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INVESTIGATING THE IMPACT OF TAIWAN'S REAL ESTATE BOOM TO THE BANK'S FINANCIAL PERFORMANCE

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ABSTRACT

This paper mainly discusses the persistent impact to the bank's financial performance caused by Taiwan ruling authorities' policy in inhibiting housing prices. By vertical and horizontal data we observe the changes in bank's financial panel data smooth transition regression(PSTR) model. First, the sustained financial performance expressing nonlinear smooth transition results is supported, and the threshold values at the transition variables regarding the scores of comprehensive trend in housing prices and the rate of the loan burden are determined. Secondly, it is proved that government should be gentle in implementing policy to curb housing prices. If lowering housing prices rapidly, it will cause financial performance of banks with a low degree of continuity; that is: financial performance of banks will entirely affected by exogenous circumstances, and present an unstable state.

KEYWORDS

Housing Prices Comprehensive Trend Scores, Loan Burden Rate, PSTR, Threshold Values, Transition Variables.

1. INTRODUCTION

Sound banking system can promote the country's economic growth and development (Levine, 1997; Jindal and Garg 2013). Except to provide social capital as an intermediary bridge, banking sector plays a key role for more stable economic development. In recent global financial crisis, the banking system in each country suffered, and cause great and far-reaching impact to economic development, all this unpleasant fact was highlighted and triggered by the corruption of real estate lending system. But seeking profits is always the business objective for banks, and profitability of the bank is the capability indicator, indicating whether banks are operating profitable after against bad debt losses and able to prevent the erosion of capital. Therefore, it becomes more and more important to the relevant authorities of every country, investors and management of banking sector about how to grasp the situation in terms of overall changes in banking system operating profit.

Bank makes profit through the converting process of selling liabilities (deposits) and purchasing assets (loans) (Mishkin, 2001). Bank absorbs depositors' deposit as the main source of its funds, and is termed as the entrusted business; and then grants the absorbed funds as loans to those who need funds, and is termed the credit business. Due to the specialty in nature and public-interest in purpose for the banking sector, in pursuit of profit, banks must maintain adequate liquidity to cope with customer demand for withdrawals and loans, as well as to ensure the safety and avoid losses, because most of the funds used by the banks are deposits from the community. Despite the requirements imposed on the bank's management in cooperation and under the supervision of government policy, banks are still considering continuing to create earnings, but considerable differences exist, compared with the general business solely seeking in maximizing its profits. Therefore, the study of changes in the profitability and earning sustainability are necessary surplus for the banking sector decision-makers.

There are many reasons that affect the sustainability of bank's earnings. In addition to the ruling authorities' policy factors, researchers also find the cyclical recession cycle of real estate sector and loan repayment capacity chattel directly affect the financial performance of the banking sector. For example, in their study, Arshadi and Lawrence (1987) found that the main factors affecting the profitability of banks are operating costs, deposit growth rate, lending decisions, and deposit interest rates; and a significant correlation exists between interest income and return on assets. Oikarinen (2009) reported there is a strong two-way interaction between housing prices and stocks of mortgage banking loans. When the housing market is booming, the time to process mortgage loans will be increased, and when is slumping, the time to process mortgage loans will be reduced, all of which will inhibit the number of bank's lending, reduce bank profit margins. Guynn (2010) argued the analysis of the relationship between bank's financial performance and housing loans is very important, because the operating risk of banks often comes from excessive real estate loans, and thus the fluctuations of both real estate loans and housing prices are the major factors in dealing with the crisis in the banking business. Based on Regret Theory, Wong (2011) deduced that there is a positive relationship between bank spreads and default loss, but insignificant relationship between bank spread and probability of default, resulting in adversely affect and change to bank profitability and stability. In his study, Hott (2011) found that banks are often the victims of the housing crisis: when real estate prices are up, banking sector can make a higher than average level of profits; on the contrary, when real estate prices are down, banking sector suffer a higher operating loss. Tsai (2013) used the Cobb-Douglas utility function to explain that there exist a positive replacement effect in bank spread, and also proved that bank spread is the main factor influencing the profitability of bank sector. Peni et al (2013) described those banks with higher governance mechanisms can reduce losses from the real estate loans and possess a higher profitability. The empirical results offered by Barth et al (2013) show that the operating efficiency of banks is highly correlated with government fiscal and monetary policy transparency, and banking supervision based on market demand, but the government's strict restrictions on the mode of bank's operation will bring adverse effect to operating efficiency of banks. Kalidoss and Ravikumar (2014) described houses as an integral part of the family, and therefore government authorities continually offer new mortgage incentives, in order meet the house demand from both urban and rural population.

In order to safeguard the rights of the people to live, government authorities often make use of public power to suppress housing prices or offer a variety of mortgage incentives, and these policies tend to affect bank profitability and sustainability of financial performance. The objects of previous studies mostly concentrated in major advanced countries, such as US and European countries, but the small economies of regional countries were rarely covered. The object of this study is in Taiwan, because Taiwan is a small and open economy, and can provide comparative literature at the reference. In recent years, Taiwan's ruling authorities utilize both monetary and fiscal measures to curb the rapid surge of housing prices, in order to response to the grievances from many people. Regarding the monetary policy, due to the tremendous impact of adjusting lending rates, and had better not to rush in implementing it, in 2010 Taiwan began to implement a regional selective credit controls[1]. Regarding the fiscal policy, in 2011, Taiwan began to implement a special sales tax[2], in order to reduce the room for pushing up housing prices by speculators and to maintain the stability of the real estate market price. Although the real estate prices will be curbed through reducing market demand by the policies mentioned above, bank's profitability in real estate loans is also bound to be affected. Therefore, this paper try to study the sustainability of bank's financial performance in Taiwan, by using the housing prices comprehensive trend scores[3] as a surrogate variable to the fiscal policies to curb housing prices, and loan burden rate[4] a surrogate variable to the monetary policies. By utilizing all these transition variables, the extent of the impact of government policies affecting bank's profits can be further analyzed, and the study results ban be used as references for policy adjustment by the ruling authorities.

In reviewing the existing literature, the empirical results obtained are often derived only from internal data such as bank costs and breach of contract, as well as from external message such as overall economic variables, in order to analyze the influencing factors that trigger changes in the bank's financial performance. But how the government's real estate policies will change bank's profitability cannot be fully captured by this line of study. Therefore this study employs the research model that is different from those used in previous literature. Through the empirical research in the time-lag sustainability of bank's financial performance, the research model with the analytical capability to trace the policy direction can be established. With this model, the banking sector can truly understand the degree of impact they face, in order to take more effective measures to response.

The remaining sections of this paper are as follows: Section 2 describes the research methods and empirical models. Among them, the overall trend scores of housing prices and loan burden rate are used as the transition variables, as the substitutions for government's fiscal and monetary policies. Section 3 describes the empirical results about the connections between the financial sustainability of banking sector in Taiwan and government's policies. Section 4 summarizes and makes conclusions.

2. RESEARCH METHODS

In this paper, by referring to the panel smooth transition regression model proposed by González et al. (2004, 2005), the optimal time-lag ROA (Return On Assets) is used as explanatory variables, and both housing prices overall trend scores and loan burden rate are used as the transition variables, in order to investigate the sustainability of bank's financial performance, as well as the correlation between bank's financial performance and these transition variables, especially whether these transition variables deliver nonlinear aspect of smooth transfer effect to bank performance. Therefore, an empirical model is established as follows:

$$ROA_{it} = \mu_i + \sum_{j=1}^{n} \alpha_j ROA_{it-j} + \sum_{j=1}^{n} \beta_j ROA_{it-j} F\left(q_t;\gamma,c_j\right) + \varepsilon_{it} \qquad (1)$$

ROA_{it} represents return on assets of each individual bank; ROA_{it-j} is the optimal time-lag ROA by using time-step regression to filter; μ_i is the fixed effect of explanatory variables, describing the heterogeneity of explanatory variables under different conditions; ε_{it} for the error term, and $F\left(q_t;\gamma,c_j\right)$ for the transition function, where q_t is the transition variables, γ the speed of transition, c the transition threshold, and $F(\bullet)$ Function a continuous function. In the calculation process regarding PSTR model, the three steps testing about non-linear calibration, parameters conformance test, and heterogeneity test will be conducted, in order to carry out the model examination and testing.

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[1] Selective credit control is one of the central bank's monetary policy tools. It means tools to manage a particular bank credit flows and traffic. The central bank may take selective credit controls, including five categories: securities margin ratio control (for various types of loans related to securities transactions , the Central Bank may control the percentage of loans and provisions turnover), consumer credit regulation (referring to the Central Bank appropriately restricts installment credit payment), real estate credit control (referring to the Central Bank set up the loan ceiling that bank can give to the buyers in new residential or commercial housing purchases), import credit control (referring to limit funding imported, to maintain the balance of international payments), and interest rate controls (referring to set up different lending interest rates for different industries, in order to guide the funds to transfer different investment direction. In June 24, 2010, Central Bank in Taiwan implemented the selective credit control, and Taipei City and 10 small cities under New Taipei City (Panchiao City, Sanchong, Chungho, Yungho, Hsinchuang City, Sindian, Tucheng City, Luzhou City, Shulin City, Hsichih City) were selected. In these areas, the family households already have a house, when buying a second house, the amount of mortgage loan is limited to 70% of the house purchase price, no grace period is granted, and not be permitted to increase the amount of other loans. In December 30, 2010, another three cities under New Taipei City called Sanhsieh, Linkou and Tanshui were included in the selective credit control areas, and the limit of mortgage loans to second house was cut from 70% to 60%. In June 27, 2014, another four administrative regions (Wugu District, Taishan District, Bali District and Yingge District) under New Taipei City, and four administrative regions (Taoyuan City, Luzhu City, Chungli City and Kameyama Township) under Taoyuan County were included in selective credit control areas. In addition, the limit of mortgage loan to the third is limited to 50% island-wide. The criteria in evaluating house with high-level-price is adjusted, and limit of mortgage loan is reduced 50%, so as corporate account in purchase of residential loans is also limited to 50%.

[2] In June 1, 2011 the Taxation Bureau of Ministry of Finance announced the new rule that for those selling their houses with the holding period shorter than one year, a 15% special sale tax will be levied based on the actual transaction price; if the holding period is between one to two years, the tax rate is reduced to 10 %.

[3] This score is compiled by referring to "Taiwan's consumer confidence score" compiled by Economic Development Research Center of the Central University in Taiwan, and "consumer confidence score" compiled by US Economic Conference Bureau. With the middle of the house-buyers' tendency as the index reference point (100), various weight-points will be given to house-buyers on the judging housing price up or down. The score is between 0-200 points.

[4] This rate is compiled by referring to "Taiwan's consumer confidence score" compiled by Economic Development Research Center of the Central University in Taiwan, and "consumer confidence score" compiled by US Economic Conference Bureau. With the middle of the house-buyers' tendency as the index reference point (100), various weight-points will be given to house-buyers on the judging housing price up or down. The score is between 0-200 points.

Before 3nd quarter of 2012, the estimate values of buildings collateral made by the Foundation of Joint Credit Rating Center are used. Since the third quarter of 2012, the data such as the real estate deal prices reported, the database of the personal comprehensive income tax return compiled by Taxation Information Center of the Ministry of Finance, interest rates of new housing loans reported by five major local banks and announced by Central Bank, are used. The limit of housing loan rate is 70%, 20-year amortization of principal and interest, and then the housing loan burden rate is calculated by dividing the median of monthly amortization of principal and interest with the median of monthly household disposal income.

The jumping processes in the threshold model proposed by Hansen (1999) are modified by González et al. (2004, 2005) into smooth transition processes. This model adds a transition function, mainly describing in the vicinity of the threshold values that generate smoothing interval transition processes, and its Logistic function model can be depicted as follows:

$$F\left(q_t;\gamma,c_j\right)=\left[1+esp\left(-\gamma\prod_{j=1}^{m}(q_t-c_j)\right)\right]^{-1} \quad with \quad \gamma>0 \quad and \quad c_1\le\ldots\le c_m \qquad (2)$$

In the above formula, $c=(c_1,\ldots c_m)'$ is the location parameter for the "m spatial vector". Whether m = 1, 2, 3, γ is the value always affects the slope of function. When $\gamma\to\infty$,the graphics of function $F(\bullet)$ will become steeper, and its significance approximates structural change in a single point of time, showing leap phenomenon. When $\gamma\to 0$,function $F(\bullet)$ is approximately as linear function, and its structural change is not obvious, and the value of function $F(\bullet)$ is between 0 and 1.

As to a transition function, it is usually to set m = 1 or m = 2. When m = 1, it becomes the logistic model. If the data areas are divided into two sections, when q = c, then $F(\bullet)$ =0.5; when q is positive infinity, then $F(\bullet)$ = 1; when q is negative infinity, then $F(\bullet)$ = 0. When m = 2, it becomes the exponential model. If we assume $c_1\le c_2$ and γ approaches infinity, the transition function with different transition rate, can be divided into three sections.

3. EMPIRICAL RESULTS

3.1 SELECTION OF VARIABLES

The return on assets (ROA) based on earnings before interest, tax, depreciation and amortization (EBITDA) of 14 listed financial holding companies in Taiwan are employed as the explained variables. These 14 listed financial holding companies include Hua Nan Financial Holdings, Fubon Financial Holdings, Cathay Financial Holdings, China Development Holdings, E.SUN Financial Holdings, Yuanta Financial Holdings, Mega Financial Holdings, Taishin Financial Holdings, Shin Kong Financial Holdings, Waterland Financial Holdings, SinoPac Financial Holdings, CTBC Financial Holdings, First Financial Holdings, and Jih Sun Financial Holdings. The research period is from the first quarter of 2008 to the third quarter of 2014, data sources are from the Banking Bureau under the Financial Supervisory Commission in Taiwan.

Explanatory variables are the optimal time-lag variables of the explained variables, and are filtered through the step-wise panel regression model by using one to six period time-lag data of the explained variables. The empirical results are shown in Table 1, and time-lag period 1, 2, 4, 5 are evidenced as with the most explanatory power, and regarded as the appropriate explanatory variables.

In addition, in this paper the housing prices comprehensive trend scores and loan burden rates are selected as surrogate variables to measure the effectiveness of the fiscal policies to curb housing prices taken by government authorities, and are also used as the transition variables in this study structure, in order to analyze the sustainability of bank's financial operating performance under the policies to curb housing prices mentioned above, as well as the existence of a smooth transition of bank's financial performance scenarios.

TABLE 1: PANEL STEPWISE REGRESSION

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA(-1)	0.5311	0.0556	9.5554	0.0000
ROA(-4)	0.4762	0.0483	9.8562	0.0000
C	0.2017	0.0367	5.4930	0.0000
ROA(-5)	-0.1964	0.0530	-3.6994	0.0003
ROA(-2)	-0.0989	0.0472	-2.0919	0.0373

3.2 PANEL UNIT ROOT TESTS

Because continuous time series data can be used to explore the relationship between the current period and past periods, the results are used to predict future efficiency trend, and thus can be provided to decision makers for their use before making decisions. But the data structure must be stable and steady-state, in the long term the errors in every period will be off-set each other, and the expected value becomes zero, in order to avoid bias results. Therefore, it must be tested before the study whether the variables used are in a given state. In this paper, in order to strengthen the precision of examination, four different panel unit-root test will be employed. From the empirical results shown in Table 2, all variables are under the level, and mean that at least three or more unit-root tests are passed. It can be inferred that for each variable there is no divergent circumstances, with steady-state convergence properties. Then the PSTR model proposed by González et al. (2004, 2005) is applied by using housing prices comprehensive trend scores and loan burden rate respectively as transition variables, in order to analyze the nonlinear effects of persist changes between ROA of the 14 financial holding companies and their optimal time-lag variables.

TABLE 2: PANEL UNIT-ROOT TESTS

Variable	L.L.C.	I.P.S	ADF	PP
ROA	-8.7141*** [0.0000]	-8.2351*** [0.0000]	122.5620*** [0.0000]	119.9620*** [0.0000]
Housing prices comprehensive trend scores	-1.1952 [0.1160]	-5.2246*** [0.0000]	73.9698*** [0.0000]	62.8341*** [0.0002]
Loan burden rates	-8.8526*** [0.0000]	-8.4232*** [0.0000]	115.3510*** [0.0000]	37.3134 [0.1121]

Notes:

1. [ ]represents the p value of Unit-Root Test under normal situation.
2. the null hypothesis of every Unit-Root Test is all with Unit-Root.
3. Levin,Lin and Chu(2002)L.L.C Unit-Root Test . Im, Pesaran and Shin(2003)I.P.S Unit-Root Test. Said and Dickey (1984) augmented Dickey-Fuller (ADF) Test. Phillips and Perron (1988) P.P Unit-Root Test.
4. *,**, and *** denote significance at 10%, 5% and 1% levels, respectively.

3.3 LM TEST FOR REMAINING NONLINEARITY

In PSTR test, we first utilize three different ways to test whether the nonlinear relationship exists. When the null hypothesis is rejected, it indicates the presence of non-linear relationship between the variables, and has a threshold value. We try at different intervals state, and continue to increase the number of tests until the existence is reached when the increase in the threshold value is rejected. From the test results shown in Table 3, the linear detections clearly reject the null hypothesis regarding the linear relationship between the variables. The explanatory model with different threshold values in different intervals is established, when using housing prices comprehensive trend scores and mortgage loan burden rates as the transition variables, and the test results are no remaining nonlinearity.

TABLE 3: LM TEST FOR REMAINING NONLINEARITY

Transition variable		Housing prices comprehensive trend scores				Mortgage loan burden rates			
Number of Location Parameters		*m*=1		*m*=2		*m*=1		*m*=2	
H_0: r=0 , H_1: r=1	LM	49.140	(0.000)	94.873	(0.000)	36.615	(0.000)	46.640	(0.000)
	LMF	13.448	(0.000)	14.912	(0.000)	9.697	(0.000)	6.303	(0.000)
	LRT	52.641	(0.000)	109.242	(0.000)	38.675	(0.000)	50.054	(0.000)
H_0: r=1 , H_1: r=2	LM	108.689	(0.000)	24.061	(0.002)	12.209	(0.016	(-)	
	LMF	35.515	(0.000)	2.957	(0.003)	2.928	(0.021)	(-)	
	LRT	128.152	(0.000)	24.861	(0.002)	12.427	(0.014)	(-)	
H_0: r=2, H_1: r=3	LM	5.568	(0.234)	(-)		5.622	(0.229)	(-)	
	LMF	1.301	(0.269)	(-)		1.306	(0.268)	(-)	
	LRT	5.610	(0.230)	(-)		5.667	(0.225)	(-)	

Notes:(-):One of the estimated threshold values $\hat{c}$ located outside the sample range of housing prices comprehensive trend score or mortgage loan burden rate .m represents the number of intervals exist. R represents the number of threshold value.

In the model with the housing prices comprehensive trend score as the transition variable, there are three results: m = 1, r = 1; m = 1, r = 2; m = 2, r = 1. However, there are only two results: m = 1, r = 1 and m = 1, r = 2, when with the mortgage loan burden rates as the transition variable. Followed by AIC (Akaike information criterion) and BIC (Bayesian information criterion) the optimal model is determined. From the comparing the results shown in Table 4, we select m = 1, r = 1 as the optimal in the two models.

TABLE 4: DETERMINATION OF THE NUMBER OF LOCATION PARAMETERS

Transition variable	Mortgage loan burden rates			Housing prices comprehensive trend scores	
Number of Location Parameters	*m*=1	*m*=1	*m*=2	*m*=1	*m*=1
Optimal Number of Thresholds *r* *(*m*)	1	2	1	1	2
Residual Sum of Squares	34.2106	35.2173	51.3178	42.2702	42.3168
AIC	-2.2717	-2.2829	-1.9144	-1.9726	-2.0150
BIC	-2.105	-2.1684	-1.8103	-1.7963	-1.8938

In the empirical study by using the housing prices comprehensive trend scores as the transition variable, it is found that the one-period-lag explanatory variable ROA, within two intervals are very significant positive relationship. It represents that high persistence effect exists for one-period-lag in different intervals, but when the time-lag period is two periods and five periods for explanatory variable ROA, significant negative relationship exists, and this mean recover adjustments need to be done, in order to cope with the sustained negative rate of return (Chen, 2013). Therefore, under the impact of housing prices comprehensive trend scores, the bank's ROA will be adjusted in every 2 and 5 quarters, due to time effects in every 2 and 5 quarters. But when the explanatory variable ROA is two-period-lag and four-period-lag, the significant relationship is only found in a single interval, representing different sections have different effects.

When using mortgage loan burden rates are the transition variable, explanatory variable is found to be significant positive or negative relationship only in a single interval, indicating different deferred persistence effects produced for every time-lag ROA, according to threshold values of the transition variable in different time intervals.

TABLE 5: PARAMETER ESTIMATES FOR THE FINAL PSTR MODELS

Transition variable	Housing prices comprehensive trend scores		Mortgage loan burden rates	
r* (m)	(1,1)		(1,1)	
Variables	Coefficient estimate	t-statistic	Coefficient estimate	t-statistic
α_1	0.2041***	2.9765	0.4712***	3.0317
α_2	-0.0938	-1.6319	-0.3201*	-1.9030
α_3	0.2673***	3.2802	-0.1163	-0.9380
α_4	-0.1413**	-2.2320	0.0021	0.0286
β_1	0.9601***	7.5167	0.0609	0.2601
β_2	-0.1626*	-1.6532	0.1637	0.8874
β_3	0.1104	0.7577	0.6262***	4.5039
β_4	-0.547***	-3.9433	-0.4462***	-2.7381
C	124.4871		28.5110	
γ	91.1553		7.7215	
Sustainability	0.5972		0.4415	

Notes:

1. C represents the threshold value of transition variable; γ represents transition speed; α represents the first interval; β represents the second interval.
2. *** on behalf of one percent; ** representative 5%; * represents 10% of the significant level.

Mody and Yilmaz (1997) explained that sustainability is improved through the slow adjustments for short-term demand fluctuations. The typical situation is sustained for several quarters, and 99% of the sustainability estimated value is between 0-1. Clark (2013) pointed out that sustainability is obtained by estimating the dynamic marginal effects. This paper aims to study the financial sustainability of the bank's financial performance in Taiwan. Firstly, when using the housing prices comprehensive trend scores as the transition variable, explanatory variable is with significant effects in two intervals, and the threshold values can be divided into low-threshold interval (c≤124.4871) and high threshold interval (c > 124.4871). In low threshold value range, the sustainability of bank's financial performance is only 0.2363, while in the high threshold value range, the sustainability of bank's financial performance is up to 0.5972. The empirical results show that the level of housing prices indeed will influence bank's profits. Therefore, when the housing prices are in the upscale range, it will create higher sustainability for bank's financial performance. Conversely, when housing prices are in downward trend, the sustainability of bank's financial performance is unclear, due to impact brought by the other exogenous factors. It also indicates that if the impact of government policies to curb housing prices is too significant, the sustainability of bank's profits will directly affected.

Secondly, when using the mortgage burden rates as the transition variable, the threshold values of the explanatory variable can be divided into low-threshold interval (c≤28.5110) and high threshold interval (c> 28.5110). In low threshold value range, the sustainability of bank's financial performance is only 0.0369, while in the high threshold value range, the sustainability of bank's financial performance is up to 0.4415. According to the empirical results of this study, it is proved that, when the loan burden rate lower than 28.5110, the bank's financial performance is almost entirely affected by exogenous factors, and no deferred effect generated from its own financial performance. This means when government authorities reduce the percentages of mortgage loan, cut interest rates, and significantly reduce homebuyers' intention to buy house, these will directly impact the sustainability of bank's profitability, making it become unstable.

TABLE 7: ESTIMATION OF COEFFICIENTS OF CONTROL VARIABLES IN PSTR MODELS

Housing prices comprehensive trend scores	Low regime	High regime
	c≤124.4871	c>124.4871
ROA (-1)	0.2041	1.1642
ROA (-2)	-0.0938	-0.2564
ROA (-4)	0.2673	0.3777
ROA (-5)	-0.1413	-0.6883
Sustainability	0.2363	0.5972
Mortgage loan burden rates	Low regime	High regime
	c≤28.5110	c>28.5110
ROA (-1)	0.4712	0.5321
ROA(-2)	-0.3201	-0.1564
ROA (-4)	-0.1163	0.5099
ROA (-5)	0.0021	-0.4441
Sustainability	0.0369	0.4415

4. CONCLUSION

In this paper, the changes in the sustainability of bank's financial performance in Taiwan are examined through the panel smooth transition regression model by using the panel data. With the government authorities' policies in curbing housing prices as the main reason, the two surrogate variables: housing prices comprehensive trend scores and mortgage loan burden rates are used as transition variables. It is believed that the impact to bank's profitability form government's policy can be fully explained. On the one hand, the issues about how to explain the heterogeneity in different time interval and the degree of its potential impact to sustainability also can be resolved.

The empirical results illustrate the ongoing non-linear and smooth transition process about the sustainability of bank's financial performance in Taiwan, based on the changes in both housing prices comprehensive trend scores and mortgage loan burden rates. This result cannot be captured by a conventional linear model. In other words, if a linear model is used to analyze transition variables, the adjustment related with nonlinear changes will be ignored, and thus resulting in an estimated bias. Finally, it is proved that the Taiwan government is successful about the policies in inhibiting upward trend of the housing prices in Taiwan, such as increase in the short-term housing transaction taxes, limitation to mortgage loans rate, and adjustment of interest rates. Although the sustentative impact to the sustainability of bank's financial performance is still not obvious so far, but if other measures in inhibiting housing prices are implemented, the real estate market operation mechanism is interfered, and results in rapid decline in housing prices, it is anticipated that bank's financial performance will become unstable and be more interfered by other exogenous factors. The empirical results of this paper are worth to apply by both government authorities and the bank management in Taiwan.

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RELIGIOSITY EFFECTS: PREDICTORS OF SAVINGS AND INVESTMENT AMONG MUSLIMS IN INDIA

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ABSTRACT

The study found that there is a link between religion and individual behavior, both in terms of cognitive and cognitive behavioral aspects. In other words, the influence of religion affects the psychological disposition of the individual as well as his or her physical actions. The households which belong to lower income group may have different saving behavior, middle income households may have different and same as higher income households may have different savings trend. As this saving behavior of different income groups was not discussed properly in the light of religion and abandoned due to the seriousness of the issue in a secular country like India. So it needed to be discussed more and in a detailed and precise manner at community level. Research on the influence of religion on consumer behavior has received limited attention in the marketing literature. It is implied that the literature on religion contains a substantial number of concepts and theories which can be applied to marketing in order to better understand the behavior of individuals as they go about their daily lives and purchase of goods and services. Bridging the gap in the literature between religion and marketing would enrich both fields and help researchers in their quest to better understand human behavior in specific contexts i.e. Muslim market for financial services. Marketing ethics bound by Islam differ in two major characteristics from other marketing ethics. Firstly, Islamic marketing ethics are based on Shari'ah; secondly, Islamic marketing ethics aim to maximize value for the benefit of the entire society, rather than only maximizing profits. Islamic laws also deal with financial services regarding interest, non-Islamic investments, and speculation. Marketers cannot violate these Islamic principles when providing financial service and promoting interest. So there is clearly a research gap from religiosity aspect when we want to study the financial behavior of a common Muslim. In order to fill this gap, an attempt shall be made to study the influence of religiosity on savings and investment pattern among Muslims in Punjab and then suggest some measures to improve this situation. Religiosity is an important factor which affects the financial inclusion of Muslim majority in the financial activity of the country. Before partition, there was a considerable size of Muslim population, which was living at that time in Punjab. But now there percentage is just 14% of the total population of India as per the census of 2011. And most of them are still living in a deprive condition and the factors responsible for this misery relate to finance and the economy and which ultimately relate to their religiosity. Most of the researches which had been conducted in the past were in the religions other than Muslim population. As the degree of influence of religion and religiosity differs from one culture to another, it implies that future research should be conducted in a secular setting, a country like India. In India, a multicultural and multi religious society survives. It is the need of the hour to carry out such type of research studies which may surely be prove beneficial to a socially and economically deprived community.

KEYWORDS
religiosity effects, Indian muslims, saving, investment.

1. BACKGROUND AND JUSTIFICATION

The importance of savings has long been recognized in the history of mankind from both religious and economic perspectives. One of the most famous religious stories on savings can be traced back to the Hyksos Dynasty of the Pharaoh of Egypt (somewhere between 19th and the 17th century B.C.) during the reign of Joseph as the Prime Minister. In order to overcome the problems of famine owing to a seven year drought, which had befallen his people, Joseph had successfully introduced a special savings plan on food. From the economic perspective, savings is important because of its direct link to economic growth and prosperity of a country. Domestic savings play a dominant role in the economic growth and stability of any country. Economic growth requires investment and it can be financed through domestic savings or from abroad through foreign capital inflows. However, in the long run a nation has to rely on domestic savings. (Sudin Haron *et.al*. 2005)

India, being one of the developing countries, requires huge capital formation. This objective can be achieved when individual savings and investments have been properly planned, promoted and channelized in a proper manner. All savers are not investors. For this purpose, the investor's attitude depends on the investment culture prevailing in that country. It refers to the attitudes, perceptions and willingness of individuals in placing their savings in various investment instruments. There may be a number of factors such as cultural, social, personal and religious factors which can affect one's attitudes, perceptions and willingness about one's pattern of saving and investment. As we know India is the land of various religions and cultures and in this multi religious and multi cultured society, religion has a considerable influence on peoples' values, habits and attitudes and it greatly influences their lifestyle, which in turn affects consumer decision behavior. Although religion is highly personal in nature, but it makes a strong impact on individual behavior that when an individual may prove to be a potential savior or an investor. Therefore, its effect on consumer behavior depends on the individual's level of religious commitment or the importance placed on religion in his/ her life. Religious commitment, often termed religiosity, may be defined as the extent to which an individual is committed to the religion he or she professes and its teachings, such as the individual's attitudes and behaviors reflect this commitment. Religiosity is important as it is capable of influencing an individual cognitively and behaviorally.

2. PROBLEM STATEMENT

"Finance theory conventionally focuses on risk and return as the factors relevant to the construction of portfolios. But there is evidence of a growing number of investors who wish to incorporate moral or social concerns in their decision-making." (Anand & Cowton, 1993)

Religious persons have value systems that differ from those of the less religious and the non-religious. The supposition is that a highly religious person will evaluate the world through religious schemas and thus will integrate his or her religion in much of his or her life. If followers strongly accept the doctrine of their religion, they tend to abide by the rules and codes of conduct set by their religious doctrines, for example, attending regular weekly worship services and being strictly committed to the religious practices and membership of the group. If, on the other hand, their belief in religious tenet is weak, they might feel free to behave in other ways. Hence, how strongly consumers are committed with their religiosity should be considered in understanding the nature of consumer behavior. Highly religious individuals typically exhibit a strong sense of commitment to their belief system and thus they are expected to behave according to the norms as described by their religion. So the influence of religion on the value systems of the society and the effect of these value systems on consumer behavior cannot be underestimated. Religious traditions may sometimes prohibit the use of certain goods and services altogether (e.g. Islam forbids the consuming of alcohol and eating of pork).

Studies in the marketing literature argue that religion constitutes an important element of society in most cultures, greatly influencing behavior, which in turn affects purchasing decisions. Following this logic, religion could turn out to be a viable criterion for grouping markets. Formal study of religious beliefs and values should therefore improve understanding of the normative dimensions of consumption behavior. (Hirschman, 1981; Delener, 1990)

We know that the household savings leads to economic growth of a community as well as a country. But in the case of the growth of Muslim community in India on the basis of their household savings and investment, it is not true. Their religious beliefs and attitudes prove hindrance, in the way of their financial activity available in the country, which in turn contributes a lot to their economic plight. Although a negligible percentage of the community participates in the financial activities but the majority of the community do not openly enjoyed the banking and insurance as well as stock market related transactions when it compare to non Muslim investors. And this attitude leads the community to isolation, poverty and economically backwardness as a whole.

3. LITERATURE REVIEW

DEFINITION OF RELIGION

Religion can be described as:

. . . The habitual expression of an interpretation of life, which deals with ultimate concerns and values. Institutional religion formalizes these into a system which can be taught to each generation (Cloud, 2000).

Religion defines the ideals of life, which in turn are reflected in the values and attitudes of societies and individuals. Such values and attitudes shape the behavior and practices of institutions and members of cultures. For the spiritual aspect, all religions teach us to obey the same timeless and universal golden rule: to love our fellow "mankind", to develop virtues, to gain control of ourselves and to avoid hate, anger and greed. However, each religion, due to the unique requirements of a specific time and place, has its own particular emphasis. The laws and regulations govern such things as food, its preparation, crime, punishment and the establishment of order. These aspects vary greatly for each religion.

ISLAM AS A RELIGION

Islam was founded in Arabia and based on the teachings of Muhammad (PBUH), who is called the Prophet. The Arabic word "Islam" literally means "to surrender", but as a religious term in the Koran, it means "to surrender to the will or law of God". One who practices Islam is a Muslim. According to the Qur'an, Islam is the primordial and universal religion, and even nature itself is Muslim, because it automatically obeys the laws God has ingrained in it. For human beings, which possess free will, practicing Islam does not involve automatically obeying, but rather freely accepting God's commandments. Islamic social philosophy is based on the belief that all spheres of life: spiritual, social, political, and economic form an indivisible unity that must be thoroughly imbued with Islamic values. This principle informs such concepts as "Islamic law" and the "Islamic state" and accounts for Islam's strong emphasis on social life and social duties. Even the cardinal religious duties prescribed in the five pillars of Islam have clear social implications. Islamic law, known as Shari'ah (which is sourced from the Qur'an) is a code that prescribes and governs the duties, morals and behavior of all Muslims, collectively and individually, in all aspects of life. Shari'ah describes the values that Muslims should hold, including truth, honesty, social and collective obligations and responsibilities, the role of men and women, and the role of buying and selling. Muslims are not allowed to eat pork, gamble or drink alcohol, and nudity is prohibited. In addition, Muslims must not idol worship (statutes inclusive), must conform to sexual codes and adultery is strictly prohibited. Children should not deceive or disrespect their parents. Islam is more than a religion. It controls the ways of society and factors associated with family, dress, cleanliness and ethics. Muslims are required to live and think in the way that Allah has stated. (Fam *et.al.* 2002**)**

In Islamic Economic Methodology money is a medium of exchange and store of value, but not as a commodity. It becomes useful only when it is exchanged into a real asset or when it is used to buy a service. Hence it cannot be sold or bought in a credit in Islamic Economic Methodology, by prohibiting interest and implementing profit, loss sharing, takes care of the problem of unemployment, inflations, foreign exchange and volatility of business cycles and excessive depletion of natural resources.

RELIGIOSITY

According to Delener (1990), religiosity (degree to which individuals are committed to a specific religious group) is one of the most cultural force and key influence in buying behaviors. This is because purchase decision is categorized according how much consumers adhere to a particular faith. The extent to which religion affects one's beliefs and behavior depends on the individual's level of religiosity and the importance one places on the religion itself (Sood and Nasu, 1995).

"The degree to which a person adheres to his or her religious values, beliefs, practices and uses them in daily living. The supposition is that a highly religious person will evaluate the world through religious schemas and thus will integrate his or her religion in much of his or her life." (Worthington 2003)

Religiosity or religious commitment is "the extent to which an individual's committed to the religion he or she professes and its teachings, such as the individual attitudes and behaviors reflect this commitment" (Johnson *et.al.* 2001).

SHARIA'H COMPLIANCE

Shari'ah compliant products are based on the principles of Shari'ah. Shari'ah means Islamic law, but that does not imply that a Shari'ah-compliant product is restricted to persons professing a particular religious faith. According to Shari'ah principles, dealing in interest-based transactions, investing in harmful and unethical sectors like Alcohol, Tobacco, Firearms, Pornography and Gambling, etc. are prohibited. Hence Shari'ah compliant products are designed in such a way that they are free from involvement in the above areas. Under Shari'ah compliant schemes, funds are invested only in "Shari'ah compliant stocks or assets". Stocks are screened for Shari'ah compliance by using certain Shari'ah screening norms. Every country has its own Shari'ah Advisory committee to regulate Shari'ah-compliant investments to protect the interest of an investor and whether companies abiding by Islamic principles. In India, IISL (India Index Services & Product Ltd.) which is responsible for the development and maintenance of Indices together with Taqwaa Advisory and Shari'ah Investment Solutions (TASIS), an Indian advisory firm, has tied-up with Dar al Shari'ah of Dubai to provide the Shari'ah screens as mentioned below and filter the stocks accordingly.

4. EMPIRICAL LITERATURE REVIEW

The impact of religion on various human aspects has been investigated by many researchers in the social sciences (Sheth 1983; Bailey *et.al.* 1993; Jackson, 1995; Essoo 2001; Wan Ahmad 2008; Mokhlis 2009; Newaz 2014). Such literature shows the importance of religion in the social life of human beings. Religious commitment impacts consumers' likes and dislikes. Consumers consider buying new products if these products do not violate or contradict their consecrated ideas (Yun et al., 2008). Religious commitment affects consumers' orientations regarding consumption patterns, as well as their social behavior. Consumers are influenced by different factors when trying to decide on whether or not to acquire a new product. Although many of these factors have been thoroughly studied, religion, as an influential factor in consumers' lives, remains largely neglected in this particular area. (Rehman & Shabbir 2010)

Religious affiliation and religiosity are two important constructs of religion in explaining consumers' behavior. Religious affiliation concerns the specific type of religious community in which an individual is integrated. It provides the ties that bind people together and make one group different from another, i.e. Christians, Muslims, Buddhists, etc. On the other hand the religiosity, we can say, some people may claim to be affiliated with a particular religion, but they may not truly follow the teaching and conduct of the religion. Religiosity, rather than religion, plays a dominant and influential role in attitude formation and is related to questions around why people consume (Hirschman, 1981, 1983). Religiosity has significant influence on consumers' behavior; a better understanding of religiosity and consumers buying behavior relationships is likely to allow the development of more effective strategies for different religious or national markets. (Essoo *et.al.* 2004; Sood *et.al.* 1995).

The growth in the number of Muslims worldwide has stimulated people's interest in gaining a better understanding of the Islamic religion and Muslim consumer behavior (Porter & Schwab, 2009). There is a clear differentiation between degrees of religiosity among Muslims: some Muslims are seen as pious and others are not (Youssef *et.al.* 2011). The common belief, upon which all Muslims agree, is the monotheism baseline (belief in the oneness of God and the Prophet Hood of Mohammad). On the other hand, the Quran (The Holy Book) and Hadith (The teachings of Prophet Mohammed) are assumed and implemented differently in different countries, which leads to differences in the application of Islam worldwide (Porter & Schwab, 2009). Islamic law, or Shariah, provides criteria for judgment on every aspect of one's individual and social life. Yet still some controversies exist around halal (permitted in Islam) and haram (not permitted in Islam). (Newaz (2014)

I. LITERATURE RELATED TO RELIGIOSITY AND INDIVIDUAL BEHAVIOR

Sheth's (1983) Shopping Preference Theory, provides ample support for the contention that religious affiliation may be an important cultural factor in explaining differences in consumer behavior. In this theory, Sheth specifically cited that those were the religious variables in proposing that personal determinants (personal, social and epistemic values) shape an individual's shopping motives. The personal values reflect the consumer's personality and are indicative of the influence of values on consumer behavior. It was observed that personal values might be related directly and indirectly to religion and religiosity. The study emphasized that whether consumers affiliated with different religions – Islam, Buddhism and Hinduism – would vary systematically in their decision orientations toward the shopping.

Similarly, in an empirical study of religiosity and consumer behavior among 602 mostly Protestant consumers, **Wilkes (1986)** reached a significant conclusion that religiosity influences several aspects of a consumer's lifestyle, which eventually may affect choices and/or choice behavior.

Bailey *et.al.* (1993) examined the effects of religious affiliation on consumer behavior.The research provided new evidence about differences in consumer behavior across religious groups and the findings gave considerable support for viewing religion as an important construct in the study of consumer behavior.

Essoo (2001) investigated the influence of religious affiliation and religiosity on selected aspects of consumer behavior, i.e. shopping behavior, retail store preference and external information search among three religious groups, Hindus, Muslims and Catholics. It was found that devout consumers, those for whom religion is a central focus in life, also differed significantly in their purchasing behavior from casually religious consumers, those for whom religion is expedient across all three religious groups. Religiosity and religious affiliation were found to be predictors of consumer behavior in the presence of demographic and lifestyle variables, implying that the influence of religion on the value systems of the society and the effect of these value systems on consumer behavior cannot be underestimated.

Essoo and Dibb (2004) conducted a study in Mauritius involving Hindu, Muslim and Catholic consumers. The results confirmed that consumers having different level of religiosity differ notably in their shopping behavior. In particular, devout Hindus were found to differ from their casually religious counterparts in four shopper types: the demanding, practical, thoughtful and innovative shopper. In the case of Muslim consumers, their findings suggested that there was no difference in consumer shopping behavior among devout and casually religious Muslim consumers, except for the trendy shopper type. Devout Catholics were found to differ from their casually religious counterparts in four types of shopper: the demanding, practical, trendy and innovative.

Muhamad *et.al.* (2006) depicted the view that religion has some influence on individual investment decision making. The study specifically explored the influence of Islamic religiosity on the investment decision-making among the Malaysian Malay Muslim investors. A number of aspects were examined which include the types of instruments preferred for investment, objective of the investment as well as sources of information utilized in making such investment. For this purpose a survey was carried out among 262 Malay Muslim accountants. It was found that the degree of religiosity was a significant influence on investment decision-making.

Mokhlis (2009) discussed in detail the importance of the study of culture and sub cultural norms for various dimensions of consumer behavior, but the religion as an element of culture has received only slight attention in the marketing literature. The study examined the influence of religiosity on one aspect of consumer behavior - shopping orientation. The findings revealed that three shopping orientation factors, namely quality consciousness, impulsive shopping and price consciousness were related to religiosity. It was suggested that religiosity should be included as a possible determinant of shopping orientations in consumer behavior models.

Muhamad (2010) elaborated the purpose of the study as the measurement of religious influences in consumer marketplace behavior and to review religious factors that appear to influence buyer and consumer behavior in the light of findings from marketing and religious psychology. This was observed that there were five factors of religious influence which were commitment, Motivation, affiliation, knowledge about a religion and awareness of the social consequences following a religion. The study applied knowledge from the area of religious psychology to offer a Holistic view in understanding factors that tend to mediate religious influences on consumer behavior.

Newaz (2014) asserted that the role of religiosity on consumer buying decisions was increasingly gaining the attention of researchers and practitioners. However, its role in consumer behavior was not yet well established, particularly in the behavior of Muslim consumers when they are buying financial products. Considering the rapid growth of Islamic Financial Products (IFPs) and the limited research on the Muslim buying behavior of such products, the study examined the relationship between religiosity, consumer buying attitude and purchase intention towards IFPs, which could be proved helpful to develop and understand how Muslims' religiosity impact on their buying decisions. The results of this study may help Islamic financial service providers to identify potential customers and segment the target market on the basis of religiosity and the generational cohort in order to expand their services globally.

II. LITERATURE BASED ON THE EFFECTS OF CULTURE & RELIGION

Fam *et.al.* (2002) highlighted religion as an element of culture that pervades every aspect of a society. Therefore, its effect on behavior cannot be underestimated by marketers. Cultural dimensions are very dynamic in a society, but religious tenets form a stable and a static pillar in the society. The study concluded that religion was not a fad that can be dismissed by the marketer as a short-term change, but rather it was a long-term phenomenon, and it should have been an area of further research for marketers. For global marketers, it was advised to devote considerable time and resources on understanding religious beliefs upon entering a new market, particularly where Islam is the faith of the majority. Understanding the impact of religion on the value systems of a society and the effect of value systems on marketing must not be underestimated.

Khraim (2010) observed that in a constantly changing and increasingly globalized world, the construct of culture and subculture have become increasingly central to the consumer behavior literature. Religion still plays a substantial part in influencing societal and consumer conduct. Detailed analysis regarding the measures of religiosity and an index had been produced to assess the level of religiosity in an individual. All possible choices within different dimensions were assessed to ascertain out the most desirable combination of dimensions that gives the best effects in measuring Islamic religiosity. The findings of the study indicated that the combination of three dimensions, namely (Current Islamic issues, religious education, and sensitive products) produces the best results among other dimensions.

Alam (2011) studied that the culture and subculture were the central issues in any consumer behavior research. But the religion was an important cultural factor to study because it was one of the most universal and influential social institutions that had significant influence on people's attitudes, values and behavior at both the individual and societal levels. The study was conducted to examine the influence of religion on the buying behavior of middle-income consumers; and to identify the factors that could influence the decision making of Muslims in the purchasing of products. The results showed that religious Muslims did take Islam as their source of reference when making purchases in general, as well as in the specific case of buying food and automobiles. The study also indicated that those high in religiosity tended to be less impulsive when making purchase decision.

III. LITERATURE BASED ON SAVING & INVESTMENT BEHAVIOR OF AN INDIVIDUAL

Ahmed (1994) argued that elimination of interest did not mean zero-return on capital. Islam has forbidden a fixed, predetermined return for a certain factor of production, i.e. one party having assured return and the whole risk of an entrepreneurship to be shared by others. The author observed that it was the capital, entrepreneurship that shared both the real contribution and the real profitability. The Islamic bank followed the principle of equity based investment. The Islamic banking system also proposed that resources can be contracted on the basis of venture capital and risk sharing deals. The idea of equity based investment banking was not new to the financial market. It was suggested that if we have a look into history, it may be a clear fact that capital, as a loan capital as well as venture capital played a great role in promoting industrial and economic development of various countries of the world.

Horioka (2007) presented the data on Japan's household saving rate, considered the reasons for Japan's high household saving rate in the past and the reasons for the recent decline therein, projected future trends in Japan's household saving rate, and considered the implications. It was found that Japan's high household saving rate was a temporary phenomenon and it was due not to culture but to temporary economic, demographic, and institutional factors; Horioka doubted that culture was an important explanation of Japan's high savings rate in the past. He showed that the high savings rate might be traced to several economic, demographic and institutional factors, like the income growth rate, the age, and the household's wealth holdings. Although the study gave a comprising descriptive explanation of Japans high savings rate, a further testing of cultural and religious impacts was missing.

Rehman et. al. (2011) had conducted a study on saving behavior in different income groups in Pakistan. It was observed that national saving was composed of public and private savings. Private saving included household savings as a major part. Household saving behavior was found differ among various income groups. The study explored the socio economic and demographic factors influencing household savings of various income groups. The stratified random sampling technique was used and selected households from lower, middle and higher income group following per capita income method. It was concluded that education, children's educational expenditure, family size, liabilities and value of house were reducing factors while total dependency rate and income were inducing factors for household savings of lower income groups. Savings of middle income group was positively related to total dependency rate and total income. On the other hand, it was inversely affected by Children's educational expenditures, liabilities, marital status, size of land holdings, and value of house. Higher income households were likely to save more due to age, spouse participation, total income and size of land holdings and likely to save less due to age square, children's educational expenditures, liabilities to be paid by household head and marital status. It was also suggested that Govt. should give emphasis for the promotion of free health and educational facilities in rural regions especially.

Jamaludin (2013) explored the role of religion in individuals' retirement savings investment choice decisions. The study hypothesized that there was no association between religious affiliation and the investment choice decision. The results indicated significant differences in investment choice decisions between Muslim and non-Muslim respondents. From the consumer behavior point of view, the findings of the study supported the results of Bailey and Sood (1993) and Mokhlis (2009). Religiosity was viewed from a multidimensional approach.

Anas & Mounira (2009) discussed about the role of ethics in financial investments in a well manner. Although the ethics and financial investments seem to be mutually exclusive, but ethics have recently become an important issue in the financial field. There is an increased emphasis on the role of faith and religious beliefs on ethical business practices for some investors who not only seek profits through their investments, but they also require the achievement of a moral duty beside the quest of wealth accumulation. The study highlighted that the most important objectives of the Islamic finance in general and particularly the Islamic banks, was the establishment of justice and the elimination of exploitation in business transactions. This can be done by the prohibition in of all sources of illegal "unjustified" enrichment and the prohibition of dealing in transactions that contain excessive risk or speculation. It was observed that the Islamic bank services represent an example of ethical and socially responsible investment and the response of masses motivational.

IV. LITERATURE RELATING TO RELIGIOSITY AND NPA

Rehman & Shabbir (2010) cited that the main objective of their research was to investigate the impact of religiosity among Muslim consumers on new product adoption (NPA). The findings of the study provided the evidence that there had been existed a relationship between these two variables. The results of the study had important implications for both marketers and managers. Since evidence depicted that the religiosity among Muslim consumers affected their attitude towards the adoption of new products but the decision makers needed to take that into consideration when introducing new products to Muslim markets. It was proposed that the decision makers needed to analyze their markets carefully if they were to make a substantial presence in those marketplaces. If consumers in those markets were more spiritual, then the novel products and the way these products were promoted needed to be made in conformity with the spiritual and religious dictations and influences that those consumers acknowledged.

Ansari (2014) investigated to find out the relationship between religiosity and new product adoption (NPA) among Muslim consumers. The study was based on primary data collected from working Muslim individuals and Muslim students in Saudi Arabia. Religiosity represented the independent variable and was measured using five dimensions: ideological, ritualistic, consequential and experiential. NPA represented the dependent variable. The relationship had been analyzed with correlation & regression analysis. It was found that there was a strong relationship between the religiosity and New Product Adoption. This was observed that the religiosity factor had affected the prospects of New Product adoption among Muslim consumers i.e. their beliefs had affected what products they should had adopted. This was further observed that there were limited studies conducted on the topic of religion/ religiosity and consumer behavior in the past. The findings of this study would surely help the indigenous as well as Multinational companies in decision making especially in Muslim markets such as Saudi Arabia, Pakistan and others.

SUMMARY AND CONCLUSION

The above mentioned studies focusing on the relationship between religion and individual behavior have revealed that the religion strongly influences an individual's emotional experience, thinking, behavior, and psychological well-being. When other demographic variables such as race and education, are controlled, religious activities are often cited as among the most significant predictors of subjective well-being. But religion has not yet received much attention from marketing scholars. This lack of attention in the consumer behavior literature is because of less awareness of the possible links between religion and consumption patterns. If religion was found to be a strong predictor of consumer behavior, the religious construct may provide a good basis for segmentation of markets. This is because marketers are yet to find segmentation variables that remain more or less stable over long periods of time. While demographic characteristics such as age, income and marital status tend to change over time as does lifestyle of consumers, religious beliefs and adherence to a particular religion tend to be more enduring.

Secondly, religious groups differ in their beliefs and practices of their religion. These beliefs and practices may lead to different types of purchasing behavior of members of each religious group. If it is possible to identify' the beliefs and practices of each religion which affect purchasing behavior, this may contribute substantially to the understanding of the relationship between religion and consumer behavior.

Thirdly, a number of markets are made up of different religious groups. Knowledge of the purchasing behavior of these religious groups will provide information to marketers willing to develop marketing strategies targeted at a specific religious group. The marketing mix elements might have to be reviewed in the light of possible religious influences. Branding, pricing, promotion and distribution strategies might have to take into consideration the influence of beliefs and practices of certain religions as compared to others.

Fourthly, the measurement and testing of the religiosity of Muslim people construct in regard to saving and investment behavior could be used as a foundation to construct a more accurate measure. If religiosity could be accurately measured, this could then help marketers to differentiate between highly religious and non-religious consumers and be in a better position to satisfy the needs of each category.

Finally, further research in this area shall not only broaden the understanding of religious influences on consumer behavior but also help to bridge the gap between the literature on religion and the marketing literature.

Therefore empirical review of literature provides evidence of a link between religion and individual behavior, both in terms of cognitive and cognitive behavioral aspects. In other words, the influence of religion affects the psychological disposition of the individual as well as his or her physical actions.

The households which belong to lower income group may have different saving behavior, middle income households may have different and same as higher income households may have different savings trend. As this saving behavior of different income groups was not discussed properly in the light of religion and abandoned due to the seriousness of the issue in a secular country like India. So it needed to be discussed more and in a detailed and precise manner at community level.

Research on the influence of religion on consumer behavior has received limited attention in the marketing literature. It is implied that the literature on religion contains a substantial number of concepts and theories which can be applied to marketing in order to better understand the behavior of individuals as they go about their daily lives and purchase of goods and services. Bridging the gap in the literature between religion and marketing would enrich both fields and help researchers in their quest to better understand human behavior in specific contexts i.e. Muslim market for financial services.

Marketing ethics bound by Islam differ in two major characteristics from other marketing ethics. Firstly, Islamic marketing ethics are based on Shari'ah; secondly, Islamic marketing ethics aim to maximize value for the benefit of the entire society, rather than only maximizing profits. Islamic laws also deal with financial services regarding interest, non-Islamic investments, and speculation. Marketers cannot violate these Islamic principles when providing financial service and promoting interest. So there is clearly a research gap from religiosity aspect when we want to study the financial behavior of a common Muslim. In order to fill this gap, an attempt shall be made to study the influence of religiosity on savings and investment pattern among Muslims in Punjab and then suggest some measures to improve this situation.

Religiosity is an important factor which affects the financial inclusion of Muslim majority in the financial activity of the country. Before partition, there was a considerable size of Muslim population, which was living at that time in Punjab. But now there percentage is just 14% of the total population of India as per the census of 2011. And most of them are still living in a deprive condition and the factors responsible for this misery relate to finance and the economy and which ultimately relate to their religiosity.

Most of the researches which had been conducted in the past were in the religions other than Muslim population. As the degree of influence of religion and religiosity differs from one culture to another, it implies that future research should be conducted in a secular setting, a country like India. In India, a multicultural and multi religious society survives. It is the need of the hour to carry out such type of research studies which may surely be prove beneficial to a socially and economically deprived community.

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ANNEXURE

ANNEXURE 1: MEASURES OF RELIGIOSITY IN CONSUMER RESEARCH- A BACKGROUND

Author and Year	No. of Dimensions	Name of Dimensions
Allport and Ross (1967)	2	-Intrinsic -Extrinsic
Glock (1972)	5	-Ideological -Ritualistic -Intellectual -Consequential and -Experimental
Hirschman (1981)	1	-Religious Affiliations
Wilkes et al. (1986)	4	-Church Attendance -Importance of religious values -Confidence in religious values -Self-perceived religiousness
Delener (1990)	3	-Religious affiliation, -Perceived strength of religious affiliation -Religious orientation
McDaniel and Burnett (1990)	2	-Religious affiliation, -Religious commitment
Sood and Nasu (1995)	4	-Personal activity in one's religion -Importance and confidence in religious values. -Belief in the basic tenets of one's religion -Self-evaluation of one's religiosity
Alan K.M. Au (2000)	1	-Religious Affiliation
Kim et al., (2004)	2	-Religious affiliation -Self-evaluation of one's religiosity
Mokhlis (2009)	2	-Religious affiliation, -Religious commitment

Source: Khraim, 2010

ANNEXURE 2: RELIGIOSITY INDEX

Islamic religiosity has an influence on Muslim individual investment choice decision, especially when they are presented with a choice to invest their savings in an alternative investment that complied with Shari'ah law. To measure the degree of religiosity in a Muslim a religiosity index was developed by Wan Ahmad et al. (2008). This instrument is deemed more appropriate because it encompass all aspects of Islam. In other words, the questionnaire items comprised statements related to *iman* (faith), Shari'ah (included *ibadah* and worldly conducts) and *akhlaq* (virtues and vices). In addition, the questionnaire items are developed by taking into consideration "the various levels of *hukum*, that is, obligation (*wajib*), recommendation (*sunnah*) and prohibition (*haram*) of the Shari'ah or the Islamic laws. The differences of *taklif* (religious obligatory) between male and female for certain obligations like paying *zakah fitrah* and going to the mosque to perform prayer in congregation shall also be noted.

Likert scales of 1 to 5, which may be most frequent to never i.e. Likert scale for this part shall, 1=Always, 2=Very Often, 3=Sometimes, 4= rarely, 5=Never can be used for the items of Islamic laws and *akhlaq*, and most agree to most disagree can be used for the items of faith. The mean score for each of the components can be computed. For the Islamic laws' items, male and female scores can be computed separately. An equal weight can be allocated to each of the components and a total mean of the scores can be calculated. This can form the index of religiosity. Based on this total mean score, the respondents can be split into three groups. Those who scored above 0.5 SD of the mean score may be considered as devout; below 0.5 S.D. from the mean score may considered as casually religious and moderately religious for those who scored in between.

RELIGIOSITY ITEMS

To explore the level of religiosity (Casual, Moderate, Devout)

I. Shari'ah

Obligations

- I pray five times a day.
- I fast all the days during the holy month of Ramadhan.
- I pay zakat fitrah every year and as per the guidelines of Quran & Sunnah.
- I make sure that my dress/cloth covers my all private body parts.
- I make sure the food and drink I consumed are halal.

Recommendations

- I go to the mosque to pray 'Faraz Namaaz'.
- I perform 'Faraz Namaaz' in congregation.
- I give charity to the poor and needy.
- I read Quran and perform zikir.

Prohibitions

- I have taken or given bribes
- I have taken interest (riba).

II. Akhlaq

- I visit my family/friends when they are bedridden.
- I thank Allah for my food and drink.
- I fulfill all that I promise.
- I am honest at all times.

III. Faith

- Islam is a way of life.
- Quranic teachings are suitable and practicable in today's life. Rasulullah's (PBUH) traditions are suitable and practicable throughout all times.
- All mankind's deeds will be judged and rewarded accordingly after death.
- My earnings are from own effort and not Allah's will.
- Death and destiny are determined by Allah alone.
- A man's wealth depends on their own effort.

Source: Wan Ahmad, 2008

OCCUPATIONAL ROLE STRESS IN BANKING SECTOR: A REVIEW OF LITERATURE

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ABSTRACT
Human beings spend most of their time working and playing an occupational role assigned to them. But suddenly when the occupational and individual demand contradicts with each other, stress comes in play. Where there is work there is stress which is an unavoidable part of everyone's careers now-a-days. Organization and individuals are trying to find out the most effective way of combating occupational stress as it affects dreadfully both the world in terms of low productivity, high employee turnover, low job satisfaction and ultimately affecting organizational vision and objectives.Stress in the workplace is the result of growing economy which puts lots of pressure on the organisation to sustain profits and growth. Several factors are responsible for creating stress among the working professionals. Academicians and corporate houses are constantly striving to eliminate stress from their work place and trying to train employees so they can handle stress with a positive attitude. By reviewing the literature on occupational role stress in banking sector, the paper intends to find out the major factors of occupational role stress as identified by previous researchers.

KEYWORDS
Occupational stress, Occupational role stress, banking sector.

1. INTRODUCTION
Stress is an inevitable part of our lifestyle. Our economy is changing every second and everyone is in a rush to utilize the most of their time by engaging in some productive work and to compete with the world in all regards. No job is stress-free and no human life is stress-less. Stress has different types and affects individual of different ages and gender. Stress is everywhere, whether it is in the family or in the Organisation. The invariable struggle to meet the finest at workplace, pressure of meeting deadlines at work, political pressures at work, the compound lifestyle, inflation, increase in tax, rigid government policies, etc are contributing towards employee stress at job.

Some people have high tolerance for stress and strive well in face of several stressors in the environment. In fact, some individuals recognize stress positively which activates and energizes them to perform well. On the other hand, some people cannot tolerate stress at all and they become handicap when they have to deal with regular everyday factors. Managing stress either at work place or in personal life is a very crucial issue. When it is not checked its unpleasant effects begin driving in.

Occupational Stress is obvious because of continuous changes taking place all around the globe. Now-a-days each person's life is full of anxieties and personal pressure. Stress at workplace has become an important topic of study for organizational behaviour. Researchers in the area of organizational psychology and management have used the term occupational stress to denote employees' mental state aroused by a job situation or a combination of job situations perceived as presenting excessive and divergent demands. If controlled, stress is that which can strengthens behaviour. If handled poorly, it acts otherwise which can cause diseases like high blood pressure, stroke, severe depression and anxiety.

Occupational stress is dealt in different ways. For example, some become upset, tensed, resulting in absenteeism and turnover while some take it positively and view it as a challenge to overcome. In fact, personal characteristics of the employee determine the extent of stress he would experience from a job factor or situation. This is the reason that any work setting variable cannot be generalized as a universal job stressor. However, factors like excessive workload, pressure of meeting deadlines, achieving certain targets and work standards are common phenomena related to an occupation and can be regarded as stressors. There are other factors also which determine stress like income, age, nature of work, type of organization, personality type, etc. (Landy and Trumbo 1976);(Srivastava and Veena 2009)

2. RATIONALE OF THE STUDY IN CONTEXT OF OCCUPATIONAL ROLE STRESS IN THE BANKING SECTOR
The purpose of the paper is to describe the evolution of the concept of occupational role stress .The review was carried out to understand the factors that cause stress and its impact on the employees of the bank working in private and public sector banks. The period of study that has been taken under review is from 2006-2014 and the area of research has been banking sector. India's banking industry could become the fifth largest banking sector globally by 2020 and the third largest by 2025 (Banking Sector in India, 2014). These days, banks in India are turning their focus on servicing clients and improving their technology infrastructure, which can provide better customer experience and give them a competitive edge. India is considered among the top economies in the world, with tremendous potential for its banking sector to flourish. The last decade witnessed a significant upsurge in transactions through ATMs, as well as internet and mobile banking.

In the next 5-10 years, the banking sector is expected to create up to two million new jobs driven by the efforts of the RBI and the Government of India to expand financial services into rural areas. Two new banks have already received licenses from the government, and the RBI's new norms will offer incentives to banks to spot bad loans and take necessary recourse to curb the practices of rogue borrowers. The size of banking assets in India totalled US$ 1.8 trillion in FY 13 and is expected to touch US$ 28.5 trillion in FY 25.Bank deposits have grown at a compound annual growth rate (CAGR) of 21.2 per cent over FY 06-13. In FY 13, total deposits were US$ 1,274.3 billion. The revenue of Indian banks increased from US$ 11.8 billion to US$ 46.9 billion over the period 2001-2010. Profit after tax also reached US$ 12 billion from US$ 1.4 billion in the period. Credit to housing sector grew at a CAGR of 11.1 per cent during the period FY 08-13.Total banking sector credit is anticipated to grow at a CAGR of 18.1 per cent (in terms of INR) to reach US$ 2.4 trillion by 2017 as per (http://www.ibef.org/industry/bankingindia.aspx, 2014)

With this immense growth in the past decade in the banking sector, it is taking charge on the stress level of the employees of the banks. Brutal rivalry is prevailing between public and private sector banks in order to capture the No.1 spot in the financial service sector. With the entry of new players in the market which are completely business oriented, fiercely competitive, technologically advanced and with professionally skilled workforce, the public sector banks that had so far enjoyed monopoly have had to adapt to the new customer centric business model. In this present era of cutthroat competition, the idea of being perfect becomes very necessary to survive and become successful. The worker has to be perfect in his job or else he will be fired or at least be left behind in his work leading to stress. The elevated stress levels of employees in banking industry are associated with increased absenteeism, sickness, reduced productivity, job dissatisfaction and low morale. In such circumstances, efforts to sustain a high level of work performance over time can be a tedious task for organizations as well as for employees. Considering occupational stress as a deteriorating syndrome, this study will be undertaken to understand the impact and details of occupational stress on employees in the banking sector.

3. BACKGROUND AND CONCEPT OF STRESS

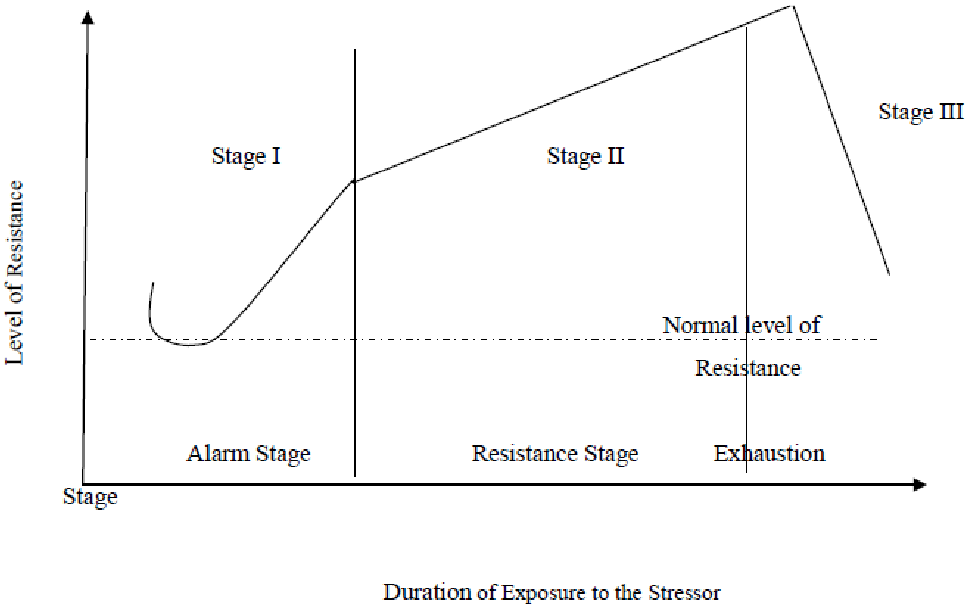
3.1. BACKGROUND OF STRESS

Stress finds its pedigree in the field of life sciences. Traditionally, there has been a lack of consensus among researchers as to a precise definition of the term "stress". For the purpose of this study, a working definition put forward by Cooper et al., (1988) was employed. The definition is as follows: stress is "any force that puts a psychological or physical factor beyond its range of stability, producing a strain within the individual". Derived from the Latin word 'Stringere', which means – to draw tight, 'stress' concept was used in the 17th century to describe adversity or burden. In the 1800 and 1900 centuries the term was used to mean force, pressure, strain or strong effort with reference to an object or person. The term stress was first introduced in life science by Hans Selye in 1936.The contribution of Hans Selye to the field of stress is highly acknowledged. He gave the concept of 'Stress Syndrome' after experimenting upon the 'syndrome of just being sick' in 1936. In the physiological sense, Selye propounded 'stress' as a nonspecific response of the body to any demand made on it (Selye, 1956). He theorized that to a broad array of stressors and concluded that the body's way of responding is surprisingly same. It indicates that a wide variety of stressors are capable of producing same stress response like effort, fear, success and fatigue.

Eventually, it started to be perceived as a physiological or medical phenomenon. One scientist who has been the inspirational force in the area of research on stress was Walter Bradford Cannon, who studied the effects of stress on human beings and animals in terms of the popular 'fight or flight' syndrome during early 1900s (Cooper & Dewe, 2004). Giving the concept of 'Homeostasis', he discovered that the body has ability to maintain its own consistency, which is fairly stable. He found that under stress an individual may choose to fight the stressor and emerge successfully or flight away from it and pacify the situation. This is done by the body naturally which in its own wisdom which begins adjustments in the face of a stressor and tries to come back at a steady state (Cannon, 1939).

Elucidating the General Adaptation Syndrome (GAS), the researcher pointed out that the body's adaptation energy is finite, and constant stress leads to exhaustion. Selye mentioned that a series of four closely related processes occur under conditions of stress. It is this process which help in bringing about the 'flight or fight' response proposed by the physiologist Sir Walter Canon in 1935.The first stage of GAS is called 'the stage of alarm', as reflected by Figure 1.1, in which the body gears up for the emergency and is characterized by changes in heart beat, breathing, perspiration, etc. This stage starts immediately after the individual perceives a stressor in the environment. The second stage is the 'stage of resistance' in which the individual adapts to the stressor. If the stress persists, the individual enters the last stage 'the stage of exhaustion' in which his ability to resist gets depleted and he becomes vulnerable to adverse consequences like disease and sickness.

Figure 1.1: General Adaptation Syndrome



(Source: Selye, 1956)

The above discussion acknowledges the roots of stress in the past. This makes it pertinent to examine the concept of stress so evolved.

3.2 CONCEPT OF STRESS

The word "stress" is such a trendy word today that it has come to mean different things to different people. In this context, it can be seen that the word "stress" has evolved to refer to both the source of some event and the reaction to it. Stress is often defined as a threat, real or imagined to homeostasis. In common usage, stress usually refers to an event or succession of events that cause a response, often in the form of 'distress' but also, in some cases, referring to challenge that leads to a feeling of excitement as in 'good' stress.

Selye (1936 and 1956) defines stress as a dynamic condition in which an individual is confronted with a constraint, opportunity, or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important. Stress resulting from desirable events is called Eustress (meaning good stress). Eustress is pleasant and has remedial effects. On the other hand, stress resulting from undesirable events is called Distress (meaning bad stress).Wolf and Goodell (1968) defined stress as a dynamic state within an organism in response to a demand for adaptation. Cofer and Appley (1964) defined stress as a state of an organism where he perceives that his wellbeing is endangered and that he must direct all his energies to its protection.

Lazarus (1966) referred stress a state of imbalance within an organism that is elicited by an actual/perceived disparity between environmental demands and the organism's capacity to cope with these demands; and is manifested through variety of physiological, emotional and behavioral responses. McGrath (1970) defined stress as a perceived imbalance between demand and response capacity under conditions where failure to meet demand has important consequences. Reviewed definition of stress, Cox (1978) has described three classes of definitions.Stress can be triggered by both desirable and undesirable events in life.Accordingly, stress can be assorted thought of as a response i.e., the stress response to an extreme stimulus; as a stimulus, i.e. as the stressor itself; and as an intervening variable. Spielberger (1979) defined stress in two different ways. According to him, it is a dangerous possibility, damaging/unpleasant external conditions (stressors) that produce stress reaction; and secondly to the internal, judgment, thought, physiological process and emotional state that are evoked by stressful stimuli.

Pestonjee (1992) throws light on these viewpoints and suggests that as a stimulus, stress is regarded as an external force which threatens to upset the organism equilibrium. Cox (1993) concluded mismatch between the personal resources and environmental demands that leads to the condition called stress. It is a perceptual phenomenon that may arise from a comparison between the demands on a person and his capability to cope with them "Stress", thus, also refers to the broad domain concerned with how individuals adjust to their environments (Quick et al., 1997).

It can also be noted from the above discussion that there is little agreement as to how exactly the term "stress" should be defined as a result there is no general theory of stress. The main reason attributable to this lack of agreement is that a large number of disciplines with different perspectives are involved in the research on "stress" such as medicine, psychology, sociology, and management (Blanc et al., 2008; Fevre et al., 2003). Each field has defined it differently; however, researchers of different persuasions have suggested stimulus-oriented, response oriented and psychodynamic approaches for exploring the phenomenon of stress. The response-oriented approaches describe how stress is reacted to, and how people function under stress. The research on stress from biological viewpoint is also response oriented as it measures the reactions of the organism while he adapts himself to the demands of the environment. The psychodynamic approach to stress considers the external as well as internal events which pose a threat to the equilibrium status of the organism. In this sense, stress may be induced by interpersonal (external) or intrapsychic (internal) factors.

3.2.1. CONCEPT OF OCCUPATIONAL STRESS

Stress related with employment or work is called occupational stress. Stress in the place of work is a growing concern in the modern state of the financial system, where employee's increasingly facing conditions of overburden, work insecurity, low down levels of job satisfaction, and need of independence. Workplace stress has been revealed a detrimental effect on the health and wellbeing of employees, as well as a negative impact on workplace productivity and profits.

United States National Institute of Occupational Safety and Health has defined workplace stress as "The harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources, or needs of the worker. Job stress can lead to poor health and even injury." In broad-spectrum, stress is the demands people feel in life due to their reaction to situation. In today's varying and cutthroat professional surroundings, stress level is mounting equally in the clerical staff as well as the executive's .Consequently of this occupational stress, to a greater extent employees are feeling burnout and chronic fatigue. Stress has reduced effectiveness of competent workers, which in turn leads to reduced productivity. Stress at work resulting from increasing complexities of work, downsizing, unsympathetic work environments, shift work and its divergent demands has become a major causes of stress.

(Caplan Cobb and French, 1975) have accordingly defined occupational stress as any characteristics of job environment which possesses a threat to the individual.(Cohen, 1980) have expressed that by occupational stress is meant negative environmental factors or stressors associated with a particular job. (Parasuraman and Alluto, 1981) reported that job demands, constraints and job related events or situations were not in themselves stressful; but they may be capable of producing psychological stress and strain depending upon personal attributes and other factors. (Lazarus, 1984) has described occupational stress as an environmental situation perceived as presenting a job demand which seems to exceed the capacity and resources of the employee to meet or deal with it. (Ross and Altmair, 1994) have defined occupational stress as the result of interaction of work conditions with characteristics of the worker such that demands of the work exceed the ability of the worker to cope with them. Work related stress has become the top agenda for many government agencies now-a-days.

Occupational stress is given importance to a great extent since it directly affects the public as well as the private sectors. Individual perception and attitude lead to stress and if he/she fails to accomplish the anticipated demands then it leads to stress. Stress is intangible and strains in the minds of the individual and stay alive through their actions. Resources that help out in meeting the pressures and demands faced at work include personal characteristics such as coping skills (for example, problem solving, assertiveness, and time management) and the occupational situation such as a good working environment and social support. These resources can be increased by investment in employment infrastructure, training, good management and employment practices, and the way that work is organized.

3.2.2 OCCUPATIONAL ROLE STRESS

Organizational Role Stress (ORS) is the stress considered to occur due to job of an organizational role (Srivastava, 1999). Organisational role stress take places if there is mismatch between one's job resources and circumstances and his/her abilities (Holmlund & Strandvik, 2005). Srivastava and Singh (1981) reviewed that perceived stress is related to work conditions such as role ambiguity, role conflict, political and group pressures, role overload, responsibility for persons, powerlessness, under participation, deprived peer relations, low status, intrinsic impoverishment, unprofitability and strenuous working conditions. Schuler (1982) acknowledged relationship, job qualities, organizational structure, career development, physical qualities, change and role as major categories of job stressors. Parker and Decotiis (1983) has projected six specific causes of work stress which involve job characteristics, organizational structure, climate and information flow, role, relationship, career development and external commitments and responsibilities. Hendrix et.al, (1985) recognized work overload, work autonomy, control supervision and support, role ambiguity and role conflict as major organizational stressors. Cummins (1990) recommended role conflict and ambiguity, work overload, under utilization of skills, resource inadequacy and lack of participation as the main categories of work stressors. Pareek (1981), on the basis of hypothetical and statistical analysis has identified ten dissimilar types of role stress commonly seen in any organizational setting, they are as follows

- **Inter Role Distance (IRD)** -An individual by and large carries out more than one role and these different roles create conflicts between each other. Thus, there is conflict between the organizational role and other roles which in turn causes stress.
- **Role Stagnation (RS)-**As an individual grows older, he grows in the role that he occupies in an organization. With the advancement of career of the individual there should be a progress in role. But when the opportunity progress gets stagnant then it leads to Stress. This opinion may be more intense when the role occupant holds a role for a longer period of time.
- **Role Expectation Conflict (REC)-**When there are conflicting expectations or demands by different role senders (persons), the role occupant may experience this stress.
- **Role Erosion (RE)-**A feeling that some important functions that a role occupant would like to perform have been assigned to others.
- **Role overload (RO)-**When an individual feels or that there are too many expectations from her/his role set, he/she experiences role overload. There are two aspects of this stress, namely quantitative and qualitative. The former refers to having 'too much to do' while the latter refers to 'too difficult'.
- **Role Isolation (RI)-**In a role set, the role occupant may feel that certain roles are psychologically closer to him, while others are at a much greater distance. Individual feel stress when there is a lack of linkages between the respondent's role and the other roles in the organization.
- **Personal Inadequacy (PI)-**This type of stress arises when the role occupant feels that he does not have the necessary skills and training for effectively performing the functions expected from his role. This is found to happen when the organizations do not provide periodic training to enable the employees to cope with the fast changes occurring both within and outside the organization.
- **Self Role Distance (SRD)-**This type of stress arises out of conflict between the self-concept and the expectations from the role, as perceived by the role occupant. The conflict of one's values and self concepts with the requirements of the organizational role is known as self role conflict. This is essentially a conflict arising out of a mismatch between the person and his job.
- **Role Ambiguity (RA)-**When the individual is not clear about the various expectations that people have from his role, the conflict that he faces is called role ambiguity. It may be due to lack of information available to the role occupant.
- **Resource Inadequacy (RIN)-**When the resources required by the role occupant for performing the role effectively are not available, that may be related to information, people, material, finance, or facilities. Than it causes stress among the role occupants.

4. REVIEW OF LITERATURE ON OCCUPATIONAL ROLE STRESS

4.1. REVIEW OF LITERATURE ON OCCUPATIONAL ROLE STRESS AT INTERNATIONAL LEVEL

Anne Marie Berg et al (2006) in a study in of Norwegian police published in the Journal of Occupational Medicine and Toxicology said that the prevalence of subjective health complaints was relatively high and was mainly associated to job pressure and lack of support. Males showed more depressive symptoms than females. All stress factors on frequency were positively associated to the burnout dimensions depersonalization and emotional exhaustion, except work injuries.

Ismail, Yao, and Yunus (2009) have conducted their study on private institutions of higher learning in Kuching, Sarawak, Malaysia. Outcomes of study revealed that the level of physiological stress had decreased job satisfaction.

The relationship between job stress and job performance on bank employees of banking sector in Pakistan was conducted by Bashir and **Muhammad (2010)**, using (n=144) data of graduate, senior employees including managers and customers services officers of well reputed growing bank in Pakistan. The results are significant with negative correlation between job stress and job performances and shows that job stress significantly reduces the performance of an individual. The results suggest that organization should facilitate supportive culture within the working atmosphere of the organization. The majority of respondents were male (87%) and married (79%). The average respondent was 39 years of age, having graduate and postgraduate qualifications.

Maizura, Retneswari, Moe, Hoe, and Bulgiba (2010) have conducted a survey to investigate the prevalence and factors associated with high job strain among office workers of a multinational company in Malaysia. A cross-sectional study was conducted on 470 eligible workers. Finding revealed that about one in five workers in this study experience high job strain. Work improvement measures include reducing long working hours and job insecurity and giving workers the opportunity to learn, use creativity and develop abilities.

A study on occupational stress and professional burnout in the banking sector of Pakistan was conducted by **Khattak, Khan, Haq, Arif, and Minhas (2011)**. A total of 237 bank employees (74.3% male and 25.7% female) from different commercial banks participated in the survey.The results identified that workload, working hours, technological problem at work, inadequate salary, time for family and job worries at home are the significant sources of stress in the banking sector. The significant symptoms of burnout as revealed by the results are back pain, extreme tiredness, and headache and sleep disturbance. All stressors organization, job, relationship at work, work environment and family work interface) are significantly correlated to all burnouts (Physical, Psychological and Organizational).

Awan and Jamil (2012) conducted a study on the impact of occupational stress on public and private sector bank employees in Pakistan. The study revealed that personal health issue has same effect for both the sectors i.e. there is a negligible difference in the means of both Private and Public sector banks but work environment in public sector needs improvement. On the other side adaptability is given due attention in Public Sector. Reward system also needs improvement. Overall, it is concluded from the study that the stress level is same for all the banks but only one or two factor can cause difference in result. Total Public and Private sector banks' branches in Rawalpindi and Islamabad were 96. They have selected 30 branches of 6 Banks as a sample. Total Population of 6 selected banks was 600 employees. The responders from public sector banks were 49 employees and from private sector banks were 55 employees.

Rahman, Md., and Md., (2013) have conducted their study on 70 employees working in commercial bank in Bangladesh. Their study has revealed that the public commercial bank has high job autonomy than that of private commercial bank in Bangladesh. Therefore difference in stress intensity observed in commercial bank in Bangladesh.

A survey was conducted among 300 respondents, 150 from conventional and 150 from Islamic banking by **Abid and Jabbar (2013).** For this study 25 Branches of each sector were taken from the 10 Districts of southern Punjab (Pakistan).For ranking and finding the commonalities, a questionnaire was used on which the responses are taken. After the comparative analysis, the research team found the conclusion that there are four types of job stressor which are common in both the banking sector and causing job stress. These common factors are "Over Work Load" "Public Dealing" "Long work timing instead of official timing of 9am to 5pm" and "market competition". The entire common factor mentioned here are highly ranked for both the banking sector and included in the class of common stress factor in banking sector.

Malik (2013) collected data on 200 bank employees in Quetta, Pakistan, of which 100 work in public sector banks and the remaining 100 in private sector banks. Occupational stress was found higher among private bank employees as compared to public bank employees. Among different occupational stress variables role over load, role authority, role conflict and lack of senior level support contribute more to the occupational stress among private bank employees as compared to public bank employees.

A research on the relationship between role stress and job satisfaction among bank employees in Kota Kinabalu, Sabah has conducted by **Ling, Bahron, and Boroh (2014)** and showed that management of banks needs to be aware of role stressor when they are considering on the methods to increase the job satisfaction of the employees. For the moderating variable of position level, the findings showed that position level has no moderating effect on the relationship between role stress, working condition and job satisfaction among bank employees. For the moderating variable of gender, it found that gender has a moderating effect on the relationship between role stress, working condition and job satisfaction among bank employees. It also shows that the effect of role stress is significantly stronger for female employees on job satisfaction than male employees. This study was conducted in 14 commercial banks located in Kota Kinabalu, Sabah with total population of 383. The main focus was on bank employees under the senior management which were Regional manager and Area Sales Manager (Marketing Officer, Customer Services Officer, Operation Officer, Bank Teller, Clerk, Branch Manager and Head of Services).

4.2. REVIEW OF LITERATURE ON OCCUPATIONAL STRESS AT NATIONAL LEVEL

Anitha Devi (2007) in her study on occupational stress depicts the factors and the extent of role and life stress experienced by professional women. The study highlighted the effect of role and life stress on different demographic variables and therefore 180 women professionals from 6 different occupations were taken into consideration. And it was revealed that professional women from the field of science and technology experienced grater amount of stress from any other profession.

In their research article **Sankpal and Negi (2010**) have studied the occupational role stress of 100 employees' each of public and private sector bank in Gwalior. It revealed that the private bank employees has experienced higher level of organizational role stress .The factors that are responsible for creating anxiety and stress are role conflict, personal inadequacy, role isolation and role ambiguity.

In this study **Ahmad and Singh (2011)** included three hundred fifty bank employees of Bihar. Their aim was to study the biographical variables like age, work experience, designation, income and number of family It pointed out that four dimensions of occupational stress like "responsibility for persons", "intrinsic impoverishment", "low status", and "unpredictability" and one biographical variable like "experience in the present position" as a forecasters of bank employees' reactions towards organizational change, although, all bank employees had shown favourable inclination towards change.

A research was conducted by **Bano and Jha (2012)** on based on ten role stressors which presented the differences between public and private sector employees in stress related. It also examined the role of demographic variables on the stress levels of both public and private sector groups. They surveyed 182 public and 120 private sector employees in Uttar Pradesh and measured their responses according to an occupational role stress scale. They found that both public and private sector employees face moderate levels of stress. While there is no significant difference among public and private sector employees in terms of total stress levels, but certain individual stressors such as work experience and educational qualifications do yield differences.

A Study on Occupational Stress and Job Satisfaction among Executives and determined the occupational stress level of the executives from different Occupational Stress Indices and framed a unique questionnaire based on factors such as Tiredness, Accomplishment, Unexplained sadness, Forgetfulness, Temper, Closeness to family, Physical complains, Cynical. It was found by **Banerjee (2012)** that young adults experienced more occupational stress than the middle aged; especially in the private sector this score is even higher than public sector. The study also revealed that age was found to be negatively correlated with occupational stress and positively with job satisfaction. The sample for this study consisted of 150 executives drawn on the basis of random sampling from 7 public sector and 8 private sector organizations in and around the city of Guwahati.

Sadhma (2012) has conducted a comparative study on Organizational Role Stress (ORS) among public and private sector bank employee's .It is found that high level of stress was present among employees in Private sector as compared to the employees in Public sector. The highest level of stress is found in case of team leaders and they are found to be stressed by all the ten stressors. The Relationship Managers are also having high level of stress. The effect of Inter Role Distance is more on all the employees. The major contributors in stress are Inter Role Distance (IRD), Personal Inadequacy (PI), Role Ambiguity (RA) and Role Erosion (RE). The effect of Role Overload (RO) and Self Role Distance (SRD) is lesser as compared to the others. The officers are more stressed due to Inter Role Distance (IRD) and Role Erosion (RE). The high level managers, like Chief Manager and Branch Managers are found to be least stressed under all the ten stressors.

A research on the topic "Job Satisfaction among Bank Employees: A Comparative Study of Public Sector and Private Sector Banks" was carried out by **Devi and Suneja (2013)**. Their study revealed that the employees of Private Sector Banks are more satisfied with pay increments and revision than that of Public Sector Bank employees. And it also indicates that the employees of Private Sector Banks have more satisfaction level than the employees of Public Sector Banks.110

employees of selected Banks located at various place in Kurukshetra have been approached to ascertain their views on job satisfaction. The survey was conducted on employees of Public Sector Bank and Private Sector Bank. The target audience was managers, officers and clerks. The diversity of the study is that it involves Bankers of all age groups and career levels.

In a research article by **Vishal, Begum and Lokesh (2013)** it was found that there was no significant difference between public and private sector banks with respect to the level of stress experienced with the demands of the work. A sample size of 537 respondents from banks, of which 411 employees were from public sector banks and 126 employees from private banks, was taken for the study. The current study has found the factors such as performance pressure; inadequate planning at work, adaptability to change, demands of the family and lack of efficient manpower caused more stress among the bank employees in general.

Borkakoty and Baruah (2013) have investigated the extent of occupational stress among two major organizational service sectors within Guwahati city. A total of 100 participants were selected from both the sectors out of which N=50 from public sector and N=50 from private sector.Additionally, the role of gender has also been explored among the service sectors. Results indicated that there is no differences in general stress level among both the sectors and stress levels. Further, result indicated that female participants in public sector organizations experience higher level of stress.

In their study **M and V.Mahalakshmi (2013)** found that three factors reflect a significant difference among public and private sector employees in the managerial cadre. These factors include role isolation, personal inadequacy, and inter-role distance. It shows that employees face a moderate level of role stress, but that the mean values of most of the stressors apart from role erosion, personal inadequacy, and resource inadequacy to which private sector employees are subject, is greater than that of public sector employees. Survey method is adopted in this study and data are collected from 182 private sector managerial employees and 120 managerial employees in the public sector organizations of Chennai. It is quite evident from the study that though there is no significant difference in the stress experienced by both the public and private sector managers certain individual stressors such as work experience and educational qualifications yield differences.

Katyal and Katyal (2013) have used the standardized Occupational Stress Index developed by (Srivastava and Singh, 1976) for determining the occupational stress. The findings highlight's that the majority of employees working in Nationalized Banks had moderate levels of stress followed by low levels of stress. On the other hand, majority of employees working in Non-Nationalized Banks had moderate levels of stress followed by high level of stress. The sample comprised of 100 employees, 50 each from Nationalized and Non-Nationalized Banks in Chandigarh, having minimum one year of job experience in the same bank.

G (2014) has conducted a survey on 265 employees of three public sector banks functioning in Tiruvarur district on the specific problems of bank employees related to occupational stress. The result of the study reveals that the officers and clerical staff experience high level of occupational stress and sub staff experience moderate occupational stress. They have established 20, 19 and 18 branches respectively in the district. Ten branches from each bank are purposively selected for the study. There are 855 employees working in Indian Overseas Bank, Indian Bank and State Bank of India in the selected branches, of which 177 are officers, 444are clerks and 234 are sub staff, 31 per cent from each category is drawn on the basis of stratified random sampling method. The total sample size was 265 employees.

In a research article by **Samartha, Begum, and Lokesh (2014)** found that employees of both public sector and private sector banks experience the same level of stress. A sample size of 537 respondents was taken for the study of which 411 employees were from public sector banks and 126 employees were from private banks.Factors such as job conditions, job ambiguity, demands of the family, absence of employee involvement, and performance pressure caused stress in both the banks. Factors such as Physical environment and repressive union activities, work life imbalance, inadequate planning of work, adaptability to change, job rigidity, lack of efficient manpower, and unforeseen contingencies was significant and caused more stress in public sector banks.

Mageswari and Prabhu (2014) has identified the stress factors (stressors) and examined the coping strategies among bank employees of different sectors. The study revealed that the respondents of the private banks showed a pattern of stress different from the scores of all other respondents. A significant, but negative relationship is observed between stress and job satisfaction which indicates that satisfied employees expressed low stress compared to the dissatisfaction of employees. Based on the total number of banks situated in Chennai under each category, the total sample size of 216 respondents comprising of 120 respondents belonging to Nationalized and SBI, 39 respondents from private banks and 57 respondents from cooperative banks were taken for the study

CONCLUSION

Occupational role stress is an area which has touched every employed individual of banking sector either in a good or a bad way. The analysis of the literature based on occupational role stress revealed that irrespective of the fact that whether it is public bank or private bank there is no unanimity among researchers on the factors leading to occupational role stress. The major cause of stress which is commonly found in both types of banks i.e. public and private sector banks are working hours, work experience, role erosion, personal inadequacy and inter-role distance. Researches from various fields have adopted different tools to measure organisational role stress but the most acknowledged tool that measured organisational role stress was developed by udai Pareek which consist of ten role stressors. Banking sector has undergone tremendous changes in the last few years especially in terms of technology and banking practices .Keeping in mind the above factors it becomes pertinent to us whether factor's giving rise to occupational role stress as identified by earlier researchers are still relevant in the changed circumstances. Further research in this area may answer this question.

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EFFECTS OF THE GLOBALIZATION ON INDIAN ECONOMY

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ABSTRACT

The term 'globalisation' was first used by social scientists to refer to the evolution of separate human societies into a single global society. Examples of this were ancient empires trading with each other and also the worldwide alliances, during World War I and World War II. By the 1980's, the term was commonly used for specifically economic globalisation. Now, it refers to worldwide trade linking economies together in such a way that they are all interdependent. Simply, it can be said that "Globalisation is the free movement of goods, services and people across the world in a seamless and integrated manner." The process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNCs, population migrations and increased mobility of persons, goods, capital, data and ideas, but also infections, diseases and pollution. In present scenario, the term globalisation refers to the integration of world economies, through uninhibited trade and financial flows, and also through mutual exchange of technology and knowledge, etc. It contains free inter-country movement of labour as well. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) have made the Indian economy as fastest growing economy and globally competitive. In Indian context, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad. As a development paradigm globalisation is now widely accepted in India. It has changed many fiscal, monetary, trade and industrial practices in India. Their changes reflect the Indian efforts to globalise its economy to achieve higher growth rate.

KEYWORDS
liberalisation, privatisation, human societies, globalisation.

INTRODUCTION
The big story of the last decade for India has been its arrival on the global scene. The Indian economy had broken free of the low-growth trap from the early 1980s. By the mid-1990s, Following the economic reforms of 1991-3, India began to appear as a player of some significance in the global economy. Then, following the East Asian crisis of the late 1990s, and from the first years of the first decade of the 21st century there was no looking back. India's exports began to climb, its foreign exchange reserves, which for decades had hovered around 5 billion dollars, rose exponentially after the economic reforms and in little more than a decade had risen to 300 billion dollars. Indian corporations that rarely ventured out of India were suddenly investing all over the world and even in some industrialized countries. When, in 2009, the Group of 20 (G-20) was raised to the level of a forum for leaders, India was a significant member of this global policy group.

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, *Liberalization, Privatization and Globalization* (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient.

With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy.

This era of reforms has also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since Independence in 1947, such as self reliance and socialistic policies of economic development, which mainly due to the inward looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems. This, despite the fact that India has always had the potential to be on the fast track to prosperity.

THE IMPORTANT REFORM MEASURES
Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost $1 billion; Inflation had roared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian Economy. Capital was flying out of the country and we were close to

Defaulting on loans: Along with these bottlenecks at home, many unforeseeable changes swept the economies of nations in Western and Eastern Europe, South East Asia, Latin America and elsewhere, around the same time. These were the economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programs. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included the following:

Devaluation: The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis

Disinvestment: In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector

Dismantling of The Industrial Licensing Regime At present, only six industries are under compulsory licensing mainly on accounting of environmental safety and strategic considerations. A significantly amended locational policy in tune with the liberalized licensing policy is in place. No industrial approval is required from the government for locations not falling within 25 kms of the periphery of cities having a population of more than one million.

Allowing Foreign Direct Investment (FDI) across a wide spectrum of industries and encouraging non-debt flows. The Department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. Some of the recent initiatives taken to further liberalize the FDI regime, inter alias, include opening up of sectors such as Insurance (upto 26%);

development of integrated townships (upto 100%); defense industry (upto 26%); tea plantation (upto 100% subject to divestment of 26% within five years to FDI); enhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most manufacturing activities in SEZs; opening up B2B e-commerce; Internet Service Providers (ISPs) without Gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc. The Department has also strengthened investment facilitation measures through Foreign Investment Implementation Authority (FIIA).

Non Resident Indian Scheme the general policy and facilities for foreign direct investment as available to foreign investors/ Companies are fully applicable to NRIs as well. In addition, Government has extended some concessions especially for NRIs and overseas corporate bodies having more than 60% stake by NRIs

Throwing Open Industries Reserved For The Public Sector to Private Participation. Now there are only three industries reserved for the public sector

Abolition of the (MRTP) Act, which necessitated prior approval for capacity expansion

The reduction of the peak customs tariff from over 300 per cent prior to the 30 per cent rate that applies now.

Wide-ranging financial sector reforms in the banking, capital markets, and insurance sectors, including the deregulation of interest rates, strong regulation and supervisory systems, and the introduction of foreign/private sector competition.

ECONOMICAL BENEFITS OF GLOBALIZATION

The statistics given below will give a clear picture of how far India is succeeded to achieve the Economical benefits of the globalization.

SHARE IN WORLD GDP

Current Prices Basis

	Advanced Economies	US	EU	Euro zone	UK	Germany	Japan	B	R	I	C	S
1980	76.2	26.0	34.1	Na	5.1	7.7	10.0	1.5	Na	1.7	1.9	0.8
1990	79.7	26.1	31.7	Na	4.6	7.0	13.8	2.3	Na	1.5	1.8	0.5
2000	79.7	30.9	26.4	19.4	4.6	5.9	14.5	2.0	0.8	1.5	3.7	0.4
2005	76.1	27.7	30.2	22.3	5.0	6.1	10.0	2.0	1.7	1.8	5.0	0.5
2010	65.8	23.1	25.8	19.3	3,6	5.2	8.7	3.3	2.4	2.6	9.3	0.6

PPP Basis

	Advanced Economies	US	EU	Euro zone	UK	Germany	Japan	B	R	I	C	S
1980	69.0	24.6	31.4	Na	4.3	6.7	8.6	3.9	Na	2.5	2.2	1.0
1990	69.2	24.7	28.7	Na	4.1	6.2	9.9	3.3	Na	3.2	3.9	0.9
2000	62.8	23.5	25.0	18.3	3.6	5.1	7.6	2.9	2.7	3.7	7.1	0.7
2005	58.6	22.3	23.0	16.5	3.4	4.4	6.8	2.8	3.0	4.3	9.5	0.7
2010	52.1	19.5	20.4	14.6	2.9	4.0	5.8	2.9	3.0	5.5	13.6	0.7

Source: IMF, WEO database. (Note: PPP is purchasing power parity)

India's Share in World service exports

1980	1990	2000	2010
0.7	0.5	1.1	3.3

Source: World Bank database.

INDIA'S EXPORTS OF GOODS & SERVICES (%GDP)

1980	1990	2000	2005	2010
6.2	7.1	13.2	19.3	21.5

Source : World Bank Database.

THE BRIGHT SIDE OF GLOBALIZATION

The rate of growth of the Gross Domestic Product of India has been on the increase from 5.6 per cent during 1980-90 to seven per cent in the 1993-2001 period. In the last four years, the annual growth rate of the GDP was impressive at 7.5 per cent (2003-04), 8.5 per cent (2004-05), nine per cent (2005-06) and 9.2 per cent (2006-07).

The foreign exchange reserves (as at the end of the financial year) were $ 39 billion (2000-01), $ 107 billion (2003-04), $ 145 billion (2005-06) and $ 180 billion (in February 2007). It is expected that India will cross the $ 200 billion mark soon.

The cumulative FDI inflows from 1991 to September 2006 were Rs.1, 81,566 cores (US $ 43.29 billion). The sectors attracting highest FDI inflows are electrical equipments including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent), etc. In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient. India controls at the present 45 per cent of the global outsourcing market with an estimated income of $ 50 billion.

In respect of market capitalization (which takes into account the market value of a quoted company by multiplying its current share price by the number of shares in issue), India is in the fourth position with $ 894 billion after the US ($ 17,000 billion), Japan ($ 4800 billion) and China ($ 1000). India is expected to soon cross the trillion dollar mark.

As per the Forbes list for 2007, the number of billionaires of India has risen to 40 (from 36 last year)more than those of Japan (24), China (17), France (14) and Italy (14) this year. A press report was jubilant: This is the richest year for India. The combined wealth of the Indian billionaires marked an increase of 60 per cent from $ 106 billion in 2006 to $ 170 billion in 2007. The 40 Indian billionaires have assets worth about Rs. 7.50 lakh crores whereas the cumulative investment in the 91 Public Sector Undertakings by the Central Government of India is Rs. 3.93 lakh crores only.

THE DARK SIDE OF GLOBALIZATION

On the other side of the medal, there is a long list of the worst of the times, the foremost casualty being the agriculture sector. Agriculture has been and still remains the backbone of the Indian economy. It plays a vital role not only in providing food and nutrition to the people, but also in the supply of raw material to industries and to export trade. In 1951, agriculture provided employment to 72 per cent of the population and contributed 59 per cent of the gross domestic product. However, by 2001 the population depending upon agriculture came to 58 per cent whereas the share of agriculture in the GDP went down drastically to 24 per cent and further to 22 per cent in 2006-07. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.

The agricultural growth of 3.2 per cent observed from 1980 to 1997 decelerated to two per cent subsequently. The Approach to the Eleventh Five Year Plan released in December 2006 stated that the growth rate of agricultural GDP including forestry and fishing is likely to be below two per cent in the Tenth Plan period.

The reasons for the deceleration of the growth of agriculture are given in the Economic Survey 2006-07: Low investment, imbalance in fertilizer use, low seeds replacement rate, a distorted incentive system and lo post-harvest value addition continued to be a drag on the sectors performance. With more than half the population directly depending on this sector, low agricultural growth has serious implications for the inclusiveness of growth.

The number of rural landless families increased from 35 per cent in 1987 to 45 per cent in 1999, further to 55 per cent in 2005. The farmers are destined to die of starvation or suicide. Replying to the Short Duration Discussion on Import of Wheat and Agrarian Distress on May 18, 2006, Agriculture Minister Sharad Pawar informed the Rajya Sabha that roughly 1, 00,000 farmers committed suicide during the period 1993-2003 mainly due to indebtedness.

In his interview to The Indian Express on November 15, 2005, Sharad Pawar said: The farming community has been ignored in this country and especially so over the last eight to ten years. The total investment in the agriculture sector is going down. In the last few years, the average budgetary provision from the Indian Government for irrigation is less than 0.35 percent.

During the post-reform period, India has been shining brilliantly with a growing number of billionaires. Nobody has taken note of the sufferings of the family members of those unfortunate hundred thousand farmers.

Further, the proportion of people depending in India on agriculture is about 60 % whereas the same for the UK is 2 %, USA 2 %and Japan 3 %. The developed countries, having a low proportion of population in agriculture, have readily adopted globalization which favors more the growth of the manufacturing and service sectors.

About the plight of agriculture in developing countries, Nobel Prize-winning economist Joseph Stiglitz said: Trade agreements now forbid most subsidies excepted for agricultural goods. This depresses incomes of those farmers in the developing countries who do not get subsidies. And since 70 per cent of those in the developing countries depend directly or indirectly on agriculture, this means that the incomes of the developing countries are depressed. But by whatever standard one uses, today's international trading regime is unfair to developing countries.

He also pointed out: The average European cow gets a subsidy of $ 2 a day (the World Bank measure of poverty); more than half the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country.

DEMOTING AGRICULTURE

The Economic Survey reports released till 1991 contained the Chapters in the following order: (1) Introduction, (2) Agricultural Production, (3) Industrial Performance and Policies, (4) Infrastructure, (5) Human Resources, (6) Prices, Price Policy and Public Distribution System, (7) Fiscal Policy and Government Budget, (8) Monetary and Credit Developments, (9) The External Sector and (10) Problems and Prospects.

In the Economic Survey 1991-92, Finance Minister Manmohan Singh recast the Chapters in the following order: (1) Introduction, (2) Public Finance, (3) Money and Credit, (4) Prices and Distribution, (5) Balance of Payments, (6) Industry, (7) Agriculture, (8) Infrastructure and (9) Social Sectors.

It is not known as to why the Finance Minister demoted the importance of agriculture that has about 90 per cent population from the second place to the seventh in the annual Economic Survey of the country. In a way does it symbolize the low importance deliberately given to the growth of the agriculture sector in the scheme of globalization?

CONCLUSION

No doubt, it is an opportunity if we succeeded to cope up with the issues discussed in dark side of globalization then perhaps the impact of globalization would be positive.

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GREEN BUILDING IN INDIA: A MOVE TOWARDS SUSTAINABILITY

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ABSTRACT
The need for sustainable development in the construction sector has become significant in the last decade mostly due to the major resource consumption and contamination which buildings generate. The built environment has a profound impact on our natural environment, economy, health and productivity. Breakthroughs in building science, technology and operations are now available to designers, builders, operators and owners who want to build green and maximize both economic and environmental performance. Green buildings have the potential to minimize the negative impact on the environment and offer business and occupant health related benefits. Many countries have either already adopted the green building guidelines or are in the process of adopting them. Developing countries are experiencing exponential growth in the built environment and there is a great potential of making the design and construction practices in these countries more sustainable through green building guidelines. Rapid adoption of these guidelines is important yet challenging. With this motivation, this paper presents the background of green building movement in India. This paper is an attempt to analyse and examine the scenario and prospects of green building construction and to analyse its role in providing us a sustainable environment and understand the rating systems for green buildings in India.

KEYWORDS
Green Building, Sustainability, Indian Green Building Council (IGBC), LEED, GRIHA, BEE.

INTRODUCTION
The Building Industry plays a leading role in our country's fast growing economy. The construction sector contributes a major share to our economy. But this uncontrolled growth possesses grave challenges for us and the environment. Large quantities of natural resources like forest, soil cover, water and energy are extensively used in building industry. The use of energy intensive materials is constantly eroding the quality of our environment. Globally, buildings are responsible for at least 40% of energy use. Almost 70% of the energy consumed in building is for lighting, air conditioning and water heating with over 40% of the global water consumption claimed by the construction industry. Building operations and inhabitant activities generate huge quantity of waste also. Almost 48 % of all solid waste is generated by building. Building activities have directly contributed to almost 50% of the air and water pollution. Urbanisation has resulted in the rapid decrease of green vegetation cover, thus contributing to global warming due to the increased use of air conditioners and emission of greenhouse gases.

Improving the environmental performance of buildings is critical to larger sustainability efforts. As a United Nation Environment Programme report states, "The building sector contributes up to 40% of greenhouse gas emissions, mostly from energy use during the life time of buildings". Considering the statistics, reducing the amount of natural resources buildings consume and the amount of pollution given off is seen as crucial for future sustainability. Identifying opportunities to reduce these emissions has become a priority in the global effort to reduce climate change. There are existent and emerging options for improving the environmental performance of homes; collectively, these options are called green building practices. By using alternative products and systems, green building practices can significantly reduce environmental impacts related to energy consumption, water use, resource use, site practices, and ventilation.

According to Indian Green Building Council (IGBC) A green building is defined as "one which uses less water, optimises energy efficiency, conserves natural resources, generates less waste and provides healthier spaces for occupants, as compared to a conventional building". In simple terms, the green building concept is to build in such a way that it minimizes the environmental impact and creates a healthy indoor environment for its occupants.

OBJECTIVES
1. To understand the conceptual areas of green building.
2. To trace out the green building movement in India.
3. To study the green building rating systems in India.

METHODOLOGY
The study is based purely on secondary data. Data mainly has been collected from various secondary sources e.g. annual reports, bulletins and surveys of The Leadership in Energy and Environmental Design (LEED INDIA), Indian Green Building Council (IGBC), official websites of GRIHA, BEE, LEED, articles and newspapers.

GREEN BUILDINGS
A green building is one which uses less water, optimises energy efficiency, conserves natural resources, generates less waste and provides healthier spaces for occupants, as compared to a conventional building. Green building is the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building's life-cycle from sitting to design, construction, operation, maintenance, renovation and deconstruction. This practice expands and complements the classical building design concerns of economy, utility, durability, and comfort. Green building is also known as a sustainable or high performance building. On the aesthetic side of green architecture or sustainable design is the philosophy of designing a building that is in harmony with the natural features and resources surrounding the site.

Although new technologies are constantly being developed to complement current practices in creating greener structures, the common objective is that green buildings are designed to reduce the overall impact of the built environment on human health and the natural environment by:
- Efficiently using energy, water, and other resources
- Protecting occupant health and improving employee productivity
- Reducing waste, pollution and environmental degradation

GOALS OF GREEN BUILDING

The concept of sustainable development can be traced to the energy (especially fossil oil) crisis and the environment pollution concern in the 1970s. The green building movement in the U.S. originated from the need and desire for more energy efficient and environmentally friendly construction practices. There are a number of motives for building green, including environmental, economic, and social benefits. However, modern sustainability initiatives call for an integrated and synergistic design to both new construction and in the retrofitting of existing structures. Also known as sustainable design, this approach integrates the building life-cycle with each green practice employed with a design-purpose to create a synergy among the practices used.

Green building brings together a vast array of practices, techniques, and skills to reduce and ultimately eliminate the impacts of buildings on the environment and human health. It often emphasizes taking advantage of renewable resources, e.g., using sunlight through passive solar, active solar, and photovoltaic equipment, and using plants and trees through green roofs, rain gardens, and reduction of rainwater run-off. Many other techniques are used, such as using low-impact building materials or using packed gravel or permeable concrete instead of conventional concrete or asphalt to enhance replenishment of ground water.

While the practices or technologies employed in green building are constantly evolving and may differ from region to region, fundamental principles persist from which the method is derived:

- Site and Structure Design Efficiency
- Energy Efficiency
- Water Efficiency
- Materials Efficiency
- Indoor Environmental Quality Enhancement
- Operations and Maintenance Optimization
- Waste and Toxics Reduction.

The essence of green building is an optimization of one or more of these principles. Also, with the proper synergistic design, individual green building technologies may work together to produce a greater cumulative effect.

Major benefits of Green Buildings include:

- Energy savings to the tune of 40-50 %
- Water savings to the tune of 20-30%
- Intangible benefits which includes: enhanced ventilation, better views and day lighting which significantly improves the productivity of the occupants
- Green corporate image
- Demonstration of the company's commitment to environmental protection.

GREEN BUILDING MOVEMENT IN INDIA

The Indian green building movement can be mainly associated with the government initiatives to encourage sustainability in the society and the acceptance of the green building guidelines by the corporate sector .Unlike U.S., where the government policies were based on the public pressure through the environmental movements, major policy decisions by the Indian government were in response to the international events such as the OPEC oil embargo, the Brundtland Commission or the Second Earth Summit. The green building movement in India has been divided into three main phases:

1. Phase I- 1974-1996: Establishment of institutions by the government to encourage sustainability in India
2. Phase II-(2001-2003)-Formation of the Indian Green Building Council (IGBC), TERI – Business Council for Sustainable Development (BCSD), and the Bureau of Energy Efficiency (BEE)
3. Phase III-2004-2007:Launch of LEED- India and TERI – GRIHA

Phase I (1974 – 1996): Establishment of institutions by the government to encourage sustainability in India: In this first phase, capacity building measures were taken by the government to encourage sustainability in the Indian society. These capacity building measures can be associated as the governmental response to the energy crisis that had been triggered due to the OPEC oil embargo of 1972 .The timeline of the events occurring during this phase is as follows :(1) The Energy and Resources Institute (TERI) was established. The primary mission of the institute was to address the problems in the field of energy, environment, and the future patterns of development (1974); (2) Establishment of National Hydro Electric Power Corporation (1975); (3) Establishment of National Institute of Ecology to enhance environment and conservation through education and research (1976); (4) Environmental (Protection) Act was passed in the Parliament (1986); The Indian Parliament initiated a voluntary eco-labeling program known as the "Eco-Mark" at the initiation of the Ministry of Environment and Forest (MoEF) and Central Pollution Control Board (CPCB) and The Government of India declared that 14^{th} December of every year will be recognized as the "National Energy Conservation Day" (1991); Construction Industry Development Council was formed as a nodal agency between the government and the construction industry to address the issues of education, environmental awareness, law enforcement in the construction sector (1996).

Phase II (2001 – 2003): Formation of major policy making and supporting organizations: This phase marks the formation of the Indian Green Building Council (IGBC), TERI – Business Council for Sustainable Development (BCSD), and the Bureau of Energy Efficiency (BEE). These institutions have been responsible for accelerating the adoption of green building guidelines in the country. This phase also marks the first platinum rating award by USGBC to CII- Green Business Center under the LEED®-NC v. 2.2. Following is the timeline of the events occurring during this phase: (1) Indian Green Building Council was formed. The membership of this council represented the government, corporate sectors, architects, product manufacturers, institutions, etc. (2001); The Three Country Energy Efficiency Project as started by UN. The primary aim of the project was to provide the technical assistance for developing financial intermediation mechanisms for energy efficiency in India / TERI - Business Council for Sustainable Development (BCSD) was initiated as a partner of World Business Council for Sustainable Development. TERI BCSD is responsible for TERI- Green Rating for Integrated Habitat Assessment / Bureau of Energy Efficiency (BEE) was formed. BEE is an autonomous organization, with the mission to improve the energy efficiency of the country (2002); CII Godrej Green Business Center was awarded Platinum Rating by U.S. Green Building Council under LEED^{R} v. 2.0 (2003).

Phase III (2004 – 2007): Launch of LEED^{R}- India and TERI – GRIHA^{R}: In this phase two green building guidelines, TERI-GRIHA^{R} in 2005 and LEED^{R}-India in 2007 were launched in the Indian society. The rapid developments in the field of green building guidelines can also be attributed to the international pressure on the Indian government to address sustainability in the Indian society and the rapid acceptance of LEED^{R}- NC within the Indian corporate sectors. Also in this phase the first ever Indian Green Building Conference was held in 2005 with an objective to create awareness, bring together stakeholders and provide platform for sharing knowledge and best practices in the green building sector. Following is the timeline of the developments happening in this phase: (1) USGBC signed the LEED^{R} licensing agreement with India during its fourth Green Building conference at Georgia / ITC Green Centre Project, Gurgaon was awarded with platinum rating under LEED^{R} 2.1. ITC Green Centre is now the largest platinum rated building in the world. India thus had 2 of the 7 platinum rated buildings around the world (2004); The TERI GRIHA^{R} rating system was launched with the aim to achieve efficient resource utilization, enhanced resource efficiency and improved quality of life in buildings / The first Indian Green Building conference was organized by IGBC in September 2005 at Delhi (2005); LEED^{R} for New Construction v. 1.0 was released by IGBC / The Government of India introduced Energy Conservation Codes with the help of BEE for commercial buildings (2007).

Green Building movement in India was triggered off when CII-Sohrabji Godrej Green Business Centre building in Hyderabad was awarded with the first and the prestigious Platinum rated green building rating in India. This landmark achievement put India on the global map of green building movement, through support of all stakeholders from the construction industry. Since then, Green Building movement in India has gained tremendous impetus over the years. With a modest beginning of 20,000 sq.ft. green built-up area in the country in the year 2003, today (as on November 2014) more than 2,803 Green Buildings projects coming up with a footprint of over 2.28 Billion sq.ft with projects spread across the five climatic zones of the country are registered with the Indian Green Building Council (IGBC), out of which 547 Green Building projects are certified and fully functional in India. With this, India is on the top 3 countries in world green building map. This growth has been possible with the participation of all stakeholders in the green building movement. Today all types of buildings are going the Green way-

Government, IT Parks, Offices, Residential, Banks, Airports, Convention Centre, Institutions, Hospitals, Hotels, Factories, SEZs, Townships, Schools, etc. In India, green buildings and eco-friendly homes are gaining momentum and is estimated to account for about 20% of all the constructions by the end of 2030. Mumbai has the country's maximum number of environment-friendly buildings under construction, a survey has shown. The city has 60% more green building projects compared to Delhi and Bangalore, which are second and third on a list released by the Indian Green Building Council (IGBC). The list has six cities, including Pune, Hyderabad and Chennai. Mumbai has 319 registered projects that fall in the green building category and are spread over 229 million square feet, according to the IGBC. Delhi is second on the list with 199 projects, followed by Bangalore with 198 and Pune with 197.

CORPORATE BACKERS
Large companies such as ITC, Infosys, Wipro, Godrej, Tata, ACC, M&M, Hero, and Raheja are among scores of other companies who have all taken to platinum- or gold-rating certification. In some ways, they are reference points for the green movement. With a chunk of a large company's costs being taken up by the energy bill, they have all put in place systems which bring down overall energy consumption. Significantly, with the State Governments encouraging setting up of solar photo-voltaic units and offering incentives for both grid-connected and rooftop systems, companies are installing renewable energy units both to meet their power requirement during peak hours as well as to save on energy costs.

The green building movement is growing with each passing day. While power-intensive factories are being covered sector-wise, be it paper and pulp, power, cement, and other manufacturing units, efforts are also on to partner with local administration in this regard. This includes offering additional floor area for construction if they apply for green certification and give importance to landscaping.

INDIAN GREEN BUILDING COUNCIL
The Indian Green Building Council (IGBC), was formed in the year 2001 by Confederation of Indian Industry (CII). It is a non profit research institution having its offices in CII-Sohrabji Godrej Green Business Centre, which is itself a LEED certified Green building. The vision of the council is, "To enable a sustainable built environment for all and facilitate India to be one of the global leaders in sustainable built environment by 2025". IGBC is strong with a membership base of more than 1,588 members which is progressively increasing over the years. Members are all stakeholders of the construction industry viz. Architects, Interior Designers, Landscape Consultants, MEP Consultants, Builders, Developers, Product and Equipment Manufacturers, Corporates, Institutions and Government agencies. The council closely works with several State Governments, Central Government, World Green Building Council, bilateral multi-lateral agencies in promoting green building concepts.

The council is continuously striving towards wider adoption of eco-friendly / green building concepts in the Indian Industry. IGBC promotes a whole-building approach to sustainability, based on the principles of 5 elements of nature [the Panchabutas viz. earth, water, fire (energy), air & sky] by recognizing performance in the following five key areas:

- Sustainable site development
- Water savings
- Energy efficiency
- Materials selection
- Indoor environmental quality

GREEN BUILDING RATING SYSTEMS
Green building rating brings together a host of sustainable practices and solutions to reduce the environmental impacts. Green building design provides an integrated approach considering life cycle impacts of the resources used. An important development in the growth of green building movement is the launch of the following Green Building Rating Systems:

IGBC

IGBC has launched different rating programmes to suit variety of building types.

IGBC Green Schools: This rating system is meant for schools which are already existing and also new schools which are being constructed.

IGBC Green Mass Rapid Transit System (MRTS): The rating system is a tool to enable new Rail based MRTS to apply green concepts during design & construction, so as to further reduce environmental impacts that are measurable. The overarching objective of IGBC Green MRTS Rating is to ensure environmental sustainability, while enhancing commuter experience.

IGBC Green New Buildings: This rating system is designed primarily for new buildings. New Buildings include (but are not limited to) offices, IT parks, banks, shopping malls, hotels, airports, stadiums, convention centers, libraries, museums, etc., Building types such as residential, factory buildings, schools will be covered under other IGBC rating programmes. IGBC Green New Buildings rating system is broadly classified into two types:

1. Owner-occupied buildings are those wherein 51% or more of the building's built-up area is occupied by the owner.
2. Tenant-occupied buildings are those wherein 51% or more of the building's built-up area is occupied by the tenants.

IGBC Green Homes Version 2: This rating system is designed for rating new residential buildings, such as Individual homes, Gated communities and High rise residential apartments, etc.,

IGBC Green Factory Building: This rating system is designed for new & existing factory buildings, such as manufacturing facilities, etc.

IGBC Green SEZs: This rating system is designed for Special Economic Zones (SEZ). The rating meets the guidelines of Ministry of Commerce & Industry (MoCI).

IGBC Green Townships: This rating system is designed for rating integrated township developments

LEED 2011 for India-New Construction: This rating system is applicable for those buildings where the design and operation is fully in the scope and control of owner or the developer, such as, Corporate office, Institutional building, etc.

LEED 2011 for India-Core & Shell: This rating system can be used for projects where the developer controls the design and construction of the entire core and shell base building including MEP/FP systems, but has no control over the design and construction of the tenant fit-out. Such type of developments include: Retail Malls, IT Parks, etc.

All these rating systems are voluntary, consensus based, market-driven building programmes. The rating systems are based on the five elements of the nature (Panchabhutas) and are a perfect blend of ancient architectural practices and modern technological innovations. These ratings systems are applicable to all five climatic zones of the country. IGBC rating programmes have become "National by Choice and Global in Performance".

LEED CERTIFICATION

The Leadership in Energy & Environmental Design (LEED) is the rating system developed for certifying Green Buildings. LEED is developed by the U.S. Green Building Council (USGBC), the organization promoting sustainability through Green Buildings. LEED is a framework for assessing building performance against set criteria and standard points of references. The benchmarks for the LEED Green Building Rating System were developed in year 2000 and are currently available for new and existing constructions. IGBC has licensed the LEED Green Building Standard from the U.S. Green Building Council and currently is responsible for certifying LEED-New Construction and LEED-Core and Shell buildings in India. The Leadership in Energy and Environmental Design (LEED-INDIA) Green Building Rating System is a nationally and internationally accepted benchmark for the design, construction and operation of high performance green buildings.

LEED-INDIA provides building owners, architects, consultants, developers, facility managers and project managers the tools they need to design, construct and operate green buildings. It is a voluntary, consensus – based, market-driven building rating system based on existing proven technology. It evaluates environmental performance from a whole building perspective over a building's life cycle, providing a definitive standard for what constitutes a "green building". The rating system is organised into five environmental categories: Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources and Indoor Environmental Quality. An additional category, Innovation & Design Process, addresses sustainable building expertise as well as design measures not covered under the five environmental categories. LEED is a measurement system designed for rating new and existing commercial and institutional buildings. It is based on accepted energy and environmental principles and strikes a balance between known established practices and emerging concepts. It is a performance-oriented system where credits are earned for satisfying criterion designed to address specific environmental impacts inherent in the design and construction. Different levels of green building certification are awarded based on the total credits earned. The system is designed to be comprehensive in scope, yet simple in operation.

LEED CERTIFICATION LEVELS

Certification Level	Points
Certified	26-32
Silver	33-38
Gold	39-51
Platinum	52 or more

Source: IGBC

BUREAU OF ENERGY EFFICIENCY (BEE)

The Indian Bureau of Energy Efficiency (BEE) had launched the Energy Conservation Building Code (ECBC). The code is set for energy efficiency standards for design and construction with any building of minimum conditioned area of 1000 Sq mts and a connected demand of power of 500 KW or 600 KVA. The energy performance index of the code is set from 90 kW·h/sqm/year to 200 kW·h/sqm/year where any buildings that fall under the index can be termed as "ECBC Compliant Building". More over the BEE had launched a 5 star rating scheme for office buildings operated only in the day time in 3 climatic zones, composite, hot &dry, warm &humid on 25 February 2009. IGBC rated green buildings are also able to meet or exceed the ECBC compliance.

GREEN RATING FOR INTEGRATED HABITAT ASSESSMENT (GRIHA)

Green Rating for Integrated Habitat Assessment (GRIHA) is India's own rating system jointly developed by TERI and the Ministry of New and Renewable Energy, Government of India. TERI, being deeply committed to every aspect of sustainable development, took upon itself the responsibility of acting as a driving force to popularize green building by developing a tool for measuring and rating a building's environmental performance in the context of India's varied climate and building practices. The rating system called 'Green Rating for Integrated Habitat Assessment' (GRIHA) quantifies parameters like energy consumption, waste generation, renewable energy adoption over the entire lifecycle of the building. In 2007, it was adapted and adopted by the Ministry of New and Renewable Energy (MNRE) as the national rating system for green buildings in order to bring down the ecological impact of buildings in India to a nationwide acceptable level. It is a green building design evaluation system where buildings are rated in a three-tier process. The process initiates with the online submission of documents as per the prescribed criteria followed by on site visit and evaluation of the building by a team of professionals and experts from GRIHA Secretariat. GRIHA rating system consists of 34 criteria categorized under various sections such as Site Selection and Site Planning, Conservation and Efficient Utilization of Resources, Building Operation and Maintenance, and Innovation points. Eight of these 34 criteria are mandatory, four are partly mandatory, while the rest are optional. Each criterion has a number of points assigned to it. It means that a project intending to meet the criterion would qualify for the points. Different levels of certification (one star to five stars) are awarded based on the number of points earned. The minimum points required for certification is 50.

Points achieved	GRIHA Rating
50-60	★
61-70	★★
71-80	★★★
81-90	★★★★
91-100	★★★★★

Source: GRIHA

CONCLUSION

The emergence of sustainable building, or green building, has brought about an awareness of what the building industry can do to curb high energy use, minimize waste, and create environments that are healthy and productive. Initial costs can be higher, but the payback can be quick through energy savings and productivity gains. Indians were aware of Green Building concepts from time immemorial. Conventional homes with baked red colour roof tiles and clay made walls is a really good example of energy efficient structures that are used to keep cool during summers and warm during the winters. Most of rural India is still attached to this building technology with naturally available materials like clay, wood, jute ropes, etc. Today we have advanced technologies that create smarter systems to control inside temperature, lighting systems, power and water supply and waste generation. The result is significant savings for building owners over the life of the building. In this rapidly changing world, we should adopt the technology that helps us to save precious natural resources. This would lead us to a true sustainable development.

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FINANCIAL PERFORMANCE OF DISTRICT CENTRAL CO-OPERATIVE BANKS (DCCBs) IN HARYANA

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ABSTRACT

Agriculture sector plays a strategic role in the process of economic development. Agriculture is the backbone of the Indian economy because agriculture is the largest and oldest economic activity in the world which provides the basic intergradient to mankind and raw material for industrialization. For the development of agriculture, modernization of agriculture is very important. In the modernization of agriculture credit play an important role. As the World Bank describes, "Credit is often a key element in the modernization of agriculture". In India, agriculture loans are mostly provided by co-operative banks, commercial banks, regional rural banks etc. Among these co-operative banks play an important role in the rural credit. So an attempt has been made in this paper to study the role and financial position of district central co-operative banks in Haryana.

KEYWORDS

Co-operative banks, agriculture finance.

INTRODUCTION

The word co-operation is derived from the Latin word "cooperate" and its elementary sense it simple means 'working together'. The principle of co-operation is as old as human society. It is truly the basis of domestic and social life. With the passing of co-operative credit society act 1904, the great efforts have been done by the officials to eliminate the peculiar problems of farmers and common public. Since the last few years the speed of co-operative credit institution has drastically changed due to the competition from commercial banks, undue intrusion of political parties and failure of many co-operative banks.

A co-operative bank is a financial entity which belongs to its members, the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks in India have been assigned the distinct role viz. to serve up the rural poor masses by advancing timely and easy credit and to mobilize small servings. Currently out of 372 total district central co-operative banks (DCCBs) in India and 19 DCCBs operating under four division in Haryana.

OBJECTIVES OF THE RESEARCH STUDY

1. To study the role of central co-operative banks in Haryana in agriculture financing.
2. To examine the financial position and the efficiency of DCCBs in Haryana.
3. Analyze the performance of central co-operative banks and make suggestions for the better performance of banks.

RESEARCH METHODOLOGY

The study has been carried out to examine the role of district central co-operative banks of Haryana in agriculture financing for the selected years (2001-02 to 2012-13). The present study is based on secondary statistics which is utilized for evaluating the performance and power of banks. The secondary data has been collected from the annual reports of HARCO banks and the statistical abstract of Haryana and websites of banks.

REVIEW OF LITERATURE

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

Caucasian (1992) pinpointed that by joint efforts of the supervision of the district Central Bank, the officers and secretaries of the Primary Societies and the employees of Govt. of Tamil Nadu, the Periyal district Central Co-operative Bank was able to achieve top position in the State in recovery performance of crop loan advances

Dayanandan and Kumar (1993) evaluated the performance of Central Cooperative Banks of Kerala state. They found that though the central cooperative banks achieved better performance in terms of share capital, membership, deposits and reserve funds, there was no corresponding achievement in the net profits during the study period. The reason was high over dues of the banks.

Gurumoorthy (1995) pinpointed in his research work, the role of co-operative in rural development. He suggested that members should be motivated and guided in the proper way not only to utilize the benefits of the co-operative societies but also to make the societies financing viable by repaying the loan in time

Jain (2001) has done a comparative performance analysis of district central co-operative banks (DCCBs) of western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

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

Singh and Singh (2006) studied the fund management in the District central co-operative banks (DCCBs) of Punjab with special references to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the central co-operative banks and thus had a larger provision for non-performing assets.

Singh, V. (2008) appraised the financial performance of the Rohtak Central Cooperative bank Ltd. (Haryana). He analyzed the deposits, advances and profitability position the bank. He found that the aggregate deposits of the bank increased with low growth rate and bank did not make good performance in terms of credit advanced to the beneficiaries.

DISTRICT CENTRAL CO-OPERATIVE BANKS (DCCBs) IN HARYANA

Central co-operative banks work like a middleman between HARCO bank (state level) at the top and the primary co-operative credit (village level) at the bottom. DCCBs act as intermediary institutions for short & medium-term Cooperative credit structure. These banks are mostly situated at the district headquarters and the sub -division towns in the state .There are 19 DCCBs with 595 branches working in the state Haryana.

TABLE 1: LIST OF CCBS WITH NUMBER OF BRANCHES AS ON 31ST MARCH 2013

S. No.	Name of CCB	Branches
1	Ambala central cooperative bank	28
2	Bhiwani central cooperative bank	40
3	Faridabad central cooperative bank	32
4	Fatehabad central cooperative bank	29
5	Gurgaon central cooperative bank	38
6	Hisar central cooperative bank	46
7	Jhajjar central cooperative bank	24
8	Jind central cooperative bank	33
9	Karnal central cooperative bank	44
10	Kaithal central cooperative bank	29
11	Kurukshetra central cooperative bank	36
12	Mahendargarh central cooperative bank	21
13	Panchkula central cooperative bank	13
14	Panipat central cooperative bank	22
15	Rewari central cooperative bank	27
16	Rohtak central cooperative bank	25
17	Sirsa central cooperative bank	41
18	Sonepat central cooperative bank	35
19	Yamunanagar central cooperative bank	32
	Total	595

Source: Reports of HARCO Bank

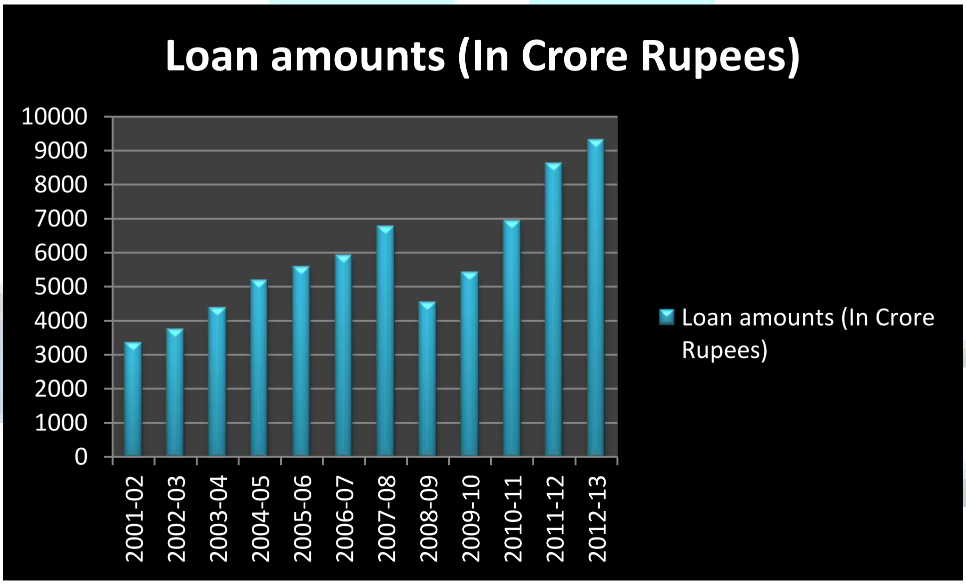
The above table evidently states that there were 595 branches of CCBs operating in the state as on 31st March, 2013. Hisar CCB, Karnal CCB, Sirsa CCB, and Bhiwani CCB had more number of branches than other CCBs in the state.

TABLE 2: YEAR WISE DETAIL OF LOANS ADVANCED BY CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Loan amounts (In Crores Rupees)
2001-02	3339.58
2002-03	3741.35
2003-04	4355.08
2004-05	5170.31
2005-06	5564.5
2006-07	5923.25
2007-08	6757.32
2008-09	4544.18
2009-10	5410.34
2010-11	6932.65
2011-12	8619.29
2012-13	9301.06

Source: Reports of Harco bank

GRAPH 1



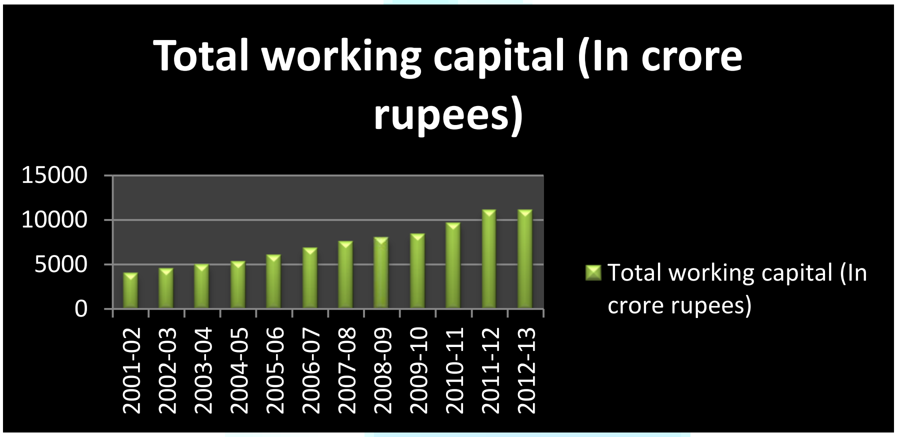
The above table and graph reveal that the amount of loans provided by the DCCBs is increasing during the study period. The loan issued by banks was 3339.58 crore in 2001-02 which increased to 9301.06 crore in 2012-13.Thus it may be concluded that banks has been following moderates loan advance policies for agriculture sector.

TABLE 3: YEAR WISE DETAIL OF TOTAL WORKING CAPITAL OF CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Total working capital (In crores rupees)
2001-02	3943.5
2002-03	4468.69
2003-04	4912.28
2004-05	5276.19
2005-06	5956.6
2006-07	6794.91
2007-08	7546.91
2008-09	7954.17
2009-10	8365.8
2010-11	9596.99
2011-12	11025.6
2012-13	11105.48

SOURCE: REPORTS OF HARCO BANK

GRAPH 2



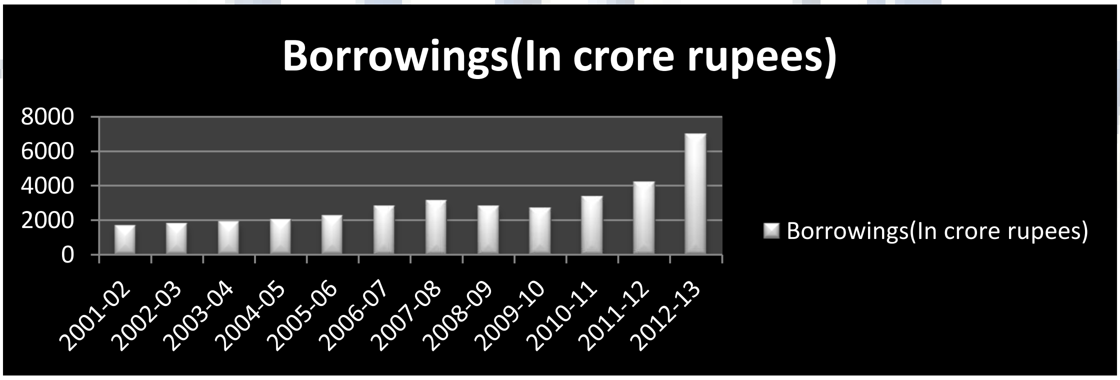
The above table and graph highlights the working capital of DCCBs in Haryana. The working capital of banks is increasing every year during the study period. The total working capital was 3943.5 crore in 2001-02 which increased 11105.48 crore in 2012-13.

TABLE 4: YEAR WISE DETAIL OF TOTAL BORROWINGS OF CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Borrowings (In crore rupees)
2001-02	1653.41
2002-03	1805.03
2003-04	1870.31
2004-05	2028.86
2005-06	2202.83
2006-07	2761.84
2007-08	3095.24
2008-09	2772.17
2009-10	2651.21
2010-11	3366.27
2011-12	4146.76
2012-13	6928.41

Source: Reports of HARCO Bank

GRAPH 3



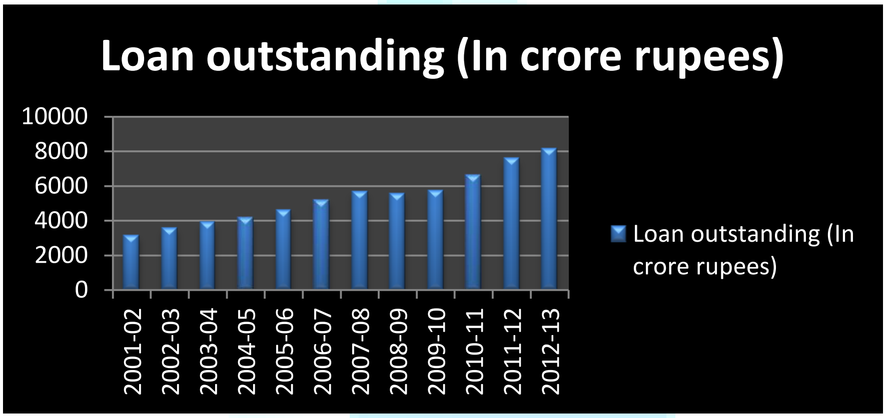
The above table and graph shows the degree of borrowing of banks in preceding year. It is shown from the above table that the total borrowing of banks which were Rs. 1653.41 crore in 2001-02 has increased to 6928.41 crore in 2012-13.This shows that the short term agriculture has played a leading role in agriculture sector. The banks also prefer to advance short term loans to farmers.

TABLE 5: YEAR WISE DETAIL OF LOAN OUTSTANDING OF CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Loan outstanding (In crore rupees)
2001-02	3131.48
2002-03	3559.94
2003-04	3860.63
2004-05	4143.68
2005-06	4581.3
2006-07	5176.6
2007-08	5661.68
2008-09	5540.88
2009-10	5735.07
2010-11	6595.8
2011-12	7561.64
2012-13	8163.41

Source: Reports of HARCO Bank

GRAPH 4



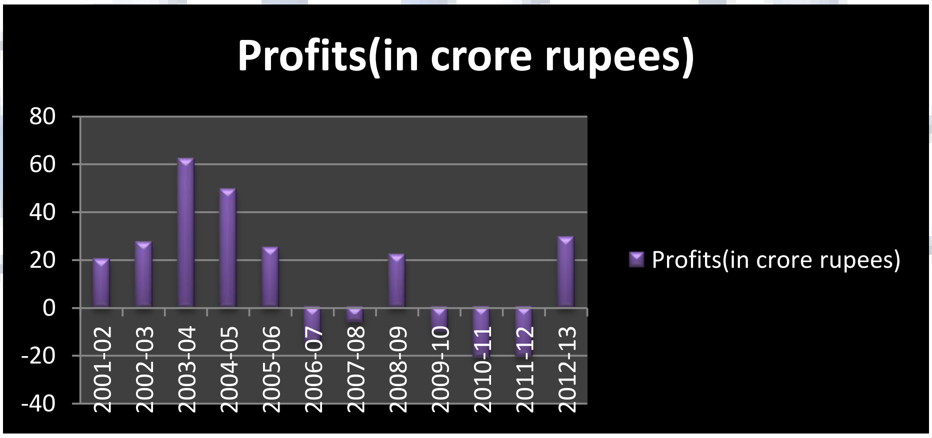
The above table and graph depicts the loan outstanding of DCCBs in Haryana. The total loan outstanding was 3131.48 crore in 2001-02 which increased to 8163.41 crore in 2012-13.This shows that the loan outstanding is increasing every year. It is not good sign because higher loan outstanding will affect the performance of banks.

TABLE 6: YEAR WISE DETAIL OF PROFITS OF CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Profits (in crore rupees)
2001-02	20.33
2002-03	27.37
2003-04	62.13
2004-05	49.64
2005-06	25.16
2006-07	-14.18
2007-08	-5.94
2008-09	22.03
2009-10	-9.66
2010-11	-20.8
2011-12	-20.16
2012-13	29.28

Source: Reports of HARCO Bank

GRAPH 5



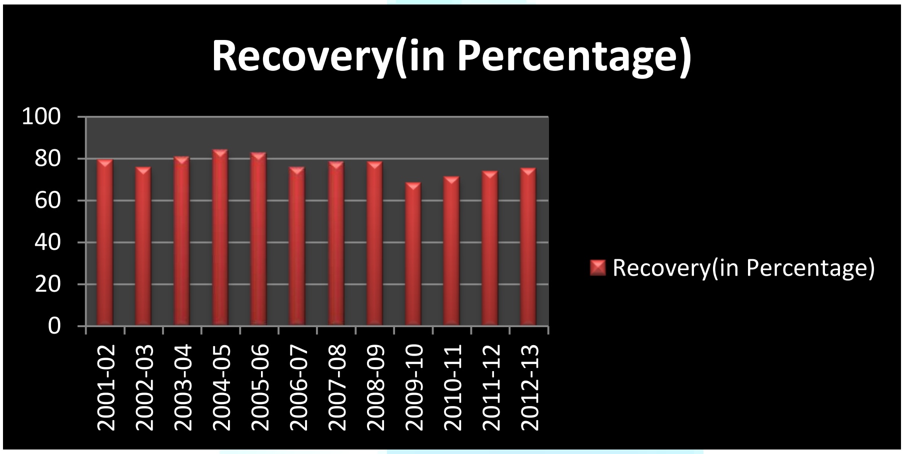
The above table and graph depicts the profits of the banks which shows the fluctuations in profits over the period of time. The total profit was 20.33 crore in 2001-02 which increased to 29.28 crore in 2012-13. The profit was higher in2003-04 (62.13 crore) and lowest was in year 2011-12(-20.16).Thus it may be concluded that there has been fluctuations in profits of DCCBs in Haryana. But this is not a good sign because the performance of a bank depends also on its profits.

TABLE 7: YEAR WISE DETAIL OF RECOVERY POSITION OF CENTRAL CO-OPERATIVE BANKS OF HARYANA

Year	Recovery(in Percentage)
2001-02	79.26
2002-03	75.46
2003-04	80.56
2004-05	83.77
2005-06	82.14
2006-07	75.3
2007-08	78.07
2008-09	78.09
2009-10	67.89
2010-11	70.81
2011-12	73.74
2012-13	75.12

Source: Reports of HARCO Bank

GRAPH 6



The above table and graph shows the recovery position of DCCBs in Haryana. The performance of a bank depends upon its recovery position. The recovery of DCCBs was 79.26% in 2001-02 which decreased to 75.12 % in 2012-13. The recovery% shows fluctuations during the study period. The DCCBs should try to find out the reasons behind the lower recovery and try to remove these reasons.

CONCLUSION AND SUGGESTIONS

The co-operative credit institutions being leader in rural and agriculture financing proved their worth at various stances and particularly when the Indian economy is recognized as rural economy worldwide. The DCCBs play an important role in the co-operative credit institutions. But the financial position of DCCBs is not so good in Haryana because there have been fluctuations in profits over the period of time. The reasons behind this weak performance were mismanagement, underutilization of resources, improper investment, improper capital structure, inadequate cash availability and lack of innovative products, so there is great need of change in the vision and strategies in these banks for better service to the people of the country. The DCCBs should draw up a programme of rehabilitation and efforts should be made to recover overdue by all possible methods. The borrowings societies should recover their loans from the members and pay it back to the central co-operative banks. The banks should be given loans in installment and proper link should be established between advancing and repayment of loans with sowing and harvesting seasons. The banks should also provide other funds which can be used at the time of emergency. The state govt. and NABARD need to pay more attention in providing the loans to small and marginal farmers without any delay. The banks should increase the share of loans to be provided for non-agriculture should be given loans to the central co-operative banks on easy term and conditions at cheaper rates at interest to be provided to the agriculture sector and farmers. An adequate margin should be kept between borrowing and lending rates so as to build a strong reserve fund, separate record should be kept overdue of principal interest and adequate provision out of the profits into debts. Serious step should be taken for rationalizing the capital structure of the central co-operative banks to strengthen and increase their owned and working capital to the prescribed economic level.

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A STUDY ON CUSTOMER PERCEPTION TOWARDS THE SERVICES OFFERED IN RETAIL BANKING BY SOUTH INDIAN BANK VADAVALLI BRANCH, COIMBATORE CITY

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ABSTRACT

Retail banking in India is not a new phenomenon. It has always been prevalent in India in various forms. For the last few years it has become synonymous with mainstream banking for many banks. The major impact of retail Banking is that, the customers have become the Emperors the fulcrum of all Banking activities, both on the asset side and the liabilities front. The hitherto sellers market has transformed into buyers market the customers have multiple of choices before them now for cherry picking products and services, which suit their lifestyles and tastes and financial requirements as well. Banks now go to their customers more often than the customers go to their banks. Customers always look for more user- friendly products and better interest rates when compared to other banks they have account with, so, through product innovation and competitive pricing strategy the bank can foster business relationship with its customers.

KEYWORDS

Retail Banking, Customers, Products and Services.

1.1 INTRODUCTION

Service with a smile: Today's finicky banking customers will settle for nothing less. The customer has come to realize somewhat belatedly that he is the king. The customer's choice of one entity over another as his principal bank is determined by considerations of service quality rather than any other factor. He wants competitive loan rates but at the same time also wants his loan or credit card application processed in double quick time. He insists that he be promptly informed of changes in deposit rates and service charges and he bristles with 'customary rage' if his bank is slow to redress any grievance he may have. He cherishes the convenience of impersonal net banking but during his occasional visits to the branch he also wants the comfort of personalized human interactions and facilities that make his banking experience pleasurable.

1.2 RETAIL BANKING

Retail banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services. Today's retail banking sector is characterized by three basic characteristics:

- multiple products (deposits, credit cards, insurance, investments and securities);
- multiple channels of distribution (branch, internet); and multiple customer groups (consumer, small business, and corporate).

1.3 CUSTOMER PERCEPTION

Customer Perception is an important component of an organization's relationship with their customers. Customer satisfaction is a mental state which results from the customers' comparison of expectations prior to a purchase with performance perception after a purchase. Strong customer service helps an organization to reach up to customers expectations.

1.4 COMPANY PROFILE

One of the earliest banks in South India, "South Indian Bank" came into being since 1929, during the Swadeshi movement. The establishment of the bank was the fulfillment of the dreams of a group of enterprising men who joined together at Thrissur. The objective behind establishment of the Bank was to provide for the people a safe, efficient and service oriented repository of savings of the community on one hand and to free the business community from the clutches of greedy moneylenders on the other by providing need based credit at reasonable rates of interest.

Translating the vision of the founding fathers as its corporate mission, the bank has during its long sojourn been able to project itself as a vibrant, fast growing, service oriented and trend setting financial intermediary.

The major product and services offered by the South Indian Bank are classified into three major heads:

- Personal banking
- NRI banking
- Business banking

Under these heads bank provide various schemes for deposits, loans and value- added services to its customers.

1.5 OBJECTIVE OF THE STUDY

- To understand the customers perception on the service delivery of the bank.
- To assess the management perception related to customers expectations on the bank's service- quality specifications and delivery.

1.6 REVIEW OF LITERATURE

1. Anil Dutta and Kirti Dutta in their paper reveal the expectations and perceptions of the consumers across the three banking sectors in India. The study revealed that gap varies across the banking sector with public sector banks showing the widest gap and foreign banks showing a narrow gap. It is important for the service providers to know the level of customer expectations so that they can meet and even exceed them to gain maximum customer satisfaction.
2. In the study of Mark Durkin et al., customer satisfaction questionnaire was issued to over 2,000 retail customers. Twenty-five senior branch bank managers were then asked to rank the same set of issues to ascertain what they felt to be the key influencers to customer registration for internet banking. The three factors that the managers failed to identify fell into two broad categories: relationship management status and comfort with new technology.

1.7 SAMPLE DESIGN

It is a probabilistic sampling method where the samples were drawn from the various places of the city. The respondents of the sample size are 150.

A research design is a clear plan about the research. There are various types of research such as Fundamental Research, Experimental Research, Descriptive Research and Analytical Research.

1.8 METHOD OF DATA COLLECTION

The task of data collection begins after a research problem has been defined and research design chalked out. The data collected are primary & secondary data.

1.9 ANALYSIS AND INTERPRETATION

TABLE 1: RATING THE INTEREST RATES CURRENTLY BEING OFFERED BY THE BANK

Ratings	Frequency	Percent
Average	69	46
Good	62	41.33
Very Good	16	10.67
Excellent	3	2
Total	150	100

Interpretation: The above data shows that 46% of the respondents have rated the interest rate currently being offered by the bank to be average which is very near to the 42% who has rated it to be good. The management has rated this as good. So it can be interpreted that the interest rate offered by the bank is not much satisfactory to the customers and also slight gap analyzed.

GARATTE METHOD : Formula:: $P = \frac{100 (R - 0.5)}{N}$

TABLE : 2 RANKING OF THE ATTRIBUTES CONSIDERED, TO CHOOSE A BANK BEFORE GOING FOR A BANK LOAN

						Total
Percent	10	30	50	70	90	
Score (x)	75	60	50	40	24	
Interest Rate (Freq, f)	98	42	9	1	0	
fx	7350	2520	450	40	0	10360
Security Demanded (f)	18	38	59	32	3	
fx	1350	2280	2950	1280	72	7932
Efficient Customer Service(f)	30	41	35	22	22	
fx	2250	2460	1750	880	528	7868
Repayment Period (f)	0	22	39	77	12	
fx	0	1320	1950	3080	288	6638
Eligibility (f)	4	7	8	18	113	
fx	300	420	400	720	2712	4552

Interpretation: The ranks analyzed, using Garatte Ranking Method, shows that the respondents give their first preference to the interest rate offered by a bank when they go for availing a loan; followed by the other attributes as shown in the table above.

TABLE 3: RATING GIVEN TO SIB'S TECHNOLOGY & INNOVATION WHEN COMPARED TO THE OTHER BANKS, THE RESPONDENTS HAVE ACCOUNT WITH

Ratings	Percentage
Average	26.39
Good	54.86
Very Good	15.97
Excellent	2.78

Interpretation: The data above shows that 54.86% of the respondents have rated this attribute to be good. So it is interpreted that the technology & innovation of SIB is in par with other banks, the respondents have account with.

TABLE 4: AWARENESS OF THE RESPONDENTS ON THE INTERNET BANKING SERVICES PROVIDED BY SIB

Services	Frequency	Percentage
Transfer funds	50	33.3
Bill/ Loan Payment	38	25.3
DD/ Term Deposit Request	34	22.7
Getting Reminders	44	29.3
None	99	66

Interpretation: The above data shows that 33.3% of the respondents are aware of transferring funds through internet banking services whereas only 29.3% and 25.3% are aware about getting reminders and payment of bill/ loan respectively. It is also shown that 66% of the respondents are not aware of any services provided by the internet banking of SIB.

1.10 FINDINGS

- 38.1% out of the 63 respondents who use the internet and mobile facilities have rated bank's this facility to be average. The management has rated this as very good which shows a slight gap existing and also the dissatisfaction of the customers regarding this service.
- Interest rate offered by a bank is rated as the first attribute which a customer considers to choose a bank before going for a bank loan.
- Since 91 respondents out of the 150 has account with SBT; the main competitor for the bank turn out to be SBT followed by Federal Bank and ICICI.
- Only 46% of the respondents are aware of the facility such as requirement for cheque book/ statement through the ATM.

1.11 SUGGESTION

- Only 22.7% of the respondents having been invested in the third party products the bank can look for promoting the same. The bank also has a huge scope for this, with high income group NRI customers, in the area.
- Since a large number of the respondents are unaware of the services provided through internet(66%)/ mobile(56.7%) banking; initiatives, such as posting a list of services that are rendered to the customers inside the bank premises, demo of the services in the bank website; can be done to make the customers aware, and use the services provided through ATM, internet and mobile banking of the bank.

1.12 CONCLUSION

Customers always look for more user- friendly products and better interest rates when compared to other banks they have account with, so, through product innovation and competitive pricing strategy the bank can foster business relationship with its customers. So as to retain the existing customers and to build up customer loyalty, Customer Relationship Management should be given more importance.

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TOWARDS THE NEED OF EFFICIENCY - SEEKING FDI FOR A FASTER AND MORE INCLUSIVE GROWTH IN INDIA

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ABSTRACT

The recent boom in world-wide FDI inflows constitutes a major element of economic globalization. As a result the exports remained the dominant form of corporate internationalization strategies and globalization through FDI has gained significantly in relative importance. After the recent financial crisis, South, East and Southeast Asia emerged as the most important host region among developing countries. However, in recent years, it is commented that a high concentration of FDI in a few large and fairly advanced developing economies has become one of the problems and though most of the developing countries, have been attracting a significant proportion of Global inflow of FDI, it is argued that they are more market-oriented in nature and not efficiency-seeking. Keeping these observations in view, an attempt is made in this paper to analyze the trends in the FDI inflows with special reference to India. Fundamentally relying on secondary data, the present paper presents a critical analysis of FDI in India particularly focusing on sectoral, regional and dominance of investing countries, which might be considered as the major reasons for comparatively less effective in the process of achieving faster and more inclusive growth in India. Particular focus is laid on south-north inequalities, sectoral inequalities and the need for initiation of necessary measures to attract FDI from the friendly-advanced countries.

KEYWORDS

Investment Motives and Impediments, FDI inflows, Sectoral and regional Concentration, Efficiency-seeking FDI.

INTRODUCTION

It was felt until the last decade of 20th century that FDI was a phenomenon associated with highly developed countries. Contrary to this conception in recent years, many of the developing countries are attracting larger amounts of FDI inflows as a result of their economic liberalization policies. Particularly after the financial crisis in Asia and Latin American countries, developing and newly industrializing countries have felt that FDI was the best source of supplementing their national savings and also for achieving economic development. Their preference was propelled by basic properties of FDI like risk-sharing, stimulating the economic growth than other types of capital inflows, FDI offers access to internationally available technologies and generates employment opportunities and improves like skill-levels of human resources. Based on these properties and the most common investment motivations, economists (Caves, 2007; Dunning 1973, 1993; Johnson, 2006; Botric and Skuflic, 2005) have identified the following three types:

- Resource-Seeking FDI
- Market-Seeking FDI
- Efficiency-Seeking FDI

Resource-seeking FDI aims at gaining access to natural resources, particularly those that may be scarce in the country where the acquirer is located. Energy companies are seeking resources when they purchase oil fields overseas is the best example for this kind of FDI. Market-seeking FDI aims at gaining access to foreign markets. It is attracted by factors like host country market size, capital income and market growth. Companies may find it less costly or easier to produce or assemble goods in or near target markets. Foreign car companies seeking markets when they build assembly plants in United States is the best example for this type of FDI. The Motivation of efficiency seeking FDI takes the advantage of different factor endowments, cultures, institutional arrangements, economic systems and policies and market structures by concentrating production in a limited no. of locations to supply multiple markets.

The World Investment Report – 2014 (UNCTAD) observed that domestic market growth potential (45.4%), proximity to markets or customers (33.0%) and Regulations/business climate (20.6%) are the driving motivations for the investors around the globe. The motivating factor of availability of skilled workforce was cited as the important determinant of FDI by 17.7 per cent of the investors. The report further observed that market size (GDP) is the most important determinant by which the larger economies have experienced higher inflows of FDI. The results of the single-variant regression model also revealed that there was a strong positive correlation between market size (GDP) and FDI. It is estimated that FDI inflows have increased by 9 per cent in 2013 to $1.45 trillion and UNCTAD projected that FDI inflows could rise to $ 1.6 trillion in 2014, $ 1.7 trillion in 2015 and $ 1.8 trillion in 2016 with relatively larger increases in developing countries. All these illustrations reveal that the market size is the single dominant motivation that attracts larger amounts of FDI around the globe.

According to FDI Report-2014, our country, India, stood at second place in terms of market share of 8.57 percent, after China (34.73 percent) in Asia-Pacific region. However, with reference to capital Investment in Asia-Pacific region, India was ranked as the 4th country with a market share of 7.6 per cent. The information on inflows of FDI into Asia-Pacific region also reveals that coal, oil and natural gas (14.0 percent), real estate, hotels and tourism (13.5 percent) and business and financial services (10.8 percent) were the dominant sectors which have attracted the inflow of FDI.

OBJECTIVES OF THE PAPER

The foregoing discussion reveals the fact that market dominance is the main driver of inflows of FDI's and the nature of FDI is primarily market-seeking and to attract FDI where in the aim of improving the efficiency of the economy is given a neglected importance, attaching much importance to consumption-oriented FDI. Keeping this nature of FDI attracted by Asia-Pacific region, the present paper makes an economic analysis of inflows of FDI with special reference of India. Specifically, the paper aims at:

- an analysis of sectoral distribution of FDI equity inflows.
- an examination of regional distribution of FDI inflows, and
- an assessment of shares of investing countries and their contribution to India.

METHODOLOGY

The paper relies on secondary data collected from Fact Sheet on FDI (from April 2000 to November, 2014), Reports of UNCTAD on Global Investment Trends Monitor,World Investment Report-2014 and Reports of the Global Forum on International Investment (OECD). Specifically the paper also lends support from the research papers published in Economic and Political Weekly, International Journal of Core Engineering and Management, Economic Survey-2013-14, and Monthly Economic Reports for the year 2014, published by Ministry of Finance, Government of India.

DISCUSSION AND RESULTS

It is argued in recent days that China is the country, in the international economic affairs, identified as the 'Super economic power', which is attracting, investing and efficiently using the inflows of FDI. As a result, its merchandise exports accounted for 25.93 percent in 2011, as against its merchandise imports, which accounted for 23.81 percent of its GDP. The efficient use of FDI in China was identified as the major source of its 'productivity gains' and rapid economic and trade growth. In the case of India, the merchandise exports were 16.11 percent as against the imports of 24.70 percent in 2011 resulting into an increasing volume of trade deficit. Foreign invested enterprises were the efficient drivers for China manufacturing sector and its export potential, overtaking Japan and USA. India still depends substantially on agriculture and services as the contributors of its development and exports. It seems, comparatively India has been employing FDI less efficiently to provide a boost to its export potential, which eventually has been the main reason for ever increasing trade deficit.

Generally when we speak about the foreign investment, we consider both foreign portfolio investment and foreign direct investment. However, the current research proved that foreign direct investment is more efficient and sustainable as it brings better technology and management, marketing networks and offers competition also. Particularly in India, it is felt that foreign direct investment helps Indian companies improve, quite being apart from being good for consumers. Government of India has also initiated many attractive measures to invite the foreign institutional investors to invest by way of stake from Indian stock market. It is believed that this two-pronged strategy is very much helpful for the growth of Indian economy. Before entering into the analysis of the main theme of the present paper, let us have a look at the inflows of FDI and FII funds into India from April 2000 to September, 2014. Table. 1 presents the details of inflows in to India.

TABLE 1: FINANCIAL YEAR-WISE INFLOW OF FDI AND FII FUNDS INTO INDIA DURING 2000-2014 (Amount in US $ million)

Financial Year	Total FDI Inflows into India (Equity, Reinvested earnings and other capital)	Foreign Institutional Investors Fund (net)
2000-01	4,029 --	1,847
2001-02	6,130 (+) 52%	1,505
2002-03	5,035 (-) 18%	377
2003-04	4,322 (-) 14%	10,918
2004-05	6,051 (+) 40%	8,666
2005-06	8,961 (+) 48%	9,926
2006-07	22,826 (+) 146%	3,225
2007-08	34,843 (+) 53%	20,328
2008-09	41,873 (+) 20%	(-) 15,017
2009-10	37,745 (-) 10%	29,048
2010-11	34,847 (-) 8%	29,422
2011-12	46,556 (+) 34%	16,812
2012-13	34,298 (-) 26%	27,582
2013-14	36,046 (+) 5%	5,010
2014-15 (April to November)	27,401	--
Cumulative Total (From April 2000 to November, 2014)	350,963	149,663

Source: Fact Sheet on Foreign Direct Investment (FDI) Updated upto November, 2014, p.4.

Note: figures in the brackets denote percentage growth over previous year.

Keeping balance of payments situation of India in recent years, it is highly essential to attract and employ FDI into economic activities for improving the productivity gains not only from agriculture and services, but also from industrial sector. The paper identifies the following three contributing factors for insignificant contribution of FDI inflows into India.

- Sectoral Concentration
- Regional Concentration, and
- Dominance of Investing Countries.

All the above identified factors are critically analyzed in the following paragraphs:

1. SECTORAL CONCENTRATION

The cumulative FDI inflows into India (2000-2014) and the sectors attracting highest FDI equity inflows reveal that they are concentrated and employed in services, construction development and telecommunications as shown in Table.2

TABLE 2: A SNAPSHOT OF SECTORAL CONCENTRATION OF FDI EQUITY INFLOWS INTO INDIA

Rank		Cumulative FDI Equity Inflows (April 2000 to November,2014) (in US $ million)	Percentage to Total Inflows
1	**Services** (Financial, Banking, Insurance, Non-Financial/Business, Outsourcing , R&D, Courier, Tech, Testing and Analysis)	41,307.1	17.47
2	**Construction Development** (Townships, Housing, Built-up Infrastructure)	24,009.0	10.15
3	**Telecommunications** (Radio, Paging, Cellular Mobile, Basic Telephone Services)	16,634.6	7.03
4	**Computer Software and Hardware**	13,678.9	5.78
5	**Drugs and Pharmaceuticals**	12,751.1	5.39
6	**Automobile Industry**	11,351.3	4.80
7	**Chemicals** (Other than Fertilizers)	10.137.4	4.29
8	**Power**	9,450.1	4.00
9	**Metallurgical Industries**	8,294.1	3.51
10	**Hotel and Tourism**	7,661.6	3.24

Source: Fact Sheet on FDI (from April 2000 to November, 2014), P.8.

The data presented in Table. 2 reveals that major portion of the FDI inflows to the extent of 40.4 per cent were invested in Services, Construction, Telecommunications, Computer Software and Hardware. The other sectors like Hotel and Tourism, which are inbuilt with high employment generating and income earning potential, have attracted only 3.24 per cent of the total FDI inflows. Power sector, which is considered as the most important supporting infrastructure for the improvement in Human Development, attracted only 4.0 per cent and similarly the Drugs and Pharmaceuticals, which can exert a positive impact on decreasing the disease burden and improves the health of the people, attracted only 5.4 per cent of the total FDI inflows. These observations amply reveal that the sectoral concentration of FDI equity inflows represent the neglect of the sectors which are "efficiency (capabilities)-enhancing like health and infrastructure. Attention is to be paid to address these sectoral imbalances.

2. REGIONAL CONCENTRATION

The observations of UNCTAD (1995 and Collins, 1998) revealed that a widely perceived problem with FDI in developing countries is concerned with its high concentration in a few large and fairly advanced economies. It seems to imply that most developing countries do not have favorable prospects to attract FDI and it may also be due to the conclusion drawn based on the distribution of FDI in absolute terms. A similar analysis of distribution of FDI in India also reveal same pattern.

There are 17 regions identified with states covered under their jurisdiction receiving FDI Equity inflows in India. Four regions were identified in South India and 13 regions in North India. The southern region covers 4 states and 2 UTs – Tamilnadu, Karnataka, Andhra Pradesh and Kerala and Pondicherry and Lakshadweep. The southern region has attracted a small proportion of the total FDI Equity inflows to the extent of 16.4 per cent as shown in Table. 3.

TABLE 3: FDI EQUITY INFLOWS ATTRACTED BY THE SOUTHERN REGIONS (From April 2000 to November 2014)

S. No	RBI's Regional Office	States Covered	Cumulative Inflows in US $ million)	Percentage to Total Inflows
1	Chennai	Tamilnadu, Pondicherry	15,803	7.0
2	Bangalore	Karnataka	14,174	6.0
3	Hyderabad	Andhra Pradesh	9,728	4.0
4	Kochi	Kerala, Lakshadweep	1,066	0.4
All Southern Regional Offices			40,771	17.4
All Regional Offices (both identified and Not identified)#			236,586	100.0

Source: Fact Sheet on FDI (from April 2000 to July 2014), p.3.

Note: # excludes RBI's NRI Schemes (from 2000 to 2002)

The data presented in Table. 3 indicate that of the total FDI Equity inflows, southern regions identified have attracted a small proportion of the total FDI Equity inflows to the extent of 17.4 per cent only. Viewed from the state-wise attractions, Kerala (0.4 per cent) and Andhra Pradesh (4.0 per cent) are comparatively attracting almost negligible amounts of FDI inflows in India. The statement on region-wise FDI Equity inflows received show that Mumbai (30.0 per cent) and New Delhi (19.0 per cent) together have attracted major portion of the total inflows among all the regions in India. It is evident that all the Northern regional offices have attracted about 82.6 per cent of the total inflows in to our country. Even the positions of Tamilnadu and Karnataka were not found better as they attracted about 13.0 per cent of the total FDI Equity inflows.

Hence, the data presented leads to a conclusion that all the southern states have to equip themselves so that they may raise to the status of Mumbai and New Delhi for attracting FDI inflows. Necessary "attraction plans" based on the need and requirements of FDI inflows, the Governments have to design the policies and initiate efforts to attract FDI inflows. It could also be inferred from the data that there are regional imbalances in attracting the FDI inflows, which are to be addressed suitably and immediately.

3. DOMINANCE OF INVESTING COUNTRIES

An overview of the statement on country-wise cumulative FDI Equity inflows (from April 2000 to July 2014) reveals that FDI Equity inflows into India were contributed by around 140 countries and the share of majority of the investing countries account for less than 1.0 per cent of the total inflows. Around 11 countries were found contributing major share of more than 1.0 per cent. These trends reveal that there is a dominance of 3 investing countries, together contributing more than 57.0 per cent of the total inflows as shown in Table. 4.

TABLE 4: FDI INFLOWS BY DOMINANT INVESTING COUNTRIES (from April 2000 to September, 2014)

S. No.	Investing Country	Cumulative Amount of FDI Equity Inflows (in US $ million)	Percentage to Total Inflows
1	Mauritius	83,729.92	35.41
2	Singapore	29192.54	12.35
3	United Kingdom	21,761.27	9.20
4	Japan	17,556.86	7.42
5	Netherlands	13,664.81	5.78
6	USA	13,285.88	5.62
7	Cyprus	7,915.87	3.35
8	Germany	7,133.56	3.02
9	France	4,408.64	1.86
10	Switzerland	2,892.09	1.22
11	UAE	2,886.05	1.22
Selected Dominant Investing Countries (1 to 11)		204,427.49	86.41
All the Investing Countries		236,586.52	100.0

Source: Fact Sheet on FDI (from April 2000 to November, 2014) Updated up to November, 2014, p. 5, 6 and 7.

The data presented in Table. 4 explain the dominance of 11 countries, which are investing more than 86.0 per cent of the total FDI Equity inflows (US S 204,427.49 million) into India. Even among these 11 countries there are three highly dominant countries – Mauritius, Singapore and UK , which together account for about 57.0 per cent of the total inflows and among these three, Mauritius alone accounts for around 35.4 per cent of the total inflows. It is seen from the data that countries like France, Switzerland and UAE have invested less than 2.0 per cent each to the total inflows into India. Most of the developed countries, it seems, were remaining untapped in the investment inflows into India and it is imperative that efforts are to be initiated to tap the FDI potential not only of USA (5.62 per cent), Germany (3.02 per cent), Switzerland (1.22 per cent) but also of Spain (0.85 per cent), Hong Kong (0.54 per cent), Sweden (0.45 per cent), Russia (0.40 per cent) and China (0.19 per cent).

The recent bilateral talks of our Hon'ble Prime Minister are to be appreciated for attracting huge amounts of Foreign Investments particularly from Japan and China. Similar and more effective investment –attracting strategies are to be designed and implemented to attract higher amounts of FDI from the countries which are investing less than 5.0 per cent of the total inflows in to India. The attracting efforts would be successful only when a congenial economic and non-economic environment is to be created for doing business in India. The observations made by the recent Global Competitiveness Report -2014-15 serves well for identifying the areas and economic activities for which the inflow of FDI are of dire necessity and designing need-based strategies to attract FDI inflows into India.

CONCLUSION

No doubt, the present world came to a conclusion that FDI is the most effective source of investment for economic growth as FDI inflows facilitate the improvement of "productivity gains" in developing countries in general and for India in particular. Today many of the global consultancy services are considering India is poised for lot of action as the investors are keenly tracking the economy and various measures have been initiated by the present new Government. It is observed that the whole economic power is shifting towards emerging markets where India is among premier economies, and draws attention. It is also true that India is the only country with a young, growing and competitive workforce. A strong and deep investment foundation with capabilities across traditional and advanced technology sectors is the springboard for the present growth cycle. It is also estimated that India could achieve an additional Rs. 8 lakh crore of GDP and 25 million more jobs through a facilitative business environment. At this juncture every effort is to be made to attract foreign investments and it is highly essential to build up "business confidence" by offering a profit-generating environment for doing business in India. The operating environment for each business should be strengthened coupled with ensured access to finance, redefining investment limits, encouraging technology adaptation and facilitative regulation certainly transforms our India into a global hot-spot for entrepreneurial activity. Then only the strategy of our Prime Minister "Make in India" turns into a reality.

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ANALYSING INSOLVENCY RISK OF SELECTED INDIAN PUBLIC AND PRIVATE SECTOR BANKS THROUGH CAMEL PARAMETER

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ABSTRACT

The banking literature nowadays has focused on the insolvency risk exposures in ensuring banks safety and soundness. Undeniably, the interest in this subject is pronounced after the financial crisis. Therefore, The Main objective of the study is to compare the risk of selected Indian Public and Private sector Bank through CAMEL rating parameter (i.e. Capital Adequacy, Assets quality, Management efficiency, Earning ability and Liquidity). From the analysis and Interpretation, we observed that, under the Selected Public Sector banks United Commercial Bank (UCO), Indian Overseas and Allahabad Bank fall under high risk i.e. fourth category. Whereas Punjab National Bank (PNB) and Bank of Baroda (BOB) fall under the category I. category I- signifies good position of these banks. Under the Selected Private Sector banks, Jammu & Kashmir (J & K) Dhan Lakshmi bank and Lakshmi Vilas Bank fall under the Category IV which signifies high risk category of these banks, whereas HDFC and Karur Vaisya fall under the category I. category I- signifies good position of these banks. It can also suppose that, risky ness cannot be judged solely based on the absolute values of the CAMEL ratios.

KEYWORDS

CAMEL, Banking Sector, Insolvency risk, Risk, Selected Public Sector Banks, Selected Private Sector Bank.

1. INTRODUCTION

In the banking sector risk management can be defined as the set of policies, processes, and instruments for measuring, and controlling the credit, market or operation risk. till late 80's banks were practicing a health code to classify the assets and those assets which were not good were provided for but not in a systematic manner. Bad assets were transferred to bad debt accounts but the income recognition and asset classification norms were not in position. The Balance sheets did not disclose the risk transparently. The opening of the banking system on account of financial sector reforms brought in the IRAC norms and the capital adequacy norms. Application of these standards depicted the relative weakness of banks. The deregulation of markets brought forth the issue of market risk and the impact that commodity and financial product prices and volatility could have on the balance sheet of companies and banks. The introduction of capital adequacy norms which was gradually increased to the targeted 8% on uniform basis brought about financial stability. Today the financial sector has realized that its approach towards risk management should be more pronounced and more transparent that other businesses. In recent times there has been an increased attention to risk management at the banking level too. The CAMEL rating is significant to banking to judge bank performance and risk analysis. CAMEL approach is significant tool to assess the relative financial strength of a bank and to suggest necessary measures to improve weakness of a bank which resultant to minimization of risk. CAMEL rating is currently popular among regulators worldwide. In India RBI adopted this approach in 1996 followed on the recommendations of Padmanabham Working Group (1995) committee.

2. REVIEW OF LITERATURE

(Chakrabarty, 2013) in good health financial inclusion and the more efficient the banking system, the more it can aid financial inclusion, particularly because it can make the delivery of banking services cost-effective and can thereby ensure that improved access to banking services results in improved usage. Chaudhry and Singh (2012) analyzed the impact of the financial reforms on the soundness of Indian Banking through its impact on the asset quality. The study identified the key players as risk management, NPA levels, effective cost management and financial inclusion. Siva and Natarajan (2011) empirically tested the applicability of CAMEL norms and its consequential impact on the performance of SBI Groups. The study concluded that annual CAMEL scanning helps the commercial bank to diagnose its financial health and alert the bank to take preventive steps for its sustainability. Agoraki et al. (2009) find that capital requirements reduce risk in general, but for banks with higher market power this effect is significantly weaker or can be reversed. Gupta and Kaur(2008) assessed the performance of 20 old and 10 new Indian Private Sector Banks on the basis of Camel Model for the period of five years i.e., from 2003-07. Haselmann and Wachtel (2007) point out that the issues of risk-taking and risk management are not well-documented. Haselmann and Wachtel, (2006), implying that the results obtained for developed countries may not apply to the transition ones. Increased competition in the banking sector is typically seen as a threat to the solvency of financial institutions and the stability of the baking sector. In another international study, Pasiouras et al. (2006) find a negative relationship between capital requirements and overall banks' soundness as measured by Fitch ratings. The results of the global study of Barth et al. (2004) indicate that while more inflexible capital requirements are associated with fewer non-performing loans. Krishna Chaitanya (2005) used Z model to measure the financial distress of IDBI. Sarker (2005) scrutinized the CAMEL model for regulation and supervision of Islamic banks by the central banking Bangladesh. The study enabled the regulators and supervisors to get a Shariah benchmark to supervise and inspect Islamic banks and financial institutions from an Islamic perspective.
(Podpiera and Podpiera, 2005),find a negative and significant relationship between cost efficiency and the risk of a bank failure. Ninimaki (2004) shows that risk-taking depends on the structure of the market in which banks compete.Santos (1999) shows that an increase in capital standards results in lower incentives to take risk and therefore lower risk of insolvency. In the study conducted by (Sheeba Kapil) the degree to which supervisory CAMELS ratings reflect the level of risk taken by banks and the risk-taking efficiency of those banks were examined. The study suggests that supervisors not only distinguish between the risk-taking of efficient and inefficient banks, but they also permit efficient banks more latitude in their investment strategies than inefficient banks. The study conducted by Angadi and Devraj (1983) identifies the factors determining the profitability and productivity of public sector banks (PSBs) in India. The study conducted by Angadi and Devraj (1983) identifies the factors determining the profitability and productivity of public sector banks (PSBs) in India.M. Jaydev predicted that the result should be compared with the actual results and the weights assigned to the various financial parameters in the internal rating models. Nikolaos Gerntontinos Vergos,Apostolos G. Christopoulos examined whether Z-score model, developed by Altman 1993 can predict bankruptcies. The model is useful in identifying financially troubled companies that may fail up to 2 years before the bankruptcy. The study of Hirtle and Lopez captures the adequacy of CAMELS in projecting the overall performance of a bank.

3. RESEARCH METHODOLOGY

Methodology presents how the current study was designed, orchestrated and provides a clear and complete description of the specific steps that were taken to address the research objectives and test the hypotheses.

3.1.1 RATIONALE, RESEARCH QUESTION AND OBJECTIVES

3.1.1 RATIONALE

Lending always invokes some amount of risk. The investors should evaluate the borrowers' credit history i.e. track which reveal the morale of lenders. The basis for analysis and decision-making is financial information. Financial information is needed to predict, compare and evaluate the firms earning ability in all respects. The financial information is reported through the financial statement, and other accounting reports, like Trading Profit and Loss account, Balance sheet, Cash flow statement, Auditor's and director's reports Notes and annexure etc. It contain a wealth of information that if properly analyzed and interpreted can provide valuable insights of purposes which range from a simple analysis of short-term liquidity position of the firm to comprehensive assessment, of the strengths and weakness of the firm in various areas. In other words, financial statements are mirrors, which reflect the financial position and operating, strengths and weaknesses of the concern. These statements are useful to management, customers, investors and other interested parties. Hence, the present study seeks to make an in-depth analysis of the performance of Selected Indian Public and Private Sector banks.

3.1.2 RESEARCH QUESTION

The recent financial crisis has refocused attention on the general importance, impact and measurement of banks insolvency and liquidity risk. Lending by banks to the agriculturist on very low rate of Interest, exemption of principle amount. Subsidy policy etc. leads risk to the banking sector. The banking literature nowadays has focused on the insolvency risk exposures in ensuring banks safety and soundness. Undeniably, the interest in this subject is pronounced after the financial crisis. Therefore, the topic selected is ''Analysing Insolvency risk of selected Indian Public and Private sector Banks through CAMEL Parameter''.

3.1.3 OBJECTIVES OF THE STUDY

The Main objective of the study is to compare the risk of selected Indian Public and Private sector Bank through CAMEL rating model.

In order to achieve the main objective the following Sub-objectives have also been considered-

- To measure the Insolvency risk of the Selected Indian Public Sector Banks
- To compare the risk of selected Indian Private sector Banks
- To compare the risk of selected India Public and Private sector Banks
- To analyze and compare the capital adequacy, Assets quality, Management Efficiency,

Earning Quality and Liquidity through CAMEL rating model.

3.2 HYPOTHESES

Hypotheses are compiled here below and discussed in detail.

Ho1 There is no significant difference between selected Public and Private sector Bank in terms of Capital adequacy ratio
Ho2 There is no significant difference between selected Public and Private sector Bank in terms of Debt Equity ratio
Ho3 There is no significant difference between selected Public and Private sector Bank in terms of Advances to Total Assets ratio
Ho4 There is no significant difference between selected Public and Private sector Bank in terms of Government Securities to Total Investment ratio
Ho5 There is no significant difference between selected Public and Private sector Bank in terms of Return on Equity ratio.
Ho6 There is no significant difference between selected Public and Private sector Bank in terms of Gross NPA to Advances ratio
Ho7 There is no significant difference between selected Public and Private sector Bank in terms of Net NPA to Net Advances ratio
Ho8 There is no significant difference between selected Public and Private sector Bank in terms of Net NPA to Total Assets ratio
Ho9 There is no significant difference between selected Public and Private sector Bank in terms of Total Investment to Total Assets ratio
Ho10 There is no significant difference between selected Public and Private sector Bank in terms of Total Advances to Total Deposits ratio
Ho11 There is no significant difference between selected Public and Private sector Bank in terms of Business per Employee
Ho12 There is no significant difference between selected Public and Private sector Bank in terms of Profit per Employee ratio
Ho13 There is no significant difference between selected Public and Private sector Bank in terms of Return on Assets ratio
Ho14 There is no significant difference between selected Public and Private sector Bank in terms of Spread / Total Assets ratio
Ho15 There is no significant difference between selected Public and Private sector Bank in terms of Net Profit to Average Assets ratio
Ho16 There is no significant difference between selected Public and Private sector Bank in terms of Interest Income to Total Income ratio
Ho17 There is no significant difference between selected Public and Private sector Bank in terms of Non-Interest Income to Total Income ratio
Ho18 There is no significant difference between selected Public and Private sector Bank in terms of Liquid Assets to total Assets ratio
Ho19 There is no significant difference between selected Public and Private sector Bank in terms of Government Securities to Total Assets ratio
Ho20 There is no significant difference between selected Public and Private sector Bank in terms of Liquid Assets to Demand Deposits ratio
Ho21 There is no significant difference between selected Public and Private sector Bank in terms of Liquid Assets to Total Deposits ratio.

3.3 RESEARCH DESIGN

The research objectives of the present study indicate that research design is descriptive. This study is descriptive in nature since draw some conclusions have been from the collected data.

3.4 DATA COLLECTION

09 Banks from Public Sector and 09 Banks from Private Sector have been selected for the purpose of present study. Qualitative and quantitative data have been collected from the Primary and Secondary sources. Primary data has been collected for projection only. The major source of data analyzed and interpreted in this study related to banking companies is collected from various publications of Reserve Bank of India and Reports on trends and progress of banking in India. Reports on Currency and Finance, Economic survey, Libraries of various research institutions, referred National and International journals, reference books of India banking Association, Annual reports of selected banks for the study and various Internet resources have been used for the purpose of totality of the present study.

3.4.1 SELECTED PUBLIC SECTOR BANKS FOR THE STUDY

1Pb- Allahabad Bank,
2Pb- Bank of Baroda (BOB)
3Pb- Bank of India (BOI),
4Pb- Indian Overseas Bank (IN.O.S.)
5Pb- Oriental Bank of Commerce (OBC)
6pb Punjab National Bank(PNB)
7Pb- State Bank of India (SBI)
8Pb- United Commercial Bank (UCO)
9Pb- Union Bank.

3.4.2 SELECTED PRIVATE SECTOR BANKS FOR THE STUDY-

Pr1- Axis Bank
Pr2- Dhan Laxmi Bank (DHAN)
Pr3- HDFC Bank
Pr4- ICICI Bank
Pr5- INDUSIND Bank
Pr6 Jammu and Kashmir Bank (J&K)
Pr7- Karur Vaisya Bank (Karur)
Pr8- Kotak Mahindra Bank(KOTAK)
Pr9- Laxmi Vilas Bank(L.V.LAS).

3.4.3 THE DATA COLLECTION TOOL - CAMEL PARAMETER- In order to understand the basic interplay of the ratios analysis and assessing Insolvency risk in banking sector, it is better to calculate various ratios shaping under CAMEL rating. (With minor modifications). CAMEL is an acronym for five components of bank safety and soundness:

C- Capital adequacy
A- Asset quality
M- Management Efficiency

E- Earning ability and

L- Liquidity

For the study, the following ratios have been used to measure capital adequacy.

(1) CAPITAL ADEQUACY RATIO (%)	(2) DEBT EQUITY RATIO(%)
(3)ADVANCES TO TOTAL ASSETS (%)	(4) GOVERNMENT SECURITIES TO TOTAL NVESTMENTS (%)
(5) RETURN ON EQUITY (%)	

For the study, the following ratios have been used to measuring the assets quality.

(6) GROSS NPA TO NET ADVANCES RATIO	(7) NET NPA TO NET ADVANCES RATIO
(8) NET NPA TO TOTAL ASSETS RATIO	(9) TOTAL INVESTMENT TO TOTAL ASSETS RATIO

To measure the efficiency and effectiveness of management. the following ratios are considered.

(10) TOTAL ADVANCES TO TOTAL DEPOSITS RATIO	(11) BUSINESS PER EMPLOYEE
(12) PROFIT PER EMPLOYEE	

The following ratios in the dimension of earning ability of the banks to measure financial performance are considered.

(13) RETURN ON ASSETS RATIO	(14) SPREAD/ TOTAL ASSETS RATIO
(15) NET PROFIT TO AVERAGE ASSETS RATIO	(16) INTEREST INCOME TO TOTAL INCOME RATIO (%)
(17) NON INTEREST INCOME TO TOTAL INCOME RATIO (%)	

Following ratios have been used to measure liquidity position of banks.

(18)) LIQUID ASSETS TO TOTAL ASSETS (%)	(19) GOVERNMENT SECURITIES TO TOTAL ASSETS
(20) LIQUID ASSETS TO TOTAL DEPOSITS (%)	(21)) LIQUID ASSETS TO DEMAND DEPOSITS

During the process of evaluation of level of Risk of selected public and private sector banks, the different banks have obtained different ranks with respect to CAMEL ratios. The ratios depicting the CAMEL parameters were calculated based on the publicly available information published at various issues by Reserve Bank of India. Each of parameters was treated separately and the data related to the ratios were taken on an average over the ten years period (2004-2013). Based on the values of the ratios, selected banks were ranked. Final ranking of the banks were based on the average of all the parameters ranking and the average of the cumulative score. The categorization of the banks is based on the mean and standard deviation of the grand average score of the CAMEL model.

3.4.4 STATISTICL TOOLS

The following statistical tools have been used for the purpose of analysis, Interpretation, testing of hypothesis and validation of results.

1. Average for the calculating values for the purpose of evaluation and comparison between the selected Public and Private Sector banks.
2. Average of group rank has been calculated for the purpose of meaning full conclusion.
3. Standard deviation for distribution of CAMEL Score based on the Mean and the Standard deviation for the purpose of determination of level of Risk.
4. Independent Sample t-test (by using SPSS-17 Software.) for testing of hypothesis, analysis, interpretation and validation of results.

3.4.5 PERIOD OF THE STUDY: The study covers a period of Ten years (2004-2013).

4. DATA ANALYSIS & INTERPRETATION-PUBLIC SECTOR BANKS

4.1 GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS

TABLE 4.1.1: GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE CAPITAL ADEQUACY PARAMETER (C)

	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
1.CAR	6	1	9	2	7	4	5	8	3
2. D/E	1	2	3	4	8	6	7		5
3A/ T A	7	6	1	8	5	4	9	3	2
4.Gs/ T I	8	5	7	1	6	2	4	3	9
5.R / E	1	5	6	3	9	2	7	8	4
AVERAGE	4.6	3.8	5.2	3.6	7	3.6	6.4	5.5	4.6
RANK	4.5	3	6	1.5	9	1.5	8	7	4.5

(Pb-Public sector banks; 1.CAR-Capital Adequacy ratio; 2.D/E- Debt Equity ratio; 3. A/TA-Advances to Total Assets;4.Gs/TI- Government Securities to Total Investment; 5. R/E- Return on Equity.)

The group ranking of all the selected Public Sector banks under the Capital Adequacy parameter is presented in the table no.4.1.1 Indian Overseas Bank and Punjab National bank are on the top ranking and both are sharing the same rank i.e. 1.5 followed by Bank of Baroda. Oriental bank of Commerce ranked last in the group parameter.

TABLE 4.1.2: GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE ASSETS QUALITY PARAMETER (A)

	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
6.GNPA/ N.AD	7	1	6	5	8	2	9	3	4
7.NNPA/NAD	4	2	7	5.5	3	1	8	9	5.5
8. NNPA/TA	4	1	6	5	3	2	9	8	7
9.T I / T A	8	2	1	6	4	5	9	6	3
AVERAGE	5.75	1.5	5	5.375	4.5	2.5	8.75	6.5	4.875
RANK	7	1	5	6	3	2	9	8	4

(6. GNPA Gross Non Performing Assets; N.AD-Net Advances; 7. NNPA-Net Non Performing Assets; 8.TA- Total Assets; 9. T.I.-Total Investment)

The group ranking of all the selected Public Sector banks on the Assets Quality parameter is presented in the table no.4.1.2. Bank of Baroda (BOB) demonstrated excellent assets management capability. Thus ranked-1 Punjab National Bank (PNB) and Oriental bank of Commerce (OBC) occupying 2nd & 3rd position respectively. It is evident that the State Bank of India (SBI) occupied the last position which is indicating that the assets management of State Bank of India is not at par when compared to its group members.

TABLE 4.1.3: GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE MANAGEMENT QUALITY PARAMETER (M)

RATIO	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
10.TAd/TD	9	8	5	4	7	3	1	6	2
11.B.p.EM	6	2	3	7	1	8	9	5	4
12. P/ P.Emp	5	2	9	7	1	4	6	8	3
AVERAGE	6.67	4.00	5.67	6.00	3.00	5.00	5.33	6.33	3.00
RANK	9	3	6	7	1.5	4	5	8	1.5

(10. Tad-Total Advances; 11. B. p. EM-Business per Employee; 12. P/P. Emp- Profit Per Employee ;)

The group ranking of all the selected Public Sector banks on the Management Quality parameter under CAMEL analysis is presented in the table no.4.1.3. The first two positions in the parameter of management quality are shared by Oriental bank of Commerce (OBC) and Union bank and exhibited excellent managerial capability. Allahabad bank ranked last in the parameter of management quality.

TABLE 4.1.4: GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE EARNINGS QUALITY PARAMETER (E)

	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
13.R. /A	3	5	8	6	2	1	6	9	4
14.S/T.A	5	7	9	3	1	2	4	8	6
15.NP/A.A	4	1	8	5	7	2	6	9	3
16.II/T.IN	5	7	8	4	1	6	9	2	3
17.NII/T.I	6	3	2	5	8	4	1		7
AVERAGE	4.6	4.6	7	4.6	3.8	3	5.2	7	4.6
RANK	**4.5**	**4.5**	**8.5**	**4.5**	**2**	**1**	**7**	**8.5**	**4.5**

(13 R/ A. Return / Assets; 14. S- Spread/ Total Assets; 15. NP/ A.A- Net Profit / Average Assets Ratio; 16. II/T.IN- Interest Income/ Total Income;17.NII/ T.I- Non Interest Income /Total Income.)

The group ranking of all the selected Public Sector banks on the Earning Quality parameter is presented in the table no.4.1.4 Punjab national bank (PNB) demonstrated excellent Earning capability. Thus ranked-1 and Oriental bank of Commerce (OBC) occupying 2nd position. The last top two positions are shared by Bank of India(BOI) and United commercial Bank(UCO). last position which is indicating that the assets management of State Bank of India(SBI) is not at par when compared to its group members; Thus ranked-9.

TABLE 4.1.5: GROUP RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE LIQUIDITY PARAMETER (L)

	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
18.LA/TA	9	1	2	7	4	5	3	6	8
19.GS/TA	2	8	9	1	6	4	3	5	7
20.LA/DD	7	1	2	4	6	3	9	5	8
21.LA/TD	9	1	2	7	4	5	3	6	8
AVERAGE	6.75	2.75	3.75	4.75	5	4.25	4.5	5.5	7.75
RANK	**8**	**1**	**2**	**5**	**6**	**3**	**4**	**7**	**9**

(18. LA/TA- Liquid Assets/ Total Assets; 19. GS/TA- Government Securities/ Total Assets; 20. LA/DD- Liquid Assets/ Demand Deposits; 21.LA /TD- Liquid Assets / Total Deposits).

The group ranking of all the selected Public Sector banks on the Liquidity parameter is presented in the table no.4.1.5.Bank of Baroda demonstrated excellent ability to manage its liquidity and thus command the first position. Bank of India and Punjab National Banks are occupying 2nd and 3rd position. Union Bank was not so successful in the managing its liquidity. Thus ranked last on the Liquidity Parameter.

TABLE 4.1.6: OVERALL GRAND RANKING OF THE SELECTED PUBLIC SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) BASED ON THE CAMEL PARAMETER

Parameter	1Pb- ALB-	2Pb-BOB	3Pb-BOI	4Pb-IN.O.S.	5Pb-OBC	6Pb-PNB	7Pb-SBI	8Pb-UCO	9Pb-UNION
C	4.5	3	6	1.5	9	1.5	8	7	4.5
A	7	1	5	6	3	2	9	8	4
M	9	3	6	7	1.5	4	5	8	1.5
E	4.5	4.5	8.5	4.5	2	1	7	8.5	4.5
L	8	1	2	5	6	3	4	7	9
(R.)AV	**6.6**	**2.5**	**5.5**	**4.8**	**4.3**	**2.3**	**6.6**	**7.7**	**4.7**
Grand Ranking	**7.5**	**1**	**6**	**5**	**3**	**2**	**7.5**	**9**	**4**

5.1 DISCUSSION OF RESULTS OF THE SELECTED PUBLIC SECTOR BANKS

BASED ON GRAND RANKING

The overall Grand ranking of the Selected Public Sector banks considering all the criteria ranking under Capital Adequacy, Assets Quality, Management Quality, Earning Quality and Liquidity parameter (CAMEL rating), analysis over the ten year period (2004-2013) presented in the table no.4.1.6 The group ranking of all the Selected Public Sector banks considered for the purpose of study is taken and averaged out to reach at the overall grand ranking. Bank of Baroda (BOB) ranked first under the CAMEL analysis followed by Punjab National Bank (PNB), Allahabad bank and State Bank of India (SBI) shared the same position. The last position under the CAMEL rating analysis is occupied by United Commercial Bank (UCO) amongst all the Selected Public Sector banks for the Study period 2004-2013.

TABLE 5.1.1: THE DISTRIBUTION OF THE CAMEL SCORE BASED ON THE MEAN AND THE STANDARD DEVIATION

STANDARD DEVIATION = 1.831		
AVERAGE OF RANK AVERAGES =5		
RANGE	**LOWER BOUND**	**UPPER BOUND**
Mean - 0.6745 sd (first 25%)		3.76
Mean– 0.6745 sd (up to Mean (25% - 50%)	3.76	5
Above Mean up to (Mean + 0.6745 sd (50% - 75%)	5	6.34
Above (Mean + 0.6745 sd (above 75%)	6.34	

TABLE: 5.1.2 CATEGORIZATION OF LEVEL OF RISK

CATEGORY- I (< 3.76)	CATEGORY- II (3.76 -5)	CATEGORY- III (>5-6.34	CATEGORY- IV (>6.34)
PNB (2.3)	OBC (4.30)	BOI (5.50)	ALB (6.60)
BOB (2.5)	UNION(4.70)		SBI (6.60)
	I.O.S.(4.80)		UCO (7.70)

5.2 DISCUSSION OF FINAL RESULTS- SELECTED PUBLIC SECTOR BANKS

Final result of the selected Public Sector banks have classified into four categories. The score of less than 3.76 constitutes the Selected Public Sector banks which fall into the category I, the next category II constitute the banks whose score varies between 3.76- 5.00. Category III score ranges between5-6.34, whereas the fourth category consists of banks having score greater than 6.34.

The selected Public Sector banks falling under category I- are Punjab National Bank (PNB) and Bank of Baroda (BOB). Oriental Bank of Commerce (OBC), Union Bank and Indian Overseas Bank constituted the category II. Category III consists of Bank of India (BOI). Allahabad Bank, State Bank of India and United Commercial Bank (UCO) are the banks which fall in the fourth category. (Table: 5.1.1 & 5.1.2).

6. DATA ANALYSIS & INTERPRETATION-PRIVATE SECTOR BANKS

6.1 GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS

TABLE 6.1.1: GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE CAPITAL ADEQUACY PARAMETER (C)

RATIO	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
1.CAR	6	7	4	2	8	5	3	1	9
2. DE/E	5	1	7	8	3	4	6	9	2
3AD/ T A	8	4	9	6	3	7	1	5	2
4.GS/ T I	9	2	6	8	4	7	3	5	1
5.R / E	1	9	3	6	5	4	2	7	8
AVERAGE	5.8	4.6	5.8	6	4.6	5.4	3	5.4	4.4
RANK	**7.5**	**3.5**	**7.5**	**9**	**3.5**	**5.5**	**1**	**5.5**	**2**

The group ranking of all the selected Private Sector banks under the Capital Adequacy parameter is presented in the table no.6.1.1. Karur Vaisya Bank in on the top ranking. Karur Vaisya Bank is followed by Lakshami Vilas Bank and secured 2nd rank. ICICI bank ranked last in the group on the Capital Adequacy parameter.

TABLE 6.1.2: GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE ASSETS QUALITY PARAMETER (A)

	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
6.GNPA/ N.AD	1	9	2	6	7	3	4	5	8
7.NNPA/NAD	3	8	1	6	7	4	2	5	9
8. NNPA/TA	2	6	1	8	7	5	4	3	9
9.T I / T A	9	4	6	5	3	7	2	8	1
AVERAGE	3.75	6.75	2.5	6.25	6	4.75	3	5.25	6.75
RANK	3	8.5	1	7	6	4	2	5	8.5

The group ranking of all the selected Private Sector banks on the Assets Quality parameter is presented in the table no.6.1.2 HDFC Bank demonstrated excellent assets management capability. Thus ranked-1. Karur Vaisya bank and Axis bank occupying the 2nd and 3rd position respectively. It is evident that the Lakshmi Vilas Bank occupied the last position which is indicating that the assets management of Lakshmi Vilas Bank is not at par when compared to its group members.

TABLE 6.1.3: GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE MANAGEMENT QUALITY PARAMETER (M)

RATIO	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
10.TAD/TD	7	8	5	1	4	9	3	2	6
11.B.P.EM	1	9	4	3	2	6	5	8	7
12.Pr. P.E	2	9	3	1	4	7	5	6	8
AVERAGE	3.333	8.667	4	1.667	3.333	7.333	4.333	5.333	7
RANK	2.5	9	4	1	2.5	8	5	6	7

The group ranking of all the selected Private Sector banks on the Management Quality parameter under CAMEL analysis is presented in the table no.6.1.3. The first position in the parameter of management quality is secured by ICICI bank exhibited excellent managerial capability. Dhan Lakshmi bank ranked last in the parameter of management quality which indicates that the Management quality is not good.

TABLE 6.1.4: GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE EARNINGS QUALITY PARAMETER (E)

RATIO	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
13.R. /ASS	4	9	3	5	7	6	1	1	8
14.S/T.A	5	6	2	9	8	4	3	1	7
15.NP/A.A	5	8	1	4	7	6	2	3	9
16.II/T.IN	8	3	7	9	5	1	4	6	2
17.NII/T.I	4	7	5	2	3	9	6	1	8
AVERAGE	5.2	6.6	3.6	5.8	6	5.2	3.2	2.4	6.8
RANK	**4.5**	**8**	**3**	**6**	**7**	**4.5**	**2**	**1**	**9**

The group ranking of all the selected Private Sector banks on the Earning Quality parameter is presented in the table no.6.1.4 Kotak Mahindra Bank demonstrated excellent Earning capability. Thus ranked-1 and Karur Vaisya bank occupying 2nd position the last position occupied by Lakshmi Vilas Bank which is indicating that the assets management of Lakshmi Vilas Bank is not at par when compared to its group members.

TABLE 6.1.5: GROUP RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013) ON THE LIQUIDITY PARAMETER (L)

RATIO	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
18.LA/TA	2	3	1	6	5	4	8	9	7
19.GS/TA	8	2	3	9	6	7	4	1	5
20.LA/DD	7	4	9	2	1	5	6	8	3
21.LA/TD	2	4	3	1	7	6	9	8	5
AVERAGE	4.75	3.25	4	4.5	4.75	5.5	6.75	6.5	5
RANK	4.5	1	2	3	4.5	7	9	8	6

The group ranking of all the selected Private Sector banks on the Liquidity parameter is presented in the table no.6.1.5.Dhan Lakshami Bank demonstrated excellent ability to manage its liquidity and thus command the first position. HDFC Bank and ICICI Banks are occupying 2nd and 3rd position. Karur Vaisya Bank was not so successful in the managing its liquidity. Thus ranked last on the Liquidity Parameter.

TABLE 6.1.6: OVERALL GRAND RANKING OF THE SELECTED PRIVATE SECTOR BANKS FOR THE STUDY PERIOD (2004-2013)BASED ON THE CAMEL PARAMETER

Parameter	Pr1-AXIX	Pr2-DHAN.	Pr3-HDFC	Pr4-ICICI	Pr5-INSIND	Pr6- J &K	Pr7-Karur	Pr8-KOTAK	Pr9-LAXMI.V
C	7.5	3.5	7.5	9	3.5	5.5	1	5.5	2
A	3	8.5	1	7	6	4	2	5	8.5
M	2.5	9	4	1	2.5	8	5	6	7
E	4.5	8	3	6	7	4.5	2	1	9
L	4.5	1	2	3	4.5	7	9	8	6
RANK AVG	4.4	6.	3.5	5.2	4.7	5.8	3.8	5.1	6.5
GRAND RANKING	3	8	1	6	4	7	2	5	9
AVERAGE OF RANK AVERAGES =5									
STANDARD DEVIATION = 1.004									

7.1 DISCUSSION OF RESULTS OF THE SELECTED PRIVATE SECTOR BANKS: BASED ON GRAND RANKING

The overall Grand ranking of the Selected Private Sector banks considering all the criteria ranking under Capital Adequacy, Assets Quality, Management Quality, Earning Quality and Liquidity parameter (CAMEL rating),analysis over the ten year period (2004-2013) presented in the table no.6.1.6. The group ranking of all the Selected Private Sector banks considered for the purpose of study is taken and averaged out to reach at the overall grand ranking. HDFC Bank ranked first under the CAMEL analysis followed by Karur Vaisya Bank. The last position under the CAMEL rating analysis is occupied by Lakshmi vilas Bank amongst all the Selected Private Sector banks for the Study period 2004-2013.

TABLE 7.1.1: THE DISTRIBUTION OF THE CAMEL SCORE BASED ON THE MEAN (5) AND THE STANDARD DEVIATION (0.56125)

RANGE	LOWER BOUND	UPPER BOUND
Mean – 0.6745 sd (first 25%)	___	4.32
Mean – 0.6745 sd (up to Mean (25% - 50%)	4.32	5
Above Mean up to (Mean + 0.6745 sd (50% - 75%)	5	5.68
Above (Mean + 0.6745 sd (above 75%)	5.68	___

CATEGORIZATION(LEVEL OF RISK)			
CATEGORY- I (< 4.32	**CATEGORY- II (4.32 - 5)**	**CATEGORY- III (>5-5.68**	**CATEGORY- IV (>5.68)**
Pr3-HDFC (3.50)	Pr1 AXIS (4.40)	Pr8 KOTAK (5.10)	Pr6 J & K(5.80)
Pr7 KARUR (3.80)	Pr4 INDSIND(4.70)	Pr4 ICICI (5.20)	Pr2 DHAN L.(6.00)
			Pr9 LAXMI.V (6.5)

7.2 DISCUSSION OF FINAL RESULTS- SELECTED PRIVATE SECTOR BANKS

Final result of the Selected Private Sector banks have classified into four categories. The score of less than 4.32 constitutes the Selected Private Sector banks which fall into the category I, the next category II constitute the banks whose score varies between 4.32 -5.00. Category III score ranges between5-5.65, whereas the fourth category consists of banks having score greater than 5.68. **Table:7.1.2** The Private sector banks falling under first category are HDFC and Karur Vaisya Bank. Axix bank and INDSIND Bank constitute the Category II. Category III consists of Kotak Mahindra Bank and ICICI Bank. Category consists of IV Jammu & Kashmir bank, Dhan Lakashmi and Laxmi Vilas Bank. (Table: 7.1.1 &7.1.2).

8.1 HYPOTHESES RESULTS & INTERPRETATIONS

HYPOTHESIS	RESULTS	INTERPRETATION
Ho1- Ho1 There is no significant difference between selected Public and Private sector banks in term of Capital adequacy ratio. The P- value of Capital adequacy ratio is less than 0.05, hence null hypothesis is rejected, and It means that there is significant difference in Capital adequacy ratio of Group 1 and Group 2.	**Rejected**	The average capital ratio recorded as 12.74 and 13.99 respectively. It explains there is no difference regarding Capital Adequacy of selected public and private sector bank. The selected Public and Private sector banks have achieved a better result than standard (RBI norms 9%) in relation to Capital adequacy ratio.
Ho2- There is no significant difference between selected Public and Private sector banks in term of Debt Equity ratio. The p-value of Debt Equity ratio is less than .05, hence null hypothesis is rejected. It means that there is significant difference in Debt Equity ratio of Group 1 and Group 2.	**Rejected**	This ratio is an indicator of financial leverage. Mean value of selected public and Private sector banks are 17.12 and 11.22 respectively, which is more than selected private sector banks and the difference is 5.90 It clears that, the Debt Equity ratio is more compared than Selected Private Sector banks.
Ho3- There is no significant difference between selected Public and Private sector banks in term of Advance to Total Assets ratio. The p-value of Advance to Total Assets ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Advance to Total Assets ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded quite healthy average ratio as 57.64 and 55.41 respectively.
Ho4- There is no significant difference between selected Public and Private sector banks in term of Government Securities to Total Investment ratio. The P- value of Government Securities to Total Investment ratio. is less than 0.05, hence null hypothesis is rejected, It means that there is significant difference in Government Securities to Total Investment ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 82.40% and 75.70% respectively this is an indication of conservatism and indicates that all the selected banks have decided preference toward risk free securities.
Ho5- There is no significant difference between selected Public and Private sector banks in term of Return on Equity ratio. The P- value of Return on Equity ratio is less than 0.05, hence null hypothesis is rejected, and It means that there is significant difference in Return on Equity ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as17.96 and 14.64 respectively Return on Equity are more compared with selected Public sector banks.

Ho6- There is no significant difference between selected Public and Private sector banks in term of Gross NPA to Net advances. The p-value of Gross NPA to Net advances ratio is more than .05, hence null hypothesis is not rejected. It means that there is no significant difference in Gross NPA to Net advances of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 1.4301 and 1.2378 respectively. well compared with Selected Public sector banks.
Ho7 There is no significant difference between selected Public and Private sector banks in term of Net NPA to Net Advances ratio. The p-value of Net NPA to Net Advances ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Net NPA to Net Advances of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 1.4301 and 1.2378 respectively. The ratios are well compared.
Ho8 There is no significant difference between selected Public and Private sector banks in term of Net NPA to Total Assets ratio. The P- value of Net NPA to Total Assets ratio is less than 0.05, hence null hypothesis is rejected, and It means that there is significant difference in Net NPA to Total Assets ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 0.91966292 and 0.602224719. the average is well compared.
Ho9 There is no significant difference between selected Public and Private sector banks in term of Total Assets to Total Investments ratio. The p-value of Total Assets to Total Investments ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Total Assets to Total Investments ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 29.69 and 30.66 respectively. Hence, it can be conclude that, All the Public and Private sector banks have conservatively kept a moderate cushion of Investment guard against NPAs.
Ho10 There is no significant difference between selected Public and Private sector banks in term of Total Advances to Total Deposits ratio. The p-value of Total Advances to Total Deposits ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Total Advances to Total Deposits ratio. of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 68.4001and 73.0724respectively. It is quite evident that, the ratio is quite impressive.
Ho11 There is no significant difference between selected Public and Private sector banks in term of Business Per Employee ratio. The p-value of Business Per Employee is more than .05, hence null hypothesis is not rejected. It means that there is no significant difference in Business Per Employee. Of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 725.9182 and 701.1349 respectively, It is quite evident that the average Business Per Employee of selected is quite impressive. Whereas Business Per Employee ratio of SBI and Jammu and Dhan Laxmi bank is lowest.
Ho12 There is no significant difference between selected Public and Private sector banks in term of Profit per Employee ratio. The P- value of Profit per Employee ratio is less than 0.05, hence null hypothesis is rejected, It means that there is significant difference in Profit per Employee ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 4.3200 and 6.2198 respectively, the ratios are quite impressive amongst the selected public and Private sector banks. Profit Per Employee is more compared with Selected Private sector banks.
Ho13 There is no significant difference between selected Public and Private sector banks in term of Return on Assets Ratio. The p-value of Return on Assets Ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Return on Assets Ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 1.3740and 1.1646 respectively hence, it can be conclude that, all the selected banks should generate sufficient return on assets.
Ho14 There is no significant difference between selected Public and Private sector banks in term of Spread ratio. The p-value of Spread ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Spread ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 2.6743 and 2.7283 respectively. It is observed that, there is a fluctuation in this ratio during the study period.
Ho15 There is no significant difference between selected Public and Private sector banks Net Profit to average Assets Ratio. The p-value of Net Profit to average Assets Ratio is more than .05; hence null hypothesis is not rejected. It means that there is no significant difference in Net Profit to average Assets Ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as 1.1048 and 1.2139 respectively. It is observed that, the selected public sector banks should generate sufficient return on their average assets.
Ho16 There is no significant difference between selected Public and Private sector banks in term of Interest Income to Total Income ratio. The P- value of Interest Income to Total Income ratio is less than 0.05, hence null hypothesis is rejected, and It means that there is significant difference in Interest Income to Total Income ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 87.4213 % and 84.3831 % respectively. It is evident that the entire selected bank generated high percentage of Interest Income to total Income.
Ho17 There is no significant difference between selected Public and Private sector banks in term of Non-Interest Income to Total Income ratio. The p-value of Non-Interest Income to Total Income ratio is more than .05, hence null hypothesis is not rejected. It means that there is no significant difference in Non-Interest Income to Total Income ratio of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded average ratio as26.8768 and 17.1939 % respectively It concludes that all the selected banks have a sufficient Non Interest Income to Total Income.
Ho18 There is no significant difference between selected Public and Private sector banks in terms of Liquid assets to Total Assets ratio. The P- value of Liquid assets to Total Assets ratio is less than 0.05, hence null hypothesis is rejected, It means that there is significant difference in Liquid assets to Total Assets ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 0.12971591 and 0.0933933 which is more compared.
Ho19 There is no significant difference between selected Public and Private sector banks in term of Government Securities to Total Assets ratio. The p-value of Government Securities to Total Assets ratio. is more than .05, hence null hypothesis is not rejected. It means that there is no significant difference in Government Securities to Total Assets ratio of Group 1 and Group 2.	**Not Rejected**	23.6201 and 22.6978 respectively, it can be conclude that, the all selected Public and Private sector banks registered declined annual growth rate.

Ho20 There is no significant difference between selected Public and Private sector banks in term of Liquid Assets to Demand Deposits ratio. The P- value of Liquid Assets to Demand Deposits ratio is less than 0.05, hence null hypothesis is rejected, It means that there is significant difference in Liquid Assets to Demand Deposits ratio of Group 1 and Group 2.	**Rejected**	Selected Public and Private sector banks recorded average ratio as 1.2988 and .9390 respectively. Liquidity is more compared to Selected Private Sector banks.
Ho-21 There is no significant difference between selected Public and Private sector banks in term of Liquid Assets to Total Deposits ratio. The p-value of Liquid Assets to Total Deposits ratio .is more than .05, hence null hypothesis is not rejected. It means that there is no significant difference in Liquid Assets to Total Deposits ratio. of Group 1 and Group 2.	**Not Rejected**	Selected Public and Private sector banks recorded Average ratio as 10.6370and 12.1272 respectively. It concluded that, all the selected banks maintained a Fair ratio.

8.2 CONCLUSION

From the analysis and Interpretation, we conclude that, under the Selected Public Sector banks for the study period (2004-2013), United Commercial Bank (UCO), Indian Overseas and Allahabad Bank fall under high risk i.e. fourth category. Whereas Punjab National Bank and Bank of Baroda fall under the category I. category I- signifies good position of these banks.

Under the Selected Private Sector banks, Jammu & Kashmir (J & K) Dhan Lakshmi bank and Lakshmi Vilas Bank fall under the Category IV which signifies high risk category of these banks whereas HDFC and Karur Vaisya fall under the category I. category I- signifies good position of these banks. However, all these banks which are falling under category IV cannot be judged solely based on the absolute values of the CAMEL ratios.

One of the objective of this study is to compare the risk of the Selected India Public and Private Sector Banks and analyze the risk ,on this basis 21 null hypotheses have been formulated, for testing of hypothesis, Independent Sample t-test has been applied.

Hypothesis no.1, 2, 4, 5,8,12,16, 18 and 20 have been rejected Therefore, it conclude that, there is significant difference between Selected Public Sector banks (group-1) and Selected Private Sector banks (group-2). Hypothesis no. 3, 6, 7, 9.10.11, 13, 14, 15, 17 19, and 21 have not been rejected. Therefore, it concludes that, there is no significant difference between the Selected Public Sector banks (group-1) and Selected Private Sector banks (group-2).

9. LIMITATIONS OF THE STUDY

The major limitation of the present study is that the analysis is restricted to one particular sector such as the inherent limitation is secondary data. The published data is not uniform and not properly disclosed by the banks. This study is confined to only analyzed the Level of risk of Selected Public and Private Sector banks for the Study period 2004-2013. Ranking the commercial banks is difficult to the extent that any type of ranking is subjected to lot of criticism as the ratios used for the purpose of ranking can be interpreted in the way one like. Judgment of the risk can't 'be solely based on the absolute values of the CAMEL ranking. Moreover the sensitive nature of the financial information imposes the several other limitations, and to come out with any meaningful conclusion become even more difficult. Hence, this may be taken as another limitation.

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GENERAL PRACTICES OF CONSUMERS DURING PURCHASE AND USE OF TEXTILE PRODUCTS: A SURVEY REPORT

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ABSTRACT

The Indian textile consumers are disorganized in addition to illiterate, poorly skilled and ignorant regarding the products to be purchased. They seem to be unaware of specifications, quality, price, durability, quantity, serviceability, end uses and care of the textile products. A questionnaire was administered to the Male and female college students and homemakers of Ajmer and Jodhpur cities of Rajasthan to judge their general practices during purchase and use of textile products. Most of the textile consumers have shown very poor practices concerning care and informative labels, checking of length and width of fabric, cash memo, measurements and other specifications as well as use and care of the textile products. Most of the respondents were unaware about the importance of cash memo, manufacturer's details, and product description on the cash memo. Even they did not follow the instructions given in the use and care labels. Majority of the respondents were found ignorant of the defects and problems like bleeding of colour of the textile product purchased by them.

KEYWORDS
Care Label, Cash Memo, Fiber Content, Knowledge, Textile Product.

INTRODUCTION
Clothing is one of the basic needs of human beings. Every consumer makes purchases to satisfy his own needs or of others in the family. Textiles are used both as necessity and as luxury. It is used for all household purposes from cleaning to decoration, from protection to comfort. Proper care and maintenance of the fabric is required to make it serviceable for an appropriate duration. For this considerable amount of money is spent also on laundering, storage, dry cleaning, etc. It makes a major item of expenditure in the family budget and requires due attention. Buying is a complex process involving a number of decisions to be made as what to buy, where to buy, when and how much to buy? The process involves stages, such as awareness, information application, trial and adoption. Due to technological advancement, unlimited varieties of fabrics and blends have entered the market and still newer ones are being added. These varieties of fabrics are available at various selling points at different selling prices. Consumer is unable to judge the actual cost of the fabric. This is because of absence of informative labels on fabrics. Sufficient information about quality and price of fabrics needs to be mentioned on the labels. Name or registered identification number of the manufacturer, construction details, like type of yarns used, thread count and finishes applied are rarely mentioned on the labels, which can be valuable and informative for those who understand the meaning of these terms and may be helpful in quality judgment. Consumers must be aware in deciding on the purchase of any product, price to be paid in relation to quality, durability, quantity and service which will help them to be a better manager of their resources and emerge wise purchasers.

REVIEW OF LITERATURE
In today's complex market situation the consumer is affected by numerous factors like fashion, price, income, location of shop, salesmanship or persuasion of salesmanship, variety of any good, quality and quantity of goods, custom, person's attitude and many more in order to have maximum output from the limited money at his disposal.

Drake and Grimes (1958) conducted a study to find out use of label information on readymade dresses. It was reported that 80% of the women sometimes looked into labels on dresses; 53% made a practice of always or usually looking for labels. Women with high income and educational levels and those who belonged to age groups of 30-39 and 40-49 more often looked for labels than those in other groups. Those who sought label information during purchase reported using the information, especially the instructions on care of fabrics. **Garg (1979)** studied clothing practices of home science persons of Ludhiana, Hisar, Chandigarh and Delhi. It was found that brand name was checked by most of the respondents from all the places before buying readymade garments. Most of the respondents checked the labels, looked for the manufacturer's name, size, price, quality, trade name and washing instructions. **Rajor and Miglani (1982)** conducted a study on buying practices of clothing material and found that 28% respondents examined the quality of fabrics through the labels only. A good shopper checks prices and get protected against so-called "bargains" by being well informed on grades of quality. Consumer must be able to recognize age or lasting quality of the styles as well as the fabric in marked down bargains **(Gill, 1998).**

Kairon (1991) in a study conducted on 50 urban and 50 rural consumers reported that 24% of the rural consumers and 36% of the urban consumers always compared the prices for the purchase of clothing. 36% rural and 28% urban consumers rarely compared prices and 40% rural and 36% urban consumers never compared prices for purchase of cloth. She found that 40% rural respondents reported problem of overcharging and faulty measures followed by substandard quality (30%) and non-availability of products (6%). None of the rural respondents reported the problem of misleading advertisements in purchase of clothing. Among urban respondents, overcharging (18%), non-availability of the products (16%), misleading advertisements (16%), substandard quality (16%) and faulty measures (12%) were the prime problems in purchase of clothing. **Vatsala (1991)** in a study stated that the problems faced after purchase of clothes were identified as holes being formed in the textiles while in use and wash, though they were absent at the time of purchase; non fast colours, clearing of debts, shrinkage and lack of exchange facilities were some of the other problems.

Anshu (1993) studied the methods of assessing the quality of textile materials practised and reported that majority of respondents assessed the quality of textile material through feel of the fabric followed by label reading, reliance on self experience, consultation and discussion with shopkeeper, rubbing to assess weave and colour, assistance of friends and family members and through mill name. Some respondents also trusted on cost of material as an important yardstick of measuring the quality of textile material. The least important way used for quality assessment was burning test. **Singh (1996)** conducted a study on consumer awareness during purchase of clothing materials and reported that none of the respondents checked type of blend or percentage of blend and cloth labels, irrespective of their educational level. 90% of the women examined the cloth by touching the material followed by their past experience of it and colour fastness. They did not examine the material by burning or breaking the thread. It was also found that only 10% of the respondents were aware of pure woolmark and even they did not know about National Textile Corporation (NTC) mark. **Maitra and Shailja (1996)** found that though the rural consumers of Dharwad district were illiterate, they performed some visual or physical tests to check the quality of material. 74.4% respondents performed the test for durability of the material in the shop itself by raveling the yarn; 50% of them checked colour fastness, 55.55% amount of starch and 37.77% checked type of material through wetting, rubbing by hand, touching and feeling. It was also observed that majority of the respondents (60%) demanded receipt for their purchase in order to keep account. Only few (12.78%) did not insist for the receipt because of having full faith in the shopkeeper.

NEED/IMPORTANCE OF THE STUDY
Unaware, ignorant and unorganized consumers, who lack technical knowledge of the product to be used, encourage unfair trade practices and dealings on the part of organized manufacturers or sellers. Consumer awareness – a will capacity of consumer to express his preferences and demand his right is still a long way

off. There is almost a total absence of consumer consciousness and consumer action. Unless a consumer is enlightened and has developed the social sensitivity to express his demand for quality and standards in consumer goods, the situation would remain unchanged **(ISI Bulletin, 1976).** When consumers have any complaint about fabric, they go to the shopkeeper. He may refuse to return or replace the fabric or may not listen to them. Very few of them approach the manufacturer or file a complaint in consumer court. It is because they are not aware of their rights, the existence of the consumer court or the procedure to be followed and redressal they may seek.

Consumers still lack knowledge about fabrics and fabric purchase. They are not aware of importance of reading labels, advantages of getting cash memo, pros and cons of buying from a particular shop, standard sizes of clothing and household articles, different textile regulations and other laws related to consumers. They do not know what their rights and responsibilities are. They lack knowledge about terms and symbols used on labels, qualities of fabrics made of different fibers. Even a consumer, who has knowledge, is not making proper use of it, because of lack of awareness. To become a rational consumer, impulsive buying should be avoided. The consumer should plan in advance and make a shopping list of amounts, sizes and numbers of fabrics/ garments needed and also the matching accessories. A good shopper checks prices and get protected against so called "bargains" by being well informed on grades of quality. Consumer must be able to recognize age or lasting quality of the styles as well as the fabric in marked down bargains **(Gill, 1998).**

OBJECTIVE OF THE STUDY

In view of the above facts, an attempt was made to find out the general practices followed by textile consumers during purchase and use of textile products.

RESEARCH METHODOLOGY

LOCALE AND SAMPLE FOR THE STUDY

Keeping in view the problem and scope of the study, the respondents were selected from the municipal limits of Ajmer and Jodhpur cities of Rajasthan to represent an overall picture of the state as a whole. These two cities of the state were chosen for the simple reason of convenience of the investigator. Table 1 shows the groups identified for the preliminary survey.

TABLE 1: SAMPLE FOR THE SURVEY

S.No.	Sample	Sex	Specification	Group
1.	Students	Male and Female	UG and PG Students	I
2.	Homemakers	Male and Female	Married with children	II

GROUP I

The sample of group I comprised of college students from both Post Graduate and Under Graduate classes as well as both the sexes – male and female. To maintain group homogeneity, students were selected from two government and three non-government colleges of Ajmer city and Government University and three non-government colleges of Jodhpur city. These colleges were randomly selected from the currently running colleges in these cities. Equal number of students was selected from Post Graduate and Under Graduate classes.

GROUP II

Group II comprised of both male and female homemakers. In order to get a representative sample from both the cities, each city was divided into four zones. From each zone, one colony was selected by simple random technique for the purpose of research work.

PREPARATION OF TOOL FOR DATA COLLECTION

A questionnaire was prepared to study the general practices followed by textile consumers during purchase and use of textile products. The questionnaire, so administered to the respondent consumers, was in two parts – the first schedule consisted of questions related to personal profile of the respondents, viz. sex, education, occupation, income and age and the second schedule comprised of the questions related to the general practices followed by textile consumers during purchase and use of textile products. The questionnaire was supposed to possess content validity since each question was judged through pilot study and subject experts.

The data collected to assess the general practices followed by textile consumers during purchase and use of textile products was analysed by calculating percentage values.

RESULTS AND DISCUSSION

It is evident from table 2 that 48.17 percent out of total 1200 respondents always look for care and informative labels, 36.58 percent sometimes bother for label. Only 30.75 percent check fiber content on the label before purchase, 20.00 percent respondents never check fiber content on the label and 6.50 percent respondents were unable to understand fiber content. Among all the respondents 25.33 percent always read sort no., manufacturer's name and address, 19.75 percent read it if they have time but 26.50 percent respondents never read it. Out of 1200 respondents, less than half (47.25 percent) always take care of textile products according to the labels attached to them, whereas 11.42 percent were unable to understand them and 9.08 percent never take care of their garments according to the instructions on the labels.

Table 2 shows that 45.00 percent of the respondents check length and width of fabric by watching properly when the shopkeeper measures it, 7.17 percent do not care for it, 5.08 percent measure the length by themselves at home after purchase and 42.75 percent respondents were very particular about it and watch properly when the shopkeeper measures it as well as measure the length by themselves at home.

According to 48.42 percent respondents, cash-memo is required just to verify the cost, 41.25 percent keep it as record for future use, 4.08 percent throw it into dustbin and 6.25 percent think that cash-memo is not required at all. Name and address of the dealers was checked by 3.67 percent respondents, cost of the purchased textile product seen by 17.25 percent, only 5.92 percent read specifications, like colour, length and sort number of the purchased textile product whereas 31.50 percent verify all these particulars on cash-memo. Most of the respondents consider that the "Use & Care" labels on textile products are useful for better use and care of the item, while 11.75 percent think that these labels misguide consumers as if the product is of good quality; 5.17 percent reported that these are to read and forget and 3.25 percent consider them as useless. When colour bleeds from dress, 38.67 percent go to the dealer and exchange the piece, only 6.92 percent got their money back, 42.00 percent just complain to the shopkeeper and 12.42 percent do not go anywhere because it is not a big matter for them. It can be observed from the table that a little more than half of the student respondents always look for care and information labels, rest of them are not precise about this. A little more than one-third of the student respondents always check fiber content on the label, before they purchase the fabric but 9.13 percent students were unable to understand this label. About one-fourth of the student respondents always read sort number, manufacturer's name and address, while almost similar number of the student respondents never checks it. Out of 800 student respondents, 38.75 percent always take care of their textiles as directed in the labels whereas12.63 percent of them were unable to understand these labels.

A little less than half of the student respondents measure the fabric by themselves at home along with watching properly when shopkeeper measured it but 4.75 percent of them are not cautious for length and width of the fabric they purchased. 48.38 percent of the student respondents require cash-memo to keep it as record, followed by 45.00 percent who need it just to verify cost of the purchased item. Among the 800 student respondents 15.38 percent check only the cost of the purchased textile item on cash-memo, whereas 13.38 percent read and check name and address of the dealer, cost of the purchased textile product and other specifications on the cash-memo. The respondents who think that the "Use & Care" labels are necessary for better use and care of the textile products were 79.38 percent, while15.88 percent believe that the labels misguide consumers as the product is of good quality. In case colour bleeds from the dress of student respondents 36.75 percent go to the dealer to exchange the piece, whereas only 8.38 percent take their money back.

TABLE 2: CONSUMER PRACTICES DURING PURCHASE AND USE OF TEXTILE ITEMS

S.N.	Consumer Practices	Frequency	I (Students) N = 800	II (homemakers) N = 400	Total N = 1200
1.	Look for care and informative labels	Always	**420** (52.50)	**158**(39.50)	**578** (48.17)
		Sometimes	**289** (36.13)	**150**(37.50)	**439** (36.58)
		Never	**6** (0.75)	**29**(7.25)	**35** (2.92)
		Depends upon time	**85** (10.76)	**63**(15.75)	**148** (12.33)
2.	Check fiber content on the label before purchase	Always	**281** (35.13)	**88** (22.00)	**369** (30.75)
		Sometimes	**338** (42.25)	**175** (43.75)	**513** (42.75)
		Never	**108** (13.50)	**132** (33.00)	**240** (20.00)
		Cannot understand	**73** (9.13)	**5** (1.25)	**78** (6.50)
3.	Read sort no., manufacturer's name and address	Always	**195** (24.38)	**109** (27.25)	**304** (25.33)
		Sometimes	**277** (34.63)	**64** (16.00)	**341** (28.42)
		Never	**194** (24.25)	**124** (31.00)	**318** (26.50)
		Depends upon time	**134** (16.75)	**103** (25.75)	**237** (19.75)
4.	Take care of textile products according to the attached labels	Always	**310** (38.75)	**257** (64.25)	**567** (47.25)
		Sometimes	**319** (39.88)	**68** (17.00)	**387** (32.25)
		Never	**70** (8.75)	**39** (9.75)	**109** (9.08)
		Cannot understand	**101** (12.63)	**36** (9.00)	**137** (11.42)
5.	Checking length and width of fabric	Watch properly during measuring	**322** (40.25)	**218** (54.50)	**540** (45.00)
		Do not care	**38** (4.75)	**48** (12.00)	**86** (7.17)
		Measure at home	**46** (5.75)	**15** (3.75)	**61** (5.08)
		watch properly and measure at home	**394** (49.25)	**119** (29.75)	**513** (42.75)
6.	Cash-memo is required to	Verify the cost	**387** (48.38)	**194** (48.50)	**581** (48.42)
		Keep as record	**360** (45.00)	**135** (33.75)	**495** (41.25)
		Throw into dustbin	**27** (3.38)	**22** (5.50)	**49** (4.08)
		Not required	**26** (3.25)	**49** (12.25)	**75** (6.25)
7.	Generally check on cash-memo	Shop's name, add.	**26** (3.25)	**18** (4.50)	**44** (3.67)
		Cost of the item	**123** (15.38)	**84** (21.00)	**207** (17.25)
		Specifications	**44** (5.50)	**27** (6.75)	**71** (5.92)
		All of the above	**107** (13.38)	**271** (67.75)	**378** (31.50)
8.	"Use & Care" labels are to	Misguide consumer	**127** (15.88)	**14** (3.50)	**141** (11.75)
		Read & forget	**15** (1.88)	**47** (11.75)	**62** (5.17)
		Better use & care	**635** (79.38)	**323** (80.75)	**958** (79.83)
		Useless	**23** (2.88)	**16** (4.00)	**39** (3.25)
9.	On colour bleeding from dress, go to the dealer to	Make a complaint	**344** (43.00)	**160** (40.00)	**504** (42.00)
		Exchange the piece	**294** (36.75)	**170** (42.50)	**464** (38.67)
		Get money back	**67** (8.38)	**16** (4.00)	**83** (6.92)
		Don't go anywhere	**95** (11.88)	**54** (13.50)	**149** (12.42)

∗Figures in parentheses indicate percentages.

It can be observed from the table that only 39.50 percent of the homemaker respondents always look for care and information labels, rest of them are not precise about this. The homemaker respondents, who always check fiber content on the label, before they purchase the fabric, were only 22.00 percent whereas 33.00 percent never read it and 1.25 percent homemakers were unable to understand this label. More than one-fourth of the homemaker respondents always read sort number, manufacturer's name and address, while less than one third of the homemaker respondents never check it. Out of 400 homemaker respondents, 64.25 percent always take care of their textiles as directed in the labels whereas 9.00 percent of them were unable to understand these labels.

Less than one-third of the homemaker respondents measure the fabric by themselves at home along with watching properly when shopkeeper measures it but 12.00 percent of them are not cautious for length and width of the fabric they purchased. Among the student respondents, 45.00 require cash-memo to keep as record for future use, whereas only one third of homemaker respondents maintain record of it; 12.25 homemakers do not require cash-memo at all as compared to 3.25 student respondents. Among 400 homemaker respondents, 21.00 percent check only the cost of the purchased textile item on cash-memo, whereas two-third of the homemakers read and check name and address of the dealer, cost of the purchased textile product and other specifications on the cash-memo. The respondents who think that the "Use & Care" labels are necessary for better use and care of the textile products were 80.75 percent, while11.75 percent believe that the labels should be read and forget. When colour bleeds from the dress of homemaker respondents 42.50 percent go to the dealer to exchange the piece, whereas 13.50 percent do not consider it as a big matter.

More than half of the student respondents always look for care and information labels whereas only 39.50 percent of the homemaker respondents precise about this; 7.25 percent of the homemaker respondents and 0.75 percent students never read them. The homemaker respondents who always check fiber content on the label, before they purchase the fabric were only 22.00 percent, whereas 33.00 percent never read it and 1.25 percent homemakers were unable to understand this label as compared to 35.13, 13.50 and 9.13 percent student respondents. About one-fourth of the student respondents never read sort number, manufacturer's name and address, while less than one third of the homemaker respondents never check it. Out of 400 homemaker respondents, 64.25 percent always take care of their textiles as directed in the labels whereas only 38.75 percent of the students follow these labels. Half of the student respondents measure the fabric by themselves at home along with watching properly when shopkeeper measures it as compared to a little less than one-third of the homemaker respondents; but 12.00 percent homemakers and only 4.75 percent students were not cautious for length and width of the fabric they purchased. Less than half of the homemaker respondents require cash-memo just to verify cost of the purchased item, whereas only one third of them need it to keep it as record for future use. Two-third of the homemakers read and check name and address of the dealer, cost of the purchased textile product and other specifications on the cash-memo while only 13.38 percent students check all these entries. The respondents who think that the "Use & Care" labels misguide consumers about quality of the textile products were 15.88 percent students as compared to 3.50 percent homemaker respondents, while1.88 percent student respondents and 11.75 percent of the homemakers believe that the labels should be read and forget. When colour bleeds from the dress of homemaker respondents 42.50 percent go to the dealer to exchange the piece, whereas 36.75 percent of the student respondents try for exchange.

CONCLUSION

The results of this study indicate that Indian textile consumers appear to be very much careless about textile purchase. Not only the homemakers but the young generation is also quite ignorant regarding the checking of specifications. Most of the consumers present themselves as prototype of poor buying practices and habits as they do not look for care and informative labels, they are not concerned about fiber content, indicating their deprived knowledge about the relationship between properties and end uses of the textile product they are purchasing. Most of the textile consumers are not considerate to an extent and they purchase regardless of the fulfillment of the buying purpose. The inability to understand the label again indicates their inefficiency of knowledge in relation to textiles although each and everyone is a textile consumer since birth. The findings of the study also reveal that students are relatively better as compared to the homemakers in terms of following the instructions given on the labels, as they take care of the textile products as guided in care labels attached to the products but homemakers are extremely ignorant. The consumers are reasonably careful in terms of the length and with of the fabric they are going to purchase as well as cash memo, but cash memo is mostly used to verify the cost only. Even some of the consumers think that care and informative labels and cash memo are useless, misguiding and are good for nothing except to be thrown into dustbin. A fair number of the consumers make complaints to the dealer and get the product replaced in case the colour bleeds, but some of the consumers do not even complain, again showing their ignorant behavior.

If people are not functionally competent, they become deprived consumers, unable to get most out of their economic deal or exchange and they are likely to fall easy victim of any current sharp practices. In the long run, the well being of innocent and ignorant consumers at home or at work suffers. Consumer education can help families become aware of their rights and responsibilities as consumers so that they will be able to function more effectively in a free market economy. It enables consumers to understand that there are alternative choices and courses of action open to them in the market and this implies much more than just finding the '*best brand'* of a product. Consumer education involves provision of right information, proper guidance to take wise decision to purchase, tips for shopping round and choosing the best through intelligent bargaining. Consumer education is a self-insurance for consumer protection and guidance. It stresses practical training is best buymanship.

Therefore, it can be concluded that conduction of awareness programmes and campaigns is greatly required by Indian consumers and vital consumer education schemes altogether are necessary to nurture wise and intelligent textile consumer generation as it can guide them as well as improve their consumer practices during purchase and use of textile items.

SCOPE FOR FURTHER RESEARCH

1. A survey can be done to know the awareness of consumers regarding the prevailing fraudulent practices and strategies can be adopted to overcome these in their day-to-day life.
2. The present study was aimed only at general practices of textile consumers. This could be further explored to find out their knowledge and awareness.
3. Similar type of the study can also be undertaken in rural areas.

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INDIA IS AGEING: ARE WE PREPARED?

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ABSTRACT

India's population is ageing sooner than expected, and by the middle of the next decade, the country's demography will see a significant shift, according to a report by a United Nations (UN) body. The shift, when it happens, will have significant implications for policymakers as well as businesses in a country that touts its ability to reap a so-called demographic dividend of a young population as one of its competitive strengths. This shift necessitates special attention towards health care of the elderly population and also the provision of affordable and reliable medical insurance to them. Though some proportion of them, who are a part of formal workforce are covered by pension, almost 90% of the elderly, who are informal workforce do not have any medical insurance. Increasing health hazards, inflation and continued forceful employment of the elderly have created an urgent need to look into the possible solutions for the same.

KEYWORDS

Elderly, Indian Demography, Medical Insurance, Pension, Social Security.

INTRODUCTION

The report by the United Nations Population Fund (UNFPA) has projected a rapid increase in India's median age to 31 years in 2026 (it was 20 in the 1980s). It has also projected a 326% increase in the number of people aged between 60 and 80 by the year 2050 (from the year 2000); a 700% increase in the number of people older than 80; and a 55% increase in the country's overall population. UN projections suggest that India is "gradually but surely transitioning away from a young age structure with the elderly population soon outnumbering children in India".

The increase in numbers of elderly people also demands the attention towards the socio-economic implication it holds for the society. Clear need arises for their social security, pension plans and medical security policies. India faces substantial challenges with respect to elderly care. Though a limited section of elderly population is able reap the benefits of existing policies, the majority are still deprived of the same. Substantial programmes are already in place for the formal workforces who contribute to only 10% of the population where as remaining 90% is still far from reach. Moreover, around 75% of the population resides in the rural areas and around 1/3rd of the population live below poverty line. This paper aims at throwing light on the demographic structure of India and analyzes the necessity of a universal medical insurance policy for the elderly of India.

LITERATURE REVIEW

Charan Singh (2013) defines the characteristics of the elderly population in India. The number of elderly in India is rising rapidly. India's elderly population is estimated at 10 crore in 2011, and is projected to reach 20 crore by 2030. The proportion of elderly persons in the total population is expected to increase from 8.3 percent in 2011 to 12.4 percent in 2026. In this context, a few important characteristics need to be considered. In 2010, about two-third of the elderly lived in villages and nearly half were of poor socio-economic status (Lela et al, 2009). Half of the elderly are dependents mainly due to widowhood; divorce or separation and a large number of these are females (Rajan, 2001). About 60 per cent of the elderly depend on others for their day-to-day maintenance while less than 20 per cent elderly women and majority of elderly males, were economically independent. Amongst the economically dependent, 85 percent of men and 70 percent of women were supported by their children. Of the economically independent elderly, more than 90 percent supported one or more dependents. Nearly 40 per cent of elderly with 60 per cent being males were working and the proportion was higher in rural areas as 66 per cent of rural men were working compared to 39 per cent of urban men.

There is a close link between work participation, and poverty and illiteracy. Almost 60 per cent of the elderly are heads of the households that they are living in and as expected, the ratio is substantially higher amongst elderly men as compared to elderly women. On economic issues, about 27 per cent of the elderly had an outstanding loan and 13 per cent reported that the loan was taken for meeting the medical expenditure of the elderly (NSSO, 2007-08).

J Anita gives an overview on Emerging Health Insurance in India Health care has always been a problem area for India, a nation with a large population and larger percentage of this population living in urban slums and in rural area, below the poverty line. The government and people have started exploring various health financing options to manage problem arising out of increasing cost of care and changing epidemiological pattern of diseases.

The control of government expenditure to manage fiscal deficits in early 1990s has let to severe resource constraints in the health sector. Under this situation, one of the ways for the government to reduce under funding and augment the resources in the health sector was to encourage the development of health insurance. In the light of escalating health care costs, coupled with demand for health care services, lack of easy access of people from low income group to quality health care, health insurance is emerging as an alternative mechanism for financing health care.

Indian health financing scene raises number of challenges, which are:

a. Increase in health care costs
b. High financial burden on poor eroding their incomes
c. Need for long term and nursing care for senior citizens because of increasing nuclear family system
d. Increasing burden of new diseases and health risks
e. Due to low funding of government health care, preventive and primary care and public health functions have been neglected

DEMOGRAPHIC SCENARIO IN INDIA

S I Rajan (2006) says that the size of India's elderly population aged 60 and above is expected to increase from 77 million in 2001 to 179 million in 2031and further to 301 million in 2051. The proportion is likely to reach 12 per cent in 2031 and 17 per cent in 2051. However, the sex ratio among the elderly favours males, which is contrary to the experience of other developing nations. The number of elderly persons above 70 years of age (old-old) is likely to increase more sharply than those 60 years and above. The old-old are projected to increase five-fold between 2001-2051 (from 29 million in 2001 to 132 million in 2051). Their proportion is expected to rise from 2.9 to 7.6 per cent. Although we have found excess males in the age group 60 and above, the old-old sex ratio is favourable to females. The oldest old (80+) among the elderly in India is expected to grow faster than any other age group in the population. In absolute terms, it is likely to increase four-fold from 8 million in 2001 to 32 million in 2051.

The estimated demographic structure of the elderly in India is shown below in the table No.1.

TABLE 1: NUMBER, PROPORTION AND SEX RATIO OF THE ELDERLY, 2001-2051

	2001	2011	2021	2031	2041	2051
60 and Above						
Number (in millions)	77	96	133	179	236	301
Percentage to the total population	7.5	8.2	9.9	11.9	14.5	17.3
Sex ratio (Males per 1000 Females)	1028	1034	1004	964	1008	1007
70 and above						
Number (in millions)	29	36	51	73	98	132
Percentage to the total population	2.9	3.1	3.8	4.8	6	7.6
Sex ratio (Males per 1000 Females)	991	966	970	930	891	954
80 and Above						
Number (in millions)	8	9	11	16	23	32
Percentage to the total population	0.5	0.7	0.8	1	1.4	1.8
Sex ratio (Males per 1000 Females)	1051	884	866	843	774	732

Source: S I Rajan (2006): Population Ageing and Health in India

EMPLOYMENT STATUS OF THE ELDERLY POPULATION

The need for health care increases with age as people above 65 years spend on average 1.5 times on healthcare compared to those in the 60-64 age category (Mahal et al, 2002). Financial protection for health spending is in the form of savings and insurance. Savings are meager for the elderly and insurance is also limited because of its low coverage of conditions and population. The elderly in India suffer from cardio-vascular illnesses, circulatory diseases, cancer, arthritis, hyper tension, osteoporosis, communicable diseases, high blood pressure, kidney problems, vision problems, diabetes, rheumatism and digestive disorders (Kumari, 2001; Jha et al., 2006).

In 2010, about 60 per cent of the elderly depend on others for their day-to-day maintenance while less than 20 per cent elderly women and majority of elderly males, were economically independent. Table 2 shows that nearly 40 per cent of elderly with 60 per cent being males were working and the proportion was higher in rural areas as 66 per cent of rural men were working compared to 39 per cent of urban men. The work force participation of the oldest elderly (80 years and above) also is relatively high with 13 per cent among men and 3 per cent among women. It was reported that a majority of the elderly work due to economic necessity and not by chance or choice. India does not have a population - wide mechanism of providing social security because of which people work as long as possible to support themselves (Mathew and Rajan, 2008). The impact of rising inflation lowers the income that may be allocated to health. Therefore, a large population of the elderly continues to participate in the work force.

TABLE 2: PERCENT OF ELDERLY POPULATION WORKING

Place of Residence	Gender	Population Census 2001	NSSO Survey (2007-08)
Rural	Male	66	66
	Female	25	23
	Person	45	45
Urban	Male	44	39
	Female	09	07
	Person	26	23
Rural + Urban	Male	60	59
	Female	21	19
	Person	40	39

Source: Population Census 2001 and NSSO Survey 2007-08

CONCLUSION

Statistics clearly show increasing elderly population in India which raises a question on our preparedness on the same. As we move towards being an older country, the need of the hour is to pay attention to the current situation and introspect our competence and readiness for handling the same. Weak economic status of the elderly, increasing health hazards alarming increase in inflation rate, which is a major concern, also complements these concerns.

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ANALYSIS OF PERFORMANCE OF MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA) WITH REFERENCE TO THE STATE OF HARYANA

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ABSTRACT

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) implemented by the Ministry of Rural Development (MoRD), is the flagship programme of the Government that directly touches lives of the poor and promotes inclusive growth. The Act aims at enhancing livelihood security of households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. Mahatma Gandhi NREGA is the first ever law internationally that guarantees wage employment at an unprecedented scale. The primary objective of the Act is augmenting wage employment and its auxiliary objective is strengthening natural resource management through works that address causes of chronic poverty like drought, deforestation and soil erosion and so encourage sustainable development. The process outcomes include strengthening grass-root processes of democracy and infusing transparency and accountability in governance. Keeping this view, the authors have made an attempt to review the performance of MGNREGA as the main objective of this paper. It also explains the objectives, features, permissible works under this Act and funding pattern of MGNREGA.

KEYWORDS

MGNREGA, Performance, Rural Employment, Households, Persons-days.

I. INTRODUCTION

The Indian government has taken up various measures to overcome the problem of poverty. Poverty alleviation programmes comprising of wage employment programmes, rural housing schemes and a public distribution system have been initiated from time to time. Some were partially successful in addressing the issue of poverty whereas others suffered from major flaws in their implementation. National Rural Employment Programme (NREP) 1980-89; Rural Landless Employment Guarantee Programme (RLEGP) 1983-89; Jawahar Rozgar Yojana (JRY) 1989-99; Employment Assurance Scheme (EAS) 1993-99; Jawahar Gram Samridhi Yojana (JGSY) 1999- 2002; Sampoorna Grameen Rozgar Yojana (SGRY) since September 2001; National Food for Work Programme (NFFWP) since November 14, 2004 (SGRY and NFFWP now merged with NREGS 2005) were national level rural employment generation schemes. However these programmes could not provide social security to the rural poor. The Central Government launched NREGA on February 2, 2006. The Act guarantees the right to work to by providing 100 days of guaranteed wage employment in a financial year to every rural household whose adult members are willing to do unskilled manual work. NREGA is the first ever law internationally, that guarantees wage employment on an unprecedented scale. Its auxiliary objective is to strengthen natural resource management through works that address causes of chronic poverty like drought, deforestation and soil erosion and so encourage sustainable development.

The outcomes include strengthening grassroots processes of democracy and infusing transparency and accountability in governance. NREGA covers the entire country with the exception of districts that have 100 percent urban population. NREGA provides a statutory guarantee of wage employment and is demand driven which ensures that employment is provided where and when it is most needed. The legal mandate of providing employment in a time bound manner is underpinned by the provision of an Unemployment Allowance. The right to work brings security in people's lives. Today, labourers cannot count on employment being provided to them during the lean season. An employment guarantee gives labourers more confidence in the prospect of local employment, and discourages seasonal migration.

II. OBJECTIVES OF THE STUDY

- To explain the concept and evolution of MGNREGA;
- To discuss about the objectives and salient features of MGNREGA;
- To review the performance and current status of MGNREGA with reference to Haryana.

III. RESEARCH METHODOLOGY

The data collected for the study includes secondary data. The various sources used to collect secondary data include reports of MGNREGA, research papers, journals and the website of MGNREGA.

IV. ANALYSIS AND INTERPRETATION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is an Indian job guarantee scheme, enacted by legislation on August 25, 2005. The Act received assent of the President on September 5, 2005 and was notified in the Gazette of India on September 7, 2005. The law was initially called the National Rural Employment Guarantee Act (NREGA) but was renamed as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) on 2 October 2009. The Act was legalized and notified in 200 districts in the first phase with effect from February 2nd 2006 and then extended to an additional 130 districts in the financial year 2007-2008 out of it 113 districts were notified with effect from April 1st 2007, and 17 districts in Uttar Pradesh were notified with effect from May 15th 2007. The remaining districts have been notified under MGNREGA with effect from April 1st 2008. Thus, the MGNREGA covers the entire country with the exception of districts that have a hundred percent urban population.

OBJECTIVES OF MGNREGA

MGNREGA is a powerful instrument for ensuring inclusive growth in rural India through its impact on social protection, livelihood security and democratic empowerment. Its important objectives are:

1. Social protection for the most vulnerable people living in rural India through providing employment opportunities;
2. Livelihood security for the poor through creation of durable assets, improved water security, soil conservation and higher land productivity;
3. Drought-proofing and flood management in rural India;
4. Empowerment of the socially disadvantaged, especially women, Scheduled Castes (SCs) and Schedules Tribes (STs), through the processes of a rights-based legislation;
5. Strengthening decentralized, participatory planning through convergence of various anti-poverty and livelihoods initiatives;
6. Deepening democracy at the grass-roots by strengthening Panchayati Raj Institutions;
7. Effecting greater transparency and accountability in governance;

SALIENT FEATURES OF MGNREGA

1. Adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat.

2. The Gram Panchayat after due verification will issue a Job Card. The Job Card will bear the photograph of all adult members of the household willing to work under NREGA and is free of cost.
3. The Job Card should be issued within 15 days of application.
4. A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be fifteen.
5. The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates.
6. Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid. Liability of payment of unemployment allowance is of the States.
7. Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses.
8. Wages are to be paid according to the Minimum Wages Act 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women.
9. Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case.
10. Panchayat Raj Institutions (PRIs) have a principal role in planning and implementation.
11. At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
12. Each district has to prepare a shelf of projects. The selected works to provide employment are to be selected from the list of permissible works. The different categories of permissible works are as follows:

- Water Conservation and water harvesting;
- Drought Proofing (including plantation and afforestation);
- Irrigation canals including micro and minor irrigation works;
- Provision of irrigation facility, horticulture plantation and land development facilities to land owned by households belonging to the Scheduled Castes and the Scheduled Tribes or below poverty line families or to beneficiaries of land reforms or to the beneficiaries under the Indira Awas Yojana of the Government of India or that of the small farmers or marginal farmers as defined in the Agriculture Debt waiver & debt relief schemes or beneficiaries under the Scheduled Tribes & other traditional forest dwellers (recognition of forest right) Act 2006;
- Renovation of traditional water bodies including desilting of tanks;
- Land Development;
- Flood control and protection works including drainage in water logged areas;
- Rural Connectivity to provide all-weather access. The construction of roads may include culverts where necessary, and within the village area may be taken up along with drains;
- Any other work which may be notified by the Central Government in consultation with the State Government.

In addition construction of Bharat Nirman Rajiv Gandhi Sewa Kendra as Village Knowledge Resource Centres and Gram Panchayat Bhawan at Gram Panchayat level has also been notified by the Central Government.

The shelf of projects has to be prepared on the basis of priority assigned by Gram Sabha. At least 50% of works have to be allotted to Gram Panchayats for execution. The cost of material component of projects including the wages of the skilled and semi-skilled workers taken up under the Scheme shall not exceed forty percent of the total project costs. Contractors and use of labour displacing machinery are prohibited. Work site facilities such as crèche, drinking water, shade have to be provided. The shelf of projects for a village will be recommended by the Gram Sabha and approved by the Zila Panchayat.

- At least 50% of works will be allotted to gram Panchayats for execution.
- Permissible works predominantly include water and soil conservation, afforestation and land development works.
- A 60:40 wage and material ratio has to be maintained. No contractors and machinery is allowed.
- The Central Government bears the 100% wage cost of unskilled manual labour and 75 % of the material cost including the wages of skilled and semi skilled workers.
- Social Audit has to be done by the Gram Sabha at least once in every six months.
- Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process.
- All accounts and records relating to the Scheme should be available for public scrutiny and to any person desirous of obtaining a copy of such records, on demand and after paying a specified fee.

CURRENT STATUS OF MGNREGA

In financial year 2014-15, (upto December, 2014) 3.77 Crore households were provided employment and 120.88 Crore person-days of employment were generated. The enhanced wage earnings have led to a strengthening of the livelihood resource base of the rural poor in India; 72 percent of funds utilized were in the form of wages paid to the workers. Self targeting in nature, the programme has high work participation for marginalized groups like SC/STs (40%) and Women (49%) in 2014-15 (upto December, 2015). Total works undertaken were 62.72 lakh in the same period, of which 53 percent relates to Water Conservation, 12 percent for the provision of Irrigation facility to lands owned by SC/ST/BPL/S&M Farmers and IAY beneficiaries, 22 percent for Rural Connectivity, 9 percent for Land Development, 4 percent for Any other activity approved by MoRD and 0.37 percent for Bharat Nirman Rajiv Gandhi Seva Kendra. Women participation in financial year upto December, 2014 was 49% and the participation of SC & ST in financial year upto December, 2014 is 40%. With special reference to Haryana, the following tables show the current status of MGNREGA:

TABLE 1: WORK STATUS OF DISTRICTS OF HARYANA FOR YEAR 2014-15

S No.	District	FINANCIAL YEAR2014-2015			
		No. of Works started	No. of Works started whose estimated completion date is over	Out of Coln(20) No. of Work Completed	Work Completion Rate
1	2	3	4	5	6=(Coln(5)*100/Coln(4))
1	AMBALA	536	446	24	5.381
2	BHIWANI	1014	555	39	7.027
3	FARIDABAD	52	31	3	9.677
4	FATEHABAD	1543	1226	230	18.76
5	GURGAON	97	57	7	12.281
6	HISAR	2840	2655	262	9.868
7	JHAJJAR	797	757	46	6.077
8	JIND	514	413	17	4.116
9	KAITHAL	392	177	12	6.78
10	KARNAL	892	743	75	10.094
11	KURUKSHETRA	728	622	15	2.412
12	MAHENDRAGARH	817	255	32	12.549
13	MEWAT	504	429	180	41.958
14	PALWAL	365	343	31	9.038
15	PANCHKULA	526	268	83	30.97
16	PANIPAT	381	126	51	40.476
17	REWARI	202	120	39	32.5
18	ROHTAK	266	205	30	14.634
19	SIRSA	1725	1501	129	8.594
20	SONIPAT	193	148	7	4.73
21	YAMUNANAGAR	800	423	128	30.26
	Total	15184	11500	1440	12.522

In the above table, work status for different districts of Haryana for the year 2014-15 is given. This shows that the total number of works started in the said year is 15184 and the work completion rate comes out to be 12.522%.

TABLE 2: TOTAL WORK STATUS OF DISTRICTS OF HARYANA SINCE INCEPTION OF MGNREGA

S No.	District	Total			
		No. of Works started	No. of Works started whose estimated completion date is over	Out of Coln(24) No. of Work Completed	Work Completion Rate
1	2	3	4	5	6=(Coln(5)*100/Coln(4))
1	AMBALA	3518	3413	2607	76.384
2	BHIWANI	4225	3666	2761	75.314
3	FARIDABAD	214	192	143	74.479
4	FATEHABAD	5565	5087	3923	77.118
5	GURGAON	391	346	261	75.434
6	HISAR	10571	10374	7136	68.787
7	JHAJJAR	1736	1695	919	54.218
8	JIND	2217	2110	1518	71.943
9	KAITHAL	1683	1445	1229	85.052
10	KARNAL	2881	2732	1702	62.299
11	KURUKSHETRA	2011	1905	1153	60.525
12	MAHENDRAGARH	6528	5950	5416	91.025
13	MEWAT	3064	2989	2615	87.487
14	PALWAL	1324	1301	922	70.869
15	PANCHKULA	2583	2311	1996	86.37
16	PANIPAT	1775	1451	1292	89.042
17	REWARI	1312	1224	1107	90.441
18	ROHTAK	1331	1267	1018	80.347
19	SIRSA	10480	10243	7596	74.158
20	SONIPAT	981	936	647	69.124
21	YAMUNANAGAR	3821	3435	2618	76.215
	Total	68211	64072	48579	75.819

In the above table, total work status for different districts of Haryana since the inception of MGNREFA is given. This shows that the total number of works started till today is 68211 and the work completion rate comes out to be 75.819%.

V. SUMMARY

Since its inception, the Act has generated 1112.03 Crore persondays. The average wage earned has risen from Rs. 65 per person day in 2006 to Rs. 100 by 2011. The Number of households has increased significantly from 3.39 Crores in 2007-08 to 5.49 Crores in 2010-11 and upto December'2014 MGNREGA has provided employment to 3.77 Crore households enerating 120.88 Crore persondays. Total Job Cards issued were doubled during the study period i.e. 6.48 Crores in 2007-08 and 12.07 Crores in 2014-15. The number of Districts have also increased from 330 to 626 during the period from 2007-08 to 2014-15. In 2009-10, number of person-days created was 283.59 Crores which declined to 257.15 Crore person-days in 2010-11. In total person-days, Scheduled Castes' share has increased significantly from 27 per cent in 2007-08 to 31 per cent in 2014-15. The share of Scheduled Tribes in total person-days created has declined from 29 percent in 2007-08 to 25 per cent in 2008-09 and during 2014-15 it was 21 percent. Women-days increased significantly from 61.15 Crores in 2007-08 to 122.74 Crores in 2014-15. Budget outlay was Rs.12000 Crores in the year 2007-08 and increased to Rs.40100 Crores in 2014-15.

The enhanced wage earnings have led to a strengthening of the livelihood resource base of the rural poor in India; 72 percent of funds utilized were in the form of wages paid to the workers. Self targeting in nature, the programme has high work participation for marginalized groups like SC/STs (40%) and Women (49%) in 2014-15 (upto December, 2014). Total works undertaken were 62.72 lakh in the same period, of which 53 percent relates to Water Conservation, 12 percent for the provision of Irrigation facility to lands owned by SC/ST/BPL/S&M Farmers and IAY beneficiaries, 22 percent for Rural Connectivity, 9 percent for Land

Development, 4 percent for Any other activity approved by MoRD and 0.37 percent for Bharat Nirman Rajiv Gandhi Seva Kendra. Women participation in current financial year upto December, 2014 was 49 percent and the participation of SCs & STs in current financial year upto December, 2014 is 40 percent.

VI. CONCLUSION

India's MGNREGA is the only Act which gives its rural people such a right and that too in the era of Liberalization, Privatization and Globalization (LPG). It has a vital role to play because of its humane approach. It serves as an effective safety net for the unemployed especially during famine and drought. It has enabled them with sufficient purchasing power and they are able to at least to supports their basic necessity i.e. food. The Act has confined the rural poor to their areas and stopped migration to the cities. It is not only giving rural livelihoods but also involving them in other non-agricultural work. This has helped in handling disguised workers. Employment in other non-agricultural work will also improve the rural infrastructure i.e. rural asset building. It will ultimately lead to sustainable development.

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THE INFLUENCE OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT ON STRATEGIC LEADERSHIP, JOB SATISFACTION AND PERFORMANCE OF REGIONAL WORK CIVIL UNITS EMPLOYEES IN MALUKU TENGGARA BARAT REGENCY, MALUKU PROVINCE

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ABSTRACT

The purpose of this research is to analyze, reveal, and find out the influence of organizational culture and organizational commitment on strategic leadership, job satisfaction, and employee performance. Data collection process was conducted through questionnaire. The research samples consisted of 130 employees. The collected data was descriptively analyzed to find out causal relationship among variables by using Partial Least Square (PLS) Analysis. The results showed that Organizational Culture was positively and significantly influencing Employee Performance, Strategic Leadership, and Job Satisfaction. The influence of Organizational Commitment towards Job Satisfaction was positive and significant, but not towards Employee Performance. The influence of Strategic Leadership was positive and significant towards Employee Performance and Job Satisfaction. Job Satisfaction was positively and significantly influencing Employee Performance. The findings point out that the dependent variables influence the independent variables positively and significantly. The findings of this research are expected to be useful for next researchers in the field of strategic management.

KEYWORDS
organizational culture, organizational commitment, strategic leadership, job satisfaction, employee performance.

1. INTRODUCTION

Calling to be in an organization is one way to implement human nature as social beings. Donne (2003) said, "No man is an island" which meant that a man must be with others. According to Sugandi (2011a), in togetherness human being can fulfill his or her needs such as: physical needs, security, safety, status, respect, and self-actualization. Maslow (as cited in Sheldrake (2003)) mentioned three achievements human being might achieve in an organization, namely safety, love, and esteem. Different human needs or conflict of interest may become the reason of organizational failure. Therefore, it's reasonable that the government as the agent which received the authority and responsibility from the society is authorized to manage organization (Wodsworth, 2008) to reach public interest (Gui, 2001). Sheldon and Gantt (1851) as cited in Wren and Bedeain (2009) even insisted that servicing society, as the responsibility of all managers is a great responsibility. The all implemented policies, conditions, and methods in an organization must support social welfare.

The Regional Working Units of Local Government of Maluku Tenggara Barat regency consisting of 27 units are public sector organization (*Himpunan Peraturan Daerah Kabupaten Maluku Tenggara Barat Tahun 2013*). The organization indicated the lower organizational performance, for example of minimum service standard 23, 33% in 2009 had decreased into 21, 54% in 2010 and decreased into 20% by 2011 (LAKIP, 2009-2011). This is the reason why the writer focuses the research to increase the performance of the Regional Work Civil Units employees in Maluku Tenggara Barat Regency, Maluku Province. It is urgent to increase employee performance of Local Government of Maluku Tenggara Barat Regency.

Prawirosentoso (2000) defined performance as the result of human works in organization as authority and responsibility, done to achieve organizational goals. Castetter (1981) mentioned some causes leading to ineffective organizational performance, namely: individual sources (intellectual weakness, physical weakness, aging, disorientation value), organizational source (organizational system, the role of organizations, groups within the organization, organizational culture), and external sources (family, economic conditions, political conditions, legal conditions, labor market conditions, social values, and technological change). Alongside these factors, there were some other factors, including organizational commitment (Allen & Meyer, 1990: 175), leadership (Norhous, 2007a: 211), and job satisfaction (Kinicki & Kreiner (2009: 195).

Empirical investigation on the influence of organizational culture on employee performance had been conducted by Olu Ojo (2009), Powarni (2010), Koesmono (2005). Their findings showed that the organizational culture affected positively the performance. Meanwhile, the researches conducted by Raka (2003), Ghani (2006), Winardi et al (2012), Syauta et al (2012a), and Dadgar (2013) showed negative result where organizational culture did not influence employee performance.

Based on the actual phenomenon and the empirical investigation, the research problem proposed in this research aimed to investigate the influence of organizational culture on employee performance. The writer also added organizational commitment, strategic leadership, and job satisfaction as the important variables which might influence employee performance.

2. LITERATURE REVIEW

COVERAGE THEORY

Organizational perspective becomes the reason of the use of some theories as the basis for the writing, namely: Agency theory which is contradicted with Stewarship Theory, and Good Governance which is also a part of the New Public Management (NPM). In maximizing the prosperity achieved by the stockholders (principal/owner), it is important to involve the professionals (managers/structural position/echelon/agent) (Brigham and Daves, 2001) as cited in Ahmad & Septriani, (2008)). Thus, the delegation of authority (Eisenhardt, 1989), and conflict of interests may occur in the lower level needs such as pay and security needs.

Stewardship Theory concentrates on higher-order needs such as achievement and self-actualization. Executive gives priority to continued life and the success of corporation. Unlike the relationship between principal and agents in Agency Theory, the relationship between board (board of directors/supervisory/legislature elected by the shareholders or stockholders) and top management (executive/board of directors) is the principle of Stewardship Theory. Thus, not only for agents and professionals, the executives will also utilize and mobilize various resources within the organization to achieve good governance, clean and free from corruption as idealized by Act Number 28 Year 1998 on good and corruption-free governance (Undang-Undang, 1999).

Sulistiyani (2011) stated that governance referred to the three pillars, namely: public governance (government agencies), corporate governance (private/business), and civil society. A balance and simultaneous improvement on these pillars needs to be conducted. The effort to conduct a balance and simultaneous improvement on the three pillars requires the applications of several principles, including the principles mentioned in Act Number 28 Year 1998 above, legal certainty principle, good governance principle, public interest principle, transparency principle, proportionality principle, professionalism principle, and accountability principle (Adisasmita, 2011). Meanwhile, United Nation Development Program (UNDP) mentioned the efforts to improve the three pillars also required: **participation** (every citizen should be involved in decision-making, either directly or indirectly), **the role of law** (fair application of the law), **transparency** (freedom of information openness), **responsiveness** (responsive to the interests of stakeholders), **Consensus oriented** (option on public interest), **equity** (equal opportunity of all citizens in improving and maintaining the welfare), **effectiveness and efficiency** (as expected), **accountability** (responsibility on the source of power), and **the strategic vision** (direct all parties to the goals and ideals). Bureaucratic governance acknowledged four principles abbreviated as **CISS** which consist: **coordination** (there are internal and external cooperation, so that the expected output will achieve good results), **integration** (planning and implementation are in unified system, structured comprehensively, so that the performance can reach optimal level), **synchronization** (various activities carried out according to the nature and type), and **simplification** (uncomplicated mechanism implementation of development activities done according to the procedure). Similarly, The New Public Management (NPM) mentioned three aspects of a good governance: accountability, responsiveness, and commitment which are based on the results, as presented in Denhardt & Denhardt (2009). Hence, good governance became seriously emphasized on NPM.

The key to the success of an organization can be traced from the positive changes resulted by the organization. The vision and goals of the organization should be formulated comprehensively and easy to implement. The role of strategic management is very important in helping to create integrated policies which are formulated and implemented precisely to achieve optimal level of organizational performance.

In achieving optimal organizational performance and goals, the use of existing resources should be optimized. Organizational potentialities (such as culture, organizational commitment, strategic leadership, job satisfaction, and employee performance (officers or staff, supervisor or subordinate)) should be prioritized and optimally utilized (good governance) for the sake of advancement of the organization and creating significant changes.

RELATED VARIABLES

ORGANIZATIONAL CULTURE

Schein (2004) perceived *organizational culture* as a basic assumption that created, discovered, and developed by individuals within the organization when dealing with external environment and all problems related. Everything is internalized and regarded to be useful in helping every individual in dealing with any problems encountered in the organization.

Organizational culture is "*a system of shared meaning held by members that distinguishes the organization from other organizations*" (Robbins & Judge, 2009b). Organizational culture is viewed as a system of shared meaning and beliefs held by the members of the organization which determines the most part, the way they act towards one another, as well as to others outside the organization. Culture refers to the common perception held by the organization that determines how the members of the organization should behave. Thus, organizational culture is to be done by the employee regarding how they concept, define, analyze, and solve problems encountered in the organization.

The dimensions of organizational culture that will be used in this study include three parts (Wallach, 1983), namely: bureaucratic culture, innovative culture, and supportive culture. Bureaucratic culture refers to the culture conditions that require settings, commands, and rules.

Innovative culture is built when the environment provides participants the freedom to be free to think, express feelings and thoughts. Each participant is free to express his/her opinions and work. Environment stimulates each participant to be free, to be creative. While the lines of communication opened, not many rules concerning the implementation of the task making it is interesting and dynamic.

Supportive culture refers specifically on the warm and pleasant conditions in the work because it prioritizes family values, such as harmony, openness, friendship, cooperation and trust. Openness in a harmonious environment positions each member of the organization as a large family. Organizations help employees and give them privacy. This culture oriented towards justice, social, and relationships. Wallach (1983) referred to this culture as "*fuzzy places to work*". With this characteristic, an individual (as the member of the organization) is placed as central point within the organization. Therefore, fostering relationships among participants become the main focus of organizational culture.

ORGANIZATIONAL COMMITMENT

The definitions of organizational commitment had been stated by economic-management theorists. Meyer and Allen (1991) stated that the factor which determined whether an employee simultaneously experiencing organizational commitment was the emotional achievements. This perspective dealt with the affective aspect of human being in which the emotional condition of the employees clearly indicated their personal dedications for the organization as well as their participation in works, so that it is called *affective commitment*. On the other hands, the employees also felt obliged to the company. This normative perception refers to the feelings of the employees to remain as a member of the organization and based on a sense of responsibility or liability of employee to remain in the organization and do their job, called *normative commitment*. The costs that might be occurred when an employee left the organization were called *continuance commitment*. Contrary to the characteristics explained above, this type of commitment referred to the consideration of cost or loss, either directly or indirectly, if the employee leaves the organization.

Luthans (1995) expressed his view that, "*organizational commitment is defined as most Often a strong desire to remain a member of a particular organization, a willingness to exert high levels of effort on Behalf of the organization, and a belief in and acceptance define of the values and goals of the organization.*" There are three important elements derived from this concept. **First**, *a strong desire to remain a member of a particular organization* referred to strong desire to be part of the organization. The level of commitment is indicated by employee loyalty to the organization and his/her dedication in carrying out organizational activities. The commitment appears indirectly through a continuous process. That process is assessed through the way an employee behaves to the achievements made by the organization and the welfare of its resources. Basically, loyalty level refers to how far an employee identifies himself/herself with organizational values and goals which are implemented through his/her intense efforts in achieving organizational goals. **Second**, *a willingness to exert high levels of effort on Behalf of the organization*, a point described the willingness of the employees to make sacrifice for the advancement of the organization. The sacrifice represents the employee's personal dedication viewing his/her tasks not merely as a daily routine. **Third***, a definite belief in, and acceptance of, the values and goals of the organization* means that the involvement of an individual to the organization is based on confidence and acceptance of the values and goals of the organization. Individual needs and organizational goals are integrated as a factor affecting individual involvement of an employee towards the organization where he/she works. Commitment is perceived as the relationship between individuals or employees with the organization which is converted to relative strength of the organization indicated by the involvement of the employees in every organizational activity.

Robbins and Judge (2009a) suggested that organizational commitment is the "*degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization*." A high involvement on tasks required specific task identification. Therefore, the perspective of organizational commitment is closely related to identification.

Meyer and Allen (1990) stated that there are three entities that make up the organizational commitment, namely: **1. Affective commitment**, referring to an emotional touch to the organization and a belief in the values of the organization; **2. Continuance commitment**, referring to the perceived economic value lies in an organization. An employee may be treated as an employee because he/she has been paid well. The feeling to treat and being treated as a family indicated seriousness; and **3. Normative commitment**, indicating conformity to the organization, because of the moral and strategic reasons.

Mowday et al. (1979) stated that organizational commitment implies the meaning associated to attitude and behavior. Regarding attitude, one starts to think about his/her relationship with the organization, so he/she determines his/her attitude towards the organization. Evolving behavior is the consequence on commitments on behaviors, indicated by developing more positive attitude towards the organization where he/she works governing his/her attitude to establish positive self-perception.

STRATEGIC LEADERSHIP

According to Rowe (2001), strategic leadership referred to the capability to influence others to voluntarily make a decision at any time for the sake of long term viability of the organization. The perspective is closely related to the efforts in maintaining financial stability. Taylor-Bianco & Schermerhon (2006) stated that strategic leadership included the use of agendas embed organizations not only with visions of change but also with the capacity to hold out for the implementation of the changes.

Leadership required acceptance towards changes or paradox of stability in understanding the complexity of the change as a collective and multi-level organizational competence. Therefore Huff et al. (2009: 364) stated that the strategic leader required flexibility and innovation in changing the direction of the organization. Ireland and Hitt (2005) stated that a leader ahould be able to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will determine the sustainability of the organization in the future. Pearce II and Robinson (2003: 294-295) argued that the role of a leader was to galvanize commitment to embrace change implemented in three related activities, namely: clarifying and explaining strategic intentions, developing the organization, and building/nurturing the organizational culture.

Burns (2008: 104) mentioned some leadership characteristics, namely: visionary, ability to communicate, ability to informally influence the employees, ability to motivate, the ability to think strategically, ability to manage change, ability to resolve conflicts, ability to build trust , ability to work in a team, ability to build relationships, ability to improve employees' confidence, the ability to delegate, the ability to build cohesion and a sense of belonging among the employees, ability to clarify ambiguities and uncertainties, ability to behave firmly but fairly, and ability to be flexible but consistent.

Hagen et al. (1998), Hitt et al. (2001), Jooste & Fourie (2009), and Ireland et al. (2005) also mentioned six criteria for strategic leadership, namely: (1) determining the strategic direction; (2) utilizing and maintaining the essential competencies; (3) developing human resources; (4) maintaining a culture of effective cooperation; (5) emphasizing ethical behavior; and (6) building control strategies.

JOB SATISFACTION

Robbins and Judges (2009b) viewed job satisfaction as "*a positive feeling about one's job resulting from an evaluation of its characteristics*." It means the term "job satisfaction" described positive feeling about the job as the results of the evaluation of its characteristics. A person with a high level of job satisfaction owned positive feelings about his/her job while a person who dissatisfied with his/her job owned negative feelings towards his/her work.

Job satisfaction can be perceived in the following definitions, including: 1) feelings and reactions of individuals to the work environment (Dole & Schroeder, 2001); 2) Excitement or statements of positive emotion as a result of the assessment of one or some work experiences (Nasarudin, 2001); 3) "*a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences*" (Rousell, 1999); 4) The gree to which an individual feels positively and negatively about work (Wood et al, 1998); and 5) "*a positive emotional state Evaluating the resulting from one's job experience*" (Mathis & Jackson, 2004b).

According to Luthans (2006), job satisfaction was related to: 1. Emotional response to the work; 2. Achieving the targeted goals; and 3. Job satisfaction is associated with interconnecting attitudes (i.e. feelings or attitudes towards work correlates with working environment, type of employment, compensation, and the relationship among coworkers). Since job satisfaction dealt with emotion and attitudes towards his/her job, each person owned different job satisfaction.

Lock (1969) in Gibson (1986) explained that job satisfaction of an employee depended on the *discrepancy* between *should be* (*expectation, need, and values*) with the perception about what he/she achieved through his/her job. Adams (1963) as cited in As'ad (2003) claimed that people will feel satisfied or dissatisfied depending on whether he/she feel being treated fairly in any circumstance, including the situation when he/she is compared to his/her colleagues.

EMPLOYEE PERFORMANCE

Performance referred to quantity and quality of achievement gained by an individual or group within an organization in carrying out the duties and functions based on the norms, standard operating procedures, criteria, and requirements implemented within an organization. (Torang: 2013b). "*The record of the outcomes produced on a specified job function or activity during a specified time period*" (Bernadin & Russell, 1993a). Performance is a record of the results obtained through job functions in certain time. Efforts made by an employee to achieve the goals through his/her productivity which had been determined in specific qualities and quantities were conducted by fulfilling his/her duties within the organization efficiently and effectively (Wijono, 2010). In addition, the performance is the result of work in terms of quality and quantity achieved by an employee in carrying out tasks based on his/her responsibility (Mangkunagara, 2000). The achieved tasks (either qualitatively or quantitatively) achieved by an employee or a government apparatus (civil servant) in central or local government related to his/her responsibility should be accounted by the taskmasters/authority givers (Makmur, 2009).

In "*Public Administration*", Robert B. Denhardt and Denhardt Janet V. (2009) stated that in order to develop the performance, some organizations relied on technological innovation while some emphasized human resource management; some organizations operated through improved productivity centered on staff, while others centralized its operation. Despite this success can also occur from the demonstration of the value of management for results.

Rai (2008) stated the importance of performance measurement. Performance measurement intended to: 1. creating public accountability, 2. determining achievement level of organizational objectives, 3. improving the performance of subsequent periods, 4. providing instruments of employee learning, and 5. motivating employees.

Performance was composed of several indicators. According Mondy and Noe (1996), there are five indicators in assessing the performance of individuals in any organization, namely: 1. time standards, 2. productivity standards, 3. cost standards, 4. quality standards, and 5. behavioral standards. Furtwengler (Mondy and Noe, 1996) mentioned eleven indicators in assessing the performance of employees in the organization, namely: 1. Job completion speed, 2. the quality of work, 3. the quality of service, 4. value of work, 5. interpersonal skills, 6. desire to succeed, 7. openness, 8. creativity, 9. communication skills, 10 initiatives, and 11. having plan. Bernadin and Russell (1993b) mentioned six indicators, namely: 1. quality, 2. quantity, 3. timeliness, 4. cost effectiveness. 5. need for supervision, and 6. interpersonal impact. Meanwhile, Mathis and Jackson (2004) also mentioned five indicators: 1. quality, 2. quantity, 3. timeliness, 4. attendance, and 5. ability to work together.

3. METHOD

In this research, the writer used questionnaire consisting of a series of statements as the instrument in collecting the data. Likert scale consisting of five responses: very agree (point 5), agree (point 4), neutral (point 3), disagree (point 2), and very disagree (point 1) was used to measure the data. The collected data analyzed using Partial Least Square (Gozali, 2006) to evaluate the *outer models* (*convergent validity*, *discriminant validity*, and *composite reliability*), and *inner model* in determining the *goodness of fit* to obtain R *square* value. Causality test was conducted to examine the inter-relationship among the variables

4. FINDINGS

***Outer Models* Evaluation**

Outer loading values were used to measure convergent validity. An indicator fulfilled validity when its outer loading values are higher than 0.5. See Table 1 below:

TABLE 1: RESULTS OF *OUTER LOADING* VALUE

Variables	Indicator	Outer Loading
Organizational Culture	X1.1	0.85883
	X1.2	0.83163
	X1.3	0.83990
Organizational Commitment	X2.1	0.94726
	X2.2	0.95767
Strategic Leadership	Y1.1	0.82273
	Y1.2	0.80170
	Y1.4	0.90920
	Y1.5	0.77559
	Y1.6	0.78664
Job Satisfaction	Y2.1	0.75302
	Y2.2	0.85999
	Y2.3	0.87592
	Y2.4	0.82630
	Y2.5	0.80549
Employee Performance	Y3.1	0.78637
	Y3.2	0.62842
	Y3.3	0.76654
	Y3.4	0.76848
	Y3.5	0.74211

After undergoing elimination, all of the outer loading values of organizational culture, organizational commitment, strategic leadership, job satisfaction, and employee performance variables turned out to be higher than 0.5. Based on this result, convergent validity requirement had been met. Therefore, the measurement of these variables had been conducted perfectly.

Discriminant validity measurement was conducted by using cross loading values. An indicator was considered as discriminant validity when its cross loading value of its construct was the largest compared to other constructs. The result of cross loading values of every indicator was presented on Table 2

TABLE 2: THE RESULT OF CROSS LOADING VALUE

	Employee Performance	Job Satisfaction	Organizational Commitment	Organizational Culture	Strategic Leadeship
x1.1	0.84808	0.87477	0.78002	**0.85883**	0.81395
x1.2	0.81852	0.74791	0.69085	**0.83163**	0.85523
x1.3	0.75805	0.76260	0.65414	**0.83990**	0.72382
x2.1	0.74383	0.73532	**0.94726**	0.74338	0.74162
x2.2	0.83943	0.80689	**0.95767**	0.85580	0.84758
y1.1	0.76911	0.76255	0.79480	0.83123	**0.82273**
y1.2	0.74435	0.75742	0.66260	0.70947	**0.80170**
y1.4	0.88011	0.82921	0.74270	0.87866	**0.90920**
y1.5	0.80284	0.74239	0.64626	0.75929	**0.77559**
y1.6	0.81721	0.79509	0.58137	0.69818	**0.78664**
y2.1	0.69136	**0.75302**	0.55055	0.69715	0.66073
y2.2	0.81067	**0.85999**	0.71435	0.83806	0.78829
y2.3	0.84238	**0.87592**	0.60503	0.78979	0.84640
y2.4	0.79857	**0.82630**	0.73592	0.79556	0.82856
y2.5	0.81445	**0.80549**	0.73308	0.77152	0.77393
y3.1	**0.78637**	0.77888	0.63351	0.75972	0.76337
y3.2	**0.62842**	0.60497	0.54896	0.55618	0.56920
y3.3	**0.76654**	0.77685	0.71323	0.75048	0.78167
y3.4	**0.76848**	0.70437	0.64596	0.75472	0.76735
y3.5	**0.74211**	0.68107	0.53563	0.71172	0.72393

Table 2 showed that not of all *cross loading* value of each indicator towards its' construct is larger than other constructs. Based on these results, it was found that the indicators used in this research owned its specific discriminant values in compiling respective variables.

Composite reliability examined the reliability of the indicators in each construct. A variable (construct) was considered met composite reliability when its composite reliability value was larger than 0.7. The composite reliability values of each construct were presented on Table 3 below:

TABLE 3: THE RESULT OF *COMPOSITE RELIABILITY* VALUE

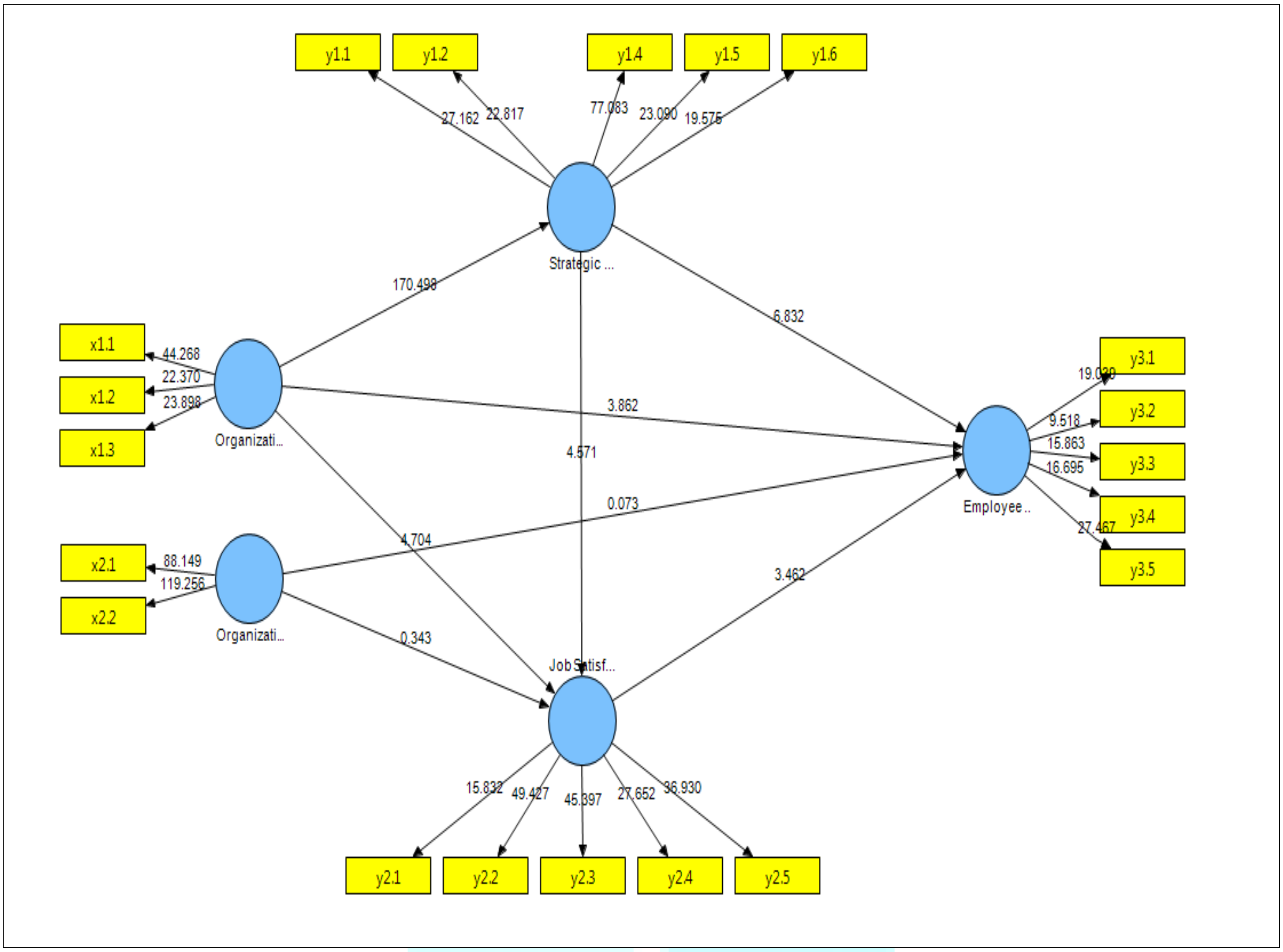
Variable	Composite Reliability
Employee Performance	0.857892
Job Satisfaction	0.914155
Organizational Commitment	0.951351
Organizational Culture	0.880937
Strategic Leadership	0.911274

Table 3 showed that the *composite reliability* values for organizational culture, organizational commitment, strategic leadership, and job satisfaction and employee performance variables were larger than 0.7. Thus, in the model, each variable had fulfilled the *composite reliability* requirement.

***Inner Model* Evaluation**

Figure 1 below described structural model developed in this research regarding the influences of organizational culture and organizational commitment on strategic leadership, job satisfaction, and performance of Regional Work Civil Unit employees in Maluku Tenggara Barat Regency, Maluku Province:

FIGURE 1: STRUCTURAL MODEL OF THE INFLUENCE OF ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT ON STRATEGIC LEADERSHIP, JOB SATSFACTION, AND PERFORMANCE OF REGIONAL WORK CIVIL UNIT EMPLOYEES IN MALUKU TENGGARA BARAT REGENCY, MALUKU PROVINCE



Initial evaluation on the inner model indicated *R square* values or coefficients of determination. *R square values* of each indicator based on PLS data analysis were presented on Table 4 below:

TABLE 4: THE RESULT OF R *SQUARE* VALUE

Variabel	*R Square*
Employee Performance	0.973904
Job Satisfaction	0.919686
Organizational Commitment	
Organizational Culture	
Strategic Leadership	0.898340

Goodness of fit PLS model indicated Q^2 values which were similar to coefficient of determination (R Square/R^2) in the regression analysis. The higher R^2 values the fitter the model with the data. Based on Table 4 above, Q^2 value of coefficient of determinant (R^2) on strategic leadership variable was 0.898340. this value indicated that the level of alteration on strategic leadership explicable by organizational culture and organizational commitment variables was 89.8%. Meanwhile, R2 value of job satisfaction variable was 0.919686 indicating that the alteration level of job satisfaction variable explicable by organizational culture, organizational commitment, and strategic leadership was 91.97%. Table 4 also indicated R2 of employee performance was 0.973904 meaning that alteration level of employee performance variable explicable by organizational culture, organizational commitment, strategic leadership, and job satisfaction variables was 97.4%.

CAUSALITY EXAMINATION

The research hypotheses were accepted if t-statistic value is higher than t-table value with error rate (α) 5% as much as 1.96. Table 5 below indicated path coefficient values (original sample estimation) and t-statistic values of the inner model:

TABLE 5: THE COEFFICIENT VALUE RESULT OF *PATH* AND t-*STATISTICS*

	Original Sample (O)	*Sample Mean* (M)	*Standard Error* (STERR)	t-*Statistics* (|O/STERR|)
Job Satisfaction -> Employee Performance	0.227699	0.218678	0.065762	3.462481
Organizational Commitment -> Employee Performance	-0.002439	-0.0076	0.033242	0.073380
Organizational Commitment -> Job Satisfaction	-0.015927	-0.01632	0.046453	0.342871
Organizational Culture -> Employee Performance	0.206108	0.207044	0.053369	3.861949
Organizational Culture -> Job Satisfaction	0.463237	0.471086	0.098471	4.704279
Organizational Culture -> Strategic Leadership	0.947808	0.948607	0.005559	170.4982
Strategic Leadership -> Employee Performance	0.570672	0.582221	0.083528	6.832115
Strategic Leadership -> Job Satisfaction	0.522174	0.514952	0.114227	4.571357

Table 4 above provided detail explanation regarding research hypotheses related to the influence of organizational culture and organizational commitment on strategic leadership, job satisfaction and performance of the employees in Regional Work Civil Units of Maluku Tenggara Barat regency, Maluku Province. The hypotheses are:

(1) Hypothesis 1: Organizational Culture (X1) significantly influenced employee performance (Y3) with path coefficient value as much as 0.206108 and t-statistic value as much as 3.861949 (higher than t-table value 1.96). These results indicate significant influence of organizational culture on employee performance. Therefore, the 1st hypothesis proposed in this research assuming significant influence of organizational culture on the performance of Regional Work Civil Units employees in Maluku Tenggara Barat regency is accepted.

(2) Hypothesis 2: Organizational Culture (X1) significantly influenced strategic leadership (Y1) with path coefficient value as much as 0.947808 and t-statistic value as much as 170.4982 (higher than t-table value 1.96). These results indicate significant influence of organizational culture on strategic leadership. Therefore, the 2nd hypothesis proposed in this research assuming significant influence of organizational culture on strategic leadership practiced in Maluku Tenggara Barat Regency Regional Work Civil Units is accepted.

(3) Hypothesis 3: Organizational Culture (X1) significantly influenced job satisfaction (Y2) with path coefficient value as much as 0.463237 and t-statistic value as much as 4.704279 (higher than t-table value 1.96). These results indicate significant influence of organizational culture on job satisfaction. Therefore, the 3rd hypothesis proposed in this research assuming significant influence of organizational culture on job satisfaction of Maluku Tenggara Barat Regency Regional Work Civil Units employees is accepted.

(4) Hypothesis 4: Organizational Commitment (X2) did not significantly influence employee performance (Y3) with path coefficient value as much as -0.002439 and t-statistic value 0.73380 (lower than t-table 1.96). Based on these results, the 4th hypothesis assuming significant influence of organizational commitment on the performance of Maluku Tenggara Barat Regency Regional Work Civil Units employees is rejected.

(5) Hypothesis 5: Organizational Commitment (X2) insignificantly influenced job satisfaction (Y2) with path coefficient value as much as -0.015927 and t-statistic value as much as 0.342871 (higher than t-table 1.96). These results indicate insignificant influence of organizational commitment on job satisfaction. Therefore, the 5th hypothesis proposed in this research assuming significant influence of organizational commitment on job satisfaction of Maluku Tenggara Barat Regency Regional Work Civil Unit is rejected.

(6) Hypothesis 6: Strategic Leadership (Y1) significantly influenced Employee Performance (Y3) with path coefficient value as much as 0.570672 and t-statistic value 6.832115 (higher than t table 1.96). These results indicate significant influence of employee performance towards strategic leadership. Based on these results, the 6th hypothesis assuming strategic leadership influence on employee performance is accepted.

(7) Hypothesis 7: Strategic leadership (Y1) significantly influenced Job Satisfaction (Y2) with path coefficient value 0.522174 and t-statistic value 4.571357 (greater than t table 1.96). It indicates significant influence of job satisfaction towards strategic leadership. Based on these results, the 7th hypothesis assuming strategic leadership influences job satisfaction is accepted.

(8) Hypothesis 8: Job satisfaction (Y2) significantly influenced employee performance (Y3) with path coefficient value 0.227699 and t-statistic value 3.462481 (greater than t table 1.96). It indicated significant influence of job satisfaction towards employee performance. Based on these results, the 8th hypothesis assuming job satisfaction influence on employee performance is accepted.

Table 6 below presented the findings of this research:

TABLE 6: THE RESEARCH FINDINGS

Hypotheses	Variable Explaining	Analysis Result
H1	Influence of *Organizational Culture* (X1) towards *Employee Performance* (Y3)	Positive-significant
H2	Influence of *Organizational Culture* (X1) towards *Strategic Leadership* (Y1)	Positive-significant
H3	Influence of *Organizational Culture* (X1) towards *Job Satisfaction* (Y2)	Positive-significant
H4	Influence of *Organizational Commitment* (X2) towards *Employee Performance* (Y3)	**Not Significant**
H5	Influence of *Organizational Commitment* (X2) towards *Job Satisfaction* (Y2)	Positive-significant
H6	Influence of *Strategic Leadership* (Y1) towards *Employee Performance* (Y3)	Positive-significant
H7	Influence of *Strategic Leadership* (Y1) towards *Job Satisfaction* (Y2)	Positive-significant
H8	Influence *Job Satisfaction* (Y2) towards *Employee Performance* (Y3)	Positive-significant

Table 6 above indicated that H4 explaining the influence of Organizational Commitment (X2) on Employee Performance (Y3) showed an interesting result. The results of the analysis proved that Organizational Commitment (X2) turned out provided insignificant influence on Employee Performance (Y3) (as marked by bold fonts).

5. DISCUSSION

Organizational culture influences employee performance. The results of this study supported the findings of Koesmono (2005), Olu Ojo (2009), and Powarni (2010). However, this result contradicts the previous research findings conducted by Raka (2003), Ghani (2006), Winardi (2012), and Syauta et al (2012a) stating that organizational culture had no direct influence on employee performance.

Organizational culture influences the strategic leadership. Robbins and Coulter (2009) stated that weak organizational culture (indicated by lacks of values, rules, and standardized institutional ethics) would have less influence on the manager. Similar emphasis was also proposed by Schien (2004) stating that a strong organizational culture would affect the manager. The results of this research showed the influence of organizational culture to strategic leadership supporting previous researches conducted by Tsai (2011) and Sheraz et al (2012).

Organizational culture influences job satisfaction. Robbins and Judge (2009b) stated that job satisfaction as a positive feeling would not be perceived without good organizational culture. Without good organizational culture, the positive feeling could turn into negative feeling. The influence of organizational culture on job satisfaction had been proven by this study, so it supported previous research conducted by Koesmono (2005), Tsai (2011), and Syauta et al (2012b), found that there was positive and significant influence of organizational culture to job satisfaction.

Organizational commitment influences employee performance. The influence of organizational commitment to employee performance had proven by this research, and the result showed insignificant influence. The research contradicts theoretical perspective proposed by Mowday, Porter, and Stress (1979) stating that besides age, work experience, job title, group cohesiveness, and organizational structure organizational commitment also influenced performance, Robbins and Judge (2009) also stated that there was a strong correlation between organizational commitment and job satisfaction. The research contradicts Syauta et al (2012a) and Khan et al (2010) who stated commitment have positive influence to performance.

Organizational commitment influences job satisfaction. The results support Kinicki and Kreiner (2009), Anis et al. (2011), and Syauta et al. (2012a), who stated that there was influence of organizational commitment to job satisfaction. Positive feelings towards organization and individual determination to remain in the organization have a positive impact on every individual in the organization because it is directly to touch individual needs and interests.

Strategic leadership influences employee performance. Theoretically Locke (1968) as cited in Jeffrey (1982: 89) acknowledged the influence of leadership on performance. They argued that performance was influenced by monetary incentives, knowledge of results, and participation in decision making. The results of this study have proved the truth of the influence of strategic leadership to employee performance, therefore this research supports Abbas and Yaqoob (2009), and Phipps and Burbach (2010).

Strategic leadership influences job satisfaction. The results of this study support Voon et al. (2011), Javadi et al. (2013), and Magsood et al. (2013) which stated that leadership influenced job satisfaction.

Job satisfaction influences employee performance. The results of this study support Koesmono (2005), Kinicki and Kreiner (2009), Ahmad et al. (2010), Syauta et al. (2012b), who stated that job satisfaction had positive and significant influence to employee performance.

6. CONCLUSIONS

a. Organizational Culture influences Employee Performance indicates that there are some employees working based on organizational rules, get involved in decision-making process, and cooperating each other. The improvements on employee performance, strategic leadership, and job satisfaction are urgent.

b. The employees tend to work in a transactional life style and demanding pay for their obligations become main factor of insignificant influence of organizational commitment on employee performance. Organizational commitment is supposed to directly provide significant and positive influence on job satisfaction because it directly deals with individual interests and needs.

Employee performance can be improved by increasing strategic leadership and job satisfaction. Strategic leadership influences employee performance directly or indirectly through job satisfaction. The higher quality of strategic leadership and the better the leader responds employee interests and needs will greatly affect employee performance improvement.

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OWNER FACTORS AFFECTING THE GROWTH OF MICRO AND SMALL ENTERPRISES (MSEs) IN ETHIOPIA: A CASE STUDY IN SHIRE INDASELASSIE TOWN, TIGRAY

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ABSTRACT

The role of MSEs are not only income and employment generating but also breeding ground for entrepreneurs, has higher employment capacity, not capital intensive, highly competitive, flexible, and innovative. However, MSEs growth is affected by a number of factors. Therefore, the main objective of this study was to examine owner/operator characteristic factors affecting the growth of MSEs by using semi-structured questionnaire covering 160 randomly selected MSEs from five Kebeles of Shire Indasselassie Town. Binary logistic model was employed to identify the factors affecting the growth of MSE and to test the hypotheses. The result of the study revealed that gender and education level are significant factors for MSEs growth. MSEs that are owned by male and higher school completed are growing rapidly than those MSEs that are owned by female and primary school completed ones. However, age and experience of MSEs owners are found insignificant for MSEs growth. Considering the well recognized importance of MSEs in job creation, income generation and poverty alleviation, all stakeholders (government and non governmental institutions) have the responsibilities to make intensive effort to remove the factors that stand on the growth of the MSEs.

KEYWORDS

Employment, Factor, Gender, Growth, Owner, Survival.

1. INTRODUCTION

Micro and Small Enterprises (MSEs) can be defined as one, which are independently owned and operated, and not dominated in its field of operation. It also defined in terms of sales volume and by the number of employees in the firm. MSEs may be defined as business with a small number of employees. The legal definition of MSEs often varies from country to country and from industry to industry; in the United States generally under 100 employees while under 50 employees in the European Union (Endalkachew, 2008).

In Ethiopia, according to the Government of the Federal Democratic Republic of Ethiopia MSE Development Strategy (2011), the definition of MSEs is as follows:

- Micro Enterprises are business enterprises found in all sectors of the Ethiopian economy with a paid-up capital (fixed assets) of not more than Birr 100,000.
- Small Enterprises are business enterprises with a paid-up capital of more than Birr 100,000 and less than Birr 1.5 million.

Nowadays, employment is very serious issue and offering jobs to all citizens of a country; it is also a challenging task to every government. As a result, different governments are framing different strategies and policies to create job opportunities. One strategy as to create jobs and accommodate maximum number of citizens has been emerged, i.e., the establishment of MSEs. This form of sector comes in to existence with the aim to accommodate as much as possible numbers of member owned enterprises with affordable working capital and management (Ermias, 2011).

In Ethiopia, MSEs are the second largest employment-generating sector next to agriculture. A national survey conducted by Central Statistics Agency (CSA) (2003) indicated that more than 1.3 million people in the country are engaged in informal sector and small manufacturing businesses. Concerning Tigray, around 137,500 people are engaged in the sector. However, unemployment is one of the critical social problems of most Ethiopian cities in general and Tigray cities in particular. The urban employment rate is about 13.7% and 21.1% in 2006 and 2009, respectively in the region (Tigray Region State Bureau of Plan and Finance (TRBPF, 2010).

The MSEs are also an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development. Therefore, the Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. To this effect, the government has formulated a National Micro and Small Enterprise Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs (MoTI, 1997).

MSEs caught the attention of development practitioners and policy makers recently not only because of their importance in terms of generating employment but also because of various other attributes. Some of these are:

- MSEs are breeding ground for entrepreneurs.
- The sector has high employment generating capacity, and is less capital intensive.
- It is highly competitive, flexible, and innovative.

Having recognized the importance of the MSEs sector to the economy, the Federal Government of Ethiopia has issued a MSEs Development Strategy in 1997 followed by the proclamation for the establishment of the Federal Agency for MSEs Development in 1998 (MoTI, 1997).

It is obvious that agriculture is still the backbone of Ethiopian economy and medium and large companies are contributing for economic growth and development of the country. MSEs have been given due attention since 1997 as they have invaluable contributions in the economic development of countries like other sectors. Currently, the Ethiopian government has given priority and planned to work aggressively on MSEs to complement with the objective of the 5 years of Growth and Transformation Plan (GTP) that is focuses on industrial development in the country. The sector is expected to play a significant role as an instrumental in curbing the challenges of unemployment, poverty and to accelerate economic growth. Thus, this implies that further research is required on the factors affecting the growth of MSEs.

2. RELATED LITERATURE REVIEW

MSE is one of the institutions given recognition in the country's industry development plan and is the fact that it serves as vehicles for employment opportunities at urban center and as it strengthen the economic development. MSE also serves as sources for sustainable job opportunities not only for developing countries like Ethiopia, but also for developed countries like USA. Thus, they should be given prior consideration as they are essential and serve for sustainable source of job opportunities to our country.

2.1. DEFINITION OF MSEs

One major problem that arises while dealing with MSEs is lack of clear-cut and universally accepted definition. Attempts to define MSEs have led to a remarkable diversity of conceptions that actually generated debate as to the different approaches of defining MSEs. Firms differ in their levels of capitalization, sales, and employment.

Varieties of definitions have been applied among different countries and different criterions have been considered to define them. But commonly, MSEs are considered to be non-subsidiary independent firms which employ less than a given number of employees even though this number varies across countries. For instance, in Scottish, a Micro enterprise contains 0-9 employees (including sole traders) and Small 10-49 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have at most ten, or in some cases, five employees (Malhotra, Chen, Criscuolo, Fan, Hamel, & Savchenko, 2006).

In defining MSEs, in addition to considering number of employees engaged in the business, financial aspects such as turnover and total assets or balance sheet total are also taken into account. Especially, this has been used by international organizations like European Union, World Bank and others which are briefly described in the following tables (i.e., Table 1 and Table 2).

TABLE 1: EUROPEAN UNION MSE DEFINITION

Firm size	Headcount	Turnover or Balance Sheet Total
Micro	<10	<€ 2 million
Small	Between 10 and 49	€ 10 - €49 million

Source: IFC (2010)

TABLE 2: WORLD BANK GROUP MSEs DEFINITIONS

Type of enterprise	Number of employee	Extent of total assets
Micro	1-10	Less than US$100,000
Small	11-50	Between US$100,000 and US$3 million

Source: Malhotra et al. (2006)

The Ethiopian modified definition of MSEs (Table 3) were brought and organized from foreign country experiences as well as correspondence analysis of previous definitions. The revised definition envisaged the other country experiences and the actual economic circumstance such as inflation and exchange rates fluctuations in the country. Due to the rise in exchange rates and inflation, the minimum and the maximum value of total asset's threshold used for classification of enterprises in to micro and small has been increased from birr 20,000($2500) to 100,000($6000) (maximum threshold for micro enterprises) and for small enterprises from birr 500,000 to 1.5million maximum threshold (Government of the Federal Democratic Republic of Ethiopia MSEs development strategy (GFDRE), 2011).

The revised definition also considered the actual number of employed labors including family labor, total assets excluding land and building as a criterion to define MSEs. On the other side, it classified the overall sectors into two divisions as industry which includes manufacturing, construction and mining; and services that include retail trade, transport, hotel and tourism, information technology services and maintenance (GFDRE, 2011).

TABLE 3: REVISED DEFINITION OF MSEs IN ETHIOPIA

Type of enterprise	Sector	Number of employees including family member	Total assets
Micro	Industry	≤5	≤ 100,000Birr
	Service	≤5	≤ 50,000Birr
Small	Industry	6-30	≤ 1.5million Birr
	Service	6-30	≤ 500,000 Birr

Source: GFDRE (2011)

2.2. REVIEW OF EMPIRICAL STUDIES

The owner characteristic factors that are affecting the growth of MSEs are educational level, age and gender (Papadaki & Chami, 2002); age, gender, education, and previous work experience (Storey, 1994); gender (Chell, 2001); educational level (McPherson, 1996); educational level and previous business experience (Parker, 1995); age, gender and education (Aggrey, Ochai, & Mukasa, 2012); age, gender, education status and previous experience (Atsede, Patricia, and Adebimpe, 2008); and educational level and gender (Mulu, 2007).

GENDER

Women owned firms' may have lesser opportunities to develop relevant experiences this is as a result of women may have fewer networks to get assistance and may have greater difficulty in assembling resources (Sexton & Robinson, 1989). There is some evidence that banks may require more strict requirements on women business owners concerning collateral for loans, and therefore, this can limit their ability to grow (Riding & Swift, 1990). Women may also be more family oriented and be less eager in pursuing economic goals related to expansion of the firm (Brush, 1992). Cooper, Folta, Gimeno-Gascon, & Woo (1992) reported that being female had a negative impact on the growth of small firm but had no impact on the survival of the firm.

AGE

Younger individuals may be more willing to assume risks and grow their business faster. Therefore, a younger owned firm's may have a higher need for extra income. An older owner or operator who carries out a small firm is more likely to have reached his/her initial aspirations. However, younger individuals have more motivation to expand their business and they also may have fewer financial resources and fewer networks. Some empirical evidence suggested that the owner age tends to be negatively related with firm's growth (Boswell, 1973; Davidsson, 1991).

EDUCATION

The effect of education status of the owner of firm has been broadly studied. Education is presumably related to knowledge and skills, self-confidence, problem solving ability motivation, commitment and discipline. Higher education is expected to be increase the ability of the entrepreneur to handle with problems and grasp opportunities that are important to the growth of the firm. The Empirical study result on the effects of education on firm growth is mixed. Cooper et al.

(1992) found a positive relationship between prior level of education and firm performance, i.e., having a bachelor's degree has a positive impact on both survival and growth of small firms.

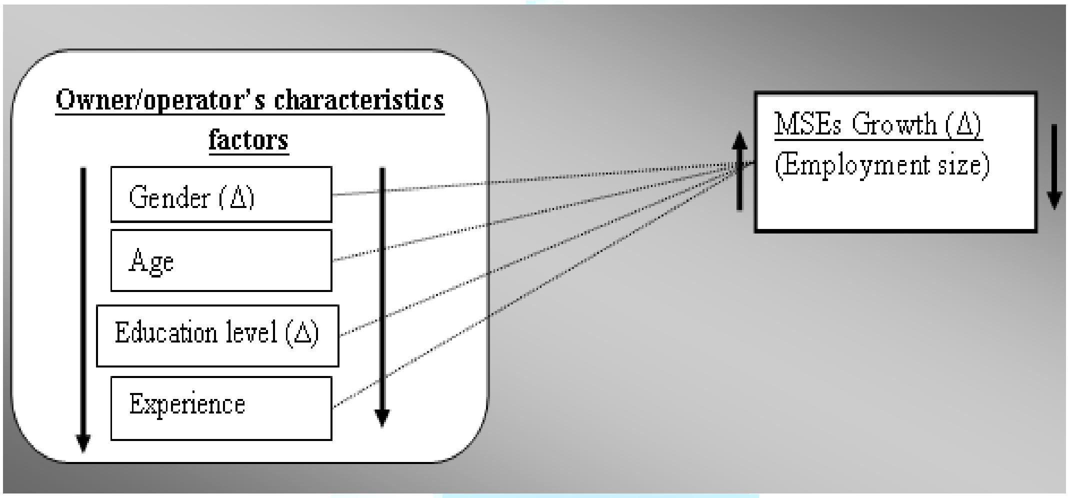
EXPERIENCE

Industrial specific knowledge such as production processes, market niches, or technology is assumed and only available through industry participation. Entrepreneurs with industry experience will have a better understanding of the industrial environment, such as customer nature of the market that the new business enterprise engages in. The social network within the industry may help them to obtain commitment from suppliers and customers, which is very important for the success of a new business. In addition to this, entrepreneurs with industry experience are more likely to survive and to develop their businesses compared to inexperienced ones (Cooper et al., 1992).

2.3. CONCEPTUAL FRAMEWORK OF THE STUDY

Figure 1 below presents a conceptual frame work of the relationship between the MSEs growth (dependent variable) and the owner characteristic factors influencing MSEs growth (independent variables). MSEs growth (1, 0) = f [**owner characteristic factors** (i.e., gender, age, education, and previous business experience)].Where 1 = if the MSEs growth rate is > 0, otherwise 0.

FIGURE 1: CONCEPTUAL FRAMEWORK OF THE STUDY



Source: Adopted from Ishengoma and Kappel (2006)

Δ Indicates change for non-measurable factors

↑↓ Indicates increase/decrease for measurable factors

3. STATEMENT OF PROBLEM

MSEs by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant effect for rapid economic growth. MSEs are also known as an instrument in bringing about economic transition by effectively using the skill and talent of the people without requesting high-level training, much capital and sophisticated technology. The MSEs are also described as the national home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full and to attain their goals. In all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large (MoTI, 1997).

Growth of MSEs has a special importance in the economy that it is responsible for the major contribution to net new jobs. However, many researches revealed that firm growth is a multidimensional phenomenon and there is substantial heterogeneity in a number of factors, such as operators/owners characteristic factors, firm characteristic factors, and external related factors.

Atsede et al. (2008) made a study in Nigeria on factors influencing the growth of MSEs by considering four owner characteristics: age, gender, education, and experience. The result revealed that age, education, and previous experience are significantly influencing the growth of the MSEs. On the other hand, gender has no significant effect on the growth of the MSEs.

Mulu (2007) made a study on the growth of MSEs in Ethiopia on randomly selected 975 MSEs from six major towns of Ethiopia. The study revealed that those MSEs owned by those who have some business experience, high school completed and headed by male are growing faster.

Habtamu (2012) conducted his study on the determinants of MSEs growth in Mekelle city by taking owner/entrepreneur characteristic factors. He found gender as the main determinant factor affecting the growth of MSEs.

As it is indicated in the review of literature above, most of the previous studies result shows differences. This difference indicates that the determinant factors for MSEs growth vary from country to country, place to place, and person to person. **Therefore, this study has tried to identify and examine the factors affecting the growth of MSEs in Shire Indasselassie town by taking in to account the owner/operator characteristic factors.**

4. OBJECTIVE OF THE STUDY

The objective of this study was to examine the effect of owner characteristic factors on the growth of MSEs in Shire Indasselassie town.

LITERATURE DRIVEN HYPOTHESES

The hypotheses were driven after an extensive literature review and identified the factors that were considered in this study. The owner/operator characteristic factors were derived from the previous empirical studies done be various researchers (Atsede et al., 2008; Birley & Westhead, 1990; Eshetu & Zeleke, 2008; Evans, 1987; Habtamu, 2012; Liedholm & Mead, 1993; McPherson, 1996; Mulu, 2007; Parker, 1995; Rahel & Issac, 2010; Siyoum, 2012; Solomon, 2004; Storey, 1994). The expected effects of the owner characteristic factors on the growth of MSEs are hypothesized in the following section.

OWNER CHARACTERISTIC FACTORS

The owner characteristic factors that were considered in this study are age, gender, education level and previous working experience of the operators/owners. The effects of these factors on the growth of the MSEs are discussed below.

GENDER OF THE OWNER

Empirical studies revealed that male-headed MSEs grow more rapidly than female-headed (Habtamu, 2012; Liedholm & Mead, 1993; McPherson, 1996; Mulu, 2007; Rahel & Issac, 2010). However, the statistical test of Storey (1994) and Atsede et al. (2008) showed that the relationship between gender and growth is not statistically significant, i.e., gender does not have an effect on the growth of SMEs. Thus, the hypothesis for this factor is as shown below:

HYPOTHESIS 1: MALE OWNED MSEs EXHIBIT HIGHER GROWTH THAN FEMALE OWNED MSEs

AGE OF THE OWNER

Though younger MSEs owner has the necessary inspiration, power and commitment to work and is more subject to take risks, age has negative effect on the growth of firm (Storey, 1994). However, a study conducted by Mulu (2007) revealed that demographic factors such as, owners' age have no significant effect on growth of MSEs. On the other hand, Atsede et al. (2008) revealed that growth was noticed more in middle aged and older owner/managers. Thus, the hypothesis for this factor is as shown below:

HYPOTHESIS 2: MSEs RUN BY YOUNGER OPERATOR/OWNER TEND TO HAVE A HIGHER GROWTH PROBABILITY THAN THOSE RUN BY THEIR OLDER COUNTERPARTS

EDUCATION LEVEL OF THE OWNER

It is defined as the education level of the owner/operator since start-up of the business. The empirical study of Mulu (2007) revealed that MSEs run by entrepreneurs with high school complete and with college years grow faster. McPherson (1996) and Parker (1995) found completion of high school positively affect MSEs growth in Zimbabwe and Botswana but not significant in Swaziland. Parker (1995) also found positive effect of high school completion on firm growth in Kenya. The empirical study of Atsede et al. (2008) and Storey (1994) also showed that the higher the educational qualification of the owner/manager is, the higher the level of firm growth attained appears to be. Thus, the hypothesis for this factor is as shown below:

HYPOTHESIS 3: THE OPERATORS OF MSEs WITH HIGHER SCHOOL COMPLETE ARE MORE LIKELY TO GROW FASTER THAN OTHERS

OWNER PREVIOUS EXPERIENCE IN MSEs

Owner experience is defined as the number of year experience since start-up. Mulu (2007), McPherson (1996), and Parker (1995) reported that MSEs run by entrepreneurs with previous business experience grow faster than those who don't. However, the availability of previous related business experience that firm operators/owners may have acquired prior to starting up their business does not seem to influence growth of enterprises (Solomon, 2004). Thus, the hypothesis for this factor is as shown below:

HYPOTHESIS 4: THE HIGHER OPERATORS/OWNERS PREVIOUS BUSINESS EXPERIENCE, THE HIGHER THE PROBABILITY OF MSEs GROWTH

5. METHODOLOGY OF THE STUDY

5.1. RESEARCH DESIGN

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is an overall scheme or program of the research process. There are three types of research design, namely exploratory (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships) (Gebregziabher, n.d.).

The type of research design used under this study was explanatory research design. The major purpose of explanatory research is to determine the cause and effect of dependent and independent variables. Moreover, the study used cross-sectional data in the sense that all relevant data were collected at a single point in time. Besides, quantitative research approach was used since numeric data was collected through semi-structure questionnaire.

5.2. DATA SOURCES AND COLLECTION TECHNIQUES

The study used primary and secondary sources. The primary data was obtained through semi-structured questionnaire. The operators/owners of the MSEs established before three years (i.e., before 2010) completed the questionnaire. The secondary data was collected from periodic reports in the Shire Indasselassie town MSE development office.

5.3. SAMPLE SIZE AND SAMPLING TECHNIQUE

Systematic random sampling is a technique of selecting sampling units using a fixed interval on a randomly ordered list of the sampling frame. It involves selection of every k^{th} element in the sampling frame where k is the ratio between number of elements in the population and the sample size (Gebregziabher, n.d). Therefore, in this study, systematic random sampling type of probability sampling was used in selecting each element of the sample size, where every element in the population has the same chance of being selected and the data was collected by using semi- structured questionnaire.

This study was conducted in five Kebeles of Shire Indasselassie town. The total number of MSEs were 5,628, out of this, 1,615 MSEs were established before three years (i.e., before 2010) and these 1,615 MSEs were the population of this study. Therefore, given the total population of the study, the study has applied a simplified scientific formula provided by Yamane (1967);

i.e., $n = \frac{N}{1+N(e)2}$ .... **(1)**

Where *e* is the level of precision, i.e., *e* = 0.075 (0.075 level of significance); N = Population size; and n = sample size.

$$\mathrm{n} = \frac{\mathrm{N}}{1+\mathrm{N(e)}^2} = \frac{1{,}615}{1+1{,}615(0.075)^2} = \frac{1{,}615}{1+9.08} = \frac{1{,}615}{10.08} = 160$$

Accordingly, 160 respondents (owners) were selected from 1615 MSEs. These 160 respondents were selected from each Kebele computed based on their number of respective population (weight) and the samples were selected by using systematic random sampling technique (k^{th}-interval). K is determined by using the formula (Alison, 2004, as cited in Habtamu, 2012);

$(k^{th} = \frac{Total\ Population\ (N)}{Sumple\ size\ (n)})$ .... **(2)**

Where N = Population size (i.e., 1615 MSEs owners) and n = sample size (i.e., 160). Table 4 below shows the samples taken from each Kebele of Shire Indasselassie town administration.

TABLE 4: SAMPLE SIZE OF THE STUDY

Kebele	No of MSEs in 2012	No of MSEs before 2010	Weight of each Kebele	Each Kebele sample size	Interval (K^{th} unit)
Dedebit (01)	1,214	329	0.21	34	10^{th}
Suhul (02)	732	229	0.14	22	10^{th}
Hbret (03)	764	230	0.14	22	10^{th}
Adi Kentibay (04)	2,251	652	0.40	64	10^{th}
Yekatit (05)	667	175	0.11	18	10^{th}
Total	**5,628**	**1,615**	**1**	**160**	

Source: MSEs Development Office (2013)

5.4. METHODS OF DATA ANALYSIS AND PRESENTATION

Data processing and analysis is an important part of research work. After data were collected, it has to be processed and analyzed. The collected data was edited in order to identify errors and omissions and correct them when needed. After that the edited data was coded and classified. All these activities were carried out to make the data as ease for analysis. The binary logistic regression model was used to test the formulated hypotheses and examine the effect of the owner/operator characteristic factors.

5.5. MODEL SPECIFICATION

In this study binary logistic regression model was used to examine the relationship between the independent variables and dependent variable (growth of MSEs). The basis for selecting the binary logistic regression model is the nature of dependent variable. If the dependent variable is with only two categories (growing and non-growing, valued as 1 and 0, respectively), binary logistic regression is appropriate (Gujarati, 2004).

Besides, though the logit and the probit model yield similar parameter estimates, but the binary logistic regression model is preferred because of its comparative mathematical simplicity and more meaningful interpretation of odds ratio (Gujarati, 2004).

Accordingly, the binary logistic regression model employed has the following form:

$$\mathbf{MSEgrz = \ln \left(\frac{P_i}{1-P_i}\right) = \beta_0+\beta_1 OWNgen + \beta_2 OWNage + \beta_3 OWNedu + \beta_4 OWNexp + \mu_i} \quad \textbf{...(3)}$$

Where,

MSEgrz = the probability that i^{th} MSE is growing given independent variables

OWNgen = Operator gender
OWNage = Operator age
OWNedu = Operator education level
OWNexp = Operator previous experience
β_0 = Constant (intercept); $\beta_1 - \beta_4$ = Coefficients,
u_i = Error term (absorbs unobserved factors),
P_i = Probability of ith MSE is growing type; $1-P_i$ = Probability of ith MSE is survival type, and
ln = Natural logarithm; $\ln\left(\frac{1}{1-P_i}\right)$ = Natural logarithm of the odds ratio (logit model).

5.6. DEFINITION OF VARIABLES

There are two variables to be defined in line with this study. These are the dependent and independent (explanatory) variables employed in the study. The depended and independent variables are defined as follow.

DEPENDENT VARIABLES OF THE STUDY (MSEgrz)

There are various arguments in the existing literature on how to measure growth, and scholars have used a variety of different measures. These measures include, for example, growth of sales, employees, assets, profit, equity, and others (Davidsson & Wiklund, 2000).

Moreover, the time span over which growth analyzed in the literature varies considerably, ranging from one to several years. In addition, growth has been measured in absolute or relative terms. Perhaps the most common means of operationalizing firm growth is through relatively objective and measurable characteristics-such as growth in sales turnover, total assets and employment growth. These measures are relatively uncontroversial (methodologically) and data tend to be easily available, increasing the scope for cross study comparability (Freel & Robson, 2004). In this study, employment was used as measurement of growth of MSEs.

The growth MSEs status, which is the dependent variable for the binary logistic analysis, is a dichotomous variable representing the growth of MSE. It is represented in the model by 1 for the growing MSEs and 0 for survival MSEs. To measure the growth of MSEs, the researcher used employment size following Evans (1987) model of firm growth. The following equation used to measure the firm growth;

$$MSE\ gr = \frac{\ln St' - \ln St}{Ea} \quad \text{..............} \ \mathbf{(4)}$$

Where St' = represent the firm's current employment size; St = represent the firm's beginning employment size and Ea = denotes enterprise age.

The employment size is preferred to measure the growth of MSEs since:

- Most MSEs operators/owners do not keep records so that it is difficult to get reliable time series data on growth of fixed assets/sales, they would be unable to report their sales or profits even at the present time.
- As most economic theory proves, increase in employment size is associated with increase in efficiency.
- Moreover, MSEs operators/owners are extremely reluctant to give accounting information to external parties (outsiders) (Fioritto & Lafarge, 1986).

INDEPENDENT (EXPLANATORY) VARIABLES

Gender of the owner: Gender (sex) of the operator/owner of MSEs.
Age of the owner: It is defined as the number of years of operators/owners.
Education level of the owner: Education status of the operators/owners of the MSEs.
Owner previous experience in MSEs: Availability of related work experience of the operators/owners of MSEs before start up.

TABLE 5: NAME, TYPE, CODE AND VALUE OF THE VARIABLES

Name	Type	Code	Value
Growth status	Dummy	MSEgrz	1 if the MSEs growth rate>0, 0 otherwise
Gender	Dummy	OWNgen	1 if the MSEs operator is male, 0 otherwise
Age	Continuous	OWNage	MSEs owner age in number of years
Education level	Categorical	OWNedu	MSEs owner education level: 1= Illiterate, 2= Primary school completed (1-8), 3= Secondary school completed (9-12), 4= TVET or Diploma, 5= Degree (University), 6= Master and above.
Experience	Continuous	OWNexp	MSEs owner experience during start up

Source: Own Survey, 2013

6. DATA ANALYSIS AND DISCUSSION

This section presents the major owner/operator characteristic factors for the MSEs growth by using the binary logistic regression model. The binary logistic tried to identify the major owner characteristic factors that are affecting the MSEs growth.

In this study employment is used as objective measurement of growth by following the model of Evans (1987) that is change in employment size over the life of the firm, i.e.,

$$MGR = \frac{(\ln st' - \ln st)}{Ea} \ \text{.........} \ \mathbf{(5)}$$

By taking the calculated growth rate, the MSEs are classified in to two broad categories i.e., growing (if growth rate > 0) and survival (if growth rate ≤ 0). Accordingly, Out of the total respondents, 99 MSEs (61.98%) found survival (non-growing) types and the remaining 61 MSEs (38.12%) are found growing types. This result is consistent with the result of Mulu, (2007) found 69 percents of MSEs are survival types in Ethiopia and Habtamu (2012) found that 76.4 percent survival type and 23.6 percent growing type in Mekelle city. Table 6 below summarizes the growing and survival types of MSEs.

TABLE 6. STATUS OF MSEs IN SHIRE INDASSELASSIE TOWN

MSE category	Number of MSEs	Percent
Growing	61	38.12
Survival (non -growing)	99	61.98
Total	160	100

Source: Own Survey, 2013

6.1. MODEL SPECIFICATION TEST

Test for Multi-collinearity: The test for multicollinearity tests whether there are no perfect linear relationships among the explanatory variables. However, multi-collinearity problem is the existence of a "perfect," or exact, linear relationship among some or all explanatory variables of a regression model (Gujarati, 2004). In order to test the existence of multicollinearity problem, VIF (Variance Inflation Factor) is utilized. As a rule of thumb for multicollinearity, test of the model states a variable whose values are greater than 10 or whose 1/VIF value is less than 0.1 indicates possible problem of multi-collinearity. Thus, in this study there is no value greater than 10, all value of the Variance Inflation Factors are less than 2.83 or all values of 1/VIF are greater than 0.3533.

Correlation matrix illustrates bivariate relationship between two independent and/or independent-dependent variables. Correlation matrix examines the extent or direction of relationship among two variables and how one variable is related to another. Correlation matrix also indicates problem of multicollinearity (Gujarati, 2004). Multicollinearity is a problem when the correlation result is above 0.80 and below -0.80. But, in this study, the correlation coefficients are under 0.6263 and over -0.4073. Therefore, the VIF and 1/VIF, and the correlation matrix tests revealed that there is no multicollinearity problem.

Test for Heteroskedasticity: The test for heteroskedasticity test whether the disturbance term μ_i appearing in the regression function is homoskedastic. Test of heteroskedasticity says the null hypothesis that the variance of the residuals is homogeneous. If p value is very small, i.e., Pr < 0.05 (at 95% confidence), the null hypothesis will be rejected and accept the alternative hypothesis that the variance is not homogenous (Gujarati, 2004). However, in order to avoid heteroskedasticity problem, the MSEs growth equation is estimated by using logistic model through running robust estimation and it easily solves the problem of heteroskedasticity. The null hypothesis (i.e., Ho: Constant variance) was rejected because the test result showed Prob > chi2 = 0.1532, which is greater than the significance level (10 percent). Therefore, the result indicated that there is equal variance among the error terms. Therefore, there was no problem of heteroskedasticity in the process of model specification and the model was well fitted.

Besides, according to Ramsey RESET test, a model specification is fit or no omitted variables and ready for analysis if P-value stated in P>F greater than the chosen level of significances, i.e., 1 percent, 5 percent, and 10 percent. The result indicated that the model had no relevant omitted variables since the test failed to reject the hypothesis, i.e., Prob > F = 0.1408 is found greater than 10 percent significance levels of the specified model of the study.

Finally, the various goodness-of-fit measures validate that the model fits the data well. The value of Pearson Chi-square test shows that the overall goodness-of-fit of the model fit the data at less than 1% significance level (i.e., Prob > chi2 = 0.0001).

6.2. RESULTS AND DISCUSSIONS

The main objective of this study was to analyze the factors affecting MSEs growth in Shire Indasselassie town. The binary logit regression model was used to identify the major determinant factors for SMEs growth in terms of employment by using the compound annual employment growth rate as an objective measure.

Binary logistic regression requires the dependent variable to be binary. Logistic regression assumes that P(Y=1) is the probability of the event occurring, it is necessary that the dependent variable is coded accordingly. That is, for a binary logit regression, the factor level one of the dependent variable should represent the desired outcome. Table 7 below shows the result of binary logit regression, i.e., the probability of being growing P(Y=1). It is also marked that these variables are statistically significant at 10 percent or lesser level.

The gender and education level of MSEs owner (primary school completed category) are found significant in determining the probability of MSEs growth. Moreover, age, education level (illiterate, TVET or diploma, and degree category), and previous experience of MSEs owner are found not significant in determining the probability of MSEs growth. The results of the binary logistic regression model are summarized in Table 7 below.

TABLE 7: BINARY LOGISTIC REGRESSION ESTIMATION RESULT

MSEs growth status	Odd ratio	P>|z|	Marginal effects (dy/dx)
Operator/owner characteristics factors			
Gender	4.0314	0.010**	0.2522131
Age	1.006001	0.812	0.0012653
Previous Experience	0.8614418	0.112	-.0315424
Education level (reference secondary school)	-	-	-
Illiterate	0.2563622	0.166	-.2145137
Primary school	0.2517667	0.059***	-.2520273
TVET or diploma	0.9712158	0.957	-.0061518
First degree	4.902581	0.256	.376704

Source: Own Survey, 2013

* indicated 1 percent level of significant
** indicates 5 percent level of significant
** indicates 10 percent level of significant

The variable gender the MSEs owner has a positive sign as expected and statically significant at 5 percent significance level as shown on Table 7 above. Holding other factors remains constant;

- The odds ratio shows that the growth for the male owned MSEs is 4.03 times higher than the female owned MSEs.
- Besides, the marginal effect also shows that the probability of growth for male owned MSEs increases by 25.22% as compared to female owned MSEs.
- As a result, the hypothesis that states *"male* owned *MSEs exhibit higher growth than female* owned *MSEs"* is accepted.

As per Table 7 above, assuming all other factors remains constant;

- The odds ratio shows that the growth for the MSEs owned/operated by primary school complete is 0.25 times (75%, i.e., 0.25-1.00= -75.00) lower than the MSEs owned/operated by secondary school complete.
- Besides, the marginal effect also shows that the probability of the MSEs growth owned by primary school complete decreases by 25.20% as compared to the MSEs owned by secondary school complete.
- Therefore, the hypothesis which states "*The operators of MSEs with higher school complete are more likely to grow faster than others"* is accepted at 10% level of significance.

7. CONCLUSION AND RECOMMENDATION

7.1. CONCLUSION

The aim of this study was to analyze the owner/operator characteristic factors affecting MSEs growth by using the binary logistic regression model. The resulted study was based on cross sectional data of the year 2013 at Shire Indasselassie town. Data was collected through semi-structured questionnaire from 160 MSEs owners' sample respondents selected by using systematic random sampling techniques.

The study used annual employment growth rate (compound) to determine status of the MSEs (growing and survival or non-growing). Accordingly, the descriptive statistics result showed that over three-fifth of the MSEs were found survival (non-growing) MSEs and two-fifth were found growing MSEs.

The determinant factors for the MSEs growth were analyzed by using the binary logistic regression model based on the factors related with the owner characteristic (gender, age, education level and experience). As a result, the analyses revealed that gender and education status have significant effect on the growth of the MSEs, i.e., male owned MSEs grow faster than female owned MSEs and the owners of MSEs with higher school complete grow faster than the primary school complete.

7.2. RECOMMENDATION

The role of MSEs is consistently recognized in employment and income generating and has become a major playing field for policy makers and donors with dual objective of enhancing growth and alleviating poverty. However, MSE growth is multidimensional phenomenon and there is substantial heterogeneity in a number of factors. Policies and support programs need to consider the heterogeneous nature of the MSEs. The finding result shows that among the owner characteristic factors affecting the growth of the MSEs are age, gender, education, and previous work experience. Proper understanding of these factors constitutes an essential starting point for the government and non-governmental organizations to formulate policies and strategies in order to reduce poverty, unemployment and income inequality. On the basis of the finding and conclusion reached in this study, the following recommendations are forwarded.

Male owned MSEs grow faster than female owned MSEs. Women MSEs owners have dual household and productive responsibilities, business profit is more likely to be used to maintain household consumption rather than expansion, engaging in most unprofitable sectors, and loan is considered as risk rather than an opportunity. As a result of these, their chance of growth is low. Hence, the financial institution and other responsible government organization (ministry of trade and industry, ministry of women affairs and MSEs development office of Shire Indasselassie town) have to create awareness, affirmative action and business development service by using different mechanisms such as using print and air media. Besides, education and training are required to create awareness about how to use the profit for the expansion of the business, engage in more profitable sectors and opportunities of taking loan.

The owners of MSEs with higher school complete grow faster than the primary school complete. Therefore, the MSEs development agency and MSEs development offices in collaboration with the development agents should let the MSEs owners upgrade their formal education at least to the level of high school. In addition, special attention should be given to the women MSEs owners because women are more likely drop out before high school education for a number of factors such as early marriage, economic factors, distance, etc.

7.3. FURTHER RESEARCH DIRECTION

Because of the limited time and resource, this study was only applied to Shire Indasselassie town, but a valuable finding may come up by taking data from different areas (towns). Moreover, in this study some findings regarding some factors are different from previous study. This entails further research in order to further identify and examine the owner/operator characteristic factors affecting the MSEs growth.

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AN EMPIRICAL STUDY OF RURAL CUSTOMER'S SATISFACTION AND CONSUMER AWARENESS FROM E-BANKING IN INDIA WITH SPECIAL REFERENCE TO BRAHMAVAR

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ABSTRACT

Now-a-daysbanking is known asinnovative banking. Developments in Information technology have given a rise to innovations in the product & service designing and their supply in the banking sector and finance industries, customer services and satisfaction are their centre point of all the efforts. One of the most important areas of banking where Information Technology has a positive influence so on substitutes for traditional funds movement services. With the advent of online banking, electronic funds transfer and other similar products & services for funds transfer within quick time which was impossible a few years ago. With networking and inter connection new problems are taking place related to security, privacy and confidentiality to e-banking transactions. Banking through electronic channels has gained increasing popularity in recent years. This system popularly known as E-banking provides alternatives for faster delivery of banking services to a wide range of customers. This study aims to collect customers opinions regarding this adoption of various e-banking technologies, it's importance and problems associated with e-banking in Brahmavar. Structured questionnaires addressing the various research questions were used coupled with personal interviews. The result of the research finding is that there is a high adoption level of e-banking technologies in Brahmavar with ATM well favoured. The internet banking is gradually gaining an increasing awareness but faced with the problem of high cost of internet connectivity and lack of telecommunication infrastructure. The study equally discovered that there are no enough security measures to protect Internet Banking. Owing to this, the researcher therefore recommended that e-banking transaction should have desirable properties like authenticity, confidentiality, Unforgivable and integrity coupled with provision of adequate telecommunication infrastructure and increased culture of internet usage.

KEYWORDS
electronic banking, online banking security, technology.

INTRODUCTION
Banks are playing an important role in the economic development country. Economic development of a country involves investment in various sectors of the economy. The bank collects small savings from the public for investment in various projects. In general banking the banks performs various agency works for their customers and helps economic development of the country. The purchase and sales of investment securities, equity & preference shares, making payments, receiving subscription funds and collection of utility bills for the Government department. Therefore, banks are saving time and energy of their busy customers. Bank also arranges foreign exchange for the business transactions of customer with other countries. Banking sector is not only collecting funds but also serve as a financial guide to the customer for the investment of their money. The conventional functions of banking are confined to accept deposits and to lend money through loans and advances. Now-a-days banking is known as innovative banking. Use of Information technology has given rise to innovations in the product and service designing and their delivery in the banking sector and finance industries, customer services satisfaction are their principle work. Present banking scenario has come up with many new initiatives, which are oriented to provide a better customer service and facilities with the help of information technology. Banking sector focuses the larger economy its linkages to all sectors make it representative for what is going on in the economy. Indian banking sector, presently has the same sense of opportunity that is evidence in the Indian banking market and economy. The current developments in the worldwide markets offer too many opportunities to the banking sector. In today's competitive banking, word improvement day by day in customer services is the most significant tool for their growth and development. Banking company offers so many changes to access their banking and other services.

DYNAMICS OF RURAL ECONOMY

Problems, prospects and solutions to many of the issues mentioned have been researched and debated, primarily with a view to strengthening, revamping or re-orienting rural financial institutions. However, there is merit in viewing the problems of rural credit and rural banking in a wider context. In this regard, it will be useful to recognize some dynamics of rural economy. Services sector is getting increasing importance in the rural areas also -from coffee shops to cable television operators. Assessing and meeting of credit needs of this sector is important. The integration between rural and urban areas has increased significantly, with the result, mobility of labour, capital, products and even credit between the two is increasing. Commercialization of agriculture, particularly the increasing role of cash crops like cotton has resulted in substantial role for suppliers and buyers' credit. Compared to cereal production, other food items, including poultry and fish are growing at a faster pace. In other words, rural agriculture is getting increasingly diversified in terms of products and processes. In areas where commercialization of agriculture has reached significant levels, the traditional landlord-based tenancy is replaced with commercial-based tenancy. Where intensive cultivation of cash crops such as cotton is called for, this has become quite common. However, the present credit and banking procedures do not cater to the working capital needs of such commercial based tenancy relationship. Given the diversified activities, and large work force in rural areas, there is increasing recourse to multiple occupations to earn a decent livelihood. To the extent employment and indeed incomes could be seasonal, especially for agricultural labour, there is reason to seek and obtain consumption loans. Such assurance is possible with prosperity in rural employment. Present arrangements in formal credit markets are inadequate to meet such requirements. There is significant commercialization and diversification of rural economies, progress is very uneven in different parts of the country. Therefore, there are still many areas, where exploitation of tribes by moneylenders or of agricultural labourers by landlord-money lenders, persists. From the data on credit deposit ratios, it is clear that the banking system is a conduit for net transfer of financial savings from rural to non- rural sectors. On the other hand, a major part of informal markets would be local and hence savings would be locally deployed, within the rural areas.

TECHNOLOGY AND RURAL BANKING

Another development relates to the gradual undermining of the importance of branches of banks. The emergence of new technology allows access to banking and banking services without physical direct recourse to the bank premise by the customer. *The Rural banking through internet: A study on use of internet banking among rural consumers Bhavesh J. Parmar et al ASIAN JOURNAL OF MANAGEMENT RESEARCH Volume 3 Issue 2, 2013 327 concept of Automated Teller*

Machines (ATMs) is the best example. At present, ATMs are city oriented in our country. It is inevitable that ATMs will be widely used, in semi-urban and rural areas. The technology-led process is leading us to what has been described as virtual banking. The benefits of such virtual banking services are manifold. Through the competition, many banks quickly realized that there are a momentous number of customers like to do banking electronically. As such, many banks, based on their existing 24-hour telephone banking systems, have developed and implemented several important e-banking applications so that their customers now are able to pay bills, transfer money among accounts, check account history, download statement information, and computerize their checkbooks online all at easy and around the clock (Morral, 1995)

ELECTRONIC BANKING

Electronic Banking in simple terms means, it does not involve any physical exchange of money, but it's all done electronically, from one account to another, using the Internet. Internet banking is just like normal banking, with one big exception. You don't have to go to the bank for transactions. Instead, you can access your account any time and from any part of the world, and do so when you have the time, and not when the bank is open. For busy executives, students, and homemakers, e-banking is a virtual blessing.

ELECTRONIC BANKING AND ITS UTILIZATION

Electronic Banking also known as Internet Banking is the latest in the series of technological wonders of the recent past. ATMs, Tele-Banking, Internet Banking, Credit Cards and Debit Cards have emerged as effective delivery channels for traditional banking products. Banks know that the Internet opens up new horizons for them and moves them from local to global frontiers. IB refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures andtelephone confirmations. It is the types of services through which bank customers can request information and carry out most retail banking services such as balance reporting, inter account transfers, bill-payment, etc., via telecommunication network without leaving their home/organization. It provides universal connection from any location worldwide and is universally accessible from any internet linked computer. Information technology developments in the banking sector have speed up communication and transactions for clients. It is vital to extend this banking feature to clients for maximizing the advantages for both clients and service providers. Internet is the cheapest delivery channel for banking products as it allows the entity to reduce their branch networks and downsize the number of service staff. The navigability of the Website is a very important part of IB because it can become one of the biggest competitive advantages of a financial entity. Bankers consider 'minimizes inconvenience', 'minimizes cost of transactions' and 'time saving' to be important benefits and 'chances of government access', 'chances of fraud' and 'lack of Information security' to be vital risks associated with electronic banking. Due to increase in technology usage, the banking sector's performance increases day by day. IB is becoming the indispensable part of modern day banking services.

IMPACT OF IT ON BANKING SYSTEM

The banking system is slowly shifting from the Traditional Banking towards relationship banking. Traditionally the relationship between the bank and its customers has been on a one-tone level via the branch network. This was put into operation with clearing and decision making responsibilities concentrated at the individual branch level. The head office had responsibility for the overall clearing network, the size of the branch network and the training of staff in the branch network. The bank monitored the organization's performance and set the decision-making parameters, but the information available to both branch staff and their customers was limited to one geographical location.

BENEFITS OF E-BANKING

TO THE CUSTOMER

- Anywhere Banking no matter wherever the customer is in the world. Balance enquiry, request for services, issuing instructions etc., from anywhere in the world is possible.
- Anytime Banking – Managing funds in real time and most importantly, 24 hours a day, 7days a week.
- Convenience acts as a tremendous psychological benefit all the time.
- Brings down "Cost of Banking" to the customer over a period a period.
- Cash withdrawal from any branch / ATM
- On-line purchase of goods and services including online payment for the same.

TO THE BANK

- Innovative, scheme, addresses competition and present the bank as technology driven in the banking sector market
- Reduces customer visits to the branch and thereby human intervention
- Inter-branch reconciliation is immediate thereby reducing chances of fraud and misappropriation
- On-line banking is an effective medium of promotion of various schemes of the bank, a marketing tool indeed.
- Integrated customer data paves way for individualized and customized services.

REVIEW OF RELATED LITERATURE

Technology has revamped entire business scenario all around the world. In this reference e-banking has emerged out to be a boon for ensuring smooth and quicker flow of funds. It has transformed and revolutionized the traditional banking industry (Mols, 2000). It is a wonderful media to reduce transaction cost. Further, the increased volume of transactions may compensate the fixed cost that a bank may have to bear for providing click bank services. *Wise and Ali (2009) remarked* that the objective to invest in ATMs by Bangladeshis banks is to reduce the branch cost. It argued that the marginal increase in fee income could substantially be offset by the cost of significant increment in the number transactions. It empowers banks to deliver variety of value added services to its customers *(Bitner 2001).* In fact, internet banking is such an internet portal through which customers may use *vivid range of* banking services from bill payment to making investments (*Pikkarainen, Karjaluoto, and Pahnila, 2004)*. It provides number of services to its users and access to almost any type of banking transaction (except cash withdrawal) at the click of a mouse *(Young, 2001). Flavián, Torres, & Guinalíu, (2004) argued* that use of internet as an alternative channel for financial services has now become a competitive necessity instead of being simply a competitive advantage. *Lustsik (2003*) pointed out that offering of e-banking services facilitates better branding and responsiveness to the bank. E-banking has eliminated the boundary of time and geography. Now the customers have relatively easy access to their accounts, 24 hours per day, and seven days a week all round the globe *(Karjaluoto et al. 2002).* The flexible design of e-banking allows customers to make changes while making transactions and further ensures availability of customer service adviser within minimum possible waiting time *(Dabholkar 1994).* There is an availability of number of researches to display different factors that motivate customers to adopt e-banking as their primary media for banking. *Joseph et al. (2003)* found that reliability, accuracy, personalized and better customer services are some of the factors that are considered by the customers before opting any service delivery channel. Some researchers recognized convenience, flexibility, security concern, complexity, and responsiveness as some of the prominent determinants of e-banking at global level *(Barczak et al., 1997; Danniel & Strong, 1997; Lia et al., 1999; Polatoglu & Ekin, 2001; Devlin & Yeung, 2003). Nupur (2010)* found that the satisfaction level of e-banking users is related with reliability, responsiveness, assurance, empathy, and tangibles. Some studies identified bank-corporate customer relation as one of the important factor for the success of financial services and having a higher competitive advantage in the market *(Kandampully & Duddy 1999, Easingwood & Storey 1993). Akinyele and Olorunleke (2010)* studied technology and service quality in banking industry in Nigeria. They found that secured services are the most important dimension of e banking. Similarly, another study recognized that security as one of the paramount issue questioned by e-banking users. They found that security issue depends upon some factors viz., availability of internet service, social factors and psychological factors *(Mattila and Mattila 2005).* In the common parlance the study of perceived easiness in using website and the privacy policy found that, the most important factor influencing adaptability of e-banking is security. Further the study noticed that perceived ease of use is of less importance than privacy and security *(Hua 2009).* In a study of assessing the impact of e-banking functionality factors over satisfaction, it was found that among all the variables security, privacy, and content appear to have the greatest impact on satisfaction (*Ahmad & AlZubi 2011).*

NEED OF THE STUDY

Most of the research work conducted in the field of e-banking has targeted urban population but perception of rural customers has not been studied in *opulence*. In this reference, the present study attempts to analyze the satisfaction level of rural customers

OBJECTIVES OF THE STUDY

1. To analyse overall satisfaction of rural customers from e-banking services.
2. To identify the factors that influence rural customers' satisfaction from e-banking.
3. To identify the primary obstacles hindering the wide acceptability and propensity to use e-banking as a primary banking channel in rural areas.
4. To know the satisfaction level of rural customers from e-banking.
5. To test the strength of relationship of rural customer's satisfaction with different factors identified as major determinant affecting adaptability and satisfaction from e-banking.

LIMITATIONS OF THE STUDY

The present study is based upon the results of survey conducted on 100 users of e-channels. The results of the study are subject to the limitations of sample size, regional territory, psychological, financial and emotional characteristics of surveyed population.

RESEARCH METHODOLOGY

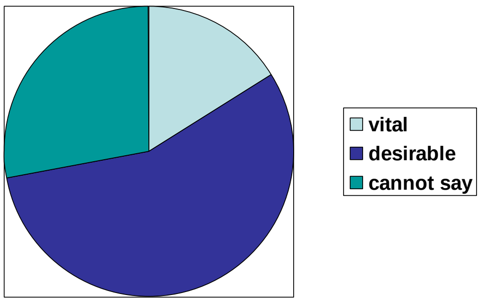
The study is primarily based upon primary data collected through a questionnaire from rural users of e-banking channels from different villages of Barhmavr Region. The selection of variables is based upon previous research work. Around 100 under graduate students are the respondents to the study.

FINDINGS OF THE STUDY

1. PEOPLE OPINION ABOUT E- BANKING AS A NEW SYSTEM OF DELIVERING BANKING SERVICES

	No. of Respondents	Percentage
Vital	16	16
Essential	56	56
Cannot say	28	28
Total	100	100

1. People opinion about E- banking as a new system of delivering banking services



In the above table it is interpreted that 16% of the customers felt it important, about 56% of them are completely aware that it is essential in the present day and rest are not sure about its use.

2. PEOPLE CAME TO KNOW ABOUT E-BANKING SERVICES THROUGH

Sources	No. of Respondents
1. Bank officials	27
2. Advertisement in print media	29
3. Television & Radio advertisement	29
4. Online advertisement	18
5. Family members	**5**
6. Friends	11

3. PERSONAL ADOPTION OF E-BANKING SERVICES

Services	No. of Respondents
ATM	80
Internet	6
mobile	14
Total	100

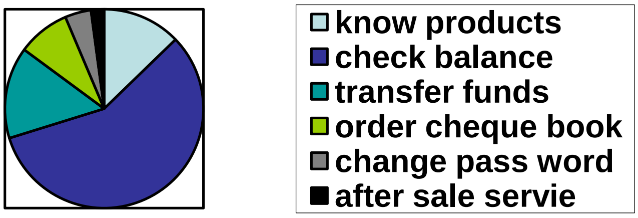
4. CUSTOMER PREFERENCE OF E- BANKING SERVICES

Rank	Variable
1	ATM
2	Home , office or pc banking
3	Face to face banking g
4	Mobile banking
5	Internet banking

5. ATM FACILITY IS USED FOR

Variable	No.of respondents
Withdrawal of cash and checking account balance	76
Deposit of cash	09
Request cheque book	05
Paying bills	0
Any other (only for AC)	10

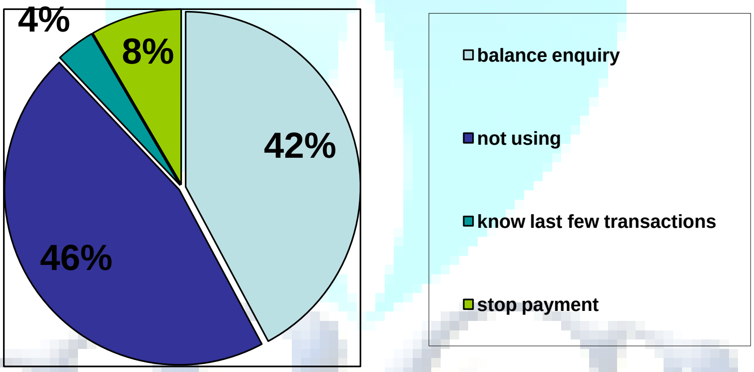
6. PEOPLE USE BANK WEBSITE



7. MOBILE BANKING IS USEFUL ELECTRONIC CHANNEL

a) Strongly Agree -19 respondents
b) Agree -58 respondents
c) Neutral -4 respondents
d) Disagree -01 respondent
e) Strongly Disagree -01 respondent

8. PEOPLE USE MOBILE BANKING FOR THE FOLLOWING PURPOSE (S)



9. IMPORTANCE OF ADOPTING E-BANKING SERVICES

S. No	Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1.	E- banking services are generally faster than traditional banking	37	50	0	1	0
2.	E- banking services have no time limit since I can use them at any time of the day.	34	43	4	4	0
3.	There is high degree of convenience in accessing E- banking services.	15	51	15	4	0
4.	E- banking channels are easier to use than traditional channels.	21	51	8	4	1
5.	E- banking services are generally cheaper than traditional banking at the branch.	21	39	11	10	2
6.	Using E- banking service is more prestigious than queuing at the bank halls	23	49	4	0	2

10. POSSIBLE REASONS FOR NON ADOPTION OF E-BANKING SERVICES BY CUSTOMERS

S. No	Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1.	Security concerns is the most discouraging factor in using E-banking services	16	42	18	5	1
2.	Most of the customers are not aware of E-banking services provided by their banks	19	49	7	6	1
3.	E-banking services generally do not have privacy of customers information	8	32	22	16	2
4.	Most of the customers prefer traditional banking	11	38	17	18	0
5.	Most banks provide few E-banking services and some have not yet adopted.	11	44	9	15	1
6.	Some banks charge high fees on using E0banking services	23	38	10	3	1

The concept & Technology are new to the rural consumer in recent year, mostly people are using nearer to one year. The different facilities of E-banking which are provided by the bank in that, balance inquiry are the mostly preferred out by its various facilities, the concept are not much developed so the other types of facilities are provided by the bank are not having much usage likes Term loan, online FD, Demand Draft facilities etc. Comparing the traditional banking with E-banking it seems that most respondent are satisfied with E-banking that E-banking provide the different types of facility available to the respondent to use. Expectations of consumers towards E-banking are, it should be time saving and convenient to use, Rural banking through internet. Reasons for using E-banking facilities are, by having traditional account in the same bank and excellent services provided by it.

CONCLUSION AND SUGGESTIONS

Undoubtedly e-banking is a strong catalyst for the economic development and in order to enhance the propensity to use e-banking as a primary channel, it must be tailored suiting to the need of the customers. The study found that rural customers are quite satisfied with the provisions of updating, accuracy of transactions and convenience. However, they were not found to be much satisfied with the regulatory mechanism and compensation given in case of fraudulent attack by unauthorized person or error by bank. Further, they expect better services should be provided *for differently able persons*. Most of them were not aware of multi-language provision in e-banking. Therefore, in order to enhance the propensity to use e-banking channels in rural areas the use of regional languages during transactions should be promoted as well as publicized. The availability of bio-metric and voice-call system for making transactions through e-banking like while using ATM may have magnifying results for securing patronage of rural customers particularly that of illiterate section.

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FINANCIAL ANALYSIS OF FOREIGN DIRECT INVESTMENT COMPANIES IN INDIA

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ABSTRACT

The Multi National Corporations established by different countries have set up a large number of branches and subsidiaries in developing countries and have brought with them new technological expertise, machinery and equipment, better management and organisation, superior marketing techniques, etc. In fact, this is the main advantage of having direct foreign investment in developing countries. As a result of various measures taken by government, India received lot of Foreign Direct Investment inflows (including equity inflows, re-invested earnings and other capital) of US$ 331,923 million during the period April 2000-May 2014, according to data published by Department of Industrial Policy and Promotion (DIPP), Government of India. However, it is not just enough to attract Foreign Direct Investment the financial performance of these companies should be more efficient so that further investment can be attracted. The present study has made to analyse the Liquidity, Solvency, Efficiency and Profitability performance of Foreign Direct Investment Companies in India, for which data has been collected from the various monthly bulletins of RBI. The study covered a period of 12 years from 1999-2000 to 2010-2011.

KEYWORDS

Efficiency, Foreign Direct Investment Companies, Liquidity, Profitability, Solvency.

INTRODUCTION

Global flow of physical resources such as capital and equipment, and transmission of intangible resources such as skills, technicques and entrepreneurship is a universal phenoomenon. The developing economies stand to gain considerably from the rich experiences of the developed countries. Foreign capital and foreign collaborattion are vital for the acceleration of growth mechanism in developing economies. Foreign capital takes two main forms: (1) private foreign investment and (2) foreign aid. Private foreign investment can either be direct foreign investment or indirect foreign investment. As far as direct foreign investment is concerned, the private foreign investor either sets up a branch or a subsidiary in the recipient country. These corporations have set up a large number of branches and subsidiaries in these countries and have brought with them new technological expertise, machinery and equipment, better management and organisation, superior marketing techniques, etc. In fact, this is the main advantage of having direct foreign investment in developing countries. Apart from the above favourable factors, these corporations have huge financial resources with which they can easily turn all circumstances in its favour, they maintain a high level of funds utilisation by generating funds in one country and using them in another; easy access to external capital markets. Due to these reasons only, the government of India has been announcing a number of tax concessions, lower rates of taxation for certain designated priority industries, tax holiday on profits for a certain period to new industrial undertakings etc. since independence. NRIs investing in India were allowed higher investment limits, priority allotment of items in short supply, permission to buy shares in Indian companies etc. As a result of these measures taken by government, India received cumulative FDI inflows (including equity inflows, re-invested earnings and other capital) of US$ 331,923 million during the period April 2000-May 2014, according to data published by Department of Industrial Policy and Promotion (DIPP), Government of India. Total FDI equity inflows in India (including amount remitted through RBI's-NRI Schemes) during April 2000-May 2014 stood at US$ 222,890 million. Among different countries, Singapore led the share of top investing countries by FDI equity inflows into India with US$ 5,985 million during FY 14, followed by Mauritius (US$ 4,859 million), the UK (US$ 3,215 million) and the Netherlands (US$ 2,270 million). It is not just enough to attract FDI, the financial performance of FDI companies should be more efficient so that further investment can be attracted and a proper competitive environment in the domestic industry. Keeping in view the above objective, in the present study an attempt has made to analyse the Liquidity, Solvency, Efficiency and Profitability of Foreign Direct Investment Companies in India. Before stating the objectives and methodology of the study, a brief review of literature is presented.

REVIEW OF LITERATURE

Bhunia (2010) has analysed the financial performance of public sector drug & pharmaceutical enterprises listed on BSE. This study seeks to dwell upon mainly to assess the shortterm and longterm solvency, the liquidity and profitability position and trend, the efficiency of financial operations and the factors determining the behavior of liquidity and profitability. The study has been undertaken for the period of twelve years from 1997-98 to 2008-09. **Dr. Srinivasan & Tiripura Sundari (2011)** studied the Z-score to measure the financial health of fourteen south Indian Cement industries. For measuring the corporate financial performance, accounting profitability measures and shareholders' value based measures are to be considered. In this study, an attempt has been made to study the value creation of selected cement companies in India to its shareholders. **Malyadri & Sudheer Kumar (2013)** study aimed to throw light on the present situation of the Indian sugar industry, discussing the indicate details of the industry from financial and micro economic profit of view etc; this study aims to provide and insight in to the financial viability and profitability of Indian sugar industry. Since, the financial performance of different industrial units and industries is different from each other, an attempt has been made to anlyse the financial performance of FDI companies in terms of Liquidity, Solvency, Efficiency and Profitability aspects during 1999-2000 to 2010-11, i.e., 12 years study period.

IMPORTANCE OF THE PROBLEM

Economic development of India can be improved by developing the industrial sector, which depends upon the development of infrastructure facilities in the country. Development of infrastructure facilities requires a huge amount of capital investment. Since, India is unable to build infrastructure facilities with domestic capital it has been depending on foreign capital. To attract foreign capital to India, Government has been opening different sectors to the foreign investors through its various policy measures. Several Multinational Organisations have been established in India since independence. Just establishing companies by different countries does not serve the purpose of the economy. The financial performance of FDI companies established by different countries should be more efficient so that it will help the economy to attract further foreign capital. If the financial efficiency of these organisations is poor, it discourages the other parties not to invest in India. Therefore, the present study is an attempt made to analyse the financial performance of Foreign Direct Investment Companies in India.

OBJECTIVES OF THE STUDY

This study has been undertaken with the following specific objectives;

1. To analyse the liquidity position of FDI companies.
2. To analyse solvency position of the FDI companies.
3. To analyse efficiency in ultilising different assets, i.e., both current assets and fixed assets, of the FDI companies.
4. To analyse profitability of the FDI companies.

HYPOTHESES

1. The liquidity position of the FDI companies is bettter than the Indian companies.
2. The solvency position of the FDI companies is better than the Indian companies.
3. The efficiency of the FDI companies is better than the Indian companies.
4. The profitability position of the FDI companies is better than the Indian companies.

RESEARCH METHODOLOGY

To test the above hypotheses, an attempt has been made in this study to analyse the financial performance of FDI companies. The analysis is made in two stages; in the first stage, the performance of the total FDI companies is compared with the total Indian companies and in the second step the performance of companies of Top Eight countries, such as Maritius, Netherland, France, Japan, Switzerland, Germany, USA and UK, was compared with the total FDI companies. For this purpose, secondary data published by RBI in its various monthly bulletins has been collected. Various Statistical techniques such as Mean, Standard Deviation, Coefficient of Variation, Correlation and t-test have been used to analyse, compare and draw meaningful conclusion. This study covered a period of 12 years, i.e., from 1999-00 to 2010-11.

RESULTS AND DISCUSSION

1. LIQUIDITY ANALYSIS

Liquidity analysis has been done with the help of current ratio, quick ratio, current assets to total net assets ratio, sundry creditors to current assets ratio and sundry creditors to net working capital ratio and presented below.

TABLE 1: CURRENT ASSETS TO TOTAL NET ASSETS RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	38.65	50.4	30.1	6.17	15.95	-0.73	0.00
Netherland	59.27	73.3	51.3	8.47	14.29	-0.74	0.01
France	44.67	53.1	39.6	3.62	8.11	0.45	0.00
Japan	44.49	56.9	33.2	7.98	17.94	0.92	0.01
Switzerland	55.44	68.7	40.8	9.80	17.68	-0.77	0.09
Germany	64.03	67.9	59.7	2.60	4.07	-0.41	0.00
USA	56.11	63.5	39.4	7.09	12.63	0.70	0.00
UK	51.26	60.5	44.2	4.88	9.51	0.85	0.01
All FDI Cos.	48.63	53.5	44.3	3.51	7.22	-0.09	
Indian Cos	44.57	47.6	42	1.86	4.16		

The current assets to total net assets ratio of FDI companies was ranged between a minimum of 44.3 and a maximum of 53.5 per cent and registered 48.63 per cent on an average, which is higher than that of Indian companies (44.57 per cent). Countrywise analysis indicates that the average ratios of Maritius, France and Japan companies are lesser than that of FDI companies.

TABLE 2: CURRENT ASSETS TO CURRENT LIABILITIES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	1.13	1.3	0.9	0.14	12.06	-0.26	0.00
Netherland	1.43	1.6	1.3	0.11	7.99	-0.51	0.00
France	1.20	1.6	0.9	0.22	18.46	0.42	0.19
Japan	1.12	1.5	0.9	0.21	18.64	0.49	0.01
Switzerland	1.38	1.5	1.1	0.12	8.63	-0.26	0.03
Germany	1.54	1.9	1.2	0.24	15.76	0.08	0.00
USA	1.54	1.7	1.3	0.12	8.04	0.35	0.00
UK	1.36	1.6	1.2	0.11	7.98	0.47	0.02
All FDI Cos.	1.28	1.3	1.2	0.04	3.03	-0.22	
Indian Cos	1.22	1.3	1.1	0.07	5.90		

The ratio of current assets to current liabilities indicates that the average ratio of FDI companies was 1.28 times, which was higher than that of Indian companies (1.22 times). Among the companies of different countries, the average ratios of the companies of Japan, France and Maritius were lesser than that of FDI companies during the study period.

TABLE 3: QUICK ASSETS TO CURRENT LIABILITIES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	55.69	73.6	38.7	11.10	19.92	0.03	0.01
Netherland	78.25	97.3	66.6	8.17	10.44	-0.61	0.00
France	70.82	84.4	55.4	10.13	14.30	0.19	0.16
Japan	56.53	69.8	38.2	9.40	16.63	0.55	0.00
Switzerland	72.83	91	41.2	15.37	21.11	-0.28	0.22
Germany	85.47	114.8	69.4	16.03	18.75	0.42	0.00
USA	83.68	103.1	64.1	10.43	12.46	0.60	0.00
UK	65.93	77.4	37.5	11.87	18.00	0.67	0.87
All FDI Cos.	66.40	72.9	57.5	4.16	6.26	-0.08	
Indian Cos	54.72	62.6	50.8	3.64	6.66		

The Quick assets to current liabilities ratio of the FDI companies shows that it was fluctuated between 57.5 and 72.9 per cent registered on an average 66.40 per cent in FDI companies which is higher than the indian companies (54.72 per cent). Country-wise analysis indicates that the average ratios of the companies of Maritius, Japan and UK were lesser than that of FDI companies.

TABLE 4: SUNDRY CREDITORS TO CURRENT ASSETS RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	28.48	39.3	22.7	4.14	14.52	-0.08	0.08
Netherland	35.61	40.3	29.2	3.43	9.63	-0.22	0.01
France	36.28	45.9	26.4	6.36	17.53	0.19	0.02
Japan	30.82	40.5	21.6	5.74	18.61	-0.27	0.84
Switzerland	31.58	36.6	20.5	4.50	14.25	-0.32	0.82
Germany	28.05	39	23.1	4.93	17.58	0.75	0.01
USA	25.43	30.6	18.5	4.58	18.00	0.83	0.00
UK	35.57	45.6	27.8	4.91	13.81	0.56	0.00
All FDI Cos.	31.22	34.2	27.9	2.20	7.04	0.05	
Indian Cos	27.81	31.4	25.5	2.06	7.42		

The proportion of current assets financed by the sundry creditors in FDI companies was 31.22 per cent, which is higher than Indian companies (27.81 per cent) and fluctated between 27.9 and 34.2 per cent during the study period. Countrywide analysis indicates that the average ratios of France, Netherland, U.K, and Switzerland are higher than that of FDI companies.

TABLE 5: SUNDRY CREDITORS TO NET WORKING CAPITAL RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	155.67	239.6	82.5	61.41	39.45	0.29	0.29
Netherland	120.14	160.7	83.6	23.16	19.27	-0.58	0.13
France	138.38	242.2	89.6	63.10	45.60	-0.52	0.81
Japan	184.50	349.1	65.5	140.13	75.95	-0.85	0.47
Switzerland	109.05	143.9	66.5	23.21	21.29	-0.32	0.02
Germany	83.34	177.6	52.6	39.81	47.77	0.17	0.00
USA	72.65	96.7	43.5	17.39	23.93	0.12	0.00
UK	142.28	257.2	71.4	49.62	34.88	0.36	0.66
All FDI Cos.	136.14	154	107.2	14.81	10.88	0.13	
Indian Cos	168.51	258.9	111.3	52.51	31.16		

The average ratio of sundry creditors to net working capital of FDI companies (136.14 per cent) was less than that of Indian companies (168.51 per cent) during the study period. Among the different countries, the average ratios of Maritius, France, Japan and UK were higher than that of total FDI companies.

TABLE 6: SHORT TERM BANK BORROWINGS TO INVENTORIES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	101.79	131.1	78.2	13.41	13.17	0.19	0.00
Netherland	34.69	51.5	11.2	13.21	38.07	-0.34	0.00
France	68.94	174	21.6	43.91	63.69	0.49	0.26
Japan	70.08	164.1	33.7	37.02	52.83	0.85	0.11
Switzerland	26.77	68.8	3.9	18.51	69.17	-0.48	0.00
Germany	31.47	47.1	17.1	9.87	31.38	0.58	0.00
USA	37.94	77.5	14.4	19.45	51.27	0.05	0.02
UK	31.47	42.6	18.8	7.60	24.17	-0.40	0.00
All FDI Cos.	55.36	71.8	42.9	9.93	17.93	0.89	
Indian Cos	78.73	117.3	61.4	15.75	20.00	1.00	

The ratio of short term bank borrowings to inventories of FDI companies (55.36 per cent) was less than that of Indian companies (78.73 per cent) on an average. Countrywise analysis indicates, except the companies of Maritius, Japan and France, the average ratios of other countries were lesser than that of FDI companies.

2. SOLVENCY ANALYSIS

Solvency analysis has been done with the help of Net Fixed Assets to Total Net Assets, Net Worth to Total Net Assets, Debt to Equity ratio and Total outside Liabilities to Networth ratio so as to measure longterm financial liquidity and presented below:

TABLE 7: NET FIXED ASSETS TO TOTAL NET ASSETS

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	49.53	65.9	34.5	11.02	22.25	0.54	0.00
Netherland	35.00	45.9	17.3	10.47	29.92	0.39	0.22
France	42.96	51.5	26.8	7.97	18.56	-0.10	0.11
Japan	38.57	48.8	30.8	5.59	14.50	0.15	0.92
Switzerland	36.22	50.4	23.3	8.57	23.66	0.30	0.31
Germany	26.77	35.6	21.5	4.20	15.69	0.64	0.00
USA	29.88	33.9	22.5	3.42	11.46	0.46	0.00
UK	35.99	44	31.2	3.99	11.09	0.20	0.04
All FDI Cos.	38.73	42.4	36.6	1.73	4.46	0.66	
Indian Cos	42.53	49.3	34.6	4.50	10.59		

Net Fixed Assets to Total Assets Ratio indicates that it varied between 36.6 per cent and 42.4 per cent during the study period and registered on an average 38.73 percent in FDI companies, which is lower than the average of Indian companies (42.53 per cent). Among companies in different countries, except companies of Maritius and France, the average ratios of remaining countries were lower than the average of FDI companies.

TABLE 8: NET WORTH TO TOTAL NET ASSETS RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	40.43	49.4	28	7.73	19.12	0.91	0.03
Netherland	48.27	55.9	38.6	5.20	10.77	-0.18	0.05
France	46.79	59.8	39.8	6.54	13.98	-0.46	0.32
Japan	46.59	54.4	39	5.06	10.87	-0.28	0.25
Switzerland	46.01	51.5	41.4	3.53	7.67	-0.51	0.31
Germany	48.40	59.4	38.3	7.17	14.82	-0.22	0.11
USA	53.04	59.2	46.4	3.55	6.69	0.26	0.00
UK	49.23	54.2	44.8	3.17	6.44	0.22	0.00
All FDI Cos.	44.45	47.8	40.7	2.27	5.11	0.72	
Indian Cos	41.88	45.9	36.9	3.11	7.43	1.00	

The ratio of Net Worth to Total Net Assets was 44.45 per cent in FDI companies on an average which was higher than that of Indian companies (41.88 per cent) during the study period. Countrywise companies analysis indicates that except average ratio of Maritius companies, all other companies of different companies were higher than that of FDI companies.

TABLE 9: DEBT TO EQUITY RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	67.93	119	35.5	32.00	47.10	0.40	0.01
Netherland	22.26	48.6	3.1	17.04	76.56	-0.18	0.01
France	32.97	58.3	17	13.40	40.64	0.17	0.11
Japan	30.20	57.7	12.6	16.03	53.09	-0.38	0.10
Switzerland	28.98	47.3	11.4	11.05	38.14	-0.51	0.34
Germany	19.11	31.9	7.1	8.85	46.31	-0.38	0.00
USA	20.05	31.5	13.3	5.14	25.63	-0.09	0.00
UK	25.74	47.6	12.5	11.75	45.63	0.27	0.90
All FDI Cos.	39.70	51.7	31.3	5.12	12.89	-0.09	
Indian Cos	51.28	69.2	38.6	11.84	23.09		

The debt equity ratio indicates that the average ratio of FDI cos was 39.70 per cent which was less than that of Indian companies (51.28 per cent) during the study period. Countrywise anlysis indicates that except companies of Maritius, the average ratios of all other companies were less than the average of FDI companies.

TABLE 10: TOTAL OUTSIDE LIABILITIES TO NETWORTH RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	130.91	174.7	102.2	29.74	22.72	0.81	0.22
Netherland	109.48	159	79	23.68	21.63	-0.19	0.08
France	117.17	150.7	67.2	27.75	23.69	-0.47	0.43
Japan	116.94	156.3	83.6	24.34	20.81	-0.33	0.36
Switzerland	118.39	141.4	94	16.42	13.87	-0.49	0.35
Germany	110.75	161.2	68.1	31.32	28.28	-0.17	0.18
USA	89.27	115.6	68.8	13.00	14.56	0.26	0.00
UK	103.89	123	84.4	13.27	12.77	0.19	0.00
All FDI Cos.	125.37	145.7	109	11.80	9.41	0.68	
Indian Cos	141.65	182.2	117.8	21.05	14.86		

The total outside liabilities to networth ratio in FDI companies was varied between 145.7 and 109 per cent and registered 125.37 per cent on an average, which was lesser than that of Indian companies (141.65 per cent) during the study period. Countrywise analysis indicates that the average ratios of all companies of other coutries, except the companies of Maritius, were less than that of FDI companies.

3. EFFICIENCY ANALYSIS

The efficiency analysis has been done with the help of Sales to Total Net Assets ratio, Sales to Gross Fixed Assets Ratio, Inventories to Sales Ratio, Sundry Debtors to Sales Ratio and Rawmaterials Consumed to Value of Production Ratio so as to know the efficiency in utilising different assets and presented below:

TABLE 11: SALES TO TOTAL NET ASSETS RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	62.72	80.8	46.3	11.68	18.63	-0.37	0.00
Netherland	111.04	130.1	89.5	12.75	11.49	-0.13	0.01
France	102.96	139.1	67.4	30.82	29.94	-0.76	0.44
Japan	133.43	165.1	89.9	28.62	21.45	0.36	0.00
Switzerland	107.41	136.4	76.4	22.99	21.40	-0.40	0.13
Germany	100.10	113.3	83.5	10.52	10.51	0.82	0.01
USA	90.24	100.9	77.3	8.32	9.22	0.77	0.07
UK	102.86	127.5	71.1	21.49	20.89	0.68	0.10
All FDI Cos.	93.74	105.9	80.5	8.61	9.18	0.45	
Indian Cos	77.06	91.2	68.5	7.25	9.41		

The ratio of sales to total net assets ranged between 80.5 and 105.9 per cent recording on an average 93.74 per cent during the study period and this was higher than that of Indian companies (77.06 per cent). Countrywise analysis reveals that the average sales to total net assets ratios of all countries, except USA and Maritius, were higher than that of FDI companies during the study period.

TABLE 12: SALES TO GROSS

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	96.31	153.6	62.4	33.77	35.07	0.20	0.00
Netherland	187.75	366.5	117.9	79.90	42.56	-0.20	0.19
France	172.50	246.7	108.3	53.80	31.19	0.13	0.24
Japan	186.53	238.5	131.8	42.22	22.64	0.53	0.05
Switzerland	161.00	266.8	81.8	65.42	40.64	0.02	0.68
Germany	183.05	253.9	135.5	41.43	22.63	0.09	0.04
USA	179.79	200.2	157.4	11.77	6.55	0.12	0.00
UK	163.49	191.6	127.4	25.84	15.80	-0.04	0.23
All FDI Cos.	152.59	164.2	132.6	9.39	6.15	0.10	
Indian Cos	119.87	142.3	100.6	14.14	11.80		

FIXED ASSETS RATIO

The ratio of sales to gross fixed assets has fluctuated between 132.6 and 164.2 per cent and recorded on average 152.59 per cent during the study period in FDI companies. This was much higher than that of Indian companies (119.87 per cent). Countrywise analysis indicates that the average ratios of all countries, except Maritius, were higher than that of FDI companies during the study period.

TABLE 13: INVENTORIES TO SALES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	14.37	18.2	11	2.45	17.02	0.46	0.63
Netherland	14.59	21.9	10.1	4.05	27.74	-0.06	0.94
France	12.48	23.7	5.3	6.68	53.55	0.56	0.23
Japan	11.00	20.3	6.8	4.81	43.71	0.88	0.01
Switzerland	14.38	17.9	10.9	2.60	18.09	0.34	0.68
Germany	20.73	28.9	15.2	4.85	23.38	-0.23	0.00
USA	18.87	30.1	13.3	5.41	28.66	0.07	0.02
UK	16.67	27.3	13	4.91	29.47	0.00	0.63
All FDI Cos.	14.68	17.2	13.2	1.33	9.07	0.93	
Indian Cos	17.26	22.9	14	2.96	17.18		

The ratio of inventories to sales indicates that ratio was fluctuated between 13.2 and 17.2 per cent and registered on an average 14.68 per cent, which was lower than that of Indian companies (17.26 per cent). Countrywise analysis reveals that the average ratios of Germany, USA and UK, were higher than that of FDI companies.

TABLE 14: SUNDRY DEBTORS TO SALES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	18.28	21.4	16.7	1.31	7.16	0.15	0.00
Netherland	16.09	22.3	12.2	2.59	16.10	0.60	0.52
France	21.13	30.3	12.5	6.68	31.60	0.71	0.01
Japan	10.18	18.5	6	4.68	45.96	0.87	0.00
Switzerland	16.09	19.4	12.8	2.12	13.15	-0.62	0.70
Germany	22.48	28.2	18.6	3.02	13.43	0.10	0.00
USA	18.43	26.6	12.4	5.16	27.98	0.91	0.03
UK	12.72	16.3	10.1	1.86	14.59	0.79	0.00
All FDI Cos.	15.70	17.8	13.4	1.64	10.42	0.78	
Indian Cos	15.66	19.5	13.2	2.31	14.74		

The ratio of sundry debtors to sales indicates that the average ratio of FDI companies was 15.70 per cent, which fluctuated between 13.4 and 17.8 per cent, during the study period. The average ratio of Indian companies (15.66 per cent) was slightly lesser than FDI companies. Countrywise analysis reveals that the average ratios of UK and Japan, were lesser than that of FDI companies.

TABLE 15: RATIO OF RAWMATERIALS CONSUMED TO VALUE OF PRODUCTION

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	41.41	56	29.4	9.12	22.01	0.90	0.00
Netherland	57.56	62	54	3.01	5.23	-0.05	0.00
France	58.02	76.6	35.7	17.04	29.36	-0.21	0.20
Japan	65.57	71.2	58.6	5.06	7.71	0.74	0.00
Switzerland	48.89	54.2	40.1	5.20	10.63	0.16	0.22
Germany	51.63	55.5	46.2	3.23	6.26	0.14	0.61
USA	47.99	53.3	41.4	3.54	7.38	0.76	0.00
UK	47.10	54.3	40.4	4.62	9.81	0.67	0.00
All FDI Cos.	50.99	55.9	46	3.17	6.21	0.24	
Indian Cos	52.05	55	48.8	2.13	4.10		

The proportion of rawmaterials consumed to value of production in FDI companies was ranged between 46 and 55.9 per cent and recorded on an average 50.99 per cent during the study period which is lower that of Indian companies (52.05 per cent). Countrywise analysis reveals that the average ratios of Japan, France, Netherland and Germany were higher than the average of FDI companies.

4. PROFITABILITY ANALYSIS

Profitability of FDI companies has analysed with the help of Gross Profit to Total Net Assets Ratio, Gross Profit to Sales Ratio, Profit After Tax to Networth ratio and presented below.

TABLE 16: GROSS PROFIT (PBIT) TO TOTAL NET ASSETS RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	7.85	10.4	5	1.78	22.62	0.24	0.00
Netherland	9.62	15.3	3.5	3.99	41.45	0.09	0.28
France	9.38	20.3	0.7	6.62	70.67	0.29	0.42
Japan	12.28	19.6	2.8	5.46	44.43	0.81	0.34
Switzerland	12.73	20.1	3.6	5.48	43.06	0.47	0.25
Germany	11.89	18.4	9.3	2.63	22.14	0.30	0.22
USA	12.66	16.3	9.9	1.98	15.61	0.37	0.01
UK	15.02	18	12.2	2.10	13.99	-0.39	0.00
All FDI Cos.	10.94	12.3	9.4	0.98	8.92	0.71	
Indian Cos	9.77	12.8	6.8	2.07	21.22		

Gross Profit to total net assets ratio indicates that it was ranged between 9.4 and 12.3 per cent and registered on an average 10.94 per cent during the study period. This was higher than that of Indian companies (9.77 per cent). Countrywise analysis revealed that the average ratios of companies of Maritius, France and Netherland were lesser than that of FDI companies.

TABLE 17: GROSS PROFIT (PBIT) TO SALES RATIO

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	12.69	17.7	10	2.29	18.08	0.46	0.35
Netherland	8.67	12.7	3	3.39	39.10	0.86	0.00
France	8.18	15.6	1.1	4.50	55.08	0.74	0.00
Japan	9.23	12.2	3.8	2.40	26.01	0.39	0.00
Switzerland	11.54	16.5	4.7	3.59	31.10	0.88	0.43
Germany	12.18	16.3	8.9	2.10	17.21	0.34	0.90
USA	14.46	20.4	10.9	3.15	21.81	0.92	0.00
UK	15.62	20.5	10.2	4.17	26.71	0.86	0.00
All FDI Cos.	12.09	15.1	10.1	1.60	13.21	0.88	
Indian Cos	12.62	15.9	9.5	2.17	17.19		

The gross profit to sales ratio indicates that it was ranged between 10.1 and 15.1 per cent and registered on an average 12.09 per cent in FDI companies which is lesser than that of Indian companies (12.62 per cent). Countrywise analysis reveals that the average ratios of France, Netherland, Japan and Switzerland were lesser than that of FDI companies during the study period.

TABLE 18: PROFIT AFTER TAX TO NET WORTH

	Mean	Maximum	Minimum	S.D	C.V	Correlation	t-test
Maritius	9.64	13.9	1.9	3.97	41.20	0.55	0.00
Netherland	13.00	20.3	4.6	5.72	43.98	0.17	0.31
France	13.92	29.4	1.6	9.99	71.76	0.28	0.78
Japan	14.98	26.2	0.7	7.98	53.31	0.86	0.83
Switzerland	19.47	29.8	4.1	8.73	44.83	0.27	0.15
Germany	14.91	21.7	11.5	3.23	21.66	0.16	0.77
USA	15.57	20.3	11.9	2.50	16.08	0.57	0.17
UK	20.03	26.8	14.5	3.28	16.37	0.03	0.00
All FDI Cos.	14.59	18.1	10.8	2.48	17.01	0.81	
Indian Cos	13.18	19.5	5.3	5.00	37.93		

The ratio of profit after tax to networth revels that it was ranged between 10.8 and 18.1 per cent and registered on an average 14.59 per cent which is higher than that of Indian companies (13.18 per cent). Countrywise analysis revealed that the average ratios of Maritius, Netherland and France were lesser than that of FDI companies during the study period.

FINDINGS

1. The ratio of current assets to total net assets and the current assets to current liabilities were better in FDI companies, except France, Maritius and Japan.
2. The Quick Ratio was better in FDI companies of all countries.
3. The ratio of sundry creditors to current assets was better in FDI companies of all countries, except USA companies.
4. The ratio of sundry creditors to net working capital was better in FDI companies of all countries, except in companies of Japan.
5. The ratio of short term bank borrowings to inventories was better in FDI companies of all countries, except in companies of Maritius.
6. The ratio of net fixed assets to total net assets and the ratio of networth to total net assets were better in FDI companies of all countries, except in companies of Maritius.
7. The ratio of debt to equity and total outside liabilities to networth ratio were better in FDI companies of all countries, except companies of Maritius.
8. The sales to total net assets ratio and the sales to gross fixed assets ratio were better in FDI companies of all countries, except in companies of Maritius.
9. The ratio of inventories to sales was better in FDI companies of all countries, except in companies of Germany, USA, UK.
10. The debtor to sales ratio was poor in FDI companies, except companies of Japan and UK.
11. The ratio of raw materials consumed to value of production was better in all FDI companies, except in companies of Netherland, France, Japan, and Germany.
12. The ratio of gross profit to total net assets was better in FDI companies of all countries, except in companies of Maritius, Netherland and France.
13. The ratio of gross profit to sales was poor in FDI companies, except in companies of UK, USA, Maritius.
14. The ratio of profit after tax to net worth was better in FDI companies, except in companies of Maritius, Netherland and France.

TESTING OF HYPOTHESES

1. Since Liquidity position of FDI companies was better than Indian companies, the first hypothesis was accepted.
2. The second hypothesis was also accepted as the solvency of the FDI companies was better than that of Indian companies.

3. The efficiency of FDI companies was also better than that of Indian companies, except in debtor turnover ratio, hence the third hypothesis was also accepted.
4. The profitability was also better in FDI companies, hence the last hypothesis was also accepted.

CONCLUSION

From the above financial analysis of FDI companies, it can be concluded that the Liquidity was better in all countries, but some improvement is required in companies of Maritius, Japan and France. As far as Solvency is concerned, the performance of all countries is better, except Maritius. The efficiency analysis reveals that effort is required in companies of all countries. Profitability of FDI companies was comparatively better than the Indian companies, except in Maritius, Netherland and France, during the study period. Therefore, FDI companies have been contributing more to the development of the Indian economy and creating favourable competition to the domestic industry through their financial efficiency. This will help the economy not only in attracting further FDI investment, but also change the industrial environment.

SUGGESTIONS

1. Efficiency in utilising different factors, i.e., inventories, debtors, and rawmaterial consumption, should be improved further in FDI companies.
2. The profitability, especially in relation to sales, should be improved in FDI companies so that the profitability can be improved further.

LIMITATIONS

1. This study was limited to total industries and country-wise anlysis, hence, the conclusions may not be applicable to individual units and industry categories.
2. The findings and conclusions of the study are purely based on the average ratios of the different countries for the study period.

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STATUS OF MUSLIM WOMEN ENTREPRENEUR IN INDIA: A MUSLIM MINORITY COUNTRY

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ABSTRACT

The birth of a sustainable, profit-making entity that contributes to the development of a society is a task not all can shoulder. Entrepreneurs are bearers of this exalting burden. Although hailing from different backgrounds and cultures, all entrepreneurs share the courage to venture into the unknown. Though entrepreneurship knows no boundaries of faith, the present paper specifically looks into the status of Muslim women entrepreneur in India. Muslim women are overwhelmingly self-employed (engaged in home-based work) in India. Sewing, embroidery, zari work, chikan work, readymade garments, agarbatti rolling, beedi rolling are some of the occupations in which Muslim women workers are concentrated. There is high share of Muslim women workers engaged in self-employment activity like in own account worker in household enterprise 29.1% and employer in household enterprise 0.7% (higher than Hindus). As compared to all other socio religious groups, a much larger proportion of Muslims (both men and women) work in self-owned proprietary enterprises. This is particularly so in urban areas. Participation of women workers in women-owned proprietary enterprises is significantly higher for Muslims (13.7%). However, as enterprises of Muslim women are mainly home-based, they are typically engaged in sub contracted work with low levels of earnings.

KEYWORDS

Entrepreneurs, Women Entrepreneur, challenges, growth.

INTRODUCTION

In the manufacturing sector today, human capital is still essential for most factories to carry out a variety of task. The concept of entrepreneurship was first established in the 1700s, it refers to the activities related to undertaking the efforts to set up an industry or business establishment. Entrepreneurship has different meanings to different people. In practice Entrepreneurship is about creating something new, or discovering a new way of making something that already exists (Henderson, 2002; Schumpeter, 1947). An entrepreneur undertakes innovations or introduces new things in an effort to transform innovations into economic goods. Drucker (1985) stated that Entrepreneurship is neither a science nor an art. It is a practice. The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. In economics, entrepreneurship combined with land, labour, natural resources and capital can produce profit. An entrepreneur is a person who mobilized the resources for more benefits with lowering the cost. Entrepreneurs develop new goods or processes that the market demands and are not currently being supplied. Innovation is needed for the development of new methods in production process, exploration of new sources for raw materials, finding out new segment of markets and development of strategies. An entrepreneur is a risk taker, intelligent decision maker, recognize potential profit opportunities, and conceptualize the venture strategy.

WOMEN ENTREPRENEURSHIP- THE CONCEPT

According to the general concept, women entrepreneur may be defined as a women or a group of women who initiate, organize and operate a business enterprise. The Government of India has defined a women entrepreneurship as “an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of the employment generated in the enterprise to women”. A female who plays a fascinating role by frequently interacting and actively adjusting herself with socio-economic, financial and support spheres in society is called women entrepreneur (Anjum, et. al). Women entrepreneurship means the enterprise established and managed by women.

REASONS FOR THE SLOW GROWTH OF WOMEN ENTREPRENEURSHIP IN INDIA

In spite of the initiatives taken by the government, the growth of women entrepreneurship is very slow in the state. The reasons are outlined as below:

1. Unfavourable family background.
2. Lack of business education.
3. Dual role of women.
4. Lack of aptitudes and training.
5. Absence of individualistic spirit.
6. Lack of freedom to choose a job according to ability, influence of sex, custom etc.
7. Inadequate infrastructure facilities.
8. Shortage of capital and technical knowhow.
9. Lack of adequate transport and communication facilities.
10. Shortage of power.
11. Lack of security.
12. Absence of ideal market conditions.
13. Corruption in administration.

PROBLEMS OF MUSLIM WOMEN ENTREPRENEURS IN INDIA

The basic problem of a woman entrepreneur is that she is a woman. Women entrepreneurs face two sets of problems specific to women entrepreneurs. These are summarized as follows:

1) **Shortage of Finance**: Women and small entrepreneurs always suffer from inadequate fixed and working capital. Owing to lack of confidence in women’s ability, male members in the family do not like to risk their capital in ventures run by women. Banks have also taken negative attitude while lending to women entrepreneurs. Thus women entrepreneurs rely often on personal saving and loans from family and friends.

2) **Shortage of Raw Material:** Women entrepreneurs find it difficult to procur**e** material and other necessary inputs. The prices of many raw materials are quite high.

3) **Inadequate Marketing Facilities:** Most of the women entrepreneurs depend on intermediaries for marketing their products. It is very difficult for the women entrepreneurs to explore the market and to make their product popular. For women, market is a ‘chakravyuh’.

4) **Keen Competition**: Women entrepreneurs face tough competition from male entrepreneurs and also from organized industries. They cannot afford to spend large sums of advertisement.

5) **High Cost of Production**: High prices of material, low productivity. Underutilization of capacity etc. accounts for high cost of production. The government assistance and subsidies would not be sufficient for the survival.

6) **Family Responsibilities**: Management of family may be more complicated than the management of the business. Hence she cannot put her full involvement in the business. Occupational backgrounds of the family and education level of husband have a direct impact on the development of women entrepreneurship.
7) **Low Mobility:** One of the biggest handicaps for women entrepreneur is her inability to travel from one place to another for business purposes. A single women asking for room is looked upon with suspicion. Sometimes licensing authorities, labour officials and sales tax officials may harass them.
8) **Lack of Education:** About 60% of women are still illiterate in India. There exists a belief that investing in woman's education is a liability, not an asset. Lack of knowledge and experience creates further problems in the setting up and operation of business.
9) **Low Capacity to Bear Risks**: Women lead a protected life dominated by the family members. She is not economically independent. She may not have confidence to bear the risk alone. If she cannot bear risks, she can never be an entrepreneur.
10) **Social Attitudes**: Women do not get equal treatment in a male dominated society. Wherever she goes, she faces discrimination. The male ego stands in the way of success of women entrepreneurs. Thus, the rigid social attitudes prevent a woman from becoming a successful entrepreneur.
11) **Low Need for Achievement**: Generally, a woman will not have strong need for achievement. Every women suffers from the painful feeling that she is forced to depend on others in her life. Her pre-conceived notions about her role in life inhibit achievement and independence.
12) **Lack of Training**: A women entrepreneur from middle class starts her first entrepreneurial venture in her late thirties or early forties due to her commitments towards children. Her biggest problem is the lack of sufficient business training.
13) **Lack of Information**: Women entrepreneurs sometimes are not aware of technological developments and other information on subsidies and concessions available to them. They may not know how to get loans, industrial estates, raw materials etc.

OBJECTIVES

The present study has certain specific research objectives. They are as follows:

1. To evaluate the status of Muslim Women Entrepreneurship in India.
2. To highlight the work segments for women entrepreneur in India.
3. To present some cases of Muslim women entrepreneur in India.

STATUS OF WORK PARTICIPATION OF MUSLIM WOMEN IN INDIA

The economic status of Indian Muslim Women has been discussed on the basis of Work participation. The work participation rate among Muslims is lower as compared to other socio-religious communities both in rural and urban areas. Aggregate works participation rate in economic activity by women is low in Muslim community. The work participation rate among Muslim women is much lower than that of women belonging to upper caste Hindu households where there are hardly any socio-cultural constraints in work.

CONTRIBUTION OF SOCIETY AND FAMILY IN THE GROWTH OF WOMEN ENTREPRENEUR IN INDIA

The individual perception of what her family and friends think or opine about entrepreneurship has a crucial role to play. Besides, the view of the family, their support and the society with regard to failure is also a very important factor playing upon the women entrepreneur and framing their opinion. Family's support is very essential because in most cases, the women entrepreneur would need to borrow initial finances from the family and friends. The family's attitude towards education and other careers in fields like medicine, engineering etc are also likely to dominate the female's mindset towards entrepreneurship. It is quite likely that the families will be ready to take loan and fund the girl's professional education rather than funding a new business venture where risk is involved. Besides this Woman entrepreneurs face a series of problems right from the beginning till the enterprise functions. Being a woman itself poses various problems to a female entrepreneur. The problem of Indian women pertains to her responsibility towards family, society and huge workload. Women in rural areas have to suffer still further. They face tough resistance from men. They are considered as helpers. The attitude of society towards them and constraints in which they have to live and work are not very conducive.

TABLE 1: WOMEN ENTREPRENEURSHIP IN INDIA

States	No of Unit Registered	No. of Women Entrepreneurs	Percentage
Tamil Nadu	9618	2930	30.36
Uttar Pradesh	7980	3180	39.84
Kerala	5487	2135	38.91
Punjab	4791	1618	33.77
Maharastra	4339	1394	32.12
Gujrat	3872	1538	39.72
Karnatka	3822	1026	26.84
Madhya Pradesh	2967	842	28.38
Other States & UTS	14576	4185	28.71
Total	57,452	18,848	32.82

TABLE 2: WOMEN WORK PARTICIPATION

Country	Percentage
India (1970-1971)	14.2
India (1980-1981)	19.7
India (1990-1991)	22.3
India (2000-2001)	31.6
USA	45
UK	43
Indonesia	40
Sri Lanka	35
Brazil	35

TABLE 3: AGE SPECIFIC WORKER POPULATION RATIOS- 2010-11

MALE

Age	All	Hindus				Muslims			
		All Hindus	SCs/STs	H-OBCs	H-UC	All Muslims	M-OBCs	M-General	Other Minorities
15-19	45.3	44.8	53.7	46.9	30.1	51.8	50.7	52.4	35.6
20-29	86.9	87.0	90.1	89.0	80.4	88.2	87.1	88.9	82.2
30-39	98.2	98.3	98.3	98.5	97.8	97.9	96.8	98.5	97.7
40-49	98.0	98.2	98.3	98.2	98.0	96.9	95.4	97.8	97.1
50-59	93.2	93.5	94.4	94.2	91.7	92.6	90.4	93.9	90.5
60-64	73.7	73.6	79.8	76.6	64.0	75.5	72.1	77.3	71.7
15-64	84.7	84.9	87.3	85.8	80.8	84.6	83.0	85.5	81.8

FEMALE

Age	All	Hindus				Muslims			
		All Hindus	SCs/STs	H-OBCs	H-UC	All Muslims	M-OBCs	M-General	Other Minorities
15-19	26.8	28.9	37.0	30.6	16.5	17.3	17.3	17.4	22.4
20-29	39.3	41.7	50.0	42.4	31.0	21.1	21.1	21.1	43.6
30-39	53.1	55.6	65.3	57.9	41.3	31.8	34.9	29.7	57.7
40-49	52.9	55.5	65.5	59.2	40.1	30.5	34.6	27.7	58.2
50-59	45.9	48.0	58.1	51.7	33.2	28.0	29.4	27.0	49.1
60-64	32.5	33.3	38.5	37.6	22.1	22.8	29.6	17.2	37.5
15-64	43.6	46.1	54.9	48.3	33.1	25.2	26.9	24.0	47.2

Source: Sachar Committee Report

Base on the data mentioned in the above table 44 percent of women in the prime age group of 15-64 years in India participate in work force while 85 percent of men do so. However, on an average the workforce participation rate among Muslim women is only about 25 percent. As far as concentration in self employment related activities is concerned Muslims have fairly high concentration in self employment activities. Muslims share constitute 61 percent as compared to 55 percent Hindus engaged in self employment.

Participation of women workers in women-owned proprietary enterprises is significantly higher for Muslims. This implies that the prevalence of own account enterprises run by women is higher among Muslims than in other socio-religious communities. Muslim women are mainly engaged in home based economic activity. They are typically engaged in sub-contracted works with low level of earning.

Muslim women workers undertaking work within their own homes is much larger as compared to other socio-religious communities, while the larger engagement in street vending highlights the higher vulnerability of Muslim workers. Concentration of Muslim women in household work is related with constraints that women face even today. Traditional barriers in many cases still prevent women from going out of their homes to work. The trend is more specific to Muslim community which limits the scope of work women can undertake and they often get in to very exploitative subcontracting relationship. Moreover, women with responsibility for household duties find it difficult to work outside their homes.

MEASURES TAKEN FOR THE DEVELOPMENT OF WOMEN ENTREPRENEURSHIP IN INDIA

Women empowerment should be one of the primary goals of a society. Women should be given equality, right of decision-making and entitlements in terms of dignity. They should attain economic independence. The most important step to achieve women empowerment is to create awareness among women themselves. Development of women can be achieved through health, education and economic independence. Realizing the importance of women entrepreneurs, Govt. of India has taken a number of measures to assist them. Some of the important measures are outlined as follows:

1) TRYSEM: Training of Rural Youth For Self Employment was launched on 15th AugustV 1979 which is still continuing. The objective of TRYSEM is to provide technical skills to rural youth between 18 and 35 years of age from families below the poverty line to enable them to take up self employment in agriculture and allied activities, industries, services and business activities. This is a sub scheme of IRDP. Training given through ITIs, Polytechnics, Krishi Vigyan Kendra, Nehru Yuva Kendras etc has helped many rural women set up their own micro entreprises with IRDP assistance.

2) BANKS: Banks particularly commercial banks have formulated several schemes to benefit women entrepreneurs. These includes Rural Entrepreneurship Development Programmes and other Training programmes, promotion of rural non-farm enterprise, women ventures etc.

3) NABARD: NABARD as an apex institution guides and assists commercial banks in paying special attention to women beneficiaries while financing. It has also been providing refinance to commercial banks so as to help the latter institutions to supplement their resources which could be deployed for the purpose of financing women beneficiaries.

4) INDUSTRIAL POLICY: The new Industrial policy of Government has specially highlighted the need for conducting special entrepreneurship programme for women.

5) INSTITUTIONS AND VOLUNTARY ASSOCIATION: Several voluntary agencies like **FICCI Ladies Organization (FLO), National Alliance of Young Entrepreneurs (NAYE)** and others assist women entrepreneurs.

NAYE has been a leading institution engaged in the promotion and development of entrepreneurship among women. It convened a conference of women entrepreneurs in November
1975. It assists the women entrepreneurs in:

(a) Getting better access to capital, infrastructure and markets.
(b) Identifying investment opportunities.
(c) Developing managerial and productive capabilities.
(d) Attending to problems by taking up individual cases with appropriate authorities.
(e) Sponsoring participation in trade fairs, exhibitions, special conference etc.

6) NATIONAL POLICY FOR THE EMPOWERMENT OF WOMEN, 2001: As to the commitments made by India during the Fourth World Conference on women held in Beijing during September, 1995, the Department of women and children has drafted a national policy for the empowerment of women. This is meant to enhance the status of women in all walks of life at par with men.

ASSISTANCE TO WOMEN ENTREPRENEURS

Entrepreneurship does not differentiate the sex. A number of facilities and assistance are offered to the entrepreneurs. However, certain additional incentives or facilities offered to women entrepreneurs are discussed as follows.

- **SMALL INDUSTRIAL DEVELOPMENT ORGANISATION (SIDO)**: SIDO through a network of SISIs conduct the EDPs exclusively for women entrepreneurs. The aim is to develop entrepreneurial traits and qualities among women and enable them to identify entrepreneurial opportunities etc.
- **NATIONAL SMALL INDUSTRIES CORPORATION (NSIC) :** The H.P. scheme of NSIC provides preferential treatment to women entrepreneurs. It also conducts Entrepreneurs and Enterprise Building programmes for women.

- **INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) :** The schemes of IDBI for women entrepreneurs are summarized as follows:
  PROMOTER'S CONTRIBUTION: The IDBI set up the ***Mahila Udyan Nidhi (MUN)*** and ***Mahila Vikas Nidhi (MVN)*** schemes to help women entrepreneurs. IDBI conduct programmes of training and extension services through designated approved agencies and association with other development agencies like EDII, TCOs, KVIC etc.
- **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)**: SIDBI has special schemes for financial assistance to women entrepreneurs. It provides training and extension services. It gives financial assistance at concessional terms in setting up tiny and small units.
- **COMMERCIAL BANKS**: The ***"Sthree Shakthi Package Scheme"*** of SBI provides a package of assistance to women entrepreneurs. The consultancy wings of SBI give guidance on project identification and project viability. The program of assistance such as repair and servicing, photo copying, dry cleaning, retail trade business enterprises, poultry farming, tailoring etc. The Bank Of India has introduced a scheme known as ' Priyadarshini Yojana' to help women entrepreneurs.
- **KUDUMBASREE UNITS:** With the objectives of poverty eradication and women empowerment Kudumbasree has been introduced in Kerala. The poor women are organized into community- based organisations. They start and operate micro enterprise. They earn income through self-employment.

INDIA'S MOST SUCCESSFUL MUSLIM WOMEN ENTREPRENEURS

India has a pool of bold and fearless women who have made a mark for themselves both within the country as well as overseas. Their persistent zeal, never-ending douse for success and willingness to walk the extra mile has broken all myths about their inborn limitations that were supposed to be major roadblocks on their success expressways.

Let's meet such Indian women who can be easily termed as role models for every Indian- both males and females:

SHAHNAZ HUSSAIN

Current position: CEO, Shahnaz Herbals Inc

Shahnaz Hussain is the biggest name in herbal cosmetics industry in India. She has introduced a number of trend setting herbal products .Currently, the Shahnaz Husain Group has over 400 franchise clinics across the world covering over 138 countries. Her pioneering work got recognition from Govt of India when she was conferred with prestigious Padma Shri award in 2006. (ICMR)

ISHRAT SHAHABUDDIN SHAIKH

Ishrat Shahabuddin Shaikh, 42, a widow and an entrepreneur who epitomizes the idea of brilliant management as she runs her eating joint and also brings up five kids all alone. She owns Shalimar hotel, a famous and highly successful eating joint in South Mumbai. She also runs a school SAFA, which has the unique distinction of imparting modern as well as religious education to its students. Shaikh takes her inspiration from *Hazrat Khadija, "Hazrat Khadija,* wife of Prophet Muhammad (PBUH) was a businesswoman. Ishrat says, *"Veil is never a deterrent but interestingly it helped me dealing with outsiders and my employees."* (WWW.TwoCircles.net)

SUGGESTIONS

The following measures may be taken to solve the problems faced by women entrepreneurs in India:

1. In banks and public financial institutions, special cells may be opened for providing easy finance to women entrepreneurs. Finance may be provided at concessional rates of interest.
2. Women entrepreneurs' should be encouraged and assisted to set up co-operatives with a view to eliminate middlemen.
3. Scarce and imported raw materials may be made available to women entrepreneurs on priority basis.
4. Steps may be taken to make family members aware of the potential of girls and their due role in society.
5. Honest and sincere attempts should be undertaken by the government and social organizations to increase literacy among females.
6. In rural areas self employment opportunities should be developed for helping women.
7. Marketing facilities for the purpose of buying and selling of both raw and finished goods should be provided in easy reach.
8. Facilities for training and development must be made available to women entrepreneurs. Family members do not like women to go to distant place for training. Therefore mobile training centers should be arranged. Additional facilities like stipend, good hygienic chreches, transport facilities etc., should be offered to attract more women to training centers.

CONCLUSION

Entrepreneurship is a rising trend in present economy and its emphasis is being visible in recent literature. The current expansion of Islamic banks, financing, and markets across the world, enhances the development of Islamic entrepreneurship. Islam has always considered entrepreneurship the most important source of living. Muslim women were engaged various kinds of activities during the days of the Prophet. Farming, trading, construction, tool making, tanning, bread making, teaching, transporting goods, nursing, health care and defense of the nation were the major economic activities in those days. Today also muslim women entrepreneurs are becoming more important players in entrepreneurial landscape. Even though we have many successful Women Entrepreneurs in our country, but as we have a male dominated culture there are many challenges which women entrepreneurs face from family & Society. There should be efforts from all sectors to encourage the economic participation of women. Along with adequate training, institutional and financial support as a composite package needs to be encouraged. It can be said that today we are in a better position wherein women participation in the field of entrepreneurship is increasing at considerable rate, efforts are being taken at the economy as well as global level to enhance woman's involvement in the enterprise sector. This is mainly because of attitude change, diverted conservative mindset of society to modern one, daring and risk-taking abilities of women, support and cooperation by society members, changes and relaxations in government policies, granting various upliftment schemes to women entrepreneurs etc.

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NOVICE TO SPECIALIST - THROUGH TRAINING AND DEVELOPMENT

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ABSTRACT

The purpose of this article is to focus on the training and development needs of an organization. Over the years the economy has become more volatile and competitive. In order to sustain this competition and produce timely customer oriented results organizations must be trained so that they are able to deliver effectively. The importance of an employee training and development program is growing for those organizations who are pursuing to receive an added advantage among the competitors. Factors of production such as land labour enterprise are all secondary, in comparison to the labour which is considered the esteemed resource for an organizations success or failure. In a bid to survive this cut throat completion and to enrich the labour /employee force, most of the companies today are engaging in large scale employee training programs. Organizations are willing to go one step ahead and finance large amount on the employee training and professional growth. By helping to establish employee investment, reciprocity identification, and limiting alternative employee options, effective training program can lead to a greater commitment and reduce the attrition rate. The training programs are supportive not only towards the organization but it also helps to increases the knowledge, expertise and abilities of an employee. The study therefore describes a vigilant assessment of literature on the fundamental concept of the importance of training and development programs to its organization as well as to its employees.

KEYWORDS

Employee performance, Training benefits, Training design, Training development, Organization development.

INTRODUCTION

Human resource management is basically the management of human resources in an organization. It is a process where people and organizations are brought together so that goals of each are met. In a dynamic and competitive environment, it is very necessary for an organization to have their right resources especially their employees, to survive and succeed. Organizations have realized that they may be technologically advanced but it is the people who offer competitive advantage to an organization, then the question arises how do people provide such competitive advantages? In order to sustain the cut throat competition organizations need to move with time and keep themselves abreast with all the various changing needs of the market.

The employees need to be trained adequately, whereby they utilize the requisite skills and abilities and the knowledge. Training is a type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively.

Development is a broad ongoing multi-faceted set of activities which aims at bringing an employee or an organization up to another threshold of performance, often to perform some job or a new role in the future. The accomplishment of any organization largely relies on its employees. To sustain this valuable human resource, organizations required to be conscious about the job satisfaction and retention of employees.

Some of the organizations think that employees are looking for only financial profits from their work. This statement neglects high significance that most of the employees placed there selves on the inherent benefits of their professions. Reference to a current report prepared by American Society for Training and Development, organizations are spending more than $126billion yearly on employee training and development according to Paradise, (2007). Today most of the companies are investing a lot of money on the training and development of employees in order to remain competitive and successful part of the organization. The importance of training for employees is rapidly growing and organizations are using this tool to compete with their competitors in the market.

Excellent executives look to future and prepare for it. One important way to do this is to develop and train managers so that they are able to cope with new demands, new problems, and new challenges. Indeed, executives have responsibility to provide training and development opportunities for their employees to reach their full potential. Employee performance is defined as the outcome or contribution of employees to make them attain goals while performance may be used to define what an organization has accomplished with respect to the process, results, relevance and success. Researchers define performance as the achievement of specific tasks measured against predetermined or identified standards of accuracy, completeness, cost and speed.

The term development refers to long term, future oriented programs and the progress a person makes in learning how to manage. Managerial training on the other hand, pertains to the programs that facilitate the learning process and is mostly a short term activity to help managers to do their jobs better .

Organization development is seen as a systematic, integrated and a planned approach to improving the effectiveness of groups of people and the whole organization or a major organizational unity. Organization development uses various techniques for identifying and solving problems. It is, therefore, every organizations responsibility to enhance the job performance of the employees and certainly implementation of training and development is one of the major steps that most companies need to achieve this. As it is evident that employees are a crucial resource, it is important to optimize the contribution of employees in relation to the company aims and goals, as a means of sustaining effective performance. This therefore calls for managers to ensure an adequate supply of staff that is technically and socially competent and capable of career development into specialist departments or management positions.

LITERATURE REVIEW

EMPLOYEE TRAINING AND DEVELOPMENT

Harrison Rosemary, (2005). State that "training and development ensures that randomness is reduced and learning or behavioral change takes place in structured format. In the field of human resource management, training and development is the field concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings. It has been known by several names, including employee development, human resource development, and organizational performance. The strategic procedure of employee training and development needs to encourage creativity, ensure inventiveness and shape the entire organizational knowledge that provides the organization with uniqueness and differentiates it from the others"

Parthsarathi (1989) through his Articles stated" that the real need is the identification of training need. The Author has reported the use of role analysis in identification of training needs which helps the organization to increase its training effectiveness and the role of employees for effective performance.

The Author has suggested steps like identification of capabilities; technical/functional capabilities, administrative/management capabilities, conceptual capabilities, behavioral/process capabilities, identification of the gaps in capabilities possessed etc.

Similarly Nadler Leonard, (1984).stated that "development is often viewed as a broad, ongoing multi-faceted set of activities to bring someone or an organization up to another threshold of performance. This development often includes a wide variety of methods, e.g., orienting about a role, training in a wide variety of areas, ongoing training on the job, coaching, mentoring and forms of self-development. Some view development as a life-long goal and experience. Development focuses upon the activities that the organization employing the individual, or that the individual is part of, may partake in the future, and is almost impossible to

THE VALUE OF TRANING AND DEVELOPMENT

According to Beardwell& Holden (1997) human resource management has emerged as a set of prescriptions for managing people at work. Its central claim is that by matching the size and skills of the workforce to the productive requirements of the organization, and by raising the quality of individual employee contributions to production, organizations can make significant improvements on their performance.

Gopala Krishna H.N. (2003) conducted a study at BEL, through his study he has reported about the new approach in which the identification of training needs of employees was done by training advisory committees. In the traditional methods, the employees were given training by following the beaten tracks like short listing training programmes from a standard list of programmes such as communication skills, Team Building ISO 9000, ISO 14000, TQM, Improving Quality of Life, MS-Office etc and prepare an annual calendar and throw the programmes open to everyone in the organization and wait for nominations. Another traditional method involved asking individuals to specify the training needs they believe they need in their performance appraisal and consolidate them and make it a list of training programmes. The authors state that HR managers need to move beyond the confines of these traditional methods. It is the responsibility of Line managers to determine what the organization and the individuals need to learn in order to fulfill their goods and objectives and build the kind of company they envision. The authors say that it is the responsibility of HR managers to translate these needs into training programmes. The author shares his experience in the Bangalore unit of BEL, where a new approach was attempted to give thrust to what the company needs for future and not what the individual wants and also to satisfy ISO 9000 requirements. .

EFFECT OF TRAINING AND DEVELOPMENT ON EMPLOYEE MOTIVATION

Motivating other people is about getting them to move in the direction you want them to go in order to achieve a result, well motivated people are those with clearly defined goals who take action that they expect will achieve those goals. Motivation at work can take place in two ways. First, people can motivate themselves by seeking, finding and carrying out that which satisfies their needs or at least leads them to expect that their goals will be achieved. Secondly, management can motivate people through such methods as pay, promotion, praise and training. The organization as a whole can provide the context within which high levels of motivation can be achieved training the employees in areas of their job performance.

EFFECT OF TRAINING AND DEVELOPMENT ON CCOMPETATIVE ADVANTAGE

Competitive advantage is the essence of competitive strategy. It encompasses those capabilities, resources, relationships, and decisions, which permits an organization to capitalize on opportunities in the marketplace and to avoid threats to its desired position, (Lengnick-Hall 1990). Boxall and Purcell (1992) suggest that 'human resource advantage can be traced to better people employed in organizations with better processes.

EFFECT OF TRAINING AND DEVELOPMET ON CUSTOMER REALTIONSHIP

Organizations should focus on the improvement of the process as the system rather than the work is the cause of production variation many service organizations have embraced this approach of quality assurance by checking on the systems and processes used to deliver the end product to the consumer. Essentially this checks on; pre-sale activities which encompass the advice and guidance given to a prospective client, customer communications (how well the customers are informed of the products and services, whether there are any consultancy services provided to help the customers assess their needs and any help line available for ease of access to information on products), the speed of handling a client's transactions and processing of claims, the speed of handling customers calls and the number of calls abandoned or not answered, on the selling point of Products/Services a customer would be interested to know about the opening hours of the organization, the convenience of the location and such issues This is only possible when employees are well trained and developed to ensure sustainability of the same.

MANAGER DEVELOPMET AND TRAINING PROCESS

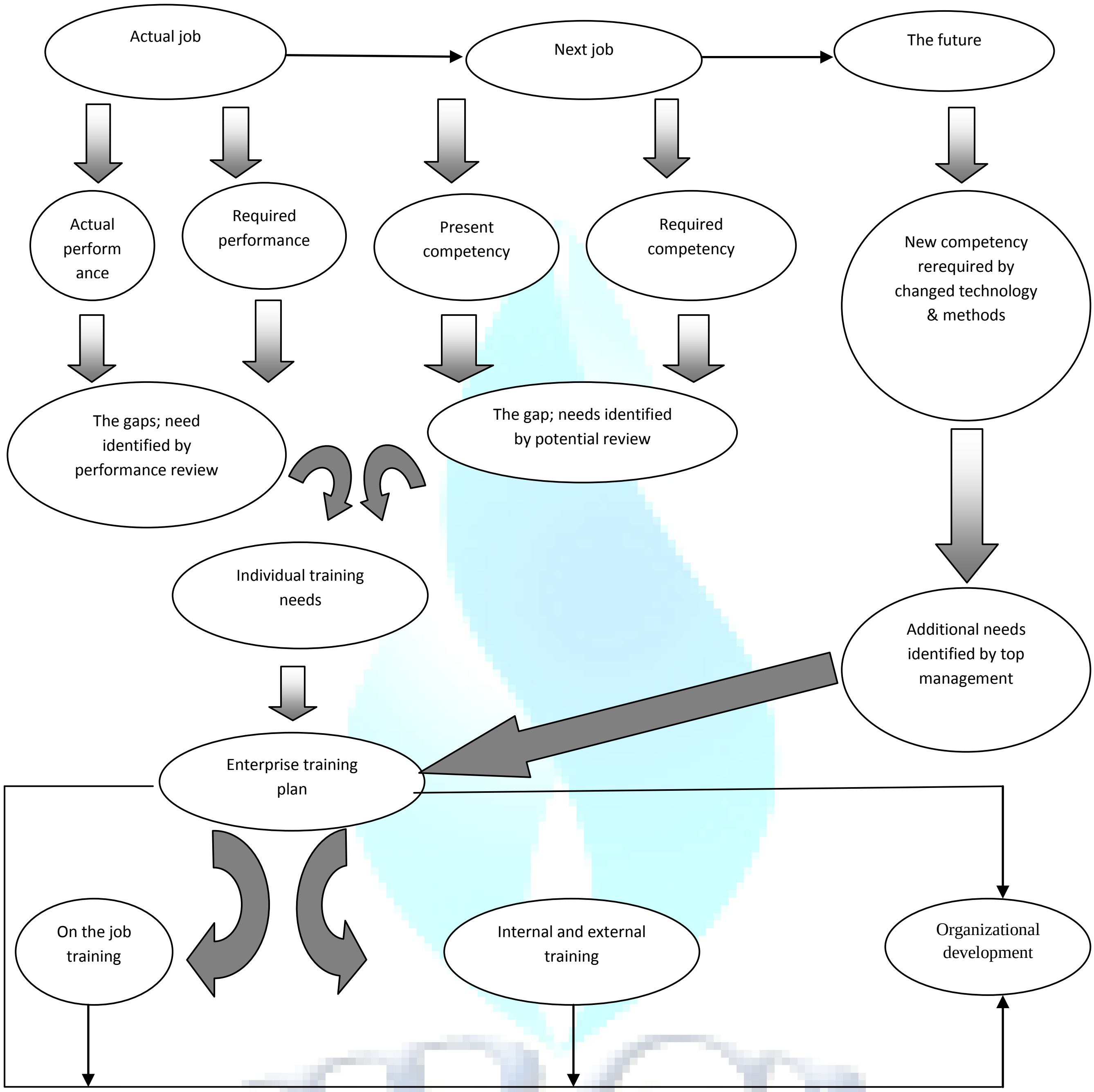
Before specific training and development programs are chosen, three kinds of basic needs must be considered

1. The needs of the organization, including the objectives of the enterprise, the manager's availability and the attrition rates
2. The needs related to operation and the job itself can be determined from job descriptions, and performance standards
3. The data about individual training needs can be gathered through performance appraisals, interviews with the jobholder, tests, surveys and career paths for individuals

The management ,development and training process focuses first on his present job ,then on to the next job in the career ladder and finally on the long term needs of an enterprise .

The steps in the manger development training process are depicted in **Figure 1:**

FIGURE 1: MANAGER DEVELOPMENT PROCESS AND TRAINING



Adapted from: John W. Humble, Improving Business Results [Maidenhead, England: Mc Graw –Hill Book Company (UK), Ltd, 1968]

ACTUAL JOB

The manager development process can be derived from a comparison between the actual performance and the required performance of the organization. Such an analysis indicates the short comings in performance to reach the desired target. It indicates that the organization lacks the knowledge and the skill to overcome the difference between the actual performance and the required performance. On the basis of these short comings, training needs are identified for overcoming the deficiencies

NEXT JOB

A similar process is applied in the identification of the training needs for the next job. Specifically, present competency is compared with the competency demanded by the next job. This position requires training in functional areas such as engineering, marketing and even finance. This systematic preparation for the new assignment certainly is a more professional approach than thrusting a person into new work situation without training.

THE FUTURE

Progressive firms go one step further in training and development, they prepare for a more distant future. This requires that they forecast what new competencies will be demanded by the market. For example energy shortage may occur again and this requires that the manager be trained not only in technical aspects but also in energy related long range planning and problem solving. These changes created by the external environment have to be integrated into an enterprise training plans, with a focus on the future.

DEVELOPMENT THROUGH 'ON THE JOB TRAINING'

Employees are exposed to a number of opportunities for development which can be done on the job itself. Trainees can learn as they contribute to the aims of an enterprise. This approach required competent high level managers who can teach and coach the trainees.

Following are the various methods used in this type of a training process.

JOB INSTRUCTION

Job instruction is a step by step, relatively simple technique used to train the employees. I n this method the trainer demonstrates to the trainee how a job is done. The trainer asks the trainee to perform the job. Any gaps in the trainees learning process are resolved immediately. After the training is provided, a follow up is done by the trainer to check whether the trainer is able to perform the job without any supervision. The steps taken to perform a job better are often summarized and printed on small cards that can be put in an employee wallet or pocket. The employee cans refer to the card when instructing another employee.

PLANNED PROGRESSION

The purpose of planned progression is to give the manager a clear idea of their path of development. Managers know where they stand and where they are going. The manager knows the requirements of the advancement and the means of achieving it. Planned progression may be perceived by trainees as a smooth path to the top, but it really is a step by step approach which requires that tasks be done well at each level.

JOB ROTATION

It involves moving management trainees from department to department to learn the different functions of the organization. It is useful to the management trainees as they are able to understand the basics of the business.

TEMPORARY PROMOTIONS

Individuals are appointed as "acting managers', these temporary promotions are a developmental device as well as a convenience to the enterprise. The acting managers are given the authority to make decisions depending on their abilities. They assume full responsibility, of the post and this experience is considered as a valuable experience in terms of on the job training

COACHING

Coaching is a systematic practice og giving sufficient direction, instruction and training to a person of a group of people, so as to achieve goals or to develop specific skills. In order to decide the method, the coach should be made aware about the trainees aim objective skills and drawbacks, training environment, training aids needed etc. this method is both theoretical and practical.

APPRENTENSHIP

A combination of classroom, instruction and on the job training. This training is done on the job while working for an employer who helps the apprentice learn their trade, in exchange for their continuing to work for him for an agreed period, even after they become skilled.

COMMITTIES AND JUNIOR BOARDS

Committees and junior boards are also used as developmental techniques .These gives trainees the opportunity to interact with the experienced managers. Trainees are given the opportunities to submit reports and proposals to the committee on board and to demonstrate their analytical and conceptual skills.

DEVELOPMENT THROUGH 'INTERNAL AND EXTERNAL TRAINING'

Beside on the job training there are many other approaches for development. These programs may be conducted within the company or they may be conducted externally by educational institutions and management institutions.

Following are the various modes of an internal and external training

CONFERENCE PROGRAMS

Such programs may be used for internal and external training. They expose managers to ideas of various speakers who are experts in their field. External conferences vary greatly ranging from programs on specific managerial techniques to programs in broad topics. .A careful selection of topic and speakers will increase the effectiveness of this training. Conferences encourage a to way communication patter that allow participants to ask for clarifications of topics that are potentially relevant to them.

READINGS, TELEVISIONS, VIDEO INSTRUCTIONS AND ONLINE EDUCATION,

This method is used to provide an example of more realistic conditions. This learning experience can be enhanced through discussion of articles and books with other manager s and superiors. Increasingly management and other topics are featured in the television instruction programs Moreover a variety of videotapes of diverse subjects are available for instruction and learning

BUSINESS SIMULATION

A technique that duplicates as nearly as possible the actual condition encountered on the job Simulation is an attempt to create a realistic decision making environment for the trainee .They present likely encountered problem situations and alternatives to the trainee .The result of those decisions are reported back to trainee with an explanation of what would have happened had they actually been made in the workplace. The trainee learns from this feedback and improves his/her workplace decision making skills.

E-TRAINING

In such a training pattern a Virtual Classroom is created with a teacher interacting with students.

Synchronous e learning with live instructions appears to be more effective than self paced learning. Live instructions can be adapted to the needs of the students by integrating overhead transparencies, slides and lecture notes. The trend of e learning needs to be adapted as it is more effective and finds a proper balance between self paced learning and instructor based training

SENSITIVITY TRAINING

This focuses on gaining an insight into one's own behavior as well as the behavior of the other employees in the organization. Trainings are usually conducted for a small group, usually 12 -15 with a passive trainer for observation .Discussion focuses on why participants behave as they do and how they perceive others to be and how their emotions are generated. The object of this is to provide participants and increased self-awareness of their behavior .The results of such a training are to increase ones empathy to others, and to increase their listening skills ad to increase the conflict resolution skills.

MANAGEMENT GAMES

Management games actually duplicate selected factors in a particular business situation. Employees and the managers learn best by being involved in the game. The trainees are usually divided into groups .The groups have to elect their leaders and have to organize themselves. This develops team spirit, leadership and cooperation. As the game is finished, feedback is provided to the trainees.

EVALUATION OF TRAINING

Evaluation helps to determine the effectiveness and the results of the training and development program. It helps in determining whether the training objective is achieved or not. Post the implementation of a training program, the methods used to train and develop must be monitored in order to assess their effectiveness. Any shortcoming reported through such an evaluation must be immediately dealt with in order to rectify the mistake so that an optimum outcome of the training program is achieved .Training programs can be evaluated with the use of a questionnaire asking for a feedback from the participants. Such an evaluation ensures that the training provided contributes to the growth of an organization

ORGANISATIONS DEVELOPMENT THROUGH TRAINING AND DEVELOPMENT

Training and development benefits the organization as well as the employees in the following ways:

TOWARDS THE ORGANISATION

- Leads to improved profitability
- Helps create a better image of the organization
- Helps in reducing the cost in many functions like production, personnel, administration etc
- Organization gets more effective in decision making and problem solving skills

- Helps the firm in development of human resources for promotion
- Helps in the overall organizational development

TOWARDS THE EMPLOYEE

- Improves job knowledge and skills at all levels of the organization
- Improves employee moral
- Improves employee –employer relationship
- Aids in increasing productivity and quality of work
- Helps employee to adjust to change
- Conflict handling is much better thus leading to reduction of stress and tension at the workplace
- Develops employees moral and self confidence
- Provides information to the employees and managers for improving leadership, knowledge and communication skills and attitude
- Provides information on organizational rules and regulations
- Builds togetherness and group cohesiveness
- Increase labour retention
- Decreases labour attrition rate

CONCLUSION

Change is inherent in contemporary experience. For organizations to keep them self acquainted with the ever changing global market the originations must undertake the process of Training and development for their staff as this plays a major role in very organization. Such program improve the knowledge and employee performance at the work place, it updates the employee knowledge and enhances their output thereby reducing the managerial obsolescence.

Manager development refers to the progress a manager makes in learning how to manage moiré frequently while organization development is systematic and an integrated approach in making the whole organizational unit more effective. A systematic approach to development and training must be practiced by the units. Training programs help manager in succession planning, employee retention and welfare activities, thereby enhancing the overall performance of the organization.

Lectures, audio visuals, sensitivity training, apprenteship coaching are some examples of the various methods which an organization may resort to. The inverse impact of such programs boosts the level of the employees, enchaining their soft skills, their personality and interrelationship techniques. Trainings programs help in the employee's time management skill, employee efficiency development programs and violence prevention programs. With continuous training provided Evaluation becomes a must .it ensures that the training program imparted has met all the required details, it also ensures that the program contributes to the growth of the firm. Thus training moulds the employee's attitude and helps them achieve a better cooperation within an organization. Training and development programs improve the overall quality of work life by creating a supportive and a conducive workplace.

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THE FOUR CORNERS OF POLLUTER PAYS PRINCIPLE IN INDIA

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ABSTRACT

The study shows that polluter is responsible for the damages and expenses incurred for the up gradation of an environment and to improve the position of the affected persons or victims. As the said polluter pays principle is the principal which can be use after the incident has taken place. It means that, the polluter having more than sufficient means can make pollution and thereafter indemnify the victims. On the other hand another principle is the precautionary principle in which the polluter if obstructed in first instance from making pollution. This polluter pays principal is not more effective than the precautionary principle. There are many incidents in which it can be seen that, the polluter who makes pollution, indemnify to the victims for said pollution and again ready to make pollution. Therefore this polluter pays principle is not very much effective to eradicate the environmental pollution in India. Indirectly this principle has given license to the person or the polluter having more than sufficient means to make pollution because such type of the polluter initially calculate the total amount of damage which will be caused by their pollution and also calculate the amount of their future income. Where the amount of total damages due to pollution is very less than the amount of their future income than without any hesitation polluter start their activity. Till today due to the said principle we have tried to managed or control the activity of the polluters. Even though this principle is in force the incidents of the pollution are taken place. Therefore this principle is not very much effective to eradicate the monster of environment pollution in India.

KEYWORDS
polluter pays principal, environment protection.

INTRODUCTION
The polluter pays principle is the very much essential principle as like the heart of an environment. The concept of polluter pays principle is important to eradication of environmental pollution. In simple terms that, the polluter is the solely liable to indemnify to the victim of the said pollution done by the polluter. This principle remove the economical overburden of the concerned government or authority which is made for the management of all the losses to the persons and environment.

The interpretation of the principle is that, the polluter has to make a payment towards the damages which arises by using any product or availing the process of production and consumption which adversely affected to the person or environment. The term of polluter covered not only the human being but the legal personality also. The polluter should make a payment or indemnify the person to whom the damage has been caused, equally to the said damage affected. It is not that, the only person who by his own activity in connection with the property or the product of the others harm to the person or environment, but the person or the polluter by simply using his own product or the resources, cause a damage to the other person and environment. In case the polluter by performing his own act by using his own resources damages to an environment only than the polluter is liable to pay the damages equally to the damages caused to an environment to the concerned Government.

The great political thinker, Plato states regarding this polluter pays principle, “if anyone intentionally spoil the water of another, let him not only pay damages but purify the stream or cistern which contains the water”[5]. After considering the wording of the Plato it reveals that, according to the Plato, the polluter is liable to the pollution which he has done, and the said polluter is liable to pay damages for the loss caused due to the said pollution, but Plato did not stop on this only, he further stated that, the said polluter compel to make the environment in that situation where it was before the said pollution. This principle is the economical based principle because only the polluter is liable to eradicate the pollution made by him and the concerned government is not liable to the same, hence the economical burden is on the polluter and not on the government.

HISTORICAL BACKGROUND
At the time of discussing the historical background of the polluter pay principle we have to start from the Organization for Economic Co-operation and Development (OECD). The Organization for Economic Co-operation and Development (OECD) recommended the polluter pays principle as the “Guiding principle concerning the International Economic Aspects of Environmental Policies” in 26th May, 1972[6]. Thereafter the United nation conference were took place in Stockholm in 16th June 1972 in which the Polluter Pays principle were discussed. "National authorities should endeavor to promote the internalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution with due regard to public interest and without distorting international trade and investment[7]. According to the said principle the undertaking or the person under the term of polluter is liable for the loss caused to an environment by his action or by the effect of his product. This principle has also accepted by the European community in treaty. "Community policy on the environment [...] shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay"[8]. The Polluter Pays Principle has become basic principle to eradicate the environmental pollution. At the International level the Kyoto protocol is the evidence for application of the said principle in which it has been stated that, parties have obligations to reduce their greenhouse gas release must bear the costs of reducing (prevention and control) such polluting.

DEFINITION OF POLLUTION
The definition of pollution has been given in the statute such as the Water (Prevention and Control) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environmental Protection Act, 1986. There is similarity in the definition of the pollution under the above said legislations. "pollution" means such contamination of water or such alteration of the physical, chemical or biological properties of water or such discharge of any sewage or trade effluent or of any other liquid, gaseous or solid substance into water (whether directly or indirectly) as may, or is likely to, create a nuisance or render such water harmful or injurious to public health or safety, or to domestic, commercial, industrial, agricultural or other legitimate uses, or to the life and health of animals or plants or of aquatic organisms[9]. Under the the Air (Prevention and Control of Pollution) Act, 1981 the definition of Air pollution has been given which is similar to the definition of water pollution.

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[5] The Laws, Vol. 4 book 8 section 485 (e), translated by Jowett B. Oxford : clarendon press (4th ed.) 1953.
[6] HISTORY AND EVOLUTION OF THE POLLUTER PAYS PRINCIPLE: HOW AN ECONOMIC IDEA BECAME ALEGAL PRINCIPLE? – by Muhammad Munir.
[7] The Rio Declaration in 1992, - Principle 16.
[8] Title XIX Environment, provides at article 174.2.
[9] Definition under Section 2 (e) of The Water (Prevention and Control) Act, 1974.

POLLUTER PAYS PRINCIPLE

In simple words the polluter pays principle means were the pollution has been taken place due to the negligence of the person and if it caused damages to the environment and to the living being then said polluter is liable to pay for the cost for eradication of the said pollution. The said polluter is not only indemnify to the victims but also liable to make good the loss cause to an environment. The person who caused pollution is liable for his conduct of pollution and effect thereof.

THE EVALUATION OF THIS PRINCIPLE IN INDIA[10]

In India there was no any law regarding indemnify by the person who is liable for the environmental pollution. This Polluter Pays Principle were introduce in India by the land mark judgments given by the Hon'ble court in various cases[11]. The Hon'ble court has effectively interpret this PPP in another case of Vellore Citizens Welfare Forum v. Union of India[12] in this case most of the industries and Tanneries in state of Tamilnadu were on a bank of river thus, the said industries and the tanneries were release untreated effluents in the rivers. This principle which has been discussed in said cases are governed by the constitutional authorization[13]. The said principle was effectively used in the economical arena of Indian.

This polluter pays principle is the weapon in the hands of the person who has been affected by the pollution. The said weapon can be used only after the incident of pollution has been occurred and not before that. Therefore the polluter pays principle is not the weapon to take precaution prior to happening the pollution in an environment, but the remedial principle. The nature of principle of absolute liability is also the remedial principle and not for the precaution for the pollution. If we take in to the consideration the concept of polluter pays principle we should not be forget the provisions given under Indian constitution under the fundament rights, directive principle of state police and the fundamental duty on the citizens.

Art. 21 states that, No person shall be deprived of his life and personal liberty except according to procedure establish by law.

Art. 47 of Indian constitution states that, Duty of the state to raise the level of nutrition and the standard of living and to improve public health. It is simply clear that, the duty has been cast upon the state to raised the level of nutrition and the living standard and improve public health. Thus to achieve the level of nutrition, living standard and the good public health it is necessary to have a good condition of an environment.

Art. 48 (A) Protection and improvement of environment and safeguarding of wild life of the country. Here also the duty has been cast upon the state for protection and improvement of environment.

Art. 51 A (g) It shall be the duty of every citizen of India to protect and improve the natural environment including forest lake river and wild life and to have compassion for living creature.

Considering the above said articles of the Indian constitution, it is come to know that, the polluter pays principle has not only introduce in Indian land by the judicial pronouncement given by the various Hon'ble courts but the roots of the said principle is imbedded in the land of the Indian constitution at above said articles. After considering these Article it reveals that, the constitution makers have a broad view in respect of up gradation of living slandered of the living being along with safeguarding of environment in India.

WHO PAYS DAMAGES

The damage is to be paid by the person who is the responsible for the same. The word person is also include the legal person. As a person have a duty to do certain thing and if the said person fails to do that and due to the said failure or the negligence any damage caused to the another than the person due to whose negligence said damage caused is liable to make good the same. In most of the case a person is liable to pay damages for the negligence of his servant, which is also called as payment of damages for the loss caused by the servant under vicarious liability.

TO WHOM THE DAMAGE IS TO BE PAID

The amount of damages is to be paid to the person to whom loss has been caused. This category of indemnified has enhance its border by including an environment because as the polluter is liable to pay the damages not only to the natural, legal person but also an environment is entitled to get the damages from the wrong doer. As per this principle it is the duty of the polluter to indemnify the loss caused to an environment. Where the person by his own act or the ancillary action with the help of the other article, animal or other things make any pollution and due to the said pollution the serious effect has been caused to the human being and an environment then the polluter is liable to compensate to the human being by way of payment of appropriate damages towards the effect of the said pollution, and polluter who has given birth to the pollution is also liable to pay damages to make good the degradation of an environment done by the said pollution.

The compensation which is to be payable shall be appropriate so as to satisfy the victim. Where the effect of damage is very dangerous the compensatory cost shall be in appropriate manner so as to eradicate the damage happen with the living being or to eradicate the degradation of an environment. As per the said principle the polluter in the Bhopal tragedy liable to pay damages to the affected living being. The boundary of this principle has became enlarge because not only the living being indemnified by the polluter but also the person who has not directly affected by the said pollution can be indemnified by the polluter.

POLLUTER PAYS PRINCIPLE AND ABSOLUTE LIABILITY

The scope of the Absolute liability principle is enhanced by the Polluter pays principle. The Absolute liability principle is that, the person by whose negligence any other person suffer from damages than the person whose duty was to take reasonable care is liable to make payment to that other person who suffer the loses. Under the Polluter pays principle the person by whose negligence cause damages to an environment than the said person is liable to pay the cost to eradicate the said damage to the environment. One well known case in which it has been stated that, "The Polluter is liable to pay the cost to the individual suffers as well as the cost of reversing the damaged ecology"[14]. Under this polluter pays principle the polluter is compel to pay or make good any damage or loss made to an environment. Where the ecological balance of the environment disturbed by the negligence of the polluter then said polluter is liable to pay the total expenses which incurred for the development, reformation and up gradation of the disturbed ecological balance.

JUDICIAL PRONOUNCEMENT ON THE PRINCIPLE

Indian Judiciary has performed significant roll to develop the polluter pays principle in India. To achieve healthy environment and good condition of the living being in India, the judicial pronouncement has taken effective active part in India.

This polluter pays principle has been effectively used in the case[15] in which the Hon'ble court has ordered that, the hazardus activity which is dangerous to the living being and an environment has been carried out by anyone then said person who is the creator of the said pollution or polluter is liable to indemnify to the victims or to make good the loss and it is immaterial that the said polluter has taken sufficient care for his action. The judicial pronouncement of this case is impliedly stated about the absolute liability principle of the polluters. This was a land mark case in Indian judiciary to protect and improvement of the healthy

[10] The Polluter Pays Principle – Vol. 10 p. 68 by *Shyel Trehan and Shuva Mandal**

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[12] (1996) 5 see 647.

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[14] Indian Council for Enviro-Legal Action and others v. Union of India (1996) 3 see 212 at 215.

[15] Enviro - Legal Action v. Union of India, 1996 AIR 1446.

life of the peoples and improvement in the conditions of an environment. Therefore the industries which are making pollution are liable to give compensation for the loss caused by the air pollution and the water pollution by them. Those industries are also liable to compensate the local areas which are covered under the peripheral are of the pollution of the said industry. As per this decision the polluter is liable to repair the total losses caused to an environment.

The judicial pronouncement of the said case has been referred in the case[16] in which the polluter was the tanneries in Calcutta. These tanneries were main polluter in Calcutta. Thus many villages were affected by the pollution of the said tanneries and it was also affected over the ecological balance of environment. The Hon'ble court ordered that, said tanneries has to relocate and should give compensation to the victims and also make good the adverse effect over an environment. After considering the said judgment it reveal that, the Hon'ble court has not only made an order of compensation but also ordered to the polluter to remove their business and reestablished at another place in which pollution may become less and which also less affected on the living being. This court has taken very much essential approach towards the industrialization and the balance of ecology. This Hon'ble court has taken view of sustainable development in this decision.

This principle as considering the milestone in the era of the protection of an environment were also implemented in Kamalnath's case[17] that the polluter has to pay the compensation for the loss caused by the act of the said polluter. This principle also used in another case[18] in which it has been stated that, an appellant was in dyeing and bleaching business at the area of Tirupur. These activity were given birth to the industrial effluents which was drain in to the Noyyal river it created water pollution which affected by degradation of an environment and tanks and other channels of the said river get polluted. The Hon'ble Supreme court has stated that, said industries were created pollution therefore the polluter cannot be escaped from the liability of making good of the said damages to the ecological balance and thus the polluter is liable to bare expenses up gradation the ecology. The polluter was not only liable for the expenses which was occurred for cleaning the rivers and the water of dams affected but also liable for compensation amount of the assessment which was made for the losses caused to the villagers because due to the said pollution the nearby land became uncultivated. The Hon'ble Supreme court by the said judgment make liable to the polluter for the pollution caused by his conduct and also make him indemnifier towards the expenses occurred for the cleaning of the affected dams and rivers.

This principle has also discussed under the Taj Trapezium case[19] Hon'ble Justic Kuldip Singh and Faizanuddin passed order that, the polluter pays principle is the part of the environmental law of the country. Further the industries which were running with the aid of coke/coal and who are not in position to use the gas those industries shall stop functioning and relocated the various industries. It is necessary to issue show cause for why an amount which was spent on the laboratory test by the Ministry of Environment and forest shall not be recovered from the polluter[20]. In this case the Hon'ble Supreme Court has impliedly through light over the action to save the incredible monuments in India.

CONCLUSION

If we consider the polluter pays principle we come to know that, the polluter is liable to make good the wrong done by him. The polluter is responsible for the damages and expenses incurred for the up gradation of an environment and to improve the position of the affected persons or victims. As the said polluter pays principle is the principal which can be use after the incident has taken place. It means that, the polluter having more than sufficient means can make pollution and thereafter indemnify the victims. On the other hand another principle is the precautionary principle in which the polluter if obstructed in first instance from making pollution.

This polluter pays principal is not more effective than the precautionary principle. There are many incidents in which it can be seen that, the polluter who makes pollution, indemnify to the victims for said pollution and again ready to make pollution. Therefore this polluter pays principle is not very much effective to eradicate the environmental pollution in India. Indirectly this principle has given license to the person or the polluter having more than sufficient means to make pollution because such type of the polluter initially calculate the total amount of damage which will be caused by their pollution and also calculate the amount of their future income. Where the amount of total damages due to pollution is very less than the amount of their future income than without any hesitation polluter start their activity.

Till today due to the said principle we have tried to managed or control the activity of the polluters. Even though this principle is in force the incidents of the pollution are taken place. Therefore this principle is not very much effective to eradicate the monster of environment pollution in India.

[16] M. V. Mehata Vs. Union of India, Writ Petition 3727of 1985, 19 Dec. 1986.

[17] (1997) 1 SCC 388.

[18] Tirupur Dyeing Factory Owners Association Vs. Noyyal River Ayacutdars Protection Association and Ors. Civil appeal No. 6777 of 2009.

[19] M. C. Mehta Vs. Union of India, WP (c) No. 13381 of 1984

[20] Research foundation for sciences Technology and Natural Resourses Policy Vs. Union of india, WP No. 657 of 1995.

COMPARATIVE STUDY OF NON-PERFORMING ASSETS AMONG PUBLIC SECTOR BANKS

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ABSTRACT

Non-Performing Asset is an important parameter in the analysis of financial performance of a bank as it results in decreasing margin and higher provisioning requirements for doubtful debts. NPA is a virus affecting banking sector. It affects liquidity and profitability, in addition posing threat on quality of asset and survival of banks.An asset, including a leased asset, becomes non-performing, when it ceases to generate an income for the bank. A non-performing asset (NPA) is defined as a credit facility in respect of which the interest and/or installment of the principal has remained 'past due' for a specified period of time Considering the growing of NPA, This project helps to understand how banks recover the loans given to individual or company in case they are not repaying the principal as well as the interest amount and what measures are taken by bank. In order to understand meaning of NPA, reasons for increase in NPA, measures taken by banks to recover the NPA. RBI data is used to compare with 5 public sector banks i.e. SBI, PNB, UCO Bank, Dena Bank and Indian Bank and find out the amount of % increase/ decrease in NPA. SPSS tool is used to calculate the Karl Pearson Correlation, Mean and Standard Deviation. As per RBI financial stability report Gross NPA declined to 4% in March 2014 from 4.2% in September 2013. The report is supported by figures and data wherever necessary with a view to assist the reader in developing a clear cut understanding of the topic.

KEYWORDS
non-performing assests, publc sector banks.

1. INTRODUCTION

The accumulation of huge non-performing assets in banks has assumed great importance. The depth of the problem of bad debts was first realized only in early 1990s. While gross NPA reflects the quality of the loans made by banks, net NPA shows the actual burden of banks. Now it is increasingly evident that the major defaulters are the big borrowers coming from the non-priority sector. The banks and financial institutions have to take the initiative to reduce NPAs in a time bound strategic approach. Public sector banks figure prominently in the debate not only because they dominate the banking industries, but also since they have much larger NPAs compared with the private sector banks. This raises a concern in the industry and academia because it is generally felt that NPAs reduce the profitability of banks, weaken its financial health and erode its solvency. For the recovery of NPAs a broad framework has evolved for the management of NPAs under which several options are provided for debt recovery and restructuring. Banks and FIs have the freedom to design and implement their own policies for recovery and write-off incorporating compromise and negotiated settlements. An asset, including a leased asset, becomes non-performing, when it ceases to generate an income for the bank. A Non Performing Asset (NPA) shall be a loan or an advance where:-

1. The interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan.
2. The account remains 'out of order' {in respect of an Overdraft/Cash Credit (OD/CC)}.
3. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
4. Interest and/or installment of principal remain overdue for two harvest seasons beyond the due date but for a period not exceeding two half years (in the case of an agricultural advance granted for short duration crops - crop season upto one year).
5. Interest and/or installment of principal remain overdue for one crop season beyond the due date (in the case of an agricultural advance granted for long duration crops -crop season longer than one year).
6. Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts and
7. The regular/adhoc credit limits have not been reviewed / renewed within 180 days from the due date of adhoc sanction.

1.1 CATEGORIES OF NPA

Sub-standard Assets

With effect from 31 March 2005, a sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full.

Doubtful Assets

With effect from 31 March 2001, an asset is to be classified as doubtful, if it has remained NPA for a period exceeding 12 months. In other words, an asset would be classified as doubtful, if it remained in the sub-standard category for 12 months.

Loss Assets

A loss asset is one where loss has been identified by the bank or the internal or external auditors or the RBI inspection but the amount has not been written off wholly.

2. LITERATURE REVIEW

S N Bidani (2002) NPA are the smoking gun threatening the very stability of Indian Bank. NPA is wreck a bank's profitability both through a lost of interest income and write-off the principal loan amount itself. To tackle the subject of managing bank NPA in it's entirely, staring right from the stage of their identification and till the recovery of dues in such accounts. Kavitha.N(2012) Emphasized on the assessment of NPA on profitability its magnitude and impact. Credit of total advances was in the form of doubtful assets in the past and has an adverse impact on profitability of all public sector banks affected at very nonperforming assets work with other banking and also affect productivity and efficiency of the banking groups. The study observed that there is increase in advances over the period of the study. Kamalpreet Kaur, Balraj Singh (2011) NPA are one of the major concerns for the banks in India as it reflect the performance of the banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of the banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the overall profits and shareholders' value. The problem of NPAs is not only affecting the banks but also the whole economy. High level of NPAs in Indian Banks is nothing but a reflection of the state of health of the industry and trade. Indian banking sector faces serious problem of NPAs as the extent of NPAs is comparatively higher in public sector banks. Asha Singh (2013) The public sector banks have shown very good performance over private sector banks as far as the financial operations are concerned. The NPA of private sector banks have been decreasing regularly year by year except some years. NPAs show that banks have strengthened their credit appraisal process over the years and increased in NPAs shows the necessity of provisions, which bring down the overall profitability of banks. Dr. Suresh Patidar And Ashwini Kataria (2012) The Government of India through the instrument of Reserve Bank of India (RBI) mandates certain type of lending on the Banks operating in India irrespective of their origin. RBI sets targets in terms of percentage (of total money lent by the banks) to be lent to certain sectors , which RBI's perception would have had access to organized lending market or could not afford to pay the interest at the commercial rate. In the comparison it is clear that NPA in Priority Sector and comparison is also done between public sector banks and private sector banks. The following are the points of conclusion:

The total priority sector advances by public sector banks has been increased from Rs. 104094 crores to Rs. 608963 crores in past 10 years, whereas advances by private sector has increased from Rs. 14155 to Rs. 163223 crores in past 10 years. Advances in agriculture category contributed highest 40.84% of priority sector lending in 2008 by public sector, whereas advances in others category contributed highest 36.42% of priority sector lending in 2008. The reasons for growing advances in priority sector in the norms given by RBI, where banks need to compulsorily invest in these sectors. NPA produced by public sector banks Rs. 25286 crores is more than that of Private sector banks Rs. 3418 crores. Pallab Sikdar & Dr. Munish Makkad (2013) The problem of NPAs can be tackled only with proper credit assessment and risk management mechanism. In a situation of liquidity overhang, the enthusiasm of the banking system to increase lending may compromise an asset quality, raising concern about their adverse selection and potential danger of addition to the stock of NPAs. It is necessary that the banking system is to be equipped with prudential norms to minimize if not completed to avoid the problem of NPAs. The onus for containing the factors leading to NPAs rests with banks themselves. This will necessitate organizational restructuring, improvement in the managerial efficiency and skill up gradation for proper assessment of creditworthiness. It is better to avoid NPAs at the nascent stage of credit considerations by putting in place rigorous and appropriate credit appraisal mechanisms. Debarsh and Sukanya Goyal (2012) Emphasized on management of NPA in the perspective of the public sector banks in India under strict asset classification norms, use of latest technological platform based on Core Banking Solution, recovery procedures and other bank specific indicators in the context of stringent regulatory framework by RBI. NPA is an important parameter in the analysis of financial performance of a bank as it results increasing margin and higher provisioning requirements for doubtful debts. The reduction of NPAs is necessary to improve profitability of banks. Siraj.K.K & Prof. (Dr.) P. Sudarsanan Pillai (2012) NPA is a virus affecting banking sector. It affects liquidity and profitability, in addition posing threat on quality of asset and survival of banks. The study concluded that NPA still remains a major threat and the incremental component explained through additions to NPA poses a great questions mark on efficiency of credit risk management of banks in India. Dr. Ravindra N. Sontakke & Mr. Chandan Tiwari (2014) Banking sector plays a pivotal role in the development of the economy. The development role it undertakes determines the pace of development of the economy. Hence the stability of banking sector is pivotal for the development of an economy. The primary function of banks is to lend funds as loans to various sectors such as agriculture, industry, personal and housing and other to meet the productive use of these funds. In recent times the banks have become very cautions in extending loans, the reason being mounting NPAs.

3. OBJECTIVES OF THE STUDY

1. To understand the correlation between gross NPA and advances.
2. To analyze the trend in increase in NPA and the reasons.
3. Comparison of five public sector banks with RBI's data with respect to NPA, unstructured assets.
4. To study the preventive measures undertaken by bank to restructure the assets.

4. RESEARCH METHODOLOGY

The present study is **descriptive** in nature.

Sample size is 5 public sector banks which includes SBI, PNB, Indian Bank, Dena Bank and UCO Bank.

Secondary data is collected from RBI (Financial Stability Report), Balance sheet of various public sector banks and newspaper. SPSS is used to calculate correlation, mean and standard deviation.

HYPOTHESIS

H0: There is no significant correlation between GNPA and advances

H1: There is significant relationship between GNPA and advances.

5. RELATIONSHIP BETWEEN GROSS NPA AND ADVANCES

NPA is used by financial institutions that refer to loans that are in jeopardy of default. Once the borrower has failed to make interest or principle payments for 90 days the loan is considered to be a non-performing asset and advances are loans given by banks to individual or to an organization.

5.1 INDIAN BANK

TABLE 1

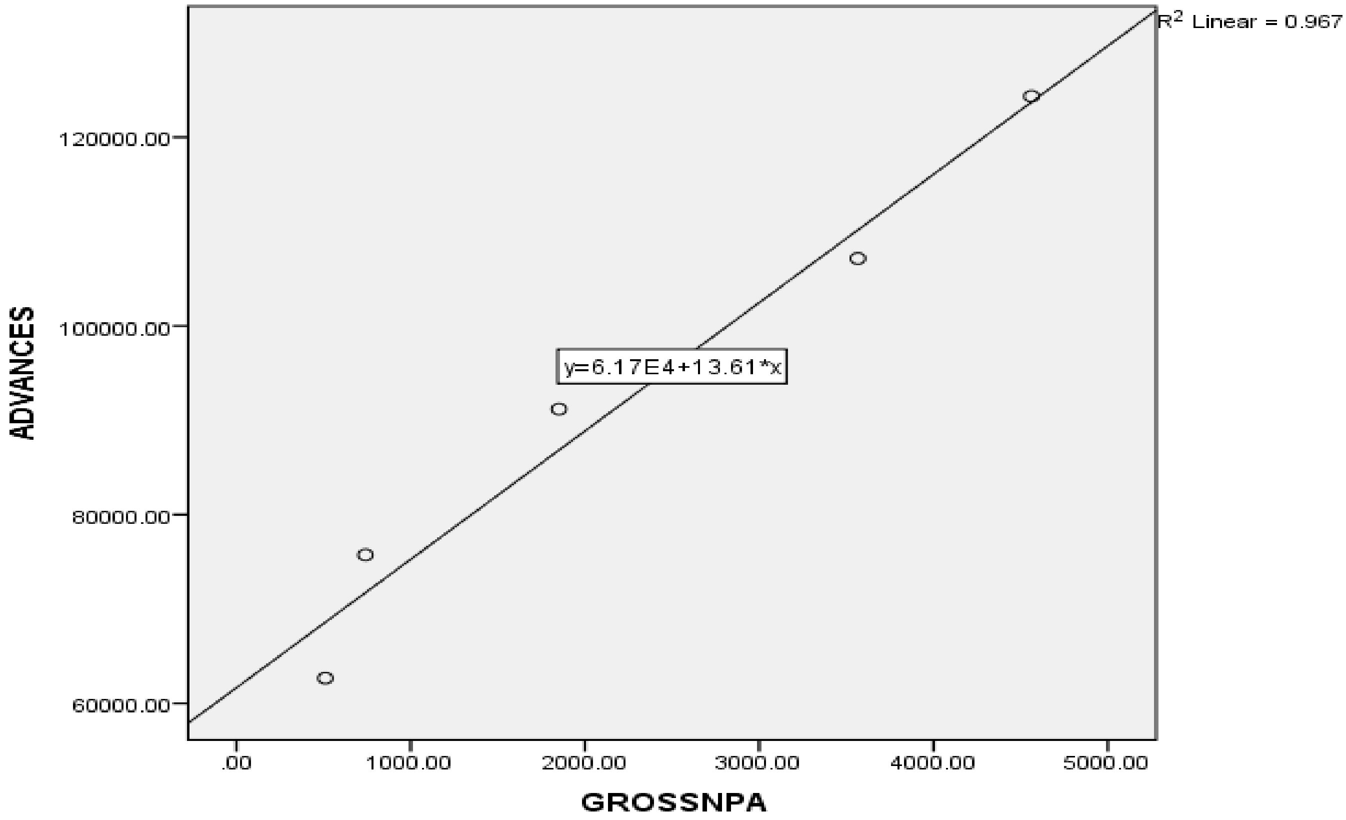
YEAR	ADVANCES	GROSS NPA
2009-10	62,658	510
2010-11	75,726	740.31
2011-12	91,184	1850.78
2012-13	1,07,156	3565.48
2013-14	1,24,359	4562.20

Source: Annual Reports

TABLE 2: CORRELATION IS SIGNIFICANT AT THE 0.01 LEVEL (2-TAILED)

		ADVANCES	GROSSNPA
ADVANCES	Pearson Correlation	1	.983**
	Sig. (2-tailed)		.003
	N	5	5
GROSSNPA	Pearson Correlation	.983**	1
	Sig. (2-tailed)	.003	
	N	5	5

FIGURE 1



Interpretation

There is a significant positive relationship between Advances and Gross NPA of Indian Bank that is 0.983 as advances increases there is an increase in GNPA. Advances of Indian Bank has reduced from 17.516% to 16.05% in 2012-13 and 2013-14 respectively. GNPA has also reduced widely from 92.64% to 27.95% in 2012-13 and 2013-14 respectively. So null hypothesis will be rejected and alternate will be accepted. In the case of Indian Bank, gross NPA levels showed a rise and stood at Rs 3,723 crore as on the first quarter of FY14 while it stood at Rs 1,554 crore as on June of last year. Net NPAs also rose during the same period to Rs 2,486 crore as compared to Rs 963 crore during the same period in 2012. During the period, the bank restructured accounts in the discom sector to the tune of Rs 35.01 crore.

TABLE 3

	N	Mean	Std. Deviation
ADVANCES	5	92216.6000	24510.38828
GROSSNPA	5	2245.7540	1770.79127
Valid N (listwise)	5		

Interpretation

On an average advance of Indian bank increased by 92216.6 and Gross NPA are 2245.7540. And higher the standard deviation means higher the risk as standard deviation measures the risk.

5.2 STATE BANK OF INDIA (SBI)

TABLE 4

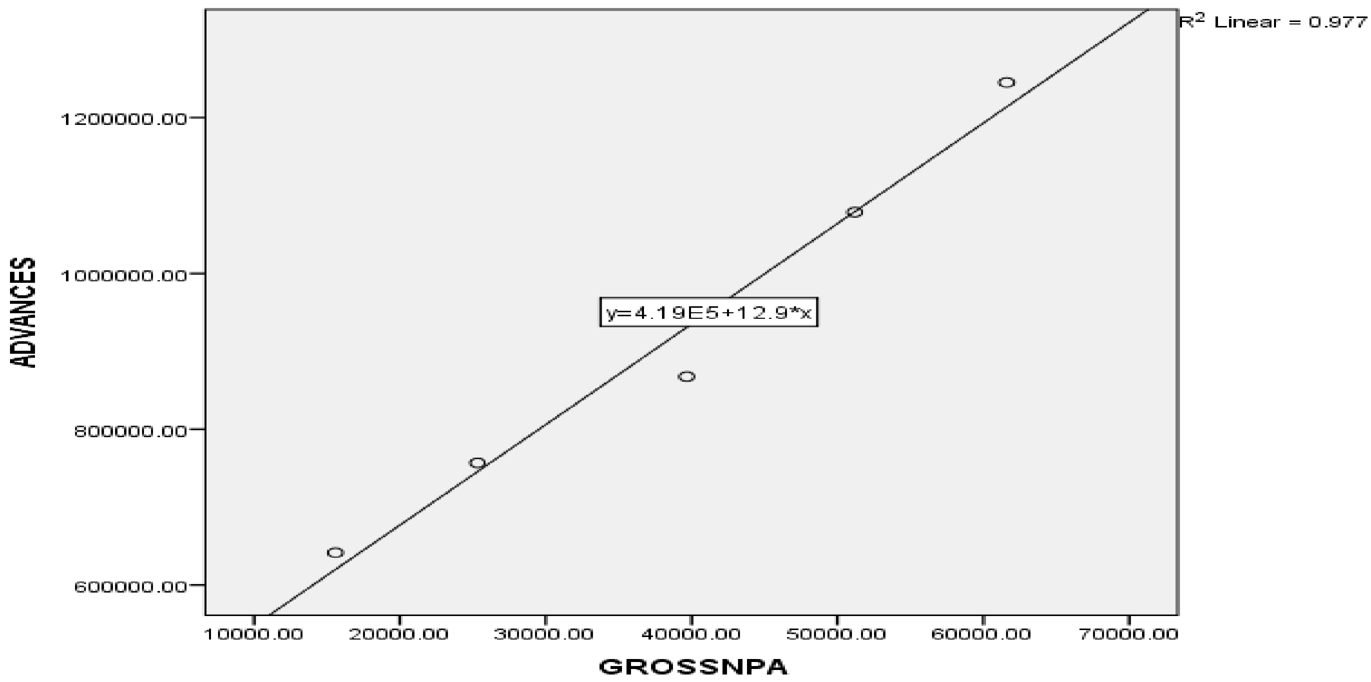
YEAR	ADVANCES	GROSS NPA
2009-10	6,41,480	15,589
2010-11	7,56,719	25,326
2011-12	8,67,579	39,676
2012-13	10,78,557	51,189
2013-14	12,45,122	61,605

Source: Annual reports

TABLE 5

		ADVANCES	GROSSNPA
ADVANCES	Pearson Correlation	1	.988**
	Sig. (2-tailed)		.002
	N	5	5
GROSSNPA	Pearson Correlation	.988**	1
	Sig. (2-tailed)	.002	
	N	5	5

FIGURE 2



Interpretation

There is a significant positive relationship between Advances and Gross NPA of SBI that is 0.988 as advances increases there is an increase in GNPA. Advances of SBI have reduced from 24.318% to 15.44% in 2012-13 and 2013-14 respectively. GNPA has also reduced from 29.01% to 20.34% in 2012-13 and 2013-14 respectively. So null hypothesis will be rejected and alternate will be accepted. State Bank of India (SBI), the country's largest lender, topped the list of banks with the highest gross NPAs (in percentage terms) during the quarter among BSE-Bankex constituents. The gross NPA to advances for SBI, which has seen a steady increase in bad loans, surged to 5.56% in April-June, the highest since the quarter ending March 2011. Gross NPAs have increased 81 basis points (0.81%) for SBI during the quarter, data with the Centre for Monitoring Indian Economy (CMIE) showed. "The rise of bad loans is across the board. The growth has lowered, manufacturing is not doing that well and interest rates are going up instead of moving down.

TABLE 6

	N	Mean	Std. Deviation
ADVANCES	5	917891.4000	243825.98445
GROSSNPA	5	38677.0000	18671.81214
Valid N (listwise)	5		

Interpretation

On an average advance of SBI increased by 917891.4 and Gross NPA are 38677. And higher the standard deviation means higher the risk as standard deviation measures the risk.

5.3 PUNJAB NATIONAL BANK (PNB)

TABLE 7 (Rs. In Crore)

YEAR	ADVANCES	GROSS NPA
2009-10	1,86,601	3,214.41
2010-11	2,42,107	4,379.39
2011-12	2,93,775	8,719.62
2012-13	3,08,796	13,465.79
2013-14	3,49,269	18,880.06

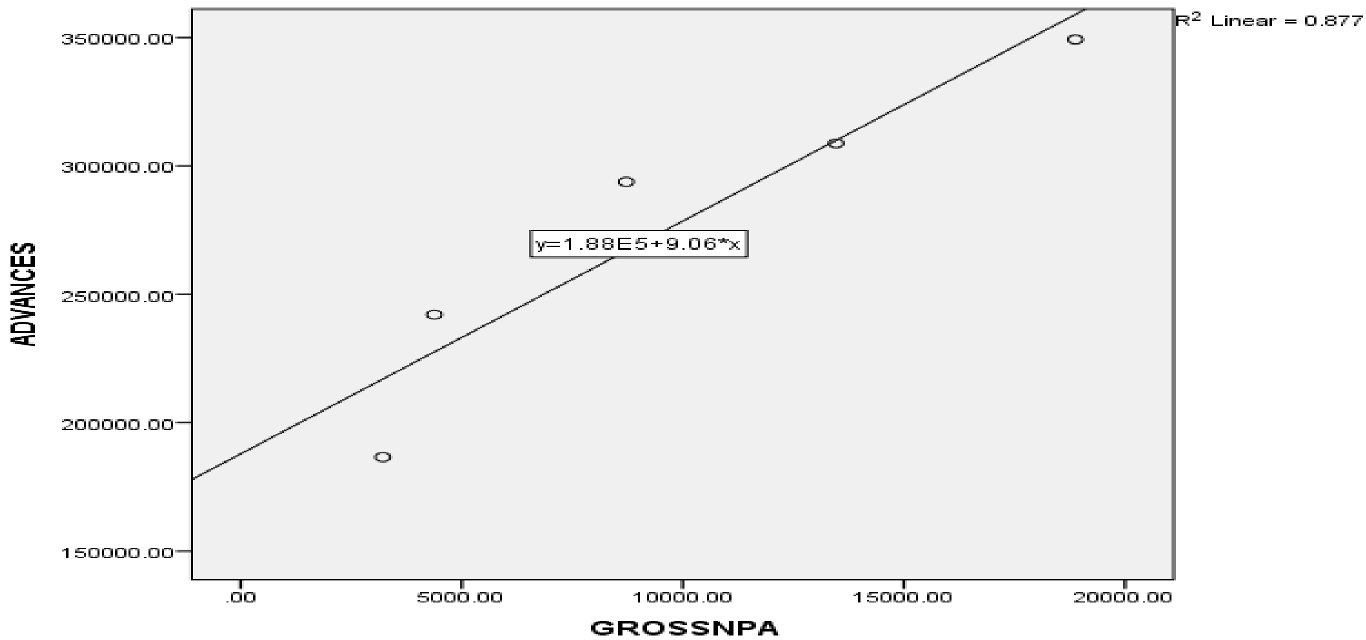
Source: Annual Reports

TABLE 8

		ADVANCES	GROSSNPA
ADVANCES	Pearson Correlation	1	.937*
	Sig. (2-tailed)		.019
	N	5	5
GROSSNPA	Pearson Correlation	.937*	1
	Sig. (2-tailed)	.019	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

FIGURE 3



Interpretation

There is a significant positive relationship between Advances and Gross NPA of PNB that is 0.937 as advances increases there is an increase in GNPA. Advances of PNB have increased from 5.11% to 13.106% in 2012-13 and 2013-14 respectively. GNPA has also increased from 40.20% to 54.43% in 2012-13 and 2013-14 respectively. So null hypothesis will be rejected and alternate will be accepted. Loans were in the agriculture sector, as 67 per cent of the bank's branches are in rural and semi-urban areas. Due to continuous drought, several of these loans had become bad accounts. Another reason was the increase in interest rates in the banking industry over the last few years, which in turn led to an increase in monthly repayments.

TABLE 9

	N	Mean	Std. Deviation
ADVANCES	5	276109.6000	63049.05073
GROSSNPA	5	9731.8540	6515.03100
Valid N (listwise)	5		

Interpretation

On an average advance of PNB increased by 276109.6 and Gross NPA are 9731.8540. And higher the standard deviation means higher the risk as standard deviation measures the risk.

5.4 UNITED COMMERCIAL BANK (UCO)

TABLE 10 (Rs. in Crore)

YEAR	ADVANCES	GROSS NPA
2009-10	8,2504.53	1,539.51
2010-11	99,070.81	1,666.43
2011-12	1,15,540.01	3150.36
2012-13	1,28,282.86	4,086.20
2013-14	1,49,584.21	7,130.09

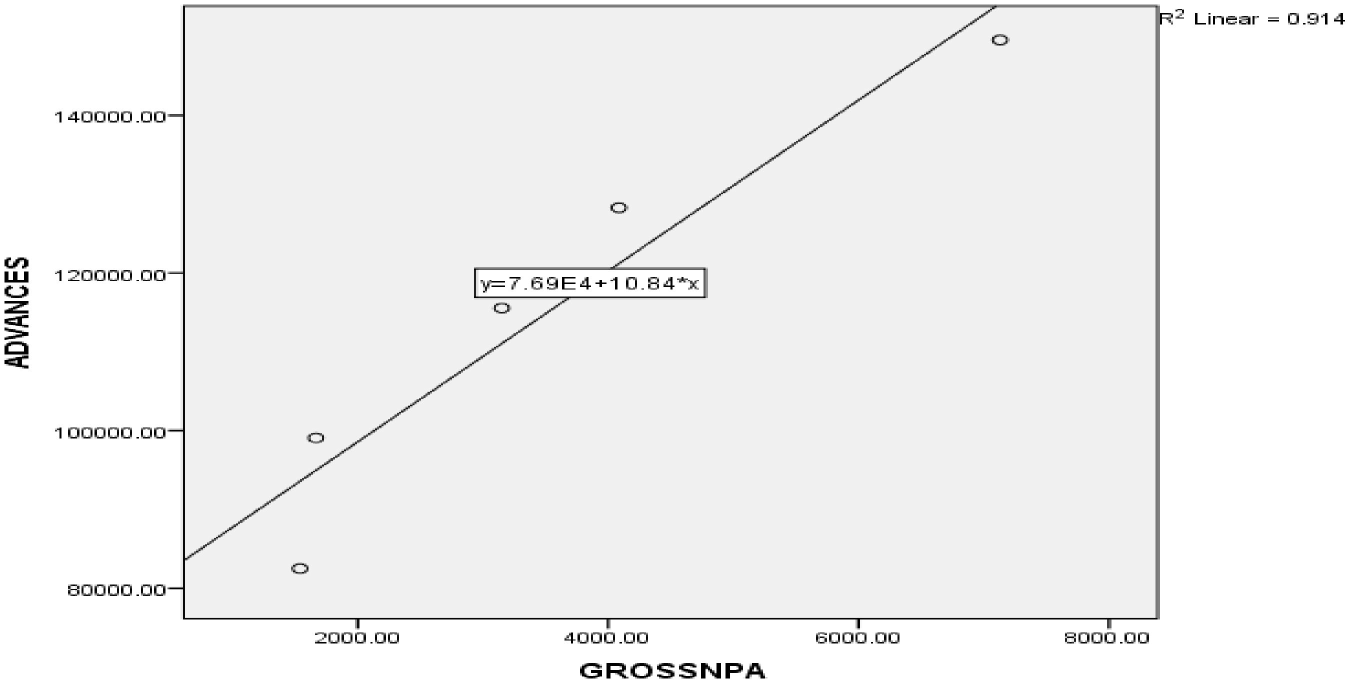
Source: Annual reports.

TABLE 11

		ADVANCES	GROSSNPA
ADVANCES	Pearson Correlation	1	.956*
	Sig. (2-tailed)		.011
	N	5	5
GROSSNPA	Pearson Correlation	.956*	1
	Sig. (2-tailed)	.011	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

FIGURE 4



Interpretation

There is a significant positive relationship between Advances and Gross NPA of UCO bank that is 0.956 as advances increases there is an increase in GNPA. Advances of UCO bank has increased from 11.02% to 16.604% in 2012-13 and 2013-14 respectively. GNPA has also increased widely from 29.705% to 74.49% in 2012-13 and 2013-14 respectively. So null hypothesis will be rejected and alternate will be accepted Loans were in the agriculture sector, as 67 per cent of the bank's branches are in rural and semi-urban areas. Due to continuous drought, several of these loans had become bad accounts. Another reason was the increase in interest rates in the banking industry over the last few years, which in turn led to an increase in monthly repayments.

TABLE 12

	N	Mean	Std. Deviation
GROSSNPA	5	3514.5180	2282.97383
ADVANCES	5	114996.4840	25896.37120
Valid N (listwise)	5		

Interpretation

On an average advance of UCO Bank increased by 3514.5180 and Gross NPA are 114996.4840. And higher the standard deviation means higher the risk as standard deviation measures the risk.

5.5 DENA BANK

TABLE 13 (Rs. in Crore)

YEAR	ADVANCES	GROSS NPA
2009-10	35,721	641.99
2010-11	45,163	842.24
2011-12	57,159	956.50
2012-13	66,457	1,452.45
2013-14	78,622	2,616.03

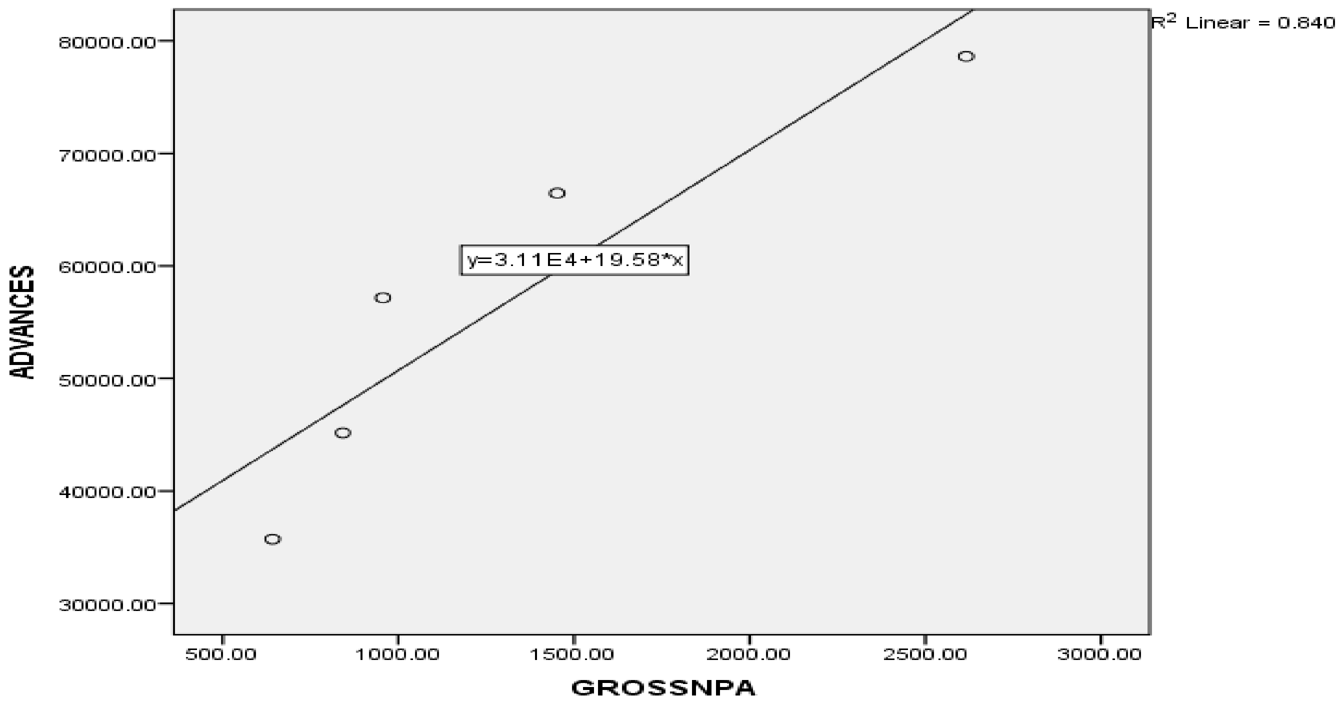
Source: Annual reports

TABLE 14

		ADVANCES	GROSSNPA
ADVANCES	Pearson Correlation	1	.916*
	Sig. (2-tailed)		.029
	N	5	5
GROSSNPA	Pearson Correlation	.916*	1
	Sig. (2-tailed)	.029	
	N	5	5

*Correlation is significant at the 0.05 level (2-tailed).

FIGURE 5



Interpretation

There is a significant positive relationship between Advances and Gross NPA of Dena Bank that is 0.916 as advances increases there is an increase in GNPA. Advances of Dena Bank has increased from 16.266% to 18.30% in 2012-13 and 2013-14 respectively. GNPA has also increased from 51.85% to 80.11% in 2012-13 and 2013-14 respectively. So null hypothesis will be rejected and alternate will be accepted. Loans were in the agriculture sector, as 67 per cent of the bank's branches are in rural and semi-urban areas. Due to continuous drought, several of these loans had become bad accounts. Another reason was the increase in interest rates in the banking industry over the last few years, which in turn led to an increase in monthly repayments.

TABLE 15

	N	Mean	Std. Deviation
ADVANCES	5	56624.4000	16949.74961
GROSSNPA	5	1301.8420	793.04360
Valid N (listwise)	5		

Interpretation

On an average advance of Dena Bank increased by 56624.4 and Gross NPA are 1301.6420. And higher the standard deviation means higher the risk as standard deviation measures the risk.

6. PREVENTIVE MEASUREMENTS FOR NPA

Various steps have been taken by the government and RBI to recover and reduce NPAs. These strategies are necessary to control NPAs.

1. Preventive management
2. Curative management

6.1. PREVENTIVE MANAGEMENT

Preventive measures are to prevent the asset from becoming a non performing asset. Banks has to concentrate on the following to minimize the level of NPAs.

6.1.1. Early Warning Signals

The origin of the flourishing NPAs lies in the quality of managing credit assessment, risk management by the banks concerned. Banks should have adequate preventive measures, fixing presanctioning appraisal responsibility and having an effective post-disbursement supervision. Banks should continuously Monitor loans to identify accounts that have potential to become non-performing .It is important in any early warning system, to be sensitive to signals of credit deterioration. A host of early warning signals are used by different banks for identification of potential NPAs. Most banks in India have laid down a series of operational, financial, transactional indicators that could serve to identify emerging problems in credit exposures at an early stage. Further, it is revealed that the indicators which may trigger early warning system depend not only on default in payment of instalment and interest but also other factors such as deterioration in operating and financial performance of the borrower, weakening industry characteristics, regulatory changes, and general economic conditions. Early warning signals can be classified into five broad categories viz.

(a) Financial
(b) Operational
(c) Banking
(d) Management and
(e) External factors

Financial related warning signals generally emanate from the borrowers' balance sheet, income expenditure statement, statement of cash flows, statement of receivables etc. Following common warning signals are captured by some of the banks having relatively developedEWS.

6.1.2. Financial warning signals

- Persistent irregularity in the account
- Default in repayment obligation
- Devolvement of LC/invocation of guarantees
- Deterioration in liquidity/working capital position
- Substantial increase in long term debts in relation to equity
- Declining sales
- Operating losses/net losses
- Rising sales and falling profits

• Disproportionate increase in overheads relative to sales
• Rising level of bad debt losses Operational warning signals
• Low activity level in plant
• Disorderly diversification/frequent changes in plan
• Non-payment of wages/power bills
• Loss of critical customer/s
• Frequent labour problems
• Evidence of aged inventory/large level of inventory

6.1.3. Management related warning signals
• Lack of co-operation from key personnel
• Change in management, ownership, or key personnel
• Desire to take undue risks
• Family disputes
• Poor financial controls
• Fudging of financial statements
• Diversion of funds

6.1.4. Banking related signals
• Declining bank balances/declining operations in the account
• Opening of account with other bank
• Return of outward bills/dishonoured cheques
• Sales transactions not routed through the account
• Frequent requests for loan
• Frequent delays in submitting stock statements, financial data, etc. Signals relating to external factors
• Economic recession
• Emergence of new competition
• Emergence of new technology
• Changes in government / regulatory policies
• Natural calamities

Know your client' profile (KYC): Most banks in India have a system of preparing `know your client' (KYC) profile/credit report. As a part of `KYC' system, visits are made on clients and their places of business/units. The frequency of such visits depends on the nature and needs of relationship.

Credit Assessment and Risk Management Mechanism: Credit assessment and Risk management mechanism are ever lasting solution to the problem of NPAs. Managing credit risk is a much more forward looking approach and is mainly concerned with managing the quality of credit portfolio before default takes place. The documentation of credit policy and credit audit immediately after the sanction is necessary to upgrade the quality of credit appraisal in banks. In a situation of liquidity overhang the enthusiasm of the banking system is to increase lending with compromise on asset quality, raising concern about adverse selection and potential danger of addition to the NPAs stock. It is necessary that the banking system is equipped with prudential norms to minimize if not completely avoid the problem of credit risk and develop an effective internal credit risk models for the purpose of credit risk management. Organizational restructuring: With regard to internal factors leading to NPAs the onus for containing the same rest with the bank themselves. These will necessities organizational restructuring improvement in the managerial efficiency, skill up gradation for proper assessment of credit worthiness and a change in the attitude of the banks towards legal action, which is traditionally viewed as a measure of the last resort.

Reduce Dependence on Interest: The Indian banks are largely depending upon lending and investments. The banks in the developed countries do not depend upon this income whereas 86 percent of income of Indian banks is accounted from interest and the rest of the income is fee based. The banker can earn sufficient net margin by investing in safer securities though not at high rate of interest. It facilitates for limiting of high level of NPAs gradually. It is possible that average yield on loans and advances net default provisions and services costs do not exceed the average yield on safety securities because of the absence of risk and service cost.

6.1.5. Watch-list/Special Mention Category

The grading of the bank's risk assets is an important internal control tool. It serves the need of the Management to identify and monitor potential risks of a loan asset. The purpose of identification of potential NPAs is to ensure that appropriate preventive / corrective steps could be initiated by the bank to protect against the loan asset becoming non-performing. Most of the banks have a system to put certain borrowable accounts under watch list or special mention category if performing advances operating under adverse business or economic conditions are exhibiting certain distress signals. These accounts generally exhibit weaknesses which are correctable but warrant banks' closer attention. The categorization of such accounts in watch list or special mention category provides early warning signals enabling Relationship Manager or Credit Officer to anticipate credit deterioration and take necessary preventive steps to avoid their slippage into non performing advances.

6.1.6. Wilful Defaulters

RBI has issued revised guidelines in respect of detection of willful default and diversion and siphoning of funds. As per these guidelines a willful default occurs when a borrower defaults in meeting its obligations to the lender when it has capacity to honour the obligations or when funds have been utilized for purposes other than those for which finance was granted. The list of willful defaulters is required to be submitted to SEBI and RBI to prevent their access to capital markets. Sharing of information of this nature helps banks in their due diligence exercise and helps in avoiding financing unscrupulous elements. RBI has advised lenders to initiate legal measures including criminal actions, wherever required, and undertake a proactive approach in change in management, where appropriate.

6.2. CURATIVE MANAGEMENT

The curative measures are designed to maximize recoveries so that banks funds locked up in NPAs are released for recycling. The Central government and RBI have taken steps for controlling incidence of fresh NPAs and creating legal and regulatory environment to facilitate the recovery of existing NPAs of banks. They are:

6.2.1. One Time Settlement Schemes

This scheme covers all sectors sub – standard assets, doubtful or loss assets as on 31st March 2000. All cases on which the banks have initiated action under the SRFAESI Act and also cases pending before Courts/DRTs/BIFR, subject to consent decree being obtained from the Courts/DRTs/BIFR are covered. However cases of wilful default, fraud and malfeasance are not covered. As per the OTS scheme, for NPAs up to Rs. 10crores, the minimum amount that should be recovered should be 100% of the outstanding balance in the account.

6.2.2. Lok Adalats

Lok Adalat institutions help banks to settle disputes involving account in "doubtful" and "loss" category, with outstanding balance of Rs. 5 lakh for compromise settlement under Lok Adalat. Debt recovery tribunals have been empowered to organize Lok Adalat to decide on cases of NPAs of Rs. 10 lakh and above. This mechanism has proved to be quite effective for speedy justice and recovery of small loans. The progress through this channel is expected to pick up in the coming years.

6.2.3. Debt Recovery Tribunals (DRTs)

The Debt Recovery Tribunals have been established by the Government of India under an Act of Parliament (Act 51 of 1993) for expeditious adjudication and recovery of debts due to banks and financial institutions. The Debt Recovery Tribunal is also the appellate authority for appeals filed against the proceedings initiated by secured creditors under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act. The recovery of debts due to banks and financial institution passed in March 2000 has helped in strengthening the function of DRTs. Provision for placement of more than one recovery officer, power to attach defendant's property/assets before judgment, penal provision for disobedience of tribunal's order or for breach of any terms of order and appointment of receiver with power of realization, management, protection and preservation of property are expected to provide necessary teeth to the DRTs and speed up the recovery of NPAs in the times to come. DRTs which have been set up by the Government to facilitate speedy recovery by banks/DFIs, have not been able make much impact on loan recovery due to variety of reasons like inadequate number, lack of infrastructure, under staffing and frequent adjournment of cases. It is essential that DRT mechanism is strengthened and vested with a proper enforcement mechanism to enforce their orders. Non observation of any order passed by the tribunal should amount to contempt of court, the DRT should have right to initiate contempt proceedings. The DRT should empowered to sell asset of the debtor companies and forward the proceed to the winding – up court for distribution among the lenders.

6.2.4. Securitization and SARFAESI Act

Securitization is a relatively new concept that is taking roots in India of late. It is still in its infancy with only a few market players. Securitization is considered an effective tool for improvement of capital adequacy. It is also seen as a tool for transferring the reinvestment risk, apart from credit risk helping the banks to maintain proper match between assets and liabilities. Securitization can also help in reducing the risk arising out of credit exposure norms and the imbalances of credit exposure, which can help in the maintenance of healthy assets. The SARFAESI Act intends to promote Securitization, pool together NPAs of banks to realize them and make enforcement of Security Interest Transfer.

The SARFAESI Act-2002 is seen as a booster, initially, for banks in tackling the menace of NPAs without having to approach the courts. With certain loopholes still remaining in the act, the experiences of banks were that the Act in its present form would not serve the envisaged objective of optimum recovery of NPAs, particularly with the hard-core NPA borrowers dragging the banks into endless litigation to delay the recovery process. The Supreme Court decision in regard to certain proviso of the SARFAESI Act also vindicated this view. This section deals with the features of Securitization and its resourcefulness in tackling NPAS and about the SARFAESI Act, its resourcefulness and limitations in tackling the NPA borrowers and the implication of the recent Supreme Court judgment.

With the steady sophistication of the Indian Financial Services Sector, the structured finance market is also growing significantly, of which Securitization occupies a prominent place. With Basel II norms imminently being implemented by 2008, banks are required to pool up huge capital to offset the credit risk and Operational risk components. Securitization, therefore, is seen to be an effective and vibrant tool for capital formation for banks in future.

TABLE 16

Recovery through various channels (in Rs cr)

	Amount involved	Amount recovered	Percentage
Lok Adalats	6,600	400	6.1
DRTs	31,000	4,400	14.0
Sarfaesi Act	68,100	18,500	27.1

Source: Report on Trend and Progress of Banking in India 2012-13

Source: RBI

According to the RBI's Report on Trend and Progress of Banking in India, 2012-13, banks have recovered Rs. 18,500 crore through the Sarfaesi route. Also, in terms of efficiency, the Act has proved to be more effective than the debt recovery tribunals (DRTs) or mediation by Lok Adalats.

6.2.5 ASSET RECONSTRUCTION COMPANY (ARC)

This empowerment encouraged the three major players in Indian banking system, namely, State Bank of India (SBI), ICICI Bank Limited (ICICI) and IDBI Bank Limited (IDBI) to come together to set-up the first ARC. Arcil was incorporated as a public limited company on February 11, 2002 and obtained its certificate of commencement of business on May 7, 2003. In pursuance of Section 3 of the Securitization Act 2002, it holds a certificate of registration dated August 29, 2003, issued by the Reserve Bank of India (RBI) and operates under powers conferred under the Securitization Act, 2002. Arcil is also a "financial institution" within the meaning of Section 2 (h) (ia) of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (the "DRT Act"). Arcil is the first ARC in the country to commence business of resolution of non-performing assets (NPAs) upon acquisition from Indian banks and financial institutions. As the first ARC, Arcil has played a pioneering role in setting standards for the industry in India.

A. Unlocking capital for the banking system and the economy

The primary objective of Arcil is to expedite recovery of the amounts locked in NPAs of lenders and thereby recycling capital. Arcil thus, provides relief to the banking system by managing NPAs and help them concentrate on core banking activities thereby enhancing shareholders value.

B. Creating a vibrant market for distressed debt assets / securities in India offering a trading platform for Lenders

Arcil has made successful efforts in funneling investment from both from domestic and international players for funding these acquisitions of distressed assets, followed by showcasing them to prospective buyers. This has initiated creation of a secondary market of distressed assets in the country besides hastening their resolution. The efforts of Arcil would lead the country's distressed debt market to international standards.

C. To evolve and create significant capacity in the system for quicker resolution of NPAs by deploying the assets optimally

With a view to achieving high delivery capabilities for resolution, Arcil has put in place a structure aimed at outsourcing the various sub-functions of resolution to specialized agencies, wherever applicable under the provision of the Securitization Act, 2002. Arcil has also encourage, groomed and developed many such agencies to enhance its capacity in line with the growth of its activity.

6.2.6 CORPORATE DEBT RESTRUCTURING (CDR)

Corporate Debt Restructuring (CDR) framework is to ensure timely and transparent mechanism for restructuring of the corporate debts of viable entities facing problems, outside the purview of BIFR, DRT and other legal proceedings, for the benefit of all concerned. In particular, the framework will aim at preserving viable corporate that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme.

CDR system in the country will have a three-tier structure:

A. CDR STANDING FORUM

The CDR Standing Forum would be the representative general body of all financial institutions and banks participating in CDR system. All financial institutions and banks should participate in the system in their own interest. CDR Standing Forum will be a self-empowered body, which will lay down policies and guidelines, guide and monitor the progress of corporate debt restructuring.

B. CDR EMPOWERED GROUP

The CDR Empowered Group would be mandated to look into each case of debt restructuring, examine the viability and rehabilitation potential of the Company and prove the restructuring package within a specified time frame of 90 days, or at best 180 days of reference to the Empowered Group.

C. CDR CELL

The CDR Standing Forum and the CDR Empowered Group will be assisted by a CDR Cell in all their functions. The CDR Cell will make the initial scrutiny of the proposals received from borrowers / lenders, by calling for proposed rehabilitation plan and other information and put up the matter before the CDR Empowered Group, within one month to decide whether rehabilitation is prima facie feasible, if so, the CDR Cell will proceed to prepare detailed Rehabilitation Plan with the help of lenders and if necessary, experts to be engaged from outside. If not found prima facie feasible, the lenders may start action for recovery of their dues.

THE MECHANISM OF THE CDR

CDR will be a Non-statutory mechanism. CDR mechanism will be a voluntary system based on debtor-creditor agreement and inter-creditor agreement. The scheme will not apply to accounts involving only one financial institution or one bank. The CDR mechanism will cover only multiple banking accounts/ syndication / consortium accounts with outstanding exposure of Rs.20 crore and above by banks and institutions. The CDR system will be applicable only to standard and sub-standard accounts. However, as an interim measure, permission for corporate debt restructuring will be made available by RBI on the basis of specific recommendation of CDR "Core-Group", if a minimum of 75 per cent (by value) of the lenders constituting banks and FIs consent for CDR, irrespective of differences in asset classification status in banks/ financial institutions. There would be no requirement of the account / company being sick NPA or being in default for a specified period before reference to the CDR Group. This approach would provide the necessary flexibility and facilitate timely intervention for debt restructuring. Prescribing any milestone(s) may not be necessary, since the debt restructuring exercise is being triggered by banks and financial institutions or with their consent. In no case, the requests of any corporate indulging in wilful default or misfeasance will be considered for restructuring under CDR.

6.2.7 CREDIT INFORMATION BUREAU

The institutionalization of information sharing arrangement is now possible through the newly formed Credit Information Bureau of India Limited (CIBIL) It was set up in January 2001, by SBI, HDFC, and two foreign technology partners. This will prevent those who take advantage of lack of system of information sharing amongst leading institutions to borrow large amount against same assets and property, which has in no measures contributed to the incremental of NPAs of banks.

7. CONCLUSION

The study conducted on COMPARATIVE STUDY OF NON-PERFORMING ASSETS AMONG PUBLIC SECTOR BANKS. It is not possible to eliminate totally the NPAs in the banking business but can only be minimized. It is always wise it follow the proper policy appraisal, supervision and follow-up of advances to avoid NPAs.

The banks should not only take steps for reducing present NPAs, but necessary precaution should also be taken to avoid future NPAs. As per RBI data the level of gross non-performing advances (GNPAs) as percentage of total gross advances for the entire banking system declined to 4 per cent in March 2014 from 4.2 per cent in September 2013. The net non-performing advances (NNPAs) as a percentage of total net advances also declined to 2.2 per cent in March 2014 from 2.3 per cent in September 2013. This improvement in asset quality was due to the lower slippage of standard advances to non-performing advances and a seasonal pattern of higher recovery and write-offs that generally take place during the last quarter of the financial year. Sale of NPAs to asset reconstruction companies (ARCs) 5 in the light of the Framework on Revitalizing Stressed Assets could be another reason for this improvement. SCBs' stressed advances6 also declined to 9.8 per cent of the total advances from 10.2 per cent between September 2013 and March 2014. Public sector banks continued to register the highest stressed advances at 11.7 per cent of the total advances, followed by old private banks at 5.9 per cent

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