# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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**INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT**

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**RESULTS & DISCUSSION**

**FINDINGS**

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# A LITERATURE REVIEW ON EFFECTIVENESS OF CELEBRITY ENDORSEMENT FOR THE SOCIAL CAUSE

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## ABSTRACT
*Marketers overtly acknowledge the power of celebrity in influencing buyer's purchase decision. From the theory and practice it is evident that the use of stars and their unleashing power can generate a lot of publicity and attention for the publicity of a social cause. But the underlying questions are do these stars really help a social cause by increasing awareness about it? On the other hand, can they really have an impact on their fans willingness to take voluntary participation for social cause? Keeping these lines in mind this study explores the increasing appearance of celebrity endorsement and their role in advancing for social causes and their accomplishments in shaping consumer behaviour. The rise of celebrities endorsing brands has been steadily increasing over the past 30 years or so. They have firm believe that likeability or a favourable attitude towards a brand is created by the use of a celebrity. Today, celebrities from various fields like the celluloid world and sports are being hired to act as brand ambassadors to promote products, services, television game shows, tournaments and even social cause, meaning their role is getting extended into the real world beyond films, studios, ramps and sports grounds. They are now appearing in hard news stories, pictured performing mundane daily activities, and seen supporting various causes.*

## KEYWORDS
purchase decision, favourable attitude, celluloid world, ramps, voluntary.

## INTRODUCTION
It's easy to say that if you have a celebrity on board, you're going to get more donations," an assistant professor of accounting at the Rutgers School of Business–Camden find that celebrities also offer a credibility signal to donors, which is especially important for nonprofit organizations. That's because research being done at Rutgers–Camden suggests movie stars, musical performers, and other celebrities who are associated with philanthropic causes help increase financial support from the public.
We find that celebrities also offer a credibility signal to donors, which is especially important for nonprofit organizations. To determine just how much impact celebrity endorsements on masses at large. The real purpose of using the celebrities by the governments to take the advantage such as
- Large population
- Quick reachability
- Less cost
- Credibility

Famous public figures often use their celebrity to not only sell products, but also promote good causes. Ruth, an expert in brand strategy and consumer behavior, says celebrities bring attention to charities just as they would a product, creating image-related links on the basis of qualities such as attractiveness and likability, expertise, and trustworthiness.
A brand that is able to break through the clutter of marketing messages by being associated with a well-known, attractive, and sometimes expert endorser is typically perceived to be more credible and more likable. Both of those aspects - credibility and likeability - add value to a brand, which in turn makes it easier and more likely that consumers would choose the particular brand. We believe it's a fairly similar process for celebrities and nonprofit organizations, as reflected in donations."
Recent study reveals that more than 500 charities with known celebrity affiliations, including organizations that raise money for arts and culture, the environment, education, hospitals, human services, and international causes.
Many researchers found that athletes, movie stars, and newscasters are associated with the largest increase in public donations. It is difficult for the public to gauge how successful charity organizations are in meeting their stated goals, but celebrity support lends credibility to those organizations. Furthermore, a relationship with a celebrity allows nonprofit organizations to allocate more resources to service missions than fundraising campaigns, Harris says.
"Charitable organizations have to spend a lot of time to cultivate the relationship with a celebrity and we think that speaks well of nonprofit managers," We hope nonprofit marketing professionals may increase awareness of their organizations through celebrity endorsements."

## PROBLEM STATEMENT
A few promos I saw of a forthcoming show on environment on a popular TV channel I noticed the anchors beaming when film stars Shah Rukh Khan, Katrina Kaif, Amir Khan and Priyanka Chopra appear on the stage. I wonder where were those social activists who had slogged and struggled, putting their own lives and families at stake, and go unsung in the fight to protect environment. Bringing one or two of them on to the stage amidst a loud applause does not do justice to the cause. In a way it is a dangerous trend. The film stars (cricketers still have lot of money to make from IPL matches, and so have no time to spare) are taking the space that richly and genuinely belongs to social activists. Social activism is being marginalised in the process. This has serious repercussions.
It all began when some TV channels came up with a fanciful idea of taking film stars (and ex-cricketers) to the border areas to do a bit of dancing for the jawans. After a few shows, and a few film stars, the viewer's interest weaned, and so did that of TV channels. In fact, I have always wondered why film stars have not jostled with jawans for several years now. In other words, film stars had no interest in soldiers manning the frontline; it was simply because the TV channels wanted them to do so. I haven't yet seen a film star who has expressed concern about the spate of farmer suicides and has dared to walk the talk by actually visiting and spending some time with the farmer families in distress.

I wouldn't be however surprised to see a number of pretty faces jumping onto the stage and even shedding a tear or two for the farmers who were left with no option but to drink pesticide or hang themselves from the nearest tree. The TV audience will applaud, the newspapers will discuss the issue for a couple of days, and life will be back to normal after a few days.

## OBJECTIVES
1. Evaluation of existing celebrity endorsement in India
2. To measure the impact of celebrity endorsement in rural and urban masses
3. To identify the best method of reaching the people promptly through celebrity endorsement.

## REVIEW OF LITERATURE
While the use of celebrities in advertisement in global phenomenon, its high incidence in India can have explanations emanating from power distance dimension of culture. As per Hofstede (2001) study, the power distance index score for India is 77 which will be considered significantly higher than United States score of 40, and thus pointing towards a culture of high power distance. A culture of high power distance signifies inequality in the society. The existence of class and caste manifests the inequalities in this dimension. Hofstede (2001) pointed that these inequalities can occur in area like prestige, wealth, and power and generally values about inequality are coupled with values about the exercise of power.

**Abhishek Arvind Sahay – 2013:** Celebrity endorsement is a big market in India and continues to grow bigger. However, inspite of prevalent use of celebrities for endorsement, not all celebrity endorsements have been successful. The list of unsuccessful examples suggests that it will be wrong to consider celebrity endorsement as an effective response to media clutter in all situations inspite of the intensity of involvement people have with celebrities in India. In absence of existing celebrity endorsement theories to satisfactorily explain the phenomenon in India, this paper uses the lens of culture todevelop propositions on how customer attitude towards celebrity endorsements is a function of cultural parameters in emerging countries like India We build our argument by using culture to explain the congruence between celebrity and consumers for elaborating celebrity endorsement in Indian markets.

**Subhadip Roy, Y. L. R. Moorthi – 2009:** However, researchers have not looked into the issue of Celebrity Personality affecting the Brand Personality even in congruence studies. In this paper we try to address the issue of celebrity personality affecting brand personality. Based on an empirical study, we try to find out whether the same personality dimensions exist for the celebrity and the brand endorsed respectively. Following which we have tried to see whether celebrity personality has an effect of brand personality. The study is supposed to generate research interest because of its novelty of idea

**Dr. Dinesh Kumar Gupta – 2007:** The field of consumer behaviour is the study of individuals, groups or organizations and the processes they use to select, secure, use and dispose of product, services, experiences, or ideas to satisfy needs and impacts that these processes have on the consumer and society. And understanding the consumer behaviour is the prime and toughest task in front of every marketer. There are a lot of factors, which influence consumer buyer behaviour. This study aimed at to understand the "influence of celebrity endorsee on consumer buying behaviour and marketing."Marketers pay millions of dollars to celebrity endorsee hoping that the stars will bring their magic to brand they endorse and make them more appealing and successful. But all celebrity glitter is not gold. Celebrity sources may enhance attitude change for a variety of reasons. They may attract more attention to the advertisement than would non-celebrities or in many cases, they may be viewed as more credible than non-celebrities. Third, consumers may identify with or desire to emulate the celebrity. Finally, consumer may associate known characteristics of the celebrity with attributes of the product that coincide with their own needs or desire. The effectiveness of using a celebrity to endorse a firm's product can generally be improved by matching the image of the celebrity with the personality of the product and the actual or desired serf concept of the target market. What therefore seems relevant by the study is that, yes, definitely celebrity endorsee influence consumer buying behaviour and brand building but while using celebrity endorsee, marketer has to take care of all the aspects that whether the brought personality and image of celebrity matches or not, whether celebrity endorsee has deep penetration among the masses or not, whether he is considered as credible source or not etc.

**Zhe yin (Jane) Gu – 2005:** This study examines celebrity endorsement from a strategic perspective and examines the impact of social networks on a firm's celebrity endorsement strategy. I focus on two social network effects: the information dispersion effect and the demand Inter correlation effect. Information dispersion means that pro duct information can be transmitted between two socially connected individuals; demand inter-correlation means that two socially connected individuals are likely to be affected by common environmental factors and consequently are likely to have inter-correlated demand. Celebrity endorsement can be used as long-term or short-term strategies. A firm's long- term celebrity endorsement strategy affects its pro duct quality and price. With long- term celebrity endorsement, a firm produces a higher pro duct quality than without only when the information dispersion effect and the demand inter-correlation effect are both strong. A firm's short-term celebrity endorsement strategy is affected by the market awareness level of its product. In particular, with strong demand inter correlation, a firm should use a more popular short-term celebrity endorser for a product with higher market awareness; in contrast, with weak demand inter-correlation, a firm should use a less popular celebrity endorser to promote a product with higher market awareness. Finally, no matter whether for long-term or short-term celebrity endorsement, a firm should us e a more popular celebrity endorser when the information dispersion effect is stronger and when the demand inter-correlation effect is weaker

**Hanna Leiprecht – 2013:** This study responds to the current trend in marketing practice of celebrity endorsed because related marketing (CRM) and is the first one to investigate its effects. The present experimental research (N=137) shows that consumer responses to celebrity endorsed CRM in terms of brand attitude, purchase intention and cause attitude are overall positive whereas the intention to make a direct donation for the cause is relatively low. Furthermore, the effects of a celebrity endorsed CRM message do notsignificantly differ from the effects of a simple CRM message. Celebrity endorsement of a CRM message, compared to a simple CRM message, does not improve attitudes towards thebrand, purchase intention, attitude towards the cause or the intention to make a donation. Consumers' affinity for the cause is not found to influence the effects of celebrity endorsed CRM. Furthermore, the results showed that brand credibility does not mediate theeffects of celebrity endorsed CRM on brand attitude and purchase intention.

**Kiran Sharma & Shashi Shekhar Kumar – 2013:** The celebrity endorser is a panacea for all marketing woes. It is today a frequently used approach in marketing for all brand building exercises. The star appeal however needs to be perfectly blended intelligently and strategically to reap the benefits and make brands. It serves as an aid to expedite recall and influence purchase. But, this can also be a nightmare unless accompanied by a powerful idea, effective and impeccable positioning. (Khatri P).

This research attempts to assess whether celebrity endorsement can translate into brand loyalty, over a period of time. In this way, one would be able to see whether or not celebrity endorsements can positively influence the brand, more specifically, does it lead to brand loyalty in the long run? The cause and effect relationship between celebrity endorsement and brand loyalty is analysed. The research would also suggest what the impact on brand loyalty is when brands have used a series of different endorsers, over a period of time. Has it hampered brand loyalty or did the consumers' attitude towards the brand remain unchanged? It also explores whether there was acommon thread of similarity amidst the various endorsers that promoted the brand. In this way, corporate giants that are seeking to increase customer loyalty towards their brands would be ableto make smarter decisions regarding the use of a celebrity endorser in their advertisements.

**Jennifer Brubaker – 2011:** In the 2004 and 2008 presidential election campaigns, Hollywood celebrities loudly and proudly voiced theirsupport for the candidate of their choosing. With fundraisers, speeches, concerts, and advertisements, celebrities were not shy. But do people really care who actors and musicians endorse? Have we become a culture so entrenched in the aura of celebrity that we rely on their opinions to choose our democratic voice? It is important to understand the effects of campaign strategies on voters, including celebrity endorsements. Third person effect predicts that people will tend to overestimate the influence that mass communication will have on the attitudes and behaviour of others (Davison, 1983). Specifically, individuals exposed to a persuasive communication will expect the communication to have a greater effect on others than onthemselves. Pew Research (2007) reported that only 15% of respondents believed that Oprah'sendorsement of Obama would positively affect their vote; however, 60% believed that the endorsement would benefit Obama. In this paper, I will look at the role of celebrity endorsements in the 2004 and 2008 campaigns and analyze the effect they had on voters as well as the perceived effects on others. As we move forward towards the already celebrity saturated2012 election, it is important to understand the role of celebrity in today's political scene

**HSUAN-YI CHOU – 2015:** This article examines the advertising effects of celebrity political endorsement (CPE) on young Taiwanese voters' attitudes and voting behaviours. Based on construal-level theory, the moderating effect of consistency between an ad-recommended party and voters' party preferences on different celebrity endorser types is also explored. Experimental results indicate the following: (1) Political messages delivered by political figures, regular citizens, and idols belong to different construal levels; (2) the preference-consistency party (versus the preference-inconsistency party) reduces voters' perceived social distance from the party and causes voters to construe party-related information in lower-level construal's; (3) CPE effects are greater than non-CPE effects; and (4) voters respond better to political ads that recommend a preference-inconsistency party using political figure endorsements, and voters respond better to political ads that recommend a preference-consistency party using idol endorsements.

**Naveed Ahmed, Omer Farooq, Junaid Iqbal – 2014:** Celebrity Endorsement has become one of the important tools in advertisement persuading customers. No study has been yet conducted in Pakistan to measure the impact of credibility of celebrity on the buying intentions of customers. This paper investigates the credibility of celebrity endorser influence on consumers buying intention and also whether the experience of celebrity with the usage of endorsed product matters to consumers or not. For this purpose, Regression tests are used and questionnaire was distributed to respondents who were university students/scholars. Results show that the in celebrity endorsement, credibility of endorsing celebrity matters for the consumer before the endorsed product also the experience of the celebrity with that product usage. Companies using celebrity endorsement strategy for their promotion must carefully select the endorsing celebrity with relatively high credibility.

**Kristin Wright – 2015:** This study analyzes celebrities and their social media presence and how they can benefit from using different social platforms. The rise of social media has caused people to rely on it for news, viewing content, and making connections with others. Celebrities no longer have to relay messages or content through their managers and public before releasing it. The way people interact through social media has allowed celebrities to engage their fans, enhance their career, and ultimately increase their stardom. This study investigates how social media impacts a celebrity's career and what the best practices are for receiving positive benefits.

**Karen Page Winterich, Rajdeep Grewal & Manish Gangwar – 2012:** Though celebrity endorsements have long been used in advertisements, celebrity endorsements are more prominent in some emerging markets such as China, Korea, India, and Latin America than developed countries such as the United States and United Kingdom. Why are celebrity endorsements more popular in emerging markets than developed countries? This research examines whether the effectiveness of celebrity endorsers is consistent across cultures. Specifically, power distance, a cultural orientation regarding the extent to which one expects and accepts differences in power, is proposed to moderate the effect of celebrity endorsements on advertisement evaluations. We theorize that celebrity endorsers should more positively influence advertisement evaluations in countries with higher power distance because power distance varies positively with consumers' perceived source credibility (i.e., expertise, trustworthiness, and attractiveness). To test our hypotheses, we develop a mediated-moderation regression model that we estimate using Markov chain Monte Carlo methods that enable the calculation of standard errors for the mediated-moderation regression coefficients in a straight forward manner and allow us to correct for endogeneity of the mediator (source credibility) using latent instrumental variables. The results from analysis of data from a two country (India and United States) experiment provide support for mediated-moderation and suggest that power distance does explain the popularity of celebrity endorsements in emerging markets and that this moderating effect of power distance is mediated by perceptions of source credibility

**Mehdi Zahaf, James Anderson – 2008:** The study of celebrity endorsement is one that, in recent years, has gained a lot of attention. However, the combined effect of source and management based factors with the psychographic profile of a celebrity endorser on the consumer willingness to buy hasn't been investigated in the previous research. This paper has studied the possible relationship between having a celebrity endorser and the attributes that lead to willingness to buy. In different ways, the endorser can influence the willingness to buy. To investigate these relationships, a combination of regressions and experiments has been used. During the research, the experimental group was and the control group was not exposed to a celebrity endorser. In the end, the main result was that the celebrity factor, by itself, did not have a real effect on the intentions to buy. While the main attributes that influenced the willingness to buy could be complimented by having a celebrity, the celebrity inclusion on conditions that those factors were absent did not further encourage the purchase of the product.

## CONCLUSION

In today's scenario celebrity endorsement strategy can be a competitive tool for companies to be successful. This celebrity endorsement would attract the customers. And the customers buy the products. The marketer should choose celebrity endorser who is the most popular in order to target the customers. The celebrity has the power to change the perception of the product.

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# CORPORATE ENVIRONMENTAL RESPONSIBILITY IN PUBLIC SECTOR ORGANISATIONS: A STUDY OF THE SINGARENI COLLIERIES COMPANY LIMITED

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## ABSTRACT
*The globalization made the world a small village and with the revolution of communication technology the distance among the nations was further narrowed. This lead to the growth of large scale/ multinational companies whose concentration is on huge production utilizing the natural and human resources in large quantity. This lead to the destruction of environment and violation of human rights, from which the term 'corporate social responsibility' (CSR) arise. CSR includes the responsibility of the business organization towards the employees, society and environment. The concept 'Corporate Environment Responsibility' is gaining importance these days due to the continuous degradation of natural resources that lead to Global Warming and Green House effects. This paper focuses on the corporate responsibility on environment, how the public sector organizations concentrate on protection of environment and in reduction of the environment pollution which is the inherent part of the Brundtland Report of 1987, in the light of amendment of Indian Companies Act in 2013.*

## KEYWORDS
globalisation, human rights, global warming, green house effects.

## INTRODUCTION

Corporate Social responsibility is a popular concept these days, according to which the business and industry has to take care of the environment and community where it operates its activities. It is the ethical payment by the organization for utilizing the natural and human resources for its profit making. It is a voluntary obligation which may affect the performance of the organization, as many studies proved.

The CSR is not a new concept to India. However, in the light of the amendment of Indian Companies Act in 2013,[1] with the legal obligations of implementation of CSR by profit making companies, this concept gained a lot of importance. The Brundtland report[2] published in 1987 was the first to focus on global sustainability. It addressed governments, businesses and, also people whose welfare should be a key element for environmental and development policies. It provided a comprehensive outlook of the global environmental issues and suggestions on how to solve these problems. Following the publication of this report, many countries made legislations to make corporations incorporate environmental concerns into their own strategies. Recently India also made the legislation amending the company Law in 2013 making CSR expenditure mandatory.

In India, if any company harm or pollute the environment then liable under Indian law and have to pay damages. Office memorandum of the MOEF[3], on corporate environmental responsibility guidelines defines, "Environment and natural resources are the prime source of all material inputs to economic activities. The environment also acts as a receiver and sink of the various kinds of waste generated through human activity. A proper balance between the developmental needs and environmental concerns, is necessary in order to pursue the path of sustainable development. Sustainable Development involves an enduring and balanced approach to economic growth, social protection and justice, and environmental conservation."

The Ministry of Environment & Forests issued the National Environment Policy (NEP)[4] in the year 2006, as a "response to our national commitment to a clean environment as mandated in the Constitution in Articles 48A and 51A (g) and strengthened by judicial interpretation of Article 21." The NEP is intended to mainstream environmental concerns in all development activities. The overall theme of the policy is that "while conservation of environmental resources, it is necessary to secure livelihood and well –being of all. The most secure basis for conservation is to ensure that people dependent on particular resources obtain better livelihoods from the fact of conservation than from degradation of the resources."

The National Voluntary Guidelines[5] on the Social, Environmental and Economic Responsibilities of Business were notified by Ministry of Corporate Affairs on 8th July 2011. The Guidelines are designed to be used by all businesses irrespective of size, sector or location. The Guidelines, which are voluntary in nature, also provide a framework for responsible business action for Indian MNCs planning to invest or already being operated in other parts of the world.

According to these guidelines, environmental compliance initiatives need to be incorporated to ensure efficient and effective implementation across the organization. The organization shall adopt an environmental policy.

## REVIEW OF LITERATURE

Corporate environmental responsibility is the buzzing word in every sphere of the corporate sector. The Bhopal gas tragedy case, the landslides in the Chardham yatra in 2014 etc., are the examples for the damage caused to the environment, protection of the indigenous people and other similar social responsibilities. In this context various associations have developed their own definitions of CSR.

**Commission of the European Communities (2001)** stated that being socially responsible means investing 'more' into human capital, the environment and the relation with stakeholders[6]. According to the **World Business Council for Sustainable Development (1999)** "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large[7]."

Business for Social Responsibility(BSR) defines CSR as "...operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management..."[8]

Pinney, 2001 Corporate social responsibility (CSR) as: "CSR can most simply be defined as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts they attempt to protect the environment" [9]. Anonymous respondent to an Accountancy Ireland survey defined csr as "Doing the right thing even no one is looking." [10] Gitanjali says "Social Responsibility and Accountability of Corporate world towards the society and community for the protection of environment in public interest." [11]

## NEED FOR THE STUDY

A major proportion of the world's environmental problems can be attributed directly to production, use and disposal of products (Tukker & Jansen, 2006). The growth of large scale/ multinational companies, whose concentration is on huge production, utilizing the natural and human resources in large quantity, lead to the destruction of environment and violation of human rights, from which the term 'corporate social responsibility' (CSR) arise.

CSR includes the responsibility of the business organization towards the employees, society and environment. The concept 'Corporate Environment Responsibility' has emerged from the concept of CSR, as the sustainability of environment and protection of natural resources is a part of responsibility of the business organizations. This paper aims to study the environmental protection practices of public sector organizations taking the Singareni Collieries Company Limited (SCCL)as a study in the light of the amendment of Sec.135 of Indian Companies Act in 2013.

## OBJECTIVES OF THE STUDY

* To study the environmental protection practices of the sample unit.
* To study the expenditure made for the protection of environment by the sample unit
* To suggest measures for improvement of the environmental protection practices in the sample unit.

## RESEARCH METHODOLOGY

**DATA COLLECTION:** This study is based on the secondary data obtained from the records of the Personnel dept., Environment dept., Estates dept., Finance dept., and Industrial Engineering dept., of the SCCL and also other reports, newspapers, magazines (Singareniyula Samacharam) etc.,

**PERIOD OF STUDY**: The data studied is of 12 years i.e. from 2003-04 to 2014-15.

**STATISTICAL TOOLS USED**: For analyzing the data simple average and percentages are used.

**LIMITATIONS OF THE STUDY**: The environmental expenditure on revenue and capital was not separately available for 2014-15 but available only total.

## ENVIRONMENT MANAGEMENT IN THE SCCL

The Singareni Collieries Company Limited (SCCL) is a coal mining company of Telangana state in India, spreading across 4 districts Adilabad, Karimnagar, Warangal and Khammam. It is environmentally conscious, responsible and proactive.

'A business cannot succeed in a society which fails'. This clearly establishes the stake of a business organization in the benefits of a society of which it is a part. Singareni Collieries is playing a proactive role to meet future economic, environmental and social challenges arising out of its operations with the following policies. The mission statement of SCCL itself reveals that the company sincerely committed to the environmental protection and sustainable development.

It says that *"To emerge as a responsible company through good corporate governance, by laying emphasis on protect of environment and ecology and with due regard for corporate social obligations."*

The Vision of SCCL also integrates CSR which is as follows.

*"The stake holder's expectations on economic, environmental, social and governance issue of CSR are dovetailed as an integral part of companies' vision and policy."*

Hence, SCCL's prime objective is to ensure that coal mines are operated in a manner that protects citizens and the environment during mining. It also tries to ensure that the land is restored to beneficial use, following mining activities and to mitigate the effects of mining by aggressively pursuing reclamation of mines. SCCL's initiatives in protection of environment start from the exploration stage itself where preferences are given for mining coal in non-forest areas there by reducing pressure on natural eco-systems. Subsequently, in the operation stages, SCCL has been taking necessary measures for prevention/control of various pollutants.

SCCL is successful in implementing the unique Biological Engineering techniques for the reclamation of Overburden dumps. The objective of Biological Techniques is to transform the waste and degraded land created due to mining operations into a sustaining ecological landform which will also prevent soil erosion, siltation of water bodies, water pollution, dust pollution and re-create the aesthetic beauty of the environment.

The SCCL is successful in following various pollution control techniques for air pollution water pollution, noise pollution etc., it also concentrated in water conservation methods, eco-friendly mining, conservation of forests etc., in addition Bio-Diversity Conservation, Greenbelt Development, Top soil Management, Soil Conservation Measures, Bio-medical waste Management, Energy Conservation Measures, Waste Recycling and Reuse, Environmental initiatives beyond Mandate are the priorities of the SCCL for effective environmental policy.

## DISCUSSION

**TABLE 1: PERFORMANCE OF THE SCCL** (in Rs. crores)

| Year | Paid up capital | Net worth | Sales | Profit | ManPower (in no's) |
|------|-----------------|-----------|-------|--------|--------------------|
| 2003-04 | 1733.2 | 1761.34 | 3178.65 | 503.99 | 93722 |
| 2004-05 | 1733.2 | 1923.78 | 3413.73 | 576.01 | 91970 |
| 2005-06 | 1733.2 | 1909.6 | 3629.10 | 332.49 | 86025 |
| 2006-07 | 1733.2 | 1849.07 | 4416.31 | 117.19 | 82224 |
| 2007-08 | 1733.2 | 2162.58 | 4499.68 | 176.17 | 75573 |
| 2008-09 | 1733.2 | 2437.38 | 5500.40 | 132.83 | 70586 |
| 2009-10 | 1733.2 | 2624.55 | 6853.84 | 268.01 | 69043 |
| 2010-11 | 1733.2 | 2875.20 | 8165.81 | 351.37 | 67615 |
| 2011-12 | 1733.2 | 3132.75 | 9238.04 | 358.27 | 66466 |
| 2012-13 | 1733.2 | 3432.50 | 10128.29 | 401.14 | 64600 |
| 2013-14 | 1733.2 | 3538.03 | 9782.03 | 418.74 | 61778 |
| 2014-15 | 1733.2 | 3873.27 | 11371.67 | 490.44 | 58837 |

Source: Records of Personnel dept. and Finance Dept., of the SCCL

**TABLE 2: EXPENDITURE ON ENVIRONMENTAL CARE ON % OF NET PROFITS**

| Year | Net Profit (in Rs. Crores) | % change in the net profits compared to the previous year | Total exp. on env. (in Rs. Crores) | % change in the env. Exp. Compared to the previous year | % of total exp on env on profit | % change compared to the previous year |
|---|---|---|---|---|---|---|
| 2003-04 | 503.99 | | 71.83 | | 14.25 | |
| 2004-05 | 576.01 | +14.29 | 98.13 | +36.61 | 17.03 | +19.5 |
| 2005-06 | 332.49 | -42.28 | 95.42 | -2.76 | 28.69 | +68.46 |
| 2006-07 | 117.19 | -64.75 | 94.97 | +0.47 | 81.03 | +182.43 |
| 2007-08 | 176.17 | +50.32 | 93.15 | -1.91 | 52.87 | -34.75 |
| 2008-09 | 132.83 | -24.60 | 85.53 | -8.18 | 64.39 | +21.79 |
| 2009-10 | 268.01 | +101.77 | 95.61 | +11.78 | 35.67 | -44.60 |
| 2010-11 | 351.37 | +31.10 | 115.07 | +20.35 | 32.75 | -8.18 |
| 2011-12 | 358.27 | +1.96 | 122.92 | +6.82 | 34.31 | +4.76 |
| 2012-13 | 401.14 | +11.96 | 138.07 | +12.32 | 34.42 | +0.32 |
| 2013-14 | 418.74 | +4.38 | 148.81 | +7.78 | 35.54 | +3.25 |
| 2014-15 | 490.44 | +17.12 | 158.55 | +6.54 | 32.33 | -9.03 |

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

The above table shows that the Expenditure on environment is more than 10% in all the years studied, and it is more than 30% except in the early 3 years. It is remarkable in 2006-07,2007-08 and 2008-09 as it exceeded 50%. In 2006-07 the percentage of expenditure on environment out of net profits is maximum i.e. 81.03%. The reason is explained by the SCCL as that the company has the practice of allocating a stipulated amount in the budget every year. In this year the net profits show 64.75% decrease. However, the allocated expenditure on environment is showing a 0.47% increase. Consequently, the percentage of environmental expenditure in net profits of that year is showing maximum. In 2005-06 and 2008-09 also the net profit decreased 42.28 and 24.60. simultaneously, the expenditure on environment also decreased. Hence, the % of environment expenditure in net profits is showing less.

**TABLE 3: EXPENDITURE ON ENVIRONMENTAL CARE ON % OF NET PROFITS**

| year | Net Profit (in Rs. Crores) | Revenue Exp. on env (in Rs. Crore) | % of rev.exp on Profit | Capital Exp on env (in Rs. Crore) | % of cap. Exp. on Profit | Total exp.on env. (in Rs. Crores) | % of total exp on env on profit |
|---|---|---|---|---|---|---|---|
| 2003-04 | 503.99 | 57.28 | 11.36 | 14.55 | 2.89 | 71.83 | 14.25 |
| 2004-05 | 576.01 | 73.95 | 12.83 | 24.18 | 4.20 | 98.13 | 17.03 |
| 2005-06 | 332.49 | 75.42 | 22.67 | 20.00 | 6.02 | 95.42 | 28.69 |
| 2006-07 | 117.19 | 74.13 | 63.25 | 20.84 | 17.78 | 94.97 | 81.03 |
| 2007-08 | 176.17 | 73.30 | 41.60 | 19.85 | 11.27 | 93.15 | 52.87 |
| 2008-09 | 132.83 | 66.83 | 50.31 | 18.70 | 14.08 | 85.53 | 64.39 |
| 2009-10 | 268.01 | 71.86 | 26.81 | 23.75 | 8.86 | 95.61 | 35.67 |
| 2010-11 | 351.37 | 88.19 | 25.10 | 26.88 | 7.65 | 115.07 | 32.75 |
| 2011-12 | 358.27 | 98.25 | 27.42 | 24.67 | 6.89 | 122.92 | 34.31 |
| 2012-13 | 401.14 | 114.86 | 28.63 | 23.21 | 5.79 | 138.07 | 34.42 |
| 2013-14 | 418.74 | 137.92 | 32.94 | 10.89 | 2.60 | 148.81 | 35.54 |

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

Table 3 shows that the revenue expenditure on environment is increased from 2003-04 to 2005-06 and later it stared declining till 2008-09. The same trend is seen in terms of percentage of revenue expenditure on net profits. However, the rising trend is from 2003-04 to 2006-07 and declining trend is seen only in 2007-08 and again raised in 2008-09. This percentage again fell down and has shown a raise again. It explains that, though the allocation for revenue expenditure is increasing, its percentage in net profits is showing fluctuation. This is due to the fluctuations in net profits. On the whole the allocation is maximum in 2013-14 and minimum in 2003-04. Its percentage is maximum in 2006-07 i.e. 63.25 and minimum in 2003-04 i.e. 11.36.

The allocation of capital expenditure on environment also showing fluctuations. Its percentage in net profits is in maximum in 2006-07 i.e. 17.78 and minimum in 2013-14 i.e. 2.60. The allocation is maximum in 2010-11 i.e. 26.88 crores and minimum in 2013-14 i.e. 10.89 crores.

**TABLE 4: % OF ENVIRONMENTAL EXPENDITURE ON AVERAGE PROFITS OF 3 CONSECUTIVE YEARS**

| year | Net profit (in Rs. Crores) | Total of the profits of the previous 3 consecutive years (in Rs. Crores) | Average of the profits of the previous 3 consecutive years (in Rs. Crores) | Revenue Expenditure (in Rs. Crores) | % of Revenue Exp. On Net profit | Capital expenditure (in Rs. Crores) | % of Capital Exp. On Net profit |
|---|---|---|---|---|---|---|---|
| 2000-01 | 89.41 | | | | | | |
| 2001-02 | 326.3 | | | | | | |
| 2002-03 | 411.72 | | | | | | |
| 2003-04 | 503.99 | 827.43 | 275.81 | 57.28 | 20.77 | 14.55 | 5.27 |
| 2004-05 | 576.01 | 1242.01 | 414.00 | 73.95 | 17.86 | 24.18 | 5.84 |
| 2005-06 | 332.49 | 1491.72 | 497.72 | 75.42 | 15.15 | 20.00 | 4.02 |
| 2006-07 | 117.19 | 1412.49 | 470.83 | 74.13 | 15.74 | 20.84 | 4.43 |
| 2007-08 | 176.17 | 1025.69 | 341.90 | 73.30 | 21.44 | 19.85 | 5.81 |
| 2008-09 | 132.83 | 625.85 | 208.62 | 66.83 | 32.03 | 18.70 | 8.96 |
| 2009-10 | 268.01 | 426.19 | 142.06 | 71.86 | 50.58 | 23.75 | 16.72 |
| 2010-11 | 351.37 | 577.01 | 192.34 | 88.19 | 45.85 | 26.88 | 13.97 |
| 2011-12 | 358.27 | 752.21 | 250.74 | 98.25 | 39.18 | 24.67 | 9.84 |
| 2012-13 | 401.14 | 977.65 | 325.88 | 114.85 | 35.24 | 23.21 | 7.12 |
| 2013-14 | 418.74 | 1110.78 | 370.26 | 137.92 | 37.25 | 10.89 | 2.94 |

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

Table 4 shows the percentage of environmental expenditure on the average net profits of the previous 3 consecutive years, as mentioned in sec. 135 of amended Indian Companies Act, 2013. Accordingly, this percentage of revenue expenditure is highest in 2009-10 i.e. 50.58 and lowest in 2005-06 i.e. 15.15. in case of capital expenditure, it is maximum in 2009-10 i.e. 16.72 and minimum in 2013-14 i.e. 2.94.

## FINDINGS

According to sec.135 of the Indian Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. The SCCL is spending a minimum of 14% of its average profits on environment care as shown in table 2. It is really appreciable and SCCL stood as ideal to other manufacturing units. Another observation is that the company has a dedicated CSR policy irrespective of legal obligations, prior to the implementation of Sec 135 of the amended companies act. So it shows that the SCCL is very much interested in the protection of environment and hence it is environmental friendly.

## CONCLUSION

Corporate environment responsibility is not only the need of the day, but is a part of corporate sustainability. This concept has been accepted as a key for survival and success of business organisations throughout the world. CSR is getting a matured shape in India. The business atmosphere is more complex these days. Many studies proved that CSR may positively influence the corporate goodwill. It is in this context that this has to be given a lot of importance. The organizations which are taking care of the social and environmental responsibility should be encouraged by the government also.

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# INNOVATIVE RECOGNITION AND REWARD STRATEGY AS A TOOL FOR EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY ON PRIVATE RETAIL BANKING IN ODISHA

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## ABSTRACT

*The purpose of this present study is to find the effect of employee recognition and reward system on employee engagement in the context of retail banking in private sector banks of Odisha. Convenience sampling approach was used to collect primary data from the executives of different private sector banks with the help of structured questionnaires. Statistical software, statistical package for the social sciences (SPSS) was used to analyze the data. The findings of the study have revealed that innovative recognition and reward strategy has a positive effect on employee engagement. The findings of the present study will not only contribute to the literature on human resource management but will also have a practical implication for the practitioners to formulate strategies for organizational growth.*

## KEYWORDS
employee engagement, reward strategy, retail banking.

## INTRODUCTION

Employee engagement is a very recently developed concept in human resource management (HRM). The concept of engagement at work was first realized by William A. Kahn (1990**),** as the harnessing of organisational members towards maximum job involvement and goal attainment. In engagement people feel physical and emotional involvement with their job environment. Employee engagement is key to retention of talent (Glen, 2006**)** and is an area where lead has been taken by practitioners (Baumurk, 2004). It is understood from the review of literatures of many learned researchers and views of consultants and practising managers that employee engagement is still to take a right conceptual configuration to take a role in decision making process. It has been a very keen challenge before the HR Managers of 21st century to retain the employee for long as the inter sector and intra sector talent wars are becoming fierce among companies. It has been a decade long practice and understanding in both organised and unorganised sectors that compensation and monetary rewards are only visible tools to retain employees for long. But question persists that whether compensation and monetary reward will engage an employee? This paper will establish a relationship between innovative compensation strategy and employee engagement and in turn how it affects employee retention? The case of retail banking sector has been taken as the scarcity of talented employees in the sector will be clearly visible as many new entrants are about to hit the business arena. The peculiarity of expertise and fewer people with complete domain knowledge will be witnessing the short supply of staff especially among top level managers will throw challenges among HR-managers to search for tools like engagement and decision variable like strategic compensation and reward management to retain and attract talented employees. Hence the study is highly relevant for the sector.

## LITERATURE REVIEW

Kahn (1990) reported that people vary in their engagement as a function of their perception of benefits they receive from a role work. Therefore, one might expect that employees will be more likely to engage themselves at work to the extent they perceive a greater amount of reward and recognition for their role performance. Maslach et. al., (2001) have also suggested that while a lack of reward and recognition can lead to burnout, appropriate recognition and reward is important for engagement.

Bhatacharya and Mukherjee (2009) have revealed that the IT sector gives much importance to the use of rewards, which definitely contributes to attract and retain employees making them feel more valued and thus increase engagement in such organisation the fact that engaged employee work with process and have a visceral connection to their company. They perform better, stays longer, act responsibly and advocate their company's value. Hence, investing in an employee's growth leads to productivity and profitability of the organisation there of Swaminathan and Rajseucharan (2010) in their study mentioned that Job satisfaction is the highest influencing factor followed by motivation and effectiveness orderly

Rose et. al. (2006) defined the organisational climate with the fair reward system; advancement and development opportunities with friendly and supportive relationship among members promote motivation and work commitment among the employees which lead to high performance, high job satisfaction and a sense of accomplishment. Extrinsic rewards are the tangible rewards mostly of a financial nature such as pay raises, bonuses, and benefits, given to employees. Intrinsic rewards are psychological rewards that employees get from doing meaningful work and performing it well. Extrinsic rewards though significant, play a dominant role in organisations where work is generally more routine and bureaucratic in nature. Furthermore, a sense of return on investments can come from external rewards and recognition in addition to meaningful work.

Previous study by Dargahi & Saraji (2006) have revealed that there is significant relationship between rewards and performance. Organisational reward system aim to influence two types of employee behaviours: membership and performance (Agarwal, 1999). The reward mechanism of the organisation is based on rewards, promotion opportunities and growth orientation that are received for effective performance and significant achievements. Jonge et. al.(2000) investigated that employees are rewarded by three transmitter systems: money (adequate salary), esteem (respect and support), and security/career opportunities (promotion prospects, job security and status). Yukl (1998) mentioned that rewards should reflect a person's effort and competence and be allocated with fairness and objectivity. Rose et. al. (2006) in their study revealed that recognizing and rewarding employees and considering them as associates increases employee satisfaction and performance. Policies like value addition, skill based pay and shared ownership motivate employees to participate, develop, engage and identify themselves with the success and growth of the organisation.

It has also been understood from the studies that people management and mentoring capabilities of the CEO are highly correlated with sub-ordinates commitment, effectiveness, motivation and satisfaction (engagement). The CEO to be visionary and future oriented (decisive, visionary, inspirational) and to involve his/her sub-ordinates in his vision (information source, humane, team oriented) are positively related to higher sub-ordinates engagement (Galanki, 2008). Measuring engagement asks the organisation to take the employee prospective. It is about both practice (what the organisation does) and perception (employees view). A best place to work (BPW) goes beyond monetary reward. A best employer is one that takes a holistic approach to build a work environment in which employees are respected, valued and constantly engaged, and committed to business success.

Working for an appreciative person in a lively and generous environment with an interesting job that fits your skills should enable you to be fully engaged. The more your work fits your skills and the more positive the environment in which you work, the more engaged you should be (Gubman, 1998). It is defined as "a

combination of both functional and emotional behaviours and attitudes". The idea is that a company must create some kind of emotional link with its employees in order to generate and sustain more practical levels of loyalty, retention and performance. To paraphrase, an employee who is engaged demonstrates positive traits in the following categories: retention (a desire to stay with the organisation); effort (a desire to provide more than is absolutely required); advocacy (the voluntary promotion of the company as a good place to work); and passion (a positive emotional connection to the company). Employee engagement refers to the behavioural intensity and emotional quality of a person active involvement during a task (Connell and Well born, 1990; Well born 1999). Engagement is a heightened emotional connection to a job and organisation that goes beyond satisfaction.

## HYPOTHESIS

Employee recognition and reward (ERR) strategy effects employee engagement.

## DATA ANALYSIS AND DISCUSSION

Primary data on various aspects of employee engagement practices of major players in retail banking sector of Odisha were collected for this study from both, executives and non-executives of the different stores of these organizations through a structured questionnaire given in following table.

Out of the total 467 questionnaires administered, only 298 responses (63 per cent) have been collected from the respondents which were included and analysed in this study. The routing of the responses (opinions) was done with the help of Likert's five point scale (strongly agree = 5, agree = 4, undecided = 3, disagree = 2, strongly disagree = 1). After the data had been collected, it was processed and analysed through statistical package (SPSS) version 21 to set the cause and effect relationship in order to draw the conclusion.

Credibility is an important factor for a research to be good and scientific. Reliability shows how consistent the findings are while validity is concerned with whether the findings are really about what they appear to be. Various statistical tools such as: descriptive statistics, correlation and regression analysis were used to analyse the data and for making the study more realistic and easily understandable. All variables, both dependent and independent were said to be correlated when they tend to simultaneously vary in the same or reverse direction. If both the variables tend to increase or decrease together, the correlation is said to be direct or positive. When one variable tends to increase and the other decreases, the correlation is said to be negative or inverse.

In a general sense the employee recognition and reward system is a very important ingredient for employee engagement. The descriptive statistics revealed in the table-I showcases the means, standard deviations (SD) and Pearson correlation coefficient of the independent variables and the dependent variable (employee engagement). The results of the calculated mean reflect the most contributing variable towards employee engagement (ENG2) is "top management crosschecks the recommendations of immediate superior to avoid biases in choosing right performer" (V21) as its value is 4.15 which is higher than other variables in the construct. Most of the respondents identified employee recognition and reward system as an important element of employee engagement as the mean scores of most of the items under this are above 3.0. The lower mean values indicate the gaps to be filled in for maximum utilization of reward and recognition to have better employee engagement.

**TABLE - I**

|  | MN | SD | ENG | V 16 | V 17 | V 18 | V 19 | V 20 | V 21 | V 22 | V 23 | V 24 | V 25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ENG | 3.36 | 0.32 | 1.00 | | | | | | | | | | |
| V 16 | 3.06 | 0.73 | 0.48** | 1.00 | | | | | | | | | |
| V 17 | 3.92 | 0.67 | 0.82** | 0.02 | 1.00 | | | | | | | | |
| V 18 | 3.04 | 1.48 | 0.91** | 0.04 | 0.03 | 1.00 | | | | | | | |
| V 19 | 3.62 | 0.30 | 0.76** | 0.03 | 0.02 | 0.03 | 1.00 | | | | | | |
| V 20 | 2.90 | 0.55 | 0.67** | 0.01 | 0.05 | 0.00 | 0.03 | 1.00 | | | | | |
| V 21 | 4.15 | 0.45 | 0.75** | 0.02 | 0.07 | 0.75** | 0.21** | -0.05 | 1.00 | | | | |
| V 22 | 3.88 | 0.61 | 0.56** | 0.16** | 0.09 | 0.13* | -0.09 | 0.07 | 0.16** | 1.00 | | | |
| V 23 | 3.63 | 0.60 | 0.61** | 0.00 | 0.01 | 0.04 | 0.11 | 0.05 | -0.13* | -0.05 | 1.00 | | |
| V 24 | 3.89 | 0.27 | 0.55** | 0.02 | 0.00 | 0.07 | 0.12* | -0.16** | 0.10 | -0.17** | 0.17** | 1.00 | |
| V 25 | 3.46 | 0.66 | 0.65** | 0.54** | 0.14* | 0.33** | 0.14* | 0.06 | 0.32** | 0.22** | 0.09 | 0.17** | 1.00 |

*Significant at .05 level., **Significant at .01 level, R=0.893, $R^2$=0.797 , Adj.$R^2$ =0.771, Std. Error =2.186 , F=33.94, Sig=.000

**TABLE - II**

| Model | Unstandardized Coefficient | | Standardized Coefficients | | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | t | |
| (Constant) | 2.088 | 3.331 | | 0.627 | 0.531 |
| V16 | 0.067 | 0.023 | 0.123 | 2.926 | 0.004 |
| V17 | 0.129 | 0.011 | 0.490 | 11.62 | 0.000 |
| V18 | 0.122 | 0.024 | 0.204 | 5.062 | 0.000 |
| V19 | 0.023 | 0.041 | 0.036 | 0.555 | 0.579 |
| V20 | 0.135 | 0.027 | 0.218 | 5.026 | 0.000 |
| V21 | 0.080 | 0.032 | 0.102 | 2.500 | 0.003 |
| V22 | 0.185 | 0.040 | 0.317 | 4.637 | 0.000 |
| V23 | 0.084 | 0.025 | 0.143 | 3.400 | 0.001 |
| V24 | 0.133 | 0.073 | 0.077 | 1.835 | 0.000 |
| V25 | 0.154 | 0.043 | 0.151 | 3.543 | 0.000 |

Dependent Variable DV (ENG)

The value of standard deviation is less than 1 in most of the variables except V18. The value of Pearson's correlation coefficient (r) indicates the strength and direction of a relationship between the two variables in a study. The independent variables (V16 and V25) have better positive correlation with the dependent variable (ENG2) at a significance of .01 levels.

The regression analysis is a statistical process for estimating the relationships among variables, where the focus is on the relationship between a dependent variable and one or more independent variables. The table gives the value of the coefficient of determination ($R^2$), which is the proportion of variance of the dependent variable (ENG2), explained by the independent variables. In this construct (ERR), the value of R2 is 0.797, which implies that 80% of the variance in the dependent variable is explained by the predictor variables. Adjusted modified measure and it indicates the fitness of the model, its value should ideally be equal to or near the value of $R^2$. In this model, the value of adjusted $R^2$ is 0.795, 184 which is close to the value of $R^2$ (0.797), thus indicating the fitness of the model. A standard error of 2.186 is good enough to imply reliable prediction of the model. The value of F is 33.94 is significant ($p < 0.001$), which makes the model statistically significant.

The regression coefficient table showcases a range of unstandardized and standardized beta coefficients. The standardized coefficients refer to how many standard deviations a dependent variable will change when the standard deviation increases for each independent variable, as all the independent variables have been standardized so that their variance are 1 (Hair et. al., 2010). In the table-II the results depict that most of the variables are significant at p<.001. The highest beta coefficient of the variable "employees are encouraged to implement new systems and are rewarded for that" (V22) is 0.185 with a significance of 0.000. The beta values of all the variables are positive which indicates that the direction of the influence for maximum predictors is positive. The t-statistics indicates a measure of the precision with which the regression coefficient is measured. The highest t-value in this table is for V17 followed by V18 and, V20

## CONCLUSION

Employee recognition and reward system is probably the most important driver as it is visible in conditions of employment. Proper assessment of performance, reward as per market driven wages should be given priority. A striking balance should be maintained between monetary and non-monetary rewards. It is important to note that the study has depicted the strongest variable which affects this construct is to encourage the employees to implement new system and they should be reward for that.

The works of renowned researchers and practitioners like Kahn (1990) and May et. al., (2004) also supported the present relationship. The empirical investigation of the established companies of the organised retail sector reveals that employees are engaged when condition of work like market driven wages and working condition like safety feedback and emergency rescue etc. are taken care of. Kahn (1990) one of the prominent scholars in the movement of conceptualization of employee engagement concept has of the opinion that, people vary in their engagement as a function of their perception of benefits they receive from a role work. Researchers have also found a significant relationship between rewards and performance (Saraji and Dargahi, 2006).As far as private retail banking sector is concerned the wage revision or other rewards are very frequent to retain the talents, hence testing of the hypothesis reveals the fact that the companies under study have taken utmost care to extend benefits and rewards to the employees to engage them. The study supports the view that reward system rationalization leads to employee engagement.

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# EFFECT OF VIPASSANA MEDITATION ON MINDFULNESS AND LIFE SATISFACTION OF EMPLOYEES

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## ABSTRACT

*In this study an attempt has been made to measure the mindfulness of employees who practice Vipassana meditation regularly. This study looked at the relationship between meditation experience, trait mindfulness and life satisfaction. We hypothesized that trait mindfulness and life satisfaction is positively impacted by Vipassana meditation. For this purpose data was collected using a quantitative survey involving two employee groups comprising of meditators and non-meditators each having 155 adult individual members. Mindfulness was measured using short version of Five Facet Mindfulness Questionnaire (FFMQ-SF) and Satisfaction with Life Scale (SWLS) was used to measure life satisfaction. The results obtained by these self-report measures were consistent with our hypothesis. They showed higher levels of mindfulness and life satisfaction in the group who were regular meditators. The scores suggested a direct relationship between mindfulness and life satisfaction. Also, correlation analysis indicated significant correlation between Non-Reaction facet of mindfulness and meditation practice. It was confirmed that regular practice strengthens effectiveness of meditation. This indicates that Vipassana meditation is an effective intervention to enhance mindfulness and fosters life satisfaction in employees.*

## KEYWORDS

vipassana meditation, mindfulness, life satisfaction, employees.

## 1. INTRODUCTION

ipassana is an ancient Indian technique of meditation rediscovered by Gautam Buddha. In Pali, the language used by Buddha, Vipassana means 'insight', to see things as they are. Vipassana meditation (VM) is a way of transforming the self through self-observation resulting in increased awareness and mental peace i.e. equanimity (Goenka, 1991). The experience of inner peace within oneself leads to non-delusion, better self-control and greater clarity of thought. This has been acknowledged widely in society and in literature. In the organizational context, at the individual level, to use VM technique is to enhance a sense of mind-body balance by increased self-awareness. This enhanced self-awareness helps induce selective adaptive responses as against automated non-adaptive reactions, and promotes successful management of stressful life situations (Hart, 1987).

The present study evaluates Vipassana practitioners of the Theravadan tradition, taught by S. Goenka (Hart, 1987). In this technique, sensations within the body are observed in an iterative manner repeatedly. The person practicing this insight meditation learns to understand the difference between his actual and perceived experiences and thoughts (Williams et al., 2007). Brown et al., 2007, stated that we view the world as per our perception of it without considering its reality. The main objective of 'insight meditation' is to develop in the practitioner 'bare attention', which in Buddhist terms means to get him to observe his world with clarity in a calm and detached manner (Wallace, 2005, p.55). The practice of mindfulness meditation enables a person to evaluate the experience of mental suffering and anguish in a balanced and true light. According to Wallace & Shapiro, 2006, mindfulness meditation helps one to realize that mental distress is due to the perceived disparity between real and imagined experiences. Mindfulness initiates new adaptive ways of responding to one's life experiences by liberating the mind from established old automated ways of reacting (Kabat-Zinn, 1982).

Even though research on mindfulness is increasingly well established in psychology and medicine, it is still in its infancy within an organizational scenario. However, this is beginning to change for several reasons. First, the hypothesized benefits of mindfulness have received increasing support from empirical research (Brown & Ryan, 2003; Chiesa & Serreti, 2009). Second, attention (as in attention span) has long been recognized as a crucial bottleneck in organizations, and mindfulness offers a new perspective on the nature and role of attention (Levinthal & Rerup, 2006).

Motivated by a need to further examine and understand mindfulness, this paper attempts to measure the effectiveness of regular VM practice on mindfulness and satisfaction with life. In this study mindfulness is analyzed by studying regular meditators where it has become a way of life rather than where it has been a short-term intervention. The hypothesized effects of mindfulness are empirically examined in a comparative study of 155 non-meditators and 155 meditators by administering mindfulness questionnaire FFMQ-SF (Bohlmeijer et al., 2011) and life satisfaction scale SWLS (Diner et. al., 1985). The findings of the conducted study, which support the theorized relationships, are presented and practical and theoretical implications are proposed.

## 2. LITERATURE REVIEW

Today, employees receive fair monetary compensation for the work they perform in their respective organizations. They are easily able to afford a comfortable life style measured in materialistic terms. However, many employees report their inability to cope with increasing stress and anxiety both at their workplace as well as in their personal life leading to unhappiness and lack of satisfaction in their lives.

Keeping this in view, we did a literature review to understand the drivers of life satisfaction and interventions such as mindfulness to enhance employee happiness, wellbeing and life satisfaction.

### 2.1 LIFE SATISFACTION

SWLS was developed to assess an individual's own satisfaction with his life taken as a whole.

Peterson, Park & Seligman, 2005, have stated that life satisfaction indicates people's perception of the quality of their life. It can also be termed as the cognitive facet of subjective well-being. Subjective well-being measures a person's assessment of how well their life is progressing (Lucas & Donnellan, 2007).

Argyle et al., 1989, said that the average level of satisfaction over a specific time period can be termed as one of the elements of happiness. There is a direct correlation between the concept of happiness and life satisfaction and it also encompasses subjective well-being and quality of life. In their research report on 'Life Satisfaction and Happiness', Sergin & Taylor, 2007, have documented a correlation of 0.62, ($p < 0.001$) between the two.

## 2.2 MINDFULNESS

The insight meditation consists of three sub-units:

1-    *Anapanasati*: Mindfulness of breathing
2-    Vipassana: Insight meditation
3-    *Metta Bhavana*: Universal love and compassion.

Ven. Narada, 1988, expresses *metta bhavana* as a state of true friendship. It is a sincere wish for the happiness and welfare of all living beings (p. 614).

'*Anapanasati*' is used as the first step to develop concentration in meditation practice.

In Pali language, '*ana*' is incoming, '*apana*' is outgoing and '*sati*' is awareness. Therefore, '*anapanasati*' is awareness or 'being mindful' of incoming and outgoing breath as it happens naturally. Ven. Nyanaponika Thera, 1996, stated that awareness of breathing or mindfulness helps in calming mental as well as physical disturbances.

Epstein, 2001, says, "Mindfulness means paying attention, on purpose, to one's own thoughts, feelings and judgments … It is the practice of being fully present in our attention to where we are, what we are doing, and what is happening at the moment", (p. 64).

By being mindful, one is attending to one's breath, bodily sensations, thoughts and feelings, as well as sights and sounds in a holistic manner rather than focusing on a specific stimulus. This reduces the chances of being overwhelmed and getting carried away by one's thoughts and emotions. Thus it aids in avoiding futile worry about the future and indulgence in maladaptive reflection (Williams et al. 2007). Daily distractions are reduced and as a result one is able to emerge from emotional upheaval. The individual develops a non-reactive approach to inner experiences and observes passing of thoughts and emotions without being engulfed by them (Baer et al., 2006). This state of equanimity enables a more conscious, less conditioned response, which is more conducive to stress resistance and resilience (Teasdale et al., 1995).

Following this structure, mindfulness can be compartmentalized across three main subdivisions: 1) being fully aware of the present moment; 2) the quality of awareness; and 3) the attitude of the observer. According to Shapiro et al., 2006, it is intention, attention, and attitude.

Therefore, it is appropriate to say that mindfulness is a complex construct and conducting research on mindfulness will require a multifaceted assessment. Keeping this in view various scales like the Mindful Attention Awareness Scale (MAAS) by Brown & Ryan, 2003, the Kentucky Inventory of Mindfulness Skills (KIMS) by Baer et al., 2004, were developed to measure the mindfulness construct. At present the Five Facet Mindfulness Questionnaire (FFMQ) developed by Baer (Baer et al., 2006; Baer et al., 2008), is the most commonly used questionnaire to study mindfulness. The advantage of working with FFMQ is that Baer merged 5 top rated questionnaires on mindfulness and selected elements from them after conducting a factor analysis.

Researchers working on mindfulness acknowledge that while it could be considered a trait difference between individuals mindfulness is also a skill that can be acquired and nurtured (Kabat-Zinn, 1996).

The literature is replete with anecdotal and empirical evidence of the beneficial impact of the practice of mindfulness in diverse areas such as health and healing (KabatZinn, 1982), care giving (Shiera et al., 2011), law enforcement and prisons (Khurana & Dhar, 2002), education (Adaviyappa, 1994) and personnel development (Ruedy & Schweitzer, 2011), and organizations (Avey et al., 2008).

### 2.2.1 Mindfulness and Health

Anecdotal evidence of the practice of mindfulness meditation (MM) indicates that it helps to develop sustained joy and happiness by achieving freedom from dissatisfaction and suffering (Analayo, 2003). To study its effectiveness on various clinical conditions, many attempts have been made to include different elements of mindfulness as a part of psychological interventions (Chiesa, 2009).

The focus of Buddhist philosophy and the analytical approach of psychology are related in that they both aim to eradicate suffering by reducing 'destructive' emotions like anger, and enhancing emotions like compassion and happiness which are considered 'constructive'. Brown & Ryan, 2003, concluded that when individuals act mindfully, their actions are consistent with their values and interests, and the awareness and consciousness one has towards day-to-day experiences is the deciding factor of one's psychological wellbeing.

Goldin, 2001, in his 'Mindfulness Meditation Research Findings', observed that when two groups were subjected to meditation they indicated increase in dimensions related to self-actualization and their stress related symptoms decreased. Adhikari, 2012, in the 'Study of Effect of Vipassana on Anxiety and Depression', states that practicing '*anapana*' aids in effectively handling negative wishes and impulses and helps to establish a greater control over the mind.

Mindfulness has shown considerable decrease in anxiety disorder (Sharma et al., 2012, Miller et al., 2012). Mindfulness has been useful in reducing pain experienced by long term patients who did not show any improvement when subjected to standard medical care (Kabat-Zinn, 1982). Several therapists have reported using '*anapana*' as relaxation therapy in clinical practice (Fleischman, 1991). In an electroencephalographic (E.E.G.) study of non-meditators and meditators, Pradhan, 2000, has recorded an increase in positive brain activity in meditators.

Baer, 2007, documented that when individuals observe their experiences mindfully their symptoms related to various disorders are reduced and psychological wellbeing is enhanced.  In another paper, Baer et al., 2008, studied FFMQ for its construct validity amongst groups of non- meditators and meditators. Results indicated a significant relationship between psychological symptoms, well-being, meditation experience and different facets of mindfulness. Also, the strength of the relationship varied with meditation experience. Bruin et al., 2012, examined the Dutch version of mindfulness questionnaire FFMQ-NL. They reported that for meditating as well as non-meditating samples, overall mindfulness was negatively correlated to dissociation, worry, recurrent playback of negative thoughts and emotions, thought suppression, and alexithymia.

### 2.2.2 Mindfulness and Organization

According to Kabat-Zinn, 1996, mindfulness practice increases an individual's ability to interact with others with a sense of trust and handle stressful interpersonal events with confidence rather than as threats that would otherwise lead to a fight or flight response. It could be that mindfulness promotes our ability to examine our thoughts and emotions in a detached 'spectator' mode so that we don't react impulsively and destructively.

Atkins and Parker, 2012, argued that compassionate organizational behavior is associated with more helpful behavior, increased trust, support, and cooperation. According to them compassionate behavior requires a regulated response involving cognition, rather than an automatic reaction. They further suggested that mindfulness may be an important facilitator of compassionate behavior by allowing employees to respond consciously to situations, instead of reacting automatically.

In a laboratory study by Ruedy and Schweitzer, 2011, results showed that more mindful participants were less willing to engage in unethical behavior, exhibited a more principled approach to ethical decision-making, and were more concerned with how ethically they saw themselves rather than how ethically others perceived them to be.

The study by Banerjee, 2012, in his paper on 'Alleviating Business Challenges' confirms that if  employees  practice meditation they will be more focused, attentive, composed, and  this  will give them an edge over other employees. Avey et al., 2008, have documented that employees practicing mindfulness tend to be more aware of their negative thinking patterns, which enables them to continue to be hopeful, resilient and optimistic about their work particularly when faced with organizational changes. The Vipassana meditation process and in turn, mindfulness has a high influence on professional and personal effectiveness of managers (Kumar, 2012). It was found effective in enhancing productivity by lessening employee anxiety (Bhatnagar, 2014). Shiera & Graham, 2014, concluded that being mindful affected social work practitioners' overall Subjective Well-Being (SWB) positively.

Marques & Satinder, 2009, believe that Vipassana meditation can make great contributions to transforming workplace wellbeing and productivity. In order to transform the way in which employees behave, interact and communicate with each other in the workplace, they will need to undergo a transformation within themselves.

In a nutshell, benefits of mindfulness practices are supported by considerable research in domains other than the workplace (Chiesa & Serreti, 2011). However, more research is needed to enrich mindfulness literature applicable to organizations. The present study seeks to make a contribution towards enriching the research literature in the workplace domain by focusing on employees who enrolled for VM.

## 3. OBJECTIVES

1. There is an effect of Vipassana Meditation on employees' mindfulness.
2. There is an effect of Vipassana Meditation on employees' satisfaction with life.

## 4. METHODOLOGY

### 4.1 STUDY CONTEXT & SAMPLE

For this study the research design we used was After-Only with Control Design (Kothari & Garg, 2014). The overall approach taken to empirically test the research hypothesis was mindfulness questionnaire FFMQ-SF containing 24 questions and life satisfaction scale SWLS containing 5 questions. The instrument also had a section to collect demographic details of respondents. This instrument was administered for data collection. The data was collected from employees of various organizations enrolled at Bangalore Vipassana Meditation Centre, South India, for a 10-day residential Vipassana course. The two groups to whom the instrument was administered were:

1. Employees coming for the first time to attend a 10-day Vipassana course without any training in meditation prior to this course - (Control Group).
2. Employees who have completed a minimum of three 10-day Vipassana courses and have been practicing VM regularly - (Experimental Group).

The Vipassana course is open to all and is non-sectarian. Employees enrolled in the course represent a broad cross-section of society. For data collection, convenience sampling method was used. The participation was voluntary and there was no coercion. Also, the respondents were assured that the data collected would be used only for research purposes and personal identity was neither sought for in the instrument nor was any identity disclosed. They were instructed to respond to the instrument candidly. The instrument had a section for 'instructions to respondents' that clearly explained what was expected of the respondents. The respondents were administered the questionnaire after they completed their enrolment for the Vipassana course. They had approximately 4-5 hours of alone time in their respective rooms where they could fill in the questionnaire at their leisure. The completed questionnaire was collected before the commencement of the course. A total 155 samples each were collected from non-meditator and meditator groups.

### 4.2 RESEARCH VARIABLES

#### 4.2.1 Mindfulness Variables

As mentioned, trait mindfulness was measured by self-report FFMQ-SF 24 item scale developed and validated by Bohlmeijer et al., 2011, a shorter version of 39 item FFMQ (Baer, 2006). FFMQ-SF was selected as it has a broad-based psychometric design.
The 5 Facets are;

|   | FACETS | REPRESENTATIVE EXAMPLE OF FACET QUESTION |
|---|--------|------------------------------------------|
| 1 | Non React(NR) (5 items) | When I have distressing thoughts or images , I feel calm soon after |
| 2 | Observe(OB) (4 items ) | I notice the smells and aromas of things |
| 3 | Act Aware (AA) (5 items ) | I rush through activities without being really attentive to them |
| 4 | Describe (DS) (5 items ) | I can easily put my beliefs, opinions and expectations into words |
| 5 | Non-Judgement (NJ) (5 items ) | I make judgements about whether my thoughts are good or bad |

The Instrument has a 5 point Likert scale with 1 representing 'Never or Very Rarely True' and 5 representing 'Very Often or Always True'. The scale is used to compute the five composite subscale scores and a total mindfulness score.

#### 4.2.2 Life Satisfaction Variables

For measuring life satisfaction, SWLS developed by Diener et al., 1985, was used. The scoring of this scale is done on a 7-point Likert scale with 1 representing 'Strongly Disagree' and 7 representing 'Strongly Agree'. Higher scores indicate a higher degree of life satisfaction. "I am satisfied with my life", is one of the items out of the total five items of this instrument.

#### 4.2.3 Results

The data was analyzed and results were computed using SPSS 20.0 software. SPSS's procedure 'mean of nearby points' was used to fill in missing values in the data (George & Mallery, 2011). The personal data section of the questionnaire also captured data on the mental ailments of the respondents. Those respondents who reported having mental ailments were excluded from the study. Three out of 158 respondents (< 2%) were excluded.

**TABLE 1: DEMOGRAPHIC COMPOSITION OF CONTROL AND EXPERIMENTAL SAMPLE GROUPS**

|  | Control Group | | Experimental Group | |
|---|---|---|---|---|
| **Demographic Parameter** | **No** | **%** | **No** | **%** |
| **Gender** | | | | |
| Male | 100 | 64.5 | 97 | 62.6 |
| Female | 55 | 35.5 | 58 | 37.4 |
| **Age Profile** | | | | |
| Average Age of Group | 33.74 | | 41.37 | |
| Upto 25 years | 21 | 13.5 | 5 | 3.2 |
| 26 – 35 years | 78 | 50.3 | 47 | 30.3 |
| 36 – 45 years | 44 | 28.4 | 52 | 33.5 |
| 46 – 55 years | 7 | 4.5 | 28 | 18.1 |
| Greater than 55 years | 5 | 3.2 | 23 | 14.8 |
| **Educational Qualifications** | | | | |
| Junior College | 5 | 3.2 | 11 | 7.1 |
| Diploma | 6 | 3.9 | 6 | 3.9 |
| Graduate | 81 | 52.3 | 53 | 34.2 |
| Post Graduate | 58 | 37.4 | 78 | 50.3 |
| Doctorate | 5 | 3.2 | 7 | 4.5 |
| **Meditation Practice Profile** | | | | |
| Average No of 10 day courses attended | | | 5.38 | |
| Average period of practicing Meditation in Months | | | 63.67 | |
| Average daily Meditation practice in Hours | | | 2.08 | |

Descriptive statistics for the demographic details of the two groups are shown in Table 1. It can be seen that the gender composition of the two groups was similar. In addition, more than 90% of both the groups were educated at graduate and beyond the graduate level (non-meditators = 92.9%; meditators = 90.0%). The average age of the non-meditators group was 33.74 years and the meditators group was 41.37 years. Further, on an average the meditator group members

meditated for 2.08 hours daily and had been practicing meditation for more than 60 months (i.e. 5 years). On an average these members had attended 5.38 number of 10-day meditation courses.

The data collected was subjected to the Kaiser-Mayer-Olkin (KMO) test of sampling adequacy. The results indicate that the KMO values obtained were above the acceptable level (Table-2).

| Table 2 :  Kaiser-Mayer-Olkin Measure of Sampling Adequacy for Study Sample | |
|---|---|
| Scales | KMO Measure for Sampling Adequacy |
| FFMQ | 0.756 |
| Life Satisfaction | 0.818 |

The data collected was also tested for reliability, and Cronbach's Alpha value was computed for the FFMQ-SF subscale variables as well as the SWLS variables. The FFMQ-SF and SWLS scales were shown to be reliable and valid, as Cronbach's Alpha of the subscales varied from 0.834 to 0.727 except for Non-Judgment facet.

Exploratory Factor Analysis (EFA) was conducted on the meditator group data for FFMQ-SF which showed an acceptable model fit with the 5 factor structure of the FFMQ (Baer ,2006) and a good model fit for the structure of the FFMQ-SF (Bohlmeijer et al.,2011).

Based on the above, wherein the data samples collected were shown to be adequate, reliable and valid and where the subscales were shown to conform to the 5 Facet Mindfulness model through an EFA, the data of the two groups was then subjected to further analyses with a view to either accept or reject the study Hypothesis enumerated in Section 3.0 of this study.

The Mindfulness Facet Group-wise Statistics clearly showed a shift towards higher mean score values for the meditator group as compared to the non-meditator group.

Similarly, the Overall Mindfulness and Life Satisfaction Scale Group-wise Statistics clearly shows a shift towards higher mean score values for the meditator group as compared to the non-meditator group.

To verify if the differences in the mean values of the FFMQ-SF facet scores and the SWLS scores achieved by the two groups (viz. non-meditator and meditator) were significant, an Independent samples T-test was conducted.

The results of the Independent Sample t-Test depicted in Table 3 show that for all the mindfulness facets except the Observe facet the differences in the means are significant with Sig (2- tailed) < 0.05 and therefore our Alternative Hypothesis is accepted and the first objective of this research paper is fulfilled. Further, there is a positive impact (t- values are all negative) on the mindfulness of the employee-meditators.

**TABLE 3: MINDFULNESS FACET INDEPENDENT SAMPLES t – Test**

| | | Levene's Test | | t-Test for Equality of Means | | | | |
|---|---|---|---|---|---|---|---|---|
| **MINDFULNESS FACETS** | | F | Sig. | t | df | Sig. ( 2 tailed) | Mean difference | Std Error Difference |
| **Observe Score** | Equal variances assumed | 1.148 | .285 | -1.277 | 308 | .203 | -.464 | .364 |
| | Equal variances not assumed | | | -1.277 | 304.716 | .203 | -.464 | .364 |
| **Describe Score** | Equal variances assumed | 1.47 | .226 | -2.396 | 308 | .017 | -1.018 | .425 |
| | Equal variances not assumed | | | -2.396 | 304.627 | .017 | -1.018 | .425 |
| **ActAware Score** | Equal variances assumed | .058 | .809 | -6.285 | 308 | .000 | -2.763 | .440 |
| | Equal variances not assumed | | | -6.285 | 306.561 | .000 | -2.763 | .440 |
| **Non-Judgemental Score** | Equal variances assumed | 5.016 | .026 | -5.016 | 308 | .000 | -1.866 | .372 |
| | Equal variances not assumed | | | -5.016 | 300.849 | .000 | -1.866 | .372 |
| **Non-React score** | Equal variances assumed | .875 | .350 | -8.076 | 308 | .000 | -2.927 | .363 |
| | Equal variances not assumed | | | -8.076 | 304.195 | .000 | -2.927 | .363 |

**TABLE 4: OVERALL MINDFULNESS & LIFE SATISFACTION INDEPENDENT SAMPLES  t – Test**

| | | Levene's Test | | t-Test for Equality of Means | | | | |
|---|---|---|---|---|---|---|---|---|
| | | F | Sig. | t | df | Sig. ( 2 tailed) | Mean difference | Std Error Difference |
| **TOTAL FFMQ** | Equal variances assumed | .212 | .645 | -7.727 | 308 | .000 | -9.038 | 1.170 |
| | Equal variances not assumed | | | -7.727 | 307.958 | .000 | -9.038 | 1.170 |
| **TOTAL LIFE SATSFACTION** | Equal variances assumed | 7.753 | .006 | -4.863 | 308 | .000 | -3.387 | .697 |
| | Equal variances not assumed | | | -4.863 | 297.088 | .000 | -3.387 | .697 |

The results of the Independent Sample T-test depicted in Table 4 show that for 'Overall Mindfulness and Life Satisfaction' the differences in the means are significant with Sig (2- tailed) < 0.05 and therefore our Alternative Hypothesis is accepted and the second objective of this research paper has been achieved. Further, there is a positive impact (t values are all negative) on the Life Satisfaction of the employee-meditators.
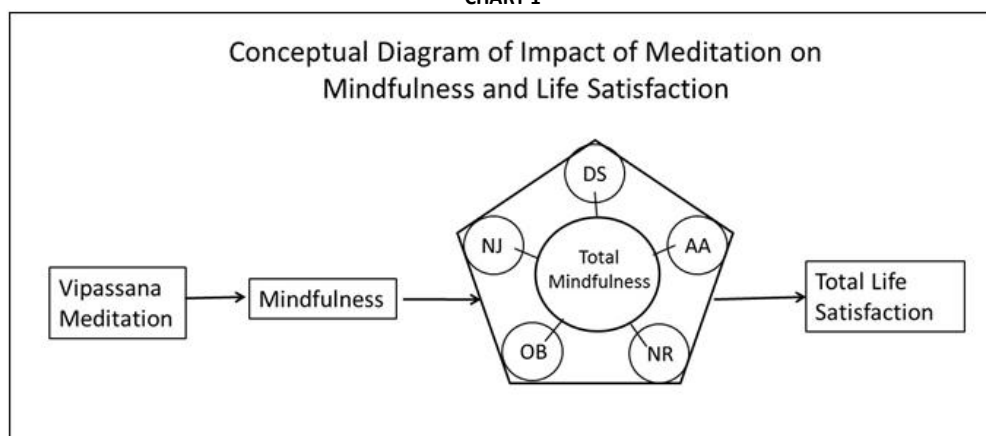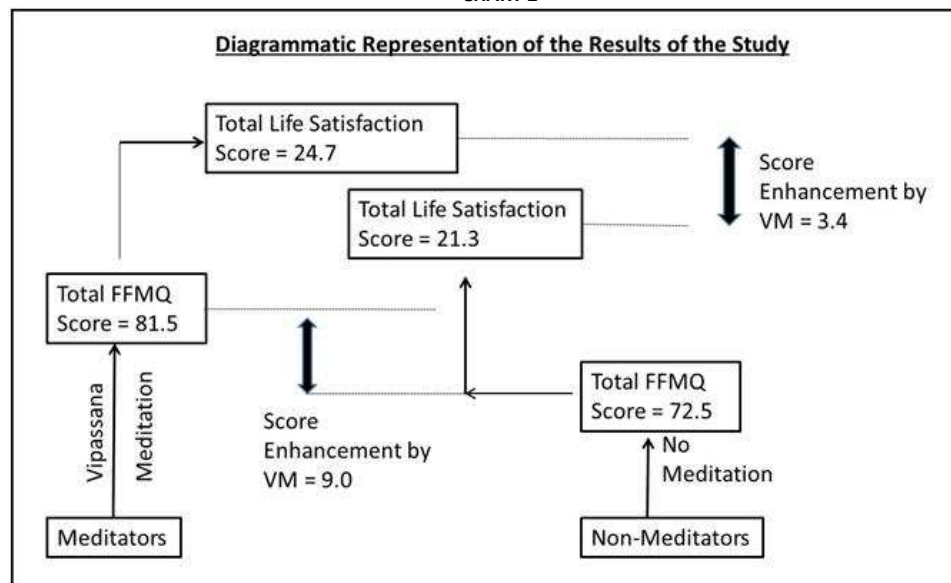
**CHART 1**



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CHART 2



Diagrammatic Representation of the Results of the Study

Further, a bivariate correlation analysis was conducted using the five FFMQ facet scores as well as the variables measuring the quantum of meditation practice such as the 'No of months of meditation practice' and the 'Daily hours of practice' for the meditator group.

The analysis showed:

1. Describe facet has significant positive relation with Non-React, Act-Aware and Observe facets (p < 0.01). Non-React showed a significant positive relation with Act-Aware (p < 0.01) and Observe facets (p < 0.05). A significant positive correlation between Act Aware and Non Judgmental facets (r = 0.221, p < 0.01) indicated a linear relation between the two.
2. In contrast, a negative relation was shown between Observe and Non-Judgmental facets (r = - 0.221, p < .01).
3. Meditation practice is positively correlated with Non-React (r = 0.190, p < 0.05) confirming earlier research that meditation makes individuals non-reactive and face life situations with equanimity. As expected 'Daily hours of practice' had a positive correlation with 'Meditation Practice' indicating that daily practice strengthens meditation.

## 5. DISCUSSION & CONCLUSION

### 5.1 DISCUSSION

The Observe facet showed a negative correlation with Non-Judgmental facet. The variant behavior of the Observe facet was explained by Baer in his study where he said that the Observe facet functions differently in those with meditation experience and he suggested that this variant behavior requires extensive additional validation in a range of samples (Baer, et al. 2008). However, the negative correlation of the Observe facet seen in the current study could be due to the fact that in FFMQ-SF the items chosen for this facet comprised only of external observation and observation within was absent. It is recommended that this may be further studied and validated.

In addition, Baer et al., 2006, in their analysis of the FFMQ validation study did not use the raw item scores captured, but instead used an average of two or more items taken together i.e. 'item parcels', supposedly to reduce the complexity of estimating a large number of co-variances. It is not clear if such a treatment introduced any biases in the analysis and needs to be further studied.

Also, employing a set of scales may be a simplistic approach to measure an integrated behavioral phenomenon like mindfulness.

In addition, the variation between the present data results and results by Baer et al. may be attributed to the fact that the standardized FFMQ questionnaires measured the mindfulness of individuals under clinical observation and students, whereas in this study they have been administered to employed meditators working in different organizations.

### 5.2 CONCLUSION

As validated in this research and in agreement with available literature, experience in meditation strengthens and enhances mindfulness. Proving all research hypotheses, the results suggest that meditation experience significantly contributes to life satisfaction. The anticipated outcomes of this study are twofold; firstly, to encourage further research into the ancient practice of Buddhist meditation and secondly, to lend empirical support to the belief that mindfulness helps individuals and in turn organizations indicating that it is beneficial to internalize it as a way of life. However, as Marques & Satinder, 2009, stated, inner transformation and its many benefits are only possible if one practices and experiences insight meditation. "*Ehipassiko*", said the Buddha, "come and see for yourself".

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## HOW ORGANIZED RETAILING HAS EFFECTED UNORGANIZED MARKET IN RETAIL BUSINESS

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## ABSTRACT
*Retailing is presently the emerging sector of the Indian economic markets. This phenomenon is supposed to continue for at least the coming two- three decades, and it is attracting almost all entrepreneurs, business heads, investors as well as real estate owners and builders. Quality of product, adequate retail space, vast availability of products and effective brand communication are various driving factors of the retail industry in India. Retail sector creates huge employment. Organized retail sector is emerging within the retail industry speedily and it gives speedy phase to Indian retail sector. The rationale of the study is two folds: First is to examine the nature of changes taking place in the retail sector due to organized form of retailing and its implications to shift towards new form of retailing. Secondly, it has remained largely an unexplored part of research till date especially in context to India. The basic objective of the study is to have a view of consumer behavior towards organized and unorganized retail stores and to analyze the consumers satisfaction level from organized retail stores as well as unorganized retail stores and their expectation from traditional retailing towards the modern retailing. The study uses primary data that is assembled through in depth qualitative analysis to analyze organized and unorganized retails sectors individually.*

## KEYWORDS
retailing, organized retail, unorganized retail, consumer satisfaction, consumer behavior, store loyalty, market segments.

## INTRODUCTION
Organized Retailing is an essential part of the rise of current monetary economy in India. There has been tremendous development in organized retail business. Large business houses have entered this area and have shown drastic future development changes. Transnational enterprises are also looking to approach India and set up various retail chains as a team with enormous Indian organizations. Concerns have been raised that the development of organized retailing may disorderly affect retailers in the country but it has additionally been said out that development of organized retailing will give efficiency in the production of the country. It will also empower the good access to business entrepreneurs.

A study on organized retail analysis on the various issues with a ultimate goal to evaluate the impact of developing organized retailing on various parts of the economy. These goals runs as:

1. Impact on small retailers and merchants for their possible development in the general business sector.
2. Impact on work.
3. Impact on buyers.
4. Impact on producers.
5. Impact on costs.
6. Overall impact on monetary situation of the country.

India had its Retail Journey since many years ago. In old India times there was an idea of week by weekly HAAT BAZAAR, where every one of the buyers and sellers get together in a large business area for marketing. It takes time to shape the current retailing. Then, in the middle of these two spheres (i.e. between ancient retailing in India and the cutting part of Retail) there exist present day Grocery shops or Baniya ki Dukan which is prevailing in India. So the Indian retail industry is divided into two parts i.e., organized and unorganized retail market. There are enough changes in Indian retail; the liberalization of the customer merchandise industry started in the mid-80 and quickened through the 90's has affected the structure of the retail business. The idea of retail which basically incorporates the businessperson to client collaboration, has taken various structures and measurements from the customary retail outlet and road neighborhood business sector shops to upgrade multi brand stores and departmental stores and hyper supermarkets. Together with this looking to the two parts of retailing i.e. store retailing and non store retailing- Store Retailing as the departmental store which is a store or multi brand outlet that gives us variety of items in different brands and grades under one rooftop in order to attract not only a couple but almost all the segments of the general public where on other side, Non store retailing is an instant offering that is direct showcasing and programmed distributing.

As revealed by a camp research, it has numerous positive impacts as to creating more number of vocations, new enhanced types of occupations, and advancing the way of retail livelihood (higher compensation, more occupation advantages, security of occupation, employability and so forth). This type of retail area is additionally looked upon as an enormous part having broader business open doors for business people and capital investors. Additionally, organized retailing is thought to be productive and well-suited to enhancing and changing the nature of the customers' requests in developing economic markets like India. The broad observation as noticed by me is that departmental stores are frequently rising amongst the shopping spree in metropolitan cities as they appear to determine enormous delight where shopping is considered as an affair now opposed to an assignment and introduction to assortment under one rooftop in their amazingly occupied lives when people don't have time for things. The organized retail departmental and supermarkets are also visited frequently by the clients due to many rebate offers. These stores make many advertisements to fetch their clients, as well as they believe in maintaining the relationship with clients to change over first time clients into a permanent customer. They also provide good stopping offices to clients and the office to analyze the products. They likewise offer an extensive variety of installment choices to clients. **India is as of now the twelfth biggest purchaser market on the planet.**

**As revealed in a research by McKinsey Global Institute, India is keen to join the head class of the world's purchaser markets by 2025 uplifting its position to the fifth**. Indian retail industry is still in its beginning stage so it needs full potential. However the business sector of US and Europe furthermore some SE Asian developing business sector economies have been profited from present day retail, India has not yet entered into edge of advanced retail. Small store retailing has been one of the direct approaches to create independent work as it requires interest in area, capital and work. Here in our country it has become the family run where there is absence of business institutionalization and the retailer's instructions that are running these stores, their experience and presentation. This is a reason why efficiency of this division is roughly 4% that of that of U.S. retail industry in India. Unorganized retailing is yet prevailing on large retail areas in India and constituting 98% (twelve million) of aggregate market area while organized stores accounts just for 2%. The street side peddlers and the portable (cart assortment) retailers are still accounts much in context to Indian retail market as whole.

## LITERATURE REVIEW

According to *Indian Council on Research and International Economic Relations,* The retail sector is expanding and modernizing rapidly in line with India's economic growth. It offers significant employment opportunities in all urban areas.

*ICRIER* observes that if organized retail does not grow, the unorganized sector will not be able to handle the surging demand. Hence the share of organised retail will grow at a rate between 45 and 50 percent per annum. The observation rings true. This is being witnessed in some urban centers already. A beneficial offshoot will be the impact of organised retail on logistics. The supply chain will witness a thorough revamp. It will also be in the interest of organized retail to transfer superior technology to the agricultural sector. As a result, the latter will achieve better productivity and the former will be better equipped to meet the surging demand. According to the India Retail Report 2009, released by Images F&R Research, massive increase in consumer spending in India is expected to trigger the growth of the retail sector.

According to the *Governor of Maharashtra, SM Krishna*, The country's retail market is expected to grow to INR18.1 trillion (US$395 billion) by 2010; with organized retail expected to account for around 13 percent of the total market .Traditional family-run businesses, like that of the Ambanis and the Ruias have realized the importance of organized retail, and the onus is now on Indian co-operatives, railways, post offices and even airports to follow suit,.

According to *Arvind Singhal, chairman, Technopak.*, Organized retail, currently, comprises just 3%, or $8bn. However, organized players will make investments worth $22bn in the sector over the next five years, during which it may grow to anywhere between $60bn and $75bn.Giving a thumbs-up to the local organized retail, Kevin Moss, vice-president (operations),

*General Growth Properties (GGP),* said, "The transformation that has taken place here is Quite phenomenal. The evolution of retail in India is much faster than that in the US."

According to the report, which was released by the *Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young,* "the most significant challenge that Impedes the development of an efficient and modern retail sector is an underdeveloped Supply chain". Commenting on traditional supply chain networks, it says that the chain, a Partially informed push/ pipeline model with a unidirectional flow, is expected to transform into a fully informed network model with bi-directional flow of information.

 *Rakesh Kacker, additional secretary, Department of Consumer Affairs Ministry of Consumer Affairs, Food and Public Distribution.* "It is quite possible for both the organized and unorganized sector retailers to co-exist and flourish". India's organized and unorganized retail sectors can co-exist and thrive, says atop government official, who foresees bright prospects for the retail industry in the country.

*Kacker*, said," Whatever problems the unorganized sector retailers are facing today need to be articulated and should be addressed. The government will be more than happy to work with trade bodies to ensure that dynamism in the unorganized sector remains intact."

*An Associated Chamber of Commerce and Industry of India (Assocham)-KPMG* study has pegged India's total retail market at $353 bn in 2008, which it says is projected to grow at eight per cent annually to touch $416 bn by 2010."The organized retail, which currently accounts for seven percent of the retail market, is projected to grow at a much faster pace of 40 per cent per annum to touch $51 bn by 2010,"

*The study of Assocham, an industry lobby*."A retail outlet in the unorganized sector takes care of minimum 10 persons. It is the lifeline of scores of people in semi-urban and urban India, while doing yeoman's service in rural areas,"

*Praveen Khandelwal*, secretary general of the Confederation of All India Traders .CAIT has decided to begin at least 500 retail schools to train retailers in the unorganized sector to meet challenges emanating from the entry of big players into the retail sector.

According to *Khandelwal,* India have nearly 50 mn traditional or unorganized retailers, who need to be adequately trained to face the onslaught from the major retail players. The Indian retail industry has seen phenomenal growth since 2001 and has currently several key players like Future Group, Trent Ltd, RPG Enterprise, Vishal Retail Ltd, Shoppers Stop Ltd, Bata India Ltd, Provogue India Ltd, Aditya Birla Group, and Reliance Industries.

*Shaoni Shabnam*: It is important to highlight that in organized retail, the status of employment is much better than that in unorganized retail. Hence it is definitely desirable that more and more labour gets absorbed in this sector of retail. In the current context, the labour employed in unorganized retail stands unfit for finding employment in organized retail. If appropriate training and skills could be imparted to them, it is possibly feasible to offer better forms of employment to them in the organized retail sector. The status of employment is much better than that in unorganized retail. Hence it is definitely desirable that more and more labour gets absorbed in this sector of retail. In the current context, the labour employed in unorganized retail stands unfit for finding employment in organized retail. If appropriate training and skills could be imparted to them, it is possibly feasible to offer better forms of employment to them in the organized retail sector.

*Meeta Punjabi:* According there study they suggest that the development efforts in this area are based on three grounds: First, farmers associated with the modern value chains earn higher returns than selling to the traditional markets. Second, the modern supply chains have specific quality requirements which are easier to meet by the large and medium farmers and the small farmers tend to get left out of these markets. Third, there are several successful examples of linking small farmers to these modern value chains with effort from government agencies, NGOs and development agencies. This knowledge presents strong grounds for a closer look at the emerging sector in India.

*Mathew Joseph*: Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers. The adverse impact on sales and profit weakens over time. There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers. There is some decline in employment in the West region which, however, also weakens over time. The rate of closure of unorganized retail shops in gross terms is found to be 4.2 per cent per annum which is much lower than the international rate of closure of small businesses. The rate of closure on account of competition from organized retail is lower still at 1.7 per cent per annum. There is competitive response from traditional retailers through improved business practices and technology up gradation. A majority of unorganized retailers is keen to stay in the business and compete, while also wanting the next generation to continue likewise.

Small retailers have been extending more credit to attract and retain customers. However, only12per cent of unorganized retailers have access to institutional credit and 37 per cent felt the need for better access to institutional credit and 37 per cent felt the need for better access to commercial bank credit. Most unorganized retailers are committed to remaining independent and barely 10 per cent preferred to become franchisees of organized retailers. to commercial bank credit. Most unorganized retailers are committed to remaining independent and barely 10 per cent preferred to become franchisees of organized retailers.

*The latest edition of India Retail Report, brought out by private research firm Images F and R along with the Confederation of Indian Industry (CII)* and other organizations, says the domestic retail market will touch Rs 18.1 trillion (Rs 1,810,000 crore or $402 bn) by 2010.

## OBJECTIVES

The basic of this study is to analyze the impact of organized retailing on the Unorganized Sector of retail market. Some different issues are:

1.  To evaluate customer behavior towards organized stores (general stores/shopping centers, hypermarkets, departmental stores and so on) and unorganized shops (neighborhood Grocery stores, week by week bazaars and so forth) retail locations in Jaipur city.
2.  To evaluate customer satisfaction level from organized retail outlets together with unorganized retail shops.
3.  To evaluate whether the retail area is developing and modernizing speedily in accordance with India's monetary development.
4.  To evaluate the critical occupation opportunities in every single urban zones as developed by the organized retail industry. What's more, an extensive review of worldwide experience, especially of developing nations of pertinence to India, has also been done as a major aspect of the study.
5.  The study analyzes that the aggregate retail business in India has developed at 13 for every penny annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12. The unorganized retail part has also developed roughly 10 for each penny annually with deals ascending from US$ 309 billion in 2006-07 to US$ 496 billion in 2011-12 i.e., less than organized part of retailing.
6.  Organized retail constitutes a low 4 for each penny of aggregate retail in 2006-07 has developed at 45-50 for every penny annually to 16 for each penny annually in 2011-12.So organized retail has maintained development in the coming years.

7.   It has been additionally seen that agriculturists purchases directly from organized retailers with impressive value and benefit points of interest when contrasted with offering either with delegates or to government controlled markets. Big producers have feeling of the competitive impact of organized retail through both for cost and installment weights. Yet, they see the advantages from a more effective production network and logistics that go with the development of organized retailing.

*The two most crucial suggestions on part of my perspective are:*

1.   Basically for the administration is to encourage the development of a "private set of accepted rules" for organized retailers in their exchange with small suppliers; and,

2.   Secondly, a rearrangements of the permitting and allow administration to advance the extension of organized retail.

## SCOPE

1.   The retail business in India is evaluated to develop at 13 for each penny annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12.

2.   The unorganized retail area is evaluated to develop at almost 10 for each penny annually from US$ 309 billion 2006-07 to US$ 496 billion in 2011-12.

3.   Organized retail which now constitutes a 4% of retail market segment in 2006-07 has developed at 45-50 for each penny annually to 16 percent per annum annually by 2011-12.

4.   The study has reviewed almost all the segments of the economy that could be influenced by the retail business and it has been found that the unorganized retailers in the region of organized retailers have shown a decrease in deals and benefit in the beginning years of the passage of retailing. The unfriendly effect in any case debilitates after some time.

5.   The study has shown how purchasers and agriculturists got benefited from organized retailers. The study has also evaluated the impact on delegates and producers. The results have shown that the urban and-small metro urban areas around have set a number of organized retail outlets. In light of the various reviews, the study has made various particular approach proposals for directing the cooperation of expansive retailers with small suppliers.

## AN ANALYSIS ON ORGANIZED Vs. UNORGANIZED RETAIL

- *Fate of retail industry in India is swerving*- On one hand organized retail is walking into the life of urban consumers, while on the other part, our own particular neighborhood 'Supermarkets' are opposing savagely with their current solid dependable balance. Today our country is at the intersection of the retail division. A movement in the middle of organized retail part is clear which has prompted various theories on the destiny of Indian retail. Now in any daily paper or TV channels, we can find various news about events and changes taking place in organized retail market which is for genuine circumstances. The contribution of organized retailing in development of economy and generating employment jobs can't be denied, it has given direct job to 39,500,000 people. So its rarely impossible that administration or anybody can markdown these establishment stones of Indian economy.

- *Changing part of Indian consumerism*- These days the Indian consumerism is changing. It is developing from Bajaj Scooter family man to Bajaj Pulsar stylish adolescent. This changing purchaser's taste and way of life has consequently given some point of preference to organized market segment. This makes basic for sloppy retail segment to rebuild itself so as to correlate the moving expand rivalry and to meet customer needs and wishes with changing patterns. Some of these issues will be examined in future parts of article about what they can do and what they are doing.

- *Part of government*- Government strategy ought to assume an imperative part in modernizing the organized retail and enhance its intensity of marketing. Now the question is that should it go with the strategies for insurance of customary retailers by limiting organized retail or urged them to procure advantages that are produced by it? What ought to be component to advance or ensure one or other? Can government act just as a facilitator or empowering agents or both? In the said connection, it is basic to add to a key guide for sloppy retail shape to have the capacity to survive, contend and keep the economy developing.

- *Retail Trends in recent years*- In the decades of eighties, India with several towns and urban areas was a leading country making progress toward improvement and development. The advancement was being seen at different levels and the general population of the country was figuring out how to assume diverse parts as agents and buyers. The establishment for an in number economy were being laid, youth were alluring new mindfulness in all circles. Also, this got an open door for retail industry to thrive. To begin within the metros and real urban communities later to effect sub urban and provincial business sector also. Retailing in India at this stage was totally chaotic and it flourished as partitioned elements worked by small and medium business houses in their own domains. There was absence of universal presentation and just a few Indian organizations investigated the retail stage on a bigger scale. From abroad just organizations like Levi's, Pepe, Marks and Spencer and so forth had entered focusing on upper center and rich classes of Indians. However as more than 50 % population was shaped by lower and lower working class individuals, the business sector was not totally caught. This was later acknowledged by brands like Big Bazaar and Pantaloons who made their items and administrations available to all classes of individuals and today the achievement of these brands demonstrates the capability of Indian retail stores. An extraordinary movement that introduced the Indian Retail Revolution was the emission of Malls over every territorial business sector. Presently at its top, the shopping center culture really got the organized organization for retailing in India which was truant before. In spite of the fact that shopping centers were additionally at first made arrangements for the higher strata, they effectively adjusted to take into account the bigger populace of India.

However there is still incredible space for improving Indian shopping center society as other than atmosphere and marking numerous different parts of Retail Service stays to be produced on worldwide measures. It is amazing that there was not a single shopping center in India 10 years before and only a couple of years back just a modest bunch of them were endeavoring, today there are more than 50 shopping centers crosswise over diverse urban areas and a long time from now around 500 shopping centers have come up. This demonstrates an exceptionally encouraging pattern ahead. However, we should see what the Indian retail Industry is at present involved with before taking a jump into the destiny of Retail in India.

## RESEARCH METHODOLOGY

The data for this research paper is taken from primary data collected by a random survey of the retailers between Aug 2014 and Jan 2015.

*Sampling Method*: The sampling method chosen is simple random sampling which is a type of probability sampling.

*Sample Size*: To calculate the sample size following formula has been used. If the researcher plans the results in a variety of ways or if he/she has difficulty in estimating the proportion or standard deviation of the attribute of interest, the following formula may be more useful.

NZ2X25 {d2x(N-1)} + {Z2X25}    =              n

Where n= Sample size required, d= Accuracy precision level (i.e. 0.01, 0.05, 0.10 etc.), Z= Standardization value indicating a confidence level (Z= 1.96 at 95% confidence level and Z= 2.56

At 99% confidence level N= Population Size (known or estimated) Here N= 180 Let us take confidence level as 90% and ± 10% precision level (d=0.10 and Z= 1.64), then the sample size (n):

N          = 180x(1.64)2x0.25 +180x (1.64)2x0.25

n          = 49.15    = 50 companies

Questionnaire was structured and sent to many traditional and modern retailers. These retailers were located in Jaipur City of Rajasthan. Questionnaires were filled by direct interview of retailers.

*Questionnaire Testing and Reliability Analysis*: The questionnaire was pre- tested on 35 retailers and data was fed into SPSS software. Using SPSS model reliability analysis was undertaken. The validity of the questionnaire was tested by using expert validity, which is part of research work. The Experts approved the questionnaire with small changes. The revised questionnaire was administered and data was collected from 50 retailers in Jaipur.

*Survey*: A Questionnaire of two pages was designed keeping in mind the basic objectives of the study which were to analyze the impact of organized retailing on unorganized retail and to find out the survival strategies adopted by unorganized retailers in mall culture. The Literature survey and pre study consultation with industry experts were also taken into account. The questionnaire consisted of few open ended questions; some questions were either using ranking scale or Likert

scale. This survey intends to analyze the impact of organized retailing on unorganized retail sector in Jaipur. This research also explicates various aspects like the perceived and expected levels of satisfaction of the consumers and the factors which unorganized retailer should take cognizance of in the course of establishing and enhancing their business. The survey is based on interviewing grocery store consumers at various catchment areas in Jaipur, India. The data is collected using a random sample of consumers. Consumers who have significant knowledge of the topic were identified and selected at random for questioning. As per questionnaire, interviews were conducted face to face so as to capture the attitude and experience of consumers who had just purchased grocery items from organized and unorganized retail outlets. Both qualitative and quantitative data analysis is done in order to get deeper insights into the consumer behavior and store loyalty for local grocery stores. Larger the sample size greater is the precision or reliability when research is replicated. But constraints on time, manpower and costs have influenced decisions on the study of sample size.

## IMPACT OF ORGANIZED RETAILING ON UNORGANIZED SECTOR OF RETAILING

Unorganized retailers in the area of organized retailers have shown a reduction in their volume of business and benefit in the beginning years after the passage of substantial organized retailers. As per the Indian Council for Research in Impact of Organized Retailing on Unorganized part International Economic Relations (ICRIER), there would be no long haul sway because of the passage of organized retail chains on the area kirana shops in the nation.

In clear terms the effect of organized retailing on sloppy market division is as per the following:

1. The unfriendly behavior on deals and benefit decreases after some time.
2. There is some decrease in livelihood in the West area which, on the other hand, likewise no more after some time.
3. The rate of conclusion of small retail shops in gross terms is observed to be 4.2% annually which is much lower than the global rate of conclusion of small organizations.
4. The rate of conclusion because of rivalry from organized retail is lower still at 1.7% for annually.

The Grocery stores and dish shops are seen as a feature of group life and consequently unorganized retail will stay yet ICRIER watches that if organized retail does not develop, the chaotic division won't have the capacity to handle the surging interest. Consequently the offer of sorted out retail will develop at a rate somewhere around 45 and half annually. The perception seems to be accurate too, but this is being seen in some urban focuses as of now. It has turn out with certain significant suggestions. It proposes an across the country uniform permitting strategy to help cutting edge retailing which will convey the nations retail segment to the USD (US Dollar) 590 billion imprint in 2011-12. It recommends better access to less expensive institutional credit so the Grocery stores can tackle rivalry from sorted out retail. Right away, just 12% of chaotic retail appreciates access to institutional credit. Another suggestion by ICRIER is justified regardless of a genuine attempt. It recommends money and conveys outlets which will offer to unorganized and acquire from agriculturists. This can offer disorderly some assistance with retailing to purchase at wholesale costs for possible retailing, subsequently creating a good looking edge. Ranchers also can advantage since they can offer at lucrative costs and understand the deal continues in a quick and straightforward way. When this pad is given, sloppy retail can have no grouse against the administration and regardless of the possibility that it has, the legislature can overlook it. Being chaotic retailing is at genuine stride; there are still difficulties for organized retailing in India. Customary retailing has been built up in India for a few centuries. It has a minimal effort structure, for the most part proprietor worked, has insignificant land and work expenses and almost no assessments to pay. Customer's commonality that keeps running from era to era is one major point of preference for the customary retailing part. Conversely, players in the sorted out part have huge costs to meet, but then need to keep costs sufficiently low to have the capacity to contend with the customary area.

Moreover, organized retailing also has to cope with the middle class psychology that the bigger and brighter sales outlet is, the more expensive it will be.

## RESULTS AND DISCUSSION

***1. Preference of Customers towards retail outlets :*** 36% customers prefers unorganized retail shopping customers prefers organized retail shopping while 25% customers prefers organized retail shopping but 39 % customers are still not sure.

FIGURE 1: PREFERENCE OF CUSTOMERS TOWARDS RETAIL OUTLETS
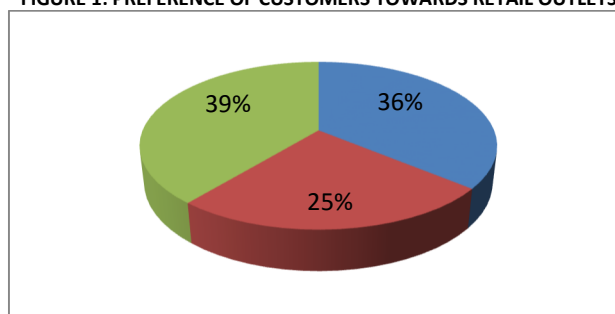


***2. Customers preferences towards the retail stores for purchase of daily groceries***: 35% customer's purchases daily groceries from local Grocery stores while 25% customers shop from Supermarkets, 23% customers from Convenience Stores and rest 17% Customers prefer Hypermarket. Thus, highest percentage is still with local Grocery stores however the difference between supermarket and local Grocery is less.

FIGURE 2: CUSTOMERS PREFERENCES TOWARDS THE RETAIL STORES FOR PURCHASE OF DAILY GROCERIES
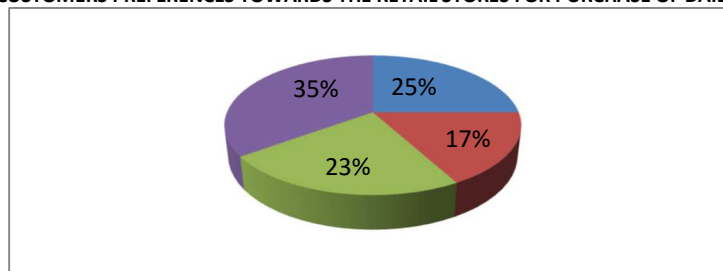
**3. Frequency for Visiting Malls**: 45% Customers visit fortnightly to the malls for various different purposes, 33% customers visit weekly, 17% monthly and rest 5% Daily visiting mall.

FIGURE 3: FREQUENCIES FOR VISITING MALLS
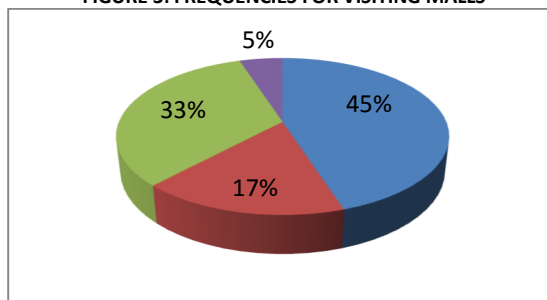


**4. Purpose of visiting malls**: 31% Customers visit mall for Shopping while 36% visits for Entertainment and rest 33 % visits for Window shopping. During the survey, I got straight forward Purpose of visiting Malls Shopping, Entertainment, and Window Shopping.

FIGUR 4: PURPOSE OF VISITING MALLS
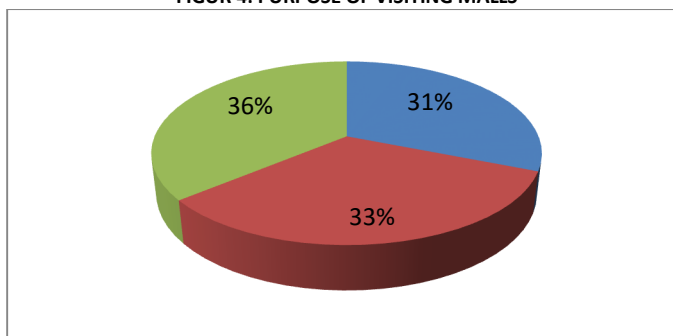


**5. Customer's satisfaction on the basis of price strategy adopted by malls**: 65% Customers are satisfied with the pricing strategy of the malls after considering various discounts, sales and other offers, while 35 % Customers are not satisfied.

FIGURE 5: CUSTOMER'S SATISFACTION ON THE BASIS OF PRICE STRATEGY ADOPTED BY MALLS
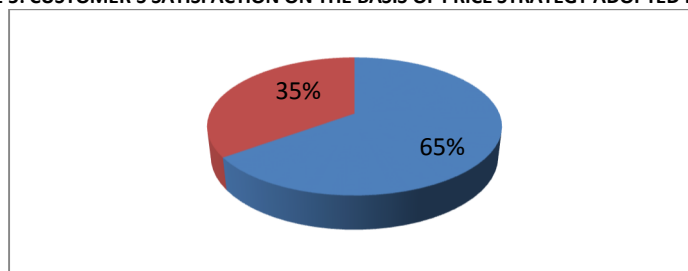


**6.Customers Preference for Best Shopping Deals**: It was found 63%consumers finds best shopping Discount offers, gift packages etc. 30% customers are satisfied with the shopping deals served by the local Grocery stores while 7% customers has no opinion.

FIGURE 6: CUSTOMERS PREFERENCE FOR BEST SHOPPING DEALS
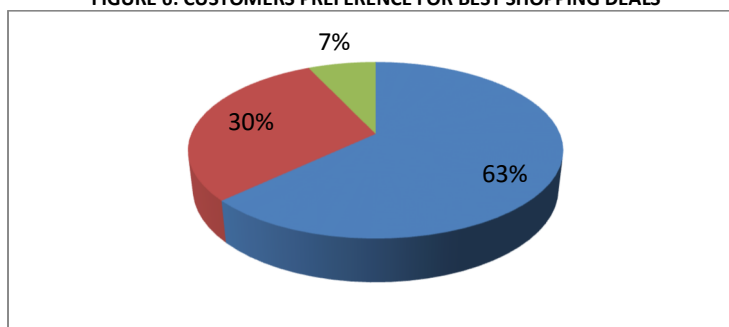


## IMPERATIVE FINDINGS AND SUGGESTIONS

The key finding of the research is as follows:
1. Unorganized retail area of organized retailing has been unfavorably affected so far as their volume of business and benefit is concerned. The unorganized retail has keep up business levels maybe as a consequence of focused reaction.
2. The antagonistic reaction on unorganized retailers has decreased after some time.
3. The basic considerations that must draw in by unorganized retailers to customers are nearness, goodwill, credit deals, bartering, free things, helpful timings, and home conveyance and so on.
4. It has been made clear on the focused reaction from conventional retailers who are equipping to meet the danger from customary retailers who are adapting to meet the risk from organized retailers. Buyers have by and large picked up with the rise of organized retail outlets through the accessibility of better quality items, lower costs, one quit shopping, decision of extra brands and items, family shopping, and new stocks.

These outcomes are not the characteristic of the overall country situation. But for the nation as a whole, unorganized retail is developing at a sensible rate and will keep on doing as such for a long time to come.

Yet it is clear that the development sought after for retail business is prone to generously surpass any conceivable supply reaction coming solely from the sloppy retailers. India is at the intersection with respect to the retail division. A few developing business sector economies have felt free to be profited from present day retail. India has been late in approaching organized retail business and the photo still stays hazy as to its future development.

The study judges a well managed way to deal with retail and to recommends and to administer a noteworthy part in forming its future course. Probably conventional retail has been performing with an imperative capacity in the economy which is a huge wellspring of job. Be that as it may, it experiences gigantic inefficiencies as a consequence of which customers don't get what they need. Conversely, organized retail gives buyers a more extensive decision of items, lower costs, and a lovely shopping.

## CONCLUSION

The idea of retail is primitive in Indian setting. We had Grocery stores, restorative stores and parcel numerous different stores working shockingly well everywhere throughout the nation. As of late with the passage way of enormous players like Wal-Mart or Reliance, individuals are getting thought of the conventional stores going to be vanished. However, just to remind us, we ought to always remember how profound established is this old idea. The exceptionally advanced sorted out stores have taken the thought of retailing no place else than from these old shops.

The overview reasoned that India's organized and unorganized retail markets can exist together and grow. The development in the Indian organized retail market is for utmost because of the adjustment in the buyer's conduct. This change has come in the shopper because of expanded wage, evolving, ways of life, and examples of demography which are good. *Presently the customer needs to shop at a spot where he can get nourishment, stimulation, and shopping all under one rooftop.* This has given Indian organized retail advertized a noteworthy support. While then again the customary stores are shops where the different item accessible are the scope of item truly required by the clients. They warily deal with the decision of the clients and bring the item which is requested by them. They attempt to fulfill them with the wide range and in the meantime keep up a decent relationship to hold them and thus change over them into their devoted client. The retailers keeps most recent items to their stores and after that figure out how is it really influencing the offers of items Although there stores have similarly less item go the choice made is very significant. Having taken a gander at the components let us discover the escape clauses. However great is the vibe and wide is the item go, when it comes the offering cost of the different products, conventional shops are constantly more effective than these recently advanced stores. These retail shops without the cooperation with the clients have wretchedly fizzled in building base with steadfast client. Regardless of how much the organizations discuss CRM (client relationship administration), with regards to the usage they attempt it just through the rebate deals driven by their benefit thought process. Therefore, in India it is entirely suspicious that the sorted out retail will be ever ready to conquer the unorganized retail in all. The qualities, society and convictions of the clients brief them to go the same retail shop where they can get the item required, at low cost and with minimum sitting tight time for charging.

Regardless of how lucrative is this segment and how bright is the business sector; the organized retail in retailing needs to go far to comprehend the client necessity.

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# RELATIONSHIP BETWEEN DEMOGRAPHIC PROFILE AND RISK TAKING ABILITY OF THE INVESTORS TOWARDS STOCK MARKET: A STUDY

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## ABSTRACT

*The growing popularity of the secondary market investment can be attributed to the increasing number of individual investors participating in stock markets. Individual investors constituting the majority have an indispensable and strategic role in the growth and smooth functioning of the secondary market and in ensuring capital flows into the most efficient hands. Visakhapatnam being industrially growing city with huge economic potential for the investment can be considered as highly potential market to build the largest number of investors in securities market in the near future. Against this background, this paper is an attempt to analyse the behaviour of individual investor in Visakhapatnam city. This paper while covering the characteristics of the Indian investors has an aim to analyze the relationship between dependent variables such as: i) Risk tolerance level, ii) Expected rate of return and independent variables such as: i) Age, ii) Education and iii) Occupation of an individual investor based on a survey undertaken in Greater Visakhapatnam City. To study the dependency/Independency of the factors Chi-square test of independence of attributes was used. The findings reveal that individual investors in the study area are well educated, salaried class but conservative in making investment decisions. The findings also reveal that equity is the most preferred investment avenue among all categories of individual investors.*

## KEYWORDS
investor behaviour, investment decision, individual investor, risk taking ability, secondary market.

## INTRODUCTION
The individual investors numbering millions constitute a focal point to the stock markets in any economy. Investing an activity confined to the rich and business class in India, today, has become a household word, popular with people from all walks of life. With the increased level of sophistication in the market duly supported by innovative financial products and services, individual investors now account for a growing share in the secondary market. Their active involvement helps industries to mobilize the required funds for growth and development while ensuring continuous liquidity in the capital market.

With the increased level of sophistication in the secondary market duly supported by innovative financial products and services, individual Investors are set to play an indispensable and strategic role in the growth and functioning of the secondary market in the future. In the light of these recent developments, the present paper endeavours to better understand the behaviour of individual investors in the secondary market with special reference to Visakhapatnam city.

## REVIEW OF LITERATURE
In the literature survey, a brief review of earlier studies is carried out on the theme of investigation. This review outlines the focussed studies with specific reference to the theme of the study.

**Nayak, M. K. (2010)** analysed the difference between the various demographic variable and investor's knowledge of grievances. The study observed that professionals and servicemen being more educated are expected to be more rational in their investment decisions, whereas business man are willing to take more risk and are instinctively investment-minded.

**Preeti Singh and Harpreet Singh Bedi (2011)** in their study revealed that there is a significant difference between the behaviour of the investor of different segments when investing. The study also identified that factors like age, gender, experience, income are different for different type of investors.

**Murugan, V. G. (2012)** studied the socio-economic profile of investors, their perceptions; and behaviour in respect to various investment avenues. The findings revealed that most of the investors generally have limited information about the developments in the securities market.

**Puneet Bhushan & Yajulu Medury (2013)** identified that women are more conservative and takes less risk and significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees.

**Pandian, V.A. and Thangadurai G., (2013)** analysed the investors' preference towards various investment avenues in Dehradun Districts. The study reported that most of the investors prefer bank deposits followed by gold investment.

**Palanivelu, V.R. and Chandrakumar K., (2013)** identified that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. have significant impact while deciding the investment avenues.

**Jagongo A., Mutswenje V.S. (2014)**, identified that the most important factors that influence investment decisions were: reputation and firms' status in industry, expected corporate earnings, past performance firms stock, and expected divided by investors.

## STATEMENT OF THE PROBLEM
The growth of secondary market is vital factor for a country's economic growth. The trend in this market is defined by the decisions of investors. The review of previous studies reveals that most of the earlier research examined investors' decision making behaviour or stock selection process in the stock market. However despite the growing importance of individuals' investors in the capital market, very little is known about the behaviour of individual investors. Therefore it is imperative to examine the behaviour of individual investors in a rapidly developing Visakhapatnam City. The present research paper fills the gap by analysing the behaviour of individual investors in the secondary market and examines influence of demographic factors like age, gender, education on risk tolerance level of the investor.

## SIGNIFICANCE OF THE STUDY
An analysis of investor behaviour is of considerable relevance as Individual investors are of strategic importance as households account for the lion's share in the securities market. The purpose of the study is to examine the influence of factors mainly investment motives, preference, risk tolerance level etc., on the trading pattern and habits of individual investors.

An understanding of investors' behaviour and outcomes in the form investment decision is important for financial planners and stock brokers to devise asset allocation strategies to their clients. The players and regulators in the capital market cannot afford to ignore the aspirations, attitudes, perceptions and expectations of individual investors. The present study endeavours to better understand the behaviour of investors in the secondary market with reference to Visakhapatnam City.

## OBJECTIVES OF THE STUDY

The study analyses the characteristics and the trading behaviour of individual investors in Visakhapatnam city. The objectives of the study are as follows:
1. To study the demographic profile of investors in Visakhapatnam city
2. To study the risk-taking ability of individual investors with regards to investment decisions.
3. To study the influence of socio-demographic factors on the risk taking ability of the investors.

## SCOPE OF STUDY

The present study aims to analyse the behaviour of investors with special reference to investors in Visakhapatnam city. The scope of the present study is confined to the study of investor's objectives, risk taking ability and its relation with the age, education and occupation.

## RESEARCH HYPOTHESES

H1: There is no significant relationship between age and risk taking ability of the investor.
H2: There is no significant relationship between education and risk taking ability of the investor.
H3: There is no significant relationship between occupation and risk taking ability of the investor.

## RESEARCH METHODOLOGY

**DATA COLLECTION:** Primary data were collected from a sample of around 400 investors with the help of a survey. Respondents from urban and semi-urban areas were included to ensure balance in representation. Based on the survey the respondents were classified into different categories on the basis of age, gender income, profession and educational status etc. The Primary data was collected using well-structured and pretested Questionnaire. The secondary data were collected from reports, books, journals, Stock Exchange reports and RBI Bulletins

**SAMPLE SIZE:** Convenient sampling technique was employed to collect the primary data. A total of 400 respondents in Visakhapatnam city were surveyed for the purpose of this study.

**DATA ANALYSIS:** The study employed simple statistical techniques such as percentages and Chi-square analysis for analysis and organisation of the information collected from all sources and to draw meaningful inferences. Correlation has been used to uncover relationships among the variables. Chi-square test of independence of attributes was used. Correlation is used to know the relationship between Risk tolerance level and the age and education of the investor.

## RESULTS AND DISCUSSION

**OBJECTIVE -1: TO STUDY THE DEMOGRAPHIC PROFILE OF INVESTORS IN VISAKHAPATNAM CITY**

Table- 1 depicts the profile of the sample respondents in terms of socio-demographic characteristics like age, gender, education level, marital status, occupation and income.

**TABLE 1: SOCIO DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

|  | Particulars | Frequency | Per cent |
|---|---|---|---|
| **AGE** | 18-25 | 34 | 9.5 |
|  | 26-35 | 138 | 34.5 |
|  | 36-45 | 104 | 26.0 |
|  | 46-55 | 68 | 17.0 |
|  | 56-65 | 22 | 5.5 |
|  | More than 65 | 34 | 7.5 |
|  | Total | 400 | 100.0 |
| **GENDER** | Male | 346 | 86.5 |
|  | Female | 54 | 13.5 |
|  | Total | 400 | 100.0 |
| **EDUCATION** | SSC/Matrix | 30 | 7.5 |
|  | 10+2/ Intermediate | 45 | 11.3 |
|  | Degree | 104 | 26.0 |
|  | P.G | 163 | 40.7 |
|  | Diploma | 46 | 11.5 |
|  | Others | 12 | 3.0 |
|  | Total | 400 | 100.0 |
| **OCCUPATION** | Employee in Government Service | 102 | 25.5 |
|  | Employee In Private Service | 129 | 32.3 |
|  | Business/Self-Employed | 76 | 19.0 |
|  | Professionals | 36 | 9.0 |
|  | Retired | 43 | 10.7 |
|  | Others | 14 | 3.5 |
|  | Total | 400 | 100.0 |
| **MARITAL STATUS** | Married | 256 | 64.0 |
|  | Unmarried | 104 | 26.0 |
|  | Others | 40 | 10.0 |
|  | Total | 400 | 100.0 |
| **INCOME** (in Indian rupees) | 10001-20000 | 152 | 38.0 |
|  | 20001-30000 | 138 | 34.5 |
|  | 30001-50000 | 58 | 14.5 |
|  | 50001-75000 | 20 | 5.0 |
|  | 75001-100000 | 18 | 4.5 |
|  | More Than 100000 | 14 | 3.5 |
|  | Total | 400 | 100.0 |

Source: Field Study

**INFERENCES**

**AGE:** It can be observed that a majority of the respondents constituting   34.5 per cent of   the total sample belong to the age group of 26-35 years, while 9.5 percent of the sample are aged 18-25 years, this indicates that majority of the respondents constituting around 45 percent  of the sample are below 35 years.  26 per cent of the respondents belong to the age group of 36-45 years, around 17 per cent of the respondents belong to the age group of 46-55 and respondents who belong to the age group of 56-65 and above 65 years represent around 15 per cent of the sample.

**GENDER:** With respect to gender distribution of respondents, it is observed that, majority of the respondents constituting 86.5 per cent of the sample were males while the remaining 13.5 per cent of the respondents were females.

**EDUCATION:** To study the impact of educational levels on investor's behaviour, the sample respondents were grouped onto five categories based on their level of education, namely post graduate, graduate, diploma, intermediate, and SSC. Table 1 depicts the respondent's level of education. Majority of the respondents representing 40.75 per cent of the sample hold a master's degree closely followed by bachelor's degree representing 26 per cent. 7.5 per cent completed High School and around 11.25 per cent of the respondents finished intermediate while o 11.50 per cent of the respondents are diploma holders , 3 percent of the sample represent others comprising of Ph.D. holders etc.

**OCCUPATION:** The occupation is also another determinant of investor's preferences and objectives as it directly affects the investor's income, savings and Investment. Majority of the respondents constituting 57.75 per cent (cumulative value) of the sample are salaried employees out of which, 32.25 per cent of the respondents are salaried employees in private service, 25.50 per cent are employees in government service, while 19 per cent of the respondents belong to the category of businessmen /self-employed, 10.75 per cent of the sample are retired.  And 9 per cent of the respondents are professionals while only 3 per cent of the sample belongs to the category of others.

**MARITAL STATUS**: Majority of the respondents are married constituting 64 per cent of the total sample, while respondents in the category of unmarried constituted 26 per cent and others  constituted 10 per cent of the total sample

**INCOME**: The income of the individual is one of the factors, which play a vital role in influencing the investment patterns and decisions of  investors. As can be seen in the table above majority of the respondents constituting 38 per cent earn monthly income of less than 20,000. 34.5 per cent earn Rs 20,001-30,000, 14.5 per cent earn Rs.30,001 – 50,000 per month while 5 per cent earn Rs.50,001 -1,00,000 per month,  While only 3.5 per cent earn more than 1, 00,000 per month.

**INVESTORS BEHAVIOUR**

An understanding of the investor's behaviour constitutes the focal point for developing effective strategies for development of securities markets in any country. In this context an attempt is made to analyse investor behaviour from various dimensions like motives , preferences, risk preference ,expected rate of returns, investment objectives etc. The results of this exercise are likely to depict the behaviour of individual investor in a rapidly developing city like Visakhapatnam.

**OBJECTIVE FOR INVESTING**

To order to identify the major motives of investment among the sample respondents, five major motives such as - earning interest/ dividend income, tax savings, capital gains, investment diversification and stock safety were placed before them and the respondents were asked to indicate their motive for investing.

**TABLE 2: THE RESPONDENTS AS PER INVESTMENT OBJECTIVE**

| Particulars | Frequency | Percentage |
|---|---|---|
| Capital Gains | 104 | 26.0 |
| Regular Income | 145 | 36.25 |
| Investment Diversification | 68 | 17.0 |
| Tax Savings | 45 | 11.25 |
| Stock  Safety | 38 | 9.5 |
| Total | 400 | 100.0 |

Source: Field Survey

**INFERENCE**

Majority of the respondents representing 36.25 per cent of the sample primary objective of investment is to earn regular income   followed by capital gains which accounts for 26 per cent. 17 per cent of the respondents opted for investment diversification, while 11.25 per cent   invest for tax savings and  9.5 per cent invest to assure safety of capital.

**RISK TAKING ABILITY**

**Objective- 2: To study the risk-taking ability of individual investors with regards to investment decisions.**

Every rational investor before investing funds in stock market analyses the risk associated with such investment. Risk is inherent in almost all the types of investment since the investor cannot fore see the future. The following table depicts the risk taking ability of the respondent's   in Visakhapatnam city.

**TABLE 3: RISK TAKING ABILITY OF THE RESPONDENTS**

| Percentage | Frequency | Percentage |
|---|---|---|
| < 10% | 142 | 35.5 |
| 10 - 20% | 172 | 43.0 |
| 20- 30% | 54 | 13.5 |
| >30% | 32 | 8.0 |
| Total | 400 | 100.0 |

Source: Field Survey

**INFERENCE**

The Study indicates that majority of the respondents  43 per cent  undertake 10-20 per cent risk followed by  35.5  per cent of the respondents' undertake less than 10 per cent   risk while  8  per cent  are  willing  to undertake  more than 30 per cent, while 43 (8.6 per cent) respondents' are willing to take 20-30 per cent risk .

**Objective- 3:  To study the influence of socio-demographic factors on the risk taking ability of the investors.**

**AGE AND RISK TAKING ABILITY**: In order to examine the influence of age on the risk taking ability of the respondents the following hypothesis is proposed.

**H1$_0$**: There is no significant relationship between age and risk taking ability of the investor

**H1$_a$**: There is significant relationship between age and risk taking ability of the investor

**TABLE 4: AGE AND RISK TAKING ABILITY**

| AGE | RISK TAKING ABILITY | | | | Total |
|---|---|---|---|---|---|
|  | < 10% | 10 - 20% | 20- 30% | >30% |  |
| 18-25 | 9 | 25 | 0 | 0 | 34 |
| 26-35 | 37 | 69 | 22 | 10 | 138 |
| 36-45 | 42 | 28 | 27 | 7 | 104 |
| 46-55 | 30 | 20 | 4 | 14 | 68 |
| 56-65 | 11 | 11 | 0 | 0 | 22 |
| >65 | 13 | 19 | 1 | 1 | 34 |
| Total | 142 | 172 | 54 | 32 | 400 |

Source: Authors Compilation

**TABLE 5: CHI-SQUARE TESTS - AGE AND RISK TAKING ABILITY**

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | Df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 72.096a | 15 | .000 |
| Likelihood Ratio | 79.784 | 15 | .000 |
| Linear-by-Linear Association | 2.242 | 1 | .134 |
| N of Valid Cases | 400 | | |

Source: Authors Compilation

**INFERENCE**

From the above table, it can be observed that the calculated value of Chi-square 72.096 is significant at 5 per cent level of significance with significant probability .000.  Therefore the $H_0$ is rejected and $H_1$ is accepted. The resulted chi-square values indicate that there is significant relation between age and risk taking ability of the respondents.

**EDUCATION AND RISK TAKING ABILITY**: In order to examine the influence of education on risk taking ability the following hypothesis is proposed.

**H2$_0$**: There is no significant relationship between education and risk taking ability of the investor.

**H2$_a$**: There is significant relationship between education and risk taking ability of the investor.

**TABLE 6: EDUCATION AND RISK TAKING ABILITY**

| EDUCATION | RISK TAKING ABILITY | | | | Total |
|---|---|---|---|---|---|
| | < 10% | 10 - 20% | 20- 30% | >30% | |
| SSC/Matrix | 12 | 10 | 7 | 1 | 30 |
| 10+2/ Intermediate | 14 | 17 | 10 | 4 | 45 |
| Degree | 27 | 54 | 13 | 10 | 104 |
| P.G | 45 | 67 | 38 | 13 | 163 |
| Diploma | 13 | 19 | 9 | 5 | 46 |
| Others | 4 | 6 | 1 | 1 | 12 |
| Total | 142 | 172 | 54 | 32 | 400 |

Source: Authors Compilation

**TABLE 7: CHI-SQUARE TESTS - EDUCATION AND   RISK TAKING ABILITY**

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 97. 781a | 15 | .000 |
| Likelihood Ratio | 99.231 | 15 | .000 |
| Linear-by-Linear Association | 34.868 | 1 | .000 |
| N of Valid Cases | 400 | | |

Source: Authors Compilation

**INFERENCE**

It can be observed that the calculated value of Chi-square 97.781 is significant at 5 per cent level of significance with significant probability .000. Therefore the $H_0$ is rejected. The resulted chi-square values indicate that there is significant relation between education and risk taking ability of the respondents.

**OCCUPATION AND RISK TAKING ABILITY**: In order to examine the effect of occupation on the risk taking ability of the respondents the following hypothesis is proposed.

**H3$_0$:** There is no significant relationship between occupation and risk taking ability of the investor.

**H3$_a$:** There is significant relationship between occupation and risk taking ability of the investor.

**TABLE 8: OCCUPATION AND RISK TAKING ABILITY**

| OCCUPATION | RISK TAKING ABILITY | | | | Total |
|---|---|---|---|---|---|
| | < 10% | 10 - 20% | 20- 30% | >30% | |
| Employee  in government Service | 58 | 22 | 7 | 15 | 102 |
| Employee In Private Service | 31 | 73 | 19 | 6 | 129 |
| Business/Self-Employed | 17 | 34 | 18 | 7 | 76 |
| Professional | 16 | 12 | 7 | 1 | 36 |
| Retired | 19 | 21 | 2 | 1 | 43 |
| Others | 1 | 10 | 1 | 2 | 14 |
| Total | 142 | 172 | 54 | 32 | 400 |

Source: Authors Compilation

**TABLE 9: CHI-SQUARE TESTS – OCCUPATION AND RISK TAKING ABILITY**

| | Value | Df | Asymp. Sig.(2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 71.221a | 15 | .000 |
| Likelihood Ratio | 73.976 | 15 | .000 |
| Linear-by-Linear Association | .073 | 1 | .787 |
| N of Valid Cases | 400 | | |

Source: Authors Compilation

**INFERENCE**

From the above table, it can be observed that the calculated value of Chi-square  is significant at 5 % level of significance with significant probability .000. Therefore the $H_0$ is rejected. The resulted chi-square values indicate that there is a significant relation between occupation and risk taking ability of the respondents.

**TABLE 10:  SUMMARY OF HYPOTHESES**

| Hypothesis | p-value | Influence significant | Results | Null        Hypothesis Accepted /Rejected |
|---|---|---|---|---|
| H$_1$ | .000 | Yes | There is significant relationship between Age and risk taking ability of the investor | Rejected |
| H$_2$ | .000 | Yes | There is significant relationship between education and risk taking ability of the investor. | Rejected |
| H$_3$ | .000 | Yes | There is significant relationship between occupation and risk taking ability of the investor. | Rejected |

S-Significant (P value < 0 .05); NS-Not Significant (P value > 0.05)

Source: Authors Compilation

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## MAJOR FINDINGS OF THE STUDY

Some of the major findings of the study based on the analyses are presented hereunder.

1.  Majority of the respondents constituting 44 per cent of the sample are above 35 years, indicating that relatively high proportion of middle aged investors participating in the secondary market.
2.  Majority of the respondents are males, constituting 87 per cent of the total sample, while female investors account for 13 per cent of the total sample. The results revels that most of investors participating in the secondary market are men.
3.  The study reports that majority of the respondents are married constituting 64 percent of the sample.
4.  Majority of the respondents representing 67 per cent of the sample are educated having a Degree or Post Graduation. The findings establish the fact that individuals engaged in investing are well educated.
5.  Most of the respondents are salaried employees accounting for 58 per cent of the total sample.
6.  The study reports that majority of the respondents constituting 73 percent of the sample belong to the income group of less than Rs 30,000 per month indicating respondents from middle income group are participating more in stock market compared to investors in the higher income group.
7.  The statistical results suggest that individual investors have more experience in stock trading, indicating that majority of the respondents constituting 88 per cent of the sample has more than 5 years of stock trading experience.
8.  The study reports that equity is the most preferred investment avenue for individual investors followed by futures and options, commodities and gold traded funds.
9.  An analysis of the responses towards principal motives of investment revealed that the primary motive of investment among individual investors is to earn a regular income either in the form of interest or dividend on the investments made followed by capital appreciation, investment diversification, tax savings and stock safety.
10. The findings indicate that respondents in the age group of 18-35 are willing to take 20 per cent risk, while respondents in the age group of 36-55 are also willing to take 10 per cent risk on their investment, while respondents in the age group of more than 55 years are willing to take less than 10 per cent. Based on the findings it can be understood that investors in the age group of less than 35 are willing to take more risk compared to investors of other age groups.
11. The findings reveal that there is significant relationship between education and risk taking ability of the investor indicating that respondents who are well educated having a bachelor's or master's degree are willing to take moderate risk as compared to the other categories.

## SUGGESTIONS

After analysing the various factors influencing the individual investment behaviour and in the light of major findings of the study, the following suggestions are made.

1.  It is suggested that SEBI must undertake awareness programmes to spread awareness about investment in stock market and guide the investors properly in investing their hard earned money.
2.  It is suggested that SEBI has to play an active role in protecting the interest of the investors by regulating the companies. It should check the irregularities, insider trading and price rigging of companies to protect the interest of the investors.
3.  Stock broking firms must develop appropriate asset allocation strategies for successful portfolio management based on investor's life stage, financial risk tolerance and their financial literacy level in order to encourage more participation from different class of investors in the secondary market.
4.  Investors should make the investment with proper planning in line with their investment objectives. The investors should diversify their investment portfolio in order to reduce the risk and should continuously monitor their investments.
5.  It is suggested that awareness levels of potential investors towards debentures should be increased in view of the safety and security of debentures.
6.  Stock broking firms must provide customized advisory services to help investors make the right financial decision that are suited specifically to their portfolio to earn trust and long term relationship with their clients.

## LIMITATIONS OF THE STUDY

1.  The study is confined to understanding the behaviour of individual investors only and no other class of investors like institutional investors and online investors.
2.  Sample size is limited to 400 individual investors in the city of Visakhapatnam. The sample size may not adequately represent the national market.
3.  The study is confined to the city of Visakhapatnam and does not include investors from other cities in India.

## CONCLUSION

With the increased level of sophistication in the secondary market duly supported by innovative financial products and services, Individual Investors are set to play an indispensable and strategic role in the growth and functioning of the secondary market in the future.The findings reveal that Indian investors are salaried class with moderate income, well educated, and independent in making investment decisions but conservative investors. Understanding their behaviour in with respect to trading patterns and habits can be used by share brokerage firms in restructuring their existing practices, innovating new ways of service delivery and designing suitable asset allocation strategies to their clients.

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# THE EFFECT OF INNOVATION AND ORGANIZATIONAL LEARNING ON FIRM PERFORMANCE: AN EMPRICAL STUDY IN QUALITY ORIENTED FIRMS

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## ABSTRACT
*The aim of this study is to explore the effects of internal functions such as explorative – exploitative innovativeness and generative - adaptive learning on financial performance. In this study, it has been analyzed the relationships between, exploitive - explorative innovativeness, organizational learning and financial performance in a quality oriented frame. The sample consists of quality oriented private sector companies, operating in IT sector, in Adana region of Turkey. Survey respondents were mid-and top level managers and owners. Descriptive statistic, correlation and regression analysis and SEM were used as data analyzing methods. The findings indicate the positive relationships among TQM, innovativeness, organizational learnig and financial performance.*

## KEYWORDS
TQM, innovativeness, organizational learning, financial performance.

## INTRODUCTION
In the globalizing world, companies are compelled to focus on notions of innovation, learning and competitive edge to have the competitive advantage and maintain their existence with rivalries growing to an international scale from domestic ones.

In Total Quality Management (TQM), meeting the customer's expectations takes precedence. These expectations are realized with principles of quality. However in an environment of intense competition, meeting customer expectations becomes increasingly difficult. Whether it is to gain a competitive edge or to meet customer expectations, it is inevitable that the businesses are gravitating towards the notions of organizational learning and innovation, which is a must to ensure the long term sustainability of an organization. There have been studies on TQM and its contributions to innovativeness (Prajogo and Sohal, 2001). Also, as the intensity of the competition accelerates change, firms feel the need to renew themselves by utilizing their present means or by inventing novelties. The notions of explore and exploit have emerged during organizational learning and strategy studies (Levinthal and March, 1993; Vera and Crossan, 2004). In different works, the need to develop exploratory and exploitive innovation simultaneously in order for organizations to become effective, has been stated (Gibson and Birkinshav, 2004; He and Wong, 2004). The department of explorative innovation is in charge of presenting new information, new products and new services to the customers. Exploitive innovation, on the other hand, is focused on existing information, products and services. While both types of innovation are important for the sustainability of the company, what is important is to ensure the harmonious and coordinated functioning of both activities.

Organizational learning can be defined as an entirety, consisting of generative learning and adaptive learning An absolute balance must be struck between the two types of learning. Explorative learning businesses where adaptive learning is neglected are prone to fall to "success traps" (Levinthal and March, 1993). Organizations not conducting a true status assessment because success gained in the short term, may have to face failures on the long run. Effects of organizational learning and innovativeness on organizational outcomes vary depending on conditions. In this study, it is endeavored to evaluate one of the most important and objective organizational outcomes, impact on financial performance, within the scope of TQM, one of the recent management paradigms that approaches businesses with regards to customer expectations, in a holistic manner.

## LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES
### TQM
The definitions of quality are usually as follows; product performance established by preventing customer dissatisfaction and customer satisfaction independent on product necessities (Juran, 1985), a space where customers and users have left behind the needs and necessities of the product (Gitlow et al., 1989), predictable degree of uniformity and reliability at low cost (Deming, 1986), while creating the product or the service meeting the expectations of the customer on the stages of development, engineering, production and maintenance (Feigenbaum, 1986), the degree of conformity to product requirements (Crosby, 1979). Garvin (1984) has categorized them under 5 groups *1)Transcendental View of Quality: Perfection, highest standard 2) Product-Based View: Depends on quality 3) User-Based View: Meets customers demands 4) Manufacturing-Based View: Meets requirements 5) Value-Based View: Monetary value*

No matter how different the approaches to the definition of quality have been, the aforementioned approaches have failed to define quality completely. The most important reason for this are the customer requirements that cannot be defined in a detailed manner. For this reason, in the later periods, the notion of quality has been approached in a holistic manner and the concept of total quality was put forward.

Total Quality, is seen by some as the continuation of scientific management or a part of the system theory, while for others it is seen as a new paradigm for management and Dean and Bowen (1994) have defined it as the advanced management approach to improve organizational performance by including a type of technical and behavioral methods through a narrow focus on statistical process control.

The discovery of Total Quality Control (TQM) is one of the most fundamental developments in management practices. It has emerged as a new management philosophy in the US, that was losing its competitive edge against the Japanese automotive industry in the 1980s (Dean and Evans, 1994; Lau and Anderson, 1998). There are 16 principles put forward by the British Standards Institution: *1-Priority 2-Quality Definition 3-Customer description 4-Customer satisfaction 5-Purpose 6-contact 7-Culture 8-Values 9-Mutual respect and benefit 10-Health and safety 11- Responsibility 12- Participation and ownership 13- Continuous improvement 14-Performance 15-Resources 16- Investment*

In a quality oriented firm, while the implementation of these principles is exceedingly difficult, it is possible to achieve this by getting support from the director, quality managers and many other individuals and institutions. The success of TQM programs depends on the adaptation of the firm to the industry, product or service the business is strategically focused on (Lau and Anderson, 1998).

There have been sufficient academic and experimental studies regarding the relation between TQM and innovation. While one group of researchers assert that there is a positive relation between TQM and innovation, the other group claims the contrary. This study aims to eliminate this discrepancy.

According to those who indicate on positive relations, TQM has compatible principles with innovation. It promotes customer focus, need for new customers and to meet their expectations (Juran, 1985). In the same way, continuous improvement encourages those concerned to change and be more creative as to the organization and management of tasks. Furthermore, authorization, participation and teamwork principles are decisive for the success of organizational innovation (Prajogo and Sohal, 2001; Flynn, 1994). Despite being of the same importance prior to success; customer focus, management/leadership, comparison, commitment to purpose, data/information, quality focus, employee focus, process thinking and continuous improvement form the basis for innovation and development (Gustafson and Hundt, 1995). Continuous improvement may establish the foundation of an innovative organization (McAdam et al., 1998) and TQM contributes in the differentiation between more and less innovative organizations (Baldwin and Johnson, 1996).

## TQM - INNOVATION

Customer focus encourages organizations to research customer needs and expectations and direct organizations towards innovativeness which aims for continuous adaptation to the changing markets through development and marketing of new products. In this way, the suppliers not only meet customer needs, but also exceed them by being more creative. This situation is related with innovation (Juran,1985). In the same way, continuous improvement encourages those concerned to change and be more creative as to the organization and management of tasks. Furthermore, authorization, participation and teamwork principles are decisive for the success of organizational innovation. (Prajogo and Sohal, 2001; Flynn, 1994).

Customer focus, management/leadership, comparison, commitment to purpose, data/information, quality focus, employee focus, process thinking and continuous improvement form the basis for innovation and development (Gustafson and Hundt, 1995). Continuous improvement may establish the foundation of an innovative organization (McAdam et al., 1998) In the light of the literatur the first two hypotheses are developed as:

$H_{1a}$: TQM effects the explorative innovativeness positively.

$H_{1b}$: TQM effects the exploitive innovativeness positively

## TQM - LEARNING

TQM, kaizen and other continuous improvement methods' strength lies in their promotion of double-loop learning. These methods, promote the inspection of existing practices and finding better ones, "speeches" prioritizing learning and change, creation of mindsets and values; in the face of problems that the employees face and enables them to go beyond the superficial to find out the problem at the source (Morgan, 1998:110).

TQM, facilitates and accelerates the participation of employees in the problem solving process. Cause and effect diagrams are an effective tool for problems regarding firm practices. Organizations that learn are able to represent the truth by eliminating discrepancies in subjects on a strategic level where cause and effect relations are more disconnected (Dervitsiotis, 1998). In the light of the literatur the second two hypotheses are developed as:

$H_{1c}$: TQM effects generative learning positively.

$H_{1d}$: TQM effects adaptive learning positively.

## INNOVATION

Innovation is an English word often used in the forms of innovation or innovativeness, and is used in the same context as pro activeness. There have been many definitions from different aspects regarding innovations. The term innovation differs in meaning depending on the level of analysis. Innovation, is the adaptation to projects, systems, policies, programs, processes, products or services that are either self-produced or imported (Damanpour,1991:556). For a technique to be perceived as new, it is not necessary to be more effective than others; it just needs to be discernable from others (Abrahamson, 1996:265).

Innovation is a certain function of entrepreneurship. Innovation is " the creation of prosperity either by forming new sources or by increasing the usage potential of existing ones" (Drucker, 1998:21). Industrial innovation covers the marketing of anew product or the design, production, management and commercial functions for a new process or equipment to be used commercially for the first time (Freeman, 1982). Innovation is the tool that enables entrepreneurs to produce new businesses or services. It has the qualities to be shown as a discipline, learning talent, practice talent (Drucker, 1985).

Innovation = Invention + usage. Invention signifies the creation of new ideas and all efforts made to render these ideas applicable. Application process includes commercial development, implementation and transfer; as well as focusing on ideas and inventions for certain aims, research and/or development result transfers and utilization, propagation and popularization of results based on technology (Roberts, 1987). Companies gain the competitive edge through innovation. They approach innovativeness with a wider angle, including both new technologies and new business conducting styles (Porter, 1990).

The concept of innovation is often confused with other concepts. Therefore, it is important to lay down the differences between it and other concepts. Creativeness, which is one of these concepts, is often described with a focus on personal attributes and other variables during the process. Researches draw a line between creative performance and organizational innovativeness. A creative behaviour in the workplace signifies products, ideas, systems and processes produced on the personal level while innovation is the successful practive of these products on an organizational level (Marcinelli, 1997:21). When employees are creative, they will potentially produce new and functional products,ideas or processes for the benefit of the organization. The development and implementation of creative products is accepted as a part of innovativeness. In other words, creativeness of a person or a team is the precursor to innovation. However, creativeness is a necessary but insufficient process for innovation Other factors are required for a successful innovation (Amabile et.al., 1996).

Innovation is usually coined together with competition. The distinguished economist, Freeman (1982) in his study on innovation underlines its importance by saying "Not to innovate is to die". Porter in his work "Competitive Advantage of Nations" defines "competitiveness" as the ability to increase productivity and underlines the points of "increasing product quality", "adding additional or distinguishing features to the product", "increasing productivity during production" and "attaining high automation levels".

Innovativeness can be explained in a comprehensive manner by two notions which are explorative and exploitative innovation. For organizations to be effective, they have do develop exploitative and explorative innovations in different departments simultaneously (Gibson and Birkinshaw 2004, He and Wong, 2004). Explorative innovation is defined in various ways such as; investing in resources to clarify and enlarge existing product innovation knowledge (Atuahene and Gima, 2005), experiencing necessary ways to realize new radical thoughts (Bierly and Daly, 2007), developing new technologies to present to new customers (Danneels, 2007), merging the activities or technology and research and development (Gilsing and Nooteboom, 2006; Garcia et al., 2003), technology research about demands expected in the future (Jayanthi and Sinha, 1998). Exploitive innovation on the other hand is defined as; directing the resources towards investing to gain new knowledge, ability and processes (Atuahene and Gima, 2005), the clarification and strengthening of existing knowledge and the focus on existing experience activities (Bierlya and Daly, 2007), the improvement of the presentation of existing technology to existing customers (Danneels, 2007), directing towards product development projects (Garcia et al., 2003), investment in existing technology (Lee and Ryu, 2002), investments during the profitable periods of a products life cycle (Van Looy,et.al., 2005).

## INNOVATION - PERFORMANCE

On top of the list of topics that customers care about, keeping the delivery time short and on-time may be found or some customers may continuously desire new product and services. What's more, customers continuously attach importance to the firms ability to predict new needs and propose the appropriate product and approach for these needs, in choosing who to work with. Customer base enables firm managers to determine the strategy that will bring in the maximum amount of revenue according to market conditions and customers (Kaplan and Norton 1996: 33-34).

A firm may determine the tools to diversify customer evaluation criteria and ensure the financial aimed productivity benefit by determining the financial and customer points of view clearly. Organizational factors which are of vital importance are described under four processes.

These are; (1) forming an exception, to develop new product and services and promote innovation to reach new markets and customer bases, (2) to increase the value in the customer's eyes, developing the realtions with existing customers, (3) to actualize activiy perfection, develop supply chain management, internal management processes, the degree of utilization of assets, resource-capacity management and other processes and (4) to be a good firm member or being an organization citizen, establishing effective external profit groups (Özbirecikli and Ölçer, 2002:8). The hypotheses developed on the relationships between innovativeness and performance are as following:

$H_2$: Explorative innovativeness effects financial performance positively.

$H_3$: Exploitive innovativeness effects financial performance positively.

## ORGANIZATIONAL LEARNING

Learning is a process finalized by a permanent change through experience or repeating (Morris, 2002: 196), a long term change as a result of an experience (Cüceloğlu, 1997), in essence as defined by most it is the permanent change in behavior as a result of knowledge and experience. In another definition, learning is the process of changing beliefs, values, attitudes and behaviors in light of knowledge acquired from theoretical thoughts, practices and experiences. As a result of learning, there is an accumulation of knowledge and experience and a definite change of permanent nature in the behavior of people (Eren, 2004).

Learning may occur on personal, group or ogranizational level. Learning on personal level signifies reaching accumulated or new knowledge belonging to the one's environment, by using one's intuition or cognitive processes including perceiving, understanding and interpreting them as well as forming experiences using them and adjusting one's behaviors according to the results reached. Consequently, intuition and interpretation are personal events. Therefore, persons in the name of the organization use their intuition and interpret the knowledge and not the organization itself (Koçel, 2007). The second stage of learning is group learning. It signifies sharing, interpreting and reaching a group understanding of the knowledge the individuals have learned. Without group learning, one cannot talk about organizational learning (Koçel, 2007). The third stage of learning is organizational learning. Organizational learning is the process of attaining knowledge and developing abilities to ensure that people who work together for a common goal understand their work better and as a result work more efficiently (Barutçugil, 2004). For organizational learning to take place, a bridge ensuring the transition from personal learning to organizational learning is necessary. For forming this bridge three elements are required: *Communication, transparency and consolidation* (Düren 2002).

**FIGURE 1: LEARNING PROCESS (DÜREN 2002)**

| Personal Learning | Bridge | Organisational Learning |
|---|---|---|
| - Personal experiences | Communication | - Collective experiences |
| -Changes in mind | Transparency | - Chances in collective knowledge and values |
| - Behavioral changes on experiences | Integration | - Changes in nomative and behavioral patterns |
| - Personal mindsets | | - Collective mindsets |

The notion of organizational learning first appeared around the 1970s and was described as recognizing mistakes and correcting them. It is possible to study the notion of organizational learning under personal learning. Yet, as much as organizational learning is done through people, to approach organizational just as the total learning of individuals would be a mistake. Organizations do not possess brains, instead they have systems and memories. Individuals and leaders change, but the memories of organizations retain certain behaviors, cognitive maps, norms and values and do not change with time. Thus, in environments of serious competition; the notions of education, innovation and change are used more often (İnce, 2005).

Beyond being just a personal effort and experience, organizational learning is about the thoughts and efforts for establishing a common value and experience process. In this sense organizational learning is a strategic choice and is regarded as a tool the forming of the future of the organization.

### TYPES OF ORGANIZATIONAL LEARNING

#### GENERATIVE LEARNING

Includes acquiring notions such as generative learning, change, research, risk taking, experience, discovery, flexibility,innovation. It is the acquisition or discovery of new knowledge. With generative learning, businesses ensure their survival in the future (March, 1991).

#### ADAPTIVE LEARNING

Adaptive learning includes activities such as development, selection, production, efficiency, differentiation, application and regulating. Businesses that adopt the adaptive learning will protect their status quo, however with time they will suffer from not keeping up with the times (March, 1991).

#### LEARNING - PERFORMANCE

Areas that enable the attainment of a performance that ensure the breakthrough of a firm with determined objectives in the dimensions of finance customer and internal functioning, are identified. Objectives laid down in the learning and growth dimensions ensure the infrastructure needed for the realization of the ambitious targets set in other dimensions (Kaplan and Norton; 1996:153).

The effect of learning and growth is usually acquired through three sources. These are; employees, systems and corporate compliance. Three basic dimensions such as satisfaction of the employees, productivity and sustainability provides the measuring of the results of the investments for the company's employees, systems and corporate compliance. In most firms objectives regarding employees are formed from the synthesis of combination of indicators related to three main conclusions. These three basic indicators are in listed as "satisfaction of employees", "permanence of employees", and "productivity of employees". Among these, "satisfaction of employees" is regarded as the indicator affecting the remaining two (Kaplan and Norton, 1996:157- 178).

The hypotheses developed on the relationships between learning and performance are as following:

$H_4$: Adaptive learning effects financial performance positively.

$H_5$: Generative learning effects financial performance positively.

## METHODOLOGY

### DATA COLLECTION AND ANALYSIS

For data collecting, survey methode has been choosen as a widely used technic in social sciences. The questionnaire has been formed with the questions and phrases consisting of the scales with approved validity and reliability from the literature. All items (except demographics) were measured on a five-point Likert-type scale, indicating the relative strength of their agreement or disagreement with responses ranging from 1 to 5. The surveys were sent to the firms operating in IT sector in Adana region/ Turkey, The sample was comprised middle-and top managers and owners. SPSS 16.0 and AMOS 4.0 were used to analyse the data. The results

### DEPENDENT VARIABLE

*Financial Performance* was measured with 3 items taken from the study conducted by Hagedoorn ve Cloodt (2003). Respondents were asked to assess their firm's performance over the previous three-year period.

### INDEPENDENT VARIABLES

*Organizational Learning* was measured with 6 items taken from Spanos and Lioukas (2001).

*Innovation is* measured wth 14 items adopted from the studies Abernathy and Clark (1985), Benner and Tushman (2003), March (1991), Uzzi and Lancaster (2003) and Jansen et al. (2006).

*Total Quality Management* is measured with 6 leader-items, 6 employee-items, 4 policy&strategy-items, 5 processes-items, 4 partnership&resources-items; totaly 25 items adapted from Santos Vijande, Alvarez Gonzales (2007).

FIGURE 2: RESEARCH MODEL
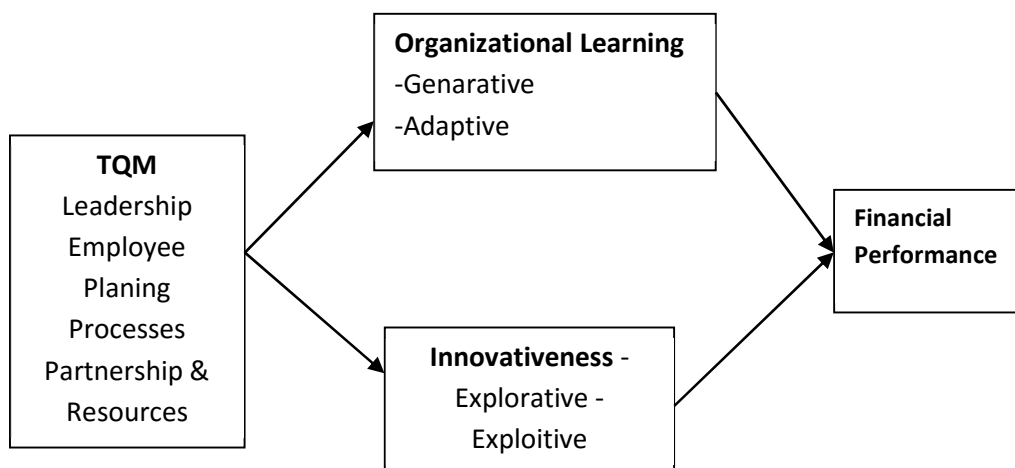


## GENERAL INFORMATIONS ABOUT THE SURVEY RESPONDENTS

In the following tables below there are shown the informations from the respondents about their gender, age, positions in the firm, education level.

TABLE 1: GENDER

|  | Frequency | % |
|---|---|---|
| **Male** | 63 | 78,75% |
| **Female** | 17 | 21,25% |
| **Total** | **80** | **100,0%** |

TABLE 2: POSİTİONS IN THE FIRM

|  | Frequency | % |
|---|---|---|
| **Middle level** | 35 | 43,75% |
| **Top level** | 25 | 31,25% |
| **Owner** | 20 | 25% |
| **Total** | **80** | **100** |

TABLE 3: EDUCATION-LEVEL

|  | Frequency | % |
|---|---|---|
| **Elementary School** | 6 | 5,1% |
| **College** | 21 | 17,8% |
| **Barchelor** | 75 | 63,6% |
| **Masters/PhD** | 16 | 13,6% |
| **Total** | **118** | **100,0%** |

The average age of the respondents is 38,6.

## FACTOR ANALYSİS

Factor analyses is widely used to test the validity of a variable. In the tables, there are shown the factor loadings as well as the announced total variances. The value of the announced total variance should be greater than 0,50 (Yeniçeri and Erten, 2008; Grewal et al., 1998).

In this study we used explorative factor analysis. According the analysis, 10 questions are removed because of their incompablity with the criteria and continued to the analyses. The removed questions are TQM-Leadership 4.,5.and 6., -Employee 5. and 6., -Planning 4., - Processes 4.and 5.,- Partnerships &resources 3.and 4., Innovations-explorative 1., 5., 6. and 7., -exploitive 5., 6. and 7.

The results of the Factor Analyses are given in the tables below.

TABLE 4: FACTOR LOADINGS OF TQM

| Questions | Leader | Employee | Planing | Proceses | Partnership & Resources |
|---|---|---|---|---|---|
| Leaders personally assess the application and progress of total quality principles. | 0,646 | | | | |
| Organizational leaders take on the responsibility for developing quality-oriented management systems. | 0,789 | | | | |
| Leaders acknowledge and reward employees' contributions to bettering quality. | 0,813 | | | | |
| Leaders acknowledge and reward employees' contributions to bettering quality. | | 0,745 | | | |
| In human resource planning, the employee is considered an ''internal customer'' who participates in policy, strategies and organizational structure. | | 0,801 | | | |
| Employees know that quality is their responsibility, and they are encouraged to meet customers' and the organization's objectives. | | 0,886 | | | |
| Continuous improvement is consistently fostered and facilitated. | | 0,600 | | | |
| The company draws up strategic action plans. | | | 0,783 | | |
| Progress towards achieving strategic objectives is regularly assessed. | | | 0,810 | | |
| SWOT analysis is regularly used to review and update business strategy. | | | 0,649 | | |
| Processes are designed ensuring that skills and capacities are right for company needs. | | | | 0,712 | |
| We use clients' complaints and grievances to improve our products. | | | | 0,897 | |
| All processes, procedures and products are assessed regularly in an attempt to bring in change and improvement. | | | | 0,700 | |
| We have close, long-term relationships with our supplies designed to resolve qualityrelated problems. | | | | | 0,823 |
| Our suppliers help to improve our products and/or services and also provide technical assistance. | | | | | 0,864 |

Announced Total Variance: 73,765

**TABLE 5: FACTOR LOADINGS OF INNOVATIVENESS AND ORGANIZATINAL LEARNING**

| Questions | Explor. Innov. | Exploit. Innov. | Generat. Learning | Adapt. Learning |
|---|---|---|---|---|
| We invent new products and services | 0,713 | | | |
| We experiment with new products and services in our local market. | 0,645 | | | |
| We commercialize products and services that are completely new to our unit | 0,786 | | | |
| We frequently refine the provision of existing products and services. | | 0,753 | | |
| We regularly implement small adaptations to existing products and services | | 0,808 | | |
| We introduce improved, but existing products and services for our local market | | 0,779 | | |
| Our unit expands services for existing clients | | 0,634 | | |
| Modernization and automation of production processes | | | | 0,677 |
| Efforts to achieve economies of scale | | | | 0,875 |
| Capacity utilization. | | | | 0,649 |
| Research and development expenditures for product development. | | | 0,865 | |
| Research and development expenditures for process innovation. | | | 0,943 | |
| Rate of product innovations. | | | 0,766 | |

Announced Total Variance: 74,899.

**TABLE 6: FACTOR LOADINGS OF FINANCIAL PERFORMANCE**

| | Financial Performance |
|---|---|
| Turnover profitability (Profit/Total sales) | 0,921 |
| Return on assets (Profit /Total assets) | 0,962 |
| Overall profitability | 0,906 |

Announced Total Variance: 82,936.

**RELIABILITY ANALYSIS**

It has been done the reliability analysis for each of the variables and the Cronbach's Alpha coefficients lay between 0.83-.92 (>0,70) (Nunnally, 1967). The results are shown below.

**TABLE 7: RELIABILITY ANALYSIS RESULTS**

| Variables | Number of Questions | Coefficient Alpha |
|---|---|---|
| TQM | 15 | 0,89 |
| Explorative Innovation | 3 | 0,85 |
| Exploitive Innovation | 4 | 0,86 |
| Adaptive Learning | 3 | 0,83 |
| Generative Learning | 3 | 0,90 |
| Financial Performance | 3 | 0,92 |

**Mean, Standard Deviations and Correlation Coefficients of the Variables**

In Table 8, there are given the means, standard deviations and results of the correlation analysis of the vaviables of the research model. The standard deviations have been calculated between 0.68 and 0.88. It shows that the variance level is enough for further valid analyses.

According the Table8, there are positive correlations between the variables on %1 significance level (p<0,01).

**TABLE 8: CORRELATION MATRIS** (means, standard deviations, alpha and correlation coeffcients)

| | | M | Σ | α | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | TQM | 3,13 | 0,82 | 0,89 | 1 | | | | |
| 2 | Explorative Innovation | 3,17 | 0,76 | 0,85 | ,576(**) | 1 | | | |
| 3 | Exploitive Innovation | 3,22 | 0,78 | 0,86 | ,638(**) | ,520(**) | 1 | | |
| 4 | Adaptive Learning | 3,42 | 0,68 | 0,83 | ,482(**) | ,556(**) | ,590(**) | 1 | |
| 5 | Generative Learning | 3,39 | 0,84 | 0,90 | ,312(**) | ,537(**) | ,552(**) | ,614(**) | 1 |
| 6 | Financial Performance | 3,29 | 0,88 | 0,92 | ,527(**) | ,552(**) | ,553(**) | ,625(**) | ,543 |

*\*\*(p<0,01)*

**STRUCTURAL EQUATION MODEL AND HYPOTHESIS-TESTS**

For hypothese tests we have coosen Structural Equation Model (SEM) that allows to test the research model as a whole. With the help of the SEM, we could analyze the multi regressions together. In SEM, the fit indices determine the approval of the reseach model. The model will be accepted or refused according to the results of the goodness of fit-tests (Garson, 2004). In this study Chi-square ($X^2$) values has been found to be significant. There are many fit indices used in SEM. According to Schermelleh-Engel et al. (2003) there are 5 fit indices used widely. These fit indices, criteria and our results of the model fit are given In Table 9.

**TABLE 9: FIT INDICES, CRITERIA AND MODEL FIT**

| Fit indeces | Good fit | Satisfactory fit | Model Fit |
|---|---|---|---|
| $X^2$/sd | $X^2$/sd<2 | 2≤ $X^2$/sd≤5 | 1,486 |
| RMSEA | 0<RMSEA<0.05 | 0,05≤RMSEA≤0,10 | 0,06 |
| NFI | 0,95 ≤ NFI ≤ 1 | 0,90 ≤ NFI ≤ 0,95 | 0,82 |
| CFI | 0,97 ≤ CFI ≤ 1 | 0,95 ≤ CFI ≤ 0,97 | 0,94 |
| GFI | 0,95 ≤ GFI ≤ 1 | 0,90 ≤ GFI ≤ 0,95 | 0,83 |

According the proposed research model, the SEM results show that TQM effects on explorative and exploitive innovativeness and on generative and adaptive learning positive. The results indicate on the positive effetcs of explorative and exploitive innovativeness on financial performance, too. Finally, no relationship has been found between generative learning and financial performance, while there were positive influences of the adaptive learning

**TABLE 10: PARAMETERS OF THE PROPOSED MODEL AND THE HYPOTHESES' RESULTS**

| Hypotheses (Causal relationships) | Hypothes | Parameter Estimated($\beta$) | Standard Error | t Value | P (sig.) Value | Result |
|---|---|---|---|---|---|---|
| TQM Explorative Innovation | $H_{1a}$ | 0,981 | 0,147 | 6,669 | 0,000 | **Supported** |
| TQM Exploitive Innovation | $H_{1b}$ | 1,110 | 0,153 | 7,261 | 0,000 | **Supported** |
| TQM Generative Learning | $H_{1c}$ | 1,065 | 0,166 | 6,466 | 0,000 | **Supported** |
| TQM Adaptive Learning | $H_{1d}$ | 1,042 | 0,153 | 6,806 | 0,000 | **Supported** |
| Explorative Innovation Finansal Performans | $H_2$ | -0,339 | 0,145 | -2,324 | 0,021 | **Supported** |
| Exploitive Innovation Financial Performance | $H_3$ | 0,528 | 0,177 | 3,210 | 0,001 | **Supported** |
| Adaptive Learning Financial Performance | $H_4$ | 0,376 | 0,133 | 2,743 | 0,004 | **Supported** |
| Explorative Learning Financial Performance | $H_5$ | 0,091 | 0,088 | 1,028 | 0,303 | **Not Supported** |

## CONCLUSIONS

Customer focus encourages organizations to research customer needs and expectations and directs organizations towards innovativeness which aims for continuous adaptation to the changing markets through development and marketing of new products (Juran, 1985). Continuous improvement encourages those concerned to change and be more creative as to the organization and management of tasks. Furthermore, authorization, participation and teamwork principles are decisive for the success of organizational innovation. (Prajogo and Sohal, 2001; Flynn, 1994). Continuous improvement may establish the foundation of an innovative organization (McAdam et al., 1998). As a result of the study conducted, it has been observed that quality affects explorative and exploitative innovation positively. TQM, facilitates and accelerates the participation of employees in the problem solving process. Cause and effect diagrams are an effective tool for problems regarding firm practices. Organizations that learn are able to represent the truth by eliminating discrepancies in subjects on a strategic level where cause and effect relations are more disconnected (Dervitsiotis, 1998). As a result of the study conducted, it has been observed that quality affects explorative and adaptive learning positively. Customers continuously attach importance to the firms ability to predict new needs and propose the appropriate product and approach for these needs, in choosing who to work with. Customer base enables firm managers to determine the strategy that will bring in the maximum amount of revenue according to market conditions and customers (Kaplan and Norton 1996: 33-34). Businesses may form exceptions; increasing its financial performance through development of new product and services as well as promotion of innovation to reach new markets and customer bases. (Özbirecikli ve Ölçer, 2002: 8). As a result of the study conducted, it has been observed that explorative and exploitative innovation affects financial performance positively. Objectives laid down in the learning and growth dimensions ensure the infrastructure needed for the realization of the ambitious targets set in other dimensions (Kaplan and Norton; 1996:153). The effect of learning and growth is usually acquired through three sources. These are; employees, systems and corporate compliance. Three basic dimensions such as satisfaction of the employees, productivity and sustainability provides the measuring of the results of the investments for the company's employees, systems and corporate compliance. In most firms objectives regarding employees are formed from the synthesis of combination of indicators related to three main conclusions. These three basic indicators are in listed as "satisfaction of employees", "permanence of employees", and "productivity of employees". Among these, "satisfaction of employees" is regarded as the indicator affecting the remaining two (Kaplan and Norton, 1996: 157- 178). As a result of the study conducted, it has been established that there is no relation between explorative learning and financial performance and while adaptive learning affects financial performance positively.

Managers need to adopt explorative and exploitative innovation to ensure the continuity of the business and improve its financial performance. Allocating the resources of the business to adaptive learning insted of explorative learning will ensure the increase in financial performance. This study takes only Financial Performance into consideration. Other performance types such as Productivity Performance, Market Performance and New Product Performance may also be addressed. The results of this study are concerning IT sector in the Adana region. Studies may be conducted by addressing other region and sectors. Cause and effect relationship between variables are measured with the answers sought from the same subjects. Even if the responses are received from multiple subjects, existing cause and effect estimations in their biases may have affected relations. In future studies, measuring some of the cause and effect variables through responses from different subject groups or scanned data from secondary sources may provide more accurate results.

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# A STUDY ON PERCEPTION TOWARDS THE SERVICES OFFERED BY THE LIFE INSURANCE CORPORATION IN CHENNAI CITY

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## ABSTRACT

*The study finds that as the market moves from a closed economy to opened economy, a change in approach is necessary. So, in order to have good market performance, customer service quality perception in various dimensions about insurer's prices, products and financial strength should be enhanced. LIC of India should have a clear vision and mission that should be known to all the stake holders like employees, agents, customers, business associates etc. and accordingly each one should be clearly directed. The LIC of India should design the product, which should satisfy the personal needs of customers with an ample degree of flexibilities. To achieve greater insurance penetration, private sector insurance companies have to create a more vibrant and competitive industry, with greater efficiency, choice of products and value to customers. The insurance industry is facing a healthy competition, which really benefits the public. LIC of India should re-frame their strategies to attract customers.*

## KEYWORDS
LIC, Chennai, customer service.

## INTRODUCTION

The Insurance industry in India has undergone transformational changes over the last 12 years. Liberalization of insurance sector in the beginning of the year 2000 has led to the entry of the largest insurance companies in the world, who have taken a strategic view on India being one of the top priority emerging markets. The industry has witnessed phases of rapid growth along with span of growth moderation, intensifying competition with both life and general insurance segments having more than 20 competing companies, and significant expansion of the customer base. India is a vast market for life insurance that is directly proportional to the growth in premiums and an increase in life density. With the entry of private sector players backed by foreign expertise, Indian insurance market has become more vibrant. Competition in this market is increasing with company's continuous effort to lure the customers with new product offerings. However, the market share of private insurance companies remains at 50 per cent. Even today, Life Insurance Corporation (LIC) of India dominates Indian insurance sector. Insurance sector is highly regulated by IRDA (Insurance Regulatory and Development Authority) with price controls, limitation on ownership, and other controls mechanisms on private companies operations.

The entry of Private players changed the erstwhile scenario which prevailed in the insurance sector. Today, there are 23 private Life Insurance Companies operating in India against the stand alone LIC of India in the past. As per the general rule, customers are the beneficiaries in a healthy market competition. This is applicable to the insurance sector also. Due to competition, different Private players offered policies at competitive prices. This forces the Life Insurance Corporation of India to draw new strategies to deliver goods. Besides traditional policies, the new bred Unit Linked Insurance Policies (ULIPs) and closed ended fixed term maturity single premium policies are also being offered to people.

Despite an expected premium growth rate of 17 per cent, life insurance cover of Indian people is considered to be low. This is mainly due to lack of awareness regarding the need for insurance and availability of different kinds of policies. In this context, awareness and satisfaction of the policyholders will give us an idea for charting strategies to bring more and more people under insurance cover, as insurance is the backbone of a country's risk management system. It is rightly observed that "the success of the insurance industry depends upon meeting the rising expectations of the policyholders who are the real kings in the liberalized insurance market".

## STATEMENT OF THE PROBLEM

Many policyholders take up life insurance policies for the purpose of giving economic protection to their children when they attain adulthood. The lump sum available on maturity of the policy can be utilized for education, marriage, self-employment and other useful purposes. Even though policyholders take up life insurance for the purpose of covering the risk, many policyholders have a strong feeling that life policies act as long term investments. In these competitive days, the life insurance companies offer a variety of life insurance policies and introduced new life insurance plans to meet the demands of the changing social and economic environment. This paper aims to analyze the following questions.
1.    What extent the policyholders perceived the services offered by the LIC of India in Chennai?
2.    What are the factors that influence the policyholders' satisfaction?
3.    What are problems faced by the policyholders while utilizing the services offered by the LIC of India ?

## OBJECTIVES OF THE STUDY

The study is undertaken with the broad objective of evaluating the policyholders' level of perception and level of satisfaction towards the services of LIC of India. The following are the specific objectives:
1.    To study the Life Insurance industry in detail and in particular to LIC of India.
2.    To evaluate the level of perception of life insurance policyholders in Chennai.
3.    To provide suggestions for further improvement based on the findings of the study.

## RESEARCH METHODOLOGY

The validity of any research depends on the systematic method of the data collection and analysing the same in a logical and sequential order. The present study made extensive use of both primary and secondary data. The research is descriptive in nature.

### SAMPLE DESIGN AND SIZE

The method of sampling used in this study is disproportionate stratified random sampling method.

**SAMPLING DESIGN AND TECHNIQUE**

For the present study, the universe comprised of the life insurance policyholders in Chennai City. The sampling units were selected by covering all the selected five different taluks of Chennai City. The size of sample was 1026 respondents.

**PRIMARY DATA**

In order to fulfill the objectives set, the primary data were collected in the form of responses from policyholders in Chennai City. The life insurance policyholders were the respondents who provided information regarding their understanding, experiences, opinion towards awareness, expectation, preferences and satisfaction level. The study was undertaken by using a well framed questionnaire that was duly filled by the respondents.

## STATISTICAL TOOLS USED FOR ANALYSIS

1.    Percentage analysis
2.    Multiple Regression Analysis

**PERIOD OF THE STUDY**

The period of the present study covered from 2012 to 2015. The researcher has personally met the respondents and collected all the relevant data from them. Therefore, the socio-economic conditions of the sample respondents were applicable to this period only.

**LIMITATIONS OF THE STUDY**

The survey is conducted only in the Chennai City of Tamil Nadu state. Hence, the results arrived at from the study may or may not be applicable to other cities. Further, the survey method which is adopted for collecting the data in this study has its own limitations.

## ANALYSIS AND INTERPRETATION

**LEVEL OF EXPECTATION OF THE RESPONDENTS**

An attempt has been made to know the level of expectation towards the services offered by the life insurance corporation of India. For the purpose of this study, it has been classified into various categories and the details are furnished in the following table.

**LEVEL OF EXPECTATION OF THE RESPONDENTS**

TABLE 1

| No. | Statement | SA | A | N | DA | SDA |
|-----|-----------|----|----|----|----|-----|
| | **Tangibles** | | | | | |
| 1 | Physical appearance of the staff is professional | 280 (27.3%) | 496 (48.3%) | 187 (18.2%) | 47 (4.6%) | 16 (1.6%) |
| 2 | Physical appearance and surrounding of the branch office influence customer | 273 (26.6%) | 507 (49.4%) | 193 (18.8%) | 36 (3.5%) | 17 (1.7%) |
| 3 | I am sure that Insurance Company uses latest technology in providing services | 289 (28.2%) | 467 (45.5%) | 213 (20.8%) | 48 (4.7%) | 9 (0.9%) |
| 4 | Information is easily available through Product & Service Brochures, leaflets, letters | 314 (30.6%) | 438 (42.7%) | 209 (20.4%) | 55 (5.4%) | 10 (1.0%) |
| 5 | Company is having a memorable advertisement | 268 (26.1%) | 461 (44.9%) | 218 (21.2%) | 59 (5.8%) | 20 (1.9%) |
| | **Reliability** | | | | | |
| 6 | Staff provides error free services | 263 (25.6%) | 481 (46.9%) | 206 (20.1%) | 59 (5.8%) | 17 (1.7%) |
| 7 | Staff is committed to fulfill promises in timely manner | 278 (27.1%) | 450 (43.9%) | 213 (20.8%) | 74 (7.2%) | 11 (1.1%) |
| 8 | Company is having competitive pricing compared to others | 265 (25.8%) | 457 (44.5%) | 195 (19.0%) | 83 (8.1%) | 26 (2.5%) |
| 9 | Insurance company performs the service right in first instance | 268 (26.1%) | 454 (44.2%) | 211 (20.6%) | 85 (8.3%) | 8 (0.8%) |
| 10 | Customer can fully depend and rely on employee | 305 (29.7%) | 439 (42.8%) | 205 (20.0%) | 62 (6.0%) | 15 (1.5%) |
| 11 | Company provides accurate records such as payment record or any to customer | 315 (30.7%) | 437 (42.6%) | 191 (18.6%) | 65 (6.3%) | 18 (1.8%) |
| 12 | Company provides guarantee/warranty of the service performed | 297 (28.9%) | 447 (43.6%) | 202 (19.7%) | 67 (6.5%) | 13 (1.3%) |
| | **Responsiveness** | | | | | |
| 13 | Employees are in a position to inform the customer about the time it will take for compliance of the service demanded | 297 (28.9%) | 460 (44.8%) | 203 (19.8%) | 51 (5.0%) | 15 (1.5%) |
| 14 | Employees of company provide prompt service to their customer | 291 (28.4%) | 463 (45.1%) | 197 (19.2%) | 54 (5.3%) | 21 (2.0%) |
| 15 | Employees give their customers shorter waiting time or fast service turnaround | 274 (26.7%) | 490 (47.8%) | 188 (18.3%) | 64 (6.2%) | 10 (1.0%) |
| 16 | Employees in company are willing to help their customers | 267 (26.0%) | 461 (44.9%) | 227 (22.1%) | 49 (4.8%) | 22 (2.1%) |
| | **Assurance** | | | | | |
| 17 | Employees are trustworthy and honest | 310 (30.2%) | 441 (43.0%) | 195 (19.0%) | 57 (5.6%) | 23 (2.2%) |
| 18 | Employees in company have knowledge and competence to solve customers' problem | 289 (28.2%) | 488 (47.6%) | 165 (16.1%) | 67 (6.5%) | 17 (1.7%) |
| 19 | Employees in company are very experienced in solving or diagnosing the customers problem | 276 (26.9%) | 481 (46.9%) | 196 (19.1%) | 56 (5.5%) | 17 (1.7%) |
| 20 | In case of complications managers are helpful by making prompt decisions | 298 (29.0%) | 477 (46.5%) | 187 (18.2%) | 50 (4.9%) | 14 (1.4%) |
| 21 | Privacy of customers information is maintained | 309 (30.1%) | 444 (43.3%) | 197 (19.2%) | 57 (5.6%) | 19 (1.9%) |
| 22 | You are assured about the agent/advisor who deliver the service | 285 (27.8%) | 425 (41.4%) | 237 (23.1%) | 62 (6.0%) | 17 (1.7%) |
| 23 | Company is widely known | 307 | 400 | 230 | 67 | 22 |

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| No. | Statement | SA | A | N | DA | SDA |
|---|---|---|---|---|---|---|
| | | (29.9%) | (39.0%) | (22.4%) | (6.5%) | (2.1%) |
| 24 | Company is well liked | 285 (27.8%) | 422 (41.1%) | 230 (22.4%) | 67 (6.5%) | 22 (2.1%) |
| 25 | Company is unique compared to others | 245 (23.9%) | 458 (44.6%) | 227 (22.1%) | 69 (6.7%) | 27 (2.6%) |
| | **Empathy** | | | | | |
| 26 | Customer gets individual attention | 282 (27.5%) | 429 (41.8%) | 217 (21.2%) | 71 (6.9%) | 27 (2.6%) |
| 27 | Do you think that Managers of company understands their customer specific needs | 280 (27.3%) | 416 (40.5%) | 220 (21.4%) | 88 (8.6%) | 22 (2.1%) |
| 28 | Company keep customers informed about service that have been performed and price charged | 275 (26.8%) | 422 (41.1%) | 228 (22.2%) | 68 (6.6%) | 33 (3.2%) |
| 29 | Insurer has their customer best interest in heart | 264 (25.7%) | 449 (43.8%) | 230 (22.4%) | 65 (6.3%) | 18 (1.8%) |
| 30 | Company have convenient Business Hours | 260 (25.3%) | 466 (45.4%) | 208 (20.3%) | 71 (6.9%) | 21 (2.0%) |
| 31 | Staff calls customers by name | 264 (25.7%) | 473 (46.1%) | 200 (19.5%) | 66 (6.4%) | 23 (2.2%) |
| 32 | I trust staff of Insurance Company | 272 (26.6%) | 458 (44.9%) | 214 (21.0%) | 64 (6.3%) | 13 (1.3%) |
| 33 | Agents / advisors have concern and understanding of customers problem | 270 (26.3%) | 452 (44.1%) | 221 (21.5%) | 61 (5.9%) | 22 (2.1%) |
| 34 | Does company serve you during extended hour | 267 (26.0%) | 475 (46.3%) | 189 (18.4%) | 68 (6.6%) | 27 (2.6%) |

It is found from the analysis that more than 45% of the policy holders are satisfied regarding the expectation towards the services offered by LIC. 25%-30% respondents are highly satisfied with LIC of India about their expectation level. Only 18%-20% of them are neutral category.

**LEVEL OF PERCEPTION OF THE RESPONDENTS**

An attempt has been made to know the level of perception of the respondents towards the services offered by the life insurance corporation of India. For the purpose of this study, it has been classified into thirty four categories and the details are furnished in the following table.

**TABLE NO. 2: LEVEL OF PERCEPTION OF THE RESPONDENTS**

| No. | Statement | SA | A | N | DA | SDA |
|---|---|---|---|---|---|---|
| | **Tangibles** | | | | | |
| 1 | Physical appearance of the staff is professional | 274 (26.7%) | 319 (31.1%) | 180 (17.5%) | 134 (13.1%) | 119 (11.6%) |
| 2 | Physical appearance and surrounding of the branch office influence customer | 256 (25.0%) | 351 (34.2%) | 193 (18.8%) | 111 (10.8%) | 115 (11.2%) |
| 3 | I am sure that Insurance Company uses latest technology in providing services | 293 (28.6%) | 294 (28.7%) | 185 (18.0%) | 134 (13.1%) | 120 (11.7%) |
| 4 | Information is easily available through Product & Service Brochures, leaflets, letters | 283 (27.6%) | 314 (30.6%) | 173 (16.9%) | 138 (13.5%) | 118 (11.5%) |
| 5 | Company is having a memorable advertisement | 271 (26.4%) | 320 (31.2%) | 202 (19.7%) | 110 (10.7%) | 123 (12.0%) |
| | **Reliability** | | | | | |
| 6 | Staff provides error free services | 258 (25.1%) | 323 (31.5%) | 231 (22.5%) | 138 (13.5%) | 76 (7.4%) |
| 7 | Staff is committed to fulfill promises in timely manner | 235 (22.9%) | 419 (40.8%) | 226 (22.0%) | 89 (8.7%) | 57 (5.6%) |
| 8 | Company is having competitive pricing compared to others | 248 (24.2%) | 391 (38.1%) | 196 (19.1%) | 113 (11.0%) | 78 (7.6%) |
| 9 | Insurance company performs the service right in first instance | 278 (27.1%) | 327 (31.9%) | 191 (18.6%) | 126 (12.3%) | 104 (10.1%) |
| 10 | Customer can fully depend and rely on employee | 271 (26.4%) | 348 (33.9%) | 195 (19.0%) | 132 (12.9%) | 80 (7.8%) |
| 11 | Company provides accurate records such as payment record or any to customer | 279 (27.2%) | 287 (28.0%) | 162 (15.8%) | 156 (15.2%) | 142 (13.8%) |
| 12 | Company provides guarantee/warranty of the service performed | 319 (31.1%) | 314 (30.6%) | 176 (17.2%) | 98 (9.6%) | 119 (11.6%) |
| | **Responsiveness** | | | | | |
| 13 | Employees are in a position to inform the customer about the time it will take for compliance of the service demanded | 310 (30.2%) | 352 (34.3%) | 160 (15.6%) | 84 (8.2%) | 120 (11.7%) |
| 14 | Employees of company provide prompt service to their customer | 294 (28.7%) | 379 (36.9%) | 177 (17.3%) | 95 (9.3%) | 81 (7.9%) |
| 15 | Employees give their customers shorter waiting time or fast service turnaround | 303 (29.5%) | 343 (33.4%) | 176 (17.2%) | 107 (10.4%) | 97 (9.5%) |
| 16 | Employees in company are willing to help their customers | 309 (30.1%) | 288 (28.1%) | 183 (17.8%) | 134 (13.1%) | 112 (10.9%) |
| | **Assurance** | | | | | |
| 17 | Employees are trustworthy and honest | 289 (28.2%) | 334 (32.6%) | 181 (17.6%) | 111 (10.8%) | 111 (10.8%) |
| 18 | Employees in company have knowledge and competence to solve customers' problem | 250 (24.4%) | 422 (41.1%) | 216 (21.1%) | 84 (8.2%) | 54 (5.3%) |
| 19 | Employees in company are very experienced in solving or diagnosing the customers problem | 331 | 363 | 189 | 83 | 60 |

| No. | Statement | SA | A | N | DA | SDA |
|---|---|---|---|---|---|---|
|  |  | (32.3%) | (35.4%) | (18.4%) | (8.1%) | (5.8%) |
| 20 | In case of complications managers are helpful by making prompt decisions | 302 (29.4%) | 413 (40.3%) | 186 (18.1%) | 74 (7.2%) | 51 (5.0%) |
| 21 | Privacy of customers information is maintained | 280 (27.3%) | 330 (32.2%) | 190 (18.5%) | 114 (11.1%) | 112 (10.9%) |
| 22 | You are assured about the agent/advisor who deliver the service | 283 (27.6%) | 315 (30.7%) | 186 (18.1%) | 144 (14.0%) | 98 (9.6%) |
| 23 | Company is widely known | 297 (28.9%) | 345 (33.6%) | 163 (15.9%) | 107 (10.4%) | 114 (11.1%) |
| 24 | Company is well liked | 274 (26.7%) | 336 (32.7%) | 186 (18.1%) | 143 (13.9%) | 87 (8.5%) |
| 25 | Company is unique compared to others | 303 (29.5%) | 357 (34.8%) | 197 (19.2%) | 112 (10.9%) | 57 (5.6%) |
|  | **Empathy** |  |  |  |  |  |
| 26 | Customer gets individual attention | 246 (24.0%) | 324 (31.6%) | 213 (20.8%) | 135 (13.2%) | 108 (10.5%) |
| 27 | Do you think that Managers of company understands their customer specific needs | 246 (24.0%) | 326 (31.8%) | 195 (19.0%) | 144 (14.0%) | 115 (11.2%) |
| 28 | Company keep customers informed about service that have been performed and price charged | 305 (29.7%) | 317 (30.9%) | 163 (15.9%) | 134 (13.1%) | 107 (10.4%) |
| 29 | Insurer has their customer best interest in heart | 304 (29.6%) | 359 (35.0%) | 170 (16.6%) | 112 (10.9%) | 81 (7.9%) |
| 30 | Company have convenient Business Hours | 229 (22.3%) | 301 (29.3%) | 189 (18.4%) | 152 (14.8%) | 155 (15.1%) |
| 31 | Staff calls customers by name | 299 (29.1%) | 342 (33.3%) | 179 (17.4%) | 112 (10.9%) | 94 (9.2%) |
| 32 | I trust staff of Insurance Company | 334 (32.6%) | 263 (25.6%) | 183 (17.8%) | 138 (13.5%) | 108 (10.5%) |
| 33 | Agents / advisors have concern and understanding of customers problem | 308 (30.0%) | 284 (27.7%) | 195 (19.0%) | 145 (14.1%) | 94 (9.2%) |
| 34 | Does company serve you during extended hour | 263 (25.6%) | 353 (34.4%) | 159 (15.5%) | 111 (10.8%) | 140 (13.6%) |

It is identified from the above table that the respondents are highly satisfied regarding the perception towards the services offered by LIC as 'company provides guarantee/warranty of the service performed, employees in company are willing to help their customers, trust staff of Insurance Company and agents / advisors have concern and understanding of customers problem as 31.1, 30.1, 32.6 and 30.0 percent respectively.

**SATISFACTION LEVEL OF THE RESPONDENTS REGARDING THE SERVICES**

An attempt has been made to know the satisfaction level of the respondents regarding the services. For the purpose of this study, it has been classified into seventeen categories viz., motivation given by the agents, development officer to buy the policy, guidance / help at the time of purchasing the policy, promptness in issuing the policy, contact by agents / development officer after issuing the policy / follow up/ help in premium payment, timely issue of renewal notice, assist agents / development officers in helping the policy holder at the time of making claims, company's attitude in issuing loans, loan process and interest rates for policy holder, guidance and counseling given by agents and development officer, executives & administrative staff response, clarification of general and technical doubt, issuing renewal notice, providing latest information, promptness in claim settlement, sufficient amount of claim settlement, providing loans by hypothecating the policies and assistance in time of loss of policy certificate. The details are furnished in the following table.

**PERCEPTION TOWARDS THE SERVICES OFFERED BY THE LIFE INSURANCE CORPORATION – MULTIPLE REGRESSION ANALYSIS**

TABLE 3

| No. | Variables | Coefficient | SE | 't' value | 'p' value |
|---|---|---|---|---|---|
|  | (Constant) | 2.784 |  |  |  |
| 1. | Age | -0.019 | 0.010 | -1.829 | 0.068 [NS] |
| 2. | Annual Income | -0.003 | 0.011 | -0.314 | 0.753 [NS] |
| 3. | Family Size | 0.006 | 0.014 | 0.427 | 0.669 [NS] |
| 4. | Wealth position | 0.024 | 0.009 | 2.544 | 0.011* |
| 5. | Level of Awareness | -0.061 | 0.014 | -4.343 | 0.000** |
| 6. | Number of Policies Purchased | 0.014 | 0.012 | 1.171 | 0.242 [NS] |
| 7. | Period of Insurance Policies | 0.005 | 0.011 | 0.449 | 0.654 [NS] |
| 8. | Level of Satisfaction about the Services | 0.222 | 0.030 | 7.306 | 0.000** |
|  | **R Value** | **0.273** |  |  |  |
|  | **R² Value** | **0.074** |  |  |  |
|  | **F Value** | **10.223**** |  |  |  |

**Note :** ** - Significant at 1% level, * - Significant at 5% level; NS – Not Significant

**Perception towards the Services Offered by the Life Insurance Corporation**

= 2.784
- 0.019 (Age)
- 0.003 (Annual Income)
+ 0.006 (Family size)
+ 0.024 (Wealth position)
- 0.061 (level of awareness)
+ 0.014 (Number of Policies Purchased)
+ 0.005 (Period of Insurance Policies)
+ 0.222 (Level of Satisfaction about the Services)

The multiple linear regression co-efficient is found to be statistically fit as $R^2$ is 0.074 for perception towards the services offered by the Life Insurance Corporation of India. It shows that the independent variables contribute about 7.4 percent of the variation in the perception towards the services offered by the Life Insurance

Corporation of India and this is statistically significant at 1% and 5% level. It is found from the analysis that the wealth position and level of satisfaction about the services are having positive association.

The resulted equation shows that perception towards the services offered by the Life Insurance Corporation of India is predicted by the 0.019 unit decrease of age, 0.003 unit decrease of annual income, 0.006 unit increase of family size, 0.024 unit increase of wealth position, 0.061 unit decrease of level of awareness, 0.014 unit increase of number of policies purchased, 0.005 unit increase of period of insurance policies and 0.222 unit increase of level of satisfaction about the services.

## SUGGESTIONS

Literacy is a very important factor to inculcate awareness in the minds of the people. The insurance business is significantly influenced by literacy factor. It is because of the lack of advertisements to a greater extent. It is a very tough job to convince the urban literate masses about life insurance owing to more competitions of private sector life insurance companies. Once they are convinced, then the selling of life insurance products is a bit easy. Creating awareness about the services of LIC of India in the minds of literate persons will certainly help the LIC of India to achieve higher targets. Therefore, special campaigns have to be planned to educate the literate persons about the life insurance products of LIC of India. It is observed from the study that there were many policyholders who had taken only one life insurance policy. Holding more policies helps one to get greater service from the LIC of India. This can be improved by introducing new schemes and giving extensive publicity in order to persuade people to take more policies. Now-a-days, people not only want to insure their lives but also want higher rate of return on their investment. The life insurance companies have to build an image in the society that they not only cover life risk but also serve as the best means of investment and savings by giving higher rate of returns.

## CONCLUSION

As the market moves from a closed economy to opened economy, a change in approach is necessary. So, in order to have good market performance, customer service quality perception in various dimensions about insurer's prices, products and financial strength should be enhanced. LIC of India should have a clear vision and mission that should be known to all the stake holders like employees, agents, customers, business associates etc. and accordingly each one should be clearly directed. The LIC of India should design the product, which should satisfy the personal needs of customers with an ample degree of flexibilities. To achieve greater insurance penetration, private sector insurance companies have to create a more vibrant and competitive industry, with greater efficiency, choice of products and value to customers. The insurance industry is facing a healthy competition, which really benefits the public. LIC of India should re-frame their strategies to attract customers.

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# STRESS MANAGEMENT WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANK EMPLOYEES IN TRICHY

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## ABSTRACT

*Stress is the emotional and physical strain caused by our response to pressure from the outside world. Common stress reactions include tension, irritability, inability to concentrate, and a variety of physical symptoms that include headache and the fast heartbeat. Stress is a condition or feeling experienced when a person perceives that demands exceed the personal and social resources the individual is able to mobilize. Stress occurs when the pressure is greater than the resources. Stress is our body's way of responding to any kind of demand. It can be caused by both and bad experiences.*

## KEYWORDS

Trichy, public sector banks, stress management.

## INTRODUCTION

Today workplace stress is becoming a major issue and a matter of concern for the employees and the organizations. It has become a part of life for the employees, as life today has become so complex at home as well as outside that it is impossible to avoid stress. Selye [1936] defines stress as "a dynamic activity wherein an individual is confronted with an opportunity, constraint or demand". Organisational stress arises due to lack of person- environment fit. When organizational stress is mismanaged, it affects the human potential in the organization. It further leads to reduced quality, productivity, health as well as wellbeing and morale.

Thus, Stress is inevitable in our society. Researchers on stress make it clear that, to enter in to the complex area of stress, especially in to the area of occupational stress, is very difficult. Stress is an unavoidable consequence of modern living. With the growth of industries, pressure in the urban areas, quantitative growth in population and various problems in day to day life are some of the reasons for increase in stress. Stress is a condition of strain that has a direct bearing on emotions, thought process and physical conditions of a person. Steers [1981] indicate that, "Occupational stress has become an important topic for study of organisational behaviour for several reasons." 1. Stress has harmful psychological and physiological effects on employees, 2. Stress is a major cause of employee turn over and absenteeism, 3. Stress experienced by one employee can affect the safety of other employees, 4. By controlling dysfunctional stress, individual and organization can be managed more effectively.

Job stress has become a major , concern of the modern times as it can cause harm to employee's health and performance. Although a degree of stress may clearly be beneficial in providing stimulation and creating energy thus increasing both productivity and efficiency, it is believed that this is too often used even to justify poor or inappropriate management practices. Work-related stress is a serious and growing problem in the industrial as well as service domain and is regarded as a significant health and safety issue. If the pressure of work is too heavy or is prolonged and the individual finds himself unable, to cope successfully, the physical and mental reactions, collectively known as 'stress' will arise. Such reactions become manifest in a wide variety of illnesses and behavior disorders.

In this juncture, the present study is undertaken to address specific problems of bank employees related to occupational stress. This throw light in to the pathogenesis of various problems related to occupational stress among bank employees.

## REVIEW OF LITERATURE

Ivancevich and Matteson (1950) indicate, "Lack of group cohesiveness may explain various physiological and behavioural outcomes in an employ desiring such sticks together." Workplace interpersonal conflicts and negative interpersonal relations are prevalent sources of stress and are existed with negative mood depression, and symptoms of ill health.

The presence of supportive peer groups and supportive relationships with super visors are negatively correlated with R.C. (Caplan et al., 1964).

If the individual manager cannot cope with the increased responsibilities it may lead to several physical and psychological disorders among them. Brook (1973) reported that qualitative changes in the job create adjust mental problem among employees. The interpersonal relationships within the department and between the departments create qualitative difficulties within the organization to a great extent.

Cobb (1975) has the opinion that, "The responsibility load creates severe stress among workers and managers." Miles and Perreault (1976) identify four different types of role conflict: 1. Intra-sender role conflict 2. Inter sender role conflict. 3. Person- role conflict; 4. Role over load. The use of role concepts suggests that job related stress is associated with individual, interpersonal, and structural variables (Katz and Kahn, 1978; Whetten, 1978).

According to Douglas [1980], stress is defined as any action or situation that places special physical or psychological demand upon a person.

A job stressed individual is likely to have greater job dissatisfaction, increased absenteeism, increased frequency of drinking and smoking, increase in negative psychological symptoms and reduced aspirations and self esteem (Jick and Payne, 1980). Studies on burnout found that, it is related to exhaustion and work over load factors in various organisations (Green and Walkey, 1988; Chermiss, 1980; Freudenberger, 1977, 1980). Stress on the job is costly for employers, reflected in lower productivity, reduced motivation and job skills, and increased and accidents.The purpose present study is an attempt to investigate and to compare the level of stress experienced by the employees of the Nationalised banks in Trichy. The study aims to ascertain the level of stress and to analyse the various attributes which influence organizational stress on bank employees.

Van Fleet [1988], stress is caused when a person is subjected to unusual situations, demands, extreme expectations or pressures that are difficult to handle. Occupational stress is an increasingly important occupational health problem and a significant cause of economic loss. Occupational stress may produce both overt psychological and physiologic disabilities. However it may also cause subtle manifestation of morbidity that can affect personal well-being and productivity (Quick, Murphy, Hurrel and Orman, 1992).

## SCOPE OF THE STUDY

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." Workers who are stressed are also more likely to be unhealthy, poorly motivated, less productive and less safe at work. Their organizations are less likely to be successful in a competitive market. Stress can be brought about by pressures at home and at work. Employers cannot usually protect workers from stress arising outside of

work, but they can protect them from stress that arises through work. Stress at work can be a real problem to the organization as well as for its workers. Good management and good work organization are the best forms of stress prevention. This study is helpful in assessing the extent of stress experienced by the employees.

## OBJECTIVES OF THE STUDY

### PRIMARY OBJECTIVE
1. To the study is to analysis the job stress among the public sector bank employees in Trichy.

### SECONDARY OBJECTIVES
1. To examine what is the effect of stress on work factors (e.g., morale, job satisfaction, task effort, organizational commitment, etc) when people are under high stress.
2. To assess the extent of experienced distress and consequent quality of life among the employees.
3. To identify different methods and techniques to reduce job-related stress.

## METHODOLOGY OF THE STUDY

### A] POPULATION
The population selected for this particular study is employees from public sector units in Trichy. Public sector comprise of Union Bank of India, Vijaya Bank and the State Bank of India. Questionnaire were distributed and collected personally by the researcher.

### B] RESEARCH DESIGN
The study is explorative as well as descriptive in nature.

### C] SAMPLE DESIGN The particulars of sample design,
1. TYPE OF UNIVERSE : Finite.
2. SAMPLING UNIT : Trichy
3. SOURCE LIST : Public Sector Employees
4. SIZE OF SAMPLE : 50
5. PARAMETER OF INTEREST: In estimating the number of persons being stressed in their jobs.

### D] TOOL OF DATA COLLECTION
A pilot testing was conducted initially by administering the questionnaire on around 10 numbers of respondents. The information was collected from the bank employees at all the levels. Interviews were conducted with the employees for gathering information on their perception about their organization and the problems which they face both directly and indirectly in the discharge of their responsibilities. The respondents were questioned on the issues affecting the stress levels of the employees, impact of family pressures on their work, expectations from their roles, up to what extent they are satisfied and possible suggestions for overcoming the adversities of stress by evaluating the individual initiatives and organizational initiatives.

### E] SOURCES OF DATA
The study will consist of both primary and secondary data. The primary data was collected by direct interview through questionnaire. The secondary data was collected from research publications, standard journal and periodicals including the government organizations and from respective records about the job related occurrence.

### F] RESEARCH INSTRUMENT-QUESTIONNAIRE METHOD
The instrument will be administered in the workplaces of each group. Data will be collected from the employees. Data will be collected using a structured questionnaire, which will be distributed in the workplace to employees and in Trichy city.

### G] ANALYSIS OF DATA
The data will be analyzed to determine any differences between the stress levels of employees and their impact on reducing stress.

## RESULTS AND DISCUSSIONS
This paper also includes an analysis of data collected by respresenting it in tabular form along with interpretations. The information collected were analysed for arriving at proper conclusion on the topic.

TABLE NO. 1: PERCENTAGE OF RESPONDENTS WHO FELT THAT THEY WERE STRESSED

| CATEGORY | % OF RESPONDENTS |
|---|---|
| Stressed | 47 |
| Not Stressed | 03 |

From the table 1, it is indicated that majority of the respondents working in public sector banks were stressed, whereas only few respondents felt that they were not stressed.

TABLE NO. 2: CAUSES OF STRESS

| CAUSES OF STRESS | % OF RESPONDENTS |
|---|---|
| Work overload | 11 |
| Lack of Acceptability | 03 |
| Time Management | 04 |
| Lack of Support | 03 |
| Feeling of Inequality | 04 |
| Job Difficulty | 07 |
| Inadequacy of Role Authority | 02 |
| Impatient customer | 09 |
| Stress due to technological problem | 07 |

From Table 2, it is inferred that major causes of stress among the bank employees are excess of work load [11%] and lack of cooperation among the impatient customer [9%].

Hence it was found that employees felt that they were facing severe work pressure, as they were expected to handle multiple roles and responsibilities. Time stress is created by a real or imaginary deadlines; encounter stress is created by contact with other people [both pleasant and unpleasant], and in this study, the employees suffer from stress because of lack of support from the management and colleagues.

**TABLE NO. 3: VARIOUS ATTRIBUTES OF STRESS**

| VARIOUS ATTRIBUTES OF STRESS | % OF RESPONDENTS |
|---|---|
| Communication Gap | 07 |
| Lack of skills | 03 |
| Work Life Imbalance | 23 |
| Work Environment | 07 |
| Unmatched Expectations | 04 |
| Economic Status | 03 |
| Resource Inadequacy | 03 |

The above table depicts the various attributes related to stress; work life imbalance is one of the major attribute which contribute to stress for an employee. This can be regarded as a factor building up stress because a lot of employees complained that they were unable to balance both the personal and professional fronts successfully. Extra work pressures and demands from work environment at times led to neglect of personal front.

**TABLE NO. 4: INITIATIVES FOR HANDLING THE STRESS LEVELS OF THE BANK EMPLOYEES**

| INITIATIVES OF STRESS | % OF RESPONDENTS |
|---|---|
| Good Ambience | 08 |
| Recognition | 09 |
| Continuous Training | 06 |
| Effective Communication | 07 |
| Programme on stress management | 08 |
| Meditation | 12 |

From the above table, it is interpreted that Meditation form an integral part of the science of Yoga, has a direct, positive impact on the mind giving it the strength and power to resist stress. Moreover, around 9 percent of the respondents expected that they required recognition as acknowledging people's value is especially important in times of stress. Based on the analysis; the initiatives taken by the banks to reduce stress are by providing good ambience, continuous training, proper communication and conducting effective stress management programmes.

## FINDINGS OF THE STUDY

About 47 % of the respondents belived that they face high level of stress, which may be due to both professional and personal reasons.
- The respondent were overburdened with work load in their work place
- Work life imbalance is one of the major attribute which contribute to stress for an employee.
- The researcher identified few initiatives for effectively handling stress. Meditation was found to be the integral part of life to reduce stress.

## IMPLICATION OF STRESS

1. Physical problems and health problems like heart diseases, ulcers, arthritis, increased frequency of drinking and smoking, cardiovascular, gastrointestinal, endocrine and other stress related disorders.
2. Psychological and behavioural problems: psychological problems like change of moods, inferiority complex, widespread resentment, reduced aspirations and self esteem, reduced motivation and job skills.
3. Organizational: job dissatisfaction, behavioural problems, production turn over, increased absenteeism, increased accidents, lower productivity.

## SUGGESTION AND RECOMMENDATIONS

1. Organize a Stress Management Program that focuses on different leave categories of employees at all hierarchical level.
2. Take adequate steps to redesign jobs, which are taxing to employees' abilities and capacities. 3. Adequate role clarification to be made whenever necessary to eliminate role ambiguity.
3. Introduce more job oriented training programs, which improve employees skill and their confidence to work effectively.
4. Encourage open channel of communication to deal work related stress.
5. Undertake stress audit at all levels in the organization to identify stress area improving conditions of job and alleviating job stress.
6. Introduce 'Pranayam' (Brain Stilling and control of Vital Force) as a holistic managerial strategy to deal with occupational strategy.
7. Provide counseling on work related and personnel problems and support from a team of welfare health and counseling staff. 9. Attractive system of reward and recognition of good work.

## CONCLUSION

The problem of stress is inevitable and unavoidable in the banking sector. A majority of the employees face severe stress- related aliments and a lot of psychological problems. Hence, the management must take several initiatives in helping their employees to overcome its disastrous effect.

Since stress in banking sector is mostly due to excess of work pressure and work life imbalance the organization should support and encourage to take up roles that help them to balance work and family.

The productivity of the work force is the most decisive factor as far as the success of an organization is concerned. The productivity in turn is dependant on the psychosocial well being of the employees. In an age of highly dynamic and competitive world, man is exposed to all kinds of stressors that can affect him on all realms of life. The growing importance of interventional strategies is felt more at organisational level. This particular research was intended to study the impact of occupational stress on Nationalized Bank employees. Although certain limitations were met with the study, every effort has been made to make it much comprehensive.

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# FOREIGN DIRECT INVESTMENT DETERMINANTS IN BANGLADESH READY-MADE GARMENTS INDUSTRY

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## ABSTRACT

*Foreign Direct Investment (FDI) can play a significant role in economic development of Least Developing Countries (LDCs) like Bangladesh. Due to financial crisis and insufficient of local investment, economic development such LDCs are slack. Though, Bangladesh belongs in LDCs category but the second largest Readymade Garments (RMGs) exporter in the world. The study was conducted interviewing two types of respondents – foreign investor and government policy maker. The results revealed that Bangladesh has started to receive FDI since 1980 but investment rate is still low compared to demand due to several influencing factors. However, from the last two decades, Bangladesh economy is rapidly raising; hence, GDP growth has reached 6.5; that is dominated by labor cost & productivity, GSP, duty free access, trade agreements facilities, bilateral investment treaty, offshore banking unit, tax, and regulatory policies in RMGs sector. Thereby, Bangladesh government has reformed some incentives for entrepreneurs to attract more FDI now. So, it was attempted to find out which determinants are keeping impact in attracting FDI to develop Bangladesh RMGs industries in this paper and how much effective recent climate to tempt more FDI to fulfill local demand.*

## KEYWORDS

BEPZA, BOI, determinants, FDI, RMG.

## INTRODUCTION

Foreign Direct Investment (FDI) is one of the most essential elements of economic development for any Least Developing Countries (LDCs) and it makes a path for international business opportunity. Therefore, FDI has positive impact on the unused property of host and home countries, thus accelerate economic development. Many researchers have marked FDI as an essential element in accelerating economic success by facilitating economy and creating more competitive environment and contributing productivity to the host country. Threat, all Multinational Companies (MNCs) and entrepreneurs are changing their strategies for LDCs to compete for FDI and how it can make physical capital, create employment opportunities, develop productive capacity, enhance skills of local labor through transfer of technology and managerial skill, making diversity, and help to integrate the domestic economy with the global economy. Further, policy makers and MNCs are strongly emphasizing the importance of an investment climate and flow of FDI for increasing economic growth in LDCs. For the entrepreneurs, the potential benefits lies in penetrating a market, gaining access for raw materials, diversifying business activity, rationalizing production processes and overcoming some of the difficulties of exporting, such as trade barriers and transport costs. FDI is also eligible to learn the companies about the host market and how to compete on it. Moreover, FDI is a major source of external finance which means that countries with limited amount of capital can receive finance besides national borders from wealthier countries.

FDI is invested in the LDCs like Bangladesh. Industrial development is the pre-requirement of developing any country. Bangladesh is basically agrarian country where has no domestic savings rate for investment after fulfilling the basic needs. So, Bangladesh economy is gradually moving from agrarian to industrial. Therefore, FDI has a remarkable role in the modernization of the Bangladesh economy for last two decades. Various positive attributes of Bangladesh is now drawing the attention of the investors from both developed and developing countries. In Bangladesh, it is available to get skilled labor at relatively low wages. Moreover, there is reasonably stable macroeconomic environment. These two important factors can make Bangladesh an attracting destination for foreign investors. Anyhow, lowest wage rates among the Asian countries, tolerable inflation rate, reasonably stable (except previous year) exchange rate, investment friendly custom regulations and attractive incentive packages make Bangladesh a favorable investment destination. Bangladesh became more open toward FDI policies over the last decades. These above features will certainly maintain the recent advancement in FDI investment in Bangladesh by the foreign investors.

The Ready-made Garments (RMGs) industry is the largest exporting industry in Bangladesh which experienced growth during the last 20 years. Therefore, this industry is growing up rapidly day-by-day which is influenced by stable investment environment and availability of cheap rated man power utilization. Currently, Bangladesh economy is controlled by RMGs sector, textile and foreign remittance. So, Bangladesh is the second largest RMG exporter world's after China which started its modest journey in late 1970s and within three decades, it has been a progressing sector. More than 80 percent of Bangladesh's export earning comes from the RMGs sector.

## LITERATURE REVIEW

Globally, about FDI still has debate and many researchers have viewed it as a matter. FDI is boom or bane for the host countries economic growth and developments, still has many opinions because FDI has its own merits or demerits. However, some findings and opinions of several researchers are explained below that provide basic information about FDI and economic growth.

Rothgeb (1984) found FDI inflows on LDCs have an upstanding inconvenient outcome. With positive impacts on growth this effect would be overcome within short period of time. He also explored his own model for the impact of FDI growth in Bangladesh and found there has a positive impact on growth for FDI. He saw that there has a change in the level of domestic investment on growth with strong positive outcomes too. On the contrary, Borenszteina et al (1998) utilized date by cross-country regression framework for FDI in 69 industrial countries to developing countries. The results showed that FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment when the host country has a minimum stock of human capital or when there is a sufficient capability of the advanced technologies is available in the host economy. Besides, Aitken and Harrison (1999) have evaluated the contribution of FDI to domestic productivity and found positive impacts of FDI on economic development. But, Levine et al. (2000) found negative results on economic development. Inversely, Mottaleb (2007) studied on determinants of FDI and its impact on economic growth in LDCs. He studied the gap through domestic savings and investment and providing the latest technology and management with FDI how can play important role in achieving rapid economic growth in the LDCs. He drag out the panel data of FDI flows of sixty low-income and lower-middle income countries and found that FDI has an important effect on economic growth of third world countries

by creating co-relation between the gap. Later, Muhammad Azam (2010) using secondary data from 1980 to 2009 by the linear regression model for the impacts of export and FDI on economic growth of South Asian countries found that due to promotion of exports, economic growth of each country would increase. He also found there has a 1% level of positively significant FDI in Bangladesh. Similarly, V.N. Balasubramanyam, M. Salisu, and D. Sapsford (1996) found positive and significant impact of FDI on economic growth in LDCs by applying the export promotion strategy. Wherein, they examined about the impact of FDI on economic growth in developing economies. At a time also found that by applying the import substitution strategy, such relations do not exist in LDCs. Quader, Syed Manzur (2009) applied extreme bounds analysis to the data of the various catalyst variables of FDI inflows in Bangladesh and they found FDI and domestic investment have a positive effect on economic growth. For increasing investment, employment productivity and economic development; recently many countries is focusing open door policy to attract FDI (Agiomirgianakis *et al* 2003).

Always, at the early stage of development there has lacking of terms and those is technology, capital and human resource management. Most of the FDI literature has acknowledged that FDI in the host country not only contribute capital for productive development, its transfer also technical and managerial knowledge and skills, which is contribute in the host country's national economy (Balasubramanyam et al 1996; Kumar and Podhan; 2002). It is recognized that FDI can contribute to the growth of GDP, Gross Fixed Capital Formation (GFCF), total investment in a host country, and balance of payments (Baskaran and Muchie; 2008). But, terms of technology in LDCs has always disadvantage position, so; FDI can contribute to transfer technology and can contribute towards income, production, prices, employment, economic growth, development and general advancement to the host country (Kok and Ersoy; 2009). Hence, Agiomirgianakis *et al* (2003) proposed that as FDI increases the total output of the host country and it's finally contributes to the economic development of the host country. To expand industrial achievement in host country's productivity should be high quality and market efficiency.

The year 1990 was considered as the liberalization of laws, rules, regulations which influenced the FDI of LDCs. World development report (1991) concluded that development perspective had changed significantly. Bangladesh opened up its economy in 1990 and stared drawing the attention of foreign investors. Mortoza and Das (2007) empirically shown that liberation of the trade had an impact on FDI in Bangladesh. According to investment Handbook (2007) of Bangladesh Board of Investment (BOI), it is easy to do business in Bangladesh than many LDCs. Report of "Doing Business" jointly published by the World Bank and IFC ranked Bangladesh in the 68th position in terms of starting business among 175 economies. World Bank (2005) advocated that Bangladesh can attain physical capital, technology transfer, sharpen the competitiveness among domestic investors. In 1990 the economy of Bangladesh has made remarkable advancement in terms of GDP growth, which was around 5%. The 4th survey of FDI inflow by BOI in Bangladesh stated that the cost of investment in Bangladesh has become cheaper compared to the previous year. But Mondal (2003) found that FDI inflow to Bangladesh is considered by six factors – (i) Political instability, (ii)Sluggish steps towards privatization, (iii) High business cost, (iv) Tax hazards, (v) Threats related to finance, and (vi) Incompetent or futile capital market.

Many studies have clarified that infrastructural, bureaucratic, environmental factors and political instability contain the restriction and attraction inflow of FDI (Main and Alam, 2006; Kafi*et al.,* 2007). According to Musila and Sigue (2006) successfully to attract a large volume of FDI, it is important to maintain political, sound macroeconomic stability and a favorable policy regime. Alam *et al* (2006) has empirically shown that to attract foreign investment the macroeconomic environment is congenial in Bangladesh. Since, the beginning of BEPZA it has been playing a very important role for economic development of Bangladesh through export promotion, employment creation, technology transfer and development of forward and background linkages of industries and so on.

## SIGNIFICANCE OF THE STUDY
The study has great significance for the following reasons –
1. To analyze and know about the global challenges, opportunities and threats of RMGs & textile industries;
2. To analyze the present situation of the RMGs & textile industries;
3. To analyze the impact of FDI inflow on GDP, export, and private investment in the RMGs & textiles; and
4. To evaluate the contribution of FDI in the RMG sector to the economic development of Bangladesh.

## STATEMENT OF THE PROBLEM
There are many direct and indirect factors or determinants that influence FDI flow rate in any developing country like Bangladesh. Regrettably, FDIs, which is closely connected to economic development of Bangladesh, has not really been quested to explore impacts of its determinants. Hence, the absence of any known study on determinants of FDI in Bangladesh, has coupled the problems. Thereat, analysis of such determinants and identification their positive and negative impacts can attract investors by providing enough information.

## OBJECTIVES OF THE STUDY
The objective of this paper is to find out FDI determinants in Bangladesh RMG industries and what is the significant role of them in development of RMG sector.

## HYPOTHESIS
1. There have many determinants to attract FDI in Bangladesh RMG industries.; &
2. There have a significant role to play FDI determinants in Bangladesh RMG industries.

## RESEARCH METHODOLOGY
With a view to secondary data collection and gathering experiences to design interview format, published and unpublished literature was reviews from different sources; such as, magazine, annual report, thesis paper, journal paper, working paper, newspaper, webpage, and website of different government and private organizations. Phenomenological approach and qualitative research methods were employed for this study.

Wherein, interview methods were employed with key organization, target groups, policy makers and foreign investors. Then target respondents were categorized as foreign investor and government policy makers for interviewing. From both categories, 8 foreign investor respondents and 6 government policy makers were interviewed for primary data collection. Further, the data collection and interview areas are Bangladesh Export Processing Zone Authority (BEPZA), and Dhaka Export Processing Zone (DEPZ) in Dhaka and Chittagong Export Processing Zone (CEPZ). Face to face interview was conducted from both types of respondents to gather more in depth information.

## RESULTS AND DISCUSSION
### TREND OF INVESTMENT
Board of Investment (BOI), one of the most important organizations of Bangladesh, is now carrying out its daily functional and service oriented activities. Bangladesh is a lively and attractive investment destination even in the thick of a strong global economic downturn. New opportunities are emerging for foreign investors in Bangladesh every day. As a result, the sources of new foreign and joint venture projects registered with BOI in 2014 received from 24 countries from different regions of the world. The South Asia is the largest source in terms of investment amount followed by East and South East Asia, North America, European Union and Commonwealth of Independent States (CIS) region.

BEPZA is playing a significant role in the economic as well as socio-economic development of Bangladesh. The Export Processing Zone (EPZ) of Bangladesh is "Prosperity for the investor" due to low cost production base, availability of cheapest energetic workforce and geo-regional location. BEPZA always tries to maintain peaceful, production oriented investment friendly industrial atmospheres in the EPZs. For the reason, various adverse situations in industrial sector of the country could not affect on EPZ. EPZ is renowned for competitive wage, low cost production and most attractive investment friendly industrial base in the Asian region. Now, BEPZA is a brand in the global market. Investment is always welcome in the EPZs and BEPZA ensures congenial atmospheres for the investors. Investment from 38 countries has already invested in the EPZs of Bangladesh.

FDI inflows (net) in EPZ areas during July-December, 2014 amounted to US$ 173.45 million which is 23.00% of total inflows (net). In the preceding period January-June, 2014 it was US$ 229.16 million or 29.67% of total inflows (net). The components of FDI inflows in EPZ areas are equity capital, reinvested earnings and intra-company loans shared by US$ 15.38, 132.35 and 25.72 million respectively. On the contrary, non-EPZ area during July-December, 2014 recorded to US$ 580.83 million which is 77.00% of total inflows (net). In the preceding period January-June, 2014; it was US$ 543.26 million or 70.33% of total inflows (net). Similarly, the components of FDI inflows (net) in non-EPZ area are equity capital, reinvested earnings and intra-company loans shared by US$ 154.85, 413.33, and 12.65 million respectively (Bangladesh Bank Survey Report , July-December, 2014).

**FDI REGISTRATION STATISTICS IN BANGLADESH**

**TABLE 1: PRIVATE INVESTMENT PROPOSALS REGISTERED (IPR) WITH BOI FROM FY 2006-07 TO FY 2014-15 (UP TO DECEMBER)**

| Fiscal Year | Local IPR | | Foreign IPR | | Total IPR | | Total Employment opportunity (Person) |
|---|---|---|---|---|---|---|---|
| | Project | Project value (Million Tk.) | Project | Project Value (Million Tk.) | Project | Project Value (Million Tk.) | |
| 2006-07 | 1,930 | 196,580.902 | 191 | 119,251.081 | 2,121 | 315,831.983 | 458478 |
| 2007-08 | 1,615 | 193,530.073 | 143 | 54,328.849 | 1,758 | 247,858.922 | 410,744 |
| 2008-09 | 1,336 | 171,174.916 | 132 | 147,496.092 | 1,468 | 318,671.008 | 308,037 |
| 2009-10 | 1,470 | 274,136.882 | 160 | 62,607.587 | 1,630 | 336,744.469 | 330,663 |
| 2010-11 | 1,746 | 553,690.466 | 196 | 365,242.771 | 1,942 | 918,933.237 | 503,662 |
| 2011-12 | 1,735 | 534,769.057 | 221 | 344,168.157 | 1,956 | 878,937.214 | 451,150 |
| 2012-13 | 1457 | 446148.388 | 219 | 220721.295 | 1676 | 666869.683 | 309709 |
| 2013-14 | 1308 | 497593.245 | 124 | 185318.034 | 1432 | 682911.279 | 224943 |
| 2014-15 | 609 | 349431.535 | 57 | 56666.29 | 666 | 406097.800 | 99125 |
| Total | 13,206 | 3,217,055.464 | 1443 | 1,555,800.156 | 14,649 | 4,772,855.595 | 3,096,511 |

Source: Policy and Planning Wing, Board of Investment

In Calendar Year (CY) 2006, a total of 2,076 projects amounting BDT. 245,508.557 million was registered with the BOI which grew to 1555 projects in CY 2014 with a total proposed investment of BDT.721387.194 million. (Table-01) presents the private investment proposals registered (IPR) with BOI from CY 2006 to CY 2014.

**FIGURE 1: SECTOR WISE DISTRIBUTION OF PROJECTS REGISTERED WITH BOI**
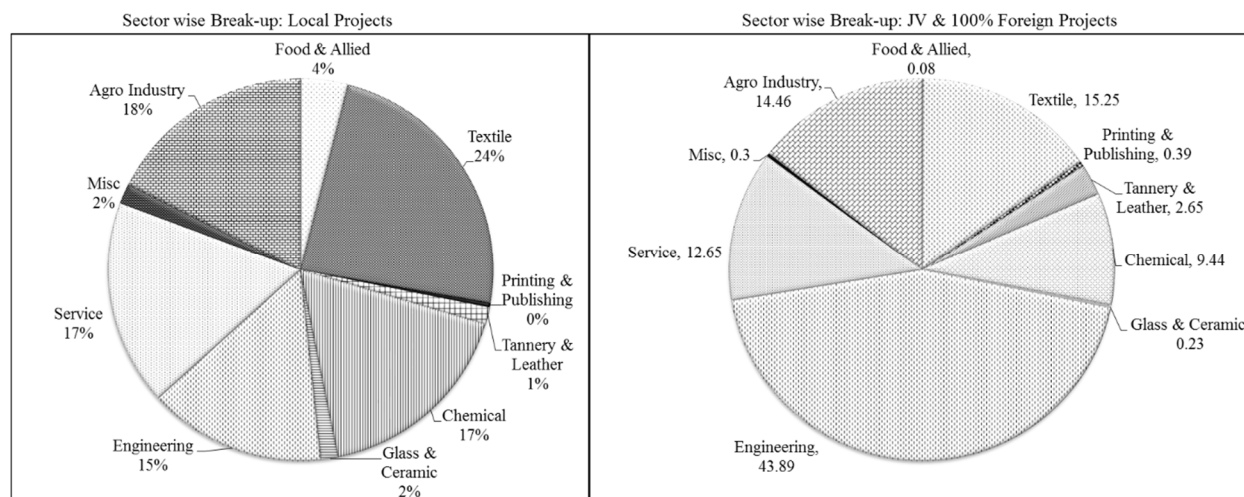


Source: Adopted from 'Policy, Planning and Investment Monitoring wing of BOI.'

Textile is the major sector of local investment projects and Engineering is the major sector of JV & 100% foreign investment projects. Besides, agro-based, chemical, service, food & allied are important sectors both in local & foreign investment. (Figure-01) presents a comparative scenario of the sector wise distribution of local and joint venture & 100% foreign projects in CY 2014. Fiscal Year (FY) 2014-15 total RMGs export US$ 25491.40 million and total export of Bangladesh US$ 31208.94 million which is 78.60% of total export of Bangladesh. This year total Garment factory was 4296 and employment was 4.00 million (BGMEA Trade Information).

**FDI DETERMINANTS IN BANGLADESH RMG**

FDI is considered as one of the essential determinants for overall development process of a developing country like Bangladesh. This survey attempted to find out FDI essential determinants in Bangladesh RMGs. This paper collected data from some previous papers, book, magazine and their valuable of the point and perception applied for interview with some foreign entrepreneurs in EPZ (Dhaka and Chittagong) and high lever officials of BOI, BEPZA, Ministry of Commerce and Ministry of Industries, Bangladesh.

**LABOR COSTS AND PRODUCTIVITY**

**TABLE 2: GARMENTS MANUFACTURING LABOR COSTS (US$/HOUR) BY COUNTRIES**

| Asian Competitors | | US Regional Suppliers | |
|---|---|---|---|
| Country | US$ | Mexico | 2.54 |
| Bangladesh | 0.22 | Honduras | 1.72-1.82 |
| Cambodia | 0.33 | Dominican Republic | 1.55-1.95 |
| Pakistan | 0.37 | Nicaragua | 0.97-1.03 |
| Viet Nam | 0.38 | Haiti | 0.49-0.55 |
| Sri Lanka | 0.43 | **EU Regional Suppliers** | |
| Indonesia | 0.44 | Turkey | 2.44 |
| India | 0.51 | Morocco | 2.24 |
| China(remote/inland areas) | 0.55-0.80 | Russia | 1.97 |
| China (other coastal/core areas) | 0.86-0.94 | Tunisia | 1.68 |
| China (Prime coastal areas) | 1.08 | Bulgaria | 1.53 |
| Malaysia | 1.18 | Jordan | 1.01 |
| Thailand | 1.29-1.36 | Egypt | 0.83 |

Source: ILO Report, 2011 and NCM-April, 2013.

Charkrabarti (2001) claims that wage as an indicator of labor cost has been the most content of all the potential determinants of FDI. In ODI (1997), it is stated that empirical research has also found relative labor costs to be statistically significant, particularly for FDI in labor-intensive industries and for export-oriented subsidiaries. Bangladesh is an over populated country and total population above 166 million (28 February 2016, UN estimates, Worldometers) and main dependable source is agriculture. Approximately 79 million people (2014) under labor force (The World Bank, 2015). Bangladesh has comparative advantages in cheap labor for manufacturing particularly in the garment sector. (Table-2) is shown that comparatively wages in the developing countries. The advantage in low-wages labor translates into strong price advantage for Bangladeshi producers to the EU-27 market than Cambodia, China, Indonesia, India and Vietnam.

The minimum wages is set nationally every five years by the National Minimum Wage Board in a tripartite forum industry by industry. Inversely, skilled workers of 25 per cent of the labor force in the garments industry have been estimated. A third of all garment firms and a quarter of all textiles firms identified an inadequately educated workforce as a major constraint in 2007 (World Bank Enterprise Survey, 2007). Organized skills development is still at an early stage as most training is on the job. By this labor force during 2008-09 to 2012-13 FY of enterprises of EPZ exported goods worth US$18.17 billion, which was around 17.97% of the last 05 years national export (Figure 02).

**FIGURE 2: 5 YEARS NATIONAL EXPORT GROWTH SCENARIOS OF BANGLADESH**
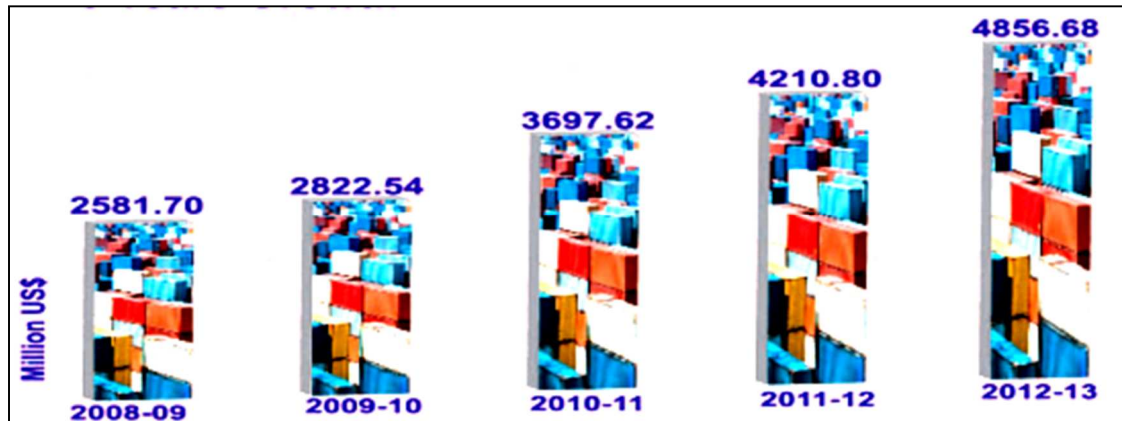


Source: BEPZA Annual Report 2012-13.

**GENERALIZED SYSTEM OF PERFORMANCE (GSP)**

As LDC, Bangladesh enjoys tariff and quota free access to the EU-27 countries under Generalized System of Performance (GSP) for all its products (apart from arms and armaments) if that the products satisfy the EU rules of origin. These stipulate that manufactured products have to be "sufficiently worked or processed" in the exporting country in order to qualify as having originated there. Bangladesh also enjoy tariff free access for the export of manufactured products to the Canada, Australia, New Zealand , Japan and others developed countries under their respective GSP.

**DUTY FREE ACCESS**

Some 49 Countries have given Duty-free Access (DFA) to Bangladeshi products in their markets. EU-28 countries, Australia, New-Zealand, Norway, Switzerland, Japan, Turkey, Canada, Russia and Belarus have allowed 71 products under the GSP to Bangladesh. But, South Korea has given DFA to 4,820 products under the preferential tariff for LDC while China has given to 4,788 products under duty free Treatment Grants. Thailand has allowed DFA to 299 products under BIMSTEC and Malaysia to 297 products.

**TRADE AGREEMENTS FACILITIES**

Bangladesh enjoy the facilities from the membership of South Asian Free Trade Area (SAFTA), which considered India, Pakistan , Sri-Lanka and other South Asian countries to reduce its tariffs on a wide range of products. According to SAFTA, investors in Bangladesh enjoy DFA to India and others member countries. Furthermore, Bangladesh belongs to the Asia Pacific Trade Agreements (APTA) and SAFTA; therefore, enjoys reduced tariffs on export of the certain goods to China.

**FIGURE 3: MODEL OF FDI DETERMINANTS IN BANGLADESH RMGS SECTOR**
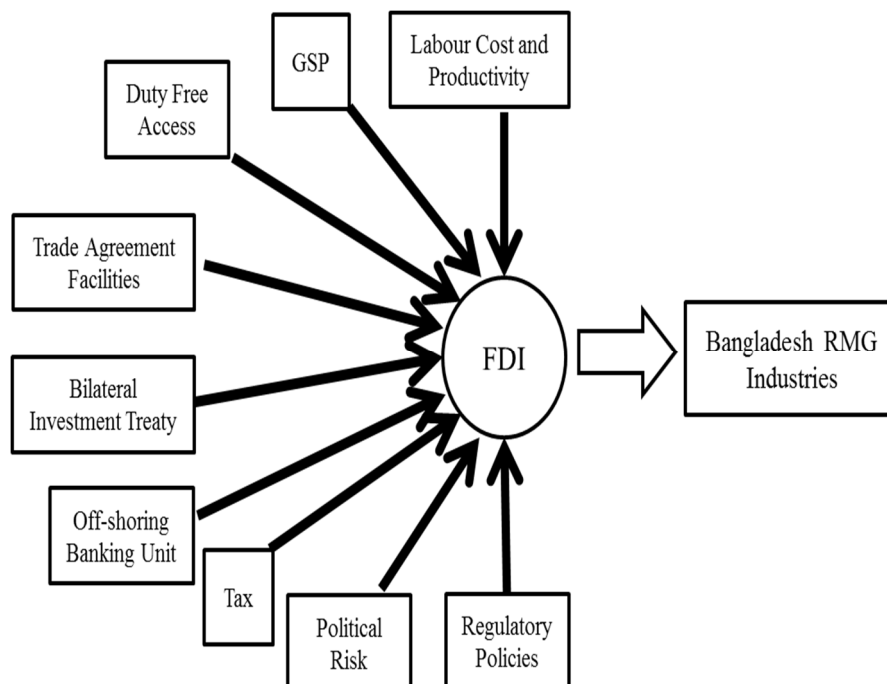


Source: Created by authors based on literature review and practical experiences.

**BILATERAL INVESTMENT TREATY (BIT)**

The foreign private investment (Promotion and Protection) Act 1980 includes guarantee of fair and equitable treatment to foreign private investment. Such national treatment is also provided in Bilateral Investment Treaty (BITs) for the promotion and protection of foreign investment that was concluded with 31 countries as on April 2012. Besides, negotiations on concluding BITs have been going on with others 9 countries.

**OFFSHORE BANKING UNIT (OBU)**

Offshore Banking Unit (OBU) refers to an international foreign currency-based banking facility involving non-residents. A non-resident is a person, bank or firm who/which resides outside Bangladesh. Non-residents also include Bangladesh national who reside abroad. OBU can carry on their activities of deposit taking and lending to international enterprises or investors without conflict with the domestic fiscal and monetary policy. Therefore, offshore banking is international banking kept separate from domestic banking with freedom and functioning. OBUs play an important role in satisfying the banking needs of the industries operating in the EPZs of the country extending all sorts of credit facilities; with the growing demands for banking facilities due to establishment of more industries in the EPZs. The OBUs are entitled to obtain deposit as well as borrowing from abroad and are free to extend credit facilities to the industries in the EPZs. OBUs may be located both in the EPZs and in any others convenient location outside. Even existing branches of banks may be allowed to operate such units through a completely separate counter. At present, BEPZA has permitted 31 Banks for setting up of OBUs.

**TAX**

FDI has sensitivity to attract by tax incentives. Some studies have shown that host country corporate taxes have a significant negative effect on FDI flows. Contrary, some studies have shown that taxes do not have a significant effect on FDI. Whatever, comparatively the tax is narrow in Bangladesh and the revenue comes mainly from indirect taxes. The corporate tax rate is 35 percent for publicly traded companies and 40 percent for all other companies. Capital gains from the transfer of shares of public limited companies listed with a stock exchange are tax-exempt. As the foreign direct investors and their activities are positively or negatively influenced by the tax policies of the country, so tax is one of the important variables of FDI in Bangladesh.

**POLITICAL RISK**

The empirical relationship between political instability and FDI flows is unclear. According to ODI (1997), where the host country owns rich natural resources, no further incentive may be required, as it is seen in politically unstable countries, such as Nigeria and Angola, where high returns in the extractive industries seem to compensate for political instability. For example, Jaspersen *et al.* (2000); and Hausmann & Fernandez-Arias (2000) found no relationship between FDI flows and political risk while Schneider & Frey (1985) found an inverse relationship between the two variables. Using data on United States FDI for two time periods; Loree and Guisinger (1995) found that political risk had a negative impact on FDI in 1982 but no effect in 1977.

FDI has increased by 50% from FY 2013 to FY 2014 in Bangladesh. Sustained economic growth, a demographic dividend, and increased reforms of the RMG sector are resulting in substantial interest in investing in Bangladesh. Political unrest in the consequence of the January 2014 elections and subsequent one year anniversary in January 2015 has resulted in some investment delays or cancellations. Government policies are generally in favor of increased economic growth, but are hampered by slow and incomplete implementation issues (U.S. Department of State 2015; Investment Climate Statement, May 2015).

**INFRASTRUCTURE**

Infrastructure covers many dimensions ranging from telecommunication systems, roads, ports, and railways to institutional development. According to ODI (1997), poor infrastructure can be seen, however, as both an obstacle and an opportunity for FDI. For the majority of low-income countries, it is often mentioned as one of the major obligation. Jordan (2004) claims that good quality and well-developed infrastructure increases the productivity potential of investments in a country; therefore, stimulates FDI flows towards the country. According to Asiedu (2002) and Ancharaz (2003), the number of telephones per 1,000 inhabitants is a standard measurement in the literature for infrastructure development. However, according to Asiedu (2002), this measure falls short, because it only captures the availability and not the reliability of the infrastructure. Bangladesh infrastructure is weak but also offers effective prospects for investment.

**REGULATORY POLICIES**

The Bangladeshi workforce is one of the country's principal assets. It arouses considerable inspiration among business people, both foreign and domestic, with some qualifications. It is seen as inspiration, flexible, hardworking and trainable. Wages are low in Bangladesh, even by regional standards. Wage rates are estimated by BOI, the salary of unskilled workers at $50 per month, semi-skilled workers at $60 per month and skilled workers at $70 per month. The normal work-week consists of five days, with Friday and Saturday as the weekend. However, much of the private sector works on Saturdays. The normal work-day is eight-and a half hours, which includes half an hour for lunch.

**INTERVIEWED RESULTS ABOUT DETERMINANT**

**TABLE 3: SUMMARY OF FINDINGS DATA ABOUT FDI DETERMINANTS IN BANGLADESH RMG INDUSTRIES**

| Data Theme / Category | Foreign Investors (Respondents = 8) | Government Policy Makers (Respondents = 6) |
|---|---|---|
| Labor Costs and Productivity | 75% Yes | 70%Yes |
| GSP | 20% Yes | 35%Yes |
| Duty Free Access | 30% Yes | 40% Yes |
| Trade Agreements Facilities | 65% Yes | 60% Yes |
| Bilateral Investment Treaty (BIT) | 70% Yes | 80% Yes |
| Offshore Banking Unit (OBU) | 15% Yes | 25% Yes |
| Tax | 30% Yes | 40% Yes |
| Political Risk | 15 % Yes | 100% No |
| Infrastructure | 60% Positive | 85% Positive |
| Regulatory Policies | 60% Satisfied | 65% Satisfied |

Source: Data collection based on field survey and interview of respondents.

As per study, experience, perception played to find out the determinants and applied for interview with EPZ entrepreneurs and some government official employees. Above mentioned the determinants are labor costs & productivity, GSP, DFA, TAF, BIT, OBU, Tax, political risk, infrastructure, and regulatory policies. While, some papers showed that there has positive significant role to attracted FDI. But this study empirically found that only few determinants play a significant role to attracted FDI. We found that low labor cost and availability of labor in Bangladesh is the most effective determinants for FDI and playing a significant role in Bangladesh RMG industries as compared to the global RMG sectors. GSP, DFA, TAF, and BIT have also positive significance in Bangladesh RMG industries for FDI. About OBU, Tax, political risk, infrastructure, and regulatory policies in Bangladesh are not keeping heavily impact to attract FDI but there has also significant role in the country's economy those are beneficially stable in present.

# FINDINGS

In this study, it was found that most of the investors are satisfied at the present investment climate in Bangladesh and expressed their interest in making further investment in the host country, especially in RMG sectors in regards of its day to day improvement and advancement in quality and safety measures that certified by ACCORD & ALLIANCE. The Government of Bangladesh also make sure the proper take care on this sector for its continuous improvement, workers life security & safety and their improved wages to better life. That's why the government is ensuring the maximum facilities to make sure the power and gas supply for its uninterrupted continuation. This is why the RMG sectors truly attracted by the FDI's from developed countries.

## RECOMMENDATION

Considering reviewed literature and gathered practical experiences from field, authors suggest that Bangladesh is the best investment climate and friendly policy regime that is helping to attract FDI in Bangladesh RMGs sector and there has significant outcomes from the economy. So, government should ensure more positive significant of FDI attracting determinants as well as provide flexible facilities for foreign investors. Moreover, government should take care about minimum ages of labor and their health safety.

## CONCLUSION

This paper is providing that an analytical perspective for a better understanding of the FDI key factors impact in the RMGs sector and offers a set of strategic options for the industry in order to attract the foreign investors. Wherein, it was found that almost all influencing determinates are playing significant positive role in FDI attracting in Bangladesh; especially low labor cost and FDI favor environment climate. So, foreigners are interested to invest in Bangladesh and every year new company is joining in Bangladesh EPZ to conduct their business. Finally, now RMGs sector is playing top role in national economic growth as well as social development by providing more employment opportunity.

## LIMITATION OF THIS STUDY

This is a short and small study; therefore, it was difficult to select a large sample size for administering the interview. Hence, the small size of sample is one of the limitations of this study. On the other hand, random selection method maybe biased to select the target group for collecting primary data. Thereby, collected primary data from the entrepreneurs of EPZ maybe not reflect and capture accurately the entire scenario of FDI inflow in Bangladesh. Therefore, these are others limitation of the study.

## ACKNOWLEDGEMENT

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# THE EMERGENCE OF COMMODITIES AS AN INVESTMENT CLASS: A STUDY BASED ON OF PONDICHERRY REGION

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## ABSTRACT
*In this paper author try to explain the development of commodities markets in all the fields like investment, operation, awareness, and growth through a study of Investors of Pondicherry union territory. For detailed analysis the researcher made a two main objectives i.e., to study the investment objectives, sources, proportion and awareness in Pondicherry Union Territory. To study the awareness, involvement, sources and nature of commodity market in Pondicherry Union Territory. The primary and secondary sources are used for collecting data; structured questionnaire is used for collecting primary data's. Data are presented in graphical methods for giving clear pictures and made proper interpretation for clarification. The study reveals that unawareness is the one of the important element in commodities markets. High risk, attitude of the investors and complex operation procedures are some another reasons lacking of commodities markets in India. Investors expecting high return are preferred to invest their amount in to commodity markets. The researcher recommended the suggestion for the development of commodities markets in India.*

## KEYWORDS
Pondicherry, investment objectives, investment awareness, investment sources.

## INTRODUCTION
Commodity market is an organized trader's exchange in which standardized, graded products are bought and sold. Worldwide there are many commodity exchanges that trade over more than 100 commodities ranging from wheat and cotton to silver and oil. In india commodity trades worth Rs 17 trillion. Most trading is done in future contracts.ie, agreement to deliver goods at a set time in the future for a price established at the time of agreement. Indian economy is witnessing a mini revolution in commodity derivatives and risk management. Commodity option trading and cash settlement of commodities future has been banned since 1952 and until 2002. Commodity derivatives market was virtually nonexistent except some negligible activities on an OTC (Over The Counter) basis. In September 2005, the country has 3 national level and 21 regional level exchanges for trading for commodities derivatives. As many as 80 commodities have been allowed for trading derivatives. The value of trading has been booming and is likely to cross the $ 1 trillion mark in 2006 and it goes $ 5 trillion in a few years.In2008 commission issued guidelines on setting up of new national multi commodity exchanges, commission recognized 4th , 5th,6th national exchanges in 2009,2010 and 2012 respectively. Now there are 6 national exchanges and 22 commodity specific regional exchanges for commodity market under the forward market commission in which trading of 113 commodities are regulated.

## REGULATING AUTHORITY
Forward Markets Commission (FMC) headquartered at Mumbai, is a regulatory authority for commodity futures market in India. It is a statutory body set up under Forward Contracts (Regulation) Act 1952.The Commission functioned under the administrative control of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Consumer Affairs, and Government of India till 5th September 2013. Thereafter the Commission has been functioning under the Ministry of Finance, Department of Economic Affairs, and Government of India. On 28 September 2015 the FMC was merged with the Securities and Exchange Board of India (SEBI).

## RECENT TRENDS IN COMMODITY TRADING
### NATURE AS A COMMODITY OUTPUT
Commodity thinking is undergoing a more direct revival thanks to the theorists of natural capital, whose products, some economists argue are the only genuine commodities-air, water and calories we consume being mostly interchanged in when they are free of pollution or disease. Whether we wish to think of these things as tradable commodities rather than birth rates has been a major source of controversy in many nations.

### WEATHER TRADING
However it is not the way in which commodity thinking interacts with ecologies thinking. Hedging began as a way to escape the consequences of damage done by natural conditions. It has matured not only in to a system of interlocking guarantees, but also into a system of indirectly trading on the actual damage done by weather, using weather derivatives for price, this relieves the purchase of concerns such as whether a freeze will hurt the Brazilian coffee crop, whether there will be a draught in the U S corn belt and what the chances that we will have a cold winter are, driving natural gas prices higher and creating havoc in Florida orange areas.

### EMISSION TRADING
In this market, the atmospheres capacity to absorb certain amounts of pollutions is measured, divided into units, and traded amongst the various market players. Those who emit more SO2 must pay those who emit less. Critics of such a schemes argue that unorganized or un regulated emissions still happen, and that grandfathering schemes often permit major polluted such as the state governments own agencies, or poorer countries to expand emissions and take jobs, while the SO2 output still floats over the border and causes death.

### COMMUNITY AS A COMMODITY
This highlights one of the major issues with global commodity markets of either the positive or negative kind. A community must somehow believe that the commodity instrument is real, enforceable, and well worth paying for. A very substantial part of the anti-globalization movement opposes the Commodification of currency, national sovereignty, and traditional cultures. The capacity to repay debt, as in the current global credit money regime anchored by the Bank for international settlements, does not in their view correspond to measurable benefits to human well being worldwide. They seek a fairer way for societies to compete in the global markets that will not require conversion of natural capital to natural resources nor human capital to move to developed nations in order to find work.

### HUMAN LIFE AS A COMMODITY
The green economists and the more conservative environmental economics argue that not only natural ecologies, but also the life of the individual human being is treated as a commodity by the global markets. A good example is the IPCC calculations cited by the Global Commons Institute as placing a value on a human life in the developed world "15x higher" than in the developing world, based solely on the ability to pay to prevent climate change.

### FREE TIME, A COMMODITY
Accepting this result, some argue that to put a price on both is the most reasonable way to proceed to optimize and increase that value relative to other goods or services. This has led to efforts in measuring well being to assign a commercial "value of life", and to the theory of Natural capitalism- fusions of green and

neoclassical approaches - which focus predictably on energy and material efficiency, i.e. using far less of any given commodity input to achieve the same service outputs as a result.

**THE MAJOR PRODUCTS COME UNDER FIVE CATEGORIES**
1. Metals (industrial and precious metals) eg. Gold, Silver, Platinum etc.
2. Industrial metals (copper, nickel, aluminum, zinc etc)
3. Agricultural commodities (wheat, corn, cotton, oilseeds, coffee, cocoa, sugar etc.)
4. Live stock (pork bellies, cattle etc.) and
5. Energy (crude oil, natural gas, petrol, diesel etc.

**GRAPH NO. 1: MAJOR GROUP OF COMMODITIES TRADED IN INDIA DURING THE YEAR 2013 - 2014**
Value in ₹ Lakh crore and percentage share of the major group of commodities traded during 2013-14
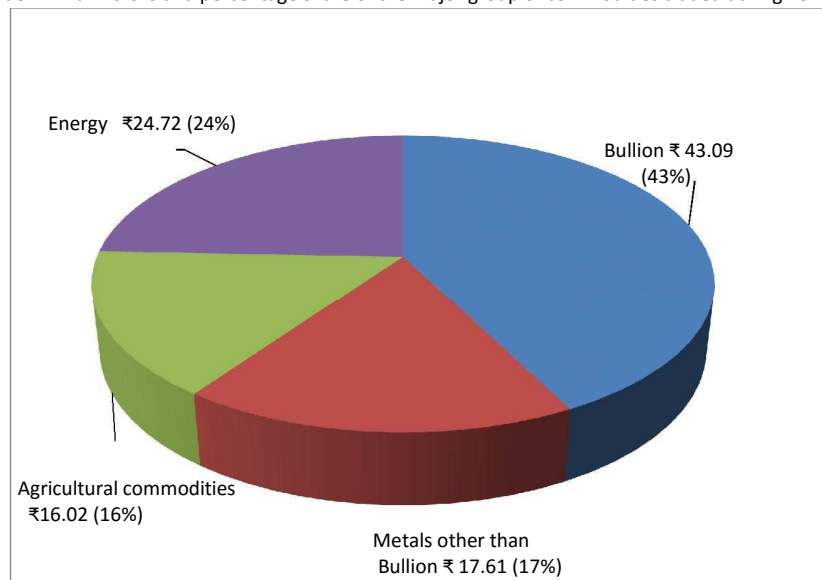


Source: Forward Markets Commission official web site

**TABLE NO. 1: VOLUME OF TRADING AND VALUE OF TRADE DURING THE YEAR 2013-14 IN MAJOR COMMODITIES**
Volume of Trading - In lakh ton, Value - In Crore

| Sr. No | Name of the Commodity | 2013-14 | |
|---|---|---|---|
| | | Volume | Value |
| A | **Bullion** | | |
| I | Gold | 0.09 | 2513697.33 |
| Ii | Silver | 3.94 | 1795240.49 |
| | **Total for A** | **4.03** | **4308937.82** |
| B | **Metals other than Bullion** | | |
| I | Aluminum | 129.07 | 137609.82 |
| Ii | Copper | 185.83 | 785562.21 |
| Iii | Lead | 326.49 | 406971.56 |
| Iv | Nickel | 22.05 | 190796.34 |
| V | Steel | 1.72 | 483.71 |
| Vi | Zinc | 206.80 | 231896.17 |
| Vii | Iron | 106.42 | 8040.08 |
| | **Total for B** | **978.37** | **1761359.89** |
| C | **Agricultural commodities** | | |
| I | Chana/Gram | 525.73 | 164754.94 |
| Ii | Wheat | 10.47 | 1637.22 |
| Iii | Maize | 47.30 | 6168.26 |
| Iv | Soy Oil | 417.69 | 290044.79 |
| V | Mentha Oil | 4.60 | 41798.11 |
| Vi | Guar Seed | 45.73 | 24719.80 |
| Vii | Guar Gum | 8.09 | 12237.77 |
| Viii | Potato | 66.90 | 4239.66 |
| Ix | Chillies | 12.53 | 7537.48 |
| X | Jeera(Cumin seed) | 22.48 | 28917.50 |
| Xi | Cardamom | 1.47 | 11310.62 |
| Xii | Pepper | 0.42 | 1600.70 |
| Xiii | Rubber | 6.43 | 10514.94 |
| Xiv | Other Agri | 2442.21 | 996920.17 |
| | **Total for C** | **3612.03** | **1602401.96** |
| D | **Energy** | 4238.33 | 2472095.31 |
| | **Grand Total (A+B+C+D)** | **8832.76** | **10144794.98** |

Note: Natural Gas Volumes are not included in the Total Volume.

Source: Forward Markets Commission official web site

**SHARE OF MAJOR COMMODITY EXCHANGES TO THE TOTAL VALUE OF THE COMMODITIES TRADED DURING THE YEAR 2013-14**

Out of 22 recognized exchanges (6 are National)Multi Commodity Exchange (MCX), Mumbai, National Commodity and Derivatives Exchange (NCDEX), Mumbai, National Multi Commodities Exchange, (NMCE), Ahmedabad, ACE Derivatives Commodity Exchange (ACE), Mumbai, Indian Commodity Exchange, Ltd. (ICEX), Mumbai, and Universal Commodity Exchange Ltd. (UCX), Navi Mumbai contributed 99.72% of the total value of the commodities traded during the year.

NCDEX is a public limited company incorporated on April 23, 2003 under the Companies Act, 1956. It obtained its Certificate for Commencement of Business on May 9, 2003. It has commenced its operations on December 15, 2003.  National Commodity & Derivatives Exchange Limited (NCDEX) is a professionally managed online multi commodity exchange promoted by ICICI Bank Limited (ICICI Bank), Life Insurance Corporation of India (LIC), National Bank for Agriculture and Rural Development (NABARD) and National Stock Exchange of India Limited (NSE). Punjab National Bank (PNB), CRISIL Limited (formerly the Credit Rating Information Services of India Limited), Indian Farmers Fertilizer Cooperative Limited (IFFCO) and Canara Bank    by subscribing to the equity shares have joined the initial promoters as shareholders of the Exchange. NCDEX is the only commodity exchange in the country promoted by national level institutions trading in more commodities would be facilitated.

MCX an independent and de-mutualized Multi Commodity Exchange has permanent recognition from Government of India for facilitating online trading, clearing and settlement operations for commodity futures markets across the country. Key shareholders of MCX include Financial Technologies (I) Ltd., State Bank of India (India's largest commercial bank) & associates, Fidelity International, National Stock Exchange of India Ltd. (NSE), National Bank for Agriculture and Rural Development (NABARD), HDFC Bank, SBI Life Insurance Co. Ltd., Union Bank of India, Canara Bank, Bank of India, Bank of Baroda and Corporation Bank.

Headquartered in Mumbai, MCX is led by an expert management team with deep domain knowledge of the commodity futures markets. Through the integration of dedicated resources, robust technology and scalable infrastructure, since inception MCX has recorded many first to its credit. MCX is India's No. 1 commodity exchange with 85% Market share in 2016.The total value of the Commodities traded at the Exchanges and the total value of the Commodities traded during the 2013-14 is graphically presented below:

**GRAPH NO. 2: VALUE IN RS. AND THE PERCENTAGE OF THE COMMODITY EXCHANGE TO THE TOTAL VALUE TRADED DURING 2013-14 (APRIL-MARCH 2014)**
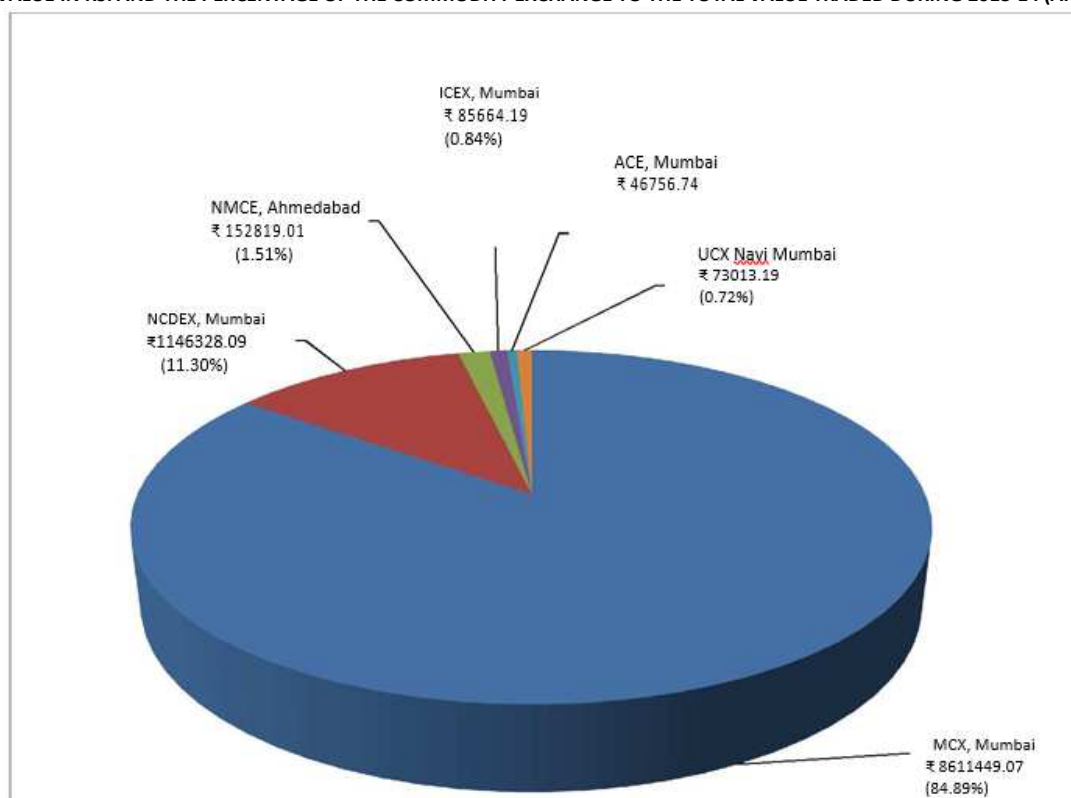


## LITERATURE REVIEW

GURPREET .S.SAHI & GAURAV RAIZADA (2007): They study the commodity futures market efficiency in India and analyzing its effect on social welfare and inflation in the economy.  The commodity futures market is not efficient even in the short run. The social loss statistic also indicates poor price discovery. The growth in commodity futures markets volumes also has a significant impact on the inflation in the economy.

RAJESH & CHAKRABARTY (2005): They finds the financial derivatives, futures and options, have emerged as widely traded instruments around the world, including emerging markets. Commodity futures form a small part of that trading but have important hedging implications for agricultural producers and consumers. In India, trading in futures was banned for decades before it was again made legal in mid-90s. Since then commodity futures trading is conducted in over 25 exchanges, with four major multi-commodity exchanges set to dominate trading in the future. The exchanges vary in their contract specifications and settlement rules. Keeping pace with the rest of the world, Indian futures exchanges are also increasingly taking to the Electronic Communication Network (ECN) framework for trading

NIGEL D LEWIS (2009): They understand first three years of the 21st century brought one of the worst bear markets in U.S. history, with equity markets around the world falling around 40% in real terms. This was followed in 2008 and 2009 by a global slump in economic activity and stock market price declines not seen since the great depression. The poor performances of traditional asset classes and concern over their future prospects have raised interest in the inclusion of alternative assets as strategic sources of long-term wealth creation. In sharp contrast to the recommendations of modern portfolio theory, a vast majority of high-net-worth investors are not well diversified. The article outlines the role of commodities in long-term wealth maximization

FORWARD MARKETS COMMISSION, (2003)**:** The lack of standards and certification Prices can be quoted and compared across the country once there is a good standardization of commodities. Once commodities can be clearly categorized as one standard as opposed to the other, then prices become more meaningful for comparison at one Mandy versus another. These standards should be applicable equally across all states.

## OBJECTIVES OF THE STUDY

1.      To get an overall idea about the concept and performance of commodity market in   india
2.      To know about the new trends in commodity market

3.    To study the investment objectives, sources, proportion and awareness in Pondicherry      Union Territory.
4.    To study the awareness, involvement, sources and nature of commodity market in Pondicherry Union Territory.

**RESEARCH METHODOLOGY**
Primary and secondary are the main sources are used for collecting data, for collecting primary data researcher used interview methods through questionnaire. Books, journal, reports and internet are the main secondary sources. Graphical methods are used for presenting and Analyzing data. 100 samples are selected for the study and convenient sampling methods are used for collecting the samples. Sample consists male - female and their classified on the basis of education, income level, occupation, age etc.

**SECONDARY SOURCES OF DATA**
1.    www.mcxindia.com
2.    www.geojit.com
3.    www.fmc.com
4.    www.geojitcomtrade.com
5.    www.bloomberg.com
6.    www.ncdex.com
7.    www.icmtrading.com
8.    www.commoditybrokersonline.com/
9.    www.commoditieslinks.com/

**DATA ANALYSIS AND INTERPRETATION**

**GRAPH NO. 3**



**GRAPH NO. 4**

**GRAPH NO. 5**

## SOURCES OF KNOWLEDGE ABOUT COMMODITY MARKETS



**GRAPH NO.6**

## INVOLVEMENT IN COMMODITY TRADING



**GRAPH NO.7**

## FREQUENCY OF TRADING
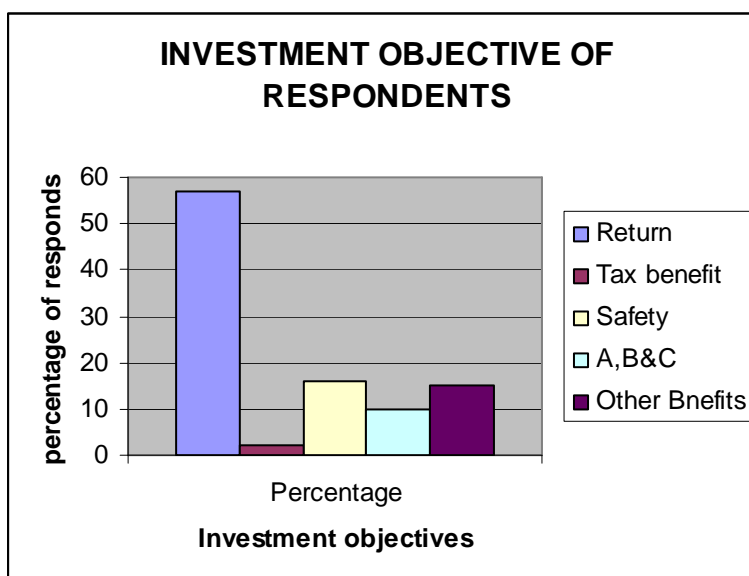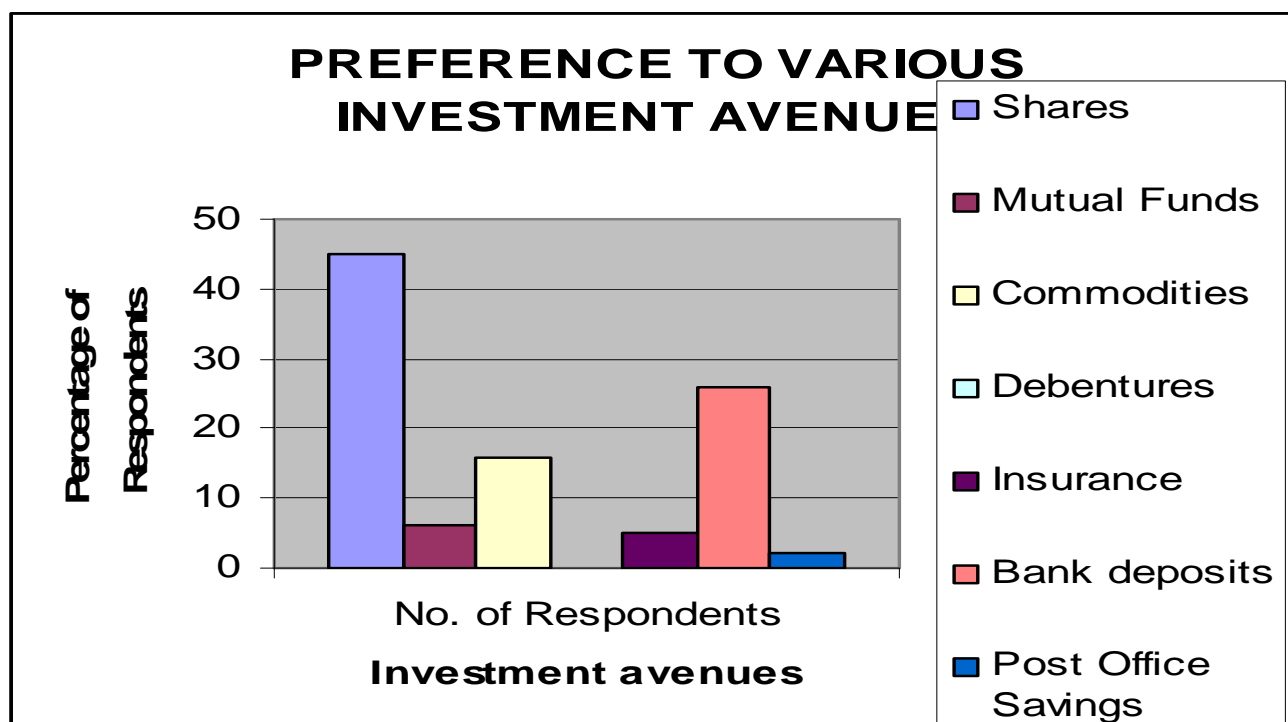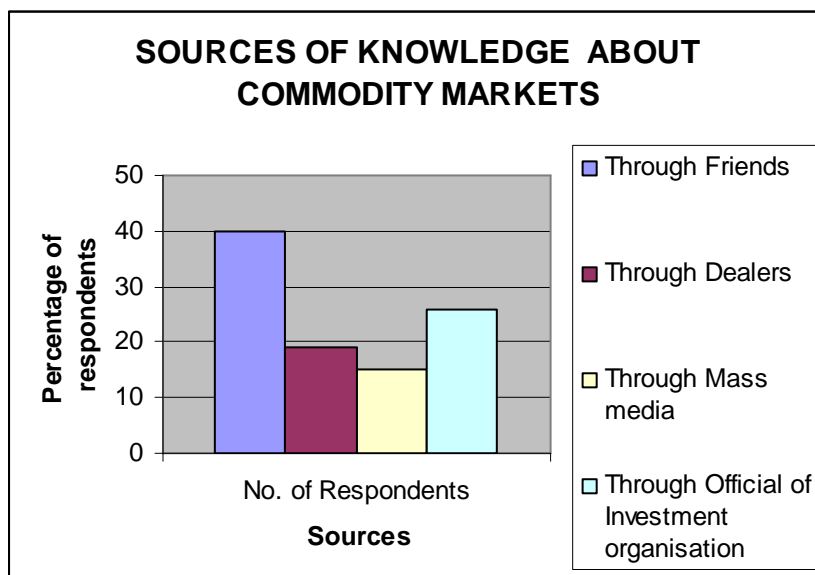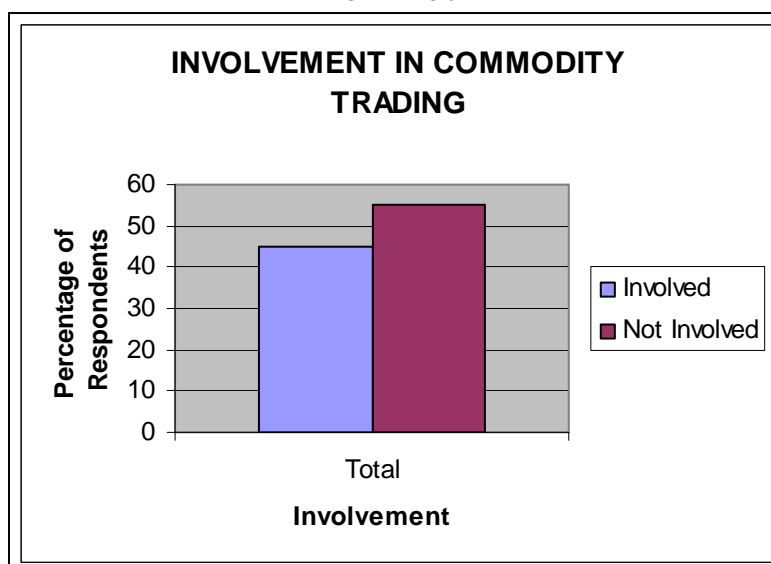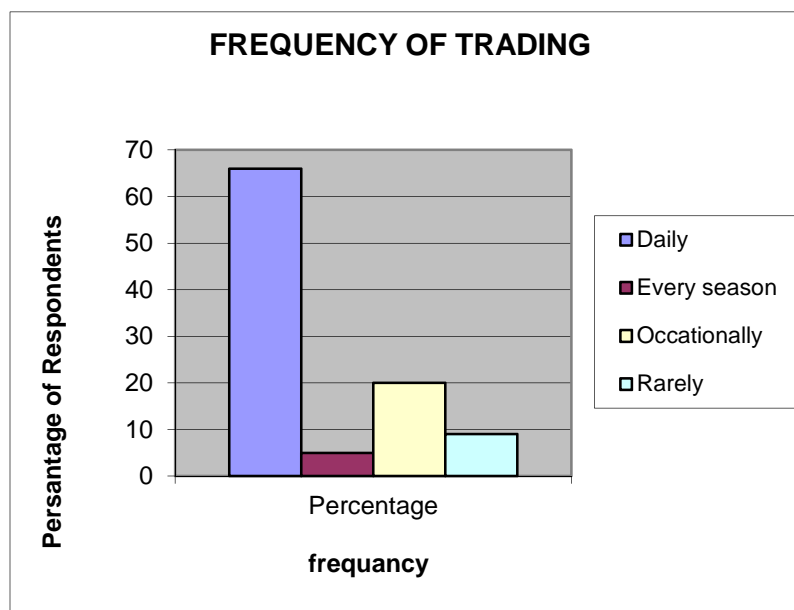


The above chart shows that 66% of investor's deals daily, 5% deals in commodity market every season, 20% deals occasionally and 9% deals rarely.

GRAPH NO.8

## AWARENESS OF TRADING IN COMMODITY MARKET



## GRAPH NO.9

## REASON FOR CHOOSING COMMODITY MARKET



## GRAPH NO. 10

## SPECIALITY OF COMMODITY TRADING

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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

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54
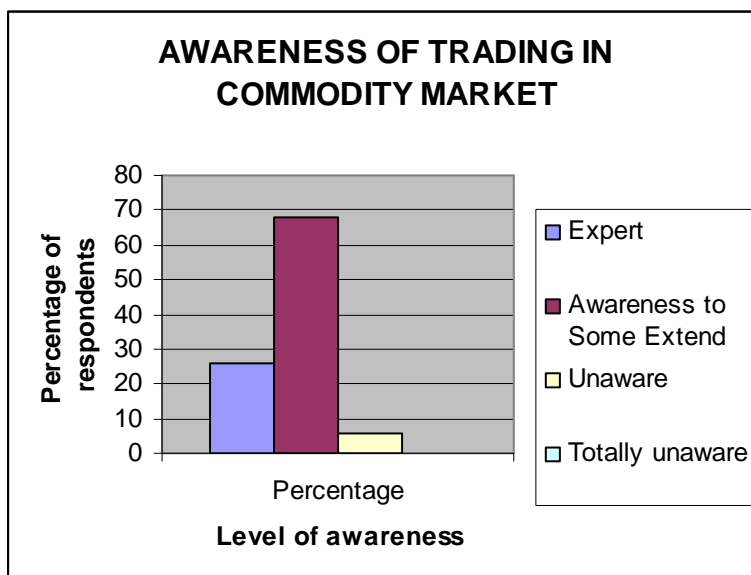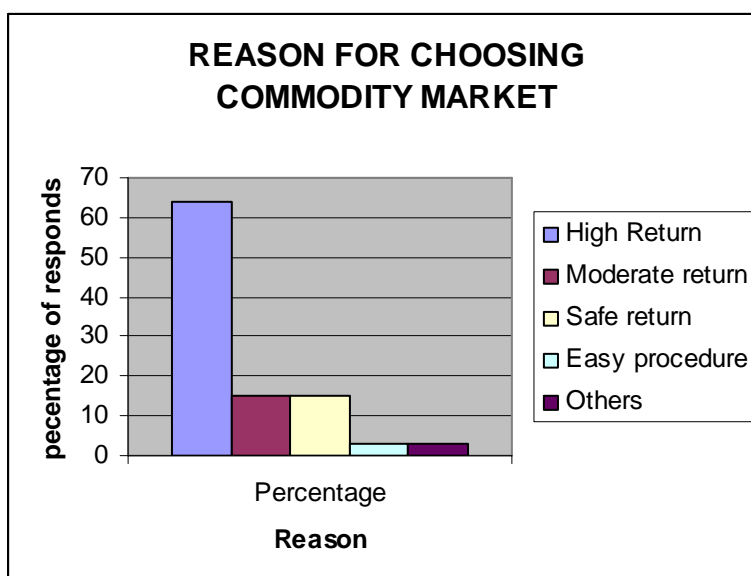
GRAPH NO. 11



## FINDINGS

1. Among the investors of Pondicherry a major portion that is 58% are coming under the category of income level 100000-500000.in this category among them81% are male and 19% are female. Among the specified income group 43% is involving in commodities.
2. A major portion, 47% of the total investors in commodity trading are coming under business people and the next is employed groups that are 35%.
3. The percentage of female investors involving in commodity market is very less. That is among the total commodity investors only 7% is female investors where as among the total investors 20% is female
4. The 51% of commodity investor's investment portion is 25-50pecentage and the   remaining 49% is ready to invest only a lesser portion of their income. 64% of investors preferring commodity market because it gives high return. Among the total investors in Pondicherry 49% is preferring shares as first investment avenue and 16% is preferring commodity market and the rest,37% is preferring traditional investment avenues like bank deposits ,insurance etc .it shows the potential of investors to accept the changes taking place in the market.
5. One of the important point we found out from the study is that the participation of farmers in commodity market is very few that is only 2%.it shows   the lack of awareness among the farmers about commodity market.
6. High risk, unawareness, deficiency of capital, and lack of interest are the reasons mentioned by the investors who are not involving in the commodity market.
7. We found that about 22% of the investors only got information regarding commodity markert through official investment authority all others are getting idea from friends, medias etc

## RECOMMENDATIONS

Unawareness is one of the important and main problems facing by the Pondicherry Union Territory investors. Most of the investors have little knowledge regarding the operation, functions and other activities of commodities markets. Under this circumstance the researcher making some suggestion for improving the commodities markets.

1. Conducting awareness program with co-operation of concerned authorities that will give more information regarding commodities market that will create interest to entering into the field of commodities markets.
2. Degree of awareness is different from person to person so while conducting the seminar or conference responsible person has to consider weaker section of the society i.e., women, farmers and less income peoples.
3. Middle man exploitation is one of the important issues facing by the farmer so giving or supplying proper information at a time is another important matters. So supplying the price information at different corner of Pondicherry Union Territory in particular and in India in general.
4. Simple procedures and rules are the next important element for the development of commodities markets. So the researcher suggesting to respective regulatory for   simplifying the operations and procedures.
5. Separate regulatory authorities needed for the operation of commodities markets. So the researcher suggesting separate regulatory bodies is needed for smoothening running the operation of commodities markets in India.

## CONCLUSION

This study tries to find out whether the commodities emerged as an investment class among the investors in Pondicherry locality, and if so, at what ex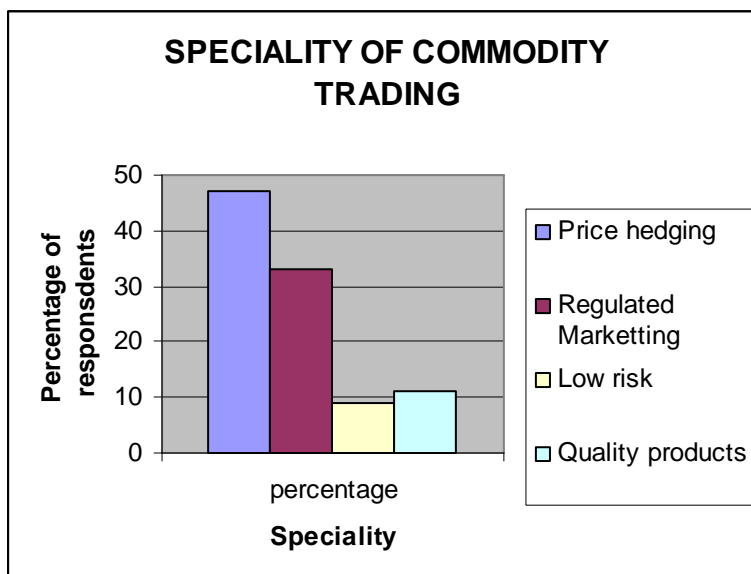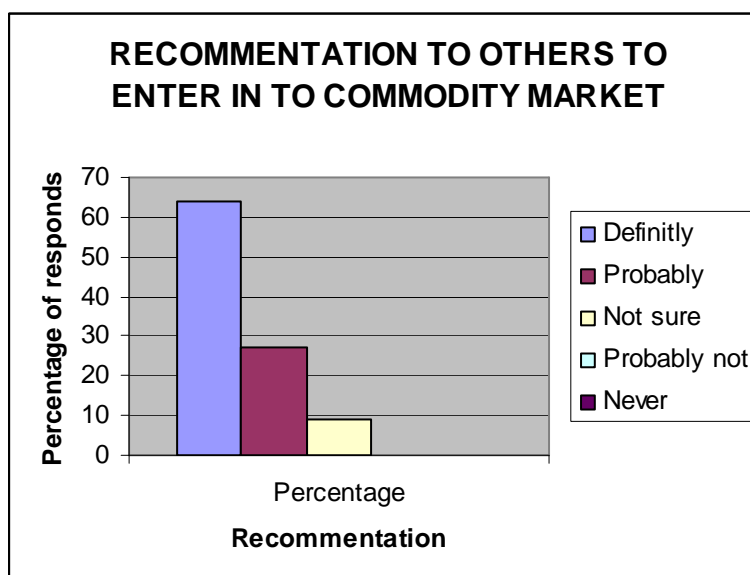tend it has emerged. Through this we also try to find out the awareness on commodity trading among the investors of Pondicherry. For the purpose of this study, we used questionnaire as an instrument of study. We took 100 samples from 10 stock broking companies that situated in Pondicherry. Among that 100 sample size, we came to know after the study that, only 45% investors are involving in commodity trading, so the remaining 55% are investing in shares and other investment avenues such as bank deposits. The investors of Pondicherry are aware to some extend about the commodity market, but a minor portion of them are involving in commodity trading. The reason behind this attitude is these investors are not courageous to enter in to this, because of their lack of knowledge about these commodities. They know about commodity trading, but. This knowledge is limited. It is not leading them to the level of investing in commodities. So there should be enough measures to make the investors deeply aware about this commodity market and trading. Then only, they will be ready to enter in to commodity trading as in the case of shares. Another reason for their hesitancy to involve in trading is the income limit, majority of the respondents raise the reason for non involvement as the lack or deficiency of capital, high risk, and unawareness.  Major investors are belonging to a class of middle income group.ie, 10000-50000. The females involving in commodity trading are only 3 in number (among 45). Most of the female respondents are following a policy of conservatism in trading.ie, most of them prefer bank deposits and Insurance as an investment avenue. The investor's investment portion of income is below 25% in most of the cases (57% of respondents are using only below 25%of their income to invest). So it is suggested that there should be adequate awareness program among the investors to encourage them invest more and to come forward from the conservative investment avenues to emerging avenues.

## LIMITATION OF THE STUDY

The study is based on the data collected from the respondent so the accuracy of the report is based on the correctness and fairness of information given by the respondents. The sample size is limited to 100 and Pondicherry Union Territory is the place where we collected information so making generalization is not possible

based on the studies. The result may be changing when the researcher took some other region instead of Pondicherry Union Territory and that may be happened when they increase the sample size.

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# BEING SOCIALLY RESPONSIBLE & ITS IMPORTANCE IN BANK EMPLOYEES

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## ABSTRACT

*Purpose* – The objective of this study is to highlight the interrelationship between the ethical approach initiated by companies towards their employees and its influence on them. The paper attempts to explain the question; is the bank employee today sensitive towards CSR initiatives taken up by the firm?

*Design/methodology/approach* – This study investigates the perception of bank employees towards Social Responsibility. Associations and relationships with regard to their view towards CSR are analyzed. A questionnaire developed by Duygu Turker (2008) on measuring corporate social responsibility was administered to collect the survey data. A sample of 40 bank employees rated the importance of CSR on various factors.

*Findings* – The findings indicated that the bank employees felt CSR to be more important when the CSR initiatives were more relevant towards employees. The results also show that there is a linear relationship between CSR and its importance. Respondents indicated that social responsibility of a firm is indispensible for the business to be sustainable.

*Practical implications* – Results of the exploratory research point out the necessity of social responsibility facilitating ethical behaviors in bank employees. Banks have important tasks of building awareness towards CSR in the employees as they are one of the major contributors to CSR in India. The research has vital inferences for managers, especially as it relates to bank employees. Some explanations as well as limited generalizations and implications are developed.

## KEYWORDS
corporate social responsibility, banking, employee.

## INTRODUCTION

In most developing countries like India, other than public sector companies, banking sector is one of the largest contributors to Corporate Social Responsibility (CSR) spending. The earlier notion was that CSR is only philanthropy. Nonetheless, today CSR is a far more multifaceted concept and takes cognizance of not only external stakeholders. CSR has climbed the ladder of the priority list for most companies, especially banking sector. The Indian corporate perceives CSR as a cyclical act that benefits the firm as it benefits the world. For instance educating the rural customer on benefits of banking is in the long run beneficial for the firm itself.

## REVIEW OF LITERATURE

A firm's active participation in CSR has a major impact on its employees. Firms that give importance to a CSR initiative do get branded as great employers. The relationship between business and society has been a matter of discussion in entire business diaspora. Businesses are experiencing tremendous pressure from all stakeholders on issues of sustainability, environment and ethicality. The internal stakeholder (viz. employee) is becoming more conscious and expects more answerable use of business influence.

### What is Corporate Social Responsibility (CSR)?

CSR has become a modern-day feature of the 21st century businesses. Originating in the management field, CSR has been embraced by other business based disciplines such as organizational behavior and culture.

There are abundant ways researchers and scholars theorize CSR. As aptly stated by Elkington CSR refers to three main categories of responsibilities that an organization has to realize: economic, social and environmental (Elkington, 1997).[4]

Stephen Robbins goes on to add that the main idea of CSR is that business should act and be answerable beyond its legal responsibilities towards its employees, suppliers, customers and shareholders. Business ought to be 'expected' to acknowledge and take full responsibility for the non-economic repercussions of its activities with respect to the natural environment and society at large (Robbins, 2005).[2]

In early 2000, scholars argued that CSR has allowed companies to dispel their emotions of guilt (Moir 2003; Rossouw, 2002). The guilt may have emerged because companies purely tend to operate on a profit motive – often at the cost of exploitation of blue collared workforce and environment. Perhaps, this has been influenced by the power MNC's currently exert, and the challenges that supplement this power.[3]

### Importance of Corporate Social Responsibility:

With the SIT literature in the backdrop, an organization that engages or attempts to engage in initiatives of which its employees would showcase pride in being part of; it may result in greater importance to CSR. From a profit perspective, even if the initiative is not a profitable decision for the organization (in the short-run) the employee will continue to promote the thought of its organization to be caring about the present and future of the world. Employee in such an organization may also feel an increase on commitment when we consider the enormous attention global environmental problems are getting in recent times. In 2004 Peterson studied and measured the effect of importance of CSR as a factor and also the association between organizational commitment and corporate citizenship. Results of the study revealed that an employee who believed highly on the importance of social responsibility of business indicated stronger relationship towards commitment to the organization.[5]

Companies must take cognizance of the fact that neither all employees nor all stakeholders take the same meaning of social responsibility. Communication on CSR policies has to be differentiated for all facets of business. Also, there exists a need for trainings on sensitization towards social responsibility in order to stimulate exchange of ideas and discussions amongst employees and create a positive culture of social responsibility .[1]

### Corporate Social Responsibility & Banking Sector

The Indian Banking Sector witnessed a revolution in 1969. As many as fourteen banks (formerly private) were nationalized. Nationalization began with a sole objective of providing better quality service to its customers. In the early 1980's seven more private banks were nationalized. The rationale cited for nationalization being private commercial banks were not fulfilling its developmental and social goals vital to an industrializing India. There are two types of Banks in the Indian banking system; commercial banks and cooperatives banks. PSUs Banks, Private Banks, Foreign Banks and Regional Rural Banks form part of Commercial banks. Cooperatives Banks include urban cooperatives and State cooperatives.[6]

The study by Moharana (2013) discusses the prominence of CSR is gaining in the corporate world including the banking sector. Banks are endorsing environment friendly and socially responsible investment practices. Since 2007 Reserve Bank of India (RBI) has also directed banks to undertake CSR initiatives for sustainable development and initiate non-financial reporting that is related to activities in the era of social, economic, and environmental accounting.[6]

Banking sector is considered as hub and barometer of the financial sector (Choudhary et al 2013). Also the foot-fall in banks is very large across the country. Therefore an effective system of faster dispensing of all activities including redressal with courteous disposition will go a long way towards building an image for the banks (a covert component of CSR). Many CSR activities of bank are carried out in a way that has both the components namely business interest and the social welfare embedded in their business activities.[7]

External factors do have an influence on the way CSR is perceived in an organization. The prominence of CSR for an employee is one such factor. If an employee has a belief that CSR is important and that a firm has a social responsibility beyond profit making; an employee may demonstrate higher levels of involvement in the CSR initiatives of the firm.

## RESEARCH OBJECTIVES

The objectives of this study are as follows:

Firstly, the purpose of the research is an effort to study the awareness of CSR based on the scale developed by Duygu Turker (2008). Secondly, to highlight the relationship between the ethical approach initiated by companies towards their employees and its influence on them. Thirdly, to examine the effects of CSR initiatives of banks on sustainability and related variables amongst bank employees.

## RESEARCH METHODOLOGY

CSR and its influence has been one of the most contemplating topics for many years now. The influence of CSR on various stakeholders has led to many thought provoking research. The research primarily attempts to deliberate on the question; is the bank employee today sensitive towards CSR initiatives taken up by the firm? The relationship between CSR and sustainability is receiving a lot of attention. Most studies indicate a linkage between CSR, sustainability and the degree of its importance. However, contextually there is no such research conducted in the Pune Region.

### SAMPLING METHOD

The respondents were selected from a private 7 public sector banks. The respondents were employees of various ranks in banks located in Pune. The participants comprised of 12 Senior Managers, 11 Managers, 9 officers and 8 clerical staff. The group consisted of 21 male and 19 female employees, within an age bracket of 29 – 45 years.

**TABLE 1: CHARACTERISTICS OF RESPONDENTS**

| Gender | Number of Respondents | Percentage |
|---|---|---|
| Male | 21 | 53% |
| Female | 19 | 48% |
| **Designation / Position** | | |
| Sr. Manager | 12 | 30% |
| Manager | 11 | 28% |
| Officer | 9 | 23% |
| Clerk | 8 | 20% |

### RESEARCH INSTRUMENT

The primary source of data collection is an adopted research instrument. A scale designed by Duygu Turker (2006) was administered to measure the general opinion of managers towards social responsibility.

The research instrument consisted of 17 statements concerning aspects of social responsibility towards employees, environment and society. The scale also helped capture information related to importance of CSR and its role in bettering the life of future generations. The responses to these statements were measured on a five point scale, wherein '1' represented 'Totally Disagree' and '5' represented 'Totally Agree'. The respondents were thus requested to express their level of agreement/disagreement with each statement on a five point Likert scale. The factors used for this study were identified from the research literature. (Refer Table 2).

**TABLE 2: FACTORS OF SOCIAL RESPONSIBILITY**

| Sr. No | Factor | Statements | Reliability |
|---|---|---|---|
| 1 | CSR to Employees | 1 – 5 | |
| 2 | CSR to Environment | 11, 12 | |
| 3 | CSR focus on Future Generations | 13, 14 | 0.90 |
| 4 | CSR through NGO's | 15, 16 | |
| 5 | CSR to Society | 17 | |
| 6 | Importance of CSR | 6 – 10 | 0.82 |
| *Duygu Turker, (2009); Journal of Business Ethics;* [2] | | | |

## DATA ANALYSIS

The data collected was analyzed using SPSS 17.0 version. The inferences are derived by analyzing the means, t-test and correlation. The data has been analyzed with respect to employee's importance to CSR. To comprehend the degree of agreement or disagreement with different statements, the weighted average scores were calculated. A high rating shows greater agreement with a statement and vice versa.

### IMPORTANCE OF SOCIAL RESPONSIBILITY AND EMPLOYEE DIRECTED CSR

Employees can be classified as internal stakeholders of a business. Their support is necessary for the effective implementation of CSR programmes initiated by the firm. CSR directed towards employees may be perceived positively by them. Could there be a linear relationship between the two variables? Hence the formulated hypothesis was:

$H_0$: there is no linear relationship between importance of CSR & Employee directed CSR.

$H_1$: there is a linear relationship between importance of CSR & Employee directed CSR.

**TABLE 3: EMPLOYEE DIRECTED CSR**

| Variables | Sig. | t-stat | t-critical |
|---|---|---|---|
| (Constant) | .001 | 3.755 | |
| Employee directed CSR | .000 | 3.853 | 2.0244 |
| a. Dependent Variable: Importance of CSR | | | |

Using 0.05 level of significance, $t_{CRITICAL}$ with $n - 2 = 38$ degrees of freedom is 2.0244. Because $t_{STAT} = 3.853 > 2.0244$, $H_0$ is rejected. Also the p – value is approximately zero (which is less than 0.05); hence we can conclude that there is a linear relationship between importance of CSR and Employee directed CSR.

**Inference:** There is a linear relationship between Employee directed CSR initiatives and Importance of CSR. Employees will tend to give greater importance to CSR programmes when they are direct or indirect beneficiaries of the initiatives.

**FIGURE 1: SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES**
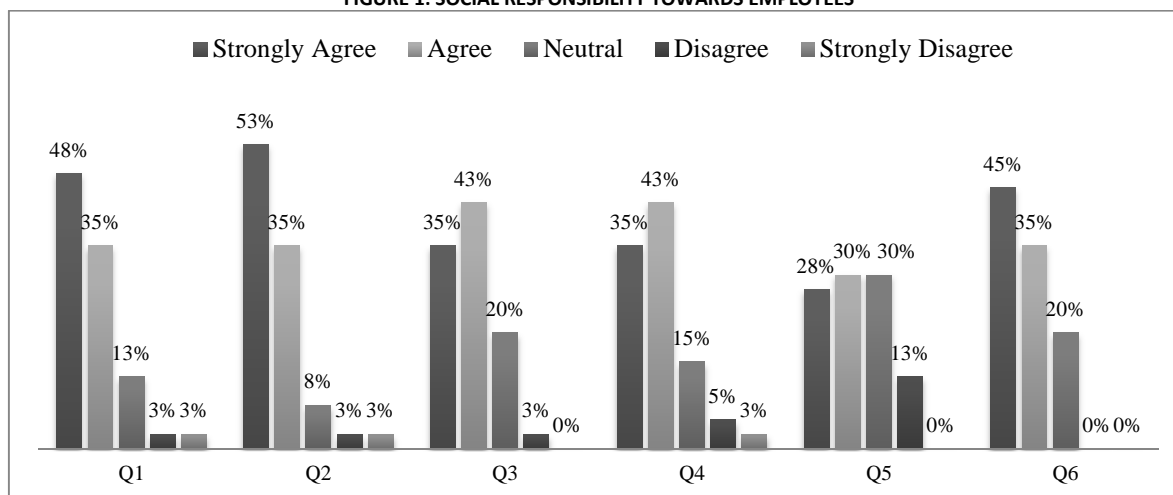


Q1. The company encourages its employees to participate in the voluntarily activities
Q2. The company policies encourage the employees to develop their skills
Q3. Top management of the company primarily concerns with employees' needs and wants
Q4. The company implements flexible policies to provide a good work life balance for its employees
Q5. Managerial decisions related to the employees are usually fair
Q6. The company supports employees to acquire additional education.

Figure 1 shows the responses of items 1 – 6 of the questionnaire. The responses to Q2 & Q6 in above figure illustrate that employees' agree to the encouragement shown by Banks in their personal development through education and career development programmes. However responses to Q3, Q4 & Q5 are marginally differing. This could be because the employees consider work life balance, fairness in managerial decisions to be relevant to socially responsible behavior of the bank than developing their skills and careers.

**FIGURE 2: IMPORTANCE OF SOCIAL RESPONSIBILITY AMONGST EMPLOYEES**
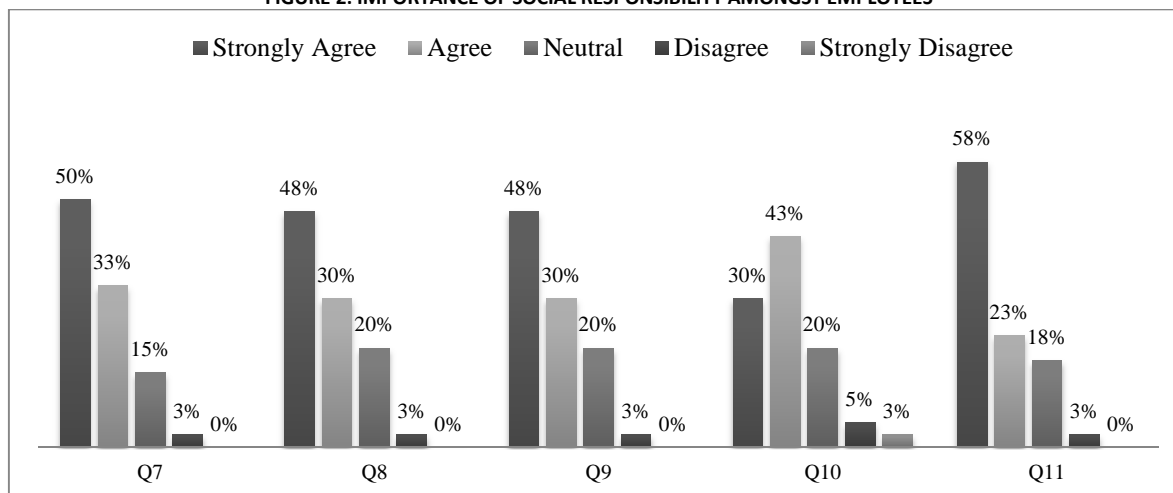


7. Being socially responsible is the most important thing for a firm
8. Social responsibility of a firm is essential for long-term profitability
9. Overall effectiveness of a business can be determined by the degree to which it is socially responsible
10. Social responsibility is critical for business survival
11. Business has a social responsibility beyond making profit

Figure 2 shows the responses of items 7 – 11 of the questionnaire. Responses to Q7, Q8, Q9, and Q11 indicate that the employees (58%) seem to have a consensus on the point that a company has a social obligation beyond merely making profit. Majority of the respondents (50%) also believe that being socially responsible is most important and that it is (48%) essential for the long-term profitability of the firm.

**SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

Corporates today have recognized their responsibility to do no act that is detrimental to the environment. Self-regulation and voluntary activities have now become a norm. The environmental aspect of CSR accompanies sustainability of the firm. There is a conscious effort by firms to curtail practices that might adversely affect the country's resources for future generations. Hence the formulated hypothesis was:

$H_0$: there is no linear relationship between importance of CSR and sustainability
$H_1$: there is a linear relationship between importance of CSR and sustainability

**TABLE 4: CSR & SUSTAINABILITY**

| Variables | Sig. | t-stat | t-critical |
|---|---|---|---|
| (Constant) | .000 | 4.024 | |
| CSR & Sustainability | .000 | 6.137 | 2.0244 |
| a. Dependent Variable: Importance of CSR | | | |

Using 0.05 level of significance, $t_{CRITICAL}$ with $n - 2 = 38$ degrees of freedom is 2.0244. Because $t_{STAT} = 6.137 > 2.0244$, $H_0$ is rejected. Also the p – value is approximately zero (which is less than 0.05); $H_0$ is rejected. Hence we can conclude that there is a linear relationship between importance of CSR and Employee directed CSR.
**Inference**: There is a linear relationship between Importance of CSR and is interrelated with sustainability.

**FIGURE 3: SOCIAL RESPONSIBILITY TOWARDS ENVIRONMENT & SUSTAINABILITY**
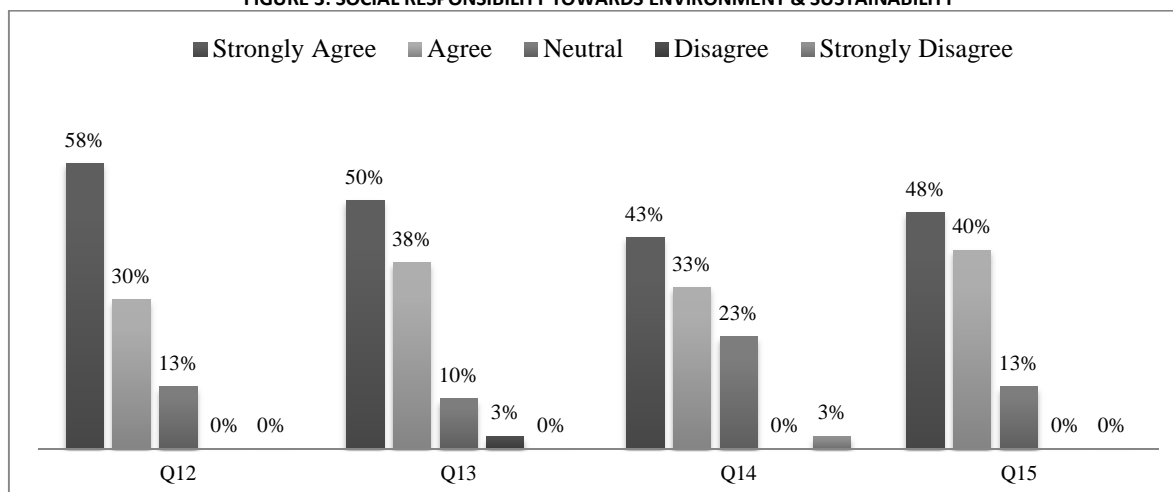


12. The firm participates in activities that aim to protect and improve the quality of the natural environment
13. The firm makes investment to create a better life for the future generations
14. The firm implements programs to minimize its negative impact on the natural environment
15. The firm targets a sustainable growth

Figure 3 shows the responses of items 12 – 15 of the questionnaire. Responses to Q12 – Q15 illustrate that even though Banks as enterprises are not directly allied with environmental concerns. Employees are conscious towards the natural environment and sustainable growth which considers CSR an investment to create better life for upcoming generations.

## CONCLUSION

This study was aimed at examining the existence of a linear relationship between the importance of CSR and its influence on other factors viz. employee directed CSR, sustainability etc. Based on the analyzed data, it can be concluded that there is a linear relationship between the importance of CSR by an employee and various other factors of CSR.

With the in Companies Act, 2013 it is obligatory for companies to spend at least 2% of its profits on CSR. Indian banks would be one of the major contributors to this CSR corpus. They are now at the focal point of successful implementation of CSR initiatives. Indian banks need to demonstrate how CSR can contribute directly to sustainability of the enterprise. This can be achieved only if the employees learn to appreciate the importance of CSR and its role in the core business. Sensitization of the employees towards significance of CSR is indispensible at this juncture.

The findings indicate a need to strengthen the roles and responsibilities of Banks and their employees who will drive the CSR programmes. Bank employees must recognize and accept their role in community development. Its time Banks became more efficient and effective as organizations where CSR is nurtured. It is vital that all employees (Top level to bottom level) demonstrate a strong pledge towards CSR undertakings and weave it into the cultural fabric of their Bank.

CSR can act as a tool for Banks and financial enterprises in enabling changes in their business model. Banks can make attempts to generate societal value by addressing critical social and environmental needs that are within its scope of business. These attempts may not return instant business proceeds, but would foster in making the business model sustainable.

## LIMITATIONS

It must be noted that the present study has some limitations. The data for the study was only collected from banks located in Pune city. Thus, the findings of the study cannot be generalized to the entire banking community of India. To overcome this limitation, future studies may consider the possibility of increasing the sample size and also ensuring equal representations pan India.

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# EXISTENCE OF POSITIVE DEPENDENCE, ASYMMETRY AND LEVERAGE EFFECTS IN REAL ESTATE EXCHANGE-TRADED FUNDS (ETFs)

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## ABSTRACT

*This research examines the performance of return and volatility models containing long-memory, asymmetric volatility, and leverage effects by comparing two categories of Real Estate Investment Trusts (REITs) Exchange-traded Funds (ETFs), namely, US REIT ETFs and Global REIT ETFs. This study utilizes two short-memory models, the autoregressive moving average – exponential generalized autoregressive conditional heteroskedasticity (ARMA-EGARCH); and autoregressive moving average – asymmetric power autoregressive conditional heteroskedasticity (ARMA-APARCH); and two long-memory models, autoregressive fractionally-integrated moving average – fractionally-integrated exponential generalized autoregressive conditional heteroskedasticity (ARFIMA-FIEGARCH); and autoregressive fractionally-integrated moving average – fractionally-integrated asymmetric power autoregressive conditional heteroskedasticity (ARFIMA-FIAPARCH). The study finds presence of volatility clustering, leverage effects and volatility asymmetry phenomena in both US and Global REIT ETFs. Also, long-memory models are better in characterizing future values using lagged returns and volatilities compared to short memory models based on the maximum log-likelihood values. The research also identifies positive long-term dependence in the volatilities of both ETFs, however, fails to conclude dual long memory processes. Nevertheless, the research still can pose a challenge on the weak-form efficient market hypothesis (EMH) of Fama (1970), because historical values of REIT ETFs can still be used to predict their future values. Lastly, US REIT ETFs are seen to be more unstable than their more stationary Global REIT ETFs counterparts. The proper modeling of these ETFs can provide traders, fund managers and investors in creating well-defined trading strategies. Findings can also offer more understanding in the properties of this type of ETFs, and open future channels of research to academicians and researchers.*

## KEYWORDS

real estate exchange-traded funds, long-memory models, volatility asymmetry and leverage effects.

## 1. INTRODUCTION

Understanding return and volatility characteristics of real estate investments is crucial because persistent changes in their structures can expose investors to risk when value meltdown occurs. Accurate modeling of volatility in real estate asset returns became a major concern right after the sub-prime mortgage crisis. The recent crisis became the biggest blow to the seem invincible real estate industry in recent years, which also created the so-called 'great recession' that affected other assets worldwide. This spillover to the globalized financial markets made scholars and practitioners more interested in knowing the predictability and asymmetric volatility properties of real estate investments. Other factors affecting returns and volatilities in housing markets include income, interest rates, mortgage credit availability, supply of houses and geographic locations of real estate properties.

Positive dependence or the long-memory process models the presence of a persistent temporal dependence among distant observations, which suggests the predictability of a particular time-series in returns and volatility. On the other hand, the asymmetric volatility property of a data describes the negative correlation between returns and innovations in volatility. This property is commonly connected to the leverage effects property, because negative shocks often are followed by future higher volatility than positive shocks. These data characteristics have been seen in stock returns (e.g., Mabrouk and Aloui,2010; and Tan and Khan, 2010), exchange rates (e.g., Nouira et al., 2004; and Beine et al., 2002), commodities (Choi and Hammoudeh, 2009; and Kyrtsou et al., 2004), and exchange-traded funds (ETFs) (e.g., Rompotis, 2011; and Yang et al., 2010). However, there are no extensive literature has been written to characterize the predictability and asymmetric volatility of real estate ETFs.

Long-term investors have always been attracted to real estate investments because of its stable flow of income. Real estate assets also have low correlation to equity and fixed-income markets, particularly before the sub-prime mortgage crisis, when markets experienced the dot-com bubble and drastic decline in Treasury bill rates. Real estate investment trust (REIT) is one of the solutions in investing in real estate without actually having the real asset. A REIT is a company that owns and operates income-producing real estate or real estate-related assets. The income-producing real estate assets owned by a REIT may include office buildings, apartments, hotels, resorts, shopping malls, self-storage facilities, warehouses, and mortgages or loans.

Most investors see that investment in REITs requires a long-term horizon to maximize returns, however, traders wanting to own real estate and REITs as short-term investments can directly invest in exchange-traded funds (ETFs) that track indices based on real estate assets. Real estate ETFs are basket of investments in businesses that own and manage portfolios of residential and commercial real estate assets, which are either REIT securities or related derivatives. The website ETFdb.com, as of May 6, 2014, lists 29 actively-traded REIT ETFs with a combined market capitalization of $43.40 billion, and with the revival of interest in real estate, this number is expected to grow. The reason why investors are attracted to real estate ETFs is because they can only allot a minimum level of their holdings on the REIT indices portfolio and can already benefit from a broad coverage, where it would be very expensive if a direct investment was made. Investing in REIT ETFs offers a more cost-effective means of trading real estate assets and also provides greater exposure to both local and international real estate investments. However, one big disadvantage of holding REIT ETFs is shares that investors own can also drop when property values fall.

The research is motivated by the recent surge in the application of fractionally-integrated long-memory models in financial time-series and its comparison to short-memory models. This research is also motivated in adding to the limited literature of real estate ETFs, particularly determining the differences in the characteristics of two broad real estate ETFs categories, namely, Global Real Estate ETFs and US Real Estate ETFs traded in US major stock exchanges. This study particular compares short-memory models namely, autoregressive moving average (ARMA), asymmetric power autoregressive conditional heteroskedasticity (APARCH), and exponential generalized autoregressive conditional heteroskedasticity (EGARCH); against their fractionally-integrated long-memory model counterparts, ARFIMA, FIAPARCH, and FIEGARCH. The autocorrelation function of short-memory models are said to decay at an exponential rate, while those of long-memory models decay at a hyperbolic rate. This means that fractionally-integrated models are better in determining positive dependence between distant observations, and improves the modeling of time-series data (e.g., Ruzgar and Kale, 2007; and Goudarzi, 2010). Tsay (2000) even argues that some time-series data (i.e., real interest rates) do not have a unit root, and are fractionally-integrated.

This paper contributes to the literature by comparing two combinations of short-memory models, a) ARMA-APARCH, and b) ARMA-EGARCH; and two combinations of long-memory models, c) ARFIMA-FIAPARCH, and d) ARFIMA-FIEGARCH in examining long-term positive dependence, asymmetry and leverage effects in the returns and volatility of real estate ETFs. In relation with the motivation and contributions, this research differs from the previous studies through these four main objectives:

a)   identify the presence of the volatility clustering, leverage effects and volatility asymmetry phenomena in the time-series of US and Global REIT ETFs;

b)   determine which type of models (i.e., short- and long-memory models) are better to characterize future values using lagged returns to determine each ETF sub-sample;

c)   find out positive long-term dependence in the time-series of ETFs, and examine the dual long-memory process in their returns and volatilities;

d)   determine differences in the characteristics of US and Global Real Estate ETFs with regards to their short-, intermediate-, and long-memory processes;

To the best of our knowledge, there is no study that has been done comparing these two groups of real estate ETFs satisfying these objectives. There are a number of studies (e.g., Pong et al., 2004; and Tansuchat et al., 2009) comparing short- and long-memory models, however, no research has yet attempted to use the models that we are suggesting and the way we divided the data into two categories: US real estate ETFs are those that track US REIT indices; and global real estate ETFs are those that track international REIT indices. This paper attempts to find out if the heightened volatility caused by the recent subprime mortgage crisis will affect the characteristics of real estate ETFs in the US more than its international counterparts.

This research discussed on this section the background of return and volatility characteristics; introduction of real estate ETFs and its two sub-categories; and the motivation, contributions and objectives. Section 2 presents the literature review; Section 3 explains the data and methodology based on ARMA-APARCH, ARMA-EGARCH, ARFIMA-APARCH, and ARFIMA-FIEGARCH models; Section 4 explains the empirical results; and Section 5 presents the discussions and limitations of the paper.

## 2. LITERATURE REVIEW

This section provides an overview of papers regarding the utilization and comparison of short- and long-memory models in different investment instruments including real estate ETFs. A number of studies compared the performance of short-memory models against their fractionally-integrated counterparts. Using stock markets data, Ruzgar and Kale (2007) estimated and forecasted the volatility of was Istanbul Stock Exchange 100 Index log returns by analyzing the performance of 11 ARCH-type models, including fractionally-integrated models. The results found that fractionally-integrated asymmetric models outperform the short-memory models. Goudarzi (2010) used fractionally-integrated GARCH models using the BSE500 stock index to examine the presence of long-memory properties. The findings showed that the FIEGARCH is the best fitting model and outperforms other ARCH-type models in modeling volatility in the Indian stock market.

The comparison also was applied in the derivatives and exchange rate markets, Tansuchat et al. (2009) investigated the long-memory volatility model for 16 agricultural commodity futures returns. The results showed that the long-memory models, like FIGARCH and FIEGARCH are considerably better than traditional conditional volatility models, like GARCH and EGARCH. Pong et al. (2004) forecasted realized volatility of exchange rates using ARMA, ARFIMA and GARCH models. The study found that out of the twenty-four datasets, ARFIMA has the least error in eight cases, ARFIMA fits six cases and the GARCH model is only best for one dataset. In a related study, Harris et al. (2011) utilized the cyclical volatility model to examine the long-run dynamics of the intraday range of the GBP/USD, JPY/USD and CHF/USD exchange rates and then compare the forecasts of the cyclical volatility model with those of the range-based EGARCH and FIEGARCH models. The findings showed that out-of-sample forecasts generated by the cyclical volatility model are able to explain a substantial fraction of the variation in actual volatility. The literature mentioned above shaped the contributions and objectives of this research, and will attempt to fill the gap by characterizing the long-memory and asymmetric volatility properties of real estate ETFs, which also compares short- and long-memory models. Although a good number of studies regarding other types of ETFs have been made, particularly the short-memory ARMA-GARCH-types, this research noticed that the performance of fractionally-integrated models have yet to be applied to real estate ETFs.

## 3. DATA AND METHODOLOGIES

The data of this research was extracted from Yahoo! Finance website utilizing daily closing prices of the twenty (out of the thirty-seven currently listed) Real Estate ETFs trading in the US starting from their different inception dates to November 1, 2013.We divided the real estate ETFs into two categories, namely 1) US Real Estate ETFs or those that tracks US REIT indices; and 2) Global Real Estate ETFs or those that tracks international REIT indices. The study chose fifteen actively-traded Global and US real estate ETFs from the category to ensure a better time-series data with the absence of zero trading volumes, which negatively affects their volatility and the modeling of the financial time-series.

The series of returns were computed as $y_t = 100(\log p_t - \log p_{t-1})$, where $p_t$ represents the price at time $t$. The financial time-series data were modeled by ARMA-EGARCH, ARMA-APARCH, ARFIMA-FIEGARCH and ARFIMA-FIAPARCH processes are explained below.

### 3.1 Short- and long- memory processes in the Conditional Mean

### 3.1.1 The ARMA Model

Box and Jenkins (1970) introduced time-series models capture short-range correlations where the predictors are previous observations represented by the AR function, and previous residual errors modeled by the MA process. The basic ARMA (*r, s*) model can be represented as:

$$y_t = \phi_1 y_{t-1} + \ldots + \phi_r y_{t-r} + \varepsilon_t + \phi_1 \varepsilon_{t-1} + \ldots + \theta_s \varepsilon_{t-s} \tag{1}$$

and the general ARMA (*r,s*) can be specified as:

$$y_t = \phi_0 + \sum_{i=1}^{r} \phi_i y_{t-1} + \varepsilon_t + \sum_{j=1}^{s} \phi_j \varepsilon_{j-1} \tag{2}$$

where *r* represents the order of the AR(*r*) part, $\phi_i$ its parameters, *s* the order of the MA(*s*) part, $\theta_j$ its parameters and $\varepsilon_t$ normally and identically distributed noise. ARMA models are flexible and able to describe the serial dependencies of time-series in terms of the number of parameters of the AR and MA components.

### 3.1.2 The ARFIMA Model

A decade after the introduction of the ARMA model, a phenomenon was observed in the time-series where fluctuations over time often display long-range correlations. To capture these long-term dependencies, Granger and Joyeux (1980) and Hosking (1981) introduce the ARFIMA model, which allows the difference parameter to be a non-integer and consider the fractionally integrated process $I(d)$ in the conditional mean. The polynominals representing the ARFIMA (*r,d,s*) model can be represented as:

$$\phi(L)(1-L)^d (y_t - \mu) = \theta(L)\varepsilon_t \tag{3}$$

The fractional differencing operator $(1-L)^d$ is a notation for the following infinite polynominal:

$$(1-L)^d = \sum_{i=0}^{\infty} \frac{\Gamma(i-d)}{\Gamma(i+1)\Gamma(-d)} L^i = \sum_{i=0}^{\infty} \pi_i(d) L^i \tag{4}$$

where $\pi_i(z) \equiv \Gamma(i-z)/\Gamma(i+1)\Gamma(-z)$ and $\Gamma(.)$ is the Standard gamma function. When the difference parameter of the ARFIMA model is $-0.5 < d < 0.5$, the process is stationary where the effect of shocks to $\varepsilon_t$ decays at a gradual rate to zero. If $d = 0$, the process indicates short memory and the effect of shocks decays geometrically. When $d = 1$, there is a unit root process. For $0 < d < 0.5$, the process represents a long-memory or positive dependence among distant observations is present. If $-0.5 < d < 0$ there is the presence of intermediate memory or anti-persistence. When $d \geq 0.5$, the process is non-stationary, while $d \leq -0.5$ is a stationary, but noninvertible process, which means that the data time-series cannot be represented by any AR model.

### 3.2. Short and Long-memory Models in the Conditional Variance

#### 3.2.1 The EGARCH Model

The EGARCH model was suggested by Nelson (1991) where the conditional variance may be written as follows:

$$\ln \sigma_t^2 = \alpha_0 + \sum_{i=1}^q \alpha_i s(z_{t-1}) + \sum_{j=1}^p \beta_j \ln(\sigma_{t-j}^2)$$

(5)

where $z_t = \varepsilon_t / \sigma_t$ represents the normalized residuals series. The function $s(.)$ can be specified as:

$$s(z_t) = \delta_1 z_t + \delta_2 \{|z_t| - E(|z_t|)\}$$

(6)

where $\delta_1$ and $z_t$ adds the effect of the sign of $\varepsilon_t$ whereas $\delta_2\{|z_t| - E(|z_t|)\}$ adds its magnitude effect. For the normal distribution, $E(|z_t|) = \sqrt{\dfrac{2}{\pi}}$, the asymmetric nature of the returns can be illustrated by the nonzero value of the coefficient $\delta_1$, while a positive value of $\delta_1$ specifies a leverage effect. Furthermore, external unexpected shocks will have a stronger influence on the predicted volatility than TARCH or GJR.

#### 3.2.2 The APARCH Model

The APARCH model of Ding et al. (1993) includes a power term that acts to emphasize the periods of relative tranquility and volatility by magnifying the outliers in the time-series. The APARCH model estimates the optimal power term rather than imposing a structure on the data. The APARCH ($p,q$) model can be written as:

$$\sigma_t^\delta = \alpha_0 + \sum_{i=1}^q \alpha_i (|\varepsilon_{t-i}| - \gamma_i \varepsilon_{t-i})^\delta + \sum_{j=1}^p \beta_j \sigma_{t-1}^\delta$$

(7)

where $\alpha_0 > 0$, $\delta \geq 0$, $\beta_j \geq 0$, $\alpha_i \geq 0$ and $-1 < \gamma_i < 1$.

The APARCH model provides the flexibility of a varying exponent $\delta$ with the asymmetry coefficient $\gamma_i$ to account the leverage effect. The APARCH model can be reduced to the ARCH model when $\delta = 2$, $\gamma_i = 0$ ($i = 1,...,p$) and $\beta_j = 0$ ($j = 1,...,p$); GARCH model when $\delta = 2$ and $\gamma_i = 0$ ($i = 1,...,p$); and the GJR when $\delta = 2$.

#### 3.2.3 The FIEGARCH and FIAPARCH Models

The FIEGARCH of Bollerslev and Mikkelsen (1996) and the FIAPARCH of Tse(1998) are another extension of the fractionally-integrated models. Similar to its short-memory counterparts EGARCH and APARCH processes, they can be extended to account for long-memory through the factorization of the autoregressive polynomial $[1 - \beta(L)] = \phi(L)(1-L)^d$ where all the roots of $\phi(z) = 0$ lie outside the unit circle.

The FIEGARCH ($p, d, q$) is can be expressed as follows:

$$\ln(\sigma_t^2) = \omega + \phi(L)^{-1}(1-L)^{-d}[1 + \alpha(L)]s(z_{t-1})$$

(8)

And the FIAPARCH ($p, d, q$) model can be specified as:

$$\sigma_t^\delta = \omega + \{1 - [1 - \beta(L)]^{-1}\phi(L)(1-L)^d\}(|\varepsilon_t| - \gamma\varepsilon_t)^\delta$$

(9)

## 4. EMPIRICAL RESULTS

Table 1 describes the average returns of real estate ETFs. Most of the average returns of Global Real Estate ETFs are positive with the exception of RWX and VNQI, whereas US Real Estate ETFs have only 4 positive average ETFs, namely FNIO, REM, MORT and FTY. For the whole sample, US real estate ETFs have both the highest and lowest average returns. PSR ETF posted the highest return with 0.038, while REM ETF has lowest average return of -0.038. US real estate ETFs also posted a slightly higher average standard deviation of 0.899, while global real estate ETFs posted 0.825. We posit that the recent subprime mortgage crisis greatly affected the local volatility of the US markets more compared to global real estate as a whole. Most of selected ETFs are negatively skewed, all data samples have positive kurtosis, and the significant Jarque-Bera statistic for residual normality indicated that real estate ETF returns are under a non-normal distribution assumption.

<div align="center">TABLE 1: THE SAMPLE SIZE AND PERIOD OF ETFs RETURNS</div>

| US Real Estate ETFs ETFs | Start of Data | Daily Obs. | Mean | Std. Dev. | Skew. | Kurt. | J-Bera |
|---|---|---|---|---|---|---|---|
| Vanguard REIT Index ETF (VNQ) | Apr 10, 2004 | 2288 | 0.006 | 1.022 | -0.244 | 14.465 | 15254.30*** |
| iShares Indl/Office Rel Est Capped ETF (FNIO) | May 9, 2007 | 1633 | -0.012 | 1.186 | -0.153 | 17.086 | 13507.01*** |
| PowerShares KBW Prem Yield Equity REIT (KBWY) | Dec 14, 2010 | 726 | 0.014 | 0.536 | -0.903 | 10.318 | 1718.61*** |
| Schwab US REIT ETF (SCHH) | Jan 14, 2011 | 705 | 0.015 | 0.581 | -0.251 | 10.547 | 1680.44*** |
| iShares Residential Real Estate Capped ETF (REZ) | May 7, 2007 | 1637 | 0.001 | 1.118 | 0.022 | 13.022 | 6851.11*** |
| PowerShares Active U.S. Real Estate (PSR) | Nov 24, 2008 | 1244 | 0.038 | 0.906 | -0.012 | 18.097 | 11813.37*** |
| iShares Real Estate 50 ETF (FTY) | May 7, 2007 | 1637 | -0.005 | 1.118 | 0.093 | 14.532 | 9073.29*** |
| *Average value* | | | *0.057* | *6.467* | | | |
| Global Real Estate ETFs ETFs | Start of Data | Daily Obs. | Mean | Std. Dev. | Skew. | Kurt. | J-Bera |
| Vanguard Global ex-US Real Estate ETF (VNQI) | Nov 2, 2010 | 756 | 0.008 | 0.556 | -0.468 | 7.308 | 612.29*** |
| SPDR Dow Jones Global Real Estate (RWO) | May 23, 2008 | 1372 | -0.004 | 0.903 | -0.408 | 8.903 | 2030.19*** |
| iShares International Developed Real Estate ETF (IFGL) | Dec 28, 2007 | 1473 | -0.010 | 0.813 | -0.448 | 9.237 | 2436.75*** |
| iShares International Developed Property (WPS) | Aug 08, 2007 | 1572 | -0.008 | 0.800 | -0.314 | 9.346 | 2663.69*** |
| Cohen & Steers Global Realty Majors ETF (GRI) | May 23, 2008 | 1372 | -0.005 | 0.858 | -0.176 | 12.994 | 5716.33*** |
| Guggenheim China Real Estate ETF (TAO) | Dec 18, 2007 | 1479 | -0.003 | 1.000 | 0.228 | 7.936 | 1514.17*** |
| iShares Asia Developed Real Estate ETF (IFAS) | Jan 8, 2008 | 1467 | -0.008 | 0.830 | -0.416 | 8.779 | 2083.78*** |
| FTSE EPRA/NAREIT Europe Index Fund (IFEU) | Dec 28, 2007 | 1473 | -0.001 | 1.138 | 1.416 | 98.430 | 559430.8*** |
| *Average value* | | | *-0.031* | *6.898* | | | |

Note: *,**, and *** are significant 10, 5, and 1% levels respectively.

Table 2 illustrates filtered time-series data using the ARMA and GARCH filters. The Augmented Dickey-Fuller test examined the stationarity of the data, and the minimum value of the Akaike Information Criterion identified the orders of the models. All ETF return samples have no serial correlation, based on the results of the Lagrange Multiplier (LM) test. This paper used the ARCH-LM process to identify the ARCH effect, and showed that GARCH models can be applied in the sample. The filtering also determined thatall the real estate ETF samples are free from heteroscedasticity by having insignificant values of ARCH-LM.

<div align="center">TABLE 2: SUMMARY STATISTICS OF UNIT ROOT, LM AND ARMA-LM TESTS FOR ETF RETURNS</div>

| US REIT ETFs | ADF | ARMA | AIC | LM | ARCH-LM | GARCH | AIC | ARCH-LM |
|---|---|---|---|---|---|---|---|---|
| VNQ | -24.435*** (0.000) | (0,1) | 2.483 | 0.439 (0.802) | 305.102*** (0.000) | (1,2) | 1.955 | 0.211 (0.899) |
| FNIO | -21.497*** (0.000) | (1,2) | 3.153 | 2.403 (0.360) | 180.768*** (0.000) | (1,1) | 2.349 | 0.387 (0.823) |
| KBWY | -25.823*** (0.000) | (0,0) | 1.592 | 1.942 (0.378) | 53.405*** (0.000) | (2,2) | 2.288 | 0.088 (0.956) |
| SCHH | -13.478*** (0.000) | (1,1) | 1.729 | 0.483 (0.785) | 107.994*** (0.000) | (1,2) | 1.320 | 6.766 (0.148) |
| REZ | -21.356*** (0.000) | (2,1) | 3.025 | 5.662 (0.225) | 230.406*** (0.000) | (2,2) | 2.175 | 0.995 (0.608) |
| PSR | -23.425*** (0.000) | (2,2) | 2.618 | 4.352 (0.113) | 19.305*** (0.000) | (2,2) | 1.941 | 1.1087 (0.580) |
| FTY | -33.173*** (0.000) | (2,2) | 3.034 | 1.754 (0.415) | 123.728*** (0.000) | (1,1) | 2.169 | 0.807 (0.667) |
| Global REIT ETFs | ADF | ARMA | AIC | LM | ARCH-LM | GARCH | AIC | ARCH-LM |
| VNQI | -13.652*** (0.000) | (1,1) | 1.645 | 1.317 (0.517) | 102.971*** (0.000) | (2,2) | 1.464 | 3.323 (0.189) |
| RWO | -40.403*** (0.000) | (0,1) | 2.628 | 1.014 (0.602) | 139.653*** (0.000) | (2,2) | 1.967 | 1.546 (0.461) |
| IFGL | -41.989*** (0.000) | (2,2) | 2.413 | 5.858 (0.118) | 156.227*** (0.000) | (2,2) | 1.971 | 2.208 (0.331) |
| WPS | -22.160*** (0.000) | (2,2) | 2.382 | 4.916 (0.178) | 179.756*** (0.000) | (2,2) | 1.942 | 4.902 (0.179) |
| GRI | -38.790*** (0.000) | (0,1) | 2.532 | 0.138 (0.933) | 134.259*** (0.000) | (1,2) | 1.977 | 0.113 (0.945) |
| TAO | -29.170*** (0.000) | (1,1) | 2.838 | 2.154 (0.340) | 192.439*** (0.000) | (1,2) | 2.412 | 10.812 (0.147) |
| IFAS | -21.447*** (0.000) | (2,2) | 2.449 | 3.048 (0.217) | 177.848*** (0.000) | (2,2) | 2.096 | 15.741 (0.107) |
| IFEU | -48.612*** (0.000) | (1,1) | 3.042 | 1.199 (0.549) | 181.256*** (0.000) | (1,2) | 2.452 | 11.895 (0.104) |

Note: *,**, and *** are significant 10, 5, and 1% levels respectively.

### 4.1 Lagged innovations, volatility clustering and leverage effects

Tables 3 and4compare the findings of ARMA-EGARCH and ARFIMA-FIEGARCH in determining the effects of lagged returns and volatilities, and the presence of leverage effects. Majority of the estimated values show that significant lagged conditional variance values of $a_n$ and $\psi_n$ are relatively greater than those of significant lagged mean returns of $a_n$ and $\theta_n$. These outcomes suggest that both the short and long memory models agree on the existence of volatility clustering phenomenon having stronger influence on current innovations. The results are also consistent with the findings of Fama (1965), Engle (1982) and Koutmos et al. (1994) in their study of volatility clustering. ARMA-EGARCH and ARFIMA-FIEGARCH models also both settle on the leverageeffects phenomenon withthesignificantnegativevaluesofthe delta $(\delta)$ parameter. The short memory model identifies leverage effects for most REIT ETFs, except for PSR US REIT and IFAS Global REIT ETFs. On one hand, the long memory model does not determine leverage effects in two US REIT ETFs, namely, FNIO and SCHH; and three Global REIT ETFs, namely GRI, TAO and IFEU, which all have insignificant values. The study concludes that REIT ETFs whether local or overseas are also very typical investments prone to losses in times of greater uncertainty brought about by increased volatility.

### TABLE 3: LAGGED INNOVATIONS AND LEVERAGE EFFECTS IN REIT ETFS USING ARMA-EGARCH MODELS

| US ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\delta$ |
| VNQ | ARMA(0,1)-EGARCH(2,2) | 0.022 (0.503) | | | -0.026 (0.327) | | -0.813* (0.051) | 0.585*** (0.000) | -0.306** (0.032) | -0.002 (0.712) | 0.983*** (0.000) | -0.078*** (0.004) |
| FNIO | ARMA(1,2)-EGARCH(2,2) | 0.021 (0.115) | -0.894*** (0.000) | | 0.849*** (0.000) | -0.055** (0.036) | -0.273 | 1.133** (0.036) | 0.393 (0.548) | 0.010 (0.336) | 0.972*** (0.000) | -0.058* (0.080) |
| KBWY | ARMA(0,0)-EGARCH(2,2) | 0.017** (0.025) | | | | | -1.346*** (0.000) | 1.004** (0.012) | -0.688*** (0.001) | 0.123 (0.161) | 0.839*** (0.000) | -0.122*** (0.002) |
| SCHH | ARMA(1,1)-EGARCH(2,1) | 0.007 (0.671) | 0.165 (0.344) | | -0.162 (0.373) | | -1.337*** (0.000) | 1.144** (0.018) | | 0.104** (0.019) | 0.843*** (0.000) | -0.073*** (0.008) |
| REZ | ARMA(2,1)-EGARCH(1,0) | 0.017 (0.202) | -1.040*** (0.000) | -0.085*** (0.001) | 0.958*** (0.000) | | -0.064 (0.872) | | | 0.991*** (0.000) | | -0.054*** (0.001) |
| PSR | ARMA(2,2)-EGARCH(2,2) | 0.026*** (0.003) | 1.002 (0.306) | -0.092 (0.916) | -1.058 (0.280) | 0.106 (0.909) | 3.101 (0.211) | 1.400 (0.121) | -0.742 (0.414) | 0.204 (0.736) | 0.793 (0.187) | -0.033 (0.308) |
| FTY | ARMA(2,2)-EGARCH(1,0) | 0.018** (0.027) | 1.104*** (0.004) | -0.147 (0.679) | -1.161*** (0.002) | 0.185 (0.614) | -0.057 (0.901) | | | 0.991*** (0.000) | | -0.049*** (0.005) |
| **Global ETFs** | **Model** | **Mean Equation** | | | | | **Conditional Variance Equation** | | | | | |
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\delta$ |
| VNQI | ARMA(1,1)-EGARCH(2,1) | 0.005 (0.758) | 0.582*** (0.000) | | -0.638*** (0.000) | | -1.309*** (0.000) | 1.784** (0.012) | | 0.074 (0.228) | 0.830*** (0.000) | -0.092** (0.012) |
| RWO | ARMA(0,1)-EGARCH(2,2) | 0.009 (0.532) | | | -0.075*** (0.002) | | -0.661 (0.126) | 1.172* (0.079) | -0.759* (0.091) | 0.451 (0.229) | 0.534 (0.151) | -0.089** (0.037) |
| IFGL | ARMA(2,2)-EGARCH(2,2) | -0.000 (0.984) | -0.206 (0.644) | 0.205 (0.609) | 0.159 (0.718) | -0.176 (0.648) | -0.745*** (0.003) | 0.971** (0.023) | -0.506** (0.036) | 0.098*** (0.004) | 0.880*** (0.000) | -0.120** (0.010) |
| WPS | ARMA(2,2)-EGARCH(2,1) | -0.017 (0.430) | 0.455*** (0.001) | 0.486*** (0.001) | -0.492*** (0.001) | -0.429*** (0.003) | -0.690*** (0.003) | 1.948*** (0.002) | | 0.112*** (0.006) | 0.858*** (0.000) | -0.075*** (0.002) |
| GRI | ARMA(0,1)-EGARCH(1,0) | -0.006 (0.435) | | | -0.043 (0.147) | | -0.062 (0.882) | | | 0.988*** (0.000) | | -0.069*** (0.000) |
| TAO | ARMA(1,1)-EGARCH(2,2) | -0.016 (0.335) | 0.608* (0.073) | | -0.576 (0.127) | | -0.339 (0.317) | -0.539 (0.277) | -0.415 (0.382) | 1.919*** (0.000) | -0.919*** (0.000) | -0.088*** (0.004) |
| IFAS | ARMA(2,2)-EGARCH(2,1) | -0.006 (0.731) | -0.599*** (0.000) | -0.882*** (0.000) | 0.590*** (0.000) | 0.881*** (0.000) | -0.521** (0.043) | 1.523 (0.363) | | 0.168 (0.871) | 0.809 (0.432) | -0.053 (0.419) |
| IFEU | ARMA(1,2)-EGARCH(1,1) | 0.006 (0.723) | -0.529 (0.488) | | 0.450 (0.556) | 0.004 (0.971) | 4.914 (0.602) | -0.768*** (0.000) | | 0.998*** (0.000) | | -0.178* (0.084) |

Note: *, ** and *** are significance at 10, 5 and 1% levels, respectively; p-values are in parentheses.

**TABLE 4: LAGGED INNOVATIONS AND LEVERAGE EFFECTS IN REIT ETFS USING ARFIMA-FIEGARCH MODELS**

| US ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\delta$ |
| VNQ | ARFIMA(0,1)-FIEGARCH(2,2) | 0.023*** (0.000) | | | 0.062* (0.083) | | -1.095*** (0.008) | 0.256 (0.104) | -0.590*** (0.001) | -0.120 (0.181) | 0.866*** (0.000) | -0.078*** (0.005) |
| FNIO | ARFIMA(2,2)-FIEGARCH(1,1) | 0.018 (0.508) | -0.355 (0.566) | 0.540 (0.222) | 0.427 (0.252) | -0.490* (0.061) | -0.318 (0.628) | -0.501 (0.492) | | 0.948*** (0.000) | | -0.074 (0.212) |
| KBWY | ARFIMA(2,0)-FIEGARCH(2,2) | 0.016* (0.055) | 0.047** (0.044) | 0.006 (0.797) | | | -1.438*** (0.000) | 1.347** (0.025) | -0.305 (0.5458) | 0.135 (0.119) | 0.839*** (0.000) | -0.122*** (0.004) |
| SCHH | ARFIMA(2,2)-FIEGARCH(1,2) | 0.014*** (0.000) | 1.783*** (0.000) | -0.788*** (0.000) | -0.690*** (0.000) | -0.060 (0.244) | -1.315** (0.021) | 0.694 (0.385) | -0.244 (0.542) | -0.147 (0.758) | | -0.040 (0.338) |
| REZ | ARFIMA(1,2)-FIEGARCH(2,1) | 0.017*** (0.001) | -0.175*** (0.008) | | -0.309* (0.063) | 0.062** (0.041) | 0.563 (0.469) | -0.776*** (0.002) | | 1.104 (0.166) | -0.157 (0.823) | -0.058** (0.024) |
| PSR | ARFIMA(1,1)-FIEGARCH(2,2) | 0.025*** (0.005) | -0.930*** (0.000) | | 0.919*** (0.000) | | 2.187*** (0.000) | -1.259*** (0.000) | 1.049*** (0.000) | 1.207*** (0.000) | -0.970*** (0.000) | -0.073* (0.037) |
| FTY | ARFIMA(2,2)-FIEGARCH(1,0) | 0.014** (0.027) | 1.170** (0.018) | -0.525 (0.147) | -1.072** (0.041) | 0.485 (0.150) | -0.194 (0.675) | | | 0.756*** (0.000) | | -0.041** (0.012) |
| **Global ETFs** | **Model** | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\delta$ |
| VNQI | ARFIMA(1,2)-FIEGARCH(2,1) | 0.014 (0.192) | 0.315 (0.530) | | -0.173 (0.737) | 0.053 (0.673) | -1.480*** (0.000) | 1.696** (0.034) | | -0.178 (0.653) | 0.628* (0.055) | -0.106* (0.065) |
| RWO | ARFIMA(1,1)-FIEGARCH(1,1) | 0.020*** (0.005) | -0.700*** (0.000) | | 0.668*** (0.000) | | -0.761 (0.115) | 1.552*** (0.005) | | -0.609** (0.026) | | -0.087** (0.047) |
| IFGL | ARFIMA(2,2)-FIEGARCH(2,2) | -0.004 (0.746) | -0.252 (0.505) | 0.222 (0.530) | 0.237 (0.582) | -0.182 (0.615) | -0.695** (0.030) | 0.693** (0.030) | -0.899*** (0.000) | -0.019 (0.731) | 0.793*** (0.000) | -0.133*** (0.003) |
| WPS | ARFIMA(2,2)-FIEGARCH(2,2) | 0.000 (0.997) | 0.049 (0.930) | 0.070 (0.787) | -0.063 (0.910) | -0.030 (0.912) | -0.858*** (0.001) | 0.907** (0.035) | -0.817*** (0.001) | -0.045 (0.626) | 0.717*** (0.000) | -0.131*** (0.006) |
| GRI | ARFIMA(1,0)-FIEGARCH(2,1) | 0.005 (0.521) | 0.065 (0.317) | | | | 0.526 (0.367) | -0.707 (0.137) | | 1.067*** (0.000) | -0.686*** (0.000) | -0.040 (0.124) |
| TAO | ARFIMA(2,0)-FIEGARCH(1,2) | -0.011 (0.331) | 0.079** (0.031) | 0.003 (0.858) | | | -0.129 (0.742) | 1.271 (0.462) | -1.503 (0.279) | 0.891*** (0.000) | | -0.053 (0.109) |
| IFAS | ARFIMA(2,2)-FIEGARCH(0,1) | 0.004 (0.702) | -0.604*** (0.000) | -0.901*** (0.000) | 0.601*** (0.000) | 0.901*** (0.000) | -0.499 (0.120) | 1.058 (0.200) | | | | -0.080* (0.056) |
| IFEU | ARFIMA(2,2)-FIEGARCH(2,2) | 0.018 (0.141) | -0.052 (0.331) | -0.210*** (0.000) | 0.030 (0.433) | 0.349*** (0.000) | 1.556** (0.029) | 2.685 (0.639) | -2.159 (0.605) | 0.686*** (0.001) | -0.302* (0.069) | -0.006 (0.788) |

Note: *, ** and *** are significance at 10, 5 and 1% levels, respectively; p-values are in parentheses.

*4.2 Lagged innovations, volatility clustering and asymmetry*

Tables 5 and 6 compare the findings of ARMA-APARCH and ARFIMA-FIAPARCH in determining the effects of lagged returns and volatilities, and the presence of volatility asymmetry. Majority of the estimated values show that significant lagged conditional variance values of $a_n$ and $\psi_n$ are relatively greater than those of significant lagged mean returns of $a_n$ and $\theta_n$. These outcomes suggest that both the short and long memory models also agree on the existence of volatility clustering phenomenon having stronger influence on current innovations. Aside from the earlier studies mentioned above, the findings are also consistent with the recent studies of Chen and Huang (2010), Chen and Diaz (2012a) and Chen and Diaz (2012b) when they found volatility clustering in the returns and volatilities of equity, faith and leveraged ETFs, respectively. ARMA-APARCH and ARFIMA-FIAPARCH models also both settle on the presence of asymmetric volatility with the significant positive values of the gamma $(\gamma)$ coefficient. The short memory model identifies asymmetric volatility for all US and Global REIT ETFs. On one hand, the long memory model does not determine asymmetric volatility in two US REIT ETFs, namely, SCHH and PSR; and one Global REIT ETFs, namely, IFEU, which all have insignificant values. The study concludes that REIT ETFs are not immune to negative shocks, because they have bigger impacts on stock returns and volatilities than positive news of the same magnitude. Bekaert and Wu (2000) earlier explained that negative shocks increases conditional variances in the financial markets substantially because of the high volatility feedback mechanism. This claim was particularly observed by Tan and Khan (2010) in their study of Malaysian stock markets during the subprime mortgage crisis.

TABLE 5: LAGGED INNOVATIONS AND VOLATILITY ASYMMETRY IN REIT ETFS USING ARMA-APARCH MODELS

| US ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\gamma$ |
| VNQ | ARMA(0,1)-APARCH(1,2) | 0.020** (0.041) | | | -0.029 (0.140) | | -0.006*** (0.005) | 0.140*** (0.000) | -0.047 (0.166) | 0.917 (0.000) | | 1.218*** (0.000) |
| FNIO | ARMA(1,2)-APARCH(2,2) | 0.010 (0.498) | -0.907*** (0.000) | | 0.857*** (0.000) | -0.061** (0.026) | 0.013*** (0.005) | 0.088*** (0.000) | 0.060*** (0.000) | -0.048** (0.011) | 0.915*** (0.000) | 1.107*** (0.000) |
| KBWY | ARMA(0,0)-APARCH(1,2) | 0.021 (0.178) | | | | | 0.003 (0.129) | 0.112* (0.053) | -0.107 (0.126) | 0.954*** (0.000) | | 2.103*** (0.000) |
| SCHH | ARMA(1,1)-APARCH(1,1) | 0.012 (0.469) | 0.171 (0.372) | | -0.169 (0.344) | | 0.008** (0.048) | 0.108** (0.010) | | 0.873*** (0.000) | | 1.705*** (0.000) |
| REZ | ARMA(2,1)-APARCH(2,1) | 0.019 (0.124) | -0.443 (0.220) | -0.022 (0.501) | 0.359 (0.320) | | 0.005* (0.057) | 0.148*** (0.000) | | 0.302** (0.311) | 0.558** (0.040) | 1.725*** (0.000) |
| PSR | ARMA(2,2)-APARCH(1,1) | 0.029*** (0.001) | 0.053 (0.678) | 0.848*** (0.000) | -0.079 (0.540) | -0.861*** (0.000) | 0.001 (0.308) | 0.021 (0.201) | | 0.924*** (0.000) | | 3.876*** (0.001) |
| FTY | ARMA(2,2)-APARCH(1,1) | 0.015 (0.171) | -0.000 (0.999) | 0.672*** (0.008) | -0.047 (0.866) | -0.708*** (0.003) | 0.005** (0.021) | 0.095*** (0.000) | | 0.916*** (0.000) | | 1.293*** (0.000) |

| Global ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\gamma$ |
| VNQI | ARMA(1,1)-APARCH(1,1) | 0.002 (0.899) | 0.532*** (0.000) | | -0.574*** (0.000) | | 0.016** (0.038) | 0.075** (0.018) | | 0.870*** (0.000) | | 1.629*** (0.008) |
| RWO | ARMA(0,1)-APARCH(2,2) | 0.005 (0.704) | | | -0.066** (0.018) | | 0.011** (0.013) | 0.077*** (0.003) | 0.075 (0.102) | 0.066 (0.107) | 0.769*** (0.000) | 1.505*** (0.000) |
| IFGL | ARMA(2,2)-APARCH(1,1) | -0.006 (0.700) | -0.269 (0.510) | 0.162 (0.639) | 0.233 (0.573) | -0.135 (0.695) | 0.008** (0.013) | 0.046** (0.047) | | 0.931*** (0.000) | | 1.564*** (0.000) |
| WPS | ARMA(2,2)-APARCH(1,2) | -0.014 (0.493) | 0.465** (0.013) | 0.449* (0.083) | -0.497*** (0.009) | -0.405 (0.115) | 0.011*** (0.006) | 0.029* (0.092) | 0.050 (0.129) | 0.904*** (0.000) | | 1.420*** (0.000) |
| GRI | ARMA(0,1)-APARCH(1,2) | -0.008 (0.552) | | | -0.033 (0.359) | | 0.010 (0.112) | 0.051* (0.054) | 0.041 (0.369) | 0.912*** (0.000) | | 1.171*** (0.004) |
| TAO | ARMA(1,1)-APARCH(1,2) | -0.005 (0.794) | -0.087 (0.777) | | 0.140 (0.645) | | 0.008** (0.030) | 0.010 (0.439) | 0.043* (0.080) | 0.909*** (0.000) | | 2.243*** (0.001) |
| IFAS | ARMA(2,2)-APARCH(1,1) | -0.007 (0.664) | -0.603*** (0.000) | -0.890*** (0.000) | 0.595*** (0.000) | 0.885*** (0.000) | 0.007** (0.025) | 0.053*** (0.009) | | 0.938*** (0.000) | | 1.468*** (0.002) |
| IFEU | ARMA(1,2)-APARCH(1,2) | 0.006 (0.741) | -0.986*** (0.000) | | 0.927*** (0.000) | -0.056* (0.073) | 0.003*** (0.001) | 0.227** (0.016) | -0.220** (0.019) | 0.976*** (0.000) | | 2.337*** (0.000) |

Note: *, ** and *** are significance at 10, 5 and 1% levels, respectively; p-values are in parentheses.

**TABLE 6: LAGGED INNOVATIONS AND VOLATILITY ASYMMETRY IN REIT ETFS USING ARFIMA-FIAPARCH MODELS**

| US ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\gamma$ |
| VNQ | ARFIMA(0,1)-FIAPARCH(1,1) | 0.022*** (0.001) | | | 0.051 (0.162) | | 0.011** (0.015) | 0.185*** (0.004) | | 0.797*** (0.000) | | 0.256*** (0.004) |
| FNIO | ARFIMA(2,2)-FIAPARCH(2,2) | 0.014 (0.193) | 0.249*** (0.000) | 0.014 (0.193) | -0.252*** (0.000) | 0.980*** (0.000) | 0.027** (0.030) | -0.812*** (0.000) | 0.146 (0.151) | -0.184* (0.096) | 0.770*** (0.000) | 0.456*** 0.009 |
| KBWY | ARFIMA(2,0)-FIAPARCH(2,1) | 0.020 (0.188) | 0.090 (0.422) | 0.009 (0.889) | | | 0.001 (0.147) | 0.073*** (0.000) | | 1.561*** (0.000) | -0.582*** (0.002) | 0.426* (0.064) |
| SCHH | ARFIMA(2,2)-FIAPARCH(1,2) | 0.018* (0.094) | 1.163** (0.029) | -0.694*** (0.000) | -1.079** (0.023) | 0.681*** (0.000) | 0.003 (0.125) | -0.001 (0.926) | 0.092 (0.178) | 0.942*** (0.000) | | 0.224 0.121 |
| REZ | ARFIMA(1,2)-FIAPARCH(2,2) | 0.016*** (0.001) | 0.404* (0.080) | | -0.316* (0.088) | 0.057* (0.075) | 0.010 (0.208) | -0.779*** (0.000) | 0.172*** (0.002) | -0.175*** (0.008) | 0.775*** (0.000) | 0.224** (0.013) |
| PSR | ARFIMA(1,1)-FIAPARCH(2,1) | 0.031*** (0.000) | 0.385 (0.239) | | -0.307 (0.314) | | 0.001 (0.379) | -0.882*** (0.000) | | 0.102 (0.168) | 0.795*** (0.000) | 0.058 (0.511) |
| FTY | ARFIMA(2,2)-FIAPARCH(1,1) | 0.012** (0.019) | -0.219 (0.430) | 0.447*** (0.003) | 0.342 (0.162) | -0.356*** (0.003) | 0.010 (0.113) | 0.151** (0.028) | | 0.749*** (0.000) | | 0.349*** (0.009) |

| Global ETFs | Model | Mean Equation | | | | | Conditional Variance Equation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $\alpha_0$ | $\alpha_1$ | $\alpha_2$ | $\theta_1$ | $\theta_2$ | $a_0$ | $a_1$ | $a_2$ | $\psi_1$ | $\psi_2$ | $\gamma$ |
| VNQI | ARFIMA(1,2)-FIAPARCH(2,1) | 0.011 (0.211) | 0.257 (0.540) | | -0.138 (0.743) | 0.053 (0.555) | 0.139 (0.128) | -0.879*** (0.000) | | -0.712*** (0.000) | 0.108** 0.023 | 0.882*** (0.001) |
| RWO | ARFIMA(1,1)-FIAPARCH(2,2) | 0.007 (0.053) | -0.682*** (0.000) | | 0.649*** (0.001) | | 0.016 (0.215) | -0.156 (0.572) | 0.236*** (0.000) | 0.318 (0.334) | 0.323* (0.054) | 0.565** (0.014) |
| IFGL | ARFIMA(2,2)-FIAPARCH(1,2) | -0.003 (0.821) | -0.175 (0.666) | 0.257 (0.391) | 0.188 (0.632) | -0.197 (0.490) | 0.019* (0.075) | 0.377*** (0.000) | 0.071* (0.067) | 0.744*** (0.000) | | 0.962*** (0.000) |
| WPS | ARFIMA(2,2)-FIAPARCH(1,2) | -0.006 (0.649) | -0.009 (0.984) | -0.020 (0.954) | 0.004 (0.993) | 0.601 (0.867) | 0.017** (0.038) | 0.346*** (0.002) | 0.116*** (0.007) | 0.764*** (0.000) | | 0.848*** (0.003) |
| GRI | ARFIMA(1,0)-FIAPARCH(1,1) | 0.002 (0.857) | 0.062 (0.323) | | | | 0.026* (0.098) | 0.147 (0.162) | | 0.569*** (0.000) | | 0.406** (0.049) |
| TAO | ARFIMA(2,0)-FIAPARCH(1,2) | -0.003 (0.856) | 0.081 (0.147) | -0.000 (0.996) | | | 0.005 (0.595) | 0.362*** (0.000) | 0.108*** (0.006) | 0.769*** (0.000) | | 0.732*** (0.001) |
| IFAS | ARFIMA(2,2)-FIAPARCH(1,2) | -0.004 (0.795) | -0.603*** (0.000) | -0.898*** (0.000) | 0.599*** (0.000) | 0.896*** (0.000) | 0.015 (0.068) | 0.373*** (0.000) | 0.123*** (0.001) | 0.818*** (0.000) | | 0.691** (0.028) |
| IFEU | ARFIMA(2,2)-FIAPARCH(0,2) | 0.007 (0.569) | 0.581*** (0.000) | -0.850*** (0.001) | -0.553*** (0.000) | 0.880*** (0.000) | 0.019 (0.465) | 0.080 (0.641) | 0.057 (0.250) | | | 0.268 (0.104) |

Note: *, ** and *** are significance at 10, 5 and 1% levels, respectively; p-values are in parentheses.

The presence of volatility clustering, leverage effects and volatility asymmetry in REIT ETFs are all consistent phenomena. Both short and long memory models provide strong evidence that the effect of the recent subprime mortgage crisis has a global impact, negatively affecting both local and overseas financial instruments tracking real estate related investments. Fund managers and investors in the US are not assured that diversifying their REIT portfolios abroad can provide a solid hedge against local risk and uncertainty.

*4.3 Persistence and performance comparisons of short and long memory models*

Table 7 shows the comparison between two long-memory models employed. For the US REIT ETFs, the combined ARFIMA-FIEGARCH models, through its ARFIMA specification find intermediate memory process in the returns of VNQ, REZ, PSR and FTY ETFs; also the combined ARFIMA-FIAPARCH models also find anti-persistent properties in the returns of VNQ, FNIO, REZ and FTY ETFs. These findings mean that positive or negative return trends in a particular time are weak among these ETFs, and will more likely change its course in the next trading days. This should serve as a warning sign for investors not to rely too much on their anti-persistence and not to keep investments in the long-run. The combined ARFIMA-FIEGARCH models also identify non-invertible process in returns of SCHH ETF (-1.100 value significant at the 1% level), which means that the sequence cannot be represented by any autoregressive (AR) model, and on a non-mean reversion condition as discussed by Tan and Khan (2010). Furthermore, the combined ARFIMA-FIEGARCH models, through its FIEGARCH specification find long memory processes in the volatilities of VNQ, SCHH, REZ, PSR and FTY ETFs. On the other hand, the combined ARFIMA-FIAPARCH models find long memory processes in the volatilities of most US REIT ETFs, except for KBWY, SCHH and PSR ETFs which all exhibit non-invertible properties. The APARCH model present in the specification is also different from the basic ARCH and GARCH models with the significant delta parameter for all ETF observations. Long memory results mean that their structures have signs of market inefficiency and investors may possibly earn excess returns by properly modeling these US REIT ETFs.

For the Global REIT ETFs, the combined ARFIMA-FIEGARCH models, through its ARFIMA specification find intermediate memory process in the returns of VNQI, RWO, GRI and IFEU ETFs; also the combined ARFIMA-FIAPARCH models find similar anti-persistent property in the returns of only VNQI ETF. Intermediate memory characteristics are also present in the recent findings of Chen and Diaz (2013) and Cevik and Emec (2013) in studying green and non-green ETFs and the Turkish financial market. These results again support indecisive trends among these ETFs that will likely deviate from its course in the next trading periods.

Furthermore, the combined ARFIMA-FIEGARCH models, through its FIEGARCH specification find long memory processes in the volatilities of all Global REIT ETFs, except for VNQI ETF; while the combined ARFIMA-FIAPARCH models find long memory processes in the volatilities of all Global REIT ETFs, except for IFEU ETF. The APARCH model present in the specification is also different from the basic ARCH and GARCH models with the significant delta parameter for all ETF observations. These results mean that their structures have signs of market inefficiency and investors may possibly earn excess returns by properly modeling these Global REIT ETFs.The weak-form EMH (efficiency market hypothesis) of Fama (1970) explains that future prices cannot be predicted by analyzing prices from the past. This also means that excess returns cannot be gained in the long run by using investment strategies based on historical data. Therefore, technical analysis techniques will not be able to consistently produce returns, though some forms of fundamental analysis may still provide excess returns.These findings have already been proven in the literature of financial markets and are consistent with the studies of Kang and Yoon (2007), Korkmaz et al. (2009), and Tan and Khan (2010) in studying the South Korean, Turkish and Malaysian stock markets, respectively.

| US ETFs | ARFIMA-FIEGARCH | | | | | ARFIMA-FIAPARCH | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ARFIMA | d-coeff. | ARCH | d-coeff. | AIC | d-coeff. | ARCH | d-coeff. | delta | AIC |
| VNQ | (0, 1) | -0.093*** (0.003) | (2,2) | 0.535*** (0.000) | 1.953 | -0.080*** (0.010) | (1,1) | 0.749*** (0.000) | 1.538*** (0.000) | 1.950 |
| FNIO | (2, 2) | -0.112 (0.663) | (1,1) | 0.385 (0.448) | 2.340 | -0.050** (0.034) | (2,2) | 0.696*** (0.000) | 1.438*** (0.000) | 2.333 |
| KBWY | (2, 0) | 0.017 (0.291) | (2,2) | -0.145 (0.313) | 1.276 | -0.034 (0.778) | (2,1) | 1.001*** (0.000) | 1.380*** (0.000) | 1.271 |
| SCHH | (2, 2) | -1.100*** (0.000) | (1,2) | 0.762*** (0.000) | 1.334 | -0.108 (0.102) | (1,2) | 1.108*** (0.000) | 1.569*** (0.000) | 1.324 |
| REZ | (1, 2) | -0.176*** (0.008) | (2,1) | 0.513*** (0.004) | 2.175 | -0.175** (0.019) | (2,2) | 0.732*** (0.000) | 0.176*** (0.000) | 2.168 |
| PSR | (1, 1) | -0.085*** (0.003) | (2,2) | 0.754*** (0.000) | 1.924 | -0.107 (0.104) | (2,1) | 1.041*** (0.000) | 2.327*** (0.000) | 1.990 |
| FTY | (2, 2) | -0.161** (0.017) | (1,0) | 0.600*** (0.003) | 2.164 | -0.176* (0.052) | (1,1) | 0.672*** (0.000) | 1.534*** (0.000) | 2.160 |
| Global ETFs | ARFIMA-FIEGARCH | | | | | ARFIMA-FIAPARCH | | | | |
| | ARFIMA | d-coeff. | ARCH | d-coeff. | AIC | d-coeff. | ARCH | d-coeff. | delta | AIC |
| VNQI | (1, 2) | -0.196** (0.011) | (2,1) | 0.343 (0.338) | 1.431 | -0.167*** (0.005) | (2,1) | 0.232*** (0.000) | 1.295*** (0.000) | 1.421 |
| RWO | (1, 1) | -0.066** (0.018) | (1,1) | 0.728*** (0.000) | 1.957 | -0.043 (0.148) | (2,2) | 0.536*** (0.000) | 1.409*** (0.000) | 1.950 |
| IFGL | (2, 2) | -0.030 (0.545) | (2,2) | 0.485*** (0.000) | 1.940 | -0.056 (0.340) | (1,2) | 0.420*** (0.000) | 1.217*** (0.000) | 1941 |
| WPS | (2, 2) | -0.022 (0.619) | (2,2) | 0.503*** (0.000) | 1.908 | -0.026 (0.526) | (1,2) | 0.458*** (0.001) | 1.258*** (0.000) | 1.905 |
| GRI | (1, 0) | -0.092* (0.068) | (2,1) | 0.594*** (0.000) | 1.962 | -0.083 (0.135) | (1,1) | 0.470*** (0.000) | 1.528*** (0.000) | 1.952 |
| TAO | (2, 0) | -0.028 (0.460) | (1,2) | 0.519*** (0.000) | 2.392 | -0.031 (0.531) | (1,2) | 0.436*** (0.000) | 1.493*** (0.000) | 2.384 |
| IFAS | (2, 2) | -0.024 (0.305) | (0,1) | 0.643*** (0.000) | 2.080 | -0.021 (0.383) | (1,2) | 0.491*** (0.000) | 1.315*** (0.000) | 2.073 |
| IFEU | (2, 2) | -0.054*** (0.009) | (2,2) | 0.696*** (0.000) | 2.411 | -0.066 (0.112) | (0,2) | 0.141 (0.278) | 2.154*** (0.000) | 2.416 |

Note: *, ** and *** are significance at 10, 5 and 1% levels, respectively; p-values are in parentheses.

In identifying the best fitting models for US and Global REIT ETFs, this study utilized the maximum log-likelihood values. Table 8 shows that in isolating each type of model, ARMA-APARCH and ARFIMA-FIAPARCH models are the relatively better short memory and long memory models, respectively. ARMA-APARCH models best fit all ETFs in the US REIT category, while 5 (out of 8) ETFs can be better modeled in the Global REIT category except for VNQI, IFGL and WPS ETFs. On the other hand, ARFIMA-FIAPARCH models best fit almost all ETFs in the US REIT category except for PSR ETF, while 6 (out of 8) ETFs can be better modeled in the Global REIT category except for IFGL and IFEU ETFs. Overall results show that long-memory outperform short-memory methodologies in modeling REIT ETFs, except for KBWY US REIT ETF, which is best fitted under the ARMA-APARCH specifications. The power of fractionally integrated (FI) models over their non-FI counterparts is said to be statistically attributed to the hyperbolic rate of decay present long memory models compared to the exponential rate of decay in short memory models; and the allowance given to the difference parameter to be a non-integer offering greater flexibility in modeling time-series data. These findings has also been documented by Ruzgar and Kale (2007), Tansuchat et al. (2009), and Goudarzi (2010) in studying Istanbul stock exchange, commodity futures, and the Bombay stock exchange, respectively.

**TABLE 8: US AND GLOBAL REIT ETFS LOG LIKELIHOOD**

| 5 | Short-memory models | | Long-memory models | |
|---|---|---|---|---|
| | ARMA – EGARCH | ARMA - APARCH | ARFIMA-FIEGARCH | ARFIMA-FIAPARCH |
| VNQ | -2228.867 | *sm* -2225.807 | -2223.439 | *lm* **-2221.619** |
| FNIO | -1897.428 | *sm* -1893.984 | -1898.824 | *lm* **-1890.633** |
| KBWY | -453.722 | *sm* **-449.982** | -451.139 | *lm* -450.370 |
| SCHH | -462.857 | *sm* -460.279 | -457.107 | *lm* **-453.734** |
| REZ | -1775.904 | *sm* -1770.766 | -1768.167 | *lm* **-1761.611** |
| PSR | -1212.957 | *sm* -1209.670 | *lm* **-1184.916** | -1226.575 |
| FTY | -1761.144 | *sm* -1758.607 | -1759.946 | *lm* **-1755.722** |
| **Global REIT ETFs** | Short-memory models | | Long-memory models | |
| | ARMA – EGARCH | ARMA - APARCH | ARFIMA-FIEGARCH | ARFIMA-FIAPARCH |
| VNQI | *sm* -533.183 | -535.653 | -529.019 | *lm* **-525.051** |
| RWO | -1336.414 | *sm* -1332.182 | -1332.180 | *lm* **-1325.596** |
| IFGL | *sm* -1421.067 | -1424.206 | *lm* **-1414.633** | -1416.616 |
| WPS | *sm* -1493.133 | -1494.014 | -1485.303 | *lm* **-1484.034** |
| GRI | -1346.660 | *sm* -1334.303 | -1336.271 | *lm* **-1330.105** |
| TAO | -1756.677 | *sm* -1754.649 | -1757.876 | *lm* **-1752.218** |
| IFAS | -1518.916 | *sm* -1516.751 | -1514.809 | *lm* **-1507.512** |
| IFEU | -1796.022 | *sm* -1763.907 | *lm* **-1761.720** | -1767.130 |

Note: *sm* and *lm* identify best fitting model for short and long memory models, respectively; bold-faced values identify the best fitting models

## 5. DISCUSSIONS AND LIMITATIONS

This study examines the performance of FI and non-FI return and volatility models containing long-memory, asymmetric volatility, and leverage effects by comparing two categories of REITETFs, namely, US REIT ETFs and Global REIT ETFs.These ETFs are a basket of portfolios that invests in companies that own and operate portfolios of commercial and residential real estate. The research follows the objective initially presented in this study. First, the study finds existence of volatility clustering, leverage effects and volatility asymmetry phenomena in both US and Global REIT ETFs, which means that the recent subprime mortgage crisis has a global impact, negatively affecting both local and overseas real estate related investments. Second, longmemory models are better in characterizing future values using lagged returns and volatilities compared to their short memory counterparts. Although, non-FI models have more significant results, the maximum log-likelihood values show that FI models are better in capturing future returns and volatilities.

This study also finds evidences of volatility clustering, leverage effects, and volatility asymmetry, which suggest that high volatility regimes like that of the subprime mortgage crisis in 2008 has a global impact that negatively affects both US and Global REIT ETFs. And that fund managers and investors diversifying their REIT portfolios are not hedged against local risks. Third, the study finds positive long-term dependence in the volatilities of both ETFs, however, predictability is not present in the returns, thus, failing to conclude dual long memory processes. Nevertheless, the research still can pose a challenge on the weak-form EMH of Fama (1970), because historical values of REIT ETFs can still be used to predict their future behavior through their conditional variance. Traders can still expect to have abnormal returns in trying to predict REIT ETFs using advanced technical analysis tools. Lastly, US REIT ETFs are seen to be more unstable than their more stationary Global REIT ETFs counterparts, because of some non-stationary and non-invertible properties observed in returns and volatilities, respectively.

The study provides an initial step for the prediction of US and Global REIT ETFs, however, one limitation of this paper is that it did not specifically identify the type of forecast (i.e., one-step ahead, two-step ahead forecasts, and its extensions) suitable for the given set of time-series. This can be considered in the future and a viable extension of this paper. Also, the recent subprime mortgage crisis of 2008 could have been a good opportunity for structural break tests, however, dividing the data would leave the other half unfit for conclusive results because of a very short timeline. The research also focuses on REIT ETFs that were only subjected to specified test, future studies can also apply other methodologies in the FI family using other types of ETFs.

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# A STUDY OF CSR INITIATIVES OF PRIVATE BANKS IN UTTAR PRADESH DISTRICT

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## ABSTRACT

*At the present time banking sector is an emerging sector which is having its own importance in the development of the country. Along with their basic banking services banks are also involved in a new practice which is termed as Corporate Social Responsibility. For this study four private banks are selected i.e. ICICI, HDFC, AXIS & ING Vysya. The aim of this paper is to analyze the impact of CSR initiatives on the beneficiaries in Uttar Pradesh. Data collection is done from both primary and secondary sources. For this, 50 questionnaires have been filled by respective beneficiaries of the above mentioned private banks. To analyze the impact factor regression is used as a statistical tool. This paper mainly focuses on the satisfaction and awareness level of beneficiaries. With the highest beta value .524 the analysis says the people are not fully satisfied by the CSR policies, initiatives and benefits which they are getting from the CSR activities then also they are in favour of CSR initiatives.*

## KEYWORDS

CSR Initiatives, banking sector, beneficiaries.

## INTRODUCTION

The term CSR has been defined by different people in different ways. One of the definitions given by the European Commission is "A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. This is done by integrating social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". The banking sector plays a important role in the development of any nation. It is just like the backbone of any economy, which helps in knowing the performance of the country. Apart from their basic services banks are also contributing for the welfare of society i.e. Corporate Social Responsibility. The concept of Social Responsibility is not new. Although the idea was already considered in the early part of the twentieth century the modern discussion of social responsibility got a major impetus with the book "Social Responsibility of the Businessman" by Howard R. Bowen. CSR is a practice which is done voluntary by some companies due to their own interest for the welfare of the society. But now a compulsion is made on the companies after the implementation of the new companies' act 2013 under section 135. There are three conditions if the net worth of the companies is INR 500 crores or more or turnover of INR 1000 crores or more or net profit of INR 5 crores or more for the last financial years then the companies need to spend 2 % of the average net profits made by the companies during every block of three years. CSR is applicable from financial year 2014-2015.

## LITERATURE REVIEW

According to Greenbaum and Thakar (2007) banks plays their role as the financial intermediaries in the society and are responsible to manage all the financial risks. According to Samuel O.Idown (2007) the companies at U.K are now doing ethical work and disclosing the social responsibility for three reasons i.e, due to government compulsion, public benefits and for transferring the information to stakeholders. To measure the performance of CSR in Italian banks Zappi (2007) discussed the three components they are employees, customers and environment.

Mc William and S.Seigal (2010) CSR is just like a marketing strategy for any company which helps in making reputation in the market. Shah and Bhaskar (2010) in their research work they have conducted a case study on the Bharat Petroleum Corporation .ltd, a public sector undertaking. They found that there is a broad relationship between the society and the organization. Both are totally dependent on each other as the organizations take resources and human from the society and in return render various services to the society.

Sharma (2011) According to the author Indian banks are highly involved in the CSR activities like children welfare, rural development, education, community welfare. He also added activities like women's empowerment, healthcare, protection to girl child and focused on poverty eradication. Borogonovi, Veronica (2011), differences were made between the terms like CSR, Corporate philanthropy and creating share value. Different companies have their own views regarding CSR. Hartman (2011). In the article "Corporate social Responsibility in the food sector" he analyzed the role of CSR in food sector. It was found that CSR is important for the food sector but if we talk about the SME's they are not highly involved in CSR activities towards the society. Brammer,Jcakson & Matten (2012),CSR has been defined and discussed the institutional theory under the "Corporate Social Responsibility and institutional theory: new perspective on private governance". It was found that apart from the voluntary activities corporate social activities act as a interface between society and business. Agunis, glovas (2012), Paper entitled "what we know and don't know about corporate social responsibility: A review and research agenda" in Journal of management, the study provided a framework of CSR actions which affects the both internal and external stakeholders and also focus on the light what will be the outcomes of such actions. Mallen (2012), in the study he has discussed the changing phases of CSR and how these changes affects the society and business. There are three things which are responsible for the changes they are: The relationship between business and society has changed. The businessman's strategy of developing business also affected the society a lot.The interference of other parties in firm's activities. Bhattacharyya & Chaturvedi (2012), the article is about the companies who are engaged in doing CSR activities before the implementation of the bill and also noticed the companies who were not engaged in CSR activities but due to the compulsion of bill started showing their involvement. Wharton (2012), the researches focuses on the importance of CSR which has been changed from time to time. It was also examined that companies are doing CSR to earn higher profits for the long run. In a article of Economic Times (2012) the views of Dr. APJ Abdul Kalam were discussed on CSR. According to Kalam CSR must be done by all the companies to build up the society and discussed the new CSR bill. He emphasized CSR must be mandatory for all the companies. Bibhu Parshed (2012), The article focuses on the areas where companies invest a lot as the activities are like education, employment, food, child labour, ground water etc .It was observed no one had discussed the basic essential requirements of the poor people. The article suggested that CSR is beyond the natural and statutory obligation of the companies. In a article of Economic Times (2013) The news was regarding the strategies of Dell company for initializing CSR by motivating its employees. The employees are said to be as power that encourage and force the company to involve in CSR activities. Besides Dell, other companies like Maruti and Gogrej were also provided induction training to its employees for rendering community services.

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## CSR SPENDING BY BANKS AND THEIR PRIORITY SECTOR

Banks have their own priority sectors for spending on the CSR activities. Healthcare, education, sustainable livelihood are the common priority sectors for the banks which directly helps in the development of the society. Here we have discussed the CSR projects implementation partners along with their spending for the financial year 2013-2014 and 2014-2015 of the selected banks.

**HDFC BANK**
CSR spending in FY 2013-14: **INR 70.36 Crores**
CSR spending requirement for FY 2014-15: **INR 153.90 Crores**

| CSR projects partners | CSR priority area |
|---|---|
| • NGOs<br>• Educational Institutes<br>• Government Agencies<br>• Disaster Relief Fund | • Healthcare<br>• Education<br>• Community engagement and rural development<br>• Disaster relief<br>• Employee volunteering |

Source: Report by NGOBOX July 2014

**ICICI BANK**
CSR spending in FY 2013-14: **INR 164 Crores**
CSR spending requirement for FY 2014-15: **INR 179.70 Crores**

| CSR projects partners | CSR priority area |
|---|---|
| • Own foundation (ICICI Foundation for Inclusive Growth)<br>• Educational Institutes<br>• NGOs<br>• Government | • Elementary education<br>• Sustainable livelihood Agencies<br>• Primary healthcare<br>• Financial inclusion |

Source: Report by NGOBOX July 2014

**AXIS BANK**
CSR spending in FY 2013-14: **INR 62.1 Crores**
CSR spending requirement for FY2014-15: **INR 126.5 Crores**

| CSR projects partners | CSR priority area |
|---|---|
| • Own Foundation (Axis Bank Foundation)<br>• NGOs<br>• Government Agencies | • Livelihoods<br>• Education<br>• Highway Trauma Centre (Healthcare)<br>• Promotion of arts and culture<br>• Vocational Skills Biodiversity and environment,<br>• conservation |

Source: Report by NGOBOX July 2014

**ING VYSYA BANK**
CSR spending in FY 2013-14: INR 2.05 Crores
CSR spending requirement for FY 2014-15: INR 16.9 Crores

| CSR projects partners | CSR priority area |
|---|---|
| • Own foundation (ING Vysya Foundation)<br>• NGOs<br>• Government Agencies  Relief | • Education<br>• Urban development Disaster relief |

Source: Report by NGOBOX July 2014

Comparative study of CSR spending for the year 2013 – 2015 of private sector banks based on the above data of Uttar Pradesh District
Total amount spending on CSR activities by banks for the financial year 2013-2014 and 2014-2015

**TABLE 1: SHOWING THE CSR SPENDING**

| Bank name | CSR spending in FY 2013-14 (Amount in crores) | CSR spending requirement for FY 2014-15 ( Amount in crores) |
|---|---|---|
| HDFC bank | 70.36 | 153.90 |
| ICICI bank | 164 | 179.70 |
| Axis bank | 62.1 | 126.5 |
| ING Vysya bank | 2.05 | 16.9 |

**FIGURE 1: SHOWING THE CSR SPENDING**
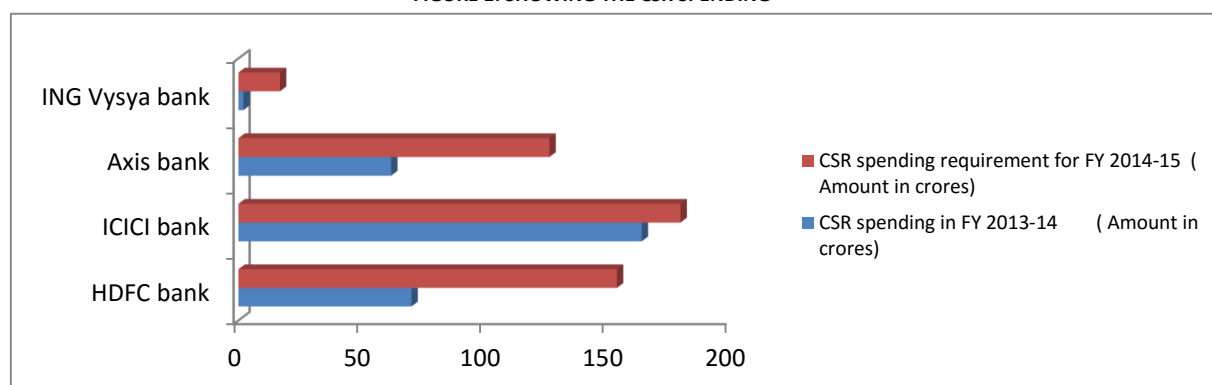
**Interpretation**

This analysis is based on the secondary data in which the amount spending on CSR activities by the selected banks are show. By the figure we can say that ICICI bank spends the highest amount 164 crores towards the CSR activities in the financial year 2013-2014. HDFC is in the second position for spending CSR with the amount 70.36 crores. Axis stood at the third position with the amount 62.1 crores and ING Vysya bank spends the lowest amount on CSR activities of 2.05 crores for the financial year 2013-2014.The figure also shows the required amount which is to be spend for the financial year 2014-2015 by all the selected banks.

## RESEARCH METHODOLOGY

In this research study four private sector banks are selected randomly, i.e. ICICI, HDFC, Axis, ING Vysya Bank. Simple random sampling has been used for sample selection. The sample size of beneficiaries is 50 from the Uttar Pradesh. Beneficiaries here are the respondents of the selected banks who were involved in the camps of CSR activities and get the benefits from such activities. The data collection is done through the primary sources which are collected through Questionnaires.

a)   Universe – Beneficiaries of private sector banks from Uttar Pradesh.
b)   Sample size – 50 beneficiaries.
c)   Research design – Exploratory research
d)   Independent variables - Initiatives, benefits, favour and policies.
e)   Dependent variable - Impact on Beneficiaries
f)   Data Collection – Primary sources
g)   Data collection Tool- questionnaire
h)   Statistical tool – Regression and t –test

## OBJECTIVES

1.   To study the impact of CSR initiatives of private sector banks on beneficiaries in Uttar Pradesh.
2.   To analyze the level of benefits of CSR activities.
3.   To identify the level of satisfaction (favour) of beneficiaries towards the CSR activities of private sector banks.
4.   To analyze the level of satisfaction of bank policies towards the CSR.

## HYPOTHESES

Considering the chosen variables, based on extensive literature review following null hypotheses was formulated, which are presented below:

H1. There is no significant relationship between the CSR initiatives of private sector banks and its impact on beneficiaries.
H2.There is no significant relationship between the benefits of CSR activities and its impact on beneficiaries.
H3. There is no significant relationship between the degree of satisfaction (favour) and its impact on beneficiaries.
H4.There is no significant relationship between the CSR policies of bank and its impact on beneficiaries.

## DATA ANALYSIS

The study is based on the primary data with the help of Questionnaire tool which is filled by the beneficiaries of ICICI, HDFC, AXIS & ING Vysya banks. Beneficiaries here are the respondents of the selected banks who were involved in the camps of CSR activities and get the benefits from such activities. The independent variables for this study are initiatives, benefits, favour and policies. And the dependent variable is Impact on Beneficiaries .The study is analyzing the impact of these variables on the beneficiaries.

**Analysis based t- test and β value**

**Coefficients$^a$**

| Model | | Standardized Coefficients Beta | t | Sig. |
|---|---|---|---|---|
| 1 | (Constant) | | 4.089 | .001 |
| | Have you ever gain benefits from such CSR activities ? | -.603 | -2.561 | .020 |
| | In your view CSR initiatives conducted by banks is good conduct for the welfare of society? | -.056 | -.241 | .812 |
| | Are you in favour of such initiatives conducted by banks for the benefit of society ? | .524 | 2.234 | .038 |
| | How much you are satisfied by your bank policies ? | -.475 | -1.973 | .064 |

a. Dependent Variable: Impact of CSR initiatives of private sector banks on beneficiaries

Critical t value for df = 49 is 1.98 when (p=0.05)

**Interpretation**

The beta valve tells us about the relationship between impact level and each predictor.

For this model t = 2.235 at .005 significant level which is the most significant predictor of the impact level of CSR initiatives of private banks on society. From the magnitude of the t-statistic it can be observed that favoring CSR initiatives had slightly more impact than bank policies, CSR initiatives and benefits. The standardized beta value for favoring CSR initiatives conducted by banks is .524 with the highest t value 2.234. For policies beta valve is -.475 with t value -1.973.For benefits beta value is -.603 with t value -.241 and for initiatives beta value is -.056 with t value -.056. This tells that the favour is the most significant predictor of impact of CSR activities of private sector banks in Uttar Pradesh.

## RESULTS AND FINDINGS

H1.  No significant relationship exists between the CSR initiatives of private sector banks and its impact on beneficiaries.

The null hypothesis is accepted because the analysis shows that there is no significant relationship exists between the CSR initiatives of private sector banks and its impact on beneficiaries with the beta value -.056.

H2. No significant report relationship exists between the benefits of CSR activities and its impact on beneficiaries.

The null hypothesis is accepted because the analysis shows that there is no significant relationship exists between the benefits of CSR activities and its impact on beneficiaries with beta value -.603.

H3. No significant relationship exists between the degree of satisfaction (favour) and its impact on beneficiaries.

The null hypothesis is rejected because the analysis shows that there is a significant relationship exists between the degree of satisfaction (favour) and its impact on beneficiaries with the highest beta value .524.

H4. No significant relationship exists between the CSR policies of bank and its impact on beneficiaries.

The null hypothesis is accepted because the analysis shows that there is no significant relationship exist between the CSR policies of bank and its impact on beneficiaries with beta value-.475.

### FIGURE 2: MODEL BASED ON RESEARCH FINDINGS
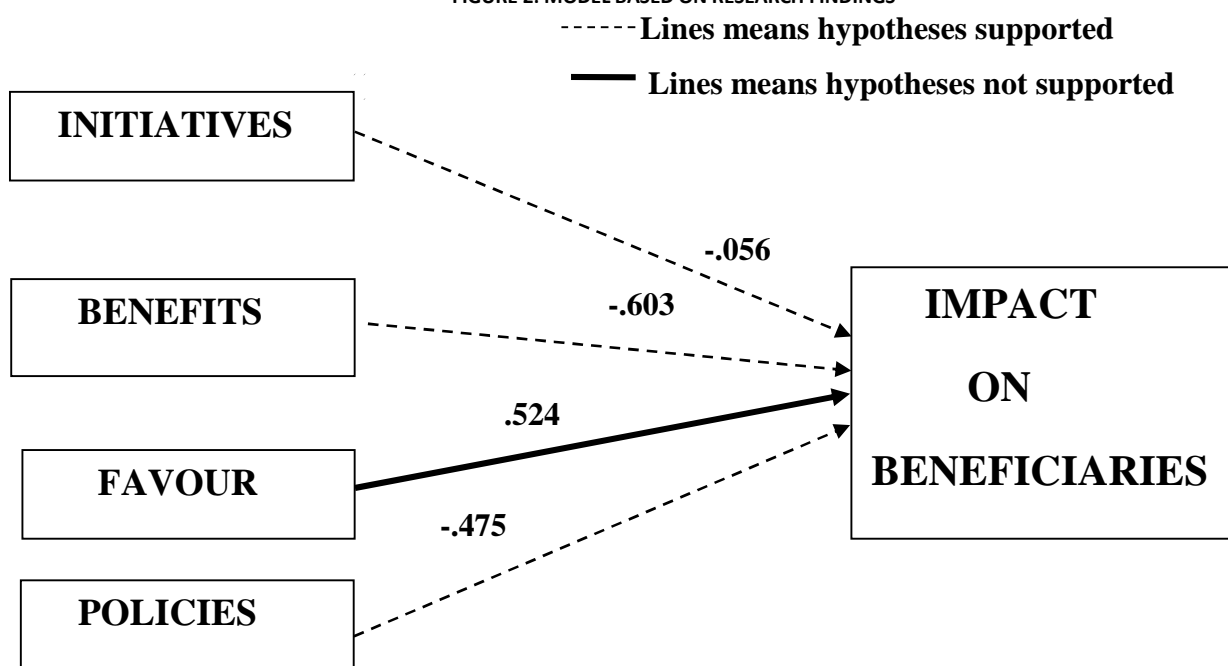


## CONCLUSIONS

Banks are involving themselves in CSR activities which are the positive sign for the growth of the society. It may be due to the compulsion of the new clause 13 of corporate social responsibility or some of them were doing voluntarily and including it in their HR Policies. The CSR spending for the financial year 2014-2015 for the selected banks is increased from the financial year 2013-2014.Which shows that now the banks are planning to increase their CSR initiatives. As per the analysis the people are not fully satisfied by the CSR policies, initiatives and benefits which they are getting from the CSR activities then also they are in favour of CSR initiatives. To make the CSR initiatives more successful its awareness among society is very necessary. The banks must take the feedback from their beneficiaries regarding the respective CSR activities so that the actual position can be known. Corporate social responsibility is just not the charity but it is a practical implementation of ethical ideas for the benefit of society.

## LIMITATIONS

- It was tough to get data from banks regarding the details of beneficiaries.
- Respondents were somewhat biased.

## FUTURE SCOPE OF THE STUDY

The study will helpful for banks to know what is the real impact of their CSR activities on the people for whom they are doing it so.

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# PERFORMANCE EVALUATION OF MUTUAL FUND: A STUDY OF RELIANCE MUTUAL FUND

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## ABSTRACT
*In this paper we tried to evaluate the performance of Reliance open-ended equity schemes with growth option. The period of the study spans from 1st April 2006 till 31st March 2015.To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark BSE National 100 and SENSEX returns. Further, statistical tools like average, standard deviation, beta, coefficient of determination and the risk adjusted performance measures suggested by Sharpe (1966), Treynor (1965) and Jenson (1968) were employed to evaluate the performance for the selected period.*

## KEYWORDS
equity schemes, jenson, open-ended, sharpe, treynor.

## INTRODUCTION
Many of the financial instruments mutual fund is one of the most attractive financial investment instrument that plays a vital role in the economy of a country. Mutual fund schemes provides new opportunities for investors. Mutual fund Industry was introduced in India 1963 with the formation of Unit Trust of India. During the last few years many extraordinary and rapid changes have been seen in the Mutual fund industry. Therefore, due to the changed environment it becomes important to investigate the mutual fund performance. The need for evaluating the performance of mutual fund schemes in India to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make out a strong case for investment. The present paper investigates the performance of open-ended, growth-oriented equity schemes. Open-ended mutual fund schemes are those which don't have a fixed maturity, not listed in the stock exchange and these schemes offer new unit for sale and ready to buy any time. The success of any scheme depends upon the competence of the management and its soundness.

## REVIEW OF LITEARTURE
Despite the existing of a mutual fund industry for over four and half decades in India, there have been only a few studies, which examined the performance of Indian mutual fund using standard methodology a brief review of this studies is now presented below:

**Gupta [1981]** had laid the foundation of performance evaluation with his study on performance of Indian equities. Immediately thereafter, Jain (1982) had pioneered the work on financial performance of investment schemes of Unit Trust of India during the period 1964-65 to 1979-80. His work is considered as the first notable work on performance evaluation of mutual funds in India.[1]

**Sarkar [1991]** critically examined mutual fund performance evaluation methodology. He opined that both Sharpe [1966] and Treynor [1965] performance measures rank mutual funds performance in similar fashion though they differ in the measurement of risk parameter.[2]

**Obaidullah and Sridhar [1991]** evaluated the performance of two major growth oriented mutual fund schemes – Mastershare and Canshare. They concluded that both of these on a total-risk-adjusted basis while Canshare did on a market risk-adjusted basis.[3]

**Shukla and Singh [1994**] tested the proposition whether portfolio manager's professional education resulted in superior performance. They reported that equity mutual funds managed by professionally qualified managers were riskier but better diversified than those managed by others. The study also pointed out that these fund managers outperformed others as a group though the difference in performance was not found to be statistically significant.[4]

**Shome [1994]** reported that average rate of return of selected Indian mutual funds was marginally lower than that of the benchmark portfolio (BSE Sensex). However, he reported that the risk measure of the majority of funds was higher than that of the benchmark portfolio. This implies that the fund managers were taking larger risk but were generating lower returns.[5]

**Adhikari and Bhosale [1994]** evaluated the relative performance of eleven growth schemes in terms of various performance measures during Feb. 1992 to May 1994 utilizing monthly NAV data. They reported that some of the sample schemes outperformed the relevant benchmark portfolio.[6]

**Vaid [1994]** looked at the performance in terms of the ability of the mutual fund to attract more investors and higher fund mobilization. It shows the popularity of the mutual fund as it is perceived to pay superior returns to the investors. She concludes that even for equity oriented funds, investment is more in fixed income securities rather than in equities, which is a distortion.[7]

**Kale and Uma [1995]** evaluated the performance of 77 mutual fund schemes managed by eight mutual funds. The rates of return were compared with the return on the BSE National Index over the sample period to assess the performance of the scheme vis-a-vis, the market. The study also examined the accounting and disclosure policies followed by the sample funds.[8]

**Sahadevan and Raju [1996]** have carried out a study on mutual funds. Their study has focused on data presentation on expenses and other related aspects, which are generally covered in annual reports of the mutual funds without going into the details of financial performance evaluation of the funds.[9]

**Agarwal [1996]** has dwelt upon various conceptual aspects related to mutual funds. The study has covered data on UTI's equity, debt and balanced funds. It traces the historical background of mutual fund industry in the USA and UK. The study covers in details the operational aspects of mutual fund management including the regulatory framework. The related chapters also cover data on NAV, market prices, national index, etc., pertaining to some of the funds in operation in India, without any financial performance evaluation of equity oriented funds.[10]

**Khurana [1996]** reported inverse relationship between probability of managerial replacement and fund performance by taking growth rate in a fund's asset base its portfolio returns as two separate measures of performance.[11]

**Jayadev [1996]** evaluated performance of two schemes during the period, June 1992 to March 1994 in terms of returns/benchmark comparison, diversification selectivity and market timing skills. He concluded that the schemes failed to perform better than the market portfolio (ET's ordinary share price index). Diversification was unsatisfactory. The performance did not show any signs of selectivity and timing skills of the fund managers.[12]

**Sadhak [1997]** traced the historical background of mutual fund industry. It has delineated the investment and marketing strategies followed by mutual fund organization in India. It contains statistical information about growth of mutual fund industry in terms of funds available for investment and investors account holding. However, the study misses out on financial performance of the mutual funds in operations.[13]

**Jayadev M [1998]** evaluated the performance of 62 mutual funds schemes using monthly NAV data for varying period between 1987 – March, 1995. He reported superior performance for bulk (30 out of 44) of the sample schemes when total risk was considered. However, in terms of systematic risk only 24 out of 44 schemes outperformed the benchmark portfolio. He also found that Indian Mutual funds were not properly diversified. Further, in terms of Fama's measure, he did not find selectivity ability of the fund manager.[14]

**Gupta and Sehgal [1998]** are quite comprehensive. They evaluated investment performance of 80 mutual fund schemes for the Indian market over a four-year period 1992-96. In addition, they tested several related propositions regarding fund diversification, consistency of performance, parameter stationarity over time, performance in relation to fund objectives and risk-return relationship they reported that mutual fund industry had performed reasonably well during the study period. However, they pointed out lack of adequate diversification. They also found evidence to support consistency of performance. They, however, reported that parameters are not stationarity over-time. Finally, a significant and positive risk return relationship was documented by the study when standard deviation was used a risk measure.[15]

**Rao and Venkateswaralu [1998]** examined the market timing abilities of fund managers of UTI using its nine closed ended schemes. The data set comprised daily closing prices of the schemes from their respective listing dates to March 1998. They employed both the Treynor-Mazuy and Henriksson-Merton models and reported that UTI's fund managers were not able to time the market in general.[16]

**Mishra [2001]** evaluated performance over a period, April 1992 to December 1996. The sample size was 24 public sector sponsored mutual funds. The performance was evaluated in terms of rate of return, Treynor, Sharpe and Jenson's measures of performance. The study also addressed beta's instability issues. The study concluded dismal performance of PSU mutual funds in India, in general, during the period, 1992-1996.[17]

**G. Sethu [2001]** used weekly NAV data for 18 open-ended growth schemes in India for the period April 1995-July 1999. His study used three alternatives indices for equity market viz. NSE Nifty, BSE Sensitive Index and S&P CNX 500. The 91-day treasury auction rate was used as the risk free rate. He concluded that the fund portfolios are not adequately diversified; the excess returns after adjusting for systematic risk is zero and the portfolios do not show any market timing.[18]

**Singh and Singh** have highlighted the fact that mutual funds have not attained equal status as their counterparts in USA, UK and other developed countries. It has emphasized on the gradual but slow growth of mutual funds in India giving a exclusive attention to the UTI as it was through to be the pioneers in this field. The private, money market funds, offshore mutual funds has been critically analyzed.[19]

**Gupta**, study was conducted with the primary objective to evaluate the performance of selected mutual funds schemes and to apply test for analyzing timing abilities of the mutual funds managers during the period April 1, 1994 to march 31, 1999 it also examines the growth and development of the mutual fund industry in India during the period 1987 to September 1999. However, No conclusive evidence was available which could warrant the study to accept its performance as superior.[20]

**Kumar Vikas [2010]** Evaluated the performance of 20 mutual funds schemes managed by five mutual funds using monthly NAV for period between 1st Jan 2000 to 31st Dec 2009 for 10 year i.e. 120 months. The rate of return was compared with the BSE National 100 index over the period. The performance was evaluated in the term of rate of return, Total risk (i.e. S.D.), systematic risk (i.e. Beta), coefficient of determination and risk adjusted performance suggested by Sharpe (1966), Treynor (1965) and Jensen (1968). The outcome shows that out of 20 schemes selected equity schemes shows better return as compared to debt and balanced schemes. [21]

## SIGNIFICANCE OF THE STUDY

The need for evaluating the performance of mutual fund schemes in India to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make out a strong case for investment. The present paper investigates the performance of open-ended, growth-oriented equity schemes. Open-ended mutual fund schemes are those which don't have a fixed maturity, not listed in the stock exchange and these schemes offer new unit for sale and ready to buy any time. The success of any scheme depends upon the competence of the management and its soundness. Evaluating historical performance of mutual funds is important both for investors as well as portfolio managers. It enables an investor to access as to how much return has been generated by the portfolio manager and what risk level has been assumed in generating such returns. The various constituents of the society have been deprived of the detailed knowledge about the mutual fund's operations, management, regulations, growth, performance, relations with capital market and risk and return involved. This study is expected to fill this gap. The present research work is supposed to be useful especially to present and potential investors, managers of mutual funds, agents of mutual funds, academicians, present and future research scholars and also government and regulated bodies. This study will guide the investors in planning and effecting their investments in mutual funds. It will also act as a guide for beginning investors.

## OBJECTIVES OF THE STUDY

➢ To Evaluate the Performance of sample schemes.
➢ To compare schemes return and risk with benchmark i.e. BSE 100.
➢ To compare schemes return and risk with benchmark i.e. SENSEX.
➢ To appraise the performance of mutual funds with regard to risk-return adjustment, the model suggested by Sharpe, Treynor and Jenson.

## RESEARCH MATHEDOLOGY

➢ **BENCHMARK INDEX**
For this study, broad-100 shared base BSE National Index and SENSEX has been used as a proxy for market index. Hence it would cover the majority percentage of different scheme portfolios and therefore is expected to provide better performance benchmark.

➢ **RISK FREE RATE**
Risk free rate of return refers to that minimum return on investment that has no risk of losing the investment over which it is earned. For the present study, it has been taken as Public Provident Fund (PPF) on the average rate from 2006 to 2015 marked as 8.0111% per annum or 0.006676 per month.

➢ **PERIOD OF STUDY**
The growth oriented schemes, which have been floated by the Reliance Mutual Funds during the period 1st April. 2006 to 31st March 2015 have been considered for the purpose of the study. Monthly Net Asset Value (NAV) as declared by the relevant mutual funds from the 1st April. 2006 to 31st March 2015 has been used for the purpose.

➢ **DATA**
Study examines six open-ended equity schemes with growth option being launched by Reliance Mutual Funds. These schemes have been selected on the basis of regular data availability during the period of 1st April 2006 to 31st March 2015. Monthly Net Asset Value (NAV) data has been used and the period.

➢ **STATISTICAL TOOLS**
For the purpose of the performance evaluation various tools were used to measure the performance which are as Average Return, Standard Deviation, Co-efficient of Determination, Beta, Sharpe, Treynor and Jenson.

**ANALYSIS AND INTERPRETATION**

**TABLE 1.1: LIST OF MUTUAL FUNDS SCHEMES STUDIED**

| Name of the Equity Scheme Selected |
|---|
| RELIANCE BANKING FUND |
| RELIANCE DIVERSIFIED POWER SECTOR FUND |
| RELIANCE EQUITY OPPORTUNITIES FUND |
| RELIANCEFOCUSED LARGE CAP FUND |
| RELIANCE GROWTH FUND |
| RELIANCE MEDIA AND ENTERTAINMENT FUND |
| RELIANCE NRI EQUITY FUND |
| RELIANCE PHARMA FUND |
| RELIANCE REGULAR SAVINGS FUND |
| RELIANCE VISION FUND |

Different scheme launch in different dates therefore, for the purpose performance evaluation the period covers 1st April, 2006 to 31st March, 2015.

Table 1.2 shows the average return earned by the various schemes. For calculation of average return earned by the schemes Growth in the value for each month over the previous month has been divided by the value of the previous month. Then the average of the full series has been taken. In schemes all the sample schemes had shown the highest return earners as against BSE 100 return (0.011384) except one i.e. **Reliance Focused Large Cap Fund** which has shown the worst performance as against BSE 100 return and Sensex, also all the schemes shows better return as against Sensex (0.01091) except **Reliance Focused Large Cap Fund**. **Reliance Pharma Fund** (0.020369) has shown the best return followed by **Reliance Banking Fund** (0.020055) and **Reliance Regular Savings Fund** (0.016969) .

**TABLE 1.2: AVERAGE MONTHLY RETURN EARNED BY THE SCHEMES**

| SCHEMES | RETURN |
|---|---|
| Reliance Pharma Fund | 0.020369 |
| Reliance Banking Fund | 0.020055 |
| Reliance Regular Savings  Fund | 0.016969 |
| Reliance Equity Opportunities Fund | 0.015703 |
| Reliance NRI Equity Fund | 0.014465 |
| Reliance Growth Fund | 0.014353 |
| Reliance Media and Entertainment  Fund | 0.012664 |
| Reliance Vision Fund | 0.012521 |
| Reliance Diversified Power Sector Fund | 0.012184 |
| Reliance Focused Large Cap Fund | 0.009889 |

**TABLE 1.3: STANDARD DEVIATION**

| SCHEMES | SD |
|---|---|
| Reliance Focused Large Cap Fund | 0.063929 |
| Reliance Pharma Fund | 0.072496 |
| Reliance NRI Equity Fund | 0.072758 |
| Reliance Equity Opportunities Fund | 0.074776 |
| Reliance Vision Fund | 0.075706 |
| Reliance Growth Fund | 0.076667 |
| Reliance Regular Savings Fund | 0.083384 |
| Reliance Media and Entertainment Fund | 0.083707 |
| Reliance Diversified Power Sector Fund | 0.089196 |
| Reliance Banking Fund | 0.092936 |

Table 1.3 shows the standard deviation of selected schemes. it is the most common expression to measure risk of the fund return. Higher the value of standard deviation of the fund returns, greater will be the total risk carried by the fund. It is observed that the maximum deviation of funds return is shown by **Reliance Banking Fund** (0.092936) whereas **Reliance Focused Large Cap Fund** was least risky scheme with lowest standard deviation (0.063929) on the other hand Standard Deviation of benchmark BSE 100 National Index is (0.075408) and Sensex ( 0.070924). It could be seen here that four out of selected schemes selected for study shows less standard deviation then BSE 100 Index and one out of the sample shows less risky than Sensex.

**RISK - RETURN CLASSIFICATION OF SAMPLE SCHEMES**

In order to undertake further analysis, sample schemes have been classified into the following four categories on the basis of their return and risk characteristics:

1) **Low Return and Low Risk:** This category consists of schemes whose average returns are less than the average market return and their standard deviations are also lower than that of the market.
2) **High Return and Low Risk:** This category comprises those schemes whose returns are more that the market but their standard deviations are lower than that of the market.
3) **High Return and High Risk:** This category includes all those schemes whose returns as well as standard deviations are higher than that of the market.
4) **Low return and High Risk:** The final category includes all those schemes whose returns have been found to be lower than that of the market but their standards deviations are higher than that of the market.

**Categorizations of Schemes** Table 1.4 presents the risk return grid of Mutual Funds schemes from BSE100.

After classification of the sample schemes in to risk return category **1 scheme** fall in category 1st i.e. **Low Return Low Risk**.

Further **3 schemes** fall in 2nd category i.e. **High return and low risk**. These 5 schemes fulfils one basic objective of Mutual Fund i.e. High Return and Low Risk compared to the capital market.

Only **6 schemes** fall in 3rd category i.e. **High Return and High Risk** and **no schemes** falls in  4th category i.e. **Low Return and High Risk**.

**TABLE 1.4: RISK RETURN GRID OF MUTUAL FUNDS SCHEMES**

| Category 1<br>Reliance Focused Large Cap Fund | Category 2<br>Reliance Equity Opportunities Fund<br>Reliance NRI Equity Fund<br>Reliance Pharma Fund |
|---|---|
| Category 3<br>Reliance Banking Fund<br>Reliance Diversified Power Sector Fund<br>Reliance Growth Fund<br>Reliance Media and Entertainment Fund<br>Reliance Regular Savings Fund<br>Reliance Vision Fund | Category 4<br><br>**NIL** |

**Categorizations of Schemes** Table 1.5 presents the risk return grid of Mutual Funds schemes from SENSEX.

After classification of the sample schemes in to risk return category **1 scheme** fall in category 1st i.e. **Low Return Low Risk**.

Further **no schemes** fall in 2nd category i.e**. High return and low risk**.

Rest **All schemes** fall in 3rd category i.e. **High Return and High Risk** and no schemes falls in 4th category i.e. Low Return and High Risk.

**TABLE 1.5: RISK RETURN GRID OF MUTUAL FUNDS SCHEMES**

| Category 1<br>Reliance Focused Large Cap Fund | Category 2<br>NIL |
|---|---|
| Category 3<br>Reliance Banking Fund<br>Reliance Diversified Power Sector Fund<br>Reliance Equity Opportunities Fund<br>Reliance Growth Fund<br>Reliance Media and Entertainment Fund<br>Reliance NRI Equity Fund<br>Reliance Pharma Fund<br>Reliance Regular Savings Fund<br>Reliance Vision Fund | Category 4<br><br><br>**NIL** |

**TABLE 1.6: CO-EFFICIENT OF DETERMINATION ($R^2$)**

| SCHEMES | BSE 100 | SENSEX |
|---|---|---|
| Reliance NRI Equity Fund | 0.937684 | 0.916597 |
| Reliance Vision  Fund | 0.921379 | 0.886457 |
| Reliance Focused Large Cap Fund | 0.920177 | 0.888304 |
| Reliance Growth Fund | 0.908428 | 0.860995 |
| Reliance Equity Opportunities Fund | 0.904277 | 0.863409 |
| Reliance Regular Savings Fund | 0.884528 | 0.833689 |
| Reliance Diversified Power Sector Fund | 0.805674 | 0.761896 |
| Reliance Banking Fund | 0.736529 | 0.691007 |
| Reliance Media and Entertainment Fund | 0.693779 | 0.640527 |
| Reliance Pharma Fund | 0.539784 | 0.503791 |

Table 1.6 shows that Coefficient of determination ($R^2$), the coefficient measure to extent to which market index has been able to explain the variation in mutual fund. The table 1.6 shows that in the equity schemes the maximum and minimum values of ($R^2$) where found in case of **Reliance NRI Equity Fund** and **Reliance Pharma Fund** respectively. It shows that approx 94% of **Reliance NRI Equity Fund** varies due to market fluctuations and approx 54% of **Reliance Pharma Fund** varies due to market fluctuations..The low value of ($R^2$) indicates less diversification of the portfolio.

Table 1.7 presents the systematic risk of the sample schemes. Considered for the purpose of this study in majority of  the scheme have beta less than 1 (i.e. market beta) except 3 in case of BSE 100 and except 5 in case of Sensex implying thereby that all  these schemes  selected for the study tends to hold portfolios that were less risky than the market portfolio. The best beta value was shown by **Reliance Pharma Fund** (0.706322) in BSE 100  and (0.725505) in Sensex and the worst was shown by **Reliance Diversified Power Sector Fund** in both BSE 100 and Sensex.

**TABLE 1.7: BETA**

| SCHEMES | BSE 100 | SENSEX |
|---|---|---|
| Reliance Pharma Fund | 0.706322 | 0.725505 |
| Reliance Focused Large Cap Fund | 0.813241 | 0.849545 |
| Reliance Media and Entertainment Fund | 0.924591 | 0.944561 |
| Reliance NRI Equity  Fund | 0.934299 | 0.982131 |
| Reliance Equity Opportunities Fund | 0.942961 | 0.979656 |
| Reliance Vision Fund | 0.963676 | 1.004993 |
| Reliance Growth Fund | 0.969018 | 1.003018 |
| Reliance Regular Savings Fund | 1.039964 | 1.073463 |
| Reliance Banking  Fund | 1.057686 | 1.089243 |
| Reliance Diversified Power Sector Fund | 1.061707 | 1.097729 |

**TABLE 1.8: SHARPE OF THE SCHEMES**

| SCHEMES | SHARPE |
|---|---|
| Reliance Pharma Fund | 0.188886 |
| Reliance Banking Fund | 0.143955 |
| Reliance Regular Savings Fund | 0.123448 |
| Reliance Equity Opportunities Fund | 0.120715 |
| Reliance NRI Equity Fund | 0.107049 |
| Reliance Growth Fund | 0.100138 |
| Reliance Vision Fund | 0.077194 |
| Reliance Media and Entertainment Fund | 0.071533 |
| Reliance Diversified Power Sector Fund | 0.061742 |
| Reliance Focused Large Cap Fund | 0.050261 |

Table 1.8 depicts value of Sharpe's reward to variability ratio. It is an excess return earned over risk free return per unit of risk involved, i.e. per unit of standard deviation. Positive value of the index shows good performance it could be seen that all sample schemes have recorded better Sharpe index than the BSE National Index(0.062426) except two i.e .**Reliance Diversified Power Sector Fund** and **Reliance Focused Large Cap Fund** and in Sensex (0.059769) except one i.e. **Reliance Focused Large Cap Fund** . **Reliance Pharma Fund** has shown the best Sharpe ratio among the selected schemes. This indicates Nearly 80-90 percent schemes have outperformed the BSE national index and Sensex. This implies that the funds decision for diversified portfolio in a falling market has proved successful in earning higher excess returns per unit of risk as compared to the market. The Sharpe index is important from small investor point of view who seek diversification through mutual funds, i.e. mutual funds are supposed to protect small investors against vagaries of stock markets and the fund managers of these schemes has done well to protect them.

Table 1.9 shows Treynor of the scheme it is the excess return over risk free return per unit of systematic risk i.e. beta. Here, too, all the schemes recorded positive value indicating there by that the schemes provided adequate returns as against the level of risk involved in the investment. **Reliance Pharma Fund** shows the best Treynor ratio among all. Analysis of table 1.9 reveals that all the mutual funds schemes have positive values. A higher Treynor Index as compared to market indicates that investor who invested in mutual fund to form well diversified portfolio did receive adequate return per unit of systematic risk undertaken.

**TABLE 1.9: TREYNOR OF THE SCHEMES**

| SCHEMES | BSE 100 | SENSEX |
|---|---|---|
| Reliance Pharma Fund | 0.019387 | 0.018875 |
| Reliance Banking Fund | 0.012649 | 0.012283 |
| Reliance Regular Savings Fund | 0.009898 | 0.009589 |
| Reliance Equity Opportunities Fund | 0.009573 | 0.009214 |
| Reliance NRI Equity Fund | 0.008337 | 0.007931 |
| Reliance Growth Fund | 0.007923 | 0.007655 |
| Reliance Media and Entertainment Fund | 0.006477 | 0.006339 |
| Reliance Vision Fund | 0.006065 | 0.005815 |
| Reliance Diversified Power Sector Fund | 0.005188 | 0.005017 |
| Reliance Focused Large Cap Fund | 0.003952 | 0.003783 |

**TABLE 2.0: JENSON OF THE SCHEMES**

| SCHEMES | BSE 100 | SENSEX |
|---|---|---|
| Reliance Banking Fund | 0.022165 | 0.022738 |
| Reliance Pharma Fund | 0.022001 | 0.022385 |
| Reliance Regular Savings Fund | 0.015836 | 0.016303 |
| Reliance Equity Opportunities Fund | 0.013479 | 0.013853 |
| Reliance NRI Equity Fund | 0.011106 | 0.011395 |
| Reliance Growth Fund | 0.010762 | 0.011106 |
| Reliance Media and Entertainment Fund | 0.007675 | 0.008009 |
| Reliance Vision Fund | 0.007182 | 0.007424 |
| Reliance Diversified Power Sector Fund | 0.005945 | 0.006247 |
| Reliance Focused Large Cap Fund | 0.003245 | 0.003346 |

Table 2.0 shows the Jenson's measures. It is the regression of excess return of the schemes with excess return of the market, acting as dependent and independent variables respectively. Higher positive value of alpha posted by the schemes indicates its better performance. The analysis of the table reveals that all the schemes have positive Jenson's Measures. Highest value of Jenson's Measure is shown in **Reliance Banking Fund** Followed by **Reliance Pharma Fund**. Lowest Jenson's measure found again in the case of **Reliance Focused Large Cap Fund**. Higher value of Jenson's measures indicates good market timing ability of fund managers as regard investment in the securities.

**TABLE 2.1: RANKING OF SELECTED MUTUAL FUNDS SCHEMES ACCORDING TO DIFFERENT MEASURES**

| SCHEMES | SHARPE | TREYNOR | JENSON |
|---|---|---|---|
| Reliance Pharma Fund | 1 | 1 | 2 |
| Reliance Banking Fund | 2 | 2 | 1 |
| Reliance Regular Savings Fund | 3 | 3 | 3 |
| Reliance Equity Opportunities Fund | 4 | 4 | 4 |
| Reliance NRI Equity Fund | 5 | 5 | 5 |
| Reliance Growth Fund | 6 | 6 | 6 |
| Reliance Vision Fund | 7 | 8 | 8 |
| Reliance Media and Entertainment Fund | 8 | 7 | 7 |
| Reliance Diversified Power Sector Fund | 9 | 9 | 9 |
| Reliance Focused Large Cap Fund | 10 | 10 | 10 |

**TABLE 2.2: AVERAGE RANKING OF SELECTED MUTUAL FUNDS SCHEMES ACCORDING TO DIFFERENT MEASURES**

| SCHEMES | AVERAGE RANK |
|---|---|
| Reliance Pharma Fund | 1 |
| Reliance Banking Fund | 2 |
| Reliance Regular Savings Fund | 3 |
| Reliance Equity Opportunities Fund | 4 |
| Reliance NRI Equity Fund | 5 |
| Reliance Growth Fund | 6 |
| Reliance Media and Entertainment Fund | 7 |
| Reliance Vision Fund | 8 |
| Reliance Diversified Power Sector Fund | 9 |
| Reliance Focused Large Cap Fund | 10 |

Table 2.2 shows the average ranking of all the schemes are same, as different measures leads to different results ,but each tools has its own way of measuring which is more important. It can be seen that **Reliance Pharma Fund** has outperformed all the other sample schemes as it is the best among all the measures i.e. Sharpe, Treynor and Jenson based on Average Ranking.

## CONCLUSION

Out of the total schemes studied, all schemes showed an average return higher than in comparison to the market return i.e. BSE 100 and SENSEX except one i.e. **Reliance Focused Large Cap Fund**. Mutual funds are supposed to protect small investors against vagaries of stock market and the fund managers of these schemes have done well to protect them, based on both benchmarks **Reliance Pharma Fund**, **Reliance NRI Equity Fund, Reliance Focused Large Cap Fund and Reliance Equity Opportunities Fund in** BSE 100 and **Reliance Focused Large Cap Fund** in Sensex has performed better than the other schemes in comparison of risk and return which Indicates that investors who invested in these schemes to form well diversified portfolio did receive adequate return per unit of total risk & systematic risk undertaking. It can be seen that **Reliance Pharma Fund** has outperformed all the other sample schemes as it is the best among all the measures i.e. Sharpe, Treynor and Jenson based upon the average ranking.

## LIMITATIONS OF THE STUDY

For the purpose of performance evaluation, those schemes have been selected which are in operation since last 9 years i.e. 1st April 2006 to 31st March 2015. Only open ended equity schemes have been considered for this purpose. The schemes having only growth options are being taken into consideration. The series schemes and the plan schemes were not taken as a part of sample as it lacks uniformity. Performance evaluation of all schemes was not possible due to unavailability of data.

## SCOPE FOR FURTHER RESEARCH

As evaluating the performance of Mutual Fund is an ongoing process and a never ending task. This study has taken only open-ended schemes for its consideration and thus, a similar study can be done on Close-ended schemes. As in the present study an attempt has been made to compare the selected schemes with two benchmarks i.e. BSE 100 and Sensex, so same can be made with various other benchmarks and different Risk free return which is taken as Public Provident Fund in the present study. The number of sample schemes too can be increased, which might provide some more variations in the result. Also many private sector mutual fund exist in the industry, in the present study only Reliance Mutual Fund was taken , many are yet to be evaluated. A study can be made also for the evaluation of Bank Sponsored Mutual Fund or Institution along with the comparative study.

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# TOURIST SATISFACTION VARIABLES AND DESTINATION LOYALTY: A STUDY OF KASHMIR DIVISION

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## ABSTRACT

*Customer loyalty and customer satisfaction are two main issues which companies are focusing and trying to be successful about. Loyalty is concerned with the likelihood of a customer returning, making referrals, providing strong word-of-mouth, as well as providing references and publicity. The aim of the study was to examine the impact of tourist satisfaction variables like accommodation, information, accessibility and attraction on destination loyalty in Jammu and Kashmir. The respondents of the research study have been the tourists visiting the destinations of Jammu and Kashmir. The respondents have been categorised into two groups of first time visitors and revisitors. The data has been collected through a well designed questionnaire using 3-point likert Scale. The results of the study shows that a satisfied tourist shows increased likelihood of future repeat visits and a keen willingness to recommend the destination to others.*

## KEYWORDS
loyalty, satisfaction, tourism.

## INTRODUCTION

The relationship between service behavior and service quality has proven its role and importance in management/marketing (Valarie et al., 1996, Heskett & Sasser, 2010; Hutchinsona et al., 2009). The concepts of service quality and service satisfaction have been highly considered and used in marketing texts and activities, during previous decades. Marketing researchers have praised the advantages of satisfaction and quality, and have mentioned them as indices of an organization competitive benefit (Ruyter, 1997). On the other hand, service loyalty is one of the most important structures in service marketing, due to its final effect on customers' repeated purchases, and in fact, those loyal customers who purchase repeatedly are considered as the base of any business (Caruana, 2002). Although these concepts have been used so many times in the marketing literature, but the relations between these three concepts still remain ambiguous. Therefore, this research intends to study the relation of these three concepts. Customer satisfaction is a key factor in formation of customer's desires for future purchase (Mittal & Kamakura, 2001). Furthermore, the satisfied customers will probably talk to others about their good experiences. This fact, especially in the Middle Eastern cultures, where the social life has been shaped in a way that social communication with other people enhances the society, is more important (Jamal & Naser, 2002). Although satisfaction has been defined as the difference between expectation and performance, but there are differences between quality and satisfaction. For example, Parasuraman et al. (1991) say that satisfaction is a decision made after experience while quality is not the same. On the other hand, in satisfaction literature, expectations for goods is "would", while in service quality literature, expectations for goods is "should". Cadotte & Turgeon (1988) have introduced another group of factors known as neutral factors. Besides, Liljander & Strandvik (1993) say that experience is not needed for evaluating service quality, and service can be evaluated on the basis of the knowledge about service provider, while satisfaction is an inner view, resulted from customer's own experience from the service. Finally, several researches have been done on the relation between service quality and satisfaction: findings of some of these researches show that satisfaction results in service quality (Parasuraman et al., 1988). Also, the research conducted by Sureshchandar et al. (2002) shows that, there is a two-way relation between satisfaction and service quality.

Many service organizations have developed customer loyalty programs as a part of relations development activities. Customer loyalty is a complicated concept. Oxford Dictionary defines loyalty as a state of true to allegiance. But the mere repeated purchase by customers has been mixed with the above mentioned definition of loyalty. In service domain, loyalty has been defined in an extensive form as "observed behaviors" (Bloemer et al., 1999). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts. However, behavior standards (such as repeated purchase) have been criticized, due to the lack of a conceptual basis of a dynamic process (Caruana, 2002). For example, the low frequency of repeated purchase of a special service may be resulted from different situation factors, such as non-availability or absence of a provider. According to this point of view, loyal behavior cannot offer a comprehensive conception of fundamental causes of loyalty. Additionally, repetition may be due to different restrictions resulted from the market. Consequently, the loyalty of this type of customers mainly differs from the loyalty of those customers who seriously support a product, and do have psychological bond with a product and a company. Therefore, customer's loyalty was considered as an attitudinal structure. For example, this issue appears in the tendency to advise the service offer to other customers. Finally, in addition to behavioral and attitudinal approaches, another approach to customer's loyalty, called cognitive approach, was introduced. The operational definition of this approach often refers to the first product or service which comes to the mind of a person, while making decision for purchase. Meanwhile, in their definition of this approach, Ostrowski et al. (1993) and Bloemer (1999) refer to the first product or service that a person chooses among products and services.

## LITERATURE REVIEW

The concept of loyalty has been recognised as one of the more important indicators of corporate success in the marketing literature (La Barbara and Mazursky, 1983; Turnbull and Wilson, 1989; Pine et. al., 1995; Bauer et. al., 2002). Baker and Crompton (2000) define satisfaction as the tourist's emotional state after experiencing the trip. Therefore, evaluating satisfaction in terms of a travelling experience is a post-consumption process (Fornell, 1992; Kozak, 2001). Assessing satisfaction can help managers to improve services (Fornell, 1992) and to compare organisations and destinations in terms of performance (Kotler, 1994). In addition, the ability of managing feedback received from customers can be an important source of competitive advantage (Peters, 1994). Moreover, satisfaction can be used as a measure to evaluate the products and services offered at the destination (Ross and Iso-Ahola, 1991; Noe and Uysal, 1997; Bramwell, 1998; Schofield, 2000).Recently, more holistic models have been used to explain destination loyalty in tourism research. Yoon and Uysal (2005) propose a model which relates destination loyalty with travel satisfaction and holiday motivations. This study finds a significant cause-effect relationship between travel satisfaction and destination loyalty as well as between motivations and travel satisfaction. Oh (1999) establishes service quality, perceived price, customer value and perceptions of company performance as determinants of customer satisfaction which, in turn, is used to explain revisit intentions. Bigne et al. (2001) identify that returning intentions and recommending intentions are influenced by tourism image and quality variables of the destination. Kozak (2001) model intentions to revisit in terms of the following explanatory variables: overall satisfaction, number of previous visits and perceived performance of destination. In a recent paper, Um et al. (2006)

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propose a structural equation model that explains revisiting intentions as determined by satisfaction, perceived attractiveness, perceived quality of service and perceived value for money. In this study repeat visits are determined more by perceived attractiveness than by overall satisfaction.

Another important conclusion from the study carried out by Um et al. (2006) is that the revisit decision-making process should be modelled in the same way as modelling a destination choice process. This implies that the personal characteristics of tourists, such as motivations and socio- demographic characteristics also play an important role in explaining their future behaviour. Despite sharing equal degrees of satisfaction, tourists with different personal features can report heterogeneous behaviour in terms of their loyalty to a destination (Mittal and Kamakura, 2001). Motivations form the basis of the travel decision process and therefore should also be considered when analysing destination loyalty intentions. Beerli and Martín (2004) propose that "motivation is the need that drives an individual to act in a certain way to achieve the desired satisfaction" (Beerli and Martín, 2004:626). Motivations can be intrinsic (push) or extrinsic (pull) (Crompton, 1979). Push motivations correspond to a tourist's desire and emotional frame of mind. Pull motivations represent the attributes of the destination to be visited. Yoon and Uysal (2005) take tourist satisfaction to be a mediator variable between motivations (pull and push) and destination loyalty. The effect of socio-demographic variables in the tourist decision process is also an issue which has received some attention. Some studies propose that age and level of education influence the choice of destination (Goodall and Ashworth, 1988; Woodside and Lysonski, 1989; Weaver et al., 1994; Zimmer et al., 1995). Font (2000) shows that age, educational level, nationality and occupation represent determinant variables in the travel decision process.

## OBJECTIVES OF THE STUDY
The present study had before it the following objectives:
➢ To study different variables of tourist satisfaction and their relation with destination loyalty.
➢ To study the perspective of distinct tourist groups in terms of their expectations and perceptions.

## HYPOTHESIS
The following hypothesis was laid down for the purpose of present research study.
$H_0$: Tourist satisfaction has insignificant impact on destination loyalty in Kashmir Division
$H_a$: Tourist satisfaction has significant impact on destination loyalty in Kashmir Division

## CONCEPTUAL MODEL
The proposed structural equation model of the tourist loyalty intention is presented in Figure 1. The model establishes a direct causal-effect relationship of tourist satisfaction on destination loyalty.

**FIGURE 1: THE PROPOSED HYPOTHETICAL MODEL**
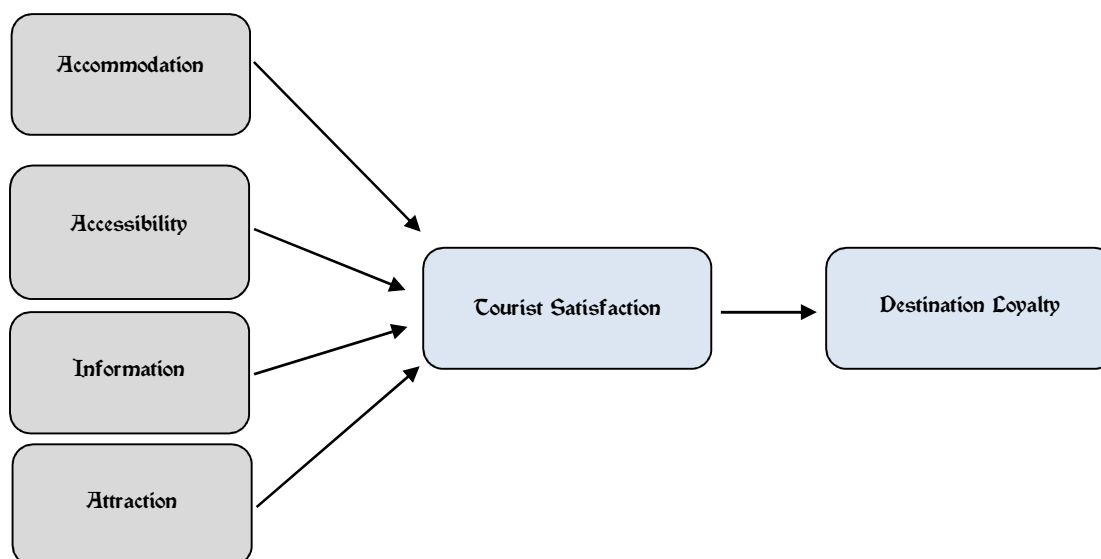


## METHODOLOGY
The main purpose of this study was to examine the theoretical and empirical evidence on the causal relationship between tourist satisfaction and destination loyalty. The sample of the study were the tourists visiting tourist destinations of Jammu and Kashmir. The respondents were categorized into tourists visiting for the first time and the tourists who have visited destination earlier. A total of 200 respondents had been contacted to collect required data pertaining to tourist satisfaction and its impact on tourist loyalty. The data was collected through a structured questionnaire, which was based on the tourist satisfaction dimensions like accommodation, accessibility, attraction and information. The data was collected on 5-point likert scale. The data collected was analyzed using SPSS and various statistical measures like mean, SD, were used to arrive at the results. Cronbach's alpha was used to examine the reliability of the scale items.

## RESULT FINDINGS
**PROFILE OF THE RESPONDENTS**

**TABLE 1**

| Category | |
|---|---|
| Tourists Visiting for the first time | 50 |
| Revisitors | 150 |

**SURVEY FINDINGS**

**TABLE 2**

| Components | Cronbach's alpha | Mean | SD |
|---|---|---|---|
| Accommodation | 0.82 | 4.113 | 0.571 |
| Accessibility | 0.81 | 4.071 | 0.741 |
| Information | 0.79 | 3.971 | 0.352 |
| Attraction | 0.84 | 4.217 | 0.451 |

The result in the above table shows the mean score of tourist satisfaction components. The highest mean score obtained by the attraction depicts tourist destinations of Jammu and Kashmir are highly attractive to the tourists. The overall result reveals that the tourist satisfaction components positively affects destination loyalty.

**REGRESSION ANALYSIS**

Simple linear regression analysis was used to test the hypothesis of the present research paper as shown in the table (3).

**TABLE 3: LINEAR REGRESSION ANALYSIS OF TOURIST SATISFACTION**

| Tourist satisfaction components | R | R(Square) | F | Sig (f) | T | Sig (t) | α | β | Hypothesis decision |
|---|---|---|---|---|---|---|---|---|---|
| Accommodation | .368 | .187 | 22.47 | 0.000 | 4.871 | 0.000 | 1.365 | 0.496 | |
| Accessibility | .433 | .209 | 15.95 | 0.000 | 5.493 | 0.001 | 2.187 | 1.256 | **Null hypothesis rejected** |
| Information | .450 | .130 | 14.60 | 0.000 | 6.142 | 0.000 | 2.167 | 0.965 | |
| Attraction | .475 | .218 | 17.46 | 0.000 | 5.128 | 0.004 | 1.545 | 0.013 | |

The result in table (3) indicates simple linear regression analysis of tourist satisfaction components in the tourist destinations of J and K. The significances level t ($p<0.05$) indicates linear relationship of tourist satisfaction components (accommodation, accessibility, information, attraction)with destination loyalty. The results therefore reveal that the alternate hypothesis supports the research objectives.

**CONCLUSION**

Tourist satisfaction and loyalty are two important components in improving tourist arrival to a country. When a tourist is satisfied with his visit, the desire to revisit the place is high and this will lead to his desire in recommending the said tourism location to friends and family members. This will indirectly promote the said tourism destination. This will be beneficial to tourism operators and ultimately to the nations income. The present research paper examines tourist satisfaction and destination loyalty in tourist destinations of Kashmir. From the regression analysis it was revealed that the components of tourist satisfaction do have an impact on destination loyalty. This finding can be used as a benchmark element to make a comparison with other research studies to be undertaken during the season and will help various stakeholders of J&K Tourism in designing future marketing strategies.

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# FROM HALF WAY LIGHT HOUSE THAN WHITE ELEPHANTS TO MAHARATNA: THE EXPECTATIONS AND REALITY OF PUBLIC SECTOR ENTERPRISES IN INDIA

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## ABSTRACT

*The present study captures the detailed journey of formation of the so-called "Pillars of the Indian Economy", the Public Sector Enterprises (hereinafter referred to as PSE) since their Inception. On perusal of the data obtained from different government department, the Study establishes that, PSE are the strongest base of the Mixed Economy Model which India adopted to be. Especially in the present era of volatile Market Conditions they have given strong foothold to the Indian Economy. The increasing importance of PSUs in India is contrary to the wide-scale privatization in the developed world, but in line with the trend in emerging countries. For once it is found that, of the 204 state-owned companies on the Forbes Global 2000 companies list, 30 were Indian. India had the second highest number of state-owned companies on the list after China, which had 70. Government of India has time and again made numerous efforts to manage the wellbeing of PSEs. This paper is basically a temporal study spread over a period. The study reconcile, appreciate the journey of building of the strength of the PSEs, the explanation of concept of Public Sector and the Economy amidst description of types of Economies, Evolution of Public Sector in India Legal framework Public Sector Enterprises & Industrialization and System of MOU, Corporate Governance, Decline from Aspirations, aim to motivateo te reforms in Public Sector Enterprises. The paper also entails case studies to assess the present status and future of PSEs.*

## KEYWORDS
Indian economy, types of economies, public sector enterprises, mixed economy, corporate governance, privatization, industrialization.

## 1. INTRODUCTION

We can look at the economies of the countries on the basis of ownership of resources. The resources available may be in private ownership as Private Sector or the collective ownership i.e. Public Sector of the Economy. Basically, economy is a man-made organization , which is created, destroyed or changed as per the requirement of the society. According to A.J. Brown, "An economy is a system by which people get living". The way man attempts to get a living differs in major respects from time to time and from place to place. In primitive times 'get a living' was simple but with growth of civilization it has become much more complex. Here it is important to note that the way person earns his/her living must be legal and fair. Unfair and illegal means such as robbery, smuggling may earn income for oneself but should not be taken into consideration as gainful economic activity or a system of 'get a living'. It will therefore be appropriate to call that economy is a framework where all economic activities are carried out.

Resources or means of production remain either in private ownership with full individual freedom to use them for the profit motive or they can be in collective ownership (government control) and can be used for the collective welfare of the society as a whole. Based on the criterion of degree of individual freedom and profit motive, economies are labelled as:

(A) Capitalist or free enterprise economy
(B) Socialist or centrally planned economy
(C) Mixed economy (Co-Existance of private ownership enterprises & collective ownership enterprises)

### CAPATALIST OR FREE ENTERPRISE ECONOMY

The capitalist or free enterprise economy is the oldest form of economy. Earlier economists supported the policy of 'laissez fair' meaning leave free. They advocated minimum interference in the economic activities. In a capitalism system all the individuals have the right to own property. An individual can acquire property and use it for the benefit of his own family. There is no restriction on the ownership of land, machines, mines, factories and to earn profit and accumulate wealth. After the death of a person the property or wealth is transferred to the legal heirs. Thus the institution of private property is sustained over time by the right of inheritance. And there is Freedom of Enterprise i.e. government does not coordinate production decisions of the citizens. Individuals are free to choose any occupation. Freedom of enterprise implies that business firms are free to acquire resources and use them in the production of any good or service. The firms are also free to sell their product in the markets of their choice. A worker is free to choose his/her employer. In small business units owner himself takes the risk of production and earns profit or loss for himself. But in modern corporations the shareholders take risks whereas paid directors manage business. Thus the individual supervision of one's own capital is now no longer required to earn profit. Government or any other agency does not impose restrictions/obstacles in the way of workers to enter or leave a particular industry. A worker chooses that occupation where his income is maximum. In this type of Economy, the consumers are like a king. They have the full freedom to spend their income on goods and services that give them maximum satisfaction. In capitalist system production is guided by consumer's choices. This freedom of consumers is called consumer's sovereignty.

Self-interest is the guiding principle in capitalism. Entrepreneurs know that they will own the profit or loss after the payment to all other factors of production. Therefore they are always motivated to maximize their residual profit by minimizing cost and maximizing revenue. This makes the capitalist economy an efficient and self-regulated economy.

There are no restrictions on the entry and exit of firms in a capitalism system. The large numbers of producers are available to supply a particular good or service and therefore no firm can earn more than normal profit. Competition is the fundamental feature of capitalist economy and essential to safeguard against consumer's exploitation. Although due to large-size and product distinction monopolistic tendencies have grown these days. Capitalism is essentially a market economy where every commodity has a price. The forces of demand and supply in an industry determine this price. Firms which are able to adjust at a given price earn normal profit and those who fail to do so often quit the industry. A producer will produce those goods, which give him more profit. In a free enterprise or capitalist economy the price system plays an important role of coordinating agent. Government intervention and support is not required. The role of government is to help in free and efficient functioning of the markets.

Pure capitalism is not seen in the world now-a-days. The economies of USA, UK, France, Netherland, Spain, Portugal, Australia ect. are known as capitalistic countries with active role of their respective government in economic development.

### SOCIALIST ECONOMY

In the socialist or centrally planned economies all the productive resources are owned and controlled by the government in the overall interest of the society. A central planning authority takes the decisions. The means of production are owned by the government on behalf of the people. The institution of private property is abolished and no individual is allowed to own any production unit and accumulate wealth and transfer it to their heirs. However, people may own some durable consumer goods for their personal use. The decisions are taken by the government at macro level with the objective of maximization of social welfare in mind rather than maximization of individual profit. The forces of demand and supply do not play any important role. Careful decisions are taken with the welfare objectives in mind. Economic planning is an essential feature of a socialist economy. The Central Planning Authority keeping the national priorities and availability of resources in mind allocates resources. Government takes all economic decisions regarding production, consumption and investments keeping in mind the

present and future needs. The planning authorities fix targets for various sectors and ensure efficient utilization of resources. The institutions of private property and inheritance are at the root of inequalities of income and wealth in a capitalist economy. By abolishing these twin institutions a socialist economic system is able to reduce the inequalities of incomes. It is important to note that perfect equality in income and wealth is neither desirable nor practicable.

In capitalist economy the interests of the workers and management are different. Both of them want to maximize their own individual profit or earnings. This results in class conflict in capitalist economy. In socialism there is no competition among classes. Every person is a worker so there is no class conflict. All are co-workers.

Countries such as Russia, China and many eastern European countries are said to be socialist countries. But they are changing now and encouraging liberalisation in their countries for their economic development.

**MIXED ECONOMY**

A mixed economy combines the best features of capitalism and socialism. Thus mixed economy has some elements of both free enterprise or capitalist economy as well as a government controlled socialist economy. The public and private sectors co-exist in mixed economies. The private sector consists of production units that are owned privately and work on the basis of profit motive. The public sector consists of production units owned by the government and works on the basis of social welfare. The areas of economic activities of each sector are generally demarcated. Government uses its various policies e.g. licensing policy, taxation policy, price policy, monetary policy and fiscal policy to control and regulate the private sector. Individuals take up economic activities to maximize their personal income. They are free to choose any occupation and consume as per their choice. But producers are not given the freedom to exploit consumers and labourers. Government puts some restrictions keeping in mind the welfare of the people. For instance, government may put restrictions on the production and consumption of harmful goods. But within rules, regulations and restrictions imposed by the government, for the welfare of the society the private sector enjoys complete freedom.

The government prepares long-term plans and decides the roles to be played by the private and public sectors in the development of the economy. The public sector is under direct control of the government as such production targets and plans are formulated for them directly.

The private sector is provided encouragement, incentives, support and subsidies to work as per national priorities. Prices play a significant role in the allocation of resources. For some sectors the policy of administered prices is adopted. Government also provides price subsidies to help the target group. The aim of the government is to maximize the welfare of the masses. For those who can not afford to purchase the goods at market prices, government makes the goods available either free of cost or at below market (subsidized) prices. Thus in a mixed economy people at large enjoy individual freedom and government support to protect the interests of weaker sections of the society.

Indian economy is considered a mixed economy as it has well defined areas for functioning of public and private sectors and economic planning. Even countries such as USA, UK, etc. which were known as capitalistic countries are also called mixed economies now because of active role of their government in economic development.

## 2. CONCEPTUAL FRAMEWORK

The Public Sector Enterprises (PSE) are those enterprises which are owned wholly or partially by the Central Government or a State Government or jointly by Central Government and a State Government and which are engaged in the industrial, agricultural, commercial, or the financial activities having self-management. The public sector is the part of an economy in which goods and services are produced and/or (re)distributed by government agencies. Examples are state educational systems and unemployment insurance. Civil servants working for government entities are publicsector employees, whereas those employed by private employers not affiliated with government are private sector employees.

Sometimes the private sector works in coordination with the public sector. By partnering with the private sector through arrangements which leverage governmental assets and resources, opportunities are provided for the privates sector to participate in the development, financing, ownership and operation of a public facility or service.

For example, a public/private partnership could be an arrangement whereby a contractor or third party develops and operates a system which is beneficial to a government agency and others and charges the cost of the service to users.

### 2.1 EVOLUTION OF PSEs IN INDIA

The evolution of PSEs can be divided into three distinguished phases:

1) The pre-independence era;

2) The post-independence era; and

3) The post-liberalization period.

The fourth period could perhaps be the one following the recent global economic crisis. During the pre-independence era there were few public enterprises, namely the railways, the posts and telegraph, the port trust, All India Radio and the ordinance factories, among few other government managed enterprises.

During the post independence era, the Industrial Policy Resolution 1956 was implemented. Moreover, several strategies specific to the public sector were defined in policy statements in 1973, 1977, 1980 and 1991.

The post liberalization era which commenced from 1991 saw the Government introducing the concept of Maharatna,Navratna and Miniratna to accord greater financial and managerial autonomy with the aim of incurring higher capital expenditure apart from forming JVs within the country as well as outside.

PRESENTLY NUMBER OF PSEs IN INDIA

277 CENTRAL PSEs

863 State PSEs

Source: Department of Public Enterprise

### 2.2 PATTERNS OF PUBLIC ENTERPRISES IN INDIA

Public Sector Enterprises in India were principally organized into four major patterns:

1. Departmental Undertakings.

2. Public Corporations.

3. Government Companies.

4. Holding Companies of the Government Companies.

And besides these, there are various other forms vis Commissions, Control Boards, Co-operative Societies, Public Trusts and Commodity Boards.

### 2.3 DEPARTMENT OF PUBLIC ENTERPRISE

In 1965, the Bureau of Public Enterprises was established in the Ministry of Finance. In 1985, the Bureau was replaced by a full-fledged Department under the Ministry of Industry. Presently, it is a part of Heavy Industry & Public Enterprises and it is the nodal Department in the Government of India to provide, inter-alia, an overview on the financial and physical performance of Public Sector Enterprises (PSEs).

### 2.4 LEGAL FRAMEWORK

#### 2.4.1 Constitution of India and Public Sector

Article 12

Definition In this part, unless the context otherwise requires, the State includes the Government and Parliament of India and the Government and the Legislature of each of the States and all local or other authorities within the territory of India or under the control of the Government of India.

It will be noticed that Article 12 does not, in so many words, provide that undertakings in the public sector fall within the definition of "State"; but that is virtually the position resulting from judicial pronouncements on the subject. To state the position in brief terms at this stage, such undertakings fall within the words "other authorities within the territory of India or under the control of the Government of India."

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The Supreme Court of India has held a number of decisions that Public Corporations and Undertakings fall within the inclusive definition of 'State'. Therefore these Corporations and Undertakings are subject to Part-III of the Constitution. Consequently, the Supreme Court and the High Courts have power of judicial review under Articles 32 and 226 of the Constitution. The Supreme Court and High Courts have interfered with the orders of Public Corporations and Undertakings in relation to service matters and also with regard to commercial transactions.

Directive Principles of State Policy enunciated in Part IV of the Constitution. Article 38 enjoins the State to promote the welfare of the people by securing and protecting effectively a social order in which justice, social, economic and political, shall inform all the institutions of the national life. The State is further directed to strive to minimise inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only among individuals, but also amongst groups of people residing in different areas or engaged in different vocations. This Article, and other Articles e.g. 39,

39A, 41, 42 and 46, lay down fundamental policies, which the State is required to follow in making laws with a view to securing a welfare State. Though Directive Principles are not justiciable and the Courts cannot enforce them, still those are binding on the various organs of the State.

Artilce 14 Equality before Law:

The rule inhibiting arbitrary action by Government apply equally where such Corporation is dealing with the public, whether by way of giving jobs or entering into contracts or otherwise, and it cannot act arbitrarily and enter into a relationship with any person it likes at its sweet will. Its action must be in conformity with some principle which meets the .test of reason and relevance.

The government-owned corporations are termed as Public Sector Undertakings (PSUs) in India. In a PSU majority (51% or more) of the paid up share capital is held by central government or by any state government or partly by the central governments and partly by one or more state governments.

The Comptroller and Auditor General of India (CAG) audits government companies. In respect of government companies, CAG has the power to appoint the Auditor and to direct the manner in which the Auditor shall audit the company's accounts.

**2.4.2 Company Law and Public Sector**

One consequence of the broader test of "agency or instrumentality" that came to be laid down (as stated above) was that Government companies, as defined in Section 617 of the Companies Act*1956 came to be included within the concept of "State", for the purposes of Article 12 of Constitution.

Section 25

Public Sector Enterprises having objects to promote commerce, art, science, religion, charity or any other useful purpose and not having any profit motive can be registered as non-profit company under section 25 of the Companies Act, 1956.

This section empowers the Central Government to grant a licence directing that such an association may be registered as a company with limited liability, without the addition of the words 'Limited' or 'Private Limited' to its name.

Such companies are also called as the Non-profit or 'No Profit - No Loss' companies. Section 617

Definition of the "Government Company". For the purposes of Companies Act Government company means any company in which not less than fifty- one per cent. of the paid up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government company as thus defined.

# 3. PUBLIC SECTOR ENTERPRISES & INDUSTRIALIZATION

After Independence from the British Rule and Introduction of Five year Plans, the Public Sector witnessed progressive expansion. Predominantly the Public Sector Enterprises have played an important role in Industrialization of India and economic development. With passage of Industrial Policy Resolution 1956 and the adoption of the Socialistic Pattern of Society as our constitutional feature led to deliberate enlargement of the span of Public Sector Enterprises.

Basically, being an agrarian economy, with lack of infrastructure, inadequate investments & low savings, there was a necessary call for state intervention to use public sector as an instrument to steer country's underlying potential.

The macroeconomic objectives of PSEs have been derived from the Industrial Policy and Five Year Plans. Later State PSEs were also established because of rising need for Public Utilities in the states. Here in this Resesarch Paper, wherever used the phrase Public Sector Enterprise or PSE has been used to mean Central Public Sector Enterprises specifically.

Commencing with very less number of Public Sector Enterprises Indian Economy presently has outgrown with around 297 Public Sector Enterprises functioning presently. Nineteen (19) new public sector enterprises, namely Goa Antibiotics & Pharmaceuticals Ltd., TCIL Lakhnadone Toll Road Ltd., Odisha Infrapower Ltd., Cheyur Infra Ltd., Tanda Transmission Ltd., Ballabgarh-GN Transmission Ltd., Vizag Transmission Ltd., Kolkata Metro Rail Corporation Ltd., Unchahar Transmission Ltd., Punjab Logistic Infrastructure Ltd., SJVN Thermal Pvt. Ltd., HPCL Rajasthan Refinery Ltd., Oil India International Ltd., NPCIL -Indian Oil Nuclear Energy Corporation Ltd., MAMC Ltd., Indo Cat Pvt. Ltd., Solar Entergy Corporation of India, Railway Energy Management Company Ltd. and NPCIL-NALCO Power Company Ltd. have been added to the list of CPSEs as per the information received from the concerned administrative Ministry/Department.

# 4. SYSTEM OF MEMORANDUM OF UNDERSTANDING (MoU)

The beginnings of the introduction of the MoU system in India can be traced to the recommendation of the Arjun Sengupta Committee on Public Enterprises in 1984.

The very First MOU was signed by four Central Public Sector Enterprises in 1987-88. It is basically an agreement between Government (Ministry) and PSEs to grant autonomy to the latter, that is to reduce day to day interference of the Ministry in the management of the PSE. It defines the obligations of both the parties for improving the performance of PSE.

The Memorandum of Understanding (MoU) is a negotiated document between the Government, acting as the owner of Centre Public Sector Enterprise (CPSE) and the Corporate Management of the CPSE. It contains the intentions, obligations and mutual responsibilities of the Government and the CPSE and is directed towards strengthening CPSE management by results and objectives rather than management by controls and procedures.

It is prima facie a system of annual performance control between the Ministry and the PSE. It is an Indian Version of French 'Performance Contract System and the Korean 'Signalling System'.

One of the most important differences between the French system and the signalling system relates to the possibility of making an overall judgement on the enterprises performance in the latter system. In performance contracts belonging to the French system, one could only point out whether a particular target was met or not. This created great difficulty for making an overall judgement regarding enterprises performance. The signalling system overcomes this problem by adopting the system of "five point scale" and "criteria weight" which ultimately result in calculation of "composite score" or an index of the performance of the enterprise

The MOU system has been adopted in response to the following:

• Widely held perception that the PSEs are less efficient than their private sector counterparts.
• PSEs are unable to perform at efficient levels because there are a variety of agencies within the Government who feel that they have a mandate to run public enterprises. These agencies having their own agenda to keep, setting different objectives for the enterprises which are always conflicting.
• Because of lack of clarity of objectives and confused signals imparted to the management, the accountability of the management is vastly diluted. The management of PSEs thus ceases to be accountable for the performance of the enterprise
• At the same time, the Management of PSEs are handicapped in their operation due to absence of functional autonomy.

The MOU System has had a positive impact on the functioning of the CPSEs by not only increasing the top-and-bottom line performance but also increasing their net worth as stated above. Further, the MOU System has also enabled the CPSEs to adapt to the business scenario changes that have come about due to the economic liberalization reforms undertaken in the country and the resultant enhanced coupling of India with the global economy.

The MOU system has enabled CPSEs to focus on achievements and results associated with increased operational autonomy and more financial and administrative powers. By laying stress on marketing effort and comparing with private sector enterprises MOU are helping CPSEs to face competition and lay bench marks of corporate performance.

Under MOU system performance of PSEs is assessed with reference to the commitments made and actual assistance given to PSEs by Administrative Ministries/ Department, if applicable.

Commitments/assistance expected from the Government should be relevant and relevant and related to the fulfillment of the greed performance targets. These obligations should have direct bearing on the performance of the enterprise, and their effect on the performance should be quantified. The target based on these Commitments / assistance should not be conditional or provisional.

Evaluation of MOU of the PSEs is done at the end of the year on the basis of actual achievements vis-a-vis the MOU targets. PSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports on the basis of audited data to Department of Public Enterprises and the Task Force members of the Syndicate Group, after approval of the Board of PSE and through the administrative Ministries/ Departments within the target date.

This system is also under review for the time being.

## 5. CATEGORIES OF PSEs

On basis of their financial autonomy, PSEs may be categorized in the following:

1. Maharatna
2. Navratna
3. Miniratna I
4. Miniratna II

Chronologically, if you see, in 1997, Government of India identified 9 leading,well performing and high profit-making public enterprises as ''Navratna''s ( Nine Precious Jewels). Later, in the same year, two more were added to the list. With New Economic Policy & LPG era (Liberalisation,Privatisation & Globalisation ) some of the PSEs were privatized based on the need of the hour.

Also, Navratnas were granted substantial enhanced autonomy and operational freedom in different fields (financial, commercial, managerial and operational) to facilitate their becoming global players. Their Boards were professionalized by the induction of non-official part-time professional independent directors. Presently, 17 Navratnas are operating in the Indian Economy.

In the same year that is 1997, the Government of India also identified another 97 profit making public ctor enterprises as the Miniratnas (Small Precious Jewels) and granted them the above mentioned autonomies. Further, they are divided into two categories depending on their recent financial performances viz.

Miniratna I

Those enterprises which have earned profits continuously for the last 3 years and have earned a net profit of Rs. 30 Crores or more in one of the three years.

Miniratna II

Those enterprises which have earned profits continuously for last 3 years. Additionally, both these categories are those which have positive net worth, have not defaulted in the repayment of loans/ interest to the Government and have not sought budgetary support from the Government.

Than in the year 2010 Government of India introduced "Maharatna" scheme of Public Sector Enterprises. It aimed to empower Mega PSE to expand their operations and emerge as global giants.

Under this scheme, the Mega PSEs which are Navratnas are required to have:

i. Net Profits of more than 25,000 Crores,
ii. Net Worth more than 15,000 Crores
iii. Net Profit after Tax 5,000 Crores, all in average of 3 years,
iv. Also, which are listed in Indian Stock Exchange and having significant global presence or international operations.

The Proud 7 Public Sector Enterprise having "Maharatna" status at present are as under:

1. Bharat Heavy Electricals Limited ( BHEL)
2. Coal India Limited
3. Gas Authority (India) Limited (GAIL)
4. Indian Oil Corporation Limited( IOCL)
5. NTPC Limited
6. Oil &/ Natural Gas Corporation Limited (ONGC)
7. Steel Authority of India Limited (SAIL)

## 6. CORPORATE GOVERNANCE

The National Common Minimum Programme (NCMP) envisaged a strong and effective public sector and pledges to devolve managerial and commercial autonomy to successful profit making companies operating in a competitive environment. Accordingly the Government enhanced the powers of Navratna, Miniratna and other profit making CPSEs.

There was need for appropriate public accountability of the CPSE managements regarding discharging of their duties and responsibilities keeping in view the fact that large public funds have been invested in them. The NCMP inter-alia also provides that Public Sector Companies will be encouraged to enter capital markets to raise resources and offer new investment avenues to retail investors. Thus, it is imperative that ethics and probity are maintained in the functioning of CPSEs.

Good Corporate Governance practices, therefore, should be built into the management systems of CPSEs. It involves a set of relationships between Company's Management, its Board, its Shareholders & others. It provides principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set.

Corporate Governance is a set of accepted principles of Management of the inalienable rights of shareholders as a true owner of the corporation and of their own role as trustees on behalf of the shareholders .It is about commitment to Values, Ethical Business Conduct, Transparency and it makes a distinction between personal and corporate funds in the management of a company.

The Policy of Corporate Governance is committed to grant more autonomy to PSEs and encourage them to access the Capital Market for their fund requirement. Under Maharatna Scheme, high performer PSEs, are expected to expand international operations and become global giants for which effective Corporate Governance is imperative. Corporate Governance policy (2007) is formulated with the objective that PSEs follow them in their functioning, which would intern protect the interest of shareholders & relevant stakeholders.

## 7. INVESTMENT IN PSEs

The aggregate financial investment in PSEs comprising paid up share capital, share application money, pending allotment money received against share warrants and long term loans) grew from Rs. 29 Crores in 5 Enterprises in 1951 to Rs. 17, 57, 450 Crores in 2013-14 in 290 PSEs (Including Joint Ventures of PSEs) as on 31. 03.14 and the Investment in PSEs measured in terms of gross block increased from 15,55,575 Crores in 2012-13 to 17, 57, 450 Crores in 2013-14, showing an increase of 2,01,875 Crores and a growth of 12.98% over previous year.

| Year | Accumulated Gross Block @ in CPSEs | Gross Block during the year (₹ in crore) | Growth over the previous year (in %) |
|---|---|---|---|
| 2002-03 | 525301 | 34903 | 7.12 |
| 2003-04 | 596727 | 71426 | 13.60 |
| 2004-05 | 649245 | 52518 | 8.80 |
| 2005-06 | 715108 | 65863 | 10.14 |
| 2006-07 | 782668 | 67560 | 9.45 |
| 2007-08 | 862240 | 79572 | 10.17 |
| 2008-09 | 978167 | 115927 | 13.44 |
| 2009-10 | 1129983 | 151816 | 15.52 |
| 2010-11 | 1237051 | 107068 | 9.48 |
| 2011-12 | 1408046 | 170995 | 13.82 |
| 2012-13 | 1555575 | 147529 | 10.48 |
| 2013-14 | 1757450 | 201875 | 12.98 |

TABLE 1: GROWTH IN REAL INVESTMENT / GROSS BLOCK (₹ in crore)

Note: @including capital work in progress; ^ Gross Fixed Capital Formation.

## 8. WHITE ELEPHANTS

The idea of state intervention and the enrichment did not prove fruitful for all PSEs, set up with high expectations. Some of the PSEs performed far below the targets over a long period & despite several efforts, they proved efforts futile.

Over the years, they have started to be called as 'white elephants' because of the tendency to consume huge amount of public funds. Public enterprises incur heavy expenditure on social overheads like townships, schools, hospitals, etc.

In many cases such establishment expenditure amounted to 10 percent of the total project cost. Recurring expenditure is required for the maintenance of such overhead and welfare facilities. Hindustan Steel alone incurred an outlay of Rs. 78.2 crore on townships. Such amenities may be desirable but the expenditure on them should not be unreasonably high.

The Organizations set up with high aspirations and were originally conceived as Éngineers of Growth 'proved contrary in time.

### 8.1 DECLINES FROM ASPIRATION

India's first Prime Minister Jawaharlal Nehru once called public sector undertakings (PSUs) the temples of modern India. These units have always played a significant role in India's socio-economic development.

Analyzing what could have possibly gone wrong we find that, so called 'public' or 'social' obligation of the PSE have taken toll on the right side of the Balance Sheet where profit is accounted. Then there is Abysmal State of affairs, political interventions & ineffective management gradually have led to waning interest of investors amidst depressed state economy.

With economic liberalization since 1991 many sectors that were exclusively preserved for PSE were opened to private sector. Many PSE modeled to function with monopoly, started to face stiff competition from private sector companies. Due to various constraints some of the PSEs did not cope up with technical, production & functional upgradation and failed miserably to align with evolving market conditions and have suffered over years. On other hand, the private sector soon had taken giant leap and made Indian Economy Resilient, Strong and Emergent.

Board for Reconstruction of PSE, was constituted in 2004 as an advisory body for the revival and restructuring of sick & loss making PSEs.

More than one-third (34%) of the CPSEs were loss-making in 2013 versus 27% in 2008.

Amongst others one of the reasons as observed by World Bank is that in India one of the reasons of low investment are strict labour laws. The Labour statutes in India are very exhaustive. Indeed they are over protective towards labour so much so that there is criminal misconduct furnishing beneath such protection .Over the top, there is unionism spoiling the beneficiaries. Disinvestment Disinvestment proved as a blessing in disguise for some PSEs. Given an increasing competitive environment on the back of private enterprises gaining ground on several parameters, disinvestment of PSE assumes significance. Increased competition from private players makes it difficult for many PSE to operate profitability.

The major purposes include: Financing the increasing is cal deficit.

Finanncing large scale infrastructure development. Encouraging spending.

Returning government debt.

Spending on social programs such as Health, Education etc.

There had been positive sentiments about disinvestment from the Investors across the globe. However, Slow Overhauling still remains crucial factor for the dreadful fate of some PSEs. In September 2013, UPA government explored option for revival of few sick PSE through a tie up with private companies in PPP model. However, the proposal never took off, due to lack of synergy between two sectors. Meanwhile DPE has confirmed "There is no proposal on table to rope in private companies to revive the sick PSE through public private partnership".

### 8.2 BROAD CHALLENGES FACED BY PSEs

1. Talent Issues
2. Excessive bureaucratic government control and intervention
3. Multiple principles and multiple goals
4. Lack of clarity in vision
5. Miss-use of PSUs financials to control government's fiscal situation
6. Uncompetitive operations
7. Unionization
8. Inflexible structure

### 8.3 PROPOSED CLOSURE

After incurring heavy losses and continuously giving negative profit, following PSE have been proposed for final closure:

1. Hindustan Photo Films
2. HMT Bearings
3. HMT Chinar Watches
4. Tungabhadra Steels
5. Hindustan Cables
6. HMT Watches

## 9. TEN POINT REFORM

For Global Integration, Maharatna & Navratna Companies in India are facing more competition and thus need to streamline their procedures and systems as maximization of shareholder and stakeholder value have become the guiding principle in the new economic scenario.

In the changed environment, PSEs are expected to take immediate business decisions which may be associated with uncertainties and risks. There are several problems and constraints faced by PSEs which require attention to increase their operational efficiency. Ten key issues that require immediate reforms are: (i) ownership policy; (ii) autonomy of the board; (iii) minimizing/relinquishing control of administrative ministry; (iv) succession planning; (v) capacity building; (vi) community relations; (vii) multiple checks and balances; (viii) level playing field; (ix) project clearances; and (x) sovereign holding structure.

## 10. CONTRIBUTION TO EXCHEQUER

While some PSUs have performed well, several have underperformed in terms of growth, profitability and meeting social objectives. The underperformance was largely driven by (i) economic slowdown, (ii) inflexible structure, (iii) excessive government control and intervention, (iv) misuse of PSUs' finances to meet the government's fiscal objectives, (iv) lack of preparedness post the financial crisis of 2008-09, and (v) uncompetitive operations.

There is a stark contrast in performance within the PSUs. While PSUs operating in the Resource and Utilities spaces have been competitive, Consumer-oriented and Manufacturing PSUs have continuously underperformed.

With more than 60 PSUs among the the Bombay Stock Exchange's 500 largest listed entities, PSUs constitute 21 per cent of the total market capitalisation.

Along with satisfying social needs, commitments/ obligations, some of the high performing PSEs are contributing significantly to the central exchequer through direct taxes and dividend. And thus are helping Government of India to contain situation of seveare economic crisis The central exchequer obtains revenue from PSEs through two modes namely investments in Companies and through taxes and duties paid. The governmen tearns investment revenue from PSE in form of dividend and interests and levies taxes on income, custom duties, corporate taxes, excercise duties and many more.

CPSEs' total gross turnover as a percentage of India's GDP has ranged between 18% and 23% during FY92-13. Additionally, state-level PSUs contributed around 6% to India's GDP (FY10). Even relative to other developing and developed countries, the contribution of state-owned companies to the Indian economy is significant.

## 11. CONCLUSION

At one point of time the PSEs were majorly termed as "White Elephants" because they used to enjoy the privileges of expenditure and relaxation in Taxation. A company may make higher profits just because it is able to evade taxes and circumvent various other regulatory norms. Profit alone cannot, therefore, be the sole parameter to judge a company.

One of the actual problems faced by PSEs is Over Capitalization. Due to inefficient financial planning, lack of effective financial control and easy availability of money from the government, several public enterprises suffer from over-capitalization The Administrative Reforms Commission found that Hindustan Aeronautics, Heavy Engineering Corporation and Indian Drugs and Pharmaceuticals Ltd were over-capitalized. Such over-capitalization resulted in high capital-output ratio and wastage of scare capital resources. Capitatalisation is required to be a part of strategic management in PSEs.

On the other hand one serious problem of the public sector has been low utilisation of installed capacity. In the absence of definite targets of production, effective production planning and control and proper assessment of future needs many undertakings have failed to make full use of their fixed assets. There is considerable idle capacity. In some cases productivity is low on account of poor materials management or ineffective inventory control.

Pricing has been major issue for PSEs in India over years. There is no clear-cut price policy for public enterprises and the Government has not laid down guidelines for the rate of return to be earned by different undertakings. Public enterprises are expected to achieve various socio-economic objectives and in the absence of a clear directive, pricing decisions are not always based on rational analysis. In addition to dogmatic price policy, there is lack of cost-consciousness, quality consciousness, and effective control on waste and efficiency.

Ineffective Planning is one of the serious concern in PSEs. Investment decisions in many public enterprises are not based upon proper evaluation of demand and supply, cost benefit analysis and technical feasibility. Lack of a precise criterion and flaws in planning have caused undue delays and inflated costs in the commissioning of projects. Many projects in the public sector have not been finished according to the time schedule.

The PSEs employ 1.39 million people and contribute in generating 5 per cent of the total employment in the organised sector. However, Manpower planning is not effective in the PSEs due to which several public enterprises like Bhilai Steel have excess manpower. Recruitment is not based on sound labour projections. On the other hand, posts of Chief Executives remain unfilled for years despite the availability of required personnel. PSEs lag their private sector peers in talent management, including (i) attracting and retaining right talent, (ii) providing adequate compensation based on meritocracy, and (iii) equipping employees with right skills and technology.

However, amidst these unfavourable winds, the Maharatna and many Navratna Companies have sailed through sucessfully today in India. They have given good results in numbers (High Dividends) . They have proved to be antitheisis to the thesis of being called as White Elephants.

Empowerment of Public Sector Undertakings is the main strategy towards the economic development. The Government provides Public Sector Enterprises (PSEs) the necessary flexibility and autonomy to operate effectively in a competitive environment. The Boards of Maharatna, Navratna and Miniratnna compnies are entrusted with more powers in order to facilitate further improvement in their performance.

The government has also implemented revised salaries for executives of PSEs/PSUs.

Moreover, some innovative measures such as Performance Related Pay have been introduced to make them more efficient. These incentives for the employees have been linked to individual, group as well as company performance.

For further strengthening, the government is also encouraging the listing of Public Sector Enterprises on the stock markets.

And thus Public Sector Enterprises have well proved to be the backbone of Indian Economy and will continue to remain so, they act as strategic partner in the nation's economic growth and development process. Capatalist Economy Like that of United States of America, must be finiding it difficult and deprived of support of wide Public Sector Enterprises during the time of Economic Crisis.

PSEs in India still remain the need of the hour, reason being a growing Economy needs support for the removal of poverty, the attainment of self-reliance, reduction in inequalities of income, expansion of employment opportunities, removal of regional imbalances, acceleration of the pace of agricultural and industrial development, to reduce concentration of ownership and prevent growth of monopolistic tendencies by acting as effective countervailing power to the private sector, to make the country self-reliant in modern technology and create professional, technological and managerial cadres so as to ultimately rid the country from dependence on foreign aid.

It is observed that Indian Public Sector Enterprises are the bona-fide partners of growth and development of the Indian Economy. The Conflicting policy governing the functionnig of the PSEs needs to be reconciled, to help the PSEs to urser new horizons of success.

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## STRESS RELIEVING TECHNIQUES FOR ORGANIZATIONAL STRESSORS

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## ABSTRACT

*The purpose of this exploratory study is to identify organizational stressors and stress-relieving techniques in employees. The stress survey questionnaire was used for data collection among 118 employees selected thorough convenience sampling from different service sectors. We tried to explore the relationship between recognized organizational stressors, stress-relieving techniques and demographic variables. Analysis shows Job pressure, Interpersonal relationships, Role conflict, Work under load, Job insecurity and Low support are key organizational stressors. Meditation, Relaxation, Music, Ventilation, and Socialization are stress-relieving techniques used frequently by employees. Individual stress-relieving techniques are given preference over organizational interventions to relieve organizational stress. Employees use music to deal with role conflict and relaxation from job insecurity and they use socialization and ventilation to deal with a low level of support at work.*

## KEYWORDS
organizational stressors, stress relieving techniques, organizational stress.

## 1. INTRODUCTION

Organizational stress is pervasive in nature, affecting employees from different service sectors and organizations all over the world. The stressors or factors responsible for stress at work are many and varied, and are called organizational stressors. Job satisfaction, long working hours, high job responsibility, low level of social support from co-workers, lack of control over professional demands, uncertainty about work and unavailability of potential resolutions are some of the contributing factors of organizational stress (Colligan & Higgins, 2006).

At the same time to seek relief from stress, employees adapt by using various stress-relieving techniques like; soliciting support from friends and family, engaging in hobbies, seeking professional help and so on. Till date, research has focused on identifying stressors, stress relieving techniques (Nelson & Sutton, 1990), and the methods by which both individual employees and organizations can effectively manage stress (Kram & Hall, 1989). But one needs to understand the relationship between organizational stressors and the stress-relieving techniques used by employees so that organizations can incorporate it in their interventions for better outcomes in Organizational Stress Management.

The current study tries to identify and explore the relationship between demographic variables, organizational stressors and stress-relieving techniques in employees.

## 2. REVIEW OF LITERATURE

### 2.1 STRESS

Stress is a physiological and psychological response (Selye, 1976) of the body in an attempt to adapt to the changing conditions of different life situations like work, at home and in social situations. Stress has become an integral part of every individual. Selye (1976) described two categories of stress, eustress or desirable stress and distress or undesirable stress. Eustress is a pleasant, least challenging, enable to produce positive effects such as enhancement of creativity and output. Person's perception of his inability to control a stressful event results in distress, loss of productivity and decline in overall sense of well-being.

### 2.2 ORGANIZATIONAL STRESS & ORGANIZATIONAL STRESSORS

Organizational stress is the stress that is generated whilst at work. Any factors in an Organization, responsible for the job stress in employees are commonly termed as organizational stressors (Von Onciul, 1996).

According to Lazarus and Folkman (1984), organizational stress is a result of the interaction between an employee's personal characteristics, their work environment, the outcome expected from them, and their coping ability. Negative appraisal of the structure and functioning of the organization can lead to the development of organizational stress. An optimal level of organizational stress enables an employee to work effectively with greater satisfaction but if it remains unresolved, it not only affects the quality, productivity and creativity of their work but their health, well-being and morale also (Everly, 1990).

Out of numerous organizational stressors, we investigated time pressure, job pressure, work overload, interpersonal relations, role conflicts, and work under load, job-related health concerns, job insecurity and support.

According to Greenhaus et al. ,1987, work overload affects one's physiological and psychological wellbeing resulting in a variety of strain symptoms. Too much or too little work, conflicting job demands are usually associated with work stress (Mathis & Jackson, 2004).

Compressed time schedules and flexible working hours increases satisfaction at work but the organizational stress occurs when time pressure and job pressure is high but support and control over work is low (Sparks et al., 2001).

Robert et al., 1997, stated that employee experience job stress when they are expected to play multiple roles in an organization. Role conflict and undue expectations lead to frustration due to an inability to influence the decisions related to work and organizational issues. Factors like unpleasant climate, interpersonal conflicts, distractions and lack of privacy can enhance the organizational stress.

According to Kanungo (1981), when employees with high social needs are working alone on their job without any social support, it can lead to frustration and indifference to both work and social needs. Difficult interpersonal relationships like bullying at workplace and conflict at work results in anxiety and depression in employees. Sometimes it also leads to PTSD (Post traumatic stress disorder) in extreme conditions (Hoel, sparks, & Cooper, 2001).

Employee's perception of insecurity at job has a relationship with their occupational stress. When an employee perceives a lack of career opportunity or hindrance in current job, he is likely to feel insecure about his future in the organization (Foot and Venne, 1990). This is further enhanced by an increasing trend of restructuring and downsizing in many organizations (Sparks et al., 2001).

**2.3 STRESS RELIEVING TECHNIQUES**

We cannot prevent the etiology of stress, but the consequences of stress can be dealt by using appropriate coping or stress-relieving techniques (Stranks, 2005). These are the cognitive or behavioral efforts to alter the environment or to manage the emotions generated during stressful situation. People tend to use a variety of strategies to cope or deal with the stressful situation, but the extent to which one strategy is used over another varies according to the situations and the availability of coping resources (Folkman and Lazarus, 1986).

An organization also tries to assist employees during stressful period through specific services like primary, secondary and tertiary levels of stress intervention. EAP (Employee assistance programme) are designed to benefit both employers and employees (Murphy, 1988).

Social support is often recommended as an effective means of reducing stress (Griffith et al. 1999). Ventilation and socialization allows one to seek social support for emotional reasons, getting moral support, sympathy and understanding. Socialization can be instrumental in problem solving by seeking advice, assistance and information. Ventilation helps to focus on the distress one is experiencing due to stress and to ventilate those feelings to seek relief (Carver, 1989).

Listening to music is the technique most frequently used by employees to overcome the problem of stress (Sharma, 2008). Time management is planning ahead and thinking about how to deal with upcoming stressors. It involves coming up with an action plan, thinking about the steps to be taken. Waiting for an appropriate opportunity to take action is called restraint coping (Carver, 1989).

Organizational stress leads to distress in employees. The process of laughing or 'laughter therapy' helps to come out of that distress. Professional support or expert advice, like counseling, helps them to resolve personal or psychological problems (Kutz et. al., 1985). Exercise is any activity that promotes physical fitness. Regular exercise enhances overall physical health as well as mental well being (Selvamurthy, 1993).

Stress reaction and relaxation response (Benson, 1975) are the body and mind's built in response mechanisms. Relaxation and meditation are methods which enable an individual to soothe the mind and body and come out of the after effects of stress (Kabat-Zinn et. al, 1982).

As stress-relieving techniques can be a moderating factor for the negative effects of organizational stress, we tried to identify current stress-relieving techniques used by employees.

In occupational stress research, a broad system of variables including personality factors, environmental /organizational factors and coping strategies are studied extensively in isolation as well as in association. The studies related to these variables have resulted in extensive organizational stress literature but have not led to very many implications for the management of occupational stress. The employee does not know all the temporal relationships between these variables, so the awareness of these findings amongst employees can be a cornerstone in the organizational stress management process.

## 3. HYPOTHESIS

H01: Organizational stressors and stress relieving techniques are independent of each other.
H02: Organizational stressors & stress relieving techniques have no relationship with demographic variables.

## 4. RESEARCH METHODOLOGY

**A) Sample:** In this exploratory research, a sample of 118 employees (79 males, 39 females) was drawn from employees in different service sectors of different cities in India.

Sampling method: Samples selected through Convenience sampling (Kothari & Garg, 2014).

**TABLE 1: SOCIO ECONOMIC INDICATORS**

| Socio Economic Indicators | Frequency | Percentage | CITY | NO | % |
|---|---|---|---|---|---|
| **Age** | | | Pune | **51** | 43% |
| Under 25 yrs | 9 | 8% | Bangalore | **32** | 27% |
| 26 – 35 | 63 | 53% | Mumbai | **20** | 17% |
| 36 - 45 | 31 | 26% | Nasik | **3** | 3% |
| 46 - 55 | 13 | 11% | Delhi | **4** | 3% |
| 56 + | 2 | 2% | Other | **8** | 7% |
| Total | 118 | 100 | Total | **118** | 100% |
| **Marital status** | | | | | |
| Married | 82 | 69% | **TYPE OF INDUSTRY** | NO | % |
| Unmarried | 36 | 31% | Automobile & Auto ancillary | **5** | 4% |
| TOTAL | 118 | 100 | Information technology (IT) & ITES | **26** | 22% |
| **Gender** | | | Pharmaceutical | **1** | 1% |
| Male | 79 | 67% | Manufacturing | **6** | 5% |
| Female | 39 | 33% | Engineering & industrial machinery | **7** | 6% |
| TOTAL | 118 | 100 | Electrical & electronics | **1** | 1% |
| **Job status** | | | Network & Telecom | **3** | 3% |
| Permanent | 106 | 90% | Business services | **13** | 11% |
| temporary | 12 | 10% | Chemical | **1** | 1% |
| TOTAL | 118 | 100 | Construction & infrastructure. | **5** | 4% |
| **Family status** | | | Healthcare | **10** | 9% |
| Joint family | 46 | 39% | Other | **40** | 33% |
| Nuclear family | 72 | 61% | TOTAL | **118** | 100% |
| TOTAL | 118 | 100 | | | |
| **Income group** | | | | | |
| Below 25,000 | 32 | 27% | | | |
| 25,001 -40,000 | 28 | 24% | | | |
| 40,001 – 55,000 | 22 | 18% | | | |
| 55,001-70,000 | 9 | 8% | | | |
| Above 70,000 | 27 | 23% | | | |
| TOTAL | 118 | 100 | | | |

**B) Research instrument:** The self report questionnaire was used as the data collection instrument to gather information about existing stressors at work and various stress relieving-techniques used by respondents.

a)     Variables identification

'Stress' has multiple dimensions. So to understand the existing stressors, initially; face-to-face in-depth interviews were conducted to gather information about these stressors and the stress-relieving techniques practiced by employees were noted. Twenty-five (25) such interviews were conducted in Bangalore and Pune.

b)     Questionnaire formulation

With the help of the literature review and analysis of the information gathered during interviews, 20 stressors and 15 stress-relieving techniques were identified to formulate our first draft of the questionnaire. This questionnaire was circulated through employee friends and their colleagues. Some volunteers were asked to fill up the questionnaire in our presence to understand the potential difficulties/ambiguities that respondents may face while filling up the questionnaire. During this process we received feedback on

a-    Overlapping of variables
b-    Repetitions
c-    Difficulties in conceptual understanding
d-    Questionnaire framework
e-    Five-point Likert scale used

After incorporating the feedback a new questionnaire was designed and this was again circulated amongst the same set of respondents and the whole process was repeated.

The second draft of the modified questionnaire was then referred to a group of experts in the subject and their feedback was incorporated. This process was repeated and implemented again to iron out and further streamline the questionnaire.

c)    Final version of the questionnaire

At the end of the above-mentioned process, the final version of the questionnaire was formulated. The two parts of this final version were:

1-    Organizational Stressors with 45 variables under 9 constructs,

*a)*    Time Pressure

*b)*    Job pressure

*c)*    Job Overload Stress

*d)*    Interpersonal relationship

*e)*    Job-Related Health Concerns

*f)*    Role conflict

*g)*    Job Under load stress

*h)*     Job insecurity

*i)*    Support

2-    Stress relieving techniques with 10 variables under 1 construct
A)    Organizational interventions:
1)    EAP ( Employee Assistance Programme)
B)    Individual stress relieving techniques:
a) Short term outcome -
1)    Music
2)    Laughter therapy
3)    Ventilation & catharsis
4)    Time management
5)    Socialization including outing
        b) Long term outcome -
1)    Meditation
2)    Relaxation
3)    Exercise including a walk
4)    Counseling

**C) Analysis:**
Factor structure and alpha reliabilities:
Sample size (n) = 118
We have conducted exploratory factor analysis on the organizational stressors and Stress relieving techniques. Analysis of the database was conducted to check the reliability of the scale and explore the factor structure of the instrument.

**TABLE 2: INSTRUMENT'S RELIABILITY COEFFICIENTS**

| Cronbach's Alpha | KMO | N of Items |
|---|---|---|
| 0.94 | 0.8 | 55 |

The instruments under study were reliable with coefficients **0.94**, exceeding the minimum acceptance level of 0.70
For organizational stressors and stress-relieving techniques, a principal component analysis was used to obtain the rotated component matrix. Poorly performing items were not considered, in order to improve the scale's reliability. Exploratory factor analysis indicated that the questionnaire was tapping 6 stressor domains and 4 coping domains so 6 new variables for stressors and 4 for stress-relieving techniques were computed using the factors of internal consistency estimates. Computed variables for stressors were: 1) Pressure 2) Ipr (inter personal relationship) 3) Role conflict 4) Under load 5) Job insecurity and 6) Support. And for Stress relieving techniques were: 1) Meditate 2) Venting 3) Relax and 4) Music. These new variables were used for further analysis.

**TABLE 3: MEAN SCORES AND STANDARD DEVIATIONS OF THE VARIABLES USED IN STUDY**

| Variables | Mean | Std. deviation |
|---|---|---|
| Pressure | 19.92 | 6.434 |
| Ipr | 6.38 | 2.766 |
| Role conflict | 8.48 | 3.73 |
| Under load | 8 | 3.453 |
| Job insecurity | 7.83 | 4.09 |
| Support | 10.23 | 4.521 |
| Meditate | 5.22 | 2.138 |
| Music | 3.25 | 1.127 |
| Venting | 9.38 | 2.654 |
| Relax | 6.86 | 2.872 |

The mean score and standard deviations for each variable can be seen in table no 3. For organizational stressors mean values ranges from 6.38 to 19.92 with SD of 2.76 to 6.43 and for techniques, mean values range from 3.25 to 9.38 with SD of 1.12 to 2.87.

## 5. RESULT & DISCUSSION

The results show a significant positive relationship between the organizational stressors: an increase in one stressor leads to an increase in another.

**TABLE 4: CORRELATION BETWEEN DEMOGRAPHIC VARIABLE AND ORGANIZATIONAL STRESSORS**

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Job status | coeff | 1 | 0.089 | 0.141 | -0.023 | -0.142 | -0.253** | -0.157 | -0.071 | -0.143 | **-0.191*** | -0.068 | -0.136 |
| | Sig. (1-tail) | | 0.174 | 0.069 | 0.404 | 0.066 | 0.004 | 0.052 | 0.228 | 0.066 | **0.024** | 0.241 | 0.084 |
| 2 Gender | coeff | | 1 | .159* | -0.023 | -0.093 | -0.199* | -0.043 | -0.039 | -0.052 | 0.052 | -0.076 | -0.011 |
| | Sig. (1-tail) | | | 0.046 | 0.403 | 0.164 | 0.017 | 0.327 | 0.34 | 0.292 | 0.295 | 0.215 | 0.455 |
| 3 Marital status | coeff | | | 1 | -.247** | -.361** | -0.347** | -0.035 | 0.135 | 0.033 | 0.05 | 0.022 | 0.09 |
| | Sig. (1-tail) | | | | 0.004 | 0 | 0 | 0.358 | 0.079 | 0.363 | 0.303 | 0.41 | 0.182 |
| 4 Family status | coeff | | | | 1 | -0.041 | -.165* | **0.201*** | 0.028 | 0.034 | 0.033 | 0.093 | -0.048 |
| | Sig. (1-tail) | | | | | 0.334 | 0.041 | **0.018** | 0.384 | 0.36 | 0.367 | 0.169 | 0.313 |
| 5 Age | coeff | | | | | 1 | .405** | 0.042 | -0.133 | -0.143 | 0.038 | 0.043 | -0.044 |
| | Sig. (1-tail) | | | | | | 0 | 0.331 | 0.081 | 0.065 | 0.347 | 0.327 | 0.328 |
| 6 Income | coeff | | | | | | 1 | 0.082 | 0.075 | **0.161*** | 0.095 | -0.017 | 0.045 |
| | Sig. (1-tail) | | | | | | | 0.199 | 0.216 | **0.045** | 0.165 | 0.431 | 0.323 |
| 7 Pressure | coeff | | | | | | | 1 | .374** | .503** | .315** | .273** | .519** |
| | Sig. (1-tail) | | | | | | | | 0 | 0 | 0 | 0.002 | 0 |
| 8 Ipr | coeff | | | | | | | | 1 | .609** | .356** | .357** | .516** |
| | Sig. (1-tail) | | | | | | | | | 0 | 0 | 0 | 0 |
| 9 Roleconflict | coeff | | | | | | | | | 1 | .412** | .441** | .621** |
| | Sig. (1-tail) | | | | | | | | | | 0 | 0 | 0 |
| 10 Under load | coeff | | | | | | | | | | 1 | .436** | .484** |
| | Sig. (1-tail) | | | | | | | | | | | 0 | 0 |
| 11 Jobinsecurity | coeff | | | | | | | | | | | 1 | .489** |
| | Sig. (1-tail) | | | | | | | | | | | | 0 |
| 12 Support | coeff | | | | | | | | | | | | 1 |
| | Sig. (1-tail) | | | | | | | | | | | | |
| *. Correlation is significant at the 0.05 level (1-tailed). | | | | | | | | | | | | | |
| **. Correlation is significant at the 0.01 level (1-tailed). | | | | | | | | | | | | | |

We find a significant negative relationship of under load stress with job status (r = -0.191, p < 0.05) indicating that **work under load** stress occurs more often in permanent employees. Job pressure and family status have a significant positive relationship (r = 0.201, p < 0.05), i.e**. job pressure** is more in employees living in joint families. **Role conflict** has a significant positive relation with monthly income (r = 0.161, p < 0.05), i.e. stress of role conflict increases with an increase in monthly income.

**TABLE 5: CORRELATION BETWEEN DEMOGRAPHIC VARIABLE AND STRESS RELIEVING TECHNIQUES**

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Job status | coeff | 1 | 0.089 | 0.141 | -0.023 | -0.142 | -0.253** | -0.101 | **-0.158** | 0.072 | -0.054 |
| | Sig. (1-tail) | | 0.174 | 0.069 | 0.404 | 0.066 | 0.004 | 0.145 | **0.049** | 0.229 | 0.287 |
| 2. Gender | coeff | | 1 | .159* | -0.023 | -0.093 | -0.199* | 0.083 | **0.193*** | 0.097 | -0.14 |
| | Sig. (1-tail) | | | 0.046 | 0.403 | 0.164 | 0.017 | 0.192 | **0.021** | 0.157 | 0.072 |
| 3. Marital status | coeff | | | 1 | -.247** | -.361** | -0.347** | -0.011 | 0.126 | 0.118 | -0.043 |
| | Sig. (1-tail) | | | | 0.004 | 0 | 0 | 0.456 | 0.094 | 0.112 | 0.329 |
| 4. Family status | coeff | | | | 1 | -0.041 | -.165* | 0.038 | **-0.163*** | 0.141 | 0.096 |
| | Sig. (1-tail) | | | | | 0.334 | 0.041 | 0.346 | **0.043** | 0.07 | 0.158 |
| 5. Age | coeff | | | | | 1 | .405** | **0.197*** | -0.056 | -.103 | 0.081 |
| | Sig. (1-tail) | | | | | | 0 | **0.019** | 0.279 | 0.141 | 0.2 |
| 6. Income | coeff | | | | | | 1 | -0.103 | -0.104 | -.157 | -0.05 |
| | Sig. (1-tail) | | | | | | | 0.14 | 0.138 | 0.051 | 0.302 |
| 7. Meditation | coeff | | | | | | | 1 | .305** | .218* | .291** |
| | Sig. (1-tail) | | | | | | | | 0.001 | 0.011 | 0.001 |
| 8. Music | coeff | | | | | | | | 1 | .256** | .209* |
| | Sig. (1-tail) | | | | | | | | | 0.004 | 0.015 |
| 9. Venting | coeff | | | | | | | | | 1 | .386** |
| | Sig. (1-tail) | | | | | | | | | | 0 |
| 10. Relaxation | coeff | | | | | | | | | | 1 |
| | Sig. (1-tail) | | | | | | | | | | |

There is a significant negative relationship between Music and Job Status (r = -0.158, p < 0.05). Music and Status of Family (r = -0.163, p < 0.05) shows that **primarily employees who are permanent and living in nuclear families use Music as a stress-relieving technique**. There is a positive significant relationship between Music and Gender (r = 0.193, p < 0.05), suggesting females listen to music more often than males to relieve stress.
**Older age groups use meditation more often** as a stress-relieving technique.

**TABLE 6: CORRELATIONS BETWEEN ORGANIZATIONAL STRESSORS AND STRESS RELIEVING TECHNIQUES**

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Co-Coeff | 1 | 0.398** | 0.491** | 0.321** | 0.264** | 0.512** | -0.011 | -0.016 | 0.155 | 0.135 |
| Pressure | Sig. (1-tail) | . | 0 | 0 | 0.001 | 0.006 | 0 | 0.914 | 0.871 | 0.112 | 0.168 |
| 2 | Co-Coeff | | 1 | 0.628** | 0.409** | 0.437** | 0.537** | 0.009 | 0.032 | 0.065 | 0.067 |
| Ipr | Sig. (1-tail) | | | 0 | 0 | 0 | 0 | 0.922 | 0.739 | 0.501 | 0.485 |
| 3 | Co-Coeff | | | 1 | 0.462** | 0.422** | 0.609** | 0.011 | **0.188*** | 0.109 | 0.059 |
| Roleconflict | Sig. (1-tail) | | | . | 0 | 0 | 0 | 0.909 | **0.048** | 0.257 | 0.543 |
| 4 | Co-Coeff | | | | 1 | 0.434** | 0.485** | 0.032 | 0.056 | 0.125 | 0.117 |
| Under load | Sig. (1-tail) | | | | . | 0 | 0 | 0.743 | 0.569 | 0.202 | 0.234 |
| 5 | Co-Coeff | | | | | 1 | 0.416** | 0.067 | -0.004 | 0.12 | **0.259**** |
| Jobinsecurity | Sig. (1-tail) | | | | | . | 0 | 0.494 | 0.969 | 0.222 | **0.007** |
| 6 | Co-Coeff | | | | | | 1 | -0.042 | 0.095 | **0.220*** | 0.154 |
| Support | Sig. (1-tail) | | | | | | . | 0.671 | 0.339 | **0.025** | 0.12 |
| 7 | Co-Coeff | | | | | | | 1 | 0.316** | 0.166 | 0.305** |
| Meditation | Sig. (1-tail) | | | | | | | . | 0.001 | 0.084 | 0.001 |
| 8 | Co-Coeff | | | | | | | | 1 | 0.243* | 0.178 |
| Music | Sig. (1-tail) | | | | | | | | . | 0.011 | 0.064 |
| 9 Venting | Co-Coeff | | | | | | | | | 1 | 0.335** |
| | Sig. (1-tail) | | | | | | | | | . | 0 |
| 10 | Co-Coeff | | | | | | | | | | 1 |
| Relaxation | Sig. (1-tail) | | | | | | | | | | . |

Results show that there was a significant correlation between Stressors and the choice of stress-relieving techniques as:

a. Positive significant relation between Role Conflict and Listening to Music ( r = 0.118, p = 0.048 )

b. Positive significant relation between Job Security & Relaxation ( r = 0.259, p = 0.007)

c. Positive significant relation between Support & Venting ( r = 0.220 p = 0.025 )

This shows that employees with role conflict at the job level use **listening to Music** as a stress relieving technique more than other techniques. Employees with job insecurity use Relaxation to relieve their stress and employees without adequate Support find relief by socialization and venting their frustrations.

## 6. CONCLUSION

This study contributes to the identification of organizational stressors in different service sectors. Consistent with earlier studies (Gillespie et al., 2001), these sources of stress are job pressure, interpersonal relationships, role conflict, low support, work under load and job insecurity. It's interesting to note that stress-relieving techniques used by employees include meditation, relaxation, listening to music, socialization and ventilation. This reflects employee awareness of stress relieving techniques and an avoidance of standard practices like EAP in organizational settings. Employees prefer individual short-term stress relief techniques over organizational interventions and long-term methods like counseling and exercise.

Demographic variables like job status, family status and monthly income emerged as good predictors of stress in employees as well as predictors of stress-relieving techniques. Thus we rejected our second null hypothesis of there being no relationship between demographic variables with stressors and stress-relieving techniques. There is a definite relationship between role conflict & music, job insecurity & relaxation, support & venting out. Thus we rejected our first null hypothesis of there being no relationship between organizational stressors and stress-relieving techniques.

While a variety of studies have been conducted on this subject, each of them differs in terms of variables selected, instruments used and sample sizes. This study aims to contribute significantly to the repertoire of knowledge on organizational stressors, stress relieving techniques and the relationship between them. By increasing the awareness of these lifestyle factors, this study also hopes to empower employees to better manage their stress and anxiety.

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# COMPOSITION OF IMPORTS AND ITS CONSEQUENCES ON ECONOMIC GROWTH

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## ABSTRACT
*The present study analyzes the role of imports in India's economic growth and examine whether the import growth helps in the development of our country. This study is mainly concentrated on the growth and composition of import and GDP in India. The results of the analysis reveal a positive relationship between import and GDP. It suggests that the rapid growth of imports played a substantial role in the growth rate in India following trade liberalization during the years.*

## KEYWORDS
import, GDP, economic growth.

## INTRODUCTION
Indian import as a part of international trade has been growing rapidly, where the export could not catch up with. It has been found that the growing imports with low exports are a major reason for adverse balance of payments. Year after year the import activities in India are growing tremendously neither considering domestic interest nor balance of payments. Since India's foreign policy has much emphasis on exports, there are certain trade barriers and duties imposed on imports but of on response. The import in India has certain consequences, directly or indirectly on economic development, global communication and enhanced infrastructural facilities. Hence this study is such an attempt to examine the consequence of import on economic growth in India.

## STATEMENT OF PROBLEM
Imports in India increased to 33120 USD Million in June from 32753 USD Million in May of 2015. Imports in India averaged 6339.76 USD Million from 1957 until 2015, reaching an all time high of 45281.90 USD Million in May of 2011 and a record low of 117.40 USD Million in August of 1958. India is heavily dependent on crude oil imports, with petroleum crude accounting for about 34 percent of the total inward shipments. The country also imports: gold and silver (12 percent of the total imports), machinery (10 percent), electronic goods (7 percent) and pearls, precious and semi-precious stones (5 percent). India's main import partners are China (10.7 percent of the total shipments), United Arab Emirates (8 percent), Saudi Arabia (7 percent), Switzerland (7 percent) and the United States (5 percent). Imports in India have been growing higher when compared with exports and it signified unfavorable balance of trade. It may have adverse or favorable effect on country's economic growth. The reason behind huge imports is to meet out the country's growing needs and in this case, there is no escape. Above all it leads to deficit in balance of payments. This may cause some collision to nation's gross domestic product. With this the present study has been attempted to examine the impact of import on economic growth in India.

## REVIEW OF LITERATURE
1. **Kannan, (1986)** analysed the export performance of agricultural commodities from 1968-69 to 1881-82. In case of almost all the commodities, increased unit value was primarily an important factor in the achievement of higher import earnings. Incase of rice, marine products, quantum increase was reinforcing factor. The import of rice, sugar and raw cotton were subject to considerable instability.
2. **Tyagi, D. S.(1990)** in his article analyzed the problems and alternatives related to Indian food economy. In his article he suggested that although a very well developed statistical system exist in India, neither the degree of reliability is very high nor the statistic are available on time. So, immediate steps should have to be taken to improve the reliability and timeliness of basic information required for managing the food economy.
3. **Dorosh, P.A, (2001)** in his article analyzed the issue of trade liberalization and food security with giving emphasis or focus on the rice trade between Bangladesh and India. From his study he found that the trade liberalization offer potential benefits for national food security by enabling a rapid increase of food supplier following domestic production short falls.

## OBJECTIVES
The objectives of the study are
➢ To analyze the growth and composition trend of import in India.
➢ To identify the impact of import on economic growth in India.

## HYPOTHESIS
$H_{01:}$ Import has no impact on GDP in India.

## RESEARCH METHODOLOGY
### SOURCE OF DATA
The study is based on the secondary data and reliable data for the study the data has been compiled from Statistical Handbook of Indian Economy 2014 of Reserve Bank of India.

**PERIOD OF STUDY**

The study period is 5 years from 2009-2010 to 2013-2014.

**TOOLS USED**

The collected data has been used for analysis with the help of Descriptive Statistics, namely, Mean, Standard Deviation and Growth rate along with Linear Regression.

**LIMITATIONS**

The major limitations of the study are;

➢ It is based on India and it will not applicable to any other country. It has its own limitations.
➢ The study is based on secondary data.

**ANALYSIS**

**TABLE 1: IMPORT IN INDIA DURING 2009-2010 TO 2013-2014**

| YEAR | OIL | NON OIL | TOTAL (INR BILLION) |
|------|-----|---------|---------------------|
| **2009-2010** | 4116.49 | 9520.86 | 13637.36 |
| **2010-2011** | 4822.82 | 12011.85 | 16834.67 |
| **2011-2012** | 7430.75 | 16023.88 | 23454.63 |
| **2012-2013** | 8918.75 | 17772.91 | 26691.62 |
| **2013-2014** | 10000.64 | 17141.17 | 27141.82 |

Source: Collected and compiled from Statistical Handbook of RBI 2014

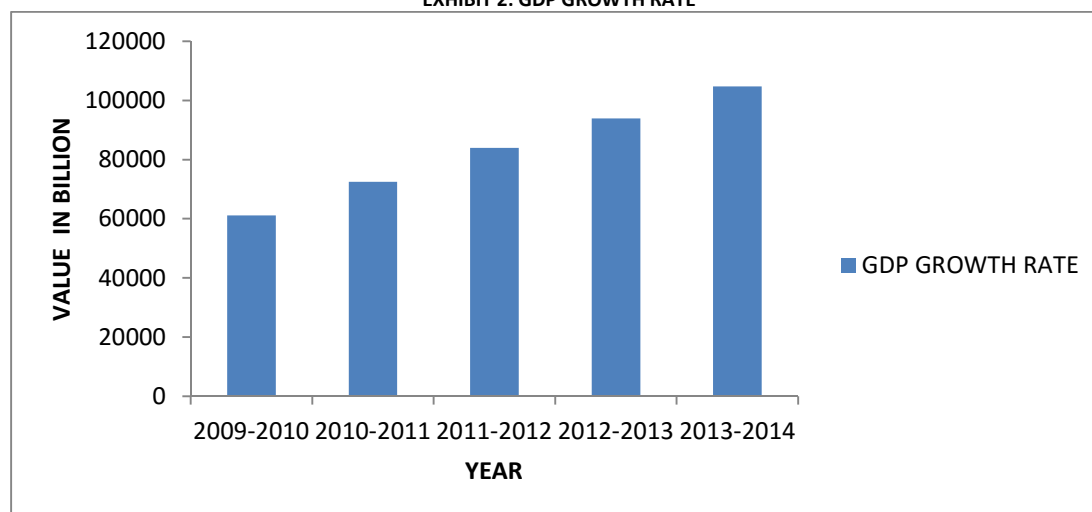**EXHIBIT 1: IMPORT GROWTH RATE**
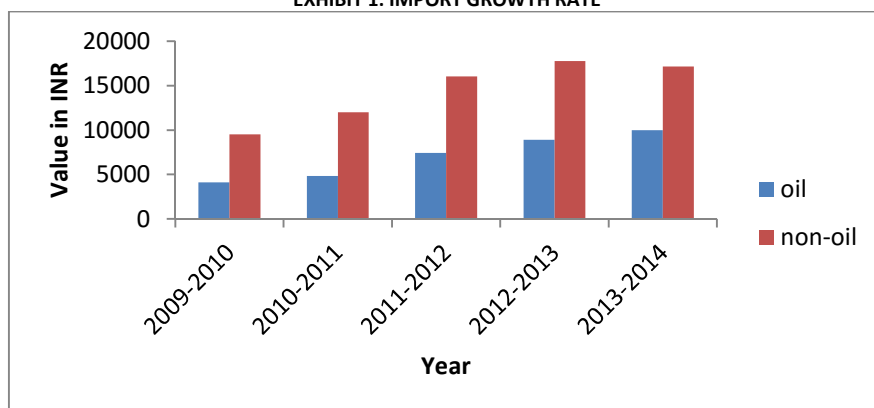


**Source:** Collected and compiled from Statistical Handbook of RBI 2014

The Table 1 and Exhibit 1 represents import growth rate in oil and non oil items with the total import growth rate of India during 2009-2010 to 2013-.2014. In the years 2009-2010 the total import growth rate stands at 13637.36 and there was a moderate change by the year 2011-2012 with the value of 2345.63. Now the import growth rate 2013-2014 shows an increase in growth rate with the value of 27141.82. Hence there is a constant increase in import during the study period.

**TABLE 2: GDP GROWTH RATE OF IMPORT IN INDIA DURING THE PERIOD 2009-2010 TO 2013-2014**

| YEAR | GDP RATE(INR BILLION) |
|------|------------------------|
| **2009-2010** | 61089.03 |
| **2010-2011** | 72488.60 |
| **2011-2012** | 83916.91 |
| **2012-2013** | 93888.76 |
| **2013-2014** | 104728.07 |

**SOURCE:** Collected and compiled from Statistical Handbook Of RBI 2014

**EXHIBIT 2: GDP GROWTH RATE**



**SOURCE:** Collected and Compiled from Statistical Handbook Of RBI 2014.

The Table 2 and exhibit 2 represents the GDP Growth rate of oil and non-oil items in India during the year 2009-2010 to 2013-2014.The GDP rate stands at Rs.61089.03 in the year 2009-2010 and goes on a moderate change and stands by Rs.104728.07 in the year 2013-2014.

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**DESCRIPTIVE STATISTICS**

**TABLE-3: DESCRIPTIVE STATISTICS OF IMPORTS (OIL & NON-OIL) DURING THE STUDY PERIOD 2009-2010 TO 2013-2014**

|  | N | Minimum | Maximum | Mean | Std. Deviation | CAGR |
|---|---|---|---|---|---|---|
| VAR00001 | 5 | 13637.36 | 27141.82 | 21551.9480 | 6045.09740 | 1.19 |
| Valid N (list wise) | 5 |  |  |  |  |  |

**Source:** Collected and compiled from Statistical Handbook of RBI 2014

Table3 represents the descriptive statistics of import and GDP of India during 2009-2010 to 2013-2014. The M value of 21551.94 and the SD value of 6045.09 with the compound annual growth rate of 6045.09. The table further states the annual growth rate of 1.19, which shows gradual growth of imports in India during the period 2009-2010 to 2013-2014.

**TABLE 4: REGRESSION ANALYSIS**

$H_{01}$: Import has no impact on GDP in India.

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | F value | P value | Significant / non significant |
|---|---|---|---|---|---|---|---|
| 1 | .965[a] | .930 | .907 | 5238.47852 | 40.046 | .008[a] | Significant |

a. Independent variable: Export
b. Dependent variable :GDP

Table4 represents the regression analysis of import and GDP of India during 2009-2010 to 2013-2014. The $R^2$ value of 0.907 shows the significant contribution imposed by import to GDP of India. The F value 40.046, which is higher than the table value with the P value 0.0008, is significant at 5 percent level Hence the null hypothesis is rejected and there is significant consequence imposed by import on GDP in India.

## SUGGESTIONS

➢ The import can be reduced to have favorable balance of trade.
➢ The import of principal commodities can be reduced by the way of having reasonable trade barrier.
➢ Import barrier can be further strengthened in case of available commodities.
➢ Domestic resources should be properly utilizes rather than the imported resources.

## CONCLUSION

In this paper we have undertaken an empirical analysis to examine the impact of imports on economic growth in India. This empirical analysis gives the solution for some unclear results. The results show that there is a constant increase in import growth rate during the year 2009-2010 to 2013-2014.The import growth rate stands by 27141.82 the year 2013-2014 which provides additional growth to GDP during the year. It is revealed by the result that there is a significant consequence imposed by import on GDP.

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# ONE PERSON COMPANY (OPC): EVALUATING ITS FIRST STEP IN INDIA

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## ABSTRACT

*In a glance it could be understood that OPC has several drawbacks over some limited advantages. The critical factor would be see how supporting legislation pushes the concept of OPC- would banks treat the OPC as a full-fledged company or compromise for a company? Is winding up an OPC as hectic and tedious as winding up a normal company? Will this new concept be able to attract more and more entrepreneurs? We need to understand that this concept holds good in a matured economy, where corporate governance is an integral part of all organisations. In India, OPC is in its stage of infancy and hence it requires ample time to usher throughout the economy.*

## KEYWORDS

OPC, corporate governance.

## INTRODUCTION

After some harsh criticism from both corporate and professional front, OPC ultimately got success to trickle down into new Companies Act, 2013. Already prevalent in Europe, Singapore, China, USA and several countries of Gulf region, OPC has got its first step in India. The need of flying solo and having limited liability gave a head start to the OPC concept. Appraised majorly for covering unorganised sector in a developing economy like India, it also provides ample flexibility to individuals and professionals to manage their business efficiently while enjoying all the benefits of being a company as well.

OPC is a new kind of enterprise which has characteristics of a company as well as of a sole proprietorship firm.

**The crux is, it is a legal entity which functions on the same principles as a company does, but has only one member and one shareholder.**

The following article will give a quick glimpse about the different sections of OPC, its advantages and hurdles. Also, this article will provide some recommendations to the government, financial institutions and the entrepreneurs to take steps in order to face challenges efficiently.

## PROCEDURE FOR INCORPORATING OPC

1.      Obtain Digital Signature Certificate [DSC] for the proposed Director(s).
2.      Obtain Director Identification Number [DIN] for the proposed director(s).
3.      Select suitable Company Name, and make an application to the Ministry of Corporate Office for availability of name.
4.      Draft Memorandum of Association and Articles of Association [MOA & AOA].
5.      Sign and file various documents including MOA & AOA with the Registrar of Companies electronically.
6.      Payment of Requisite fee to Ministry of Corporate Affairs and also Stamp Duty.
7.      Scrutiny of documents at Registrar of Companies [ROC].
8.      Receipt of Certificate of Registration/Incorporation from ROC.

## DIFFERENCE BETWEEN SOLE PROPRIETORSHIP FIRM AND OPC

It is right that OPC is mixture of company and sole proprietorship. It could also be said that OPC is one notch higher than sole proprietorship. The major difference between these two could be summed up as follows:

TABLE 1

| Basis of Difference | One Person Company | Sole Proprietorship |
|---|---|---|
| Legal Entity | Has separate legal entity. | Owner and entity are same personality. |
| Debt Payment | It is not the sole responsibility of the owner. | It is sole responsibility of the owner. |
| Liability | Has limited liability. | Has unlimited liability. |
| Credit | Credit is granted after analysing the credit history of the company. | Credit is granted after analysing the credit history of the owner. |
| Tax Liability | Separate from owner's tax. | Tax paid by the owner. |
| Legal Requirement | It will need to be registered mandatorily. | No mandatory registration. |

## PROVISIONS FOR OPC

Now we shall discuss the provision regarding OPC in our new Companies Act, 2013:

**Section 2 (*62*)** "One Person Company" means a company which has only one person as a member.

**Section 2 (*40*)** "Financial statement" in relation to a company, includes—

(*i*) a balance sheet as at the end of the financial year;

(*ii*) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;

(*iii*) cash flow statement for the financial year;

(*iv*) A statement of changes in equity, if applicable; and

(*v*) Any explanatory note annexed to, or forming part of, any document referred to in sub-clause (*i*) to sub-clause (*iv*):

Provided that the financial statement, with respect to One Person Company,

small company and dormant company, may not include the cash flow statement.

**Section 2 (*68*)** "private company" means a company having a minimum paid-up share capital of one lakh rupees or such higher paid-up share capital as may be prescribed, and which by its articles,—

(*i*) restricts the right to transfer its shares;

(*ii*) Except in case of One Person Company, limits the number of its members to two hundred:

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Provided that where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member: Provided further that—

(**A**) Persons who are in the employment of the company; and

(**B**) Persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased,

shall not be included in the number of members; and

(***iii***) Prohibits any invitation to the public to subscribe for any securities of the company;

**Section 3. (1):** Formation of company: A company may be formed for any lawful purpose by—

(*a*) seven or more persons, where the company to be formed is to be a public company;

(*b*) two or more persons, where the company to be formed is to be a private company; or

(*c*) one person, where the company to be formed is to be One Person Company that is to say, a private company,

by subscribing their names or his name to a memorandum and complying with the requirements of this Act in respect of registration:

Provided that the memorandum of One Person Company shall indicate the name of the other person, with his prior written consent in the prescribed form, who shall, in the event of the subscriber's death or his incapacity to contract become the member of the company and the written consent of such person shall also be filed with the Registrar at the time of incorporation of the One Person Company along with its memorandum and articles:

Provided further that such other person may withdraw his consent in such manner as may be prescribed:

Provided also that the member of One Person Company may at any time change the name of such other person by giving notice in such manner as may be prescribed:

Provided also that it shall be the duty of the member of One Person Company to intimate the company the change, if any, in the name of the other person nominated by him by indicating in the memorandum or otherwise within such time and in such manner as may be prescribed, and the company shall intimate the Registrar any such change within such time and in such manner as may be prescribed:

Provided also that any such change in the name of the person shall not be deemed to be an alteration of the memorandum.

**Section 3 (2):** A company formed under sub-section (*1*) may be either—

(*a*) a company limited by shares; or

(*b*) a company limited by guarantee; or

(*c*) an unlimited company.

**Section 4 (1)(f):** Memorandum: In the case of One Person Company, the name of the person who, in the event of death of the subscriber, shall become the member of the company.

**Section 12 (3): Proviso:** Registered office of One Person Company(OPC): Provided further that the words ''One Person Company'' shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.

**Section 92(1): Proviso:** Annual return: Provided that in relation to One Person Company and small company, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.

**Section 96 (1):** Annual General Meeting (AGM): Every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next.

**Section 122 (1):** The provisions of the below sections shall not apply to a One Person Company (OPC):

- **Section 98:** Power of Tribunal to call meetings of members, etc
- **Section 100:** Calling of extraordinary general meeting
- **Section 101:** Notice of meeting
- **Section 102:** Statement to be annexed to notice
- **Section 103:** Quorum for meetings
- **Section 104:** Chairman of meetings
- **Section 105:** Proxies
- **Section 106:** Restrictions on voting rights
- **Section 107:** Voting by show of hands
- **Section 108:** Voting through electronic means
- **Section 109:** Demand for poll
- **Section 110:** postal ballot
- **Section 111:** Circulation of members' resolution;
- **Section 134:** Financial statement, Board's report, etc.:

(1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon.

(4) The report of the Board of Directors to be attached to the financial statement under this section shall, in case of a One Person Company, mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.

**Section 137 (1):** Copy of financial statement to be filed with registrar: (Proviso 3) also that a One Person Company shall file a copy of the financial statements duly adopted by its member, along with all the documents which are required to be attached to such financial statements, within one hundred eighty days from the closure of the financial year.

**Section 149:** Company to have Board of Directors: (*1*) every company shall have a Board of Directors consisting of individuals as directors and shall have—

(*a*) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and

(*b*) a maximum of fifteen directors:

Provided that a company may appoint more than fifteen directors after passing a special resolution:

Provided further that such class or classes of companies as may be prescribed, shall have at least one woman director.

**Section 152:** Appointment of Directors: (*1*) Where no provision is made in the articles of a company for the appointment of the first director, the subscribers to the memorandum who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed and in case of a One Person Company an individual being member shall be deemed to be its first director until the director or directors are duly appointed by the member in accordance with the provisions of this section.

**Section 173**: *Meetings of Boards*: (*5*) A One Person Company, small company and dormant company shall be deemed to have complied with the provisions of this section if at least one meeting of the Board of Directors has been conducted in each half of a calendar year and the gap between the two meetings is not less than ninety days:

Provided that nothing contained in this sub-section and in section 174 shall apply to One Person Company in which there is only one director on its Board of Directors.

**Section 193:** Contract by One Person Company: (*1*) Where One Person Company limited by shares or by guarantee enters into a contract with the sole member of the company who is also the director of the company, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first meeting of the Board of Directors of the company held next after entering into contract: Provided that nothing in this sub-section shall apply to contracts entered into by the company in the ordinary course of its business.

(*2*) The company shall inform the Registrar about every contract entered into by the company and recorded in the minutes of the meeting of its Board of Directors under sub-section (*1*) within a period of fifteen days of the date of approval by the Board of Directors.

## HIGHLIGHTS

1. As a separate legal entity, it would be treated and considered as a private company, subject to some pre-specified exceptions.
2. Mentioning the words "one person company" in brackets at the registered office of the company is mandatory.
3. Minimum numbers of members in its register of members shall be one. Number of directors can extend from minimum one to 15 in its board.
4. Name of the person, who shall become a member of the company at the incapacity of the existing member, must be included in the memorandum of association.
5. Simply by means of communication through a member of the company, the sole member may carry out any business after passing ordinary or special resolution as per requirements and by entering the same in the minute book.
6. Following relaxations shall be enjoyed by OPC:
➢ Preparation of cash flow statement is not mandatory.
➢ Even a single director can sign the annual report and director's report.
➢ No forbiddance to hold annual general meeting.
➢ Restriction to vote either by show of hand, electronic means, poll, postal ballot or by circulation (restriction of voting right).
➢ No one shall have the power to call any meeting, give notice about a meeting and annexure thereto, call for a quorum, appoint a chairman, and proxies for a meeting.

## PLUS POINTS

1. **EASY INCORPORATION**
   a. OPC has an easy compliance. It follows simple step by step procedure and requires minimal documentation. It is because of the reason that such type of hectic-free process will attract more & more potential entrepreneurs.
2. **SEPARATE LEGAL ENTITY AND LIMITED LIABILITY**
   a. This is another stress buster that new Company Law has brought for entrepreneurs. Risk in proprietorship is higher as the owner is personally responsible for the business because owner and business is treated as a single entity. Thus, owner bears unlimited liability. But under separate legal entity clause of OPC, entrepreneur will be treated separate from business and have limited liability. This provides as safeguard to the personal property of the entrepreneur.
3. **BOOST FOR BEGINNERS**
   a. OPC is best suited for those who want to fly solo and who have great ideas but don't want to share with anyone. OPC breaks the hurdles of limited fund and capital. OPC is one notch higher than sole Proprietorship. It also provides better market, economic and management opportunities. Moreover, expansion can be done easily.
4. **UNORGANISED SECTOR COVERAGE**
   The conventional ways of doing the business are still prevalent. But the question is:-
   a. Are they able to get any proper benefit from the govt. policies and schemes meant for their welfare?
   b. Not only this, a proprietorship can be a tax ineffective way of doing business. OPC can be the best answer of such problems. It will bring structured arrangements and accordingly, facilities would be availed by OPC. Thus, covering unorganised sector will help not only the entrepreneurs but the govt. and economy as a whole.

## HURDLES

Irrespective of many beneficial characteristics, OPC suffers from many disadvantages when compared with other forms of business organisations. These are given below:

1. **SELF-RULING**
   By virtue of section 96(1) and the section 122, the owner alone is empowered to take any (or all) decision for the business. But this kills the democracy and hence, voting power has no means in such autocratic form of organisation. Being impractical, it also strikes the investors regarding the safety of their money, as a single person can't always take rational decision with the perspective of every stakeholder. Thus, one person decision can make or break the fate of OPC.
2. **MISSING ACCOUNTABILITY**
   Meetings stipulated by the erstwhile Companies Act, 1956, installed a sense of accountability of the operations of a company. But the relaxations provided under OPC [section 96(1)] about holding Annual General Meeting leaves the organisation without any iota of accountability.
3. **DOUBTFUL PERPETUAL SUCCESSION**
   Perpetual succession specifies for the long term operativeness of the company irrespective of the state of its members. Section 3 and section 4(1)(f) provides for the one name of any person to be included in Memorandum of Association (MOA) who shall become the member of OPC in case of death of existing member. However, inclusion of one name only doesn't guarantee successful continuance of the firm after retirement/death of the member because:-
   The succeeding member may not remain idle for years when his turn comes to take charge of the OPC.
   Because the succeeding member himself may not remain in a state to take charge of OPC when the time comes due to illness/death/unsound mind.
   Because not being involved in day-to-day operations of the company, and thus having no knowledge & experience to succeed the business.
   Hence, due to any of the above reasons, the succeeding member may end up with wind up of the company.
4. **INTEREST CONFLICT BETWEEN INVESTORS AND DIRECTORS**
   Separation of owners and controllers means that the people who invest in the firm (i.e. shareholders) and people who run the company (i.e. directors) are different. Directors want to maximize the profits whereas shareholders expect huge dividend. Thus, both have overlapping objectives.
   This is the basic problem that new Companies Act, 2013 inherits from the Companies Act, 1956. The blurred line between ownership and control may call for serious unethical business practices and hence, may result into serious corporate governance issues.
5. **LIMITED LIABILITY: A LUCRATIVE TRAP**
   Limited liability could be said a double edged sword. If it holds good for members, it might be dangerous for investors and other stakeholders. On the contrary, if this concept fails and the court applies the concept of lifting the corporate veil, it would be useless to incorporate OPC. In a nutshell, it could be said that in a country like India, which has ample pool of tax evaders and frauds, limited liability clause would be nothing more than a means to carry out scams and other fraudulent activities easily.
6. **HIGH COST**
   When compared with sole proprietorship, it could easily be figured out that OPC has high incorporation cost and cost of statutory compliance which is of a recurring nature. Not only this, a proprietorship firm is easy to incorporate as well as easy to wind up without much complicated procedure, but so is not the case with OPC.

7. **GREATER TAX LIABILITY**

One must note that tax implications of OPC are much higher than that of sole proprietorship. The OPC is charged at a base tax rate of 30% along with other applicable taxes like minimum alternative tax (base tax rate 18.5%), dividend distribution tax (base tax rate 15%) and others. The tax incidence is the main deterrent for setting up of OPC.

8. **DIFFICULT MARKETING AND CREDIBILITY**

As we know, OPC is a combination of sole proprietorship as well a company.

But as it has one member, it would lack democratic decision making and accountability which would make it difficult for such companies to get loans from institutions. Also as it is a new form of organisation, no credit records will be available, which is the primary basis for banks and financial institutions to granting any loan.

Also, in the absence of separate ownership and control, the investors will feel threat in investing in such a company, as the owner also enjoys the advantage of limited liability and poor corporate governance.

## RECOMMENDATIONS

1. The govt. should have separate tax slab for OPC with not so stringent rules. Harsh rules made for other forms of companies shall not be applied on OPC for a certain period of time to boost the prospective entrepreneurs.
2. Banks and financial institutions should not deny for the financial aid in the first go to the OPC as it is a new form of organisation and hence it will not have any past credit records. So, the banks and other financial institution should have a look to the promising future of the company as well as to the past credit history & capability of the entrepreneur while granting the loan.
3. OPC is more like a fancy concept in India. But entrepreneurs should step up for OPC only after they have gone through the pros & cons of the same. Also, after entering into this business, keen attention shall be paid to follow ethical practices only. Otherwise it could destroy them.
4. In India, J J Irani committee recommended the formation of One Person Company. It also suggested that it simpler legal procedure through exemptions should be provided to such an entity so that the single entrepreneur is not compelled to waste precious time, money and resources on procedural matters.

## CONCLUSION

In a glance it could be understood that OPC has several drawbacks over some limited advantages. The critical factor would be see how supporting legislation pushes the concept of OPC- would banks treat the OPC as a full-fledged company or compromise for a company? Is winding up an OPC as hectic and tedious as winding up a normal company? Will this new concept be able to attract more and more entrepreneurs?

We need to understand that this concept holds good in a matured economy, where corporate governance is an integral part of all organisations. In India, OPC is in its stage of infancy and hence it requires ample time to usher throughout the economy.

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