAN OF 11 YEARS

Year	Source of Variation	Sum of Squares	df	Mean Square	F- Value	p-value	Results
2004	Between Groups	4858.671	5	971.734	9.221	0.000	H_a accepted
	Within Groups	1686.181	16	105.386			
	Total	6544.852	21				
2005	Between Groups	5108.621	5	1021.724	9.695	0.000	H_a accepted
	Within Groups	1686.181	16	105.386			
	Total	6794.802	21				
2006	Between Groups	7691.690	5	1538.338	9.983	0.000	H_a accepted
	Within Groups	2465.609	16	154.101			
	Total	10157.299	21				
2007	Between Groups	9990.025	5	1998.005	8.986	0.000	H_a accepted
	Within Groups	3557.737	16	222.359			
	Total	13547.762	21				
2008	Between Groups	8877.095	5	1775.419	4.423	0.010	H_a accepted
	Within Groups	6422.942	16	401.434			
	Total	15300.036	21				
2009	Between Groups	9364.858	5	1872.972	3.353	0.029	H_a accepted
	Within Groups	8936.301	16	558.519			
	Total	18301.159	21				
2010	Between Groups	10318.352	5	2063.670	2.599	0.066	H_0 accepted
	Within Groups	12706.357	16	794.147			
	Total	23024.709	21				
2011	Between Groups	11159.082	5	2231.816	1.477	0.252	H_0 accepted
	Within Groups	24173.361	16	1510.835			
	Total	35332.443	21				
2012	Between Groups	11505.642	5	2301.128	0.891	0.510	H_0 accepted
	Within Groups	41324.927	16	2582.808			
	Total	52830.569	21				
2013	Between Groups	8885.836	5	1777.167	0.463	0.798	H_0 accepted
	Within Groups	61394.485	16	3837.155			
	Total	70280.322	21				
2014	Between Groups	7217.111	5	1443.422	0.313	0.898	H_0 accepted
	Within Groups	73831.147	16	4614.447			
	Total	81048.258	21				

Inference: The result indicated that foreign capital of private sector non-life insurance companies varied significantly from the year 2004 to 2009, but from 2010 to 2013 foreign capital did not vary significantly. This implies that foreign capital increased gradually with increase in number of joint ventures in the non-life insurance sector.

CORRELATION ANALYSIS

Correlation analysis was used to test the relationship between insurance density and number of policies issued by private sector non-life insurance companies in India. The result of correlation analysis is presented in the Table 2 below:

TABLE 2: CORRELATION BETWEEN INSURANCE DENSITY AND NUMBER OF POLICIES ISSUED BY NON-LIFE INSURANCE COMPANIES OVER THE SPAN OF 11 YEARS

Insurance density vs. Number of policies issued by non-life insurance companies											
Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Pearson Correlation	0.854	0.824	0.880	0.894	0.991	0.892	0.903	0.978	0.998	0.997	0.997

Inference: The result indicated that correlation values were high in the years 2011, 2012 and 2013 which implies that number of policies issued by private sector non-life insurance companies were high which lead to high insurance density.

REGRESSION ANALYSIS

(1) Regression analysis was used to test foreign equity share capital influence on the claims incurred by private sector non-life insurance companies in India. (Significance level, $\alpha = 0.05$)

H_0: $\beta = 0$ (Foreign equity share capital is not a useful predictor of claims incurred by private sector non-life insurance companies.)

H_a: $\beta \neq 0$ (Foreign equity share capital is a useful predictor of claims incurred by private sector non-life insurance companies.)

The result of regression analysis is presented in the Table 3 below:

TABLE 3: REGRESSION OF FOREIGN EQUITY SHARE CAPITAL ON CLAIMS INCURRED BY NON-LIFE INSURANCE COMPANIES IN INDIA

S. No.	Non-life Insurance companies	R square value	p-value	Results
1	Bajaj Allianz	0.768	0.000	H_a accepted
2	Bharti Axa	0.979	0.000	H_a accepted
3	Cholamandalam MS	0.696	0.001	H_a accepted
4	Future Generali	0.970	0.000	H_a accepted
5	HDFC Ergo	0.836	0.000	H_a accepted
6	ICICI Lombard	0.767	0.000	H_a accepted
7	IFCO Tokio	0.718	0.001	H_a accepted
8	Raheja QBE	0.214	0.355	H_0 accepted
9	Royal Sundaram	0.989	0.000	H_a accepted
10	SBI General	0.897	0.015	H_a accepted
11	Shriram	0.821	0.013	H_a accepted
12	TATA Aig	0.952	0.000	H_a accepted
13	Universal Sompo	0.808	0.006	H_a accepted

Inference: The result indicated that foreign capital is a useful predictor of claims incurred by twelve private sector non-life insurance companies except for one, viz. Raheja QBE (0.214).

(2) Regression analysis was used to test foreign equity share capital influence on the assets under management of private sector non-life insurance companies in India. (Significance level, $\alpha = 0.05$)

H_0: $\beta = 0$ (Foreign equity share capital is not a useful predictor of asset under management of private sector non-life insurance companies.)

H_a: $\beta \neq 0$ (Foreign equity share capital is a useful predictor of claims incurred asset under management of private sector non-life insurance companies.)

The result of regression analysis is presented in the Table 4 below:

TABLE 4: REGRESSION OF FOREIGN EQUITY SHARE CAPITAL ON ASSETS UNDER MANAGEMENT BY NON-LIFE INSURANCE COMPANIES IN INDIA

S.No.	Non-life Insurance Companies	R square value	p-value	Results
1	Bajaj Allianz	0.672	0.002	H_a accepted
2	Bharti Axa	0.969	0.000	H_a accepted
3	Cholamandalam MS	0.652	0.001	H_a accepted
4	Future Generali	0.959	0.000	H_a accepted
5	HDFC Ergo	0.782	0.000	H_a accepted
6	ICICI Lombard	0.686	0.001	H_a accepted
7	IFCO Tokio	0.577	0.004	H_a accepted
8	Raheja QBE	0.088	0.569	H_0 accepted
9	Royal Sundaram	0.978	0.000	H_a accepted
10	SBI General	0.867	0.021	H_a accepted
11	Shriram	0.879	0.006	H_a accepted
12	TATA Aig	0.929	0.000	H_a accepted
13	Universal Sompo	0.707	0.018	H_a accepted
14	Apollo Munich	0.990	0.000	H_a accepted
15	Max Bupa	0.989	0.000	H_a accepted
16	Star Health	0.852	0.000	H_a accepted

Inference: The result indicated that foreign capital is a useful predictor of assets under management by fifteen private sector non-life insurance companies except for one, viz. Raheja QBE (0.088).

FINDINGS

The important findings of the present study are:

(1) Non-life insurance sector has a premium base of USD 26.54 billion in India.
(2) The government owned non-life insurers issue more policies when compared to the total number of policies issued by all the 24 private non-life insurers.
(3) Private non-life insurance companies have the highest percentage increase in the number of policies issued every year when compared to government non-life insurance companies (compared individually).
(4) L&T General Insurance, Reliance General Insurance and Religare Health Insurance have the entire equity share capital owned by the Indian promoters without any foreign direct investors' intervention.
(5) Public sector non-life insurance companies are paying the highest commission than the private sector non-life insurance companies (compared individually). Therefore, there are more agents in government non-life insurance companies.
(6) Commission paid is higher in motor insurance, followed by health insurance in second place, fire insurance at third and marine insurance at last.
(7) Motor insurance is given more importance by the insurers because vehicle population is increasing every day and it provides more profit for them.
(8) The number of grievances reported to private sector non-life insurers were very much less when compared to public sector non-life insurance companies.
(9) Grievance resolved in the non-life insurance sector had tremendously increased over the years due to good redressal mechanism provided by IRDA to the clients.

SUGGESTIONS

The suggestions given out of the present study are:

(1) Increase in foreign direct investment slab in the insurance sector will allow more capital inflow for the private sector insurers which would help them to meet out their operational cost and develop new models for reaching out the untapped niche markets in the country.

(2) Insurance companies can offer pure term life insurance products and health insurance products under the umbrella of single product.
(3) In order to improve insurance penetration, the Government has to provide financial education, understanding about insurance products and improve the propensity to purchase insurance products based on its premium and returns.
(4) The public sector insurance companies may have a hold in the financial strength, infrastructure and experience. But they have to travel a very long mile in improving their technology capabilities, effective working and pricing techniques.
(5) One way to save on costs without compromising on features is by going online, where policy premiums can be half that of offline plans. Not just term covers and motor insurance but also health insurance and ULIP can be brought online.
(6) The business data of the insurance companies must be collected and processed in an orderly manner and made available at regular intervals.

CONCLUSIONS

Growing interest towards insurance among people, innovative products and distribution channels are sustaining the growth of insurance sector in India. Providing insurance cover in a country like India is such a difficult task. This can be achieved through combined and collaborative efforts of the government, private companies and regulators. The insurance sector was opened up to private players in the year 1999 to support the long standing government insurance companies. The foreign equity participation in the insurance sector was increased from 26 per cent to 49 per cent through an amendment which also enforces stringent penalties. The role of intermediaries in the insurance sector is a must and the reward system to them must be sufficient enough in motivating them for acquiring more clients. Insurance companies must focus on both growth and profit for not losing their competitive power. Foreign direct investment in various sectors is unavoidable and to make the wheels of the economy rotate smoothly it has to be lubricated with enough amount of foreign reserves which would help to have a favourable balance of trade.

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PRODUCTIVITY ANALYSIS FOR STATE BANK OF INDIA: A FRAMEWORK FOR EVALUATING e-BUSINESS MODELS

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ABSTRACT

In the world of e-business the rapid growth of the market and fierce competition between the increasing numbers of participants add up to new innovations every day leading to short development cycles. New business models and a herd of start-up companies emerge every few months, to exploit the new opportunities. However, the business has had rough times trying to keep up with the rapid development of e-business. Despite the fact that more and more efforts are made to grasp the essentials of e-business and in particular e-business models, the existing literature on the subject is scattered. Moreover, the studies are quickly out-dated due to the fast phase of the 'new economy'. A clear need exists for an objective and up-to-date literature study of e-business models. This study is an effort to draw together some of the e-Business models and real-life experiments that has been circling around the e-business models. To study the sweeping changes brought about by e-initiative measures in the banking sector some banks were chosen, from public sector like SBI

KEYWORDS

SBI, CRM, e-banking.

INTRODUCTION

Competition from multinational banks and entry of new private sector banks has rewritten the rules of the retail lending business in India. Slow growth in corporate lending, pressure on corporate spreads due to competition and concerns over asset quality have induced public sector banks to follow the private sector banks in placing emphasis on growth through expansion of retail portfolio. The Indian retail lending market is relatively unexplored with the per-capita usage of retail product offerings such as housing finance, credit cards, auto loans, consume finance, etc. As compared to Asian peers. Also the relative size of the Indian market backed by factors such as a growing population of bankable households, low penetration rate for retail finance products and the increased propensity of the urban populace to take credit offers scope for expansion. In retail financing most of the players are trying to enter or consolidate their housing finance segment, as housing loans market is perhaps the least risky segment in the financial sector. Moreover, with new technology, private-sector banks like ICICI bank and HDFC bank could offer customers services like ATMs, phone banking, internet banking, automatic money transfers and computerized monthly statements. By contrast, the public-sector banks were mired in the past and unions called the shots. The focus remained on industrial credit which was slowing down.

GLOBAL CHALLENGES IN BANKING

Present day challenges are many banks are now in edge in the competitive environment . The service challenges are listed as :

1. Enhancement of customer service.
2. Innovations in technology.
3. Improvement of risk management systems.
4. Diversifying products.

Globalisation challenges are not restricted only to global banks. Banks in India also need to face them. Overcoming these challenges makes them more competitive and will also equip them to launch themselves as global players.

STATE BANK OF INDIA: A REVIEW

With its rapid growing associate banks and non-banking subsidiaries, the State Bank Group has emerged as a truly universal bank with a dominant presence in the market. The business of the associate banks has more than doubled in the last two and a half years and, in terms of size, these banks together are almost equivalent to the second largest bank in the country holding 75-100% equity. Amongst the non-banking subsidiaries too, there is a significant value creation.

TECHNOLOGY

With the help of innovative information technology, banks are able to reduce the transaction cost and handle a large number of transaction in no time. Now banks can provide customized products easily and customers could access many services through internet by sitting at home. To provide better services to their customers, banks are embracing Customer Relationship Management [CRM] facilitated by the availability of conductive technology. Innovation is technology is also helping banks to cross sell the products of insurance and securities firms, which are swelling their fee-based income in the total income.

INNOVATIONS IN CUSTOMER SERVICES

Satisfied customer is the best guarantee for stability of the organization in the long-run. Banks can satisfy their customers only by providing customised, cost effective and timely services .With the help of technology banks are able to provide plethora of products and services to their customers which suit them. Major services provided by the Indian banks that are of international standards are Any time banking, Anywhere banking, Global ATM and Credit Cards, Internet banking facility etc.

CUSTOMER RETENTION

Levesque and McDougall (1996) investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. They identified the determinants which include service quality dimensions (e.g. getting it right the first time), service features (e.g. competitive interest rates), service problems, service recovery and products used. It was found, in particular, that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch .

Clark (1997) studied the impact of customer-employee relationships on customer retention rates in a major UK retail bank. He revealed that employee and customer perceptions of service quality are related to customer retention rates and that employee and customer perceptions of service quality are related to each other.

According to Haverty (1998) e-CRM providing cost savings, opportunism, and threats drive action and innovation even in conservative banks. They have influenced how banks must re-position themselves to take advantage of new opportunities that include establishing new service delivery channels and new markets for existing services (loans, letter of credit etc). Many banks have already built web sites on the Internet, offering banking services. Leveraging the power of the web is a move from static pages to dynamic application that is connected to bank data.

According to Goldfinger (2001), safety was seen as a major barrier to Internet banking. Banks were worried about unauthorized access to their systems and customers were concerned about the protection of their personal data and the risk of false transactions. Banks have been able to manage security with least repercussions.

However, according to Hickman & Katkov (2001), banks are exploring alternate security measures such as electronic signatures, digital certificates, smart cards and biometrics. A major problem with most of these measures is, their complications and cost to adopt and maintain. Furthermore, in many countries, electronic signatures are not enforceable by law. According to Outwater (2001), the e-purse bombed several years ago and smart cards have been lukewarm at best. It is evident that banks are trying to ensure secure payment on the Internet. However, most favorable solutions keep on avoiding them.

Clark (2002) examined the relationship between employees' perceptions of organizational climate and customer retention in a specific service setting, viz. a major UK retail bank. Employees' perceptions of the practices and procedures in relation to customer care at their branch were investigated using a case study approach. The findings revealed that there is a relationship between employees' perceptions of organizational climate and customer retention at a micro organizational level. He suggested that organizational climate can be subdivided into five climate themes and that, within each climate theme, there are several dimensions that are critical to customer retention.

Mohini Singh (2002) explained that online business organizations investigated that secure transactions and transmission of information are important services offered to customers. It was emphasized by one of the respondents that "many potential web shoppers abort their transactions due to security fears".

According to Mark.L (2004) identifying the needs of the customers and providing them a best solution before he makes a request shows excellence in service of the customers. Presently customers do not visit their banks for other kind of additional services such as finance, credit cards etc. customers still see the banks as providing bank services. Customers of the banks are becoming choosier and the success of the banks does depend upon this.

Hansemark and Albinsson (2004) explored how the employees of a company experience the concepts of customer satisfaction and retention. They used phenomenological method, allowing the informants' own interpretations to be discovered. Satisfaction was discussed from three perspectives: definition of the concept, how to recognize when a customer is satisfied, and how to enhance satisfaction. The informants' experience pertaining to these three categories varied, and a total of seven ways to define, recognise or enhance satisfaction were discovered. These were: service, feeling, chemistry, relationship and confidence, dialogue, complaints and retention. All except the first two of these categories of experience were found to enhance retention, implying that the informants have found that strategies for enhancing both satisfaction and retention are similar. The strongest connection between retention and satisfaction strategies turned out to be in terms of relationship and confidence.

According to Huang & Lin (2005) personalization is a strategy that can be easily differentiated and which cannot be simulated by competitors in the market. A good personalized idea will enhance in the increase of sales, improves the customer relationship. Personalization can be defined as serving the unique needs of individual customers. By improving the customer conversations the organization can improve the customer relationships. Personalized services are not only limited in cheering new sales, but its successful implementation allows the organization to improve its effectiveness and efficiency in serving the customers established already.

e-BUSINESS MODEL & CRM

Bank customers form expectations derived from many sources-Boulding et al. (1993) proposed that customers form expectations of what will happen in their next encounters based on what they "deserve". Zeithaml & Bitner (20000 identify two levels of expectations, desired service and adequate service. Desired service represents the "wished for" level of performance and adequate service reflects showing more basic service expectations. The model permits exploration of the perceived difference between expected service and the experienced series, particularly the zone of tolerance developed by Parasuraman et al., (1991), they're by customer specific benefits are under for the study.

The importance of e-CRM technology in bank-customer interactions remains undisputed. Commentators; nevertheless, emphasize how customer evaluation is shaped by social and personal forces. (Hollander,1985; Czepiel,1990) Interaction has got a very prime place in the banking services. However in order to make the interactions good it is highly important that both banks as well as customers actively involve themselves in the interaction. The relationship, which is maintained between customer and organization, has always a special place in the banking is maintained between to other industries. The interaction process has includes three major factors. (Mosad, 1995).

1) Information exchange
2) Business or financial (transactions)
3) Social exchange

In an article by West (2001), the author argued that in order to implement CRM system successfully, organizations (especially banks) must apply policies, processes, and technologies in order to provide a personalized and engaging experience which would be consistent across all customer interactions. The author presented several components of CRM such as, marketing automation, sales force automation (SFA), contact centres, field service, etc., which are used in three major operational areas of a CRM enabled bank i.e. Marketing, Sales, and Service. These components may also be seen as the life cycle of a customer relationship which moves from marketing, to sales, and service.

Winer (2001) believes that if firms want to efficiently retain their profitable customers, they need to implement a comprehensive set of relationship programs including: frequency/loyalty programs, customer service, customization, and community building. He states these programs are determinants of customer satisfaction which finally leads to customer retention

OBJECTIVES OF THE STUDY

The present study attempts to make critical evaluation of marketing of services to the different groups of customers and to evaluate the efficiency, challenge and perspective of banking in State Bank of India The specific objective of the study are as follows:

- To analyses the significance in response on CRM initiatives.
- To measure the degree of satisfaction in respect to the effectiveness of CRM .
- To suggest, on the basis of results of study, ways and means for improving customer relationship in the bank.

METHODOLOGY

Research design of the study is both descriptive and analytical. It has been based on data collected from the customers (existing) of the branches of SBI.

DATA COLLECTION: Primary from a sample respondents of 100 customers of 5 different branches of State bank of India in Bhubaneswar & Cuttack. Only 97 customers are found to be valid for all purpose . Questionnaire were used to collect responses from the existing customers in Likert scale from 1….5 in the value scale of strongly satisfied to strongly dissatisfied .

The data collected from primary sources have been supplemented by interpretation through statistical tools and techniques like Descriptive test ,cross tabulation and standard deviation.

RESULTS DISCUSSION

The following tables have been prepared out of the collected responses and have been measured through statistical tools and techniques in the software.

TABLE-1: ANALYSIS OF DESCRIPTIVE STATISTICS FOR DISSATISFACTION

	Mean Score	Std. Deviation	Analysis No. of Respondents
A. Dis-satisfaction due to difference between consumer expectation and employee perception	2. 12	34.979	97
B. Due to management perception and service quality	3.11	39.419	97
C. Due to service quality specification and service delivered	2.15	33.890	97
D. Due to service delivered and communication to customer	1.89	20.69	97
E. Due to perceived service and expected service by customers	2.17	38.601	97

Source:' compiled data

Table-1 indicates the descriptive statistics of factor analysis ,the lowest mean score is marked as 1.89 concerning the opinion D-due to service delivered and communication to customers. The customers agree that they are mostly dissatisfied on the communication system , where as service delivered and the management perception of the banks is the least reason for dissatisfaction.

Hypothesis.$_1$: e-loyalty is highly significant across groups

TABLE-2: DESCCRIPTIVE STATISTICS OF OPINION ON TECHNOLOGY (GROUP WISE)

Opinion on technology: e-CRM strategy of 10 marketing variables of CRM,	**Mean Response per group**	**Std. Deviation**
1. e-Loyalty	2.19	34.936
2. Customer insight	2.35	35.826
3. Products	1.18	28.242
4. Transaction Security	1.53	32.401
5. Distribution system	1.27	29.198
6. Safe Website	1.49	37.483
7. client360 &one to one service	1.43	33.184
8. User friendly Software	1.08	19.185
9. Employee Relationship	1.96	33.055
10. Grievance	2.36	46.51

Source: Compiled data

Table 2. showed the descriptive results of use of e-CRM strategy as per the requirements Here the lower mean value and standard deviation has been marked effective and satisfactory. Here more mean values are marked on grievance system, customer insight and e-loyalty , which are to be modified for more better effective . Other wise for all other variables , it looks more effective . So Bank has tried a lot to fill up the gap of expectation and satisfaction of each customers at their end for more better market . Among all the variables user friendly software products and distribution system has occupied more positive space in the mind of the customers .

Testing of Hypothesis$_1$: The hypothesis is rejected as e-loyalty is not that effective in the e-strategy system . So bank has to try for more brandism through providing a better e- environment

Hypothesis$_2$: City area customers prefer more to i-banking technology across domicile types.

TABLE-3: DOMICILE &TECHNOLOGY PREFERENCE

Domicile	ATM	e-banking	i-banking	m-banking	Total
urban	31	2	2	2	37
City	30	0	12	2	44
Semi-Urban	3	1	5	3	12
rural	1	2	0	1	4
Total	65	5	19	8	97

*** 4 groups from highly agreed to not agreed.**

Source:' compiled data

Table-3 reported the cross tabulation of domicile type of the customers with use of technology. From technology type point of view, it has been categorized as per the responses as ATM use, e-Banking,, i-banking and m-banking . It reported that maximum respondents are using ATM amongst all the type of 65 are having deposit account followed by i-banking facility of bank , which counted for 19. Out of the total deposit accounts, maximum customers are of city areas followed by Urban type areas. In measuring the accounts type, maximum customers are from city areas using more technology than urban and sub-urban areas. Moreover, maximum respondents using ATM account are from Urban areas than other areas. City area customers mostly prefer i-banking and ATM account type to use than other places. That indicated a more group difference among the account type of the respondents in response to their domicile types.

Testing of Hypothesis$_2$: The hypothesis is accepted as mostly people from city areas prefer i-banking than other areas.

TABLE-4: SERVICE QUALITY OF STATE BANK OF INDIA

Dependent Variable			**95% CONFIDENCE INTERVAL**	
	Mean	**Std. Error**	**Lower Bound**	**Upper Bound**
1 Management Perception Gap .	3.012[a]	.102	2.811	3.213
2 Quality Specification Gap .	2.929[a]	.104	2.723	3.135
3 Service Delivery Gap .	3.146[a]	.097	2.954	3.338
4 Marketing Communication Gap .	3.030[a]	.105	2.824	3.237
5 Perceived Service Quality Gap .	2.604[a]	.094	2.418	2.790
6 Management Perception Gap .	2.979[a]	.100	2.783	3.176
7. Contact Management Gap	2.939[a]	.089	2.763	3.115
8. Data Warehousing Management	2.919[a]	.098	2.725	3.113
9. Email Management	2.730[a]	.095	2.543	2.917

a. Covariates appearing in the model are evaluated at the following values: age = 2.71, sex = 1.58, education = 1.47. *Source:' compiled data*

Table 4 showed the descriptive results of service a provided by SBI s per the expectation of the existing customers . Here the lower mean value and standard deviation indicates the perceived Quality Gap . Here more gap is marked on Quality Specification , Perceived Service Quality ,Data warehousing management and . Email Management The result of mean score is reported also lower for all the variable cited above ,It is concluded that, the Marketing , service quality indicates more gap in SBI .So SBI must take steps to cater more strategic endeavours for more better productivity .

TABLE-5: DESCRIPTIVE RESULTS OF USE OF ACCOUNTS

Types of Account	No. of respondents	Mean	Std. Deviation	Std. Error
Deposit	55	2.06	1.397	.102
Loan	12	2.19	1.514	.125
Both Deposit & Loan	30	2.35	1.547	.146
Total	97	2.18	1.476	.070

Source:' compiled data

Table 5. showed the descriptive results of use of accounts type as per the requirements Here the lower mean value and standard deviation has been marked on Deposit than the other two types of account. The result of standard error is reported 0.102, which is also very low and negligible. So it is concluded that, the deposit account holder are more satisfied on the present services provided by SBI .

FINDINGS

The Following finding of the study are marked as significant:

- Expression of dis-satisfaction is marked due to service delivered and communication to customer.
- Customer feel more satisfied on transaction Security, Distribution system, Safe Website, client360 &one to one service, Software and Employee Relationship in e-service quality
- City area customers mostly prefer i-banking and ATM account type to use than other places.

In response to Marketing , it is important to measure the service quality and measuring the gap . Here customers feel more satisfied on Quality Specification Gap. Perceived Service Quality Gap .. Data Warehousing Management and . Email Management are more wider in SBI than other factors in service provided by the bank.

SUGGESTIONS

SBI must strategically planned for different groups of customers in different locality and must improve the standard of e-management system as negatively marked by customers.

SUMMARY

The banking sector more particularly in the state of Orissa contributes more for the development of the economy and draws a key linkage with several other key factors of the economy. Presently, by pursuing an aggressive growth strategy, the banking industry is searching for opportunities in order to achieve the desired level of revenue growth. They adopt to access the global market, simulate the domestic demand and invest in new immerging areas. But cost reduction and customer satisfaction are now very important to compete in domestic and global markets. On the whole, banks have a clear vision of their desired strategic position; they want the ability to differentiate their brand and products through superior customer service, and to drive effective sales through a customer's entire portfolio. They also clearly recognize the strategic role that CRM has to play, as reflected in current investment levels, as well as the increased importance ascribed to CRM in the future. At the same time, banks know that the enterprise-wide adoption of CRM will not be easy. While it is encouraging to see that internal politics to CRM tools are no longer seen as major stumbling blocks, there are explicit as well as implicit indications that a great deal of progress must be made in order to achieve the internal process changes necessary to gain the maximum effect from e-CRM strategic implementations.

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A PROFITABILITY ANALYSIS OF SELECTED DISTRICT CO-OPERATIVE MILK PRODUCERS' UNIONS LIMITED OF NORTH GUJARAT

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ABSTRACT
District co-operative milk producers' union plays very imperative role for enhancing economic growth and promoting equitable regional development. There is a considerable development of district co-operative milk producers' union like The Mehsana District Milk Producers Union Ltd. (Dudh Sagar Dairy), The Sabarkantha District Milk Producers' Union Ltd. (Sabar Dairy) and The Banaskantha District Milk Producers Union Ltd.(Banas Dairy) in North Gujarat region of the Gujarat state. All these district co-operative milk producers' unions are working under the guidelines of GCMMF (Gujarat Co-Operative Milk Marketing Federation). These district co-operative milk producers' unions are not only providing the livelihood to farmers, employment to people but continuously provides milk and milk related products to Gujarat state and neighboring states. A financial statement furnish information pertaining to strength of particular district co-operative milk producers' unions so here we, as a researchers, have made sincere efforts to measure the profitability position of selected district co-operative milk producers' unions by applying different methods of analysis like comparative statement, common size statement, trend percentage, ratio analysis etc.

KEYWORDS
district co-operative milk producers' unions, profitability Ratio.

INTRODUCTION
In India milk production business has been practiced as rural cottage industry over the last couple of the years. India is predominantly an agrarian economy with more than 75 per cent of its population living in villages and depending on agriculture and allied activities for their livelihood. Land and cattle have traditionally been the two basic income yielding assets of Indian farmers. India is the world leader in milk production. Semi-commercial dairy started with the establishment of military dairy farms and co-operative milk producers' unions throughout the country towards the end of the 19th century. Since Independence milk producers' Industry has made rapid progress. Due to rapid progress a large number of modern milk and milk product factories have been established. It has been observed in the Food and Agricultural Organization Evaluation Committee Report, 1976, that dairy development in India offers a unique advantage over industrialization or agricultural development. The organized milk producers' in India have been successfully engaged in the routine commercial production of pasteurized bottled milk for Indian milk products. This is not a small achievement when we consider the fact that dairying in India is largely stringent that farmers in general keep dairy animals in proportion to their free crop and also are available for family labor with little or no purchased inputs and a minimum of marketed outputs. The existence of restrictive trade policy milk in the Diary Industry and the emergence of Amul type cooperatives have changed the dairy farming practices in the country. In India milk production is dominated by small and marginal land-holding farmers and also by landless laborers. Crop production of the agricultural land still depends on rain, which is prone to both drought and floods, rendering agricultural income is very much uncertain for most of the farmers. Dairying, as a subsidiary source of income and occupation, is real relief to most of the farmers in the society. Usually one or two milk animals enable the farmers to generate sufficient income to break the vicious subsistence agricultural-debt cycle.

DAIRY DEVELOPMENT IN INDIA
During the Pre-independence year there was no serious stress given to dairy industry. In 1886 the Department of Defense of the British Government established the dairy farms for the supply of milk to the British troops in Allahabad. Later, in 1920 serious steps were taken by Mr. William Smith, an expert in dairy forming to improve the milk production There was discrimination done to the Indians hence this led to the rise of the first milk union in India. In Lucknow in 1937 called the Lucknow milk producers' Co-operative union Ltd. In 1946 AMUL (Anand Milk Udyog Ltd) was started in Gujarat to bring up the economic stability of villagers. When the former Prime Minister Lal Bahaddur Shastri visited the functioning as it was rendering a social service to the society, which helped the villagers to come in the national economic stream the dairy and Animal Husbandry received serious attention after the independence. There was not many of progressive steps taken by the government through five year plans. This led to the formation of National Dairy Development Board in 1965 & thus in 1970 he decided to Bring a "White Revolution" throughout the country, Initially 10 states were selected were for this purpose excluding Karnataka. In Karnataka in 1974 an integrated project was launched to restructure and reorganize the dairy industry on co-operative principle of AMUL and to lay foundation for new direction in dairy industry. The NDDB was established in 1965. The board was registered under the Societies Registration Act and the public Trust Act, fulfilling the desire of the Prime Minister of India - the late Lal Bahaddur Shastri to extend the success of the Kaira Co-operative Milk producers union (AMUL) to others parts of India.

OBJECTIVES OF THE STUDY
The objective of the research work is to do the profitability analysis of selected district co-operative milk producers' unions which are lying in the north Gujarat region.

RESEARCH METHODOLOGY
To undertake the study researchers have collected secondary data from the annual report during the period from year 2007-08 to 2013-14 of selected district co-operative milk producers' unions of the north Gujarat region. Moreover other required information were collected through referring Financial literatures, published articles, related websites, magazines, journals etc.

In this study work following district co-operative milk producers' unions have been as sample of study.

1. The Mehsana District Co-operative milk producers' Union Ltd, (Dudh Sagar dairy) Mehsana. **2.** The Sabarkantha District Co-operative milk producers' Union Ltd, (Sabar dairy) Himatnagar. According to the objectives researcher has applied the necessary statistical tools like, average mean, percentage, profitability ratio and graphic presentation of data, t-test.

ANALYSIS

• GROSS PROFIT RATIO

A Gross Profit ratio is the indicator of the performance of the organization. A high ratio of gross profit is a sign of good management as it implies that the cost of production of the firm is relatively low and low Gross Profit Ratio shows the organization health is not good. It requires more concentration on the organization condition.

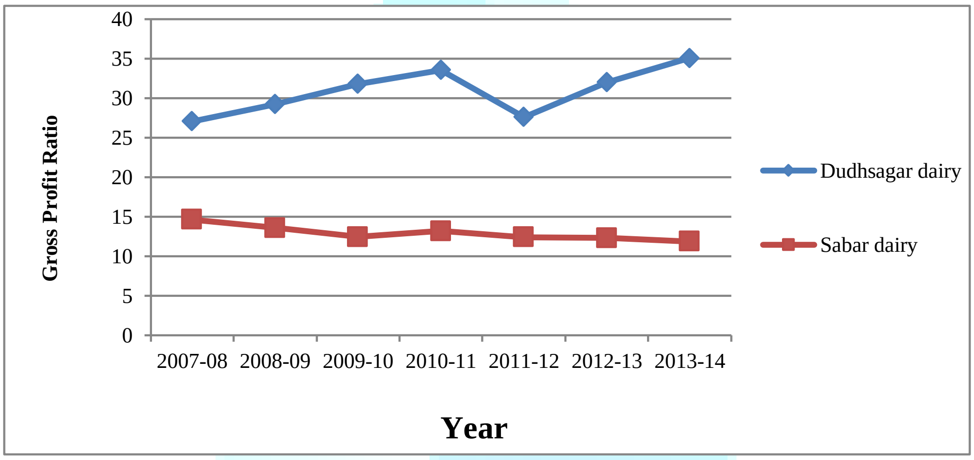
Table-1 shows the Gross Profit Ratio of the selected two district co-operative milk producers' unions from year 2007-08 to 2013-14.

TABLE 1: GROSS PROFIT RATIO (In Percentage)

Name of dairy	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Dudhsagar dairy	27.05	29.24	31.79	33.55	27.61	32.00	35.06	30.90
Sabar dairy	14.64	13.61	12.46	13.20	12.41	12.33	11.88	12.93

Source: Computed from published Annual report of the units.

GRAPH 1: GROSS PROFIT RATIO



Above graph-1 shows that the Gross Profit ratio of the Dudhsagar Dairy is more than the Sabar Dairy. Moreover it reflect that the Gross Profit ratio of the Dudhsagar dairy is consistently increasing while Gross Profit ratio line of the SABAR dairy is decrasing year by year. The gross profit ratio of Dudhsagar dairy is increased because sales increased by higher rate as compare to purchase expenses.

• NET PROFIT RATIO

The Net Profit Margin is indicative of management's ability to operate the business with sufficient success not only to recover from revenues of the period, the cost of merchandise or services, the expenses of operating the business (including depreciation) and the cost of the borrowed funds but also to leave a margins of reasonable compensation to the owners for providing their capital at risk. The ratio of the net profit (after interest and taxes) to sales essentially expresses the cost price effectiveness of the operations.

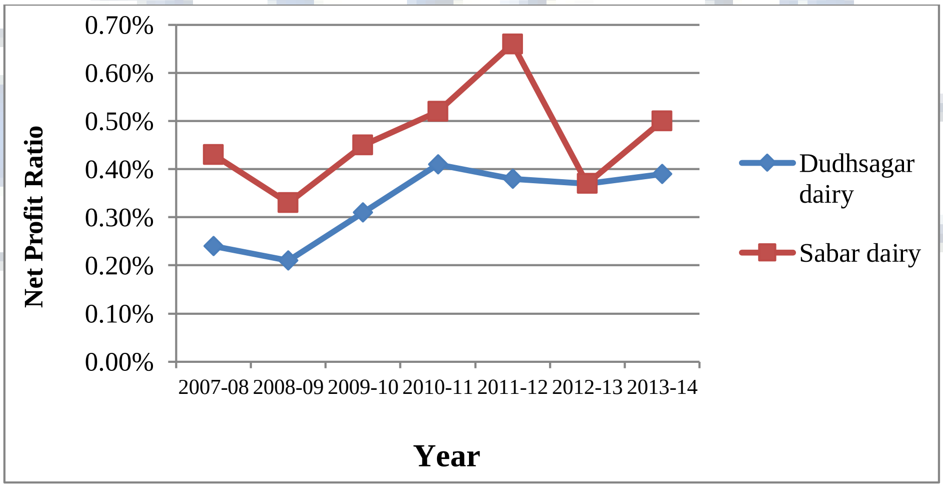
Table-2 shows the Net Profit Ratio of the selected two district co-operative milk producers' unions from year 2007-08 to 2013-14.

TABLE 2: NET PROFIT RATIO (In Percentage)

Name of dairy	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Dudhsagar dairy	0.24	0.21	0.31	0.41	0.38	0.37	0.39	0.33
Sabar dairy	0.43	0.33	0.45	0.52	0.66	0.37	0.50	0.47

Source: Computed from published Annual report of the units

GRAPH 2: NET PROFIT RATIO



Above graph-2 indicates that the net profit ratio for the Sabar Dairy is quite higher than the Net Profit Ratio of Dudhsagar dairy and Duth sagar dairy which is completely inversely behaving to the Gross Profit ratio of the same dairy. It means Sabar Dairy has adequate return to the owners to withstand adverse economic conditions However; a firm with a low profit margin can earn a high rate of return on investments if it has a higher inventory turnover.

• RETURN ON TOTAL ASSETS RATIO

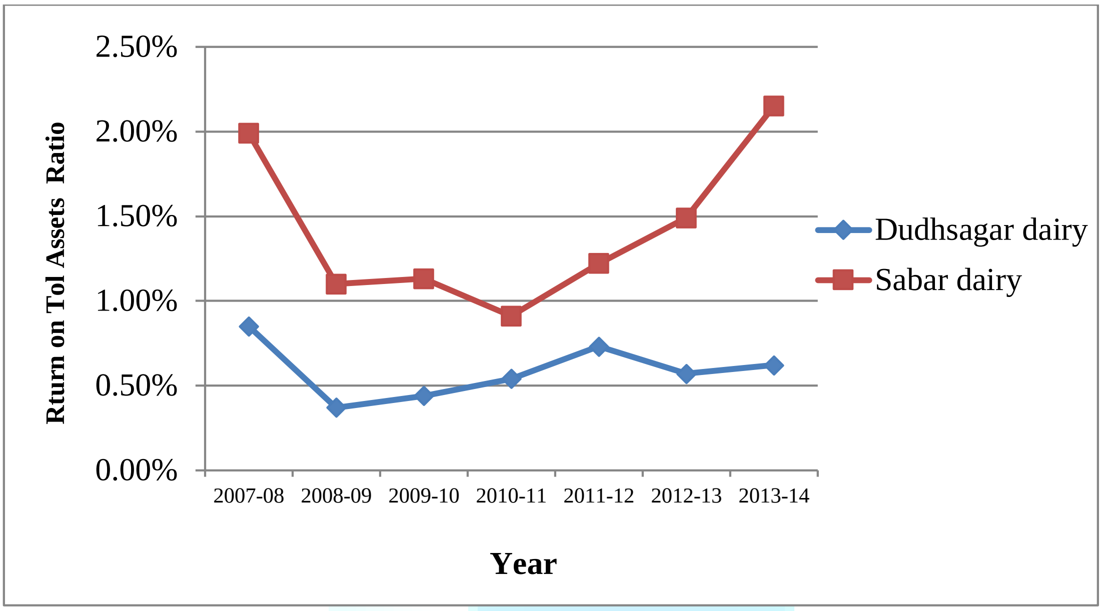
The ROA measures the profitability of the total funds/ investments of a firm. It shows the efficiency of management of using the assets.
Table-3 shows the Return on Total Assets Ratio of the selected two district co-operative milk producers' unions from year 2007-08 to 2013-14.

TABLE 3: RETURN ON TOTAL ASSETS RATIO (In Percentage)

Name of dairy	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Dudhsagar dairy	0.85	0.37	0.44	0.54	0.73	0.57	0.62	0.59
Sabar dairy	1.99	1.10	1.13	0.91	1.22	1.49	2.15	1.43

Source: Computed from published Annual report of the units

GRAPH 3: RETURN ON TOTAL ASSETS RATIO



From the above graph-3, we can say that the Return on Total Assets Ratio of Sabar Dairy is higher than the Duth sagar Dairy.The Return on Total Assets Ratio of Sabar Dairy is constantly increase from the year 2010-11. Hence we depicts that the overall management of the assets of Sabar Dairy is good.

• RETURN ON CAPITAL EMPLOYED RATIO

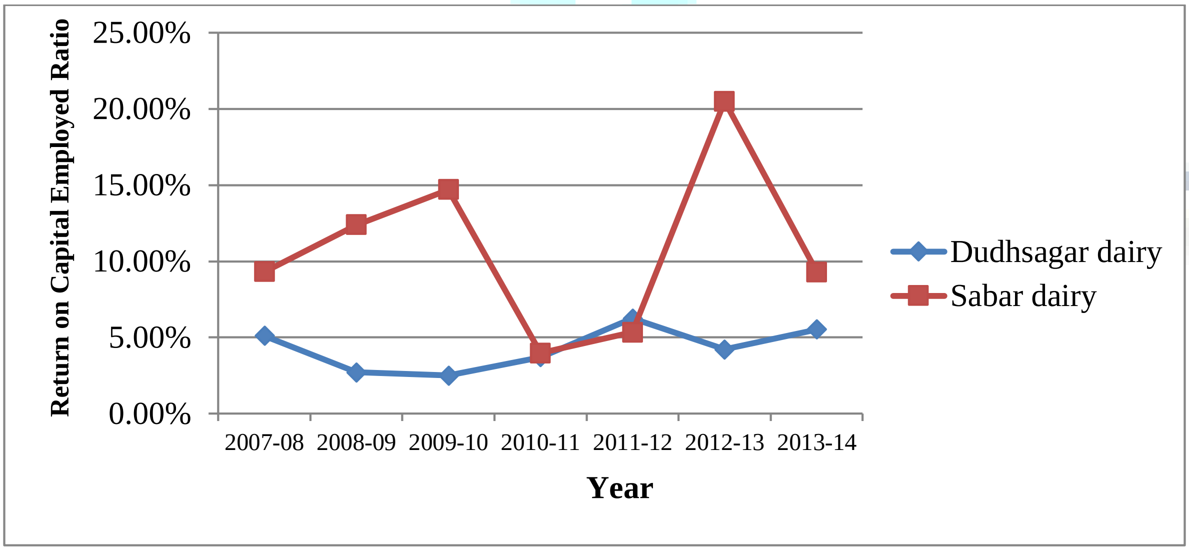
Return on capital employed is similar to the return on total assets except in one aspect. Here the profits are related to the total capital employed. The term capital employed refers to long-term funds supplied by the lenders and owners of the firm. The capital employed basis provides a test of profitability related to the sources of long-term funds. A comparison of this ratio with similar firms, with the industry average and over the time would provide sufficient insight into how efficiently the long-term funds of the owners and lenders are being used. The higher the ratio, the more efficient is the use of capital employed.
Below table-4 shows the Return on Capital Employed ratio of the selected two district co-operative milk producers' unions dairies from year 2007-08 to 2013-14.

TABLE 4: RETURN ON CAPITAL EMPLOYED RATIO (In Percentage)

Name of dairy	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Dudhsagar dairy	5.12	2.72	2.51	3.72	6.25	4.22	5.54	4.30
Sabar dairy	9.32	12.40	14.71	3.97	5.34	20.50	9.29	10.79

Source: Computed from published Annual report of the units

GRAPH 4: RETURN ON CAPITAL EMPLOYED RATIO



Here, return on capital employed ratio of Sabar dairy is higher than the Dudh sagar Dairy. The return on capital employed ratio of Dudhsagar dairy is reduced because increased in capital employed by higher rate as compare to increase in EBIT. The capital employed of Dudhsagar dairy is increased because expansion of plant.

• **RETURN ON SHAREHOLDERS' FUND RATIO**

In order to judge the efficiency with which the proprietors' funds are employed in business, this ratio is ascertained. According to this ratio, profitability is measured by dividing the net profits after taxes (but before preference dividend) by the total shareholders' equity.

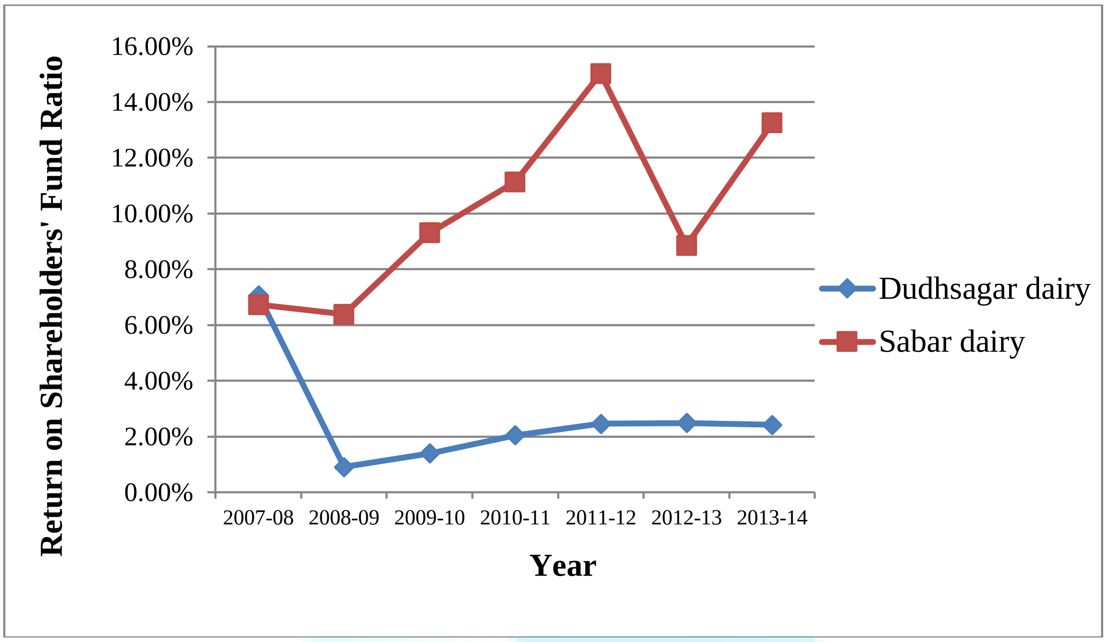
Table-5 shows the Return on Shareholder's Fund Ratio of the selected two district co-operative milk producers' unions from year 2007-08 to 2013-14.

TABLE 5: RETURN ON SHAREHOLDERS' FUND RATIO (In Percentage)

Name of dairy	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average
Dudhsagar dairy	7.07	0.90	1.39	2.04	2.46	2.48	2.42	2.68
Sabar dairy	6.73	6.38	9.30	11.13	15.02	8.85	13.25	10.09

Source: Computed from published Annual report of the units

GRAPH- 5 RETURN ON SHAREHOLDERS' FUND RATIO



If we look at the above graph - 5, it depicts that continuously the Sabar dairy has good return to their shareholders throughout the one decade than compared to the Dudhsagar dairy. The Sabar dairy PAT is increased by higher rate due to increased in sales by higher rate as compare to increase in total expenses. So, return on shareholders' fund is increased.

T- TEST Ho: There is no any significant difference in Gross Profit Ratio (GPR), Net Profit Ratio (NPR), Return on Total Assets Ratio (RTAR), Return On Capital Employed Ratio (RCER) and Return On Shareholders' Fund Ratio (RSFR) of selected district co-operative milk producers' unions of the north Gujarat region.

TABLE 6: T- TEST

Ratio	Mean		Standard Deviation		T- test score	P-value	Decision
	Dudhsagar Dairy	Sabar Dairy	Dudhsagar Dairy	Sabar Dairy			
GPR	30.90	12.93	3.02	0.95	15.01	0.001	Reject
NPR	0.33	0.47	0.08	0.11	2.68	0.0202	Reject
RTAR	0.59	1.43	0.16	0.47	4.42	0.0008	Reject
RCER	4.30	10.79	1.42	5.67	2.94	0.0124	Reject
RSFR	2.68	10.09	2.03	3.23	5.14	0.0002	Reject

In the above T-Test table-6, the two tailed significant test value for Gross Profit Ratio (GPR), Net Profit Ratio (NPR), Return on Total Assets Ratio (RTAR), Return on Capital Employed Ratio (RCER) and Return on Shareholders' Fund Ratio (RSFR) of selected cooperative dairies is higher than critical value. Hence, we may say that GPR, NPR, RTAR, RCER and RSFR is significantly different between the selected district co-operative milk producers' union of North Gujarat.

SUGGESTIONS

1. The average processing expenses of Dudhsagr dairy is highest. Dudhsagar dairy has to reduce in processing expenses by decreasing in depreciation expenses and transportation expenses.
2. The average marketing expense of Sabar dairy is highest. Sabar dairy has to reduce its marketing expenses by decreasing in packaging expenses.
3. The Gross profit of Sabar dairy is lowest. Sabar dairy has to increase its gross profit by increasing in production of different product with better quality and by decreasing in purchase expenses.
4. The net profit ratio of Dudhsagar dairy is lowest. Dudhsagar dairy has to increase its net profit by decreasing in processing expenses, marketing expenses and financial expenses.
5. The return on total assets of Dudhsagar dairy is lowest, so for increasing its return on total assets increase in sales and increase in utilization of fixed assets.
6. The return on capital employed of Dudhsagar dairy is lowest, so for increasing it increase in sales.
7. The return on shareholders' fund of Dudhsagar dairy is lowest, so for increasing it increase in sales.

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COMPARATIVE STUDY OF CAPITAL STRUCTURE: A CASE STUDY OF TATA POWER & ADANI POWER

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ABSTRACT

The choice of appropriate source of fund for capital structure is one of the major policy decisions taken by a firm .The combination of debt & equity is known as capital structure of the firm. Capital Structure is the Ratio of long-term sources of finance in the total capital of includes 'Proprietor's Funds' and 'Borrowed Funds'(Proprietors Funds include equity capital, preference capital, reserves and surpluses retained earnings and Borrowed Funds include long-term debts such as loans from financial institutions, debentures etc. Capital structure can influence not only the return of a company earnings for its stakeholders, but also helps in determining the financial position of the company whether or not a firm survives will survives in recession or depression. There are two most popular source of fund which a company can get finance owned capital (equity) and borrowings (Debt). An optimal debt equity mix gives a healthy result of the financial wealth for the company. This was the main threshold of the capital structure forecasting and planning. Because of this many industries recognized and reorganized their capital structure. The main aim of present study is to comparatively analyze the capital structure of the power industry with special reference Tata power and Adani power. The research study is descriptive and analytical which is conducted on the basis of secondary data. The present study is based on the analysis of five years annual reports of Tata power and Adani power from 2011 to 2015.

KEYWORDS
'Proprietor's Funds', 'Borrowed Funds', Capital Structure, Debt-equity ratio, Debt equity mix.

1. INTRODUCTION

The term "capital structure" represents the total long term investment in a business firm. It includes funds raised through ordinary and preference shares, bonds, debentures, terms loans from financial institutions, etc. Any earned revenue and capital surpluses are included. The capital structure is made up of debt and equity securities which comprise a firm's finance of its assets. It is the permanent financing of a firm represented by long-term debt, plus preferred stocks and net worth. The determination of the degree of liquidity of a firm is no simple task. In the long run, liquidity may depend on the profitability of a firm; but whether it survives to achieve long-run profitability depends to some extent on its capital structure. This includes only-term debt and total stakeholders' investment. It may be defined as one including both short-term and long-term funds. The term capital structure is used to represent the proportionate relationship between debt and equity. Equity includes paid-up capital, share premium and reserves and surplus (retained earnings). The various means of financing represent the financial structure of an enterprise. Capital structure decision is one of the strategic decisions taken by the financial management. Considerable attention is required to decide the mix up of various sources of finance. A judicious and right capital structure decision reduces the cost of capital and increase the value of a firm while a wrong decision can adversely affect the value of the firm. As discussed earlier, various sources of finance differ in terms of risk and cost. Hence, there is utmost need of designing an appropriate capital structure. Company's short and long term debt is considered when analyzing capital structure. A method of analyzing the impact of alternative possible capital structure choices on a firms credit statistics and reported financial results, especially to determine whether the firm will be able to use projected tax shield benefits fully. There are different method of analyzing capital structure of the power company are ratios, trend analysis, common size statements, comparative statements. In this study the analysis of capital structure of Tata power and Adani Power is done through ratios.

2. LITERATURE REVIEW

Roshan Budhoo (1996) propounded that there have always been controversies among finance scholars when it comes to the subject of capital structure. So far, researchers have not yet reached a consensus on the optimal capital structure of firms by simultaneously dealing with the agency problem.

Booth,Aivazian,Kunt &Maksimovic(2001) in their study analyzed the capital structure choices of firms in 10 developing countries. It was found that variables which are relevant for explaining capital structure in United States & European Countries are also relevant in developing countries.

Sterken (2002) Firms having high risk exposure, rely more on the cash flow than the others. Financial distress is main reason for this proposal. Facing high risk signals the financial weakness of the firms. Once they are financially weak today it is very probable that they are weak in the future. These firms need more external funds to survive. They need these funds to sustain their obligations. But it is not very easy for these firms to find the needed funds because of having financing premium. Firms should carry the burden of higher costs of external funding than before. These firms are also in the risk of losing chances of profitable investments. As a consequence, these firms are more cash-flow dependent.

Bhole and Mahakud (2004), in their study analysed the trends in corporate capital structure in India in respect of public limited companies and private limited companies during the period of 1966 – 67 to 2000 – 01. The determinants of capital structure have also been studied by using panel data pertaining to 330 private limited companies. It was found that leverage ratios of public limited & private limited companies have increased significantly during 1966 – 2000. The dependence on debt is more in case public limited companies as compared to private limited companies.

Sahoo & Omkar Nath (2005), analyzed the capital structure of Indian corporate sector to examine whether any shift has taken place in the financing pattern of Indian corporate sector after the implementation of Financial Liberalization in profitability and service diversification are main critical factors influencing the capital structure of Indian banking firms.

Kaur, Jatinder (2007), discussed in her study about the preferred hierarchy among debt and equity by the corporate firms and differences in capital structure practices followed by private sector companies, magnitude of short term debt, long term debt and major changes in capital structure practices of private corporate sector companies in view of economic liberalization and globalization in India using data of top 25 companies chosen from BT 500. It was found from the study that since the early 1990s significant structural changes in Indian capital markets, particularly in equity market have enhanced Indian firms‟ flexibility in choosing their capital structure optimally.

Mishra (2011) in his study observed a changing pattern in financing of PSUs with reforms in Indian economy. He found that PSUs have challenge to access the market for both equity & debt finance.

Kumar,Anjum & Nayyar (2012) in their paper analyzed the change in capital structure pattern of three reputed pharmaceutical companies for the period of 2007-2011.It was found that in the initial period, companies were raising maximum debt fund to reduce the cost of capital but which resulted in increase of financial risk. So, later on they shifted to equity financing..

Kalyani & Reddy (2012) in their study found that Amara Raja Batteries Ltd mostly depended on equity financing. It was suggested that ARBL should raise the debt funds to bring the optimum capital structure for improving financial performance of the companies.

3. NEEDS AND SIGNIFICANCE OF THE STUDY

Capital structure decision is one of the strategic decisions taken by the financial management. Considerable attention is required to decide the mix up of various sources of finance. A judicious and right capital structure decision reduces the cost of capital and increase the value of a firm while a wrong decision can adversely affect the value of the firm. As discussed earlier, various sources of finance differ in terms of risk and cost. Hence, there is utmost need of designing an appropriate capital structure. Capital structure decisions are of great significance due to the following reasons:

- Capital structure determines the risk assumed by the firm.
- Capital structure determines the cost of capital of the firm.

This study will be helpful for the society in view of various schemes as acceptance of deposits, provide facility of insurance mutual fund management, long-term pension fund and provide consumer loan for various purposes as housing loan, car loan, educational loan etc.

It will also help the professionals, academicians who have a better understanding of the relevance of capital structure of the power companies.

4. OBJECTIVE OF THE STUDY

1. comparatively analyze the capital structure position of Tata power and Adani Power
2. The effect of capital structure on the profitability of the companies in relation of various ratios.

5. RESEARCH METHODOLOGY

In the present research the data is taken from the secondary sources. Research methodology explains and chooses the best (in terms of quality and economy) way of doing it. The information and data for the research can be collected through primary as well as secondary sources i.e. published articles, journals, news papers, reports, books and websites. The profit & loss account and balance sheet of the of Tata power and Adani power limited for the last five years i.e. from 31st March 2011 to 31st March 20015 were studied to get the clear picture of the capital structure. The available data between these periods has been carefully analyzed, interpreted and presented by studying the capital structure of Tata power and Adani power limited. Commensurate with the objective of the study, various tools of analysis have been employed in order to arrive at certain conclusions regarding "Comparative analysis of capital structure of Tata power and Adani power limited. Tabular analysis, percentage and graphs have been used for analysis of the data.

5. I.TATA POWER PROFILE

Tata Power is an Indian electric utility company based in Mumbai, Maharashtra, India and is part of the Tata Group The core business of the company is to generate, transmit and distribute electricity With an installed electricity generation capacity of about 8,747 MW, it is India's second largest private power producer. At the end of August 2013, its market capitalization was $2.74 billion (INR 182 billion. Tata Power has operations in India, Singapore, Indonesia, South Africa and Bhutan. Tata Power Group has its operations based in 35 locations in India.

The thermalpowerstations ofthecompanyarelocatedat Trombay in Mumbai, Mundra in Gujarat, Jojoberaand Maithon inJharkhand, Haldia in West Bengal and Belgaum in Karnataka. The hydro stations are located in the Western Ghats of Maharashtra and the wind farms in Ahmednagar, Supa, Khanke, Brahmanwel, Gadag, Samana and Visapur. The company installed India's first 500 MW unit at Trombay, the first 150 MW pumped storage unit at Bhira, and a flue gas desulphurization plant for pollution control at Trombay. It has generation capacities in the States of Jharkhand and Karnataka, and a distribution company in Delhi, servicing over one million consumers spread over 510 square km in the North Delhi. The peak load in this area is about 1,150 MW. Tata Power announced on 24 July 2012, commissioning of the second unit of 525 MW capacity of the Maithon mega thermal project in Dhanbad. The first unit of identical capacity was commissioned in September 2011. Tata Power has a 51:49 joint venture with PowerGrid Corporation of India for the 1,200 km Tala transmission project, India's first transmission project executed with public-private partnership financing.Tata Power has plans to expand generation capacity of 4,000 MW Mundra plant, the country's first operational ultra mega power project, to 5,600 MW.The company has also a 74:26 joint venture with Damodar Valley Corporation for 1050 MW coal-based thermal power plant at Maithon in Dhanbad district of Jharkhand, named as Maithon Power Limited. The both units are commissioned on 24.07.2012. It has another a 74:26 joint venture with Tata Steel Limited for thermal power plants to meet the captive requirements of Tata Steel, under name Industrial Energy Limited.Tata Power has announced its partnership with Sunengy an Australian firm to build India's firs

5. II.ADANI POWER PROFILE

Adani Power Limited is the power business subsidiary of Indian conglomerate Adani Group with head office at Ahmedabad, Gujarat. The company is India's largest private power producer, with capacity of 10,440 MW and also it is the largest solar power producer of India with a capacity of 40 MW. Adani Power Limited is ranked 334th in the top companies in India in Fortune India 500list of 2011. The company operates five supercritical boilers of 660 MW each (as per March 2012) at Mundra Gujarat & Five 660 MW units(as per May 2015) at Tiroda, Maharashtra. It also operates a mega solar plant of 40 MW at Naliya, Bitta, Kutch, Gujrat. It is India's first company to achieve the supercritical technology. The plant is the only thermal power plant in India to be certified by UN under CDM. The company is implementing 16500 MW at different stages of construction. Its mission is to achieve 20000 MW by 2020. The company produces electricity using only coal. 100 MW of solar power station is also under advanced stage of implementation at Surendranagar in Gujarat out of which 40 MW is already commissioned. The company has gone to long term PPAs of about 7200 MW of its 9280 MW with government of Gujarat, Maharashtra, Haryana and Rajasthan.As of January 2011, the company has 16500 MW under implementation and planning stage. A few of them are 3300 MW coal based TPP at Bhadreswar in Gujarat, 2640 MW TPP at Dahej in Gujarat, 1320 MW TPP at Chhindwara in Madhya Pradesh, 2000 MW TPP at Anugul in Orissa and 2000 MW gas-based power project at Mundra in Gujarat. The company is also bidding for 1000 MW of lignite coal-based power plant at Kosovo showing its international projects. In the second week of August 2014, Adani power has acquired Lanco Infratech's Udipi thermal power plant in a Rs 6000 crore deal. This would add another 1200 MW installed capacity, taking the group capacity to 10480 MW .

6. DATA ANLYSIS AND FINDINGS

The objectives of the study have been achieved after analyzing the following ratios of Tata power and Adani power for five years.

1. Debt equity ratio for five years of Tata power and Adani power
2. Long-term Solvency ratio for five years of Tata power and Adani power
3. Capital Gearing ratio for five years of Tata power and Adani power
4. Interest coverage ratio for five years of Tata power and Adani power
5. Earnings Per Share for five years of Tata power and Adani power

6. I ANALYSIS OF DEBT EQUITY RATIO

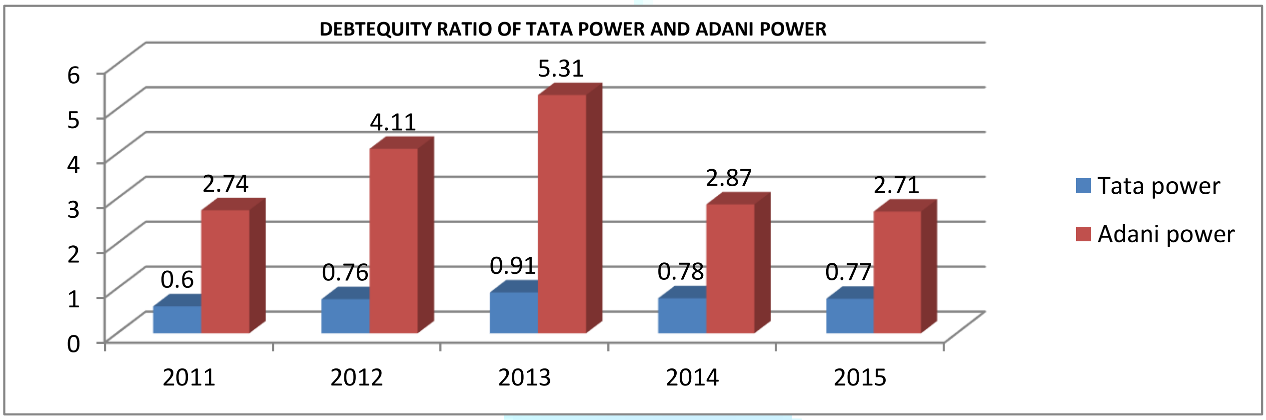
Debt to equity ratio is a long term solvency ratio that indicates the soundness of long-term financial policies of the company. It shows the relation between the portion of assets provided by the stockholders and the portion of assets provided by creditors. It is calculated by dividing total debt by stockholder's equity. A debt equity ratio of 2:1 is norm accepted. The higher the gearing, is the more volatile the return to the shareholders. The objective is to provide a security to outsiders on liquidation of the firm. An appropriate mix of the debt and equity improves the value of the firm.

Debt-equity ratio=*Total debt/Shareholders fund or Net worth*

TABLE 1: DEBT EQUITY RATIO OF TATAPOWER AND ADANI POWER

YEAR	Tata power			Adanipower		
	Debt Rs. Crores	Equity Rs. Crores	Ratio	Debt Rs. Crores	Equity Rs. Crores	Ratio
2011	6764.31	11239.99	0.60	16577.74	6322.71	2.74
2012	9133.11	11957.42	0.76	24803.48	6028.79	4.11
2013	11124.72	12260.85	0.91	24694.06	4649.77	5.31
2014	10255.52	13127.36	0.78	22317.20	7787.16	2.87
2015	12060.41	15727.99	0.77	20937.64	7716.15	2.71
Average			**0.76**			**3.55**

FIG. 1



Source : Dion Global Solutions Limited

FINDINGS:-Analysis shows that the debt equity ratio of Tata power at 0.60 in2011, 0.76 in 2012,0.91 in2013,0.78 in 2014 and 0.77 in 2015,with the average of 0.76. The debt equity ratio of Adani power was 2.74 in 2011, 4.11 in 2012, 5.31 in 2013, 2.87 in 2014 and 2.71 in 2015, with the average of 3.55. From the comparative bar chart it is clear that the debt equity ratio of Tata power is almost stable. But in case of Adani power the ratio is more volatile.

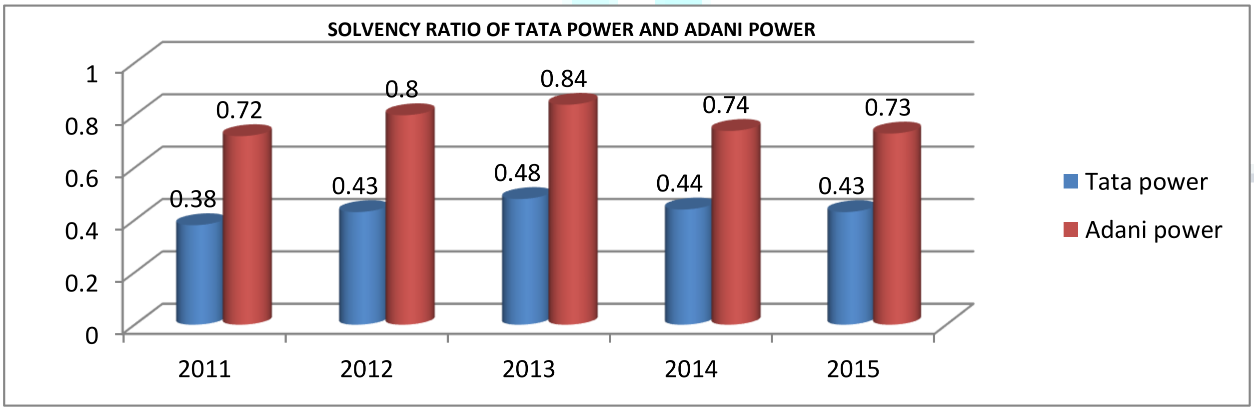
6. II ANALYSIS OF SOLVECY RATIO

Solvency ratio is a variant of proprietary ratio. It shows the relationship between total liabilities to outsiders to total assets. It provides a measurement of how likely a company will be continue meeting its debt obligations. Acceptable solvency ratios will vary from industry to industry. Generally it is observed that the lower ratio i.e. outsiders liabilities in the total capital of company the better is the long term solvency of the company. **Solvency ratio**=Total liabilities to outsiders/total assets.

TABLE 2: SOLVENCY RATIO OF TATA POWER AND ADANI POWER

Year	Tata power			Adani power		
	External Liabilities Rs. Crores	Total Assets Rs. Crores	Ratio	External Liabilities Rs. Crores	Total Assets Rs. Crores	Ratio
2011	6764.31	18004.30	0.375705	16577.74	22900.45	0.7239046
2012	9133.11	21090.53	0.433043	24803.48	30832.27	0.8044649
2013	11124.72	23385.57	0.475709	24694.06	29343.83	0.8415418
2014	10255.52	23382.88	0.438591	22317.20	30104.36	0.7413278
2015	12060.41	27788.40	0.434009	20937064	28653.79	0.730711
Average			**0.43**			**0.77**

FIG. 2



Source : Dion Global Solutions Limited

FINDINGS: The table and graph shows that the solvency ratio of Tata power was 0.38 in2011,0.43 in2012, 0.48 in2013,0.44 in 2014 and0.43 in 2015, with the average of 0.43.On the other hand the solvency ratio of Adani power was 0.72 in 2011,0.80 in2012,0.84 in 2013, 0.74 in 2014 and 0.73 in2015, with the average of 0.77. The Adani power has greater dependence on external sources of finance.

6. III ANALYSIS OF CAPITAL GEARING RATIO

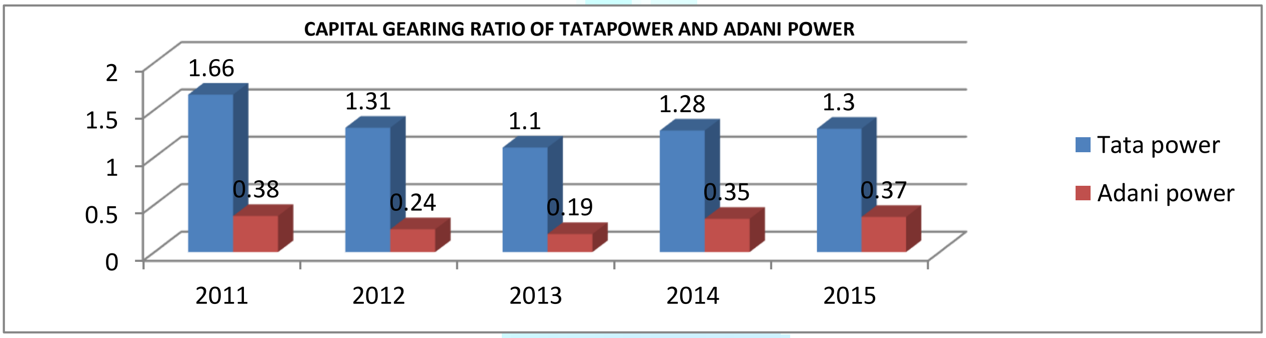
Capital gearing ratio is a useful tool to analyze the capital structure of a company and is computed by dividing the common stockholders' equity by fixed interest or dividend bearing funds. Analyzing capital structure means measuring the relationship between the funds provided by common stockholders and the funds provided by those who receive a periodic interest or dividend at a fixed rate. A company is said to be low geared if the larger portion of the capital is composed of common stockholders' equity. On the other hand, the company is said to be highly geared if the larger portion of the capital is composed of fixed interest/dividend bearing funds.

Capital Gearing ratio= common stockholders' equity/ Fixed interest bearing Fund.

TABLE 3: CAPITAL GEARING RATIO OF TATA POWER AND ADANI POWER

Year	Tata power			Adani power		
	Common stockholders' EquityRs.crores	Fixed interest bearing Funds (in crores)	Ratio	Common stockholders' Equity Rs. (in crores)	Fixed interest bearing Fund Rs. (In crores)	Ratio
2011	11239.99	6764.31	1.661661	6322.74	16577.74	0.381398
2012	11957.42	9133.11	1.309239	6028.79	24803.48	0.243062
2013	12260.85	11124.72	1.102127	4649.77	24694.06	0.188295
2014	13127.36	10255.52	1.280029	7787.16	22317.20	0.348931
2015	15727.99	12060.41	1.304101	7716.15	20937.64	0.36853
Average			**1.33**			**0.31**

FIG. 3



Source: Dion Global Solutions Limited.

FINDINGS:-The analysis shows that the Capital gearing ratio of the Tata power was 1.66 in 20011,1.31 in 2012,1.1 in2013, 1.28 in 2013,and in 2015 it was stood at 1.3 and the average ratio was1.33.Higher value means low geared capital structure. On the other hand the capital gearing ratio of Adani power was 0.38 in 2011, 0.24 in 2012,0.19 in 2013, 0.35 in 2014 and 0.37 in 2015. And average ratio was0.31. It means Adani power has high capital gearing ratio.

6. IV ANALYSIS OF INTEREST COVERAGE RATIO

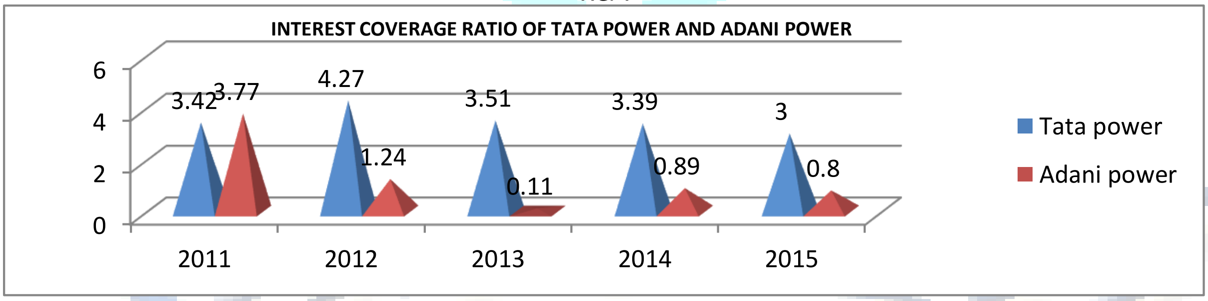
The **interest coverage ratios** establish the relationship between fixed claims and the firm's profitability out of which these claims are to be paid. So, this measure tries to relate profitability to the level of debt payments to assess the degree of comfort with which the firm can meet these payments. The interest coverage ratio help to analyze the firm's ability to service the fixed interest claims.

Interest Coverage Ratio= EBIT/Interest

TABLE 4: INTEREST COVERAGE RATIO OF TATA POWER AND ADANI POWER

Year	Tatapower			Adani power		
	EBIT Rs. Crores	Fixed Interest Charges Rs. Crores	Ratio	EBIT Rs. Crores	Fixed Interest Charges Rs. Crores	Ratio
2011	2081.76	459.80	3.42	1320.96	316.82	3.77
2012	2768.09	514.87	4.27	1335.51	787.68	1.24
2013	2745.73	678.25	3.51	1383.92	1739.18	0.11
2014	2946.51	868.21	3.39	3746.07	3023.61	0.89
2015	3138.40	1047.46	3.00	3310.36	2497.62	0.80
Average			3.52			1.36

FIG. 4



Source : Dion Global Solutions Limited

FINDINGS:- Interest coverage ratio of Tata power is 3.42 in 2011, 4.27 in 2012,3.51 in2013,3.39 in 2014 and it stood at 3.00 in2015, with the average of3.52.While interest coverage ratio of Adani power is 3.77 in 2011which reduces to 0.80 in 2015.In 2013 it stood at only 0.11 In 2013, with the average of 1.36, Which shows bad sign for the company.

6.V ANALYSIS OF EARNING PER SHARE

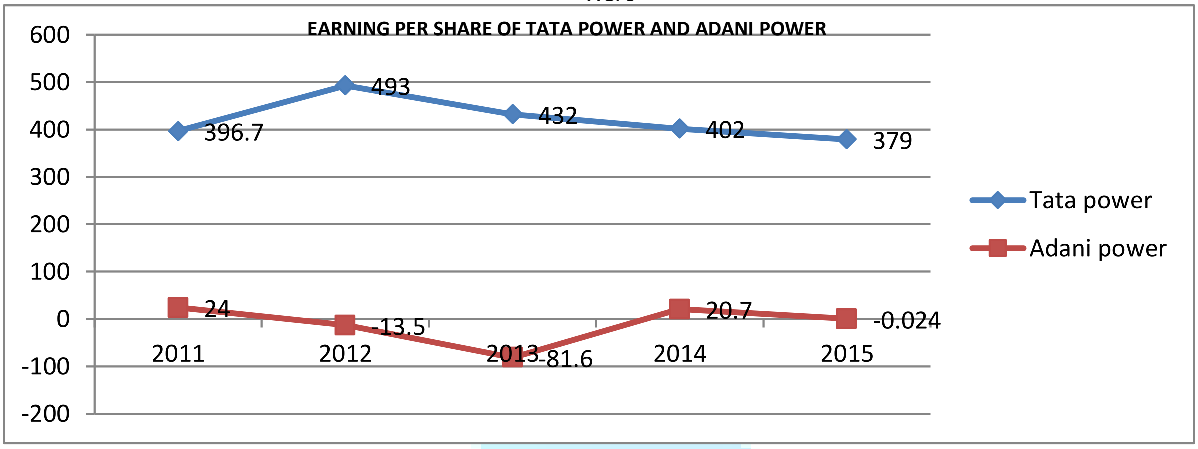
Earnings per share are the same as any profitability or market prospect ratio. Higher earnings per share are always better than a lower ratio because this means the company is more profitable and the Company has more profits to its shareholders. EPS simply shows the profitability of the firm on a per share basis. It is measured by dividing the net profit available to equity shareholders by number of Equity shares.

$$\textbf{Earnings Per share} = \frac{\text{Net income after tax-Preferred stock dividend}}{\text{Average number of common Shares outstanding}}$$

TABLE 5: EARNING PER SHAREOF TATA POWER AND ADANI POWER

Year	Tata power		Adani power	
	Earnings Per Share	Percentage on Face value	Earnings Per Share	Percentage on Face value
2011	39.67 (Face Value Rs. 10)	396.7	2.40(Face Value Rs. 10)	24
2012	4.93(Face Value Rs. 1)	493	-1.35 (Face Value Rs. 10)	-13.5
2013	4.32(Face Value Rs. 1)	432	-8.16 (Face Value Rs. 10)	-81.6
2014	4.02 (Face Value Rs. 1)	402	2.07 (Face Value Rs. 10)	20.7
2015	3.79 (Face Value Rs. 1)	379	-0.24 (Face Value Rs. 10)	-0.024
Average		**420.54**		**-10.08**

FIG. 5



Source: Dion Global Solutions Limited

FINDINGS: The earning per share of Tata power was 396.7% in 2011,493% in 2012,4%32 in 2013,402% in 2014 and 375% in 2015 on its nominal value of shares, with the average of 420.54%. On other hand the EPS of Adani power was 24% in 2011,-13.5% in 2012,-81.6% in 2013, 20.7in2014 and in 2015 it stood at -0.024%, with the average of -10.08%. It shows bad sign for the company.

7. CONCLUSION AND RECOMMENDATION

7.I CONCLUSION

1. After analyzing the various capital structure ratios of Tata power and Adani power,it is clear that the dependence of Tata power on its common share holders fund more or less stable but the dependence of Adani power on loan fund is increasing from 2011 to 2013 after that it was slowly decreased.
2. Generally it is observed that the lower ratio i.e. outsiders liabilities in the total capital of company the better is the long term solvency of the company. From the comparative study it is clear that the Tata power has better long term solvency position then the Adani power limited.
3. The larger portion of the capital of Tata power is composed of common stockholders' equity. Except 2011the dependence of common share holder is more or less stable over the study period. But in case of Adani power its dependence on outsiders fund is more. Its larger portion of the capital is composed of fixed interest bearing funds.
4. Interest coverage ratio of Tata power is slowly decreased over the study period. But in case of Adani power, interest payment ability of the company decreased to 0.11 in2013, after that it is slowly increased, but not satisfactory.
5. Earnings per share of Tata power are satisfactory with the average of 420.54% on the nominal value of share. The Investment opportunity in Tata power is better than Adani power. In case of Adani Power, it has to pay more interest on loan funds and faces problems in maintaining a good level of dividend (average -10.08 %on nominal value of shares) for common stockholders during the period of low profits. Borrowing is a cheap source of funds for many companies but a highly geared company like Adani power, is considered a risky investment by the potential investors.

7. II RECOMENDATION

- Timely review the combination of debt and equity mix and selecting the optimum capital structure of both the company.
- Interest payable ability of both the company has to be increased.
- Miscellaneous expenses of both the company has to be controlled, spatially Adani power limited.
- Timely review their overall cost of capital (debt, equity) of both the company.

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ORGANIZATIONAL COMMITMENT OF TEACHERS IN HIGHER EDUCATION WITH SPECIAL REFERENCE TO KUMAUN UNIVERSITY

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ABSTRACT

Organizational commitment is defined as "strong belief in and acceptance of the organizational goals and values, willingness to exert considerable effort on behalf of the organization, and a definite desire to maintain organizational membership" (Porter et al, 1974). The present study is based on measuring the overall commitment of teachers in Kumaun University, Nainital. The result of the study which is a summary indicator of employee commitment is found to be moderately high commitment.

KEYWORDS

organizational commitment, Kumaun University.

1. INTRODUCTION

Among the many organizational behaviour studies, the variables that have received most attention are organizational commitment, job satisfaction (Bodla & Danish, 2009; Parker et al, 2005; Allen & Meyer, 1990), organizational justice, and organizational citizenship behaviour. The quality of human resources is believed to be a major factor adding to the success of organizations (Pohlman & Gardiner, 2000). The level of commitment of teachers is a crucial factor affecting the performance of higher education institutions. Thus understanding their behaviours and attitudes needs more attention in organizations (Tsui & Cheng, 1999). In today's dynamic environment to remain productive and responsive to the needs of its stakeholders the organizations' knowledge capital must be retained (Bloch, 2001). The plausible reasons suggested by literature for organizational commitment include: an affective attachment to the values of the organization, a realization of the costs involved with leaving the organization, and a sense of obligation to the organization (Meyer & Allen, 1997). Education sector has not remained aloof in measuring organizational commitment. (Hart and Willower, 1994) study focussed on organizational commitment and school environmental robustness. However the current study is aimed at determining to what extent higher education teachers (specifically Kumaun University) are committed to their institutions. Kumaun University (established in 1973 under the UP State Act) consists of three campuses at Nainital (headquartered), Almora and Bhimtal. There are about 290 teachers working in the three campuses. The University was granted permanent membership of the Association of Indian Universities and was awarded the special rank of Four Star by National Assessment and Accreditation Council (NAAC) in 2000.

2. LITERATURE REVIEW

2.1 DEFINITION

A snippet of the meaning of Organizational Commitment as comprehended by different researchers' is presented below:

Porter et al., (1974) defined it as "strong belief in and acceptance of the organizational goals and values, willingness to exert considerable effort on behalf of the organization, and a definite desire to maintain organizational membership".

Reichers (1985, p 468) is of the opinion that "organisational commitment as behaviour is visible when organisational members are committed to existing groups within the organisation".

Jans (1989) has defined it as the extent that an employee acquires, embodies, and perceives one's role based on organizational values and goals.

O'Reilly (1989, p 17) defined it as, "an individual's psychological bond to the organisation, including a sense of job involvement, loyalty and belief in the values of the organisation"

Meyer, Allen and Gellatly (1990, p 711) suggested organisational commitment as an attitude "characterised by a favourable positive cognitive and affective components about the organisation"

Meyer and Allen (1991, p 67) defined organisational commitment as"a psychological state that characterises the employee's relationship with the organisation, and has implications for the decision to continue membership in the organisation".

Cohen (2003, p xi) stated that "commitment is a force that binds an individual to a course of action of relevance to one or more targets".

Miller (2003, p 73) also stated that organisational commitment is "a state in which an employee identifies with a particular organisation and its goals, and wishes to maintain membership in the organisation"

2.2 APPROACHES TO ORGANIZATIONAL COMMITMENT

In their paper (Ghosh and Swamy, 2014) have outlined three approaches to understand the concept of organizational commitment:

2.2.1 The Side Bet Approach: This is based on Becker"s theory which said that the relationship between an employee and the organization is founded on behaviours bounded by a "contract" of economic gains. Employees are committed to the organization because they have some hidden vested investments or side-bets.

2.2.2 The Psychological Attachment Approach**:** This school of thought attempted to describe commitment as a combination of attitude and interest in economic gains from associating with the company. Employee retention was attributed not only to economic gains, but more so to affective influence.

2.2.3 The Multidimensional Approach: This approach deemed organizational commitment as a three dimensional construct comprising of affective commitment, continuance commitment and normative commitment.

2.3 DIMENSIONS OF ORGANIZATIONAL COMMITMENT

Organizational Commitment is thought to be a multidimensional construct: Affective Commitment (AC), Continuance Commitment(CC), Normative Commitment(CC).

2.3.1 Affective commitment refers to one's psychological attachment to the organization. (Meyer & Allen, 1991) stated that organisational members, who are committed to an organisation on an affective basis, continue working for the organisation because they want to. Members who are committed on an affective level stay with the organisation because they view their personal employment relationship as congruent to the goals and values of the organisation (Beck & Wilson, 2000). Affective commitment is a work related attitude with positive feelings towards the organisation (Morrow, 1993).

2.3.2 Continuance Commitment (CC)

Meyer and Allen (1997,) defined continuance commitment as "awareness of the costs associated with leaving the organisation", and those employees whose attachment to the organization is based on continuance commitment remain in the organization because they need to do so. It is calculative in nature because of the individual's perception or weighing of costs and risks associated with leaving the current organisation (Meyer & Allen, 1997). Continuance commitment is "a tendency to 'engage in consistent lines of activity' (Becker, 1960) based on the individual's recognition of the 'costs' (or lost side bets) associated with discontinuing the activity" (Allen & Meyer, 1990)

2.3.3 Normative Commitment (NC)

Normative Commitment is defined as the individual's bond with the organization due to an obligation on the part of the individual and this moral obligation arises because "either through the process of socialisation within the society or the organisation" Meyer and Allen (1991). This obligation is supposed to be based on social exchange theory which suggests that a person receiving a benefit is under a strong normative obligation or rule to repay the benefit in some way (McDonald & Makin, 2000).

2.4 ANTECEDENTS OF ORGANIZATIONAL COMMITMENT

Reviewing the literature a number of studies have been conducted in identifying the antecedents and consequences of organizational commitment. The crucial variables that are found to be antecedents of organizational commitment are task autonomy (Dunham, Grube, & Castaneda, 1999), job security (Yousef, 1998), organizational tenure (Masao Tao and et al) and promotion opportunities (Gaertner& Nollen, 1989).

2.5 OUTCOMES OR CONSEQUENCES OF ORGANIZATIONAL COMMITMENT

Organizational Commitment is a strong indicator of employees' turnover behavior, withdrawal tendency and organizational citizenship behavior (Mathieu and Zajac, 1990; Morrow, 1993; LePine, Jeffrey A.; Erez, Amir; Johnson, Diane E,(2002) ;Sinclair and Wright, (2005). Additionally, committed employees may be more likely to engage in "extra-role" behaviors, such as creativeness or innovativeness, which are often what keeps an organization competitive (Katz & Kahn, 1978).

3. RESEARCH METHODOLOGY

3.1 Objective: To measure the overall organizational commitment of the teachers in Kumaun University.

3.2 Study Population: The study population included all the teachers working (about 290) in the three campuses of the University.

3.3 Instrument: A standard questionnaire [Organizational Commitment Questionnaire (OCQ)] developed by Richard T. Mowday, R M Steers, and I. W Porter (Annexure 1) is used.

3.4 Data Collection: The questionnaire was sent to 289 faculty members (Teaching Personnel, Assistant Professors, Associate Professors and Professors) working in Kumaun University through electronic mail. Of 289 distributed questionnaires, overall usable response rate was about 61 per cent (177).

3.5 Analyses: The questionnaire contains 15 items that evaluate two dimensions (affective and continuance) of organizational commitment. Of the 15-item OCQ, 9 items (1,2,4,5,6,8,10,13, and 14)focused on commitment-related attitude and measured affective commitment. The remaining 6 items (3,7,9,11,12, and 15) focussed on commitment-related behaviour and measured continuance commitment. A 7-point scale ranging from 1 (strongly disagree) to 7 (strongly agree) was employed.

SPSS was used to code and analyse the responses. The scores on each item were totalled to get a composite score which was then divided by 9 in case of affective scale and 6 in case of continuance scale to get the average score. The mean of such scores thus obtained represented the overall organizational commitment of the teachers in the University.

4. RESULTS

The result of the study is a summary indicator of employee commitment. The result indicated an affective commitment of 5.85 [Table 1.0] which is moderately high commitment, and continuance commitment of 2.5 [Table 2.0] inferring that the employees have low probability of leaving the organization.

5. CONCLUSION

Commitment among faculty members has important consequences and implications for educational institutions. The results of previous studies revealed that highly committed faculty members are likely to continue their association with their current institutions, and at the same time, they are likely to put more effort on behalf of their respective institutions and thereby perform at higher levels than their uncommitted counterparts (Aamir Ali Chughtai & Sohail Zafar). Additionally previous research has indicated that absenteeism is negatively related with commitment (Somers, 1995) and organizational citizenship behaviour is positively related (Morrison, 1994).

Although the present study is based on a specific University and no new variables were studied but still the outcomes of organizational commitment are a source of strength/weakness and competitiveness for any institution. Thus it may be concluded that the University has a low turnover rate, low absenteeism and positive organizational citizenship behaviour.

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TABLES

TABLE 1.0: STATISTICS (AVGSCOREAFFECT)

N	Valid	177
	Missing	1
Mean		5.8544
Std. Deviation		.36602
Variance		.134
Skewness		-.383
Std. Error of Skewness		.183
Kurtosis		.113
Std. Error of Kurtosis		.363

TABLE 2.0: STATISTICS (AVGSCORECON)

N	Valid	177
	Missing	1
Mean		2.5443
Median		2.5000
Std. Deviation		.45928
Variance		.211
Skewness		-.140
Std. Error of Skewness		.183
Kurtosis		-.322
Std. Error of Kurtosis		.363

ANNEXURE

ANNEXURE 1: ORGANIZATIONAL COMMITMENT QUESTIONNAIRE (OCQ)

INSTRUCTIONS

Listed below are a series of statements that represent possible feelings that individuals might have about the company or organization for which they work. With respect to your own feelings about the particular organization for which you are now working (Kumaun University) please indicate the degree of your agreement or disagreement with each statement by checking one of the seven alternatives below each statement.
Note. Responses to each item are measured on a 7 point scale. An "R" denotes a negatively phrased and reverse scored item.

1. I am willing to put in a great deal effort beyond that normally expected in order to help this organization be successful.
   - Strongly disagree
   - Moderately disagree
   - Slightly disagree
   - Neither agree nor disagree
   - Slightly agree
   - Moderately agree
   - Strongly agree

2. I talk up this organization to my friends as a great organization to work for.
   - Strongly disagree
   - Moderately disagree
   - Slightly disagree
   - Neither agree nor disagree
   - Slightly agree
   - Moderately agree
   - Strongly agree

3. I feel very little loyalty to this organization. (R)
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

4. I would accept almost any type of job assignment in order to keep working for this organization.
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

5. I find that my values and the organization's values are very similar.
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

6. I am proud to tell others that I am part of this organization.
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

7. I could just as well be working for a different organization as long as the type of work was similar. (R)
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

8. This organization really inspires the very best in me in the way of job performance.
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

9. It would take very little change in my present circumstances to cause me to leave this organization. (R)
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree

10. I am extremely glad that I chose this organization to work for, over others I was considering at the time I joined.
  - Strongly disagree
  - Moderately disagree
  - Slightly disagree
  - Neither agree nor disagree
  - Slightly agree
  - Moderately agree
  - Strongly agree

11. There's not too much to be gained by sticking with this organization indefinitely. (R)
    - Strongly disagree
    - Moderately disagree
    - Slightly disagree
    - Neither agree nor disagree
    - Slightly agree
    - Moderately agree
    - Strongly agree

12. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees. (R)
    - Strongly disagree
    - Moderately disagree
    - Slightly disagree
    - Neither agree nor disagree
    - Slightly agree
    - Moderately agree
    - Strongly agree

13. I really care about the fate of this organization.
    - Strongly disagree
    - Moderately disagree
    - Slightly disagree
    - Neither agree nor disagree
    - Slightly agree
    - Moderately agree
    - Strongly agree

14. For me this is the best of all possible organizations for which to work.
    - Strongly disagree
    - Moderately disagree
    - Slightly disagree
    - Neither agree nor disagree
    - Slightly agree
    - Moderately agree
    - Strongly agree

15. Deciding to work for this organization was a definite mistake on my Part. (R)
    - Strongly disagree
    - Moderately disagree
    - Slightly disagree
    - Neither agree nor disagree
    - Slightly agree
    - Moderately agree
    - Strongly agree

(Adopted from a study on "THE MEASUREMENT OF ORGANIZATIONAL COMMITMENT" by RICHARD T. MOWDAY, R M STEERS, I. W PORTER, 1979)

ECONOMIC DEVELOPMENT AND EMPOWERMENT OF RURAL WOMEN THROUGH DEVELOPMENT PROGRAM WITH SPECIAL REFERENCE TO CHHATTISGARH STATE

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ABSTRACT
Present paper is based on ongoing research based on govt. development program and economic empowerment of rural women.The main objective of this paper is how govt. development program play an important role to empower the rural women. In present study o5 districts of Chhattisgarh state has been selected as study area. About 500 beneficiaries from 100 self-help group of various development program mainly swarn Jayanti Gram Swaraj Yojana were purposively selected as respondents. AS a tool for the collection of data interview-schedule was constructed. Findings of the study shows that through the development program women are more aware regarding health and education but economically they are partially empower.

KEYWORDS
Development Program, Empowerment, Economic Development, SHGs.

INTRODUCTION
The process of rural development is running since ancient time. If enclose with it self the rural history exploited by different kings, politicians and Rulers, that too according to their whims desires and selfishness. The rural economy and the development rule of this country have been twisted according to their whims. Some kings-emperors made self less effort towards rural development and some made efforts towards this end but with a selfish interest. But before the independence in majority cares the attention towards rural development was purely for full filling the vested interests only Real efforts for rural development have been actually made through five year plans after independence.

In India women development programs were started from 1980 after publishing a report **Towards Equality**, before it they are totally ignored by policy maker.Combining the various Self employment oriented projects (integrated rural development programme, Rual Areas women and children development, TRYSEM, Ganga welfare scheme, and supply of rural handicraft men project) **The Swarna Jayanti Gram SwarozgarYojana**, which was launched with effect from April 1, 1999 is a holistic Programme covering various aspects of self-employment, such as organization of the poor into self-help groups, training, credit, technology, infrastructure and marketing. It is envisaged that 50 per cent of the Groups formed in each Block should be exclusively for women who will account for at least 40 percent of the total Swarozgaris. Under the Scheme, Women are encouraged in the practice of thrift and credit which enables 52 X Total number of Dwelling Units completed during the period 2004-05 (up to Nov., 2004) was 644191 out of which 366425(56.88%) houses were allotted in the name of women and 197162(30.60%) houses were allotted jointly in the name of both husband and wife.

REVIEW OF LITERATURE
Many program for rural developments were made and executed from time to time in India. Central and State Government have been identifying and effortful for the rural economy. From the Community Development Project (1952) to the present integrated rural development (1978-79) programme for the rural development and many others have been implemented but owing to many reasons the developments programmes have been failing in achieving their stipulated targets. This has brought discouragement in a large section of rural populace. Though the objective of the rural development programmes have been upliftment in the status of the weak and poor rural persons and thereby provision of better opportunities for life but creamy layer section of the rural people have been benefited more by them.

Rural development studies, with perspectives can chiefly be divided in to two categories. Firstly those which are connected with the leftists ideals or Marxist philosophy and secondly those related with the traditional principles. Under the leftist ideals the analysis of rural development is based on the definition of the original arrangement change. Through the revolutionary method different studies are made considering the original progress as the basis of the rural development for example, A.R. Desai (1965), Cathleen Guff & Sharma (1973), I.R.facol (1978), M.J.Alvi (1965), G.Adhikari (1964), Milley vend (1964). etc.On the other side traditional thinkers, e.g. Gandhi (1964), Patel (1960), Meadalban (1978), S.C. Dubey (1958), Jain (1976) and Ghanshyam Shah (1983) etc. have defined rural development without revolutionary process and original changes on the basis of infrastructural amendments.

A casual study of the earlier studies related to rural development makes it clear that governmental agency and the socio-economic factors play an important role. The rural institutions mostly provide development facilities at the village level. Among these institutions gram-panchayat committees and the co-operative societies are main. These institutions are dominated and influenced highly by the influential persons and landowner people. These institutions are distributed the developmental facilities, keeping in view the rested interests of these higher groups. (Programme Evaluation organization, 1958, page 108, Cohen, 1961, pages 58-67).

Dube (1968) in his study of the development works in the first stage found that only rich people received 70% of the advantage and rich farmes the poor people derived only the minimum part of it. According to the committee on Plan Project (1957) a large group of Harijans did not receive any advantage from the community development programme. People belonging to the higher economic status mainly derived the advantage of community development project. (Myrdal 1968).

Krishnamachari (1958), Raj (1960), United Nations Organization (1961), Miller (1968), Government of India (1968, A.B.), Reserve Bank of India (1969-70) and National Commission on Agriculture (1971, A)'s studies makes it clear that mostly the advantage of the development programmes is derived by the creamy-layer people. As a bad-result of this there has been increase in the imbalance in the rural infrastructure.

National Commission on Agriculture (1971) and The Reserve Bank of India (1969 pages 174-76, 1970, page 28, 1970 pages 160-66) have agreed to this fact in their report that members of the high economic status received loans in large quantities. Waber (1946, page 181) opined that social and economic status does not appear to be on equal ground. It has three aspects-caste and energy aspects creat hereditary imbalance. (Holler, 1976) Communities' mediums depend on socio-economic status. (Rogers: 1962 PP. 174-85).

(Girdhan, 1981, p.69) and Daya Krishna (1980) in his study "Indian Former At Crossroad" has found that integrated rural development implies enough production, increase with social justice and full employment to unemployed in the rural area. Shriniwas (1977) has emphasized on the reconstruction of the villages. Essential facilities and suitable technology's use entail-increasing use of labor and intensive employment. It is the duty of the rural development programmers to stop migration towards cities.

[Basely and Coate (1995)]. Experiences of Grameen bank in Bangladesh have shown that availability of collateral free tiny loans for income generating activities for poor have a significant impact on the lives of poor families Different theoretical results by Ghatak and Guinnane (1999) had shown that in closed communities where group members are known 452 *to* each other, group lending promotes screening, monitoring, state verification and enforcement of repayment. Ghatak (1999) had shown that in closed village communities in-group formation stage, the members could choose safer partners that reduce their effective cost of borrowing and improve rate of repayments of loans to avoid the social sanction of his peer group (Yunus2004). A study by Pitt and Khandekar (1998) considered the impact of Grameen Bank and two other group-based micro credit programmes in Bangladesh on labor supply, schooling, household expenditure and assets. They found that the programme credit has larger positive impact on the behaviour of poor if the borrowers are women rather than men. Coleman (1999) in a study considered the impact of group lending programmes in North East Thailand. This survey had shown that the impact of village banks that provide group-loans in villages is in significant on physical assets, savings, productions, and productive expenditures And on other variables. However, it has positive impact on women's high interest debt because a number of members had fallen into vicious circle of debt from moneylenders in Order to repay their loans on village banks. It has positive significant impact on women's lending out with interest because some members engaged in arbitrage, borrowing from village bank at low interest and then lending out money at mark up. There have been many studies on the working of SHGs in different parts of India. These studies mostly covered the SHGs working in the North Region of Chhattisgarh States of A study by NABARD covering 150 SHG member households from 30 SHGs across 03 District, showed many positive results on the impact of participation of rural poor in the SHGs. It shows that there have been perceptible and wholesome changes in the living standards of SHG members in terms of ownership of assets, borrowing capacities, income generating activities, income levels and increase in savings. It indicates that the average annual saving per household registered an increase over three-fold (NABARD, 2002). The present study attempts to assess the social and economic impact of rural development program in Chhattisgarh state, which has not been covered in the literature.

SIGNIFICANCE OF THE STUDY

It is reported that about 74.6% part of the National population still resides in the village. It is really a paradox that at least 40% of the villagers are spending their lives below the poverty line .Under these circumstances and conditions SGSY has been launched with the fundamental target of eradication of poverty. It has been eradication of poverty, remained main objective of the five year plans .Keeping this objective in view from time to time different employment oriented plans have been initiated at central and state levels. SGSY can be called as a purposeful and useful effort in this direction.

Indebtedness has remained one of the major problems of the third world countries. **Chairman of the Indian surrey of poverty committee Prof. Saxena says that half the population of the country is passing the days of their lives below the poverty line**. If we just measure the Poverty though the energy obtained from the food in taken, then we will find the amount spent on foods always remains below the actual need. Now-a-days we can see very easily for many materialistic goods in the possession of people like Mobile Television, Gas-stove, Two-Wheeler vehicle, Sofa-set, but are they spending the actually needed expenditure on their foods as well or not? This point can be an important point in the Evaluation of SGSY Programme ; as to whether after being benefited from SGSY, with the reduction of indebtedness, is there any change in quality of their living? If yes then what is the kind of improvement? This fact also clarifies the importance of the study.

STATEMENT OF THE PROBLEM

Economic Development and Empowerment of Rural women through Government Development Program (with special reference to Chhattisgarh State).

OPRATIONAL DEFINITION

SELF HELP GROUPS (SHGs): The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

GRAMEEN GROUPS: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country.

CONCEPT OF EMPOWERMENT: Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book).Empowerment is the process of enabling or authorizing an individual to think, behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batliwala, 1994).

Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. It strength innate ability by way of acquiring knowledge power and experience.

OBJECTIVES

The following objectives have been determined for the study-

1. Women development program been successful in empowerment of women?
2. To evaluate the changes in the status of the beneficiaries from the earlier position before deriving the benefits and after getting the benefits from Women development program.

HYPOTHESIS

Present project is based on the following hypothesis:

1. Women development program can be considered as partially successful in self-employment initiation eradication of poverty.

RESEARCH METHODOLOGY

The methodology of the study has been divided in to three divisions simply for the objectivity of the study under these the divisions will be-

1. study are
2. selection of the respondents,
3. Collection of data and its presentation,

(a) **Study Area**: For the Present study five districts of Chhattisgarh state have been selected namely Balod,Jagdalpur, Sarguja , Raigarh and Raipur .

(b) **Selection of the Respondents**: For the Present study 500 beneficiaries from 100 self-help group of various women development program including SGSY were selected as respondents. The beneficiaries were selected through Random Sample Technique on the basis of their different occupations, self-employment.

(c) **Collection of data**: For the collection of the data interview – schedule was used as a tool.

MAJOR FINDINGS

SOCIO- ECONOMIC BACKGROUND OF THE RESPONDENTS

The study of the socio-cultural background of the beneficiaries A majority among the respondents are less educated or illiterate. Only 30 present of the respondents have attained education up to higher secondary level. In the matter of age group of the respondents it was found that majority of the respondents were in the age group of 20 to 35 years .Similarly with regard to the belonging category of the respondents it was known that majority of the beneficiaries are from Other backward caste . 44% of the respondents were from the tribal groups. Among the scheduled tribal groups Gond, Baiga, Halva, Savara tribals people were in the study.

Most of the (93) respondents were belonging from Hindu Religion As far as the marital status of the respondents it was found that a large majority of them were married ,only 8 % are unmarried. It is an important contributory fact that 72% of the respondents occupation is cultivation and labor work. 58% of the respondents are land holders but due to the reason of small land holding size they are also doing labor work and non agricultural labor work as main occupation. Most of the respondents were belonging below poverty line.

The family background of the beneficiates majority of the families comprised of 4 to 6 members, about 18% families among the respondents were more than 8 members living in the family .Most of the families are nuclear type about one third of the families have joint family. Most of the family members are unmarried. Education status among family members of the respondents most of them are less educated or illiterate but most of the parents are aware about education of children it shows that due to development program increasing the aware ness among the parents specially women. The main occupation of the members of the families is cultivation and labor work and subsidiary occupations collection of forest products.

ECONOMIC STATUS

The main occupation of the members of the families is cultivation and labor work and subsidiary occupations collection of forest products. The economic status of the respondents of the group showed that just more the one third of the respondents are doing traditional cultivation because of this their economic status are low . 46% of the respondents are actively involved in modern cultivation and some economic activity through self help group because of this their economic status is in better position, there housing condition is good. They have some goods related with the need of daily life i.e. T.V., Fan, Sofa, Two wheeler ect.they are also using the Mobile to communicate the members of Self Help Group.

EMPOWERMENT: FOCUS ON POOR WOMEN

In India, the trickle down effects of macroeconomic policies have failed to resolve the problem of gender inequality. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reason for this: Among the poor , the poor women are most disadvantaged –they are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. If loans are routed through women benefits of loans are spread wider among the household.

Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government. The ministry of rural development has special components for women in its programmes. Funds are earmarked as "Women's component" to ensure flow of adequate resources for the same. Besides Swarnagayanti Grameen Swarazgar Yojona (SGSY), Ministry of Rural Development is implementing other scheme having women's component .They are the Indira Awas Yojona (IAJ), National Social Assistance Programme (NSAP), Restructured Rural Sanitation Programme, Accelerated Rural Water Supply programme (ARWSP) the (erstwhile) Integrated Rural Development Programme (IRDP), the (erstwhile) Development of Women and Children in Rural Areas (DWCRA) and the Jowahar Rozgar Yojana (JRY).

RASHTRIYA MAHILA KOSH (RMK)

In March' 93, Government if India set up the RMK for the provision of micro-credit through NGOs, to poor women. In view of its importance, the subsequent chapter of this book has been devoted to this scheme. The whole justification in writing this book lies in sharing the author's firsthand experience in implementing the RMK involving SHG and Micro-credit schemes and other related developments.

INDIRA MAHILA YOJANA (IMY)

Under this scheme, which came into being as a central Government scheme in 1995, block level and village level societies composed of relevant government functionaries and prominent representatives from the local community, including people's representatives, are to be formed and registered to mobilise community resources and participation to form women's Self-help-Groups, in order to ensure credit delivery to them, as also to ensure better delivery of other services to them in their capacity as members of SHGs. The block level CDPOs of ICDS are to play a pivotal role under IMY. The scheme has been made applicable to 200 blocks all over India in the first instance.

SUGGESTIONS

1. Total and complete information about the program must be given to the villagers and beneficiates in a much better way.
2. The training Programme under Swarna Jayanti Gram Swarojgar Yojana must be designed and executed at least for a fortnight to one month.
3. The beneficiaries should be encouraged to prefer the options of cottage industries and self-employment in place of agricultural works .This Shift will not only open the new avenues of cottage industries for self-employment but also care off the extra and unnecessary burden on agriculture. Through the process of diversification of occupational styles in the rural and under developed areas.

CONCLUSION

If we look at the various development program with reference to women empowerment especially with reference to rural and tribal women Empowerments, then we find that economic development program (Swarna Jayanti Gram Swarojgar Yojana) has been very effective. Through the project the women groups have not only got united but also they have been successful in solving some of the small family feuds and social problems. The rising of political leadership economically be coming reinforced and the importance being given to the women self-help groups in the rural areas, all go in to acclaim the Swarna Jayanti Gram Swarojgar Yojana program is a successful program as women concerned.

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THE EFFECTS OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL COMMITMENT IN INDIA'S INFORMATION TECHNOLOGY INDUSTRY

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ABSTRACT

This paper deals with the effects of transformational leadership on organizational commitment in India's Information Technology Industry. Two hundred and ninety two professionals working in India's Information Technology industry participated in the study. The Multifactor Leadership Questionnaire 5X-Short form (MLQ) and Three-Component Model (TCM) Employee Survey were administrated. The survey measured transformational leadership and organizational commitment variables and results were analyzed using regression and correlation. Fifteen hypotheses examined the relationship among transformational leadership variables and organizational commitment variables. Findings were consistent with existing literature. In addition, this study also identified areas of further study.

KEYWORDS

India's IT industry, multifactor leadership questionnaire 5X-Short form (MLQ), organizational commitment, Three-Component Model (TCM), transformational leadership.

INTRODUCTION

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 52 per cent of the US$ 124-130 billion market. The industry employs about 10 million Indians and continues to contribute significantly to the social and economic transformation in the country. Today, IT organizations have to be more flexible, more nimble and more adept than ever before. Managers must not only need to be involved in the day-to-day activities of their company but they must also effectively provide vision that will lead, inspire, and motivate employees. This vision will be necessary to help others embrace change, create new products, improve processes, lower costs, and be more competitive in a global economy (Friedman, 2005).Bass and Avolio (2002) pointed to transformational leadership as a way to get more from followers. Transformational leadership has also been found to heighten levels of organizational commitment (Arnold et al., 2001; Barling et al., 1996).

Employees are the most important resources of Information Technology organizations. The sustained profitability of an organization depends on its workforce organizational commitment (Lok P, Crawford J). Organizational commitment shows the psychological attachment of an employee to the organization (Kate W, Masako T). According to Meyer and colleagues (2002) there are three types of organizational commitment: Affective, Continuance and Normative Commitment. Affective commitment relates to an employee's emotional attachment to the organization and its goals. Continuance commitment shows cognitive attachment between an employee and his or her organization because of the costs associated with leaving the organization. Finally, normative commitment refers to typical feelings of obligation to remain with an organization (Meyer JP).The purpose of this study then emerges as the need to identify the relationship between transformational leadership and organizational commitment in India's Information Technology Industry.

REVIEW OF LITERATURE

Transformational leadership refers to a leadership type in which leaders possess charisma and provide intellectual stimulation, individualized consideration and inspirational motivation to followers (Bass, 1985, 1998; Burns, 1978; Avolio and Bass, 1988, Bass and Avolio, 1994; Bass et al., 1987; Bennis and Nanus, 1985; Burns, 1978; Pawar and Eastman, 1997; Tichy and Devanna, 1986; Yukl, 1989). Transformational leaders create a dynamic organizational vision that often necessitates a metamorphosis in cultural values to reflect greater innovation (Pawar and Eastman, 1997). Transformational leadership also seeks a bonding between individual and collective interests allowing subordinates to work for transcendental goals (Bass, 1985, 1998; Pawar and Eastman, 1997). Bass (1985) considered charisma as one of the four characteristics of transformational leadership. Charisma is a fire, a fire that ignites followers' energy and commitment, producing results above and beyond the call of duty (Klein and House, 1995).

Mowday, Porter and Steers (1982) defined organizational commitment as a strong belief in the organization's goals and values and a willingness to exert considerable effort on behalf of the organization. Organizational commitment is regularly conceptualized as an affective attachment to an organization as a consequence of an individual sharing the organization's values, their desire to remain in the organization, and their willingness to exert effort on behalf of the organization (Mowday et al., 1982). Such an attachment may be considered as emotional response demonstrating a strong desire to maintain membership in the organization (Testa, 2001).

The review of literature indicated transformational leadership within an organization significantly affects organizational commitment, and provides the significant influence of transformational leadership within different professions. Therefore, the study focused on the relationship between transformational leadership and organizational commitment in the IT industry in India.

IMPORTANCE OF THE STUDY

Leadership is one of the most important factors that can motivate and enhance the organizational commitment of an employee. A number of studies show that successful transformational leadership can improve employees' commitment. However, no such research yet focuses on India's IT industry. Therefore, the major purpose of the study is to determine how transformational leadership affects organizational commitment in India's IT industry.

STATEMENT OF THE PROBLEM

India's IT industry must survive while facing heightened competition and economic globalization. Leadership is one of the best ways for an organization to succeed, and companies can achieve this through effective management. Organizational commitment reflects the extent to which an individual identifies with an organization, and is committed to its goal and success. Transformational leaders motivate followers to increase their commitment to an organization.

Therefore, the research model herein has been developed to gain a better understanding of the predictability of organizational commitment based on transformational leadership in India's IT industry. Two instruments were used to determine the direct and indirect impact transformational leadership has on employees' organizational commitment: (a) Multifactor Leadership Questionnaire (MLQ), and (b) Three-Component Model (TCM) Employee Survey.

OBJECTIVE
To assess the impact of transformation leadership on Organizational Commitment in India's Information technology Industry.

HYPOTHESES
The study examined following 15 research hypotheses, which are presented in both the null and directional formats.

1. H1: Transformational leadership (Idealized Influence (Attributed)) would be related to Affective Commitment in India's IT industry.

$H1_0$: Transformational leadership (Idealized Influence (Attributed)) would be not related to Affective Commitment in India's IT industry.

2. H2: Transformational leadership (Idealized Influence (Attributed)) would be related to Continuance Commitment in India's IT industry.

$H2_0$: Transformational leadership (Idealized Influence (Attributed)) would be not related to Continuance Commitment in India's IT industry.

3. H3: Transformational leadership (Idealized Influence (Attributed)) would be related to Normative Commitment in India's IT industry.

$H3_0$: Transformational leadership (Idealized Influence (Attributed)) would be not related to Normative Commitment in India's IT industry.

4. H4: Transformational leadership (Idealized Influence (Behavior)) would be related to Affective Commitment in India's IT industry.

H4o: Transformational leadership (Idealized Influence (Behavior)) would be not related to Affective Commitment in India's IT industry.

5. H5: Transformational leadership (Idealized Influence (Behavior)) would be related to Continuance Commitment in India's IT industry.

$H5_0$: Transformational leadership (Idealized Influence (Behavior)) would be not related to Continuance Commitment in India's IT industry.

6. H6: Transformational leadership (Idealized Influence (Behavior)) would be related to Normative Commitment in India's IT industry.

$H6_0$: Transformational leadership (Idealized Influence (Behavior)) would be not related to Normative Commitment in India's IT industry.

7. H7: Transformational leadership (Inspirational Motivation) would be related to Affective Commitment in India's IT industry.

$H7_0$: Transformational leadership (Inspirational Motivation) would be not related to Affective Commitment in India's IT industry.

8. H8: Transformational leadership (Inspirational Motivation) would be related to Continuance Commitment in India's IT industry.

$H8_0$: Transformational leadership (Inspirational Motivation) would be not related to Continuance Commitment in India's IT industry.

9. H9: Transformational leadership (Inspirational Motivation) would be related to Normative Commitment in India's IT industry.

$H9_0$: Transformational leadership (Inspirational Motivation) would be not related to Normative Commitment in India's IT industry.

10. H10: Transformational leadership (Intellectual Stimulation) would be related to Affective Commitment in India's IT industry.

$H10_0$: Transformational leadership (Intellectual Stimulation) would be not related to Affective Commitment in India's IT industry.

11. H11: Transformational leadership (Intellectual Stimulation) would be related to Continuance Commitment in India's IT industry.

$H11_0$: Transformational leadership (Intellectual Stimulation) would be not related to Continuance Commitment in India's IT industry.

12. H12: Transformational leadership (Intellectual Stimulation) would be related to Normative Commitment in India's IT industry.

$H12_0$: Transformational leadership (Intellectual Stimulation) would be not related to Normative Commitment in India's IT industry.

13. H13: Transformational leadership (individualized consideration) would be related to Affective Commitment in India's IT industry.

$Hl3_0$: Transformational leadership (Individualized Consideration) would be not related to Affective Commitment in India's IT industry.

14. H14: Transformational leadership (individualized consideration) would be related to Continuance Commitment in India's IT industry.

$H14_0$: Transformational leadership (Individualized Consideration) would be not related to Continuance Commitment in India's IT industry.

15. HI5: Transformational leadership (individualized consideration) would be related to Normative Commitment in India's IT industry.

$H15_0$: Transformational leadership (Individualized Consideration) would be not related to Normative Commitment in India's IT industry.

RESEARCH METHODOLOGY
In this study, the two sets of instruments that were selected to collect data from the samples are Multifactor Leadership Questionnaire (MLQ), and TCM Employee Commitment Survey (TCM). Instruments were developed through previous studies and tested for supported validity and demonstrated reliability.

RELIABILITY AND VALIDITY OF SURVEY INSTRUMENTS
Multifactor leadership questionnaire (MLQ): Transformational leadership behaviors were measured by the MLQ-5X with the permission of Mind Garden Incorporation. Through extensive examination of this instrument, the developers ascertained the reliabilities for the total items and for each leadership factors scale ranged from .74 to .94 (Bass & Avolio, 1995). All of the scales' reliability was generally high (a > .77). However, the reliabilities within each data set generally indicated the instrument was reliably measuring each of leadership variables across the data sets, with some minor deviations (Bass & Avolio, 2002). The positive correlations among the transformational leadership scales are consistent with previous studies obtained by Bass and Avolio (1990). The average inter-correlation among the transformational leadership scales is .83. Discriminant validity measures for all dimensions of the MLQ-5X were determined to range from .46 to .68; these generally exceeded the cut-off recommended in the literature (Bass & Avolio, 2002).

TCM Employee Commitment Survey: According to Allen and Meyer (1990), the reliability for the affective commitment scale (ACS) is .87; continuance commitment scale (CCS) is .75; and normative commitment scale (NCS) is .79. In a study of an examination of construct validity of TCM, Allen and Meyer (1997) further examined the substantial body of evidence relevant to the construct validation of the ACS, CCS, and NCS. In the internal consistency, according to Allen and Meyer (1997), the median reliabilities are .85, .79, and .73 for ACS, CCS, and NCS respectively.

DATA COLLECTION
Two instruments are used for the study. The survey was developed into an online electronic survey using www.surveymonkey.com. The amount of time to take this survey was approximately twenty minutes. The researcher sent an introductory email to IT employees working in India, requesting them to take the survey through a link. The survey was made available for thirty days and each member was allowed to respond once.

Each of participants had to read a cover page, the two questionnaires (MLQ-5X and TCM), and a demographic survey. The cover page provided an assurance of confidentiality, a statement regarding the purpose of the study, and detailed instructions about completing the questionnaires. Participants were instructed that each survey instrument was used independently and anonymously to preserve the confidentiality of responses.

RESULTS & DISCUSSION
In the study, survey instruments were included (a) Multifactor Leadership Questionnaire (MLQ-5X) and (b) TCM Employee Commitment Survey. There were 292 surveys returned. The return rate of the study was 58.4%. Survey data was collected by the SPSS 21.0 software statistical package to process the use of descriptive statistics, simple regression analysis, and correlation analysis.

DESCRIPTIVE STATISTICS
Descriptive statistics were used to describe the basic features of the data in the study. Descriptive statistics provided simple summaries about the sample and about the observations that have been made. Table 1 presented the mean and standard deviation for each variable.

TABLE 1: DESCRIPTIVE STATISTICS FOR INDEPENDENT AND DEPENDENT VARIABLES (n=292)

Variable	N	Minimum	Maximum	Mean	Standard Deviations
Idealized Influence (Attributed)	292	1.00	5.00	3.4295	0.76918
Idealized Influence (Behavior)	292	1.00	5.00	3.4541	0.83659
Inspirational Motivation	292	1.00	5.00	3.6747	0.78274
Intellectual Stimulation	292	1.00	5.00	3.3075	0.74779
Individualized Consideration	292	1.00	5.00	3.2887	0.85424
Inspirational Motivation	292	1.00	5.00	3.6747	0.78274
Intellectual Stimulation	292	1.00	5.00	3.3075	0.74779
Individualized Consideration	292	1.00	5.00	3.2887	0.85424
Affective Commitment	292	1.00	5.00	3.2685	0.68827
Normative Commitment	292	1.00	5.00	3.1360	0.62626
Continuance Commitment	292	1.00	5.00	3.1336	0.55918

REGRESSION

Once the data were reviewed and the descriptive characteristics identified, several linear regressions were run. Using liner regression the hypotheses were tested and the results were analyzed**.** Table 2 presented the Regression results for Transformational leadership on Affective Commitment. The dependent variable was affective commitment. The results showed that R square values for Idealized Influence (Attributed),Idealized Influence (Behavior),Inspirational Motivation, Intellectual Stimulation and Individualized Consideration were 0.074,0.103,0.106,0.090 and 0.179 respectively. The p value was lower than .01 (significant), which meant that the null hypothesis $H1_0$, $H4_o$, $H7_o$, $H10_o$ and $H13_0$ must be rejected because the R square was greater than zero, thus providing support for the alternate hypothesis H1, H4, H7, H10 and H13.

TABLE 2: REGRESSION RESULTS FOR TRANSFORMATIONAL LEADERSHIP ON AFFECTIVE COMMITMENT

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
	B	Std. Error	Beta						
(Constant)	2.432	0.178		13.690	0.000	0.273	0.074	0.071	0.66336
Idealized Influence (Attributed)	0.244	0.051	0.273	4.823	0.000				
(Constant)	2.359	0.163		14.502	0.000	0.320	0.103	0.099	0.65316
Idealized Influence (Behavior)	0.263	0.046	0.320	5.755	0.000				
(Constant)	2.217	0.183		12.088	0.000	0.325	0.106	0.103	0.65194
Inspirational Motivation	0.286	0.049	0.325	5.859	0.000				
(Constant)	2.356	0.175		13.476	0.000	0.300	0.090	0.087	0.65776
Intellectual Stimulation	0.276	0.052	0.300	5.350	0.000				
(Constant)	2.147	0.146		14.741	0.000	0.423	0.179	0.176	0.62461
Individualized Consideration	0.341	0.043	0.423	7.958	0.000				

Table 3 presented the Regression results for Transformational leadership on continuous commitment. The dependent variable was continuous commitment. The results showed that R square values for Idealized Influence (Attributed),Idealized Influence (Behavior),Inspirational Motivation, Intellectual Stimulation and Individualized Consideration were 0.059,0.099,0.090,0.062 and 0.057 respectively. The p value was lower than .01 (significant), which meant that the null hypothesis $H2_0$, $H5_o$, $H8_o$, $H11_o$ and $H14_0$ must be rejected because the R square was greater than zero, thus providing support for the alternate hypothesis H2, H5, H8, H11 and H14.

TABLE 3: REGRESSION RESULTS FOR TRANSFORMATIONAL LEADERSHIP ON CONTINUOUS COMMITMENT

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
	B	Std. Error	Beta						
(Constant)	2.530	0.146		17.379	0.000	0.242	0.059	0.055	0.54347
Idealized Influence (Attributed)	0.176	0.041	0.242	4.251	0.000				
(Constant)	2.406	0.132		18.174	0.000	0.315	0.099	0.096	0.53158
Idealized Influence (Behavior)	0.211	0.037	0.315	5.658	0.000				
(Constant)	2.346	0.150		15.604	0.000	0.300	0.090	0.087	0.53433
Inspirational Motivation	0.214	0.040	0.300	5.357	0.000				
(Constant)	2.518	0.144		17.462	0.000	0.249	0.062	0.059	0.54253
Intellectual Stimulation	0.186	0.043	0.249	4.375	0.000				
(Constant)	2.619	0.127		20.652	0.000	0.239	0.057	0.054	0.54389
Individualized Consideration	0.157	0.037	0.239	4.194	0.000				

Table 4 presented the Regression results for Transformational leadership on normative commitment. The dependent variable was normative commitment. The results showed that R square values for Idealized Influence (Attributed),Idealized Influence (Behavior),Inspirational Motivation, Intellectual Stimulation and Individualized Consideration were 0.003,0.036,0.028,0.028 and 0.045 respectively. The p value was lower than .01 (significant), which meant that the null hypothesis $H3_0$, $H6_o$, $H9_o$, $H12_o$ and $H15_0$ must be rejected because the R square was greater than zero, thus providing support for the alternate hypothesis H3, H6, H9, H12 and H15.

TABLE 4: REGRESSION RESULTS FOR TRANSFORMATIONAL LEADERSHIP ON NORMATIVE COMMITMENT

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R	R Square	Adjusted R Square	Std. Error of the Estimate
	B	Std. Error	Beta						
(Constant)	3.029	0.153		19.816	0.000	0.053	0.003	0.001	0.57078
Idealized Influence (Attributed)	0.039	0.044	0.053	0.896	0.000				
(Constant)	2.619	0.161		16.250	0.000	0.190	0.036	0.33	0.61596
Idealized Influence (Behavior)	0.150	0.046	0.190	3.289	0.001				
(Constant)	2.650	0.172		15.432	0.000	0.168	0.028	0.25	0.61848
Inspirational Motivation	0.133	0.046	0.168	2.894	0.004				
(Constant)	2.669	0.167		15.985	0.000	0.166	0.028	0.024	0.61865
Intellectual Stimulation	0.141	0.049	0.166	2.865	0.004				
(Constant)	2.621	0.144		18.195	0.000	0.212	0.045	0.042	0.61308
Individualized Consideration	0.158	0.043	0.212	3.695	0.000				

According to above descriptions, hypotheses lo to 15_0 were rejected via the statistical investigation. That signified the all of hypotheses in the study were acceptable. Table 5 showed the results of hypotheses.

TABLE 5: THE RESULT OF REGRESSION ANALYSIS

Hypotheses	Variables	Test Result
Hypothesis 1	Idealized Influence (Attributed) on Affective Commitment	Do Not Reject
Hypothesis 2	Idealized Influence (Attributed) on Continuance Commitment	Do Not Reject
Hypothesis 3	Idealized Influence (Attributed) on Normative Commitment	Do Not Reject
Hypothesis 4	Idealized Influence (Behavior) on Affective Commitment	Do Not Reject
Hypothesis 5	Idealized Influence (Behavior) on Continuance Commitment	Do Not Reject
Hypothesis 6	Idealized Influence (Behavior) on Normative Commitment	Do Not Reject
Hypothesis 7	Inspirational Motivation on Affective Commitment	Do Not Reject
Hypothesis 8	Inspirational Motivation on Continuance Commitment	Do Not Reject
Hypothesis 9	Inspirational Motivation on Normative Commitment	Do Not Reject
Hypothesis 10	Intellectual Stimulation on Affective Commitment	Do Not Reject
Hypothesis 11	Intellectual Stimulation on Continuance Commitment	Do Not Reject
Hypothesis 12	Intellectual Stimulation on Normative Commitment	Do Not Reject
Hypothesis 13	Individualized Consideration on Affective Commitment	Do Not Reject
Hypothesis 14	Individualized Consideration on Continuance Commitment	Do Not Reject
Hypothesis 15	Individualized Consideration on Normative Commitment	Do Not Reject

CORRELATION ANALYSIS

Correlations between organizational commitment and transformational leadership variables were calculated. Table 6 presented the results of correlation analysis. The researcher tested correlation coefficients to find out which factor of transformational leadership had higher relationship with organizational commitment. Five variables of transformational leadership (idealized influence (Attributed), idealized influence (Behavior), inspirational motivation, intellectual stimulation, and individualized consideration) were individually compared to organizational commitment. The examination found that all five variables were statistically significant to the p value less than .01.

TABLE 6: CORRELATIONS AMONG ORGANIZATIONAL COMMITMENT AND TRANSFORMATIONAL LEADERSHIP

Variable	Organizational Commitment	Idealized Influence (Attributed)	Idealized Influence (Behavior)	Inspirational Motivation	Intellectual Stimulation	Individualized Consideration
Organizational Commitment	1	0.244**	0.288**	0.288**	0.231**	0.336**
Idealized Influence (Attributed)	0.244**	1	0.741**	0.787**	0.683**	0.749**
Idealized Influence (Behavior)	0.288**	0.741**	1	0.853**	0.689**	0.721**
Inspirational Motivation	0.288**	0.787**	0.853**	1	0.704**	0.722**
Intellectual Stimulation	0.231**	0.683**	0.689**	0.704**	1	0.709**
Individualized Consideration	0.336**	0.749**	0.721**	0.722**	0.709**	1

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

FINDINGS

Survey data were collected by SPSS 21.0 and used descriptive statistics, simple regression analysis, and correlation analysis to test the 15 hypotheses. As indicated by the above results of the 15 regression analyses, all of the hypotheses were supported. The findings are the same as previous studies. While factors of transformational leadership were individually compared to organizational commitment, The strongest relationship existed between individualized consideration and organizational commitment (.336). The correlation involved that a moderate and positive relationship between individualized consideration and organizational commitment in India's IT industry. The second highest relationship was between idealized influence (Behavior) / Inspirational Motivation and organizational commitment (.288). The next highest relationship was between Idealized Influence (Attributed) and organizational commitment (.244). The Intellectual Stimulation had a lowest and positive correlation with organizational commitment (.231).

RECOMMENDATIONS/SUGGESTIONS

The study had important implications for researchers in the IT industry. From a practical perspective, the results suggested the need for more transformational leaders in India's IT industry. Organizational commitment has been especially shown to be positively related with transformational leadership. Further, since transformational leaders can be trained (Bass, 1990a), training directors and administrators working to be transformational leaders should be the top priority of IT industry. In addition, the IT industry should look for candidates for leadership positions on the basis of their potential to be transformational leaders.

CONCLUSIONS
Effective leadership on a global scale is critical as Information technology organizations journey though the 21st century where change and uncertainties are inevitable. The findings of the current study confirmed the theory of previous studies on the impact of Transformational leadership of IT managers on employee's organizational commitment. The current study adds to the body of knowledge in the areas of transformational leadership, organizational commitment and India's information technology industry. From academic viewpoint, the study provided evidence of the applicability of the transformational leadership theory in IT industry and presented that transformational leaders exist within India's IT industry.

SCOPE FOR FURTHER RESEARCH
Multifactor Leadership Questionnaires (MLQ) had three major subscales, but only the transformational leadership scale was used in the study. For future research, it might be a consideration to compare transactional leadership styles and Laissez-Faire leadership styles in similar studies, and analyze transformational leadership, transformational leadership, and laissez-faire leadership, which may have a stronger and more significant influence on organizational commitment. Further research might discuss the relationship between the leadership styles and organizational cultures, and examine how they influence employees' organizational commitment.

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TELEVISION VIEWING BEHAVIOUR OF CONSUMERS AND TELEVISION ADVERTISEMENTS' IMPACT ON CONSUMERS' PURCHASE DECISION

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ABSTRACT
Television is said to be the king of all varieties of media of advertising. Television gains the advantage of covering a large group of audience with it. So the information which is to be communicated to a mass group can be communicated using the medium of television. Apart from the programs telecasted in the television, the advertisements displayed in the television also plays an equally important role and helps in generating greater revenue to the various television channels. On the other hand, it generates revenue to the advertisers as well as the producers through proper and effective advertising. The effectiveness of television advertising is made possible through the influence of various factors such as audio, video, graphics, animations, celebrities etc., matching of all these factors in the right way helps in revealing an effective advertisement which helps in attracting the attention of the audience towards those advertisements. Grabbing the attention of the audience in turn aids them in gathering necessary information about the product and creates a desire in the minds of them to make a purchase. This study thus makes an attempt in studying the television viewing behaviour of the consumers' and the impact of television advertising on the purchase decision of the consumers.

KEYWORDS
advertising, purchase decisions, television advertisement.

INTRODUCTION
The term advertising and promotion assists the consumers to know about the introduction of new products and services in the market. Advertising may be carried out through various effective medium of advertising based on the group of audience to be targeted. Various advertising media may be printed media, radio, television, cinemas, hoardings, notices, banners, vehicle advertising etc. Television advertising assists the consumers in learning about new things, make the consumers to increase their curiosity in knowing about the product introduced to them. The consumers have a rational response on the features of the products they view through advertising. The consumers then analysis the benefits they would get out of it and become emotionally attached towards the product if it reflects positively in the minds of the consumers. They tend to identify the features and benefits they would obtain of it if they go for purchasing the product. The repetition of the advertising makes the consumers to remember about the product and it gets an impact at the time of their actual purchase. The base for attracting the attention of the consumers is the creation of trust among them about their product advertised in television. Once the consumers gain the trust and faith about the product advertised, then it automatically creates a positive intention leading to the action of buying. Hence the TV commercials are generally considered to be the most effective media in covering large group of targeted audience.

LITERATURE REVIEW
Anu P.Mathew and Aswathy S (2014), in their study on "Influence of Television Advertising on Purchase Decision Making of FMCG- a study on Hindustan Unilever Limited" examined that the television advertisements which has been broadcasted during the prime time are able to organise a large volume of prospective customers. The impact and influence of television advertisement made a viable change in the field of marketing of the products.

Swati Bisht (2013), in her research entitled "Impact of TV advertisement on youth purchase decision" reveals that television advertisements and the youth purchase decision have positive relationship and it differs based on their geographical location and gender basis. The author has also found out that by watching TV advertisements, the viewers go for a purchase trial of products advertised.

Peter Ansu-Mensah, et al. (2013), in their analysis on "Consumers' attitude towards advertisement elements: A Survey of marketing students in Sunyani Polytechnic" analysed that, the highest preferences has been given to the musics and jingles while watching TV ads, followed by the choice of suitable celebrity. They also analysed that the demographical variables like gender, family income have significant effect on the attitude of the respondents.

Costas A. Petrakis, Ioanna Gavriel Ioakeimidou and Marina-Selini Katsaiti (2012), in their study titled "Multinational TV Commercials: Reality or Simulation of Happiness and Ideals?" analyses that the consumers are testified to recall personal memories or experiences as a result of exposure to certain brand or a TV advertisement representing the brand. It is clearly understood from the study that TV advertisements and brand subconsciously influence individual consumers' decisions and value functions.

Carla Staalling Walter and Loay Altamimi (2011), in their study on "Exploring dance in advertising and its influence on consumption and culture using an online survey method" analysed that dance helps to communicate an advertisement; it acts as a non-verbal communication medium intertwined with cultural knowledge and memory. They also found that dance is used in television advertisements as it reveals a favourable effect by consumers.

Aybike S.Ertike (2011), in his analysis on "17-25 years old Turkish College Students attitude towards TV advertisements" found that the TV ads if repeated again and again, it becomes over dosage for young ones and they become tired watching them repeatedly. It has been found from the analysis that the TV ads that are funny, clever and young-styled capture the mind of young ones by creating a desire for those products.

Leif D.Nelson, et al. (2009), in their research on "Enhancing the television viewing experience through commercial interruptions" found that, when the respondents are tested with short clips including animations and music videos with 30 seconds commercials, interestingly the results were that there was an increase in their enjoyment of watching those commercials in between or before starting the actual clip of program stating that the length of the commercials, the background music, picturization plays an important role on the respondents attitude about watching the TV ads.

STATEMENT OF THE PROBLEM
Producing of a product alone does not stop the work of the producers but reaching out to the right type of consumers at the appropriate time becomes the essential aspect of the concern. So in wide availability of various media available to make their promotional activity, it becomes the need of the hour to choose

the right medium of advertising to promote their products. Television becoming the large media, covering a enormous group of audience in them, can help the product producers to promote their products to targeted group of mass consumers. Hence television playing a greater role in the promotional activity leading the other category of media of advertising inspite of the emerge of the internet advertising leads to the question of what would be the viewers' inclination of watching television viewing timing and what would be the impact of television advertising on the purchase decision of the consumers. Hence an attempt has been made to find out the responses for these questions.

OBJECTIVES OF THE STUDY
In order to know about the consumers' response towards the television advertising and in knowing about the purchase behaviour based on television advertising, the following objectives are being framed.

- To study the Socio-Economic background of the Consumers.
- To know the Inclination of Watching Television by the Consumers.
- To analysis the impact of Television Advertising on the Consumers' Purchase Behaviour.

METHODOLOGY
Primary data have been used for the study. Data have been collected using structured questionnaire using convenient sampling technique. The data is being collected among 200 respondents belonging to pollachi taluk and simple percentage analysis is carried out to find out the results of the study.

FINDINGS OF THE STUDY
The following table interprets the Socio-Economic Profile of the respondents of the present study which helps in finding out the buying behaviour of the respondents based on watching the television advertising.

TABLE 1: SOCIO-ECONOMIC PROFILE OF THE RESPONDENTS

Socio-Economic Factors	No. of Respondents	Value in Percentage
Gender		
Male	85	43
Female	115	57
Total	**200**	**100**
Age		
24 years or under	28	14
25-30 years	17	9
31-40 years	26	13
41-50 years	57	28
51 years or older	72	36
Total	**200**	**100**
Marital Status		
Single	24	12
Married	158	79
Others	18	9
Total	**200**	**100**
Living Status		
Staying Alone	27	13
Nuclear Family	77	39
Joint Family	96	48
Total	**200**	**100**
Area of Residence		
Urban	77	38
Semi Urban	87	44
Rural	36	18
Total	**200**	**100**
Educational Qualification		
High School/less	51	26
Bachelor's Degree	125	63
Master's Degree	19	9
Others	5	2
Total	**200**	**100**
Annual Family Income		
≤ 3.0 Lakhs	41	20
3.1-6.0 Lakhs	116	58
6.1-9.0 Lakhs	23	12
≥ 9.1 Lakhs	20	10
Total	**200**	**100**
Employment Status		
Student	22	11
Homemaker	22	11
Public Sector	10	5
Private Sector	65	33
Business	52	26
Retired	14	7
Others	15	7
Total	**200**	**100**

Source: Primary Data

The above table 1 interprets that majority of the respondents (57%) are female, 36% are belonging to the age group of 51 years or older holding the majority, most of the respondents (79%) marital status is married. About 48% of the respondents live in joint family, 44% of the respondents belong to the category of living in semi urban area framing the top percentage, nearly 63% of them holding majority clenches the bachelors' degree. The annual family income of the majority of the respondents is 3.1 lakh to 6 lakhs and the majority of the respondents' employment status (33%) is in private sector.

TABLE 2: INCLINATION OF WATCHING TELEVISION

Inclination of Watching Television	No. of Respondents	Value in Percentage
Average duration of watching TV on a weekday		
0-2.0 hours	117	59
2.1-4.0 hours	15	7
4.1-6.0 hours	39	20
6+ hours	29	14
Total	**200**	**100**
Average duration of watching TV on a weekend		
0-2.0 hours	67	34
2.1-4.0 hours	65	32
4.1-6.0 hours	32	16
6+ hours	36	18
Total	**200**	**100**
Preferred Time Period		
Morning (0401 - 1200)	33	16
Afternoon (1201 - 1700)	35	18
Evening (1701-0400)	132	66
Total	**200**	**100**

Source: Primary Data

The above table interprets that the average duration of watching on a weekday holds the majority of 59% with the viewing hours between 0 hours to 2 hours, the average duration of consumers' watching TV during the weekend retains a majority of 34% with the time duration of 0 hours to 2 hours. The greatest part of the respondents' constituting 66% preference of watching television is in the evening from 17:01 hours to 04:00 hours.

TABLE 3: IMPACT OF TELEVISION ADVERTISING ON PURCHASE DECISION

(SDA – Strongly Disagree, DA – Disagree, N – Neutral, A – Agree, SA – Strongly Agree)

Purchase Decision Factors	SDA	DA	N	A	SA	Total
Purchase Product Immediately	41 (21%)	33 (16%)	26 (13%)	65 (33%)	35 (17%)	**200**
Make Purchase Decision based on Television Advertising	27 (13%)	16 (8%)	23 (12%)	53 (27%)	81 (40%)	**200**
Try New Products by viewing Television Advertising	56 (28%)	33 (17%)	34 (17%)	49 (24%)	28 (14%)	**200**
Make comparison of one Product with the other by viewing Television Advertising	19 (9%)	23 (12%)	30 (15%)	58 (29%)	70 (35%)	**200**
Do not make Purchase based on watching Television Advertising	23 (11%)	47 (24%)	36 (18%)	45 (22%)	49 (25%)	**200**
Do not rely on TV Advertising	34 (17%)	59 (30%)	38 (19%)	32 (16%)	37 (18%)	**200**

Source: Primary Data

The table 3 replicates the factors involved in purchase decision of a consumer through viewing the television advertising. It reports that, about 33% of the respondents agree that they buy the product immediately after watching the television advertising, majority of the respondents (40%), strongly agree that they make their purchase decision after watching television advertising, 28% of the respondents strongly disagree that they don't try out new products by viewing television advertising forming the majority, 35% constituting the majority of the respondents say that they make comparisons of the products advertised in television before making their actual purchase, 25% of the respondents strongly agree that they do not make purchase based on watching television advertising and finally, the majority of the respondents constituting around 30% disagree that they do not rely on television advertising.

RECOMMENDATIONS

TO THE ADVERTISERS

- The advertisers may choose the appropriate timing based on the watching behaviour of the consumers.
- The time period for making their advertising may be chosen based on the target group and their television watching timing.
- As the majority of the respondents are belonging to female category, from the study it is recommended that female group may be targeted during the evening timings as their watching time fits in the evening.
- It is observed from the findings that, the general opinion of the consumers is that they depend on the television advertising for making their purchase and hence to hold them for a longer period, they may be offered with quality products.
- Creation of trust helps in retaining the consumers towards their product and the advertisers may take essential steps in trust building.

TO THE CONSUMERS

- The findings of the study replicates that, the consumers may make use of the television advertising for make their purchase decisions.
- It reflects that television advertising may be used as a mediator for comparing various brands of products available in the market that are being advertised in the television.
- Consumers may be known about the availability of the product by watching television advertising.
- The study reflects that the consumers may avail quality products by making the comparisons.

CONCLUSIONS

Television acting as the king of the marketing world plays an important role in every individual's perspective. In the internet era, television is still holding the largest position in the part of promotional activity and comforts the large group of audience to obtain the knowledge about the variety of products at their door steps. Hence it becomes the duty of the promoters and the producers to offer the quality products and in building trust about their products that are being advertised in the television. It is concluded from the present study that, with the help of developing the belief among the consumers', it is possible to attract the attention and creation of desire about their products that are advertised in the television. All these recommendation may benefit the advertisers/promoters as well as the consumers in building a positive relationship among them.

LIMITATIONS OF THE STUDY

The present study has been carried out in the area of pollachi and it belongs to the current period only. The results are pertaining to this area only and it may vary with other areas of the research. The study is restricted to television advertising and television viewers only and other parts of the advertising media are not considered for this present study.

SCOPE FOR FURTHER RESEARCH

Further research can be made on the various other media of advertising other than television media, a comparative study may be carried out on television advertising and other forms of advertisings' impact on consumers' purchase decision. And furthermore, a specially targeted group of audience may be considered for these studies. These areas of researches are open for making further research relating to the present study as an extended part of it.

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MODERN BANKING SERVICES: A STUDY ON CUSTOMER PERCEPTION AND BEHAVIOUR WITH SPECIAL REFERENCE TO CENTRAL BANK OF INDIA

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ABSTRACT

This paper is about to the check the customer satisfaction towards the use of modern banking services provided by the Central Bank of India. The satisfaction of the customer especially in the service business had a great importance because the satisfaction of the customer directly linked with the customer loyalty or the repetition of using the services the modern banking has provided. The reliability however has a moderate effect on satisfaction of the customer to use the modern banking services. Providing the accurate and promised services at all time of transaction is more valuable to the customers. They demand the quality services as modern banking service provider claim. The customer is preferred that the bank staff will be responsive enough to provide accurately and consistent services and on time. Overall the factors have discussed above affect the satisfaction of the customer but the factors varying according to their effect level. The modern banking service should focus on the on time delivery of their promised services along with quality and having a good relation with customer by providing accurate information with responsibility and according to the need of the customer as it will prove benefited for the service provider in the long run and retain valued customer. As the quality of the services provided by the modern banking improve continuously the customer satisfaction increases towards modern banking. The overall study shows that the customers are willing to use the modern services like the online banking, ATM etc. they prefer the facility provided by the modern banking but some factors like Responsiveness and reliability have effect their level of satisfaction. The satisfaction level of customer increase towards the use of modern banking services if the bank provide more reliable services with quality they promised and on time.

KEYWORDS
banking services, Central Bank of India.

INTRODUCATION

The Indian banking industry has undergone a sea change in its operations since post independence. Furthermore liberalization, unwrapping up of the economy in the 1990s and the government's pronouncement to privatize banks by reduction in state ownership has culminated in the banking reforms, based on the recommendations of the Narasimha Committee. After the entry barriers were lowered and the product lines blurred of banks and non-banks, since the financial sector reforms, banks are carrying out their operations under competitive pressures originating from within the banking system, from non-banking financial institutions and from the domestic and international capital markets. This has led the Indian banking industry to sail through difficult times. In such trying times of mature and intense competitive pressures, it is very important that banks retain a loyal base of customers. In order to achieve this and improve their market and profit positions, many retail banks are targeting their strategies and policies towards increasing the satisfaction levels of their customers and building upon their loyalty through improved service quality.

Customer satisfaction is of great significance for most marketers and consumer researchers, be it for theoretical or for practical usage. It has become a corporate goal as an ever increasing number of organizations are making every effort to improve the level of quality in their products and services. It is a well researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share. An element that strongly drove the satisfaction of customers in the banking sector was the conviviality factor related to the features of a bank and the attributes of its personnel (Rust and Zahorik, 1993).

There is a rapid change in the needs, wants and the expectations of the customers. Hence, what would have pleased and amazed them a short while back, might not satisfy them now at present (Richards & Jones, 2008). In today's environment the customers becomes more demanding they wants the new technology and more quick response of services. Customer satisfaction has a measure able impact on the customer retention, their purchase intention and the financial performance of the firm. So in this dynamic and competitive environment many banks are seeking the new strategies that facilitate the online transactions and sharing of information. One of these competitive strategies is the linking of the business of banks with the customers by the use of mobile phones and PDAs. Mobile banking is the using of mobile devices to deliver communication, financial information, and customer's transactions such as checking of account balances, accessing the other banking services and products transferring funds at any time, from anywhere.

There are many benefits of mobile banking on both the customers and banks. The most of the services provided by the mobile banking includes receiving and sending of messages, access of subscription and prepaid and instructions. In user's SIM card the mobile banking applications installed which help in facilitate of withdraws, deposits and the transfer of money between the two parties (Hernandez, 2011).

In today's environment the satisfied customer are more loyal to the organization otherwise they switch to other organizations. So for the sake of this we are going to use the explanatory variables that describe the different dimensions of a satisfied customer. In this study we check out the Customer Satisfaction through two different ways. One of them is indirectly linked with the customer satisfaction through banking service quality. So the variables that are indirectly effect the customer satisfaction are Responsiveness, Reliability, Security, Efficiency, Awareness and Cost while Trust and Ease of use are Variable that affect directly.

LITERATURE REVIEW

Customer satisfaction: Satisfaction can be reflected as a feeling of pleasure when a person attains his or her wants, goals or motivation (Boonlertvanich, 2011). Customer satisfaction can be defined as a feeling of customers by using a service or product (Metawa and Almossawi, 1998). Customer satisfaction is key factor of customer's desires for future purchase (Mittal & Kamakura, 2001). Customer satisfaction considered as an essential factor of long-term behaviour of customers (Ndubisi,O, 2004).

Banks are providing new innovative techniques of satisfying customers, such as online system and internet banking, telephone and call centre. The two important elements of banks which effect the overall satisfaction of customers are competitiveness and ease. So in order to increase the efficiency of the organization it is necessary to measuring the customer satisfaction (Parasuraman, Zeithmal& Berry, 1988).

The satisfaction of the customer especially in the service business had a great importance because the satisfaction of the customer directly linked with the customer loyalty or the repetition of using the services the modern banking has provided (Ravichandran et al., 2010). Customer satisfaction is much vital in internet based companies. Good quality products and services are demanded by customers and if they don't get the desired services they can easily move away towards another option. All the online businesses are compelled to isolate and focus customer's need for their satisfaction (Kadir, Rahmani, & Masina, 2011). All the customers who are using electronic and wireless banking services for their routine transaction may find modern banking according to their way of living and preferences. Subsequently if all modern banking firms want to catch the attention and retain customers, they must give importance and attention to the individual customer's way of living and his liking and disliking (Lin, 2011).

Perception of service quality is related to feelings and attitudes experienced during the service provided by banks. A customer forms his/her own perceptions of the services based on his/he experiences (Gale, 1994)

Many studies have examined the relationship between service quality and customer loyalty (Bloemer et al., 1998; and Ganesan, 2007), complaint (Yavas et al., 2004) and customer trust (Eisingerich and Bell, 2008). Some of the major facilitators of service quality that emerged from the literature include customer loyalty, customer commitment and customer trust.

Ananthakrishnan G. (2005) described customer's services in the banks. The discriminating customer's expectations have begun to change in terms of quality and service. With the advent of computers and ATMs, the gap between the customers and the banking personnel is widening. Unless a change of heart occurs, even the largest banks will find it hard to survive on their assumed false glory. Banks which take care to see the reality and react early will survive and prosper, while those who continue the traditional path will find their market share eaten away.

A study conducted by Mishra A. K. examined the reasons for the satisfaction of the customers with the services rendered by the Urban Cooperative Banks. The author described that, urban cooperative banks are operating in a more competitive environment and therefore, the need to take care of customer requirements has become more important. The branches of UCBs must cater to the betterment of the customers. They should also improvise on their own image, customer satisfaction and their profits. Uppal R. K. described that in the post-LPG (Liberalization, Privatization and Globalization) era and Information Technology (IT) era, transformation in Indian banks is taking place with different parameters and the curves of banking services are dynamically altering the face of banking, as banks are stepping towards e-banking from traditional banking. The paper empirically analyzes the quality of e-banking services in the changing environment. With different statistical tools such as weighted average method and ranking, the paper concludes that most of the customers of e-banks are satisfied with the different e-channels and their services, but the lack of awareness is a major obstacle in the spread of e-banking services. The paper also suggests some measures to make e-banking services more effective in the future.

SIGNIFICANCE OF THE STUDY

In the current trend, customer satisfaction plays a major role in all parts of the services. This research work is used to predict the over-all customer satisfaction and dissatisfaction with modern banking services with special reference to Central Bank of India.

OBJECTIVES OF THE STUDY

In this paper an attempt is made to analyse the customer perception and behaviour towards modern services provided by the banking sector. A case study on modern banking services of Central Bank of India has been taken to analyse the customer reaction towards banking services.

MATERIALS AND METHODOLOGY

The relevant data for the study has been collected from both primary and secondary sources. A large part of the analysis is exclusively based on the primary data.

SAMPLE AND SAMPLE SIZE

The sample of the study involved 50 customers of the bank. The respondents were selected through random sampling though effort was made to cover as many aspects of consumer perception and behaviour in modern banking.

SCOPE OF THE STUDY

The study is specific to Mangalore. It relates to consumer perception and behaviour towards the modern services provided by the Central bank of India in Mangalore. The study confines the different factors affecting consumer satisfaction and modern services provided by the bank.

PROFILE OF CENTRAL BANK OF INDIA

Central Bank of India (CBI) is one of the oldest commercial bank of India and reportedly is the first truly Indian bank which was totally owned and established by Indian without any foreign help. Sir Sorabji Pockhanawala was the founder of the bank, who had always dreamt of establishing a thoroughly Indian Bank, who was so happy and excited about the project that he reportedly termed the CBI as "Property of nation and the country asset". He also added that CBI lives on people's faith and regards itself as the peoples own bank.

In the year 1969 the bank was nationalized by the Govt of India. CBI claims to be the first bank to be conferred with the national award for excellence in macro and small enterprises lending for the year 2007-08.The bank entered a partnership with Kotak Mahendra Assets Management Company in December 2008, under which all the Kotak mutual fund products will be made available in CBI branches.

CBI offers a host of banking services to its customers including regular banking services such as deposit and loans, international banking services and other services including central card, electronic cards, debit cards, No frills savings deposit account under the name cent Bachat khata, and finance options for domestic and international tours under the name cent safar. CBI has a strong presence in the country with over 3000 branches and more than 250 extension counters nationwide as of April 2009. The head quarters of the bank located in Mumbai, the financial capital along with 16 other zonal offices established in cities, namely Agra, Ahmadabad, Bhopal, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkatta, Luchnow, Nagpur, New Delhi, Patna and Pune.

Further in line with the guidelines from Reserve Bank of India and also the Government of India, Central Bank has been playing an increasingly active role in promoting the key thrust areas of agriculture, small scale industries as also medium and large industries. The Bank also introduced a number of Self Employment Schemes to promote employment among the educated youth. Among the Public Sector Banks, Central Bank of India can be truly described as an All India Bank, due to distribution of its large network in 27 out of 28 States as also in 4 out of 7 Union Territories in India. In view of its large network of branches as also number of savings and other innovative services offered, the total customer base of the Bank stood at over 25 million account holders & which is one of the largest in the banking industry. Customers' confidence in Central Bank of India's wide ranging services can very well be judged from the list of major corporate clients such as ICICI, IDBI, UTI, LIC, HDFC as also almost all major corporate houses in the country. Central Bank of India was conferred with the 1st Award under National Awards for Excellence in MSE Lending based on its outstanding performance in lending to Micro and Small Enterprises during the year 2007-08.IT Enabled Financial Inclusion at Hoshangabad which will bring the financial services to the door steps of those who are living in remotest parts of the country. The Bank will deliver deposit, loan and other financial services by engaging Business Correspondent, who will use hand-held mobile devices and issue Smart Cards to the customers. In order to develop rural entrepreneurship, the Bank launched a Rural Development and Self Employment Training Institute (Rudest) at Hoshangabad. This is providing intensive entrepreneurship training to the rural youth, to enable them to take to vocational activities. The Bank has already set Rudest at Kota and Muzaffarpur.A Financial Literacy and Credit Counseling Centre - Centsahyog was launched at Vadkun in Thane District. This will provide free counseling to the villagers on the various banking products, both deposits and loans and also counciling to distressed borrowers, irrespective of whether they are bank's clients or not.

ANALYSIS, INTERPRETATION AND FINDINGS

MODERN BANKING

This study will provide the basic concepts related modern banking services and prove that modern banking services is useful for banks in term of customer satisfaction. Banking also improved Due to the adaptation of modern banking elements. Electronic banking also an important element of modern banking that was introduce in the mid of 1990. After that it was become the more important. So, modern banking is the only cause of customer motivation and satisfaction due to quick response, security, reliability and speedy transactions of modern banking services. The development of innovative technology in the banking provides the superior services to the customers. ATM, online and mobile banking are the modes of modern banking and these are helpful to maintain the customer loyal. Some studies stated that only the improvement in the banking services is the only cause of user's satisfaction .As we know that services industry is totally changed due to the innovative technologies and only the organization who adapt these innovative changes in their services cause the customer satisfaction. The main reason behind this; the innovation in technology enhances the customer expectations. So customers are demanding according their exceptions. Due to this reasons banking also improved their services to meet the customer's expectations .ATM was the first innovation in the modern banking services; by these modern techniques banks are become able to serve the customer's after the banking hours. So, the main reasons behind these developments in the services are to maintain the customer loyal. User can use these services without any hesitations anywhere at any time.

No organization can sustain the competitive advantage with the similar product and services over the time. So every organization have to change itself when the changes are required, so modern banking are innovative technology and all the banking have to adopt these technology for the sake of fulfilment of customers demands and also for sustain in the market.

Under this study effort is put to analyse the customer perception and behaviour towards modern banking services provided by the Central Bank of India. Data was collected from 50 customers randomly through questionnaire. Collected data were presented in tabular form.

Table showing profile of the respondents:

TABLE 1

VARIABLE **Total no. of Respondents**		**Frequency** **50**	**Percentage** **100**
Gender:	Male	20	40
	Female	30	60
	Total	**50**	**100**
Age	Below 25years	5	10
	26-35 years	30	60
	36-45 years	10	20
	46-55 years	2	4
	Above 55 years	3	6
	Total	**50**	**100**
Educational status	SSLC	7	14
	PUC	3	6
	Graduate	10	20
	Post graduate	30	60
	Total	**50**	**100**
Occupational status	Student	10	20
	Working professionals	30	60
	Businessman	5	10
	Housewife	4	8
	Retired	1	2
	Total	**50**	**100**
Income level	Below 20,000	20	40
	20,000-30,000	18	36
	30,000-40,000	6	12
	Above 40,000	6	12
	Total	**50**	**100**
Mode of service used by the respondents	Internet banking	5	8
	ATM	40	67
	Mobile banking	15	25
	Total	**60**	**100**

Source: Primary data

As per the above table compare to male female are more. They are around 60% of the total respondents. Around 60% of the respondents fall in the age group of 26-35 year. As per qualification post graduate are dominating compare to others. 60% of the respondents are professionals. Only 10% of the businessmen were included even retired and housewives are brought into purview.

40% of the respondents earn salary below than Rs.20, 000. Out of 50 respondents almost 67% of them are using ATM facilities. Compare to other services like internet and mobile banking, user of ATMs is more. When compare to mobile and internet banking customers frequently uses mobile banking to check their account status. Ultimately we can say that one or other; customers are more comfortable in using modern banking services.

60% of the customers visit their branches at least once in a month but around 10% of the respondents are very lazy to visit the bank's branch at least once in a month. Others visit the bank frequently. Most of the respondents are having savings bank account in the Central bank of India. One or other way they are connected the account with online. They opine that banks staffs are very efficient and deals customers very friendly and eagerly. Customer's uses the online facilities to pay their insurance premium, transfer the fund, pay bills, print bank statement and to check balances frequently. Respondent's prefers ATM cards to withdraw the amount rather than withdrawing from the bank directly.

Respondents opine that Central Bank provides immense online services to its customers. Customer's strongly prefers online banking services due to clear and simple services and free transactions. Even some are interested in getting rewards like anmol rewards points offered by the Central Bank of India. Other intension of using internet services is to avoid waiting in front of the counter, reduce distance to be travelled and inconvenient working hours of the bank.

But some of the customers opine that they are finding difficulties in using internet banking facilities due to difficulty in using online banking services, lack of assistance and even some are bother about security of transactions and limited service. Some prefer to have human relation with banks.

CONCLUSION

This paper is about to the check the customer satisfaction towards the use of modern banking services provided by the Central Bank of India. The satisfaction of the customer especially in the service business had a great importance because the satisfaction of the customer directly linked with the customer loyalty or the repetition of using the services the modern banking has provided. The reliability however has a moderate effect on satisfaction of the customer to use the modern banking services. Providing the accurate and promised services at all time of transaction is more valuable to the customers. They demand the quality services as modern banking service provider claim. The customer is preferred that the bank staff will be responsive enough to provide accurately and consistent services and on time.

Overall the factors have discussed above affect the satisfaction of the customer but the factors varying according to their effect level. The modern banking service should focus on the on time delivery of their promised services along with quality and having a good relation with customer by providing accurate information with responsibility and according to the need of the customer as it will prove benefited for the service provider in the long run and retain valued customer. As the quality of the services provided by the modern banking improve continuously the customer satisfaction increases towards modern banking. The overall study shows that the customers are willing to use the modern services like the online banking, ATM etc. they prefer the facility provided by the modern banking but some factors like Responsiveness and reliability have effect their level of satisfaction. The satisfaction level of customer increase towards the use of modern banking services if the bank provide more reliable services with quality they promised and on time.

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INNOVATIVE STRATEGIES FOR TALENT MANAGEMENT: A CASE STUDY OF ENTERPRISE RENT-A-CAR

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ABSTRACT

Contemporary business organizations are operating in a highly global, multifaceted, dynamic, highly competitive, and particularly volatile environment. Attracting and retaining talent have been an issue of primary concern for the employers. This paper focus on Peter Cappelli's 'Talent Management in Twenty - First Century, discussing four different strategies towards effective talent management, two of them to address the demand uncertainty and two towards addressing issues in supply uncertainty. Enterprise Rent-A-Car, has car rental services in 66 countries and is presently the largest car rental business in North America with many offices in the USA , Canada, Puerto Rico, the UK, Germany and Ireland . Maintaining high levels of customer satisfaction is a key driver of growth for Enterprise. This paper attempts to explore the key strategies focused by Enterprise Rent-A-Car, as to gain competitive advantage in today's global dynamic business environment. The organization focus of social recruiting and values of ethics and gender equity attract applicants. Enterprise has developed a committed recruitment brand and website named 'Come Alive', which describes to the potential employees the benefits of working with Enterprise and what all career opportunities available with Enterprise and it also provides a medium through which students can submit their applications. Enterprise provides their employees with continuing development and training as they progress up the career ladder.

KEYWORDS

innovative recruiting strategies, talent management, social recruting, employee sourcing, retention, Turnover.

INTRODUCTION

Talent management practices have become highly dysfunctional in nature which has resulted in organizations in either having a surplus or shortage of talent. In either case, the organization as a whole suffer as surplus of talent correlates directly with increased cost of maintaining redundant workforce, where as a shortage of human capital would not enable the organization to make the most of dynamic business opportunities in today's globalized and highly competitive business environment (CIPD 2004, Rowland 2011).

CRITICAL FACTORS IN TALENT MANAGEMENT

Internal hiring could not address the volatility of emerging markets. During times of recession, organizations suffered from excess of manpower. Outside hiring proved costly, especially with key positions. Also, outside hiring has looming effect on retention as current employees found fewer chances of internal promotions (Bach 2005, Tarique & Schuler 2010).

Traditional succession and career management practices has no significance in today's dynamic marketplace. If traditional succession planning was to take place today, by the time the employee is groomed towards a particular position, organizational structure and strategies would have all changed, resulting in a mismatch between groomed employee and that what is essential required (Glanz 2007). This would ultimately demoralize the employee and also, all the money and time spent on him/ her would be wasted from the organizational point of view. Currently, companies revise succession plans every year, again adding to increased time and effort (Taylor 2002).

INNOVATIVE STRATEGIES TOWARDS EFFECTIVE TALENT MANAGEMENT

Today's dynamic and competitive marketplace demands a critical revision over existing talent management practices, something akin to just-in-time alias talent-on-demand. This holistic approach may include such aspects as forecasting talent needs, cost effective methods to developing talent, outside hiring, timely delivery, internal talent management pipeline and so forth (Bach 2005, McComb& Vicente 2007). In his article 'Talent Management in Twenty - First Century , Peter Cappelli(2008) sums up four different strategies towards effective talent management, two of them to address the demand uncertainty and two towards addressing issues in supply uncertainty

***STRATEGY 1:* FOCUS ON BALANCE BETWEEN INSIDE AND OUTSIDE HIRING**

Both shortage and surplus of human talent proves costly to the organization. Too many employees on 'the bench' will be a costly inventory to keep with. Internal hiring is less costly and less disruptive and outside hiring can be quick and more responsive. So, an optimal approach would be to adopt the best of both types of hiring. Talent forecasting should include neither undershooting nor overshooting demand. Tradeoffs between 'buying' and 'making' talent should thus incorporate critical issues such as duration of talent required, accuracy of forecast, define hierarchy of job and skills required and decide on maintaining or disrupting the existing organizational culture(Bach 2005). An effective strategy would be to opt for outside hiring in the case of lower level jobs and go for succession planning and internal hiring for key positions.

***STRATEGY 2:* ADOPT 'JUST-IN-TIME' TALENT MANAGEMENT**

Supply chain management focus on not acquiring the entire lot as a whole, but instead acquire stuff in smaller lots, according to short term demand forecasting which is more effective and less risky. The same principle can be applied to talent acquisition. Rather than pooling a large size of human capital all at a once, the firm could opt for assimilating them in smaller batched, in intervals. Breaking up long training programs into different discrete portions will prove more effective (Rowland 2011). Employees from different departments could undergo the same training program by categorizing general and functional training elements. This would reduce the trainng investments and time too.

***STRATEGY 3:* MAKE EMPLOYEES TAKE A SHARE OF THEIR TRAINING PROGRAMS**

Training programs are highly costly and even more costly to the organization when the trained employee leaves the firm after acquiring training skills. In today's dynamic business environment, employees can easily market their skills and abilities. When managing such a workforce, the organization could reduce the burden of heavy training costs; by getting the indented workforce take a share of their training costs. This would improve the return on training investment from organizational point of view (Bach 2005,Taylor 2002). This strategy could prove effective than making employees sign contract to stay with the organization for any particular duration, after training.

***STRATEGY 4:* MATCH EMPLOYEE- EMPLOYER INTERESTS**

Gone are those days when the employees wanted organizations to take care of their career growth. Todays' workforce is self sufficient enough to do their career management on their own. This awareness requires management to look at retention issues in a different perspective. Today, companies like Dow Chemicals, post vacancies in their internal network forum so that any interested employee within the firm could apply and get preference if eligible. The idea of being able to switch jobs within the firm, prove lucrative towards retaining employees (Gandossy & Kao 2004). If new projects were launched, employees could apply and rank their preferences, project managers would rank their preferences and finally the senior management would decide on allocations.

RECRUITMENT STRATEGIES ADOPTED BY ENTERPRISE RENT-A-CAR

Two foremost trends determining the contemporary business environment are globalization and the impact of information and communication technologies. This has resulted in increased unpredictability and dynamism of the business environment, and organizations are focusing on transforming their HR practices, to respond to these challenges (Christensen Hughes and Rog, 2008).

Employee resourcing or otherwise called 'people resourcing' is 'that part of personnel and development which focuses on the recruitment and release of individuals from organisations, as well as the management of their performance and potential while employed by the organisation' (Pilbeam and Corbridge, 2002). Taylor (2002) argue that 'effective hiring and firing, attracting the finest candidates, dipping staff turnover and improving employee performance are essential management functions. They are as significant for a small family business as they are for a major global firm'.

Enterprise Rent-A-Car (Enterprise, n.d), pioneered by Jack Taylor , has car rental services in 66 countries and is presently the largest car rental business in North America with many offices in the USA ,Canada, Puerto Rico, the UK, Germany and Ireland . Maintaining high levels of customer satisfaction is a key driver of growth for Enterprise. This paper attempts to explore the key strategies focused by Enterprise Rent-A-Car, as to gain competitive advantage in today's global dynamic business environment, as discussed in the case study available at the website of Business Case Studies (Business Case Studies, n.d)

A) WORKFORCE PLANNING

Workforce planning involves assessing future human resource requirements and ensuring that the firm has right number of people, in the right place. Workforce planning involves identifying and addressing the gaps between today's workforce and the human capital needs of tomorrow (Bach 2005, Gandossy & Kao 2004).). Workforce Planning has gained immense strategic role to play in an organization, due to many factors such as globalization and open markets, external changes in the labor market, innovative technologies, and when existing staff retire or when they get promoted- leaving gaps which need to be filled, all of which require reviewing service delivery approaches and an analysis of different skill requirements to meet the organizational objectives (Huselid&Becker1998, Tarique&Schuler 2010). Workforce planning offers a planned recruitment strategy optimizing time and cost (CIPD 2004, Warner 2002).

B) ATTRACTING APPLICANTS

Enterprise recruits about 1,000 employees into its graduate recruitment programme. In order to create a pool of high quality candidates, Enterprise employs Campus Brand Managers, who are students and who work for Enterprise and act as bridge between the organization and potential applicants. Other actions to attract interested applicants include presentations on the organization, associations with clubs and student organizations, conducting careers fairs and mentoring programs.

Students are also invited to visit the organization and spend time understanding how the company does business and what opportunities it offers. Enterprise makes efforts to ensure that its workforce consists of the cultural and ethnic diversity in the wider population (Harisis& Kleiner1993, Iles 2003, Rowland 2011). Enterprise Rent-A-Car looks out for and values people of all ethnic backgrounds, for the reason that every employee, customer and business partner is important. The organization focus on being an equal opportunities employer.

C) SELECTION

Enterprise advertises its vacancies and opportunities through different media such as newspapers, magazines and online websites. To reach out to graduate recruits, Enterprise has developed a committed recruitment brand and website named 'Come Alive', which describes to the potential employees the benefits of working with Enterprise and what all career opportunities available with Enterprise and it also provides a medium through which students can submit their applications. Potential candidates can browse through profiles of Enterprise employees and their career stories. Enterprise's online website and recruitment promotion webpage provides immense information about the Management Trainee role and what the company's culture and values are. This allows applicants to asses for themselves whether Enterprise would fit them. New recruits can enter the business in different ways a) an 'internship' scheme b) Enterprise Graduate Management Trainee programme. Approximately 50% of its total UK and Ireland workforce is recruited via the website strategy.

Selection is the process of identifying the best candidate for the role in question (Taylor 2002) . HR managers at Enterprise use standard credentials to match job specifications with candidate's skill set. To screen candidates, Enterprise recruitment managers perform skill – competency match between candidate's resume and organization's job specifications. Candidates then undergo a one to one interview with an Enterprise's recruitment team, followed by an interview with the branch manager. Later, selected candidates are called upon on an assessment day, when the candidates undergo practical exercises, together with role-play, as well as individual and group activities. The assessment day is followed with another interview with a senior manager and then the final selection is made.

D) RETENTION STRATEGY

Retaining capable and core competent employees have become a major focus of effective talent management policy (CIPD 2004, Glanz 2007). Recruitment and retention strategies are aimed at lowering turnover rates .Research shows that monetary benefits alone doesn't keep an employee rooted within the organization. Lack of opportunity for advancement has been reported as one of the critical reasons why potential employees leave the organization. Personal and professional advancements provide employees the rooting factor towards organizations (McComb& Vicente 2007).Employees find career advancements as a motivational factor to improve their value in the marketplace and enhance their own self-esteem. Enterprise offers a good compensation and training as part of their benefits package. But the cutting edge strategy towards talent management is the chance of a prospective career rather than just a mere job. Most employees begin their career as Management Trainees with the prospective progress to become Vice President or General Manager. Employees are also provided with opportunities to specialize in specific areas of their choice such as finance, human resource management, vehicle acquisition, risk management and much more. This opportunity allows individuals/ employees to develop and manage their career growth as and how they progress within the organization.

CONCLUSION

Many of the critical global challenges faced by global firms are ultimately related to human capital management or more specifically Talent management. (Somers 1995, Tarique & Schuler 2010) In today's highly competitive service industry, Enterprise must deliver perfect service every time to keep customers satisfied. Its effective talent management strategy helps the organization to carry out its vision, mission and thus meet its objectives (Hughes 2008,Koh 2003, Williamson 2011). Enterprise provides their employees with continuing development and training as they progress up the career ladder.

Talent management is essentially a concern of employees, employers and the society alike. Employers require talent at the right time, at the right cost, in the right quantity. Employees seek prospects of career advancement (Rowland 2011, Tarique & Schuler 2010)). Broader society looks for deeper competencies and management practices. Effective and efficient talent management strategies include measures to resolve such conflicts of interests. Methodologies in operations and supply chain management could be effective adopted toward practicing 'talent-on-demand' which will prove fruitful to all stakeholders involved.

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A STUDY OF ARCS: TOOL TO CLEAN NPAs OF THE INDIAN BANKING SECTOR

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ABSTRACT

A stable financial economy depends on sound banking system. A high level of NPAs in the banking system can affect the economy in many ways. ARCs have been used worldwide, particularly in Asia, to resolve NPAs problems. However, these had a varying degree of success in different countries. This research article attempts to give focus on stress & asset quality of the banking sector, performance of ARCs in resolving NPAs problems, Regulatory norms of RBI for ARCs & various reforms adopted in this aspect. Between 2002 and 2005, sale to Asset Reconstruction Companies (ARCs) was a popular route among banks to address NPAs, but the poor returns from realization-linked Security Receipts (SRs) has dis-incentivized banks to use this route. On 30th January 2014, RBI released a regulatory framework for early recognition and revitalization of distressed assets, which details steps for early recognition and quick action upon the first signs of stress in any account. The framework also proposes a structure to incentivize banks for faster action by way of restructuring or sale of assets. We believe that the guidelines will aid in arresting the deterioration of economic value; increase deal flow to ARCs, special situation funds and stressed asset investors. In addition, the guidelines ease the process for lenders to change the management and rehabilitate stressed borrowers, which in turn will allow these companies to survive and preserve jobs.

KEYWORDS
Reserve Bank of India, Asset Reconstruction Companies, Non-Performing Assets, Regulatory Norms, Security Receipts.

INTRODUCTION
A healthy financial system can help achieve efficient allocation of resources across time and space by reducing inefficiencies arising out of the market frictions and other socio economic factors. In modern economies, Banking plays a crucial role in the financial stability and security of financial system of a country. Failure of a bank brings some serious repercussion as we see in the recent episodes of financial turmoil. Most of the meltdown globally like Argentina, Gulf Country, Mexican crisis, US sub prime crisis etc. are more inclined towards banking sector. So, NPAs beyond a certain level are indeed cause for concern for everyone involved because credit is essential for economic growth and NPAs affect the smooth flow of credit.
Some major reforms like dilution of government equity holding in Public sector banks, liberalization of FDI norms, liquidity adjustment facility, interest rate swaps, cross country forward contract, introduction of real time gross settlement, SARFAESI Act, BASAL III, base rate system etc. has been adopted which imply new challenges for Indian Banks.

OBJECTIVES OF THE STUDY
1. To analyze the trend of NPAs & asset quality of the banking system
2. To check whether ARCs focus on NPAs and act as a broom of " clean bank"
3. To explain the regulatory norms of RBI & its various reforms in this sector.

RESEARCH METHODOLOGY
Descriptive Research Methodology is adopted to conduct this research. Secondary source of data is used in this context such as RBI annual report, RBI bulletins, various research articles, IARC website etc.

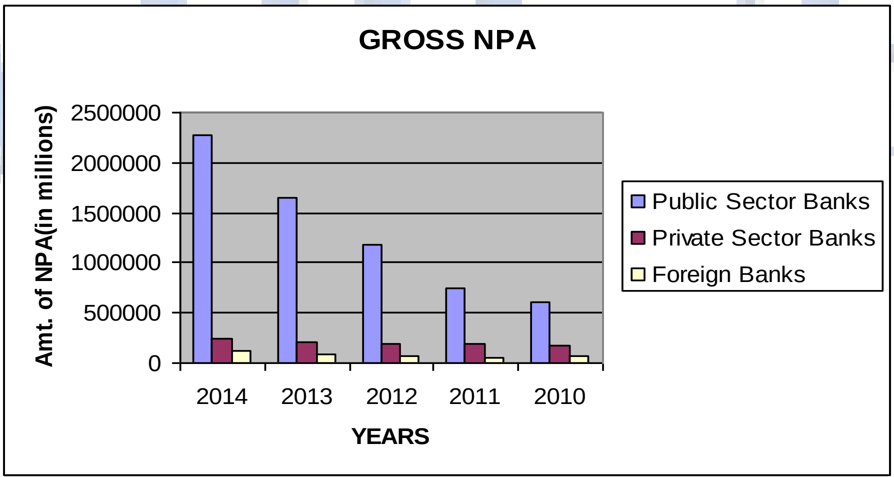
ANALYSIS
STRESS IN BANKING SECTOR

TABLE 1: GROSS NPA (Amt in millons)

	2014	2013	2012	2011	2010
Public Sector Banks	2280741	1650057	1178389	746638.9	599272.6
Increase NPA yoy	630684	471667.8	431750.3	147366.3	149702.6
Private Sector Banks	245424	210705.2	187678.1	182405.815	176399.7
Increase NPA yoy	34719.05	23027.04	5272.303	6006.089	7133.726
Foreign Banks	115790.1	79770.9	62965.87	50686.793	71335.93
Increase NPA yoy	36019.24	16805.03	12279.07	-20649.132	6890.925

Source : RBI (Movement of NPAs)

FIG. 1

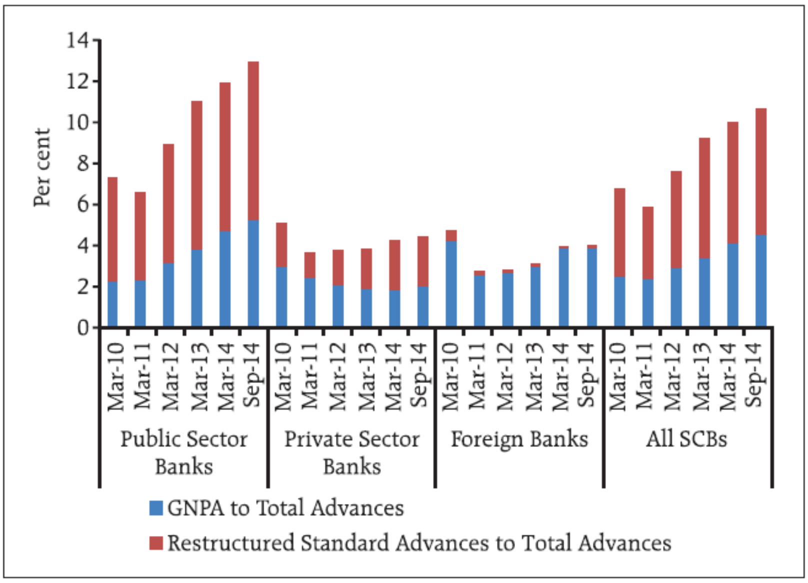


OBSERVATION

- The gross NPA ratio at the aggregate level stood at 3.6% at the march 2013 up from 3.1 % at end march 2012
- Increase in NPA on account of lower asset quality, lower Provisioning coverage ratio and higher lending to priority sectors
- Gross NPAs of banking system have gone up approx by 2 times in 2 years from march 2012 to march 2014
- Asset quality for the banks has been deteriorated due to the inadequate credit appraisal, disbursal and recovery mechanism of the banks, so as to credit cost elevated.
- In sync with the increment in growth of gross NPAs as well as a lower provisioning coverage, net NPAs registered growth.
- The deterioration in asset quality was most perceptible for the SBI group with its NPA ratio reaching a high of 5% at end march 2013 which included in Public Sector banks here.
- NPA increases have been more pronounced in case of the public sector banks. There are various factors affecting the asset quality of SCBs adversely, such as the current slowdown- global and domestic, persistent policy logjams, delayed clearances of various projects, aggressive expansion by corporate during the high growth phase etc.
- As the sectoral classification of NPAs , it is revealed that share of agriculture in total NPAs has increased marginally where as share of micro & small enterprises came down as compare to previous year.
- Restructured Assets have gone up by more than 2 times in 2 years from march 2011 to march 2013.

ASSET QUALITY OF ALL SCBs

FIG. 2



Source: RBI supervisory returns.

The gross non-performing advances (GNPAs) of SCBs as a percentage of the total gross advances increased to 4.5 per cent in September 2014 from 4.1 per cent in March 2014. The net non- performing advances (NNPAs) as a percentage of total net advances also increased to 2.5 per cent in September 2014 from 2.2 per cent in March 2014. Stressed advances increased to 10.7 per cent of the total advances from 10.0 per cent between March and September 2014. PSBs continued to record the highest level of stressed advances at 12.9 per cent of their total advances in September 2014 followed by private sector banks at 4.4 per cent as the above chart shows.

IMPLICATIONS

- Increase in Gross NPAs will require additional Provisioning
- Additional provisioning means huge capital locked which hamper credit creation & overall investment climate of the economy.
- During 2013-14, the growth in net profits of SCBs, which had been on a declining trend since 2011-12, turned negative. SCBs as a whole reported net profits of about ₹809 billion**,** indicating decline by 11.3 per cent compared to previous year.
- For restructured assets, provisioning norms have changed effective current financial year – 5% on fresh restructuring in 2013-14 and 3.5% as on march 2014 for existing stock up from 2.75% as on march 2013 ,4.25% from 31st March,2015 & 5% from 31st March 2016 spread quarter wise.

STRUCTURAL OPTIONS

A. Legal – Enhance effectiveness of enforcement rights

- SARFAESI 2002 – comprehensive act which provide law for setting up of ARCs
- Debt recovery Tribunal – Recovery courts
- Appeal to SICA/BIFR

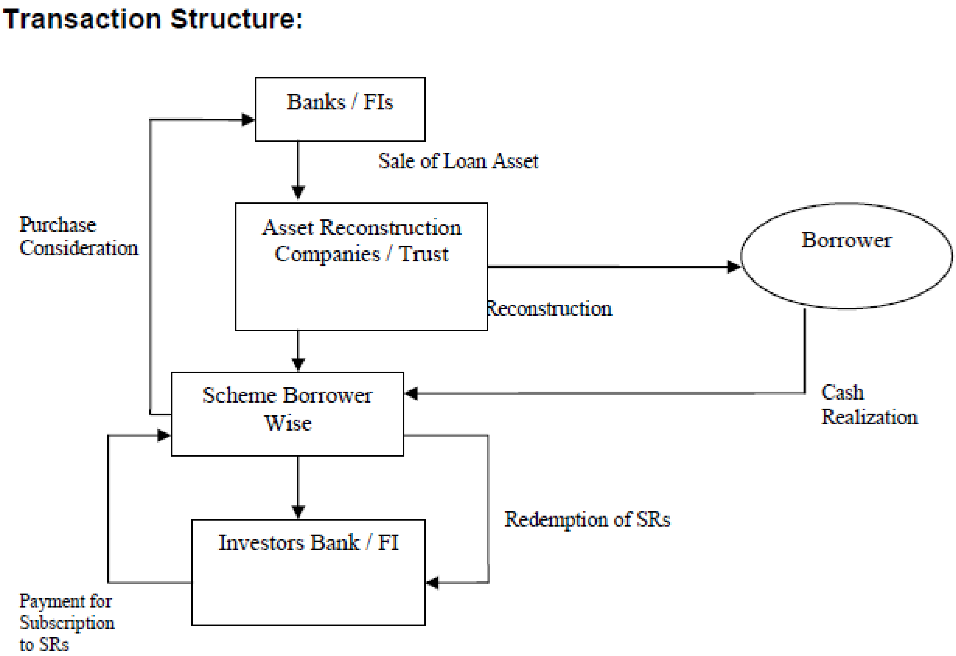
B. Voluntary – Encourage lender driven restructuring

- Corporate Debt restructuring – Forum of lenders under the control of RBI
- Bank's own workout.

SARFAESI Act 2002 – The securitization and reconstruction of Financial Assets and Enforcement of security interest Act which was enacted by the Parliament in December 2002. It provides

- The norms for setting up of Asset Reconstruction companies (ARCs).
- Enforcement of Security Interests by secured creditors
- A legal framework for securitization of assets.
- Grants powers to lenders to reconstruct/ resolve NPAs through selling or leasing a part or whole of the business of the borrower or settling dues payable by the borrower or taking possession and disposing the underlying security or effecting change or takeover of management of the business of the borrower.
- Grants powers to lenders to foreclose security interest with a 60 days Notice on receipt of consent of 75% (now changed to 60%) of the concerned Lenders by Value.

FIG.: 3



So far, this approach has not worked. Stressed assets at banks (NPAs + restructured loans) have increased from Rs. 0.7 trillion in 2003 to Rs. 5.3 trillion in 2013. In this period, the annual sale of assets by banks to ARCs has stagnated at Rs.0.05 to Rs.0.1 billion a year.

WHAT WENT WRONG?

a) ***Excessive regulatory interference***. ARC is a buyer of distressed debt. It might be an individual, or a private equity fund, or any other structure. The sale should be a clean transaction where distressed debt is sold and cash is paid to the lender. Therefore the working of ARCs should be completely unregulated. This clarity of thought has been absent.

b) ***Mistakes in regulations about how banks sell distressed assets***. In India, provisioning norms are driven by regulatory perspective not by risk assessment. An asset which become non performing after being overdue for 90 days, provisions for the loss associated with this are spread over a period of four years. This generates a perverse incentive to not sell NPAs. As a result banks either hold on to these assets for longer than it is economically sensible, or sell assets to ARCs only when the transaction is at or above book value.

The sale of bad assets is not a true sale for hard cash. Banks would think in a sensible and commercial way when and only when: (a) Tough provisioning rules kick in the moment an asset is NPA and (b) The sale of distressed debt is a simple sale in return for cash. Neither of these conditions holds today, reflecting poor thinking in banking regulation.

c) ***Weak bankruptcy process***. The ability of ARCs to realise value is defined by the bankruptcy process. The legal frameworks for recovery are the debt recovery tribunals (DRTs), the SARFAESI Act but both of them performed poorly in resolving cases of NPAs. Recovery as a percentage of total outstanding cases was 14% for DRTs & 22% for SARFAESI in 2013. While takeover of management procedure is time taking process under the companies act specify by RBI.

d) ***Is insourcing vs. outsourcing of distressed asset management a level playing field?*** In India, at numerous points, the powers in processing distressed debt favour banks and do not give non-bank actors comparable powers. This creates incentives for insourcing of the distressed debt function. SARFAESI provides for several mechanisms to enable ARCs to carry out recovery. But the operational guidelines for many of these were issued by RBI much after 2002. For example, the guidelines for management takeover of the defaulting firm were issued in 2010, eight years after the Act was passed. As a consequence, from 2002 to 2013, ARCs were handicapped. Banks have greater restructuring flexibility, under the CDR process, than do ARCs. For example the requirement in the Indian Takeover Code, the acquirer of shares in the CDR process is exempted from making an open offer. No such exemptions have been provided for the conversion of debt to equity by ARCs.

e) ***Barriers to foreign skills and capital***. RBI has hampered the entry of foreign players, and capital controls have been used to block the inflow of foreign capital. This choked ARCs of both capital and knowledge.

TABLE 2: NPAs OF SCBS RECOVERED THROUGH VARIOUS CHANNELS (Amount in ₹ Billion)

Year	No.	Recovery Channel	Lok Adalats	DRTs	SARFAESI Act	Total
2011-12	1	No. of cases referred	4,76,079	13,365	1,40,991	6,30,429
	2	Amount involved	17	241	353	611
	3	Amount recovered*	2	41	101	144
	4	3 as per cent of 2	**11.8**	**17**	**28.6**	23.6
2012-13	1	No. of cases referred	840,691	13,408	190,537	1,044,636
	2	Amount involved	66	310	681	1,058
	3	Amount recovered*	4	44	185	232
	4	3 as per cent of 2	**6.1**	**14.1**	**27.1**	21.9
2013-14	1	No. of cases referred	1,636,957	28,258	194,707	1,859,922
	2	Amount involved	232	553	946	1,731
	3	Amount recovered*	14	53	244	311
	4	3 as per cent of 2	**6.2**	**9.5**	**25.8**	18

Notes

1. * : Refers to amount recovered during the given year, which could be with reference to cases referred during the given year as well as during the earlier years.
2. DRTs : Debt Recovery Tribunals.

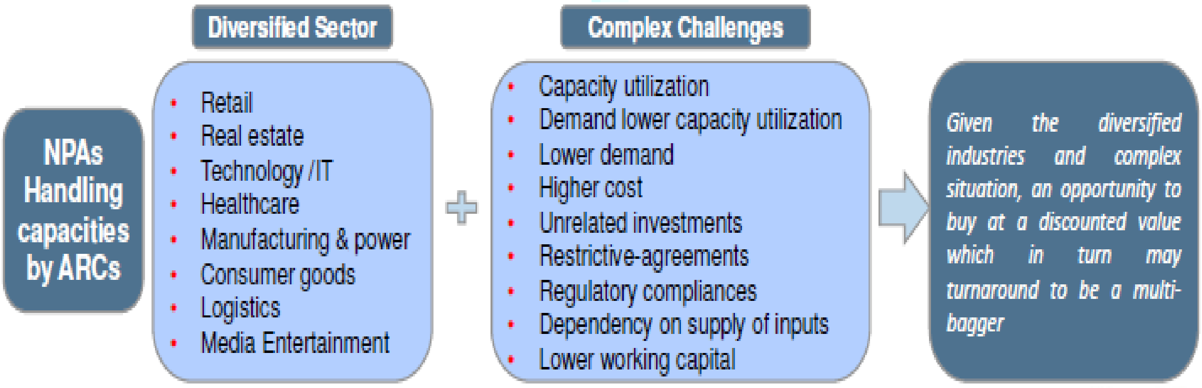
Among the three channels for NPA recovery, i.e. Lok Adalat, DRTs, SARFAESI Act, the largest amount was recovered through the SAEFAESI Act. As ARCs were created as a dynamic response to cover the growth of NPAs, However recent experience as we can look at the above table, suggest that NPAs are accelerating as compare to flow of asset recovery through ARCs. The percentage of recovery cases to outstanding has been decline.

TABLE 3: HANDLING CAPACITY OF ARCS WITH RISING NPAs (Rs. in Crore)

	Mar -09	Mar-10	Mar -11	Mar-12	Mar- 13
Gross NPAs	68,973	84,747	97,922	142,300	1,94,000
Incremental Gross NPAs	12,538	15,774	13,175	44,378	51,700
	Jun -09	**Jun-10**	**Jun -11**	**Jun-12**	**Jun- 13**
Book Value Transferred to ARCs	51,542	62,217	74,088	80,500	88,500
Incremental flow	10,128	10,675	11,871	6,412	8,000
SRs issued	12,801	14,051	15,859	16,700	18,900
Incremental SRs issued	2,143	1,250	1,808	841	2,200

Source :IARC website

FIG. 4



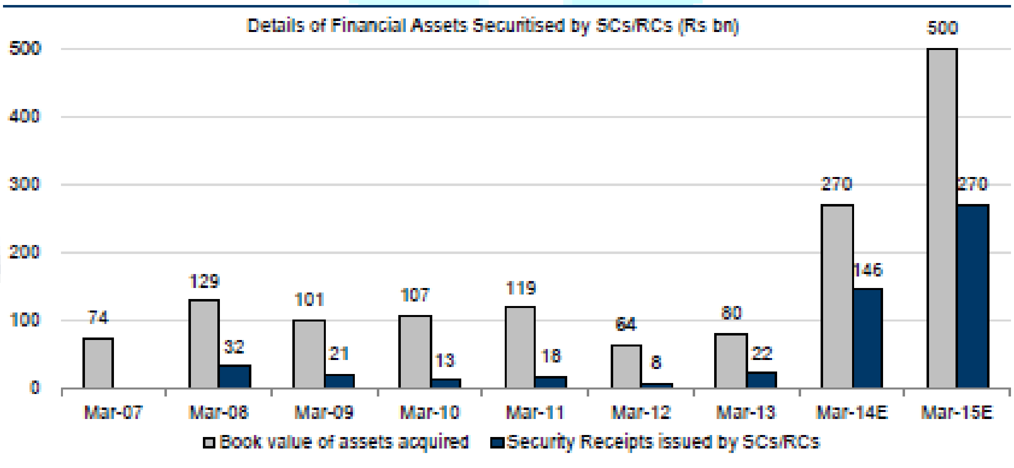
RECENT DEVELOPMENT

- On 30th Jan 2014, RBI has proposed the following changes in the regulatory framework of ARC
- Assets in the category of 61-90 days, can sold to ARCs. This encourages the early sale of bad loans and better recovery process.
- For the assets sold till March 2015, Banks are allowed to spread loss on the sale over two years period. If there is gain in the sale transaction, it is allowed to banks to reverse provisions made for NPA. This would address the bank's concern on the loss on sale of assets.
- It is compulsory for banks to accept the bid price in the auction if it is above the reserve price and they have to fulfill the conditions specified.
- Various steps are taken to improve the price transparency. For example sales between two ARCs and their sponsors are permitted only through transparent and length arm auction.
- If ARCs ensure to RBI that there is no prior collusion between ARC and the defaulting borrower, then promoters of the companies are allowed to buy-back assets from ARCs

These measures removed procedural hurdles faced by ARCs and on the other hand, there is pressure on PSBs to offload their growing NPAs. As a result of these factors in FY14, NPL sales to ARCs have jumped to Rs270 bn from Rs80 bn in FY13, and will likely double further in FY15. Most of this sale was by public sector banks (PSBs). For example, State Bank of India (SBI) in its Annual Report for FY 2014, has reported a sale of Rs. 36 billion of NPAs to ARCs. The book value and the sale value of these assets are Rs.15 billion and Rs.16 billion respectively, with SBI making a profit of Rs.1 billion on these transactions.

However, these are being done primarily without the transfer of risk as banks continue to hold over 90% of the security receipts (SRs). ARCs have also raised acquisition price to 60%+ of book value, compared with ~25% of book historically. With ARCs earnings 1.5-2% fee on the AUM, they have been willing to incur the 5-10% initial cash outflow on the inflated asset value.

FIG. 5



Source: RBI, Credit Suisse estimates

The spurt in NPA sale transactions in 2014 led to further changes through the 5th August, 2014 notification:

- The ARCs will now have to mandatory invest and hold 15 % of the SR in place of a limit of 5 % earlier.
- The SC/RCs will have to conduct a due diligence within a period of two weeks to verify the existence of the underlying assets.
- Reduced planning period for acquired assets from one year to six months. This is also the time frame within which the acquired assets need to be rated and re-valued.
- The calculation of the management fees is more scientific and linked to the percentage of the NAV at the lower end of the range of NAV specified by the credit rating agency rather than on the outstanding value of SRs at present and the same should not be more than the acquisition value of the underlying asset. . Shortfalls in recovery now affect ARC fees.

- Increased reporting and disclosure requirements for ARCs, specially for asset sale by banks above book value and for asset sale by ARCs at a significant discount.
- The SCs/RCs should also form part of the Joint lending forums in terms of the circular issued by RBI and a mandate for them to put up a list of willful defaulters on their website.

These changes will help reduce three aspects of bank-ARC transactions as they have been proceeding:

- Banks selling assets to ARCs without actual risk transfer, since 95 percent of the value of the sale got back into banks' balance sheets as investment in SRs.
- ARCs earning fee income linked to the book value of the asset and not to its *recovery value*. Low levels of ARCs capital commitments meant no real incentive for them to resolve NPAs.
- Promoters, even the willful defaulters, getting relief from repaying their dues under the ARC model, which was focused on warehousing instead of resolution of NPAs.

These latest amendments have increased the ARCs risk in acquiring assets. ARCs will now need to make recoveries to earn fees and to get returns on invested capital. However, the larger problems of these arrangements remain unresolved.

CONCLUSION

In order to make distressed debt processing and ARCs work, the work plan for policy makers consists of the following elements:

- The role of RBI in regulations should stop at the point of sale of distressed assets to the ARC. The working of the ARCs should be unregulated as there is no market failure there.
- Mistakes in micro-prudential regulations of banks, in recognition and provisioning by banks, need to be addressed.
- Banks should be required to do true sales in exchange for cash of distressed debt. This will yield closure on the books of the bank. After the transaction, the ARC would work to obtain recovery with no relationship to the original lender.
- The bankruptcy process should be improved.
- ARCs should be first class participants in the bankruptcy process. There should be no bias in the bankruptcy process in favour of any one kind of financial firm such as bank.
- Establishment of operations by foreign ARCs should be feasible with 100% equity ownership. Foreign capital into ARCs (whether private or foreign) should be welcome through private equity structures. All institutional investors in India -- but not banks -- should be able to invest capital into these private equity structures. Banks should only face the choice of selling (in exchange for cash) or not selling.

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VALUE BASED PERFORMANCE APPRAISAL SYSTEM: A CASE STUDY FROM BRAC BANK LIMITED

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ABSTRACT

This paper is focused on evaluation of existing performance appraisal system of BRAC Bank Limited. It evaluates the employees' perception on combine performance rating including business performance rating and value based rating. This paper is concluded by author's recommending to redefine the existing key values CRYSTAL (Courageous, Reliable, Youthful, Strong, Transparent, Accountable and Loyal) along with ensure the proper communication with poor rating achievers to improve for obtains the future goal of the organization. To run the study, author has chosen 50 respondents (employees) as sample size.

KEYWORDS
Performance appraisal, value based rating, CRYSTAL.

JEL CLASSIFICATION CODE
M12

1. INTRODUCTION

World is changing very fast. Each and every organization is fighting to survive and work hard for smooth growth and perpetual. Human Resource is the nucleus part to speed up any organization. Performance appraisal is the annual and periodic core job of Human Resource Department. Performance Appraisal is the process to evaluate the organization's team commitment, contribution and check the advancement en route for the desired goals and aims. Performance appraisal of employees of financial institutions is the toughest one compared to other organizations since these people work on specific values to handle the financial products. Many financial organizations follow normal evaluation system excluding value adaption. Value based performance appraisal assist the employees to develop organizational citizenship behaviour. Performance is not only related to results but also relates with activities and behaviour of employees that adopted to achieve their given goals put forwarded by Mooney (2009). Performance appraisal is an analysis of an employee' recent successes and failures, personal strengths and weaknesses and suitability for promotion or further training stated by Mani (2002:158). The aim of this paper is to examine the existing performance appraisal system of BRAC Bank Limited and to know how an employee's Key Performance Indicator (KPI) based performance rating is affected by value based behaviour rating as well as acceptance of existing process of appraisal to bank employees.

2. ORGANIZATION OVERVIEW

BRAC Bank Limited, with institutional shareholdings by BRAC, International Finance Corporation (IFC) and Shorecap International, a fastest growing Bank that operates under a "double bottom line" agenda where profit and social responsibility go hand in hand as it strives towards a poverty-free, enlightened Bangladesh. As a fully operational Commercial Bank, BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which hitherto has remained largely untapped within the country. Since inception in 2001, with 155 branches, 400 SME Unit Offices, more than 300 ATMs, 30 Cash Deposit Machines and more than 1,800 Remittance Delivery Points as o 15th September 2015 (www.bracbank.com). BRAC Bank is one of the country's fastest growing banks. BRAC Bank Limited is one of the founder members of Global Alliance for Banking on Values; an independent network of banks and banking cooperatives with a shared mission to use finance to deliver sustainable economic, social and environmental development with a Secretariat headquartered at Triodos Bank in The Netherlands. The Global Alliance comprises 27 financial institutions operating in countries across Asia, Africa, Australia, Latin America, North America and Europe; serving 20 million customers; holding up to USD 100 billion of combined assets under management; and powered by a network of 30,000 co-workers.

3. LITERATURE REVIEW

3.1 PERFORMANCE APPRAISAL

Performance appraisal is a process for individual employees and those concerned with their performance, typically line managers, to discuss their performance and development, as well as the support they need in their role which described by the Chartered Institute of Personnel and Development (*CIPD*), U.K.

"Performance appraisal is a systematic review of employee's meaningful job behaviour to respects their effectiveness in meeting their job requirement and responsibilities" (Douglas et.al., 1985).

Performance management is the continuous process of job activities, employee participation in goals achievement and feedback from management stated by Bascal (1999).

Yong (1996) defines performance appraisal as "an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of performance based on the job content, job requirement and personal behaviour in the position''.

Edward E Lawler III in his paper "Performance Appraisals Are Dead, Long Live Performance Management" opined that, Performance appraisals are one of the most frequently criticized talent management practices.

Performance appraisal is the systematic evaluation of the individual with respect to his/ her performance on the job and his/her potential for development defined by Beach (1965).

Performance appraisal is a vital component of a broader set of human resource practices; it is the mechanism for evaluating the extent to which each employee's day-to-day performance is linked to the goals established by the organization (Coutts and Schneider, 2004).

George and Cole (1992) stated the objective of performance appraisal is to discuss performance appraisal and plan for the future.

3.2 VALUE BASED PERFORMANCE APPRAISAL

Performance appraisal of people based on what they do instead of what they produce. It employs behavioural observation scales as opposed to practices that focus on results only (www.businessdictionary.com/definition). Value based performance appraisal is a long term strategy that exercised by company to shift its accounting concept to management driven strategy. A values based performance assessment is precisely what it echoes like an organization utilizes its interior values as the scaffold on which they erect a performance appraisal system. It is a judgmental approach to appraise the staffs 'annual performance matters.

3.3 PERFORMANCE APPRAISAL PRACTICES IN BANK

Sheikh Abdur Rahim (2012) revealed a paper on ''Performance Appraisal Systems in Private Banks of Bangladesh: A Study on the Mercantile Bank Limited'' to assess the existing performance appraisal system and observed that bank is suffering for uniform policy to appraise the employee's annual performance matters where he carried out the survey on 80 respondents. Results shown that some branch employees are evaluated by Head of Department and others are evaluated by Head of Branch though all of them work in a same floor.

Md. Mobarak Karim, Md. Enamul Haque, Priyanka Das Dona and Md. Moniruzzaman (2015) in their study on 33 respondents that investigated the performance appraisal system of National Bank Limited and found that employees performance of job is depend on internal HR policy along with scope to work of the staffs.
Maksuda Hossain,Abu Md. Abdullah, Shila Farhana (2012) conducted a study on Performance Appraisal & promotion practices of Pubali Bank Ltd. and found that lack of option to know the bonafide reason for securing poor rating by employees and fair play marks distribution process of Annual Confidential Report (ACR) for all employees.
Employees' acuity of fair dealing has a constructive link to their on the whole satisfaction with both the performance appraisal procedure and its results stated by Y. Zhang (2009) on his work on Chinese state owned Banking industry.
Lalita Rani,Naveen Kumar and Suhil Kumar (2014) performed a study on Performance Appraisal Practices in Private Banks and found that most of the employees are happy with existing performance appraisal techniques such as 360 degree appraisal method and private banks are avoid to use 720 degree appraisal method.
Pallavee Shrivastava and Usha Krian Rai (2012) conducted a study on Performance Appraisal Practices in Indian Banks and found that Public Sector Banks (PSBs) are using Performance Appraisal System as historic events and have no practical functional evidence.

4. OBJECTIVE OF THE STUDY
The primary aim of this study was to investigate performance appraisal policy and perception of employees. This was achieved through the following objectives:
a. To recognize the existing performance appraisal system of BRAC Bank Limited
b. To see the satisfaction level of employees towards offered performance appraisal system of BRAC Bank Limited
c. To know how the value based performance rating is influencing the KPI based performance rating.
d. To recommend some measures to overcome the problems of existing performance appraisal system of BRAC Bank Limited.

5. RESEARCH METHODOLOGY
The paper is a case study based qualitative research. Both primary and secondary data are used for data collection. A mixture of academic contexts, books, journals, exploratory reports and HR departmental manuals are used as secondary data of the research. Personal conversation and interview with employees are the source of primary data collection. To interview the respondents a planned questionnaire is draw on based on employee promotional criteria. Approximately all data were composed from both the primary and secondary font. Primary data were collected using a scheme. Data were serene by face-to-face interview of the sample employees and were analysed according to the scale developed by Griffin (1999): Strongly Agree=5, Agree=4, Neutral=3, Disagree=2 and Strongly Disagree=1. Secondary data were collected from the annual reports, books, journals and other published materials.

6. PERFORMANCE APPRAISAL SYSTEM OF BRAC BANK LIMITED
6.1 DETAILS OF THE RATING AND COMPLETING THE ANNUAL REVIEW FORM
The performance and Development Review form has been designed to help you manage the performance of your staff. It acts as the starting point by prompting the creation of individual objectives, the selection of critical competencies and the formation of a development plan. It also helps to form the framework against which performance can be objectively measured by recording the agreed objectives and competencies as well as prompting the cassette of examples of performance.
PAGE 1—PERSONAL INFORMATION/ REVIEW INFORMATION
The front page of the form consists of data used for administrative purposes and details of the review period.
Signatures/ Comments: This section is provided for signatures of all conceded in the review process:
The designated supervisor: An appointed person to act as supervisor for the performance review in some situations such as shift work, these may not be the same since supervisors may change from shift to shift;
The indirect supervisor: This will normally be the person that the designate supervisor reports to;
The employee: To demonstrate that he has taken part in and discussed the review. This section should be signed once the review is complete.
The comments section is provided for the indirect supervisor either to respond to the employee's comments (which may be written in the Employee Feedback section) or to give general comments of encouragement or otherwise.
PAGE 2—BUSINESS OBJECTIVES (SECTION-A: KPI BASED PERFORMANCE RATING)
Individual objectives are agreed with the employee and written on the review form at the start of the review period. Since it is unlikely that all objectives will be equally important, each objective is weighted according to its importance i.e. given a percentage value such that the sum of all the weightings is equal to 100%

TABLE 1

Objective	Weightings
Objective 1	40%
Objective 2	20%
Objective 3	15%
Objective 4	15%
Objective 5	10%
Total	100%

TABLE 2: INDIVIDUAL OBJECTIVE RATINGS

Excellent (5)	Significantly exceeded the objective.
Superior (4)	Exceeded the objective.
Proficient (3)	Met objective.
Marginal (2)	Fell short of objective.
Unsatisfactory (1)	Fell well short of objective.

Once the achievement of each objective has been commented upon and rated (during the annual review) the scores are worked out by multiplying the ratings given with the assigned weightings.
Rating X Weighting =Score
The scores are then added together and the figure placed in the Total Score box at the bottom of page 2 of the form The Total Score for Objectives is a figure out of a total possible of 500 (each objective can get a maximum score of 5) for example:

TABLE 3

Particulars	Percentage		Rating		Total
Objective 1	25%	x	3	=	75
Objective 2	25%	x	2	=	50
Objective 3	30%	x	2	=	60
Objective 4	20%	x	3	=	60
Total Score	100%				245

SECTION-B: VALUE BASED BEHAVIOUR

In this section rating is assigned based on core value CRYSTAL. It is based on observed behaviour of the staffs in appraisal period.

TABLE 4

Key Values (CRYSTAL)	Weight
Creative (Idea Generation, Problem Solving, Initiative)	10%
Reliable (Dependable, Organised , Consistent)	20%
Youthful (open to change, Engaged, Positive)	10%
Strong (Assertive, Courageous, Energizer)	25%
Transparent (Take ownership, Compliant, Responsive)	10%
Accountable (Commitment, Respectful, Belongingness)	15%
Loyal	10%
Total	**100%**

TABLE 5: INDIVIDUAL OBJECTIVE RATINGS

Advanced (4)	A	Applied this competency to maximum effect
Competent Application (3)	B	Exceeded objectives
Developing (2)	C	Some Development Required
Minimal Application (1)	D	Application of the competency is not at the level necessary to meet the job requirement

Advanced (4): The employee applies this competency to maximum effect in his/her work and consistently exhibits the effective, but not the less effective, behaviours, this competency has been demonstrate and no more effort is required.
Competent Application (3): The employee adequately applies this competency to meet the job requirements and demonstrates more effective behaviours than less effective behaviours.
Developing (2): Some development in this competency is required. Perhaps because the employee is now in the job, less effective behaviours are demonstrated than effective behaviors. If an individual has had no opportunity to display this competency he should also be rated in this category.
Minimal Application (1): Application of this competency is not at the level necessary to meet the job requirements. The employee seldom or inconsistently demonstrates the effective behaviours for this competency. The less effective behaviours may be consistently demonstrated.
As described earlier for the Total Score for Objectives, the Total Score for competencies is arrived at by competency to get a score, then adding the scores and writing the resulting number in the total Score box. You now have two figures, the Total Score for objectives and for competencies, how do we get to the Overall Contribution Rating? You may think we just add the scores together however the two Total Scores are calculated as fractions of deferent possible totals (500 and 400) so we cannot do this. Also the importance of objectives and competencies is also the importance of objectives and competencies is not equally weighted in the input to the Overall Contribution Rating in fact the proportions are 2-1 (objectives: competencies).
We need to convert the two total Scores to common denominator and then apply the 2:1 weighting the resultant figure then needs to be converted to an Overall Contribution Rating one of six possible rating one of six possible ratings. To simplify your job an easy reference guide to calculate the Overall contribution Rating is provided. The Total Score for Objectives is plotted on the line of the easy reference guide with this title, and the Total Score for Competencies is plotted on the line marked Total Score for Competencies. A line is drawn between the two plotted points and the Overall Contribution Rating is found at the point where this line crosses the middle line marked Overall Contribution Rating.

SECTION-C: OVERALL CONTRIBUTION RATING

TABLE 6: MATRIX

		BUSINESS OBJECTIVE			
		1	2	3	4
VALUES	A	O	E2	S2	M
	B	E1	S1	P1	M
	C	S2	S2	M	U
	D	U	S3	U	U

The possible Overall Contribution Ratings are as shown below

- O= Outstanding; Always exceeds job requirements, needs job enrichment
- E=Excellent; Frequently exceeds job requirements, can improve in a specific area.
- S=Superior; Sometimes exceeds job requirements can improve in few areas.
- P=Proficient; Meets job requirements can improve in a four areas.
- M=Marginal; Sometimes does not meet job requirements, improvement needed in many areas
- U=Unsatisfactory; Does not met job requirements immediate action required.

At the top of page 4 there is space for the direct supervisor to write any general comments o the employee's performance during the review period in terms of objectives and competency levels.
This comment may also include, if appropriate, any factors which may have affected performance during the review period.

SECTION-D: DEVELOPMENT PLAN

The development plan lists the way in which the supervisor and the employee agree to meet his/her development needs. These needs will be these identified as being important in the achievement if objectives and will often be focused on the critical competencies.
Development options include on the job training assignments to other areas/special tasks/ groups coaching reading investigations training etc. (see tool 3) and development must be focused on what is essential for your staff to succeed in his job i.e. Job focused Once these essential requirements have all been met, then some 'future orientated' development may be possible and can be included here. 'Future orientated' development means development that is not essential to more challenging role in the future.

SECTION-E: EMPLOYEE FEEDBACK

This section gives the employee an opportunity to comment on whether his agars with you're Overall Contribution Rating and if not to explain why, it also checks that he has been set objectives for the next review period and asks for feedback on his views on the review process. He may also use this section to record by other comments he feels to be important.

6.2 EMPLOYEES' RESPONSE ANALYSIS BASIS ON QUESTIONNAIRE

Q.01 The performance appraisal scheme is visible and standard.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	5	25	15	5	5	50
No. of percentage	10%	50%	30%	10%	10%	100%

Inference: Table 1 show that overall 60% (50%+10%) of the employees affirmed existing performance appraisal is visible and standard whereas 20% employees having disagreement with the question along with 10% strongly disagreed employees. 30% employees were neutral to comment on it.

Q.02 Employees are fully familiar of existing performance appraisal system.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	10	31	2	5	2	50
No. of percentage	20%	62%	10%	10%	4%	100%

Inference: Table 2 shows that overall 82% (62%+20%) employees are familiar with existing performance appraisal system. 10% employees were neutral to comment and same percentage employees were disagreed with the questions. Only 4% employees are strongly disagreeing with the question.

Q.03 Any employees can ask to line manager for clarification on offered annual rating.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	13	19	8	8	2	50
No. of percentage	26%	38%	16%	16%	4%	100%

Inference: Table 3 shows that majority (64%) employees can ask clarification on obtained rating and 16% of employees have disagreement with the questions and same percentage people have avoided to opine where 4% employees are strongly disagree with question.

Q.04 Line Manager guides employees with a constructive performance appraisal

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	18	15	9	3	5	50
No. of percentage	36%	30%	18%	6%	10%	100%

Inference: From the question number 4, we understand that 36% employees strongly agree, 30% employees agree with the question where overall 16% employees are indisposed and remaining 18% employees are neutral to talk.

Q.05 Line Manager Offers reply with essential course of action to get better the performance of employees.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	17	15	8	7	3	50
No. of percentage	34%	30%	16%	14%	6%	100%

Inference: From the table we see that overall 64% employees are agreed with the statement and believed that line managers are peer for employee development. 6% employees are strongly disagreeing and 14% employees are disagreeing with the statement. 16% employees are hesitant to speak out on this.

Q.06 Line Manager jointly sets performance objectives with employees

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	38	8	0	1	3	50
No. of percentage	76%	16%	0%	2%	6%	100%

Inference: From table 6, we see that majority employees agreed with statement that performance objective was set by jointly.

Q.07 Line Manager is able to conduct the performance appraisal of employees without showing any biasness.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	47	3	0	0	0	50
No. of percentage	59%	0%	0%	5%	36%	100%

Inference: According to question; 59% employees are firmly believed that line manager can appraise their performance without biasness where 36% employees strongly disagree with the question.

Q.08 My Line Manager provides me feedback with necessary guidelines to improve the performance.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	14	19	1	8	8	50
No. of percentage	28%	38%	2%	16%	16%	100%

Inference: We understand from above question, 28% employees agreed strongly and 38% employees are agreeing with the question where overall employees were disagreed excluding 2% neutral respondents.

Q.09 Existing Performance appraisal is carrying the organizational and personal values.

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	11	27	2	6	4	50
No. of percentage	22%	54%	4%	12%	8%	100%

Inference: Table 9 shows that 76% (22%+54%) employees believed that existing performance appraisal is carrying the organizational and personal values. Remaining employees are disagreed with statement excluding 4% neutral employees.

Q.10 Values related to performance appraisal is well defined by organization

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
No. of Participants	2	18	3	19	8	50
No. of percentage	4%	36%	6%	38%	16%	100%

Inference: As per question no. 10, 54% employees are disagreed regarding definition of existing organizational values where overall 40% employees are agreed with the statement. 6% employees are avoiding talking with the issue.

5. RESEARCH FINDINGS

After study the employees' response we say that employees are in a dilemma to be continued their existing key values CRYSTAL or not since existing core values are representing multi values (seven key areas). Usually an organization may focus on single core value that impresses the employees to carry out and tapped with organizational values with individual values. Matching with Business Performance Rating or Key Performance Indicator (KPI) based rating and Behaviour Based Rating is the toughest one having chance for biasness since value based behavioural rating is qualitative rating and line manager can offer any behavioural rating on his/her own choice where KPI Based Rating is a quantitative rating. Another finding is that though employees have option to know the reason for getting lower rating but having limited application. Finally, researchers have taken only 50 respondents (Officer to Senior Manager) from different department of the bank as sample size to gather the information for his study. These employees are representing all other employees of the bank concerning performance appraisal system of the bank.

6. CONCLUSION AND RECOMMENDATION

Performance appraisal is playing vital role to develop any organization's employees as well as make sure the succession planning and meet up organizational profit & wealth maximizing goal. It assists to reset the employee's salary, increment, promotion, bonus, benefits and arrange to provide the required on job and off job training for more performance. According to this study, employees are happy with existing performance appraisal process but felt confusion regarding existing core value CRYSTAL that required redefining. We suggest improving the internal communication between line manager and subordinates to become effective performance appraisal system. Besides annual goal setting of individual values and organizational business target should be jointly set up which help the employees to get any qualitative rating without biasness.

7. FUTURE DIRECTION

This study is based on only 50 sample size. A large scale study may launch to know more regarding performance appraisal system of BRAC Bank Limited. This study is based on branch level employees of BRAC Bank Limited. But perception of Head office employees compared to Branch level employees as well as performance appraisal of Business People (front line officers) vs. Operations' People (support officers) and satisfaction level of existing appraisal system of Male employees vs. Female employees were not studied having option to explore more by any initiator.

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APPENDIX

QUESTIONNAIRE

AN ANALYSIS OF VALUE BASED PERFORMANCE APPRAISAL SYSTEM OF BRAC BANK LIMITED

Name:
Designation:
Name of the Bank:
Name of the Branch:

- Strongly Agree 5
- Agree 4
- Neutral 3
- Disagree 2
- Strongly Disagree 1

Q.01 The performance appraisal scheme is visible and standard.
Q.02 Employees are fully familiar of existing performance appraisal system.
Q.03 Any employees can ask to line manager for clarification on offered annual rating.
Q.04 Line Manager guides employees with a constructive performance appraisal.
Q.05 Line Manager Offers reply with essential course of action to get better the performance of employees.
Q.06 Line Manager jointly sets performance objectives with employees.
Q.07 Line Manager is able to conduct the performance appraisal of employees without showing any biasness.
Q.08 My Line Manager provides me feedback with necessary guidelines to improve the performance.
Q.09 Existing Performance appraisal is carrying the organizational and personal values.
Q.10 Values related to performance appraisal is well defined by organization.

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