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DETERMINING THE CHALLENGES FOR SMALL AND MEDIUM ENTERPRISES (SMEs) IN ACCESSING FINANCIAL RESOURCES IN A RURAL DISTRICT OF ZAMBIA USING MULTIVARIATE ANALYSIS

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ABSTRACT

Entrepreneurs face a lot of challenges in carrying out their important roles but the challenges are still not very well understood. This study set out to determine those challenges in a rural Zambian town which has become a centre of entrepreneurial activities in the country. A case study was conducted with a sample composed of entrepreneurs and financial institutions which are supposed to provide financial resources to them. To collect the data, questionnaires were designed and administered and the data analysed both qualitatively and quantitatively. The study shows that entrepreneurs in Solwezi faced many challenges which mainly revolved around lack of access to credit from banks. It is recommended that both the banks and the government put in place measures to make access to credit easier for the entrepreneurs.

JEL CODE
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KEYWORDS
enterprise, entrepreneurship, finance, SMEs, Zambia.

1. INTRODUCTION

Entrepreneurship is now the buzz word all over the world because many people have come to recognize the critical role it plays in economic development and growth. At the centre of the entrepreneurial process is the entrepreneur who brings together the factors of production in order to create new wealth and jobs. She does that by creating an organization which has come to be known as the small and medium enterprise (SME). But entrepreneurs face a lot of challenges in carrying out this important role, challenges which are still not very well understood (Zimmerer & Scarborough, 1988).

The small and medium enterprises (SMEs) play an important role in a nation's economy, for both developed and developing countries. SMEs also constitute a high proportion of a nation's business activities and generate more employment opportunities than the large corporations in recent years. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005 globally. Despite their significance, access to relatively cheap and effective sources of finance has been identified as one of the major factors hindering their contribution to the economic development of a country.

Though SMEs play an important role in economic growth and employment creation, they are commonly constrained by finance. How to solve their financial constraint is a worldwide problem. Early in the 1930s, Senator Macmillan in his report to congress concerning SMEs'
development pointed out that SMEs were distressed with a finance gap (Cook & Nixson, 2000). Much empirical study has shown that SMEs were faced with not only an equity gap but also a debt gap. In China, SMEs are also suffering from a finance gap, because SMEs' financing mainly relies on bank sources.

The most important obstacle to getting bank financing is information asymmetry between borrower and lender, e.g., the borrower has private information about the firm that lender doesn't have. For SMEs, because of their small size, short history, obscure accounting, etc, the extent of information asymmetry becomes more serious.

All small businesses face the same major issue in their early days and that is finding the money to enable them to start and build up the business and their products and services. A survey conducted by the World Bank on Enterprise Development in Zambia (2007) identified poor access to finance as a major impediment to SME startup and growth in Zambia (The IBRD/ World Bank. 2008). Only 16% of firms surveyed reported having a loan or line of credit from a financial institution, compared with 23% for the region and 35% for all countries surveyed. Therefore, while Zambia's cost of doing business index has progressively improved in recent years, access to finance continues to feature among the three key constraints to investment and growth.

The SME sector is arguably the lifeline of the economy, because it is the largest domain for employment creation and service provision especially in areas which the larger-scale sector shuns. It is not surprising therefore that the country's economic development agenda which has been anchored on the development and expansion of the private sector, places a lot of emphasis on the development of this sector.

SMEs contribute positively towards the Gross National Product (GNP) and produces inputs consumed by large industries. Although it was recognized in the early 1980s that small and medium size businesses required financial support from commercial banks, the lending terms prescribed by financial lending institutions are not favourable to the sector.

Financing is necessary to help SMEs set up and expand their operations, develop new products and invest in new staff or production facilities. Many small businesses start out as an idea from one or two people, who invest their money and probably turn to family and friends initially for financial help in return for a share in the business. If they are successful, there comes a time for all developing SMEs when they need new investment to expand or innovate further. That is where they often run into problems, because they find it much harder than larger businesses to obtain financing from banks, capital markets or other suppliers of credit. Generally, financial inclusion, or broad access to financial services, is defined as an absence of price and non-price barriers in the use of financial services (The IBRD/ World Bank. 2008). Improving access, then, means improving the degree to which financial services are available to all at a fair price.

The difficulties that SMEs encounter when trying to access financing can be due to an incomplete range of financial products and services, regulatory rigidities or gaps in the legal framework, and lack of information on both the bank's and the SME's sides. Banks may avoid providing financing to certain types of SMEs, in particular start ups and very young firms that typically lack sufficient collateral, or firms whose activities offer the possibilities of high returns but at a substantial risk of loss.

SMEs tend by their nature to show a far more volatile pattern of growth and earnings, with greater fluctuations, than larger companies. Their survival rate is lower than for larger companies. Manufacturing firms with fewer than 20 employees were five times more likely to fail in a given year than large firms. Thus, SMEs are at a particularly severe disadvantage when trying to obtain financing relative to large and more established firms (OECD, 2006).

1.1 BACKGROUND TO THE STUDY

Zambia has achieved important progress in terms of strengthening its policy framework for investment over the past years from 1992. Zambia began to liberalize its trade regime in the early nineties, and embarked on a privatization programme. In 2004, Zambia introduced the Private Sector Development Reform Programme, with its first phase (PSDRP I, 2006-2009) aiming to improve the investment climate to boost the private sector's contribution to economic growth. It focused on strengthening public agencies that support public sector development; improving the investment code and regulatory framework; encouraging private investment in infrastructure; business facilitation and economic diversification; trade expansion; and citizens' empowerment. The successor to this programme, PSDRP II, was scheduled for the period between 2009 and 2014. The Government has articulated the country's long term development objectives in the National Long Term Vision 2030.

Zambia undertook reforms that made it easier for enterprises to do business. These included the abolition of price controls, liberalization of interest rates, abolition of exchange rate controls, 100% repatriation of profits, free entry of investment in virtually all sectors of the economy, trade reforms aimed at simplifying and harmonizing the tariff structure, and removal of quantitative restrictions on imports. Moreover, it shortened the time taken for business name registration and company incorporation from 21 days to 3 days. It has also improved its ranking on the Doing Business Index, moving from 90 in 2009 to 76 in 2010; cut the number of days to start a business and the time required to register property virtually by half; and made notable progress in strengthening legal rights and making it easier for companies to hire workers. However, a key challenge remains: spurring more domestic and foreign investment, and subsequently enhancing Zambia's economic diversification and development. To that end, the Government undertook an assessment of Zambia's investment-related policies against the OECD Policy Framework for Investment (PFI) in 2010-2011, which allowed for an integrated evaluation of the different policy areas affecting the country's investment climate.

A number of financial institutions were established between 1969 and 1990 in Zambia in order to provide lending to small and medium size business enterprises. However the interest rates are on the higher side such that most SMEs shun this facility. This prompted the new government in September 2011 to ask the financial lending institutions to reduce the interest rates as a way of encouraging SMEs to borrow money.

In 2000, the Zambia Chamber of Small and Medium Business Association (ZCSMBA) was registered to promote the development of small and medium size businesses. ZCSMBA is also a member of the Zambia Chamber of Commerce and industry (ZCCI), the mother body, and has a seat on its board. Its major objectives are to promote the development of SMEs; facilitate the participation of SMEs in the economic and industrial development environment for SMEs; source funds and other resources for the benefits of SMEs; promote linkages and networking for SMEs (ZCSMBA, 2000).

The government through an Act of parliament (Act No. 9 of 2006) established the Citizen Economic Empowerment Commission (CEEC) in order to develop and empower SMEs. Government realized it needed to support SMEs as they contributed greatly to job and wealth creation to enhance national development. However, in 2012 the new government temporally suspended the disbursement of funds through the CEEC after it was discovered the whole exercise was not transparent and that most of the borrowers had not paid back the loans. In January 2013 the ban was lifted and CEEC resumed the disbursement of funds. The main objectives of the CEEC included among others the establishment of the Citizens Empowerment Fund; promoting the empowerment of targeted citizens; promoting investment through fostering joint local and foreign ownership of companies.

The Zambian government further established the Zambia Development Agency (ZDA) in 2006 by an Act of Parliament and it was an amalgamation of five statutory bodies that hitherto operated independently to foster economic growth and development by promoting trade and investment through an efficient, effective and coordinated private sector led economic strategy. The institutions were the Zambia Investment Centre (ZIC), Zambia Privatization Agency (ZPA), Export Board of Zambia (EBZ), Small Enterprise Development Board (SEDB) and Zambia Export Processing Zones Authority (ZEPZA). One of the main objectives of ZDA is to provide and facilitate support to the micro and small business enterprises.

Solwezi, the rural town and provincial capital of North-Western Province in Zambia, is positioning itself among the top attractive investment destinations in the country. The town which not too long ago offered very little attraction in terms of economic and social opportunities is now a hive of activities, both economically and socially. The opening of some of the country's biggest mining ventures such as Kansanshi Mine owned by First Quantum Minerals (FQM) and Barrick Gold's Lumwana Mining Company there has put Solwezi town and North-Western Province in general, on the surge in terms of economic activities. The mining investments have seen an improvement in the standard of living of the people as could be justified from the creation of more than 3,000 jobs in the industry. The investments in the mining industry are translating into increased business volumes for Small and Medium Enterprises (SMEs). Consequently, the rural Zambian town of Solwezi has become a centre of entrepreneurial activities in the country.

2. REVIEW OF LITERATURE

2.1 DEFINITION OF SME

The term SME covers a wide range of definitions and measures, varying from country to country and between the sources reporting SME statistics. Although there is no universally agreed definition of SME, some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital. Among them the most common definitional basis used is number of employees because of the comparative ease of collecting this information, but there is still variation in defining the upper and lower size limits of an SME. Despite the variance, a large number of sources define an SME to have a cut-off range of 0 – 250 employees (Ayagari, Beck, and Demirguc-Kunt, 2003).

The Zambia Development Agency (ZDA) defines micro and small enterprises as those with a total investment excluding land and buildings of up to K80, 000 (US$13,000) whose annual turnover goes up to K150,000 (US$24,000) and employing up to 10 persons. On the other hand small enterprises are those with total investment excluding land and building of between K 81,000 (US$13,160) to K 200,000 (US$32,000) in plant and machinery in the case of manufacturing and processing enterprises. In the case of trading and services- providing enterprises total investment, excluding land and building of up to K150,000 (US$24,000). The annual turnover for Small Enterprises lies between K151, 000 (US$24,160) to K300, 000 (US$48,000) and employing between 11 – 50 persons (www.zda.org.zm).

In the USA and Canada, SMEs generally include firms with less than 500 employees (US Small Business Administration, 2008). The EU defines a medium-sized enterprise as one with 250 employees, a small enterprises as one with less than 50 and a microenterprise as one with a maximum of 10 employees. At the same time, to qualify as an SME in the EU, a firm must have an annual turnover of Euro 40 million or less and/or a balance sheet valuation not exceeding Euro 27 million (EU Commission Recommendation on the definition of SME).

In Japan, an SME is defined as a firm with 300 employees or less and capital size of 300 million yen or less in manufacturing, a firm with employees of 100 or less and capital size of 100 million yen or less in wholesale, and a firm with 50-100 employees or less and capital size of 50 million yen or less in retail and service sector. In developing countries, the number of employees and size of assets or turnover for SME tend to be much smaller compared with their counterparts in developed countries due to their relative size of business entities and economies. For example, in Mongolia, SMEs are defined as legally registered business entities with employees of 199 or less and with an annual turnover of 1.5 billion togrog (approximately 1.3million US$ equivalent) or less respectively.

TABLE 1.0: EUROPEAN UNION SME DEFINITIONS AND CLASSIFICATIONS

Firm Size	Headcount	Turnover	Balance sheet Total
Medium-sized	<250	≤€50 million (in 1996 ≤€40 million)	≤€43 million (in 1996 ≤€27 million)
Small	<50	≤€10 million (in 1996 ≤€7 million)	≤€10 million (in 1996 ≤€5 million)
Micro	<10	≤€2 million	≤€2 million

Source: European Commission Recommendation 96/280/EC

For the World Bank, a microenterprise has up to 10 employees, total assets of up to $10,000 and total annual sales of up to $100,000; a small enterprise has up to 50 employees, total assets and total sales of up to $3 million; a medium enterprise has up to 300 employees, total assets and total sales of up to $15 million (Ayagari, Beck, Demirguc-Kunt, 2003).

2.2 THE ROLE OF SMES IN SOCIAL AND ECONOMIC DEVELOPMENT

SMEs account for a significant share of employment and GDP around the world, especially when taking into account the informal sector. Micro, Small and Medium Enterprises (MSMEs) play a key role in the developmental process of a nation. These enterprises, if well nurtured, can be the answer to addressing Zambia's key economic challenges, and for Solwezi in particular. Such challenges include job creation, poverty reduction and increase in government revenue collection. The sector is more significant to developing countries such as Zambia, where only a small percentage of the population can be employed in the formal sector at any one time. The SMEs are also important to the country in that they are able to absorb and utilize some of the workforce left out by the formal sector such as mining and agriculture.

At the 10th Annual conference of Southern African Entrepreneurship and small business Association (SAESBA), held in Zimbabwe in 1997, the small and medium size business enterprises were labeled as the 'Engine for Economic Development' (Havenga 1997). This is more so when looked at in terms of employment creation and the contribution that the sector makes to the national economies in terms of Gross National Product (GNP). Currently there is a growing enthusiasm in the donor community to fund SMEs (Sahley, 1997) in recognition of the role that the sector plays in the development of national economies and the alleviation of poverty.

2.2.1 EMPLOYMENT CREATION

The growth of small and medium enterprises (SMEs) is a major driver of the economy because SMEs contribute to employment growth at a higher rate than larger firms. This is clearly demonstrated by the fact that about 99.8 per cent of the enterprises in the EU are SMEs, which employ 67% of the European workforce and generate 57% of the revenue (European Statistical Data Support, 2008). According to the Zambia Business Survey (2010), large established firms only employed 7 percent of the workforce while over 88 percent were employed in the MSME sector, with a majority of them in the agriculture sector.

Several studies have found that SMEs create more jobs than large firms do, both in developed and developing countries. SMEs also shed more jobs than do large firms, but job creation tends to outweigh job destruction, so that net job creation is higher in SMEs than in large firms (Globalization and Economic Policy Centre (2010), OECD (1997) and (2003a)) established that small firms consistently provided more gross and net jobs than large firms do.

The Economic Commission of Africa (1999) reported that between 1995 and 1998, some 20, 000 formal sector jobs were lost in Zambia due to economic reforms embarked upon by the government that time. These jobs were lost mostly due to downsizing, particularly in the civil service and the privatization of state-owned companies. The scenario is common to most developing countries. Rising unemployment figures in any country often lead to insecurity. This is why the national governments should give the SME sector the support it deserves in line with its importance.

Accordingly, over 99 percent of European enterprises were responsible for two thirds of total employment, and a competitive financing environment for all companies was a key element in promoting an entrepreneurial economy and strengthening growth (Commission of the European Communities, 2001). Thus, all countries where SMEs had been supported, the economies were doing well, and it is for that reason that all developing countries should take a leaf from those countries if their economies were going to thrive.

2.2.2 CONTRIBUTION TO GROSS NATIONAL PRODUCT (GNP)

The Governor of the Bank of Zambia (2012) stated that the Government was committed to the creation of a conducive environment in which SMEs should achieve their growth objectives and contribute effectively towards the gross domestic product (GDP) of the country as well as take advantage of economic and financing opportunities to enhance the personal welfare of the citizens of the country. In line with the Government's policy, the Bank of Zambia had increasing access to finance by members of the general public as one of its strategic objectives.

FIGURE 1.0: SMEs CONTRIBUTION TO GDP

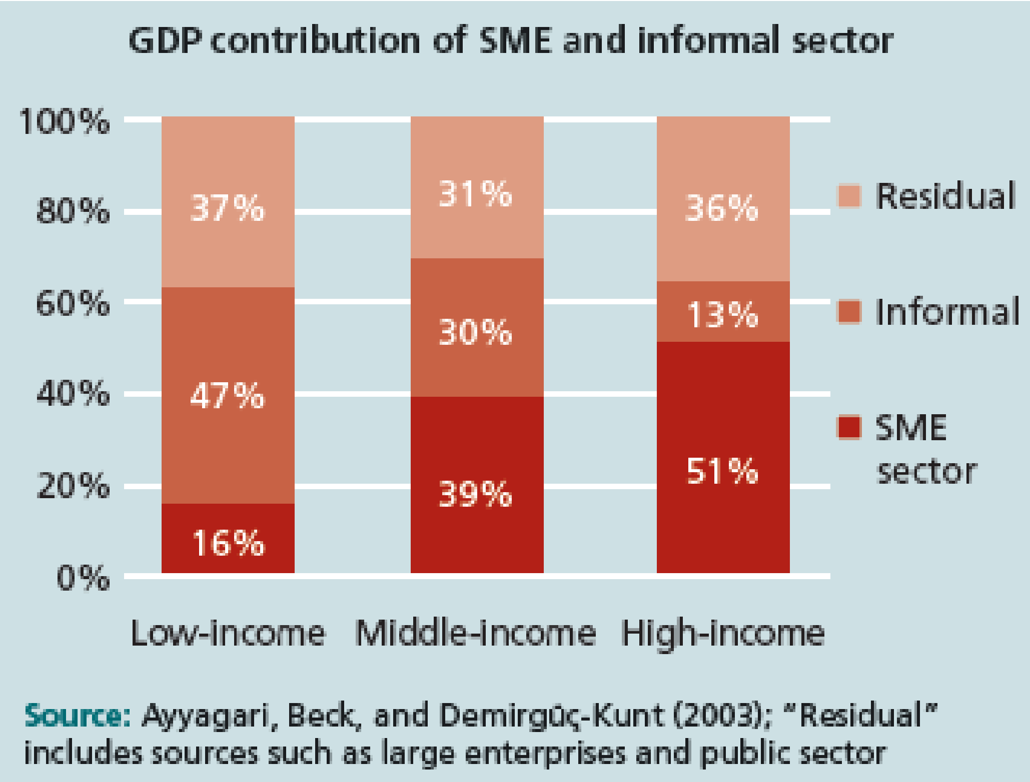


Figure 1.0 shows a marked increase in the SME sector's contribution to GDP from the low-income countries (16%) to 51% in the high income countries. The SME contribution to GDP and employment figures are comparatively small in developing countries.

2.2.3 OTHER ROLES PLAYED BY SMEs

SMEs do not only create employment and contribute to the Gross National Project (GNP) of the countries; they also do the following: produce goods and services consumed by the majority of the population; utilize local inputs and use simple technology to produce their goods and services; reduce the power oligopolies by increasing competition; provide outlets for entrepreneurial talents; provide a source of innovations; provide a breeding ground for new industries and act as a base for new large companies (Simpemba, 2002).

2.3 FACTORS THAT AFFECT SMEs' BORROWING FROM BANKS

The studies and empirical evidence on finance consistently hold the view that inadequacies in accessing finance are key obstacles to SME growth. Beck, Demirguc-Kunt and Maksimovic (2004, 2006, and 2007) and others show that SMEs find accessing finances more difficult than larger firms. Mate (1999) stated that there was no existing institution in Zambia that was in a position to satisfactorily provide support to the SME sector by that year in order to move it forward. Despite establishing the SEDB in 1996 to champion the cause of small businesses, the situation had not changed much. However, the Zambia Chamber of Small and Medium Business Association (ZCSMBA) was registered in 2000 in order to promote the development of SMEs.

According to Simpemba (2002), access failures to finance arise either in the supply side or the demand side of the equation. The supply side may fail when the appropriate sources of finance are not available at all or they are not available on the terms and conditions that are suitable to SMEs. The demand side may fail when SMEs do not make use of the financing opportunities that exist, because of lack of information, lack of collateral or through poor presentation of their case for funding. In order to overcome the hurdles of accessing finance, both sides of the equation need to be addressed. Some of the major problems faced by SMEs on the supply side stem from high interest rates, collateral requirement, stiff repayment terms demanded by financial lending institutions and high corporate taxes demanded by the government coupled with unfavorable government policies just to name a few.

Accessibility to finance by SMEs was still a major problem, particularly in the developing countries like Zambia (Cattani, 2002). In general, banks refuse to lend to SMEs because they are regarded as a risky and unproductive sector. Holden (1997) adds that access to finance in most Latin American countries was restricted to large, well-established companies who have long history of borrowing or to owners who have large real estate holdings. This situation is also common to Sub-Saharan African countries and the rest of the developing countries.

2.3.1 INCREASED REQUESTS FOR COLLATERAL

Collateral is an asset of the borrower that is automatically transferred to the lender should the project revenues not be sufficient to repay the loan in full. As the collateral reduces the limited responsibility of the borrower in presence of unfavorable result, the borrower who provides collateral will be transmitting a signal concerning the quality of his project, declaring the probability of his project's success to be high. Specifically, collateral stands as a financing cost, which reduces the expected profit for bad quality borrowers and increases it for good quality borrowers.

2.3.2 SIZE OF THE FIRM

Larger enterprises, especially those with a big proportion of tangible assets, can provide more collateral as the bank requires. Besides, large-sized firms involve large bankrupt and reputation costs when they fail to repay the loan. Based on a sample of 3404 small companies in the United States, according to their book asset value, Petersen and Rajan (1994) classified them into six categories and found that only part of the sample firms get bank loans, but the percentage rises from 34% for the smallest size to 91% for the largest size.

2.3.3 WILLINGNESS TO ACCEPT BANK CLAUSES

The more willing to accept the clauses the bank puts forward SMEs are, the more the bank loans SMEs can get and the higher probability of SMEs getting a bank loan. The acceptance of these clauses is a positive signal to the bank and results in more bank loans and smaller interest rates for the borrower. Ross, Westfield and Jaffe (1996) cite evidence revealing that 91% of public debt issues in the United States include the prohibition of using additional debt, 39% of realizing mergers and 36% of selling shares.

2.3.4 RELATIONSHIP WITH BANKS

The closer the SMEs' relationship with the bank is, the more bank loans SMEs can get and the higher the probability of SMEs getting a bank loan. An increasingly large body of research has focused on the advantage of the relationship between firms and providers of capital in facilitating access to funds (Diamond, 1989; Uzzi, 1999; Scholtens, 1999; Cole, 1998; Berger and Udell, 1995; Petersen and Rajan, 1994; Fama, 1995). In general, a long-term relationship with a formal financial intermediary is expected to lower the costs of financing because it decreases the cost of monitoring, opens the possibility for greater contract compliance and gives the financier more control over potential moral hazard problems.

2.3.5 INTEREST RATES

Low interest rates reduce the cost of investment and encourage investments in key sectors of the economy. Zambia's interest rates have come down, with banks' weighted lending base rate at 19.4 percent in December 2010 down from 46.7 percent in 2001 (Zambia Review, 2011/12).

When the economy of a country is not strong, which is a common feature for most developing countries including Zambia, the interest rates on loans are likely to be high. These rates are even higher on secured loans than on unsecured loans. The rationale behind this is that secured loans take more administrative time and personnel than unsecured loans (Simpemba, 1992).

The Saprin Report (201) has shown that high interest rates prevent SMEs from borrowing and many small businesses have gone bankrupt or have been forced to seek credit through non-formal means to survive.

2.3.6 FINANCIAL STATEMENTS

Most SMEs do not keep proper financial records and accounts and this has often created problems when trying to apply for loans from financial lending institutions such as banks where financial statements are required. Most financial lending institutions require financial statements in order to evaluate the creditworthiness of the applicant and most SMEs are found wanting in this area (Simpemba, 1992). One of the reasons advanced for not keeping proper financial records by SMEs is that transparent reporting would expose them to excessive taxation and hence their reluctance to keep records. On the other hand, failure to keep records could be attributed to lack of knowledge or lack of appreciation of the usefulness of keeping records for control and decision making purposes. It may not be entirely true, therefore, that SMEs fear exposure to excessive taxation.

2.3.7 GOVERNMENT REGULATIONS

Government regulations although well intended cost businesses millions of dollars (Zimmerer & Scarborough, 1988). Many of the regulations such as the corporate tax require the same level of compliance for small firms as large ones. It must be pointed out here that the burden of regulations is heavier on small firms than larger ones because they lack the broader financial base and larger volumes of output enjoyed by their larger counterparts. These regulations make it very difficult for small firms to prosper and are a bottleneck to their operations.

2.3.8 LACK OF CREDIT INFORMATION

Small firms suffer from a variety of problems, one of them being lack of credit information. Most of the information that is available on the market does not filter through to the sector. Muyawala and Loeaaaea (1997) have shown that information services available favor large firms and is hardly targeted at small firms.

2.3.9 STIFF REPAYMENT (SHORTENED MATURITIES)

The period in which a loan or overdraft must be repaid is a hindrance to accessing finances for some business owners. According to the study on funding problems to SMEs conducted on the Copperbelt in 1992 by Simpemba, the hindrance regarding stiff repayment accounted for 12%.

2.4 SME GROWTH PHASES AND FUNDING CYCLE

People start business with a motive to make money, but before the owners can start making money, they need to have enough cash to run the business. There are many sources of finance for SMEs and at the same time there are difficulties entrepreneur may face in seeking finance to start and develop a business. According to Berger and Udell (1998), small medium firms might have gone through a financial growth life cycle where financial needs and options change as the business grows, gains further experience, and becomes less informationally opaque. Weston and Brigham had noted earlier in 1978 that the financial growth life cycle emphasizes the different sources of finance throughout the various stages of the business. From the firm's inception, funds are primarily provided by the founder, family and friends which is referred to as the '3Fs' (Deakins and Freel, 2006) (Table 2.0). As the businesses grow, they might gain access to intermediated finance on the equity side (venture capital) and on the debt side (banks, financial companies, etc). If the firms keep growing and expanding, the entrepreneurs may seek finance in public equity and debt markets (Berger and Udell, 1998). This financial growth life cycle is not intended to fill all small businesses' needs.

At start-up, the commonly held view is that firms have difficulty accessing external finance due to information opacity (Huyghebaert and Van de Gucht 2007). The most important and commonly used sources of finance at this stage are personal savings of the firm owner, and finance from friends and family members (Ullah and Taylor, 2007). Whilst a firm may obtain sufficient capital to initiate trading, a lack of planning may lead to problems of undercapitalization in the earliest stages. In extreme cases, particularly in the face of competition, the firm may not be able to continue in business.

TABLE 2.0: THE FINANCIAL LIFE CYCLE OF THE FIRM

Stage	Sources of finance	Potential problems
Inception	Owners' resources	Undercapitalization
Growth I	As above plus: Retained profits, trade credit, bank loans and overdrafts, hire purchase, leasing.	Overtrading, liquidity crises
Growth II	As above plus: Longer term finance from financial institutions.	Finance gap
Growth III	As above plus: New market issue.	Loss of control.
Maturity	All sources available.	Maintaining Return On Investment (ROI).
Decline	Withdrawal of finance: firm taken over, share repurchase , liquidation	Falling ROI

Source: Weston and Brigham (1970, p. 157).

As successful firms survive nascent and start-up phases, and mature through growth stages, personal funding becomes relatively less important as investment finance is increasingly sourced from retained profits. Furthermore, accumulation of trading history facilitates access to increased sources and amounts of external financing, particularly bank financing and trade credit. Rapidly expanding firms lacking adequate working capital to meet increased costs may experience liquidity problems at this stage (Bates and Bell, 1973).

2.5 FINANCING SMEs

Financing of Small and Medium Sized Enterprises (SMEs) is crucial to their success. Any business enterprise, no matter how well managed, at one point or the other, will require financial assistance. The finances may come from external sources in form of debt or equity. Seglin (1990) has cited undercapitalization of start up businesses as one of the chief causes of business failure. Banks are the most common source of finance for Small and Medium Sized Enterprises and yet their lending terms are not within reach of most small businesses.

The first source of finance available to the business is the owner's capital (Ronan,1998). If the owner is unwilling to put his money into the business, it is most unlikely other financiers will agree to finance the scheme. This is true for the start-up business but there are other parameters that financial institutions look for especially for on-going businesses. There are other sources of funds for SMEs, such as venture capitalists, life insurance, savings and loan associations, finance companies and credit unions. Each one of these financial institutions has its own lending policies. There are other sources of finance, which most SMEs are often not aware of probably due to lack of information. These sources are usually non-traditional, such as donors.

2.5.1 DEBT FINANCING

Debt financing creates cash by borrowing from a bank, mortgage company, friends, family or from vendors (like equipment manufacturers). Although some angels provide debt capital, commercial banks are the primary providers of debt capital to small companies. Bankers tend to make business loans through lines of credit, term loans and mortgages. A line of credit loan is the largest amount of money that the borrower can obtain from the bank at any one time.

Entrepreneurs can also obtain a mortgage to provide funding. Mortgages are loans for which certain items of inventory or other properties serve as collateral. Although debt financing increases the potential for higher rates of return on investment (ROI) and allows entrepreneurs to retain much of the board control, it also puts entrepreneurs at greater risk. Irrespective of the startup's outcome, banks make sure that they will get their investment back along with interest. To accomplish this, banks structure their agreements accordingly. Additionally, these conditions, such as the interest rates, loan repayment periods, collateral, etc, may not be conducive to small firms and subsequently may hinder them from securing the necessary funds for running their businesses (Simpemba, 2002).

2.5.2 EQUITY FINANCING

As opposed to debt financing, equity financing transfers the risk from the entrepreneur to the investors, but has its own set of drawbacks. Equity financing is when entrepreneurs can raise money only through selling common or preferred stock to investors. This implies that an entrepreneur gives up some of his or her voting rights to investors. Although most angels offer equity financing, institutional venture capitalists make the biggest equity financing investments. Institutional venture capital firms usually manage large funds – anywhere from $25 million to $1 billion and invest in high growth companies (Riley, 2012). When venture firms invest in a company, the firm generally takes a seat on the board of directors. Venture capitalists assist the entrepreneurs in taking the companies forward. The very same venture capitalists do not mind firing everyone, including the founders and shutting down the company if they determine that it is not economical. In addition, raising venture capital is generally a long shot.

2.6 OTHER SOURCES OF FINANCE FOR SMEs

A wide range of sources are identified as shown by Tables 3.0 and 4.0 for the assessment of sources of finance such as banks, trade supplier credit, government loan or grant, retained earnings, personal savings of the owner, leasing firms, loan from employees, support from relatives and friends. Two sets of questions can be asked, one at the start of the enterprise, and the second, to sustain operations. Often the hardest part of starting a business is raising the money to get going (startup capital). The entrepreneur might have a great idea and be clear of how to turn it into a successful business venture. However, if sufficient finance can't be raised, it is unlikely that the business will get off the ground.

2.6.1 PERSONAL SOURCES

The most important source of start-up capital comes from entrepreneurs and owner-managers themselves in terms of their own retained profits, savings, remortgages or perhaps money raised from the 3 Fs of family, friends and founders (Deakins and Freel, 2006). The research done by Harding (2002) shows that businesses in the UK receive £20,000 in startup finance, £10,000 from personal investments; £5,000 from family and friends; the remainder is from external sources. External finance can be drawn from a number of sources when internal finances are no longer sufficient.

2.6.2 BORROWING FROM FRIENDS AND FAMILY

Friends and family who are supportive of the business idea provide money either directly to the entrepreneur or into the business. This can be quicker and cheap to arrange (compared to a standard bank loan) and the interest and repayment terms may be more flexible than a bank loan. However, borrowing in this way can add to the stress faced by an entrepreneur, particularly if the business gets into difficulties. The initial capital from own savings accounts for 75% with 8% coming from relatives, the other 12% can come from shares (equity) and a marginal percentage of 4% from financial lending institutions (debt) (Simpemba, 2002).

2.6.3 CREDIT CARDS

This is a surprisingly popular way of financing a start-up. In fact, the use of credit cards is the most common source of finance amongst small business. Each month, the entrepreneur pays for various business related expenses on a credit card. Then 15 days later the credit card statement is sent in the post and the balance is paid by the business within the credit-free period. The effect is that the business gets access to a free credit period of around 30 – 45 days.

2.6.4 RETAINED PROFITS

This is the cash that is generated by the business when it trades profitably – another important source of finance for any business, large or small. Note that retained profits can generate cash the moment trading has begun. For example, a start-up sells the first batch of stock for £5,000 cash which it had bought for £2,000. That means that retained profits are £3,000 which can be used to finance further expansion or to meet other trading costs and expenses. Merredith (1977) suggests that at least 50% of the profit before tax should be ploughed back into the business.

2.6.5 ANGEL INVESTORS

Business angels are high- net- worth individuals that invest their own money in small growing businesses through an equity stake. Business angels are an important source of finance for SMEs. It is clear that business angel activity has grown over the last decade, with the number of investments increasing more than threefold between 2001 and 2007 (Mason and Pierrakis, 2009). Business angels are private Investors who invest directly in private unlisted companies in return for an equity stake, and who perhaps take a seat on the company's board, are often referred to as 'business angels'. Business angels have clear industry preferences - they invest in industries that they understand and, usually, operate locally in view of the requirement for local knowledge.

2.6.6 VENTURE CAPITAL

Venture capital involves the provision of investment finance to private small or medium sized companies in the form of equity or quasi-equity instruments not traded on recognized stock exchanges. It is long-term risk finance where the primary return to the investor is derived from capital gains rather than dividend income. Venture capital investors are actively involved in the management of the investee company, with the intention of helping to assure the success of the venture.

2.6.7 LOAN CAPITAL

The most common forms are a bank loan or bank overdraft. A bank loan provides a long-term kind of finance for a start-up, with the bank stating the fixed period over which the loan is provided (e.g. 5 years), the rate of interest and the timing and amounts of repayments. Bank loans are good for financing investment in fixed assets and are generally at a lower rate of interest than that of a bank overdraft. However, they do not provide much flexibility.

A bank overdraft is a more short-term kind of finance which is also widely used by start-ups and small businesses. An overdraft is really a loan facility – the bank lets the business “owe it money” when the bank balance goes below zero, in return for charging a high rate of interest. As a result, an overdraft is flexible source of finance, in the sense that it is only used when needed. Bank overdrafts are excellent for helping a business handle seasonal fluctuations in cash flow or when the business runs into short-term cash flow problems (e.g. a major customer fails to pay on time).

2.6.8 TRADE CREDIT

A trade credit is an arrangement when suppliers of goods and services do not require immediate payments, but instead offer credit terms for payments due (Dewhurst & Burns, 1990). Companies buy raw materials, components, stores and spare parts on credit from different suppliers. Generally suppliers grant credit for a period of 3 to 6 months, and thus provide short-term finance to the company.

2.6.9 FACTORING

This type of finance involves a business contracting out its sales ledger and debt collection to an external organization, e.g. a bank. The bank will pay the business for its invoices when issued and will then collect payments from its customers and pursue late payers. The business receives the money sooner as it does not have to wait until the invoice date, but pays a fee for using this service.

2.6.10 INVOICE DISCOUNTING

This involves a business exchanging its invoices for cash. This type of finance is similar to factoring but the business operates its own sales ledger by sending out invoices in its own name. The SME will need to deposit the payments with the finance provider as soon as they have been received from its customers (BIS, 2012).

2.6.11 HIRE PURCHASE AND LEASING

Hire purchase agreements and leasing provide finance for the acquisition of specific assets such as cars, equipment and machinery involving a deposit and repayments over, typically, three to ten years. Technically, ownership of the asset remains with the leaser whereas title to the goods is eventually transferred to the hirer in a hire purchase agreement.

TABLE 3.0: SOURCES OF FINANCE AT STARTUP SMES, MALAYSIA, 2009

Size	Commercial & personal loan	Govern-ment	Retained earnings	Supplier trade credit	Leasing	Loans from employees	Owner Personal Savings	Loans from non-relative individuals	Micro credit
1-5	56.3	0.0	94.1	94.1	43.8	16.7	83.3	6.3	6.3
6-49	40.0	3.3	91.3	93.4	60.0	4.4	82.6	35.6	7.8
50-99	34.8	0.0	87.0	91.3	47.8	8.7	69.6	39.1	4.3
>99	44.4	16.7	88.9	94.4	66.7	0.0	83.3	44.4	0.0

Source: Calculated from ERIA Survey (2010)

TABLE 4.0: SOURCES OF FINANCE AT MATURITY STATE SMES, MALAYSIA, 2009

Size	Commercial & personal loan	Govern-ment	Retained earnings	Supplier trade credit	Leasing	Loans from employees	Owner Personal Savings	Loans from non-relative individuals	Micro credit
1-5	37.5	16.7	66.7	83.3	41.7	75.0	41.7	8.3	0.0
6-49	34.5	3.6	46.4	87.3	47.3	73.2	66.7	16.4	7.4
50-99	38.5	0.0	38.5	92.3	46.2	69.2	76.9	15.4	0.0
>99	21.4	0.0	78.6	78.6	57.1	78.6	71.4	28.6	0.0

Source: Calculated from ERIA Survey (2010)

2.7 REASONS FOR SEEKING FINANCE FOR SMEs

SMEs seek finance for various reasons like for working capital/cash flow, capital equipment or vehicles, buying land/buildings, improving buildings, research and development, buying another business, marketing, business expansion/growth, training/staff development, management buyout, and others (BIS Small Business Survey, 2010).

Access to funding is the lifeblood of any enterprise, enabling it to grow, and to generate more output and employment (Beck *et al.,* 2005, 2006, and 2008; Berger and Udell, 1998; OECD, 2006a, 2006b, 2006c). There is considerable evidence to support the contention that SMEs, in particular, face a number of obstacles and problems in accessing finance, mainly related to their limited resources and perceived risk by lenders. This is particularly problematic and worrisome for policy makers, given that SMEs and entrepreneurship are widely recognized as being the key sources of dynamism, innovation and flexibility in advanced industrialized, emerging market and developing economies, and are major net job creators in these economies (OECD, 2006a,2006c).

2.8 FINANCING THEORY

2.8.1 THE CAPITAL STRUCTURE THEORY

The capital structure theory refers to the way a corporation finances its assets through some combination of equity, debt, or hybrid securities - the combination of a company's long-term debt, specific short-term debt, common equity, and preferred equity. The capital structure is the firm's various sources of funds used to finance its overall operations and growth. Debt comes in the form of bond issues or long-term notes payable, whereas equity is classified as common stock, preferred stock, or retained earnings. Short-term debt such as for working capital requirements also is considered part of the capital structure. A firm's capital structure is then the composition or 'structure' of its liabilities. The firm's ratio of debt to total financing is referred to as the firm's leverage.

2.8.2 THE LIFECYCLE APPROACH

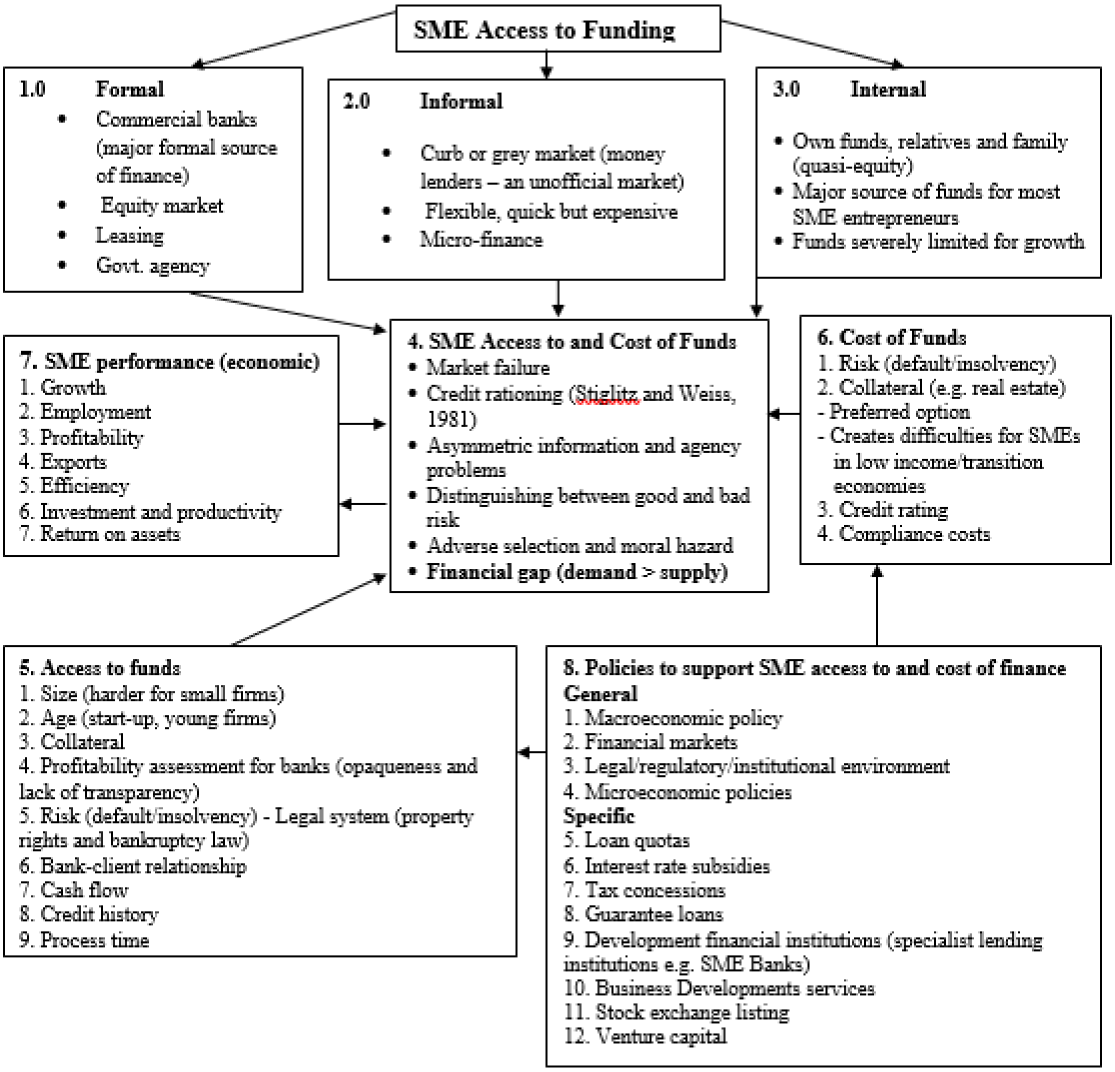
The lifecycle approach by Weston and Brigham (1981) was conceived on the premise of rapid growth and lack of access to the capital market. Small firms were seen as starting out by using only the owners’ resources. If these firms survived, the dangers of undercapitalization would soon appear, and they would then be likely to make use of other sources of funds, such as trade credit and short-term loans from banks. Rapid growth could lead to the problem of illiquidity.

2.8.3 THE PECKING ORDER THEORY

The pecking order theory (Myers,1984) states that firms finance their needs in a hierarchical order, first by using internally available funds, followed by debt and finally, external equity. This practice is more common in small firm practice and indicates the negative relationship between profitability and external borrowing by small firms (South African Reserve Bank, 2004).

2.9 THE MODEL

FIGURE 2.0: THE THEORETICAL FRAMEWORK



2.10 SCHEMATIC SUMMARY OF SME FINANCE ISSUES AND FRAMEWORK

The model that was tested is represented as follows:

L = f{C, S, IF, CL, R, IR, FS}

P= f{C, S, IF, CL, R, IR, FS}

Where L represents the loan amount disbursed by financial lending institutions, p represents the probability of getting a loan from financial lending institutions, C represents collateral provided by SMEs, S represents the firm size of SMEs, generally speaking, the larger the firm, the more collateral SMEs can provide, IF represents internal funds of SMEs, CL represents acceptance of contractual clauses between SMEs and financial lending institutions, R represents SMEs' years of relationship with financial lending institutions, IR represents interest rates for SMEs to obtain loans from financial learning institutions and FI represents financial statements prepared by SMEs . That is, the bank loan that an SME can get is an increasing function of its own collateral, size, internal funds, acceptance of contractual clauses, relationship, interest rates and availability of financial statements. Also, the probability of an SME getting a bank loan is an increasing function of its own collateral, size, internal funds, acceptance of contractual clauses, relationship, interest rates and availability of financial statements.

Figure 2.0 provides a schematic summary of the major sources of finance for SMEs: Formal (Box 1), informal (Box 2) and internal (Box 3), key issues relating to SME access to and their cost of finance from the literature (Box 4), elaboration of specific issues impacting access to finance for SMEs (Box 5) and the cost of finance for SMEs (Box 6), the importance of access to and the cost of finance for firm performance (Box 7), and, finally, specific policy measures that have been and could be adopted to tackle the shortage of finance for SMEs (Box 8).

The study, however, focused only on formal sources of finance (i.e. commercial banks and other financial institutions), and it is clear that, in this context, market failure exists (Box 4).

Finally, many policies have been tried by governments to channel funds to private sector SMEs (Box 8). These include: loan quotas imposed on commercial bank lending to private sector SMEs, interest rate subsidies to SMEs, tax concessions, loan guarantees, the establishment of specialized development financial institutions such as an SME bank, and the provision of business development services that can assist SMEs with business training (e.g. business plan preparation) and network promotion.

3. NEED/IMPORTANCE OF THE STUDY

The study is important and relevant to SMEs and the financial lending institutions in Solwezi as it highlights the major problems which SMEs are likely to encounter when trying to source funds from the financial lending institutions for their business operations and how they can overcome them. It is also beneficial to financial lending institutions, as it will help them to understand the dilemma in which the business community finds itself as it tries to access funds for its business operations from them. This understanding should enable the financial institutions to design their lending schemes that will be suitable to the small businesses, given their contributions to the economic development of nations. Finally the government and its co-operating partners should once again refocus their attention on SMEs and begin to support the sector, both financially and through enabling policies.

4. STATEMENT OF THE PROBLEM

Finance has been identified in many business surveys as the most important factor determining the survival and growth of small and medium – sized enterprises in both developing and developed countries. Poorly functioning financial systems can seriously undermine the microeconomic fundamentals of a country, resulting in lower growth in income and employment. The small and medium enterprises (SMEs) in Zambia have been riding on a difficult path despite the immense potential that they possess as the engine of growth and the effective means through which the benefits of the country's economic gains could be distributed. The informal sector, which is largely SMEs, is many times larger than the formal sector in Zambia and thus, any problems that affect the former affect the entire economy of Zambia and its people.

The criteria used to lend to small and medium size businesses are still the same as for large industries (Hamid, 1982), a situation which is not right. The situation has persisted today, causing perpetual outcry from small firms to the government and financial lending institutions to soften lending terms to the sector.

Solwezi town has become the centre of attraction in terms of mining investments. Mining investment has brought along an economic boom in the town. Also, the rate of employment has gone up in the district. Since not everyone in the province can be employed by the mines, a lot of people have set up SMEs to try and provide the much needed support in terms of supplies to the mining industries, i.e. subcontractors.

Mining companies in Solwezi have created a deliberate policy to support the local SMEs through the Solwezi Chamber of Commerce. However, the mining companies have always imported their supplies from other towns both within and outside Zambia, defeating that same policy. The rationale is that most of the local SMEs are unable to supply certain goods and services due to lack of financial capacity. It goes without saying that SMEs face an uphill battle to access funding from financial lending institutions which could be used to expand their businesses. There is thus need to determine such financing constraints in relation to SMEs so as to enhance their capacities and capabilities to service the mines.

5. OBJECTIVES

The main objectives of the study were:

(i) To establish the factors that hinder small and medium firms in Solwezi district from obtaining funding from financial institutions.
(ii) To identify the strategies that can be employed by small and medium firms to overcome those factors.
(iii) To establish the different kinds of funding available to SMEs.
(iv) To establish why SMEs seek funding in the first place.

6. HYPOTHESES

H01: Collateral has no influence on SMEs' access to credit from commercial banks.
H02: Preparation of financial statements has no influence on SMEs' access to credit from commercial banks.
H03: Size of the firm has no influence on SMEs' access to credit from commercial banks.
H04: Interest rates have no influence on SMEs' access to credit from commercial banks.
H05: Repayment period has no influence on SMEs' access to credit from commercial banks.
H06: Relationship with the banks has no influence on SMEs' access to credit from commercial banks.

7. RESEARCH METHODOLOGY

7.1 RESEARCH DESIGN

The research design adopted for this study was descriptive in nature. The type and source of data were determined by the objectives of the study. The data and information collected were used to identify and establish the causes of failure by SMEs in Solwezi District from accessing finance from financial lending institutions.

RESEARCH QUESTIONS

The research set out to the answer the following questions:

(i) What were the factors that hindered small and medium firms in Solwezi district from obtaining funding from financial institutions?
(ii) What strategies can be employed by small and medium firms to overcome such factors?
(iii) What were the different kinds of funding that were available to SMEs?
(iv) Why do SMEs seek funding?

THE SCOPE OF THE STUDY

The study examines the causees of failure by small and medium size business enterprises to access financial assistance from financial lending institutions in Solwezi town. The main focus of the study was the SMEs that belong to the Zambia Chamber of Small and Medium Business Association (ZCSMBA). To underpin the study, the financial lending institutions in Solwezi town were also included in the study.

7.2 DATA COLLECTION

Two types of data were collected for this study, primary and the secondary data. Both quantitative and qualitative data was collected based on the objectives for the study. Emphasis on the data collected was however placed on the difficulties that SMEs faced when trying to access funds from financial lending institutions for their business.

The primary data was obtained through the administration of structured questionnaires to SMEs and commercial banks in Solwezi district. In certain cases, data was collected through personal interviews to augment the questionnaires. The SMEs involved in the study were members of North Western Chamber of Commerce and Industry in Solwezi. Included in the study were the commercial banks, both local and international.

Secondary data was obtained from existing literature (both theory and empirical studies) such as journals, articles, research papers, magazines, statistical reports, catalogues, books, etc. that reflect the challenges that small and mediums sized enterprises encountered in gaining access to finance. This study extensively analyzed relevant studies and surveys that have been conducted by different researchers that reflect and discussed the prevalent finance problem. Records and figures from reliable data sources such as the Zambia Development agency (ZDA) were also utilized.

7.3 DATA COLLECTION PROCEDURE

Questionnaires were personally distributed by the second researcher to SME operators and/or owners and financial lending institutions for first hand information for processing towards answering the research questions. The data was collected over a period of two weeks. All the SME operators' were members of Northwestern Chamber of Commerce and industry.

7.4 THE STUDY POPULATION AND SAMPLE

7.4.1 THE STUDY POPULATION

The first targeted population comprised all the active members for the North Western Chamber of Commerce and Industry in Solwezi and had been in operation for at least one year. The second targeted population comprised all commercial banks in Solwezi, and was meant to compliment the results from SMEs. Solwezi Chamber had a total population of 240 active members. The population of commercial banks under study comprised both local and international banks in Solwezi district. There were twelve (12) commercial banks in total.

North Western Province was selected for the following reasons: Firstly, due to the hive of economic activities as a result of the booming mining investments in the region the situation which led to an increase in the number of SMEs and banks establishing business in the area. With the objectives of the study in mind, selecting this region afforded the second researcher the opportunity to contact SME operators who had made numerous contacts with different banks for financial support and therefore have a lot of experience to share. Secondly, it was easier for the researcher to approach SMEs operators since the researcher was located in the same region. Choosing any other region would mean travelling a long distance just to make contact with the SME operators, which would have been very difficult.

7.4.2 SME SAMPLING DESIGN

The sampling design that was employed in the research was probability sampling. A random sample of SMEs in Solwezi district was obtained.

7.4.2.1 SAMPLE SIZE

For final inclusion in our sample, the SME firms had to meet the definition of "Small and Medium Sized Business" and also consistence with the Small Enterprise Development Act of Zambia (Act no. 29, 1996) which classified SMEs into:

1) Micro enterprise – (1 to 9 workers)
2) Small enterprise – (10 to 29 workers)
3) Medium enterprise – (30 to 140 workers)

The sample size was computed from the formula by Jones (2002) as indicated below:

$$n0 = \frac{[Z\alpha /2]2 * p (1-q)}{E} \text{ -- (4.1)}$$

$$N = \frac{n0N}{N0+ (N-1)} \text{ --- (4.2)}$$

where: n0 = calculated sample size
N = population
Zα /2 = 95 % confidence level (1.96 from the standard Normal tables)
p = Sample proportion (P= 0.5 since there was no previous study)
q = compliment of p
E = maximum error (5%)

Hence, from equation (4.1), n0 = [1.96/2*0.05]2(0.5*0.5) = 96.04

Sample size needed for the study is calculated from equation (4.2) as shown below:

n0 = (96.04*240)/[96.04+ (240-1)] = 68.80 ≈ 70

7.4.2.2 COMMERCIAL BANKS SAMPLE

There were twelve (12) commercial banks in Solwezi district under study, and all of them were included in the study.

7.5 DATA ANALYSIS

After the data was collected, it was then organized and analyzed. A descriptive statistics was found to be an ideal analysis technique and subsequently used in ascertaining the difficulties that SMEs faced in accessing bank loans. Aided by the tabulation of data extracted from a close–ended questions survey, it was easier to understand the issues identified by the respondents.

7.6 PROCEDURE

After deciding on the target population, a list of SMEs was received from the North Western Chamber of Commerce and Industry (NWCCI) after contacts had been made to seek the consent of some of the SMEs to be part of this research. The various SMEs that agreed to be part were subsequently contacted and given a brief about what the study sought to achieve through the means of telephone calls and visits to their offices. The questionnaires were then dispatched and the respondents were then given two weeks to complete the questionnaires. Commercial banks were also contacted, given the questionnaires and were then given two weeks to complete the questionnaires. The data collection for this study was done basically through the usage of questionnaires. The population for the study was 240 SMEs comprising members of the Northwestern Chamber of Commerce and Industry operational in Solwezi town. The sample size for the study was 80 SMEs and the questionnaires were distributed to all of them. Out of the 80 questionnaires circulated, 62 were returned representing about 77.5% of response rate, which was deemed impressive considering the short time given to these respondents. In addition to that, another target population consisted of the commercial banks operational in Solwezi town and was meant to compliment the results from SMEs. Another set of questionnaires were distributed to all the commercial banks except for two banks which were newly established in town and had no data. Nine banks were targeted out of which only five answered and returned the questionnaires representing 55.56% response rate.

8. RESULTS AND DISCUSSION

8.1 CHARACTERISTICS OF SMEs

All the respondents were SMEs and members of the Northwestern Chamber of Commerce and Industry with business operations in Solwezi. Out of the 62 respondents, 58.06% had their businesses registered as Limited Companies (36). The rest were registered as Sole Proprietorships (22) and Partnerships (4). The bulk of the respondent SMEs (36) were registered as private limited companies, accounting for 58.06%. Besides, 22 respondents representing 35.48 % were sole proprietorships and 4 respondents were registered as partnerships accounting for 6.45%. The majority of the SMEs participants were microenterprises (41) and representing 66.13%. The rest of the participants were small enterprises accounting for 13 and representing 20.97% whereas the rest were medium sized enterprises accounting for 8 participants and representing 12.90%.

TABLE 5.0: FREQUENCY DISTRIBUTION OF NATURE/ KIND OF PARTICIPANT SMEs

Natures	Frequency	Percentage (%)	Cumulative (%)
Construction	19	30.65	30.65
Supply	18	29.03	59.68
Manufacturing	3	4.84	64.52
Consultancy	1	1.61	66.13
Transport	2	3.23	69.36
Hospitality	2	3.23	72.59
General dealers	17	27.42	100

Table 5.0 shows that the bulk of the respondents were engaged in construction business representing 30.65% and followed by supply which accounted for 29.03%. Others were general dealers 27.42%, manufacturing 4.84%, transport and hospitality accounting for 3.23% each and consultancy 1.61%. It was not surprising that most of the SMEs were engaged in the construction industry as Solwezi town has seen unprecedented investment from the mining industry in the recent past that has made demand for construction to go up. Most of the construction companies in the survey were mining contractors.

8.2 REASONS FOR STARTING UP BUSINESS

From the research, different SMEs had various reasons for establishing own businesses. The reasons ranged from redundancy to creation of more wealth while in employment. The majority of the respondents were falling within the self-employed category. This was not surprising as Solwezi had very few industries that could employ most of the people mainly the youths.

Thus, 4 respondents started business after being declared redundant accounting for 6.45% while 50 respondents out of 62 established own businesses due to the strong desire to work for themselves or simply because they could not get formal employment, accounting for 80.65%. Only 1 respondent claimed to have inherited the family business which accounted for 1.61%. The study further indicated that 7 respondents established own businesses while in formal employment in order to create more wealth for themselves and also to prepare for early retirement.

8.3 MAJOR SOURCES OF INITIAL CAPITAL

The study also established that the major source of initial capital was own savings. Other sources of initial capital were through friends and family and through the Youth Development Fund from the Ministry of Youth and Sport.

Regarding the distribution of SME sources of funding in establishing their businesses, the study showed that 79.03% and 19.35% of the funds were generated from personal savings and relatives and friends respectively. One respondent indicated having gotten a starting capital from a special agency (Youth Development Fund Loan under the Ministry of Youth and Sport) and that accounted for 1.61%. None of the respondents got initial startup capital from the commercial banks. This confirms that commercial banks were not willing to lend to the sector because of the perceived risks associated with the sector especially those seeking funds as startup capital for their businesses. The results showed that none of the five commercial banks in the sample had given out initial capital to business starters. The main reason attributed for non-availability of initial capital was that the banks were not mandated to give out initial capital to SMEs who were considered to be at a higher risk compared to established businesses. Furthermore, the study showed that most of the banks had no written policy in relation to initial capital provision to SMEs. Most of the banks were not willing to provide loans because of the risk associated with new businesses since it was known that 8 out of 10 new businesses failed within the first three years.

8.4 MAJOR SOURCES OF WORKING CAPITAL

Most of the SMEs obtained their working capital from profits generated by businesses, while a small proportion of them got theirs from other sources. According to the study, other sources established included: supplier credits, overdrafts and bank loans. It was however, contended that very few business houses had managed to secure bank loans.

TABLE 6.0: FREQUENCY DISTRIBUTION OF SOURCES OF WORKING CAPITAL FOR SMEs

Sources of Initial Capital	Frequency	Percentage (%)	Cumulative (%)
Profit	51	82.25	82.25
Overdrafts	2	3.23	85.48
Supplier credits	7	11.29	96.77
Bank loans	2	3.23	100.00

Table 6.0 shows that 82.25% of working capital comes from profit generated by the businesses themselves which they ploughed back into the business. The second source of working capital for SMEs comes from the supplier credit which accounts for 11.29%. Bank loans account for only 3.23% and so did overdrafts, which show that there is very little cash coming from the banks to SMEs in form of working capital. The study showed that only 3 loans for working capital were given out to SMEs for a period of six months (July – Dec 2013). Cavmont bank had received 10 applications of which only two were successful. Stanbic bank did not indicate the number of applicants received. The rest of the banks never received applications for working capital. The reasons advanced towards applicants being unsuccessful were that SMEs did not meet the credit criteria in terms of affordability or projections. Most of the commercial banks indicated that SMEs were unsuccessful in loan applications due to poor recording keeping, failure to prepare audited financial statements and non availability of collateral.

TABLE 7.0: FREQUENCY DISTRIBUTION ON OVERDRAFTS GIVEN OUT BY THE BANKS

Bank Name	Frequency	Percentage (%)	Cumulative (%)
Finance Bank	4	66.67	66.67
Barclays Bank	0	0	66.67
Standard Chartered Bank	0	0	66.67
Cavmont Bank	1	16.67	83.34
Stanbic Bank	1	16.67	100.00

From Table 7.0, a total number of 6 overdraft applications were given out to SMEs by three commercial banks for a period of six months. Some SME applicants were unsuccessful due to the fact that they had savings accounts instead of current accounts under which overdrafts are given out. Besides that the response by the banks to SMEs in terms of overdraft issuance was not encouraging considering the role that SMEs played in job creation and economic development.

8.5 REASONS FOR SEEKING FUNDING

There were various reasons why SMEs had gone to the commercial banks to seek financial help. The major reasons were that they wanted to enhance the working capital and grow the business. Most of them contended that their working capital was not good enough to ensure timely delivery and customer satisfaction in terms of delivery of high quality products and services at attractive prices. Other reasons included acquisition of capital equipment and improvement to building structures.

TABLE 8.0: FREQUENCY DISTRIBUTION FOR REASONS FOR SEEKING FUNDING

Reason for Seeking funding	Frequency	Percentage (%)	Cumulative (%)
To increase working capital	17	27.42	27.42
Business growth	22	35.48	62.90
Acquisition of equipment	6	9.68	72.58
Improve Building	3	4.84	77.42
Not Attempted	14	22.58	100.00

Table 8.0 shows the distribution of SMEs seeking funding from the commercial banks, 22 out of the 62 respondents sought funding in order to grow their business accounting for 35.48%. Also, 17 of the respondents sought funding to improve their working capital which accounted for 27.42%, 6 and 3 of the respondents went to the banks to seek financial help in order to acquire new capital equipment and improve on the infrastructure accounting for 9.68% and 4.84% respectively. Some 14 of the respondents had not attempted to seek financial help for various reasons which included not believing in borrowing, lack of lending information and just lack of interest.

8.6 FINANCIAL ASSISTANCE TO SMEs BY BANKS

Commercial banks were approached to get their views regarding the challenges SMEs encountered when seeking funding. All the nine commercial banks were approached and given questionnaires to answer. The response was very poor as most of the banks were not allowed to provide such information without authorization from their headquarters in Lusaka. Out of the nine commercial banks only five banks successfully answered and returned the questionnaires, accounting for 55.56% response. The banks that were approached included Zanaco, Finance Bank, Natsave, Stanbic, Standard chartered, Barclays, Cavmont, Investrust and FNB banks.

From the results, 67.77% of the business owners (42) attempted to secure finances from the financial lending institutions but failed. Furthermore, the study has established that failure to access funding was due to lack of collateral, high interest rates, short repayment period and failure by SMEs to provide financial statements. The banks on the other hand contended that turnovers from SMEs were too small to warrant being given loans. The Banks also contended that high interest rates were no longer the hindrance to seeking credit as the interest rates had gone down drastically. Only 6 respondents succeeded in getting loans for their operations, accounting for 9.68%. Some 14 of the respondents (22.58%) never tried to secure finance for various reasons. Others did not believe in borrowing, others lacked information and interest.

8.7 MAJOR FUNDING HINDRANCES

Both SMEs and the commercial banks were approached using questionnaires to get their views concerning major factors that hindered SMEs from getting credit from the commercial banks. From the feedback obtained, SMEs rated the lack of security/ collateral as the most important impediment or factor followed by high interest rates. Short repayment period and lack of financial statements were rated third and fourth hindrances respectively. Relationship with the banks and size of the firm were ranked number five. The commercial banks, however, indicated that lack of financial statements was the major hindrance to SMEs accessing credit from the banks. The banks contended that most of the SMEs were denied credit because they failed to prove they could pay back the loans once given and that their books were in disarray. Lack of collateral and short repayment periods were ranked number 2. The banks indicated that collateral was not their main concern but one's ability to pay back the loans. The banks went to state that they were not in the business of selling assets hence collateral could not be their main focus in providing credit. Collateral was only required once an SME had met all the credit criteria and that it was there to provide security in an event that an SME failed to repay the loan. On the other hand, SMEs argued that most commercial banks required financial statements for at least the past three years in addition to security, and that was why they found it difficult to access funds from financial lending institutions. The types of securities demanded by commercial banks included immovable assets (i.e. land and building on title) and treasury bills.

TABLE 9.0: FREQUENCY DISTRIBUTION OF MAJOR FINANCIAL HINDRANCES TO SMEs BY BANKS

Results	Frequency	Percentage (%)	Ranking
Collateral/ Security	31	50.00	1
High Interest rates	10	16.13	2
Short repayment period	3	4.84	3
Financial Statements	2	3.23	4
Relationship with the bank	1	1.61	5
Size of the firm	1	1.61	5
Not attempted	14	22.58	

Table 9.0 shows that 50% of the respondents ranked lack of collateral as the major factor preventing them from accessing loans from commercial banks while 10 or 16.13% ranked high interest rates as the factor that affects their access to credit as the second one. Short repayment period was ranked third with 4.84% response rate and on fourth inability to prepare audited financial statement which accounted for 3.23%. Relationship with the banks and size of the firm were ranked fifth with 1.61% response rate for each. Finally, 14 respondents never attempted to acquire loans, accounting for 22.58%.

The survey results obtained from the commercial banks concerning the factors that hindered SMEs from accessing funding showed that inability by SMEs to prepare financial statements was the major hindrance. High interest rates which was rated as number two by SMEs was not even mentioned by the banks. The banks indicated that interest rates had reduced and as such could no longer be the major hindrance. Other results showed that 3 banks out of 5 ranked lack of financial statements as the main reason SMEs were failings to secure bank loans and that accounted for 60% response rate. Lack of security and short repayment period were ranked two with 20% response rate for each.

8.7.1 COLLATERAL REQUIREMENTS FOR SMEs

The responses show that 60% of the banks in the sample demanded collateral from their SME borrowers. Furthermore, 50% of the SMEs indicated collateral was the number one hindrance in accessing bank loans. The problem of collateral is real and requires addressing by all major stakeholders such as the government, commercial banks and SMEs.

8.7.2 COMMERCIAL BANKS INTEREST RATES

High interest rates charged on bank loans and overdrafts were identified as the second hindrance to accessing finance by SME businesses. Most of the SMEs contended that the high interest rates charged on SMEs were outrageous and made it difficult for them to access the loans. The banks on the other hand contended that interest rates had been reduced following government intervention and that it was no longer a major factor that could stop business houses from accessing credit. It was possible that some SMEs were not aware of the reduction in the interest rates. That could be attributed to the fact that 40.32% of the SMEs surveyed did not know about the lending schemes provided by the banks, according to Table 10.0 which shows the interest rates charged on both bank loans and overdrafts obtained from the banks.

TABLE 10.0: COMMERCIAL BANKS INTEREST RATES

Bank Name	Interest Rate (%)
Finance Bank	18.75
Barclays Bank	18.75
Standard Charted Bank	14.75 – 17.75
Cavmont Bank	18.75
Stanbic Bank	18.75

The study from Table 10.0 established that bank interest rates for all the commercial banks were in the range 14.75 – 18.75 both for overdraft and bank loans. Previously bank interest rates were as high as 35- 61% (Simpemba, 1992).

8.7.3 SME KNOWLEDGE OF THE LENDING SCHEMES OF BANKS

More than half (37) of the respondents (59.68%) were aware of bank lending schemes while the rest (25) representing 40.32% were not.

8.7.4 SHORT REPAYMENT PERIOD

The period in which a loan or an overdraft must be repaid was ranked third with 4.84% response rate as a hindrance in SMEs accessing credit from the banks. The banks on the other hand ranked this factor second with 20% response rate. Some banks indicated their repayment period for short term loans was within the period of 6 months to 24 months, intermediate loans between 2 – 5 years and long-term loans were 5 years maximum and more than 5 years for others. The repayment period especially for short-term loans should be adjusted to suit the requirement of the SMEs or rather the repayment periods should not be fixed but negotiable. That will in turn attract more SMEs to seek funding. Negotiated periods could also help reduce defaulting on loan repayments.

8.7.5 FINANCIAL STATEMENTS

Improper or non-availability of financial statements was ranked fourth by the SMEs, with a 3.23% response rate. The banks on the other hand ranked this factor number one. From the results, 29.03% of the SMEs surveyed claimed they prepared financial statements. The majority of the SMEs did not seem to understand what constituted a financial statement. They perceived that whatever form of financial records constituted a financial statement. Furthermore, the majority of the financial statements were wrongly prepared and not to the satisfaction of the banks. Some 70.97% of the SMEs indicated they did not prepare the financial statements for varied reasons ranging from lack of capacity, still learning how to do them and to their poor record keeping. In addition to that, it was felt that inability to prepare financial statements could be overcome through education.

8.8 ALTERNATIVE FUNDERS

There were other possible sources of funding that SMEs could explore. The study showed that some SMEs were not knowledgeable of the existence of other lending institutions apart from the commercial banks. Some 54.84% of the SMEs surveyed did not know the existence of non-bank financial institutions as indicated in Table 11.0.

TABLE 11.0: FREQUENCY DISTRIBUTION OF SME KNOWLEDGE OF ALTERNATIVE FUNDERS

Rankings	Frequency	Percentage (%)	Cumulative (%)
SMEs are aware of non-bank financial institutions	28	45.16	45.16
SMEs are not aware of non-bank financial institutions	34	54.84	100

The survey showed that Solwezi town had a number of non- bank financial institutions. The list of non-bank financial institutions as obtained from the SMEs surveyed included Blue Finance, Unity Finance, Focus Financial Services, Capital Solutions, Kukula Capital, Mfinance, NEDFIN, Vision Fund, ZSIC, B-blue, CEEC and Bayport.

8.9 STATEMENTS OR DOCUMENTATION REQUIRED BY THE BANKS

There were a number of documents that could be considered before an SME applicant was considered for a loan. These documents required by the banks were ownership of business account with the bank, title deeds of property being pledged as security, latest evaluation report for the property being pledged as security, an application letter, cash flow projections with underlying assumptions, latest audited financial statements for a minimum of three years, debtors/ creditors age analysis – if selling on credit, certificate of incorporation, ZRA tax certificates and business proposal / plan.

Financial statements which are prepared by the SMEs are poorly done making it difficult for the banks to acccept them. Some of the banks indicated that failure to prepare proper financial statements made it difficult to assess the financial performance of the SMEs. That made it difficult for the banks to believe whether or not the funds being sought for would be put to the intended purpose. SMEs that are not conversant with financial statements should seek the services of financial experts or train for the same.

8.10 LENDING POLICIES AND SCHEMES

Most of the banks had no written policy on financing SMEs. One bank indicated their policy was not written down but was based on a strong word of mouth. Failure by the banks to clearly write the policy must have compounded the problems of funding to SMEs. According to the study, only two banks had clearly stated schemes which were meant for the SMEs. Those banks included Stanbic bank which offered Tamanga unsecured loans to SMEs and Finance bank which offered Twekatana SMEs loans.

8.11 KEY FACTORS THAT MAY AID IN BORROWING

The following are some of the major factors that could help SMEs to borrow funds from the banks: Only 16 respondents out of 62 attended seminars on how to access funding from financial lending institutions which accounted for 25.8%. SMEs should find time to attend seminars as that may increase the chances of accessing bank loans. Some 17 respondents had sought advice from external sources on how to access finance which accounted for 27.42%. SMEs' managers should find time to seek external advice on how they could increase the chances of accessing loans. Some of the external experts that could provide advice include bank managers themselves.

Only 18 respondents, accounting for 29.03%, prepared financial statements. Financial statements are very important in assessing one's business financial performance and that explains why most SMEs never access bank loans. None of the SMEs had audited financial statements which were a requirement to access bank loans. Additionally, 28 respondents which accounted for 45.16% were knowledgeable of non-bank financial lending institutions. Apart from the commercial banks which were found to be difficult to access finance from, SMEs should also be knowledgeable of other funders.

8.11.1 EDUCATIONAL LEVEL OF SME OWNERS/ MANAGERS

The study revealed that all the respondents were well educated with the least attaining secondary school education. The majority (32) (51.6%) of the respondents attained college education, 25.8% attained secondary education (16) and 22.6% attained University education (14). None of the respondents attained a higher education or lower than the ones stated above.

8.11.2 FORMS OF BUSINESS OF RESPONDENT SMEs

All the respondents were SME members of the Northwestern Chamber of Commerce and Industry with business operations in Solwezi Municipal Council area. The bulk of the respondent SMEs were registered as private limited companies, accounting for 36 out of 62 respondents (58.1%). The rest were registered as sole proprietorships and partnerships owned representing 35.5% (36 respondents) and 6.5% (4 respondents) respectively.

8.11.3 NATURE OF BUSINESS OF RESPONDENT SMEs

The study showed that the bulk of the respondents were engaged in trading business representing 48.4% (30 respondents) and was followed by construction which accounted for 29% (18 respondents). The service industry contributed 17.7% (11 respondents) whereas the manufacturing industry contributed 4.8% (3 respondents). It was not surprising that most of the SMEs were engaged in the trading and construction industry as Solwezi town has seen unprecedented investment from the mining industry in the recent past which has made demand for construction and trading to go up.

8.11.4 PROFESSIONALS IN MANAGERIAL POSITIONS

One of the questions covered in the survey was to establish the number of SMEs that had engaged professionals in managerial positions as that was key when seeking credit from financial lending institutions. The study revealed that 44 firms, accounting for 71%, had not engaged professionals. On the other hand 18 firms, accounting for 29%, had engaged SMEs in managerial positions.

8.11.5 SIZE OF THE FIRMS

Most of the SME participants employed between 1-10 people, accounting for 64.5% of the study. On the other hand, 17.7% (11 respondents) and 17.7% (11 respondents) of the respondents employed between 11-30 and 31-140 employees respectively.

8.11.6 YEARS IN BUSINESS

One of the questions included in the questionnaire was meant to determine how long the respondents had been in business. Most of the sampled entrepreneurs (26) had been in operation between 1-5years (41.9%), 35.5% of the respondents (22) had the businesses established between 6-10 years, 16.1% of the respondents (10) had been in business for 11-15 years, 4.8% of them (3) had been operating for 16-20 years while only 1.6% of them (1) had been in existence for more than 20 years. The research revealed that 77.4% of the businesses got established exactly at the same time the mining investments had grown in the municipality. Only one firm had been in existence for more than 20years. The research established that the respondents were people that by all standards were seasoned entrepreneurs.

8.12 REASONS FOR STARTING UP BUSINESS

From the research, different SMEs had various reasons for establishing their business. The results showed that respondents had varying motives for engaging in business but notable ones were to become self-employed which accounted for 77.4% (48 respondents), 2 respondents set up business in order to strive for a higher income which accounted for 3.2% and 3 SME owners engaged in business after being declared redundant or retired representing 4.8%. A single (1) respondent inherited the business which represented 1.6% and 8 SME owners had other reasons to engage into business, accounting for 12.9%.

8.13 FACTORS CONTRIBUTING TO SMES' CONSTRAINTS

The inability of SMEs in Solwezi to readily have access to credit from the financial institutions (banks) can be attributed to a lot of factors. Schiffer and Weder (1991), attributed these factors to the perceived high risk nature of SMEs, small portfolios of these businesses and the high transaction cost that banks go through in performing credit appraisal on them before granting credit to these SMEs. Before revealing what the study came out with, the study first tested the possibilities of these SMEs being denied credit from the commercial banks. That can be referenced from the results below.

The research revealed that most of SME owners/ managers had more access to non – bank lending institutions as compared to the commercial banks. From the responses, 81% of the business owners attempted to secure finances from the banks but failed, accounting for 50 respondents. Furthermore, failure to access funding was due to lack of collateral, high interest rates, short repayment period and failure by SMEs to provide financial statements. But the banks contended that turnovers from SMEs were too small to warrant being given loans. They further stated that high interest rates were no longer a hindrance to seeking credit as the interest rates had gone down drastically. Only 7 respondents succeeded in getting loans for their operations, accounting for 11%. The other 5 respondents (8%) had not attempted securing bank loans for various reasons ranging from not believing in borrowing to lack of interests.

The study showed that 27% of the SMEs managed to acquire non-bank loans and the remainder never got credit from non-banks, accounting for 73%.

8.13.1 COLLATERAL

The study revealed that most of the SMEs had no collateral to pledge to the banks when asking for financial assistance. Some 43 respondents (accounting for 69%) had no collateral to pledge whereas 14 respondents had collateral to pledge (representing 23%). Some 8% respondents did not respond.

8.13.2 PREPARATION OF FINANCIAL STATEMENTS

The breakdown in the responses concerning the respondents' preparation of financial statements showed that the majority of the respondents never prepared financial statements which accounted for 74% (46 respondents) and only 26% (16 respondents) prepared financial statements.

8.13.3 LOAN REPAYMENT PERIODS

Only one respondent (2%) rated the loan repayment periods as excellent whereas 4 respondents (7%) rated the repayment period as good. Furthermore, the majority of the respondents accounting for 69% rated the loan repayment periods as acceptable. Some 9 respondents ranked the repayment periods as high and 5 respondents did not offer any answer.

8.13.4 LENDING RATES

The majority of the respondents (31 respondents, accounting for 50%) rated the lending rates as extremely high whereas 10 respondents (accounting for 16.1%) rated the lending rates as high. Furthermore, 13 respondents accounting for 21% rated the loan lending rates as acceptable. Some 3 respondents ranked the repayment periods as low and 5 respondents had not offered any answer to the question.

8.13.5 RESPONDENTS RELATIONSHIPS WITH THE BANKS

The study showed that 4.8% (3) of the respondents rated their relationship with the bankers as excellent whereas 41.9% (26 respondents) rated their relationship as good. A further 51.6% (32 respondents) rated the relationship with the bankers as average and only one respondent indicated poor relationship with the bankers.

8.14 BANKS FINANCIAL ASSISTANCE TO SMEs

Commercial banks were approached to get their view regarding the challenges SMEs encountered when seeking funding. The study revealed that only two banks were active in providing bank credit to SMEs in the municipality. A total of 20 loan applications were received by two banks out of which 5 applicants became successful.

The results showed that none of the banks had issued startup loans to SMEs. Furthermore, the study showed that most of the banks had no written policy on lending to SMEs. The understanding was that business starters were at a higher risk to default on the loans and as such commercial banks would prefer giving loans to already established businesses. Most of the banks were not willing to provide startup loans because of the risk associated with new businesses where it has been shown that 8 out of 10 new businesses tend to fail within the first three years of operation. Only three commercial banks had issued overdrafts to SMEs, giving a total of six (6) overdrafts issued to SME applicants.

8.15 ALTERNATIVE SOURCES OF SME FINANCING

Finance being one of the major constraints to SME development and growth means that various sources ought to be explored by SMEs to run their businesses. The survey showed that most of the SMEs depended mostly on external sources such as the banks, nonbank financial institutions, families and friends and also personal savings as alternative sources of financing for their businesses.

8.16 MAJOR SOURCES OF INITIAL CAPITAL

Own savings were shown to be the major sources of initial capital among SMEs owners/ managers. Other sources of initial capital were through friends and family and through the Youth Development Fund under the Ministry of youth and Sport. The study showed that 83.9% (52 respondents) and 14.5% (9 respondents) had their funds generated from personal savings and relatives and friends respectively. One respondent had obtained his startup capital from a special agency (Youth Development Fund Loan under the Ministry of Youth and Sport) accounting for 1.61%. None of the respondents had obtained initial funding from any of the commercial banks or any non-bank institutions. This confirms that commercial banks are not willing to lend to the sector because of the perceived risks associated with the sector especially those seeking funds as startup capital for their businesses.

8.17 MAJOR SOURCES OF WORKING CAPITAL

Most of the SMEs obtained their working capital from profits generated by their businesses, while a small proportion got theirs from other sources. Other sources established included: supplier credits, overdrafts and bank loans. It was further revealed that none of the SMEs interviewed ever obtained working capital from the commercial banks. The results showed that 83.9% (52 respondents) of the working capital was from profit generated by the businesses themselves which they ploughed back into the business. The second major source of working capital for SMEs came from the supplier credit which accounted for 12.9% (8 respondents). Only 2 respondents managed to get overdrafts from commercial banks which accounted for 3.2%, showing that there was very little cash coming from the banks to SMEs in form of working capital.

8.18 IMPACT OF FAILURE TO ACQUIRE BANK CREDIT/ ACCESS FINANCE

The results showed that the bulk of the respondents had experienced stunted business growth due to failure to access bank loans, which accounted for 43.5% (27 respondents) whereas 29% (18 respondents) had experienced limitations in their working capital. Others had failed to improve infrastructure, which accounted for 4.8% (3 respondents).

Failure to access funds by SMEs has grave impacts on their businesses. The study revealed that most of the SMEs had been impacted negatively due to lack of access to funds. Some of the effects that SMEs cited included the following: stunted business growth – that meant failure to grow one's business by way of increasing the product lines or opening branches in other places; failure to engage in big contracts especially the ones being provided for by the mines (most of the SMEs failed to offer a competitive edge on big contracts due to non availability of funds and most of the jobs that should be given to Zambian SMEs would end up in foreign companies as the Zambian SMEs could not deliver due to lack of finances); difficulties in meeting operational costs (some SMEs even failed to attend site visits that were being offered in distant places due to financial challenges and that made such SMEs to fail to get jobs that could otherwise change their financial position); delayed delivery of goods and services; inability to improve infrastructure that could otherwise offer a competitive edge over the business rivals; inability to acquire capital equipment and other technologies.

8.19 BIVARIATE/ MULTIVARIATE ANALYSIS

Bivariate analysis is the analysis of two variables simultaneously and multivariate analysis is the analysis of multiple variables simultaneously. Bivariate and multivariate analyses are used more for explanatory purposes. The cross tabulation technique was used to do the multivariate analysis. Cross tabulation is a statistical process that summaries categorical data to create contingency tables. Cross tabulation provides a basic picture of the existences, nature and strength of the interrelationship between two variables and can help find interactions between them. The dependent and independent variables in the analysis are not fixed for the simple reason that there is no one factor that can be claimed to contribute to success or failure of a business; all factors can contribute to both success and failure at the same time.

8.19.1 PREPARATION OF FINANCIAL STATEMENTS IN RELATION TO BANK LOANS GRANTED

The existence, nature and strength of the relationship between the two variables, "preparation of financial statements" and "bank loans granted" was tested using the Pearson's correlation coefficient. The following cross-tabulations were used and the test results are shown in the tables below.

Granted Bank loan * Preparation of Financial Statements Cross-tabulation

TABLE 12.0: SYMMETRIC MEASURES

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's R	.222	.135	1.762	.083[c]
Ordinal by Ordinal	Spearman Correlation	.328	.138	2.687	.009[c]
N of Valid Cases		62			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

The test gave a Pearson's correction value of 0.222 (Table 12.0), indicating a low positive correlation between the two variables, i.e. preparation of financial statements and bank loans granted. The results support the view that firms that prepare financial statements stood a better chance of accessing bank loans as opposed to those which did not. It is clear that 37.5% (6 respondents) that had prepared financial statements were given bank loans.

8.19.2 FIRM SIZE IN RELATION TO BANK LOANS GRANTED

The relation between these two variables was tested using Pearson's correlation test (Table 13.0) and the test gave a correlation value of 0.197. But the Spearman Correlation figure of .255 was highly significant (.045).This means there was a low positive correlation between the two variables. The result supports the view that the bigger the firm the more likely they stand a better chance to get bank loans. The results indicate clearly that 71.4% of the firms that were granted bank loans fell within the medium sized firm category.

Granted Bank loan * Number of Employees Cross-tabulation

TABLE 13.0: SYMMETRIC MEASURES

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Interval by Interval	Pearson's R	.197	.143	1.553	.126[c]
Ordinal by Ordinal	Spearman Correlation	.255	.142	2.045	.045[c]
N of Valid Cases		62			

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.
c. Based on normal approximation.

8.19.3 ENTREPRENEURIAL AGE AND ACCESS TO BANK CREDIT

With regard to the age of entrepreneurs and credit accessibility, the study revealed that 57.1% of SME owners/ managers who had their loan applications approved successfully were between the ages of 41 – 50 years while 20% of entrepreneurs within the same age group were discovered to have applied for loans but were rejected. Further, 40% of the entrepreneurs within the same age group (41-50) did not apply for loans at all. Interestingly one entrepreneur below the age of 20 had successfully accessed credit from the bank accounting for 14.3%. For those between the ages 20 – 30, it was seen that 14.3% of entrepreneurs within that same age bracket were granted loans while 24% of them applied but were not granted loans. However, one SME owner within the same age group (20-30) had never applied for any bank loan representing 20%. Furthermore, none of the SME owners/ managers within the age of 31- 40 had successfully obtained credit from the banks while 44% of the same age group had applied but were rejected. Some 40% of the entrepreneurs in the 31-40 years group had never applied for any bank loans due to lack of interest and not believing in borrowing.

Age * Granted Bank loan Cross-tabulation

Only one entrepreneur in the older age group of above 50 had successfully accessed bank loans accounting for 14.3% while 12% of the entrepreneurs had applied for the bank loans but were not granted. From the data, entrepreneurs within the age group of 41-50 years can be said to be more creditworthy since they received more credit from financial institutions than any other age group. It could be asserted that, older entrepreneurs may be wiser and more responsible than young ones hence the positive relationship between age and experience in business management.

8.19.4 OWNERSHIP STYLE AND ACCESS TO BANK CREDIT

With regards to the type of business ownership and its influence on bank credit accessibility, it was realized that 57.1% of entrepreneurs who had access to credit were private limited companies and 62% of entrepreneurs who had applied and never granted credit were from the same group of private limited companies. In addition to that, 80% of the entrepreneurs who had never applied for bank credit were from the sole proprietors. From the data, it can be concluded that financial institutions in the Solwezi Municipality advance loans to private limited and partnership companies more than to other categories.

Ownership style * Granted Bank loan Cross-tabulation

8.19.5 YEARS IN BUSINESS AND ACCESS TO BANK CREDIT

The study revealed that, all the 7 entrepreneurs who were granted loans from financial institutions were in business between 1 – 15 years with the highest number of loans being granted to firms who had been in operations between 6 -10 years which accounted for 42.9% (3 SMEs). Some 2 entrepreneurs in each category with operations between 1-5 years and 11-15 years were granted loans.

Years in Business * Granted Bank loan Cross-tabulation

8.19.6 THE INDUSTRY SECTOR AND ACCESS TO BANK CREDIT

Of the entrepreneurs who had been granted bank loans, 2 were in construction industry accounting for 28.6%, 1 in manufacturing industry accounting for 14.3%, 3 were in the trading industry representing 42.9% and 1 was in the service industry accounting for 14.3%. Of the total number of respondents who applied but could not be granted loans, 30% were found to have been operating in construction while 2% were in manufacturing sector. Of the entrepreneurs who did not apply for loans, 20% each were in construction, manufacturing and trading sectors while 40% were from the service sector. It could be said that due to high demand in the construction and supply sectors especially from the mines and government, financial institutions found it more prudent to give loans to those sectors.

Nature of Business * Granted Bank loan Cross-tabulation

8.20 HYPOTHESIS TESTING

In testing the research hypotheses to see whether statistically significant relationships existed between the independent variable (Challenges) and the dependent variable (Access to bank loans), the Chi-square test and the following cross-tabulations were used:

8.20.1 HYPOTHESIS 1

H0: *Collateral has no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Collateral to pledge Cross tabulation

TABLE 14.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	16.106[a]	1	.000		
Continuity Correction[b]	12.563	1	.000		
Likelihood Ratio	13.842	1	.000		
Fisher's Exact Test				.001	.001
Linear-by-Linear Association	15.824	1	.000		
N of Valid Cases[b]	57				

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.72.
b. Computed only for a 2x2 tableThe fourth column in Table 14.0 gives the two tailed p value associated with the chi-squared value. In this case, the p value equals 0.001. Since the p-value is less than 0.05, we can reject the null hypothesis, and accept the alternative hypothesis which states that collateral has an influence on SMEs' access to credit from commercial banks.

8.20.2 HYPOTHESIS 2

H0: *Preparation of financial statements has no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Preparation of Financial Statements Cross-tabulation

TABLE 15.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.801[a]	2	.001
Likelihood Ratio	12.922	2	.002
Linear-by-Linear Association	3.003	1	.083
N of Valid Cases	62		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 1.29.

Table 15.0 shows that the probability of the chi-square test statistic (chi-square =14.801) was p = 0.001, less than the alpha level of significance of 0.05. Since the p-value is less than 0.05, we can reject the null hypothesis, and accept the alternative hypothesis which states that preparation of financial statements has an influence on SMEs' access to credit from commercial banks.

8.20.3 HYPOTHESIS 3

H0: *Size of the firm has no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Number of Employees Cross-tabulation

TABLE 16.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.397[a]	4	.002
Likelihood Ratio	15.205	4	.004
Linear-by-Linear Association	1.788	1	.181
N of Valid Cases	62		

a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .89.

The probability of the chi-square test statistic (chi-square=17.397) was p=0.002, less than the alpha level of significance of 0.05. Since the p-value is less than 0.05, we can reject the null hypothesis, and accept the alternative hypothesis which states that the size of the firm has an influence on SMEs' access to credit from commercial banks. This is shown in Table 16.0.

8.20.4 HYPOTHESIS 4

H0: *Interest rates have no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Lending rates Cross-tabulation

TABLE 17.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.149[a]	3	.765
Likelihood Ratio	1.518	3	.678
Linear-by-Linear Association	1.089	1	.297
N of Valid Cases	57		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is .37.

From Table 17.0 the calculated value of the chi-square statistic was 1.149 at 3 degrees of freedom and the p-value was p=0.765, greater than the alpha level of significance of 0.05. Since the p-value is greater than 0.05, we fail to reject the null hypothesis. There is insufficient evidence to conclude that interest rates have an influence on SMEs' access to credit from commercial banks.

8.20.5 HYPOTHESIS 5

H0: *Repayment period has no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Repayment period Cross-tabulation

TABLE 18.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.769[a]	3	.857
Likelihood Ratio	.773	3	.856
Linear-by-Linear Association	.074	1	.786
N of Valid Cases	57		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is .12.

From Table 18.0, the calculated value of the chi-square statistic was 0.769 at 3 degrees of freedom and the p-value was p=0.857, greater than the alpha level of significance of 0.05. Since the p-value is greater than 0.05, we fail to reject the null hypothesis. There is insufficient evidence to conclude that repayment period has an influence on SMEs' access to credit from commercial banks.

8.20.6 HYPOTHESIS 6

H0: *Relationship with the banks has no influence on SMEs' access to credit from commercial banks.*

Granted Bank loan * Relationship with the banks Cross-tabulation

TABLE 19.0: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.754[a]	3	.000
Likelihood Ratio	14.227	3	.003
Linear-by-Linear Association	9.010	1	.003
N of Valid Cases	57		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .12.

From Table 19.0, the calculated value of the chi-square statistic was 22.754 at 3 degrees of freedom and the p-value was p=0.001, less than the alpha level of significance of 0.05. Since the p-value is less than 0.05, we reject the null hypothesis and accept the alternative hypothesis which states that client- bank relationship has an influence on SMEs' access to credit from commercial banks.

9.0 FINDINGS

9.1 FUNDING CHALLENGES AFFECTING SMEs

Research question 1: What challenges do SMEs encounter when accessing funds from the commercial banks in Solwezi Municipal council?

Accordingly, SMEs rated the lack of security/ collateral as the biggest impediment followed by lack of proper financial statements. High interest rates and length of relationships with the banks were rated third and fourth hindrances respectively. Size of the firm and short repayment period were ranked fifth and sixth respectively.

The five commercial banks surveyed ranked lack of collateral and lack of proper financial statements as the major hindrance to SMEs accessing bank loans. Short repayment period was ranked on number two. Bank managers were quick to mention that SMEs were denied credit because they failed to prove they could pay back the loans once given and that their books were in disarray. Furthermore, banks indicated that collateral was not their main concern but one's ability to pay back the loans. The banks went on to state that they were not in the business of selling assets hence collateral could not be their main focus in providing credit. Collateral was only required once an SME had met all the credit criteria and that it was there to provide security in an event that an SME failed to repay back the loan. On the other hand, SMEs argued that most commercial banks required financial statements for at least the past three years in addition to security, that's why they found it difficult to access funds from financial lending institutions. The types of securities demanded by commercial banks included immovable assets (i.e. land and building on title) and treasury bills. The number of overdrafts issued in Solwezi was not encouraging considering the significance of SMEs in economic development and job creation.

Collateral requirements for SMEs

The results showed that 4 out of 5 banks surveyed indicated collateral was a key requirement from SME borrowers. Furthermore, 69% of the SMEs had no collateral to pledge at the time of seeking credit from the financial lending institutions. The problem of collateral is real and requires addressing by all major stakeholders such as the government, commercial banks and SMEs themselves.

Financial Statements

Improper or non-availability of financial statements was ranked second by SMEs with 36.8% response rate. The banks on the other hand ranked this factor on number one alongside collateral. While only 26% SMEs surveyed claimed they prepared financial statements, the majority of the SMEs did not seem to understand what constituted a financial statement. They perceived that whatever form of financial record constituted a financial statement. Furthermore, the majority of the financial statements were wrongly prepared and not to the satisfaction of the banks. It was also revealed that 74% of the SMEs indicated they did not prepare the financial statements for varied reasons ranging from lack of capacity, still learning how to do it and poor record keeping.

Commercial banks interest rates

High interest rates charged on bank loans and overdrafts were identified as the third hindrance to accessing finance by SME businesses. Most of the SMEs contended that the high interest rates charged on SME loans were outrageous and made it difficult for them to access the same. The banks on the other hand contended that interest rates had been reduced following government intervention and that it was no longer a major factor that could stop business houses from accessing credit. It was possible that some SMEs were not aware of the reduction in the interest rates. The study established that bank interest rates for all the commercial banks were in the range 14.75 – 18.75% both for overdraft and bank loans. Previously bank interest rates were as high as 35-61% (Simpemba, 1992).

Relationships with the banks

From the breakdown of respondents' relationships with the bankers, 4.8% (3) of respondents rated their relationships with the bankers as excellent whereas 41.9% (26 respondents) rated their relationships as good. A further 51.6% (32 respondents) rated the relationships with the bankers as average. Only one resppondent indicated poor relationships with the bankers.

Short repayment Period

The period in which a loan or an overdraft must be repaid was ranked sixth with 7% response rate as a hindrance in SMEs accessing credit from the banks. The banks on the other hand ranked this factor second with 20% response rate. Other banks indicated the repayment period for short term loans was within the period of 6 months to 24 months, intermediate loans between 2 – 5 year and long-term loans were 5 years maximum and more than 5 years for others. The repayment period especially for short-term loans should be adjusted to suit the requirement of the SMEs or rather the repayment periods should not be fixed but negotiable. That will in turn attract more SMEs to seek funding. Negotiated repayment periods can also help reduce defaulting on loan repayments.

9.1.2 THE IMPACT ARISING FROM LACK OF ACCESS TO BANK LOANS

Research question 2: To what extent have these challenges affected their (SME) operations?

Failure to access funds by SMEs has grave impacts on their businesses. The study revealed that most of the SMEs had been impacted negatively due to lack of access to funds. It identified the impact of not financing SMEs as:

(1) Stunted business growth – 25 respondents or 40.3% of the SME managers/ owners indicated they had experienced stunted growth in their businesses. Growth could be measured by a business's ability to diversify, open branches in other locations and increasing the product lines.

(2) Limited working capital – 15 respondents or 24.2% of the sampled SMEs indicated limited working capital as the impact arising from failure to acquire bank loans. The implication is that SMEs in Solwezi Municipality failed to engage in big contracts especially the ones being offered by the mines. Most SMEs failed to bid for contracts as they could not deliver once given contracts due to their limitations in the working capital. Most of the jobs that should have been given to Zambian SMEs were given out to foreign companies as the former could not deliver due to lack of finances.

(3) No impact – 12 respondents or 19.4% claimed their operations were not affected by failure to access funding from the banks. They further indicated they had enough finances to run their businesses. Some of the SMEs that indicated had not been impacted negatively had not attempted accessing banks loans due to lack of interest and not believing in borrowing.

(4) Failure to acquire capital equipment – 6 respondents or 9.7% had failed to acquire the necessary capital equipment as a result of failure to acquire bank loans. Failure to acquire such equipment had a grave impact on their operations.

(5) Failure to improve infrastructure – 3 respondents or 4.8% had failed to improve or modernize their infrastructure due to failure to access bank loans.

9.1.3 ALTERNATIVE SOURCES OF FUNDING

Research question 3: What alternative sources of funding are SMEs resorting to?

To determine whether SMEs in Solwezi had access to other sources of finance in their ventures, it was revealed that 52 of them, representing 83.9% of respondents sampled, ploughed back their profits in an effort to expand their businesses whilst 8, representing 12.9% of the entrepreneurs, used supplier credits to finance their ventures. About 3.2% or 2 of the entrepreneurs used bank overdrafts to finance their businesses.

SME respondents were asked a separate question to establish whether or not they had access to non-bank financing. Only 17 respondents accounting for 27.4% responded in the affirmative while 45 replied in the negative. The results showed that Solwezi Municipal Council had a number of non-bank financial institutions also. The list of non-bank financial institutions as obtained from the SMEs surveyed included Blue Finance, Unity Finance, Focus Financial Services, Capital Solutions, Kukula Capital, NEDFIN, Vision Fund, ZSIC, Madison Capital, B-blue, CEEC and Bayport.

9.1.4 REASONS FOR SEEKING FUNDING

Research question 4: Why do SMEs seek funding?

One of the questions asked to SMEs was to establish the motivation behind their need for borrowing. Thus, 45% of the respondents wanted to expand their businesses by way of increasing the product line or establishing branches in other places where they were non-existent. Other respondents wanted to increase the working capital, accounting for 29%, 11% of the SMEs sampled wanted to acquire new capital equipment and 7% wanted to improve the infrastructure. The remaining 8% had not attempted seeking bank loans at all. Hence SMEs seek financing for varying business reasons.

9.1.5 REQUIREMENTS FOR SMEs TO APPLY FOR BANK LOANS

Research question 5: What are the requirements by the Banks for SMEs to apply for bank loans?

The study revealed that there were a number of documents that could be considered before an SME applicant was considered for a loan. The summary of the documents required by the banks includes: Ownership of a business account with the bank; Title deeds of property being pledged as security/collateral; Latest evaluation report for the property being pledged as security/collateral; Application letter; Cash flow projections with underlying assumptions; Latest audited financial statements for a minimum of three years; Debtors/ creditors age analysis – if selling on credit; Certificate of incorporation; ZRA tax certificates; Business proposal / plan.

10.0 RECOMMENDATIONS

In order to make it easier for the SME sector to begin to access funds from financial lending institutions, a number of recommendations were made as outlined below.

10.1.1 SMALL TO MEDIUM ENTERPRISES (SMEs)

SMEs face problems in accessing debt finance. This is reflected in the theories of capital structure such as the Stiglitz and Weiss (1981) credit rationing theory which suggests that because SMEs are high risk projects, they suffer from adverse selection from financial institutions. In addition, the results of this study indicate that SMEs have limited access to bank loans. The following are recommended as remedies for these challenges:

10.1.2 NETWORKING

Based on networking theory and resource dependency theory, SMEs are encouraged to network as much as possible to share ideas, information and knowledge as well as resources. This is because networking opens channels and enables SME owners to interact and develop relationships with influential people who may positively impact on their enterprises. In addition, SME owners get to learn from other individuals in the network and thus improve the performance of their enterprises, reflecting the importance of life-long learning. Networking thus provides avenues which not only enable an SME to access superior information but also to gain resources, reduce transaction costs, interact with other individuals and improve their performance. Furthermore, networking improves the legitimacy of the SME and increases the likelihood of obtaining debt finance from banks. In addition, networking enables SMEs to engage in collective bargaining with suppliers and enjoy large discounts on bulk purchasing from suppliers and increases the access to trade credit by SMEs.

10.1.3 FORMING JOINT PARTNERSHIPS AND VENTURES
Most of the problems faced by SMEs are due to their small size individually and that is a reason attributed to why most SMEs remain as sole trader businesses. Therefore, in addition to networking, SMEs may also form joint partnerships to increase their capital base, skills and other resources. This would enable them to access wider markets and compete with larger more established enterprises. In that way they can hopefully grow, develop and increase the economic development of the country.

10.1.4 EMPLOYING EDUCATED MANAGERS
Having an educated manager will allow an SME to obtain access to value networks through the influential contacts of the manager (through social networks) which may present favourable opportunities for the SMEs. Furthermore, an educated SME manager may be able to evaluate the value of a particular network thus reduce the transaction costs of being over- embedded in valueless networks as suggested by Watson (2007). This allows SMEs to direct their resources only to valuable networks and activities. Furthermore, educated managers can spearhead and encourage the preparation of proper financial statements, which is one of the requirements from the bank to enable an SMEs acquire bank loans.

10.1.5 PREPARATION OF FINANCIAL STATEMENTS
SME owners should prepare proper financial statements and keep such records appropriately. In an event that SME owners are unable to prepare financial statements, they should employ qualified personnel to undertake such assignments. The Northwestern Chamber of Commerce and Industry should take up the challenge to organize the members and have them educated on the relevance of financial statements and on how to do it. Forums that could facilitate such education programmes may include holding or attending seminars and workshops or even enrolling for short term business courses that cover such concepts.

10.1.6 GOVERNMENT ROLES
SMEs have been identified as the most significant contributor to employment, economic growth and poverty alleviation, it is essential to point out what government may do to improve the performance and sustainability of SMEs.

10.1.6.1 IMPROVE AWARENESS OF GOVERNMENT SUPPORT SERVICES
The theories of capital structure suggest that SMEs are reliant on debt finance because equity finance is expensive. In addition, most SMEs are not registered on the Lusaka Stock Exchange (LUSE) and thus cannot issue shares to raise capital. However, it was also mentioned that SMEs do not have adequate access to debt finance. Thus another alternate form of finance is required by SMEs. Government has many funding and support agencies (i.e. CEEC, ZDA) to support SMEs. However, most of the SME owners are still unaware of these organizations and even those that are known are still underutilized. This indicates the need for these institutions to advertise themselves more and organize workshops to inform small business owners and potential entrepreneurs of their existence and the services they offer. Information should be available in high traffic areas such as post offices, shopping areas, and the internet; to increase the awareness of, and use of, small business support institutions like universities, incubators, etc. There should be specific workshops targeted at educating SME owners about support institutions that are available, how to access them and what they can benefit from contacting them.

10.1.6.2 SUPPORT GROWTH OF MICRO FINANCE INDUSTRY
The Zambian government should support the growth of the micro-finance industry so as to improve access to finance by small business owners. Given the risky nature of most SMEs and their high failure rates, government may assist banks and ensure they are not the sole suppliers of financial services to the SME sector.

10.1.6.3 PROVISION OF INCENTIVES FOR BANKS LENDING TO SMEs
Even though banks may be faced with constraints, some suggest that they do active banking by mobilizing resources and distributing them to needy SMEs. Others further suggest that banks should be urged to take “reasonable risk” in vetting loan applications from small and medium enterprises, especially for business ventures in new areas and technology. In urging banks to take “reasonable risk”, government should institute some form of tax incentives to banks involved in SME lending. This will encourage others to consider the option of lending to this sector. Also banks that are not into SME financing could consider setting up an SME division or department to provide specialized services to SMEs. Specially trained SME credit officers could manage such a unit in the bank. For large financial institutions that already have such a division, they are usually perceived to be less important compared to other corporate lending divisions. Elevating the importance or status of SME divisions would encourage greater interest and focus on the SME sector.

10.1.6.4 COMMON FUND
It is also recommended that a special common fund should be constituted for the SMEs by government. The entrepreneurs are expected to contribute to such a fund to be managed by an independent body. Such a fund could be a revolving source of flexible credit facility for them.

10.1.7 THE BANKING SECTOR
The study revealed banks were reluctant to offer financial support to SMEs which has hampered their growth. Therefore, the following recommendations may be made to the banking sector:

10.1.7.1 DECREASING COLLATERAL REQUIREMENTS
The weak capitalization of SMEs implies that most SMEs lack the financial resources or capital equipment/assets to use as collateral to serve as security for financial loans. Therefore, it is recommended that banks may reduce or relax the collateral requirements so as to encourage SMEs to apply for bank loans. A government guarantee scheme could be utilized instead.

10.1.7.2 FINANCIAL MANAGEMENT EDUCATION
Educational workshops and trainings should be organized by the banks for the SME operators to ensure efficient and effective management of financial resources. Again lack of knowledge by most industrialists on the activities and requirements of the established institutions set up to help finance SMEs can be eliminated through such education.

10.1.7.3 BUSINESS MENTORING AND COACHING
Banks should assist small business owners in identifying well-established people (entrepreneurial role models) in business that can mentor them and guide them through the process of developing their businesses. The mentors can also help them in establishing broader business networks that can help them in their line of business.

10.1.7.4 ESTABLISHING OF FACTORING SERVICES BY BANKS AND NON BANK FINANCIAL SERVICES
Most SMEs are finding it difficult in maintaining a good cash flow position to meet their operational needs and also their financial obligation in respect of servicing their loans as expected. The use of factoring could provide them a service from which additional finances could be obtained.

10.1.8 NORTHWESTERN CHAMBER OF COMMERCE AND INDUSTRY
The Northwestern Chamber of Commerce and Industry should put in place funding training programmes for its members which should be on- going in order to give chance to the new members to learn. The programme should focus on the different sources of funding available to SMEs, their characteristics and how they could be exploited. Concepts such as proper business ethics, risk assessment and basics accounts should be covered.

10.1.9 INSURANCE GUARANTEES
The insurance companies and industry should be actively involved in SME financing by providing credit guarantees for any credit delivered by the formal institutions. The insurance companies must have a sense of partnership with the banks and SMEs in the areas of credit insurance and guarantee facilities.

11.0 CONCLUSIONS
The study investigated the challenges affecting SMEs in accessing funding from financial lending institutions to operate and grow their businesses. To analyze this, five challenges were identified as being some of the critical factors influencing SMEs access to finances from financial lending institutions like banks. These factors included lack of collateral, lack of proper financial statements, high lending rates, short repayment periods, relationship with the lender and firm size. Five research

hypotheses were derived from the research conceptual framework based on the above factors and tested using the Chi-test square. The hypothesis test results were as follows:

a) *Collateral has an influence on SMEs' access to credit from commercial banks.*
b) *Preparation of proper financial statements has an influence on SMEs' access to credit from commercial banks.*
c) *Size of the firm has an influence on SMEs' access to credit from commercial banks.*
d) *There was no sufficient evidence to suggest that bank lending rates had an influence on SMEs' access to credit from banks.*
e) *There was no sufficient evidence to suggest that repayment periods had an influence on SMEs' access to credit from banks.*
f) *Relationship with the banks has an influence on SME's access to credit from banks.*

The results have shown that access to finance is positively affected by the above factors but to varying degrees. The findings have shown that lack of collateral is the most critical obstacle to accessing finance from financial lending institutions followed by lack of proper financial statements, high lending rates, length of relationship with the bank, size of the firm and finally short repayment period.

Based on the responses received through the questionnaires, it is evident that SMEs in Solwezi Municipality area are faced with major challenges in accessing credit. These challenges were revealed by the study to include, the inability of SMEs to provide collateral and other information needed by banks such as audited financial statements coupled with the high cost of loans in terms of high interest rates make it extremely difficult to access bank loans. The above also supports the result of others which concluded that for 75 percent of the sampled firms that needed loans under the study conducted on the demand supply of finance for small enterprises in Ghana, lack of adequate collateral was the main reason given by the bank for those that had their applications rejected. Because of these constraints, which relate to access to bank loans and the difficulties SMEs have in managing their receivables, mainly due to delays in receiving payment for goods and services rendered, SMEs in Solwezi are not able to mobilize cash as quickly enough to grow and expand in a way that they are supposed to. They still remain small without expanding their businesses to the other regions of the country.

Failure to access finance by SMEs has grave negative impacts on their businesses as finance is the life blood of any business. The study has established that those businesses that failed to access finance have failed to expand while others have failed to provide quality services. Businesses that are not able to provide quality service are not competitive and cannot survive in this turbulent business environment. Injection of capital into any business large or small is therefore crucial for their survival.

This study has provided more reasons for the lack of access to financing by the SME sector than what previous studies revealed. For example, the lack of relationship between failure to access financing and interest rates seems to be unique to the Zambian situation.

All in all, the study has clearly shown that SMEs in Solwezi faced real challenges in trying to access financial assistance from the commercial banks. These challenges have to be addressed urgently if this sector is to contribute significantly to national economic development.

12.0 LIMITATIONS

The limitations of the study worth noting include: Insufficient data collected from the commercial banks as most of them were not offering loans to the SME sector coupled with the restriction to give out information without authorization from their head offices; the survey only focused on entrepreneurs who had fixed business abodes as those without fixed operating premises operating as briefcase entrepreneurs, marketeers and vendors were not included in the survey; the self-reporting nature of the questionnaire overly assumed that respondents were capable of making acceptable degrees of rating with precision and objectivity.

13.0 SCOPE FOR FURTHER RESEARCH

This study has assessed the challenges that SMEs encounter when accessing finance from financial lending institutions, with the collateral factor leading the pack. A study should be taken to establish what banks should do to reduce collateral requirements so as to encourage SMEs to apply for bank loans. Also the viability of an SME bank to service this sector could be studied.

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AGRICULTURAL CREDIT AND FACTORS AFFECTING GROUP LENDING PERFORMANCE OF POOR FARMERS IN ETHIOPIA: THE CASE OF JIMMA ZONE

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ABSTRACT

This study analyzed factors that are critical in affecting loan repayment performance of group based agricultural borrowers in Jimma Zone. After judgmental sampling has been considered to identify Woredas, simple random sampling technique was used to select 215 respondents and structured questionnaire was administered to collect data. Descriptive statistics and the Logit model were employed. The result show that 86 %(185) respondents were successful to repay their loan back, however 14% (30) of respondents failed to pay. Majority of the respondents do not celebrate social ceremonies and their health status was better. Even though females' participants in credit use were minimal, their efficiency was better as compared to male borrowers. Also, the results show that education, health status, land, and female headed households have positive effects on loan repayment performance. Conversely, family size, celebrating social ceremony and distance from credit sources have negative effects on loan repayment while the effect of age, experience, oxen, machinery, income and loan size are found to be insignificant variables. The study recommended that all farmers should be educated for the importance of having high repayment performance and reduce the factors prevent them from being able to pay for their loan. Since, female borrowers performing better than male counterparts, institutions have to do much on empowerment of women.

KEYWORDS
agricultural credit, group lending, loan repayment performance.

INTRODUCTION

Ethiopia predominantly relies on agriculture with the vast majority of its population directly involved in the production of crops and livestock. Its economy has been hit by several internal and external shocks. Devastating war, frequent drought, high population growth, distorted investment environment, volatile primary product price etc. have been some of the shocks the economy has been experiencing (Abafita. 2003). In addition to the above factors the agricultural sector of Ethiopia is mainly hindered by lack of credit facilities. Due to these factors, the sector has been experiencing low productivity.

Among the various reasons for the low agricultural productivity in the country are: traditional agricultural practices and implements; low inputs and lack of effective extension services; over grazing by a very large livestock herd; serious erosion and depletion of soil fertility; lack of adaptive research; inadequacy of agricultural credit; deficient communication infrastructure; ecological imbalance; inappropriate agricultural policies; poor market integration and political instability (Belay, 2002).

Regarding delivery of financial service, access to agricultural credit was very limited in Ethiopia. Because of this limited access, the majority of the poor get financial services from informal sources; like moneylenders, Iqub[1], Iddr[2], merchants, friends and relatives etc. The formal financial institutions are not interested in providing credit services to the poor because of collateral requirements (Abafita, 2003). As a result of the agricultural societies, especially the poor are forced to make group lending from micro finances.

A common characteristic of group lending is that the group obtains a loan under joint liability, so each member is made responsible for repayment of loans of his or her peers. Most schemes give subsequent credit only if the group has fully repaid its previous loan. The joint liability, but possibly more so, the threat of losing access to future credit, incites members to perform various functions, including screening of loan applicants, monitoring the individual borrower's efforts, fortunes, and shocks, and enforcing repayment of their peers' loans (Zeller,1996).

The reason for group lending is important however these borrowed funds are invested for productive purposes and then generated additional incomes are used to repay to the lending institutions in order to have sustainable and viable production process. Delivering productive credit to the rural poor has been a hotly pursued but problem-plagued undertaking. Providing low-cost, efficient credit services and recovering a high percentage of loans granted are the ideal aims in rural finance (Wenner, 1995). This is because low repayment performance discourages the lender to promote and extend credit to large and fragmented farm households.

In subsistence agriculture and low income countries like Ethiopia, smallholder farming dominates the overall national economy. Farmers face scarcity of capital due to low level of production lack of capability to adopt new agricultural technologies. Hence, short and medium term credits with favorable terms for seasonal inputs like fertilizer, improved seeds, pesticide and herbicides would generally be favored because better return would be achieved quickly within the cropping season. Moreover, achieving household food security remains a major objective of rural development. This can be materialized by increasing agricultural productivity, off-farm income and by improving the ability of households to stabilize their income and food purchasing power.

Recent studies show the growth rate of investment in agriculture is less than other economic sector. So financing agriculture is one of the most important factors to develop rural areas in developing countries. Generally, credit accessibility is important for improvement of quality and quantity of farm products so that it can increase farmer's income and reduce rural migration (Kohansal and Mansoori, 2008).

Lending to the poor or lower income group raises many debates among practitioners and academicians. The poor are usually excluded from credit facilities because of many reasons. These include insufficient collateral to support their loans, high transaction costs, unstable income, lower literacy and high monitoring costs. Usually they survive through involvement in micro business activities or informal activities that comprises food processing and sales, small scale agriculture, services, crafts and petty trading (Nawai and shariff, 2010). However these small business enterprises are the main source of employment and contribute a significant share of GDP in less developing countries. It is a risky enterprise because repayment of loans can seldom be fully guaranteed (Awoke, 2004). Generally,

[1] Is a financial association basically amid at helping people financially
[2] Is social association through which the local people help each other

in spite of the importance of loan in agricultural production, its acquisition and repayment are fraught with a number of problems especially in the small holder farming.
It has been found in empirical studies that large rate of default has been a perennial problem in most agricultural credit schemes organized or supported by governments. Most of the defaults arose from poor management procedures, loan diversion and unwillingness to repay loans. For this reason, lenders devise various institutional mechanisms aimed at reducing the risk of loan default like pledging of collateral, third-party credit guarantee, use of credit rating and collection agencies, etc.(Kohansal and Mansoori, 2008).
Financial institutions usually require business proposal, borrower past credit information and collateral before approving the loan. They offer credit through group-based lending method to mitigate agency problems, moral hazard and adverse selection and to replace the collateral requirement. In group-based lending, borrowers must form a group before applying loans and they also responsible to other loan members. If one member defaults, the others will be responsible for repaying the loan or they will be denied access for the next loans (Nawai and Shariff, 2010). Thus, the main question of this study was how this group lending mechanisms are functional and what are the factors affecting the repayment performance?
The general objective of this study was to investigate the agricultural credit and factors impeding group lending performance of poor farmers in Jimma Zone, southwestern Ethiopia. Specifically; the study tried to address the loan repayment performance of farmers in the area, and identified the socio-economic and institutional factors affecting group lending performance; finally it provided recommendations based on the findings.

EMPIRICAL LITERATURE

Agricultural credit activities in many developing countries suffer from the problem of a high incidence of default rate among borrowers. Many of these credit agencies are inefficient or heavily subsidized to remain in business. In order to understand the reasons behind this problem, it is crucial to evaluate the agricultural credit agencies based on borrowers' repayment performance.
The agricultural production process in many developing countries has been negatively impacted by poor loan repayment. Most of public credit agencies in such countries suffer from this critical problem. According to Koopahi and Bakhshi (2002) from a study in Iran, use of machinery, length of repayment period, bank supervision on the use of loan had significant and positive effect on the agricultural credit, while natural disasters, higher level of education of the loan recipient and length of waiting time for loan reception had a significant and negative effect.
Ugbomeh (2008) revealed that credit was available for agricultural production, processing and petty trading among group of women farmers. Women as household heads, interest rate and household size have negative and significant effect. Price stability of farm proceeds and commitment to self help groups have significant and positive effect on the loan repayment performance of women farmers in self group in Bayelsa state, Nigeria.
Durguner (2007), using a balanced panel of 264 farmers from 2000 to 2004, farmer-specific effects, one year lagged debt-to-asset ratio and soil productivity are both found to be significantly correlated with the coverage ratio at the 5% significance level using random effects. The finding is significant because it can enhance agricultural lenders' ability to assess creditworthiness, screen borrowers, manage loan loss reserves, and price loans, thereby decreasing lenders' costs associated with defaulted loans and ultimately reducing the costs borne by the government and taxpayers.
Aneke (1999), attempts to assess the credit system within the framework of the supervised agricultural credit scheme in Enugu State of Nigeria. The results show that high repayment rate farmers had a larger loan size, larger farm size, higher gross income, shorter distance between home and source of loan, higher level of formal education, larger household size, and higher level of adoption of innovations than low repayment rate farmers. Abula et.al.,(2013), using the multi-stage random sampling techniques, Empirical results revealed that volume of loan borrowed, annual household income and size of farm affected repayment by beneficiaries and were significant in Kogi State, Nigeria.
Awunyo-Vitor (2012) in five districts within Brong Ahafo region of Ghana, the study employed Probit model to investigate factors that influence farmer's loan repayment default. The results showed that farm size, and engagement in off-farm income generating activities reduces the likelihood of loan repayment default significantly. On another token, Saleem et.al., (2009) examines the impact of farm and farmers' characteristics on repayment of farm credit. The result was significant for impact of age, education, marital status, farm type, farm size, farm status and numbers of times credit obtained. But regression result showed significant influence of marital status, farm type and numbers of times credit attained on repayment of farm credit. Collectively all farm and farmers characteristics used in present study are significantly affecting repayment of credit.
Kohansal and Mansoori (2009) have done a study on factors influencing on repayment performance of farmers in Khorasan-Razavi province of Iran during 2008. The Logit model was used to explain the probability of loan on time repayment as a result of any of the identified independent variables. The signs of the coefficient of independent variables and significance of the variables were used determining largely the impact of each variable on probability of dependent variable. Results showed that farmer's experience, income, received loan size and collateral value have positive effect while loan interest rate, and total application costs and number of installment implies a negative effect on repayment performance of recipients.
Duy (2013) compares the repayment performance of farmers and non-farmers who borrow credit in individual and group-based schemes from formal banks in Vietnam. The Probit model was applied to analyze the determinants of repayment performance of borrowers. Scheduled repayment was analyzed with loan size instrumented by a Tobit model. Results show that, among the borrowers, farmers have a statistically significant higher repayment performance than non-farmers. Repayment in group schemes seems to be positively affected by educational level and by loans to farmers, and negatively by the loan amount, while repayment by independent borrowers is positively affected by the loan amount, farmers as borrowers, and the gender of borrowers.
Absanto and Aikaruwa (2013) examine the contribution of credit rationing in loan repayment performance. A case study design was adopted in which Victoria Saving and Credit Cooperative Society (SACCOS), found out that among the factors that were used for credit rationing age influenced loan repayment performance. Olagunju and Adeyemo (2008), based on Tobit regression farm experience, farm location, cost of obtaining loan, visitation, borrowing frequency, and education were very important factors in determining the repayment performance of beneficiaries. Whereas Akepan et.al., (2013), examined the determinants of access and demand for credit based on multi stage random sampling; farmers age, gender, farm size, membership of social organization, extension agents visits, distance from the borrowers (farmer) resident to lending source, year of formal education and household size are important determinants of access to credit in Ikat EKpene area of Akwa Ibom state in southern, Nigeria.
Belay (2002) in Eastern Ethiopia used primary data were collected from 92 randomly selected borrowers out of 23 saving and credit groups of credit beneficiaries residing in 10 PAs. A binary Logit model was used to analyze factors influencing loan repayment performance of rural women. A total of twelve explanatory variables were included in the empirical model and out of these, six were found to be statistically significant. Location of borrowers from lending institution, loan diversion, annual farm revenue and celebration of social ceremonies were highly important in influencing loan repayment performance. The other critical variables include initial credit group formation and farm size.
According to Abafita (2003), on Oromia credit and saving share company in Kuyu based on primary data, the estimated results of the descriptive statistics and the Probit model shows that education, income, loan supervision, suitability of repayment period, availability of other credit sources and livestock are important and significant factors that enhance the loan repayment performance, while loan diversion and loan size are found to be not significant. On his study female borrowers found to better in terms of loan repayment.
Reta (2011) conducted a research with the objective of analyzing and identifying factors that influence the loan repayment performance of the beneficiaries of Addis Credit and Saving Institutions (AdCSI). Age and five business types (baltina & petty market, kiosk & shop, services providing, weaving and tailoring and urban agriculture) were important in influencing loan repayment performance of the borrower. In addition, sex and business experience of the respondents were found to be significant determinants of loan repayment rate.
Fikirte (2011) conducted a research with the objective of analyzing and identifying factors that influence the loan repayment performance of the beneficiaries of Addis Credit and Saving Institutions (AdCSI). In order to achieve this objective, primarily data were collected from 200 randomly selected clients (100 defaulters and 100 non-defaulters) by using structured interview. Age and five business types (baltina and petty market, kiosk and shop, services providing, weaving and

tailoring and urban agriculture) were important in influencing loan repayment performance of borrowers. In addition, sex and business experience of the respondents were found to be significant determinants of loan repayment rate.

METHODOLOGY
For this study, primary data was collected for a sample of farmers who benefited from group lending in 2013. By using structured interview information was obtained from head of the family's socio-economic characteristics like family resource level, response to loan repayment, experience in credit uses, access to extension services, marketing, source of credit, etc., and individual characteristics like age, marital status, education level, family size are obtain through questionnaires.
The study area is on Jimma zone, southwester Ethiopia. Sixteen Woredas are benefited from Oromia credit and saving institutions. Except Jimma branch, 15 Woredas are functionally giving agricultural loan to the rural poor. These Woredas are clustered based on environmental and social-economic characteristics. Of which, 5 Woredas are undertaking both cash and cereal crops. The other 6 Woredas are cereal crop producing with some mixed farming. The rest 4 Woredas are mainly relies on cash crop production.
Total numbers of clients that have been used agricultural credit service during 2013 were 30,000, with 6,000 groups (five members in each group), for which 98 million birr were distributed. Based on the economic and socio-cultural characteristics of the study area, Woredas are clustered in to three categories (mixed farming, cereal crop and cash crop producers). By using convenient sampling technique three Woredas were drown from the total, and each Woredas from each cluster. 215 representative respondents were interviewed based on simple random sampling.

EMPIRICAL MODEL
Regression which involves yes or no is dummy dependent variable regression models. Which are applicable in a wide variety of fields and are used extensively in survey or census-type of data (Gujarati, 1995).The dependent variable in this study is dummy variable, which take a value of zero or one depending on whether or not the borrower defaults. When one or more of the explanatory variables in a regression model are binary, we can represent them as dummy variables and proceed to analysis. The loan repayment performance is a dependent variable, which is dichotomous taking on two values, one if the borrower is a non-defaulter and zero otherwise. Estimation of this type of relationship requires the use of qualitative response models. In this regard, the non-linear probability models, Logit and Probit are the possible alternatives.
The Ordinary Least Squire (OLS) regression, when the dependent variable is binary, produces parameter estimates that are inefficient. Consequently, hypothesis testing and construction of confidence interval become inaccurate and misleading. To alleviate these problems and produce relevant empirical outcomes, the most widely used qualitative response models are the Logit and Probit models.
This study is intended to analyze which and how much the hypothesized regression is related to the loan repayment performance of poor farmers. As already noted, the dependent variable is a dummy variable, which took a value of zero or one depending on whether or not a borrower defaulted. However, the independent variables are of both types that are continuous or categorical.
In the analysis of studies involving qualitative choices, usually a choice has to be made between Logit and Probit models. According to Amemiya (1981), the statistical similarities between Logit and Probit models make the choice between them difficult. However, Maddala (1983) and Kmenta (1986) reported that many authors tend to agree in that the Logit and cumulative normal functions are very close in the mid-range, but the Logit function has slightly heavier tails than the cumulative normal functions. Pindyck and Rubinfeld (1981) and Gujarati (1988) illustrated that the logit and Probit formulations are quite comparable, the main difference being that the former has slightly fatter tails; that is, the normal curve approaches the axes more quickly.
Hosmer and Lemeshew (1989) pointed out that Logit model has got advantage over the others in the analysis of dichotomous outcome variable in that it is extremely flexible and easily used model from mathematical point of view and results in a meaningful interpretation. Hence, the Logit model is selected for this study.
Therefore, the cumulative Logit probability model is econometrically specified as follows:

$$Pi = F(Zi) = F(\alpha + \sum B_i X_i) = \frac{1}{1+e^{-Zi}} \quad [1]$$

Where, Pi is the probability that an individual is defaults or does not default given Xi; e denotes the base of natural logarithms, which is approximately equal to 2.718;Xi represents the i^{th} explanatory variables; and α and β are parameters to be estimated.
The Logit model could be written in terms of the odds and log of odds, which enables one to understand the interpretation of the coefficients. The odds ratio implies the ratio of the probability (Pi) that an individual would choose an alternative to the probability (1-Pi) that he/she would not choose it.
Therefore,

$$\left(\frac{Pi}{1-Pi}\right) = \left(\frac{1+e^{Zi}}{1+e^{-Zi}}\right) = e^{Zi} \quad [2]$$

Or,

$$\left(\frac{Pi}{1-Pi}\right) = \left(\frac{1+e^{Zi}}{1+e^{-Zi}}\right) = e^{(\alpha+\sum BiXi)} \quad [3]$$

If the disturbance term (ui) is taken into account, the Logit model becomes

$$Z_i = \alpha + \sum_{i=1}^{m} B_i X_i + u_i \quad [4]$$

X1= age of respondent
X2= education level of the respondents
X3= experience of respondent
X4=income of respondent
X5= family size
X6= total farm land
D1= whether respondent owned farm machinery (yes=1, no=0)
X7= loan size
X8 = number of oxen
D2 = social ceremonies
X9 = distance from the lenders
D3 = head of the household
D4 = health status of the respondents

DEFINITIONS OF VARIABLES
Among a number of factors, which have been related to borrowers' loan repayment performance, in this study, some demographic, socio-economic and institutional factors are hypothesized to explain loan default situations of poor farmers in the study area.
Loan repayment performance of borrowers is the binary dependent variable in this model, which assumes a value of one if the borrower is non-defaulter and zero otherwise. However, there are several variables that are hypothesized to affect the loan repayment performance of farmers. Age is among the significant variables that affect the loan repayment performance of farmers. Younger people are likely to be at career stages where higher future incomes are expected. It may also be argued that the growth rate of income increases in the early stage of the earning life cycle but then declines, as one gets older. On the other side, at older age a borrower may acquire stability, may gain a lot of experience in running a business or may feel a sense of more responsibility hence could be positively related to loan recovery. Therefore it will be ambiguous to hypothesis the sign.

Farm size reflects ownership of important farm assets, it is expected that it would enhance the capacity of the borrower to repay on time. Furthermore, numbers of Oxen are the most important source of traction power in the area. Therefore, borrowers who own more oxen would be in a position to undertake farm activities on time and when required. However, location of borrowers is another variable that affect the default rate of borrowers. The more remote borrowers from lending institutions are hypothesized that less likely to repay the loan back.

In addition there are variables that are expected to be significant in affecting the loan repayment performance. Income of the household head: means income from crop and livestock activities may result in a better repayment capacity of borrowers. Moreover, adequacy of loan (loan size) is the other important variable that affects the repayment performance. When the supply of credit is equivalent to the demand for it, there is no rationing problem and borrowers acquire the amount they demand. Therefore, borrowers are more likely to repay on time. Education status of the borrowers is also expected to have positive contribution for the loan repayment performance of farmers. The more the educated household head the better the loan repayment performance is hypothesized.

Illness of family members increases health care expenditures of the household and would be the source of loan diversion. Therefore, health related expenses are expected to reduce borrowers' capacity to repay it back. Moreover, expenses on social ceremonies are sometimes too large relative to borrowers' economic status and may negatively affect the loan repayment performance. However, borrowers who acquired extensive experience in similar economic activity before the loan knows how to run a profitable business than new ones hence could have better repayment record.

DESCRIPTIVE RESULTS

This survey was conducted by distributing questionnaires to group based borrowers. In which several variables like education level of the respondents, age of the borrower, head of the household, distance from credit sources, social ceremony, use of machinery, experience, family size, total loan obtained, total income, number of oxen and other variables are considered to analysis. A sample of 215 borrowers was selected randomly for this study. Out of the total respondents 185 (86%) have settled their loans in full while 30(14%) failed to repay their loans in full.

TABLE 1: CATEGORICAL VARIABLES

		Frequency	Percent	Valid Percent	Cumulative Percent
Social Ceremony					
Valid	no	119	55.3	55.3	55.3
	yes	96	44.7	44.7	100.0
	Total	215	100.0	100.0	
Taking Medical Care Service per Year					
Valid	no	125	58.1	58.1	58.1
	yes	90	41.9	41.9	100.0
	Total	215	100.0	100.0	
Loan Repayment Performance					
Valid	no	30	14.0	14.0	14.0
	yes	185	86.0	86.0	100.0
	Total	215	100.0	100.0	
Head of the Household					
Valid	female	30	14.0	14.0	14.0
	male	185	86.0	86.0	100.0
	Total	215	100.0	100.0	
Appling Machinery					
Valid	no	151	70.2	70.2	70.2
	yes	64	29.8	29.8	100.0
	Total	215	100.0	100.0	

Source: 2014 Survey

From the above table out of 215 respondents 119(55.3%) did not celebrate social ceremonies during 2013. However, 96(44.7%) of the respondent celebrated social ceremonies and expend some of their loan for this purpose. Social ceremony and its expenditure are financed from a credit they borrowed and it is the source for loan diversion and credit default.

Illnesses of family members increase expenditures in consumption and credit need from other source of finance medicaments and health care. Therefore, health related expenses are expected to reduce borrowers' capacity to repay it back. Out of 215 respondents 90(41.9%) went to hospital the year 2013. However, 125(58.1%) of the respondents were free from health related expenditures. In addition among 215 respondents 185 (86%) replied that they did not have problems of credit default in the current loan cycle. Based on the result, a minority (30 or 14%) of the respondents did have problems of credit default in their current loan cycle. 86% of the sampled Jimma zone farmers are males and 14% are females. It also shows that only few females in the region take farming as their business and a source of employment.

The group member used the loan for the purpose of they borrowed it. So the effectiveness of the group lending and its loan repayment performance is increased as the group member did applied modern technologies. Of the total 215 respondents only 64(29.8%) were applied machinery for their farm products. Majority of the respondents are involved in their traditional farming without applying modern technologies and machineries.

TABLE 2: CONTINUOUS VARIABLES

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
age of the respondent	215	19	59	35.16	8.186	67.015
educational level	215	0	15	2.88	3.159	9.982
Experience	215	0	8	2.88	1.495	2.234
family size	215	1	12	4.35	2.141	4.585
Income	215	1000	500000	25980.44	36019.856	1297430018.14
land size per hectar	215	0	24	9.00	6.191	38.332
number of oxen	215	0	6	2.06	1.152	1.328
distance from credit	215	3	480	148.92	75.908	5762.073
total loan obtained	215	550	25000	4060.58	2403.035	5774575.011
Valid N (listwise)	215					

Source: 2014 survey

All respondents/borrowers are above 19 years old and the maximum older borrower is 59 years old. The average age of beneficiaries is 35 years old. The respondents are both illiterate and literate. At the maximum the respondent attain first degree (Joined University), but some of the borrowers are not attaining modern schooling.

Experience in credit use and management has positive contribution for loan repayment performance. Some respondents have used credit up to 8 time, where as some others are the first time beneficiaries. The family size of the respondents is not more than 12, however single borrowers have benefited within the group.

The minimum income level including off-farm income is 1000 Birr, and the maximum income is 500,000 Birr. On average respondents in Jimma zone generate 25980.44 Birr in a year.

Given the productivity of land, large farm size hypothesized to be positive contribution for loan repayment performance of farmers. Some of the respondents are having credit benefit without land available with them. On the maximum respondents are having 24 hectares land with the estimated average of 9 hectares.

Number of oxen is the most important source of traction power in the area. Therefore, borrowers who own more oxen would be in a position to undertake farm activities on time and when required. Therefore, large numbers of oxen positively contribute to the repayment performance of borrowers. From table 2 above the maximum number of oxen owned by borrowers are six but some of them have no oxen, however these borrowers are having two oxen on average.

Most borrowers lived in rural areas, far from the credit sources. To the minimum it takes three minutes, and to the maximum 480 minutes. The other variable that affects loan repayment performance is total loan size obtained. Group borrowers within the group accessed 550 Birr at the minimum, however some others having 25,000 Birr at the maximum. However the source of income for these borrowers is many.

EMPIRICAL RESULTS

The study also used empirical model and hence discussed empirical results. Before going to use the Logit results for interpretation the study has undertake diagnostic tests. The Hosmer-Lemeshow (HL) test for Logit regression is widely used to answer the model fitness; R^2 is a measure of predictive power, that is how well can predict the dependent variable based on the independent variables. That may be an important concern, but it doesn't really address the question of whether the model is consistent with the data. By contrast, goodness-of-fit tests help to decide whether the model is correctly specified or not. Hosmer and Lemeshow produced a *p*-value if it is below 0.05 the model is rejected. If it's higher than 0.05, then the model is good fitted (Allison, 2013). Based on the above evidence the model used is fitted with the chi-square of 7.985, degree of freedom 8 and significance level of .435. (See appendix table 3)

Correlation is a way to measure two variables are associated with or related to each other. Pearson correlation matrixes provide information on the degree of relationship between dependent and independents variables or independent and independent variables (Gujarati, 2004). As a rule of thumb, if the correlation coefficient between the two independent variables is greater than 0.8, one can conclude that there is a series problem of multicollinearity. Accordingly the test result shows that the correlation coefficient between all variables under consideration is less than 0.8 implying that the explanatory variables can separately contribute to the variation in the dependent variable. (See appendix table 4)

TABLE 3: LOGIT REGRESSION RESULTS

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	Age	-.036	.036	.977	1	.323	.965	.899	1.036
	Edu	.247	.078	10.033	1	.002***	.781	.671	.910
	Exper	.039	.215	.032	1	.857	1.039	.682	1.584
	Familysiz	-.114	.142	.641	1	.042**	.892	.675	1.179
	Income	.000	.000	.029	1	.864	1.000	1.000	1.000
	Cermony(1)	-.946	.565	2.809	1	.094*	.388	.128	1.174
	Health(1)	.999	.484	4.264	1	.039**	2.715	1.052	7.005
	Land	.038	.063	.367	1	.045**	1.039	.918	1.176
	Oxen	-.060	.260	.053	1	.818	.942	.565	1.569
	Dist1	-.020	.006	11.219	1	.001***	.981	.970	.992
	Head(1)	-.927	.581	2.543	1	.011***	.396	.127	1.237
	Loan	.000	.000	.127	1	.721	1.000	1.000	1.000
	Mchinary(1)	-.196	.553	.126	1	.722	.822	.278	2.428
	Constant	5.435	1.519	12.794	1	.000***	229.230		

Variable(s) entered on step 1: Age = age of the respondents, Edu =education level of the respondents, Exper = experience of the respondents, Familysiz = family size of the borrower, Income = total income of the household, Cermony = social ceremony, Health = health status of the respondents, Land = total land owned by the borrower, Oxen = number of oxen having the respondents, Dist1=distance from lending institutions , Head = head of the household, Loan = total loan obtained, Mchinary = application of machinery by respondents.

Table 3 above showed that factors that affected loan repayment performance of group borrowers and were calibrated as determinants of loan repayment. It indicated that out of 13 explanatory variables, seven were the most potent factors.

Education Level*:* - This variable is expected to have a positive impact on repayment performance in general. Considering normal circumstances, a more educated borrower is expected to use the loan more effectively as compared to a less educated one. In this case we expect a positive sign for the variable. It is assumed that as the borrower gets educated, he/she could acquire more knowledge so that his/her efficiency in allocation of resources increases and so does the proper utilization of the loan. On the other hand, farmers who did not receive formal education and are likely to have inadequate knowledge of loan acquisition and management, are less likely to repay the loans given to them. In this study education level is statistically significant at 1%, and positive as hypothesized. This shows that the probability of efficiency and its impact on repayment is 0.781 units the group members educated than none educated. This suggests that as the level of education improved the beneficiary also improved the ability to read and write and in the process, improved dexterity in the occupation, which concomitantly improved profit and the capacity to repay loans.

Family Size*:* - Large family sizes could likely raise their total expenses and negatively affect their loan repayment ability. Conversely, large family could serve as a source of labour which will increase the output of the farmers and hence positively affect the farmer's ability to repay the loan. The result showed that family size is negative and statistically significant at 5%. This shows that the probability of the efficiency of group lending and its impact on repayment performance is 0.892 units higher when the group members have small family size than those with large family size.

Social Ceremony*:* - The expenses on social ceremonies are sometimes too large relative to borrowers' economic status and may negatively affect the loan repayment performance. Based on the questioners, from the total 215 respondents only 96(44.7%) of the respondents celebrated social ceremonies. Based on the model's result this variable is negative and statistically significant at 10%. This means, those borrowers that did not celebrate social ceremony are only 0.388 times as effective repaying their loan as those who celebrated.

Health Status*:* - Illness of family members increase expenditures in consumption and credit need from other source of finance medicaments and health care. Therefore, health related expenses are expected to reduce borrowers' capacity to repay it back. In this study health variable is a categorical variable, positive and statistically significant at 5%. This implies that healthy people are 2.715 times better contributes (repay back their loan) as compared borrowers with poorer health.

Land Sizes*:* - Land size is the amount of land owned by each group members. In this study the land owned by group members had minimum of zero and a maximum of 24 hectares. The Logit model shows that land size variable has positive and significant effect on the effectiveness of group borrowers' ability to repay back their loan. This implied that as the group members acquire more land the effectiveness of group lending performance increased 1.039 times as compared to those borrowers with small land size.

Distance*:* - The variable distance measure how the group members far from each other in their lending institutions. This variable had a negative and significant influence on the effectiveness of group lending and its impact on repayment performance at 1%. This means that the more remote the location of credit services, the lower the borrowers likely to repay their loans. The effectiveness of group lending and its impact on repayment is higher when the distance between the members is less than when it is long by 0.981 units.

Head of the Household*:* -There is a belief among many microfinance specialists that female borrowers are better payers than their male counterparts, taking into consideration their being more entrepreneurial that results from assuming more responsibilities in the internal affairs of a household (Vigano, 1993). Based on the result this variable is statistically significant at 1%. This shows that female borrowers are 0.396 times better than male borrowers.

CONCLUSION

This study evaluated the factors influencing on agricultural credit and group lending performance of farmers in Jimma zone. The main objective of this research was to assess and analyze the effectiveness of group lending and its impact on loan repayment performance. Data was collected from 215 group based borrowers in Jimma Zone, Ethiopia.

The Logit model seeks to explain the probability of loan on time repayment as a result of the identified independent variables. The signs of the coefficient of independent variables and significance of the variables were used to determining the impact of each variable on the dependent variable. Results showed that 86 %(185) respondents were successful to repay their loan back, however 14% (30) of respondents failed to pay. Majority of the respondents did not celebrate social ceremony and their health was better. Even though females' participation in credit use was minimal, their efficiency was better as compared to male borrowers. Also, the results show that education, health status, land, and female headed households have positive effects on loan repayment performance. Conversely, family size, celebrating social ceremony and distance from credit sources have a negative effect on loan repayment while the effect of age, experience, oxen, machinery, income and loan size are found to be non significant variables.

Based on the results obtained in this study, it is recommended that credit institutions or lending agencies should look out for the factors that significantly influence loan repayment before granting loans to group based agricultural credit to reduce the incidence of loan defaults.

The study recommends that all farmers should be educated on the importance of having other sources of income apart from their farm so that they can use the loans they acquire for farming activities only. This will help them to have a better output and hence a better repayment capacity. Again, farmers in Jimma Zone should be encouraged to higher education, practice factors that encourage a higher repayment rate and reduce the factors that prevent them from being able to pay for their loans like huge social ceremony expenditure.

On the other hand, the evidence in this study show that female borrower has performed better in terms of loan repayment than their male counterparts. But we have seen that the number of women being served particularly in the rural parts of the Woreda is very small. This is also in conflict with one of the objectives of the establishment of such an institution; i.e., empowerment of women. So the institution has to do much in this direction.

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APPENDIX

TABLE 4: CORRELATION MATRIX

		Constant	Age	Edu	Exper	Familysiz	Income	Cermony(1)	Health(1)	Land	Oxen	Dist1	Head(1)	Loan	Mchinary(1)
Step 1	Constant	1.000	-.595	-.446	-.075	.047	-.265	-.403	-.106	.184	-.101	-.342	-.241	-.097	-.359
	Age	-.595	1.000	.217	.091	-.493	-.064	.093	.008	-.214	-.050	.143	.079	-.068	-.097
	Edu	-.446	.217	1.000	-.029	.123	-.203	-.018	-.086	-.033	.051	.390	.160	-.054	.062
	Exper	-.075	.091	-.029	1.000	-.271	-.003	.161	.020	.051	-.106	.059	-.037	-.595	-.105
	Familysiz	.047	-.493	.123	-.271	1.000	.047	-.177	-.013	.215	-.165	.089	.052	-.015	.106
	Income	-.265	-.064	-.203	-.003	.047	1.000	.543	.074	-.042	-.199	-.113	.119	.112	-.043
	Cermony(1)	-.403	.093	-.018	.161	-.177	.543	1.000	-.166	-.257	.099	.008	.031	-.042	.155
	Health(1)	-.106	.008	-.086	.020	-.013	.074	-.166	1.000	.143	.107	-.122	.055	-.068	-.146
	Land	.184	-.214	-.033	.051	.215	-.042	-.257	.143	1.000	-.479	-.311	-.138	-.325	.022
	Oxen	-.101	-.050	.051	-.106	-.165	-.199	.099	.107	-.479	1.000	.076	.135	.037	.051
	Dist1	-.342	.143	.390	.059	.089	-.113	.008	-.122	-.311	.076	1.000	-.151	-.159	.196
	Head(1)	-.241	.079	.160	-.037	.052	.119	.031	.055	-.138	.135	-.151	1.000	.105	.013
	Loan	-.097	-.068	-.054	-.595	-.015	.112	-.042	-.068	-.325	.037	-.159	.105	1.000	.208
	Mchinary(1)	-.359	-.097	.062	-.105	.106	-.043	.155	-.146	.022	.051	.196	.013	.208	1.000

TABLE 5: CLASSIFICATION TABLE[a,b]

	Observed		Predicted		
			loan repayment performance		Percentage Correct
			yes	no	
Step 0	loan repayment performance	yes	0	30	.0
		no	0	185	100.0
	Overall Percentage				86.0

a. Constant is included in the model.
b. The cut value is .500

TABLE 6: MODEL SUMMARY

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	140.157[a]	.145	.261

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

TABLE 7: HOSMER AND LEMESHOW TEST

Step	Chi-square	df	Sig.
1	7.985	8	.435

TABLE 8: CLASSIFICATION TABLE[a]

	Observed		Predicted		
			loan repayment performance		Percentage Correct
			yes	no	
Step 1	loan repayment performance	yes	6	24	20.0
		no	2	183	98.9
	Overall Percentage				87.9

a. The cut value is .500

A STUDY OF IMPACT OF SOCIAL MEDIA ON COLLEGE STUDENTS

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ABSTRACT

With the extensive growth of Social networking website users especially amongst the college going adolescents, the management researchers are quite often researching and writing papers on the impact of Social Networking Websites on them. The objective of this was to find out the Impact of Social networking websites on the students of Suresh Gyan Vihar University (Jaipur) which provides 24x7 access to Wi-Fi to all the students within the campus. Under this study the students of different departments of the university were surveyed through questionnaire to find out their usage patterns of Social Networking Media, the number of hours they spend on Social media websites and other similar networking mobile applications and also the motifs of the students behind the extensive use of such networking websites. This study revealed the fact that almost all of the students under the survey owned latest smart phones and other gadgets which gave them access to internet and all of them were using one or the other social networking websites. After the survey some surprising facts came out the first one being the fact that most of the students were spending 3-4 or even 5 hours a day on Social networking websites rather than devoting these precious five hours on studies or any other creative or co-curricular activities. Rather it was found that very less students liked sports as their favorite leisure activity. It was also proved that today the students are not getting quite a lot of educational / professional benefits from such websites rather they use it just for fake show off of what all great is happening in their life. And are more interested in knowing what's going on in the other person's life. Very less number of students read online newspapers, e-journals etc. Hence, they don't tend to do any quality work online and hence need constant monitoring by the University Faculty Members and Parents / Guardians.

KEYWORDS

social media, networking websites.

1.1 INTRODUCTION

As the mushrooming of social media users is increasing at a very speedy rate the majority of the users of Social Media remain to be the adolescents and the college going students. A look of the last ten years would reveal the fact that the world of the online users has changed dramatically. And the credit totally goes to the invention of Social Media, the world today has slowly turned into a global village and is exchanging ideas, sharing information and transferring messages online.

People now require real time messaging and sharing of information and ideas with friends and now share pictures and videos online. (Diamanduros, Jenkins, & Downs, 2007). The Internet usage rate by the Indian teenagers currently is showing a steep rise in the upward direction. The life of Indian teenage students today is greatly influenced by the multimedia technology. Indian teenagers seem to be spending ample amount of time on using internet. (Titto Varghese, 2013).

Similarly as per a report published by DNA newspaper out of the 12,000 high school students surveyed in 12 different cities of Indian like Mumbai, Delhi, Pune, Lucknow and Kochi 84 percent of the respondents had internet access at home, and almost 85% were found to be using social networking websites, 79% were found to be owning mobile phones. This report also revealed an astonishing fact that Television was the least preferred gadget amongst the youngsters and rather mobile was the most preferred gadget. This report has also stated that text messaging and online chatting are emerging as the most preferred alternatives to telephone calls, almost 50 percent respondents surveyed in metros said that they used SMS the most to communicate, whereas 45 percent of the respondents said that they used instant messaging and 38 percent used Facebook or Twitter. The survey also reinforced the fact that the majority of youngsters are preferring information technology as a career option, followed by engineering and medicine. (dnaindia.com, 2012)

1.2 ABOUT THE STUDY

This study focuses on assessing the motives of Indian students behind using Social Networking Media and analyzing the habits of college students in terms of the time spent for it, place and medium of accessing internet. This study was conducted in the campus of Suresh Gyan Vihar University, Jaipur. Suresh Gyan Vihar University was **awarded for being the Best E-Campus amongst the private universities in India.** The university is using Social Networking in a very well defined manner for the academic benefits of the university students. The university has also developed a Learning Management System.

1.3 THE IMPACT OF SOCIAL MEDIA ON ADULT LEARNERS

The swiftly increasing use of Social Media in higher education is allowing adult learners to get integrated properly into their classes. Social networking is thus becoming increasingly important in the current scenario of higher education as we can find that the pattern of teaching plus learning as well as the course delivery methods have changed to include the online lectures, lecture deliveries through power point presentations. Social networking has been offering students a platform to stay in touch with each other and also create face-to-face conversations online and other interactions through mock classrooms. Thus, for the adult learners who require real time information transfer due to their preoccupied schedules which makes it difficult for them to participate in direct classroom lectures. Online social media helps the adult learners participate in lectures, see their grades and attendances through software like moodle used by the university and also stay connected to their classmates, faculties and institute's authorities anytime & anywhere.

1.4 SOCIAL MEDIA NETWORKING DANGERS AND BENEFITS

Dangers of Social Networking Site: Students often post detailed and specific information on social networking websites (including phone numbers, addresses, class schedules, social plans,etc.) without learning the use of privacy tools and policies which makes you easier to get stalked by the strangers (or even acquaintances) There have been cases where people have misused such private information and even police authorities keep warning the students to avoid such sharing of personal details.

Catfishing: This term has been coined from the name of the film "Catfish," with a story line that follows a filmmaker who discovers the truth about an online relationship which he has developed with a woman whom he has never ever met, "Catfishing" basically occurs when a user creates a false or an over exaggerated social media profile for the purpose of having online relationship also known as cyber relationships. Some profiles are created out of boredom or loneliness, while many a times created to take revenge or to embarrass the targeted person.

Impact on Academics and Employment: Any actions taken in the digital world can have far-reaching consequences in a person's real life and can also lose jobs, internships and even interviews because of the information the students post on their social networking accounts. Employers might take very seriously the images that the students are portraying on social networking sites as a reflection of personal character.

Benefits of Social Networking Sites: A social networking website can be a good way to make connections with people with similar interests and goals. Social networking media serves as a very good platform to connect with people which a student might not have had the opportunity to meet. Social media has a benefit of being an avenue for making new friends and also for staying in touch with old ones. Thus, one of the main advantage of social media is easier contact with classmates and friends and other groups of interest. Social networking sites also carry some added features like event calendars, group profiles and fan pages that can communicate any upcoming event / happening or news/notices for the students of a particular institution. Today students create 'N' number of community pages as per their common interests and stay quite active on such pages. These types of pages prove to be very effective to create a buzz in the campus.

1.5 COMPANY PROFILE

Suresh Gyan Vihar University was established by the sponsoring body Sahitya Sadawrat Samiti. It is located in the suburbs of the heritage city of Rajasthan, Jaipur. It is running several educational endeavors, covering multiple educational avenues ranging from a CBSE board School till higher secondary to a full-fledged University. The University offers different programs like Management, Engineering, Pharmacy, Sciences, hotel Management and education.

Suresh Gyan Vihar University is a Self financed University established by the Government of Rajasthan, under the Section 2 (f) of UGC Act 1956 vide Suresh Gyan Vihar University, Jaipur Act 2008 came into existence in the year 2008. Gyan Vihar University basically comprises of three campuses with over all area of 130 acres at Jaipur.

1.5.a. SURESH GYAN VIHAR UNIVERSITY (SGVU) MAIN CAMPUS

The head quarter of Suresh Gyan Vihar University is located at Mahal, Jagatpura, Jaipur over an area of forty acres, spread over 10 lac square feet of constructed area, housing six schools: School of Engineering & Technology, School of Management, School of Pharmacy, School of Hotel Management, School of Sciences and School of Education; besides an administrative block, a convention centre of global standards, a Library Complex with world-class collection of books, journals, reference resources in both printed and digital format and luxurious residential hostels for faculties and students. More than 5000 students are enrolled in these schools for their full time programs. The University is currently running more than 50 programs at Under Graduate & Post Graduate level.

INTERNET CONNECTIVITY AT SGVU

"A Visionary had truly claimed that in this age of information (the 21st Century) there will be only three basic necessities Bread, Clothes and Bandwidth." Suresh Gyan Vihar University being a global university has increased the internet bandwidth in its campus wide network to 40 MB. A cyber space has been created in it's fully 300mbps Wi Fi campus offering an internet bandwidth of 40 MBPS directly from national internet. The internet in this university is as fast as local area network, to make the internet Bandwidth future proof university had deployed Gigabit optical technology (GPON) from BSNL. The network is smart enough to provide direct connectivity with national knowledge network (NKN) which is one of the networks between premium institution like IIT's, national laboratory., NIT's IISc ,IISERer.

University uses one of the best technology for bandwidth sharing and management to cater information superhighway. SGVU has also been awarded "Best E-Campus of the Country" award in the year 2012 presented by AICTE chairman.

1.6 RELEVANCE OF STUDY AT SURESH GYAN VIHAR UNIVERSITY

As explained in the profile of Suresh Gyan Vihar University, the university has a 24x7 Wi-Fi enabled E-Campus and have now almost turned into a paperless university. They are constantly promoting online activities, online attendance, online graded assignment submissions, online quizzes, online results etc. They also publish e-journals and have memberships of various e-libraries. Hence, it was quite relevant to conduct this study amongst Suresh Gyan Vihar University's students. As it would give us a better idea of the kind of impact social media is having on college students. As all the university students have access to internet and when major aforementioned academic work like assignments , examinations and results are online we knew that all the respondents would be internet friendly. As a matter of fact Gyan Vihar students have their own Facebook pages and various communities on Facebook on which they keep updating about various activities and photographs of the events. Hence, this reinforced the relevance of conduction of this sort of study in Gyan Vihar's campus.

2.1 ABOUT LITERATURE REVIEW

"The literature in any field forms the foundation upon which all future work will be built" The study of relevant literature is an essential step to get a clear idea of what has been done, with regard to the problem under study. Such a review brings about a deep and clear perspective of the overall field. A serious and scholarly attempt has been made by the scholar to go through the related literature and a brief review of the studies related to the present problem is described in this chapter.

2.2 LITERATURE REVIEW FOR THE STUDY

Computer networking was initially envisioned in the heyday of The Beatles as a military - centric command and control scheme. But as it expanded beyond just a privileged few hubs and nodes, so too did the idea that connected computers might also make a great forum for discussing mutual topics of interest, and perhaps even meeting or renewing acquaintances with other humans. In the 1970s, that process began in earnest.

2.2.a. INTERNET USAGE FOR SOCIAL NETWORKING BY ADOLSCENTS

Williams et al (2008) while reviewing online social networking profiles of adolescents stated that the individuals are creating as well as maintaining their personal Internet websites wherein they allow various authors of relevant streams and other users (registered members) of the websites to post content on the website blogs and also helps in creating a personal network. Now, such type of social networking websites are slowly becoming an addiction for the users. In support of the aforementioned statements Lenhart and Madden (2007) in Adolescent social networking have reinforced the fact that within the past five years social networking has shown a phenomenal shoot up from being a niche activity to a mania that engages millions & billions of Internet users.

This study describes the fact that adolescents do not understand the importance of privacy policy and do not filter intimate and candid information which might be hacked or misused by notorious elements on cyber space. According to Lehnart and Madden 55% of the teenagers have their social networking profiles hence it is a must to have parental monitoring and intervention.

2.2.b. INTERNET USAGE BASED ON THE GENDER OF THE ADOLESCENT USER

According to the studies of the aforementioned authors a research of the use of internet of the students is needed and parental control on them is highly mandatory. To reinforce the same fact Boyd (2007) in his study also mentions the aspect of Gender to be taken into account. Boyd says that gender appears to influence participation on social network sites. Younger boys are more likely to participate than younger girls (46% vs. 44%) but older girls are far more likely to participate than older boys (70% vs. 57%). Older boys are twice as likely to use the sites to flirt and slightly more likely to use the sites to meet new people than girls of their age. Older girls are far more likely to use these sites to communicate with friends they see in person than younger people or boys of their age. The facts put up by the authors proves the relevance of the study.

2.2.c. INTERNET USAGE OF THE ADULT USERS

Lenhart (2009) reveals that the share of adult Internet users who have a profile on an online social network site has more than quadrupled in the past four years – from 8% in 2005 to 35% now, according to the Pew Internet & American Life Projects December 2008 tracking survey. While media coverage and policy attention focus heavily on how children and youth use social network sites, adults still make up the bulk of the users of these websites. Adults make up a larger portion of the US population than teens, which is why the 35% number represents a larger number of users than the 65% of online teens who also use online social networks. Still, younger online adults are much more likely than their older counterparts to use social networks, with 75% of adults (18-24) using these networks, compared to just 7% of adults 65 and older. At its core, use of online social networks is still a phenomenon of the young.

To add to the Internet use by adults Knight (2006) in the article 'Is Social Networking Losing Clout With Youth?', explains that according to ratings, in 2003, teens were most likely to visit icon sites for instant messaging. The most popular sites then were OriginalIcons.com (77%) and BluntTruth.com (76%). Today the most popular sites are PLyrics.com (68%) and SnapVine.com (67%). Both of these sites offer social networking tools. The older generation is also visiting these sites, according to some Score. More than half of the visitors to popular MySpace were 35 and over. For marketers, this is a good thing. A new report from Compete indicates that social networkers, no matter their age, are creating their own e-commerce system. According to the report, those on social networking sites have more discretionary income, shop online more and pay less attention to traditional media.

According to Subrahmanyam (2006) youth's expenditure on data services represents almost 50 percent of all mobile spending in most mature markets. Not only are youth the early adopters of most new technologies, they are also among the more sophisticated users of it as well.

2.2.d. COMPARATIVE ANALYSIS OF INTERNET USAGE V/S OTHER LEISURE ACTIVITIES AND MEDIA

Teenagers mostly register on social networking websites for the purpose of connectivity with the people whom they already know. A survey conducted by Pew (2006) revealed the fact found that almost 91% of the Facebook users use this website to keep in touch with the friends whom they meet every day whereas 82% users log on to these sites to connect with friends whom they meet rarely (Lenhart and Madden, 2007). According to Danah Boyd's survey the reason behind the use of a particular social media site was quite clear and state forwardly stated as, "That's where my friends are." Boyd's opinion is that mostly the adolescents adopt only those features that their friends use and follow only those pages or join those groups that their friends have joined or are following. And in doing so they inturn influence the other users around them (boyd, 2008). Facebook undefeatedly, dominates the arena of social networking sites at least amongst the Indian teenagers, main reason being its user friendly interface, opportunity for relaxation and the chance of maintaining relationship. There are studies which state that students who register on facebook as their first activity of a day (Varghese & Nivedhitha, 2012). Psychologists hold an opinion that those teenagers who are heavy users of social networking sites seem to be more depressed in their life. According to the observations they tend to have interrupted sleep patterns and also miss classes and meals. While analyzing Psychologists now ask for the online behaviour of the patients of any sort before they do a full examination. (Shastri, 2011).

The youth of 21st century, possess ready access to the Internet as they are mostly using hi-tech gadgets. They mostly use prefer Internet over other communication means as they find it more economical in terms of time, money and convenience. (Tidwell & Walther, 2002). This sudden rocketing use of Internet and especially social networking websites has totally changed the meaning of Interpersonal Communications and relationships. (Romm, Pliskin, & Clarke, 1997).

2.2.e. MOTIVES BEHIND USING SOCIAL MEDIA USAGE

The Pew Internet and American Life Project study conducted in 2007 has reported that a good amount upto 91% Social Networking teenagers use the sites to keep in touch with their regular friends whom they meet very often whereas 82% use these sites to get the news from their distant friends whom they meet very rarely and 72% were found to be using these sites to arrange any kind of holidays with their friends. Around 49% of the respondents were found to be using such sites to make new friends (Lenhart & Madden, 2007). Similarly another study conducted in UK revealed the fact that even though teenagers have lots of friends ranging in hundreds in numbers on social networking sites, the actual number of close friends was same as the number of friends in their real life. This study reported that the contacts of 90% teenagers in social networking sites are people whom they have already met and only 10% contacts were strangers (Smith, 2007).

Almost 3000 customers within the age group of 18 – 54 years from more than 14 different countries were surveyed online in 2010. More than 90% were found aware of the social networking sites and at least 72% were reported to be registered in one of the social networking sites. Average Number of friends of each member was 195 and they were found to log in to social networking sites more than once a day (Tay, 2010). Some facts were also revealed that social networking sites are more popular among the young women of the age group 18 – 29 and 69% of them log in to these sites at least once a day (Madden & Zickuhr, 2011).

3.1 RESEARCH METHODOLOGY

This research employs the method of Random research through quantitative analysis to gather an in-depth understanding of the behavioral changes caused by the social networking sites like facebook on youth and the reasons that govern such behavior.

3.2 OBJECTIVES OF THE STUDY

This research has been conducted to find out the time spent by college students on different types of Social media, when and why they use it and what do they like to do online etc. The research questions of this study are as follows:

1. What do the college students generally do when they are not studying or involved in co-curicular activities?
2. What are the media and internet usage habits prevailing amongst the college going students?
3. What are their social media usage patterns and habits?
4. What are their motives behind using social networking websites and applications?

3.3 RESEARCH TOOLS AND TECHNIQUES

3.3.a. Data Collection - Most of the data collected was primary. Some of the secondary data required for the purpose of the study will be collected from the university's records & relevant websites (like www.inma.org, www.uncp.edu , www.digitaltrends.com etc.

3.3.b. Method of Data Collection - A structured questionnaire was designed to collect data for the study. The questionnaire was shared online with the students of Gyan Vihar University and the responses was collected online.

3.3.c. Sample Size - Around 600 respondents of different departments of the university were sent the questionnaire. The students of all the departments were sent the questionnaire.

3.3.d. Statistical Tools: Random sampling techniques has been used . The analytical research of Impact of Entertainment Media on College adolescents has been done by calculating Percentage **.**

4.1 SELECTION OF RESPONDENTS

A survey method using a structured questionnaire was used for data collection. The questionnaire had different sections.

1. Demographics
2. Internet Usage
3. Social Networking Media Usage Motivation Scale

The first section of the questionnaire consists of questions related to the demographic details like age, class, gender, type of school etc,. The second section includes questions pertaining to the internet usage patterns of teenagers. Questions like preferred activity online, time spent online daily, time spent online for education, time spent for social networking media etc, were included in this section. Third section consists of a scale to understand the structure of motivation of teenagers' social networking media usage.

4.1.a. RESPONDENTS

Out of the 600 students of different departments of Suresh Gyan Vihar University contacted for responding to the questionnaire through e-mails the following were the number of students whose responses were considered genuine:

TABLE 1: THE STUDENTS (RESPONDENTS) CLASSIFICATION

Departments	Year / Batch	Number of students
I.S.B.M. (International School Of Business Management)	BBA , B.Com(1st , 2nd and 3rd), M.B.A. (1st & 2nd)	80
Hotel Management	All the years	21
School of Education	All the years	29
Pharmacy	All the years	32
Biosciences	All the years	19
BCA & MCA	All the years	80
Computer Engineering	All the years	43
Mechanical Engineering	All the years	29
Civil Engineering	All the years	34
Electrical Engineering	All the years	22
Electronics & Communication Engineering	All the years	32
School of Research	All the years	12

4.2 DATA ANALYSIS AND INTERPRETATION

4.2.a. DEMOGRAPHIC ANALYSIS

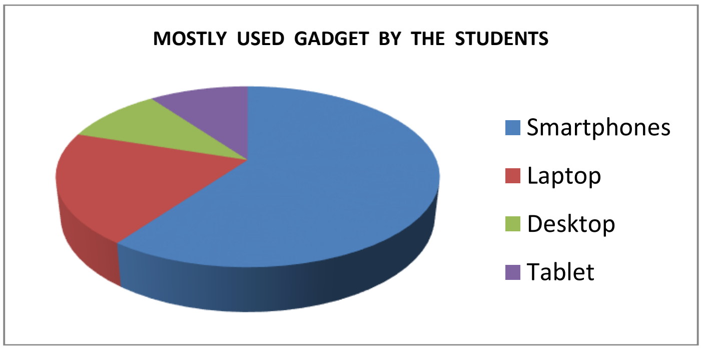
DATA COLLECTION ABOUT PARENTS OF RESPONDENTS

TABLE 2

Father's Level of Education	Well Educated (P.G. or above) – 54%	Graduation – 31%	Below 12th Class – 10%	Not Educated – 5%
Mother's Level of Education	Well Educated (P.G. or above) – 43%	Graduation – 29%	Below 12th Class – 19%	Not Educated – 9%
Father's Occupation	Employed – 69%	Self Employed / Business man – 21%	Part Time / Free Lancers / Retired – 9 %	Unemployed – 1%
Mother's Work Status	Employed – 38%	Self Employed / Business person – 11 %	Part Time / Free Lancers / Retired – 5 %	Homemakers – 46%
Father and Mother both are Working	24%			

4.4.b. MOST USED GADGETS BY THE STUDENTS

CHART 1: PIE CHART OF THE MOST USED GADGETS BY STUDENTS

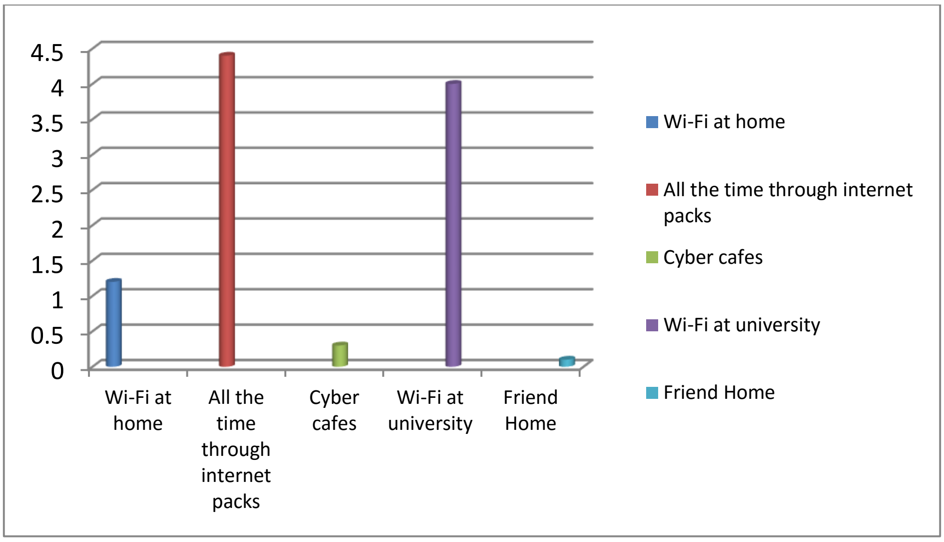


Youth is always found to be friendly with the latest technology and the latest gadgets. We intended to find what were the latest gadgets being used by the youth today that they were using to go online. The results have been represented through the pie chart shown above. Around 62 percent of the respondents were found to be using smart phones whereas only 18 percent were using laptops to go online. 12 percent were found to be using tablets and only 8 percent were using desktops. Hence , it was interpreted that most of the respondents were using smart phones for using internet. And the other gadgets are used less.

4.2.c. LOCATION OF GOING ONLINE

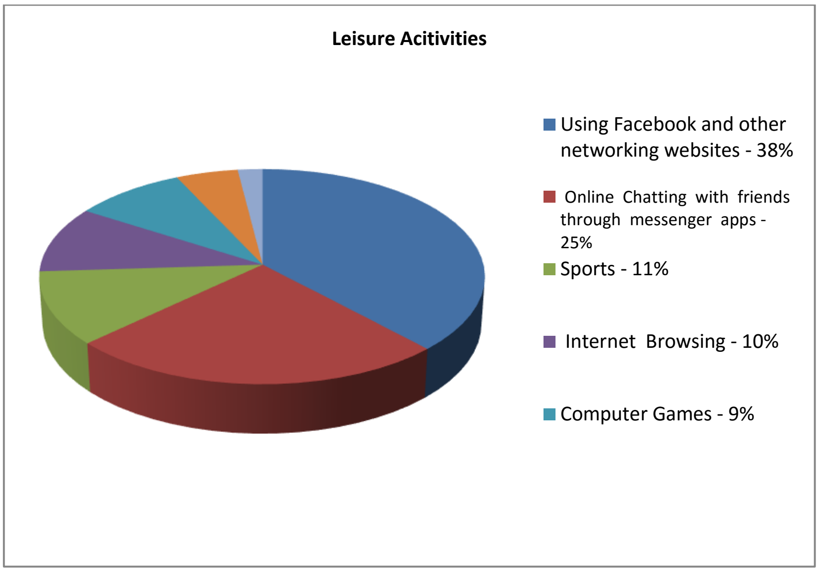
As per the questionnaire in this study an enquiry was done as to from where the students using internet. Forty Four percent of the students were using internet packs on mobiles to use the internet. Forty percent were using the Wi-Fi (24 hour Wi-Fi connectivity) provided in the university campus to use internet. Whereas 12 percent students were having internet connectivity at home and only three percent were using cyber cafes and one percent were using wi-fi at friend's home for using internet.

CHART 2: GRAPH OF LOCATION OF GOING ONLINE



4.2.d. LEISURE ACTIVITIES

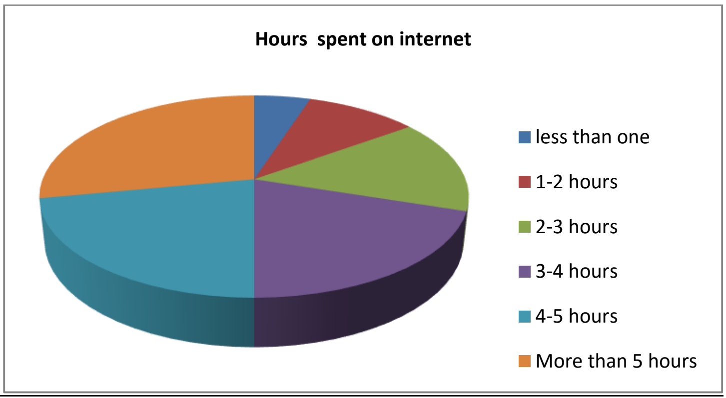
CHART 3: PIE CHART OF LIESURE ACTIVITIES



It has always been a worrying issue for the parents that the new generations are more engrossed in internet browsing as their prime leisure activity rather than being involved in physical workout through sports or playing indoor games with their siblings, cousins and friends. This is in fact increasing the lonely times spent by the youth. They might be connected to hundreds of their friends online but lose their closeness with their family and friends. When asked thirty eight percent students responded that using facebook website was their favorite leisure activity. Next most liked leisure activity by twenty five percent respondents was online chatting. Eleven percent of the respondents liked sports, ten percent of the students like Internet browsing and nine percent liked playing computer games. Five per cent students liked Watching T.V. and only two percent liked indoor games. So the aforementioned worry of the parents about the leisure activity of their children became quite understandable by the analysis done.

4.2.e. HOURS SPENT ON SOCIAL NETWORKING WEBSITES AND OTHER MESSENGER WEBSITES AND APPLICATIONS

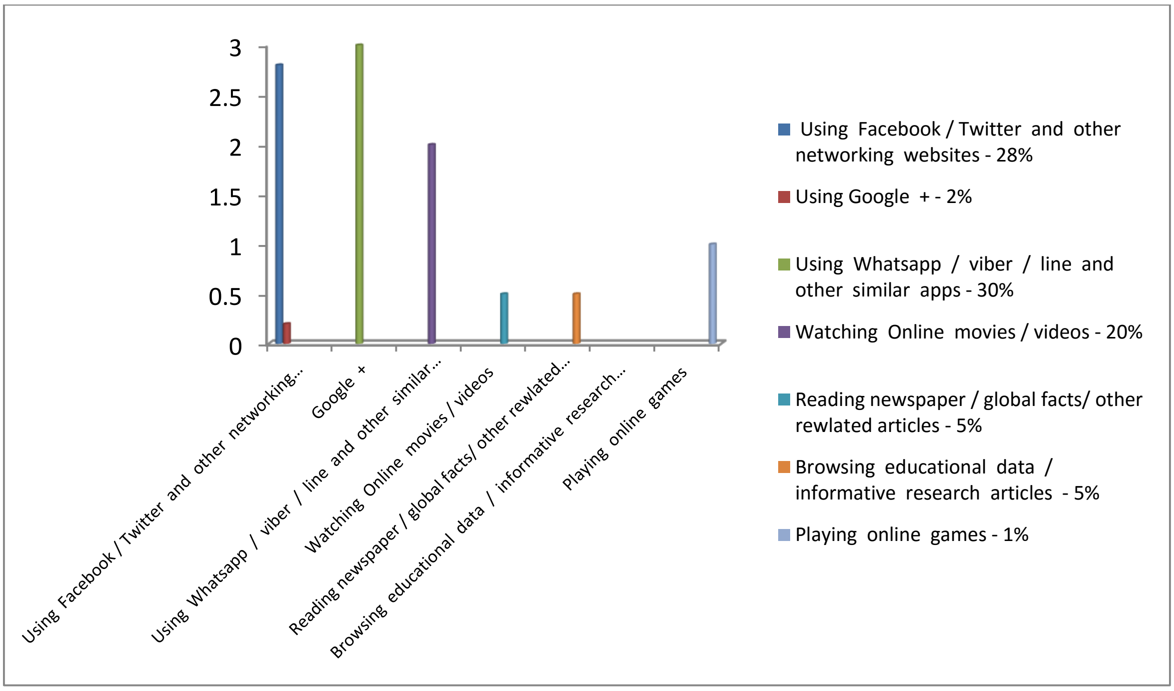
CHART 4: PIE CHART OF HOURS SPENT ON INTERNET



As one of the objectives of this was to find out the internet habits of the college students in the questionnaire it was asked by the students how much time they were spending on internet. According to the responses that we got it was found out that 28 percent of the respondents spent more than five hours per day on internet. Around twenty two percent of the respondents spent four to five hours on internet per day. Twenty percent of the respondents spent three to four hours per day on internet. Almost 15% of the students who responded to the questionnaire spent 2-3 hours on internet every day. Ten percent of the respondents were spending one to two hours on internet daily where as only a small number, less than five percent were spending less than one hour daily on internet.

4.2.f. MOST PREFERRED ONLINE ACTIVITY

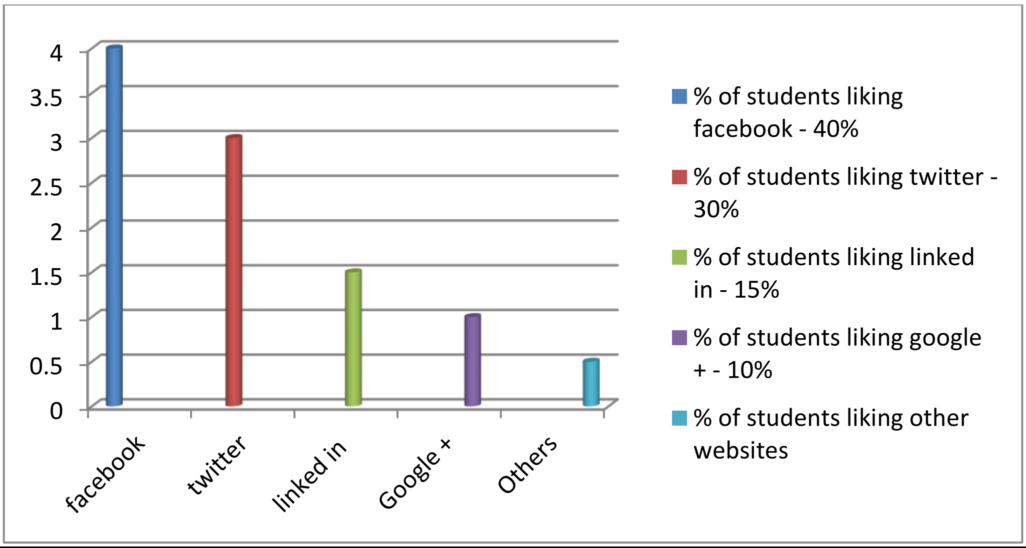
CHART 5: SHOWING MOST PREFERRED ONLINE ACTIVITY



We needed to find out in this study what were the most preferred online activities of the students so that the habits of the students could be understood and the motives behind using internet could be known. We found out that nearly twenty eight percent students had voted for using Facebook / Twitter and other networking websites as their most preferred online activity. And even more than that thirty percent of the respondents said that using whatsapp / viber / line and other similar applications on smart phones and tabs was their most preferred online activity. Twenty percent students responded that they preferred watching online videos and movies over other online activities. And another ten percent respondents said that liked playing online games more than other online activities and only five percent preferred reading newspaper / global facts/ other related articles online and another five percent said that they preferred browsing educational data and other informative research articles whenever they got online.

4.2.g. FAVOURITE SOCIAL NETWORKING WEBSITE

CHART 6: SHOWING THE MOST PREFERRED SOCIAL NETWORKING WEBSITE



As we now knew that maximum students liked using facebook / twitter and other networking websites more than any other online activities. We know wanted to find out the motives behind using these social networking websites. As we are aware of the fact that all of these social networking websites satisfy the motives of their users. So it was important to find out which websites the respondents liked the most. As per the responses of the questionnaires filled by the respondents Facebook was the favorite social networking website of Forty percent of the students and the second most liked website was Twitter liked by Thirty percent students. Fifteen percent of the respondents said that they preferred linked in over other websites. Ten percent of the students opted for Google + as being their favorite website whereas only five percent liked other websites.

4.2.h. REDUCTION IN STUDY HOURS DUE TO SOCIAL NETWORKING WEBSITES

68% of the students out of the total respondents believed that the use of Social Networking websites has also reduced their study hours. Mostly it has been observed that most of the students have access to these websites through the mobile applications which constantly keep sending all the updates of whatever data has been uploaded or liked or shared by the people in your friends list or connected to you through social networking. In that case it is obviously a major distraction in studies and hence a lot of quality time is spent in using these websites which could have been rather used in studying.

Fake Show Off: Parents often talk about the major generation gap that always exists up the upcoming generation has been said to be driven towards fake show off. Young college going students are especially living in this world by uploading their pictures, sharing their location and expressions the new generation kids have actually fallen into a competition of showing that they are having more fun than others and in fact this is a worrying condition because in this case the kids fall into fake show off of what they have or sometimes don't have and also inculcates complexes which is not healthy at their age. This study has reinforced the same facts. When questioned whether kind of Social networking drive the new generation towards fake show off? 72% of the respondents replied 'Yes'. Hence the use of Social Networking which could have been beneficial in lot of senses might prove to be dangerous in future.

4.2.i. MOTIVES BEHIND USING SOCIAL NETWORKING WEBSITES

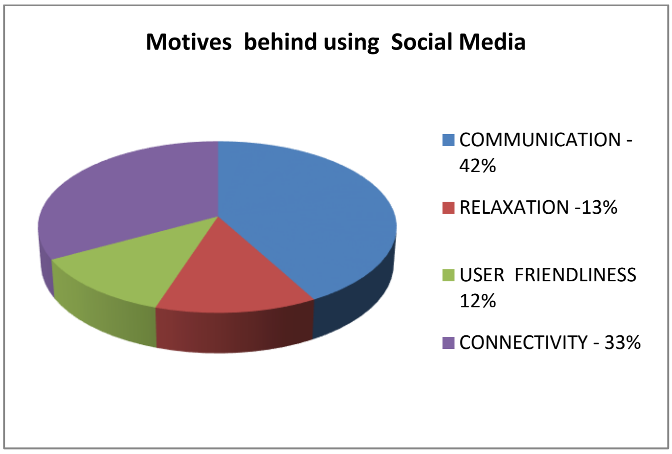
TABLE 2: TABLE OF MOTIVES OF RESPONDENTS BEHIND USING SOCIAL NETWORKING WEBSITES

MOTIVATIONAL FACTORS FOR USE OF SOCIAL NETWORKING WEBSITES	ITEMS	RESPONSE IN PERCENTAGE
COMMUNICATION BENEFIT / BRIDGING COMMUNICATION GAPS	Sending Messages to Friends	7%
	Contacting Friends / relatives	6%
	Finding old & long lost friends	6%
	Chatting with friends/people (known or unknown)	7%
	Expressing opinion about iss	4%
	Checking what friends are doing	6%
	Making new friends online	6%
RELAXATION PURPOSES	Relieves stress / tension	5%
	Helps me relax after study	3%
	Provides leisure	2%
	Providing continuous updates of people / events	3%
USER FRIENDLINESS OFFERED	It is easy to use	4%
	Easy to learn it	5%
	Interface is clean & orderly	3%
CONNECTIVITY OFFERED BY SOCIAL NETWORKING	Seeing peoples status updates	13%
	Sharing photos/videos with friends	10%
	Connecting with friends of friends	10%

When questioned about the motives behind using social networking websites it was found that 42% of the respondents used social networking websites for the purpose of communication. Communication section was again categorized into different categories wherein it was found that within these 42% students lied 7% of the respondents who were using Social Media for sending messages to their friends; 6% of the users were using Social Media for contacting far away friends and relatives; another 6% were interested in getting touch with long lost friends; whereas almost 7% were just interested in chatting with friends; while only 4% believed that Social Media serves as a platform to express your views; 6% of the total respondents found its usage for making new friends and another 6% used social networking for seeing what their friends were doing and surprisingly most of the respondents who wanted to see what their friends were doing were girls.

Out of the other categories of the motives behind using social media 13% of the respondents said that they used Social Networking Websites for Relaxation Purposes. Nearly 12% voted for its user friendliness. Whereas a big amount of respondents nearly 33% said that they used it for it gave them connectivity with others through its features like "Status updates" , "Photos & Videos Sharing" and "Connecting with friends of friends".

CHART 7: SHOWING THE MOTIVES OF RESPONDENTS BEHIND USING SOCIAL MEDIA



FINDINGS

1. As internet facility is available very easily and is very easily affordable it was found that almost all the students have access to the internet.
2. Maximum students own advanced gadgets to have internet access and mostly all the students have smart phones.
3. 43% respondents have internet packs on mobiles to use the internet. 30% were using the Wi-Fi provided in the university campus to use internet.
4. 48% students responded that using facebook website was their favorite leisure activity. Next most liked leisure activity by 30% respondents was online chatting. Students are less interested in sports, excursions and other creative activities.
5. Major amount of productive of time almost 3-4 hours of students was spent on networking websites.
6. 28% students voted for using Facebook / Twitter and other networking websites as their most preferred online activity. 30% of the respondents said that using whatsapp / viber / line and other similar applications on smart phones and tabs was their most preferred online activity. 20% preferred watching online videos and movies over other online activities. 10% liked playing online games more than other online activities and only 50% preferred reading newspaper / global facts/ other related articles online and another 5% said that they preferred browsing educational data and other informative research articles.
7. As per the responses of the questionnaires filled by the respondents Facebook was the most favorite social networking website (of 43% respondents) and the second most liked website was Twitter (34%)

8. 68% of the students out of the total respondents believed that the use of Social Networking websites has also reduced their study hours and is a major distraction in studies.
9. Big amount of respondents (33%) use Social Networking for connectivity with others whereas very few voted for relaxation purposes and its user friendliness.

6.1 CONCLUSION

The objective of this study was to find out the impact of Social Media on the life style of the students at Suresh Gyan Vihar University. It was found that every student is internet friendly and most of the students are spending ample level of productive time in Social Networking and Internet Browsing. Most of the students spend more than 3-4 hours and even 5 hours on Social Networking Websites which could have been used on other academic, sports and other co-curricular activities.

The students do not use Social networking websites for mere relaxation purposes rather they use it for fake show offs the motives behind using such networking websites is knowing what is going in other person's life (especially amongst girls) and telling others what all good is happening in their life. It is seen that all the time the students are doing fake show offs with the help of features like "updates", "location" and "video uploads". Students do not use these websites for getting connected to scientific/ professional or other academic groups for their benefits rather they use them for things which they don't get any benefit.

The students do not surf internet for any kind of informative benefits and educational purposes. They hardly read online journals, e-newspapers, blogs etc.

6.2 SUGGESTIONS

- The parents should not totally restrict but at least keep a check on the gadgets used by their children.
- The parents should also monitor the kind of websites surfed by their children so that they do not get into any in - appropriate information.
- The university which provides 24x7 internet facility to the students should keep a check on the websites which the students surf.
- The universities should use firewall facilities for blocking inappropriate websites and also monitor excessive use of Networking websites also.
- The members of faculty of the university should motivate the students to get engaged into surfing of educational websites and fruitful information on internet by giving the students such assignments.
- The students should be engaged into co-curricular activities for spending their leisure time so that the students get less time to spend on the internet.
- The students should be taught of the pros and cons of excessive internet usage and also the safety measures and privacy policies to be considered while working online.
- The students should be motivated to stop living in a world of fake show offs created by these social networking websites.

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AGRITOURISM IN INDIA: UNDERSTANDING THE CONSUMER OPPORTUNITY

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ABSTRACT

Tourism has emerged as one of the largest global economic activities and agritourism is the form of tourism which capitalizes on rural culture as a tourist attraction. It has gained a new dimension as a potential income and job generating activity. The basic objective of this research is to understand and know expectations of the consumer related to agritourism experience. Agritourism center owners and agritourism visitor are key element and thus it is important to understand their characteristics and expectations to serve them better. This paper reports our survey findings on consumer opportunity focusing demographic characteristics of agritourism visitors and their way of thinking related to consumption. Descriptive statistics showed significant differences in agritourism preferences across gender, levels of agritourism experience, and amenities attached in agritourism. This also research identified that there is a group of consumer who are most interested in agritourism. Furthermore, this study results would help farmers, agritourism center owners to recognize opportunity and develop agritourism activity in region.

KEYWORDS

agritourism, farm tourism, rural areas.

INTRODUCTION

The tourism industries have been growing rapidly in recent years, bringing in huge revenues through overseas as well as domestic tourists in many parts of India. Although tourism has started receiving some attention from last decades, but agritourism was never given any priority. From the 1950s through the 1980s, farmers in developed nations experienced a tremendous shift within the agriculture industry. Globalization, free-trade, falling commodity prices, oversupply of goods, changes in subsidy policies, and increased reliance on technologically intensive production all impacted the livelihoods of farmers (Che et al 2005).

Butler et al (1998) studied that economic and social forces are changing rural landscape. These changes, coupled with new ideas and approaches to leisure and recreation time are encouraging tourism development in rural areas at an ever increasing pace.

While agritourism seems relatively new term, agritourism activities are not. In many countries variety of farms have worked to attract visitors for years. Others are just getting started. Until recently there was no information on how area farms use agritourism to boost their bottom line. The agriculture industry is facing a growing number of challenges, such as market competition, rising land and input costs, encroachment, and a complex regulatory environment. In order to stay in business, some operations have had to look for ways to add value to their products and create dependable revenue sources. Hence agritourism could add substantial benefits for local agriculture

Agritourism is defined as any business conducted by a farmer for the enjoyment or education of the public, to promote the products of the farm and to generate additional farm income (Hilchey 1993).

(Lobo et al., 1999) mentioned that agritourism can be an effective tool to educate consumers about local agriculture, and its importance for the county's economy and quality of life. In addition, authors cited that agritourism provides opportunities for diversification and economic incentives for growers, promotes economic development. (McCallum 2003, Churchill 2004), have stated that agritourism is growing segment of the tourism industry, as a way to save the farm as well as provide customers with personalized service; high-quality, fresh food; and farm, nature, and family experiences.

There is enough of scope to join agricultural activities to promote agritourism in correspondence with farming and promote enhanced income generation for farmers in rural areas. Considering given scenario, this paper carefully refines and optimizes the most promising opportunities using quantitative research techniques.

LITERATURE REVIEW

Agritourism is a hybrid concept that merges elements of two complex industries (namely, agriculture and travel/tourism) to open up new profitable markets for farm products and services and provide travel experiences for a large regional market (Bruce and Christopher, 2003).

Agritourism has enjoyed sustained growth in the world especially in Italy and other parts of Europe since the 1980s. It is a carefully blended mixture of two industries, agriculture and tourism, that offers farming communities, as well as tourists, substantial advantages. These have proven to be socially, environmentally and economically beneficial to both groups.

Agritourism is that Agri-Business activity, when a native farmers or person of the area offers tours to their agriculture farm to allow a person to view them growing, harvesting, and processing locally grown foods, such as coconuts, pineapple, sugar cane, corn, or any agriculture produce the person would not encounter in their city or home country.

Agricultural Tourism is the Holidays concept of Visiting a working farm or any agricultural, horticultural, or agribusiness operations for the purpose of enjoyment, education, or active involvement in the activities of the farm or operation

Kiper (2011) defines agritourism as activities and services which are provided by the farmer or the rural community in order to generate extra income for their business while showcasing the rural setting. Agritourism as a subset of rural tourism can play an important role in the general development of a specific area in the country. In general, Agritourism is the practice of attracting travelers or visitors to an area or areas used primarily for agricultural purposes. However, Agritourism is small-scale, low-impact, and, in most cases, education-focused.

Jolly and Reynolds (2005) studied consumer demand for agricultural and on-farm nature tourism. Study identify consumer preferences for agritourism experiences, spending on agritourism, and consumer habits regarding food and the agricultural system. Jensen et al. (2006) explained economic impact of agritourism visitor expenditures on economic activity. Recent studies show that agriculture based recreation activities have a widespread appeal to economic and community development since they generate benefits, not only to farmers, but also to providers of other goods and services in the community.

A search of related literature have been carried out to understand consumer preferences and interest towards agritourism (Lobo et al., 1999; Jensen et al., 2006; Che, Veeck, &Veeck, 2007; Jolly & Reynolds, 2005;). But no significant progress has been seen in understanding and knowing expectations of the Indian consumer related to agritourism experience.

PURPOSE OF RESEARCH

The very purpose of this research is to understand and know expectations of the consumer related to agritourism experience. In addition, researchers want to understand primary purpose of visit of tourist to agritourism places and understanding consumer opportunities. It is also an obligation to understand about the customer's wants and their expectations and serve accordingly. This research would like to bring farmers who are interested in supplementing their farm based income together with consumers who would like to experience farm related activities.

METHODOLOGY

This research is an empirical in nature with intension of understanding consumer preference and opportunities for agritourism. This study surveyed in Maharashtra having 158 minimum sample sizes for statistical analysis. Reason for selecting Maharashtra is, it enjoys the highest level of Agritourism development among other states. Considering objectives of the study, survey instrument was developed to collect information from the residents of state. Descriptive analyses were used to assess parameters of the study. Mean scores were calculated for each attributes to understand meaningful inferences

RESULTS AND DISCUSSIONS

Considering previous studies, participants in this study indicated a high level of previous involvement in agritourism activities and were likely to return to participate in the same agritourism activity (Che et al.; Jensen et al.; Jolly & Reynolds). Therefore, more information about the agritourism has been extracted; specifically focusing on interests and preferences of consumers.

In this research, overall awareness and familiarity with agritourism was low, but there was some interest after knowing more about it. Total of 29% of respondents said they had heard of Agritourism before this research. Experience with agriculture activities in general was also limited i.e. total of 11% visited a farm in the past years.

Lack of this knowledge about the overall structure of the agritourism and marketing of agritourism is an important issue because, without it, one cannot adequately and thoroughly characterize the different benefits that grow to the farms, to the consumer and to other economic sectors from these activities.

There are varied source of information about Agritourism activity. Analysis result shows that 14.7% of respondent get to know about Agritourism activity through friends followed by internet that is 12.6%. About one tenth of respondent that is (9.4%), (11.0%), and (10.5%) come to knows about Agritourism activity from signage, promotional flyer/ Leaflet and Agritourism Web site respectively (Table 1).

TABLE 1: SOURCE OF INFORMATION ABOUT AGRITOURISM

		Responses		Percent of Cases
		N	Percent	
Source of Information about agritourism[a]	Newspaper	13	6.8%	46.4%
	Brochure	10	5.2%	35.7%
	Radio	12	6.3%	42.9%
	Signage	18	9.4%	64.3%
	Television	5	2.6%	17.9%
	Tourism/guide book	7	3.7%	25.0%
	Chamber of Commerce	5	2.6%	17.9%
	Internet	24	12.6%	85.7%
	Promotional flyer/ Leaflet	21	11.0%	75.0%
	Recommendation from Friends	28	14.7%	100.0%
	Agritourism Web site	20	10.5%	71.4%
	Travel Website	11	5.8%	39.3%
	Social Networking sites	17	8.9%	60.7%
Total		191	100.0%	682.1%

It has been found out that more than half (61.9%) of respondents do not know about Agritourism activity. There are 12.2% of respondent who thinks it's a costly affair and about one fifth (20.9%) of respondent find it's too far and inconvenient. Remaining 5% of respondents are not interested.

TABLE 2: REASONS FOR NOT PARTICIPATING IN AGRITOURISM

		Responses		Percent of Cases
		N	Percent	
Reasons for non Participation[a]	Did not know about Agritourism	86	61.9%	100.0%
	Costly Affair	17	12.2%	19.8%
	Too far away/inconvenient	29	20.9%	33.7%
	Not interested	7	5.0%	8.1%
Total		139	100.0%	161.6%

a. Dichotomy group tabulated at value 1.

It has been found out that about one fourth (26.6%) of respondent shows interest to visit Agritourism activity in month of December, while one fifth of respondent that is (19.4%) and (21%) shows interest to visit Agritourism activity in month of June and September respectively. In month of May and October about (9.7%) of respondent shows interest to visit Agritourism activity. There are very few respondents in months of February, March, July, August, and November who wants to visit Agritourism activity.

TABLE 3: SEASONS FOR AGRITOURISM

		Responses		Percent of Cases
		N	Percent	
Season for agritourism[a]	February	3	2.4%	8.1%
	March	1	0.8%	2.7%
	May	12	9.7%	32.4%
	June	24	19.4%	64.9%
	July	5	4.0%	13.5%
	August	2	1.6%	5.4%
	September	26	21.0%	70.3%
	October	12	9.7%	32.4%
	November	6	4.8%	16.2%
	December	33	26.6%	89.2%
Total		124	100.0%	335.1%

a. Dichotomy group tabulated at value 1.

To understand relationship between age and reasons for visiting agritourism centres, hypothesis have been derived and tested subsequently.

H_0 : Reasons for visiting agritourism centres do not vary significantly across the various age groups

H_1 : Reasons for visiting agritourism centres vary significantly across the various age groups

After testing all three reasons, ('To have fun with family/friend', *p*<0.05, 'To understand agricultural activities', *p*<0.05, and 'To experience Rural life', *p*<0.05) result showed significant difference among various age groups. Hence, purpose for visiting agritourism centres varies according to age groups.

TABLE 4: DESCRIPTIVE STATISTICS RESULT FOR RELATIONSHIP BETWEEN AGE AND REASONS FOR VISITING AGRITOURISM CENTRES

	N	Mean	Std. Deviation	Minimum	Maximum
To have fun with family/friends	37	4.38	.594	3	5
To understand Agricultural activities	37	3.92	.894	1	5
To experience Rural life	37	3.70	1.051	1	5
Age	37	1.84	.374	1	2

TABLE 5: KRUSKAL-WALLIS TEST RESULT FOR RELATIONSHIP BETWEEN AGE AND REASONS FOR VISITING AGRITOURISM CENTRES

	Age	N	Mean Rank
To have fun with family/friends	18-24	6	29.50
	25-35	31	16.97
	Total	37	
To understand Agricultural activities	18-24	6	31.33
	25-35	31	16.61
	Total	37	
To experience Rural life	18-24	6	33.00
	25-35	31	16.29
	Total	37	

TABLE 6: TEST STATISTICS[a,b]

	To have fun with family/friends	To understand Agricultural activities	To experience Rural life
Chi-Square	8.594	13.579	13.072
Df	1	1	1
Asymp. Sig.	.003	.000	.000

a. Kruskal Wallis Test

b. Grouping Variable: Age

In addition, various income groups have been checked in context of visiting agritourism.

H0 : Reasons for visiting agritourism centres do not vary significantly across the various income groups

H1 : Reasons for visiting agritourism centres vary significantly across the various income groups

Table 7 represents reasons for visiting agritourism centres. Two out of three reasons tested ('To have fun with family/friend', p<0.05, and 'To experience Rural life', p<0.05) showed significant difference among various income groups. While the reason 'To understand agricultural activities' (p>0.05) does not show significant difference among various income groups. That indicates respondents having income more than 5 lakh per annum give less preference to 'To have fun with family/friends' (Mean Rank 11.68) and 'To experience Rural life'(Mean Rank 11.59) than the respondents having annual income less than 5 lakh.

TABLE 7: DESCRIPTIVE STATISTICS RESULT FOR UNDERSTANDING REASONS FOR VISITING AGRITOURISM CENTRES

	N	Mean	Std. Deviation	Minimum	Maximum
To have fun with family/friends	37	4.38	.594	3	5
To understand Agricultural activities	37	3.92	.894	1	5
To experience Rural life	37	3.70	1.051	1	5
Income	37	7.03	.763	6	8

TABLE 8: KRUSKAL-WALLIS TEST RESULT

Ranks			
	Income	N	Mean Rank
To have fun with family/friends	Rs. 3,00,000 – Rs. 3,99,999	10	20.75
	Rs. 4,00,000 – Rs. 4,99,999	16	22.94
	Rs. 5,00,000 – Rs. 6,99,999	11	11.68
	Total	37	
To understand Agricultural activities	Rs. 3,00,000 – Rs. 3,99,999	10	18.10
	Rs. 4,00,000 – Rs. 4,99,999	16	20.25
	Rs. 5,00,000 – Rs. 6,99,999	11	18.00
	Total	37	
To experience Rural life	Rs. 3,00,000 – Rs. 3,99,999	10	21.50
	Rs. 4,00,000 – Rs. 4,99,999	16	22.53
	Rs. 5,00,000 – Rs. 6,99,999	11	11.59
	Total	37	

TABLE 9: TEST STATISTICS[a,b]

	To have fun with family/friends	To understand Agricultural activities	To experience Rural life
Chi-Square	9.445	.550	8.064
df	2	2	2
Asymp. Sig.	.009	.760	.018

a. Kruskal Wallis Test

b. Grouping Variable: Income

Further analysis explained relationship between age groups and importance about facilities

H_0 : Importance about facilities do not vary significantly across the various age groups

H_1 : Importance about facilities vary significantly across the various age groups

After analysing data, researchers found out that there is no significant difference about importance about 'Accommodation', *p*>0.05, and 'Sightseeing' p>0.05, across various age groups. Whereas importance of all other facilities (*p*>0.05) varies significantly according to age groups.

TABLE 10: DESCRIPTIVE STATISTICS RESULT

	N	Mean	Std. Deviation	Minimum	Maximum
Accommodation	37	3.32	.944	2	5
Food	37	4.00	1.155	1	5
Nearby Sightseeing	37	3.05	.880	1	4
Sell of farm produce	37	3.19	1.101	2	5
Convenient location	37	4.19	1.023	1	5
Picnic area	37	3.22	1.109	2	5
Age	37	1.84	.374	1	2

TABLE 11: KRUSKAL-WALLIS TEST RESULT

Ranks			
	Age	N	Mean Rank
Accommodation	18-24	6	15.50
	25-35	31	19.68
	Total	37	
Food	18-24	6	29.00
	25-35	31	17.06
	Total	37	
Nearby Sightseeing	18-24	6	17.00
	25-35	31	19.39
	Total	37	
Sell of farm produce	18-24	6	8.00
	25-35	31	21.13
	Total	37	
Convenient location	18-24	6	28.50
	25-35	31	17.16
	Total	37	
Picnic area	18-24	6	7.50
	25-35	31	21.23
	Total	37	

TABLE 11: TEST STATISTICS[a,b]

	Chi-Square	df	Asymp. Sig.
Accommodation	.835	1	.361
Food	6.916	1	.009
Nearby Sightseeing	.277	1	.599
Sell of farm produce	8.430	1	.004
Convenient location	6.490	1	.011
Picnic area	8.925	1	.003

a. Kruskal Wallis Test
b. Grouping Variable: Age

Table 12 represents the types of agritourism activities that the respondents reported participating in over the years.

TABLE 12: PARTICIPATION IN AGRITOURISM ACTIVITIES

		Responses		
		N	Percent	Percent of Cases
Agritourism Activity Participation	Farm Tour and Accommodations	22	17.3%	61.1%
	Experience of Village Life	30	23.6%	83.3%
	Adventures activities	20	15.7%	55.6%
	To Attend Festivals, Events And Shows	10	7.9%	27.8%
	Participation in Farm Activities	26	20.5%	72.2%
	Sale Of Agricultural Produce, Arts And Craft	19	15.0%	52.8%
Total		127	100.0%	352.8%

IMPLICATIONS OF THE STUDY

The study provides information in which to frame the identification and estimation of current and future agritourism and marketing benefits to the farmers to the consumers and the economy of the country. There is need to do some innovative activities in the agriculture, which will help to farmers, rural peoples, hence this study helps to understand opportunity to develop agritourism business in country.

CONCLUSION

India has a great potential to the development of agritourism, because of natural conditions and different types of agricultural products as well as variety of rural traditions, festivals. After analyzing this study, agritourism center owners and stakeholders might utilize this valuable information to form a consumer profile based on the location of the agritourism attraction. In addition, this research also identified that there is a group of consumer who are most interested in Agritourism. Now it's up to agritourism owners who seize this golden opportunity. Future study can be conducted on more specific areas in order to understand prospective agritourism visitors in depth.

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GENDER BASED COMPARATIVE STUDY OF EMOTIONAL INTELLIGENCE AMONG MBA STUDENTS IN BANGALORE

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ABSTRACT
The paper studies the difference between Emotional Intelligence of men and women pursuing Management Studies. The study is conducted on students pursuing MBA degree from New Horizon College of Engineering, Bangalore. The research sample comprised of 97 subjects categorized into two groups based on gender. There are 51 male and 46 female students. Questionnaire was distributed to obtain the levels of Emotional intelligence from the subjects. ANOVA and Pearson Correlation tests were used to analyze the data. The study reveals that there is a difference in the emotional intelligence of male and female students in the self awareness and empathy dimensions.

KEYWORDS
emotional intelligence (EI), gender differences.

1. INTRODUCTION
It is expected in the current competitive world that a person should be emotionally intelligent as it is believed that Emotional Intelligence plays important role in a person's life than intelligent quotient, which was a traditional concept. It is also believed that IQ predicts only 20% of career success which leave the remaining 80% to factors such as emotional and social competencies. The concept of Emotional Intelligence is a result of Daniel Goleman's 1995 book, Emotional Intelligence which was one of the New York Times bestsellers for a couple of years.

The concept of Emotional Intelligence gained lot of attention because of its benefits. The key idea of high emotional intelligence in a person results in success in work place, adjustment and quick adaptation to new environment, improved leadership, motivating and decision making abilities, maintaining good personal relationships and ability to manage stress levels that creates economic and societal value. There were many empirical tests conducted to prove the benefits Emotional Intelligence in the work-life balance of individuals.

1.1 EMOTIONAL INTELLIGENCE
Emotional Intelligence can be defined as the ability in a person to identify, assess and control the emotions of oneself, others or and of a group. Goleman (1995, 1998) defined Emotional Intelligence as "the composite set of capabilities that enable a person to manage himself/herself and others". How smartly a person can understand his/her emotions and controls these emotions in any given situation can be termed as emotional intelligence.

Stein, S., Book, H. E., & Kanoy, K. (2013) argues Emotional Intelligence helps in developing non-cognitive skills such as following:

- Recognizing and effectively managing one's emotions;
- Leveraging emotions to solve real-world problems;
- Communicating effectively in emotionally-charged situations;
- Making good decisions;
- Building effective relationships; and
- Managing stress

1.2 DIMENSIONS OF EMOTIONAL INTELLIGENCE
Emotional Intelligence is multidimensional and involves self awareness, self confidence, self control, empathy, motivation and social competence.

FIG. 1

Self awareness is self observation. It is the ability of a person to identify and assess one's own emotions. Self awareness enables a person to monitor one's own emotional state, correctly recognize and name that emotion.
Self confidence is the genuine belief on one-self and ability to deal with any situation or person no matter that leads to success or not. It is the ability of having instinct to make decisions with certainty. A person with self confidence is able to accept new challenges with enthusiasm. Self confidence is going with the gut in an unhesitant manner.
Self control is the ability of a person to organize, manage and have power over one's own emotions. Self control is absence of distress and disruptive feelings as noted by Cherniss, C., & Goleman, D. (2001). It is an ability to deal with stressful situations calmly and unfazed with hostile person.
Empathy involves understanding emotions from other's perspective. An empathic person has the skill of treating others according to their emotional reactions. It is the ability of a person to stand in other's shoes. There are three kinds: cognitive empathy, being able to know how the other person sees things; emotional empathy, feeling what the other person feels; and empathic concern, or sympathy -being ready to help someone in need.
Motivation is the capability of a person to inspire others and also works as self-stimuli. It involves a drive for achievement, the ability to commit and take initiative and to have a sense of optimism about a goal. It is the ability to display leadership by inspiring and guiding groups and individuals.
Social competence is skill-set possessed for successful social adaptation. It is the condition of possessing the social, emotional, and intellectual skills and behaviours needed to succeed as a member of society[4]. Social competence allows an individual to behave in a particular way which would be accepted by the society.

2. LITERATURE REVIEW
Many studies were conducted on tracking the emotional intelligence among men and women which reveals different results. Some studies suggested that gender differences in emotional intelligence can be recognized as early as infancy due to the role played by parents in sharing emotions with boys and girls differently (Brody, L. R. in 1997) and differential teaching given to boys and girls (Nunez and Berrocal in 2008). The difference in the education system towards boys and girls leads to difference in the levels of emotional intelligence they possess.
Studies also reveal that girls develop verbal skills earlier than boys, suggesting that girls are better in articulating their feelings and have greater expertise in the use of words. A study by Brody, L. R. in 1997 discloses that girls are good in understanding and expressing their emotions better than boys. The inequality in emotional education leads to the development of very different skills. Boy child are often taught to control certain emotions like sadness, guilt, vulnerability and fear by parents and society.
Even biologically, it is proposed that women's biochemistry is better prepared to consider one's own emotions and those of others as an important element in survival. Baron Cohen (2010) in the article "The extreme male brain theory of autism" goes a little forward and explains that men and women brains are structured differently. He explains that women empathise more than men and men are capable of systemising than women.
A study by Bracket, Mayer, and Warner reveals that girls score higher emotional intelligence than boys. The study argues that the lower scores of boy's emotional intelligence is because of inability to understand emotions, inadaptability, lack of bonding relationship with friends associates them with negative consequences.
Many studies were carried to find the differences between Emotional Intelligence among men and women. Each of the study resulted in different opinion than the other. In some studies, there was no difference in the Emotional Intelligence of men and women (Bar-on (1997), Brackett & Mayer (2004); Jinfu & Xicoyan, (2004); and Brown & Schutte (2006); whereas some studies concluded that Women have high levels of emotional intelligence comparatively. Studies conducted by Bindu & Thomas in 2006 , Summiya, Hayat & Sheraz in 2009, Garima and Sushil in 2010, Garima in 2012 concluded that men are better in emotional intelligence as they can control in expressing their own emotions and understand other's emotions. Fischer, A. (2000) points out that there difference in the way that women and men, as groups, approach emotion and understand and express their own experience. The difference in the studies might be result of place of study, sample size, type of respondents, demographic factors and also tools used.
In the view of all these studies, the current paper sought to expand on previous work in this area. The paper examines whether gender influences Emotional Intelligence. This paper also studies the difference in the Emotional Intelligence of men and women who are pursuing MBA by comparing different dimensions which include self awareness, self confidence, self control, empathy, motivation and social competence. The paper examines whether there exists a relationship between emotional intelligence and financial and emotional stress as many studies reveals that individuals are often effected by stress being a part of competitive world.

3. OBJECTIVE OF THE STUDY
The primary objective of the study is to explore the difference in the emotional intelligence and difference in the dimensions of emotional intelligence among men and women. Secondary objectives include, finding out the relationship between emotional intelligence and financial and emotional stress.

4. HYPOTHESIS
The hypothesis is framed by considering and taking into account all the above mentioned studies.
Null Hypothesis:
i. There is no significant difference in the Emotional Intelligence in male and female.
ii. There is no relationship between Emotional Intelligence and financial and emotional stress.

5. RESEARCH DESIGN
The sample consists of 97 students pursuing MBA in New Horizon College of Engineering, Bangalore. There were 51 male and 46 female students. The age of students ranged between 21-25 years.
Purposive convenient sampling technique has been used for data collection. As the participants of the study were post graduate students, they were contacted in a classroom and objective of the study explained. The participants were orally instructed on how to fill the questionnaire.
110 Questionnaires were distributed to the subjects and among them only 97 questionnaires are valid as the remaining questionnaires were not filled properly. The questionnaire contains 28 variables which are further classified into 6 main variables.
The main variables are self awareness, self confidence, self control, empathy, motivation; social competence which combined together defines overall Emotional Intelligence of the respondents. ANOVA was done to determine the differences in the emotional intelligence of men and women. Pearson correlation was applied to test the relationship between emotional intelligence, financial and emotional stress.

6. STATISTICAL ANALYSIS OF THE STUDY
The data in the questionnaire was analyzed using SPSS.

TABLE 1: MEAN DIFFERENCES OF MEN AND WOMEN FOR EMOTIONAL INTELLIGENCE AND DIMENSIONS OF EI

Dimensions	Mean		Std		F	Sig
	Men	Female	Men	Female		
Awareness	21.725	22.870	2.376	1.771	7.103	0.009
Confidence	15.059	15.000	2.588	2.404	0.013	0.908
Control	18.392	19.130	2.538	3.103	1.658	0.201
Empathy	10.549	12.043	1.566	1.801	19.109	0.000
Motivation	18.353	19.565	2.741	2.491	5.156	0.025
Social Competence	17.784	18.826	2.995	3.261	2.689	0.104
EI	101.863	107.435	10.524	11.266	6.341	0.013

INTERPRETATION OF TABLE 1

The above ANOVA analysis (F= 7.103 ; p =0.009), Self awareness of women(M=22.870; SD= 1.771) scored higher than men (M=21.725;SD=2.376) indicating women are more aware of their own emotions compared to men. The test also reveals that empathy of women (M= 12.043; SD=1.801) has scored higher than empathy of men (M=10.549; SD=1.56) signifying women empathize other's emotions and situations a little more than men. The test also points out that there is no statistically significant difference in the Emotional Intelligence of men and women in the other dimensions of EI such as self confidence, self control, motivation and social competence.

The higher self awareness in women is due to their sensitivity towards negative situations or people, admitting mistakes, their awareness of other's perspective about them, ability to recognize their own emotional intelligence and having clear goals and values compared to men. The higher levels of empathy in women are because of their ability to read and understand other's emotions, openness to new ideas and empathising.

TABLE 2: PEARSON CORRELATION VALUES

	Emotional Intelligence	Emotional Stress	Financial Stress
Emotional Intelligence	1	-	-
Emotional Stress	-0.115	1	-
Financial Stress	0.079	0.505	1

INTERPRETATION OF TABLE 2

The above correlation matrix indicates that there exists a significant correlation between financial and emotional stress by r=(0.505) at zero significance level. This indicates that financial stress leads to emotional stress in the individuals. The table also examines that there is no significant correlation between Emotional Intelligence, financial and emotional stress as r= (-0.115) and r= (0.079) respectively.

7. CONCLUSION

Based on the literature review and the empirical test it is evident that there exists difference in the levels of exhibiting emotions, reacting to certain situations and overall emotional intelligence of men and women. The study observed that emotional intelligence of men and women differ only in certain dimensions like self-awareness and empathy whereas equal scores were observed in other dimensions like self-confidence, self-control, motivation and social competence.

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UNDERSTANDING THE DRIVERS OF HUMAN CAPITAL MANAGEMENT AT NATIONAL THERMAL POWER CORPORATION (NTPC)

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ABSTRACT
One of the distinctive features of high performing companies is the importance of human capital. These days all organizations have human resource practices functioning whether formally formed or not. The companies that are considered as high performers manage their human capital effectively and efficiently which provides guidance in the future decisions and actions of the company. On the basis of a pre-determined set of core Human Capital Management (HCM) drivers developed by International level of researchers, the model was tested on Indian Organization. The result of the HCM drivers showed a positive growth towards the long term progress of the company.

KEYWORDS
human capital management drivers, human resource practices, indian organization.

INTRODUCTION
Human capital is the stock of competencies, information, societal and personality traits, including creativity, cognitive abilities, accompanied by the ability to perform manual effort so as to produce economic value as described by Snell SA & Dean JW. It is a total economic view of the human being performing within economies, to capture the social, biological, cultural and psychological difficulty as they interrelate in overt and/or financial transactions.

According to Dess g.D & Picken J.C : Human capital is "generally understood to consist of the individual's capabilities, knowledge, skills and experience of the company's employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning".

Adam Smith has defined Human Capital as "The attainment of such talents, by the acquirer during his learning, study, or internships, always accounts for a real expense, which is a fixed and understood, as it were, in his person. Those talents make a part of his destiny, so do they similarly that of the society to which he belongs. The enhanced dexterity of a labour may be considered in the same way as a machine or instrument of trade which provides and abridges labour, as though it costs certain expenditure, repays that expenditure with a profit."

Researcher Alzbeta kucharcikova characterized Human capital management as "an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment".

As far as the growth of economy is concerned, it calls for watching the rate of growth in infrastructure facilities. Power sector is one of the main aspects of the infrastructure building. Some well-known person GE Jack Welch has said, "You don't have a chance to stand in the 21stcentury without lots of powers. Without this you miss the next revolution [5].

If we analyse the various statistics of Indian power sector, we have found that the generating capacity has gone up tremendously from a meager 1712 MW in 1950 to a whooping 147000 MW today. The critical role played by the power industry in the economic progress of a country is clearly visible. A self sufficient power industry is vital for a nation to achieve economic stability as per NTPC Handbook.

India's largest power company, NTPC was set up in 1975 to accelerate power development in India. NTPC is emerging as a diversified power major with presence in the entire value chain of the power generation business. NTPC ranked amongst Forbes Global 2000' ranking as 384th in 2013 of the World's biggest companies. NTPC recognized as Maharatna company in May, 2010. NTPC has constantly been part of the Best Workplaces List for the past nine years and has been each time amongst the top performers. NTPC's people practices are rated among best in the country as gathered from ntpc website on awards and recognitions..

In the year 2013, ValaAfshar et.al explains "Human Resource is one of the most important functions in business, hovering to lead social business transformation, lasting and meaningful employee engagement opportunities. In knowledge sharing and hyper-connected economy, attracting talent is the only way companies can compete and win".

The human capital drivers existing in NTPC enhances the progress and prepare for future growth which will be an important study for the company and many other companies as well.

LITERATURE REVIEW
Black and Lynch identified the effects of human capital investment such as education, training and recruitment on productivity. A model was developed by using the data from the National Center on the educational quality of the workforce national employer's survey. The model showed that these practices develop Human Capital and enhance the productivity of the Organization.

Mayo, A , examined the contribution of human capital to current and future value for stakeholders. The major factors for such growth are individual ability, motivation, leadership, organizational climate and work group effectiveness. Each of these was analyzed in detail with quantifiable measures. Individual capability or Organizational performance was measured by knowledge/skill/experience/network; ability to achieve results, potential for growth and their contribution to work.

Mc Gregor et al. accepts both the broader human resource considerations of the business workforce (traditionally) known as the labour market and the more specific requirements of individual competence in the form of knowledge, skills & attributes of managers and how they manage people.

Issac et al. Human Capital (HC) is considered with the skills, knowledge, innovative capabilities & overall competence of employees. It represents the goods & services employees produce that bring revenues when there is an investment of their knowledge, skills & other abilities. As per Choudhury & Mishra, Human capital refers to the individual's knowledge, skills & expertise. It is the ability of the employees to do things that ultimately make the company work & succeed.

Human capital management is also considered as accounting for people in the book Accounting for people task force as an approach to people management that treats it as a high level strategic issue & seeks systematically to analyze, measure & evaluate how people policies and practices create value. Hall considers it as an umbrella that includes three primary components of corporate knowledge. The first is those human resources functions that influence workforce development. The second is training and next is knowledge management. Making human capital a source of competitive advantage requires much more than making some quick fixes to a control – focused organization. It needs attracting and maintaining the right people along with organising and managing them efficiently... It requires the appropriate managerial attitude as well as the right design for most of the organisation's major operating systems in order to create a human capital centric organization as discussed by Lawler in 2009.

UNDERSTANDING THE HUMAN CAPITAL DRIVERS

The empirical research conducted by Laurie Bassi & Daniel Mc Murrer revealed the basic set of HCM drivers that foresee performance across a broad range of organizations and operations. These drivers come into five major categories: Leadership practices, Employee engagement, Knowledge accessibility, Workforce optimization, and Organizational learning capacity. In each of those categories, HCM practices are subdivided into at least four groups. Leadership practices, for example, include those related to managerial communication, inclusiveness, supervisory skills, executive skills, leadership development, and succession planning systems.

DIAGRAM 1

Human Capital Drivers

Organizations' strengths and weaknesses in human capital management (HCM) can be assessed by monitoring the performance of each of 23 HCM practices that fall within five broad HCM driver categories. In general, improvements or declines in organizational performance can be tied directly to improvements or declines in HCM practices.

HCM Drivers	Leadership Practices	Employee Engagement	Knowledge Accessibility	Workforce Optimization	Learning Capacity
HCM Practices	*Communication* Management's communication is open and effective.	*Job Design* Work is well organized and taps employees' skills.	*Availability* Job-related information and training are readily available.	*Processes* Work processes are well defined, and training is effective.	*Innovation* New ideas are welcome.
	Inclusiveness Management collaborates with employees and invites input.	*Commitment* Jobs are secure, employees are recognized, and advancement is possible.	*Collaboration* Teamwork is encouraged and enabled.	*Conditions* Working conditions support high performance.	*Training* Training is practical and supports organizational goals.
	Supervisory skills Managers eliminate barriers, provide feedback, and inspire confidence.	*Time* Workload allows employees to do jobs well and enables good work/life balance.	*Information sharing* Best practices are shared and improved.	*Accountability* High performance is expected and rewarded.	*Development* Employees have formal career development plans.
	Executive skills Senior executives eliminate barriers, provide feedback, and inspire confidence.	*Systems* Employee engagement is continually evaluated.	*Systems* Collection systems make information easily available.	*Hiring* Hires are chosen on the basis of skill; new hires complete a thorough orientation.	*Value and support* Leaders demonstrate that learning is valued.
	Systems Leadership-development and transition systems are effective.			*Systems* Employee performance management systems are effective.	*Systems* A learning management system automates aspects of training.

Source : https://hbr.org/2007/03/maximizing-your-return-on-people

According to this above mentioned diagram summarized by Laurie Bassi & Daniel Mc Murrer. These 5 categories are explained as follows-

1. Leadership Practices- In this category following skills have been considered-

1. Communication - Open and honest communication between seniors and juniors making it an effective process in place for communicating news, strategies, and goals to everyone which ensures that employees know what is expected of them.
2. Inclusiveness- Employee input, work in partnership, treating employees with respect at all the levels.
3. Supervisory skills - Organizational values are displayed, unnecessary barriers to getting work done are removed, constructive feedback is given in time, and employees are provided with performance appraisals to inspire confidence.
4. Executive skills - Executives highlight organizational values, remove unnecessary barriers to get the work done, offer realistic feedback to inspire confidence among employees.
5. Systems - Highly effective systems and processes are developed to identify and generate the next generation of leaders for smooth leadership transitions.

2. Employee Engagement- In this category following skills have been included-

1. Job design - Work is well- organized, makes efficient use of employees' talents and skills to make it meaningful. Employees have adequate responsibility to determine how best to do their job and creative work designs help to make jobs fit employees' needs.
2. Commitment to employees - Security in jobs, recognition of their accomplishments and opportunities for advancement.
3. Time - The workload allows employees to do their tasks well, make thoughtful decisions, and achieve appropriate work life balance.
4. Systems - Systems helps retain good performers by regularly evaluating trends in employee engagement and giving information to determine the key drivers of productivity and customer satisfaction.

3. Knowledge accessibility-in this category many practices are considered-

1. Availability - People have the necessary resources like manuals, tools, and information to do their job and procedures are in place to enable employees for training when they need it.
2. Collaboration and teamwork - Teamwork is encouraged by places for people to meet informally and time is set aside for people to share and learn from each other.
3. Information sharing - Best practices and tips are shared, improved, and circulated across all the concerned departments.
4. Systems - Effective systems to collect and store information and make it available to all employees.

4. Workforce optimization-This category comprises of various practices-

1. Processes - Processes are well defined and continually improved to train the employees well in advance.
2. Conditions - Working conditions are accustomed to the needs and requirements of employees which contribute to good performance.
3. Accountability - Employees are accountable for producing high quality work; promotion is based on competence; poor performers are terminated; and employees trust their co-workers to get the job done.
4. Hiring decisions – Skill based selection; new hires receive adequate orientation, induction, and job description. Existing employees provide input into hiring decisions.
5. Systems - Highly effective systems and processes to manage employees' performance and talents by viewing overall proficiency of the workforce to realize their full performance potential and identify development opportunities for future. This motivates employees to progress in their careers.

5. Learning capacity-It includes various practices-

1. Innovation - New ideas are welcomed and encouraged to find new and better ways to do work. and employees' input is used in solving problems
2. Training - Training is practical to supports organizational goals, provided to employees on work-related technologies.
3. Development - Employees go for formal development plans to achieve their career goals.
4. Value and support - Leadership behaviour demonstrates that learning is valued, learning is made a priority by management.
5. Systems - A learning management system automates the administration of all aspects of learning, reports to management by including features such as content management and competency management.

RESEARCH METHODOLOGY

The purpose of this research paper is as per following:
(i) To identify and describe the drivers of human capital management; &
(ii) To understand the implementation of these common elements in a successful organization.
Based on the literature review by various researchers and model developed by Laurie Bassi & Daniel Mc Murrer, we conducted an employee opinion survey of NTPC employees to assess the current status of HCM drivers and its functioning. The questionnaire developed by Laurie and Daniel is used for this purpose as this model is very general and systematic to assess the HCM drivers. The HCM drivers are divided into 5 broad segments which are further subdivided into different HR practices. These five categories were Leadership practices, Employee Engagement, Knowledge Accessibility, Workforce Optimization and Learning Capacity. For each of these practices, the employees' perception is tested on the scale of 1- 5 (1 – strongly disagree and 5 – strongly agree), the responses were systematically coded, tabulated and then analysed. The online questionnaire was sent to NTPC Noida Offices via email to at least 100 employees, followed by 2 reminders, out of which approx 65 responses were received and 50 were suitable to be used for the study. The effectiveness percentage of response generation was 50%. Non-probability convenience sampling was used for the purpose of the study. The entire study took almost two months to complete.

ANALYSIS OF HUMAN CAPITAL DRIVERS

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

S.No	Particulars	Respondents %
1.	**Gender**	
	Male	72 %
	Female	28 %
2.	**Age**	
	Below 25	20 %
	26 – 35	40 %
	36 - 45	30 %
	Above 45	10 %
3.	**Job Profile**	
	Senior Level	10 %
	Middle Level	30%
	Junior Level	60 %
4.	**Tenure in the organization**	
	less than 5 yrs	30 %
	5 – 10 yrs	40 %
	Above 10 yrs	30 %

The employees of NTPC, who came in contact for the survey, were segregated on the basis of gender, age, job profile and tenure in the organization. It is evident that majority of them were male members (72 %) as its business requirement need more technical people and manufacturing background people. Now when we considered the age factor, below 25 years of age were entry level or internship employees, the majority (40%) of the respondents were from the age group of 26 – 35 yrs and 30% belong to the age bracket of 36-45 yrs. The next factor in demographic profile was Job Profile of respondents in our survey. Since the availability and approach of senior level management was low, so we could cover just 10 % form senior level management and maximum 60 % were available from junior level work profile. If we talk about tenure in the organization, NTPC is known for its loyal work force and low turnover rate and employees don't easily leave job. They only leave due to family or personal matters, otherwise they are willing to work throughout their life in this organisation. It was found that 40% of the respondents had been in the organization for 5-10 years, 30% from above 1 year and 30% have so far spent less than 5 years in the organization.
To score the 5 broad parameters, which are further divided into 23 HR practices, Likert scale was used where '1' indicated poor performance and '5' indicated high performance. The employees of NTPC responded and their perception was collected, organized and presented in the tabular format. The interpretation was based on the response of employees taking the functioning of the organization into consideration.

TABLE 2: RESPONSES ON HCM DRIVERS AND ITS COMPONENTS BY NTPC EMPLOYEES

S.No.	HCM Drivers	HR Parameters	Respondents (%)
1.	Leadership Practices	Communication	20%
		Inclusiveness	24 %
		Supervisory skills	18 %
		Executive skills	22 %
		Systems	16 %
2.	Employee Engagement	Job design	40 %
		Commitment to employees	22 %
		Time	22 %
		Systems	16 %
3.	Knowledge Accessibility	Availability	30 %
		Collaboration and teamwork	24 %
		Information sharing	24 %
		Systems	22 %
4.	Workforce Optimization	Processes	20 %
		Conditions	18 %
		Accountability	24 %
		Hiring decisions	16 %
		Systems	22 %
5.	Learning Capacity	Innovation	20 %
		Training	22 %
		Development	20 %
		Value and support	24 %
		Systems	14 %

Based on the above table, the response on leadership practices exhibit that all the 5 practices lie in the range of 16 % to 24 % where highest participation is Inclusiveness (24%). It highlights friendly and healthy work environment. Next to it we have executive skills (22%) because of the vision and values existing in the company which brings confidence in the employees to work better. The next being supervisory skills (18%) which provide employees with performance appraisals on timely basis. Communication is the major cause of problem in most of the organization wherein NTPC has maintained a standard channel of communication (20%) among the executives and managers. The systems & processes (16%) need to be better developed and equipped for future requirements.

From the overall responses on employee engagement, the Job Design (40%) seems highly effective and organized, which gives appropriate responsibility to every employee. The second being commitment to employees and time (22 %). As far as time is concerned, the workload of employees is as per the requirement of the project which some employees feel overloaded and some think less work given to them. The systems to track the employee engagement need to be made more effective so as to take the right decision concerning the betterment of employees.

As far as Knowledge Accessibility is concerned, the employees have good availability (30%) to all the resources like manuals, tools, information etc. Next is Collaboration and teamwork among the employees. NTPC helps them to meet formally as well as informally to enhance sharing and learning from each other. As collaboration and teamwork exists, similar is the information sharing (24%) among all the levels in the organization. The systems for knowledge accessibility need to be developed to collect and store information for easy availability to the employees.

In the Workforce optimization the employees of NTPC believe that they are considered important and they feel that they have highly effective systems (24%) to manage employee's performance and overall proficiency of workforce. The second major role is played by accountability (22%) as employees are held accountable for producing high quality work. The processes (20%) functioning in NTPC are well defined and improved continuously. The working conditions (18%) & hiring decisions (16%) must be improved to enhance employee performance and satisfaction.

In terms of Value and support, 24% respondents believe that continuous learning is possible. Training (22%) is mandatory requirement for employees joining new because it upgrades their skills for new job & learning future skills. Development (20%) also provides platform for achieving the career goals for the employees. All these creative innovative ideas (20%) among the employees help to perform the job better and make them problem solver. The Systems for learning ability (14%) has to upgrade to the new and changing technology.

CONCLUSION

NTPC being government aided and largest power provider Maharatna company, where employees are considered as an asset for the effective and efficient functioning of the company. Leadership is involved in seeking feedback from the employees, believes in partnership and treat everyone with respect. The work design is highly organized, uses employee's talent and skills to determine appropriate responsibility to do the job that fits employee needs. There is adequate availability of resources for the employees which enable them to access information and training whenever they need it. For the purpose of workforce optimization, NTPC provides highly effective systems and processes to help employees realize their full performance potential and identify future growth opportunities. Learning is always considered as a priority and sufficient support is provided by the management.

Globalization has left only one true path to long term success of the organization i.e managing its human capital towards positive direction of growth and achievement. Today, in business disciplines, the prevalence of HC is set to increase as organisations become more focused on managing intangible assets, as senior management becomes more interested in the impact on bottom line results, as technology evolves and analysts and investors demand improved information relating to the management of people as a contributor to shareholder value as stated by Santos-Rodrigues, H Dorrego. Moreover, knowledge is becoming increasingly important in promoting a firm's sustainable competitive advantage; and that both the creation and management of intangible assets contribute to a firm's wealth. Only those companies will survive, which joins the race towards the development of human capital drivers and can maximize their Return on People. There are various areas of improvement like the systems for tracking leadership practices, employee engagement and knowledge accessibility which needs to be upgraded and made more effective in its functioning. The hiring decisions can be further simplified by using various behavioural tests and open opportunity to be provided for innovation at all levels without the fear of failure.

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PERCEPTION OF STUDENTS ABOUT THE EFFECTIVENESS OF VIRTUAL CLASSROOMS: A STUDY CONDUCTED AT DISTANCE LEARNING CENTRES OF PUBLIC & PRIVATE UNIVERSITIES OF PUNJAB, INDIA

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ABSTRACT

Virtual Classroom is a scheduled, online, teacher-led training session where teachers and learners interact together using computers linked to a network such as the Internet. This study has been focused on studying the perception of students about the effectiveness of virtual classrooms. The study analyzed the extent to which virtual classrooms are considered worthwhile by the students. Exploratory research design has been used and Braun and Clarke's (2006) inductive Thematic Analysis; Percentage analysis and factor analysis in SPSS has been applied to analyse the various responses. It have been concluded that there are five factors that shows the effectiveness of virtual classrooms. They are; Virtual classrooms as a worthwhile experience, Effect on other course members, Perception about course tutor, Perception of being part of community of learners, Virtual classroom as learner isolation. Further, suggestions regarding the improvement of the virtual classrooms have been made therewith.

KEYWORDS

virtual classrooms, perception, teaching & learning.

1. INTRODUCTION TO VIRTUAL CLASSROOMS

Just as the term virtual means a simulation of the real thing, Virtual Classroom is a simulated classroom via Internet, which provides a convenient communication environment for distance learners just like traditional face-to-face classroom. A virtual classroom allows learners to attend a class from anywhere in the world and aims to provides a learning experience that is similar to a real classroom. When we go to college we have a schedule of lectures, which we must attend. Student must arrive on time, and when he enters the classroom, he finds a teacher, fellow learners, a blackboard or whiteboard, LCD projector, optionally a television screen with videos. Likewise, a Virtual Classroom is a scheduled, online, teacher-led training session where teachers and learners interact together using computers linked to a network such as the Internet. A virtual classroom enables to bring learners from around the world together online in highly interactive virtual classes while greatly reducing the travel, time, and expense of on-site teaching/training programs. It can be used as a solution for live delivery and interaction that addresses the entire process of creating and managing our teaching-learning process. It facilitates instructor and student in teaching-learning events, such as a seminar, online discussion or a live training for employees in company. As in traditional classroom, there are professor and fellow learners present with the student; we have many participants present in virtual classroom. They can talk with each other as in the traditional classroom via chat. Similarly presenter uses whiteboard, gives notes/resources, and gives presentation as given in traditional one. Thus, virtual classroom can be visualized as a classroom where a lecture or session is conducted using Internet.

2. REVIEW OF LITERATURE

Vygotsky (1978) states that the learning is a social process, the role of the professor is to create a dynamic learning environment which encompasses several outlets for learning to take place. If the professor provides the appropriate environment students should have several opportunities to interact and communicate with other students. By integrating an effective technological infrastructure both instructor and student will be able to create a social space in which communication is abundant to ensure that both instructor and student have a social presence. The AVR system and/or Immersive Education provide students with the sense of being connected even when they are not present on a college campus. The system provides educators with the ability to present course content (demonstrations) in an interactive environment which allows communication (both question and answer) to take place real time. A VR system shows and exploits pedagogical principles **Bricken (1990).** Passive learning is transformed into active with the experiential education provided from virtual environments. In a virtual environment the scale, information density, interaction and response, the time and the degree of user participation, can be defined and altered. **Stuart and Thomas (1991)** reported the following possibilities provided by virtual classrooms are explores existing places and things that students would not otherwise have access to; explores real things that, without alterations of scale in size and time, could not otherwise be examined effectively; and interacts with real people in imaginary spaces to support interactive design. Stuart and Thomas believe that VR not only contributes to the realization of the learning processes as introduced by constructivism, but also gives opportunities to the students to get out of the limited school environment in space and time domains, experientially and physically in an indirect way. They have the opportunity to make creative leaps in the space of imagination and mental models that contribute to the modification of learning processes and intervention in the real world. **Winn (1993)** suggests that immersive virtual classroom technology allows three kind of knowledge building experiences that are not available in real world but are important for learning. These pertain to size, transduction and reification. A virtual classroom leads to the changes in the size of the students and virtual objects.. According to **Coleman (2012),** students enrol in online courses for a variety of reasons, which include anywhere/anytime learning, increased student interaction, acquiring skills in using technology, and instructors being more approachable. Asynchronous online courses offer anytime/anywhere learning to the students; whereas, in synchronous online courses, students have the freedom of place but have to login at a specific time.

3. RESEARCH METHODOLOGY

3.1 OBJECTIVES

1. To study the perception of the students about the effectiveness of virtual classrooms.
2. To study the major factors that contributes towards the effectiveness of virtual classrooms.

3.2 NEED OF THE STUDY

No such study has been yet conducted in the state of Punjab. So, the aim of this project is to know the perception of the students about the virtual classrooms that how much it is relevant to them and what will be the effect of the same on them.

3.3 RESEARCH DESIGN

TYPE OF RESEARCH

exploratory research

DATA COLLECTION

Primary data has been collected through questionnaire from the students studying in distance learning centres of One Public University & one Private University in Punjab, Sate , India.

SAMPLE SIZE

The data has been collected through questionnaire from the 100 students, about 20 respondents from each 4 distance learning centre that is from, Ludhiana, Chandigarh, Fatehgarh Sahib and Patiala.

TOOLS AND TECHNIQUES

Braun and Clarke's (2006) inductive Thematic Analysis; Percentage analysis and factor analysis in SPSS is used. Primary data has been collected through questionnaire by Likert scaling and technique of convenience sampling has been opted.

4. DATA ANALYSIS & DISCUSSION

4.1. LEARNING COMMUNITY CONSOLIDATION, COMMUNICATION AND SHARING KNOWLEDGE

Questionnaire data in Table 1 indicates that the students viewed using the Virtual classrooms as enhancing their perception of membership of a learning community and as a supporting relationship development between group members. Student responses to statement 4 that what effect did the use of virtual classroom have on your perception of being part of a community of learners as positive as this factor is rated as 26 out of 100. On the other hand, statement 5 that what effect did the use of virtual classroom have on your sense of learner isolation is rated as strongly positive by 30 out of 100 students along with the statement 9 which deals with the perception of virtual classroom as a tool for student collaboration as positive by 32 out of 100 students, indicating that they viewed the classrooms as valuable for relationship development and fostering cooperation, and that they helped in lessening their sense of isolation. In statement 9 (25/100) were neutral to the fact that virtual classrooms acts as a only tool for student collaboration despite of this there are some other factors like some past existing relationships which leads to the responsibility and commitment towards others in their group. Some students saw virtual classrooms more as a bonus than as essential tool for establishing relationships only. The responses to statement 10 about the ease of communication indicated that number of students who experienced difficulty in adequately communicating their findings during the seminars are more in number than the students who didn't feel any problem regarding communication. Out of total number of students 30 were indifferent towards their view regarding communication problems which means 30 were neutral to the statement. These results were linked to the issues with how the video is operated, in that it did not provide the students with feedback opportunities too and regarding the size of the images shown to the students.

In statement 11(31/100), students indicated that the effect of virtual classrooms is somehow the same as to traditional classrooms that is they were neutral to the fact that there is much effect of the virtual classrooms on their studies. Moreover, 27 out of 100 students were positive to the statement showing that it depends upon the interest created in the virtual classrooms to divert the attention of the students towards the studies by showing some moving clips or interesting videos. The adequacy of the performance of virtual classrooms depends on the quality of audio, video, speed of content delivery etc. as in statement 16 shown in table 1. 41 out of 100 students were positive about the adequate performance of the virtual classrooms as they were able to use the diagrams, voice and videos by storing in their laptops for further studies in future and were able to understand them properly. The one thing that lacked is the answers of the questions that can't be given by the tutor in the recorded lectures. 29 out of 100 students were neutral to the statement as they sometimes faces the problems regarding audio and video due to the speed of the internet connection as shown in table 2.Due to the adequate performance of the virtual classrooms, there is a strongly positive impact on the studies of the students. 35 out of 100 is major response that showed the students in favour of virtual classrooms than traditional classrooms. The use of audio, videos increases their power to remember the text along with images to secure good marks in exams. In statement 3(36/100) students responded positively that the effect of tutor on them is very positive and remarkable to understand the lecture with ease and to secure good marks. The communication skills and knowledge of the lectures gives a positive impact about the tutor. The inability of the students to ask frequent questions to the tutor sometimes makes it difficult for the student to learn about all the facts. As tutor have a great impact on the perception of the students regarding virtual classroom; it should be positive otherwise it will lead to more absenteeism. Due to adequate performance of virtual classrooms and good tutor the level of support of the students to use virtual classrooms more frequently in the professional courses in statement 7(35/100) is positive. According to them, virtual classroom helps to pass on more knowledge to professional students by teaching online with updated facts and figures than relying on traditional facts. It also leads to the proper utilization of time too rather than drawing things on whiteboards. While the number of students strongly in favour(21/100) of this statement and neutral(21/100) to it were same as virtual classrooms also have some serious drawbacks like internet speed, huge installation cost, lack of two way communication etc which are yet to be removed.

Response to statement 18(37/100) were positive regarding the timings of the virtual classrooms in distance learning centres as students are given with the facility rather to join morning or evening classes. 28 out of 100 students are indifferent to the fact, as for them the timings to attend the class is not a serious issue. In spite of the fact that in distance learning centres attendance is awarded to students without imposing any serious restrictions. The prior distribution of presentation outlines have a positive impact on the ability of the students to ask questions or to engage them in understanding the presentation as in statement 20(29/100) shown in table 1 students indicated positive response to it. The presentation outlines makes the student familiar of the content of the presentation or the online lecture to be delivered in a particular time period. 27 out of 100 students are neutral to the statement that they don't pay any attention towards the content to be delivered and sit inattentive in the class. The concept of virtual classroom is still in its introduction phase. It is not introduced in the courses meant for annual terms like B.sc, MA etc. In statement 2(29/100) students were positive about the introduction of virtual classrooms in courses other than professional courses while 27 were neutral to the statements as some concepts related to sciences cannot be made clear through virtual classrooms.

TABLE 1: LIKERT QUESTIONNAIRE SUMMARY

Statement	Likert rating					Av.	Total
	1	2	3	4	5		
1. Please indicate the extent to which you consider using the Virtual Classroom is a worthwhile experience in this paper	14	13	21	29	23	3.31	100
2. What effect did the use of the virtual classroom have on your perception of other course members ?	6	17	27	29	21	3.42	100
3. What effect did the use of the virtual classroom have on your perception of the course tutor?	11	6	22	36	25	3.58	100
4. What effect did the use of the virtual classroom have on your perception of being part of a community of learners (belonging)?	19	20	12	26	23	3.14	100
5. What effect did the use of the virtual classroom have on your sense of learner isolation?	13	12	21	24	30	3.44	100
6. What effect did the use of virtual classroom have on your studies?	7	17	14	27	35	3.65	100
7. Please indicate your level of support for using the virtual classroom more frequently in courses such as this.	9	14	21	35	21	3.44	100
9. What is your perception of the virtual classroom as a tool for student collaboration?	8	15	25	32	20	3.41	100
10. How easy is it for you to communicate your thoughts and knowledge using the Virtual Classroom?	11	17	30	26	16	3.19	100
11. What affect did using the virtual classroom have on your learning?	14	15	31	27	13	3.1	100
16. What is your perception of the adequacy of the performance of the virtual classroom (e.g.: Quality of audio, video, speed of content delivery etc.?)	5	8	29	41	17	3.57	100
18. How convenient for you is the timing of the virtual classroom presentations?	12	16	28	37	7	3.08	100
20. What affect did the prior distribution of presentation outlines have on your ability to ask questions or otherwise engage with and understand the presentations?	4	12	27	29	28	3.65	100

4.2 INFLUENCE ON STUDENTS' ABILITY TO INTERACT AND COMMUNICATE IN THE VIRTUAL CLASSROOMS

Data in this theme has been divided into three interrelated sub-themes. These are: task influences, multimedia-usability influences and technical/logistics influences.

1. TASK INFLUENCES

Data coded under this theme refers to the student's view that how well the virtual classrooms supported the purpose to which they were put and the limitations to this. According to statement 1(29/100) indicated that the classrooms are appropriate and worthwhile.

TABLE 2: QUESTIONNAIRE SUMMARY: TECHNICAL, LOGISTICS AND COMMUNICATION TOOLS

TECHNICAL AND LOGISTICAL

8. Please indicate how frequently you would be prepared to participate in virtual classroom use over a typical 12-14 week course.	Sessions <2 2 3 4 5 6 >6 13 41 15 13 10 5 3
12. I had to purchase additional computer equipment to enable me to participate in the virtual classroom?	No Yes 31 69
13. I needed to make special logistical arrangements to enable me to attend the virtual classroom sessions (e.g.: childcare, travel to access a landline, borrow a computer, and upgrade my Internet etc.)	No Yes 32 68
14. I had technical issues connecting to the virtual classroom.	No Yes 31 69
17. Please indicate your Internet connection speed if known.	Broadband Broadband Don't know (122k up & down) (max up & down) 43 49 8
19. I consider the maximum duration for a virtual classroom session should be…	<2 hr 2 hr 4 hr 6 hr 7 hr >7 hr 0 42 28 20 10 0
RANKING OF VIRTUAL CLASSROOM TOOLS	
15. Please rank your opinion of the technical features of the virtual classroom in order from 1 to 4 (least to most valuable).	Feature Total score Rank Asking real time questions 36 1 Sharing documents 28 2 Group activities 19 3 Application sharing 17 4

4.3. MULTIMEDIA-USABILITY INFLUENCES

Data coded under this theme refers to the range of multimedia that can be used in the classrooms to communicate knowledge, the benefits and the extent to which students required to purchase their personal equipments. This data shows that how some additional diagrams or chats are used so that the students may not feel low by the lack of technical knowledge that how the classrooms worked. As in statement 12(69/100) students indicated that they had to purchase an additional computers to participate in virtual classrooms as their technical skills are low to understand the things quickly. So, they need to practise them.

In statement 17, 512 kbps speed is indicated as best speed to connect to virtual classrooms and minimum of 122kbps which sometimes causes problem in connection. The maximum duration of the class should be 2 hours as indicated by the students. Otherwise, they feel distracted or bored. 42 out of 100 students feel positive about the duration of classrooms up to 2 hours.

4.4. TECHNICAL/LOGISTICS INFLUENCES

Questionnaire data indicated that 69 out of 100 students experienced technical issues using the virtual classrooms related to laptops or wireless connections to connect to internet. Data transferred rates appeared insufficient to support to the required level of activity. Students also require making special arrangements to participate in virtual classrooms as indicated in statement 13(68/100) that is special arrangements for internet or to participate easily in morning or evening sessions.

4.5. FACTOR ANALYSIS & ROTATED COMPONENT MATRIX

In Rotated Component Matrix the result has been founded for the factor which influences most because only 4 factors are above Eigen value 1. **So, these Factors can be grouped as** –

1. Use of teaching aids
2. Overall worthwhile experience
3. Enhanced sense of learning isolation
4. Ease of communication and knowledge sharing

So, finally result shows that effectiveness of virtual classrooms is mostly influenced by these four major factors and on the basis of these factors it can be known that which factor is better in terms of virtual classrooms.

5. FINDINGS

After conducting the study for the effectiveness of virtual classrooms the following findings can be inferred:

1. Virtual classrooms enhance the perception of the students regarding membership of a learning community.
2. Virtual classrooms act as a supporting relationship development between its group members. Visual and oral nature of interaction develops the sense of responsibility and commitment towards other members in the group.
3. Virtual classrooms are very helpful in sharing knowledge to a large extent. In spite of direct face to face interacts.
4. Virtual classrooms provide frequent interaction with each other to discuss the material thought in the classroom.
5. The virtual classroom effectiveness depends on the adequate performance of audio, video and content of the lecture. The students are also able to understand the diagrams and other content used in the lectures by storing in their laptops for future use also.
6. Virtual classroom is a challenging task than traditional classrooms as it entirely depends on the course tutor to make the student feel comfortable with the content delivered without any real time interaction.
7. Most of the students in virtual classrooms are neutral to the fact of the learning from the virtual classrooms. According to them, it depends on the interest created in the lectures by showing moving clips and videos which is missing in traditional classrooms.
8. The number of students who experienced difficulty in adequately communicating their findings during the seminars are more in number than the students who didn't feel any problem regarding communication. Reasons being the small size of the images shown to them which don't lead to the complete understanding of the lectures and various issues like how the video is operated or the absence of feedback opportunities.

6. SUGGESTIONS AND RECOMMENDATIONS

To improve the effectiveness of the virtual classrooms some suggestions are given as:

1. Tutor should tell subjective stories or use analogies to express a point.
2. The distance learning Institutions must follow "Keep it relevant and keep it brief" Principle.
3. Tutor should come up with analogies, diagrams and other visual ways to get his point across and have them ready whether to use them or not.
4. Tutor should not let the students know that he needs time to prepare something. He should announce what is about to occur and post the information on the screen.
5. Timely feedback must be taken from the students that whether they understand the contents or not.
6. Rather than throwing overhead questions. Tutor should make efforts to make the concepts clear to the class.
7. Timely activities should be given to students to stimulate their interest in studies.
8. Durations of the courses should be fixed to reduce waste of time.

7. CONCLUSION

The concept of virtual classrooms is in its introduction stage in the universities of Punjab. Many of the students are yet not aware about the concept of virtual classrooms. Virtual Classroom is a simulated classroom via Internet, which provides a convenient communication environment for distance learners just like traditional face-to-face classroom. A virtual classroom allows learners to attend a class from anywhere in the world and aims to provides a learning experience that is similar to a real classroom. While looking to the perception of the virtual classrooms in the distance learning centres of One Public & One Private University Operating in Punjab State of India through questionnaire it is Concluded that student's perception about the effectiveness of virtual classrooms in terms of studies; way to promote student interaction, communication and knowledge is positive in spite of various technical and logistics problems. There are certain factors like perception about course tutor, learner isolation, perception of being part of learner community etc which are contributing to the effectiveness of virtual classrooms the most.

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EFFECT OF CUSTOMER SATISFACTION ON BRAND LOYALTY: A STUDY ON MICROSOFT LUMIA

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ABSTRACT
The purpose of the study is to find the effect of customer satisfaction of urban customers on brand loyalty. Although a lot of studies have been done in this regard but a very few studies have been done in the context of smart phones. The present study is a descriptive study which is also empirical in nature. Data was collected from 220 Microsoft Lumia customers in Balasore city of Odisha. In the present study we have used single linear regression and all the analysis were done by using SPSS software ver. 20. The findings of the study have practical implications for different smart mobile phone brands to achieve customer delight for brand loyalty.

KEYWORDS
linear regression, maximum likelihood method, smart phone.

INTRODUCTION
Liberalization, Privatization and Globalization has entirely revolutionalized the business scenario in India. The telecom sector in India is experiencing a rapid growth and which is also a driving force for the increase in entry of different multinational cell phone brands, in the country. Today cell phone is even at the reach of common man and has become an integral part of our day to day life. The Indian Government is taking all essential steps to facilitated e-Governance for efficient, effective, transparent and time bound delivery of different services and in these context smart phones has a very important role to play. Taking advantages of the huge market potential, multinational brands are very much positive about India. Multinational brands are facing a tuff competition over their domestic counterparts. Domestic players like LAVA and MICROMAX, who have a better understanding of Indian market, are doing great business in India, which is evident from their up surge sales figure. Not only domestic players but also Chinese players, who have a cost advantage, also pose a threat to established multinational brands. In this context the present paper aims to study the effect of customer satisfaction on brand loyalty in Microsoft Lumia brands in India.

LITERATURE REVIEW
Miryala (2011) in their study on customer commitment & loyalty in the context of mobile phone in Indian market mentioned that brand image positively influence the customer satisfaction, commitment and brand loyalty. Jena (2012) in his study on cellular services outlined the importance of customer satisfaction in determining brand loyalty. Nawaz & Usman (2011) their study on telecommunication sector found that service quality is an important determinant of brand loyalty. Said (2014) made a study on Malaysian students in the context of mobile phone brands mentioned that brand satisfaction, brand loyalty, perceived brand quality, perceived brand equity, and repurchase intention are positively correlated. Ahmad & Sherwani (2015) in their empirical study on University students, in the context of mobile phone brands in Delhi and adjoining area mentioned that customer satisfaction has an overall effect on brand Loyalty. Brands and its study have been at the centre stage in marketing and a lot studies has already been done on it. Different authors have reviled new dimension in branding and have enriched mark literature. American Marketing Association , (2007) have highlighted on the identification aspects of branding.

Similarly Crainer (1985) has contributed significantly on the legal aspects of branding. According to Bauer (1960) Branded products reduces perceived risk from the customer prospective. Kapferer (1992) reviled six new dimensions of Brand identity, which is a very useful tool to position the Brand. Similarly Martineau (1959) has highlighted on the image aspects of Brands. Aaker (1997) in her seminar article made a detailed studied study on personality aspects of Brands and developed a valid and reliable scale to measure the Brand personality. A lot of studies have been done by different authors Jana et al. (2014), Dolatabadi et al. (2012) to find the applicability and validity of the scale. Again Asperin (2007) and Jana et al. (2015) made a study on the extension of Brand personality concept known as brand personality congruence. Similarly Brand loyalty and customer satisfaction are the two very widely studied construct in the context of consumer Behavior. This paper aims to re examine the effect of customer satisfaction on brand loyalty in the context of smart phone brand.

OBJECTIVES OF THE STUDY
Although customer satisfaction and brand loyalty are two very important and widely studied constructs. From the review of literature we found that no study has been done in the context of smart phone brands like Lumia which is having a Microsoft application and is significantly different from Android applications. The present paper aims to study the effect of customer satisfaction on brand loyalty in the context of Lumia brands in India.

HYPOTHESIS
From the review of literature and assuming linear relationship between customer satisfaction and brand loyalty, it is hypothesized that customer satisfaction has an effect on brand loyalty.

DATA AND METHODOLOGY
For the purpose of the study, we have used convenience sampling approach and data has been collected from different mobile shops in different parts of Balasore city. Structured questionnaires were distributed near mobile shops, service centre and mobile recharge shop.

Questionnaires were distributed on Sundays from 5 PM to 8 PM, and filled in questionnaires were collected from their residence after a week. Some participants initially disagreed to participate in the study, who were latter convinced, while others positively agreed to participate in the study. For the purpose of study we have adapted measures that were already validated and also exhibited appropriate reliability. In our study we have adapted Oliver (1997), to study customer satisfaction and Oliver (1999) to study brand loyalty. Likert's five point scale was used, where 1 stands for totally disagree and 5 stands for totally disagree.

RESULTS & DISCUSSIONS

The sample profile of the respondents comprised of 63% of male customers and 27% of the female customers. Out of the total respondents, students comprised of 48% followed by, employed people, businessmen and housewife. Similarly the majority of the respondents belonged to the urban followed by the semi urban people. Although we have adapted measures in our study that have already displayed appropriate validity and reliability but these have again been studied in the present paper. To check the content validity, questionnaires' were sent to 7 subject experts and with little modification the questionnaire was validated. Similarly to check the reliability we have used the cronbach's alpha method. To calculate the reliability statistics we have used the SPSS Ver. 20 software. The cronbach's alpha value for customer satisfaction was 0.937 (Table:1), and and for brand loyalty was 0.840 (Table:2) both the values were above the cut off value of 0.7 as suggested by Hu and Bentler (1999)

TABLE 1: RELIABILITY STATISTICS (Brand Loyalty)

Cronbach's Alpha	Number of Items
.937	5

TABLE 2: RELIABILITY STATISTICS (Customer Satisfaction)

Cronbach's Alpha	Number of Items
.840	5

TABLE 3: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504[a]	.254	.250	.65140

a. Predictors: (Constant), satisfaction

TABLE 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.993	1	27.993	65.970	.000[b]
	Residual	82.320	194	.424		
	Total	110.312	195			

a. Dependent Variable: loyalty

b. Predictors: (Constant), satisfaction

TABLE 5: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.385	.268		8.916	.000
	satisfaction	.598	.074	.504	8.122	.000

a. Dependent Variable: loyalty

Before applying simple regression analysis we have checked that there is no violation of normality by performing Durbin-Watson Test. From Table: 3; with R value 0.504, indicates that significant correlation exist between customer satisfaction and brand loyalty. The R^2 value of 0.254 implies that customer satisfaction is an independent variable and can explain 25% of the variation of the dependent variable i.e. Brand Loyalty. Similarly from table:4; we come to the conclusion that the regression model predicts the brand loyalty i.e. the dependent variable, in our study. The P- value is less than 0.05(Table: 5) which implies that the overall model is statistically significant. So we come to the conclusion that Customer satisfaction predicts Brand Loyalty.

CONCLUSION

Although customer satisfaction effects brand Loyalty, but customer satisfaction can only explain less amount of changes in the dependent variable i.e. brand loyalty. So we come to the conclusion that, although customer satisfaction is predictor of brand loyalty but there are other factors which needs careful examination and should be studied by future researchers. Further future researchers are encouraged to study different brands in different context, so that other important area can be revealed, which will be of strategic importance to marketers and academicians as well.

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CAPITAL STRUCTURE, PRODUCTIVITY AND PROFITABILITY ANALYSIS OF SELECT HOUSING FINANCE INSTITUTIONS IN INDIA

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ABSTRACT

As a result of the ongoing economic deregulation measures of the government, particularly those in the financial and banking sector, there have been marked changes in the housing finance system in India. These are characterized by an unprecedented growth in the housing loan market. These developments have resulted in the availability of better housing loan options, better customer service and have made housing loans more affordable to the public. The present study is focused on financial and operational performance of Housing Financial Institutions. The statistical tools like summary statistics, discriminate function analysis, Stochastic Frontier Analysis and Altman's Z score analysis were used for the analysis. The results of the study revealed that the select Housing Finance Institutions are performed well in terms of financial and operating efficiency during the study period. To be mentioned particularly HDFC and HUDCO were recorded better performance in terms of growth and productive efficiency.

KEYWORDS

technical and productive efficiency, capital structure, financial health and national housing bank.

I. INTRODUCTION

Housing is an important component and a measure of socio-economic status of the people. It is regarded as a critical sector in terms of policy initiatives and interventions. The relevance of housing as a social need has been long recognized and this has influenced man's innovations and inventions, since the stone ages. The housing sector is closely linked with many industries viz., Steel, Cement, Paints, Bricks, Wooden articles and so on. It would be true to state that the developments in housing sector would provide a substantial phillip to areas of industrial growth. It has led to the development of small scale units, and has also increased employment opportunities. It has, therefore, received key attention in the economic and fiscal policy formulation of the Government in the near past. As a result of the ongoing economic deregulation measures of the government, particularly those in the financial and banking sector, there have been marked changes in the housing finance system in India. The organized housing finance industry in India used to be dominated by the specialized Housing Finance Institutions regulated by NHB, and the commercial banks. Co-operative banks, agricultural and rural development banks were also played an important role in the housing finance. This article focuses on the financial performance of Housing Finance Institutions in India.

II. STATEMENT OF THE PROBLEM

As other sectors of the lending business continue to remain relatively lackluster, sustained growth in the Housing Finance Institutions has attracted several competitors, whose portfolio of housing loans have grown considerably. Against this milieu, the RBI has been sounding caution on the maintenance of credit quality through effective asset-liability management and prudent loan to value ratios. Going forward, profitability in the housing finance business is going to be the prime driver in terms of long-term sustainability of the key players in the market. The increasing market orientation provides wider opportunities and facilitates integration of the housing finance system with the macro economy. However it will also bring in its wake, new set of challenges concerning viability and affordability.

Given the magnitude and importance of this industry it is not surprising that this Housing Finance Institutions has garnered much attention from researchers. Moreover, most academic studies follow any one of the distinct approaches to evaluate the performance of Housing Finance Institutions. The first compares the performance of Housing Finance Institutions in terms of their operational efficiency and the second analyses the performance in terms of financial appraisal including the pattern of financing. However, a comprehensive empirical study is lacking in the Indian context. Hence the present study is focused on financial and operational performance of Housing Financial Institutions- Comprising various approaches like growth, capital structure profitability, productive efficiency and financial health.

III. OBJECTIVES OF THE STUDY

The following are the main objectives of the study:

1. To examine the growth of the select Housing Finance Institutions during the study period.
2. To analyze the capital structure pattern of the select Housing Finance Institutions.
3. To study the productive efficiency of the select Housing Finance Institutions.
4. To analyse the profitability and its determinants of the select Housing Finance Institutions in India.
5. To assess the financial health of the select Housing Finance Institutions.

IV. METHODOLOGY

The study is based on purposive sampling. It includes those institutions which have been registered under NHB and accepting deposits from the public, which is having continuous and uniform data for the period of 13 years from 1999-2000 to 2011-2012. Thus, the study includes a sample of eight Housing Finance Institutions, viz HDFC, DHFL Vysya, DEWAN, GRUH, CANFIN, LIC, HUDCO and GIC. The present study is based on the secondary data. The financial data used in this study has been mainly taken from the Capitaline database. The annual reports of individual institutions have also been accessed for the relevant data for the study.

The statistical tools used for the analysis and interpretation of the data were summary statistics, annual growth rate, annual compound growth rate, correlation analysis, discriminate function analysis, analysis of variance, Stochastic Frontier Analysis and Altman's Z score analysis.

V. MAJOR FINDINGS OF THE STUDY

1. The analysis of mean growth that HDFC has recorded the highest annual growth rate in terms of growth indicators viz., , capital employed (Rs.28091.6) and interest income (Rs.4891.67) . HUDCO has recorded the highest growth rate in loans and Advances (Rs.6607.7)over the period of the study. (Table 1, 2 & 3)
2. Capital structure is used to construct the long term sources of funds. The capital structure of the select Housing Finance Institutions has been analyzed with the help of Debt-Equity Ratio, Long-Term Debt Ratio and Interest Coverage Ratios. It is found from the analysis that the amount of long term debt is higher in case of all the select Housing Finance Institutions. Thus capital structure is said to be debt dominated.(Table 4(a) & 4(b))
3. To measure the productive efficiency of the select Housing Finance Institutions from 1999-2000 to 2011-2012, stochastic frontier approach has been employed. The resultant technical efficiency score using income approach during the study period has showed an increasing trend. (Table 5)
4. Financial performance in terms of profitability of the select Housing Finance Institutions have been analyzed by computing profitability ratios, net profit ratio, operating profit ratio, return on capital employed, return on assets, and return on networth for the period of the study. In the present study, profitability is measured in terms of net profit of which HDFC stood first with an average net profit ratio of (25.63) among the select Housing Finance Institutions. (Table 6, 7, 8 & 9)
5. Spread and burden are the functions of profitability and they also had close association with the profitability (profit margin) of the select housing finance institutions. Spread to working fund and burden to total income have been found as the most important discriminantors of profitability of the select Housing Finance Institutions. (Table 10 & 11)
6. The Altman's model has been applied to assess the overall relative financial strength of the select Housing Finance Institutions. The Altman's score revealed that all the select Housing Finance Institutions are in too healthy zone (3 and above) over the period of study. It reveals that the financial health of these institutions is satisfactory throughout the study period. (Table 12)

VI. SUGGESTIONS

On the basis of the present study, the following recommendations have been made.

1. Since commercial banks have started aggressive lending to housing sector there has been significant pressure on their profitability because of the thinning profit margin arising from competition. Hence it is suggested that effective profit planning is to be done for the select Housing Finance Institutions to improve their profitability position.
2. It is observed from the study that the non interest cost of GIC and GRUH on the average has stood higher when compared to all the select Housing Finance Institutions which may decrease the profitability. Hence it is suggested that cost information should be sent to all levels of management through issue of circular and creating cost consciousness among the staff.
3. Reserves and surplus show the major portion in the networth in case of all the select Housing Finance Insititutions. The reserve funds may be utilized for the institution purposes or it may be declared as stock dividends.
4. The select Housing Finance Institutions have very thin equity share capital base. Hence it is suggested that the formal ownership be transferred by increasing its proportion of equity capital in its capital structure which will reduce the fixed financial commitments.
5. Asset liability management is one of the biggest risks for Housing Finance Institutions. Funding of long-term loans with short term deposits leads to a mismatch between assets and liabilities that can be overcome by adoption of appropriate Asset Liability Management (ALM) techniques.
6. For cleaning the balance sheet by reducing the relatively illiquid assets, RMBS (Residential Mortgage Backed Securitization) is quite desirable as a means of financing for HFCs. RMBS is slowly picking up in India because of a few persisting problems in the legal and regulatory systems.

VII. CONCLUSION

Competition brings the best out of any one. Perhaps this concept will help the Housing Finance Institutions in the long run. With the government initiating housing finance reforms, the future prospects of this newly recognized industry are undoubtedly bright. From the analysis, it may be observed that there exists quite significant difference in the operational efficiency of the select Housing Finance Institutions in India, primarily because of the difference in the cost structure of the respective Housing Finance Institutions. The select Housing Finance Institutions are performed well in terms of financial and operating efficiency during the study period. To be mentioned particularly HDFC and HUDCO were recorded better performance in terms of growth and productive efficiency.

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APPENDICES

TABLE 1: GROWTH IN CAPITAL EMPLOYED (Rupees in Crores)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	11795.4	143.04	535.97	387.55	694.19	3994.71	10134.4	596.17
2000-2001	15034.5	163.81	599.47	492.11	783.73	4803.35	13683.4	622.34
2001-2002	17841.7	177.41	676.59	506.91	906.9	5905.95	16644.9	677.14
2002-2003	21458.5	200.84	861.04	553.68	1081.4	6945.69	18935.8	748.97
2003-2004	26296.1	194.18	1013.29	614.59	1099.97	8265.72	22784.8	881.72
2004-2005	32077.8	145.28	1249.16	635.35	1167.54	10139.1	25614.6	1141.21
2005-2006	40530.5	146.8	1756.16	879.94	1366.25	12242.9	24627	1593.72
2006-2007	51189.7	206.45	2537.76	1166.98	1777.37	15125.9	25088.9	1732.6
2007-2008	62744.4	272.45	3577.48	1469.48	1950.14	17876.4	24296.1	2036.15
2008-2009	8198.56	333.94	4414.5	1963.31	1915.12	22176.1	23093.7	2427.81
2009-2010	14927.6	284.73	4715.63	2015.47	2115.32	21365.7	23654.8	2745.32
2010-2011	25643.5	345.89	5123.89	569.669	2346.67	23675.8	24654.9	3015.56
2011-12	37452.6	360.65	5432.67	2431.56	2546.56	23756.3	24986.3	3243.56
Mean	**28091.6**	**228.88**	**2499.51**	**1052.82**	**1519.32**	**13559.5**	**21400**	**1650.94**
SD	**15580.9**	**77.25**	**1819.36**	**666.62**	**595.86**	**7203.19**	**4792.94**	**925.79**
CV (%)	**55.46**	**33.75**	**72.79**	**63.32**	**39.22**	**53.12**	**22.4**	**56.08**

Source: Compiled and calculated from Capitaline database.

TABLE 2: GROWTH IN LOANS AND ADVANCES (Rupees in Crores)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	1002.22	1.33	17.66	21.16	33.14	69.79	9912.02	42.29
2000-2001	1460.92	1.85	21.38	20.40	36.46	77.25	13032.97	35.67
2001-2002	1482.52	3.05	25.57	27.92	35.08	96.69	16292.71	34.74
2002-2003	1359.90	2.93	30.58	55.44	40.59	111.61	18656.49	32.96
2003-2004	1876.74	1.57	29.13	54.06	28.58	105.17	21963.03	37.63
2004-2005	1631.41	0.92	33.03	53.39	28.47	112.40	1037.00	53.67
2005-2006	2247.00	0.36	38.30	54.32	24.82	100.90	921.96	49.67
2006-2007	3003.22	0.67	38.74	54.52	22.11	128.35	456.65	50.25
2007-2008	3678.19	1.97	49.86	64.48	14.40	128.38	580.96	55.64
2008-2009	3372.70	2.64	64.48	112.40	12.75	159.72	693.34	73.56
2009-2010	3756.45	3.65	69.56	134.47	13.67	167.78	747.67	79.12
2010-2011	4123.78	2.97	72.67	167.89	14.78	174.67	792.53	82.78
2011-2012	4435.89	3.78	74.78	172.34	15.12	189.67	812.78	84.59
Mean	**2571.61**	**2.13**	**43.52**	**76.37**	**24.61**	**124.80**	**6607.7**	**54.81**
SD	**1149.06**	**1.08**	**19.61**	**50.65**	**9.47**	**36.32**	**7850.51**	**18.31**
CV (%)	**44.68**	**50.70**	**45.06**	**66.32**	**38.48**	**29.10**	**118.81**	**33.41**

Source: Compiled and calculated from Capitaline database.

TABLE 3: GROWTH IN INTEREST INCOME (Rupees in Crores)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	1746.87	20.68	82.04	57.63	108.41	571.53	1036.90	77.95
2000-2001	2013.35	24.20	86.90	69.04	112.98	657.17	1452.95	84.87
2001-2002	2376.53	24.89	103.06	79.88	127.63	761.87	1966.39	91.72
2002-2003	2692.42	28.44	115.07	83.81	139.04	874.91	2076.94	92.23
2003-2004	2967.32	28.20	128.68	83.63	139.75	1031.91	2752.02	97.46
2004-2005	3068.93	21.63	146.88	82.96	128.78	1012.43	2731.63	100.10
2005-2006	3332.46	17.81	163.30	83.40	126.95	1058.32	2768.77	125.45
2006-2007	4210.39	19.44	225.56	103.67	148.04	1272.87	2297.31	156.86
2007-2008	5831.68	25.46	330.39	144.25	190.00	1587.86	2608.22	197.05
2008-2009	8176.35	34.55	521.48	201.68	221.47	2183.41	2724.64	274.52
2009-2010	8453.56	37.78	567.23	234.78	245.78	2435.89	2867.13	294.15
2010-2011	9265.56	41.23	592.78	297.78	356.67	2867.43	2956.34	315.67
2011-2012	9456.23	44.56	602.56	315.78	361.97	3091.23	3231.49	356.76
Mean	**4891.67**	**28.37**	**281.99**	**141.41**	**185.19**	**1492.83**	**2420.83**	**174.22**
SD	**2822.76**	**8.27**	**203.31**	**86.88**	**84.23**	**830.36**	**607.01**	**97.33**
CV (%)	**57.71**	**29.15**	**72.10**	**61.44**	**45.48**	**55.62**	**25.07**	**55.87**

Source: Compiled and calculated from Capitaline database.

TABLE 4 (a): FINANCIAL STRUCTURE (Rupees in Crores)

Year	HDFC		DHFL		DEWAN		GRUH	
	Capitalization	Debt	Capitalization	Debt	Capitalization	Debt	Capitalization	Debt
1999-2000	11795.42	9823.58	143.04	127.48	535.97	459.39	387.54	358.61
2000-2001	15084.50	12988.53	163.81	146.03	599.47	512.05	492.11	443.99
2001-2002	17,41.72	15469.78	177.41	158.08	676.59	565.39	506.91	450.46
2002-2003	21,58.53	18755.69	200.84	175.41	861.04	745.46	553.68	487.04
2003-2004	26,96.14	23252.28	194.18	164.01	1013.29	893.38	614.59	555.40
2004-2005	32,77.83	28684.04	145.28	114.03	1249.16	1117.46	635.35	571.98
2005-2006	40,30.5	36647.40	146.80	110.30	1756.16	1566.57	879.94	806.49
2006-2007	51189.68	46721.35	206.45	167.59	2537.76	2269.60	1166.98	1080.09
2007-2008	62744.42	57193.03	272.45	230.35	3577.48	3214.70	1469.48	1305.24
2008-2009	81098.56	69151.22	333.94	289.29	4414.50	3969.43	1963.31	1773.04
2009-2010	83045.48	70146.21	358.43	278.23	4853.24	4185.21	2048.23	1785.23
2010-2011	89072.45	72158.53	372.41	321.59	5231.47	4852.42	1992.63	1945.47
2011-2012	90125.26	74421.45	367.41	373.21	5685.54	5243.48	2045.52	1895.43
Mean	**60519.47**	**41185.62**	**237.11**	**204.28**	**2537.82**	**2276.50**	**1135.10**	**1035.27**
SD	**31966.64**	**24854.85**	**90.88**	**85.58**	**1952.86**	**1785.95**	**676.24**	**625.65**
CV	**52.82**	**60.35**	**38.33**	**41.89**	**76.95**	**78.45**	**59.58**	**60.43**

Source: Compiled and calculated from Capitaline database.

TABLE 4 (b): FINANCIAL STRUCTURE (Rupees in Crores)

Year	CANFIN		LIC		HUDCO		GIC	
	Capitalization	Debt	Capitalization	Debt	Capitalization	Debt	Capitalization	Debt
1999-2000	694.19	616.15	3994.71	3509.00	10133.94	9138.47	596.17	516.83
2000-2001	783.73	696.18	4803.35	4234.41	13683.37	12111.84	622.34	541.28
2001-2002	1081.40	968.35	5905.95	5265.83	16644.91	14704.26	677.14	594.31
2002-2003	1081.40	968.35	6945.69	6207.06	18935.84	16637.87	748.97	665.37
2003-2004	1099.97	971.61	8265.72	7404.60	22784.78	20067.46	881.72	793..97
2004-2005	1167.54	1030.13	10139.68	9177.75	25614.56	22349.30	1141.21	1045.39
2005-2006	1366.25	1213.69	12242.89	11047.84	24627.03	21217.26	1593.72	1470.27
2006-2007	1777.37	1603.70	15125.92	13780.41	25088.94	21461.41	1732.60	1585.26
2007-2008	1950.14	1752.35	17876.43	16332.59	24296.10	20382.61	2036.15	1751.02
2008-2009	1951.12	1695.36	22176.08	20344.42	23093.67	18902.98	2427.81	2111.49
2009-2010	1892.78	1785.48	19745.52	22457.32	23485.18	19526.43	2945.35	2485.54
2010-2011	2047.45	1958.47	21345.45	23546.12	25247.32	22478.58	3256.72	3258.56
2011-2012	2458.49	1893.85	21985.45	23945.58	24265.56	22842.53	3725.57	2958.42
Mean	**1488.60**	**1319.51**	**13119.45**	**12865.61**	**21377.02**	**18601.62**	**1721.96**	**1581.98**
SD	**551.92**	**475.26**	**6919.96**	**7683.82**	**4978.84**	**4272.61**	**1081.60**	**961.28**
CV	**37.08**	**36.02**	**52.75**	**59.72**	**23.29**	**22.97**	**62.81**	**60.76**

Source: Compiled and calculated from Capitaline database.

TABLE 5: PRODUCTIVE EFFICIENCY – TECHNICAL EFFICIENCY SCORES

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	0.942	0.139	0.317	0.170	0.281	0.137	0.903	0.220
2000-2001	0.948	0.199	0.326	0.180	0.454	0.200	0.927	0.251
2001-2002	0.967	0.270	0.344	0.317	0.495	0.338	0.930	0.382
2002-2003	0.972	0.482	0.539	0.590	0.645	0.455	0.964	0.565
2003-2004	0.981	0.639	0.676	0.679	0.750	0.605	0.974	0.694
2004-2005	0.990	0.676	0.772	0.712	0.824	0.618	0.982	0.780
2005-2006	0.993	0.746	0.840	0.797	0.876	0.722	0.987	0.849
2006-2007	0.997	0.822	0.887	0.857	0.913	0.805	0.993	0.894
2007-2008	0.998	0.875	0.921	0.900	0.957	0.803	0.995	0.925
2008-2009	0.999	0.931	0.944	0.929	0.939	0.921	0.998	0.950
2009-2010	0.998	0.945	0.972	0.967	0.980	0.964	1.080	0.998
2010-2011	1.003	0.980	0.981	0.978	0.990	0.974	1.100	0.998
2011-2012	1.078	0.992	0.993	1.058	1.056	0.982	1.172	1.103
Mean	**0.990**	**0.669**	**0.732**	**0.703**	**0.782**	**0.656**	**1.000**	**0.739**
SD	**0.033**	**0.305**	**0.264**	**0.305**	**0.242**	**0.295**	**0.075**	**0.296**
CV	**3.349**	**45.560**	**36.023**	**43.361**	**30.933**	**44.974**	**7.534**	**40.035**

Source: Compiled and calculated from Capitaline database.

TABLE 6: NET PROFIT RATIO (in percentage)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	19.05	11.89	13.96	1.87	13.56	17.66	6.71	5.69
2000-2001	19.94	12.44	15.80	6.21	13.05	16.59	6.37	4.63
2001-2002	19.88	9.00	15.88	7.54	13.87	15.93	5.43	4.72
2002-2003	21.48	10.30	14.79	9.55	14.19	16.43	5.46	1.30
2003-2004	23.20	16.67	15.06	12.17	15.39	16.95	9.66	6.78
2004-2005	27.67	14.66	15.25	15.78	16.07	15.89	11.87	11.10
2005-2006	30.36	24.93	16.54	19.53	16.59	13.43	14.38	14.15
2006-2007	29.33	24.13	17.99	20.65	18.18	16.16	11.27	21.10
2007-2008	26.60	21.60	14.57	20.30	15.85	17.48	11.81	25.40
2008-2009	27.45	15.17	15.78	20.90	12.82	17.49	13.69	20.52
2009-2010	29.48	18.26	17.52	22.54	14.23	19.39	14.84	22.47
2010-2011	28.36	21.83	18.53	21.72	16.59	18.75	17.54	23.41
2011-2012	30.38	24.57	20.45	23.45	17.82	19.72	18.47	21.58
Mean	**25.63**	**17.34**	**16.32**	**15.55**	**15.25**	**17.07**	**11.35**	**14.07**
S.D	**4.12**	**5.41**	**1.77**	**6.95**	**1.70**	**1.60**	**4.25**	**8.35**
C.V (%)	**16.07**	**31.20**	**10.85**	**44.69**	**11.15**	**9.37**	**37.44**	**59.35**

Source: Compiled and calculated from Capitaline database.

TABLE 7: RETURN ON CAPITAL EMPLOYED (in percentage)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	13.90	13.67	14.33	12.36	14.32	13.68	9.50	11.04
2000-2001	12.58	13.30	13.60	11.83	13.25	13.09	9.71	11.53
2001-2002	12.58	12.30	13.50	13.24	12.75	12.27	10.57	11.06
2002-2003	11.94	12.06	11.78	12.50	11.59	11.92	10.05	10.37
2003-2004	10.73	13.03	11.22	11.37	11.57	11.07	9.24	9.11
2004-2005	9.04	12.43	9.96	11.17	9.82	8.15	9.78	7.40
2005-2006	7.94	10.18	7.95	8.05	8.16	7.24	10.06	6.24
2006-2007	7.92	8.06	7.88	7.52	7.44	7.41	8.19	8.06
2007-2008	8.99	8.04	8.21	8.38	8.83	8.18	9.30	8.87
2008-2009	10.55	9.17	10.71	9.18	10.89	9.14	9.89	10.35
2009-2010	12.54	9.49	11.23	9.79	11.12	8.89	10.42	11.85
2010-2011	14.23	11.23	10.89	11.24	13.42	10.48	11.84	13.25
2011-2012	15.29	12.15	11.52	11.83	11.89	11.75	13.48	12.73
Mean	**11.40**	**11.16**	**10.98**	**10.65**	**11.16**	**10.25**	**10.16**	**10.14**
S.D	**2.32**	**1.88**	**2.02**	**1.79**	**2.02**	**2.12**	**1.25**	**2.01**
C.V (%)	**20.35**	**16.85**	**18.40**	**16.81**	**18.26**	**20.68**	**12.30**	**19.82**

Source: Compiled and calculated from Capitaline database.

TABLE 8: RETURN ON TOTAL ASSET (in percentage)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	2.65	1.81	2.17	0.27	2.04	2.42	0.62	0.71
2000-2001	2.49	1.81	2.31	0.83	1.84	2.18	0.64	0.61
2001-2002	2.48	1.22	2.34	1.13	1.91	1.98	0.61	0.62
2002-2003	2.53	1.43	1.93	1.38	1.78	2.05	0.57	0.15
2003-2004	2.47	2.33	1.88	1.57	1.91	2.07	1.10	0.73
2004-2005	2.52	2.14	1.75	1.97	1.72	1.59	1.21	0.95
2005-2006	2.44	2.96	1.51	1.76	1.51	1.13	1.54	1.09
2006-2007	2.35	2.22	1.62	1.77	1.49	1.31	0.99	1.86
2007-2008	2.39	1.96	1.33	1.91	1.51	1.49	1.20	2.38
2008-2009	2.89	1.54	1.84	2.04	1.44	1.66	1.52	2.25
2009-2010	**2.56**	**2.21**	**1.95**	**2.48**	**1.52**	**1.72**	**1.78**	**2.48**
2010-2011	**3.21**	**2.96**	**2.42**	**2.89**	**1.58**	**1.95**	**1.83**	**2.58**
2011-2012	**3.59**	**3.41**	**2.68**	**2.94**	**1.95**	**2.02**	**1.92**	**2.45**
Mean	**2.66**	**2.15**	**1.98**	**1.76**	**1.71**	**1.81**	**1.19**	**1.45**
S.D	**0.35**	**0.62**	**0.37**	**0.73**	**0.2**	**0.35**	**0.47**	**0.86**
C.V (%)	**13.16**	**28.83**	**18.69**	**41.48**	**11.7**	**19.33**	**39.5**	**59.31**

Source: Compiled and calculated from Capitaline database.

TABLE 9: RETURN ON NET WORTH (in percentage)

Year	HDFC	DHFL VYSYA	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	16.93	16.84	15.67	3.73	18.85	20.82	7.00	5.60
2000-2001	19.17	16.93	16.44	8.92	16.89	19.17	5.90	4.87
2001-2002	19.97	11.59	146.16	10.70	17.70	18.98	5.51	5.23
2002-2003	21.46	11.52	14.77	12.02	17.51	19.99	4.96	1.44
2003-2004	22.68	15.58	16.36	17.22	16.81	20.78	9.81	7.53
2004-2005	25.10	10.21	17.01	21.02	15.06	17.42	9.97	11.59
2005-2006	26.69	12.16	14.29	22.75	13.84	12.03	11.72	14.39
2006-2007	28.14	12.07	15.55	24.95	15.52	15.50	7.17	22.47
2007-2008	28.29	13.06	13.34	18.03	15.22	18.08	7.88	17.56
2008-2009	20.39	11.74	18.55	22.25	12.92	21.14	8.92	17.83
2009-2010	20.82	13.58	17.58	24.58	13.56	22.78	9.42	19.43
2010-2011	24.58	14.78	19.23	23.47	14.57	23.58	8.74	18.48
2011-2012	26.53	15.52	21.47	21.47	14.96	24.28	9.47	21.48
Mean	**23.13**	**13.51**	**26.65**	**17.78**	**15.65**	**19.58**	**8.19**	**12.92**
S.D	**3.53**	**2.12**	**34.56**	**6.55**	**1.71**	**3.22**	**1.91**	**6.94**
C.V (%)	**15.26**	**15.69**	**129.68**	**36.84**	**10.93**	**16.45**	**23.32**	**53.72**

Source: Compiled and calculated from Capitaline database.

TABLE 10: INSTITUTION-WISE CATEGORICAL VALUES (in percentage)

Bank	Group	X_1	X_2	X_3	X_4	X_5	X_6	X_7	X_8	X_9	X_{10}	X_{11}	X_{12}
HDFC	1	3.51	0.34	0.10	0.99	0.07	0.65	0.00	0.03	0.00	0.00	0.01	0.04
DHFL VYSYA	1	4.05	0.33	1.04	10.89	0.08	0.66	0.01	0.12	0.00	0.02	0.01	0.12
DEWAN	1	3.58	0.30	0.12	0.99	0.08	0.68	0.01	0.10	0.00	0.01	0.01	0.12
GRUH	1	3.62	0.32	0.12	0.99	0.08	0.68	0.02	0.13	0.00	0.02	0.01	0.14
CANFIN	1	3.20	0.30	0.11	0.99	0.08	0.69	0.01	0.09	0.00	0.01	0.00	0.09
LIC	1	3.20	0.30	0.11	0.99	0.08	0.69	0.01	0.09	0.00	0.01	0.01	0.10
HUDCO	0	2.63	0.25	0.10	1.00	0.08	0.74	0.01	0.11	0.00	0.01	0.00	0.12
GIC	1	3.16	0.30	0.11	1.00	0.08	0.70	0.01	0.14	0.00	0.02	0.00	0.14

Notes:

Group ‘0’ - refers Low-Profitable Institutions

Group ‘1’ - High-Profitable Institutions

TABLE 11: RANKING OF INDEPENDENT VARIABLES

Variables	Standardised Weights Value	Discriminant Loadings Value	Rank
X_1	-3.386	-2.325	2
X_2	NI	3.027	10
X_3	NI	-2.754	1
X_4	NI	-1.379	3
X_5	NI	-1.042	4
X_6	NI	2.730	9
X_7	NI	-0.602	5
X_8	16.005	-0.317	6
X_9	NI	2.014	8
X_{10}	NI	0.648	7
X_{11}	NI	-2.325	2
X_{12}	NI	3.027	10

Notes:

1. NI - not included in the step-wise solution
2. While ranking discriminant loadings, signs have been ignored as they indicate only positive or negative relationship with the dependent variable.

TABLE 12: Z SCORES

Year	HDFC	DHFL	DEWAN	GRUH	CANFIN	LIC	HUDCO	GIC
1999-2000	3.93	5.99	4.59	8.55	5.79	5.30	7.51	4.75
2000-2001	4.69	5.96	4.48	6.58	5.76	5.41	6.57	4.88
2001-2002	4.86	5.84	3.29	5.79	5.82	5.91	6.53	5.19
2002-2003	5.06	5.03	4.78	5.37	6.14	6.01	6.27	5.61
2003-2004	5.46	4.21	5.32	6.60	5.44	6.05	6.28	6.26
2004-2005	5.87	2.99	5.19	6.35	5.29	6.52	4.91	7.36
2005-2006	6.47	2.44	5.72	7.48	5.49	6.24	4.54	7.94
2006-2007	7.12	3.18	5.85	8.41	6.26	6.88	4.22	7.28
2007-2008	7.07	3.96	6.09	5.53	6.10	7.16	3.81	4.39
2008-2009	4.24	4.65	6.26	6.49	5.43	7.50	3.37	4.76
2009-2010	5.51	3.89	5.75	7.89	6.23	6.88	4.58	5.10
2010-2011	4.84	3.48	5.31	7.66	5.51	7.82	5.07	5.77
2011-2012	6.02	4.82	6.06	8.59	6.79	7.18	4.42	6.40

A STUDY OF FINANCIAL PERFORMANCE OF SARASWAT CO-OPERATIVE BANK LTD: A CASE STUDY

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ABSTRACT

Sarswat co-operative Bank Ltd. plays a key role in national economic development. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from financial statements. This study attempts to measure the financial performance of Sarswat co-operative Bank Ltd., which one of the largest and prominent co-operative bank in India. The studies is primarily based on the secondary data from financial reports for the period 2010-2015 of Sarswat co-operative Bank Ltd and various materials and take help of online source also. To analyze financial performance of the Sarswat co-operative Bank Ltd in terms of profitability, liquidity and credit performance here financial ratio analysis method used. To test the hypothesis the study has been worked on Student t-test. These analyses helps to see the current performance condition of this bank compare past performance. Because now a day's co-operative banking sector is suffering the disease of default culture which is the consequence or result of bad performance of most banks. The performances of banks are dependent more on the management's ability in formulating strategic plans and the efficient implementation of its strategies. The findings of this paper can be helpful for management to improve their financial performance and can ensure sustainable growth for the banks.

KEYWORDS

co-operative bank, financial performance, financial ratios, descriptive study, FRA method, student t test.

1. INTRODUCTION

Financial analysis is structural and logical way to present overall financial performance of any firm. It helps to management to evaluate and formulating strategic plans and efficient implementation of its strategies for business operation. In financial analysis process ratio analysis is the most dominant and logical structure to help business related stakeholder. Under the financial ratio analysis process there are few categories to analyse the financial institution. So business stakeholders try to concentrate to get overall business overview from profitability, liquidity, assets management and solvency ratio analysis. These ratios not only help to decision making process also emphasized on risk avoiding and profit raising related factors. To calculate this ratio need to take quantitative data from bank trading activity and other sources.

Investopedia Describe about ratio analysis as Quantitative analysis of information contained in a company's financial statements. Ratio analysis is based on line items in financial statements like the balance sheet, income statement and cash flow statement; the ratios of one item – or a combination of items - to another item are calculated. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. This study evaluates Sarswat co-operative Bank Ltd performance for the period 2010-2015 using financial ratio analysis (hereafter FRA). Financial ratio analysis has wide range advantage to show the bank financial position compare to past year performance. To analyze the ratio, the data is obtained from the Saraswat Co-operative Banking Society's annual reports which helps to understand the financial position of this bank and purpose of the study. The study has been used Financial Ratio analysis (FRA) method and for hypothesis testing by using Student's T-test. The bread and butter of statistical data analysis is the Student's t-test. To evaluate data make descriptive statistical analysis these contain Mean, Standard deviation, Minimum, Maximum. From this descriptive statistics analysis of the financial performance is made. This bank financial ratio enable to identify unique bank strengths and weaknesses achieve over the six year period, which in itself inform bank profitability, liquidity and credit quality.

2. ABOUT THE BANK

The Bank has the unique distinction of being a witness to history. The Bank, which was originally founded in 1918, i.e. close on the heels of the Russian Revolution, also witnessed as a Society and as Bank - the First World War, the Second World War, India's freedom Movement and the glorious chapter of post-independence India. During this cataclysmic cavalcade of history, the Bank as a financial institution and its members could not of course remain unaffected by the economic consequences of the major events. The two wars in particular brought in their wake, paucities of all kinds and realities and stand by its members in distress as a solid bulwark of strength.During the late fifties, the Bank grew from strength to strength. The Bank had established five branches within the city of Mumbai and one each at Pune and Belgaum. In its 50th year, the Bank chose a bee motif to symbolise the Bank's emblem - a fitting and appropriate characteristic of a Bank that believed in hard work, a search for all that is good, a team spirit to achieve its objectives and selfless service to its members and customers. The Bank has a network of 267 fully computerized branches as on 31st March, 2015 covering six states viz. Maharashtra, Gujarat, Madhya Pradesh, Karnataka, Goa and Delhi. The Bank is providing 24-hour service through ATMs at 219 locations. As on 31st March, 2015 the Bank's business had surpassed Rs. 44000 Crores.

3. STATEMENT OF THE PROBLEM

The era of globalization modern free market economy introduce a window of banking bitterness that has huge impact on any countries trade and overall development. To complete the process of banking or trading financial intermediaries and institution act like as safe gateway between two sides. As an institution, bank has been contributing towards the development of any economy for a long time and at the moment it is treated as an important banking industry in modern world it has to manage large volume transaction. Industry related stakeholder need to know about the financial performance of the bank. To analyse financial performance ratio analysis is the most logical way to show the bank financial position. So this study has conduct to expose restriction of the function area and process of Financial performance through ratio analysis of Saraswat Co-operative Banking Societyby comparing past year balance sheet, Income statement and cash flow by generating ratio that conduct how much financial stability can be achieve. A general belief is that a firm's financial performance depends on certain key financial factors i.e. turnover, profit and the variables which are found in the balance sheet of a firm, have a direct and indirect relation with each other. By establishing a close relationship between the variables, a firm can analyze its financial performance in terms of liquidity, profitability and viability. The statement of problem is "**A Study of Financial Performance of Saraswat Co- Operative Bank Ltd** "

4. OBJECTIVES OF THE STUDY

1. To analyze Saraswat Co-operative Banking Society trading recent years.

2. To discuss the financial ratio measurement and analysis.
3. To use Financial ratio analysis for measuring the financial performance i.e. Profitability, liquidity and credit management of Sarswat Co-operative Bank Ltd
4. To measure descriptive statistics.
5. To use student T test for hypothesis testing.

5. THE VARIABLES

5.1 PROFITABILITY PERFORMANCE

The most common measure of bank performance is profitability. Generally, accounting profits are the difference between revenues and costs. These ratios are used to assess the ability of the business to generate earnings in comparison with its all expenses and other relevant costs during a specific time period. More specifically, these ratios indicate firm's profitability after taking account of all expenses and income taxes, the efficiency of operations, firm pricing policies, profitability on assets and to shareholders of the firm (Van Horne 2005). Profitability ratios are generally considered to be the basic bank financial ratio in order to evaluate how well bank is performing in terms of profit. For the most part, if a profitability ratio is relatively higher as compared to previous years' same ratios, then it is taken as indicator of better performance of the bank. Study applies these criteria to the profitability of the bank. Profitability is measured using the following criteria:

I. RETURN ON ASSETS (ROA) = NET PROFIT/TOTAL ASSETS

This ratio measures the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments. Return on assets indicates the profitability on the assets of the Bank after all expenses and taxes (Van Horne 2005). That is, it measures net earnings per unit of a given asset, moreover, how bank can convert its assets into earnings (Samad& Hassan 2000). Generally, a higher ratio means better managerial performance and efficient utilization of the assets of the firm and lower ratio is the indicator of inefficient use of assets. ROA can be increased by Banks either by increasing profit margins or asset turnover but they can't do it simultaneously because of competition and trade-off between turnover and margin. So bank maintain higher ROA will make more the profit.

II. RETURN ON EQUITY (ROE) = NET PROFIT/ TOTAL EQUITY

ROE is the most important indicator of a bank's profitability and growth potential. It is the rate of return to shareholders of equity invested in the bank. Return on equity indicates the profitability to shareholders of the Bank after all expenses and taxes. By and large, higher ROE means better managerial performance; however, a higher return on equity may be due to debt (financial leverage) or higher return on assets. Financial leverage creates an important difference between ROA and ROE in that financial leverage always magnifies ROE. This will always be the case as long as the ROA (gross) is greater the interest rate on debt. Usually, there is higher ROE for high growth companies.

III. COST TO INCOME RATIO (C/I) = TOTAL COST /TOTAL INCOME

That is how expensive it is for the bank to produce a unit of output. In managerial aspects its show how much a manager can efficiently operate the bank activity as much as lower cost against income generate from operation. The lower the C/I ratio indicates better the performance of the bank.

5.2 LIQUIDITY PERFORMANCE

Liquidity indicates the ability of the bank to meet its financial obligations in a timely and effective manner. Liquidity is the life and blood of any bank. Financial liabilities are attracted through retail and wholesale distribution channels.. The following ratios are used to measure liquidity.

I. CURRENT RATIO (CR) = CURRENT ASSETS / CURRENT LIABILITIES

Current ratio is also known as short-term solvency ratio or working capital ratio. Current ratio is used to assess the short-term financial position of the business. This ratio indicates the percentage of short term obligations that could be met with the bank's liquid assets in the case of sudden withdrawals. Current ratio is a useful test of the short-term-debt paying ability of any business. A ratio of 2:1 or higher is considered satisfactory for most of the companies but analyst should be very careful while interpreting it.The higher the ratio the better is the liquidity position of the bank. However, there is a limit to the extent to which higher current ratio is a blessing. An abnormally high value of current ratio may indicate existence of idle or underutilized resources in the company. This is because most of the current assets do not earn any return or earn a very low return as compared to long-term projects. A very high current ratio may hurt a company's profitability and efficiency. A current ratio below 1 means that current liabilities are more than current assets may indicate liquidity problems. In general, higher current ratio is better.

II. LOANS TO DEPOSIT RATIO (LDR) = LOANS/TOTAL DEPOSITS.

Loan to deposit is the most important ratio to measure the liquidity condition of the bank. Here, loan means the advances for the conventional banks. Bank with Low LDR is considered to have excessive liquidity, potentially lower profits, and hence less risk as compared to the bank with high LDR. However, high LDR indicates that a bank has taken more financial stress by making excessive loans and also shows risk that to meet depositors' claims bank may have to sell some loans at loss. A high figure denotes lower liquidity.

5.3. RISK MANAGEMENT

Risk is inherent in business and sound risk management is critical to success. The major types of risk are credit risk, market risk (which includes liquidity risk and price risk) and operational risk.

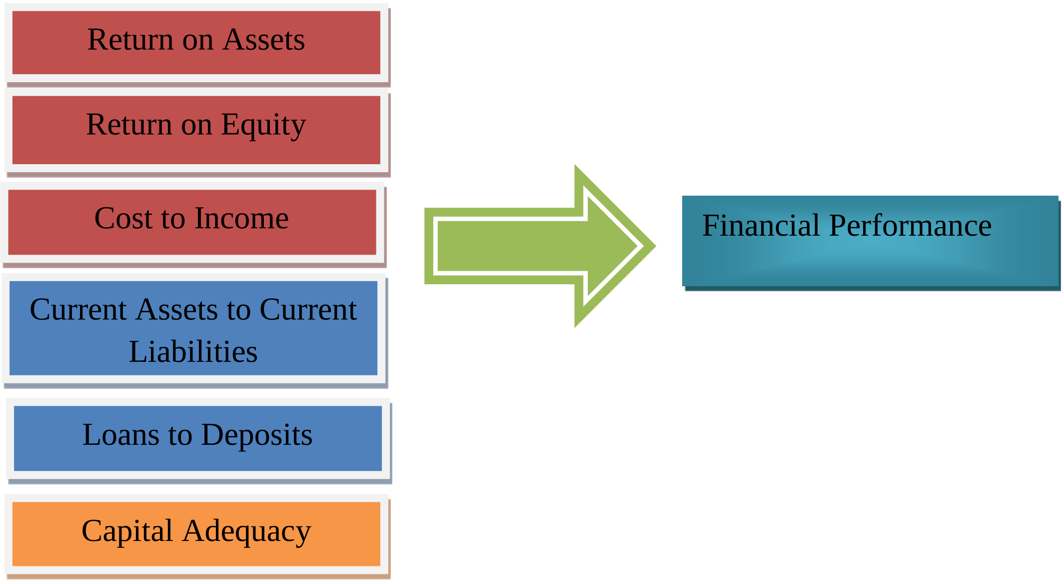
I. CAPITAL ADEQUACY RATIOS: (TIER 1 CAPITAL + TIER 2 CAPITAL) / (RISK WEIGHTED ASSETS)

There are a host of ratios that bank regulators and investors use to assess how risky a bank's balance sheet is, and the degree to which the bank is vulnerable to an unexpected increase in bad loans. A bank's Tier 1 capital ratio takes a bank's equity capital and disclosed reserves and divides it by the bank's risk-weighted assets, (assets whose value is reduced by certain statutory amounts, based upon its perceived riskiness). The capital adequacy ratio is the sum of Tier 1 and Tier 2 capital, divided by the sum of risk-weighted assets. The tangible equity ratio takes the bank's equity, subtracts intangible assets, goodwill and preferred stock equity, and then divides it by the bank's tangible assets. Although not an especially popular ratio prior to the 2007/2008 credit crisis, it does offer a good measure of the degree of loss a bank can withstand, before wiping out shareholder equity.

Capital ratios can be thought of as proxies for a bank's margin of error. Nowadays, capital ratios also play a larger role in determining whether regulators will sign off on acquisitions and dividend payments.

6. CONCEPTUAL FRAMEWORK MODEL

FIGURE 6.1 CONCEPTUAL FRAMEWORK



7. HYPOTHESIS

During this research below mentioned Null hypothesis has been generated

- **$H_0$1** There is no significant difference between the period 2010-12and 2013-15 Return on Asset and Financial performance.
- **$H_0$2** There is no significant difference between the period 2010-12 and 2013-15 Return on Equity and Financial performance.
- **$H_0$3** There is no significant difference between the period 2010-12 and 2013-15 Cost to income ratio and financial performance.
- **$H_0$4** There is no significant difference between the period 2010-12 and 2013-15 Current ratio and financial performance.
- **$H_0$5** There is no significant difference between Loans to deposit and financial performance between the period 2010-12 and 2013-15.
- **$H_0$6** There is no significant relationship between capital adequacy ratio and financial performance between the period 2010-12 and 2013-15.

8. RESEARCH METHODOLOGY

8.1. RESEARCH DESIGN

The degrees to which the methodology of research can be structured two categories are Qualitative and quantitative method. Quantitative methods emphasis on objective measurement and numerical analysis of data collected through financial reports. Quantitative research focuses on gathering numerical data and generalizing it across groups of people. Researcher use quantitative method for research project. The research has been carried out once and it represents a snapshot of one point in time. So it is a Descriptive study under the category of time dimension.

The research was designed for breadth rather than depth. Null Hypotheses were tested quantitatively and the generalization of findings was presented based on the representativeness of the sample. So it can be inferred that it is a statistical study.

8.2. DATA COLLECTION

For achieving the specific objective of the study, data will be gathered entirely from secondary sources. Following are the Secondary Sources

- Website of Saraswat cooperative banking society.
- Annual Reports, Brochures, Manuals and Publication of Saraswat cooperative banking society.
- Manual published by Saraswat cooperative banking society.

Saraswat cooperative banking society last six years financial history used as per require of this study. Most of this data are used in financial ratio analysis of this bank. The data was obtained from Bank scope and the bank's financial statements and websites.

8.3. METHODOLOGY

This research paper uses a descriptive financial ratio analysis to measure, describe and analyse the performance of Saraswat Co-operative Bank Lltd in India during the period 2010-2015. Additionally, to examine whether the difference in performance of the banks in 2010-2012 is statistically different from that of 2013-2015, a student's t- test **(Paired *t*-Test)** is employed to test the hypothesis that the means of the two periods are the same on the seven variables as detailed in section. In this case, researcher wants to determine whether there is evidence that the Ratio effective difference. That is, if we calculate differences as **μd**= "2010-12" Ratio minus "2013-15" ratio ($\mu 1 - \mu 2$).The following hypothesis has been tested:

H0: $\mu 1 = \mu 2$, or $\mu d = 0$.

Where $\mu 1$ is the mean for 2008-2010 and $\mu 2$ is the mean for 2011-2013. Inferences about the hypothesis are made by looking at test statistics and critical values associated with the mean. If P-value $\leq \alpha$ ($\alpha = 0.05$), reject the null hypothesis and accept the alternate hypothesis that there is significant difference in ratios between two periods. If P-value $> \alpha$ ($\alpha = 0.05$), do not reject the null hypothesis. The results of the test are to be handled with caution as there are very few observations.

The selection of the FRA method for this study is motivated by the fact that from the review of past studies on various banks and to the researchers' knowledge. FRA is its ability and effectiveness in distinguishing high performance banks from others and the fact that FRA compensates for disparities and controls for any size effect on the financial variables being studied. Additionally, financial ratios can be used to identify a bank's specific strengths and weaknesses as well as providing detailed information about bank profitability, liquidity and credit quality policies. FRA permits a historical sketch of bank returns and risks which presents an opportunity to evaluate the past performance of the bank which is an important step for planning for future performance.

9. DATA ANALYSIS AND DISCUSSIONS

This section of the research work present and discusses the results

9.1. PROFITABILITY PERFORMANCE

In banking the risk-reward trade off is constantly present. Risk taking generates higher expected earnings through various mechanisms. For example granting high margin loans to risky customers may increase earnings in the short term but it also increases the credit risk profile and the probability of future losses Saraswat Co-operative Bank Ltd. is giving continued emphasis on quality assets, which resulted in providing a sound asset base for the bank. So following is Saraswat Co-operative Bank Ltd. 's Return on asset ratio with a descriptive analysis last six financial years from their balance sheet result

I. RETURN ON ASSETS (ROA)

TABLE NO 1: NET PROFIT TO TOTAL ASSET

atio	2010	2011	2012	2013	2014	2015
ROA	0.0074	0.0116	0.0112	0.0046	0.0055	0.0061

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 2

	2010-2012 **(ROA)**	2013-2015 **(ROA)**
Mean	0.01	0.0054
SD	0.002	0.0006
Maximum	0.0116	
Minimum	0.0046	

Table No 1 show in 2010-12 period banks ROA gradually increased. In 2013-15 financial year banks earn ROA 0.46%, 0.55% and 0.61% which is lower than previous period. Bank performs most effectively in 2011. But in last year there some hope that it will try to reach previous position. If we focus on **Table No 2** here two period means respectively 1% and 0.54% which shown the downward trend for last period. Maximum 1.16% and minimum 0.46% that is clarify the ROA position of this bank. So current observations on ROA of Saraswat Co-operative Bank Ltd. indicate they do not perform at satisfactory level.

II. Return on Equity (ROE) = net profit/ total equity

TABLE NO. 3: NET PROFIT TO TOTAL EQUITY

Ratio	2010	2011	2012	2013	2014	2015
ROE	0.094	0.143	0.137	0.057	0.069	0.089

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 4

	2010-2012 **(ROE)**	2013-2015 **(ROE)**
Mean	0.125	0.07
SD	0.022	0.012
Maximum	0.143	
Minimum	0.057	

The return on equity (ROE) was average 12.5% in 2010-2012 and 7% in 2013-15 periods. Lower ROE in 2013 was 5.7%. In **Table No 3** ROE reached highest point 14.3% at 2011 than its getting lower towards. Bank earns maximum ROE 14.3% in 2011 and minimum 5.7% in 2013.

In accordance with prudent capital structure plan, the bank has a consistent dividend policy. In addition Saraswat Co-operative Bank Ltd. declared high stock dividend as and when possible to strengthen the capital base. So bank current ROE position need to change if compare to last 4 years except of 2013

III. Cost to Income Ratio (C/I) = Total cost /Total income

TABLE NO. 5: COST TO INCOME

Ratio	2010	2011	2012	2013	2014	2015
Cost to Income	0.8520	0.7881	0.8063	0.8109	0.8445	0.8900

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 6

	2010-2012 **(Cost to Income)**	2013-2015 **(Cost to Income)**
Mean	0.815	0.85
SD	0.027	0.023
Maximum	0.89	
Minimum	0.7881	

Cost to Income ratio of Saraswat Co-operative Bank Ltd. continues with consistency among the banking industry. Cost to income decreased by 6.39% from base period. It also increased to 89% in 2015 from 78.81% of 2011 due to increased in personnel and establishment cost.

For Cost to income ratio maximum was 89% and minimum 78.81%. In 2011 bank performing good because at that time they hold cost 78.81% of their total income. Overall al cost to income ratio is constant from 2010-2015 which affects profitability.

In term of bank profitability ROA and ROE was increased till 2012 then it goes downward bit and then rises, a mixed trend is seen and Cost to income ratio most effective at 2011 then it goes slightly upward and is more than 2010. So bank should focus on improve the return on assets and equity and cost control measures should be adopted.

9.2. LIQUIDITY PERFORMANCE

Liquidity performance measures the ability to meet financial obligations as they become due and is crucial to the sustained viability of banking institutions. What began as credit concerns for the US sub-prime market developed into concerns in global credit markets with unknown financial exposures and potential losses. The resultant uncertainty made financial market participants exceedingly risk averse, such that they were unwilling to invest in any markets or financial instruments other than 'safe havens'. This severely reduced the levels of liquidity in the global financial markets. Saraswat Co-operative Bank Ltd. was not immune to such developments and this is reflected in the liquidity ratios

I. Current ratio = Current assets/Current liabilities

TABLE NO. 7: CURRENT ASSETS TO CURRENT LIABILITIES

Ratio	2010	2011	2012	2013	2014	2015
CR	1.60	1.72	1.45	1.41	1.91	2.09

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 8

	2010-2012 **(CR)**	2013-2015 **(CR)**
Mean	1.59	1.8
SD	0.11	0.23
Maxim	2.09	
Minimum	1.41	

The current ratio of the bank is above 1 in the period under study which means that current assets are more than current liabilities. It was 1.6 in 2010 decreased to 1.41 in 2013 and again increased to 2.09.

For current ratio maximum was 2.09 and minimum was 1.41. The bank is near to its ideal ratio which means that it is not facing any liquidity problem; its short term solvency is satisfactory.

II. Loans to deposit Ratio (LDR) = Loans/total deposits

TABLE NO 9. LOANS TO DEPOSIT RATIO

Ratio	2010	2011	2012	2013	2014	2015
Loan to Deposits	0.6484	0.7286	0.7233	0.7105	0.6462	0.6550

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 10

	2010-2012 **(Loan to Deposits)**	2013-2015 **(Loan to Deposits)**
Mean	0.7	0.67
SD	0.034	0.028
Maximum	0.7286	
Minimum	0.6462	

Higher the loans to deposit ratio means less liquid and taking more risk. So bank has to maintain certain ratio for following the central bank policy and keep sustainable position in the competitive market.

Bank total loan against deposit was 72.86% in 2011 which reached highest point around this period and minimum 64.62% in year 2014. The mean of two segments 70% in 2010-12 and in 2013-15 was 67%. Lower rate of ratio means more liquidity of bank.

Liquidity position of this bank as per above two ratio is near to ideal conditions that refers bank has more liquidity at present.

9.3 RISK MANAGEMENT

Banks encounter various types of risks while carrying the business of financial intermediation as it is the highly leveraged sector of an economy. Risk and uncertainties, therefore, form an integral part and parcel of banking. Thus, risk management is the core to any banking service and hence the need for sufficient Capital Adequacy Ratio is felt.

Capital adequacy ratio (Tier 1 capital + Tier 2 capital) / (Risk weighted assets)

This ratio is also known as CRAR (Capital to risk weighted assets), it shows the financial strength of a bank. In the year 1988 Basel Committee came up with the framework of **capital adequacy** which was known as Basel-I accord and **capital adequacy** of 8% was set as a benchmark for banks.RBI, provides guidelines for weights that has to be assigned to each of the applicable risks. At present, RBI has mandated CAR of 9% as per Basel-III norms.

TABLE NO. 11: CAPITAL ADEQUACY RATIO

Ratio	2010	2011	2012	2013	2014	2015
Capital Adequacy	0.1463	0.1274	0.1237	0.1115	0.1211	0.1257

Below table gives some descriptive statistical measurement generated from above data table.

TABLE NO. 12

	2010-2012 **(Capital Adequacy)**	2013-2015 **(Capital Adequacy)**
Mean	0.132	0.119
SD	0.01	0.006
Maximum	0.1463	
Minimum	0.1115	

The above table indicates that capital adequacy ratio of Saraswat Co-operative Bank Ltd. is above minimum level in the period under study.

It was maximum at 14.63% in 2010, decreased to 11.15% in 2013 and rose to 12.57% in 2015 indicating financial strength of bank. The mean of two segments was 13.2% in 2010-2012 and 11.9% in 2013-2015.

Placing a cap on the Capital Adequacy Ratio prevents banks from taking on excess amounts of leverage – which would significantly increase the risk of insolvency. Therefore, bank with high capital adequacy ratios are less likely to become insolvent as a result of unexpected losses as they can absorb them.

10. HYPOTHESIS TESTING

To examine whether the difference in performance of the banks in 2010-2012 is statistically different from that of 2013-2015 a student's t- test is employed to test the hypothesis that the means of the two periods are the same on the seven variables. The table below provides a summary of a student's paired t- test results for the two periods under review.

TABLE NO. 13

	Ratios	**Mean 2010-12**	**Mean 2013-15**		**Student's t-score**	**p-value**	**Decision**
Profitability	**ROA**	0.01	0.0054	0.0046	3.12	0.045	Reject
	ROE	0.125	0.07	0.055	3.10	0.045	Reject
	C/I	0.815	0.85	-0.035	1.39	0.149	Accept
Liquidity	**CR**	1.59	1.80	-0.21	1.16	0.182	Accept
	LDR	0.70	0.67	0.03	0.96	0.219	Accept
Risk management	**CAR**	0.132	0.119	0.013	1.57	0.128	Accept

In the **Table No 13** all the ratios mean difference are positive except Cost to income ratio and current ratio its ratio. But we are testing these hypothesis by using Student's *T=test* statistic which associated with critical value to determine *p*- value. If P-value one tailed at $\leq \alpha$ ($\alpha = 0.05$), reject the null hypothesis. If *p*-value $> \alpha$ ($\alpha = 0.05$), do not reject the null hypothesis.

Saraswat Co-operative Bank Ltd.'s profitability ratio in ROA the calculated T-statistic is given by 3.12 which has *p* value of 0.045 one tailed at $\alpha = 0.05$ level which is lower, here reject null (H_01) hypothesis. ROE *p* value 0.045 one tailed at $\alpha = 0.05$ level which is also lower so we do reject null hypothesis (H_02). C/I *p* value 0.149 one tailed at $\alpha = 0.05$ level is higher, here do not reject Null hypothesis (H_03). Thus in the profitability ratio ROA and ROE reject null hypothesis but C/I does not reject null hypothesis. In case of ROA and ROE, accept alternate hypothesis that there is significant difference between two periods. But C/I show there is no statistical significant difference between 2010-2012 and 2013-2015 profitability ratio.

Now Saraswat Co-operative Bank Ltd.'s liquidity ratio, in current ratio T- statistics is 1.16 and *p* value 0.182 one tailed at $\alpha = 0.05$ level is higher do not reject Null hypothesis (H_04). For loan to deposits ratio t value is 0.96 and corresponding *p* value 0.219 one tailed at $\alpha = 0.05$ level is higher do not reject Null hypothesis (H_05). Saraswat Co-operative Bank Ltd.'s liquidity ratio hypothesis is test prove that there are no statistical significant difference between two period ratios.

Saraswat Co-operative Bank Ltd.'s capital adequacy ratio the calculated T-statistic is given by 1.57 which has *p* value of 0.128 one tailed at $\alpha = 0.05$ level which is higher, do not reject null (H0) hypothesis (H_06). There is no significant difference between two periods capital adequacy ratio.

11. LIMITATIONS OF THE STUDY

From Starting of this study some force has restricted the area of study, which may interrupt the accuracy, fluency knowledge limitation of this whole work.

- Study exclusively depends on the published financial data, so it is subject to all limitations that are inherent in the condensed published financial statements.
- The study is confined to Six years data only (2010–2015). Detailed analysis covering a lengthy period, which may give slightly different results, has not been made.
- The study is based on secondary data collected from the website www.saraswatbank.com and branch; so, the quality of the study depends purely upon the accuracy, reliability and quality of the secondary data source.
- Shorter time frame of internship may be restricted area of study.

12. MAJOR FINDINGS

The Financial Position of Saraswat Co-operative Bank Ltd. is satisfactory compare to other cooperative bank but has some problems. The presentation of data can be summarized as of the following findings:

- From the results of the student t-test, it can be argued that despite the financial turmoil that engulfed the global economy and affected financial institutions around the world, statistically significant differences were only observed in profitability performance of the Saraswat Co-operative Bank Ltd.
- Profitability performance of Saraswat Co-operative Bank Ltd. not satisfactory level because of last 3 years shows lower growth.
- On the contrary, no significant differences were observed between the overall performances of the bank in during the two periods in terms of liquidity and risk management. This is supported by the null hypothesis of the equality of the means being accepted on liquidity and risk management..
- Liquidity position is quite good as compared to others but they have chance to improve more.
- Risk management in last few years really good because the trend of risk weighted asset is getting lower.
- In case of import and export financing it takes long time to sanction the fund.
- Saraswat Co-operative Bank Ltd. has its own websites which acts as an information center and promotional tool for the banks.
- Saraswat Co-operative Bank Ltd. has own banking software.
- Lack of available information on banking product.

So overall performance is at satisfactory level because they have improved and steadily maintain the assets and income position. Share price also need to increase with dividend for bank stakeholder.

13. SUMMARY & CONCLUSION

Despite of severe unfavourable economic conditions of last few years, Saraswat Co-operative Bank Ltd. achieved a worthy performance in all core areas of banking operation. Main goal of this paper is to analyze financial performance of Saraswat Co-operative Bank Ltd. by testing the hypothesis and by descriptive study. So attempt is made to solve the differences between financial performances of Saraswat Co-operative Bank Ltd. over the two periods. This paper measured the performance of Saraswat Co-operative Bank Ltd. over the Financial 2010-2015. The results indicate that the overall bank performance in terms of profitability (ROA, ROE, C/I), liquidity and risk management has been improving since 2010 up to 2012 and declining at 2013 and again improving in 2015.

Researcher also found significant differences in profitability performance for the period 2010-2012 and the period 2013-2015.The results indicate that profitability deteriorated during the later period. There might be several reasons for the significant deterioration in profitability. One of the reasons could be increasing bank operating costs and reduced incomes.

Bank is a very important and vital for economic development in mobilizing capital and other resources. Saraswat Co-operative Bank Ltd. is also contributing to the advancement of the socioeconomic condition of the country. To keep pace with the current market and demand Saraswat bank is following several strategies and taking new initiatives, offering new products and services to the customers. The bank should maintain well-structured communication from upper level to lower level. Saraswat Co-operative Bank Ltd. has a strong position in the competitive market. It is among one of the fastest growing Bank

Income, Total assets, Investment activity, Export, Import and Remittance are all showing positive trends even after the global challenges that we are facing today. But the little concerned on financial stability of the bank decreased in recent year, this may be because of opening of new branches in different business centers and the instability in the economy of the world. The bank should focus on consolidation of business growth.

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STATE'S REVENUE RECEIPTS: A STUDY IN MANIPUR

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ABSTRACT

This paper assesses how the State's Revenue Receipts and its component influences economic development in the State economy of Manipur. It uses for analysis the available data on State's Revenue Receipts during the periods 2000 to 2010. There are three sources of state's revenue, namely State own tax revenue, own non- tax revenue and central transfers. Sources of tax revenue consist of income tax, sale tax, excise duties, land revenue, registration fees, goods and services tax etc. State's own non-tax revenue comprises the income from public enterprises and public undertakings and others own non-tax revenue receipts. The central transfers to the state are coming through three channels, (a) Finance commission's transfers, (b) Planning commission's transfers and (c) Departmental or discretionary transfers. The paper is focus on the own sources of revenue. The findings will provide useful information for policy makers and reformers that can help broaden their understanding of the relationship between Revenue Receipts of the State and economic development.

KEYWORDS
revenue receipts, own tax revenue, own non-tax revenue, GSDP.

1. INTRODUCTION

The Revenue Receipts of the State depend on the transfers from the Central government and the collection from its own available resources. Public revenue can be termed as rising of finance through mobilization of resources by the government. It is the availability of finance through resource mobilization. "The term resource mobilization stands for the collection of funds to allocate resources for meeting the plan outlays which cover not only taxation but the income from public services, public enterprises and public utilities".[3] In the examination of public revenue and its resource mobilization in Manipur, it is very important to consider the following parameters.

1. Revenue from the Non-tax sources
2. Revenue from State Taxes
3. Central Transfers

a) Plan Transfer b) Finance Commission Transfer
c) Central Government Transfer i.e. Discretionary Transfers.

Again, it can be analyzed that the sources of income of the State government are two namely, Tax revenue and Non- tax revenue. Tax Revenue is further sub-divided into a) State's Own Tax and b) Share in Central Taxes. Non-tax revenue is divided into a) State's own non-tax and b) grant and contribution from the central government. This paper will focus on the State's own tax and non-tax revenue.

2. TAX REVENUE

Tax revenue is one of the most important channels of the government source of income through various types of taxes. State's tax revenue receipts are from two angles, one is States' own tax revenue and the other is share in Central taxes. The tax revenue includes taxes on income and expenditure, taxes on properties and capital transaction and taxes on commodity and services. The shares of taxes from the Central tax are very high, if we analyze the total tax receipts in the State. Out of the total tax revenue receipts of Rs.21,259.29 lakhs, the State's own tax is Rs.4,907.29 lakhs and that of the share in central tax is Rs. I6,325.00 lakhs in the beginning of the 21st century in the fiscal year 2000-01. State's own tax receipts are in the increasing trend with similar to that of the central share. The total tax revenue was Rs. 19314.98 in the fiscal year 2001-02. The State's own tax revenue was Rs.5,196.89 lakhs and there was a slight decline in the central tax share contributing Rs.14,118 lakhs. In the mid of the decade, the fiscal year 2005-06 the total tax revenue reached Rs.43,709.08 lakhs, the State contributed Rs.9495.08 lakhs and that of the share in central tax was Rs.34,214.00 lakhs.

The State's own tax revenue, though little compared to central tax share, making 5-digit after the mid 2000's. It becomes Rs.14,741 lakhs in the fiscal year 2007-08 and the corresponding share in the Central tax was Rs.55,043 lakhs making a total tax revenue of Rs.69,784.67 lakhs. In the next fiscal year 2008-09, the total tax revenue reaches Rs.75,087.67 lakhs, in which the share in Central tax was Rs. 58,081.00 lakhs and the State's own tax collection is Rs.17,006.67 lakhs. The budget estimate of the fiscal year 2010-11, the total tax revenue receipts is Rs.82,775.00 lakhs, the State's own tax revenue is Rs.23,176 lakhs and the central tax share is Rs. 59,599.00 lakhs. The complete figures of total tax revenue receipts, State's own tax and the share in the central tax during the periods 2000 to 2010 are given in the table 1.

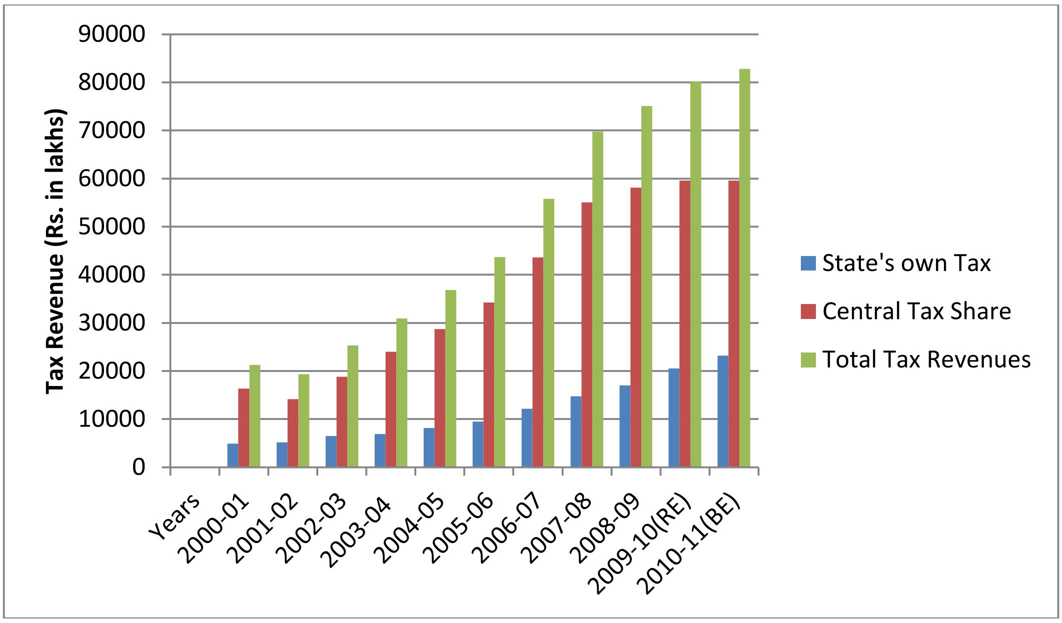
TABLE 1: TOTAL TAX REVENUE RECEIPTS (Rs.in lakhs)

Years	State's own Tax	Share in central tax	Total Tax Revenue
2000-01	4907.29	16352	21259.29
2001-02	5196.98	14118	19314.98
2002-03	6516.08	18812	25328.08
2003-04	6915.66	23997	30912.66
2004-05	8139.4	28702.04	36841.44
2005-06	9495.08	34214	43709.08
2006-07	12151.44	43638	55789.44
2007-08	14741.67	55043	69784.67
2008-09	17006.67	58081	75087.67
2009-10	19603.74	59756	79359.74
2010-11	26704.96	99057	125761.96

Sources: compiled and computed from 1. Government of Manipur, Finance department, various issues and 2. Government of Manipur, Economic Survey, Directorate of Economics and statistics, Imphal, Manipur, 2005-06 & 2010-11)

[3] Singh, B.N.P. - *Fiscal Policy and Resource Mobilization*, Deep & Deep Publication, New Delhi, 1996, p.4.

FIGURE 1: BAR CHARTS OF TAX REVENUE



Tax revenues are increasing throughout the period of analysis. The above Bar Charts represents the increasing trends in own tax, central share tax and the overall tax revenue. It is shown that State Own Tax is very low compared to the taxes share from centre.

3. NON-TAX REVENUE RECEIPTS

Another important channel of the Revenue Receipts is the Non-tax Revenue. Non-tax Revenue receipts of the state has two components, namely, the State's Own Non-tax Revenue Receipts and Grants from central government. "One is the administrative and commercial revenues from the State's own sources and the other is transfer from the centre in the form of grants-in-aid and contributions. The first shows the strength of the state and more relevant from the view of resource mobilization and the second shows the degree of dependency of the State on the centre".[4] The State's own non-tax revenue receipts consists of interest receipts, dividends and receipts from general services (including public works, education, sports, arts and culture, medical and public health), social and community services (forestry, wild life and power) and Economic services. Table 2 represents the 10 years, State's Own Non-tax Revenue, Grants from the centre and Total Non-tax Revenue Receipts of the State. We have seen from the table 2 that the State's own non-tax revenue is very low with compared to the grants from the centre. More than 90% of the total non-tax revenue receipts are from central grants.

TABLE 2: TOTAL NON-TAX REVENUE RECEIPTS OF MANIPUR (2000 TO 2010)

Years Rs. In lakhs	Own Non-tax(B)	Grants from Centre(C)	Total=B+C	Own Non-tax% to total	Grants from Centre% to total		B/C Ratio
2000-01	4165.66	70369.2	83202.58	5.006648	94.57574	1	0.059197
2001-02	2872.78	95490.12	98362.9	2.920593	97.07941	2	0.030085
2002-03	5648.61	101821.92	107470.53	5.255962	94.74404	3	0.055475
2003-04	4933.1	106125.65	111058.75	4.441883	95.55812	4	0.046484
2004-05	6975.11	130459.3	137434.41	5.075228	94.92477	5	0.053466
2005-06	7646.03	189539.83	197185.85	3.877575	96.12243	6	0.04034
2006-07	18104.19	212380.33	230484.52	7.85484	92.14516	7	0.085244
2007-08	16471.33	264570.72	281042.05	5.860806	94.13919	8	0.062257
2008-09	26534.6	286828.11	312174.15	8.499935	91.8808	9	0.09251
2009-10	31306.55	360012.14	391318.69	8.00027	91.99973	10	0.08696
2010-11	21617.05	298135.79	319752.84	6.76055	93.23945	11	0.072507

Sources: 1. Government of Manipur, (2005-06), Economic Survey, Directorate of economics and Statistics, Imphal.; and 2. Government of Manipur, (2010-2011) Economic Survey, Directorate of Economics and Statistics, Imphal.

In the first fiscal year 2000-01 of the 21st century, the own non-tax revenue receipts was Rs. 4164.66 lakhs only and corresponding Grants from the centre was Rs.70,369.2 lakhs, presenting a total of Rs. 83,202.58 lakhs non-tax revenue receipts. In the mid of the 2000's, the fiscal year 2005-06, out of the total non-tax revenue receipts of Rs.1,97,185 lakhs the state's own non-tax revenue is Rs.7,646.03 lakhs and that of the central grants is Rs.1,89,539.83 lakhs. Similarly, the maximum percentage contribution was made in the fiscal year 2008-09. Out of the total non-tax revenue receipts of Rs.2,81,042 lakhs in the fiscal year 2007-08, the state's own non-tax revenue is Rs.16,471.33 lakhs and the central grants is Rs.2,64,570.72 lakhs. But , in the fiscal year 2008-09, the state's own non-tax is contributed Rs.26.534.60 lakhs and the central grants is Rs.2,86,828.11 lakhs, together the total non-tax revenue receipts is Rs. 3,12,174.15 lakhs.

Let us see the last column of the table where the ratios of the State's own non-tax revenue to the central grants are shown. All the years starting from 2000-01 to the last fiscal year 2010-11, the ratios are not even reaching 0.1. It means that the grants from centre are more shares i.e. more than 90% and its ratios are more than 0.9 throughout the periods. The highest ratio goes to the fiscal year 2008-09 making it 0.092.

[4] Bansal R.K. - *Raising Additional Resources in the State,* Atlantic Publishers, New Delhi, 1998, p. 137.

FIGURE 2: THE % SHARE OF STATE'S OWN NON-TAX AND CENTRAL GRANTS

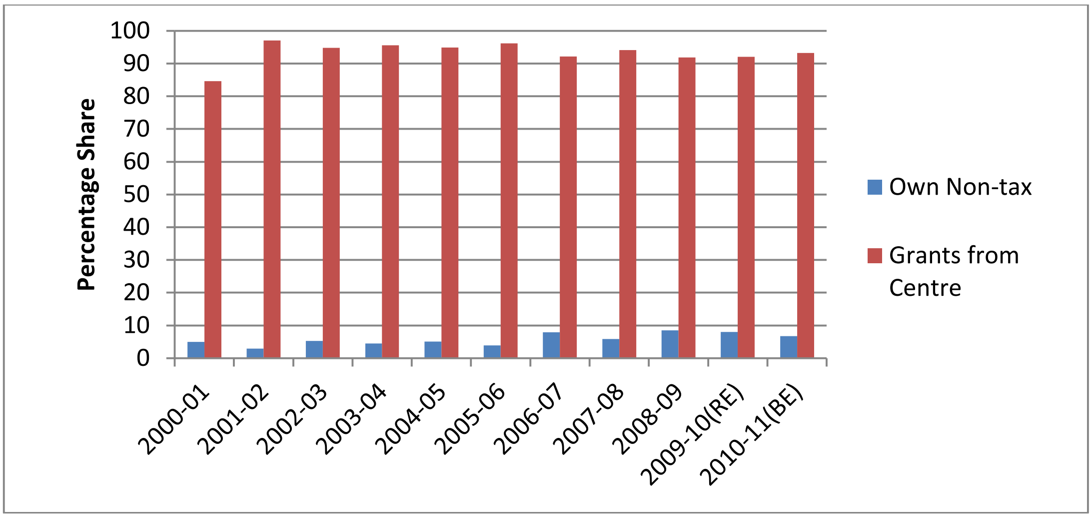
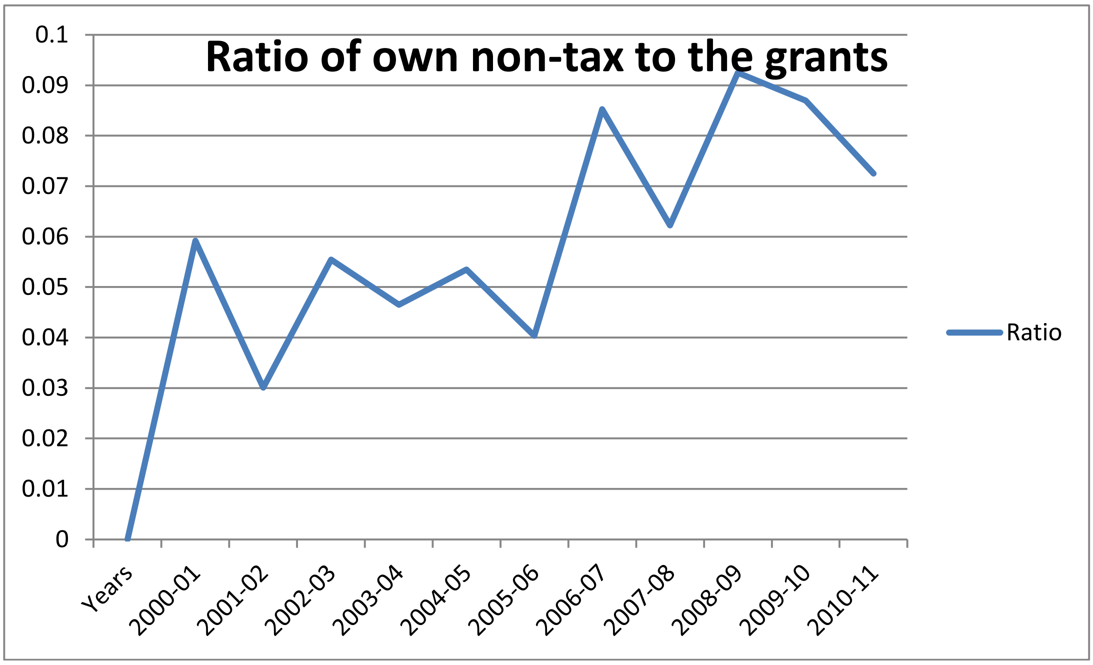


FIGURE 3: LINE GRAPH OF OWN NON TAX



4. MANIPUR A DEPENDENT STATE ON CENTRE IN FINANCE

A study by Nepram (1998) on centre-state financial relation has found that the resource mobilization of the state of Manipur is rather low and tax effort of the state is also found to be one of the lowest in India. The State economy generated only 8.3 percent of revenue receipts from its own sources and continued to remain highly dependent on central transfers from the union government. It has to be mentioned that the receipts of the state mainly depends on financial transfers from the centre. There is poor resource mobilization in the State and the State is depends on the centre, which is one of the fiscal problems of the State. On April 1999, the government of Manipur started expenditure compression measures. Two memorandums of understandings (MOUs) have been signed in this regard between the state government and union government. The first one is to reduce revenue deficit by introducing a number of expenditure compression and revenue enhancing measures like downsizing, restructuring of public sector undertaking, tax reforms etc. The second MOUs consist of compression of revenue expenditure, enhancement of revenue and non-debt capital receipts to control debt levels, and increase overall transparency and efficiency in governance."The major problem of Manipur is inadequate revenue. In 2001-02 only 6.77 per cent of the state's total expenditure was met from own tax revenue and non-tax revenue. If we include the share of central taxes this becomes 22.62 per cent of the total expenditure. The remaining comes from central grants. There has been a sharp decline in the share of revenue receipts in GSDP, from 48.9 per cent in 1985-86 to 34.4 per cent 1998-99. The only reason why this went up to 39.9 per cent in 2001-02 was due to higher central grants. There has been an overall fall in share of central taxes and grants, and while own tax revenue has remained stagnant at 1.5 per cent of GSDP; non-tax revenue peaked in the mid-1990s to fall again to 1.2 per cent of GSDP during2001-02."[5]

Manipur is one of the most dependent states on central funding, being 90% reliant on government of India sources for revenue receipts' during the periods 2005 to 2010 (Table 3 & 4). The Revenue Receipts during the periods 2005-2010 was a total of Rs.16,525 crores and revenue expenditure was 12,347 crores making a surplus of Rs.4179 crores on revenue account. The own sources of revenues (own tax and non-tax) is very low. Out of the total revenue receipts of Rs.2409 crores in the fiscal year 2005-06, state own tax was Rs. 95 crores and own non-tax revenue was Rs.76 crores only. The corresponding receipts from the share of union tax, Grants from centre were Rs. 342 and 1896 crores respectively. The percentage of revenue receipts from the centre of the year was 93%. There is a similar nature regarding the components of revenue receipts for the succeeding four fiscal years, 2006-07, 2007-08, 2008-09 and 2009-10. Out of the total revenue receipts of Rs.16,525 crores of the five fiscal years 2005 to 2010, the state own tax revenue receipts is Rs.730 crores and that of the own non-tax receipts is Rs. 916 crores only. The total amount received from central sources is Rs. 14,879 crores and the own revenue receipts is Rs.1646 (730+916) crores only. The percentage share of revenue receipts from the centre the five years together is 90.2%. The data on break-up Revenue receipts from different sources are given in (table 3).

[5] Government of Manipur, (2007), *Public Finance and Fiscal Issues,* Planning Commission Chp.IV, p.43

TABLE 3: STATE'S REVENUE RECEIPTS; COMPONENTS FROM THE STATE AND FROM THE CENTRE

(Rs. In crores)	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Total Revenue Receipts(A)	2409	2863	3508	3873	3873	16,525
Own tax Receipts(B)	95	122	147	170	196	730
Own non- tax Receipts(C)	76	181	165	254	240	916
Share of union tax (D)	342	436	550	581	597	2506
Grants from GOI (E)	1896	2124	2646	2868	2840	12374
Total Receipts from centre(F)	2238	2560	3196	3449	3437	14879
%of Revenue Receipts From central sources (G= F/A %)	93%	89%	91%	89%	89%	90.20%
%of Revenue Receipts from State own	7%		9%	11%	11%	9.80%

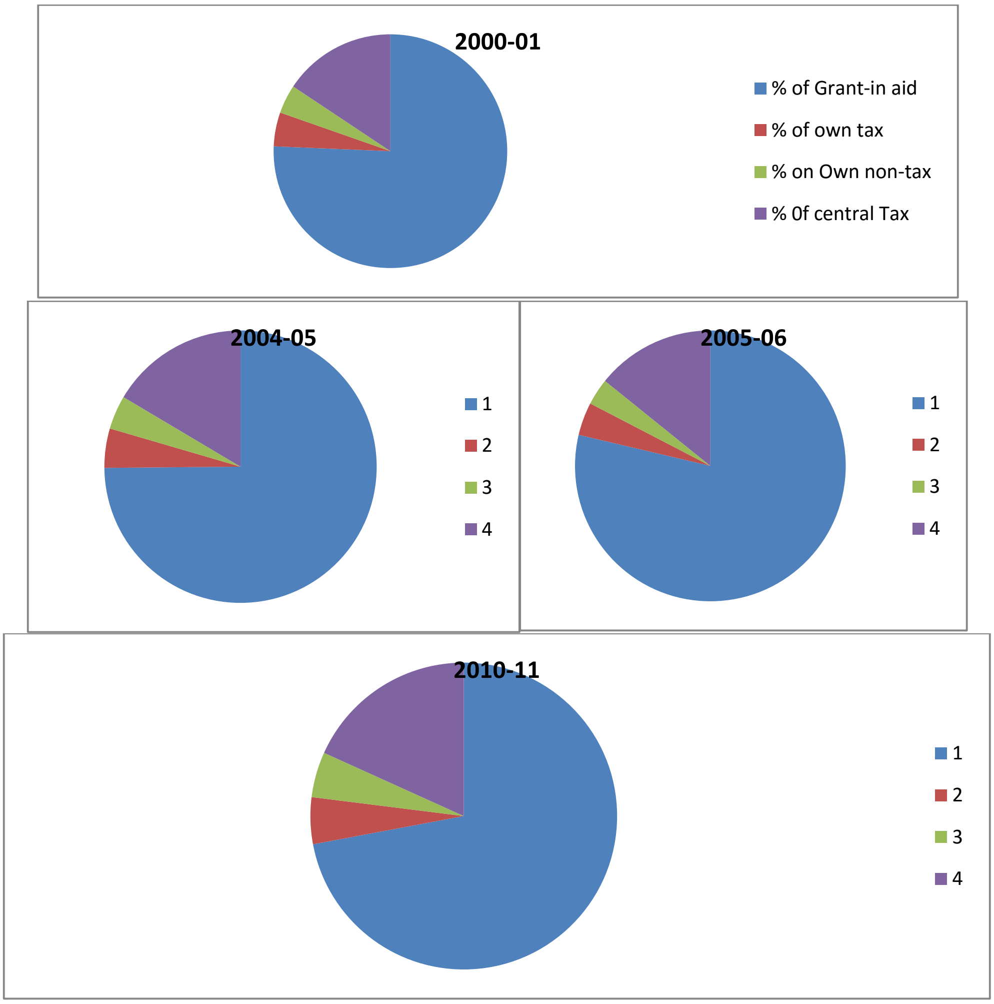
Source: *Analysis of State Budget Allocation of Goa, Manipur, Punjab, Uttar Pradesh and Uttarakhand,* **ADR** http://www.adrindia.org, http://myneta.info/Twitter: http://twitter.Com /adrspeaks, Ph: +91 11 40817601, Fax: 01146094248 Email: adr@adrindia.org,

TABLE 4: TOTAL REVENUE RECEIPTS AND ITS COMPOSITION (Rs. In Lakhs)

Year	Central Tax share	Own Tax	Own Non-Tax	Grants-in-aid	Total Receipts	% of Grant-in- aid	% of Own Tax	% of Own Non-Tax	% 0f central Tax
2000-01	16351.87	4907	4166	79037	104461.9	75.66	4.697	3.98	15.65
2001-02	14213.88	5101	2873	95490	117677.9	81.14	4.334	2.44	12.07
2002-03	18811.61	6516	5649	101822	132798.6	76.67	4.906	4.25	14.16
2003-04	24088.41	6824	4933	106126	141971.4	74.75	4.806	3.47	16.96
2004-05	28702.85	8139	6975	130459	174275.9	74.85	4.670	4.00	16.46
2005-06	34213.94	9495	7646	189540	240894.9	78.68	3.941	3.17	14.20
2006-07	43638.94	12151	18104	212380	286273.9	74.18	4.244	6.32	15.24
2007-08	55042.72	14742	16471	264571	350826.7	75.41	4.202	4.69	15.68
2008-09	58081.82	17006	25346	286828	387261.8	74.06	4.391	6.54	14.99
2009-10	59756.46	19604	23974	283979	387313.5	73.32	5.061	6.18	15.42
2010-11	99021.38	26741	25988	391244	542994.4	72.05	4.924	4.78	18.23

Source: Government of Manipur, (2005-06) – Economic Survey Manipur, Directorate of Economics & Statistics, Imphal.; & Government of Manipur, (2012-13) – A Picture of Budget, Directorate of Economics % Statistics, Imphal.

FIGURE 4: COMPONENTS OF TOTAL REVENUE RECEIPTS



5. STATE OWN TAX AND NON-TAX

The real source of income in the State economy is the State's own tax and non-tax revenue. These groups of state revenue show the strength and power of the economy. In the advanced economy or the State have a big share of own tax and non-tax revenue. Such revenue of a State depends largely on how efficiently the

State is able to collect from its own available resources. The consumption, production and distribution activities of the economy are also reflected on the own revenue receipts of the state.

5.1. STATE'S OWN TAX REVENUE

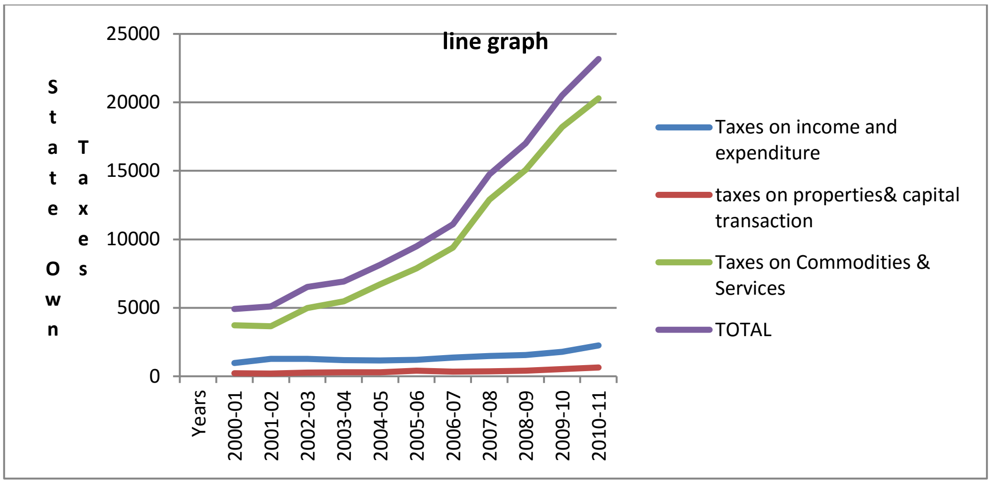
The State's own tax revenue receipts indicate the taxing power of the state's economy. It can be categorized under three heads. First, taxes on income and expenditure. Second, taxes on property and capital transactions. Third, taxes on commodities and services. Taxes on income and expenditure consist of taxes on profession, trade, callings and employment. It also includes taxes on agricultural income and other taxes on income and expenditure. Taxes on property and capital transaction consist of Land revenue, stamp and registration fee. Taxes on commodities and services consist of sales tax, taxes on vehicles, state excise, taxes and duties on electricity, taxes on goods and passengers, entertainment and other taxes on goods and services. Among the three groups of taxes, taxes on commodities and services contribute bigger share than the other two groups of taxes. More than 70% of the total state's own tax revenue is from the taxes on goods and services. Out of the total state's own tax revenue of Rs. 4,907.29 lakhs in the fiscal year 2000-01, the taxes on commodities and services was Rs.3,730.01 lakhs (76.01%) , the taxes on income and expenditure was Rs.961.08 lakhs (19.58%) and taxes on properties and capital transaction was Rs. 216.20 lakhs (4.41%) respectively (Table 5).

TABLE – 5: STATE'S OWN TAX REVENUE RECEIPTS DURING 2000 TO 2010

Years	Taxes on income and expenditure	Taxes on properties & capital transaction	Taxes on Commodities & Services	TOTAL (Rs. In lakhs)
2000-01	961.08	216.2	3730.01	4907.29
2001-02	1264.02	188.03	3648.93	5100.98
2002-03	1267.78	272.52	4975.78	6516.08
2003-04	1165.17	289.36	5461.13	6915.66
2004-05	1152.13	287.69	6699.58	8139.4
2005-06	1197.37	412.07	7885.64	9495.08
2006-07	1370	341	9383	11094
2007-08	1472.35	367.89	12901.43	14741.67
2008-09	1545.62	396.42	15064.63	17006.67
2009-10	1792	520	18199	20511
2010-11	2243	643	20290	23176

Sources: Government of Manipur (2004-05), Finance Department, Annual Financial Statement.: & Government of Manipur, Economic Survey (2005-06) & (2010-11), Directorate of Economics & Statistics, Imphal.

FIGURE 5: LINE GRAPH OF OWN TAX REVENUE



The above line graph shows the trend in state's own taxes. The taxes on commodities & services as a major component are increasing faster than the other two components. It is steeper increasing shape than the other two categories of taxes.

5.2. PER CAPITA OWN TAX REVENUE RECEIPTS OF NORTH EAST STATES

Manipur becomes one of the lowest own tax revenue receipts among the eight northeast States of India. The highest among the northeast states is Sikkim and next is Assam. The tax capacity in the Manipur State is very low. In the fiscal year 2000-01, the per capita own tax revenue of Manipur is Rs.195 and in the same year the state's of Sikkim is Rs.1,177. Assam contributed Rs.539 in that year (Table 6).

TABLE 6: PER CAPITA STATE'S OWN TAX REVENUE OF NORTH-EAST STATES

	Accounts									
(In Rupees) States	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 RE	2007-08 BE
Arunachal P.	33	119	174	313	327	381	431	530	592	665
Assam	171	471	539	588	707	743	958	1122	1218	1359
Manipur	327	161	195	218	266	278	323	373	430	488
Meghalaya	315	429	487	590	612	741	855	1027	1077	1316
Mizoram	49	115	152	215	306	366	422	580	656	699
Nagaland	212	262	334	264	301	329	373	497	553	589
Sikkim	283	567	1177	1489	1901	1918	2052	2556	2228	2449
Tripura	100	275	332	497	562	670	714	870	1025	1148

Source: Government of India, State Finance- A Study of Budget 2007-08, RBI, Dec.2007

5.3. STATE'S OWN NON-TAX REVENUE

It is the income from Government enterprises and public undertaking. It also includes the income from public and private mixed companies. The state's own non-tax revenue is collected in the form of user charges, fees and fines from the various administrative departments. Presently, the state government has the accounts of the following items of state's own non-tax revenue.

1. Fiscal services
2. Interest receipts, Profits and Dividends

3. General Services including Police, State Public Service Commission, Government's Hotel and Guest House, fees, fines &penalties from others administrative departments.
4. Economic services like Crop husbandary,Animal husbandry and Dairy development, Fisheries, Forestry and wild life, Electricity and power, Industries and Tourism, cooperation& companies etc.
5. Social services consisting of Education , Sports, Arts & culture, Medical & Public Health, Family Welfare, Water supply & Sanitation, Labour & Employment, Housing & Urban Development etc.

Among the State's own non-tax revenue receipts, Economic Services is the most important item. It also gives the idea of State's performance on the economic activities i.e. its importance on the basic sectors of the economy. Power becomes one of the biggest State sources of non-tax income. In the fiscal year 2008-09, the State can collect revenue at the tune of Rs.8828 lakhs from power (Table 7).

TABLE 7: STATE OWN NON-TAX REVENUE RECEIPTS (Rs. In lakhs)

Head of revenue	2004-05	2005-06	2006-07	2007-08	2008- 09
Interest Receipts	640	614	3505	2761	3999
Housing	98	111	68	172	130
WaterSupply & Sanitation	158	169	139	158	689
Forestry & wild life	74	149	152	145	102
Edu, Sports,Art & Culture	82	97	94	90	91
Mics. General services	0.64	662	8246	5424	9277
Power	5441	4987	4024	6229	8828
Mijor & medium irrigation	113	197	785	526	800
Medical & public health	25	29	24	25	52
Co-operation	13	14	12	12	16
Public work	160	309	783	614	796
Police	34	64	57	42	336
Others Administrative services	51	70	63	107	59
Crop husbandary	4	7	30	10	7
Others	82	167	122	156	164
Total	6975	7646	18104	16471	25346

Source: Government of Manipur (2009), Audit Report 31 March, 2009, p.65.

6. CENTRAL TRANSFERS TO THE STATE

States are responsible for major sectors of the economy such as education, health and employment, which require huge government expenditure. Recognizing the huge resource requirements of the states relative to the resource raising capacity of the state's economy, the constitution mandates statutory transfers from the central government. In accordance with the finance commission awards, state governments are enjoying the tax share and grants from the central government. In addition, sub-national governments have access to central plan funds through variety of centrally sponsored schemes and assistance to state plans. The central ministries are handling the central sponsored schemes on the basis of scheme specific guidelines and are implemented by state government through their designated agencies. The assistance from the centre to the state plans has two components, namely, normal central assistance and additional central assistance for externally aided projects and for special programmes based on specific criteria and guidelines. The basis of central transfers from the three wings i.e. from Planning, Finance Commission and Discretionary Transfers can be analyse into different heads.

1. PLANNING COMMISSION'S TRANSFER

The planning commission of India was established in 1950. The rationale behind the constitution of this commission was to assess the needs of the country in respect of the material as well as human resources so as to enable us to formulate plan for more balanced and effective utilization.[6]

The Planning Commission transfers resources on the basis of population, per capita income, tax effort, fiscal management, literacy, land reform etc. The transfer of the planning commission is based on a formula where 30 percent of the transfers are in the form of grants and 70 percent as loans. Grants and loans are tied together. Thus, States cannot accept only grants without taking loans. In the following paragraph, the formula used by the planning commission in transferring resources to the States is being discussed. 60 percent of the planning commission's transfer is based on population of the state. 15 percent of transfers are based on the following formula. 7.5 percent of resources are transferred on the basis of (a) tax effort (b) fiscal management (include the speed of utilization of committed foreign aid and state's performance of revenue collection) and (c) progress in respect of national objectives, and another 7.5 percent of transfers are allocated to meet special problems of the states such as, population control, literacy and land reform. The remaining 25 percent of transfers were made on the basis of per capita state domestic product (SDP) based on the following formula[7]. 20 percent was given only to states with less than average per capita SDP on the basis of the inverse formula; and the remaining 5 percent according to the distance formula. The inverse formula is given by:

$(P_i / Y_i) / \sum (P_i / Y_i)$

Which is inversely related to the per capita income of the state.

The distance formula is given by:

$(Y_h - Y_i) P_i / \sum (Y_h - Y_i) P_i$

where Y_i and Y_h denote per capita SDP of the ith and the richest state respectively, P_i, the population of the ith state. The indicator increases as the distance of income of the ith state from the richest state increases. Keeping these in mind we have used revenue effort, budgetary deficit and distance of state per capita income from highest per capita income state as the three important criteria in the devolution of transfer by the central government. It is also observed that population is used as the important criterion of formula based transfer.[8]

2. FINANCE COMMISSION'S TRANSFER

The next source of income from the centre is the finance commission's transfer. It can be termed as statutory transfer and included in the constitution of India. Under the finance commission, the form of transfer is the sharing of central taxes and giving grant-in-aid. The devolution of resources from the centre to the state has various criterion and different criteria have been adopted by different finance commission. The first four finance commissions used the criteria by assigning more weight in population and contribution to the central taxes for sharing the income tax. The 1st, 3rd and 4th finance commission gave 20% weightage to contribution and 80% weightage to population factor. 90% weightage to population and 10% weightage to contribution in the 2nd, 5th, 6th and 7th finance commission.

The changes occurred in the 8th finance commission and incorporated two criteria 1) Income distance criteria and 2) per capita income inverse criteria. The commission gave 45% to Income Distance, 22.5% to per capita income inverse, 22.5% to population and 10% weightage to contribution. Likewise, from time to time the 9th finance commission was incorporated poverty criterion and the 10th finance commission initiated the infrastructure distance, area and fiscal self

[6] Dutt, R and Sundaram, K.P.M. - *Indian economy*: S. Chand & Company Ltd., 1999, p.136.

[7] Roy, P. and Raychaudhuri, A. - *Intergovernmental Transfer Rules, State Fiscal Policy and Performance in India*, Jadavpur University, Kolkata, 2007, p8-9 (email: poulomi. roy@gmail.com)

[8] Ibid., p.9.

reliance criterion. The finance commission awards are generally meant for filling the non-plan revenue gaps of the state. Therefore, the state government can adjust the expenditure requirements and the own sources of revenue.

3. DISCRETIONARY TRANSFERS

The ultimate and direct financial transfer is the discretionary transfers. "Discretionary transfers are those transfers affected in channels other than those through the finance commission and planning commission. They are for non-plan purposes and are given in the form of loans and grants."[9] "The importance of discretionary transfer's in the aggregate budgetary transfers is quite substantial and warrants much more attention than hitherto bestowed."[10] The discretionary transfers are at the discretionary power of the central ministries and can be termed as political-cum-bureaucratic transfers. It is adhoc in nature and there are no any criteria under these transfers. The non-plan discretionary transfers are in the form of grants and loans. Grants are given to the states for the modernization of police force, improvement of health and sanitation, natural calamities and improvement in roads, etc. The discretionary loans given are Ways and Means advances, loans to clear Overdraft, etc.

One of the important aspects of the discretionary Transfers is the Centrally Sponsored Schemes through the central Ministries. The concerned cabinet and independent ministries were proposed and formulated the Centrally Sponsored Schemed. "Whichever states implement the schemes gets money and whichever state can match the central assistance with its own funds will get more funds. This had made the better off states to receive more central assistance under centrally sponsored schemes than the poor states. Whatever equity is present in the distribution of Central assistance for state plans on the basis of Gadgil Formula has been neutralized by the distribution of the central assistance for Centrally Sponsored Schemes.[11]This is one of the bias methods and is objectionable. It will disturb the long term objective of the economic planning in India.

7. DEVELOPMENT VIA-A-VIA STATE'S REVENUE RECEIPTS

From the above analysis, we are now in the position to link the economic development and State's revenue receipts as instruments of the fiscal policy in the state economy. Economic development is a multi-dimensional aspect and fiscal policy is one of the aspect and as an instrument for development. The state own revenue is low and depends on centre. Here, the question for further analysis is how to raise more revenue in the state from its own sources. How much taxation the state raises as a proportion of state income depends on two major factors: the taxable capacity of the state and the tax effort made by the state in relation to taxable capacity. The taxable capacity depends on the state per capita income, the income distribution, employment, trade, agricultural and industrial development. The tax effort depends on the extent, the state exploits the above various tax bases and on the rates of tax applied. *"Taxable capacity is the predicted tax-GDP ratio estimated from a regression, taking into account the country's specific Economic, demographic, and institutional features. Tax effort is the index of the ratio between the share of the actual collection to GDP and the predicted taxable capacity."*[12]

We have seen that both the tax and non-tax revenue receipts of the state are in the increasing tendency. It is because of the increasing expansion of the government functions on various socio-economic activities. The creation and expansion of government function can generate more revenue in the state. With the growth of Gross state domestic product and per capita income, the sources of revenue available to the government are increasing. Rates of taxes have been altered and new taxes have been imposed. Therefore, there is the increase in tax receipts. However, still the State economy is dependent on centre as we have known that about 90% of the receipts is from the centre during the period 2000 to 2010.

8. TAX EFFORT AND TAX RATIO

The tax effort can be defined as the ratio between the actual amount of its tax collection and some measure of taxable capacity. It is the extent that the state makes use of its taxable capacity. Taxable capacity cannot be measured in an absolute sense. Therefore, tax effort also cannot be measured in absolute sense. Both are relative term.[13] The concept of tax ratio which is defined as the ratio of the tax revenues to the GDP gives an idea of many aspects of the economy. As a measure of tax effort, the tax ratio indicates the economic strength of a particular state or the country, taxable capacity, level of the living of the people and the extent of the growth structure in tax potentiality related sectors of the economy.[14]

Now, in order to examine how efficiently the Manipur economy is able to collect its resources from its own sources, an analysis of the own taxes expressed as a percent of GSDP and NSDP are being made. Table 3.8 shows the ratio's of Own taxes to the GSDP at current price during a period of 2000 to 2010. The own tax-GSDP ratio in the fiscal year 2000-01 is 1.68. It implies that out of Rs.100 GSDP the own tax is Rs. 1.68 and out of Rs.1 of GSDP the own Tax is Rs. 0.06. It can reach Rs.2.37 % in the fiscal year 2009-10.

TABLE 8: GROSS STATE DOMESTIC PRODUCT AND OWN TAX & NON-TAX RATIO

	GSDP at Current price	Own Tax	Own Non-tax	Own Tax Ratio to GSDP	Own non-tax Ratio to GSDP
Year					Rs. In lakhs
2000-01	292010	4907	4166	1.680421903	1.42666347
2001-02	334423	5197	2873	1.554019909	0.859091629
2002-03	348171	6516	5649	1.87149418	1.62247861
2003-04	397924	6916	4933	1.738020325	1.23968396
2004-05	513336	8139	6975	1.585511244	1.358759175
2005-06	571988	9495	7646	1.65999986	1.33674133
2006-07	613258	12151	18104	1.98138467	2.952101726
2007-08	678131	14742	16471	2.173916249	2.428881735
2008-09	764900	17006	25346	2.223297163	3.313635769
2009-10	863811	20511	31307	2.37447775	3.624288183

Source: 1. Government on Manipur (2005-06), Economic Survey Manipur, Directorate of Economics & Statistics, Imphal. 2. Government of Manipur (2010-11), Economic Survey Manipur, DES, Imphal.

[9] Nepram Damodar - *Centre-state financial relations: A Study with Reference to Manipur,* unpublished Ph.D. thesis, 1998, p.116.

[10] George, K.K.– *Discretionary Budgetary Transfers: A Review in Centre-State Budgetary Transfers* by I.S. Gulati (Ed), Published for Sameeksha Trust by Oxford University Press, 1987, p.247.

[11] Thimmaiah, G. – *Emerging Economic Issues from the States' Point of View in the Federal India*, Edited by V.S. Jafa, 1999, P.51

[12] Minh T.L., Moreno-Dodson B. & Jeep R. – *Expanding Taxable Capacity and Reaching Revenue Potential: Cross Country Analysis,* The World Bank Poverty Reduction and Economic Management Network, Working Paper Series 4559, 2008, P 5.

[13] Chellia, R.J. & Sinha, N. – *Measurement of Tax Effort of State Governments: 1973-76*, NIPFP, 1983, p.4.

[14] Choudhury R.K. – *Public Finance and Fiscal Policy*, Kalyani Publisher, 2001, pp.175-176.

TABLE 9: NET STATE DOMESTIC PRODUCT AND RATIO OF OWNTAX & NON-TAX

Year (Rs. In lakhs)	Own non-tax revenue	Own Tax Revenue	NSDP at current price	Ratio of Own non-tax to NSDP	Ratio of own Tax to NSDP
2000-01	4165.66	4907	251713	1.654924458	1.94944
2001-02	2872.78	5197	294733	0.97470592	1.763290
2002-03	5648.61	6516	305366	1.849783538	2.133832
2003-04	4933.1	6916	356435	1.38401111	1.940325
2004-05	6975.11	8139	460330	1.51524124	1.768079
2005-06	7646.03	9495	514023	1.487487914	1.847193
2006-07	18104.19	12151	549822	3.292736558	2.20998
2007-08	16471.33	14741	604785	2.72350174	2.437395
2008-09	25346	17006	681884	3.717054514	2.493972
2009-10	31306.55	20511	769346	4.069241928	2.666030

Source: Same as table 8

9. RATIO'S OF OWN NON-TAX TO THE GSDP

An examination of the contribution of different items of own non-tax sources of the revenue receipts expresses as percentage of the SDP will give an idea of the strength of the economy. Own non-tax revenue is the real earning of the state. The non-tax revenue receipts are collected in the form of fees and user charges and directly collected from the beneficiaries of the services. Table 8 shows percentage share of Own Non-tan revenue to the GSDP and Table 9 shows Ratio between Own non-tax to and NSDP respectively. Out of Rs.2,51,713 NSDP in the fiscal year 2000-01, the Own non-tax revenue is Rs.4166 which is only 1.6 percent of the NSDP. It becomes 3.29% in the fiscal year 2006-07 of the NSDP.

10. VAT AND SALES TAX

The government of India decided to implement State level Value Added Tax (VAT) in all the states on the basis of decision taken on 23rd January 2002 by the empowered committee of the States' Finance Ministers. On 17th January 2005, a white paper on State level VAT has brought out by the committee. The following are the main features of VAT:

1. It would eliminate cascading effects due to credit of tax paid on purchase for resale or for use in production;
2. Other taxes will be abolished and overall tax burden will be rationalized;
3. The overall tax will increase and there will be higher revenue growth; and
4. There would be self assessment by the dealers and set off will be given for input and tax paid on the previous purchases.[15]

The government of Manipur repealed the Manipur Sales Tax Act, 1990 and enacted the Manipur Value Added Tax Act, 2004 from 1st July 2005. The Manipur Value Added Tax Rules, 2005 (the Rules) were introduced from 1st August 2005. The cases relating to prior to the enactment of the Act were to be finalized in accordance with provisions of the repealed Act. The differences between the existing VAT Act and the Sales tax Act were as follows:

- VAT is a multi point tax system while sales tax was single/double point tax syatem;
- VAT system relies more on the dealers to pay the tax willfully and submit the returns and deemed self assessment in VAT while supporting documents are required along with the returns in Sales Tax;
- A fixed percentage of check was provided in the VAT Act while hundred percent cases are required to be assessed in the Sales Tax Act;
- The role of the executives in assessing the dealers is reduced under the VAT Act.

The Salient features of the Manipur VAT Act are as follows:

The VAT Act comprises 12 chapters and two schedules. The chapters relating to registration of dealers, returns; assessment; recovery and refund of tax, account and records, inspection of account, appeal and revision, offences and penalties etc. are incorporated in the VAT Act. Each taxpayer registered under the Act is assigned a unique Tax-payer Identification Number (TIN). Schedule-I consists of 170 items/goods, taxable at three different rates (3 items/goods taxable at 1 percent VAT rate, 162 items at 4 percent, 4 items at 20 percent and 1 residual items) while all other goods not specified elsewhere are taxable @ 12.5 percent. Schedule- II consists of 57 items/goods, which are exempt from payment of tax i.e. taxable at the rate of zero percent.[16]

COLLECTION OF TAX UNDER VAT SYSTEM

VAT is collected by The Department of Taxes functions under the administrative control of the Finance Department, Government of Manipur. Under the Valued added tax system, the collection of revenue is more than the sale tax. The comparative position of pre-VAT and the VAT period tax collection and growth rate are given in table 10. The average actual collection of the pre-VAT (Three years 2002, 2003 & 2004) is Rs. 4801 lakhs and the VAT period (2005, 2006 & 2007) is Rs.9619 lakhs. The overall growth rate during 2002-03 to 2004-05 was 17 percent while the overall growth rate for 2005, 2006 & 2007 was 23 percent. Thus, the implementation of VAT has certain advantages in the state economy.

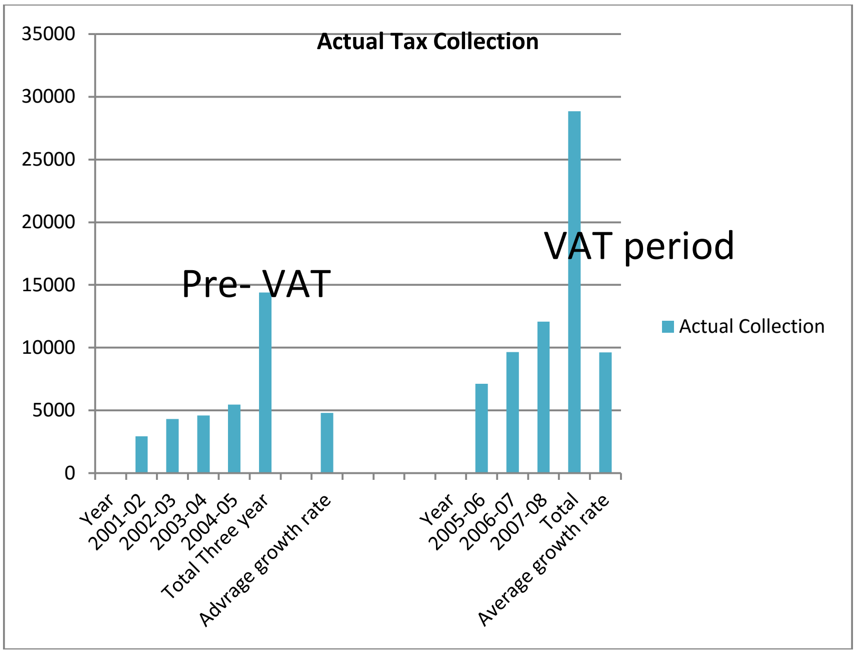
TABLE 10: ACTUAL TAX COLLECTION FROM VAT AND PRE-VAT

		Pre-VAT (Rs. In Lakhs)	
	Actual Collection	Annual growth of revenue	% of Growth
Year			
2001-02	2952		
2002-03	4318	1366	46
2003-04	4612	294	7
2004-05	5473	861	19
Total Three year	14403	2521	
Advrage growth rate	4801	840	17
		VAT Period	
Year			
2005-06	7117	1644	30
2006-07	9664	2547	36
2007-08	12076	2412	25
Total	28857	6603	
Average growth rate	9619	2201	23
2007-08	12076	2412	25%

Source: Government of Manipur, Report of the Auditor General, 2009, p.75.

[15] Government of Manipur (2009) – Auditor Report 31 March, 2009, P.72-73.
[16] Ibid, P.73.

FIGURE 6: VAT AND PRE-VAT



The above Bar chart compares the Pre-VAT and VAT period tax collection during three-year period. The total tax collection during 2002 to 2004 of the pre-VAT is lower Than the total tax collection during 2005 to 2007 of the VAT period. All the Bar charts of the VAT period is higher than the Pre-VAT period signifing VAT can collect more tax and the implimentation of VAT is good for raising government revenue.

Manipur's economy is a developing economy in which major portion of the GSDP is from service sector. The State economy is underdeveloped, if we consider the state of industrial sector. There is no big and vibrant industrial unit. The per capita productivity in agriculture is low. The own tax revenue and non-tax revenue is also low. Then, what is and what should be a good tax in the context of Manipur. A tax is good if it is good for both the party i.e. the tax imposer and the tax payer. As of now, the sale tax or VAT is the highest yield of the government and is a good tax on the side of the imposer. It is also good on the payer's side as it is equally imposed. It is easy to pay and convenient to administer. Above all, there are various types of taxes- direct and indirect. A tax is good in the State economy if it can raise sufficient revenue. Every tax has its direct and indirect impact and burden to the tax payer. In an underdeveloped and developing economy the determination of a good tax is a difficult task because of the underdeveloped tax system. Tax system is underdeveloped as the state tax capacity is weak and is related to various socio-economic conditions. The state is most diversified in social norms, religion, economic condition and political ideology. It may be difficult to initiate a new tax and reforms in tax. Government cannot collect adequate land revenue due to underdeveloped land revenue system and of the present socio-economic situation. It is hard to express whether the land revenue is good or equitable in Manipur context.

Similar case can be seen in income and expenditure tax. There is a little contribution from these types of tax. 75 to 90 percent of the state own tax revenue is from taxes on commodities & services during the period 2000 to 2010. In the fiscal year 2010-11 the taxes on income and expenditure is Rs.1876 lakhs (7.03 % of the total)[17]. As we have seen that own tax- GSDP ratio is very low. The dream of sufficient and adequate revenue for a good tax is contradictory in the State economy. A new tax reforms and tax drive is necessary to make good income and for a good tax consistent with the socio-economic condition of the State.

12. CONCLUSION

The Own Revenue Receipts of the State is one of the lowest and is about 10 percent of the total revenue receipts. The State is 90 percent reliant on Centre. The grant-in-aid and other transfers becomes major component of State receipts. The State cannot collect adequate tax revenue and the source of income from non-tax is very low. The Tax-GSDP ratio is around 2% throughout the period 2000 to 2010. The Non-tax- GSDP ratio is also about 3%. It can be concluded that our economy is a dependent economy.

We have analysed the nature and characteristics of a good tax. The socio-economic and political condition of the State is responsible for a low taxable capacity. Though the State is most diversified, the state of the economy, the social norms and political ideology are not of the advanced society. How much can I contribute and the society as a whole to the State income depends on the economic habits, the social and political structure. In this socio-economic backward juncture, the determination of a good tax is very difficult. Taxation as one of the instruments of fiscal policy cannot play properly in such a backward State of Manipur economy.

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A STUDY ON CONSUMER PERCEPTION TOWARDS DRINKING PACKAGED WATER WITH REFERENCE TO COIMBATORE CITY

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ABSTRACT

The introduction of packaged drinking water for human consumption at recent times is a boon to mankind and more convenience are realized. Whenever a common man purchases packaged water, he thinks that the quality is assures and it is safe water. Such assurance should be given to consumer by each and every manufacturer of packaged mineral water and packaged drinking water. Keeping in view the utmost important of quality, Bureau of Indian Standards has, promulgated standards for packaged drinking intended for human consumption. The standards are published classifying the packaged water into two groups: Packaged Natural Mineral Water and Packaged Drinking water (other than packaged natural mineral water) This water should be suitable for direct consumption without any further treatment and may be filled in suitable containers made up of recommended materials or in sterile glass bottles and properly sealed. Package drinking water (other than packaged natural mineral water) is the drinking water of satisfactory quality derived from any source, and packed in suitable containers and sealed properly. To make the water to suit the quality requirement, the water may be subjected to any type of treatment namely, filtration (including activated carbon filtration), demineralization and reverse osmosis.

KEYWORDS

packaged drinking water, bureau of Indian standards, filtration, demineralisation.

INTRODUCTION

Water an odourless, tasteless, transparent liquid which is colourless in small amounts but exhibits a bluish tinge in large quantities. It is a priceless gift of nature. It is the most familiar and abundant liquid on earth. Without water, there is no life on earth. None can deny that water is a friend to human race but it also acts as a foe by way of harbouring disease producing micro-organisms and containing some substances that may lead to ill health. In solid form (ice) and liquid form it covers about 70% of the earth's surface. Natural mineral water is defined as the water obtained directly from natural or drilled source from underground stratum which is protected from possible contamination. It is characterized by its content of its composition. The water may be disinfected by any method, provided that the disinfection procedure will not leave any harmful residues in water.

In general terms, perception is our ability to make some kind of sense of reality from external sensory stimuli to which we are exposed. Consumer perception applies the concept of sensory perception to marketing and advertising. Just as sensory perception relates to how humans perceive and process sensory stimuli through their five senses, consumer perception pertains to how individuals form opinions about companies and the merchandise they offer through the purchases they make.

REVIEW OF LITERATURE

Turgeon, Steve; Rodriguez, Manuel J.; Theriault, Marius; and Levallois, Patrick (April 2004) in their article “Perception Of Drinking Water: The Influence Of Water Quality And Consumer Location In The Distribution System” in the “Journal of Environmental Management” states that water quality variations and geographic location in the distribution system have a significant impact on the consumer perception and it appears to be strongly associated with residual chlorine level. Strenk (Feb 2006) published in the journal “Restaurant Business” in his article “Food Service Buyer: Bottled Water” presents information about bottled water, purified water and its processes. And also states that bottles come in PET plastic or glass. Water is usually shipped in 24 count shrink-wrapped cases. Packaging designers have put a great deal of thought and ingenuity into water bottle design. Christen, Kris (2006) in his article “Bottled Antimony” released in the journal “Environmental Science & Technology” reports that waters bottled in PET containers has as much as 550 parts per trillion of antimony, fortunately too low to trigger health and environmental risks. Angrisani, Carol (2007) in the article “Water Rising” published in the journal “SN: Supermarket News” states that the presence of vended water in supermarkets is an extension of the popularity of bottled water in the country. It mentions the environmental benefits of vended water. Devasenathipathi T, Saleendran, P.T., Jeevaraj, J.T. (Dec 2008) in the “ICFAI Journal of Consumer Behaviour” states in the article “A Study On Consumers' Approach Towards Bottled Water” that the success of water marketing highly depends on the water purity, easy availability at the right time and place and also the consumers' attitude towards the whole aspect of the bottled water.

NEED FOR THE STUDY

Packaged drinking water is getting familiar as the aspect of convenience and quality has been guaranteed. The customers are having numerous brands in selecting the packaged drinking water, and the variety of packaged drinking water is also like mushroom with various styles viz., bottled, bubble top, canned, and so on. But when many aspects influence the purchase there comes the threat on domestic brand also, hence a research has been carried over to analyse the attitude and perception of customers consuming packaged drinking water.

SCOPE OF THE STUDY

The study aims at finding the consumer perception towards drinking packaged water with respect to Coimbatore City. The study also aims to find out consumer attitude towards drinking packaged water. The study by ascertaining the factors that influence them to go in for a particular brand enable the other brands to improve where they lag in satisfying their customers. It also finds out the source of awareness from which they started drinking packaged water so that the awareness can be spread to many other people who are unaware of it.

OBJECTIVES OF THE STUDY

- To study the consumer perception towards drinking packaged water.
- To analyse the factors influencing the purchase of packaged drinking water.
- To analyse the reasons which influence the consumers to buy a particular brand of packaged drinking water.

RESEARCH METHODOLOGY OF THE STUDY

Sources of data: Primary Data and Secondary Data
Area of the study: The area of the study was Coimbatore and the sample size includes 125 respondents.
Sampling technique: Convenience sampling
Tools used: Simple Percentage Analysis

ANALYSIS

TABLE 1: AGE OF THE RESPONDENTS

Age	No. of Respondents	Percentage
Below 20 Years	34	27.20
20 to 35 Years	39	31.20
35 to 50 Years	39	31.20
s50 to 60 Years	7	5.60
More than 60 Years	6	4.80
Total	125	100.00

The result from the above table states that 31.20 percentage of the respondents belong to the age group of 20 to 35 years, 31.20 percentage of the respondents belong to the age group of 35 to 50 years, 27.20 percentage of the respondents are below 20 years of age, 5.60 percentage of the respondents belong to the age group of 50 to 60 years and only 4.80 percentage of the respondents are more than 60 years of age.

It is concluded that most (31.20 percentage) of the respondents belong to the age group of 20 to 35 years and 35 to 50 years.

TABLE 2: GENDER OF THE RESPONDENTS

Gender	No. of Respondents	Percentage
Male	82	65.60
Female	43	34.40
Total	125	100.00

INTERPRETATION

From the above table it is known that 65.60 percentage of the respondents are male and 34.40 percentage of the respondents are female.

It is concluded that majority (65.60 percentage) of the respondents are men.

TABLE 3: OCCUPATIONAL STATUS OF THE RESPONDENTS

Occupation	No. of Respondents	Percentage
Student	35	28.00
Professional	22	17.60
Business	23	18.40
Salaried	42	33.60
Housewife	0	0.00
Others	3	2.40
Total	125	100.00

The above table shows that 33.60 percentage of the respondents are salaried, 28.00 percentage of the respondents belong to student category, 18.40 percentage of the respondents are doing business, 17.60 percentage of the respondents are professionals, and 2.40 percentage of the respondents belong to other category.

It is concluded that most (33.60 percentage) of the respondents are salaried people.

TABLE 4: TYPES OF DRINKING WATER PREFERRED BY THE RESPONDENTS

Types of Drinking Water	No. of Respondents	Percentage
Only Packaged Drinking Water	76	61.00
Only Corporation Tap Water	0	0
Tap Water & Packaged Water	49	39.00
Total	125	100.00

The above table reveals the type of drinking water preferred by the respondents. The result states that 39 percentage of the respondents consume both tap water & packaged water while 61 percentage of the respondents consume packaged drinking water only

It is concluded that most (61 percentage) of the respondents drink Packaged Water only.

TABLE 5: REASONS FOR DRINKING PACKAGED WATER

Reasons for consumption of packaged drinking water	No. of Respondents	Percentage
Healthy	49	39.20
Taste	9	7.20
Convenience	31	24.80
Trend	1	0.80
Image	1	0.80
Scarcity of Corporation Water	17	13.60
Availability	11	8.80
Advertisement	2	1.60
Others	4	3.20
Total	125	100.00

From the above table it is known that 39.20 percentage of the respondents drink packaged water because they feel it is healthy, 24.80 percentage of the respondents drink packaged water for their convenience, 13.60 percentage of the respondents drink due to scarcity of corporation water, 8.80 percentage of the respondents prefer packaged water because of its availability, 7.20 percentage of the respondents drink for its taste, 3.20 percentage of the respondents prefer for other reasons, 1.60 percentage of the respondents drink packaged water because of its advertisement and 0.80 percentage of the respondents drink packaged water because of trend and image.

It is concluded that most (39.20 percentage) of the respondents drink packaged water for health factors.

TABLE 6: PERCEPTION TOWARDS DRINKING PACKAGED WATER

Rank to Prefer particular Brand of Packaged Water	agree	neutral	disagree	Total
1.Packaged water Tastes more than Tap Water	65	39	21	125
	52.0%	31.2%	16.8%	100.0%
2.Advertisement Have Influenced Over the Quantity of Packaged Water I Drink	56	48	21	125
	44.8%	38.4%	16.8%	100.0%
s3.I Drink more of Packaged Water When I am not at home	79	30	16	125
	63.2%	24.0%	12.8%	100.0%
4.Packaged water contains more minerals that are good for my Health	36	55	34	125
	28.8%	44.0%	27.2%	100.0%
5.Drinking Packaged Water is a part of my Life Style	43	51	31	125
	34.4%	40.8%	24.8%	100.0%
6.My Image goes Up When I Drink Packaged Water	19	43	63	125
	15.2%	34.4%	50.4%	100.0%
7.I am sure about the Quality of Packaged drinking Water	55	54	16	125
	44.0%	43.2%	12.8%	100.0%

PACKAGED WATER TASTES MORE THAN TAP WATER

For the above statements, it is clear that 52 percentage of the respondents agree that packaged drinking water tastes better than tap water and 16.8 percentage of the respondents disagree to the same.

ADVERTISEMENT HAVE INFLUENCED OVER THE QUANTITY OF PACKAGED WATER I DRINK

For the above statement, 44.8 percentage of the respondents agree that advertisement have an influence over the quantity of packaged water they drink and 16.8 percentage disagree to the same.

I DRINK MORE OF PACKAGED WATER WHEN I AM NOT AT HOME

For the above statement, it is known that 63.2 percentage of the respondents agree that they drink more packaged water when they are not at home and 12.8 percentage of the respondents disagree to the statement that they drink packaged water when they are not at home.

PACKAGED WATER CONTAINS MORE MINERALS THAT ARE GOOD FOR MY HEALTH

For the above statement, it is known that 28.8 percentage of the respondents agree that packaged water contains more minerals that are good for their health while 27.2 percentage disagree to the same.

DRINKING PACKAGED WATER IS A PART OF MY LIFE STYLE

For the statement "Drinking packaged water is a part of my life style", 34.4 percentage of the respondents agree and 24.8 percentage of the respondents disagree.

MY IMAGE GOES UP WHEN I DRINK PACKAGED WATER

For the above statement, it is clear that 15.2 percentage of the respondents agree that their image goes up when they drink packaged water and 50.4 percentage disagree to the same statement.

I AM SURE ABOUT THE QUALITY OF PACKAGED DRINKING WATER

For the above statement, it is known that 44 percentage of the respondents agree that they are sure about the quality of packaged drinking water and 12.8 percentage of the respondents disagree to the same statement.

BRANDS OF PACKAGED DRINKING WATER

TABLE 7

Brands of Packaged Water	No. of Respondents	Percentage
Bisleri	45	36
Aquafina	34	27.2
Sabols	9	7.2
TATA Plus	6	4.8
Siruvani	11	8.8
Kinley	9	7.2
Himalayan	2	1.6
Cascade	1	0.8
Qua	4	3.2
Polaris Water	1	0.8
Others	3	2.4
Total	125	100.00

Out of 125 respondents, 36 percentage prefer Bisleri, 27.2 percentage of the respondents choose Aquafina, 7.2 percentage prefer Sabols, 4.8 percentage prefer TATA Plus, 8.8 percentage prefer Siruvani, 7.2 percentage choose Kinley, 1.6 percentage of the respondents prefer Himalayan, Cascade is preferred by 0.8 percentage of the respondents, 3.2 percentage of the respondents choose Qua and 0.8 percentage select Polaris Water. 2.4 percentage of the respondents prefer some other brands.

It is concluded that most (36 percentage) of the respondents prefer Bisleri brand.

SUGGESTIONS

- All the manufacturers should concentrate on the details of manufacturing date and expiry date of bottles which can be clearly printed.
- As drinking water is very essential, the manufacturers should concentrate on quality, so that the proportion of people buying packaged water gets increased.
- The water is sourced by the manufacturers by the nearby rivers and wells, hence proper water treatment has to be made.
- The usage of packaged drinking water has made significant impact on the minds of people, hence care should be taken to ensure that the taste and necessary nutrients present in the packaged drinking water.
- Advertisements for packaged drinking water can be made even more effective.

Eco-friendly bottles can be used instead of plastic bottles.

CONCLUSION

Failure of monsoon has highly thrift the common public to pressure water by large, the advent of packaged water has gained popularity in recent times. Medical practitioners also suggest common public to drink purified water to ensure good physical and mental health. The town has been stuffed with numerous shops witnessing huge market which completely relies on packaged water to quench thirst, hence lies a profound demand on the packaged drinking water. If proper plans, strategies are made, there will be an absolute tapping of market which will enhance a positive attitude regarding the packaged drinking water on the minds of common public.

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SKILL GAP PITFALLS AND CAUSES: AN ASSESSMENT AMONG SKILL TRAINERS IN CHENNAI CITY

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ABSTRACT

The present study indicates that the training methodologies need a revamp to result in more efficient skill development process. There is a need to offer training to the trainers to impart quality skills. The infrastructure and the curriculum design need to be redefined and updated to be in line with the ongoing market and industry requirements. The commitment for developing the skills necessary for the future workforce does not lie on the employer alone but the employees need to be equally committed towards their self development. Corporates, employees and training institutes should shift their attitude towards overall skill development rather than on developing job based skill set.

KEYWORDS

skill development, training to trainers, quality skill.

INTRODUCTION

Skill is the set of competencies essential for carrying out specific tasks within available time and efficiency constraints adhering to certain set of standards. Skill development is the process of harnessing the talents and ability of the employable workforce to be on par with industrial requirements. The current market scenario is skill intensive and demands workforce with exemplary skills while the available workforce fails to meet this there is skill shortage or skill gap. Today's situation necessitates skill development process to be a demand driven one rather than supply driven.

India has a well-institutionalized system of vocational training but has not adequately geared up its youth with the skills that today's industries call for. Thus, to speed its economic growth and take advantage of its "demographic dividend," the country has recently embarked on drastic policy reforms to accelerate skills development.(Aya Okada,2012)

India is expected to be home to a skilled workforce of 500 million by 2022. About 12 million persons are expected to join the workforce every year. This talent pool needs to be adequately skilled. In such a scenario, it is obvious that a large portion of the workforce would migrate from the primary sector (agriculture) to the secondary and tertiary sectors. However, the skill sets that are required in the manufacturig and service sectors are quite different from those in the agriculture sector. This implies that there is/will be a large skill gap when such a migration occurs, as evidenced by a shrinking employment in the agriculture sector. This scenario necessitates skill development in the workforce.

NEED FOR SKILL DEVELOPMENT

The demand for skilled manpower is expected to increase to 50 million by 2022, and due to increasing urbanization, 50 million non-farm employment opportunities are expected to be created during the 12th five year plan period and same number of people would be provided certified skill training. (National skill development policy march 2009). India's total population is 1.21 billion according to the 2011 Census (Government of India (GOI) 2011) and out of this more than 672 million people are of working age (15 to 59).

According to eleventh five year plan of India, out of the entire population, only 10% of the workforce has undergone formal skill training programme in educational institutions or vocational training centers.

The present availability of 4.3 million of skilled workforce is almost below 20% of industry requirements. The benefits of skill development are not explicit and accumulate to a single person, the organizations tend to invest a very less amount in training and skill development programmes. The Bureau of Labour Statistics reports that eight of the 10 top growing occupations do not require an undergraduate degree alone, Instead, skills certificates, on-the-job training, and apprenticeship programs are relevant and practical methods are preferred for developing middle skills.

Yadapadithaya and Jim Stewart (2003) assessed the international scope of training and development such as key responsibility function, corporate commitment to T&D, major drivers and key result areas of training and development, its purposes, levels, instruments, timing, and designs of evaluation, major perceived deficiencies and challenges of T&D function. The study found that more than 71% of Indian organizations felt that the responsibility of training function lies with HR or training specialist, 55% of staff sent for training and an amount of Rs. 253.3 was spent on an employee as training investment; 78.6% of Indian companies provide training with an objective to improve productivity, quality and innovation among employees; 89.3% of organizations conduct training evaluation to determine effectiveness of the training process.

The report of Asian Development Bank (2008) states that developing countries, and all major international organizations concerned with education, have shifted their focus, away from basic education to technical and vocational education and training and higher education.

Different persons assist to decide the needs for a development programme. They can be top management in the organization, staff personnel in the organization such as personnel managers, supervisors and subordinates to be trained, outsiders such as consultants, psychologists, research specialists and training and development specialists (Kirkpatrick 1983).

During the skill development process the persons in a group interact with each other, not in just the physical proximity sense but also as a support to solve problems, attain goals, alleviate co-ordination, reduce tension and strike a balance (Scott 1967).

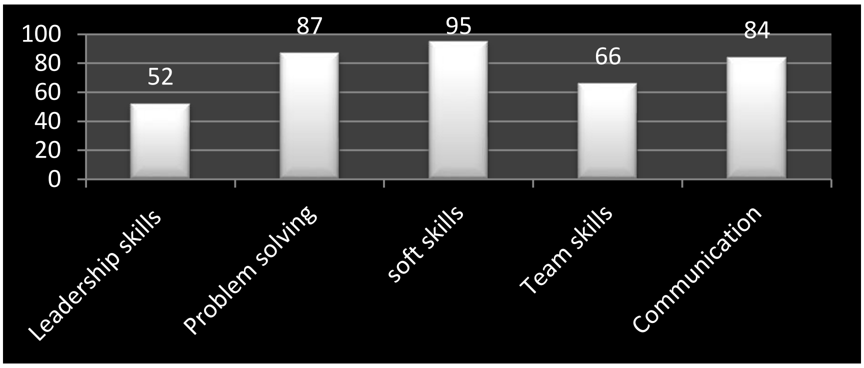
Trainer performance has a great impact not only in attracting trainees towards goals of program, but also to the entire effectiveness of training. In spite of the fact that training goals are formulated to suit, training aids, methods are on par with excellence, the trainer performance is major determinant of the success and if it turns out to be wrong , the entire training program will eventually turn ineffective. (Rama Devi V, Nagurvali Shaik, 2012)

ANALYSIS AND RESULTS

TABLE 1: SHOWING OPINION ON PITFALLS OF SKILLS NEEDED

SKILLS	Yes (%)
Leadership skills	52
Problem solving skills	87
Soft skills	95
Team skills	66
Communication skills	84

FIG. 1

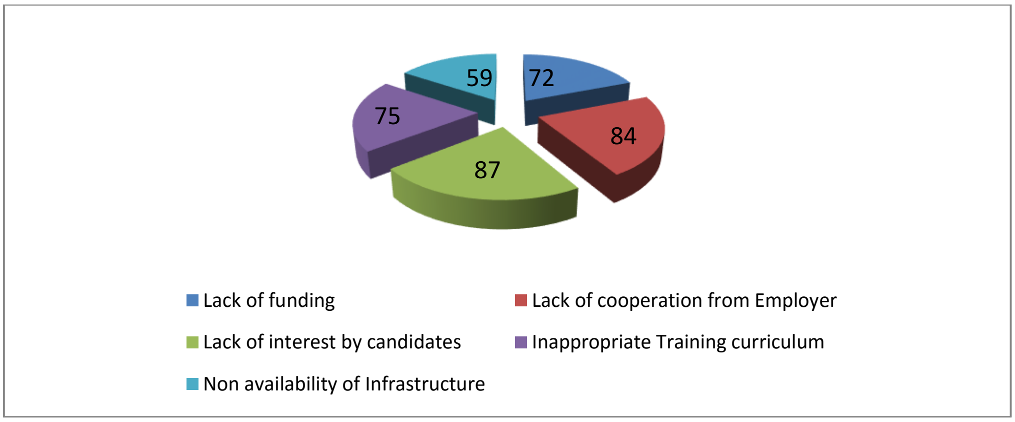


It is evident from the above table that trainers feel that the problem solving skills, soft skills and communication skills of the candidates are lacking and need to be improved to a great extent. The results correlate with the reports of the skill development commission. According to a recent survey on employability of engineering graduates, it was found that only 3 out of every 1000 candidates possessed the employability skills. The results of the present study substantiate the factas the trainers feel the importance of soft skills and problem solving skills.

TABLE 2: SHOWING PROBLEMS OF SKILLS TRAINING

Problems	%
Lack of funding	72%
Lack of cooperation from Employer	84%
Lack of interest by candidates	87%
Inappropriate Training curriculum	75%
Non availability of Infrastructure	59%

FIG. 2

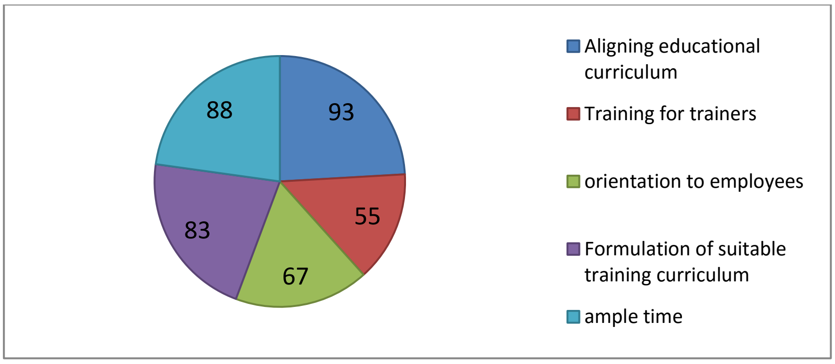


87% of the respondents opined that lack of interest by the candidates serve as a major hindrance in rendering effective skills training. Developing skills is a part of implicit knowledge and it cannot happen effectively unless sincere response shown by the candidates. Similarly the trainers also feel that non cooperation by the employers in allowing their employees to attend skills training is a major problem and can also be a root cause for the lack of interest by the employees.Inappropriate training curriculum that deviates from current job needs poses major threat in offering training. Non availability of ample and appropriate infrastructure hinders the development of skills and practicing it at work.

TABLE 3: SHOWING MEASURES TOOVERCOME PITFALLS

SUGGESTED MEASURES	%
Aligning educational curriculum with skill requirements	93
Training for trainers	65
Orientation to employees	57
Formulation of suitable training curriculum	83
Provision of ample time for training process	88

FIG. 3



It is widely felt among the respondents that aligning the educational curriculum in line with the industry requirements could create a significant shift in the skill development process. It is also felt that the training schedule should provide ample time for the trainers to impart the skills as this is a specialized training and not like a general training. Similarly offering orientation to employees and employers about the necessity of skills could create better awareness among the concerned people.

IMPLICATION AND CONCLUSION

The study clearly indicates that the training methodologies need a revamp to result in more efficient skill development process. There is a need to offer training to the trainers to impart quality skills. The infrastructure and the curriculum design need to be redefined and updated to be in line with the ongoing market and industry requirements. The commitment for developing the skills necessary for the future workforce does not lie on the employer alone but the employees need to be equally committed towards their self development. Corporates, employees and training institutes should shift their attitude towards overall skill development rather than on developing job based skill set.

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EFFECT OF DECLARATION OF DIVIDEND ON MOVEMENT OF SHARE PRICES

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ABSTRACT

It is generally considered that if the company pays higher dividend, its share prices will rise and if it does not declare dividends share prices will go down. To analyse the same, a study has been made on share prices of three companies of automobiles sector namely Tata Motors, Maruti and Mahindra & Mahindra. The study includes the share prices before and after the declaration of dividend in the last five years. Thereby a conclusion was drawn that it is nothing but just a perception that there is positive and perfect correlation between dividend declared and share prices. Share prices are not driven by dividend though dividend may be one of the factors determining the share prices.

KEYWORDS

dividend, share price, automobile sector, perfect correlation.

INTRODUCTION

DIVIDEND

A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property. A company's net profits can be allocated to shareholders via a dividend, or kept within the company as retained earnings. A company may also choose to use net profits to repurchase their own shares in the open markets in a share buyback. Dividends and share buybacks do not change the fundamental value of a company's shares. Dividend payments must be approved by the shareholders and may be structured as a one-time special dividend, or as an ongoing cash flow to owners and investors.

TATA MOTORS

Established in 1945, Tata Motors Limited is India's largest automobile company with revenues of Rs. 703 billion crore in FY 2009. It is the largest producer of commercial vehicles, and the second largest in the passenger vehicles market in India. The company is the world's fifth largest medium and heavy commercial vehicle manufacturer, and the world's second largest medium and heavy bus manufacturer.

Over 4 million Tata vehicles ply on Indian roads. It is the first company from India's engineering sector to be listed in the New York Stock Exchange. In its efforts to internalize its operations, Tata Motors acquired the Daewoo Commercial Vehicles Company, Korea's second largest truck maker. Two-thirds of heavy commercial vehicle exports out of South Korea are from this subsidiary. It also acquired Jaguar Land Rover to gain a foothold in the luxury sports car and SUV market. The dividend declared and closing share prices before and on the day of declaration of dividend of last five years are shown in below table.

DECLARATION OF DIVIDEND BY AUTOMOBILE COMPANIES AND ITS IMPACT ON THEIR SHARE PRICES

TABLE 1.1

Company TATA Motors	Dividend declared in last 5 years	Share price on one day prior to declaration of dividend (Closing price)	Share price on the day of declaration of dividend (Closing price)
29-05-14	100.00	424.21	419.80
29-05-13	100.00	292.66	300.58
29-05-12	200.00	273.67	272.83
26-05-11	200.00	215.46	215.46
27-05-10	150.00	148.31	148.31

MARUTI SUZUKI

Maruti Suzuki India Limited formerly known as Maruti Udyog Limited, is an automobile manufacturer in India. It is a subsidiary of Japanese automobile and motorcycle manufacturer Suzuki. As of November 2012, it had a market share of 37% of the Indian passenger car markets. The company's headquarters are at No 1, Nelson Mandela Road, New Delhi. In February 2012, the company sold its ten millionth vehicles in India. The dividend declared and closing share prices before and on the day of declaration of dividend of last five years are shown in below table.

TABLE 1.2

Company Maruti Suzuki	Dividend declared in last 5 years	Share price on one day prior to declaration of dividend (Closing price)	Share price on the day of declaration of dividend (Closing price)
25-04-14	240.00	1982.75	1956.05
26-04-13	160.00	1589.75	1673.45
28-04-12	150.00	1379.30	1397.10
25-04-11	150.00	1306.60	1326.55
26-04-10	120.00	1361.80	1335

MAHINDRA & MAHINDRA

M & M Limited is an Indian multinational automobile manufacturing corporation headquartered in Mumbai, Maharashtra, India. It is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors across the world. It is a part of Mahindra Group, an Indian conglomerate. It was ranked as the 10th most trusted brand in India, by The Brand Trust Report, India Study 2014. It was ranked 21st in the list of top companies of India in Fortune India 500 in 2011. Its major competitors in the Indian market include Maruti Suzuki, Tata Motors, Ashok Leyland, Toyota, Hyundai, Mercedes-Benz and others. The dividend declared and closing share prices before and on the day of declaration of dividend of last five years are shown in below table.

TABLE 1.3

Company Mahindra & Mahindra	Dividend declared in last 5 years	Share price on one day prior to declaration of dividend (Closing price)	Share price on the day of declaration of dividend(Closing price)
29-05-14	270.00	1162.35	1178.35
30-05-13	260.00	960.30	1004.60
30-05-12	250.00	656.25	657.20
30-05-11	230.00	702.10	664.60
24-05-10	190.00	539.45	529.30

OBJECTIVES OF RESEARCH

1. To ascertain whether share prices increases due to declaration of dividend.
2. To ascertain whether it is beneficial to invest in the shares of a company likely to declare high dividends

HYPOTHESIS OF RESEARCH

H1 There is significant effect of dividend declaration on share prices.
H2 Share prices increases on dividend declaration.

TESTING OF HYPOTHESIS

1. Paired T-Test was used to ascertain the significant effect of dividend declaration on share prices. The t value is 0.478598648 which is more than .05, hence the first hypothesis is fully rejected. There is no significant effect of dividend declaration on share prices.

TABLE 2.1

Company	Date	Dividend declared in last 5 years	Share price on one day prior to declaration of dividend (Closing price)	Share price on the day of declaration of dividend (Closing price)
Tata Motors	05/29/2014	100	424.21	419.8
	05/29/2013	100	292.66	300.58
	05/29/2012	200	273.67	272.83
	05/26/2011	200	215.46	215.46
	05/27/2010	150	148.31	148.31
Maruti Suzuki	04/25/2014	240	1982.75	1956.05
	04/26/2013	160	1589.75	1673.45
	04/28/2012	150	1379.3	1397.1
	04/25/2011	150	1306.6	1326.55
	04/26/2010	120	1361.8	1335
Mahindra & Mahindra	05/29/2014	270	1162.35	1178.35
	05/30/2013	260	960.3	1004.6
	05/30/2012	250	656.25	657.2
	05/30/2011	230	702.1	664.6
	05/24/2010	190	539.45	529.3

2. The average Share price on one day prior to declaration of dividend is Rs. 866.33 whereas average Share price on the day of declaration of dividend is Rs. 871.95. The average share price raised by merely 0 .65% which is insignificant hence the second hypothesis is also rejected i.e. Share prices does not increase in any significant manner on dividend declaration.

CONCLUSION

It is not advisable to invest solely on the basis of dividend policy of the company as the share prices are not closely associated with dividend. Technical analysis of the share prices will be fruitful prior to investment.

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BEHAVIOURAL FINANCE: A CHALLENGE TO MARKET EFFICIENCY

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ABSTRACT

Today, almost seven years after the global financial crisis of 2008, individual investors continue to vary in the face of geo-political uncertainty, rising global unemployment and the threat of market manipulation by high frequency traders. Predicting short term performance and returns is more difficult today than it was ever before. In developing country like India investors view towards stock market plays a vital role. Financial news acts like noise, clouding investor judgment, while investment pundits around every corner claim to know the next hot trend or home run stock pick like weather forecasters, economic forecasters must deal with a system that is extraordinarily complex, that is subject to random shocks, and about which our data and understanding will always be imperfet. Behavioral Finance is the study of how people make economic decisions. By understanding how people react, investors may be able to modify their behaviors to achieve more rational and profit maximizing outcomes. The main issue of studying behavioral finance is how to minimize or eliminate the psychological biases in investment decisions of the investors importance of making sound, rational investment decisions, while minimizing costs, taxes, and losses due to adverse decision making.

KEYWORDS
behavioural finance, market efficiency, investors, irrational behavior, bias.

1. INTRODUCTION

There are three sub fields to modern financial research.
1. **Theoretical finance** is the study of logical relationships among assets.
2. **Empirical finance** deals with the study of data in order to infer relationships.
3. **Behavioral finance** integrates psychology into the investment process.

Personal finance is the use of financial management principles with respect to individual or family or a unit which finances to manage money, budget , save and spend while taking into account various future risks and life events. We all want to increase our wealth and increase our well-being. We understand that we shouldn't spend money we don't have. But emotion and psychology influence our financial behaviors in unpredictable and irrational ways.

The **traditional financial theory** is based on Modern Portfolio Theory (Markowitz, 1952) and Capital Asset Pricing Model (Sharpe, 1964). The theory is based on the notion that investors act rationally and consider all available information in the decision making process, and hence investment markets are efficient, reflecting all available information in security prices. Behavioral finance,also referred to as behavioral economics, combines economics and psychology to analyze how and why investors make their financial decisions.

The field of behavioral finance, which has much in common with the field of cognitive psychology, offers a theoretical explanation for the sometimes irrational or emotional choices and actions of investors. Despite the supposition of neoclassical economics that the market is efficient and that investors are rational, investing behavior and market behavior can be widely irrational and inconsistent. Human being as an average investor has the tendency to sell its investment after a stock price has fallen a long way and then buy back in to the market after it has already raised a large amount. Effectively the average investor is buying high and selling low, and thus making losses. Behavioural Finance seeks to understand this behavior, and considers rationality of people making financial investment decisions. Understanding Behavioural Finance will help to avoid emotion-driven speculation leading to losses, and thus devise an appropriate wealth management strategy.

Behavioural Finance covers "individual and group emotion, and behaviour in markets. The field brings together specialists in personality, social, cognitive and clinical psychology; organizational behaviour; accounting; marketing; sociology; anthropology; behavioural economics; finance and the multidisciplinary study of judgment and decision making". (Source: Journal of Behavioral Finance)

2. THE HISTORY OF BEHAVIORAL FINANCE

The academic field of behavioral finance began in 1979 when psychologists Daniel Kahneman and Amos Tversky introduced prospect theory. Prospect theory introduced a rubric for understanding how the framing of risk influences economic decision-making. Amos Tversky and Daniel Kahneman developed the field of behavioral finance through their work on the psychology of risk. Their work and behavioral economics in general, challenges the basic assumptions of rationality inherent in the classical economic model of decision-making. Tversky and Kahneman studied three main areas: Risk attitudes, mental accounting, and overconfidence (Litner, 1998). Richard Thaler, in the 1980s, extended the scope of behavioral finance by making stronger connections between psychological and economics principles (Lambert, 2006). The field of behavioral finance has grown over the last three decades in large part as a result of the support that the field received from universities and research institutions.

3. DEFINITIONS OF BEHAVIORAL FINANCE

Belsky and Gilowich (1999) have referred to behavioral finance as a behavioral economics and further defined as combining the twin discipline of psychology and economics to explain why and how people make seemingly irrational or illogical decisions, why they save, invest, spend and borrow money.

Verma (2004) has defined behavioral finance tries to understand how people forget fundamentals and make investment based on emotions.

Swell (2005) asserts that behavioral finance is the study of the influence of psychology on the behavior of financial practitioners and the subsequent effect on markets. Further in 2007, he has stated that behavioral finance challenges the theory of market efficiency by providing insights into why and how market can be inefficient due to irrationality in human behavior.

Behavioural finance argues that emotions and sentiment play a crucial role in determining the behaviour of investors in the market place and very often they act irrationally due to influence of psychological factor. Behavioral finance seeks to explain the rationality or irrationality of financial decision-making. It seeks to combine behavioral and cognitive psychology theory with finance to provide explanations for why people make irrational decisions.

Recent research has proved that the average investor makes decisions on emotion rather than on the basis of logic. Most investors buy high on speculation and sell low in panic mode.

4. THE BEHAVIORAL CRITIQUE

There are two categories of irrationalities:
1. Investors do not always process information correctly.

Result: Incorrect probability distributions of future returns.

2. Even when given a probability distribution of returns, investors may make inconsistent or suboptimal decisions.

Result: They have behavioral biases.

TABLE 1: TRADITIONAL FINANCE AND BEHAVIOURAL FINANCE

Traditional Finance	Behavioural Finance
Rational & Correct	Heuristic (Rule of Thumb)
Price reflects intrinsic value	Frame dependence social influence causes Mispricing
Risk & Return – prime factors for investors Decision	Risk & Return – frames Specific
Rational, Logical, Transparent & Objective	Herd instinct, Emotional and Sentimental

5. OBJECTIVES

- How investors make decision to buy and sell securities
- How they choose between alternatives
- Why is the stock markets so volatile
- Why are under and overvalued stocks difficult to identify?

6. BEHAVIOURAL FINANCE IN TWO PERSPECTIVE

- **INVESTORS**
- Are not totally rational
- Often act based on imperfect information
- Make "non-rational" decisions in predictable ways
- A suboptimal result in an investment decision can stem from one of two issues:

1. You made a good decision, but an unlikely negative event occurred
2. You simply made a bad decision (i.e., cognitive error)

- **MARKETS**
- May be difficult to beat in the long term
- In the short term, there are anomalies and excesses

There is no way to predict the price of stocks and bonds over the next few days or weeks. But it is quite possible to foresee the broad course of these prices over longer periods, such as the next three to five years

- Arguments in favor of Behavioral Finance
- More Realistic
- Psychological Foundation
- Increases Explanatory Power of Financial Models
- Solves Empirical Puzzles of Traditional Finance
- New approach to Traditional Finance

7. BEHAVIORAL FINANCE THEORY

People in traditional finance are rational. People in behavioral finance are normal.If you don't know who you are, the stock market is an expensive place to find out [Psychology Economics Adam Smith Scottish moral philosopher and a pioneer of political economy Meir Statman Professor of Finance (Leavey School of Business, Santa Clara University)]

FIG. 1: BEHAVIOURAL FINANCE THEORY

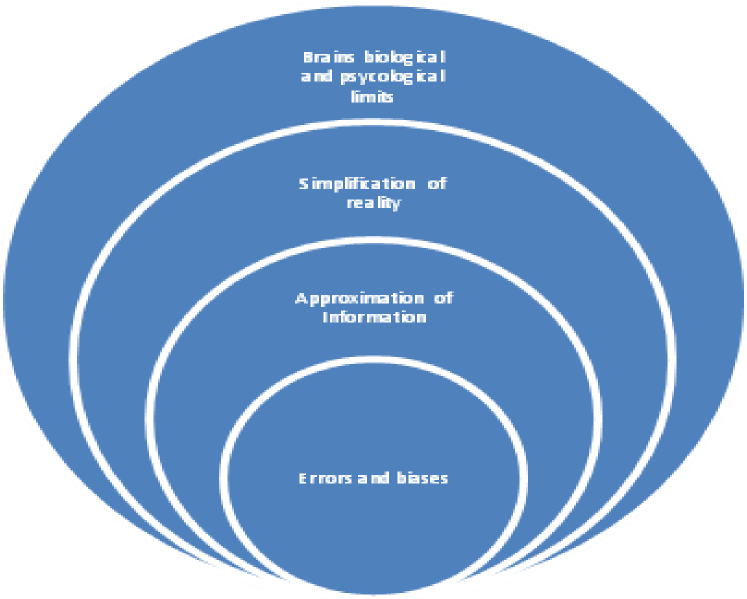
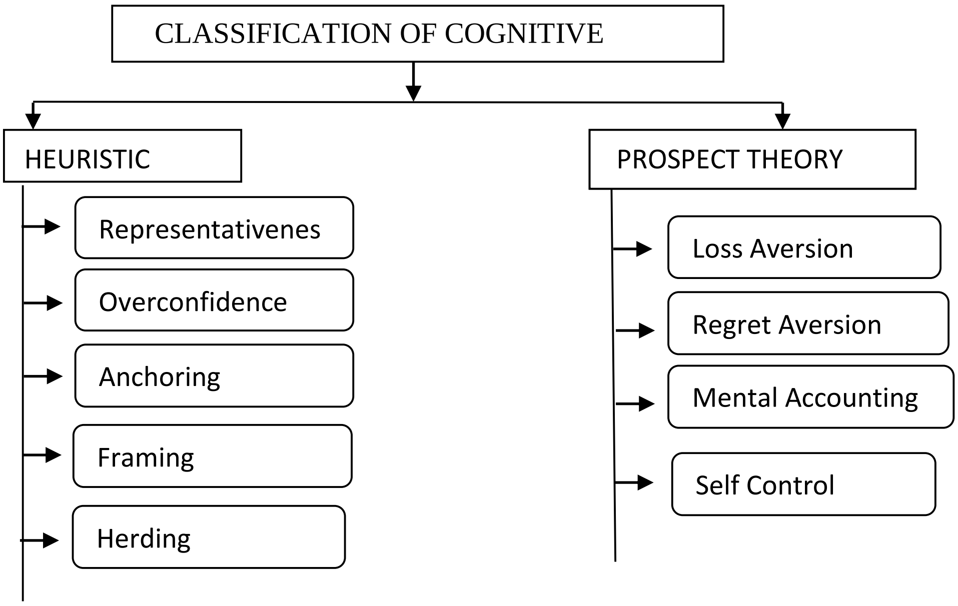


FIG. 2



- Representativeness -Heuristics Representativeness is a cognitive heuristic in which decisions are made based on how a given individual case appears to be independent of other information about its actual likelihood. In particular, many investors believe a well-run company represents a good investment. "If it is yellow in colour and shines, it probably is a gold" People tend to infer that a single observation is representative of the entire population. Normally people infers from small sample size and neglects learning for instance they take decision with 10 tosses to 1000 tosses.
- Overconfidence: Alpert and Raiffa (1982) showed that people are poorly calibrated in estimating probabilities and usually overestimate their precision of the knowledge and ability to do well. People are also overconfidence about good things happening in future than bad. In addition, people overestimate their confidence to the past positive outcomes and usually recall only their successes than their failures
- Anchoring - Reflects the use of irrelevant information as a reference for evaluating or estimating some unknown value or information. When anchoring, people base decisions or estimates on events or values that are known to them, even though these facts may have no bearing on the actual event or values. Judgment is based on similarity or patterns in random sequences. In the context of investing, investors will tend to hang on to losing investments by waiting for the investment to "break even" with the price at which it was purchased. Thus, these investors anchor the value of their investment to the value it once had, even though it has no relevance to its current valuation.
- Framing -The concept of framing involves attempts to overlay a situation with an implied sense of gain or loss. For eg.It is easier to pay 3,400 for something that you expected to cost 3,300 than it is to pay 100 for something you expected to be free."Economic impact is 100 for both cases" A loss seems less painful when it is an increment to a larger loss than when it is considered alone.-Daniel Kahneman
- Herding- Herding refers to the lemming-like behavior of investors and analysts looking around, seeing what each other is doing, and heading in that direction. Herding reflects the feeling of safety and well being by behaving in harmony with the group. There may not be a safety but a comfort like I lost money but at least I had company. It deals with Socionomics i.e. People are influenced by each other. Rationalize mood-induced moves of investors. 'Wise' crowds become foolish – especially as become more uniform.
- Prospect theory - Research (by Kahneman and Tversky) shows that while risk aversion may accurately describe investor behavior with gains, investors often show risk seeking behavior when they face a loss. "I can't quit now, I am too far down" Money managers may take bigger chances when things have not gone their way in an attempt to recover the losses. Proposed by two psychologists: Daniel Kahneman (won Nobel for Economics 2002) and Amos Tversky
- Loss Aversion - Investors do not like losses and often engage in mental gymnastics to reduce their psychological impact. Loss aversion reflects the tendency for people to weigh losses significantly more heavily than gains. Loss aversion can be observed in our tendency, when faced with a choice between a sure loss and an uncertain gamble, to gamble unless the odds are strongly against us Their tendency to sell a winning stock rather than a losing stock is called the disposition effect in some of the behavioral finance literature
- Regret Aversion - Investors do not like to make mistakes. People tend to feel sorrow and grief after having made an error in judgment. "makes people slow to act (unable to decide) One theory is that investors avoid selling stocks that have gone down in order to avoid the pain and regret of having made a bad investment
- Mental Accounting -Mental accounting refers to our tendency to "put things in boxes" and track them individually. For example, investors tend to differentiate between dividend and capital (gain) , and between realized and unrealized gains. Investment Example: the practice of buying dividend- paying stocks so that one can avoid "dipping into capital"- selling stock- to pay for life's necessities.
- Self control - Refers to people's belief that they have influence over the outcome of uncontrollable events Example: we like to pretend that we can influence the resulting dice roll by varying the force with which we throw a dice. (Hard – High, Gentle-Low) Similarly, investors like to look at charts, although charts are theoretically not helpful in predicting the future prospects for a stock.criticisms • Although behavioral finance has been gaining support in recent years, it is not without its

8. CONCLUSION

As one can observe from the differences between conventional and behavioural economics, their impacts reach onto diverse fields. While some aspects address the area of economic decision-making or market efficiency, others are connected to such exotic field like human happiness. Extending this realization, it is interesting to know how the assumptions made by behavioural economists are applied in practice. Findings from behavioural finance can be used in relation to retirement savings schemes within firms. For example, data suggests that company retirement schemes where participants are automatically enrolled with the option to leave the programme have a much higher participation rate than those schemes that participants need to actively sign up for themselves. This is mainly due to the phenomenon that people tend to be "lazy" when dealing with some parts of their personal finances, even though it would be to their advantage to be more proactive. Behavioral factors can help investors to avoid mistakes. Avoiding mistakes is called defensive behavioral finance applications in investment decision making. Many of the findings in behavioral finance appear to contradict each other, and that all in all, behavioral finance itself appears to be a collection of anomalies that can be explained by market efficiency.

9. FUTURE SCOPE

The two areas “Behavioral Finance” and “Behavioral Accounting” are connected because both are concerned with financial information and the behavior of its stakeholders. This is important because the information, which financial market participants are using to make their decisions, is not coming from anywhere. Instead, accountants are preparing such information in the form of annual reports and other financial data. If accounting information is a requirement for making financial decisions, behavioral insights about how accountants prepare such information are needed. Behavioral accounting is concerned with the relationship between the accounting information system, and human behavior. It is high time that we move away from narrow approaches such as the ‘economic man’ and develop new frameworks in accounting and finance, which focus on people and their behavior. The world is becoming more complex and simple answers are not suitable anymore

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A STUDY ON REVISITING OF MARKETING STRATEGIES FOR SELF HELP GROUP IN THE RESILIENT OF BUSINESS ENVIRONMENT

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ABSTRACT

Many state governments actively taking the action and swiftly identifying the best implementation of the Self Help Group (SHG). The growth of SHG has been the most significant feature of a planned economy. It has the unique advantage of providing high rate of self-employment with lesser capital investment. The SHG consider the design, development, and positioning of the product as the most critical decision amongst all the strategic decisions to be made while designing marketing strategies. This paper attempted to find the influence of marketing strategies in determining the success of an SHG. Analysis of various factor influencing the internal and external business environment suggests the market demand and the market strategies for SHG. However, for the survival in the market and for facing the global pressures the SHG required constant up-gradation of information and market requirement. It is suggested that SHG should recognize the use of home delivery, e-marketing.

KEYWORDS
business environment, SHG market, strategy.

1. INTRODUCTION

The industrial sectors form a backbone of any economy. The micro, small and medium enterprises (MSME) sector contributes vitally to the employment, manufacturing of the country. The sector was estimated to employ nearly 59 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India (Annual Report, MSME, 2011) There are ample number of policy and promotional activities undertaken by the government to promote the MSME and specifically the SHG.

The incentives and policies were increasingly implemented in the last decades. These incentives, initiatives focused towards the development of SHG. Developing a marketing strategy is one of the most challenging task for the SHG. The SHG consider the design, development, positioning of the product as the most critical decision amongst all the strategic decision to be made while designing marketing strategies. Marketing strategies are considered as the transformation of a market opportunity. The appropriateness of marketing strategies can deliver excellence in the market and can support all the market related activities.

2. REVIEW OF LITERATURE

1. Subashini Muthukrishnan (2005) has explained in her paper “Effective marketing Strategies for women self-help groups” that the SHGs should be careful in terms of positioning their product relative to other competitive products and markets. They have to decide on the product and in price vis-a vis its cost of production, returns and the price at which its competitors are selling the product, credit time, marketing infrastructure available etc. She has also specified that SHGs must focus on improving the quality of the product.
2. R. Prakash and S. Motilal Nehru (1998) have explained in their article “Marketing produce through self -help groups” that the major problem facing farmers is the marketing of their produce. The program is extending not only horticultural crop production but also the processing and marketing of their products through a well-planned and better-managed horticulture enterprise. The shift is from ‘what it is possible to produce: to producing what is marketable’. This change demands better understanding of the markets and the changing consumer needs. Through group marketing, farmers are able to fetch fair and reasonable price.
3. K.Gandhi and N.Uykumar (2013) have explained in their article that “Marketing strategies of Women Self Help Groups” Self -help groups (SHGs) are now engaging in business activities. They lack in marketing as for the first time they are engaging in business. If they are adequately trained with marketing knowledge, they can excel and in turn take our economy a global leader in this current situation of globalization. The NGOs who have formed the SHGs. The banks who financed the groups and the Government agencies nurturing them must join hands in train the SHG members in business and marketing activities and make them play globally.
4. Muneer Sultana (2012) in her book “Marketing of Rural Self Help Group Products in Andhra Pradesh” analyzed that Self Help Groups(SHGs) have become a significant factor to bring the rural masses in to the main stream of National Life. It helps to reduction of poverty. The capacity building of micro – enterprises of Self Help Groups do not have market development strategies and they face a lot of difficulties in positioning their products in the market, relating to other competitor products and markets. The operation of the Self Help Group itself is localized, this means there is limitation in terms of geographical coverage Self Help Group members who generally lack level of literacy, technical competence, market intelligence and entrepreneurial spirit face a lot of difficulties in carrying out the micro – enterprise ventures successfully. It is in this context, the researcher identified the research problem for the current study. The study attempts to find out the extent of marketing strategies followed by SHGs.
5. S.S Kavitha (2005) “Marketing SHG products differently” explained that to tap the export market for self-help group products, this is the first step," says Mahalir Thittam Joint Director and Project Officer, S. M. Prabakaran, while supervising the stalls displayed by self-help groups at DRO Colony. He points out that the difficulty faced by SHGs is marketing their products and to make the dream of having a good market for their products come true, the Mahalir Thittam, Madurai, has come out with an innovative idea of erecting temporary stalls at places targeting members of the salaried-class and tourists. The Government has sanctioned Rs. 33 lakhs for the marketing of SHG products.
6. Puhazhendhi & K.L.S. Satyasai in their article,” Empowerment of rural women through self helps groups” – An Indian experience – (April –June 2002) It was stated in the study that SHGs as institutional arrangement could positively contribute to the economic and social empowerment of the rural poor. From above extract it is observed that training is the need for socio-economic development for women SHGs.
7. Another Ex-post evaluation of study of self-help groups that was conducted in Karnal, Gurgaon, & Bhiwani districts of Haryana. (The study was conducted by National Bank for Agriculture & Rural Development –September 2002). It was found in this study it can be said that SHG is a potent means for bringing about change and awareness regarding the surrounding situation in the society.
8. DR. M. U. MULANI in his book “MANAGEMENT OF SELF-HELF GROUP” states that SHG is the main tool for eradication of problems of women socio-economic and financial setback. SHGs also provides platform to explore qualities in women like leadership, perseverance entrepreneurship, innocence and effective utilization of resources.

3. OBJECTIVES OF THE STUDIES

The present study aimed to access the importance of the marketing strategies while exploring the SHG. Following are objectives of the study:

1. To analyze the determinants of marketing strategies for SHG products.
2. To examine the relationship of key market indicators of SHG products.

TABLE 1: NUMBER OF SELECTED WOMEN SHGS ACCORDING TO *TALUKAS* IN SANGLI DISTRICT

SR. NO.	*TALUKA* NAME	SHG BPL
1	ATPADI	12
2	JATH	24
3	KADEGAON	14
4	KAVATHE MAHANKAL	18
5	KHANAPUR	14
6	MIRAJ	55
7	PALUS	13
8	SHIRALA	13
9	TASGAON	25
10	WALWA	32
	TOTAL	220

(Source: Primary data compiled)

TABLE 2: MARKETING FACTORS & PERCENTAGE OF CONSIDERED FACTORS BY SHG

Marketing factors	Percentage of considered factors by SHG
Customer loyalty	85
Government policy	84
Advertisement	43
Distribution channels	45
Sales promotion	35
After sales service	40

(Source: Primary data compiled)

4. ANALYSIS

DETERMINANTS OF MARKETING STRATEGIES FOR SHG PRODUCTS

Marketing factors are useful planning and developing marketing strategies, so that the marketers can develop decision after proper evaluation of the internal and external environment. The different variables encompass the internal and external spheres.

The different factors like strength and opportunities of an a group, market structure, market demand, customer preferences, market competition, financial resources, cost structure exerted most participating in formulating the marketing strategies.

The factors which are important but were considered secondary like impact of customer loyalty, government policy, research and development, advertisements, distribution channels, sales promotions, after sales service. It can be seen that SHG groups are more aware of the market size, structure, demand in developing marketing strategies. The other factors are not considered to major extent for formulating the marketing strategies. Actually, liberalization has resulted in increased competition, increased quality consciousness and market planning which is the basis for the formulation of marketing strategies. Thus by only combining the marketing goals the SHG can develop their marketing strategy only by considering production cost, ability to produce and try to generate profits. It implies that SHG embraces the various determinants for developing the marketing strategies.

5. KEY MARKET INDICATORS OF MARKETING STRATEGIES FOR SHG

There are number of factors which influence the firm's decision making. Whenever the market requirements are analyzed it is evaluated that there are significant factors like government incentives, market competition, distribution network, product attributes, advertisements, sales promotion, government policies, etc contribute for the marketing strategies of the groups.

Similarly, when the factors like technological up-gradation and research and development comes SHG were less considered with adoption of newer technology. It implies that market accessibility of SHG is limited due to financial and resource constraints. They have the willingness to upgrade themselves with new technology but the cost of the product increases. However, customer bargain on competitive prices as other option exist in the market. Investing in Research and Development and increasing the unwillingness of the buyer to pay higher prices for the products which makes difficult for SHG to survive in the market. The government is certainly offering the incentives in the form of financial aids, infrastructure, taxation, market, etc.

It is observed that SHG identify incentive programs as the basis for formulating marketing strategies. In the same preface, business environment is significantly related to the competitor’s strategy, market structure, customer loyalty. So the SHG have to assess the market in the light of business environment while formulating the marketing strategies.

Environment is constantly changing. The change may be faster or slow. The business environment is the totality of all factors which are external to and beyond the control of the business units. The environmental factors are many in number and in various forms. Modern business people have to understand these environmental factors in proper manner and adapt to them for the effective and efficient conduct of the business.

SHG have to analyze the different environmental factor like social culture, economic, government policies, etc The socio cultural environment which includes the customer’s values, customer preferences, customer loyalty while framing the marketing strategies for that purpose understanding the customer behavior will enable the SHG to take marketing decisions, which are compatible with the consumer's needs.

Even the product quality shows an important support with the distribution network, advertisement which enables the long term sustenance in the market. Even product positioning through proper distribution channel, advertisements providing after sales services results more satisfied customers.

It is observed that successful marketing strategies bestow a successful relationship with the components of the market, government policies and unique potential possessed by SHG. A major requirement is to know the long-term needs and desires of the customer so as to be able to offer better and added value on top of the core service.

6. FUTURE SCOPE FOR THE STUDY

The above study can be further expanded considering the details of the business environment with its different components which causes a changes in the marketing strategies. The marketing strategies which play a key role in the success of any business.

7. CONCLUSION

The SHG have to concentrate on the development of the marketing strategies for the purpose of which the analysis of business environment is must. The SHG have to recognize strategic decision making importance for the success of the business however for the survival in the market and for facing the global pressure, the SHG require constant upgradation of information and market requirement. Developing a marketing strategy is one of the most challenging task for the SHG. Marketing factors are useful in planning and developing marketing strategies.

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MUTUAL FUNDS: AN EMERGING TREND IN FINANCIAL SYSTEM

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ABSTRACT

Indian financial system has great impact on their economic development. Financial system plays very important role in every country. This financial system is expected to be healthy and conductive to the economic development. In India financial system is facing much more problems. There are various new trends emerging in Indian financial system regarding mutual fund, share market, foreign direct investment etc., by using these trends India will strengthen their economy at large scale. But now a days India is facing problems because of policy introduced by Govt. For overall development of our country it is necessary to strengthen the Indian financial system which is major contributor to the economic development of the nation. Mutual fund brings new prospective and different view in consideration of GROWTH OF INDIAN financial system.

KEYWORDS

financial system, economic development, policy.

1. INTRODUCTION

The Indian financial system is classified as –
1. The formal (organized) financial system and
2. The informal (unorganized) financial system.

The formal financial system comes under the purview of the Ministry of Finance (MOF), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI) and other regulatory bodies. The informal financial system consists of:

a. Local brokers,
b. Non-banking financial intermediaries such as finance, investment.

2. COMPONENTS OF FORMAL FINANCIAL SYSTEM

Formal financial system consist of four segments, these are financial institutions, financial markets, financial instruments and financial services.

Financial institutions are intermediaries that mobilize the savings and facilitate the allocation of funds in an efficient manner. Financial institutions are classified as banking and non-banking financial institutions. Banking institutions are creator of credit while non-banking financial institutions are purveyors of credit. Investment institutions in the business of mutual funds (UTI, Public Sector and Private Sector Mutual Funds) and insurance activity (LIC, GIC and its subsidiaries) are also classified as financial institutions. Financial markets enabling participants to deal in financial claims. Money market and capital market are the organized financial markets in India. Money market is for short term securities while capital market is for long term securities. Primary market deals in new issues, the secondary market is meant for trading in existing securities.

3. MUTUAL FUNDS

Mutual fund is a form of collective investment. It is formed by coming together a no. of investors who transfer their surplus funds from investors. The fund adopts a simple technique. A Mutual Fund collects the savings from small investors, invest them in Govt. securities and other cooperate securities to earn income through interest and dividends.

A small investor has to face many difficulties in the share market .He is not in a position to get professional advice from the financial experts. By considering these difficulties mutual funds have come to boon to a small and medium investors.

Every investor invested small amount in the mutual fund and each fund is devided into small fraction called "Units" . Hence mutual fund enables millions of small investors to participate in and get the benefit of the capital market growth with enjoying high portfolio investment.

4. DEFINITION

SEBI DEFINES:

"A fund established in the form of a trust to raise money by the trustees, for investing in securities in accordance with the regulations."

Various schemes of Mutual Funds:

1. Open ended mutual funds
2. Close ended mutual funds
3. Interval fund
4. Income fund
5. Growth fund
6. Balanced fund
7. Money market mutual fund
8. Taxation fund
9. Loan fund
10. Industry specific fund

The financial investment avenues are classified under the following heads:

1. Corporate Shares, Debentures, Deposits, etc.
2. Bank Deposits and Schemes
3. UTI and Mutual Fund Schemes.
4. Post Office Deposits/Certificates, etc
5. Government and Semi-Government Bonds/Securities

The Indian capital market has been increasing tremendously during last few years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian moneymarket and capital market.

In order to help the small investors, mutual fund industry has come to occupy an important place. The main objective of this paper is to examine the importance and growth of mutual funds and evaluate the operations of mutual funds and suggest some measures to make it a successful scheme in India.

5. IMPORTANCE OF MUTUAL FUND

The mutual fund industry has grown at a phenomenal rate recently. The following are the importance of mutual funds.

1. Channelizing Saving for investment
2. Offering wide Portfolio Investment
3. Providing better yields
4. Providing Research services
5. Introducing Flexible investment schedule
6. Providing greater liquidity
7. Providing expertised services at low cost
8. Offering tax benefit
9. Simplified record keeping
10. Supporting capital market
11. Promotes industrial development
12. Acting as Substitute for Initial Public Offering (IPO)

In short, a mutual fund creates awareness among urban and rural middle class people about the benefits of investment in capital market, through profitable and safe avenues. Mutual fund could be able to make up a large amount of the surplus funds available with these people.

The mutual fund attracts foreign capital flow in the country and secures profitable investment avenues abroad for domestic savings through the opening of off shore funds in various foreign investors. Lastly another notable thing is that mutual funds are controlled and regulated by S E B I and hence are considered safe. Due to all these benefits the importance of mutual fund has been increasing.

6. GROWTH TREND OF MUTUAL FUND

Opening of the mutual fund industry to the public sector banks and insurance companies, led to the launching of more and more of new schemes.

The mutual fund industry in India has grown fast in the recent period. The performance is encouraging especially because the emphasis in India has been on individual investors rather in contrast to advanced countries where mutual funds depend largely on institutional investors. In general, it appears that the mutual fund in India have given a good account of themselves so far.

UTI's annual sale of units crossed Rs.1000 crores mark in 1986 to 87, 2000crores mark in 1987-88 and reached Rs.5500 crores mark in 1989 to 90.During 1990 to 91 on account of decline of corporate interest,, sales declined to Rs.4100 crores though individual sales increased over its preceding year. LIC MF has concentrated on funds which includes life and accident cover. GIC MF provide home insurance policy. The bank sponsored mutual fund floated regular income, growth and tax incentives schemes. Together there in mutual fund service more than 15 million investors with UTI alone holds for 13 million unit holding accounts. Magnum Regular Income Scheme1987 assured a return of 12 percent but gave 20 percent dividend in 1993, UTI record 26 percent dividend for 1992 to 93 under the unit 1964 scheme.Magnum Tax saving scheme 1988 to 89 did not promise any return butdeclared 14 percent dividend in 1993 and recorded a capital appreciation of15 percent in the first year. Equity oriented scheme have earned attractive returns. Especially since early 1991 there has been a steady increase in the number of equity oriented growth funds. With the boom of June 1990 andthen again 1991 due to the implementation of new economic policies towards structure of change the price of securities in stock market appreciated considerably. The high rate of growth in equity price led to a high rate of appreciation in the net asset value of the equity oriented funds for which investors started changing their preferences from fixed income funds to growth oriented or unfixed income funds. That is why more equity oriented mutual funds were launched in 1991. Master share provide a respective dividend of 18 per cent in 1993, can share earned a dividend of 15 percent in 1993. In

Short today mutual funds have started a positive role in the countries saving revolution.

7. CONCLUSION

With the structural liberalization policies no doubt Indian economy is likely to return to a high grow path in few years. Hence mutual fund organizations are needed to upgrade their skills and technology. Success of mutual fund however would bright for the overall economic development of the country as it provides great potential to the Indian economy.

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IMPACT OF CULTURE ON BANK: THEORETICAL FRAMEWORK OF SANGLI BANK–ICICI BANK MERGER

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ABSTRACT

With the changing face of banking sector in India, the competition is at its peak. Many players of the sector due to their large scale and strategic advantage are able to face this competition but for many small scalars this was a disaster. This situation finally results in mergers and acquisitions. In this paper the study was made for the impact of merger on the culture of Sangli bank employees, how they shown resistance to change and what measures did the ICICI bank management take to manage this resistance. An interview method was adopted for collecting the primary data. The secondary data was collected through the annual reports of Sangli bank, various banking periodicals & websites.

KEYWORDS
banking sector, culture, mergers and acquisitions, resistance to change.

1. INTRODUCTION
On 6 Dec 2006, ICICI Bank got merged with the unlisted The Sangli Bank Ltd. The deal was conducted through stock transaction. As part of the deal, shareholders of Sangli Bank received 100 shares of ICICI Bank for every 925 held. Kalpana Morparia, joint managing director at ICICI Bank said and she did issue 3.45 million fresh shares for the merger." The deal was however required approval from the regulatory bodies. Which it got the approval very quickly. The proposed amalgamation has been beneficial to the shareholders of both entities." Here paper revealed that what was the history and culture of ICICI bank & Sangli bank.

The relevant questions of the study are-
1. Why the merger took place?
2. What was the organization culture before and after the merger?
3. Did the employees faced any problems?
4. What was Employee's resistance to change?
5. What was the attempts ICICI Bank made for co-opting approach?

2. OBJECTIVES
1. To analyze the reasons of Sangli bank- ICICI bank merger.
2. To study the impact of this merger on Sangli bank's culture.
3. To study the resistance shown by Sangli bank employees towards this merger.
4. To evaluate the efforts shown by ICICI bank management to manage this resistance towards the merger.

3. RESEARCH STRATEGY
The information was obtained through Internet and Newspaper. Research was done by administering a questionnaire to Union Leader of previous Sangli Bank and is now Branch Manager in ICIC bank, who was actually involved in the whole process of Merger.

4. HISTORY OF ICICI BANK
ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. Shareholders of ICICI and ICICI BANK approved the merger in January 2002, by the High Court of Gujarat at Headband in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

5. CULTURE OF ICICI BANK
ICICI bank has adopted the ideology of European banking sector i.e. it follows or it is trying to opt: -
1) Man less banking
2) Paper less banking
3) Mail less banking (Instead use the Electronics Messages)

This shows that the ICICI Bank is System driven banking. ICICI Bank is pioneer for some of the banking services in India like
1) Net banking
2) ATM
3) Credit cards
4) Debit cards

5) Pro customer banking

Due to these reasons, it is now number one private sector bank in India and second largest bank in India after SBL, providing services in as many as all countries in the world and having own offices in 17 countries in the Globe. Due to its facilities it has achieved the targets in 14 years, which SBL could achieve in 200 years. ICICI is having Rs.485000 Corers capital, 30840 branches all over and 4800 ATM machines in all. In ICICI bank there is no sub staff procedure. Every employee is considered as officer.

6. HISTORY OF SANGLI BANK LIMITED (SBL)

Sangli Bank Ltd., presently merged into ICICI Bank Ltd., was founded on 5th October 1916 on the occasion of Dashera. It was established by the then Highness of Sangli Province. It was established as a Scheduled Commercial A Grade Bank. Its Schedules were designed according to RBI norms. It was governed according to Banking Regulation Act. Its motive at the time of establishment was to provide Funds to Trade Merchants and render services to citizens of Sangli and nearby people. Initially it was operating in the then Province of Sangli. As it was Private Commercial Bank, it rendered services to local and regional people of Maharashtra. Sangli Bank Limited has One Lakh customers This number jumped to 198 branches in 2006.Among 198 branches, 158 branches were operating in Maharashtra and the rest in other parts of India. Some of its outside Maharashtra Branches are –

- Banglore Metro Branch
- Delhi – Metro Branch
- Ahmedabad,
- Coimbatoor
- Erode (Tamilnadu)

Above three branches were established as these cities are famous for Textile and this would help the regional people of Maharashtra. Chennai Branch was established, as there is gold refinery. Nizamabad Branch in Andhra Pradesh was established as it is famous for turmeric and it would prove beneficial for Sangli as it is also famous for turmeric trade.

Due to some reasons that we will discuss in detail further, ICICI Bank and Sangli Bank Limited merged willingly. At the time of merger, the capital i.e.Net worth (Capital + Reserves) was Rs. Forty-eight Crores. Initially there were 2500 employees working in Sangli Bank Limited, but at the time of merger this number reduced to 1800.This happened so due to death, retirement and resignation of the employees. Being a Private Local Commercial Bank, all the 1800 employees recruited were from the urban and rural area itself for its rural and small enterprise banking operations. At the time of merger, it was a good bank with low NPA but lack of capital as much of the amount was invested in RBI Securities. It had Advances of Rs. 380 Crores and Deposits of Rs.1500 Crores. From Rs. 1500 Crores , Rs. 1000 Crores was put into RBI Securities which yielded only 7 to 8 % of returns. This happened so due to Fear Psychosis of Management that more Advances will result into NPA. Finance was given only about 10 %. The Liquid Reserve Ratio (L.R.R) was about 13.84 %.

7. CULTURE OF SANGLI BANK LIMITED (SBL)

As Sangli Bank Limited is privately owned, non-listed local Bank; its banking practices are traditional one. As there are limited customers and those are from regional area, the bank employees know each and every customer personally. Here personal relations are maintained. There is direct approach to customers due to less number of employees was standard office time of 11.00 a.m. to 5.00 p.m. the decisions were taken by movement of SBL where as in ICICI each employee is responsibility to do his work & authority to take decisions There were no modern bank functioning / practices there is qualitative difference.

8. WHY THE MERGER?

1) Sangli Bank was working well till 2007, it was a schedule commercial A-grade bank, which was designed and referred by RBI. It was a private commercial bank for rendering services to its customers.
2) Though this is not mandatory as per Reserve Bank of India, Board of directors of Sangli Bank had fear psychosis that whether they would be able to return customers money and so they had put there money in government securities where yield was only 7 to 8 percent, they were not open to risk taking capabilities.
3) The pension issue was pending in Sangli bank since 1994 because it required an amount of 180 crore of which the Sangli Bank management was not able to produce because their net yearly profit was not more than 5 crore,so it was a huge amount.
4) As the growth of Sangli Bank was deteorating so needed help, and Merger often enables the amalgamating firm to grow at a rate faster than is possible under internal expansion route via its own capital budgeting proposals. The reason is that the acquiring company enters a new market quickly, avoids the delay associated with building a new plant and establishing the new line of product. "Internal growth is time consuming, requiring research and development, organization of product, market penetration and in general a smoothly working organization". Merger obviates all these obstacles and thus steps up the pace of corporate growth.

9. ORGANIZATION CULTURE (SBL)

BEFORE MERGER

1) The Sangli Bank was having 2500 employees formerly
2) The employees were not fluent in English.
3) They were not aware of modern work structure and style.
4) They were not updated with latest Technologies such as computers.
5) Most of the employees were unaware about net banking.

AFTER MERGER

After Merger along with ICICI Bank the following changes took place

1) ICICI took only 1800 employee from Sangli Bank after Merger.
2) To reduce the fear from employees mind they provided the different training programmers

a) Personality Training: This is for improving the confidence level of employee. They also helped to increase their moral.

b) Approach Training:

Office Attire: Formerly there were no any kind of dress codes and manner codes in the Sangli Bank.

3) **English Language Development Programme:** ICICI Bank provides English Language training.
4) **Special Training for sub staff and sweepers.**
5) ICICI is well known for man less banking, paper less banking .Instead of using emails for communicating with customers, it uses SMS as a communication tool.
6) Previously ICICI was following traditional banking and now it opted machine oriented banking system.

Apart form these the ICICI Bank solved so many pending issues as mentioned follows:

1) The pension issue was pending since 1994 because Sangli bank required an amount of Rs. 180 crores. ESBL management was unable to produce this amount as their net yearly income was only 500 crores whereas ICICI Management solved this problem within 13 minutes discussion.
2) Elaboration to sweepers
3) Promotion to sub staff
4) Insurance up to 14 lakhs to each employee (Premium of insurance paid by the ICICI Bank
5) They provided loans at very cheaper rate (i.e. @ 2 % per annum at reducing balance)

10. COMMUNICATION TECHNIQUES USED

ICICI bank is having their own website. They carry all working with the help of net. The communication mainly takes place through these networks.

1. It is fastest way of communication.
2. Reduction in expenditure

Previously it was expending 12 crores for postal as well as courier services but net banking has helped them to reduce this expenditure.

Feedback: In Sangli bank there was face to face feedback system and now in ICICI Bank the feedback system is face to face as well as through internet also

11. RESISTANCE TO CHANGE

For the merger of Sangli bank with ICICI Bank there was a resistance from three different levels i.e.

1) Resistance from employees of Sangli bank
2) Resistance from shareholders of the Sangli Bank.
3) Resistance from Local Public

It is elaborated as below:

1) RESISTANCE FROM EMPLOYEES OF SANGLI BANK

- As there was a condition of fluent English language communication for the I CICI Bank employees but Sangli bank employees are not that much fluent in English so there was a resistance to change.
- The Sangli Bank employees were completely unaware about the modern work structure and work style of ICICI bank. So due to fear about these conditions Sangli bank employees were showing resistance to change.
- One of the main reasons for the resistance was that the Sangli bank employees were not custom to computer adopted working procedure.
- Before merger there were face-to-face transactions and communication between the employees and the customers, but in ICICI bank, there is E-banking system, Debit card system and ATM and because of this the employee thinks " The number of the customers before the merger was limited which ensures smooth transactions but due to e-banking there will be large number of the customer resulting in complicated transactions, so work and work stress will be more"
- These are the main reasons for the resistance from Sangli Bank employees.

2) RESISTANCE FROM SHAREHOLDERS OF THE SANGLI BANK

The Sangli bank shareholders were enjoying the local benefits offered by the Sangli bank. But due to merges in the ICICI bank there was a chance of losing such benefits. Due to such fear the shareholder of the Sangli bank showed the resistance.

3) RESISTANCE FROM LOCAL PUBLIC

As the Sangli bank was having most of the branches in rural sector, the rural public was thinking as they were loosing the priority provided by the Sangli Bank before the merger. Moreover as the ICICI bank is a totally commercial bank, it is not having the policies regarding the rural sector. So the most of the local public was unhappy about the merger and showing the resistance.

12. ATTEMPTS MADE FOR CO-OPTING APPROACH

Large and positive attempts were made by ICICI bank to co-opt the employees, shareholders and customer needs of Sangli branch Ltd.

For Employees - Pension issue of SBL was pending since the year 1994 because it required an amount of Rs.180 crore, the SBL management was unable to produce. It happened so because there Net yearly profit was not more than Rs. 5 crore So as compared the amount of pension money was huge than the net profit.

Whereas in ICICI, as it is Multi National Bank, ICICI management had discussions with the Union representatives of SBL and solved this problem / issue of pension within 13 minutes of discussion. They sanctioned Rs.180 crore for this for this backlog for SBL.

According to RBI norms –

- It is mandatory to retain earlier benefits of employees and not to curtail those benefits.
- Do not retrench the employees.
- Retirement age of ICICI Bank employees is of 58 years and Sangli Bank employees is of 60 years. 60 years of retirement age is retained. Earlier benefits are retained after the merger. Employees have not been retrenched.
- All other pending issues of Sangli Bank Limited employees were cleared out such as Promotion to sub-staff, Insurance of Rs. 14 lakhs to each employee and those Premiums were paid by ICICI Bank, Staff loans were given at very mere rates at 2.5% on reducing balance method. Shareholders were happy as they were getting higher returns. Customers were benefited as they were provided with modern banking facilities.

13. COMMUNICATION STYLE

Sangli Bank was using vernacular language with its customers and most of the transactions were carried out by verbal communication on personnel level and personnel attention, whereas in ICICI bank it is totally Internet oriented. ICICI bank encourages foot palling i.e. to reduce the customer coming to the bank, Infact the philosophy of ICICI bank "Do not wait customers to come in bank, better you go his doors". That's the reason in 14 years ICICI bank had scaled such heights which SBL took 200 years to attain. ICICI was the first bank to introduce pro-customer banking.

Sangli bank used postal and courier services with in the branches and the customers. Having huge network of 198 sangli bank branches it was time consuming and costly affair. Earlier ICICI bank was also spending 12 crores for postal services, so they thought to reduce this expenditure by making their organization paperless organization and encouraged used of Internet, and now expense had come down from 12 crores e to 5 crores. Now every account of ICICI is connected to Internet, and they spend 900 Rs per account to avail the net services, hence the communication become fast.

14. CONCLUSION

The Merger between Sangli Bank Ltd. and ICICI bank proved that the merger was beneficial for both the banks. The more benefit are enjoyed by Sangli bank as ICICI cleared its all pending issues, maintain 75 % of their employees as it is and also provided them training. The ICICI bank also enjoyed various important benefits like; they got the ready infrastructure of Sangli bank, also they greeted with powerful rural network of Sangli bank, experienced work force with adequate regional knowledge was also the benefit for ICICI bank. Now due to the Globalization and the GAT agreement there are many chances of such mergers in financial sectors especially in banking to survive in the Global competition.

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EMPLOYEE ENGAGEMENT: A LITERATURE REVIEW

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ABSTRACT

Employee Engagement is paramount in an ever changing environment. It is about employees having discretionary effort in achieving organisations goals. Engaged Employee have oneness with the organisation and its goals, they feel valued and responsible for organization. So it is imperative to know what factors actually influence Engagement and also to know varying degrees of engagement among employees. This paper through extensive literature survey has brought out what are the components of employee engagement, most influencing factors of Employee Engagement and the degree to which engagement varies among employees. Descriptive method is adopted for the study. Both primary and secondary data is considered for the study.

KEYWORDS

communication, employee commitment, employee engagement, motivation.

1. INTRODUCTION

Employee engagement is a route to business success. An engaged workplace encourages commitment, energy and productivity from all those involved to help improve business performance. Employee engagement is a workplace approach designed to ensure that employees are committed to business goals and values. By involving them in business they are motivated to contribute to business success and at the same time improve their sense of well-being. It is a two-way street. Encourage employees to play their part by sharing their feedback, raising concerns and supporting the way to do business. So this paper with extensive literature survey tries to reveal factors most influencing and also to know degrees of engagement.

1.1. OBJECTIVES OF THE LITERATURE REVIEW

1. To understand the meaning of Employee Engagement.
2. To identify the factors influencing Employee Engagement.
3. To identify the categories of Employee Engagement.

1.2. METHODOLOGY

The study is descriptive in nature and secondary data is considered for the study .This paper is based upon review of literature and secondary data collected from various websites, journals, magazines, newspapers and reference books.

1.3. LIMITATIONS

Research was also limited to peer- reviewed business, organizational psychology, and management journals, online journals to identify the state of the employee engagement, factors and to study the different degrees of employee engagement with the help of review of literature.

2. EMPLOYEE ENGAGEMENT

“Persistent positive state” **(Macey & Schneider, 2008),** Employee engagement was defined as an “individual’s involvement and satisfaction with as well as enthusiasm for work” **(Harter et al., 2002) ,** employee engagement as “a distinct and unique construct consisting of cognitive, emotional, and behavioral components associated with individual role performance” . **Saks (2005)** .This definition was inclusive of previous literature by introducing the idea that employee engagement was developed from cognitive **(Kahn, 1990; Maslach et al., 2001),** emotional **(Harter et al., 2002; Kahn, 1990), and** behavioral components **(Harter et al., 2002; Maslach et al., 2001).** “Employees who are mentally and emotionally invested in their work and in contributing to their employer’s success” **(Czarnowsky, 2008).**“A persistent, positive affective-motivational state of fulfillment in employees characterized by high levels of activation and pleasure” **(Maslach et al., 2001)** People’s attachment and detachment to their work roles varies **(Goffman 1961). Maslach and Leiter (1997) and Maslach et al. (2001),** who were of the view that engagement as the opposite to the three burnout dimensions: exhaustion, cynicism, and sense of inefficacy.**Robinson et al., (2004)** defined engagement as “a positive employee attitude towards the organization and its values, involving awareness of business context, and work to improve job and organizational effectiveness”.**Schaufeli et al, (2002)** defined engagement as “a positive fulfilling, work related state of mind characterized by vigor, dedication, and absorption”.**Shuck & Wollard, (2010)** distinctly defined employee engagement as “an individual employee’s cognitive, emotional, and behavioural state directed toward desired organizational outcomes”.**Rurkkhum and Bartlett (2012)** elucidated the relationship between employee engagement and organizational citizenship behaviour (OCB) in a study conducted in Thailand and found support for positive relationships between every component of OCB and engagement. **David Macleod**-Employee engagement is a workplace approach designed to ensure that employees are committed to their organisation’s goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being. “This is about how we create the conditions in which employees offer more of their capability and potential.” **Forbes: Kevin Kruse:** Employee engagement is the emotional commitment the employee has to the organization and its goals. This emotional commitment means engaged employees actually care about their work and their company. They don’t work just for a pay check, or just for the next promotion, but work on behalf of the organization’s goals. When employees care—when they are engaged—they use discretionary effort.

It is seen that Employee Engagement is having very importantly three constructs such as cognitive state which is Psychological processes involved in acquisition and understanding of knowledge, formation of beliefs and attitudes, decision making and problem solving. Emotional state is something that makes to have a strong feeling towards organization and its goals and Behavioural state which is being physically active and enthusiased to work. Finally having all these constructs is being considered as engaged, which results in discretionary effort in achieving organizational goals their by contributing to organizational effectiveness.

3. FACTORS INFLUENCING EMPLOYEE ENGAGEMENT

Development Dimensions International (DDI, 2005): Align efforts with strategy, Empower ,Promote and encourage teamwork and collaboration, Help people grow and develop, Provide support and recognition where appropriate. **D. Pradeep Kumar and G. Swetha (2011)** : Clarify: Be clear about the organizations strategic direction, what it means for your employees and how it impacts on what they do and how they do it . Communicate: Be creative in how the organization communicates, give people a voice, create an environment where people can ask questions, encourage team huddles, provide opportunities to talk to other functions, face-to-face communication, open door policies. **(Mani 2011)** predicted four drivers, namely employee welfare, empowerment, employee growth and interpersonal relationships.**(Seijit 2006)** identified the 10 Cs of Employee Engagement, namely Connect, Career, Clarity, Convey, Congratulate, Contribute, Control, Collaborate, Credibility & Confidence. **(Wallace et al 2006):.** contributions, connections, growth and advancement. **Britt et al (2001):** predicted employee involvement and commitment as engagement drivers. **Hewitt (2004) :** Say, Stay and Strive., **IES (2005) :** Job satisfaction, feeling valued and involved, equal opportunity, health and safety, length of service, communication and co-operation, **Bhatla (2011):** Organisational culture and organisational communication ,**Xu**

and Thomas Cooper(2010): state that leadership is a key antecedent of engagement. Leadership research shows that certain leadership behaviours have clear association with engagement constructs such as motivation, job satisfaction, organizational commitment, proactive behaviours and organizational citizenship behavior. Trust in leader, support from the leader, and creating a blame-free environment are considered as components of psychological safety, a condition proposed by Kahn, which leads to employee engagement. **Judge and Piccolo (2004), Lee (2005), Erkutlu (2008), Griffin et al (2010)** provide evidence for association between positive leader behaviours and follower attitude and behaviours linked with engagement. A few other studies have attempted to provide direct evidence of association between leadership and employee engagement **(Xu and Thomas Cooper, 2010). Atwater and Brett (2006, as cited in Xu and Thomas Cooper (2010)** identifies three leadership behaviours, namely employee development, consideration and performance-orientation.**Metcalfe and Metcalfe (2008):** present positive correlation between leadership scales and engagement constructs such as job and organizational commitment, motivation and job satisfaction. **Papalexandris and Galanki (2009)** identify two factors which are positively linked with engagement, namely, management and mentoring behaviours such as imparting confidence to followers, power sharing, communication, providing role clarification and articulation of vision which could be characterized as inspirational, visionary, decisive and team-oriented. More importantly, their study found only certain leader behaviours are associated with engagement, especially those enhance follower performance and which enable followers to relate with organizational goals. **May et al (2004), Saks (2006), Bakker et al (2007)** show that higher levels of engagement are observed for employees with their supervisors exhibiting more relationship-related behaviours**). Towers Watson (2009)** : Rational – how well the employee understands roles/responsibilities, Emotional- how much passion employee can bring to work, Motivational- how willing is the employee to invest discretionary effort to perform their role. **Bijaya Kumar Sundaray (2011) :**There are some critical factors which lead to employee engagement. These factors are common to all organisations, regardless of sector. These factors create a feeling of valued and involved among the employees. But the components of feeling valued and involved and the relative strength of each factor are likely to vary depending on the organisation. The factors which influence employee engagement are: Recruitment ,Job Designing , Career Development Opportunities, Leadership, Empowerment , Equal Opportunities and Fair Treatment, Training and Development, Performance Management, Compensation, Health and Safety, Job Satisfaction Communication, Family Friendliness, **Ms. J.Josephine Virginia Sharmila (2013)**: Commitment, Motivation, Loyalty, Trust

It is found that communication is most influencing factor of Employee Engagement. A manager must be able to tell their employees what is expected of them, sympathise with their situation, and publicly recognise individual and team performances. In short, communicating as much as possible about as much as possible. Employees will not be able to help their company to embrace change proactively if they are not made aware of the situation, or the chosen course of action. Next factor is aligning employee efforts with organisational goals i.e., to be clear about the organizations strategic direction, what it means for employees and how it impacts on what they do and how they do it ,providing role clarification like how well the employee understands his/her roles/responsibilities etc

4. CATEGORIES OF EMPLOYEE ENGAGEMENT

Gallup: Actively Disengaged: This is the first category of people who are unhappy and they spread unhappiness in the organisation. They are the disease centres in the company and spread the negative word, provoking and convincing people to leave their jobs. However they are the ones who stay the longest and removing the perceived people competition is their thought of getting to the top or next level in the job. The Three Types of Employees Contrast this with actively disengaged employees, who are more or less out to damage your company. Not only are they unhappy at work, but they are intent on acting out their unhappiness. They monopolize managers' time and drive away customers. Whatever engaged employees do -- such as solve problems, innovate, and create new customers -- actively disengaged employees will work to undermine.

Engaged: The second category of people are those who are can be identified with words like passion, alignment and innovation; which means that they are passionate, connected to the company and are innovative. They contribute new ideas and turn ideas into reality. These employees are positive in their outlook and they spread positivity. They are proactive; can anticipate the future market conditions are prepare well in advance. Engaged workers stand apart from their not-engaged and actively disengaged counterparts because of the discretionary effort they consistently bring to their roles. These employees willingly go the extra mile, work with passion, and feel a profound connection to their company. They are the people who will drive innovation and move your business forward.

Not Engaged: The third type of employees is the large majority present in organisations almost 50% in number. These do what is told only and they like only one instruction at a time. They put in time but not energy and passion. They may be either positive or negative in their outlook and opinion about the organisation. They are not proactive and fail to anticipate what might be required next or what the next step is? They wait for instruction from their superiors. Not-engaged employees offer perhaps the greatest untapped opportunity for businesses to improve their performance and profitability. Not-engaged workers can be difficult to spot. They are not overtly hostile or disruptive and likely do just enough to fulfill their job requirements. They sleepwalk through their day, uninspired and lacking motivation. They have little or no concern about customers, productivity, profitability, safety, or quality. They are thinking about lunch or their next break and have essentially "checked out."

It is seen that engagement degree varies from highly engaged to disengaged. Employees fall into three levels based on their engagement. Highly engaged employees are human assets of the company and has discretionary effort in achieving organizational goals and not only the organizations but also employees also are advantageous of being engaged like safety, wellbeing etc ,Not engaged employees on the other hand are in the mid way where in, if they are continued with same level of engagement there is a possibility of being disengaged , so organization must try to increase the level of engagement from being not engaged to highly engaged and last category of employees are those are disengaged who are harmfull to the organization ,not only they are disengaged but also spread it to other employees.

5. CONCLUSION

So, Employee engagement is an employee's commitment to, involvement with, emotional attachment to, and satisfaction with their work and organization. Employee engagement benefits everyone involved in the business by creating an informed, involved and productive workplace that helps propel business towards its goals. Employee engagement starts with managers showing a clear and collective commitment to making employee engagement part of business culture. This means communicating information on business plans, performance and seeking views and ideas from employees on how to improve business. Engagement differs from employee opinion or satisfaction, which traditionally measures employee perceptions of various aspects of the workplace and employee "happiness" on the job. Employee opinion and satisfaction aren't necessarily linked to any tangible benefit and outcome for an organization.

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RECOGNITION OF INTANGIBLES: A POLICY REVIEW FOR INDIAN COMPANIES

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ABSTRACT
The value attached to intangible assets has increased manifold in the current era of knowledge economy. And the topic of intangibles has still been controversial and source of debate for many years. Various definitions, classifications and measurement methods have been suggested over the past few years in order to provide a better understanding and to promote communication between researchers, management and users of financial information. Given this background the objective of this study is to evaluate and highlight the classification adopted for intangibles by national and international accounting standards and how national and international accounting standards approaches intangibles with regard to their initial and subsequent recognition and measurement thus explaining why some intangible items are not included in the balance sheet of a company. Further, the study reviews the accounting for changes in value of intangible assets provided under national and international accounting standards.

KEYWORDS
intangible assets, Indian companies.

INTRODUCTION
To begin with, we all know that a balance sheet is nothing but a representation of assets and liabilities of a company at any particular point of time. Further we know, assets are expenditures made with intention of earning future economic benefits. And such expenditure is capitalized and shown as assets in a balance sheet.

Assets may be grouped in different ways but the one recommended by the Schedule VI of the companies act, 1956 and the one welcomed and accepted by the regulatory authority of India is the classification of assets into three major categories i.e. tangible assets, financial assets and intangible assets. And this paper focuses on third category of assets i.e. Intangible assets as these are becoming more and more vital to firms (Pankaj Madhani, 2007). And the main reason for the increased emphasis on intangible assets is the transition of economy from being industrial to knowledge-based. In knowledge-based economy, intangible assets comprises a significant percentage of the overall value of businesses. And intangible assets are increasingly considered the ultimate roots of company's success (Baglieri and Grando, 2009).

With the growing value of intangibles, problem of accounting for intangibles has also become an important problem especially for standard setting organizations (K.H Knivsfle, 2000). Traditionally, resources spent on intangibles assets have not been treated as valuable investments (H. Krohn, 2000) and were thus treated as costs. However, capitalizing and then amortizing intangible assets over their useful lives will more properly match costs with future benefits and will also increase the in-formativeness of financial statements (Nils E Joachim and Kjell Henry, 2000).[1]

But since intangibles are difficult to record objectively, the value – relevance of financial statements may be reduced if doubtful or even non – existing assets will be recorded. Therefore, for recognizing intangible assets a trade-off between the relevance and the reliability of intangible asset capitalization affect on in-formativeness of accounting should be determined.

In general, it is said that in order to improve the in-formativeness and hence the value relevance of the financial reports, intangibles, irrespective of their type, should be capitalized and subsequently amortized over their useful lives, provided they meet the asset recognition criteria (Mindy Wolfe, 2009). And if the asset recognition criteria are not met, intangible resources should be expensed in the same period in which they are incurred. Thus, the present study focuses on review of national and international accounting standards with respect to recognition and measurement of intangible assets.

LITERATURE REVIEW
In the above subject, Herve stolowy & Anne Jeny's (1999), examined how national and international accounting standards approach intangibles, both in terms of definition and treatment. Nils E. Joachim, Hoegh Krohn and Kjell Henry Knivsfla (2000), suggests that capitalizing and then amortizing intangible assets over their useful lives will more properly match costs with future benefits, and will increase the in-formativeness of financial statements. Baruch Lev (2003), discussed the accounting problems related to disclosure of internally generated intangible assets. Claire Eckstein (2004), reviewed existing and recently promulgated US, UK and IASC accounting standards relating to intangibles. Lloyd Austin (2007), believe that that even accounting standard setters are aware of the potential information gaps in the reporting of intangible assets both before and after the adoption of IAS 38. Douglas j. Skinner (2007), focused his attention on evaluating the current set of policy proposals for accounting of intangibles. Ragini Chandra (2009), in her comparative study on corporate disclosure practises on intangibles concluded that Indian companies lag behind as compared to the Japanese and US companies through multi regression analysis. Cao Yun-Hang (2009), through his analysis puts emphasis on the nature, classification, recognition and measurement of intangible assets and provides the choice of recognition and measurement. Vinny Munjal and Gauri Sikka (2010), focussed on the fact that it is very much the - unseen, immeasurable, unaccountable, unique advantages a business has that makes it stand out from the rest i.e. the intangible assets. and their valuation. Dr. Pandya Hemal and Ms. Jain Ankita (2015), examined the relationship between the intangible assets and firm's value for the companies in India. The study concludes that there is a positive relationship between the intangible assets of a firm and its value.

RESEARCH METHODOLOGY
This study actually stands on the border between two fields of research, international accounting and classification of intangible assets. Six categories of research into international accounting can be identified, as defined by Walton, Haller and Raffournier (1998):

- analysis of different sets of practices, or country studies;
- investigation of differences, or comparative studies;
- analysis of the reasons for differences;
- classification of different sets of practices;
- evaluation of accounting harmonization;
- investigation of the impact of international accounting diversity.

Our work falls into the scope of a comparative study. The main objective of this study is to examine the approach to intangibles in India and the classification of intangibles in financial statements, and to do so through international comparison. Finally, given the context of global harmonization, it is interesting to observe the points of convergence and divergence between national and international approach to intangible assets.

INFORMATION GATHERING

Information was gathered from the original official documents themselves and from the various past studies.

PROCEDURE

As our objective was to understand the accounting approach applied to intangibles in India and internationally, we grouped the information under three major themes. We looked first at the types of definition for intangibles, then at the recognition criteria for intangibles. Finally, we examined the recommended ways of accounting for changes in the value of intangible assets. At the end, summary of definition,recognition and changes in value of intangibles and accounting treatment for intangibles is given.

RECOGNITION OF INTANGIBLE ASSETS – NATIONAL AND INTERNATIONAL APPROACH

Before discussing about recognition of intangibles it is imperative to discuss 'what actually intangibles mean'???

As the English word 'tangible' has come from the Latin word 'tangere' which means 'to touch', so 'intangible' is something that cannot be touched physically, but most of the time it is understandable or even felt in the heart. From business point of view, "an intangible asset is a claim to future benefits that does not have a physical or financial embodiment." Examples of possible intangible assets include: Brands, computer software, patents, copyrights, motion picture films, customer lists etc. All these intangible assets are very dissimilar in nature but they still have one element in common i.e. they create value for a firm and their size and nature determine a firm's future earning potential in terms of value creation (Pankaj Madhani, 2007).

RECOGNITION AND MEASUREMENT OF INTANGIBLE ASSETS

Despite of various issues involved in recognition and measurement of intangible assets, the criteria for recognition of intangible assets given in accounting standards are in- dissociable from the thinking behind the way they are defined. When the approach applied in defining intangibles turns out to be conceptually weak, the recognition criteria compensate for the gaps left.[2]

[3]Almost in all the countries purchased intangibles are being capitalized by the companies but when comes to internally generated intangibles they do not generally capitalize the intangibles. However, this is the general trend throughout the world and in the present study we are more concerned about Indian companies. Therefore, here is the review of Indian standards and the International standards in detail with regard to intangible accounting which can help to give a better vision to companies in India and know their state at international level. Intangibles accounting is regulated by International Accounting Standard – IAS 38, globally and in India it is regulated by Accounting Standard – AS 26. Here is the review and comparison of both i.e. IAS 38 and AS 26.

INITIAL RECOGNITION AND MEASUREMENT

A. INTERNATIONAL ACCOUNTING STANDARD – 38 (IAS – 38)

The standard defines an intangible asset as "an identifiable non-monetary asset without physical substance". Identifiable means that the asset is either separable i.e. it can be sold apart from the firm's other assets or it arises from contractual or other legal rights.

IAS 38 applies to all intangible assets other than to the financial assets; to exploration and evaluation assets (comes under extractive industries); to expenditure on the development and extraction of minerals, oil, natural gas and similar resources; to intangible assets arising from insurance contracts and to those intangible assets which are covered by other IFRS (such as intangible held for sale, lease assets and goodwill, as goodwill is covered by IFRS 3).

A.1 RECOGNITION CRITERIA

IAS 38 requires an entity to recognize an intangible asset, obtained in any way, at cost if and only if – the asset is identifiable, it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. But if an intangible item does not meet both the definition and the criteria for recognition as an intangible asset, then IAS 38 requires that the expenditure on intangibles should be recognized as an expense when it is incurred. The standard also prohibits an entity from subsequently reinstating at a later date, any expenditure as an intangible asset that was originally charged to expense.

IAS 38 provides that intangibles can be obtained by the firm:

1. Internally -
   By self-creation, that is internally generated by the firm
2. Externally -
   By separate purchase;
   By an exchange of assets; and
   As part of a business combination

1) INTERNALLY GENERATED INTANGIBLE ASSETS

The rules to recognize internally generated intangible assets are much more stringent. Following the approach of the earlier research and development standards, costs on internally generated assets is considered over time. Only when specific criteria have been met, the expenditure can be accumulated as an asset. The standard prescribes two phases of expenditure:

The research phase;
The development phase

Research is "original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding". Examples include the search for new knowledge or for alternatives for materials, devices, products or processes etc. Such costs are considered as too distant from and unconnected with probable future benefits to comprise assets and must be expensed.

At some point the costs may enter the development phase and can then be capitalized as assets in the balance sheet. To meet the capitalization criteria the entity must show that:

1. It is technically feasible to complete the intangible asset, to either use or sell it.
2. They will be able to use or sell the intangible asset.
3. The intangible asset is able to produce future benefits. If it is to be sold, the existence of a market must be established. If kept, it usefulness must be demonstrated.
4. They have the technical, financial and other resources to complete the asset.
5. The costs in the development phase are able to be measured reliably.

However, any expenditure made on the asset before the criteria are satisfied cannot be recognized as part of the asset's cost and must remain expensed in the period they were incurred. Thus the expenditures which are recognized for an internally generated intangible asset may not comprise its entire cost.

2) EXTERNALLY ACQUIRED INTANGIBLE ASSETS

2.1 ACQUISITION BY SEPARATE PURCHASE

Where intangible assets are separately purchased, the probability of generating future benefits is always considered to be satisfied, the argument being that rational firms would only outlay the costs if they were reasonably certain to obtain the future benefits. Such assets should be recognized in the balance sheet, initially at their cost price. In certain restrictive circumstances, they may be re-valued later.

2.2 ACQUISITION BY EXCHANGE OF ASSETS

Intangibles arising from an exchange of assets are treated similarly to asset purchases and are usually recognized at the fair value of the intangible asset acquired or the asset exchanged whichever is the more clearly determined.

2.3 ACQUISITION AS A PART OF BUSINESS COMBINATION

The restrictions on the recording of internally generated intangible assets apply at the individual company level, but when the assets of a firm are part of a "business combination" the rules change. The significance of this process is that IAS 38 allows intangibles, which may not have passed the recognition test at the individual subsidiary company level (and are therefore excluded in the subsidiary's accounts), to be recognized when the assets of the subsidiary are added to those of the parent to form the consolidated balance sheet. The previously unrecognized intangibles are treated similarly to purchased or externally acquired intangibles.

If the fair value of the separable intangible assets can be reliably measured, they can be recognized in the consolidated balance sheet. Otherwise they are recognized in goodwill. The recognition of the separable intangible assets at their fair value would appear to contradict the IAS 38 requirement to initially record intangible assets at cost. However, the presumption is that, as the company was acquired by the parent at the market price, the intangibles were purchased at fair value as well.

B. ACCOUNTING STANDARD – 26 (AS – 26)

The standard is parallel and similar to IAS 38 and it defines an intangible asset as an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Accounting Standard (AS) 26 – 'Intangible Assets', issued by the council of the Institute of Chartered Accountants of India (ICAI), comes into effect in respect of expenditure incurred on intangible items on almost all enterprises from 01-Apr-2003 and comes into effect from 01-Apr-2004 for any leftover enterprises and is mandatory in nature from that date.

B.1 RECOGNITION CRITERIA

The standard is parallel with IAS 38 in setting up the recognition criteria also. An enterprise to recognize any item as an intangible asset requires to demonstrate that the item meets the definition (as stated in above paragraph) of an intangible asset and if the cost of that asset can be measured reliably and if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise. This is applicable to all intangible assets whether it is obtained externally or it is generated internally by the enterprise itself.

Further, we will discuss the recognition criteria for both the categories of intangibles in detail i.e. internally generated and externally acquired intangible assets:

1. INTERNALLY GENERATED INTANGIBLE ASSETS

To assess the internally generated intangible assets, in addition to complying with the general requirements for the recognition and the initial measurement of an intangible asset, an enterprise is required to classify the generation of the asset into:

- A research phase; and
- A development phase.

Research Phase – The intangible asset arising from research or from the research phase of an internal project should not be recognized as asset. Thus, expenditure on research should be recognized as an expense when it is incurred. It is because in the research phase of a project, an enterprise cannot demonstrate that an intangible asset exists from which future economic benefits are probable.

Development Phase – The intangible asset arising from the development or from the development phase of an internal project should be recognized if and only if an enterprise can demonstrate that

- It is technically feasible to complete that intangible asset so that it will be available for use or sale;
- The enterprise has the intention and ability to complete the intangible asset and use or sell it;
- The enterprise has the ability to measure the expenditure attributable to the intangible asset during the development reliably;
- The intangible asset will generate probable future economic benefits to the enterprise;
- The enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself, if it is to be sold or if it is to be used internally, then the usefulness of the intangible asset.[4]

Therefore, if an enterprise successfully demonstrates the above mentioned things then, it can identify and recognize an item as an intangible asset in the balance sheet at cost. The cost for this purpose is the sum of expenditure incurred on internally generated intangible asset from the time when it first meets the recognition criteria.

2. EXTERNALLY ACQUIRED INTANGIBLE ASSETS

2.1 ACQUISITION BY SEPARATE PURCHASE

If an intangible asset is acquired separately, then there is no question of its identifiability and certainly its cost can be measured reliably. Such intangible assets are recognized in balance sheet at cost which comprises of its purchase price, any import duties and other taxes paid by the enterprise, and any other expenditure that is directly attributable in making the asset ready for its intended use.

And if an intangible asset is acquired in exchange for shares or other securities of the reporting enterprise, then such asset is recorded at its fair value or the fair value of the securities issued, whichever is more clearly evident.

2.2 ACQUISITION BY EXCHANGE OF ASSETS

An intangible asset may be acquired by an enterprise in exchange or part exchange for another asset. In such case also, the intangible asset will be recorded at cost and the cost of the intangible asset so acquired in exchange is determined in accordance with the principles laid down in this regard in Accounting Standard 10 – Accounting for Fixed Assets, which says when a fixed asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given.

2.3 ACQUISITION AS A PART OF AMALGAMATION

An intangible asset acquired in an amalgamation in the nature of purchase is accounted for in accordance with Accounting Standard 14 – Accounting for Amalgamation. The transferee company recognizes an intangible asset that meets the recognition criteria (as already stated), even if any intangible asset had not been recognized in the financial statements of the transferor, at the cost i.e. fair value of that asset if it can be measured reliably and if it's fair value cannot be measured reliably than that asset is not recognized as a separate intangible asset but is included in goodwill.

2.4 ACQUISITION BY WAY OF GOVERNMENT GRANT

In some cases, an intangible asset may also be acquired free of charge or for nominal consideration, by way of a government grant. This may occur when a government transfers or allocates intangible assets to an enterprise such as airport landing rights, licenses to operate radio or television stations etc. For such assets, the standard says that recording should be done in accordance with the principles laid down in Accounting Standard 12 – Accounting for Government Grants.

And AS 12 requires that if a government grant in the form of non-monetary assets i.e. intangible assets, is given free of charge, it should be recorded at a nominal value and if it is given at a concessional rate, it should be accounted for on the basis of its acquisition cost.

SUBSEQUENT MEASUREMENT AND RECORDING

A. INTERNATIONAL ACCOUNTING STANDARD – 38 (IAS – 38)

A.1 SUBSEQUENT EXPENDITURE ON EXISTING INTANGIBLE ASSETS

Subsequent expenditure, on an intangible asset shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.

A.2 SUBSEQUENT MEASUREMENT OF INTANGIBLES

For subsequent measurement, an entity must choose either the cost model or the revaluation model for each class of intangible asset. But if an intangible asset is accounted for by using the revaluation model, all the other assets in its class shall also be accounted for by using the same model.

1. SUBSEQUENT MEASUREMENT UNDER COST MODEL – After initial recognition, upon subsequent measurement of intangible assets under cost model, assets should be carried at cost less accumulated amortization and impairment losses if any.

Carrying Amount = Cost – (Accumulated Depreciation + Impairment Loss) (Eq.- 01)[5]

Carrying Amount – Amount at which intangible asset is now to be recorded;
Cost – Cost at which intangible asset was initially measured;
Accumulated Depreciation – Cumulative depreciation up to current period;
Impairment Loss – Amount by which recorded value of intangible asset exceeds its realizable amount.

2. SUBSEQUENT MEASUREMENT UNDER REVALUATION MODEL – Revalued amount is asset's fair value less any subsequent amortization and impairment losses and vice-versa. But for intangibles, to qualify for revaluation, IAS 38 imposes an extra requirement which does not apply to tangible assets, that is the fair value must be obtained with reference to an active market for that asset.

Carrying Amount = Fair Value – (Accumulated Depreciation + Impairment Loss) (Eq. - 02)

Carrying Amount, Accumulated Profit & Impairment loss as stated in Eq. -01;
Fair Value – The amount at which the asset can be exchanged between knowledgeable and willing parties in an arm's length transaction;

But as active markets for intangible assets are uncommon, thus revaluations are also expected to be uncommon. Further, revaluations must be made with such regularity that at the end of the reporting period, the carrying amount of the intangible asset does not differ materially from its fair value.

As a result of revaluation, if an intangible asset's carrying amount is increased, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. On the other hand, the decrease in intangible asset's carrying amount shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset.

3. CALCULATION OF AMORTIZATION AND IMPAIRMENT - For calculating amortization or impairment either under cost model or revaluation model, IAS 38 requires an entity to assess the useful life of its intangible assets into those with finite and those with indefinite lives.

An intangible asset shall be regarded to have indefinite life when, based on analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. On the contrary, if the asset is expected to generate economic benefits for a limited period to the entity, then it shall be regarded to have finite life.

Further, in case of intangible assets having finite life, the entity shall assess the length of its useful life or number of production or similar units constituting that useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or such other legal rights. In addition, IAS 38 imposes a rebuttable presumption that the maximum amortization period is 20 years.

3.1 CALCULATION OF AMORTIZATION FOR INTANGIBLE ASSETS HAVING FINITE USEFUL LIVES

The amortization/depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life or a period of 20 years whichever is shorter.

Depreciation = Cost of Asset – Residual Value of Asset

3.2 CALCULATION OF AMORTIZATION FOR INTANGIBLE ASSETS HAVING INDEFINITE USEFUL LIVES

IAS 38, an intangible asset with an indefinite useful life shall not be amortized rather an entity is required to test an intangible asset with an indefinite useful life for impairment in accordance with the principles of IAS 36 – Impairment of Assets, by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

Impairment Loss = Carrying Amount – Recoverable Amount

In case, recoverable amount is more than the carrying amount then it will be accounted for as impairment profit.

And the useful life of an intangible asset that is not being amortized shall be reviewed each reporting period i.e. each financial year to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not support, then such change in the useful life assessment from indefinite to finite shall be accounted for.

A.3 RETIREMENTS AND DISPOSALS

An intangible asset shall be de-recognized on disposals or when no future economic benefits are expected from its use or disposal. And such gain or loss arising from the de-recognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in profit or loss when the asset is de-recognized.[6]

B. ACCOUNTING STANDARD – 26 (AS - 26)

B.1 SUBSEQUENT EXPENDITURE ON EXISTING INTANGIBLE ASSETS

Subsequent expenditure on an intangible asset after its purchase or its completion (in case of internally generated intangible asset) should be recognized as an expense when it is incurred unless:

- It is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and
- The expenditure can be measured and attributed to the asset reliably.

If these two conditions are met, then the subsequent expenditure should be added to the cost of the intangible asset. But subsequent expenditure on a recognized intangible asset is recognized as an expense if such expenditure is required to maintain the asset at its originally assessed standard of performance (AS 26).

B.2 SUBSEQUENT MEASUREMENT OF INTANGIBLES

As per AS 26, after the initial recognition, an intangible asset should be carried at its cost less any accumulated amortization and any accumulated impairment losses.

Carrying Amount = Cost – (Accumulated Depreciation + Impairment Loss)

This standard adopts a presumption that the useful life of intangible assets is unlikely to exceed ten years. Here AS 26 is slightly different from IAS 38 as it does not classifies intangible assets into those having finite lives and those having indefinite lives for calculating accumulated depreciation and so for the method of their subsequent measurement.

CALCULATION OF AMORTIZATION

As the future economic benefits embodied in an intangible asset are consumed over time, the carrying amount of the asset is reduced to reflect that consumption. This is achieved in the way of charging amortization or depreciation,

Depreciation = Cost of Asset – Residual Value of Asset

And such depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life (to the maximum of ten years due to the rebuttable presumption in this regard) from the date when the asset is available for use.

B.3 RETIREMENTS AND DISPOSALS

An intangible asset should be de-recognized i.e. eliminated from the balance sheet on disposal or when no future economic benefits are expected from its use and subsequent disposal. The gains or losses arising from the retirement or disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognized as income or expense in the statement of profit or loss.

CONCLUSION

It is concluded that the value attached to intangible assets has increased manifold in the current era of knowledge economy. And the topic of intangibles has still been controversial and source of debate for many years. Various definitions, classifications and measurement methods have been suggested over the past few years in order to provide a better understanding and to promote communication between researchers, management and users of financial information. Given this background the objective of this study is to evaluate and highlight the classification adopted for intangibles by national and international accounting standards and how national and international accounting standards approaches intangibles with regard to their initial and subsequent recognition and measurement thus explaining why some intangible items are not included in the balance sheet of a company. Further, the study reviews the accounting for changes in value of intangible assets provided under national and international accounting standards.

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