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# SMALL AND MEDIUM ENTERPRISES' (SMEs) AND COMMERCIAL LOAN ACCESSIBILITY DEBATE: KIGALI CITY VOICES

**EGWAKHE, A. JOHNSON**  
**DIRECTOR**  
**RESEARCH & GRADUATE STUDIES**  
**ADVENTIST UNIVERSITY OF CENTRAL AFRICA**  
**KIGALI RWANDA**

**KABASHA, ALPHONSE**  
**ADJUNCT LECTURER**  
**DEPARTMENT OF MANAGEMENT AND MARKETING**  
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## ABSTRACT

Financial accessibility to small and medium size enterprises (SMEs) debate has received substantial conceptual and empirical attention, yet represents an area where a cumulative body of knowledge is needed in Rwanda. This work reviews and evaluates to deepen knowledge on the challenges confronting SMEs with reference to commercial loan accessibility. Adopting a perceptual assessment, the work explores factors confronting SMEs and the particular sector affected in order to demystify the public narrative. Analyses of 400 samples of SMEs from Kigali City indicated that raw material shortage was the prime challenge before access to finance and that merchandizing and services were most disadvantage in availing finance. Internal weakness was identified as orchestrating factors compared to agriculture and handicrafts. Recommendations were generated for SMEs, commercial banks, and the government to ensure that the financially excluded are mainstreamed through strategic partnership.

## KEYWORDS

financial accessibility, SMEs, loan, challenges, Kigali city

## INTRODUCTION

Small and medium size enterprises' (SMEs) financial accessibility debate in Kigali hangs on a delicate balance between the court of public opinion and market supremacy; demand vis-a-vis supply complexity. It's a public- market power mix; whether voluntary exchange is primarily a clandestine activity that flourish due to human command rigidities, or whether voluntary exchange is the dominant principle of the market system. In addition, the subject has attracted intensive research<sup>1</sup> along relationship lending<sup>2</sup>, business analysis<sup>3</sup>, and concern within the corridors of policy-makers. This creates an abroad polarization between banks and business owners, hence challenges banks' practices and roles in Rwandan economy and their interdependency.

Globally, empirical literature on access to finance by SMEs are geographically vast, divergent, inconclusive and intriguing (Curran & Blackman, 2001; Greene, Mole, & Storey, 2008; Berger and Udell, 2006; Jovanovic Rousseau, 2001; Storey, 2005). These reflect the academic importance attached to commercial loans, financial systems, market liberalization, construct polarization in loan-risk analysis, context differentials, and architectural structure of polemic debates. Further, the polarization unravels the difficulty of designing universal SMEs access to finance barometer: SMEs' worth, volume of loan, data on rejected SMEs' loan applications, and default data, and tailor-made risk assessment criteria.

Banks are financial accelerators to SMEs. Nevertheless, commercial loan to SMEs depends on credit market, lender's judgment on guarantee (security), level of indebtedness or credit-worthiness, collateral, and risk of default<sup>4</sup> which technically broaden inconclusive lending decision. While security becomes incentive to lend, lack of it becomes an impediment to SMEs, despite the instrumental roles of SMEs in transforming families' social-economic welfare and nation's economic growth and development (Aminul-Islam, Keawchana & Dayang, 2010). In light of identified SMEs' roles, Hamilton (2000) demonstrates that SMEs' intermediary activities form the backbone of any economy, but high transaction cost and loan default associated with SMEs have ripple-effect especially in emerging economies. Hence, orchestrated a perception error attached and utilized in the judgment of SMEs' loan applications.

Despite the divergence in scholar's approaches, social construct theorist (Piercy, 2004, Pfeffer, 1998), ecology-discourse<sup>5</sup>, technology diffusion (Quinn, 1992; Rieley, 2001), strategy-thinkers (Fred, 2008; Stacey, 2003; Lynch, 2000), and competition (Porter, 1985 & 1990), a denominator is identified: loan is not a social service. A loan is a financial obligation that exposes the lender and borrowing entities to reputational and financial risk in case of default. Drucker<sup>6</sup> illustrates how businesses are confronted with complexity and that many are thriving on chaos within national turmoil and economic anxiety which amplify default possibility. The complexity and laxity/ineptness in management power could trigger a tragedy of less profit, sales and returns which are common features of SMEs. This was reinforced by SMEs' loan heterogeneity<sup>7</sup>, risk-averseness, the iron cage<sup>8</sup>, lack of secondary market participation which make SMEs obsolete with reference to their search-cost, functionality, and financial inclusiveness.

However, the challenges confronting SMEs vary<sup>9</sup> in scope and context due to economic realities (Fred, 2009), technology and innovation (Drucker, 1985 & Dannels, 2002), infrastructural (Hisrich, 2004), institutional legitimacy (DiMaggio and Powell, 1983), customers (Shepherd & Zackarakis, 2003), density dependency<sup>10</sup>, social

<sup>1</sup> Black, S. E. and Strahan, P. E. (2002). Entrepreneurship and Bank Credit Availability. *Journal of Finance*, 57

<sup>2</sup> Berger, A. and Udell, G. (2002). Small Firm Credit Availability and Relationship Lending: The Importance of Banks Organizational Structure. *Economic Journal*, 2002

<sup>3</sup> Biz2Credit (2014). Small Business Lending Index. April, 2014.

<sup>4</sup> Bloomberg Business Week (2014). *How Much is Too Much to Pay for a Business Loan?*, May 16, 2014

<sup>5</sup> Hannan, M.T and Freeman, J. (1989). *Organizational Ecology*. Harvard University Press, Massachusetts, USA.

<sup>6</sup> Drucker, P. (1985). *Innovation and Entrepreneurship*. NY: Harper and Row.

<sup>7</sup> Du, J. A. and Gima, S. B. (2012). Firm size, Sourcing finance, and Growth: Evidence from China. *International Journal of Economics and Business*, 19: 397-419

<sup>8</sup> DiMaggio, P. and Powell, W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48: 147-160.

<sup>9</sup> World Bank. (2013). *Doing Business in The East Africa Community: Smarter regulations for Small and Medium-Size enterprises*. 1818 H Street, NW. Washington DC.

<sup>10</sup> Kourdi, J. (2009). *Business Strategy: A guide to taking your Business Forward*. Profile Books Ltd. London, UK.

networks (BarNir & Smith 2002; Aldrich & Carter, 2004), management skills<sup>11</sup>, competition (Porter, 1985), and cultural differences (Caproni, 2000; Albright, 2004; Lester & Parnell, 2008). Hence, it becomes obvious that most SMEs are not only challenged by finance, but by other cyclical barriers, and environmental factors (internal and external environment); such as inadequate infrastructure, economic anxiety, managerial and operation ineptness.

On the global arena, developing countries' SMEs success is observed to be at its lower ebb than in industrialized economies (Sleuwaegen & Goedhuys, 2002). Paradoxically, SMEs in developing economies, especially in Africa have the capacity to contribute more to the total employment at an average of 70% (World Bank, 2009) and AfDB (2015) projects growth beyond 70%<sup>12</sup>. In addition, the service sector was credited as the most vibrant and catalyst<sup>13</sup> for Africa nations transformation. In contrast, SMEs in industrialized economies make on average a contribution to employment of around 50%, economic growth, and innovation as demonstrated by Harvie and Lee (2005).

Theoretically, SMEs are legal entities authorized by the government to pursue their economic interest within the prescription of the law (World Bank, 2013), towards achieving individual and national goals<sup>14</sup>. From this perspective, a common consensus exists between the literature and theoretical views identifying different factors that either affect their survival or success<sup>15</sup>. The disbandment theory of Bates (2005) addresses size, which Fraser (2005) sustained and argued further to include finance and structural friction. Further, management ineptness (Harada, 2007) along environmental scanning (Albright, 2004), lack of financial control (Burns, 2002) and innovation (Dannells, 2002) are the emerging themes challenging SMEs' success.

However, Knap (2005) adopted an operational definition of SMEs success along macro-economic or market dynamics, which Gundry and LaMantia (2001) sees as unlocking creativity to address market dynamics or cyclical market<sup>16</sup> behaviours. While the view on organizational resources (Fred, 2007) and resources-based theory focuses on organizational capabilities<sup>17</sup>, robustness of managerial resources (Caproni, 2000) and industry organizational view<sup>18</sup> contradicts and ascribed attention to external factors as success orchestrator (Delmar & Shane, 2003). In support of organizational capability discourse, Isaksen, Drval, and Treffinger (2000) sees lack of knowledge, and inability to effectively manage economic resources, which Hisrich (2004) sustained could provide curative solutions to SMEs' challenges.

In Rwanda context, the publication from the Ministry of Commerce and Trade (MINICOM, 2010) and the National Bank of Rwanda (BNR, 2011; 2012), explored the contributions of SMEs to economic transformation, without explicit discussions on the factors affecting SMEs success in Rwanda. However, World Bank (2013) identifies and comparatively profiled the challenges across the East Africa Community (EAC) of which Rwanda's SMEs unique factors were identified and discussed. Although Rwanda has recognized and mainstreamed SMEs into the economic development initiatives (*Rwanda Vision 2020*), success block challenging factors exist (World Bank, 2013) and possible solutions are limited. In light of the observation, this research investigates and establishes among other factors how access to finance is parsimoniously affecting SMEs in Rwanda in order to design path-breaking solutions.

Within the divergent debate, prescriptions and theoretical polarization, this paper takes the perspective of selected SMEs to address the public assumption that access to finance is inhibiting SMEs' success in Kigali. Hence, the paper asked some fundamental questions with reference to SMEs-specifics, rating/ranking of assumed factors challenging SMEs' success and examine the differences in views concerning access to finance among SMEs. The paper is structured into the forgoing introduction, literature review, methodological approach, results and analysis, and recommendations.

## LITERATURE REVIEW

SMEs are revolutionary Hercules that fuel economic growth, prosperity and likewise drivers of creative destructions. In light of this, Jovanovic and Rousseau (2001) and Hisrich (2004) point out that SMEs' activities are visible and influential beyond their community of practice. This must be understood within the purview that their economic activities are supplemented by voluntary cooperation with other economic agents. Jovanovic (2001) sustains this, through a survey of USA firms with prescriptive solutions anchored on fostering and engineering SMEs' growth and profitability. Further, the work of Jovanovic (2001) was reconstituted to investigate SMEs by Van der Linde (2004) among 833 firms worldwide and the conclusion sustained the claim that SMEs are central to world economic prosperity. Their success and attractiveness to other businesses apparently depend on the opportunities they offer and their value addition to market actors. Whilst, Yusuf and Aspinwall (1999) had earlier proposed ten success factors specifically for SMEs (Wiklund and Shepherd, 2003) and Headd (2003) advocated for an objective and comprehensive measure of success with a debate centered around dependency theory, experience effect, management of ambiguity, internal capability (Kaplan and Newton, 1996 and 2004) and size constraints.

SMEs' nature, scope, and activities were approached by Ibrahim (2008) to categorize SMEs in terms of size, total capitalization, profit/sales volume, and years in operations in any industry: (a) quantitative measure based on such things as density of employee and capital investment; (b) functional perspective which is based on characteristics; and (c) administrative control which determines the eligibility of business to Government patronage and other privileges. Within the above mentioned approaches, some authors have adopted context-cognitive definitions along companies managed by the owner or few key employees, closely related to the owner (Ellegaard, 2006; Ramsay, 2008) and address a niche in the market. The approaches suggest that SMEs' action enforced and at times sabotages market ongoing sense-making processes.

In line with these views; social construct, creative destruction, context-cognitive, literature conclude that there is no single universal definition (Hisrich & Peter, 2006); rather their actions carry the construction of shared frames for definition sense-making. Thus, it varies in usage, context, legitimacy, regulative requirements to the level of development within a particular country. This definition application thus, becomes subjectively used in relation to the objective of the analyst (Ibrahim, 2008) or scholars over a categorical period in time. This perspective permits descriptive approach and subjective classifications of SMEs. As the definition varies from country to country, so the SMEs characteristics and challenges vary as well.

In Rwanda context, SMEs' reforms are ubiquitous and strategically guided to encourage new business creations. With reference to reforms implemented between June 2008 and May 2009, Rwanda has become one of "the world's top reformer" according to Business Report (2010). The by-product of the reforms was the efficiency in registering business and doing business in Rwanda. At present, it takes a Rwandese and non-Rwandese entrepreneurs two procedures and less than 48 hours to register and start a new business. Investors have more protection, insolvency reorganization has been streamlined<sup>19</sup>, and a wider range of assets can be used as collateral to access credit. However, Rwanda's Revenue Authority has noted some challenges faced by SMEs like poor or no records/bookkeeping and low tax compliance levels. Rwanda Revenue Authority (RRA Report, 2008) further outlines that out of 47,396 VAT returns expected in SMT0, 36,587 were filed on time, achieving 77.2%.

In addition to the above observation, Ibrahim (2008) describes the following to be typical problems facing SMEs in manufacturing industries especially in developing economy; raw materials shortage, poor management skills/inadequate competent personnel, inadequate infrastructure, financial constraints, market services, dumping of cheap foreign products, policies, incentives and operating environment, and inability to effectively control costs. However, the highlighted challenges and constraints are not uniform in all developing countries.

Financial resources are vital for business to run operation profitably, but SMEs have comparatively limited resources<sup>20</sup> and greater difficulty in accessing financial resources. This evolved from the observation that SMEs are more dependent on a single product, have less adequate budget control system, lack economies of

<sup>11</sup> Marchand, D., Kettinger, W., & Rollin, J.D. (2001). *Making the invisible visible: How companies win with the Right information, People and IT*. John Wiley & Sons.

<sup>12</sup> African Development Bank Group, (2015), *African Economic Outlook 2015: Regional Development and spatial Inclusion*.

<sup>13</sup> UNCTAD, (2015). *Economic Development in Africa: Unlocking the Potential of Africa's Services Trade for Growth and Development*. United Nations and Geneva.

<sup>14</sup> Grove, A. (1996). *Only the Paranoid survive: How to exploit the Crisis Points that challenge very company and career*. Doubleday.

<sup>15</sup> Kaplan, R. S. and Norton, D. P. (1996). *The Balance Scorecard: Translating Strategy into Action*. Harvard Business Press. USA.

<sup>16</sup> Kelly, T. (2002). *The Art of Innovation: Success through Innovation the IDEO Way*. Profile Books.

<sup>17</sup> Porter, M. E. (1984). *Competitive Strategy: Techniques for analyzing industries and competitors*. The Free Press, NY. USA

<sup>18</sup> Porter, M. E. (1998). *Competitive Advantage: Creating and sustaining Superior Performance*. Free Press.

<sup>19</sup> World Bank, (2013). *Doing Business in the East African Community 2013: Smarter Regulations for Small and Medium Size Enterprises*. Washington, DC.

<sup>20</sup> Du, J. A. and Gima, S. B. (2012). Firm size, Sourcing finance, and Growth: Evidence from China. *International Journal of Economics and Business*. 19: 397-419.

scale (Thurik, 2007), and information asymmetry<sup>21</sup>. The element of information asymmetry makes it relatively difficult to rationally judge and explain the behaviour of SMEs<sup>22</sup> with reference to default propensity. This may aggravate SMEs' financial accessibility constraints that stems from "full disclosure and limited collateral", hence financial intermediaries' decision to restrict supply to firms judged credit unworthy<sup>23</sup>.

In addition to the challenge of access to finance is the insufficiency of trained and qualified human resource, which constitutes a major constraint to SMES development. Most SMEs are commonly challenged by limited finance to hire qualified accountant and or auditors<sup>24</sup>, which make their financial reports disjointed, suspicious and create information asymmetries between insiders and outsiders. Moreover, the information asymmetries are often worse during economic melt-down or recessionary periods, which Bharid and Lucey (2010) associated with capital structure. While this observation seems global, the exception is that Rwanda have established different mechanisms for financial accessibility subject to investors' ideas robustness<sup>25</sup> and demonstrated capacity to pay back<sup>26</sup> the loan.

Hence, it is paradoxical for financial constraint to constitute the prime obstacle to SMEs success in Rwanda when constructionist view is adopted. Nevertheless, a cursory observation in Rwanda financial systems seems to indicate that large banks are generally not interested in serving SMEs due to the "rules of the game" and "SMEs character". Most Rwanda SMEs are inherently inefficient and the transaction cost that emerge are structural barriers to lending. Financial institutions and market arena are guided by capitalist imperative whose ripple-effect in terms of failure generates disaster for others dependents.

Other financial problems as identified by scholars (Bates, 2005; Black and Strahan, 2002; Albright 2004 and Berger and Udell, 1995) are: 1). Lack of compliance between providing funds and funds which can be accessed by SMEs. 2). No systematic approach in SMEs funding. 3). High transaction costs, caused by credit procedures which are quite complicated, so it took a lot of time while the disbursed loan amount is very small. 4). Lack of access to formal sources of funds, whether caused by unavailability of bank or inadequate information. 5). High interest loans for investment and working capital. 6). SMEs are not bankable, either due to lack of transparent financial management or a lack of managerial and financial capabilities.

The other non-finance problems are: 1) Lack of knowledge on the technology of production and quality control due to the lack of opportunity to keep abreast of technology and lack of education and training; 2) Lack of marketing knowledge, which is caused by lack of information about market condition, and limited SMEs to provide products/services in accordance with the market; 3) Limitations of human resources (HR); 4) and Lack of understanding about accounting and finance (Hisrich, 2004). This paper parsimoniously addresses the element of finance as challenge to SMEs in Rwanda with the purpose of demystifying the public narrative through SMEs' perception.

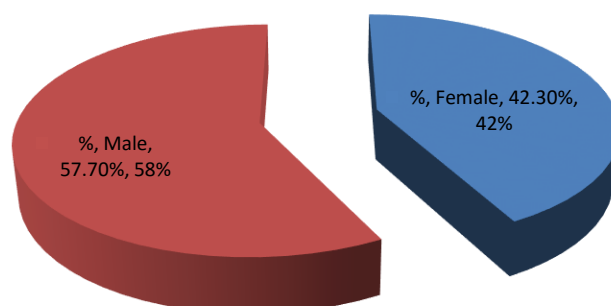
## METHODOLOGICAL APPROACH

This study utilizes descriptive and comparative research design. The mixed design approach was adopted to address the research major thrust. It allows the researchers to put-forth perceptions and comparatively articulate on finance accessibility by nature of business towards resolving the argument on financial accessibility. This study targeted the SMEs that had been registered by the Domestic Tax Department as taxpayers as of June 2010. The total numbers of such registered SMEs constitutes the units of analysis and those domicile in Kigali City were 29,175, thus constituted the total population of this study. Due to the population size, the research subjected the total population to scientific measurement with 400 registered SMEs operating within Kigali City as the needed sample. The formula propounded by Zuelueta and Clostales (2003) was applied with 400 firms arrived at, judged at and as adequate representatives of the total population. A questionnaire was developed from existing studies (Ibrahim, 2008; Ramsay, 2008; Hisrich and Peter, 2006, and Jovanovic, 2001) and adjusted for this research. The questionnaire has two sections: the first part examines the respondent firms' profile, while the second part investigates the factors affecting business success and firms-specifics. The questionnaire's face and construct validity were established and reliability test documented with results going beyond the minimum threshold of Alpha Crobcroch of 60%. The ethical norms of research with reference to respondents' respect, integrity, consent, and information confidentiality were observed.

## RESULTS AND ANALYSIS

The research examined the person and organization characteristics of the respondents, with persons' gender constituting the first unit of analysis. It was declassified into two categories: male and female. The results as evident in Figure 1, reveal that 57.7% of the respondents were male and 42.3% female. Among the surveyed SMEs, ownership/managerial positions were dominated by male partly due to the Rwandan pre-genocide culture where women's participation in economic activities was restricted to household duties. Nevertheless, post genocide cultural reorientation orchestrated female SMEs ownership/managerial activities and the female participation is expected to grow due to current effort and practices that encouraged women participation in entrepreneurship and political leadership.

FIGURE 1: RESPONDENTS' GENDER



Respondents' age was also investigated and profile along: under 25 years old, 25-45 years, and 46- 60 years old. As evident in Figure 2, 35.5% of the respondents were below 25 years old, 25-45 years recorded 58.3% and 46 to 60 years had 4.6% of the total population. The results are indications of persons actively engaged in SMEs business and further reflect the youth's involvement, in post genocide in Rwanda economic activities.

<sup>21</sup> Bhaird, C. M. (2010). Determinants of Capital Structure in Irish SMEs. *Journal of Business Economics*. 35: 357-375

<sup>22</sup> Abdesamed, K. H. and Wahab, K. A. (2014). Financing of Small and Medium Enterprises: Determinants of Bank Application. *Africa Journal of Business Management*. Vol. 8(17): 717-727

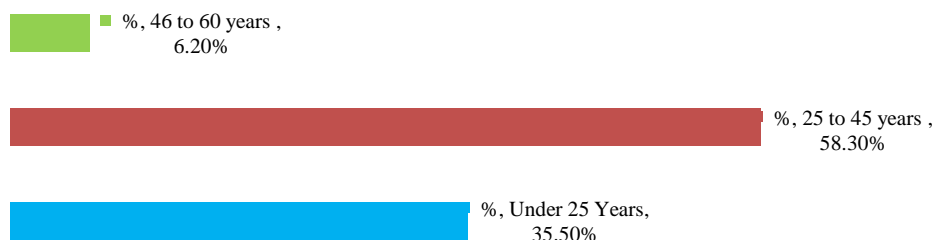
<sup>23</sup> Freel, M. S. (2007). Are Small Innovators Credit Rationed. *Journal of Small Business and Economics*. 28: 23-35.

<sup>24</sup> BNR. (2014). *Annual Report 2013/2014*. National Bank of Rwanda.

<sup>25</sup> World Bank, (2013). *Doing Business in the East African Community 2013: Smarter Regulations for Small and Medium Size Enterprises*. Washington, DC.

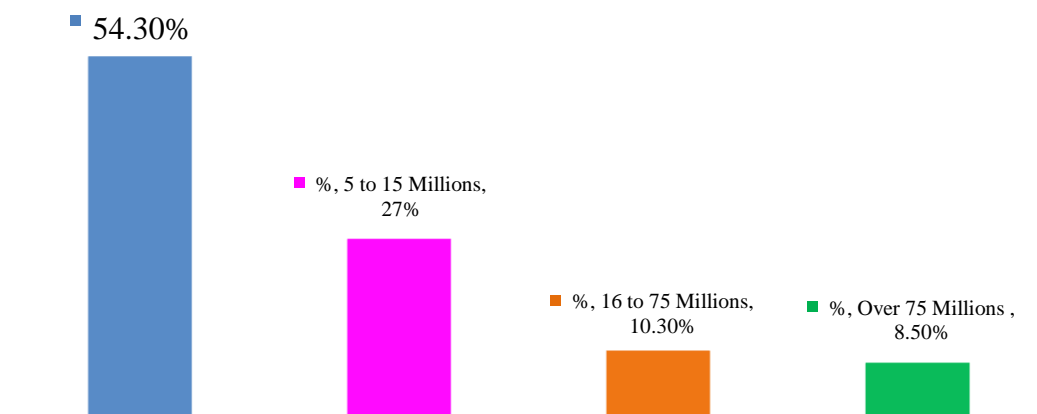
<sup>26</sup> BNR. (2014). *Annual Report 2013/2014*. National Bank of Rwanda.

FIGURE 2: RESPONDENTS' AGE



The results probably imply that SMEs within Kigali City is dominated by young people aged between 25-45 years. Hence, interpreted as contributors to job creation through self-employment and also Rwanda tax for economic development. The analysis was further extended to total capitalization which exemplifies the common gauge of business financial status. In this research, total capitalization measures the net-worth of the business in terms of assets and working capital. Figure 3 shows that businesses with less than 5 million RWF accounts for 54.2%, 5-15 million RWF registered 27%, 16-75 million RWF recorded 10.3%, and over 75million RWF scored 8.5%.

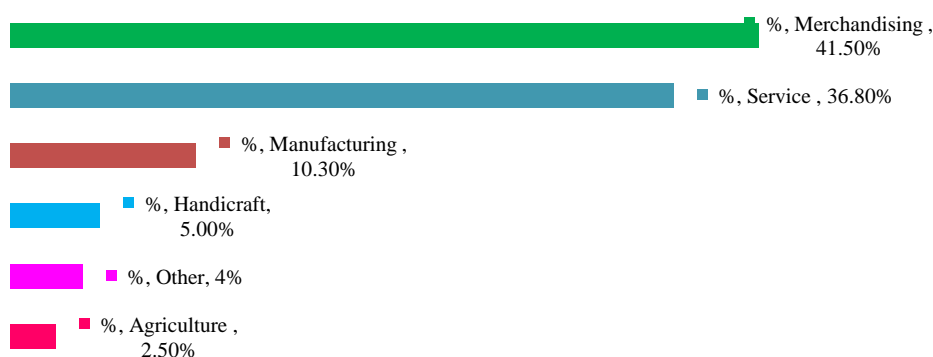
FIGURE 3: RESPONDENTS SMEs' TOTAL CAPITALIZATION



From the results, majority of the surveyed SMEs had total capitalization that was less than 5 million RWF, hence classed as micro-business, followed by 5-15 million often classified in Rwanda context as small business, 16-75 million RWF classified as medium, and over 75 million RWF as medium-large<sup>27</sup>. Hence, most (85.1%) of the SMEs surveyed were predominantly micro-small businesses, while 18.8% fell within the classification of medium to large businesses. By virtue of the statistical results on total capitalization, access to finance might be rare and availing commercial loan to micro-small business could be difficult.

SMEs' nature of business was examined and classified as manufacturing, merchandizing, services, handcraft, agriculture, and others. Evidences from Figure 4 demonstrate that merchandizing (buying and selling) scored 41.5%, service recorded 36.8%, manufacturing was 10.3%, handcraft had 5%, others registered 4%, and agriculture 2.4%. The implication is that a majority of surveyed SMEs are China/Dubai traders, followed by service providers, with manufacturing, handcraft, others, and agriculture accounting for 21% of the total respondents.

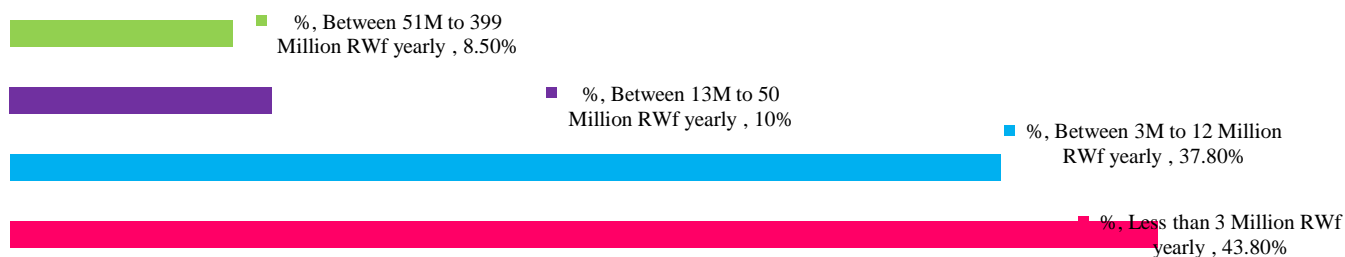
FIGURE 4: SMEs NATURE OF BUSINESS



Anchored on the statistics, merchandize-oriented SMEs with little or no value addition constituted a majority of the group which could necessitate the assumed challenge in accessing finance from banks. In addition, the annual sale of the surveyed SMEs was investigated to determine the depth of activities and also cushion for the size of operation. This element was decomposed into less than 3 million RWF annual turnover, 3-12 million RWF turnover, 12-50 million RWF, and above 50 million RWF yearly turnover.

<sup>27</sup> National Institute of Statistics of Rwanda (NISR), (2012). *Customized International Standard Industrial Classification of all Economic Activities (ISIC Rev. 4)*. Republic of Rwanda.

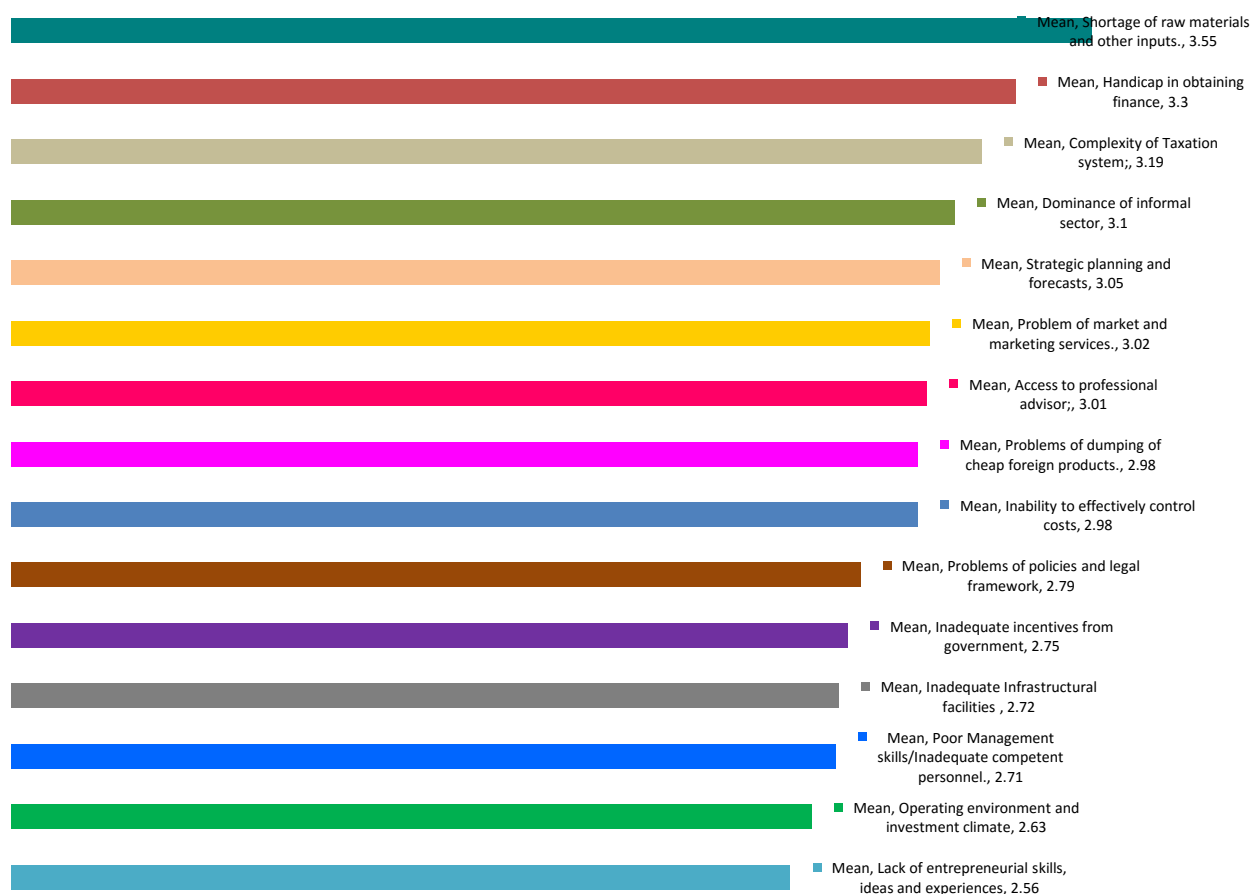
FIGURE 5: RESPONDENT SMEs' ANNUAL TURNOVER



Statistical evidences from Figure 5 indicate that less than 3million RWf yearly sales had 43.8%, 37.8% belongs to 3-12 million RWf annual sales, 13-50 million RWf recorded 10%, and more than 50 million sales registered 8.5%. Thus, it becomes evident that the annual sales results followed the total capitalization and the nature of business findings: relatively weak in total capitalization, sales returns, and high concentration in merchandizing that could stimulate the high risk of default perception by the commercial banks.

Analyzing SMEs context perceived challenges enabled the research to decipher managers/owners understanding of the general environmental factors and their instrumental influence on SMEs survival and growth or success. Most of the itemized challenges were presumed to confront all SMEs' levels of operation and some outside managerial control. Hence, the research probes the extent in which internal and external environment variables challenge the surveyed SMEs. The article analyzed and determined pattern/areas from the results where lowest-highest *mean* scores were most different. The evidences found in certain areas in contrast were profound and dramatic.

FIGURE 6: CHALLENGES CONFRONTING SMEs' SUCCESS IN KIGALI



The top challenging factor was the shortage of raw materials and other strategic inputs. The items registered different *means* scores such as: *Shortage of raw materials and other inputs* had a *mean* value of 3.55 which might be alluded to manufacturing, handcraft, agriculture and others. *Handicap in obtaining finance* was rated with a *mean* of 3.3, *Complexity of Taxation system* was rated with a *mean* of 3.19, *Dominance of informal sector* recorded a *mean* of 3.10, *Strategic planning and forecasts* was rated with a *mean* of 3.05, *Problem of market and marketing services* registered a *mean* of 3.02, and *Access to professional advisor* was rated with a *mean* of 3.01.

*Inadequate Infrastructural facilities* (e.g. electricity and water) was evaluated at a *mean* 2.72, *Poor Management skills/Inadequate competent personnel* scored a *mean* of 2.71, and *Inability to effectively control costs* means was perceived at a *mean* 2.98. In addition, the element of tax and legal framework were investigated along *Problems of policies and legal framework* with a *mean* value of 2.79, *Inadequate incentives from government* had a *mean* rating of 2.75, and the item *Operating environment and investment climate* recorded a *mean* of 2.63, *Problems of dumping of cheap foreign products* was rated by respondent with a *mean* of 2.98, and *Lack of entrepreneurial skills, ideas and experiences* scored a *mean* of 2.56.

From the statistical results, it is evident that raw materials shortage was considered as the highest challenge confronting SMEs' success in Kigali. This was followed by hiccups in obtaining finance, complexity of tax system, dominance of informal sector. It should be noted with caution that merchandizing is not an investment, hence risk oriented. Accessing loan from the banks for trading bears risk of default/ sunk-cost and at time lack collateral to cushion for losses which probably discouraged commercial banks from providing loans. Further the aspect of market-size and marketing was rated next to access to professional advisors, and

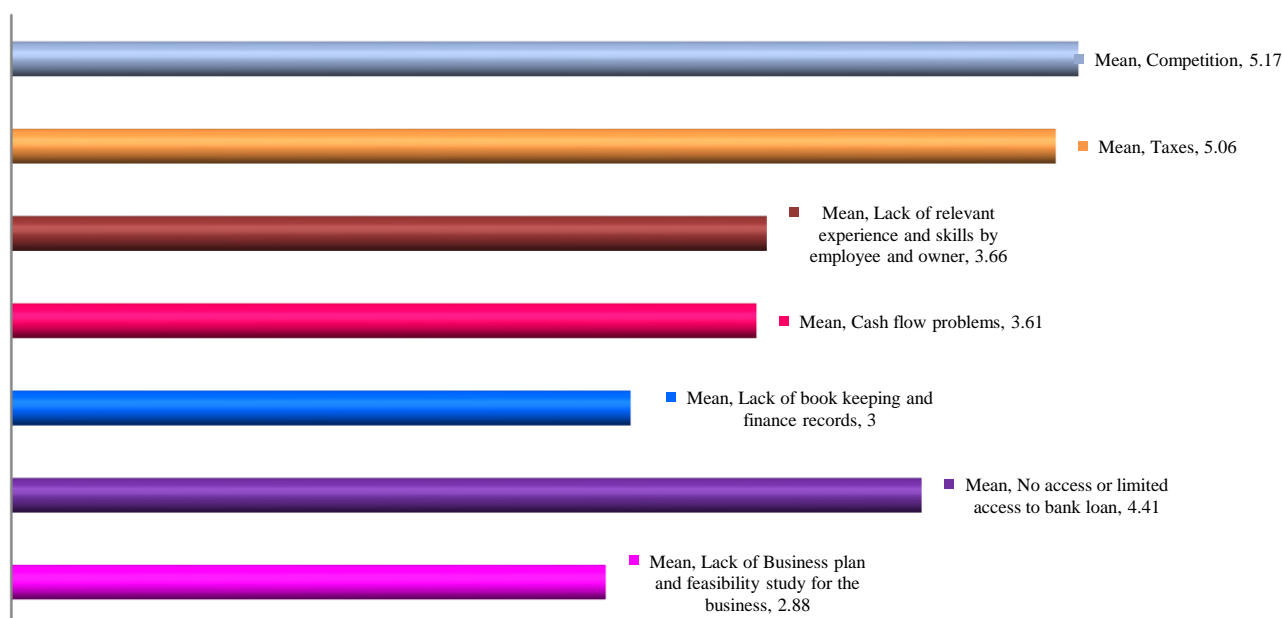
strategic planning and forecast were seen to be factors which constraint SMEs in Rwanda. The mean scores speak volume of some SMEs' shortsightedness despite the existence of East Africa Community with a wide market size and good network of roads.

However, the problems of policies and legal framework, inadequate incentives from government, operating environment and investment climate were rated very low. The results denote their less challenging effects posed to SMEs by these factors among this group of respondents. It is evident that policies and government incentives are favourable for SMEs in Kigali. This paper has emerged to support and add credence to scholarly literature that access to finance as a challenge is not only a public narrative in Kigali but real. However, shortage of raw material is the prime constraints to SMEs and banks are only unwilling to avail loan to merchandizing SMEs due to the inherent risk of default.

In a similar perspective, the research ranked the *factors identified as constraints to SMEs' to determine how individually or collectively they were perceived to affect SMEs*. The ranking of the items was scale from 1 to 7, one (1) being the most important and seven (7) being the least important. Figure 7 shows factors scores: *Lack of Business plan and feasibility study for the business* was ranked first with a mean of 2.88, *Lack of book keeping and finance records* ranked second with mean 3.00, and *Cash flow problems* ranked third with a mean of 3.61. the results established the fact that lack of business plan and feasibility studies, financial bookkeeping and records, lack of relevant experiences and skills constituted the major challenges to SMEs.

A deep constructive self-reflection and analysis of the ranking of the most challenging factors revealed that a majority of the surveyed SMEs are business inept with reference to designing business feasibility plan and keeping accounting records. The rankings further showed that there is *Amata-Chapati* business mentality (me-too mind-set). Feasibility study, financial records, and skills/experiences go into pre business establishment to direct and determine visible path and profit for the present and the future. While skills appeared weak, the combined ineptness in financial records indicates the inability of Kigali surveyed SMEs to engage and involve high-quality stakeholders like commercial banks.

FIGURE 7: FACTORS CHALLENGING THE SUCCESS OF SMES RANKING



In addition, *lack of relevant experience and skills by employee and owner* was ranked fourth with a mean of 3.66, *No access or limited access to bank loan* fifth with a mean of 4.41, taxes came sixth with a mean of 5.06, and *Competition* registered a mean of 5.17 as the least challenging factor. The results as depicted in Figure 7 demonstrated certain features that are uncharacteristic of habitual entrepreneurs. Habitual entrepreneurs identify opportunities (business ideas) with profound levels of innovativeness instead of *necessity-driven-business*. The *me-too* (novice) buying and selling entrepreneurs jump into the business marshland with the hoping of making a living by dancing with the hippos. This resonates the discourse on lack of business plan, accounting issues, and cash flow challenges which are precondition for loan analysis. Thus, SMEs with business plan, proper accounting records and cash flow are more favoured to have access to a large and well-functioning network and probably easily access to loan. Judging from the characteristics of the surveyed SMEs and the public assumption of lack of loan, it is evident that ideas generation and opportunity recognition and development were the most challenging factors. It further reveals that it is irrational for commercial banks to avail loans to SMEs that lack business plan, poor accounting records, managerial ineptness and skills drought.

#### ACCESS TO FINANCE BY SMES' NATURE OF BUSINESS

The next analysis focused on whether access was challenging to all the SMEs with regard to their nature of business. Prior to this analysis, descriptive statistics were run and using ANOVA, the results are presented in Table 1, 2, 3 and 4 respectively. The statistical results demonstrate *mean difference* between the classification of the nature of business and access to finance.

TABLE 1: RESPONDENTS' EVALUATION OF MEAN DIFFERENCE

	Mean	S D	Std. Error	95% Confidence Interval for Mean	
				Lower Bound	Upper Bound
Manufacturing	2.75	0.45	0.07	2.61	2.89
Merchandising	2.55	0.48	0.03	2.47	2.62
Service	2.60	0.36	0.02	2.54	2.66
Handicraft	2.78	0.27	0.06	2.65	2.91
Agriculture	2.96	0.15	0.04	2.85	3.07
Others	2.93	0.48	0.12	2.68	3.19
Total	2.63	0.43	0.02	2.58	2.67

Table 1 above indicates that finance and others had a mean of 2.93 with a confidence interval mean ranging from 2.58 to 2.67, service recorded a mean of 2.60, confidence interval mean from 2.54 to 2.66, and handicraft registered a mean of 2.78 with confidence interval mean of 2.65 to 2.91. Similarly, merchandising had a mean of 2.55 with confidence interval mean of 2.47 to 2.62, manufacturing had a mean of 2.7 and confidence interval mean ranging from 2.61 to 2.89, and agriculture recorded a mean of 2.96 and a confidence interval mean of 2.85 to 3.07 respectively. From the pattern of the mean scores, there is an indication of the

possibility of effect on the independent variables. In light of the differences in mean score for the nature of business, the Test of Homogeneity of variance was conducted to investigate the assumption underlying the variance between nature of business and finance.

TABLE 2: TEST OF HOMOGENEITY OF VARIANCE

Test of Homogeneity of Variances			
Access to Finance			
Levene Statistic	df1	df2	Sig.
4.833	5	394	.000

The statistical value recorded for the level of significance was 0.000 which is less than 5% hence was significant at 1%. This indicates that the variance of the independent variable (access to finance) across the group (nature of business) is not equally distributed, thus implying that the homogeneity of variance assumption was not being met. This result necessitated the test of ANOVA to determine the differences in access to finance by nature of business.

TABLE 3: TEST OF ANOVA

ANOVA					
Access to Finance					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.828	5	0.966	5.392	0.000
Within Groups	70.548	394	0.179		
Total	75.375	399			

*Note: There is a significant difference in the evaluation rating*

The ANOVA test indicates significant differences in values between and within groups of the nature of business with reference to access to finance. The statistical outputs indicate that there was a significant value of 0.000 (1%) which implies that there was a significant effect of access to finance by nature of SMEs business. The *F* ratio was also significant indicating that the depth of access to finance significantly affected the variables under the nature of business. With the observations, the Post Hoc Test was conducted and the results presented in Table 4.

TABLE 4: Post Hoc TESTS

Multiple Comparisons						
Dependent Variable: Access to Finance						
Games-Howell						
(I) Nature of business	(J) Nature of business	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Manufacturing	Merchandising	0.20	0.07	.128	-.0316	.4374
	Service	0.14	0.07	.383	-.0767	.3758
	Handicraft	-0.02	0.09	1.00	-.3040	.2496
	Agriculture	-0.21	0.08	.159	-.4657	.0446
	Others	-0.18	0.13	.784	-.6110	.2482
Merchandising	Manufacturing	-0.20	0.07	.128	-.4374	.0316
	Service	-0.05	0.04	.874	-.1904	.0836
	Handicraft	-.023*	0.07	.033	-.4476	-.0126
	Agriculture	-.041*	0.06	.000	-.6036	-.2233
	Others	-.038	0.12	.065	-.7856	.0170
Service	Manufacturing	-0.14	0.07	.383	-.3758	.0767
	Merchandising	0.05	0.04	.874	-.0836	.1904
	Handicraft	-0.17	0.06	.136	-.3860	.0325
	Agriculture	-.036*	0.05	.000	-.5421	-.1781
	Others	-.033	0.12	.135	-.7288	.0669
Handicraft	Manufacturing	0.02	0.09	1.00	-.2496	.3040
	Merchandising	0.23*	0.07	.033	.0126	.4476
	Service	0.17	0.06	.136	-.0325	.3860
	Agriculture	-0.18	0.07	.214	-.4235	.0568
	Others	-0.15	0.13	.861	-.5753	.2669
Agriculture	Manufacturing	0.21	0.08	.159	-.0446	.4657
	Merchandising	0.41*	0.06	.000	.2233	.6036
	Service	0.36*	0.05	.000	.1781	.5421
	Handicraft	0.18	0.07	.214	-.0568	.4235
	Others	0.02	0.13	1.000	-.3807	.4391
Others	Manufacturing	0.18	0.13	.784	-.2482	.6110
	Merchandising	0.38	0.12	.065	-.0170	.7856
	Service	0.33	0.12	.135	-.0669	.7288
	Handicraft	0.15	0.13	.861	-.2669	.5753
	Agriculture	-0.02	0.13	1.000	-.4391	.3807

\*. The mean difference is significant at the 0.05 level.

The Post Hoc Tests as evident in Table 4 show the multiple comparisons between access to finance and the categories of nature of businesses. The tests show that significant differences exist between the subjects as divided into nature of business: Manufacturing, Merchandising, Services, Handicraft Agriculture and Others. There was a statistical significant difference at 1% for the seven variables of the nature of business groups [  $F(2,394) = 5.36$ ,  $p = 0.00$ ]. Despite the observed significant differences, Post Hoc comparisons was conducted, which indicated that the mean score for ( $M = 2.55$ ,  $SD = 0.48$ ); Services ( $M = 2.60$ ,  $SD = 6.36$ ) were significantly different from Agriculture ( $M = 2.96$ ,  $SD = 6.15$ ). With the profound statistical differences observed, it becomes evident that merchandizing and services oriented SMEs were most disadvantaged and challenged in obtaining financial loan vis-à-vis Agriculture among the surveyed SMEs.

The inability to obtain loan by these group of SMEs was orchestrated by groups' lack of financial records, collateral or proven track of financial records for loan repayment ability. Hence, this segment of SMEs was judged to be strategically weak and financially unable to advance their business and repay a loan if given. The endemic weaknesses are in the areas of planning, engagement of partners, poor cash-flow, and information asymmetry, which turned-off commercial banks from providing loan to judged potential defaulters. In light of the results, the work suggests that commercial banks, through Microfinance institutions should facilitate

lending to viable SMEs with proven track record, open non-traditional finance sources such as peer-to-peer lending and cooperatives. Rwanda government lending institutions should provide equity financing to SMEs by using government funding alongside private sector investment.

## CONCLUSION

Financial accessibility to small and medium size enterprises (SMEs) debate has received substantial conceptual and empirical attention, yet represents an area where a cumulative body of knowledge is needed in Rwanda. This work reviews and evaluates to deepen knowledge on the challenges confronting SMEs with reference to commercial loan accessibility. Adopting a perceptual assessment, the work explores factors confronting SMEs and the particular sector affected in order to demystify the public narrative. Analyses of 400 samples of SMEs from Kigali City indicated that raw material shortage was the prime challenge before access to finance and that merchandizing and services were most disadvantage in availing finance. Internal weakness was identified as orchestrating factors compared to agriculture and handicrafts. Recommendations were generated for SMEs, commercial banks, and the government to ensure that the financially excluded are mainstreamed through strategic partnership.

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## AN OVERVIEW OF SOCIO-ECONOMIC CONDITIONS AND PROBLEMS OF WOMEN ENTREPRENEURS AT DAVANAGERE CITY

**SUNANDA V.M.  
RESEARCH SCHOLAR  
KOVEEMPU UNIVERSITY  
JNANA SAHYADRI**

**DR. HIREMANI NAIK  
PROFESSOR & CHAIRMAN  
DEPARTMENT OF MANAGEMENT STUDIES  
KOVEEMPU UNIVERSITY  
SHANKARGHATTA**

### ABSTRACT

*Women entrepreneurs are the lifeblood of India. A woman entrepreneur may be defined as a confident, innovative and creative woman capable of achieving economic independence individually or in collaboration, generating employment opportunities to others through initiating, establishing and running enterprise by keeping pace with her personal, family and social life. The challenges in the path of women's entrepreneurship are in initial lack of confidence due to social cultural barriers, market oriented risks, poor knowledge of business administration, lack awareness about possible sources of financial assistance and lack of exposure to training programmes. So, in this paper an attempt is made to understand the socio economic conditions and problems faced by women entrepreneurs.*

### KEYWORDS

women entrepreneur, socio-economic, MSME.

### INTRODUCTION

Entrepreneurs are the lifeblood of India. Creativity, innovation, leadership, opportunity seeking, risk taking and decision making ability, tolerance of ambiguity and uncertainty, motivation to excel, problem solving, goal orientation, self-efficiency and networking are the competencies of a successful entrepreneur. In this dynamic world, women entrepreneurs are an important part of global quest for sustained socio economic development of India. Economic development will not be effective without the participation of women, who constitute nearly half of the world population and important part of workforce. The participation of women in economic activities is necessary for raising status of women and development of economy. Women entrepreneurship has gained importance in the last 3 decades with an increase in the number of enterprise owned by women and consequent increase in women's contribution to economic growth. Industrial development, technological innovations, foreign direct investments and export potential have helped to bring a wide range of socio-economic opportunities to women entrepreneurs. Economic status of women is now accepted as an indicator of society's stage of development. Even though, women entrepreneurs face various socio-economic constraints due to lower status.

### WOMEN ENTREPRENEURS IN INDIA

Women owned business highly increasing tremendously in India due to technological advancement and development of information science etc. so, the emergence of women entrepreneurs are significant contributors to the economy. The new generation of women-owned business, using modern technology to find and create a niche in both domestic and export markets. Surveys demonstrate that women's primary entrepreneurial activity is focused on the micro, small and medium enterprises (MSME) sector. Among the total number of women entrepreneurs in the country, approximately 61 percent are small-scale entrepreneurs, 18 percent are large-scale manufactures, and the remaining are involved in cottage and village enterprises. They work in a wide range of sectors – from trade and services to tailoring, beauty parlours, and at printing press. The work participation as well as women entrepreneurship both is low in India in comparison to selected countries of the world. Women work participation in India is presented in Table 1.

**TABLE 1.1 WOMEN WORK PARTICIPATION**

Country	Percentage
India (1970-71)	14.2
India (1980-81)	19.7
India (1990-91)	22.3
India (2010-2011)	31.6
USA	45
UK	43
Canada	42
Indonesia	40
France	38
Sri Lanka	35
Brazil	35

Source: world Bank Report 2010-2011

The above table shows women work participation has been increasing from 70s to 2011, even though work participation of women in business is very low has compared to USA, UK, Canada, Indonesia, France, Sri Lanka and Brazil. From the above table, it can be analyzed that India got the lowest place in development of women entrepreneurship among selected leading companies.

Table 1.2 discloses the data regarding women entrepreneurship development in terms of total number of units registered, number of women entrepreneurs and their percentage in select leading state in India.

TABLE 1.2: WOMEN ENTREPRENEURSHIP IN INDIA

State	No. of Units	No. of Women	Percentage
Tamil Nadu	9618	2930	30.36
Uttar Pradesh	7980	3180	39.84
Kerala	5487	2135	38.91
Punjab	4791	1618	33.77
Maharashtra	4339	1394	32.12
Gujarat	3872	1538	39.72
Karnataka	3822	1026	26.84
Madhya Pradesh	2967	842	28.38
Bihar	7344	1123	15.04
Other states & UTS	14576	4185	28.71
Total	64,796	19,971	32.82

Source: Centre for Monitoring Indian Economy (CMIE) Report 2011.

The above Table 1.2 shows that UP has got the highest percentage of 39.84 in number of women entrepreneurs followed by Gujarat which secures 39.72 percentages. The state of Karnataka has the lowest women entrepreneur's i.e. 26.84. It is clear from the above analysis that women entrepreneurship development in different states of India is in different degrees. Now, women have started shifting from 3 Ps to engross to 3 modern E's viz., Engineering, Electronics and Energy. Women entrepreneurs manufacturing solar cooker's in Gujarat, small foundries in Maharashtra and T.V. capacitors in Orissa.

As for the period from 2007 to 2013, number of Women entrepreneurs registered at DIC Davanagere as small scale enterprises are 2,625, out of which 918 of them are women entrepreneurs. Most of the women are running small and medium scale industries at Davanagere city.

## REVIEW OF LITERATURE

Sunil Karve (2012)<sup>1</sup>, conducted "a study of women entrepreneurs, problems and prospects". He observed in his study 60% of women entrepreneurs face economic problems i.e., loans, debts etc. Higher prospects are indicated by women entrepreneurs within the service sector.

Chenchu Reddy P. and Mahaboob Basha A.M. (2015)<sup>2</sup>, conducted a study on "Socio-economic conditions of Women Entrepreneurs in SPSR Nellore district of Andhra Pradesh". They observed in their study literacy is the basic reasons of low rate of woman entrepreneur in Nellore district. They suggested government has to take care for the development of women entrepreneurs by providing better schemes and support.

Palaniappan G, Ramanigopal C.S. and Mani A. (2012)<sup>3</sup>, conducted "A study on Problem and Prospects of Women Entrepreneurs with special reference to Erode District". They observed, today women are ready to face the challenges associated with setting up of business because women break their limits of their homes by entering into varied kinds of professionals and services women entrepreneurs and are emerged as smart and dynamic entrepreneurs. Women entered not into business but to satisfy their inner urge of creativity and to prove their capabilities. They are suggested to establish separate industrial estates to create a special environment for women entrepreneurs.

Sivanesan R. (2014)<sup>4</sup>, conducted "A Comparative Study on Rural and Urban Women Entrepreneurs – Prospects and Challenges". He described Indian women are in no way inferior to men in all walks of life and they can be good entrepreneurs as men in the country. It is evident from the study that rural and urban women are ready to face the challenges associated with setting up of business. The socio background, mode of business and training programmes are the important problems of women entrepreneurs in Kanyakumari District. Most of the women emerged as an entrepreneur to continue family business.

Manisha Singh (2014)<sup>5</sup>, conducted a study to know the participation of women entrepreneurs in Small Scale Industries. She found more than half of the women entrepreneurs have support from their family members in running their business and nearly 2/3<sup>rd</sup> of women entrepreneurs are located in rural area.

## STATEMENT OF THE PROBLEM

This paper mainly concentrated on socio-economic conditions and Constraints of Women Entrepreneurs.

## OBJECTIVES

1. To understand the socio-economic conditions of women entrepreneurs at Davanagere city.
2. To identify the socio-economic constraints for women entrepreneurs.
3. To suggest remedial measures to overcome the problems of women entrepreneurs.

## HYPOTHESIS

Ho: The Problems and Education are independent.

H1: The Problems and Education are dependent.

## METHODOLOGY

The following methodology is used in this study:

### 1. AREA OF STUDY

The survey was conducted at Davanagere City in Karnataka State. Davanagere District consists of 6 Taluks and having a total population is about 19,45,497. Male population: 9,86,400 and female population: 9,59,897. Davanagere City is most suitable place to conduct study because more number small scale and medium scale industries viz., cotton mills, rice mill, sugar factory, soap factory, textile industries and educational institutions located.

### 2. SOURCES OF DATA

The study has used both primary and secondary data. Field survey method is used to collect primary data from 20 respondents in Davanagere. Framed questionnaire is used for data collection. Secondary data were collected through various journals, magazines, books, reports and newspapers.

### 3. SAMPLING DESIGN

For the purpose of the study, out of 20 respondents, 10 respondents are registered women entrepreneurs and 10 respondents are unregistered women entrepreneur have been chosen in Davanagere by using simple random sampling, a questionnaire was prepared and administered in person to all the respondent. The information collected have been edited for reliability and presented in a master table for analysis.

### 4. TOOLS FOR ANALYSIS

In this study, the raw data collected are classified, edited and tabulated for analysis. The following were the some of the tools were used as percentage and Chi-square.

## ANALYSIS AND INTERPRETATION

This study is aims the Socio-Economic Conditions and Problems of Women Entrepreneurs at Davanagere City. For this purposes the study is conducted for 20 respondents of the women entrepreneurs both registered and unregistered. An attempt has been made in this section to analyse the collected data with reference to activities of women entrepreneurs a detailed analysis is given below.

**SOCIO ECONOMIC BACKGROUND**

The personal characteristics of the selected respondents like age, educational status, marital status, business type, startup fund, number of employees employed, nature of premises, monthly turnover, monthly profit, work, motives to start own business are discussed in this section.

**TABLE 2.1: SOCIO-ECONOMIC BACKGROUND OF THE RESPONDENTS**

Factors	Category	No. of Respondents	Percentage
Age	Below-20 years	01	5
	21-30	05	25
	31-40	08	40
	Above	06	30
Marital Status	Married	15	75
	Single	03	15
	Divorced	01	5
	Widow	01	5
Level of Education	Illiterate	02	10
	1-5	01	5
	6-12	09	45
	Graduation	07	35
	Post-graduation	01	5
	Diploma	00	0
Family Occupation	Business	07	35
	Employee	01	5
	Self employed	12	60
	Agriculture	00	0
Type of Business	Manufacturing	02	10
	Trade	05	25
	Service	13	65
	Others	00	0
Nature of Business	Owned	06	30
	Partially owned	00	0
	Rented	14	70
	Leased	00	0
Monthly Turnover	Below Rs. 50,000	14	70
	Rs. 50,000 to Rs. 1 lakh	05	25
	Rs. 1 lakh to Rs. 5 lakh	00	0
	Above Rs. 5 lakh	01	5
Monthly profit	Rs. 10,000 or Less	09	45
	Rs. 10,001 to Rs. 20,000	06	30
	Rs. 20,001 to Rs. 30,000	02	10
	Rs. 30,001 to Rs. 40,000	02	10
	Rs. 40,001 & above	01	05
Motives	Family tradition	00	0
	To be self employed	11	55
	Brings high income	00	0
	Savings	00	0
	No other alternative for income	07	35
	Others	02	10
Startup fund	Personal savings	03	15
	Household	00	0
	Borrowed from relatives/friends/money lenders	07	35
	Borrowed from bank	07	35
	Any other	01	5
No. of employees employed	Less than 5	20	100
	6-10	00	0
	11-15	00	0
	More than 5	00	0
Problems	Market Related	05	25
	Without Market Related	15	75

Source: Field Survey

**TESTING OF HYPOTHESIS****PROBLEMS FACED BY WOMEN ENTREPRENEURS AND EDUCATION**

Market related issues such as advertising, middleman problems, promotion, competition etc. and without market related issues such as lack of finance, dual role, and family support are associated with education. Here, set hypothesis are tested.

**TABLE 2.2: PROBLEMS FACED BY WOMEN ENTREPRENEURS AND EDUCATION**

Problems faced by Women Entrepreneurs	Education				Total
	Illiterate	1-5	6-12	Above 12	
Market related issues	1	1	1	2	5
Without market related issues	1	0	8	6	15
<b>Total</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>8</b>	<b>20</b>

Source: Field Survey

From the above table, Degrees of freedom =  $(c-1)(r-1) = (4-1)(2-1) = 3$ . Calculated value of chi-square = 4.58 at 5% level = 7.815.

**Inference**

As chi-square value  $< K$ ,  $H_0$  is accepted. Hence, the market related issues and education are independent. Therefore, we can conclude that the problems faced by women entrepreneurs may be solved by conducting and facilitating the training programmes in the identified area and even personality development programmes to balance their personal life.

**PROBLEMS FACED BY WOMEN ENTREPRENEURS**

As per the study, most of the women entrepreneurs at Davanagere City facing both market related and without market related problems. Most important problems among them are:

**1. LACK OF FINANCE**

Access to finance is considered as a key issue to women. Accessing credit, particularly for starting an enterprise is one of the major constraints faced by women entrepreneurs due to their inability to provide tangible securities.

**2. MULTIPLE ROLE**

As Indians, most of the women are very serious about family obligations but they do not equally focus on career obligations. A woman has to perform responsibilities towards family, society and work simultaneously. A series conflict emerges between home and work resulting in high stress level inhibiting her success, independence and progress.

**3. STIFF COMPETITION**

Many of the women enterprises have imperfect organizational set up. But they have to face severe competition from organized industries. Competition has become intensified due to the introduction of wide variety of products by medium and large scale industries. This poses a serious threat to the survival of small entrepreneurs at Davanagere City who depend on low level of technology.

**4. MARKETING**

Sufficient arrangement is not made for marketing the products of women entrepreneurs.

**5. SOCIAL ATTITUDE**

Negative attitude of the society towards women in business.

**FINDINGS**

1. A majority of women entrepreneurs are married and have small families.
2. Many of women entrepreneurs out of economic necessity and to be independent.
3. Most of the women entrepreneurs enter into business without undergoing any training.
4. SHG's place plays a vital role in empowering women to become an entrepreneur.
5. More than two third of the women entrepreneurs are below 40 years of age.
6. Most of the women entrepreneurs have support from their family members in running their business.
7. Among 20 respondents, 65% of women entrepreneurs are running service sectors, 25% are trade and remaining women entrepreneurs are manufacturing units.
8. Out of 20 respondents, 45% of the respondents earn less than Rs. 10,000 as a monthly profit.
9. Most of the women entrepreneurs have started the entrepreneurship to overcome the financial crisis. So, they have not taken the entrepreneurship as a profession.

**SUGGESTIONS**

1. Women could be motivated at a higher level to take up equal participation in manufacturing sectors and they may be encouraged to enter into large scale industries in a greater number.
2. Easy finance should be provided by banks and financial institutions to women entrepreneurs at low and concessional rates. Some financial cells may be opened for this purpose.
3. Government should make provision of marketing and sales assistance.

**CONCLUSION**

No economy can sustain itself without the participation of women either urban or rural. Today, we are in a better position wherein women participation in the field of entrepreneurship is increasing at a considerable rate. SHG's plays a vital role in empowering women at Davanagere. Women entrepreneurs at Davanagere are facing lack of finance, stiff competition, marketing the products, balancing between work life balance and family. The recent trend indicates that rural and urban women entrepreneurs are sensitive to changing the socio-economic conditions in the country. In order to overcome the drawbacks a high power commission should be appointed by Central Government at national level and state level to introduce new schemes for women entrepreneurs to make sustainable development in terms of rural economy.

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## HUMAN RESOURCE MANAGEMENT PRACTICES AWARENESS IN SELECT SMEs (SMALL MEDIUM ENTREPRENEUR)

**VANAMALA MOHANREDDY**  
**LECTURER**  
**DEPARTMENT OF COMMERCE & MANAGEMENT**  
**GFGC COLLEGE OF VIJAYANAGAR**  
**BANGALORE**

**DR. R. MAREGOUD**  
**PRINCIPAL (RETD.)**  
**VEERASHAIVA COLLEGE**  
**BELLARY**

### ABSTRACT

*The twenty first century is characterised, inter alia, by unprecedented changes, challenges, and opportunities for growth. It has also brought with it ways and means to acquire the competencies to take advantage of the opportunities and to overcome the challenges effectively. The revolutions in transport and communication have been making the world not only smaller and smaller, but also flatter and flatter. The globe has become a tiny village of instant communication and abundant information. The ongoing mega process of globalization, characterised by liberalization, privatization, marketization, and Trans nationalization, has been initiating and accelerating the process of inexorable integration of markets, nation states, and technologies to a degree never witnessed before in the recorded history of mankind. Its impact has been so comprehensive that no part of life — socio-economic, politico-cultural, ecological and demographic - across countries and continents can afford to be free from its influence. Every country must endeavour consciously to take advantage of the opportunities engendered by the mega process, otherwise they will be endangered.*

### KEYWORDS

human resource management, small and medium enterprises.

### INTRODUCTION

Awareness is an essential pre-requisite for management - whether it is business management or management of agricultural operations, or marketing management. Of late, it has become an integral and indispensable part of management policies and practice. Its importance is more pronounced in people-centered HRM policies and practices. The importance of HRM has been recognized by large enterprises. Many of them are aware of the determining role that HRM practices play in augmenting the competitive advantage of the firms by augmenting the competencies and core competencies of their employees. They are also aware that HRM practices have bearing on organizational performance. They know that employees are not merely walking costs, more than that they are running values. Large enterprises are also aware that HRM is of strategic importance and HR managers ought to be involved in strategic planning and decision making. But many of them may not be translating their awareness into action. And those who convert their awareness into action, may be doing so in respect some of the practices of HRM.

### A BRIEF NOTE ON HRM

People have always been central to organizations, but today they have taken on even more central role in building a firm's competitive advantage. An organization's success has come to depend more on human capital which includes knowledge, skills and attitudes imbedded in an organization's members (Prahalad and Hamel, 1990) Watson (1963), the founder of IBM says, "You can get capital and erect buildings, but it takes people to build a business". HR expenditures which - were earlier regarded as cost items, are now viewed as a strategic investment rather than simply a cost to be minimized. When employees' knowledge, skills, and attitudes (KSAs) are valuable, and difficult to imitate, and organised, a firm can achieve a sustained competitive advantage through people. Even though some sort of people- management has been there in SMEs, HRM in the modern sense as a decisive variable in augmenting competitive advantage, entrepreneurial and firm performance is of recent origin. In his research on SMEs in Denmark, Torben Anderson (2003) says that the increasing attention on HRM in SMEs is a comparatively recent phenomenon. While "competing through people" may be the theme for HRM, the idea remains only a framework for action. Bohlander, et.al (2001) observe that on a day- to-day basis, managers, ought to focus on specific challenges and issues that pertain to human resources. They have summarised the overall framework for HRM in fig 1

**FIGURE 1: OVERALL FRAMEWORK FOR HUMAN RESOURCE MANAGEMENT**

Competitive Challenges	Human Resources	Employee Concerns
Globalization	Planning	Background diversity
Technology	Recruitment	Age distribution
Managing Change	Staffing	Gender Issues
Human Capital	Job Design	Educational levels
Responsiveness	Training/Development	Employee rights
Cost Containment	Appraisal	Privacy issues
	Communication	Work attitudes
	Compensation	Family concerns
	Benefits	
	Labour Relation	

Source: Bohlander et.al. (2001) Managing Human Resources, p6.

HRM, to be successful, need strike a balance between the emerging "competitive challenges" and "employee concerns". It is here that HRM plays an important role in getting the most from employees and providing a work environment that meets their short-term and long term needs.

### STATEMENT OF THE PROBLEM

Some theoretical and empirical inquiries have gone into the critical role of HRM in ensuring competitive advantage and business success of firms through the competencies and core competencies of their employees. Among other things, they have provided evidence in support of the assertion that there exists a direct relationship between HRM (Human Resource Management) and organizational performance and business success. It is found that HRM practices such as human

resource planning, recruitment, selection, training and development, performance appraisal, compensation, incentives and benefits and the like, have profound influence on the KSAs (knowledge, skill & attitudes) of employees. In countries like America, it is said that many companies have not only passed through the first phase of reengineering of HRM practices with reference to the "task-centered" organizations during the 20<sup>th</sup> century, but, right now - in the first decade of the 21st century - they have been making conscious efforts to make a paradigm shift from task-centered FIRM practices to "process-centred" HRM practices. This is what Michael Hammer (1996) says in his famous book "Beyond Reengineering".

In this background, an attempt is made in this section to problematise the research topic will be chosen "HRM practices in SMEs: A study of select SMEs in Gulbarga District," by raising some relevant questions of the diverse dimensions of the topic. The questions are raised in the dismal background of the virtual absence of the theoretical and empirical research on SMEs' HRM practices in general, and that on the SMEs considered in the present inquiry, in particular.

## REVIEW OF LITERATURE

From the classical economics to the post-Keynesian analysts, today's thinkers the topic of the entrepreneur has been surveyed. Observations, theories and pronouncements have advanced. Not only were pure economists involved in this endeavor, but also prominent social such as Marx, Weber, Sombard and Veblen. In general, contemporary economists agree that the entrepreneur is a business leader and that his role in fostering economic growth and development is a pivotal one.

Peter Drucker defines an entrepreneur as one who always search for change, responds to it, and exploits it as an opportunity. He observed that "Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation. And they need to know and to apply the principles of successful innovations".

Chu and Siu (2001), a further study on the effects of the Asian Financial Crisis on human resource practices in the area was conducted, whose paper examined the processes of the 'rightsizing' strategies of Chinese-owned small and medium-sized firms in Hong Kong. The research results suggest that SMEs in Hong Kong follow different human resources practices at different stages, and also suggested a tentative model for the 'rightsizing' strategies of human resource departments in Chinese state owned small and medium-sized firms in Hong Kong.

## OBJECTIVES OF THE STUDY

To study the awareness level own managers of the SMEs about the various concepts of HRM and HRM practices.

1. The SMEs under study are aware of the various notions of HRM and HCM (Human Capital Management) and their inter-relationships and their bearing on firm performance.
2. To study the awareness level own managers of the SMEs about the various concepts of HRM and HRM practices.

## RESEARCH METHODOLOGY

The present inquiry will have to be partly theoretical and partly empirical of course, the latter is given higher accent since the focus of the study is on the HRM-awareness and HRM practices of the 27 selected SMEs in Gulbarga district. As pointed out in section 1.3, there is acute paucity of research on HRM in respect of SMEs. And no research inquiry has gone into this specific aspect in Gulbarga district. Also there is no simple theory of HRM, which can explain the importance and impact of HR functions and HRM practices on the performance of SMEs. And because of this reason, HRM theory is also given adequate importance. The empirical findings of the study are discussed with reference to the related aspects of HRM theory. With a view to achieving the objectives will have been set for the study, the researcher has used three research will have namely, theoretical, empirical participatory research in which the researcher and the researched keep themselves in touch with each other as often as possible from the beginning to end, and the research outcome would be of immense use to the researched SMEs in effecting policy correction and also in taking remedial action, if necessary. All these factors have influenced the methodology to be adopted. The thesis also carries chapter-specific methodology, wherever necessary.

The work is based on both secondary and primary sources of information and data. Before starting the exercise of information and data gathering, the researcher will be attempted a relatively comprehensive survey of the theoretical and empirical works under the guidance of his research supervisor.

TABLE A: CLASSIFICATION OF SELECTED SMES BY EMPLOYMENT

Sl. No.	Number of Employees	Number of SMEs
1	Up to 50	09
2	51 to 100	10
3	101 to 150	03
4	151 to 200	01
5	201 to 250	02
6	251 to 300	--
7	301 to 400	01
8	401 to 500	01
	<b>Total</b>	<b>27</b>

Source: field study

In order to lend authenticity to the work, the data are gathered from both secondary and primary sources. Secondary sources include: the periodical and special publications of the Directorate of Economics and Statistics, and the Directorate of Commerce and Industries, Government of Karnataka; the District statistical office; Zilla Panchayathi, Gulbarga District Industries Centre, Gulbarga Industrial Potential Reports of all the 10 taluks prepared jointly by the Taluk Industries Centres and the Centre for Entrepreneurship Development of Karnataka (CEDOK) Gulbarga the perspective plan 2006-2011 of Gulbarga District and Census Reports. Apart from these sources, information and data will be collected from Karnataka Human Development Reports (KHDRS).

Data will also gathered from the print media – periodicals, journals and dailies like the Hindu and Economic Times. Above all, the firm – specific secondary data are gathered personally from the annual reports and other office records of all the 27 SMEs.

The primary sources of the study are gathered from persons – management and employees of each of the 27 SMEs separately. The researcher will make use of the interview method based on the questionnaire, and observation method. She will interview the heads of all the respondent SMEs and their employees. She has recorded her observations on HRM-related matters during her visits.

The awareness about the notion of HRM is necessary for any firm that thinks of using HR practices to increase employers' and employees' competencies, its competitive advantage, business success etc. This does not mean that awareness, enables firms to use HR practices to achieve organizational objectives / goals. However, it does mean that it has the potential to do so.

Among the 27 sample firms, 13 have expressed their awareness, and the remaining 14 have expressed their ignorance about HRM. Of the 13 firms that have shown their awareness, 5 belong to IS (Oil industries) category, 5 to AB (Agro based) category, 2 to GN (Granite, slab cutting & polishing) category, and 1 to RGN (Ready-made garments) category. And of the 14 that have shown their ignorance, 10 firms belong to IS category, 3 to AB category, and one to RGN category.

On the basis of the above data, one should not jump to the conclusion that firms which have awareness do use HR practices consciously to achieve organizational objectives/goals is. Awareness is necessary, but not sufficient for implementing HR practices. Some other factors such as the size of a firm's operation. Willingness of the top management, cost and revenue implications of HRM, etc., do influence the decisions to use HRM practices. During the course of her personal interaction, the researcher discovered that none of the sample SMEs - aware and not aware-has done any exercise in this regard.

**DATA ANALYSIS**

That being the case, mere awareness of the notions of the HRM would be of not much use. The researcher undertook this exercise, among other things. With a view to sensitizing and conscientising the select SMEs about HRM notions and practices during the course of gathering the data through dialogue-centered interaction.

From the question-based and category-based analyses of the respondents' responses, it has become abundantly clear that the select SMEs lack knowledge about HRM notions and practices. Somehow they have been managing "people" to their advantage, but not scientifically. This is evident from the fact that most of their HR structures and HR-practices are informal, non-formal and adhoc. Presently, owing to the non-use of apt HRM practices, without their knowledge, they might have been losing a lot. HRM, if understood rightly and practiced properly would definitely contribute to the competency-based competitive advantage and business success.

**TABLE 1: HR AWARENESS OF INDIVIDUAL SMEs BY CATEGORIES**

Q. No.	Variable/Questions	Respondents Responses							
		IS category		AB category		GN category		RGN category	
2	3	4		5		6		7	
		Yes	No	Yes	No	Yes	No	Yes	No
(1)	Do you have a separate HR Department?	03	13	1	07	--	02	--	02
(2)	Are you aware of HRM?	05	10	05	03	02	--	01	02
(3)	All the Firms, irrespective their size, use both human capital and built capital. Do you consider human capital more important than built capital?	02	13	02	06	02	--	01	02
(4)	Do you know that HRM plays a determining role in enhancing/promoting firm's competitive advantage, and through it, its performance?	03	13	02	06	02	--	1	2
(5)	Do you know that HCM and HRM practices enhance entrepreneurial performance?	02	13	02	06	01	02	01	02
(6)	Do you know the difference between HCM and HRM?	02	14	02	06	01	02	01	02
(7)	Do you know the difference between traditional HRM and Strategic HRM?	02	13	1 & 3	06	01	02	01	02
(8)	Do you know the difference between non-strategic HCM and Strategic HCM?	02	13	1 & 3	06	01	02	01	02
(9)	Are you aware of the relationship between strategic planning and Human resource planning?	02	13	1 & 3	06	01	02	01	02
(10)	Do you know that HR Problems and practices vary according to the various phases in the life cycle of an organisation?	02	13	1 & 3	06	01	02	01	02
(11)	Are you aware that the human capital of the employees has positive effect on business success?	1 & 3	13	1 & 3	06	01	02	01	02
(12)	Are you aware that the human capital of the employees has positive effect on business success?	1 & 3	13	1 & 3	06	01	02	01	02

Note: 1) The answers to question No. 1 (a) are presented in Tables

**TABLE 2: HR AWARENESS OF INDIVIDUAL SMEs BY CATEGORIES TOTAL CATEGORY WISE RESPONDENTS RESPONSES**

Question No.	IS		AB		GN		RGN		Total	
	8		9		10		11		12	
	Y	N	Y	N	Y	N	Y	N	Y	N
1)	3	12	1	7	--	2	--	2	4	23
2)	5	10	5	3	2	--	1	1	13	14
3)	2	13	2	6	2	--	1	1	7	20
4)	2	13	2	6	2	--	1	1	7	20
5)	2	13	2	6	1	1	1	1	6	21
6)	2	13	2	6	1	1	1	1	6	21
7)	2	13	2	6	1	1	1	1	6	21
8)	2	13	2	6	1	1	1	1	6	21
9)	2	13	2	6	1	1	1	1	6	21
10)	2	13	2	6	1	1	1	1	6	21
11)	2	13	2	6	1	1	1	1	6	21
12)	2	13	2	6	1	1	1	1	6	21

Note: 1) The answers to question No. 1 (a) are presented in Table 3 and answers to question no. 1 (b) are presented in table 4

TABLE 3: PARTICULARS OF PERSON'S IN-CHARGE OF HR MATTERS BY THEIR OFFICIAL POSITION CATEGORY-WISE RESPONDENTS RESPONSES

Sl. No.	Persons in-charge of HR Matters	IS code Numbers	Total Nos.	AB Code Numbers	Total Nos	GN Code Numbers	Total Nos	RGN Code Numbers	Total Nos	Grand Total
1	2	3	4	5	6	7	8	9	10	11
1	Owner/Managing Director	IS-01,05, 08,10,13, 14 & 15	8	AB-02,03, 04,06& 07	5	GN-02	1	RGN-01 & RGN-02	2	16
2	Accounts Manager	IS-02 & IS-06	2	--	--	--	--	--	--	2
3	Senior Account	IS-09 & IS-12	2	AB-08	1	--	--	--	--	3
4	Technical Manager	IS-11	1	--	--	--	--	--	--	1
5	Secretary	--	--	AB-05	1	--	--	--	--	1
6	HR-Manager	--	--	AB-01	1	--	--	--	--	1
7	Manager (Administration)	IS-03 & IS-04	2	--	--	GN-01	1	--	--	3
	<b>Total :</b>		<b>15</b>		<b>8</b>				<b>2</b>	<b>27</b>

TABLE 4: PARTICULARS OF PERSON'S IN-CHARGE OF HR MATTERS BY THEIR OFFICIAL POSITION CATEGORY-WISE RESPONDENTS RESPONSES

Sl. No.	Persons in-charge of HR Matters	IS code Numbers	Total Nos.	AB Code Numbers	Total Nos	GN Code Numbers	Total Nos	RGN Code Numbers	Total Nos	Grand Total
1	2	3	4	5	6	7	8	9	10	11
1	Up to 12 <sup>th</sup> Standard	IS-05, IS-08, IS-10,IS-13, IS-14 & IS-15	6	AB-04, AB-07, & AB-08	3	--	1	RGN-02	1	10
2	Graduates (General)	IS-02, IS-04, IS-06, IS-07, IS-09 & IS-12	6	AB-02, AB-03, AB-05, & AB-06	4	--	--	RGN-01	1	11
3	Graduates (Technical)/Graduates (Professional)	IS-01 & IS-11	2	--	--	GN-01	1	--	--	3
4	Post-Graduates (Management)	IS-03	1	AB-01	1	GM-02	1	--	--	3
	<b>Total :</b>		<b>15</b>		<b>8</b>		<b>2</b>		<b>2</b>	<b>27</b>

## SUGGESTIONS

These recommendations of the researcher are based on the qualitative gap between the written responses and the oral responses of the owners! NIDs of the select SMEs. Some of them have shown their awareness about the various concepts of HRM, their inter-relationships, and about their impact on employees' competencies, firms' competitive advantage and performance by recording their mono-syllabic answer "yes" in writing. Many could not do even that.

But, even those who showed their awareness in that way, did not have the right understanding of what they expressed in writing. This was discovered by the researcher during her personal (oral) interactions with the owners individually. Their notions were very vague and were not fit for operational use. But given the current competency-based competition, knowledge of the basics of HRM, and skills to transform such knowledge into appropriate HRM interventions are necessary for SMEs to survive and prosper.

In this background, the researcher recommends that the owners / MDs/ top management of the select SMEs should be trained in the science and art of HRM notions and practices in a very simple way, keeping in view their levels of understanding and context-specific practical needs. With such training, in course of time, they would be able to organize training and development programmes for their employees.

The training programme ought to be conceived, planned, and executed under the joint auspices of the DIC, TICS, the Gulbarga District Association of SMEs, and the locally available HRM experts, academics and researchers. In this matter, the DIC and the Association should take the lead. The HRM experts, academics and researchers ought to be involved actively in preparing the training modules and in designing the teaching and training methodologies.

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## ASSESSING THE EXISTENCE OF THE GLASS CEILING THAT AFFECTS WOMEN'S CAREER GROWTH IN THE INDIAN HOSPITALITY INDUSTRY

**USHA DINAKARAN**  
**ASSOCIATE PROFESSOR**  
**DEPARTMENT OF HOTEL MANAGEMENT**  
**CHRIST UNIVERSITY**  
**BANGALORE**

### ABSTRACT

*The glass ceiling as a barrier in career progress of marginalized groups, particularly women, is a subject matter of interest and discussion for decades. Some of the barriers that are felt can also be self-imposed by the woman. While many organizations believe that they do not discriminate against women, the lack of a strong leadership guidance for women by other women, and other implicit and informal forms of prejudice are often unknown (or unacknowledged) by several organizations. While there has been increased visibility of women employed in various industries including the hospitality industry in recent times, the absence of women in supervisory and leadership roles is still felt. This paper aims to assess the existence of a glass ceiling that affects women's career growth in the hospitality industry with respect to the Indian environment. It aims to explore the factors and perceptions of women in the hospitality industry that may interfere in a smooth career progression for them.*

### KEYWORDS

women, glass ceiling, discrimination, hospitality industry, hotels.

### INTRODUCTION

#### WHAT IS THE 'GLASS CEILING'?

The expression 'glass ceiling' was coined in an article published in the Wall Street Journal in 1986 by Carol Hyowitz and Timothy D. Schellhardt ("The glass ceiling", 2009). The terms sustained itself for decades now and has been in frequent usage to discuss the existent of an invisible barrier that prevents someone from achieving further success. Glass ceilings are most often observed in the workplace and are usually a barrier to achieving power and success equal to that of a more dominant population. A common manifestation of this is seen where a woman who has better skills, talent, and education than her male peers but is obviously being passed over for promotions. Or for a woman to get paid lesser for the same job that her male peers are doing despite holding similar qualifications.

The existence of the glass ceiling as an invisible barrier is "so subtle that it is transparent, yet so strong that it prevents women from moving up the corporate hierarchy." With an outlook from their position on the corporate ladder, women can view the senior-level management positions but are often turned from "reaching the top" (Morrison, *Breaking the Glass Ceiling*, 1987). According to Morrison, the glass ceiling "is not simply a barrier for an individual, based on the person's inability to handle a higher-level job. Rather, the glass ceiling applies to women as a group who are kept from advancing higher because they are women." In the hospitality industry, we see the very prevalence of the glass ceiling by the limited number of women in leadership, supervisory, and managerial roles. Although there have been steady improvements with time, two academic studies (Woods, 2000) pertaining to the hospitality industry revealed that lesser than 10% of hotel general managers were women. This discrepancy is also visible in university hospitality classrooms, where a major chunk of the class students are still female, but majority of the senior industry executives who are panelists and speakers are predominantly male.

### REVIEW OF LITERATURE

#### ROLES OF WOMEN IN LEADERSHIP ROLES

Various studies and research often reveal consistent findings of women forming the minority in top leadership positions and supervisory roles both in government service and private sector (Barr 1996; Daily, Certo, and Dalton 1999; Morrison, White, and Velsor 1992).

A 2013 study (Catalyst, 2013) revealed that only a marginal 20 of the Fortune 500 CEOs were women, and in 2011, women held close to 14% of senior level positions at these companies. At lower levels, women comprised just over 50% of the employees occupying "managerial and professional specialty occupations" (Bureau of Labour Statistics 2003). While only thirteen companies belonging to the hospitality related field on the Fortune 500 list, every single one of them had a male CEO.

A better insight of both the social perspective and the industry on the roles of women in families shows women's professional outcomes and performances being impacted with outlooks of both peers and colleagues within their work environments on the professional front and from their families on the personal front.

The most frequently held self-imposed barriers tend to involve family and household responsibilities and attaining work-life balance. The most common workplace barriers were the dearth of strong mentorship programmes, unplanned career choices and moves, and perceptions and stereotypes related to women.

#### FAMILY STRUCTURE AND SUPPORT SYSTEMS

The biggest factor that affects women's career growth to the upper echelons at the workplace is family responsibility. In many cultures, communities, and countries world over, the woman is still considered to be the lynchpin in running the household. These home responsibilities are often perceived to be divergent with the responsibilities of upper management (Stockdale and Crosby, 2004).

Conservative predispositions and stereotypes about women in the professional environment have led many to believe that men are more motivated and determined go-getters than women; women tend to have soft skills and do not possess leadership skills. (Brief, 2008). Several connections may be formed between gender stereotypes and women capabilities in terms of managing companies. Powell (2010:130) suggested that "...it is difficult for women to be as effective in leader role ...". Over the last thirty years, corporate males in the US, UK and Germany continue to see women as less qualified than men for managerial positions. (Schein, 2007).

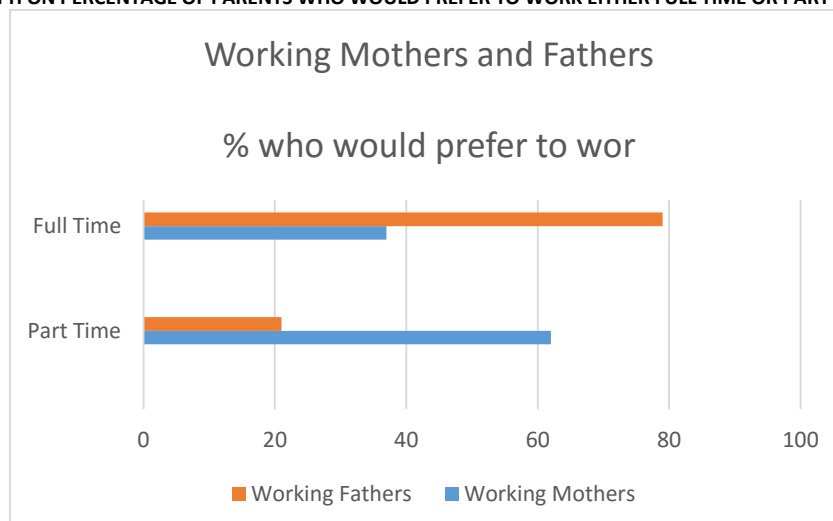
Different approaches have been employed to tackle the issue of promoting women to senior level jobs in the hospitality industry – some of them include networking, career tracking, mentoring, succession planning and adoption of a comprehensive approach. (Wirth, 2001). The research indicated that networks play a massive role in furthering career progression and that these informal social systems use friendships and alliances to organize, influence and rewards within hospitality organisation. Mentoring and training are very important in terms of women's career development.

#### WORK - FAMILY BALANCE

It is widely accepted that the lack of women in senior, corporate positions is due to conflict between family and career; and that women feel the need to choose between their career and family (Cutler & Jackson, 2002). Nieva (1985) in her study found that in some cases, women themselves were hesitant in furthering their careers and passed on their promotions so as to not burden themselves with the additional stress of balancing work and family. Stautberg (1987) stated that with some companies, employers themselves were hesitant to promoting women, with the assumption that women would prioritize their family's needs over professional demands and could possibly be underperforming as a result. This is an outdated research result but its outcome can still be visible today, especially in the hospitality industry.

In a qualitative study of interviews with female respondents (Winkler, 2011), one respondent proceeded to describe biases by many organizations after she gave birth to her child. The participant seemed to express interest in other jobs but felt being discriminated against because she had a child. On a personal front, she also felt confronted by her friends and acquaintances as they were often judgmental about the limited time she spent with her child. Her husband also participated in a very limited manner when it came to sharing responsibilities of the child. She felt that taking care of the child was primarily her responsibility and this affected both her personal and professional situations.

FIG. 1: BAR GRAPH ON PERCENTAGE OF PARENTS WHO WOULD PREFER TO WORK EITHER FULL TIME OR PART TIME (Parker, 2009)



(Note: Based on parents working full-time or part-time who have children ages 16 or younger; mothers n=135, fathers n = 165. Source: Pew Research Centre Social and Demographic Trends survey report conducted July 20 - August 2, 2009)

#### GENDER-RELATED STEREOTYPING AND THE BACKLASH EFFECT

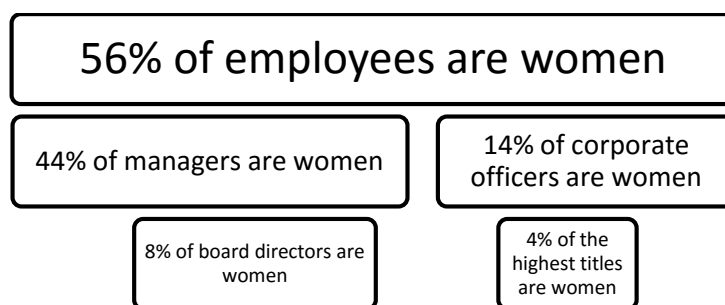
Another difficult factor in breaking the glass ceiling is gender stereotyping of women – following it and going against it are both viewed negatively; referred to as the backlash effect (Rudman, L.A., 1998).

A study of prescriptive gender stereotypes and backlash towards agentic women (Rudman and Glick, 2001) discussed the types of discrimination due to perceived incompetence occur due to descriptive gender stereotypes (i.e., what women and their traits are assumed to be). Extensive research has dissected how perceived sex differences (e.g., in intelligence, confidence, ambition) prevent women from being perceived as competent leaders (e.g., Cejka & Eagly, 1999; Glick, Wilk, & Perreault, 1995; Heilman, 1983). The suggested solution to this problem is for women to act the way men do so as to disconfirm gender stereotypes, (Wiley & Eskilson, 1985). As a catch-22 created by the backlash effect, women who do so are not liked, because they violate the prescriptive aspect of female gender stereotypes (i.e., what women should be); in particular, when compared to the school of thought that dictates and expects women to be more nurturing, compassionate, considerate, and sensitive to others' feelings. Due to women being held to a higher standard of niceness than men, agentic women may be perceived as competent but insufficiently feminine (Glick & Fiske, 1999; Rudman, 1998; Rudman & Glick, 1999), thus resulting in a possibly hostile attitude towards them by men.

#### LACK OF WOMEN IN SENIOR POSITIONS

A Stanford research study (Wynn, Seeing through the glass ceiling, 2012) revealed that women constitute 47% of the labour force, 1/3 of all MBA degrees, and only 2% of Fortune 500 CEOs. In 48% of Fortune 1000 companies, there are no women executives at all.

FIG. 2: WOMEN STILL FORM A KEY CHUNK OF THE HOTEL WORKFORCE BUT EXECUTIVE PROSPECTS ARE STILL LIMITED. Adapted from Primavera B. (2001).



In the hospitality industry, particularly where the gender stereotypes are taken more seriously, two of the biggest factors that affect women are long, odd working hours and the type of service level jobs that are found in many hotels (S Mooney, 2009). Long working hours are seen as a fundamental basic in the hotel industry as the nature of the job demands it highly. (Brownell, 1993; Hicks, 1990; Knutson Schmidgall, 1999).

It was also found in a study that both men and women emphasized self-imposed barriers over workplace barriers. A lot of these barriers for women could stem from the personal front like managing the home and desire to spend more time and be involved in the lives of their children. While these issues have been existing for decades within the industry, and organizations and hotels are encouraging more women to join them, they're not realizing in the process that they're simply ignoring and not addressing and helping women to successfully manage these barriers. A new approach with a strong focus on an active leadership development is the need of the hour (Boone, Houran, Veller, 2013).

#### EXCLUSION FROM MALE DOMINATED PEER GROUPS

Women often face exclusion from their male dominated peer groups – also known as the "Old Boys' Club". This is an informal network and gathering of male managers, particularly at senior levels of management that women feel and admit they are intentionally being kept out of (S Mooney, 2009). These informal male networks are often built around sports – either playing a game of golf or giving tickets to watch football matches, both of which women rarely get to be a part of. Extending it to a more formal platform, many women report there are "certain kinds of meetings" they don't get asked to as they are not viewed as decisions makers. Women in the corporate world tend to not travel on business as frequently as men do, according to surveys by Korn/Ferry International (1982) and Wall Street Journal/Gallup (1984). Studies confirm these differences in status and the different treatment of women. Another study showed that among employees at similar levels of qualifications and experience, men "managed greater numbers of people, had more freedom to hire and fire, and had more direct control of the company's assets" than women (Harlan and Weiss).

This informal boys' club affects women in following areas – networking, interview and selection process, double standards of behaviour for men and women and potential discrimination against women with young families.

### NEED OF THE STUDY AND IMPORTANCE OF THE RESEARCH PROBLEM

Despite the presence of many women professionals in the hospitality industry, the absence of women in supervisory and leadership roles is really prominent. There also seems to be a higher number of younger female professionals than older women in the industry, which doesn't seem to be so in the case of men. The study aims to understand the existence of any discriminatory platform or a glass ceiling that affects the career progression of women in this industry.

### STATEMENT OF THE PROBLEM

Assessing the existence of the glass ceiling that affects women's career growth in the Indian hospitality industry.

### OBJECTIVE OF THE STUDY

To identify the reasons behind the limited presence of women in leadership and supervisory roles in the hospitality industry and to understand the existence of a glass ceiling where women get discriminated against.

### METHODOLOGY

#### SAMPLING

A total sample size of 80 was taken for the study. The sample unit consisted of women in the age groups of 22 – 50 who are currently employed in the hotel industry. The respondents were from the cities of Bangalore, Delhi, Mumbai, Pune, and Chennai.

#### STATISTICAL TECHNIQUE

The sampling technique used in the research was non-probabilistic sampling where convenient sampling was done.

#### QUESTIONNAIRE

The primary data was collected by using a qualitative questionnaire prepared earlier. The questionnaire had a total of 9 questions, with 1 question employing the scaling technique of Likert scale of agreement.

#### PROCEDURE

The primary data was collected by questionnaires filled in an online format. Scoring was done by taking the average of the respondent selections for option-based and scaling questions.

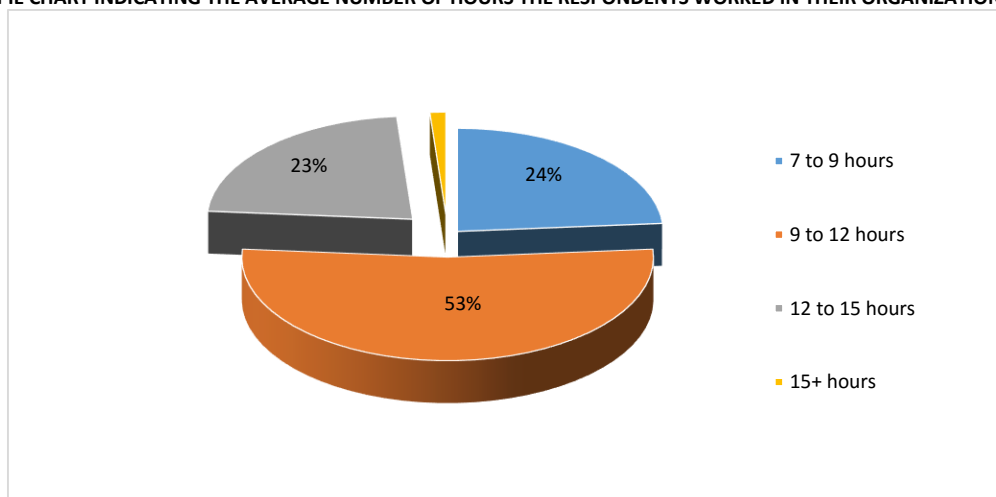
### KEY FINDINGS AND RESULTS

Over 80% of the respondents were younger and from the age group of 21 – 35 years. The highest participation was from the age group of 21 – 28 years, with the numbers continuing to dip lower after that. It is also possible that the younger respondents were also easily available to access and participate in the questionnaire online.

45% of the respondents had worked in the industry for 5 – 10 years and gained reasonable experience to understand its intricacies and that of the glass ceiling. This was followed by nearly 28% of the respondents having less than 5 years of experience, and just stepping into the industry.

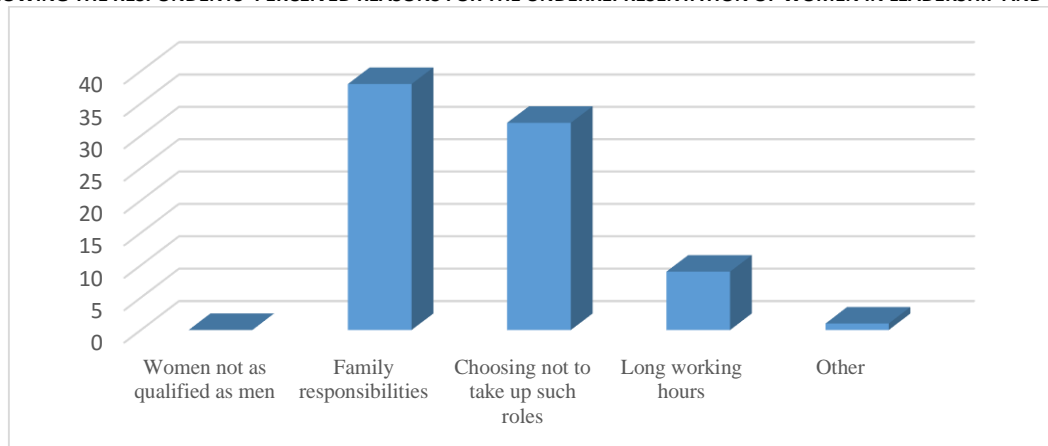
53% of the respondents worked 9 to 12 hours a day and 24% of the respondents worked 7 to 9 hours every day. 23% of the respondents worked 12 to 15 hours a day. With 8 hours being the standard work shifts in most industries, and given the odd and long hours of the hospitality industry, more than half the respondents putting in 9 to 12 hours of work a day seems like a common norm.

FIG. 3.1: PIE CHART INDICATING THE AVERAGE NUMBER OF HOURS THE RESPONDENTS WORKED IN THEIR ORGANIZATION EVERY DAY



An overwhelming 80% of the respondents claimed that they had seen and/or experienced discrimination against women at some point in their career. The lack of a positive work environment, an encouraging boss, prejudiced male peers, could affect women's career decisions in quitting their jobs after a few years of service. A whopping 75% of the respondents felt that starting a family has/would affect the way their supervisors and peers assessed their performance. 20% disagreed. As discussed earlier, family responsibilities still tend to fall squarely on the shoulders of the women in the household, and as a result, the gender stereotyping and social expectations may affect the judgment of supervisors and peers during appraisals of maybe not prioritizing work responsibilities sufficiently.

FIG 3.2: GRAPH SHOWING THE RESPONDENTS' PERCEIVED REASONS FOR THE UNDERREPRESENTATION OF WOMEN IN LEADERSHIP AND SUPERVISORY ROLES



48% of the respondents felt that the lack of women in leadership and supervisory roles was due to having familial responsibilities. 40% felt that the women themselves didn't want to take up such roles. 11% believed that the long working hours played a crucial factor in this. No one thought that the women weren't as qualified as men for the same job. Family responsibilities still tend to fall mostly on women, even in the modern day as they are stereotyped and considered to be more nurturing and compassionate and are expected to fulfil family responsibilities. The belief that would stem behind not wanting to assume such roles could also be driven largely by family responsibilities.

A majority of the respondents - nearly 73%, believed that women must perform better than men to be recognized/promoted for the same job. With respect to the review of literature discussed in this paper and the presence of a backlash effect, the gender stereotyping of women to be assumed as kind and considerate and as a result, not being strong leaders' pushes women to work harder and better to be recognized/promoted. In addition, when being assertive and confident and other "manly" traits, women can also be negatively assessed as aggressive and bossy.

100% of all the respondents felt that they were being excluded from certain events and informal meetings which were strictly organized by and invited only male supervisors and peers from their workplace. While the establishment of an old boys' network is clear, in the Indian context, there also seems to be a clear gender stereotyping where women might be assumed to not want to participate in such events or assumed to take care of family issues after work hours. The exclusion is still this prominent in the Indian hospitality industry as the influx of women employees in this industry is still relatively new, and only initiated in the last three decades or so.

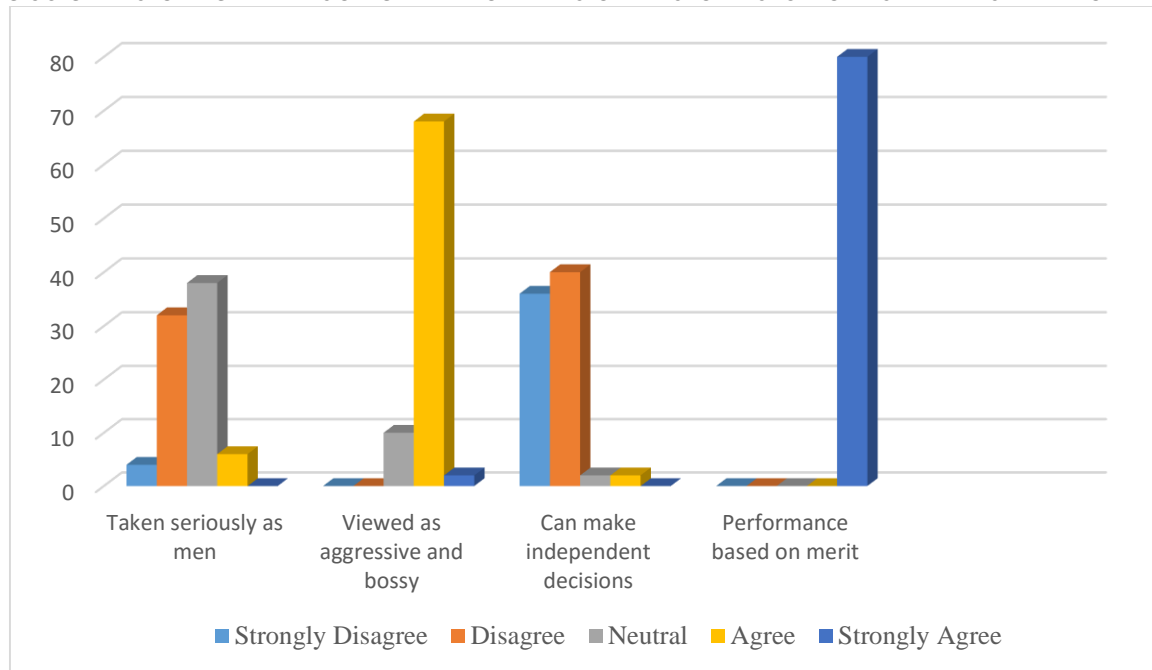
Nearly 48% of the respondents had neutral views on being taken just as much as seriously as their male counterparts were at work. 40% of the respondents disagreed on the statement of being taken seriously as their male colleagues. There still seems to be a shaky ground on how women are perceived in the industry and the gender stereotyping as discussed earlier may have a big role to play here.

A majority 85% respondents felt that whenever they were firm and confident with their colleagues at work, they were perceived as being aggressive and bossy. This is an area of major concern and a clear manifestation of the backlash effect. Women try to break out of the mould by being more assertive and confident, but they can often be perceived to be "bitchy" and "bossy" while it's possible men behaving the same way would be perceived as strong leaders.

An incredible 95% of the respondents disagreed with the statement that they could make decisions at work without their supervisor consulting their male colleagues/subordinates. This is one of the biggest hiccups in increasing the number of women leaders and supervisors as they are still possibly seen as weak and not as influential decision makers. This makes their supervisors consult with their colleagues and subordinates to revalidate their decisions. This practice can also have a serious negative effect on the employee morale as it indicates trust issues.

100% of all respondents believed that people should be rewarded based on their performance, regardless of their sex. Everyone demands a fair assessment and any gender bias present should be done away with.

FIG. 3.3: GRAPH SHOWING THE LEVELS OF AGREEMENT OF THE RESPONDENTS TO THE SITUATIONAL STATEMENTS IN THE WORKPLACE



**RECOMMENDATIONS****FOR ORGANIZATIONS****ADOPT A STRONG LEADERSHIP PROGRAMME AND GET WOMEN MENTORS ON BOARD**

While many organizations may truly believe that they are providing all they can in order for women to grow in their careers, it's possible that many women feel the lack of a strong support system that enables them to do so. Organizations need to adopt a strong leadership programme for women and other discriminated groups and help them shatter their possible mould of self-doubt and discomfort and push them to achieve more. In addition, having a scaffolding platform by having women mentors on board – from different organizations as well – would help entrench that support system in place.

**ENCOURAGE FLEXIBLE TIMINGS**

A highlighting concern for women is still managing and balancing work and family life. Organizations must try to encourage flexible timings when possible and encourage both men and women to do so. Family responsibilities are still just as important, and by letting both men and women participate to work from home and utilizing flexible timings, organizations are reassuring their employees that they do take and understand their needs seriously. In addition, it also promotes gender equality when allowing both men and women to utilize it, thus also pushing men to participate and take on more household responsibilities.

**DISMANTLE THE OLD BOYS' NETWORK**

100% of all women respondents in this study felt being excluded from informal meetings and gatherings that often comprised male supervisors and peers. This network, while helps other men to get further by social interaction and other related activities, voluntarily keeps out women from these circles. Women also need a platform to participate in while off work hours and interact and network with other members from the industry. All male gatherings that intentionally keep out women need to be dismantled and a more supportive networking gathering that includes people of all the sexes, communities, and is bias free needs to be initiated.

**FOR WOMEN****TAKE THE INITIATIVE AND BE A RISK-TAKER**

It's easy to get lost in the sea of employees and being noticed, but it's even harder to make an impression when you tend to be a minority. It is thus fundamental to be the initiator and risk taker and be as visible as you can at work. Women need to interact cross functionally at work, participate in discussions and events, maybe even learn and/or enhance their entrepreneurial skills. They also need to find the perfect balance of being polite yet firm and push themselves to not be taken lightly. It is essential for women to have that presence as the study does indicate that majority of the respondents didn't think their supervisors gave them sufficient freedom to make decisions by themselves.

**GET YOUR PARTNER EQUALLY INVOLVED IN HOUSEHOLD RESPONSIBILITIES**

It's important for women to remember and remind themselves that the entire load of household responsibility doesn't need to necessarily fall on their shoulders – women must get their partners involved as much as possible. Men being an equal part of household activities – including chores and taking care of the family, would help inculcate an added responsibility along with being more understanding towards female colleagues and superiors. It will also encourage them to set and utilize flexible timings at work and help shatter societal expectations of gender.

**BUILD A SUPPORT NETWORK**

One of the key things women are currently missing on is a support network and a platform that helps them hone their executive skills. Women need to get out and network more – be it at business summits, industry conferences, even company events – to be more visible and be taken more seriously. These networks don't necessarily have to be women oriented but can also include men who are just as supportive. Networks help build references, are integral to one's career, and help in finding mentors and a strong social network group that helps one another to succeed and grow. Other women are also looking to build on and expand their networks, so one must tap into these and grow as much as they can.

**CONCLUSION**

The glass ceiling seems to manifest itself across many industries, but given the erratic nature of the hospitality industry and in lieu of the Indian context, its presence is felt a little more than usual. To completely remove any form of discrimination and the existence of such a barrier, both organizations and individuals need to play a crucial role. There is a necessity to let go of decade old practices and assessment measures – no evaluating bias must come into play. While abolishing sexist discrimination, men should also be entitled to paternity leave and flexible work timings. Tangible effort is required from both male and female employees as well as initiatives from organizations to fight the glass ceiling successfully.

**SCOPE FOR FURTHER STUDY**

The study of the glass ceiling and affecting career progress can be studied in a micro environment. While this study pertained to the hotel industry in general, scope for further study can analyse the same variable but compartmentalize it to housekeeping, kitchen, service, executives, and managers. The research would reveal the possible ramifications of such a barrier.

**ACKNOWLEDGEMENT**

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## ANNEXURE

The expression 'glass ceiling' is used to describe artificial barriers that prevent qualified women from advancing within their organization.

Examples are:

- (1) Barriers that prevent women from being promoted into upper management positions
- (2) Pay inequities for equal work,
- (3) Stereotyping

This questionnaire aims to assess the existence of a glass ceiling in your work environment and study the possible outcomes of it as a result. Your responses would be kept strictly confidential.

1. Please specify your age.

- a) 21 – 28
- b) 28 – 35
- c) 36 – 44
- d) > 44

2. How many years of experience have you had?

- a) Less than 5 years
- b) 5 – 10 years
- c) 10 – 20 years
- d) 20 – 30 years
- e) More than 30 years

3. On an average, how many hours do you work every day?

- a) 7 – 9 hours
- b) 9 – 12 hours
- c) 12 – 15 hours
- d) More than 15 hours

4. At any point in your career, have you seen/experienced any discrimination towards women?

- a) Yes
- b) No
- c) Can't say

5. Has/will starting a family affect the way your peers and supervisors assess your performance?

- a) Yes
- b) No
- c) Can't say

6. Do you feel that women must perform better than men to be recognized/promoted for the same job?

- a) Yes
- b) No
- c) Can't say

7. Have you felt excluded from certain events and informal meetings which were strictly organized by and invited only men from your workplace (comprising superiors and peers)?

- a) Yes
- b) No
- c) Don't know

8. Women are underrepresented in supervisory and leadership roles in the hotel industry. Why do you think this could be the case?

- a) They're not as qualified as men.
- b) They have familial responsibilities.
- c) They choose to not take up such roles.
- d) They can't commit to the long working hours.
- e) Other

9. Please use the following scale to answer the question below:

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

10 I'm taken seriously just as my male counterpart in the workplace.

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

11. Whenever I'm firm and confident, I'm viewed as aggressive and bossy.

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

12. I can make decisions at work without my supervisor consulting with my male colleagues/subordinates.

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

13. People should be rewarded based on their performance, regardless of whether they are men or women.

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

# BUYER-SELLER RELATIONSHIP CONSTRUCTIONS IN THE BUSINESS BUYER BEHAVIOR: WHOLESALER AND DISTRIBUTOR FAST MOVING CONSUMER GOODS (FMCG) INDUSTRY IN INDONESIAN MARKET PLACE

**AGUS TRIHATMOKO, R.**  
**RESEARCH SCHOLAR**  
**FACULTY OF ECONOMIC & BUSINESS**  
**UNIVERSITAS SEBELAS MARET**  
**INDONESIA**

**MUGI HARSONO**  
**RESEARCH SCHOLAR**  
**FACULTY OF ECONOMIC & BUSINESS**  
**UNIVERSITAS SEBELAS MARET**  
**INDONESIA**

**SALAMAH WAHYUNI**  
**PROFESSOR**  
**FACULTY OF ECONOMIC & BUSINESS**  
**UNIVERSITAS SEBELAS MARET**  
**INDONESIA**

**TULUS HARYONO**  
**PROFESSOR**  
**FACULTY OF ECONOMIC & BUSINESS**  
**UNIVERSITAS SEBELAS MARET**  
**INDONESIA**

## ABSTRACT

*This study is to further investigate two perspectives of relationship between wholesaler and distributor FMCG in the concept of business buyer behavior. The purposes of this paper are to identify and describe company "marketing mix" policy and culture related with role of salespeople and relationship quality. Observation and in-depth interview method is used to collect data information from peoples in the business of wholesalers and distributor of FMCG in traditional trade. The finding of this study has identified that historical of company policy and culture, which covers: delivery of goods, return of defective goods, resources allocation, trade promotion, changes in price structure, as well as ordering and receivable collection that also includes social culture interpersonal and individual. Each company policy and culture have a focus to deal with essential aspects of relationship quality between buyer-seller salespeople's role, are: interaction and communication related with ordering and collection; commitment related with delivery of goods and return of defective goods; mutual objectives related with trade promotion and changes in price structure; relationship utility related with resources allocation; relationship length related with interpersonal and individual culture; social context related with trade promotion and interpersonal and individual culture; integrity related with trade promotion. Regarding with the results could also give some conceptual propositions and recommendation to academicians and practitioners FMCG Industry.*

## KEYWORDS

relationship marketing, marketing mix, business to business, relationship quality, business buyer behavior, wholesalers and distributor, fast-moving consumer goods (FMCG) industry, traditional trade.

## INTRODUCTION

Fast Moving Consumer Goods (FMCG) uses conventional distribution channel management in marketing their products (Peter and Donnelly, Jr., 2011; Kotler and Armstrong, 2013) or indirect channel (Evans and Berman, 1992). Among these channels there is a relationship between one and another based on their business structure. Relationship is a termed consensus aiming to develop and manage long-term relationship and or trust with customers, distributors, suppliers, or the other parties in its marketing environment (Peter and Donnelly Jr., 2011; Cravens and Piercy, 2009).

Research on relationship in FMCG industry has become a topic of previous research conducted by academics (Williams and Attaway, 1996; Parsons, 2002; Verbeke et al., 2006; Bettles and Hariss, 2010; Leahly, 2011; Kyle and Gruen, 2012). However, they have not conducted a research on relationship construction between distributors and wholesalers in traditional trade. Leahly (2011) suggested that future research to explore the other aspects of consumers market as a potency of relationship development. Suggestion from Parsons (2002) and Bobot (2011) that in study employs two perspectives at once in order to deepen the topic of study. This study is important because wholesalers is a channel from distributors to expand the coverage of their products distribution to retailers. Reibstein and Farris (1995) in Tolba (2011) state that there is a convex relationship between distribution coverage and market share for consumer packaged goods. Currently, business growth is very dependable in the relationship owned by suppliers and demanding (Parsons, 2002). Even though it is important, distribution received minor attention in academic research (Tolba, 2002). The problem is how distributors or its salespeople and wholesalers build the quality of their business relationship? Furthermore, various analyses of findings are expected to contribute in completing various literatures about relationship marketing and business buyer behavior theory.

## LITERATURE REVIEW

Stern and Reve (1980) study has proposed concept of relationship between economic-political internal aspect and economic-political external aspect. Dwyer and Welsh (1995) study has proposed model of environment impact on channel structure and process. Williams and Attaway (1996) studied buyer-seller relationship as a result of organizational culture in determining the development of relationship, by depicting the determination of relationship development model. Parsons (2002) explores buyer-seller relationship quality from buyer's perspective by developing the determination of buyer-seller relationship quality model. Song, Su,

Liu dan Wang (2012) studied the impact of business relationship function to the relationship quality and buyer's performance. A different step from previous literatures in this study is that the construction in this study is the process in building the relationship and quality for buyer-seller business interest.

#### BUYER-SELLER RELATIONSHIP PERSPECTIVE

##### Distributors' Policy and Culture

Williams and Attaway (1996) study explains that customer orientation, specifically, is a record on organization and group behavior such as salespeople. The result of the study shows that the maximum effect on buyer-seller relationship comes from the synergy of working culture supports of sellers through customer orientation by salespeople. A strategic policy and culture that was predicted to have an important effect is marketing mix (4P's: Product, Price, Place, and Promotion). These predictions refer to the concept described by Kotler and Armstrong (2013), that is: first, the key of customer relationship marketing covers three aspects, financial benefit, social benefit, and structural ties; second, in business buyer relationship the role of buying center is preceded by marketing stimuli (marketing mix "4P's") and other stimuli, such as cultural aspect.

Hankansson and Waluszewskie (2005) in "4P's" theory reinterpretation suggests that not only product should be given special attention but also how product with its facility. Jia Hu (2011) empirical study shows that marketing mix strategy "4P's" has a positive and significant relationship with consumer loyalty. Williams and Attaway (1996) state that as a consequence of customer orientation approach, salespeople of a company will be affect by organizational culture. However, the literature has not specifically mentions "4P's" attributes and culture which become buyer-seller relationship content. Thus, this study wants to reveal these factors and identify it.

##### Salespeople's Role and Relationship Quality

In handling objection role, salesperson have to use positive approach, look like concealing purposes, talk with customer to clarify purposes, using purposes as a mean to provide information, and extend this purpose to a reason for purchase (Kotler and Armstrong, 2013). Shortly, handling objections take place when salesperson has an interaction and communication with buyers in fulfilling customers' needs by providing solution needed. Furthermore, Kotler and Armstrong (2013) explain that marketing relationship covers the creation, preservation, and development of a strong relationship with customer and other stakeholders. They also explain that the key of customer relationship is an approach to build the power of customer relationship. Here we can see that the aspect of financial, social, and structural benefit played by salespeople in a factor perspective in building buyer-seller relationship.

In accordance with the explanation above, handling objection is salespeople's action in the form of interaction and communication when they perform order taker function. Beetles and Harris (2010) describe about the role of intimacy in a relationship. One of their study results shows that without intimacy there will be no relationship. Thus, they suggest that intimacy is an important demonstration of relationship like consultation style of interaction. Parsons (2002) who explores about the determination of buyer-seller relationship quality found that communication is a very strong variable in determining relationship quality. From review above, the researchers predict that interaction and communication perspective in handling objection aspect played by salespeople is the essence of the efforts to build relationship quality between buyer-seller parties.

Kotler and Armstrong (2013) concept that salespeople in implementing their program and other roles have an orientation to provide financial, social, and structural benefits for their customers in order to build a strong relationship quality. Parsons (2002) uses these three benefits in the form of attribute making for interpersonal aspect that is mutual disclosure, communication, customer orientation domain expertise, and various same aspect of relationship including commitment, mutual objectives, and relationship benefit. These elements are used to measure the determination of relationship quality. Aderson and Waitz (1992) in Verbeke et al. (2006) explain that commitment is an adoption of long-term orientation towards relationship. Trust and commitment is a center in many conceptualization of relationship quality (Grzeskowiak and Al-Khatib, 2009 in Bobot, 2011). Garbarino and Johnson (1999), use commitment as a mediating variable of the relationship between attitude and future intention in the model of trust and commitment as a mediating variable in customer relationship. Explanation about mutual objectives and relationship benefits is has been delivered in Cannon and Perreault (1999) study: first, in buyer-seller relationship construction from customer's perspective in evaluating customer satisfaction, among other using cooperative norms. Thus, it can be predicted that commitment perspective, mutual objectives, and benefit in the financial, social, and structural aspect that played by salespeople is the essence of the effort in building relationship quality between buyer-seller.

The concept of direct linkage between "4P's" content and culture in buyer-seller relationship has not studied in previous research. However, "4P's" contents and culture has been predicted as the antecedents of salespeople's role in buyer-seller relationship. Using analogical approach that "4P's" contents and culture specifically become the background of the essence of relationship quality built between buyer-seller. This is why the purpose of this study is to reveal and identify as well as to describe specifically the linkage between "4P's" contents and culture with the essence of relationship quality.

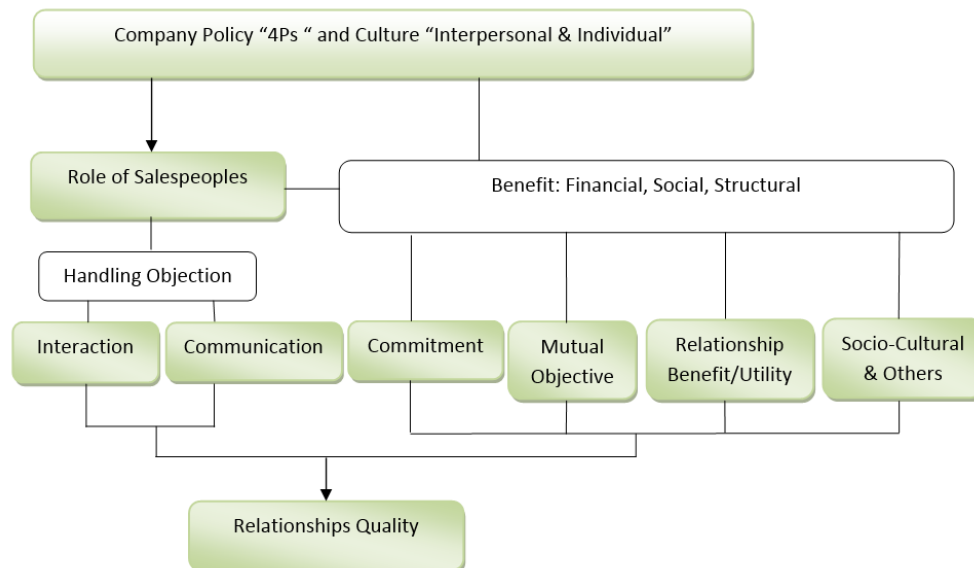
As explained above, the deepening process in this literature review uses relationship marketing and transaction marketing or marketing mix as a reference. However, the paradigm about theory on these concepts is still faces a literature debates. Gronroos (1997) state critically that today the paradigm in marketing mix start to loose its position, relationship marketing is the new well known approach with periodic insertion in marketing literature. Zineldin and Philipson (2007) conduct a study entitled "Kotler and Borden Do Not Die: linkages between relationship marketing and '4P's'". The result of his review states that there is no company which exclusively uses relationship marketing approach. On the other side, Leahy (2011) concludes that relationship does not form between manufacturers with the customer of FMCG market, where the term relationship contributes relatively small in the effectivity of marketing strategy development. This study framework will be used in analysis as depicted in buyer-seller relationship model construction in the consep business buyer behavior (Figure 1).

#### METHOD

In line with this study objectives, then this study employs a complex qualitative method. The exploration of objects is designed by constructionist and phenomenology approach (Yin, 2003 in Jonker and Pennink, 2010; Fatchan, 2011; Cresweel, 2013) in FMCG industry. The data were acquired from informants or participants from distribution companies and wholesalers FMCG industry. The data collection is performed by non-participation observation, open interviews, and in-depth interviews (Fatchan, 2011; Cresweel, 2013).

This study was conducted in traditional trade in Solo-Raya, Central Java Province, Indonesia. The location is choosed with geographical, historical, and socio-economic reason. Geographically, Solo is surrounded by six districts: Solo, Boyolali, Sragen, Karanganyar, Sukoharjo, and Wonogiri. These districts are encircling Solo, thus Solo located in the center position. The name Solo-Raya is not the official name of the city but is a popular name used by the community. Number of store in Solo-Raya traditional trade 26.120 store or 1% from total universe Indonesian market (AC Nielson, 2010).

FIGURE 1: BUYER-SELLER RELATIONSHIP MODEL IN THE BUSINESS BUYER BEHAVIOR



## RESULT

The pattern in realizing merchandise delivery to the traditional trade wholesalers is 1 X 24 hours from ordering point. This requirement is set because delivery is a form of sensitive service from distributors in marketing their products. In certain condition wholesalers will release an order in a large number to fulfil customers' demand.

The return of products from wholesalers to distributors normally are caused by defective products (BS: Bad Stock) in certain condition and based on each product category. There are various factors that can causes damage to goods, among others are the factors of: handling, pass the expiration date, mis-production-quality from manufacturer, and new products that cannot be sold for a long time. Every return policy generally has been informed or understood by personal sales and wholesalers from each companies as a form of regulation, thus in this context is a form interpersonal and organizational promise.

Resources allocation is a form of cooperation between parties in business to business or between distributors and wholesalers. Company resources allocation can be in form of space rent for products display (shelf space) provided by wholesalers in their store. Beside space rent for product display, company placed or assigned several people to work in wholesaler's store, that is: Merchandiser (MD), is a person who in charge to clean, tidy up, and arrange the products in the space rented by company; Sales Promotion Girl (SPG), is a person who in charge to sell company's products in the store or around the store; Motoric Team, is a person who in charge to sell product using motorbike to covers an area around tens of kilometers. The policy of resource allocation usually is performed through a coordination and cooperation between distributor and wholesaler with an approval from the manufacturer. The mechanism for this policy funding is the manufacturer will bear all cost for resources allocation. In case of this policy does not running effectively, then in the future the wholesaler will not get the allocation of resources and the allocation for this wholesaler may be transferred to the other wholesalers.

Trade promotion policy is a promotional program that strategically determined by manufacturers. In this case, distributor acted as implementator or program executor, all program funding will be borne by manufacturers. Manufacturers have various strategic pattern, among other promotion and price discount, product bonus, prizes and other rewards given to wholesalers after gaining certain purchasing target in a certain time period. For wholesalers, trade promotion program from company is not a business secret because wholesalers have communication network among them and it is developed through a natural mechanism of market network. They will acquire a greater more profit, thus improving their business growth. Distributors also get a strategic marketing infrastructure in gaining sales performance target set by manufacturers. In distributorship business, manufacturers periodically conduct an evaluation of distributor performance using parameters such as product business growth and the level in achieving sales target set by manufacturers. The performance will automatically become salespeople's responsibility according to their official capacity in each distributor.

Price structure is a policy set by manufacturers in the form of product price list with purchasing and selling structure for each distribution level. In the normal economic condition, changes in price structure take place only twice a year, in the form of increase in price. In the momentum of increase in price, businessmen in distribution to retailer level will set a position as a business opportunity. The opportunity taken by distributor, wholesaler, and retailer, is trying to get products with the old price, with the intention to acquired excess goods as a supply in their warehouses. In this kind of situation, in order to make all parties' needs are fulfilled, then the information of increase in price should be socialized to distributors. When socialization process and order fulfilment do not meet with customer expectations, then this momentum has an opportunity to become a serious problem in this industry.

Invoice is account receivable of distributors or wholesalers' debt from business-to-business transaction between distributor and wholesalers. Debt-receivable occurs because each company has sales pattern with credit system and various due date between a week up to two weeks or two weeks up to four weeks. Generally, FMCG distributors perform receivable collection through their salesperson together with the next ordering. Only a few distributors use collector service for traditional trade, they only use this service for collecting receivables from modern trade. When ordering and collection policy do not handle well by salespeople, then there is a potency of disturbance among the parties.

Interpersonal and individual relationship in social relationship of each location has a culture with different patterns. Solo Raya community generally accepts interpersonal and individual relationship and has a 'silaturahmi' culture. They visit each other and attend certain ceremonial by invitation or by oral information from various parties. They conduct gathering (silaturahmi) when one of them has personal ceremony such as wedding, circumcision ceremony, and birth ceremony. Besides that, when one of them is sick or has a funeral for their family members, they will show empathy by look in and attending the funeral. This kind of culture has become interpersonal and individual awareness between wholesalers and distributors. They view this kind of acts as something good in building interpersonal closeness for everybody who has relationship or network.

This study results have identified that there are five elements: interaction, communication, commitment, mutual objectives, and relationship benefits as an essential aspect in building relationship quality. However, these five aspects is not sufficient because the results also identified three other aspects, that is: how long the relationship has taken place and social context and personal integrity which also have a role in string then the essence of relationship quality built.

## INTERACTION & COMMUNICATION AND HANDLING OBJECTION OF ORDERING & COLLECTION

Interaction takes place when salespeople perform a visit in order to conduct offering or collection, here the intensity of interaction and communication takes place. When salespeople are good in comport with one self in the interaction and communication, then it will reflect the result of relationship quality. To assess the good or bad one's interaction and communication means is perceived by each party and can be seen from whether each party hold the same understanding.

### Wholesalers' Perception

However, if the person is too strict, we refused "even for the current clearly saleable products we do not have spaces for it, then what use for us the new products?" But if the person is polite then we feel reluctant to refuse the offers (BW.1).

Usually a salesperson understands me, he understands my character: "if you want to make a collection do not come when my store is crowded, do not make an order in the morning" (BW.2).

...from my point of view as store side, it will be better if "viewed from personal approach then from certain" .... It is important for a salesman to explain about product knowledge to me, because in the end I am the one who will explain it to my customers "if the store does not understand, how they can explain it?" (BW.3). For example Milkkuat (a milk brand) "a few moments ago Milkkuat has a boom in their sales", but its salesman and supervisor is arrogant! "Thus, little by little there are a lot of stores who do not like them, now it was drowned!" (BW.4).

First mutual trust, then "understand each other character" that is "understand our weaknesses, and then we will try to cover other's weaknesses". ... Besides that, a routine relationship! It can be in the form of "routine visitation, if there is a time then a additional visitation" but "routine visitation is number one". (BW.5).

I feel the salesman's role is significant,...but even though a product is good "but if the salesman's communication is worse", then wholesalers will view the product stern (BW.6).

#### **Distributor's Perception**

Sales team sometimes "flexible in implementing company policy". This is a good thing, if sales are "too leterlek, always rigid in implementing company policy, he will make distance with the outlet and will not accepted by outlet" (BD.1).

If from sales, the emphasize is on product knowledge "then we want to try too, ... sometimes if wholesalers refuse, we stay still... the focus is to make it accepted! (BD.2)

Still patient to all wholesalers "he is the king" as uor buyer. It is not that we brought them a low priced goods and support store; we need each other "If wholesalers do not exist where we will sell out products to? (BD.3)

If we communicate with wholesalers "we should be patient, do not in hurry or emotional", i spend more time to drink and laughing "everytime I visit the store, they always give me a bottled tea" after talk for a half hour the order process just take place (BD.4).

It starts from being "polite", more polite, do not have to pretend like we know them well "but it is enough to be remembered". ... We must close with employees "by calling their name is sufficient" (BD.5).

Usually the way salesman delivers an offer take into account "if it is really convincing then wholesalers will interested" but if salesman hesitates, then it will be difficult. Information on "other products excellence" and "heart-taking way of information-delivery". (BD.6).

The interpretation of above expression, then the results of this study show that interaction and communication aspect is essential factors to build relationship quality in buyer-seller construction. Interaction and communication built is preceded by company's policy content on ordering and receivable collection. How to interact and communicate take form of handling objection in various situation of customers visited.

### **COMMITMENT AND PRODUCT DELIVERY & RETURN BS**

Company policy on return of defective products and delivery realization become the attention of distributor and wholesalers. They view that these policies is a form of distributors' commitment in performing service function to improve wholesalers' trust on distributors. However, the opposite is also possible, when they have a good cooperation sometimes wholesalers are willing to take the products from distributors' warehouse by their self. Salespeople also view that helping the process for defective products settlement is a form of commitment to help wholesalers. However, it is frequent that the process for defective products return cannot handled well by distributors. Consequently, the quality of cooperation in business has potency or tends to get worse.

#### **Wholesalers' Perception**

With suppliers who are rarely in time when perform a delivery, I cancelled my order, which means "I don't put them as my main supplier". I have to consider "only for a consistent suppliers" in delivery timeliness (BW.1).

Such as Indofood when we complained they do not give responses "products return is difficult, very difficult!" But when "Mie Sedap" starts to take over their market, they start to make ther return easier (BW.3).

Sometimes he helps to change the expired products, when we face difficulties in returning "he helps us". For us who already has a good relationship "if they can't deliver the products I take it by myself" (BW.4).

A comfortable service is for example: "when we want to make a return they make it easier; if the product is not really good, don't give it to us; if we order one don't deliver 10 (BW.5).

The experience in return that improperly handled "we have!" ...and after that our relationship... "getting worse!" (BW.6)

#### **Distributors' Perception**

For example, if wholesalers want to make a return, is it possible or not, also determine wholesalers' trust to accept the distributors. ...it is like "we have to have a commitment" will be recorded in their memories", and become a factor affecting closeness (BD.1).

Lah.. "if we make the return difficult (Javanese: diengel-engel) ... (BD.2)

Once we ever experience an event when Autan Refresh (unsold, a promo released) "buy one get one free" we released such promotion, then it is sold out (BD.3). We must handle as best as we can "(BD.4).

If there are lousy or damaged products "we accept it with open heart (Javanese: legowo)", we also be responsible for the products beside be responsible for our people "heve though sometimes wholesalers got the products from somewhere else" (BD.5).

The interpretation of statement above, thus this study results show that the aspect of commitment is an essential factor to build a relationship quality in buyer-seller relationship construction. Commitment played by salespeople is preceded by company policy content on delivery or defective products return. Products delivery process and defective product replacement performed by salespeople as a form of services that has beneficial principle for each party.

### **MUTUAL OBJECTIVES & BENEFICIAL PRINCIPLE AND TRADE PROMOTION AND CHANGES IN PRICE STRUCTURE**

Both distributors and wholesalers aim to gain profit and business growth. Salespeople aim to gain the target of sales set by company as one of performance measures of salespeople. Based on organizational structure, distributors also aim to gain the target of sales set by manufacturer as one of performance measures of distributors. When the trade promotion program is implemented correctly, then each party feels that they have a good relationship quality. On the contrary, when this mutual objective is not maintained in a sustainable way, then wholesalers will have disappointed and their relationship quality tend to get worse.

#### **Wholesalers' Perception**

The benefit if distributors have "a good promotion program" .... After help them in their profit "there are some who provide support and some don't" but most of them provide compensation because if they don't or "just quiet" I said "we are not a place where you can always seek for help" (BW.1).

Infamy, such as I sell "Coffe Mix" start from one dozen, and then increased become one carton and then become hundreds of carton. "But stupidly, after the products sold out my credit right is taken over" (BW.2).

....but then distributors and manufacturers always "feel that their product sold out without store's role", ...after their product accepted by market "most of them forget store's role" (BW.3).

"sometimes he call me ask for help" our relationship up to that close. But turns out the product are not quickly sold, then "I complained", finally they help with a promotion program by bring bowl as gift (BW.4).

With the increase in margin our relationship become closer "this happen automatically" because he gives us a benefit. For salesman who ask for help and ask for help without benefit "for me, in the long term I will not purchase from him again, it wasting time" (BW.5).

#### **Distributors' Perception**

Because when there is one thing that is cunning "we want to get profit for our self", for example distributors want to get highest profit "especially if they don't care whether wholesalers get profit or not" (BD.1).

For me, I tend to “offer products that profitable for wholesalers, the one that will be the best when there is a promotion” ..the benefit of this act is “when we need more profit” we can use them “to push the order” (BD.2).

We have provide them support for many times for example promotion for certain items “I give you a promotion, this one is for bonus”...Nah, sometimes we ask them for “help” (BD.3).

Every promotion, I convey all company’s target, because he has trusted me, because I never lies “if you add this items you will be able to join the promotional program” ... (BD.4)

We always offer a more optimum promotion to wholesalers..(BD.5).

A crack in relationship, due to betrayal, for example “the price set higher” first wholesalers may not know, but finally they will know. Sometimes from promotion, salesperson make a mistakes in conveying and calculation (BD.6).

Besides trade promotion policy, from the deepening process we can identify that company policy to change price structure is also used as an opportunity to achieved mutual objective among the parties. They see that increase in price momentum is an interpersonal opportunity in business-to-business relationship. In the increase in price momentum, wholesalers always want to get an opportunity to purchase products using the old price before the new price is implemented. Contrary, there are a lot of event in the increase of price momentum when wholesalers do not know the information clearly and do not get opportunity to purchase using the old price. In this situation, thus “wholesalers will disappointed” and has a potency to make their relationship quality worse.

#### **Wholesalers’ Perception**

Like the distributors of Wing, they have a credit limit for each store. That time the price of instant noodle is about to increased and my order exceed the credit limit, but it was approved by mr. Dani, ...thus he trust me because I never exceed credit limit before” (BW.3).

When there is a change in prices “he gives us an optimum opportunity”, this is actually the factor that makes our relationship close.... Recently: “Torabika Energen, now I don’t sell it anymore” because I wasn’t informed when the price is increased. ...“finally the product is downed, now Torabika is not like it used to be” (BW.4). If we already know well, when there is increase in price “usually we get an opportunity to purchase using the old price”. There are a lot of cases when salesperson does not provide information ...and after that... “breakup” (BW.5).

For example there is a price volatility or change of prices “even I will appreciate salesman who informs me before the change occur” because after being informed, “I will order before the price increased”. There is an experience of “Sasa, condiment” case, offcourse this is disappointing! (BW.6).

#### **Distributors’ Perception**

For every increase in price, ideally “we must know the increase long before it is implemented”, in order to anticipate this transition. It usually becomes a factor that “hurt businesses!” ... but I observe that there are a lot of increase in price which becomes “the factor of good relationship damage” (BD.1)

Increase in price... “before it was implemented we already informed wholesalers” ... If they didn’t get informed... “wuaah ngamuk...(Javanesse: furious)! That is why far before the new price is implemented “we have to inform them” (BD.2).

In an increase in price, usually we have an allocation from Mr. Puji (manager)...“if it uses the old price, wholesalers will accept any numbers of cartoon!” ...if there is one who doesn’t get the stock... “we always get into a trouble” (BD.3).

“We give to compensate”, the price is increasing “if you don’t have stock yet, here I have a stock”. We use leaflet to announce the increase or if only one or two items increased in price, I inform them orally “I inform them one or two weeks before the increase” (BD.4).

When there is an increase in price we must give them opportunity with the old price “if not...? The salesman will get into trouble”, but up to today we have not face something like it (BD.5).

Increase in price is “a way to close our end of month profit”. Every time there is an information about increase in price “I always inform them in my visit” (BD.6).

The interpretation of statement above, thus the results of this study show that trade promotion aspect and changes in price structure is essential factors to build relationship quality in buyer-seller relationship construction. Mutual objectives played by sale people is preceded by the content of company policy in trade promotion and changes in price structure. The implementation of company trade promotion program and the momentum of changes in price structure implemented by salespeople is a form of services that have beneficial principle for each party.

### **RELATIONSHIP UTILITY & BENEFICIAL PRINCIPLE AND RESOURCES ALLOCATION**

From the results of deepening we can see that the attribute of company policy on resources allocation is a form of cooperation between wholesalers and company mediated by salespeople from distributors. Wholesalers expect resources allocation, among others in the form of displays spaces rent, MD, SPG, and motoric team. However, distributors cannot perform resources allocation to all wholesalers. Company considers: what kind of allocation? Which wholesaler will get the allocation? Does budget from manufacturer has covers the resources allocation? Without support from salespeople of distributor, definitely wholesalers do not have chances because they do not have connectivity with manufacturer’s salespeople. In this condition, each party will be “happy, fulfilled their expectation” because there is a result of relationship benefits. However, the contrary also take place, for example wholesalers “do not pleased” when they get SPG allocation because SPG’s work quality is low.

#### **Wholesalers Perception**

Usually we need to get helped by SPG who get around the market here, if not so sometimes we forget to sell the products because we have thousands of product items and competitor is not onle one (BW.1).

That is correct that “I frequently get helped from SPG”, but now “SPG has a low class, they look relaxed when I sell the products” most of them are like that “if their performance is like that, I don’t need them, it is useless to have them” (BW.3).

...there are not so much manufacturers that provide motoric team “for the already strong manufacturer it is probable that they are brave to perform this program” however “for the small manufacturers, of course they will think about cost, they are usually unwilling, including to provide SPG” (BW.4).

A good cooperation! For example, we want to find distributors for Baygon products, say, we don’t know baygon yet, the person provides information “Oh I know Baygon there. Here is the number of supervisor who handle the product” something like that proves a good relationship (BW.5).

According to my experience “yes they know”,..... There is the one who provide money as support, provide selling team, and etc, “it translates to a more intensive cooperation in the future (BW.6).

#### **Distributors’ Perception**

In the traditional trade area “usually we have a special support, usually for new product launching events”. We place one SPG there to go around the market area with basecamp in one of stock case outlet. For MD.. “usually MD in the last 10 years has been taken into account to displaying the product” using third party service. (BD.1).

If the products are new, usually we have SPG, who help to sell the product in wholesalers, their role is important, to educate consumers. For wholesalers that already have SPG there is a big opportunity to buy the product (BD.3)

Then I will help “I go to the market to offer to the stores around” like in Purwantoro market place (BD.4)

Wholesalers’ trust to us “is not only a word but have to be consequent”, we directed retail outlet to a certain wholesalers “this is already help” (BD.5).

Help sales from manufacturers “don’t worry I will help because there is a team from company” ...Participate in cleaning and arranging products in the stores “even though that is not my duty, that is MD’s duty” (BD.6).

The interpretation of statement above, thus the results of this study show that the aspect of relationship utility is an essential factor to build relationship quality in buyer-seller relationship construction. Relationship benefit provided by salespeople preceded by the content of company policy on resources allocation. Resources allocation determined by salespeople as a form of support on the excess and shortages of infrastructures for each party which has beneficial principle between parties.

**RELATIONSHIP PERIOD/LENGTH & BENEFICIAL PRINCIPLE AND INTERPERSONAL-INDIVIDUAL CULTURE**

The period since the introduction between salespeople and wholesalers owner and the period when the business transaction start between wholesalers and distributors, up to this time is an experience of the journey of each party relationship. Wholesalers see that it also contributes in build a strong relationship and create the feeling of *pekwuh*. However, the period of relationship for salespeople naturally does not reflected in their perception. Following are the statements from wholesalers:

When I want to sell it sometimes it's depend on market situation (purchase to resell) "considering a long time relationship" (BW.1).

Considered..! Like this: because sales are like fleas, "tomorrow in Baygon company and keep corresponded with me, tomorrow in Unilever keep corresponds". .... We see sales from how long we have correspond even though he is like fleas, we don't see the products but how long we have correspond "like miss Elly" (BW.2). So, for new salesman to approach us is "difficult" because people who can get close to me is "they who has a long period of relationship, for the new one, it is difficult!" (BW.4).

If the offerer has experience, he is well known everywhere and he is a good person "it is not difficult to sell the new products" (BW.5).

With the distributors that have a long period of cooperation "I will trust them more" because he has run the old products, moreover the product has run in market well "a tendency to trust is higher". (BW.6).

The interpretation of statements above, thus this study finding show that the aspect of relationship length is an essential factor in building relationship quality in buyer-seller relationship construction. Relationship length between salespeople and wholesalers is preceded by cultural content on "social aspect" about "interpersonal and individual relationship".

**SOCIAL CONTEXT & BENEFICIAL PRINCIPLE AND TRADE PROMOTION & INTERPERSONAL AND INDIVIDUAL CULTURE**

Social context here can be defined as a social-interpersonal relation or cultural or usually called "Sesrawungan" by Javanese people or a social life, which is not related to company policy. However, there was a time when company policy about the realization of trade promotions uses a package with social context. Based on that it was revealed, from them, that the aspect of social context can creates closeness, intimacy and interpersonal harmony, even they regarded as close family or like 'their own brother'. Social context related with company policies are, for example: managers and supervisors at one time or on a scheduled basis took a visit to the store to help the salesperson's role or simply exchanging news about the related business; realize trade promotion program through gatherings or tours and so forth. Thus, what they do in social context is an effective pattern to build relationship quality.

**Wholesalers' Perception**

With suppliers among us "there are some of them who has been like our own family" sometimes we have more than business relationship. Sometimes good relationship is not limited to a business relationship "sometimes it is a heart to heart". We are not only talking about business, sometimes we do *silatutohmi*, visit each other, share, other than talk about business we also talk about family "with that we feel closer". (BW.1)

As with Mr. Bambang when there is a ceremonial and I invite him "he will come" this is the same with Cik Thing-Thing "if I invite her, she will come". ....Gathering... "if we get a present we are happy....". (BW.2).

After we have a conversation and we know that we have the same hobby finally we play badminton together. "This makes us closer" because in the time off we can talk about store condition and the other thing "information exchange and sharing". .. Unilever sometimes held a gathering like Baygon, sometimes "the invitation is for husband and wife". (BW.3)

Sometimes, because of a good close relationship, it motivates us to accept its product. For example: we have known them for a long time, they come to our store often, we often meet with each other informally "thus, sometimes if we want to reject their product we are shy". (BW.4)

For example long time ago I don't know Baygon "because I was invited to a ceremony, dinner, there was a present" we came to the ceremony. ....Gathering is "build a relationship!" not every corporation do it but must of them do. ...." (BW.5).

Correct! as with Mr. Santos "I have a good relationship up to the level of his supervisor in Wonogiri". Outside of the business context when we meet on the road "we say hello and then eat together" these is a way to build relationships.....Gathering and tour program for me is "a form of tribute to us" (BW.6).

**Distributors' Perception**

Although for a supervisor level I, "whenever they come, they do not necessarily have to go home with an order! Unlike salesperson". Although the visitation times for wholesale only 5-10 minutes "for a wholesaler, it will be very...convincing" that this business will be supported by all parties "especially if the principal also come periodically". Even, sometimes! We do not talk about business, because business has been conducted periodically by the salesperson (BD.1)

Now it is accustomed "it is not only us, other product usually held a gathering as well", so, wholesaler is "happy" if we bring them to gathering. ....sometimes there is "a wedding invitation, usually we get an invitation...". "When we are close like that, on its own behalf ... when we are close the invitation is addressed personally". (BD.2)

They are visited routinely "not just bypassed" buy or not "when it is the route we come to the store". Although goods are still a lot of "if there is incomplete item they will also bought". We have a session for wedding and celebration or pregnant position, "at least we congratulate or give a present" (BD.3).

If indeed wholesalers have a celebration we will be informed "I am happier", I often get invitations from small wholesalers, "for example circumcision ceremony". Such as previous gathering, certain wholesalers were invited, I presume it to be better and more familiar "not all invited, only certain parties... (BD.4).

The effort we take to know their family has been a good thing, "only with listen to them, suddenly we become close". For example school, where do they work and so forth, "where does your child work?" (BD.5).

With my stores "when they had a celebration we are invited", if it is a large wholesaler "I know the husband / wife and their children" from the stories. When there is a gathering we accompany them continuously and we serve them "perhaps because of the eat and drink factors ", finally we know their appetite and drinking habit (BD.6).

The interpretation of the expressions above, the finding of this study shows that the aspects of social context is an essential factor to build relationship quality in the construction of buyer-seller relationship. Social context between salespeople with wholesaler is preceded by the cultural charge "social" about individual interpersonal relationships between the related parties. Additionally, these findings also show that the aspects of social context between salespeople with whole-sale is preceded by the context of company policy about the packaging of promotion program "supervisors and managers visitation, gathering and tour".

**INTEGRITY 'LOYAL-HONEST-JUST' & BENEFICIAL PRINCIPLE AND TRADE PROMOTION**

The last and very interesting is that, apparently the integrity of the salespeople is in the important spotlight for all parties. There are values of loyalty, honesty and fairness, on a personal profession, who works as a salespeople professional. Wholesaler is uncomfortable when seeing salespeople who do not have a loyal attitude toward his profession or company, for example, too often switch companies. Wholesale will respect them (the salespeople) when they switching companies because they have achievements to better prospect. Associated with honesty, wholesalers are also not happy if salespeople have a case in the promotion program implementation. Wholesale will have confidence when salespeople give truthful information. Honesty especially can be seen when a salespeople informing promotional programs equitably and in accordance with applicable program.

**Wholesalers' Perception**

When assessing a person who switches company there are two opinions: When he moved from small companies to large enterprises with better prospective "we are salud or we praise him" we judge him as a good person. But, when their switch is like fleas "it appears that they does not have the competitiveness, have no loyalty" sometimes it makes "us irritated / annoyed". (BW.1).

As a Salesman of Indomarko "he has a good looking, but after he moved out and replaced with new personnel" there are several things that are not true "I finally know because of when there is a "buy one cardboard get two' bonus promotion program, I only get one cardboard bonus", trust to the salesman is that "he is, honest" (BW.3).

Of promotional activities at the lower level "normally is informed", sometimes they are not doing promotion but "they lied, thus we want to buy". Instead for salesman, sometimes "cheat will be a boomerang!" It means that, when I had been willing to buy, but there is no buyer of customers "it makes me upset" then, at other times when "you come I will not buy, but will do a return" (BW.4).

Sasa case..., about the business consequences, I do not see it "he would give material compensation or not? For me it's not important ". The things I want are an open attitude, and admit his mistake "it is enough!" (BW.6).

#### Distributors' Perception

Time is a factor to convince relationship, besides "the level of honesty, discipline, commitment, business is commitment!". When we have A commitment, it has to be executed according to A commitment (BD.1).

But all this time "honest is the most important", if there is a promotional program we should give it correctly, then there is "no problem" (BD.2).

If providing support in promotion we should make it just because wholesalers give information among them "thus we have to act just to all wholesalers" (BD.3).

As salesman, to be trusted by store owner "my base is honesty...honesty!" for example if there is excess in money and refund "even 100 rupiah if they don't ask me to bring, i don't dare to bring the money" (BD.4).

Including "provide information about price in outside must be delivered honestly", even if we deliver the information unintentionally (BD.6).

The interpretation of statements above, thus the findings of this study show that the aspect of integrity is an essential factor to build relationship quality in buyer-seller relationship construction. Integrity of salespeople with wholesalers is preceded by company policy content especially in trade promotion. The implementation of trade promotion program applied by salespeople honestly and fairly has beneficial principle for each party.

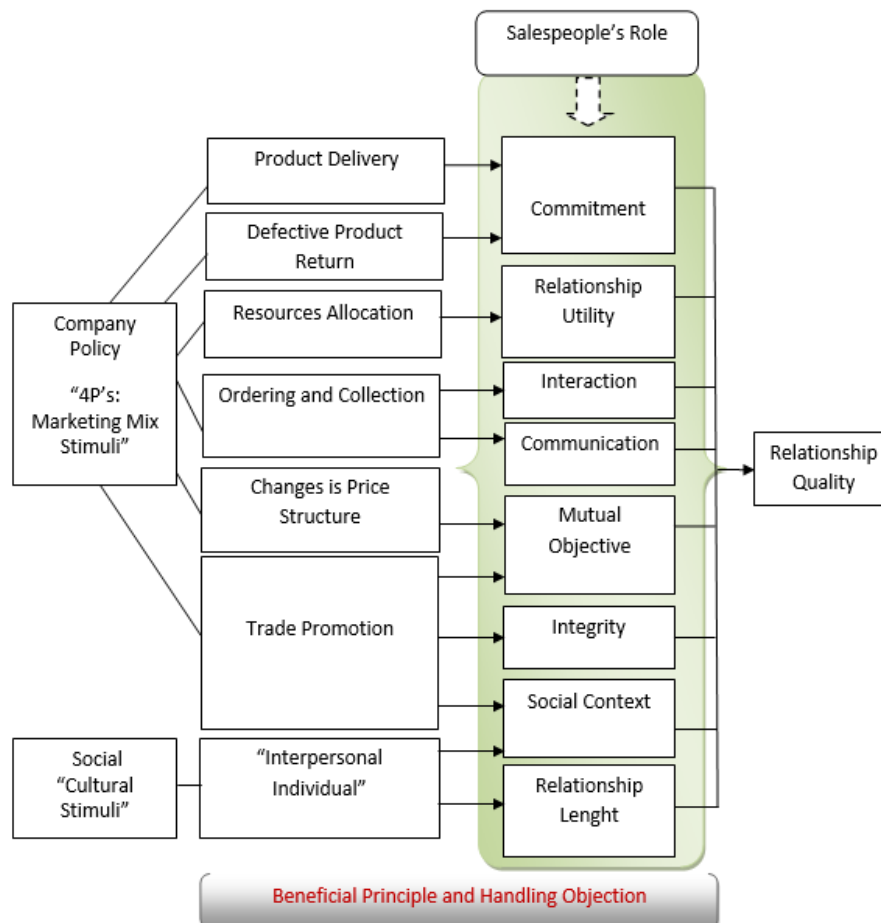
From all identification, description and explanation on the presentation of results, thus it can be illustrated in schematic chart of buyer-seller relationship in the business buyer behavior operationalization (Figure 2). Briefly, it shows that the content of company policy in "4P's" and social culture are the antecedents of salespeople's role in building the essence of relationship quality for their customers. Essential aspects of the relationship are the role of salespeople to do handling objection and provide beneficial principle to its business inter-party.

## DISCUSSION

### Company Policy of 4P's & Culture and Salespeople's Role

In order to avoid perception differences of transactional marketing theory, thus the 4P's and culture that occurred in the prior periods can be used as a reference of assessment perception to the salespeople in buyer-seller relationship construction. From various marketing management literature, it can be explained that the company policy contents above are 4P's paradigm (Kotler and Armstrong, 2013; Evans and Berman, 1992) about: product delivery to channel group is a part of place concept or product distribution; defective product return is a part of product concept related to product quality; changes in price structure is a part of price concept related to pricing strategy in the term of pricing adjustments; receivable collection is a part of price concept related to terms of payment; resources allocation, ordering, trade promotion are part of promotion; interpersonal and individual relationship in the social environment is salespeople's role out of company policy context.

FIGURE 2: OPERATIONALIZATION OF THE BUYER-SELLER RELATIONSHIP CONSTRUCTION IN THE BUSINESS BUYER BEHAVIOR



The conceptual explanation of the main problem in accordance with environment stimulation concept in business buyer behavior, where the 4P's are the marketing stimuli and social relationship is another stimuli which is cultural stimuli (Kotler and Armstrong, 2013). Thus, this result supports the research concept conducted by William and Attaway (1996) which give the construct result that organization culture of seller companies through salesperson behavior have some impact to the buyer-seller relationship development. However, from the prior proposition through the perspective of William dan Attaway (1996), Hankansson and Waluszewskie (2005), Jia Hu (2011) and concept conducted by Kotler and Armstrong (2013), it can be explained that 4P's have an explicit correlation of company policy with salespeople's role. In the other side, this study result has already exposed that the company policy is an implementation of marketing transactional concept, 4P's, that already occurred or a transactional historical among the buyer-seller parties. Thus, this finding gives the first proposition as:

P1: Historical of company policy implementation of 4P's is the antecedent of salespeople's role in buyer-seller relationship construction in the business buyer behavior.

## SALESPEROPLE'S ROLE AND THE ESSENCE OF RELATIONSHIP QUALITY

### Interaction and Communication Aspect

Interaction and communication are the form of interpersonal relationship of salespeople with the store owner when they meet each other in a business relation. This result supports the study conducted by Parson (2002); he states that communication strongly affects relationship quality. This research result also strengthen the research finding from Leahy (2011), which shows that communication gap and interaction obstacle are evidence of there is no relationship developed. However, all those literatures have not shown the explicit correlation of the essence of relationship quality and policy content of 4P's that cause it. In the other side, the findings show that company policy of ordering and receivable collection become the content of interaction and communication aspects performed by salespeople in handling objection. Thus, this construct finding can deliver the second proposition, as:

P2: 4P's historical implementation of ordering and collection is the antecedent of salespeople's role on interaction and communication in buyer-seller relationship to develop relationship quality.

### Commitment Aspect

Commitment to the mutual agreement when they perform business transaction and finally fulfilled is a form of their obedience to keep their promise. Commitment in developing a relationship is the enlargement of trust part in maintaining relationship is very important as the maximum guarantee in maintaining it (Morgan and Hunt, 1994 in Parsons, 2002). Thus, commitment of keeping the promises and expectations among the parties is important factors that can affect relationship quality. This result is different with Parsons (2002), which showed that commitment is a strong indicator to support mutual objective, but does not support relationship quality.

In this phenomenologist study, the difference in findings can be explained that wholesalers in traditional trade can be seen from its interest, such as: First, if the product delivery is late, customers will lose their trust to the wholesalers because wholesalers characterized as trader. Second, if wholesalers do not perform the defective product return, the wholesalers will suffer from financial loss, because defective product return believed as supplier responsibility, it is not wholesalers' error. Thus, this study results support the study conducted by Garbarino and Johnson (1999) in developing the model of "trust and commitment" as the mediator of customer relationship. Besides, it is in line with the study conducted by Grzeskowiak and Al-Khatib (2009) in Bobot (2011) which states that trust and commitment as the center in conceptualization of relationship quality.

To strengthen the accordance and differences with the prior literatures, explicit correlation of the essence of relationship quality aspect with 4P's policy content that cause it need to be stated. The findings show that company policy of product delivery and defective product return become a content of commitment aspect performed by salespeople in delivering benefit for each party. According to this finding, this construct can give the third proposition as:

P3: 4P's historical implementation of product delivery and defective product return realization is the antecedent of salespeople's role of commitment in buyer-seller relationship to develop relationship quality.

### Mutual Objectives Aspect

This study results show that mutual objectives aspect is the essence to develop buyer-seller relationship quality. This is in accordance with research finding from Parsons (2002), which states that mutual objectives positively and significantly affect relationship quality. Besides, this result also explained by Cannon and Perreault (2009), they state that in buyer-seller relationship construction, from customer perspective in evaluating their satisfaction (customer satisfaction), use this cooperative norm of "mutual objectives". This finding also contributes in explaining one of the relationship main keys, which use value building approaches that mainly focus on adding financial benefits on customer relationship (Kotler and Armstrong, 2013). The financial utility can be explained that sales promotion and changes in price structure policy automatically related with profit rate gained by wholesalers business. Explicitly this concept needs to be strengthened, thus finding of this construct can deliver the forth proposition as:

P4: 4P's historical implementation of sales promotion and changes in price structures are the antecedent of salespeople's role on mutual objectives in buyer-seller relationship to develop relationship quality.

### Relationship Utility Aspect

Both of buyer and seller need each other help in developing their business objectives, in this case are resources allocation and other interpersonal benefits. This study finding can be explained that relationship utility is a form of supporting effort from each party. They see the principle of structural relationship benefit of each party can improve relationship quality. Thus, this study result is supporting Parsons (2002) finding which states that relationship benefit positively and significantly affect relationship quality. This finding also contributes in explaining that in order to develop a strong relationship customer needs to strengthen the structural ties (Kotler and Armstrong, 2013). To strengthen the contribution of various literatures, this construct delivers the fifth proposition as:

P5: 4P's Historical implementation of resources allocation is the antecedent of salespeople's role on mutual objectives in buyer-seller relationship to develop relationship quality.

### Relationship Length Aspect

For wholesalers, time period of knowing each other and having interpersonal and individual relationship is a judgement in assessing relationship quality. This judgement can be explained there is interpersonally psychological emotional, considering there is Javanese culture called Pekewuh. However, this problem does not naturally showed by salespeople's perception. This result can be explained that there is a gap or difference of time period related to seller-buyer relationship. This problem caused by marketing management pattern, where company provides job rotation of salesperson that has maintained a long time relationship with customers. This pattern is performed by considering salesman's roles, ordering function, and collection function. Sales rotation is important to be done periodically in order to perform the company internal control. Thus the appearance of relationship period element in this study is very important, because it distinguish buyer's expectation and seller's objectives. This result supports the concept developed by Lusch and Brown (1996) which measure behavior rationality in channel marketing, such as by using relationship length factor. However, the analysis result shows that relationship length factor is not a good factor of long term relationship orientation by distributor. Thus the finding of individual, interpersonal culture, and relationship period aspect need to be clarified, thus this construct can deliver the sixth proposition as:

P6.1: In buyer-seller relationship construction, historical culture of interpersonal and individual about relationship length is a gap of buyer's expectation and seller's orientation.

P6.2: Historical culture of interpersonal and individual is the antecedent of salespeople's role on relationship length in buyer-seller relationship to develop relationship quality.

### Social Content Aspect

They are who develop a relationship or sesrawungan will get closer if they interact with each other in social content, out of business context. In the business context they can interact with informal pattern by hold a gathering or tour program. As described before, gathering and tour program are part of sales promotion. Both of buyer and seller will experience many substantial values interpersonally in developing relationship. Thus the finding of social content aspect can be explained that social content is an effort to strengthen interpersonal relationship quality that can improve relationship quality. This finding contributes in explaining the marketing relationship key, besides financial and structural benefit there is social benefit (Kotler and Armstrong, 2013). To explain it, thus explicitly this construct finding can deliver the seventh proposition as:

P7.1: 4P's historical implementation of trade promotion is the antecedent of salespeople's role on social content in buyer-seller relationship to develop relationship quality.

P7.2: Historical culture of interpersonal and individual is the antecedent of salespeople's role on social content in buyer-seller relationship to develop relationship quality.

**Integrity Aspect**

Wholesalers see salespeople's integrity value through their profession and personality. Integrity is related to the pattern of movement from one company to another company. Integrity is honesty in performing their function and role, also fairness in treating each customer. Honesty and fairness become main focus of promotion program implementation. Salespeople also have a principal related to wholesalers, honesty, and fairness thus they can gain customer's trust. It is very important to be considered. Thus, the finding of integrity aspect contributes in explaining the concept developed by Ganesan (1994). The concept shows that long term orientation of retailer and supplier, is one of the impacting factors, that is trust and it is the antecedent of reputation. Reputation has fairness content, where it is stated that negative reputation will decrease trust among channel groups. This result accordance with research conducted by Verbeke et al. (2006), they measure trust factors using integrity and commitment element. To make it clearer, this concept needs to explicitly clarified, this construct can delivered the eight proposition as:

P8: 4P's historical implementation of trade promotion is the antecedent of salespeople's role on integrity in buyer-seller relationship to develop relationship quality.

Overall, this study explores the construct of buyer-seller relationship. The differences with relationship quality construct developed by Parsons (2002) are the appearance of interaction aspect, relationship period aspect, social, and integrity content, where all of the aspects also strengthen the essence of relationship quality development. To support this finding we can use common sense approaches. To illustrate this approach, for example the party in a relationship is in a certain relationship condition: Interaction: When they often meet each other they will get closer or in another side they will get bored by each other? Relationship period: When they have long term relationship they will have empathy to each other or there is no empathy? Social content: When they meet each other in special occasion they will have excitement or more concerns? Integrity: When they develop a relationship with honest and fair people they will have trust or doubt on them?

**CONCLUSION****Company Policy of 4P's and Culture**

This study results show that buyer-seller relationship consists of various company policies and marketing mix, as well as management culture. Thus, we can conclude that: First, theoretically, the development of relationship marketing is begun with 4P's transaction marketing. Philosophically, it is clearly shows that paradigm of marketing mix is the ground towards relationship marketing paradigm. This conclusion supports the statement from Zinaldin and Philipson (2007), they state that fundamentally relationship marketing aims to develop and maintain the relationship with client or customer, meanwhile transaction marketing prioritizes company sales. Second, it can be concluded that marketing relationship theory approach is very important in product distribution of FMCG industry at business to business relationship level among channel distribution level. This study denies Leahly (2011) statement, but it clarified to avoid controversies in academic literature. As the clarification of marketing relationship theory, Leahly analyzed the relationship between manufacturer and customer. This study is exploring the relationship between channel distribution and wholesalers. Thus, this study results support Gronroos (1997) theory which states that relationship construction and marketing management, that commonly called as relationship marketing, is a new popular approach and also have been included in marketing literature. This conclusion also supports the definition of relationship as period consensus that aims to develop and maintain long-term relationship or trust with customer, distributor, supplier, and other parties in marketing environment (Peter and Donnelly, Jr., 2011; Cravens and Piercy, 2009).

**Transaction Marketing and Relationship Marketing Concept**

The explanation of this study result states that company policy and culture content are constructs that essential in relationship quality. Thus, it can be concluded that in order to develop relationship quality of buyer and seller, policy or culture decided by each parties is needed as the foundation. Relationship quality of buyer and seller is determined by each company's 4P's policy and salespeople's interpersonal and individual culture. This conclusion supports the determinant of relationship development construct that developed by Williams and Attaway (1996).

**Salespeople's Role**

From the exploration of salespeople's role concept, it can be concluded that: First, salespeople's role, whether it is interpersonally or individually in business to business relationship is the main actor of buyer-seller relationship quality representation. This conclusion is in accordance with Parson (2002) finding which states that relationship quality determines by interpersonal variables. Salomon (2013) states that business to business marketing always need salesperson more than advertising and promotion activities. Wilkie (1990) states that it is one of the stages towards relationship marketing between supplier and customer cooperation as a long-term advantage. Second, business to business relationship developed by financial, social, and structural benefit principles. It is in line with Parson (2002) who states that relationship quality is determined by relationship aspects. Kotler and Armstrong (2013) find that the keys of marketing relationship are financial, social, and structural benefit.

**IMPLICATION**

Distributors and manufacturers need to consider each company strategic policy by look at the potential effects that may occur on relationship quality among channel group. Manufacturers as the product business principal, need to explore various alternatives to support channel group to develop sustainability relationship with each other. Wholesalers channel group have to maintain and develop relationship quality through some distributor groups because it will provide more business opportunity.

Distributors and manufacturers need to take extra care to new salespeople, in order to develop their selling skill, especially handling objection and relationship development strategy with their customers. In performing salespeople rotation, company needs to look thoroughly at relationship period, by performing the evaluation and transition plan and by considering relationship quality interpersonally with their customer.

**LIMITATION**

This study uses qualitative method with phenomenology approach to FMCG industry in traditional market in Solo Raya area. Thus the researchers realize that this study results cannot be generalized. Some important aspects that become the limitation of this study, such as: uniqueness of research location, from this research it can be seen that Solo Raya area contain Javanese culture, there are some cultural values that can have different perception in different area with different culture. This study subject uses wholesalers of traditional trade as unit analysis. Thus, it is possible that there are differences in research subject in modern trade channel which has buying center. This study object is FMCG industry products, thus it is possible there are differences if the research object uses perspective of non-FMCG industry products. Thus from this study results, researcher gave various recommendations to follow up the academic research opportunities in the future.

**RECOMMENDATION**

By considering this study limitations, suggestion that can be given to academic researchers in the future are to develop marketing relationship theory by performs exploration method that can potentially contribute in literature updates. Some suggestions that can be delivered are: exploring other objects and subjects, such as: area location, country regions, market groups, channel groups, industrial types, product types, or other subjects and objects that have not been used in this study. It is possible to provide different buyer-seller relationship construction that have been developed in this study. Supporting various examination of proposition by using quantitative research methods, this aim is to generalize buyer-seller relationship developed in this study.

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## APPENDIX

### APPENDIX 1

TABLE 2: INFORMANT FORM WHOLESALER BUSINESS

No.	Name of Wholesaler	Name of Owner	Store Address	Lenght Business	Range from Solo City
1.	Toko Tri Tunggal	H. Jumadi	Bunder Trade Center- Sragen	34 years	32 KM
2.	Toko Tarto	Sutarto	Palur Trade Center – Karanganyar	20 years	7 KM
3.	Toko Anyar	Yakob Nugraha	Kartasura Trade Center- Sukoharjo	26 years	10 KM
4.	Toko Baru	Arif	Jagalan Valege-Solo City	12 years	3 KM
5.	Toko Rahayu	Muhkuri	Karang Gede Trade Center- Boyolali	25 years	45 KM
6.	Toko Untung	Andre Hartanto	Purwanto Trade Center-Wonogiri	> 40 years	73 KM

Informant Code: **BW.1-BW.6**

Note: Trade center position in the tradisional market place.

### APPENDIX 2

TABLE 2: INFORMANT FORM DISTRIBUTOR BUSINESS

No.	Name	Year Old	Job Title	Professional Lenght Service
1.	Puji Sanyoto	48	Operation Manager	27 years
2.	Fitri Wulaningsih	36	Sales Supervisor	6 years
3.	Sri Darini	40	Sales Supervisor	7 years
4.	Heri Prayitno	54	Salesman	9 years
5.	Triyanto	40	Salesman	2 years
6.	Alek Nugroho	30	Salesman	4 years
Product & Brand				
Baygon, Autan, Bayclin, Kiwi				
Principal		PT Johnson Home Hygiene Products (JHHP)		
Area Distribution		Solo-Karanganyar,-Sragen,-Boyolali-Sukoharjo-Wonogiri District		
Market Coverage		General/Traditional Trade, Modern Trade and others Institutional.		
Company Name		PT Ultralang Sembada		
Business Lenght		>30 years		
Adress		Jl. Veteran No.148, Kratonan, Surakarta, Central Java		

Informant Code: **BD.1-BD.6**

# VALUE OF INFORMATION IN MANAGEMENT OF AGRI-RISK: A CASE STUDY OF MOBILE BASED AGRICULTURAL INFORMATION SYSTEMS IN INDIA

**DR. G. KOTRESHWAR**

**PROFESSOR**

**DEPARTMENT OF STUDIES IN COMMERCE**

**UNIVERSITY OF MYSORE**

**MYSURU**

**V. GURUSIDDARAJU**

**RESEARCH SCHOLAR**

**DEPARTMENT OF STUDIES IN COMMERCE**

**UNIVERSITY OF MYSORE**

**MYSURU**

## ABSTRACT

*The paper examines the performance of the Mobile Based Agricultural Information Systems and Services in Management of Agricultural Risk (Weather Risk, Price Risk, Market Risk, Crop Insurance ...etc). This paper provides the weaknesses, information delivery, implementation challenges, Cost of Information (Col), Value of Information (Vol) and operational problems. Due to increase in use of smart phones user are using applications and SMS based services. Is the information provided in these services are perfect information and helpful for decision-maker to take valuable decision? Example: A SMS based messages will be send to registered mobile phone regarding Min and Max market price of the commodity in which he/she opted and Applications will give market price of the commodity of different markets which he/she opted using GPS Technology. Instead of this, a user can get more information by making a call or making queries with concern person which is more cost effective. In this way, the paper provides some new ideas and thinking toward find solution to the current problem.*

## KEYWORDS

SMS based services, mobile based agricultural information systems. value of information, agri-risk, insurance.

## I. INTRODUCTION

Several studies have identified opportunities for using mobile phones in the agriculture sector. A report by Vodafone and Accenture, for instance, notes that mobile phone-enabled solutions for food and agriculture could assist producers to access financial services, obtain agricultural information, improve data visibility for supply chain efficiency and enhance access to markets (Vodafone Group & Accenture 2011). The greatest potential for cost savings were seen in mobile financial payments and mobile information provision. Donner (2009) distinguishes between different livelihood functions of mobile phones, including mediated agricultural extension, market information systems, virtual markets, financial services and direct livelihood support.

Aker (2011) examines the role of mobile phones in supporting access to information about agricultural technologies and extension services. She identifies several potential mechanisms in this context, including improving access to information from private sources or through agricultural extension services; improving the management of input and output supply chains; facilitating the delivery of other services; increasing the accountability of extension services; and increasing linkages with research systems. She as well notes a number of challenges associated with the use of mobiles in agricultural extension, such as the need for literacy skills and technological knowledge, the limits of mobiles to display complex information, and technical difficulties in developing voice-based systems.

In general, mobile phones can reduce information search costs, e.g. for jobs, input and output prices, or potential buyers and sellers (Aker & Mbiti 2010). In many parts of the developing world, the most common way of obtaining information remains personal travel which is costly both in terms of time and money. Other channels also have their limitations, such as newspapers (which tend to be concentrated in urban areas and require literacy), internet (low access) or TV and radio (limited information range and one-way communication) (Aker 2011). Thus mobile phones have the potential to not only reduce costs, but also allow for more regular and timely access to information.

## II. OBJECTIVE OF STUDY

The aim of this article is to perceive a need of Value of Information for mobile based Agricultural Information Systems and Services in Management of Agricultural Risk (Weather Risk, Price Risk, Market Risk, Crop Insurance ...etc). Due to increase in use of smart phones user are using applications and SMS based services. Is the information provided in these services are perfect information and helpful for decision-maker to take valuable decision? Example: A SMS based messages will be send to registered mobile phone regarding Min and Max market price of the commodity in which he/she opted and applications will give market price of the commodity of different markets which he/she opted using GPS Technology. Instead of this, a user can get more information by making a call or making queries with concern person which is more cost effective. Under this situation, the study is intended to investigate contemporary mobile applications to address the following questions: What is the Cost of Information (Additional information/amount in which he/she spend to sell commodity in different places)? Does contemporary mobile application perform value based services? Which markets will give me more prices? (If selling price is this: which are the markets offering more price than that) and nearest market to seller? Which is the best suitable price for him/her one who wants to trade in commodity market?

## III. EXAMPLES OF PRESENT AGRICULTURAL INFORMATION SYSTEMS AND SERVICES

**eBazaarinfo:** Bazaar Astrology: SUGAR MARKET: 3JUN: SHUKRA ENTER IN PUSHAY NAKSHTRA AND AFFECT TO JYESHTHA NAKSHTRA = MARKET GO DOWN; 09890004712

**eBazaarinfo:** Brazil Main Sugar Producing Region Would Crush 5900LakhTons of Sugar Cane in 2015-16 Season, A 3.3Pct Increase from A Year Ago.

**eBazaarinfo:** India Sugar Futures Fell On Excess Supply in Spot Markets. Bearish Sentiment in Global Prices Also Weighed On Domestic Futures for Entire Week;

**NEWS:** India Kharif Crop Rice Has Been Sown in 3.08, Sugarcane in 40.70LakhHectare and Cotton in 8.82LakhHect-eBazaarinfo:

**eBazaarinfo:**

IMD- Conditions Are Favorable For The Monsoon To Reach Within Earbs Shot Of Kerala Along South-West Coast During Next Two To Three Days;

**eBazaarinfo:**

KARNATAKA SUGAR MARKET; CHAMUNDI:2300 M:2490

HIRANYAKESHI: 2380 M: 2490

NCDEX: SUGAR:2372(+11)/2437(+5)/2477(+11)

**eBazaarinfo:**

CLOSE:NCDEX:SUGAR:

Op:2365/2439/2450

Hi:2379/2448/2474

Lo:2358/2427/2450

CLs:2360(-3)/2440(+5)/2460(-6)

Ph:09890004712/09021290212;

**SUGAR**

Sugar Negative Due to Subdued Demand against Ample Supply and Closed 0.61 Per Cent Down. The Summer Season Demand and Subsidy Announced by top-Producing Maharashtra State Have Not Supported The Prices. Recently, Government Increased Import Duty to 40% From Earlier 25% to Curb Cheap Imports to Support Domestic Mills. as Per Indian Sugar Mills association (ISMA), India Produced 278.5 Lakh tonnes (Lt) of Sugar till Mid May, about 16 Per Cent Higher Compared with 24 Million tonne Same Time Last Season. The Production This Year Is the Highest Since 2006-07 When It Was 28.4 Million tonne. Mills Have Exported Only 4.6 Lakh tonne of Sugar (Both Raw and Refined) Until The First Week of May as Per ISMA.

**GLOBAL SUGAR UPDATES**

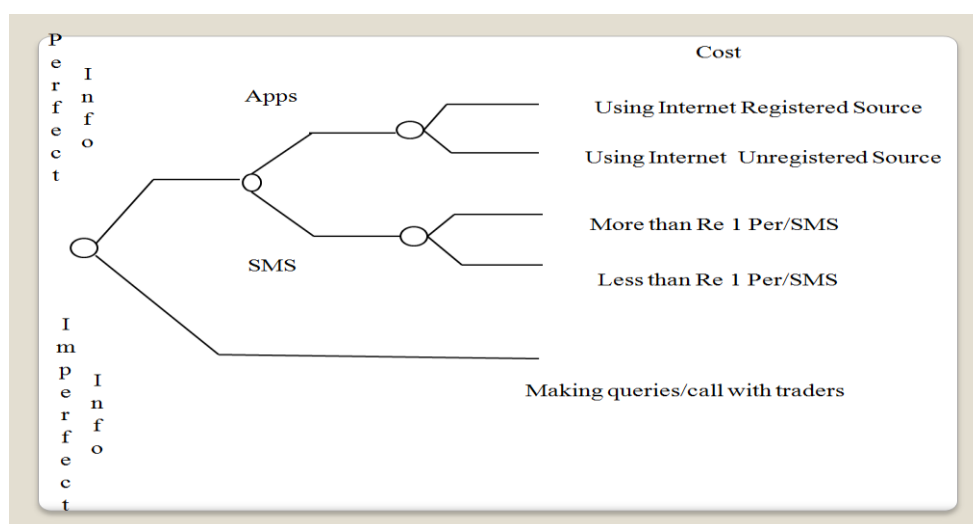
Global Production to Be Down by 900,000 tons to 173.4 Million tons Which Is 3rd Consecution Yearly Decline While the Consumptions Will Equal Production for First Time. Global Imports Are Predicted to Increase by 3 Per Cent Due to Sizable Increase in Imports for China, US and EU. Ending Stock for 2015/16 Is forecasted at 40.53 Million tons, Lowest in 4 Years. China's Production Is Projected Down 180,000 tons to 10.8 While Brazil's Production Is Up Slightly at 36.0 Million tons.

**OUTLOOK**

Sugar Futures May Trade Sideways to Positive on Buying Interest by The Market Participants at Lower Prices but Higher Output Data, Ample Domestic Supplies, Lack of Fresh Export Orders May Keep Prices Down

**eBazaarinfo:** India Sugar Futures Fell On Excess Supply in Spot Markets. Bearish Sentiment in Global Prices Also Weighed On Domestic Futures for Entire Week;

**M-One project:** APMC Prices as on 28/04/2015 in Rs/Qtl: RAICHUR Tur Red 2727 to 6696.

**IV. DECISION TREE OF VALUE AND COST OF INFORMATION IN MANAGEMENT OF AGRI-RISK**

Value of information (VOI or Vol) is the amount a decision maker would be willing to pay for information prior to making a decision.

"Value of decision situation with perfect information while paying VoC" = "value of current decision situation".

A special case is when the decision-maker is risk neutral where VoC can be simply computed as;

VoC = "value of decision situation with perfect information" - "value of current decision situation"

Source: Wikipedia.org

**AN EXAMPLE OF THE AMOUNT A DECISION MAKER HAS PAY**

www.commoditiescontrol.com, owned by CC Commodity Info Services LLP., is India's leading news, research and information provider on the commodities market. We provide news, trading calls, price and data information on Indian and Global futures and spot markets through SMS, Website and Newsletter to thousands of users in India and abroad that helps them make business decisions.

Commodity Packages Offered*	Annual Rate INR	Half Yearly Rate INR	Quarterly Rate INR	Annual Rate USD
Access to Full Website (Excluding MDEX Live)	80,000	45,000	25,000	1,400
Agri Pack*	65,000	35,000	20,000	1,100
Metals Pack**	30,000	17,000	9,000	500
MDEX Live (CPO Futures)	40,000	22,000	12,000	700
CBOT Live	1,00,000	60,000	35,000	1,750
Vegetable Oil	18,000	10,000	6,000	500
Pulses	15,000	8,000	5,000	400
Cotton	15,000	8,000	5,000	400
Spices	12,000	7,000	5,000	300
Sugar/Gur	12,000	7,000	5,000	300
Plantation	10,000	6,000	4,000	280
Grains	12,000	7,000	4,000	300
Precious Metals (Gold & Silver)	15,000	8,000	5,000	400
Base Metals (Copper + Zinc + Aluminium)	15,000	8,000	5,000	400
Energy (Crude Oil + Natural Gas)	12,000	7,000	4,000	300
Other (Guar Seed & Mentha Oil)	10,000	6,000	4,000	280

\*Service Tax at 14.00% will applicable in all the invoices

\*Agri Pack Included Vegetable Oil, Pulses, Cotton, Spices, Sugar/Gur, Plantation, Grains, Other

\*\* Metals Pack Included Precious Metals, Base Metals, Energy

Newsletters Offered	Annual Rate INR	Half Yearly Rate INR
Daily Cotton Newsletter	4,000	2,500
Weekly Pulses Newsletter – All (Chana, Tur, Urad, Moong)	6,000	-
Weekly Pulses Newsletter - Any Three	5,000	-
Weekly Pulses Newsletter - Any Two	3,500	-
Weekly Pulses Newsletter - Any One	2,000	-

Other Services for more Information	
Historical Series of Future and Spot Market Prices	✉ Mail - sales@commoditiescontrol.com
Research (Primary Data Collection, Agriculture and Commodity Specific Research)	✉ Mail - sales@commoditiescontrol.com
Mobile Alerts (Spot, Futures and Market News)	✉ Mail - sms@commoditiescontrol.com or ✉ Call (91-22 61391503/ 61391505)
Advertisement on Commoditiescontrol.com/Newsletter	✉ Mail - sales@commoditiescontrol.com

NOTE: Service Tax @14.00% Applicable.

The author examines the role of mobile phones in supporting access to information from private sources. The study shows that most of depend upon private source or imperfect source of information for trading in commodity market or selling agricultural commodity due to high in Cost of Information.

## V. SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

The Karnataka government has launched M-One project, A SMS based messages will be send to user mobile phone regarding Min and Max market price of the commodity in which the market he/she opted in the service. But the requirement is which market (APMC) will give me more price? That is to say If selling price is this: which are the markets offering more price than that and nearest market to farmer. in this way, they have to use GPS technology to identify different places and a Decision Supporting System which collect information from different sources and arranges in order to find to find highest price of commodity.

Mcxmarketwatch.com provides users with the fastest and smartest way to get connected to Mcx markets and to view real-time prices from the commodity Access to the real-time information is crucial for effective decision making in a dynamic market scenario. Mcxmarketwatch.com user friendly application for the mobile phone designed by Global Online Services, harness the power of the wireless internet to the maximum by making market participants & investors stay connected to the Mcx markets. Easily check the markets and stay informed of breaking industry news while traveling or just away from your desk. Mcxmarketwatch.com is solution for keeping you connected to the mcx markets when on the move. Mcxmarketwatch.com is accessible via any phone or tablet device that has Internet capabilities including iPad, iPhone, android, and more. View price quotes, news stories, and historical charts and tables all in real-time - no refresh. India Commodity Futures Prices Get the latest India commodity futures prices from MCX, NCDEX and NMCE in your iPhone and android phones from Commodity Online. India Agri Commodity Spot Prices Get live spot commodities prices from India on your iPhone and android phone. Prices of all major agricultural commodities from India like rubber, pepper, cardamom, oil & oilseeds, pulses, cereals and fibers are daily updated twice. Use the mobile applications to get the real time prices of all major agricultural commodities from various markets across India. Powered by Commodity Online, this is an ideal application for commodity exporters, importers, traders, speculators and retail distributors around the world. The finding is that the current form of than Indian Commodity Market Online Services does not achieve its objectives; Global Commodity Market Online Services are more effective than Indian Commodity Market Online Services in providing Bid Price, Offer Price, Ltp - Last Trade Price, Net Change, % Change, Low - High, Open - Close, Last Trade Time, Atp- Average Trade Price.

M-services focused mainly on the provision of farming and market information, services are becoming more comprehensive, offering more diverse and multiple functions that support farmers at different stages of agricultural production – a trend that will need to continue to increase the effectiveness of m-services in agriculture. At the same time, it will be crucial to embed these services in complementary support programmes and infrastructure developments to address other production and market limitations that cannot be resolved through mobile phones. The challenges they encounter when adopting new agricultural technologies are particularly severe and often complex, thus making it even more urgent to integrate m-services into broader support efforts. Further analysis will also need to focus on how m-services could best be used to address multiple constraints, either by providing several complementary functions or by integrating m-services with other support activities. Moreover, just as successful technology adoption is related to the farming context, suitability and effectiveness of m-services will be shaped by the context in which they are offered. These dynamics remain seriously under-researched. Further studies are essential so as to be able to adjust the services to the particular needs of the farming communities and develop business models that lead to the establishment of m-services for resource-poor farmers. Such research will need to be based on an interdisciplinary approach that takes into account the economic, social and biophysical dimensions of the users, technologies and farming contexts. (Heike Baumuller 2012).

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**EXPLORE E-COMMERCE STRATEGY IN CHINA**

**CHAO CHAO CHUANG**  
**INSTRUCTOR**  
**HSING WU UNIVERSITY**  
**NEW TAIPEI CITY**  
**TAIWAN**

**DR. FU-LING HU**  
**ASSOCIATE PROFESSOR**  
**HSING WU UNIVERSITY**  
**NEW TAIPEI CITY**  
**TAIWAN**

**ABSTRACT**

*A rapid developing online market, the customers of millions of willing shoppers, and the development of increasingly complicated platforms—there has never been a better time for retailers to start their virtual stores in China. To win in today's e-commerce, e-retailers and brands should focus on providing quality product and improving shopping experience to meet consumer needs. The way toward integration of social media should also be an important element of e-commerce strategy. Besides, China's Internet industry has taken a turn to focusing on the smart phone market. Mobile phone penetration is nearly at 100%. With smart phone penetration getting so high, the big e-commerce platforms are heavily promoting mobile shopping. Driven by rapid growth in e-commerce in China, Retailers need to be more digital-savvy, keeping pace with the latest trends in smartphone applications and social media so they can establish a stronger relationship with customers.*

**KEYWORDS**

e-commerce, social media, mobile commerce.

**INTRODUCTION**

Basically, China's large and growing middle-class have become used to making frequent e-commerce purchases. Besides, as in many longer-standing e-commerce markets, they are also developing brand awareness, an increasing tendency to buy high quality and individually satisfying products, and showing a commitment to brand loyalty and repeat business (Chiang, 2012).

The future development of China's e-commerce channel is closely linked to technology developments and also the behaviors of Chinese consumers, including the way they research and order products online, and their preference for speed and convenience (China 360, 2014).

**E-COMMERCE IN CHINA**

In the year 2000, China had virtually nothing in the name of e-commerce. But according to KPMG's research, in 2015 the total value of e-commerce transactions in China is estimated to touch \$540 billion, or 10% of total retail transactions. Further on, by 2020, China's e-commerce market is forecasted to be larger than those of the US, Britain, Japan, Germany and France combined (Neelima Mahajan, 2015).

E-commerce has become a lifestyle in China. Chinese customers can purchase anything online, from food to cars. They love shopping online because it is convenient and cheaper (Gravatar, 2014). Online launching is a way for brands to reach 300 million online shoppers. E-commerce offers a unique solution to start a business in China. Therefore, Chinese as well as foreign brands are coming to launch in China through their e-commerce strategy and benefited from it.

**E-COMMERCE PLATFORMS**

For evidence of the sophistication of the digital retail market in Asia, brands need look no further than e-commerce Alibaba. Not only does its brand-based online marketplace Tmall allow businesses from the West to break into the market without the need to open physical stores—Costco is a great example of this. Its payment system Alipay is expanding its reach to the U.S. and beyond. About 80 percent of all online transactions in China are done through Alibaba, a collection of marketplaces for consumers and businesses with assorted Internet services.

Fashion brands like Zara, Uniqlo and Gap operate offline retail stores throughout China but have also built a significant presence online either through their own online sites or a store on a site like Tmall, or even both. Tesla, the iconic electric car company, chose to sell the Modes on Tmall on November 11, 2014, or Singles Day, China's annual online shopping festival.

Other car companies like BMW and Buick have Tmall stores. Even competition

--Amazon China—thought it wise to set up a virtual storefront on Tmall recently to sell things like clothing and home appliances.

Xiaomi, a mobile devices manufacturer, sells China's currently most popular smart phones. The company started its successful sales online alone at first; offline stores have recently begun to open (Gravatar, 2014).

**SOCIAL MEDIA IN CHINA**

Having the world's biggest Internet users, more than double users in the United States, China also has the world's most active circumstance for social media. More than 300 million people use it, from blogs to social-networking sites to microblogs and other online communities. That's approximately equal to the combined population of France, Germany, Italy, Spain, and the United Kingdom (Cindy Chiu, 2012).

**SOCIAL MEDIA PLATFORMS**

China's social media platforms have become an important additional driver or facilitator of e-commerce activity. With almost immediate feedback and easy-to-use interfaces, social media platforms have become principal in the life of Chinese e-consumers. Consumers in China use these platforms for immediate opinions, to post product reviews, and to look for product comments. According to recent e-commerce statistics in China, 40 percent of China's online shoppers read and post reviews about products—more than double the number in the US (Go Global, 2013). These social media platforms are increasing their integration into the e-commerce chain.

China's social media sector is very fragmented and local. Each social media and e-commerce platform has at least two major local players: in microblogging, for instance, Sina Weibo and Tencent Weibo. These players have different advantages, areas of focus, and geographic priorities. For marketers, this fragmentation increases the complication of the social media landscape in China and requires significant resources and expertise, including a network of partners to help guide the way. Competition is growing quickly—marketers looking for partners should closely observe development of the sector's platforms and players.

## A WINNING STRATEGY

China's social-media users not only are more active than those of any other country but also, in more than 80 percent of all cases, have many social media accounts, primarily with local player. The use of mobile technologies to approach social media is also increasingly popular in China. The number is estimated to grow by about 30 percent annually. Because many Chinese somewhat don't believe formal institutions and authority, users more value the advice of opinion leaders in social networks. An independent survey of skin care purchasers, for instance, observed that 66 percent of Chinese consumers depended on recommendations from friends and family, compared with 38 percent of their US counterparts (Cindy Chiu, 2012).

Starbucks China promotes the same message of quality, social responsibility, and community building across all of its social media efforts, as well as in its stores. And Durex set up a corporate account on Sina Weibo: it built a marketing team that both monitored online comments and cooperated closely with agency partners to create original, funny content. The company's approach is intended to interact meaningfully with fans and deepen customer preference with the brand.

Estee Lauder, a cosmetics brand from New York, is among the leading and prestigious brands in China for social media, digital marketing and online strategies. Estee Lauder has developed an efficient digital strategy in China owing to its strong social media presence, its complicated digital marketing strategy and its large presence on search engines.

Besides, the brand has included mobile platforms in its marketing strategy. Contrary to many of its rivals, Estee Lauder has developed mobile-optimized versions of its brand website. Estee Lauder owns different brands such as Origins, Bobbi Brown, Clinique, M.A.C., Aveda, Smashbox and many others. Each brand has its own social account and strategy.

In order to drive its growth in China, Estee Lauder has used several strategies, including e-commerce initiatives and creates social media accounts with the goal to ameliorate the relationship with its customers (Gravatar, 2015).

The sheer number of more than 300 million social media users in China creates unique challenges for effective consumer engagement. People expect responses to each post, for instance, so companies must develop new models and processes for effectively attracting customers in a way that communicates brand characteristics and values, satisfies consumer concerns and lead to positive evaluation.

## M-COMMERCE

Accompanying the rise of e-commerce in China is a clear trend towards mobile devices. In a few years, China has emerged as the country with the largest number of mobile based e-commerce transactions (EMarketer, 2013).

In China, online shopping done on smartphones, tablets, and other mobile devices reaches US\$334 billion in 2015—which means mobile shopping accounts for a record high 49.7 percent of e-commerce expenditure (Steven Millward, 2015).

China's mobile commerce market has greatly surpassed that in the U.S., with China's mobile sales exceeding the U.S.'s by 450 percent. According to and eMarketer study, mobile commerce will grow strongly in China, although at increasingly slower rates. By 2019, e-commerce spending on mobile will reach US\$1.41 trillion, when it will stand for 71.5 percent of all online retail (Hilary Milnes, 2015).

A report by iResearch finds that Alibaba Group continues to dominate the mobile shopping field. Taobao Wireless-mobile businesses under Alibaba's China marketplaces consisting of B2C platform Tmall.com, C2C platform Taobao marketplace and group-buying website Juhuasuan-make up 84.5 percent share of the mobile shopping market (Susan Wang, 2015).

Mobile purchasing cooperates with the Chinese consumer's desire for speed, and the convenience of any time shopping. The trend towards smarter and more functional phones and tablets, coupled with the rising use of social media platforms to inform and connect consumers, is likely to fuel the continued rise of so-called m-commerce transactions in the Chinese e-commerce market.

## COSTCO'S E-COMMERCE STRATEGY IN CHINA

The world's largest warehouse club operator, Costco, has performed strongly in North America helped by new outlet openings, low price credentials, well-known private label products and strong customer loyalty. The company is focusing on expansion into new markets, including Spain, France and China, in the latter country via e-commerce (Euromonitor International, 2015).

Costco started its activities in China not by investing heavily in brick-and-mortar stores, but by setting up a virtual storefront with E-commerce leader Alibaba's Tmall online platform. Joining Tmall gives Washington-based Costco—the second largest retailer in the U.S.—its first direct line to Chinese consumers, a growing and increasingly wealthy and Internet-savvy population (Heather Someville, 2014).

What is even more surprising is that Costco has never really been a big fan of Internet sales, focusing on its core warehouse concept (Nicolas Schriver, 2014). And unlike in the U.S., the customers needn't be Costco members to buy from its virtual store. But in China, this quite innovative approach is for sure a great idea. E-commerce is a \$175 billions business in China. This partnership with Alibaba's Tmall online platform allows Costco to enter the business at a low cost.

Costco is able to decrease a lot of the costs that come with traditional retail models. Without making expensive investment in offline stores, Costco reduces a lot of the risk involved.

Tmall, which is the biggest online B2C marketplace in China, already has a steady base of customers and the growing stably popular international brands like Nike, Reebok, Adidas, Gap, Converse, Nine West, Maybelline and Olay. Even high fashion brands like Burberry and Estee Lauder find it imperative to be on Tmall. Costco indirectly benefits from customers who come to Tmall for the other brands and then discover Costco, which is otherwise unknown in China.

Besides, before opening its first flagship store on Tmall, Costco had absolutely no presence in Mainland China. As we all know, it is very risky to sell online before building brand awareness, but Costco has so far been experiencing huge success. A possible reason for their success is that Costco is a well-known brand among Chinese customers outside China. This word-of-mouth strategy effectively builds brand awareness not only in the local Chinese customers in North America, but also helps build trust with customers in China (Lesley Ning, 2014).

Retail giants like Costco remain prevalent brands because of their strong value propositions and their economics of scale. By successfully utilizing digital marketing strategies like email marketing, e-commerce, social media and mobile marketing, the companies maximize results in terms of increasing online exposure, driving netizens to the online shops, generating leads, attracting the target audiences and ultimately increasing sales and brand awareness.

## CONCLUSION

A rapid developing online market, the customers of millions of willing shoppers, and the development of increasingly complicated platforms—there has never been a better time for retailers to start their virtual stores in China. For global brands looking to launch in China, an online-first approach may be a good idea. It is a low risk and high return strategy.

To win in today's e-commerce, e-retailers and brands should focus on providing quality product and improving shopping experience to meet consumer needs. It would be advisable to develop a strategy that includes a complete understanding of the target market, how consumers evaluate and purchase products, and how they prefer to use technology in the local market.

Finally, the way toward integration of social media should be an important element of e-commerce strategy. Besides, China's Internet industry has taken a turn to focusing on the smart phone market. Companies are gradually changing their businesses from PC to mobile owing to high mobile phone penetration rates in China. Mobile phone penetration is nearly at 100%.

With smart phone penetration getting so high, the big e-commerce platforms are heavily promoting mobile shopping by providing discounts to those making purchases via their mobile devices. Driven by rapid growth in e-commerce in China, retail condition is changing significantly. Retailers need to be more digital-savvy, keeping pace with the latest trends in smartphone applications and social media so they can establish a stronger relationship with customers. These digital platforms are the vital mediums of online retailing, which should be integrated into retailers' comprehensive channel strategies in order to acquire Online-to-Offline business opportunities.

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**LITERATURE REVIEW OF CORPORATE GOVERNANCE AND THE ROLE OF INDEPENDENT DIRECTORS****DR. MITA MEHTA****ASSOCIATE PROFESSOR****SYMBIOSIS INSTITUTE OF MANAGEMENT STUDIES****SYMBIOSIS INTERNATIONAL UNIVERSITY****PUNE****SAYANI COOMAR****STUDENT****SYMBIOSIS INSTITUTE OF MANAGEMENT STUDIES****SYMBIOSIS INTERNATIONAL UNIVERSITY****PUNE****ABSTRACT**

*The purpose of this paper is to study various literatures in the area of corporate governance and review the role of Independent Directors of public listed companies and their significance in relationship to the composition of board of directors. Researchers have used Secondary Research approach for this study. While reviewing we arrived at the findings that the independent directors play a vital link in coordinating between the interests of Shareholders and the management. They have a much larger role to execute than many others in the organisation. A declaration of good corporate governance necessarily does not guarantee transparency and accountability of responsibilities.*

**KEYWORDS**

accountability, corporate governance, independent directors, performance, transparency.

**JEL CODE**

G34.

**1. INTRODUCTION**

**K** PMG, India, 2011) Corporate Governance lays down the various rules and regulations which are a good reference point for any company to start with. It indicates the right way of functioning and control management in the most ethical way. It provides a structure to every company to plan its various functioning levels. The responsibility of designing the governance structure lies with the company. Also it should be noted that the governance structure is in alignment with the company's objectives. For example, a company that is on a growing spree ideally should look for directors who have experience in managing growth and strategize accordingly. It basically should be ingrained in all the transactions the company undertakes which extend from employees to consumers and other stakeholders.

**2. REVIEW OF LITERATURE**

In the present day the role of an Independent Director is more challenging given the complexities of the corporate environment- regulatory bodies demand greater compliance and stakeholders demand more transparency in business operations. As Bruce Dravis (2010), discuss in his paper, the independent directors have a huge responsibility of liaising between the promoters, management and various stakeholders of a company. The role of the independent director is glorified as a whistle blower wherein they have the liberty to challenge or question anything in the right way. In most case the independent director is related to the company officials in some way or the other. But in an ideal scenario this should be avoided as much as possible. The characteristics of a true independent director are that they should be constructive in his dissent and always have the broader picture in mind.

**2.1 CORPORATE GOVERNANCE & INDEPENDENT DIRECTORS IN THE GLOBAL FRONT**

Every country has its own vigil policy. In that context the paper discusses governance policy of few countries who have taken corporate governance to a different level altogether. According to a study conducted among the public listed companies in Australia it was found that the presence of independent directors in the Board of Directors increased the possibility of the board being neutral and not taking a biased stance. Similarly, in Ghana and China companies believe that presence of independent directors' increases competitiveness of the firm and fewer malpractices as regards to income. Same is the case for companies in Korea. However, there is a striking contrast in belief when it comes to American companies.

An independent director is usually a person who is not a stakeholder in the company in any way or have previously been a part of the management of the company ie, at least not in the last three financial years. Also the person should have no other contractual binding with anyone in the company. If the independent director is very closely involved with the management of the company, then the ability of the independent director to take decisions is diluted. Under the given scenario two types of independent directors have been categorized. The first being the ones who are completely independent and the second category comprises of the ones who have had some association with the company or the management.

Liu and Yang (2008), in their paper discusses the believe of experts that independent directors can exercise independent judgement at various situations in the company so it is necessary that they are not involved in the daily operations and management of the company. However, there is an increasing trend across the globe to have minimum number of directors who are not an employee of the company in spite of the belief that independent directors bring about a neutral strategic outlook for the company and increase the company's competitiveness. People are divided in their opinion on the advantages and disadvantages of having or not having independent directors on the board. Some even feel it is too early to comment on this topic given the Enron scam which had majority of its board members as independent directors.

One of the short comings cited by Margaret McCabe and Margaret Nowak (2008), in their research report is that the management of the company comprise of a group of agents appointed by the company to run the daily operations. And directors are dependent on the management for information. Therefore, it is expected that the independent director judges every event as dispassionately as possible. An independent director is expected to function over a period of time in an impersonal and a rational way. He should be able to serve the Board adequately and generate revenue and ensure a healthy working condition for the company in the long run. He should be very well versed with the external environment so that he can strategize in the most profitable way to do business.

**2.2 CORPORATE GOVERNANCE & INDEPENDENT DIRECTORS IN THE INDIAN CONTEXT**

Iti Bose (2009), comments that in the Indian scenario growing business demands greater transparency in day-to-day operations and for that the demand for independent directors are on the rise. One of the core responsibilities of an Independent director is that he acts as the person responsible for ensuring good governance within the organisation as well as takes important decisions with respect to investments. He helps to channelize various foreign investments into the company. For a growing economy it is necessary for companies to adhere to international standards of corporate governance thus the importance of independent

directors reinstated further. The Confederation of Indian Industry (CII) has been one of the pioneer institutions in India for implementing corporate governance in listed companies. In addition to that even the Securities Exchange Board of India (SEBI) has laid its list of compliances which every company should follow- it mandates at least half of the board should comprise of independent directors.

However, studies are still underway to improve on the regulation such that operations within the organisation are more transparent to shareholders. In the corporate scenario the governance is usually executed through various committees like the Audit Committee, Risk Management Committee, Nomination Committee and others. Of these it is important that the nomination committee consist mostly of independent director who can dispassionately nominate and evaluate the members on the board. In addition to that independent director should also represent the Audit committee for similar reasons. There should at least be one person in the Audit Committee who has knowledge of finance. In the absence of such a person the company should ideally hire the services of an expert.

The regulatory bodies in India are still undecided on the ideal number of independent directors on the board however it is an ongoing debate and majority of the expert state that at least 25% of the board of directors should be independent.

The Kumaramangalam Birla Committee stressed upon the importance of good corporate governance and based on their recommendations the new Clause 49 was included in the Stock Exchange Listing Agreements in 2000. The Naresh Chandra Committee Report stressed on the importance of the role of Independent Directors. A recent amendment to Clause 49 has further strengthened the role of independent directors on the board. Further the criteria under which an individual can be inducted as an independent director have been made more severe. The independent director is not only expected to work in the interest of shareholders but also review various legal compliances by the company and act as a whistle blower under unfavourable circumstances.

### 2.3 REMUNERATION OF INDEPENDENT DIRECTORS

In the global scenario the Independent Directors are given the liberty of "say on pay". However, the compensation is generally not linked to any performance goals or share options. However, the pay structure varies vastly across countries. In some countries the compensation to independent directors is in the form of attendance fees, variable fees based on company performance, basic fees for committee membership and Chairmanship, and committee attendance fees are in practice. In India again the scenario is a lot different as the independent directors are only entitled to sitting fees, reimbursement of expenses for participation in the board and other meetings and profit-related commission as may be approved by the members. However, there have been some amendments to Clause 49 recently wherein the remuneration of independent directors is decided by the board and approved by the shareholders in general meeting also the number of stock options allotted to them are limited over the financial year. Also the stock options granted to the independent directors shall be vested after a year of retirement from the board.

### CONCLUSION

An independent director is expected to perform his duties holistically who has a vision to maximise the benefits of the company in the long-run by taking into account welfare of the employees, expectations of stakeholders and furtherance of the society at large. Even though the role of an independent director is more often than not, synonymous to a watch-dog it is important for an independent director to add value to the overall performance of the company apart from scrutinizing and questioning various compliance related issues.

The role of the independent director is glorified as a whistle blower wherein they have the liberty to challenge or question anything in the right way. In most cases the independent director is related to the company officials in some way or the other. But in an ideal scenario this should be avoided as much as possible. The characteristics of a true independent director are that they should be constructive in his dissent and always have the broader picture in mind. They should adopt a neutral role and work in the interest of all stakeholders. They in a way strengthen the say of the shareholders on the board however the independent directors need to be empowered further to discharge their responsibilities better. But the independent directors alone cannot be held responsible for deficiencies of the board.

A business goes through various cycles and economic conditions. Examples have been quoted of times when the company plans a hostile takeover the independent directors present in the board play a very important in strategizing the entire process. Presence of independent directors actually reduces the chances of financial fraud to a great extent. Existence of independent directors in the compensation committee ensures that there will be a constant review on the performance of the executive directors and the CEO and in case they are found to be not performing at par with expectation then their salary would be reduced proportionately. However, exceptions such as Enron Corp. and Global Crossing Ltd. also occur simultaneously. Situations where scam could not be avoided in spite of a large number of Independent Directors being present on the board also exist. In case of few companies' independent directors were also a part of the Audit committee.

There are arguments as Steven T. Petra (2005), mentions that as independent directors are not a part of the management they act as hindrances in the day-to-day functioning of the firm as they tend to question things most of the time. An optimum balance should be decided that should between the independent directors and management of the company. In case of allocation the independent director is entitled to more power given the fact that they foresee the future happenings for that company. Being a part of the board the independent director is expected to strategize as well as implement and control the daily functions in an organization. But like the well-known saying goes, morality cannot be established or authorized by corporate policies. It is important for an organisation to have a good working environment wherein independent directors can function and execute their duties well.

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**AFFECT AND ORGANISATIONAL CITIZENSHIP BEHAVIOUR (OCB): A CONCEPTUAL EXPLORATION****P. VIJAYALAKSHMI****RESEARCH SCHOLAR****DEPARTMENT OF MANAGEMENT STUDIES****ANNA UNIVERSITY****CHENNAI****DR. M. V. SUPRIYA****ASSOCIATE PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****ANNA UNIVERSITY****CHENNAI****ABSTRACT**

*Organizational Citizenship Behaviour (OCB) is any discretionary behaviour at the workplace that go beyond the job requirements laid out in formal job descriptions which in aggregate promote organizational effectiveness. Affective state is a generalized and pervasive state that includes both positive and negative feelings. This study tries to substantially advance our understanding of the underlying relationship between affective states and OCB through broaden-and-build theory and affective event theory. This article also examines the impact of positive and negative affect while measuring OCB in self-report surveys.*

**KEYWORDS**

organizational citizenship behaviour, affect, emotions, broaden-and-build theory, affective event theory.

**INTRODUCTION**

During the last decade, the nature of work life has faced dramatic technological changes, advancement of information technologies, reengineering of business processes, and intensified global competition. Grappling with such business environment, organizations greatly depend on their human capital. Employees who engage in behaviours that go beyond the formal obligations besides their prescribed roles are more demanded to handle such volatile situations. Those individuals experiencing positive emotionality in the workplace foster their vigor, excitement, and energy to reward organizational superior performances. Employees in potentially favourable positive mood tend them to be more helpful, show positive reaction towards others in the organization. Researchers have shown interest in the construct Organisational Citizenship Behaviour (OCB) and Affect since the early 1980s as such construct is linked with effective functioning of the organization and its overall success. Therefore, the objective of this study is (i) to examine the role of affect on OCB through broad-and-build theory and affective event theory, and (ii) to understand the role of positive affect and negative affect in measuring OCB.

**REVIEW OF LITERATURE****ORGANIZATIONAL CITIZENSHIP BEHAVIOUR (OCB)**

Organ and his colleagues (Bateman and Organ, 1983; Smith et al., 1983) first coined the term organizational citizenship behaviour (OCB) in 1983. OCB is defined as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system and that, in the aggregate, promotes the effective functioning of the organization" (Organ, 1988).

Organ (1988) identified five dimensions of OCB as (a) altruism: taking the initiative to help members of an organization resolve problems; (b) conscientiousness: in addition to complying with organizational rules, going beyond minimum requirements through hard work; (c) sportsmanship: obeying organizational regulations, tolerating imperfect situations without complaint; (d) courtesy: to avoid work problems, remind and inform other coworkers in advance; (e) civic virtue: remaining attentive and proactive when participating in organizational activities.

Borman et al., (2001) and Van Scotter and Motowidlo, (1996) classified three dimensions of OCB as (a) interpersonal facilitation: helping co-workers when such assistance is needed; (b) job dedication: one's dedication to perform specific work-related tasks above and beyond the call of duty; and (c) organizational support: supporting the organization even if it is undergoing hardships.

Coleman and Borman, (2000) proposed three components as (a) interpersonal citizenship performance: behaviors from which other members of the organization benefit; (b) organizational citizenship performance: behaviors which benefit the organization; and (c) job/task citizenship performance: behaviors reflecting the wish to maximize one's service by investing extra effort, persistence, and dedication.

Williams and Anderson (1991) proposed a dichotomous model of OCB as (a) OCB-Individual (OCBI): behaviors that tend to directly benefit other individuals and indirectly benefit the organization; and (b) OCB-organization (OCB-O): behaviors that generally benefit the organization at large.

Rioux and Penner (2001) identified three key motives that account for OCB (a) prosocial values (PV) employee's motive to help and connect with others; (b) organizational concern (OC) employee's motive to help and be fully involved with the organization; and (c) impression management (IM) employee's motive to be seen positively and to avoid being seen negatively.

These dimensions and classifications clearly differentiate OCB towards interpersonal orientation and organizational orientation. The affect construct facilitates in understanding interpersonal orientation of OCB in a better way.

**AFFECT**

Affect is a generalized broad range of pervasive state that people experience which includes both positive and negative feelings (Watson, 2000). It encompasses both diffuse mood states and discrete emotions (Frijda, 1993). Positive emotions are often confused with positive moods.

Moods are the feeling states that are subjectively perceived by individuals that are not directed towards anyone or anything in particular (Gardner, 1985). Moods are the feelings that tend to be less intense, long lived and have less specific causes. The two primary dimensions of mood are (a) positive affect: characterized by being enthusiastic, active, inspired, confident, and alert; and (b) negative affect: characterized by anger, contempt, disgust, guilt, fear, and nervousness (Watson and Tellegen, 1985). Positive affect and negative affect are two highly distinct dimensions rather than a single bipolar continuum of mood factor that have consistently been represented as orthogonal dimensions in many factor analytic studies (Watson, Clark, and Tellegen, 1988).

Emotions are about some personally meaningful circumstance that is directed at someone or something. These are considered to be more intense and short lived than mood and caused by specific events. Emotions generally tend to be treated in their discrete forms and the basic spectrum of emotions is the anger, fear, sadness, surprise, happiness and disgust (Ekman 1992).

**COMMON MEASURES USED IN RESEARCH STUDIES****ORGANISATIONAL CITIZENSHIP BEHAVIOUR (OCB)**

Researchers commonly use scale Podsakoff et al. (1990) to measure all five dimensions of OCB This questionnaire includes 24 items to evaluate each employee's behavior in relation to Altruism (5 items), Conscientiousness (5 items), Sportsmanship (5 items), Courtesy (4 items), and Civic Virtue (four 4 items). The two broad

categories of OCB (ie., OCBI and OCBO) are generally measured using Williams and Anderson (1991) and Lee and Allen (2002) scales. 16-item scale where eight items represents behaviors that are beneficial to the organization (OCBO) and eight items measured behaviors that are beneficial to individuals (OCBI). Several other scales are also used to measure OCB depending on the context.

The 24 items scale helps in measuring the entire five dimensions of OCB while the other scale helps to measure OCB in two broad categories.

#### AFFECT

The primary two dimensions of mood factor are generally measured using Watson, Clark, and Tellegen (1988) scale. The 20-item Positive and Negative Affectivity Scale (PANAS) measures trait positive and negative affectivity indicating how one feels "most of the time" or "in general". The 20-item scale with 10 items measuring positive affect (PA) and 10 items measuring negative affect (NA) are used.

Studies measure emotions at work using Job Emotions Scale (JES). Participants are asked to indicate how often they experience each of the eight positive emotions at work such as happy, enthusiastic, liking for someone or something, pleased, proud, content, enjoying something and optimistic. The eight negative emotions are measured using adjectives such as worried, embarrassed, angry, disappointed, disgusted, frustrated, unhappy, and depressed.

The Job Affect Scale (JAS) developed by (Brief, Burke, George, Robinson, and Webster, 1988) is also used. It consists of 20 items describing both positive and negative states. The participants are asked to indicate how they feel "while at work."

Although the adjectives used in measuring affect construct are quite similar, the researcher must take cautious steps to differentiate discrete emotions, mood or affect as a whole construct and also whether it is applied for general context or at work.

## DISCUSSION

### IMPACT OF AFFECT ON OCB

Fredrickson (2001) developed broaden-and-build theory to better capture the unique effects of positive emotions and its adaptive mechanism. This theory states the positive emotions have the ability to broaden peoples' momentary thought-action repertoires and build their enduring personal resources. Positive emotions broaden the attention, thinking, and behavioral repertoires of an individual which in turn can improve their ways of coping by building resources such as physical, intellectual, social and psychological resources (Fredrickson et al., 2003). The positive emotion creates the urge to explore, look for new information and experiences whereby building enduring personal resources. Individuals experiencing positive emotions show increased preference for variety of activities and engage in various kinds of action such as approaching, exploring, relishing and integrating different perspectives (Kahn and Isen 1993). Positive emotions improve broad-minded coping that facilitates the resilient people against depression and promote emotional well-being (Fredrickson and Joiner, 2002). The discrete emotions provide a richer understanding of employees' feelings at work and also act as predictors of work behaviour (Lee and Allen, 2002). Positive emotions found to be positively related to OCB (Fisher, 2002). Though discrete emotions belong to the same affective domain they have different implications for work behaviour. Certain negative discrete emotion such as fear, guilt, sadness, and hostility predicted OCB targeted towards individual beyond negative affect (Lee and Allen, 2002). A study done by Ziegler et al., (2012) shows that the impact of positive emotions at work on OCB is mediated by job satisfaction.

Affective event theory (AET) is a model developed by Weiss and Cropanzano, (1996) to explain how moods and emotions influence job performance and job satisfaction. This theory considers the effects of work-related events on emotional responses and the subsequent outcomes for attitudes and behaviour. Certain types of situations influence affective events in the workplace that generate emotional reactions or mood changes such as happiness, dissatisfaction, anger etc. An affective event may be any change in the immediate environment such as conflict with the co-worker or a compliment from a trusted boss (Fisher, 2000) that evokes an affective reaction. Affective reactions are the emotions experienced by employees as the result of the affective events. These affective events when accompanying real-time moods and emotions provide an important link between an organizational context and attitudinal and behavioral outcomes.

Positive affective state serves as both antecedents and consequences of OCB (Glomb, Bhawe et al, 2011). The positive job affect plays a dominant role in predicting OCB directed towards individual (Williams and Andersen, 1991; Lee and Allen, 2002). Positive mood not only predicts altruism, one of the dimensions of OCB but also OCB in general (George, 1991; George & Brief, 1992; Isen & Baron, 1991). When employees are in positive mood, they tend to engage in more helpful behaviour making OCB more rewarding (Fiske and Taylor, 1991). Positive moods increase the interpersonal attractiveness of others, which increases the likelihood of helping, friendliness and generosity (Isen, 2000). Leadership studies report that the follower positive affect as the most important predictor of OCB (S.K. Johnson 2008) where the leader's behavior as an affective event is attributed to groups' prosocial behaviour (George and Bettenhausen, 1990).

From the above stated studies, it is understood that the affect construct is having a greater impact on OCB. These two theories help in having a more clear understanding. The discrete emotion need to be clearly differentiated from the affect construct so as to apply in broaden-and-build theory, as this theory concentrates on emotions.

### INFLUENCE OF AFFECT WHILE MEASURING OCB

OCB is generally measured using supervisor rating, subordinate rating, peer rating or self-rating. Self-reports to measure OCB is increasingly used in recent years (eg., Moon et al. 2016, Francis and Vivian 2015, Bottomley et al. 2015, Hartmann et al., 2014, Rupp et al. 2013). However, these self-reports are not free from bias (Podsakoff, 2003). Even the dispositional affect (positive affectivity and negative affectivity) though act as the dominant predictor of OCB still this may also lead to artificially inflate the relationship between the variables causing self-report bias. Positive affectivity influences the self-report measures targeting positive affective reactions while negative affectivity influences the individual to respond to the questionnaire negatively irrespective of the situations (Burke et al., 1993). Individuals high in negative affectivity view themselves and a variety of aspects around them in generally negative terms (Watson and Clark. 1984). Hence, it is possible that positive or negative affect could account for systematic variance that is different from the actual (true) score variance in the relationships obtained between two or more variables in self-report questionnaires.

The spurious effect of employees' dispositional affect should be given a considerable attention while using self-reports to measure OCB (Soo et al., 2010). Researchers should make every attempt to reduce the inflated/deflated impact of these two biasing variables (positive affect and negative affect) in their study. This procedure can be handled using a statistical technique named 'Directly Measured Latent Method Factor' (Podsakoff et al., 2003). Such an attempt by the researcher will ensure that the inferences drawn from their study is more valid and reliable.

## CONCLUSION

This study provides further evidence that affect is a better predictor of OCB. This article facilitates in clarifying the differences in emotion, mood and affect as a whole construct. Further, it emphasizes that the discrete emotions need to be prioritized as this could increase the predictive ability when compared with affect measured as the whole construct. The dispositional affect such as positive and negative affect should be given considerable attention while using self-report surveys of OCB.

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**NON-MONETARY BENEFITS & ITS EFFECTIVENESS IN MOTIVATING EMPLOYEES**

**JYOTHI.J**  
**ASST. PROFESSOR**  
**NEW HORIZON COLLEGE**  
**KASTURI NAGAR**

**ABSTRACT**

*Monetary benefits are considered to be a highly motivational tool for the employees, but there are some things which money can't buy. The MASLOW'S Theory of need hierarchy clearly states that at initial level the money incentives plays a greater role, but once the physiological (food, water, shelter, clothing and sleep) and safety needs (health, employment, property, family and social stability) are fulfilled the other needs like love and belonging (friendship and sense of connection), self-esteem (confidence, achievement, respect from others and the need to be unique individuals) and self-actualization (morality, acceptance and your purpose) can be satisfied only through the non-monetary benefits. This paper strives to make a study on the importance of non-monetary benefits in motivating and gaining the employee loyalty towards the organization. The paper also tries to make an empirical study and analyze the strategic role of the non-monetary incentives during the economic downturn or at the time of crisis when the cash inflows are tight or when there is a need to maintain higher profitability margins. The analytical study made brings us to the conclusion that highly motivated employees helps in retain the dedicated and loyal employee's different types of non-monetary incentives must be introduced in an organization. Non-monetary recognition can be very motivating, helping to build feelings of confidence and satisfaction.*

**KEYWORDS**

Non-monetary incentives (NMI), employee, achievement, motivation, satisfaction, loyalty.

**INTRODUCTION****STATEMENT OF PROBLEM**

The purpose of this study is to demonstrate to what extent non-monetary incentives are utilized in the Organization and whether non-monetary incentives have the potential to increase the motivation of employees as much as the monetary incentives. Incentive means anything that makes an employee desire to do better, try harder and expend more energy. Non-monetary incentives such as participation in decision making, verbal or written recognition of good work etc. are the kinds of incentives that do not involve direct payment of cash. According to the results of the conceptual study, most of the employees think that the level of utilization of the non-monetary incentives in their organization is inadequate. Also, the findings suggest that they value non-monetary incentives as much as monetary incentives. Thus, within the limitations of the study, it may be observed that non-monetary incentives have the potential to increase the motivation of personnel in the organization.

It is widely accepted by the people in general that manpower is one of the most important assets of an organization because things are getting done through employees. In other words, the success of an organization in realizing its objectives heavily depends on the performance of its employees. Therefore, it is important to focus on the factors affecting the performance of the employees. Performance is considered to be related with the concepts of ability, opportunity and motivation. Ability is a function of skills, education, experience and training. Opportunity refers to the infrastructure needed to perform a job. Finally, motivation is the desire to achieve a goal and willingness to exert effort for it. Motivation is something that can lead to better performance when other conditions are met. But, it has an advantage over others in the sense that while the opportunity and ability tend to be stable and difficult to change for the personnel, motivation has flexibility, that is, it can be changed by some means. Moreover, it is apparent that in the absence of willingness to perform; capacity and opportunity will not generate the desired results. If the situation is to be explained by a proverb; you can take the horse to the water but you cannot make it drink.

All organizations, whether public or private, need motivated employees to be effective and efficient in their functioning, in addition to the other factors. Employees who are motivated to work energetically and creatively toward the accomplishment of organizational goals are one of the most important inputs to organizational success. Consequently, the challenge for organizations is to ensure that their employees are highly motivated, ensure that the employee desire to do better, try harder and expend more energy. With regard to monetary incentives, it can be argued that private organizations have more financial sources to motivate their employees than the public organizations. It is known that employees' in public sector are generally low compared to private sector employees. Moreover, while many private organizations have monetary incentives such as bonuses, commissions, cash rewards etc., it is quite challenging for the public sector to provide such incentives in adequate levels in a weak national economy. As a result, it is important to look for any possible alternative means that can be used to motivate employees in the public sector. In line with this purpose, this study focuses on the use of non-monetary incentives as a motivational tool and their effectiveness in the motivation of employees. Non-monetary or non-cash incentives do not involve direct payment of cash and they can be tangible or intangible. Some examples of this kind of incentives are; encouraging the employees by providing them with autonomy in their job and participation in decision making, assigning challenging duties, improving working conditions, recognizing good work through small gifts, letters of appreciation, plaques, tickets to restaurant etc., providing some services for the employees, organizing social activities in the work place, etc. It is emphasized that the need for recognition, self-respect, growth, meaningful work, social activities are as important as monetary incentives in increasing the employees' morale and motivation. There are many contemporary research studies supporting the effectiveness of non-monetary incentives as a motivating tool in the private sector organizations. This study will try to shed light on this issue and explore the motivating potential of non-monetary.

**PURPOSE OF THE STUDY**

The study paper aims to measure the role and extent of the utilization of non-monetary incentives in the organizations and whether they have the potential to motivate the employees as much as monetary incentives.

The conceptual paper tries to collect information from direct observation and indirect information from the employees and draw a conclusion, for this reason the following dimensions were addressed:

- What is the degree of utilization of the non-monetary incentives based on the perceptions of employees?
- To what extent do non-monetary incentives have a motivating potential for the employees?
- What does the concept of "non-monetary incentive" mean to the employees?
- What are the most important job factors that contribute to the employees' willingness to exert more effort in their jobs?
- What is the type of incentive that the employees value most?
- How do employees perceive the effectiveness of non-monetary incentives in the absence of monetary incentives?
- Is there a statistically significant difference between the subordinates and superiors with regard to their incentive preferences in the sector?

**METHODOLOGY**

Data collection and conclusion of the paper was based on direct and indirect observation method and the various articles and research paper was considered for drawing conclusion.

## LIMITATIONS OF THE STUDY

Although this research was carefully prepared, I am still aware of its limitations and shortcomings.

1. **TIME CONSTRAINT:** First of all, the study was conducted in a short time period which did not allow for the in depth analysis. To derive a meaningful and definite conclusion, the study should be made for a period of at least 6 months.
2. **INDIRECT METHOD:** Since it is a conceptual paper the opportunity to interact with the employees and record the qualitative aspects was not possible.
3. **QUALITATIVE ASPECT:** The results of the non-monetary approach are usually qualitative in nature like satisfaction, happiness, self-esteem all this cannot be quantified and measured on a definite yardstick.
4. **FINANCIAL CONSTRAINT:** The sources and the monetary support for conducting an extensive research were not available.
5. **CAPABILITIES OF THE RESEARCHER:** The conclusion and the analysis made completely depend on the capabilities and perceptions of individuals it does not reflect the opinion in the overall light.

## SIGNIFICANCE OF THE STUDY

Starting with the Classical Theory, many previous studies have considered the relationship between monetary incentives and employee motivation. Still, the consideration of money as the basic motivating force and its superiority over any non-monetary incentive secures its place on the organizational scholars' agenda. On the other hand, there is a growing interest and attention on the use of non-monetary incentives. Especially in private sector organizations, it starts to be pronounced louder and there is a wide literature on their incredible influence in obtaining highly motivated employees. Despite the overwhelming research on the effects of non-monetary incentives in private organizations, few researchers have investigated its full impact. Thus, the significance of this study is that it sheds light on what kinds of incentives the employee's value most and it tries to explore the attitudes of employees towards non-monetary incentives.

This study is also significant because it focuses on how to motivate employees in a weak national economy and when there is no incentive to drive them to do more than what is expected. In terms of pay, during economic down turn almost there is nothing to drive the employees to be more motivated. So, this study will contribute to exploration of alternative ways in answering the question of how to motivate employees when there is a financial crisis and there is no performance related pay.

## REVIEW OF LITERATURE AND DEFINITIONS

An incentive program is a method adopted and used by the organizations across the globe to promote and encourage specific actions or behavior by a specific group of people during a defined period of time. Incentive programs are particularly used in managing people to motivate employees in general and sales team to attract and retain customers.

**Definition:** Non-monetary benefit is any benefit an employee receives from an employer or job that is above and beyond the compensation package (salary, insurance, etc.) for the specific purpose of attracting to the company as well as retaining and motivating the employees

*The various types of monetary benefits are:*

1. **SALARY OR WAGES:** This is one of the most important motivational factors in an organization. Salaries and wages should be fixed reasonably and paid on time.
2. **Bonus:** Bonus is an extra payment over and above salary, and it acts as an incentive to perform better. It is linked to the profitability and productivity of the organization.
3. **Financial incentives:** The organization provides additional incentives to their employees such as medical allowance, travelling allowance, house rent allowance, hard duty allowance and children educational allowance.
4. **Promotion (monetary part):** Promotion is attached with increase in pay, and this motivates the employee to perform better.
5. **Profit sharing:** This is an arrangement by which organizations distribute compensation based on some established formula designed around the company's profitability.
6. **Stock option:** This is a system by which the employee receives shares on a preferential basis which results in financial benefits to the employees.

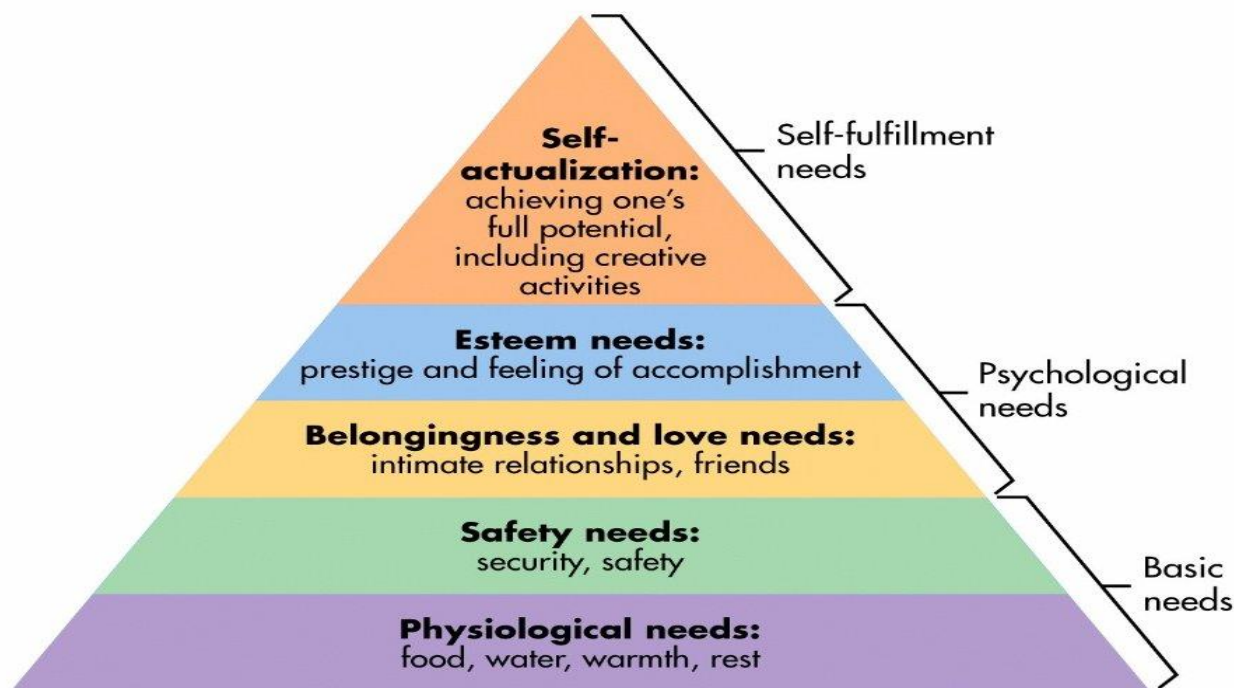
*The different types of Non-monetary benefits are:*

1. **Status:** An employee is motivated by better status and designation. Organizations should offer job titles that convey the importance of the position.
2. **Appreciation and recognition:** Employees must be appreciated and reasonably compensated for all their achievements and contributions.
3. **Work-life balance:** Employees should be in a position to balance the two important segments of their life -work and life. This balance makes them ensure the quality of work and life. A balanced employee is a motivated employee.
4. **Delegation:** Delegation of authority promotes dedication and commitment among employees. Employees are satisfied that their employer has faith in them and this motivates them to perform better.
5. **Working conditions:** Healthy working conditions such as proper ventilation, proper lighting and proper sanitation improve the work performance of employees.
6. **Job enrichment:** This provides employees more challenging tasks and responsibilities. The job of the employee becomes more meaningful and satisfying.
7. **Job security:** This promotes employee involvement and better performance. An employee should not be kept on a temporary basis for a long period.
8. **Flexibility:** It is a mandate for employees to follow their superiors, but if supervisors get all the say, they will immediately feel limited. Workers still require a room where they can voice out their opinion and ideas, as well as the liberty to be versatile on their approaches to conflicts and problems. You can also emphasize flexibility in terms of work hours.
9. **Recognition:** Recognition can come in different forms. A simple e-mail blast can already do wonders. You may also hold an informal appreciation ceremony for all those who have excelled expectations for a given month.
10. **Training:** When the organizations train its employees, it means there is plenty of room for them to grow. They don't have to feel stuck to a routine job. They can look forward to much bigger challenges. Trainings give good types of stress, something that motivates employees to push themselves to the limit. Personally, it gives them a good idea of their own strengths and weaknesses.
11. **Belongingness:** The company should take time to come up with team-building activities. It does not have to be very long or tedious. The team members have to strengthen trust, respect, and accountability with each other.
12. **Chance to Contribute:** You can greatly motivate your employees if you can make them feel that the success of your organization also depends on them. You can do this by allowing them to head projects as well as getting their consensus on major decisions that can affect your business and organization.
13. **Fringe Benefits:** Fringe benefits include additional allowances, leaves, health insurance plans, and other perks that they can enjoy alone or with their loved ones.
14. **Health Savings or Improvements to the Current Health Plan (or Retirement Plan):** Health benefits are often a major consideration for employees as they look at jobs on the market. Offering expanding or expandable health programs can go a long way to advancing the retention of those employees as they continue to provide value to the company. Health plan consultants can provide options for creating health plan tiers for long-time workers.
15. **Flexible Hours or Time Off:** Employees have lives outside of the company. People volunteer with their community groups, churches, children's sports or charities that they believe in. Giving staff flexible hours and time off (or time working from home) allows them to better serve those needs and increases their desire to do more for the company, boosting morale among staff as they contribute more to their personal lives.
16. **Staff Recognition Program/Event:** Staff recognition continues to be one of the most overlooked reward methods. It's understandable, considering the dizzying pace that many companies need to maintain in order to remain competitive. But a recognition program does not need to be a formalized process. A well-implemented recognition of staff through informal praise or mention in a company newsletter can provide the same benefit without taxing the already-stretched workflow.

17. **Informal Contact among Staff:** Set lunches between staff can be useful, but cannot be a constant. Companies with shoestring social budgets can choose more informal contact methods between management and staff. Management can opt for casual walk-through to engage in cordial conversations with individual staff members.
18. **Remember:** Providing avenues for employee loyalty, respect, communication and recognition has become a hallmark for the best companies that employees can work for, but you don't have to be the biggest fish in the pond to stand out as one of the most sought-after employers out there.

## MASLOW'S THEORY OF NEED HIERARCHY

### HIERARCHY OF NEEDS THEORY



**Maslow's theory (1943)** states that, people are motivated to satisfy their needs and those needs can be classified into the following five categories that are in an Ascending hierarchy: Physiological needs, security needs, social needs, esteem and Self-actualization needs. The first three are characterized as lower level needs while the last two are higher order needs.

**Physiological needs** are the basic biological needs like air, water, food and shelter. In the organizational setting, these are reflected in the needs for adequate heat, air and a base salary to guarantee survival.

**Safety needs** are the needs for security and protection from danger. In an organizational workplace, safety needs refer to the needs for safe jobs, fringe benefits and job security.

**Social needs** are the needs for interaction with other people, belongingness, love etc. These needs reflect the desire to be accepted by one's peers, have Friendships, be part of a group and be loved.

**Esteem** is the desire for respect, which is affected by the person's standing reputation, his need for attention, recognition, achievement and appreciation etc.

## RECOMMENDATIONS

1. In order to **create and improve the feelings of employees** towards their workplace, their feelings about management needs to be improved. For this following is necessary:
  - Developing and improving face-to-face communications with employees and giving them enough information, as well as proving their credibility and improving it through honesty and good morals.
  - Showing care for and respect to employees by expressing appreciation and gratitude, creating chances to improve, getting employees involved with solving Organizational problems, being receptive to new ideas, and caring about the Employee's problems.
  - Encourage open book managing. Build trust. Show employees that they are worth of it.
  - Maintain their dignity & self-respect.
  - Ensure that successful performance is recognized
2. To maintain employee's **loyalty** in the organization:
  - Know your competition
  - Help employees to compete in the workplace by providing them enough resources
  - Showing fairness through fair salaries and rewards, behaving towards employees as a family, being unbiased in recruitment and promotion, and handling grievances seriously and fairly.
  - Making jobs worthwhile and meaningful, encouraging and facilitating teamwork, creating situations in which employees get a sense of pride about working as members of the organization, and making the work environment friendly through sincerity and sympathy, all of which increase employees' loyalty to the organization.
3. Usually organizational and personnel assessments are performed top to bottom, with every employee being appraised by his or her direct manager. The problem with this usual approach is that a manager may not have complete insight about his or her employees or not specialized enough to accurately assess what a particular employee does. The solution to this problem is the **360-feedback approach**. With 360-feedback, employees are appraised using various sources of information, and managers' assessments are just one, used in conjunction with assessments from peers, direct reports, and everyone who receives services from an employee.
4. Organizations usually focus on recruiting employees with highly specific skills. To get more efficiency and productivity; organizations should consider EI when recruiting, especially at high levels such as managers, and for the staff whose jobs require social skills. In other word, EI should be a criterion for selecting employees who must work in teams, lead others, and have efficient relationships to other departments and the community.

5. For giving the chance to employees to attend outside seminars they should be aware of what seminars are going on the topic relevant to them and what value addition they will get on their skills set.

## CONCLUSION

To conclude, Non-monetary incentives have a high motivational power in this organization for the age bracket of 30-40 years as their needs fall on the third and fourth steps (social need and self-actualisation need) of Maslow's hierarchy so for them motivational incentives like recognition by customer, good work environment etc. are more important as compared to the people falling in the bracket of 20-30 years, for them cash incentives, job security are more important as their needs come on the first and the second ladder of Maslow's hierarchy (psychological and safety needs) but still they feel that non-monetary incentives are also important. Also this is supported with Maslow's concept of prepotency which says, if a need is important to the individual and presently a deficiency exists between what is perceived as an appropriate level and what is presently provided, then it has a great motivating potential.

In this case as the responses indicated that the employees value Non-monetary incentives and the level of Non-monetary incentives in the organization is inadequate. It may be concluded that Non-monetary incentives may have a high motivating power in this organization.

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## A STUDY OF POST RECESSION INDIVIDUAL INVESTMENT BEHAVIOR

SONIYA SINGH  
ASST. PROFESSOR  
LDC INSTITUTE OF TECHNICAL STUDIES  
SORAON

## ABSTRACT

*The impact of financial crisis (15 Sept 2008) is more on the banking sector as it happened due to subprime lending of loan which cause increase in the number of NPA's and because of this the American fourth largest bank, Lehman brothers became solvent. There are two faces of the banks- internal and external. The promises of commercial banks to the customer are the external face and the services exactly provided by the banks to their customer are the internal face. This paper tries to find the customer opinion about the bank which reflects the actual position of the bank and their customer's investment behavior. As the data available for the banks performance is on the basis of certain parameter that is CAMEL which includes capital adequacy, asset quality, management efficiency, earnings and liquidity which include only the internal face of the bank. To know the current position of the bank it is required to compare the external as well as internal position of the bank. The objective of this paper is to study the impact of recession on the individual's investment behavior in banking sector and to assess the performance of bank.*

## KEYWORDS

change in investment behavior, CAMEL, effect, impact, NPA's, Recession.

## INTRODUCTION

In economics, a **recession** is a business cycle contraction, a general slowdown in economic activity. Macroeconomic indicators such as GDP, employment, investment spending, capacity utilization, household income, business profits, and inflation fall, while bankruptcies and the unemployment rate rise. The global financial crisis of 2007 has cast its long shadow on the economic fortunes of many countries, resulting in what has often been called the 'Great Recession'.

1 What started as seemingly isolated turbulence in the sub-prime segment of the US housing market mutated into a full blown recession by the end of 2007. The old proverbial truth that the rest of the world sneezes when the US catches a cold appeared to be vindicated as systemically important economies in the European Union and Japan went collectively into recession by mid-2008. Overall, 2009 was the first year since World War II that the world was in recession, a calamitous turn around on the boom years of 2002-2007. The crisis came largely as a surprise to many policymakers, multilateral agencies, academics and investors. On the eve of the outbreak of the financial crisis, Jean-Philippe Cotis of the OECD (2007) declared: '...for the OECD area as a whole growth is set to exceed its potential rate for the remainder of 2007 and 2008, supported by buoyancy in emerging market economies and favourable financial conditions'. In the wake of the global recession of 2008- 2009, the economics profession has come under a great deal of criticism from leading scholars. Krugman (2009a) chides fellow economists for their '...blindness to the very possibility of catastrophic failures in a market economy'. Galbraith (2009) offers a robust critique of the economics profession and argues that both explicit and implicit intellectual collusion made it difficult for the leading members of the profession (invariably associated with elite American universities) to encourage a genuine discourse based on alternative views. The result was that a rather limited intellectual conversation took place between essentially like-minded scholars. Therefore, it is not surprising that, for much of 2008, the severity of this global downturn was underestimated. Subsequently, leading forecasters, including the IMF and World Bank, made a number of revisions to its growth forecasts during 2008 and into 2009 as the magnitude of the crisis grew.

2 Of course, there were some voices that issued dire warnings of a brewing storm, but they were not enough to catch the attention of many who were lulled into a collective sense of complacency in the years leading up to the crisis. Some policymakers, after being caught by surprise at the seemingly sudden appearance of a global downturn, confidently noted that nobody could have predicted the crisis. Thus Glenn Stevens (2008), Governor of the Reserve Bank of Australia observed: 'I do not know anyone who predicted the course of events'.

## CAUSES OF RECESSION

## Sub-prime lending as a cause

Based on the assumption that sub-prime lending precipitated the crisis, some have argued that the Clinton Administration may be partially to blame. This GAO chart plainly demonstrates that sub-prime and Alt-A loans clearly peaked after 2003.

Others have pointed to the passage of the Gramm-Leach-Bliley Act by the 106th Congress, and over-leveraging by banks and investors eager to achieve high returns on capital.

Others take full credit for deregulating the Banking Industry. In November 1999, Phil Gramm, Republican Senator from Texas, took full credit for the Gramm-Leach-Bliley Act with a Press Release from the Senate Banking and Finance Committee: "I am proud to be here because this is an important bill; it is a deregulatory bill. I believe that that is the wave of the future, and I am awfully proud to have been a part of making it a reality."

## Excessive debt levels as the cause

In order to counter the Stock Market Crash of 2000 and the subsequent economic slowdown, the Federal Reserve eased credit availability and drove interest rates down to lows not seen in many decades. These low interest rates facilitated the growth of debt at all levels of the economy, chief among them private debt to purchase more expensive housing. High levels of debt have long been recognized as a causative factor for recessions. Irving Fisher the Debt Deflation Theory of Great Depressions "the above named factors have played a subordinate role as compared with two dominant factors, namely over-indebtedness to start with and deflation following soon after" and "I have, at present, a strong conviction that these two economic maladies, the debt disease and the price-level disease, are...more important causes than all others put together"

## Government deregulation as a cause

In 1992, the Democratic-controlled 102nd Congress under the George H. W. Bush administration weakened regulation of Fannie Mae and Freddie Mac with the goal of making available more money for the issuance of home loans. The Washington Post wrote: "Congress also wanted to free up money for Fannie Mae and Freddie Mac to buy mortgage loans and specified that the pair would be required to keep a much smaller share of their funds on hand than other financial institutions. Whereas banks that held \$100 could spend \$90 buying mortgage loans, Fannie Mae and Freddie Mac could spend \$97.50 buying loans. Finally, Congress ordered that the companies be required to keep more capital as a cushion against losses if they invested in riskier securities. But the rule was never set during the Clinton administration, which came to office that winter, and was only put in place nine years later."

## Over-leveraging, credit default swaps and collateralized debt obligations as causes

Another probable cause of the crisis—and a factor that unquestionably amplified its magnitude—was widespread miscalculation by banks and investors of the level of risk inherent in the unregulated Collateralized debt obligation and Credit Default Swap markets. Under this theory, banks and investors systematized the risk by taking advantage of low interest rates to borrow tremendous sums of money that they could only pay back if the housing market continued to increase in value.

**Credit creation as a cause**

Austrian economics argue that the crisis is consistent with the Austrian Business Cycle Theory, in which credit created through the policies of central banking gives rise to an artificial boom, which is inevitably followed by a bust. This perspective argues that the monetary policy of central banks creates excessive quantities of cheap credit by setting interest rates below where they would be set by a free market. This easy availability of credit inspires a bundle of malinvestments, particularly on long term projects such as housing and capital assets, and also spurs a consumption boom as incentives to save are diminished. Thus an unsustainable boom arises, characterized by malinvestments and overconsumption.

**Oil prices**

Economist James D. Hamilton has argued that the increase in oil prices in the period of 2007 through 2008 was a significant cause of the recession. He evaluated several different approaches to estimating the impact of oil price shocks on the economy, including some methods that had previously shown a decline in the relationship between oil price shocks and the overall economy. All of these methods "support a common conclusion; had there been no increase in oil prices between 2007:Q3 and 2008:Q2, the US economy would not have been in a recession over the period 2007:Q4 through 2008:Q3." Hamilton's own model, a time-series econometric forecast based on data up to 2003, showed that the decline in GDP could have been successfully predicted to almost its full extent given knowledge of the price of oil. The results imply that oil prices were entirely responsible for the recession. Hamilton acknowledged that this was probably not the entire cause but maintained that it showed that oil price increases made a significant contribution to the downturn in economic growth.

**Monetary expansion**

An empirical study by John B. Taylor concluded that the crisis was: (1) caused by excess monetary expansion; (2) prolonged by an inability to evaluate counterparty risk due to opaque financial statements; and (3) worsened by the unpredictable nature of government's response to the crisis.

**Overproduction**

It has also been debated that the root cause of the crisis is overproduction of goods caused by globalization (and especially vast investments in countries such as China and India by western multinational companies over the past 15–20 years, which greatly increased global industrial output at a reduced cost). Overproduction tends to cause deflation and signs of deflation were evident in October and November 2008, as commodity prices tumbled and the Federal Reserve was lowering its target rate to an all-time-low 0.25%. On the other hand, Professor Herman Daly suggests that it is not actually an economic crisis, but rather a crisis of overgrowth beyond sustainable ecological limits. This reflects a claim made in the 1972 book *Limits to Growth* which stated that without major deviation from the policies followed in the 20th century, a permanent end of economic growth could be reached sometime in the first two decades of the 21st century, due to gradual depletion of natural resources.

**CAMEL: The five parameter on the basis of which the secondary data is available are as follows**

1. CAPITAL ADEQUACY: - It is measured as a ratio of banks own capital (new equity, retained earnings, etc.) to its risk weighted assets (loans, investments in stock markets, guarantees etc.)
2. ASSET QUALITY: - asset quality signifies the degree of financial strength of and risks in a bank's asset, mainly loans and investments. The motto is to ascertain the component of non-performing assets as a percentage of the total assets.
3. MANAGEMENT EFFICIENCY: - to measure the efficiency of the management we have used parameters like profit per branch, business per employee and advances to deposits.
  - a) PROFIT PER EMPLOYEE: - this measures the efficiency of the employee at the branch level.
  - b) BUSINESS PER EMPLOYEE: - This tool measures the efficiency of all the employees of a bank in generating business for the bank.
  - c) ADVANCES TO DEPOSITS: - This ratio measures the efficiency of the management in converting the deposits available with the bank (excluding other funds like equity capital, etc.) into advances.
4. EARNINGS QUALITY: - This parameter gains importance in light of the argument that much of a bank's income is earned through non core activities like investments, treasury operations, and corporate advisory services and so on. Here, we try to assess the quality of income of a bank in terms of income generated by core activity-income from lending operations.
5. LIQUIDITY: - This ratio measures the ability of a bank to meet the demand from demand deposits in a particular year. It is arrived at by dividing liquid assets by total demand deposits.

**NPA:** NPA is a classification used by financial institutions that refer to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing asset. Non-performing assets are problematic for financial institutions since they depend on interest payments for income. Troublesome pressure from the economy can lead to a sharp increase in non-performing loans and often results in massive write-downs.

**RESEARCH OBJECTIVES**

1. To find out the impact of Recession on individual income and expenses
2. To find out the impact of reduced interest rate on individual investment.
3. To analyze the feedback of individual on Recession.
4. To find out the preference of individual investment in this period.
5. To find out the impact of reduced interest rate on EMI of individual.

**RESEARCH METHODOLOGY**

RESEARCH DESIGN: - Descriptive Research

DATA COLLECTION: - Primary and Secondary Data

DATA COLLECTION INSTRUMENT: - Structured Questionnaire

SAMPLE DESIGN: - Non Probability

SAMPLE SIZE: - 100

LOCATION: - Lucknow

PROPOSED ANALYSIS: - Graphical Presentation of Data

**ANALYSIS**

Ques 2:

Age

Below 25

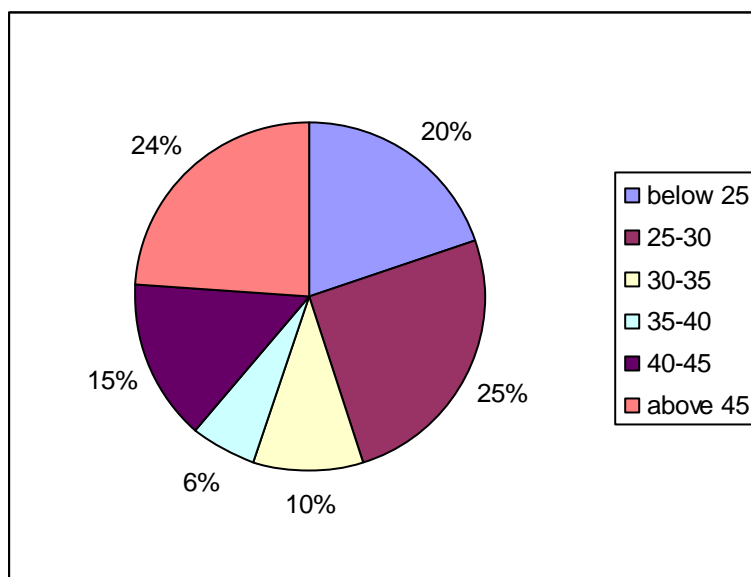
25-30

30-35

35-40

40-45

Above 45

**INTERPRETATION**

In this I interpret that below 25 are 20% who are not in a position to take all the decision on their own they are dependent on their parents. 25-30 are mature enough but not prefer to invest in securities they prefer to invest in NSC, PPF, insurance etc., 30-35 are having their experience of life they choose according to their need, 35-40 are generally want to earn higher return so they invest more than one sector, 40-45 are less interested in securities, above 45 are near to the end of their professional life so they invest after a large interpretation in any sector.

Ques 3:

Monthly

Income

Below 10000

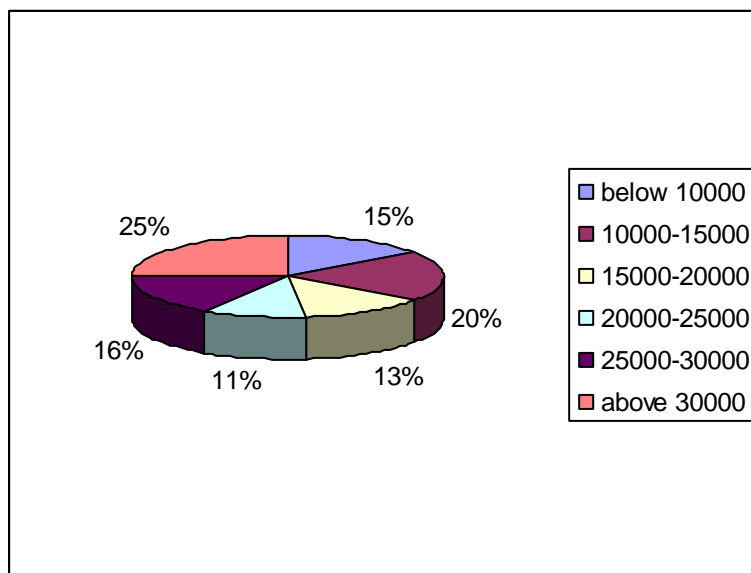
10000-15000

15000-20000

20000-25000

25000-30000

Above 30000

**INTERPRETATION**

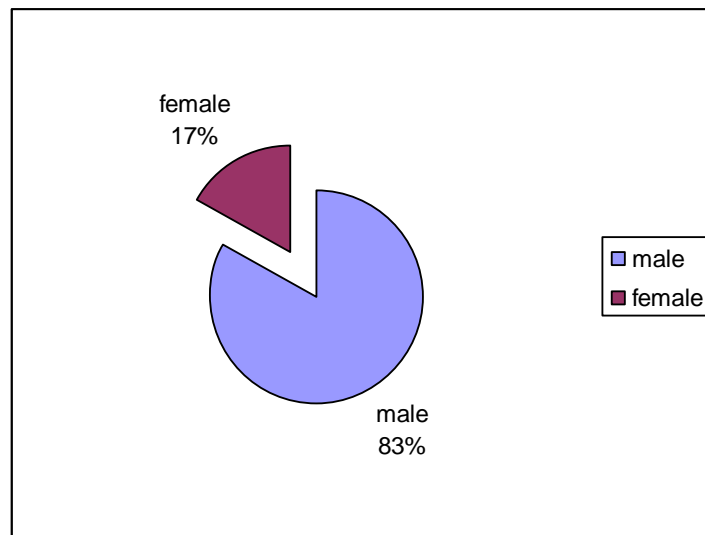
In this survey to know the investment pattern I break the income of individual in ranges. Below 10000 don't want to invest in risky sector as they are beginners they want to save their large portion of income, 10000-15000 are ready to invest but in secured sector like FD's, NSC, PPF etc, 15000-20000 are involve in investing real estate as their life begins they want to invest where principal amount is safe and return is high, 20000-25000 are interested in securities, 25000-30000 are interested in securities, insurance and some other profitable segment to earn higher return. Above 30000 want to earn higher return for that they invest in more risky sector.

Ques 4:

Gender

Male

Female



## INTERPRETATION

I observe that female are less interested in making investment in securities as compared to male because they don't want to take risk they generally prefer to invest in FD's, real estate, NSC, PPF, etc. Males generally prefer to take risk.

Ques 5:

Occupation

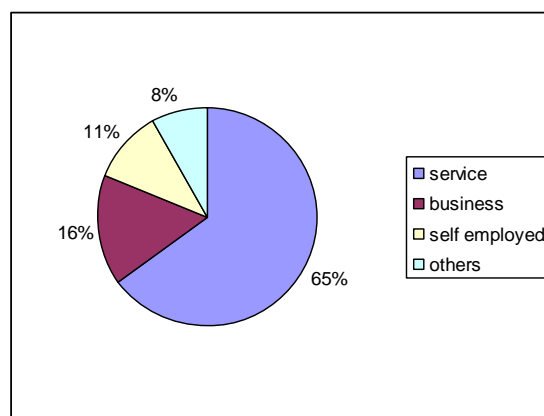
Service

Self Employed

Business

others

Please Specify.....



## INTERPRETATION

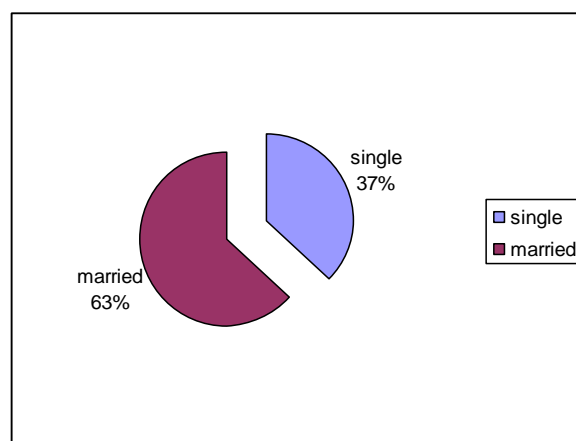
In the research survey I found that around 65% of my sample are govt. employees not affected by recession unless their income increased because of sixth pay commission whereas around 16% of sample are engaged in business which is most affected by recession. 11% are self employed they are least affected by recession and 8% others include doctors, advocate, teachers etc which are not affected by recession.

Ques 6

Marital Status

Single

Married



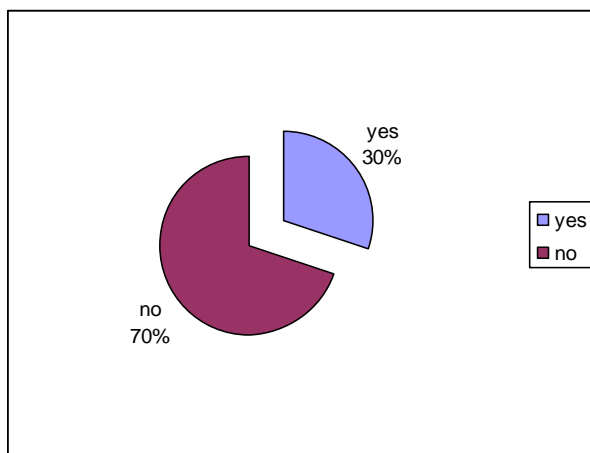
## INTERPRETATION

In this I interpret that unmarried don't have their dependent so they are free to invest in risky sector for better return but married have dependent they have so much responsibility so they try to save their principal amount and then interest by investing in secured sector.

Ques 7

Have you been negatively affected by Recession?

Yes No



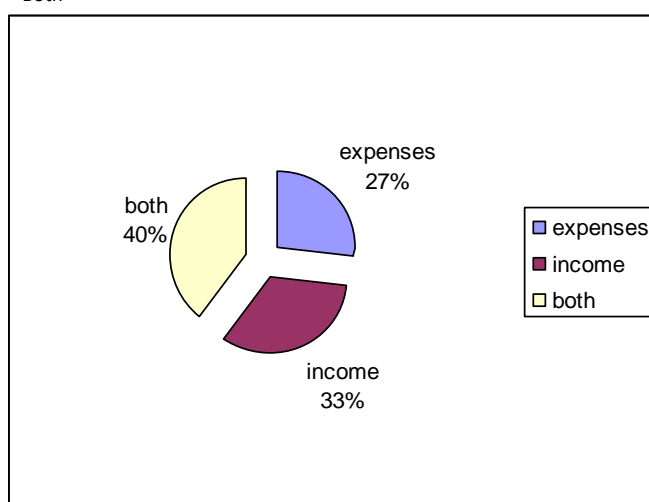
## INTERPRETATION

In this I interpret that a small portion of around 30% of my sample size is negatively affected by recession rest 70% are unaffected as they are govt. employees.

Ques 8

If yes, has the effect been on.

Expenses Income Both



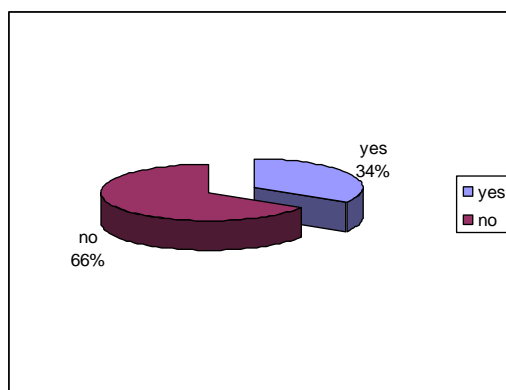
## INTERPRETATION

Whosoever are affected by recession among them around 40% observe effect on both i.e. income and expenses of sample size around 33% observe effect on income and remaining 27% on expenses. In this I found that among expenses and income more affect is on income than expenses.

Ques 9

Have you changed your investment pattern Post Recession?

Yes No



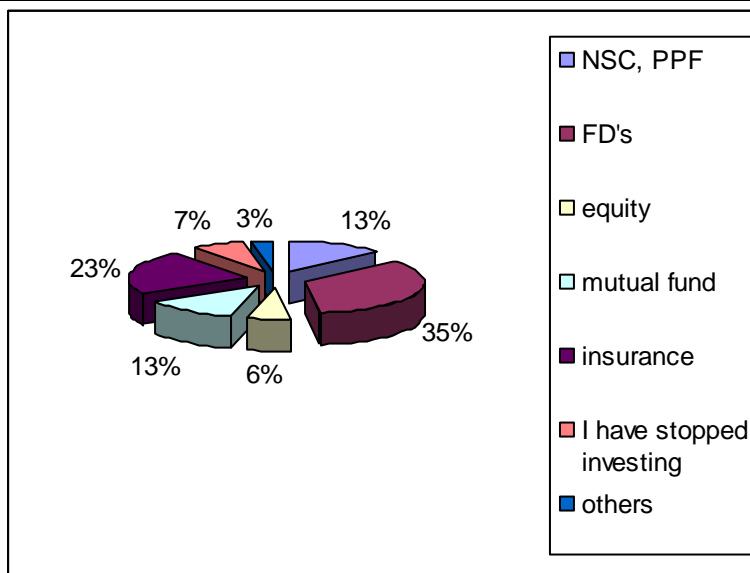
## INTERPRETATION

In this research I found that a small portion of my sample size has changed their investment pattern post-recession and rests are not. Here I analyzed that as in my sample there is more govt. employee who are not affected by recession so their investment pattern is also unaffected. But some among govt. employees changed their pattern and start investing in insurance, FD's to avoid risk.

Ques 10

Where you prefer to invest now?

NSC PPF FD's Equity Mutual Fund Insurance I have stopped investing Others please specify.....



## INTERPRETATION

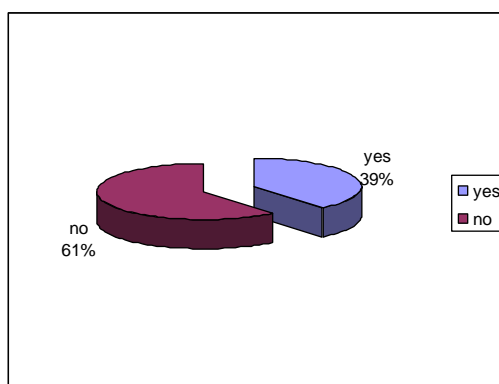
In my research study I found that in this period individual about 35% prefer to invest in FD's, 23% prefer to invest in insurance, 13% in mutual fund and 13% in NSC,PPF, in these four sector there is huge investment as compared to securities where about 6%, around 7% have stopped investing and rest 3% prefer to invest in some other sector.

Ques 11

Do you have any existing bank loan?

Yes Please specify.....

No



## INTERPRETATION

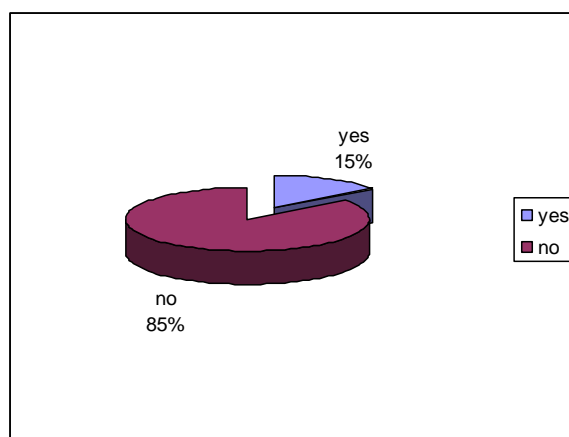
According to my sample size around 39% are having their bank loan and rest 61% said that they don't have any existing bank loan.

Ques 12

Because of the reduced interest rate, have your EMI changed?

Yes

No



## INTERPRETATION

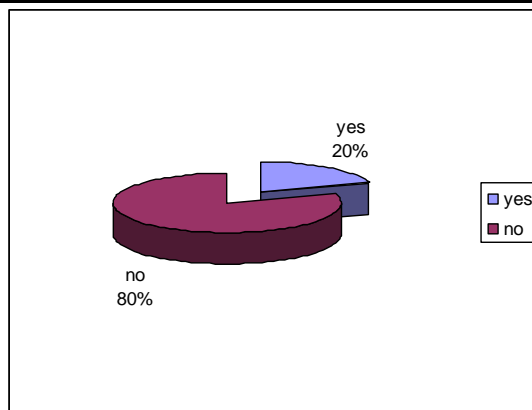
In this research of 100 sample size 15% said that there EMI has changed and 85% said that there EMI has not affected by recession. In this I interpret that as there is maximum no. of individual who don't have any existing bank loan and those who have in 85% said that there EMI is unaffected due to recession.

Ques 13

As the interest rate reduced, are you planning to take loan?

Yes

No



#### INTERPRETATION

In this research I found that as the interest rate reduced then also individual of about 80% of my sample size including some who are not interested to take the loan as they expect that it might be higher as the market goes up and others are not willing to take interest in this period. Only 20% individual wants to take loan to gain the benefit of reduced interest rate.

#### FINDINGS

1. Because of recession the individual investment pattern is not much affected.
2. Government employees are not affected by recession.
3. In this period the individual prefer to invest in FD's, Insurance, NSC, PPF, in place of securities.
4. The reduced interest rate does not affect the EMI of individual.
5. Now people don't want to take loan as they expect when the market become better the interest rate will go higher.

#### CONCLUSION

At last we conclude that recession for the Indian Economy is somewhere good and somewhere bad. Its impact on work culture is the best thing about the global economic recession is that the world of work culture is changing. With layoffs and salary cuts compelling employees to be more enterprising, companies too are opting for other ways of getting work done like freelance jobs, part time jobs and pay-on-working-hours, etc. to tame recession.

Recently, while speaking with SME Times, management guru, Dr. Jagdish N. Sheth said, "The first major impact would be many employees, who are laid-off or are out of jobs will say 'let me do something instead of my salaried job. I want to be an entrepreneur now!' They might have enough savings." "Entrepreneurship doesn't recognize strengths, race, gender, education or any other pre-requisites. So it is possible for everybody...all you need is courage. It depends on your ability to take risks," he added.

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## BASEL III IMPLEMENTATION IN THE INDIAN BANKING SYSTEM

**GEETIKA**  
**ASST. PROFESSOR**  
**APEEJAY SCHOOL OF MANAGEMENT**  
**NEW DELHI**

**ABSTRACT**

*The capital requirements for credit risk, market risk and operational risk are laid down by Basel III which is the international capital adequacy structure for banks. Basel III is the third of the Basel Accords suggested on banking laws and regulations issued by Basel Committee on Banking Supervision in order to augment the banking regulatory framework over Basel II. Criticism has been faced by the Basel I Accord due to its focus on principally credit risk. A New Capital Adequacy Framework (popularly referred to as Basel II) has been proposed by Basel Committee incorporating three major elements: (a) minimum capital requirements, (b) supervisory review and (c) market discipline. A further modification in 'Basel III' was initiated in 2010 in response to a number of failings in Basel II, which came to light during the crisis in since 2008. The Basel III is to be implemented by banks in India as per the guidelines issued by RBI from time to time. This paper briefly describes the implications and issues of Basel III Norms in Indian banking sector. This study is based on the secondary data which has been collected from annuals reports of RBI, journals and various websites.*

**KEYWORDS**

Basel 3, Basel 2, Risk management, CRAR, profitability, India.

**INTRODUCTION**

Basel III is created in order to ensure that the impact of future crises not becomes as severe as the previous one. The Basel Committee on Banking Supervision (BCBS) introduced a broad restructuring enclosure entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" in December 2010, with the aim to advance the banking sector's ability to soak up shocks happening from economic stress. The reform package relating to capital regulation, together with the enhancements to Basel II framework and amendments to market risk framework issued by BCBS in July 2009, will amend certain provisions of the existing Basel II framework, in addition to introducing some new concepts and requirements.

Thereafter Basel-III is a wide-ranging set of reform measures to toughen the regulation, supervision and risk management of the banking sector. This present research paper would make an effort to analyze likely implications and issues of Basel III for Indian Banking sector. Therefore, Basel III will have some micro-prudential elements so that risk is contained in each individual institution; and a macro-prudential cover that will "lean against the wind" to take care of issues relating to the systemic risk (see figure 1).

Reserve Bank of India issued Guidelines based on the Basel III reforms on capital regulation on May 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 01, 2013 in India in phases and it will be fully implemented as on March 31, 2018 (RBI, 2012). (See table 1)

TABLE - 1

	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 January 2019
Minimum common equity	2.0%	2.0%	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital	4.0%	4.0%	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer						0.625%	1.25%	1.875%	2.50%
Countercyclical buffer						≤ 0.625%	≤ 1.25	≤ 1.875	≤ 2.50%
Leverage ratio	Supervisory monitoring		Initially set at 3% during observation period from 1 January 2013 to 1 January 2017; any final adjustments in first half of 2017					The plan is to migrate to Pillar 1 treatment on 1 January 2018	
Capital instruments that no longer qualify as common equity			Either excluded from 1 January 2013 or, if they meet certain criteria, phased out over 10 years starting with 2013						
Capital instruments that no longer qualify as non-common equity Tier 1 capital or Tier 2 capital			Phased out over 10 years starting with 2013 (though existing public sector capital injections will be grandfathered until 1 January 2018)						
Phase in of regulatory adjustments				20%	40%	60%	80%	100%	100%
Liquidity coverage ratio (LCR)	Observation period				Minimum standard applies				
Net stable funding ratio (NSFR)	Observation period							Minimum standard applies	

Source: <http://www.allbankingsolutions.com/Banking-Tutor/Basel-iii-implementation-guidelines-RBI.htm>

**IMPLICATIONS OF BASEL III FOR THE INDIAN BANKING SYSTEM**

Although the Basel III framework focuses mainly on international active banks, its underlying principles are intended suitable for application to banks of varying levels of intricacy and difficulty. It is, therefore, advantageous to discuss likely implications of Basel III for the Indian banking system. The implications are highlighted below (see figures 1, 2, 3):

➤ **Higher capital requirement both in terms of quantity and quality**

- **Introduction of capital conservation buffer** of 2.5% of Risk Weighted Assets (RWA) over and above the minimum capital requirement of 8% under Basel II which increased the total capital requirement to 10.5%. The key rationale of the buffer is to enhance the loss absorbing ability of the bank and permit to carry on its business even in recession devoid of deleveraging.
- **Introduction of countercyclical capital buffer** of 0 – 2.5% of RWA with the object to get better capital requirements in good times and decrease the same in bad times and as a result, eliminates the procyclical capital needs of Basel II.
- **Intensification of counterparty credit risk framework** under market risk instruments. Counterparty credit risk capital requirement is assessed based on stressed input parameters.
- **Introduction of leverage ratio as a backstop to the risk based capital requirement.** A leverage ratio is the relative amount of capital to total assets (not risk-weighted). This aims to 20 put a cap on distend of leverage in the banking sector on a global basis.
- **Provision for higher capital surcharge for Systematically Important Financial Institutions (SIFIs)** is made as macroprudential framework. SIFIs will be expected to have loss-absorbing capability beyond the Basel III requirements. Available options include capital surcharges, contingent capital and bail-in-debt.
- **Provision for Credit Valuation Adjustment (CVA) risk capital charge** for OTC derivatives is made to protect banks against the risk of decline in the credit quality of the counterparty.

➤ **Introduction of Liquidity and Solvency Standards**

Basel III addresses both short term liquidity risk management and longer term solvency risk management. Under Liquidity Coverage Ratio (LCR), banks are required to maintain sufficient high quality unencumbered liquid assets to overcome any stressed funding situation over a 30-day period. On the other hand, to mitigate the longer term liquidity mismatches, banks are to maintain Net Stable Funding Ratio (NSFR). It encourages banks to avail stable source of funding relative to the liquidity profile of assets including off-balance sheet commitments.

➤ **Amendments in Provisioning Norm**

Basel III proposed the 'expected loss approach' as against current 'incurred loss approach' of making provision on the ground that it will arrest more accurately the actual losses and hence less pro-cyclical in nature. In this context, it is to be mentioned that the RBI has already issued an approach paper on the suitable provisioning framework in line with the Dynamic Provisioning (Jayadev, 2013).

➤ **Improved Disclosures Requirements**

Basel III needs banks to disclose all pertinent information as regards to their risk exposures, regulatory capital and regulatory adjustments thereto so as to make easy more informed decision making for the market participants.

FIG. 1



FIG. 2



FIG. 3

### Chart 3: Implementation: from Basel II to Basel III

As a percentage of risk-weighted assets	Capital requirements							Additional macroprudential overlay	
	Common equity			Tier 1 capital		Total capital		Counter-cyclical buffer	Additional loss-absorbing capacity for SIFIs
	Minimum	Conservation buffer	Required	Minimum	Required	Minimum	Required	Range	
Basel II	2			4		8			
Memo	Equivalent to around 1% for an average international bank under the new definition			Equivalent to around 2% for an average international bank under the new definition					
Basel III New definition and calibration	4.5	2.5	7.0	6	8.5	8	10.5	0-2.5	1-2.5%
								10.5% — 15.5%	

Source: <http://www.allbankingsolutions.com/Banking-Tutor/Basel-iii-implementation-guidelines-RBI.htm>

#### ISSUES WITH BASEL III ACCORD

In Basel III there are some major issues that should not be ignored by the RBI when implementing the Accord in India. These issues are highlighted below.

##### ➤ Additional capital requirement

As banks go on increasing the risk weighted asset portfolio to meet the growing economy's credit requirements, they would need additional common equity funds for meeting Basel III accord. Therefore, it is presuming that all Indian banks need to maintain the higher capital requirement of Basel III at a time when credit demand is going to expand very quickly (Jayadev, 2013).

##### ➤ Profitability

Basel-III implementation will trim down return on equity for the average bank by about 4% points in Europe and about 3% in the US provided other factors remain the same (Sharma 2014). It is expected that similar impact on the profitability of Indian banking system is also happen since Basel III requires higher and better quality capital which will raise the cost of equity and non-equity regulatory capital; because raising additional capital from market will raise interest rate and in turn the cost of capital will ascend. In this process the return on common equity capital will dropped. Therefore, the profitability level would be decreased automatically (Mahapatra, 2012).

##### ➤ Risk Management system

In current years many banks in India are making efforts in the direction of moving towards implementation of advanced approaches. The bigger banks need to move smoothly to the advanced approaches, particularly as they expand their overseas presence. Implementation of advanced approaches requires steady and broader based capability in risk management; and also requires adequate and good quality data at the right time. Other banks also need to strengthen their risk management and control system so as to allocate risk capital efficiently and improve profitability and shareholder's return (Jayadev, 2013).

##### ➤ Liquidity requirement issues relating to SLR and LCR

Indian banks are statutorily requisite to hold minimum reserves of high-quality liquid assets. Presently, such reserves (Statutory Liquidity Ratio – SLR) are required to be maintained at a minimum of 24% of net demand and time liabilities. As these reserves are part of the minimum statutory requirement, RBI faces a problem whether and how much of these reserves can be permitted to be considered to the LCR. If these reserves are not considered towards the LCR and banks are to meet the whole LCR with additional liquid assets, the proportion of liquid assets in total assets of banks will raise considerably, thereby lowering their income drastically. RBI is examining to what level the SLR requirements could be considered towards the liquidity requirement under Basel III (Mahapatra, 2012).

#### CONCLUSION

Basel – III is advancement rather than a mutiny for the banking system all over the world. The basic objective of the accord is to provide a rock hard base for economically sound banking internationally. A timeline of implementation of Basel III is practically satisfactory in the Indian perspective as it is found that Indian banks are comparatively sound placed for smother attainment of the standards; however, meeting Basel III format is both a challenge and an opportunity for Indian banks. The opportunity appears in the form of acquiring new equity capital, choice of suitable technology architecture and redesigning of risk management framework for efficient risk management and risk reporting. The challenges are successful implementation of the new standards as per recommended guidelines, timeframe and also negotiation with the stakeholders. Various fundamentals still, stay in progress and yet the final implementation date looks a long way. Though, banks should ensure they are engage with Basel III as soon as possible to position themselves competitively in the new post crisis financial risk and regulatory landscape. Therefore, RBI roadmap for the implementation of Basel III accord will give adequate time both for the banking sector and for the regulators in India to plan suitable and influential policy for successful mitigation of the challenges emergence from the acceptance of Basel III. The purpose of the Basel III capital and liquidity standards is to build banks more hard-wearing. Though, Basel III also compels costs on banks, reducing the returns that they can earn on their assets and increasing their cost of capital. It is to be estimated that banks will seek to pass these costs on to their customers to the extent possible.

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**A STUDY ON CUSTOMER SATISFACTION AND LOYALTY IN INDIAN BANKING SECTOR**

**DR. A. R. SUDHAMANI**  
**FORMER ASST. PROFESSOR**  
**BHAKTAVATSALAM MEMORIAL COLLEGE FOR WOMEN**  
**PERIYAR NAGAR**

**ABSTRACT**

*In the banking industry a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services in banks. This study investigates the impact of customer satisfaction and customer loyalty in Indian banking sector and compare the customer satisfaction and loyalty among the private and public sector banks and to study the demographic profile of the customers. A convenient sample size of 650 respondents from private and public sector banks in Chennai City are taken for the study. Statistical tools like percentage analysis, t test, factor analysis and cluster analysis were taken for the study and the findings reveals that both private and public sector banks need to adhere to the best standards of service quality, that can result in a positive sequential impact on customer satisfaction and loyalty.*

**KEYWORDS**

Indian banking, customer satisfaction, loyalty, service quality.

**1.0 INTRODUCTION**

The banking industry in India has undergone a number of major changes in the post- independence era. More recently, liberalisation the opening up of the economy in the 1990s and the government's decision to privatise banks resulted in the banking reforms. Like any other financial services, the banking industry too is facing a market that is changing rapidly. New technologies are being introduced and there is always a fear of economic uncertainties. Moreover, service sector such as banks have the responsibility to provide the best services to their customers in order to have sustainable competitive advantages. Furthermore, practitioners in the banking sector face many complex challenges in the global market. Although satisfaction has been defined as the difference between expectation and performance, but there are differences between quality and satisfaction. Therefore, enhancing customer satisfaction should be a key driver for banks in maintaining a long term relationship with their customers.

In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. Customer Loyalty and satisfaction are significantly affected by co-operate brand image, and customer loyalty and satisfaction are dependent on each other. If customer is satisfied, his loyalty increases. Customer loyalty plays a very crucial role for achieving competitive advantage in any organisation. The idea of customer's loyalty has been rooted around many years. It has become more important undergoing brisk change in banking sector.

**2.0 LITERATURE REVIEW**

A review of related literatures can provide the researcher to understand the contributions made by others and in creating a link to the topic.

**2.1 CUSTOMER SATISFACTION**

In the banking industry, a key element of customer satisfaction is the nature of the relationship between the customer and the provider of the products and services i.e. banks. Thus, both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers. In this situation, customer satisfaction has been regarded as a fundamental determinant in maintaining long-term customer relationship behaviours (Oliver, 1980; Zeithaml, Berry, & Parasuraman, 1996; Anthanassopoulos Gounaris, & Sathakopoulos, 2001; Anderson, & Sullivan, 1993; Fornel, 1992; Levesque, & McDougall, 1996). Therefore, enhancing customer satisfaction should be a key driver for banks in maintaining a long term relationship with their customers.

Customer satisfaction has been gaining increasing attention from the researchers and practitioners as a recognised field of scholarly study and is a fundamental tool used by financial institutions for enhancing customer loyalty and ultimately organisational performance and profitability. It is also well recognised that measuring service quality is more difficult than to measure good quality because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability Bateson (1985) cited in Thakur (2011). In a competitive market place, understanding customer's needs is very valuable. Satisfaction is the main source of attracting customers Patterson et al., (1997). The importance of measurement of customer satisfaction lies in the fact that one key to customer retention is customer satisfaction.

Reichheld and Sasser (1990) considered that raising customer satisfaction can increase their future loyalty. Lovelock (1996) indicated that customer satisfaction stems from a customer's comparison between his/her expectation about a particular product and his/her real experience of using this product. Also, customer satisfaction is the driving force of customer loyalty. Apparently, there is a positive relationship between customer satisfaction and customer loyalty. In other words, products or services with a higher customer satisfaction lead to better customer loyalty and customer maintenance.

Wong and Sohal (2003) discussed about customer satisfaction as often recognised as the future expectations of banks in terms of its profitability and market share, a satisfied customer always shares his or her experiences to others through word of mouth advertising extensively to increase more new customers to bank.

Anderson and Sullivan (1993) believed that customer satisfaction affects customers' repurchase behaviour in a positive way, and a customer's repurchase behaviour and his/her buying intention are one kind of customer loyalty. Furthermore, a satisfied customer is likely to be a loyal customer who will give repeating business to the bank Heskett et al., (1997). It has been proved that organisations need to give more consideration towards customer satisfaction and loyalty Parasuraman & Grewal, (2000).

Customer's satisfaction in turn, is understood as an emotional reaction, related to specific transactions. Also, it is strongly associated with the prior expectations Oliver (1997) and there is sufficient evidence to suggest that customer's satisfaction may be seen as an attitude Levesque and McDougall (1996). According to Chavan et al., (2013) bank business depends very much on the quality of the customer service provided and overall satisfaction of customers.

**2.2 CUSTOMER LOYALTY**

Customer loyalty and customer satisfaction are therefore not connected linearly. But even when customer loyalty is controlled optimally, it is no guarantee that satisfied customers will stay or dissatisfied customers will switch to other banks. Customer loyalty can only be achieved after consistently meeting customer satisfaction. Time constraint is almost a barrier to customer satisfaction as more and more unique ways are adopted to meet the ever changing nature in the service industry.

Customer loyalty on the other hand is achieved after consistent record of meeting with clients over a period of time and sometimes even exceeding customer expectations. As customer loyalty is considered a vital objective for a firm's survival and growth, building a loyal customer base has not only become a major marketing goal, but it is also an important basis for developing a sustainable competitive advantage Mandhachitara et al., (2012).

Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organisation. Therefore, gaining customer loyalty becomes a key objective for banking organisations which decide to adopt a relationship marketing perspective Filip and Anghel, (2007). Kracklauer, Mills et al. (2004) were convinced that customer loyalty should be viewed as a combination of customer satisfaction and customer trust. In Malaysian banking sector the Ndbusi (2007) assessed the relationship of four constructs commitment, trust, conflict handling and communication on customer loyalty.

Customer loyalty is an important area to research in services study Gremler (1995). Oliva et al. (1992) state that in the relationship between customer loyalty and customer satisfaction that customer loyalty will increase significantly when satisfaction accomplishes a certain level and at the same time customer loyalty will drop dramatically if the satisfaction level drops to a certain point. Highly satisfied customers tend to be more loyal customer than the customers who were merely satisfied Tepeci (1999).

However, Bowen and Chen (2001) said that having satisfied customers is not enough, there has to be extremely satisfied customers. This is because customer satisfaction must lead to customer loyalty. Building customer loyalty is not a choice any longer with businesses. It is in fact the only way of building sustainable competitive advantage. Building loyalty with key customers has become a core marketing objective shared by key players in all industries catering to business customers.

Sivadas and Baker-Prewitt (2000) examined that there is an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty. Fornell (1992) found that high customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition. Huber et al (2006) describes 'loyal customers' are satisfied with the service provided by their bank and do not intend to switch.

### 2.3 OBJECTIVES OF THE STUDY

1. To analyse and compare the satisfaction and loyalty among the customers of private sector banks and public sector banks.
2. To study the demographic profile of the customers of selected private sector banks and public sector banks.

### 2.4 HYPOTHESES OF THE STUDY

**H01:** There is no significant difference between private and public sector banks with respect to the customer satisfaction.

**H02:** There is no significant difference between private and public sector banks with respect to the customer loyalty.

### 3.0 METHODOLOGY

The study is both descriptive and analytical with multiple objectives. The convenience sampling method is adopted to collect the responses. The data were collected from 24 Public sector banks and 6 Private sector bank customers in Chennai City (Tamil Nadu). 900 questionnaires were distributed and 650 questionnaire collected from the customers were taken into consideration.

### 4.0 ANALYSIS AND INTERPRETATION

#### 4.1 CUSTOMER'S SATISFACTION OPINION OF PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS

The customers of private sector banks and public sector banks expressed their opinion in 11 variables customer (See Appendix). Significant differences between the customers are clearly presented on the satisfaction was analysed using 't' test and the results are given below:

**TABLE 4.1 SHOWING 't' TEST INFLUENCING THE SERVICES OF CUSTOMER SATISFACTION**

Customer Satisfaction	N	Mean	Standard Deviation	Std. Error Mean	t	Significant
CS1	650	4.0860	0.72662	0.02848	38.135	0.000
CS2	650	3.8449	0.79162	0.03103	27.230	0.000
CS3	650	4.0154	0.77504	0.03040	33.401	0.000
CS4	650	3.8817	0.87696	0.03437	25.653	0.000
CS5	650	3.8065	0.93118	0.03650	22.097	0.000
CS6	650	3.1505	1.17620	0.04610	3.266	0.001
CS7	650	3.7880	0.98508	0.03861	20.411	0.000
CS8	650	3.9908	0.90804	0.03559	27.840	0.000
CS9	650	3.9094	0.95083	0.03727	24.402	0.000
CS10	650	3.7404	0.98068	0.03844	19.263	0.000
CS11	650	3.9263	0.93023	0.03646	25.406	0.000

It is statistically evident that bank provides safe and secured services (4.0860) bank provides fast and efficient services (3.8449) updating of technology are made in the banks (4.0154) value added services (3.8817) staff customer relationship (3.8065) transparent transactions (3.1505) cost and quality of services (3.7880) customer friendly approach (3.9908) effective grievance mechanism (3.9094) periodic feedbacks from customers (3.7404) and (3.9263) customer centric approach.

**H01:** There is no significant difference between private and public sector banks with respect to the customer satisfaction.

The application of independent 't' test on the customer satisfaction of selected private sector banks and public sector banks clearly indicate that the 't' values for all the variables are statistically significant at 5% level. Therefore, the hypotheses is rejected at 5% level and concluded that there is a significant difference between selected private and public sector banks in the customer satisfaction.

#### 4.2 FACTOR ANALYSIS OF FACTORS INFLUENCING THE CUSTOMER SATISFACTION

The factor analysis of the principle component method is used to find the exact level of satisfaction of customers in both private and public sector banks.

**TABLE 4.2.1: SHOWING KMO AND BARTLETT'S TEST OF FACTORS INFLUENCING THE CUSTOMER SATISFACTION**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.891
Bartlett's Test of Approx. Sphericity	Chi-Square
	Df
	Sig.
	2191.484
	55
	0.000

From the above table it is found that KMO measures of sampling adequacy are found to be 0.891. Bartlett's Test of Sphericity with approximate chi-square value is 2191.484 are statistically significant at 5% level. Therefore, it can be concluded that 11 variables are normally distributed and suitable for factor segmentation.

**TABLE 4.2.2: SHOWING FACTOR ANALYSIS**

Components	Factor 1	Factor 2	Factor 3	% of Variance
V7	0.766			24.402
V10	0.725			
V9	0.702			
V6	0.637			
V8	0.611			
V1		0.750		24.055
V2		0.739		
V5		0.675		
V3		0.645		
V4		0.606		
V11			0.882	11.246

From the above table it is found that 11 variables are reduced into 3 predominant factors with cumulative variance 59.704%. The first factor consists of five statements high efficiency, quality of service to customers and improve better customer relationship and satisfaction. The second factor consists of five statements

training to improve relationship with customers and to create strong customer bondage. The third factor consists of only one variable the bank needs a dynamic customer focus strategies and adapts to satisfy the needs of the customer.

#### 4.3 CUSTOMER'S LOYALTY OF PRIVATE SECTOR AND PUBLIC SECTOR BANKS

The customers of private sector banks and public sector banks expressed their opinion of 4 variables customer loyalty (See Appendix). Significant differences between the customer's satisfaction are clearly presented and it leads to loyalty in banks was analysed using 't' test and the results are shown below:

TABLE 4.3 SHOWING 't' TEST INFLUENCING THE SERVICES OF CUSTOMER LOYALTY

Customer Loyalty	N	Mean	Standard Deviation	Std. Error Mean	t	Significant
CL1	650	3.8833	0.92581	0.03629	24.432	0.000
CL2	650	3.7450	1.00741	0.03948	18.869	0.000
CL3	650	4.0430	0.81410	0.03191	32.689	0.000
CL4	650	4.0906	0.82802	0.03245	33.607	0.000

The mean value indicates that customers intend frequently to visit the banks due to efficient service (3.8833) level of satisfaction makes the customers to recommend to others (3.7450) customers does not have the intent to change the bank (4.0430) and demand augmented services to increase the reputation of banks (4.0906).

**H02:** There is no significant difference between private and public sector banks with respect to the customer loyalty.

The application of independent 't' test on the customer loyalty of selected private and public sector banks clearly indicate that the 't' values for all the variables are statistically significant at 5% level. Therefore, the hypotheses are rejected at 5% level and concluded that there is a significant difference between selected private and public sector banks in the customer loyalty.

#### 4.4 ANALYSIS OF DEMOGRAPHIC PROFILE

TABLE 4.4.1 FREQUENCY DISTRIBUTION OF DEMOGRAPHIC PROFILE

Demographic	Category	No. of Respondents	Percentage
Gender	Male	336	51.6
	Female	314	48.4
	Total	650	100.00
Type of the Bank	Public	445	68.4
	Private	205	31.6
	Total	650	100.00
Educational Background	Higher Secondary	116	17.8
	Graduate	231	35.5
	Post Graduate	159	24.4
	Professional	114	17.5
	Others	30	4.8
	Total	650	100.00
Occupation	Student	33	5.1
	Salaried	474	72.8
	Business	88	13.5
	Others	55	8.6
	Total	650	100.00

From the above table out of 650 respondents, 51.6% respondents are male and 48.4% are female. The male respondents are more when compared to female respondents. 68.4% of the customers are account holders in the public sector banks and 31.6% are the customers of private sector banks and it is inferred that public sector banks are used by more respondents. It is found that 35.5% customers are graduates, 24.4% are post graduates, 17.8% have completed higher secondary, 17.5% are professional people and 4.8% belongs to other category. It shows that irrespective of varied educational background, banking services are availed by many respondents. 72.5% are salaried, 13.5% having own business, 8.6% belongs to other category and 5.1% are students.

#### 5.0 CONCLUSION

The research study was conducted to find the impact on customer satisfaction and loyalty in Indian banking sector. The major insight gained from this study suggests that the banking sector, both private and public need to adhere stick on to the best standards of quality service which can produce a positive sequential impact on satisfaction and loyalty.

#### 6.0 SCOPE FOR FURTHER RESEARCH

Customer satisfaction and loyalty is a vast area which tends to change with change in time. Hence, in future researchers can include foreign banks also. The scope of studying customer's perception and employee perception of service quality also can be considered.

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# COMPARATIVE ANALYSIS OF NUMBER OF LOANS DISBURSED TO AMOUNT OF LOANS DISBURSED (WITH SPECIAL REFERENCE TO SHGS-INDIA)

**DURGAPRASAD NAVULLA**  
**RESEARCH SCHOLAR**  
**NATIONAL INSTITUTE OF TECHNOLOGY**  
**WARANGAL**

**DR. G. SUNITHA**  
**ASST. PROFESSOR**  
**NATIONAL INSTITUTE OF TECHNOLOGY**  
**WARANGAL**

## ABSTRACT

*The main objectives of this paper are to test whether there is any significant difference between number of loans disbursed and amount of loans issued and also examine the relationship between amount of loans disbursed and number of loans issued along with suitable suggestions to strengthen the financial assistance of the self-help groups. The data collected from the website of NABARD of annual reports of micro finance and the period varied was used and the techniques the SPSS 16.0 version was used and the techniques of regression, paired samples tests applied. The study found that there was a moderate relationship between loans disbursed in-terms of number to amount and also statistically there was a significant difference between each other and finally it is suggested that to increase in more number of loans to have a high beneficences to avail the opportunities of loans.*

## KEYWORDS

NABARD, self help groups, disbursement, financial assistance.

## INTRODUCTION TO SELF HELP GROUPS

It is a financial intermediary with 10-20 local people in the village. These self help groups may be registered or unregistered. It may comprise a group of micro entrepreneurs which are having similar social and economic backgrounds, all voluntarily come together to save regular small saving of money, mutually agreeing to contribute to a common amount of fund to meet their needs on the basis of mutual cooperation. They gathered their resources to become stable in financial matters, taking loans from the money they collected by that group and making every one strong and self employed. The concept of self help groups had its origin in the co-operative philosophy and the co-operators by and large, including the National Federations in the credit sector, could not think of any better SHG than a primary co-operative credit society itself.

The MYRADA (Mysore Resettlement and Development Agency) started working with poor people in rural areas in south India. They are called Credit Management Groups. These groups are made people to habituated weekly savings and extending loan facility to group members. These groups are renamed as Self Help Groups in the year 1987. This MYRADA sanctions amount under the rules of NABARD. Capacity building training was also provided to the groups and the success of action Research encouraged NABARD to launch a pilot in 1992. The ultimate objective of this concept is Eradication of poverty and reduction of gender inequalities and women empowerment. For this Central Government, State Government and National Bank for Agriculture and Rural Development are extending the required support for the Self Help Groups as a strategy for increasing the standard of living in the economy. Various programs in this regard are:

- DWACRA** : Development of Women and Children in Rural Areas
- SAPAP** : South Asia Poverty Alleviation Programme
- UNDP** : United Nations Development Programme

A self help group is defined as a "self governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose." Self help group have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the productive and emergent credit needs of members of the group.

The Tamil Nadu Corporation for Development of Women Ltd. (TNCDW) in its credit guidelines for the SHGs defines "as a small economically homogenous affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their family and community"

## OBJECTIVES OF SHGS

1. Basically the SHGs are economic organization. Small funds are raised for day today needs. The saving groups when transformed to earning groups not only increase the productivity of women but the credibility also.
2. Doors are wide open to women to understand and gain knowledge about Banking, Gram Panchayats, Zilla Parishad, Law and Judiciary etc.
3. As economical solutions are available, the family structure is maintained.
4. SHG is a good way to stop the exploitation of consumers.
5. Broadening of view is a major gain. The ascending order of family, group, village, Tahsil, Zilla, Zone, State, Nation, World, makes the vision global.
6. Development of self-confidence is achieved.
7. A common platform is available for a dialogue and sharing of views.

## ESSENTIAL CHARACTERISTICS OF SHGS

The following are the essentials for Self Help Groups. They are

- A group of people with small mean
- Maximum number of people are limited to 10-20
- Members of the groups should come together voluntarily. Groups are promoted by NGO and banks some times
- This group may be registered or unregistered
- Members of the group should contribute a part of their earnings on daily basis to a common fund
- They should conduct regular meetings to decide on terms and conditions regarding loans and savings
- The amounts loaned are small, frequent and for short duration.
- These groups can get money from banks and can use its funds for providing credit to its members

### SHG BANK LINKAGE SCHEME MODEL

The SHG-bank Linkage Programme has its origins in a GTZ-sponsored project in Indonesia. Launched in 1992 in India, early results achieved by SHGs promoted by NGOs such as MYRADA, prompted NABARD to offer refinance to banks for collateral free loans to groups, progressively up to four times the level of the group's savings deposits. SHGs thus "linked" became micro-banks able to access funds from the formal banking system. The linkage permitted the reduction of transaction costs of banks through the externalisation of costs of servicing individual loans and also ensuring their repayment through the peer pressure mechanism. The programme encompasses three broad models of linkage:

**Model I:** Bank - SHG - Members in this model the bank itself promotes and nurtures the self-help groups until they reach maturity. It accounted for 16% of cumulative bank loan provided till the end of March 2002.

**Model II:** Bank - Facilitating Agency - SHG - Members Here groups are formed and supported by NGOs or government agencies. The dominant model, it accounted for 75% of cumulative loans of banks by March 2002.

**Model III:** Bank - NGO-MFI - SHG - Members in this model NGOs act as both facilitators and MF intermediaries, and often federate SHGs into apex organisations to facilitate inter-group lending and larger access to funds. Cumulative bank loans through this channel were 9% of total by March 2002. Another model has been piloted recently by NABARD for facilitating the formation of SHGs for bank linkage in areas where there are no NGOs. This involves using the services of committed individual volunteers identified by bank branches.

### RECENT TRENDS IN SHGs IN INDIA

NABARD's publication "Status of Microfinance in India during 2013-14" reveals that more than 74 lakh SHGs were having savings deposits with banks to the tune of Rs.9,897 crore as on 31 March 2014. Though the number of savings linked SHGs increased marginally by 1.5 % (1.12 lakh) during 2013-14 over previous year, the savings deposit with banks shot up by 20.4 % (Rs. 1,680 crore) during the same period. It assumes greater importance in view of the fact that approximately 70 % of the savings mobilised from members by SHGs is used for internal lending. As such SHGs have been able to mobilise untapped deposits of about Rs 33,000 crores from their members with monthly collection of small amount ranging from Rs 10 to Rs 100 per member. Further, 13.66 lakh of these SHGs received credit support to the tune of Rs. 24,017 crore from various banks during the year 2013-14. The credit disbursement to SHGs during 2013-14 grew by Rs. 3,432 crore (16%) compared to the previous year. The gross NPA in SHG financing by banks during 2013-14 declined to 6.83% from 7.08% during the previous year. Another offshoot of SHG-BLP, the JLG scheme of financing, targeted at mid-segment clients among the poor, which leverages on social collateral offered by the members, has also recorded an impressive growth during 2013-14 with 2.5 lakh JLGs receiving financial assistance to the tune of Rs. 3,717 crore from various banks. The above figures bear the testament to the fact that the relevance of SHG-BLP in serving the poor has now grown even more than ever before. However, instead of basking in the glorious achievements of SHG-BLP and JLG-BLP, it will be worthwhile to trace the objectives behind launching SHGBLP, how far these has been achieved and improvements that may be required in achieving the non-negotiable task of serving the poor.

### REVIEW OF LITERATURE

Banumathy (2005)<sup>1</sup> was explained in her article that RBI gave instruction to banks for initiating action for adopting SHG village programmers as a part of their strategy. The initial role played by SHGs. Promoted NABARD to venture linkage of SHGs with the banks

Joshi<sup>2</sup> (2007) Micro Finance is will be done through Self Help Groups. Poor people come together in the range of 10-20 for every week or fortnight or monthly meet together for savings and loans. It will help them to survive and strengthen themselves.

Shiralashetti and Hugar<sup>3</sup> (2008) was reviews the development of SHGs and their linkage to bank. They concentrated mainly on the progress of SHGs and bank linkage program in India with the reference to Karnataka State especially. In their study they finally conclude that SHG movement is tool to alleviate the poverty in the country.

### OBJECTIVES OF THE STUDY

1. To test whether there is any significant difference between number of loans disbursed and amount of loans issued
2. To examine the relationship between the amount of loans disbursed and number of loans issues
3. To offer a suitable suggestion to strengthen the financial assistance of the self-help groups

### METHODOLOGY OF THE STUDY

The data collected from the both primary and secondary sources. The secondary data obtained from the journals and websites. The techniques of the regression and paired samples statistics, paired sample correlation and paired sample statistics applied to derive the results.

### LIST OF LOANS DISBURSEMENT, LOAN OUTSTANDING AND SAVING ACCOUNTS WITH BANKS FROM 2007-2014

Particulars	2007-08		2008-09		2009-10		2010-11		2011-12		2012-13		2013-2014	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Loans Disbursed	11,05,749	6570	12,27,770	8,849	16,09,586	12,253	15,86,822	14,453	11,96,164	14,547	11,48,000	16,534	12,20,000	20,585
Loan Outstanding	28,94,505	12,366	36,25,941	16,999	42,24,338	22,679	48,51,356	28,038	47,86,763	31,221	43,54,000	36,340	44,51,000	39,375
Savings Accounts with banks	41,60,584	3,512	50,09,794	3,785	61,21,147	5,545	69,53,250	6,198	74,61,946	7,016	79,60,000	6,551	73,18,000	8,217

Output Table 1: Paired Sample Statistics

	Means	N	Std. Deviation	Std. Error Means
Pair 1 Loans Disbursed in terms of Number	1.2992 E6	7	2.08706 E5	78883.28694
Loans Disbursed in terms of Amount	4.1697E6	7	6.93217E5	2.62011 E5

Source: SPSS

This shows the paired samples statistics of the loans distributed in-terms of number as well as an amount. The value of mean for an amount was the 4.169 and the value of means for number was the 1.299.

Output Table 2: Paired Sample Correlations

	N	Correlation	Sig.
Pair 1 Loans Disbursed in terms of Number & Loans Disbursed in-term of Amount	7	0.443	0.319

Source: SPSS

This table discloses the information of paired sample correlations regarding the loans disbursed in-terms of number and amount, there was a moderate rate of relationship between loans disbursed in-terms of number and amount

**Output Table 3: Paired Sample Correlations**

Output Table 3: Paired sample correlations

	Paired Differences					t	df	Sig.
	Mean	Std. Deviation	Std. Error Mean	95% Confidence interval of the Difference				(2 Tail)
				Lower	Upper			
Pair 1: Loans Disbursed in-terms of Number –Loans Disbursed in terms of Amount	-2.87055E6	6.29158E5	2.37799E5	-3.45242E6	-2.28867E6	-12.071	6	0.000

Source: SPSS

**Null Hypothesis ( $H_0$ ):** There is no significant difference between the loans disbursed in-terms of number to the loans disbursed in terms of an amount

**Alternative Hypothesis ( $H_1$ ):** There is a significant difference between the loans disbursed in-terms of number to the loans disbursed in-terms of number to the loans disbursed in-terms of an amount

**Analysis:** The value of means was the -2.870 at 95% confidence interval with a lower difference was the -3.4524 and upper difference was the -2.28 at the value of t was the -12.071 at df was 6, with a significance value was the 0.000, hence it can be concluded that the proposed null hypothesis was rejected and alternatives hypothesis was accepted and come to know that there was significant difference between loans disbursed in-terms of number and loans disbursed in terms of an amount.

**TABLE 4: VARIABLES ENTERED/ REMOVED<sup>b</sup>**

Model	Variable Entered	Variables Removed	Method
1	Loans Disbursed in terms of Number <sup>a</sup>	-	Enter

Source: SPSS

a) All requested variable entered

b) Dependent Variable: Loans outstanding in terms of Amount

This table gives the information regarding variables entered as well as removed the loans disbursed in terms of number considered as a independent variable, and the loans outstanding in-terms of amount was considered as a dependent variable.

**TABLE 5: MODEL SUMMARY**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.443 <sup>a</sup>	0.197	0.036	6.80694E5

Source: SPSS

a) Predictors: (Constant), Loans Disbursed in terms of Amount

This table gives the information regarding the correlation coefficient was the 0.443 and Squared of it (0.443) was 0.197 considered as the coefficient of determination and suggests that the 19.7 per cent of variation in loans distributed in terms of amount was explained by the loans distributed in terms of number, hence. It is interested that the number of loans are not major responsible for variation in the loans distributed in terms of amount.

**TABLE 6: ANOVA<sup>b</sup>**

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	5.666E11	1	5.666E11	1.223	0.319 <sup>a</sup>
Residual	2.317E12	5	4.633E11		
Total	2.883E12	6			

Source: SPSS

a) Predictors: (Constant), Loans Disbursed in terms of Number

b) Dependent Variable: Loans outstanding in terms of Amount

**Null Hypothesis ( $H_0$ ):** There is no significant difference between loans outstanding in terms of number to loans outstanding in terms of an amount.

**Alternative Hypothesis ( $H_1$ ):** There is a significant difference between loans outstanding in-terms of number to loans outstanding in terms of an amount.

The value of regression value was much more than the value of residual value at df was 6, with a value of F was the 1.223 and a significance value was the 0.319 and indicates that proposed null hypothesis was rejected and alternative hypothesis was accepted and came to know that there was a significant difference between the loans outstanding in terms of number to the loans outstanding in-terms of an amount.

**TABLE 7: CO-EFFICIENTS<sup>a</sup>**

Model	Unstandardized Coefficient		Standardised Coefficients Beta	T	Sig.
	B	Std. Error			
1 (Constant) Loans Disbursed in terms of Number	2.257E6 1.472	1.749E6 1.332	0.443	1.290 1.106	0.253 0.319

Source: SPSS

a) Dependent Variable: Loans outstanding in terms of Amount

This tables describes the coefficient value of the loans disbursed in terms of number indicates that and the beta value was the 0.443 the significance value was the 0.319 indicates a there was a significant difference between the loans disbursed in-terms of number to the loans disbursed in terms of amount.

## FINDINGS OF THE STUDY

1. There was a moderate relationship between loans disbursed in terms of number to loans disbursed in-terms of amount
2. It was found that there was a significant difference between loans disbursed in terms of number to the loans disbursed in-terms of an amount
3. 19.7 per cent of variation in loans outstanding amount was explained by the loans outstanding in number and also found that statistically there was a significant difference between each other.

## CONCLUSION AND SUGGESTIONS

Finally, it can be concluded that the there was a significant difference between number and amount impulses that the less number of loans have a higher amounts and suggested us that can be increased to more number of loans to have a high beneficiary to avail the opportunities of loans

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# DETERMINANTS OF EMPLOYEE SPIRITUALITY AND THEIR OUTCOMES: A STUDY OF BANKING SECTOR AT AGRA REGION

**SHWETA KHEMANI**  
**RESEARCH SCHOLAR**  
**DEPARTMENT OF MANAGEMENT**  
**DAYALBAGH EDUCATIONAL INSTITUTE**  
**AGRA**

**DR. SUMITA SRIVASTAVA**  
**ASST. PROFESSOR**  
**DEPARTMENT OF MANAGEMENT**  
**DAYALBAGH EDUCATIONAL INSTITUTE**  
**AGRA**

## ABSTRACT

*The Purpose of this paper is to investigate the relationship of employee spirituality with identified antecedents (i.e., personal attributes and organizational attributes) and its consequents (as job attitude) simultaneously. The study addresses determinants and outcomes of employee spirituality in banking sector of India with specific reference to a Agra city. A conceptual framework and hypotheses were first developed on the basis of review of previous studies. Primary data is collected through structured questionnaire from 66 employees of various private and public banks. To test hypotheses, data was analyzed statistically using correlation analysis. Based on figures, a causal loop has been prepared. Results indicated a strong direct relationship of employee spirituality with three of the four proposed determinants that is, age, leaders' spirituality and peers' spirituality. No significant relationship was found between value education and spirituality. The two outcomes related to attitude towards job are significantly impacted by employee spirituality. This study will be helpful to HR authorities to hire the right resource for the organization. It would also enhance the performance of employees, ultimately leading to the success of organization with committed and engaged work force. There have been various theoretical studies regarding spirituality, but not much empirical studies have been conducted. And specific to banking employees it would be an contribution for HR practitioners to hire and retain the right workforce.*

## KEYWORDS

employee spirituality, peers' spirituality, leaders' spirituality, job satisfaction, job turnover.

## INTRODUCTION

Management theories and perspective have changed in recent years to give importance to the workplace resources which can yield better effectiveness. One of the major dimensions being looked upon is spirituality in the business world and the workplace. The study of spirituality is now considered as one of the primary concern for success of organization.

Ashmos & Duchon (2000) describe spirituality as a major revolution where association focus is on community, means to provide purpose to its people within the community. This new spiritual element symbolizes to provide employees' linkage to something superior which provides them to express their thoughts i.e. self-expressions towards themselves and others i.e. interconnectedness (Marques, Dhiman & King, 2007).

Literature reveals that spirituality at workplace increases morale (Leigh, 1997), increases honesty and trust, and helps in execution of task amongst employees in an improved manner (Krishnakumar & Neck, 2002). It confers positive outlook to employees, increases their dedication level, and generates better performance (Milliman, Ferguson, Trickett & Condemi, 1999). Therefore, the study of spirituality in the workplace is now considered as a significant concern in management literature. It is seen as a subject that can throw noteworthy contribution and understanding on managerial subject. Thus, some corporations are integrating spirituality for human resource and organizational activities.

Banking sector is considered as one of the most vital sectors for the economic activities to perform smoothly. Early 1960's is the landmark of major reforms through nationalization of banks in India which lead to economic development of the nation as a whole through financial accessibility and awareness, improved regulations, etc. And with the liberalization in later 1990's, private players also entered the market, which revitalized the banking sector. Since then there had been a rapid growth in number of banks and employment avenues for the masses. These increases in number of banks lead to drastic hike in employment opportunities for employees. This is turning to be a major issue for HR practitioners to hire the right resource as when an employee leaves the organization, the efficiency and effectiveness of remaining is affected due the increase in workload. The new fangled approach to have the right resource is spirituality, as it develops the sense of completion in employees' which has a great influence over performance of not only employees leading to escalation of the organizations performance. This, through the present study researchers has tried to empirically validate identified determinants of employee spirituality on the job attitudes of employee. By job attitude, we imply two important constructs that are job satisfaction and job turnover. These two variables have been identified as two major outcomes of employee spirituality. Lastly, a causal loop diagram has been depicted based upon the relationships empirically tested, along with the managerial implications, limitations and further research prospects.

## LITERATURE REVIEW

The term spirituality exists since the conception of the human race. The workplace with spirituality support towards "emotions like unselfish love, concern, kindness, meaning, creation, inner satisfaction and self fulfillment" (Chopra, 2002). As employees' bring not only body, but also mind and spirit at workplace so to analyze the spirit and mind is essential in the today's dynamic business environment. Treatment of employee has been identified as one of the key areas of applying spirituality at workplace for individual and organizational success.

Literature review has been divided into three parts, Part A: Concept of spirituality, its alliance with employees and implication at workplace.

Part B discusses about the determinants of Employee Spirituality. Detailed review is described under two heads 1) Personal attributes and 2) Organizational attributes.

Last Part C discusses about outcomes of Employee Spirituality in terms of Attitude towards job. Detailed review is described under two heads 1) Job Satisfaction and 2) Job Turnover

### PART A: CONCEPT OF SPIRITUALITY, ITS ALLIANCE WITH EMPLOYEES AND IMPLICATION AT WORKPLACE

McCormick (1994) defines spirituality as his or her behavior being substantiated through an internal experience an individual has. Further Gibbons (2000) confer spirituality in the perspective of intensely apprehended values. Dehler & Welsh (1994) explain that spirituality leads to encouragement to others on the basis of inner roots of an individual. It is also viewed as some inner essence; a value, approach, or feelings that influence human conduct (Moore & Casper, 2006).

Furthermore, Krishnakumar & Neck (2002) states spirituality as the inherent one, this implies that spirituality is an aspect or an attitude that is within of an individual. Guillery (2000) also said it as the inner consciousness which comes from individual's beliefs and values held in the sub conscious mind. Brandt (1996) also stated that spirituality goal is superior individual understanding of generic values, assisting a person lives and work to be more blissful.

Dehler & Welsh (1994) has described spirituality at workplace in simple terms as the extent to which individual spirituality is reflected in the behavior, attitude, perception, standards and ethics of an organization. Ashmos & Duchon (2000) express spirituality at place of employment being accessible into 3 levels i.e. individual (personal), work-unit (team) and organization-wide (institute). At personal level it relates to one's personal life, his/her satisfaction at work by discovering meaning and underlying principles in them. The work-unit facet is all about individual employee having relations with his/her team, colleagues, seniors, juniors, etc. It involves how much an individual thinks and cares about them. Lastly the organization-wide implies to the scope to which an individual (employee) aligns his/her own values with organization goals.

Lastly, in terms of Corrine McLaughlin (2009) it can be said that spirituality at business is to apply person's values of sincerity, reliability and good excellence effort. It's about indulgence of the employees in a conscientious and considerate way. As well as, it's involving yourself in teach assembly which promote prayer and selflessness at work.

## PART B- DETERMINANTS OF EMPLOYEE SPIRITUALITY

Researchers have been exploring the different conditions that foster spirituality in the workplace. Some of the identified determinants are-

### 1. PERSONAL ATTRIBUTES

Personal attributes basically mean character that make up the individuality, which define who you are as a human being. It defines the quality or characteristic of a person. These are character traits or personality traits. For example, these could be personal attributes to describe someone: Character traits like- age, gender, etc and personality traits like outgoing, extrovert, open, values, etc. They are important because they define who you are, what other people find in you that they may like or dislike.

#### ➤ Age

According to Marcoen (1994) a spiritual outlook on life may help elderly people to cope constructively with the vicissitudes of life. Similarly, Blazer (1991) states that older adults have been seen with higher reflection of spirituality as they are more enlightened towards satisfaction with life rather than material things. Further Moore & Casper (2006) affirms that age, education, race, etc are certain demographic parameters which do affect the level of spirituality and interconnectedness of an individual. Lastly in words of McLaughlin (2009) it can be said that aging of the large baby boom generation is also a contributor, as they find materialism no longer satisfying them and they begin to fear their own mortality. Thus, it is hypothesized that:

**H<sub>1</sub>:** Age positively influences employee's individual spirituality.

#### ➤ Value Education

Value education is a cognitive base with an emotional aspect which finds its appearance in behavior. It is considered as a powerful motivating factor which helps an individual to convert knowledge and skills into practice (Quisumbing, 2010). It enables the human being not only to be familiar with norms and convention of conduct, but to attain ultimate meaning & purpose in one's life (Heyn, 2006). According to Paloutzian, Emmons & Keortge (2010) individual looks for those values and purposes which would express the ultimate meaning in one's life. Saks (2011) further elaborated it in a manner of linkage of values of an individual with that of organization, suggested the importance of organizations being value-driven and espousing values that are important for the organization and which organizational members can support and identify with. Consequently, attitude towards job is supplementary with whom one surrounds oneself with as part of organization, and/or in the purpose, values, and beliefs that the organization espouses through members. Thus, it is hypothesized that:

**H<sub>2</sub>:** Value education positively influences employee's individual spirituality.

### 2. ORGANIZATIONAL ATTRIBUTES

Several authors propound that the fast growing interest in spirituality is due to factors caused by organizational attributes. Organization plays a major role in attributing spirituality amongst its employees. It's said that individual vicinity has an impact over its learning within the organization. Some of the identified organizational parameters affecting spirituality are-

#### ➤ Spirituality of Peer Group

According to Barry & Nelson (2008) peer groups have been found to play a large role in influencing employee spirituality. Most studies report that individuals imbibe spirituality through networks of associations which foster the maintenance of that worldview. Peer relationships are crucial to normal human development towards spirituality (Bodek, 2010). Similarly, Saks (2011) panorama suggests that values and norms that are shared by employees within the organization leads to enthusiasm amongst employees regarding work, which generates inner peace with a desire to help out others discover, nurture and be successful along with respecting and valuing individual and group dignity. Spiritual values are depicted in group behaviors and actions as these values are upheld throughout the organizational culture thereby guiding others also to sustain spiritual values (Campuzano & Seteroff, 2009). In the words of Milliman & Ferguson (2003), it can be concluded that human behavior is enhanced through interaction between employees and its co-workers. Thus, it is hypothesized that:

**H<sub>3</sub>:** Higher the spirituality of peer group, the higher will be the employee's individual spirituality.

#### ➤ Spirituality of Leader

Effective leadership involves motivating and inspiring workers through an uplifting vision and providing a culture of values to produce effective workforce. It involves motivating the employees to pursue excellence in their job responsibilities and to create ambiance of spiritual welfare, organizational loyalty, yield and, ultimately organizational performance. The level of ethics demonstrated by the leader, the respect and compassion shown to others by leader influences the individual employees to a great extent (Miller, 2008).

Spirituality is a considered as a powerful force to carry out work at a level of excellence. A spiritual leader entails a higher understanding that motivates employees to perform at a level of brilliance (Marques, 2006). The perceived integrity of the leader is correlated with the level of motivation of the immediate followers as there is direct interaction amongst them (Parry & Thomson, 2002). Konz & Ryan (1999) have further elaborated it as the organizational culture stems from the spiritual substance within the founders and leaders of an organization. This is conversed through the organization's mission, vision, policies, and procedures. In words of Casper & Moore (2006) there has been a positive relationship being found between effective leadership and spirituality of followers. Thus, we hypothesized that:

**H<sub>4</sub>:** Higher the spirituality of business leader, the higher will be the employee's individual spirituality.

## PART C- OUTCOMES OF EMPLOYEE SPIRITUALITY

Researchers have been exploring the different conditions that implement spirituality in the workplace. Some of the identified outcomes relate to attitude towards job.

Attitude towards job can be defined as a fundamental aspect of employee outlook towards the work, their intrinsic satisfaction with the work and propensity to leave the job. Thus, for present study attitude towards job can be designed as being reflected through two facets, namely: i) job satisfaction and ii) job turnover.

### 1. Job Satisfaction

Several researchers account a major connection between spirituality and satisfaction level of individuals in terms of their coherent health indices. Kolodinsky, Giacalone & Jurkiewicz (2008) indicated that spirituality at workplace negatively relates to organizational frustration and positively to involvement at work, organizational identification, and satisfaction at job. Saks (2006) similarly stated that job satisfaction, organizational commitment, and organizational citizenship behavior is an outcome of spirituality. An empirical study by Mitroff & Denton (1999) stated an affirmative relationship between spirit at work and job satisfaction. It was concluded that it increased organizational performance in form of higher profits and success. It has been concluded that organizations comprise of more motivated workforces if they have some type of higher meaning (Collins & Porras, 1994; Peters & Waterman, 1982). Thus, it has been hypothesized that:

**H<sub>5</sub>:** Higher the employee spirituality, the higher will be his job satisfaction.

### 2. Lower Job Turnover

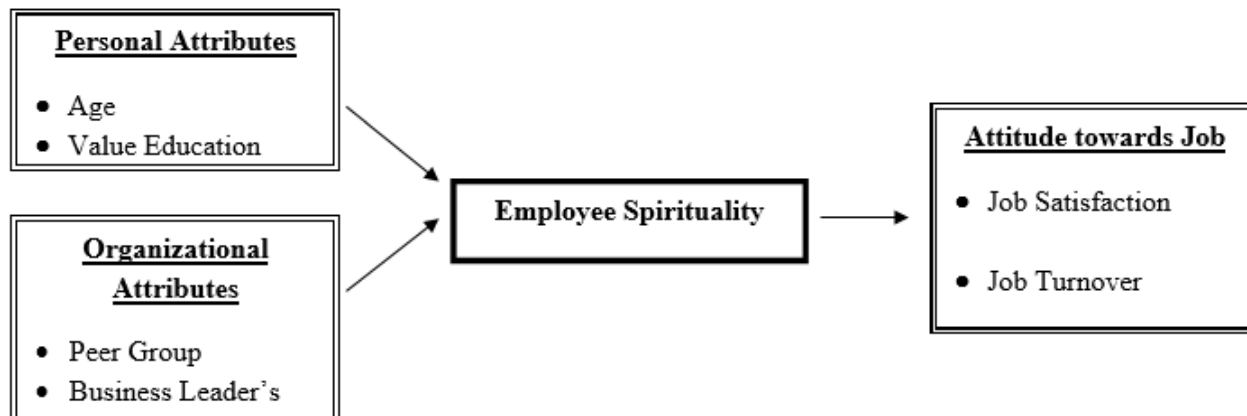
Many researchers report that spirituality influences job attitudes and behavior because it has potential to encourage employee engagement. It produces affirmative, having work related approach that is characterized by drive, enthusiasm and assimilation towards workplace (Saks, 2011; Krishnakumar & Neck, 2002), leading

to lower absenteeism and turnover. Similarly, Halbesleben (2010) conducted a meta-analysis on engagement and established that it is related to higher commitment, better performance and lower turnover intentions. It has been further acknowledged that mounting and encouraging workplace spirituality provides several positive outcomes related to organizational performance including higher productivity of individual employee, increased job satisfaction, lower turnover intentions, high ethical values, low absenteeism, and higher client satisfaction (Lowder, 2005; Chakraborty et al. 2004; Whitmore, 2004; Kinjerski & Skrypnek, 2006). Hence spirituality concept of meaningful work has more connection with personal orientation rather than job orientation, leading to impact over employee attitude towards organization and intention to leave. Thus, it has been hypothesized that:

**H<sub>6</sub>:** Higher the employee spirituality, the lower will be his tendency of job turnover.

In summary, based on literature review concerning to determinants and outcomes of employee spirituality our conceptual framework is depicted in figure 1.

**FIGURE 1: CONCEPTUAL FRAMEWORK OF DETERMINANTS AND OUTCOMES OF EMPLOYEE SPIRITUALITY**



### NEED OF THE STUDY

There has been a lot of work on how spirituality is gaining share at workplace. How it is becoming an integral part of organizations, its impact and consequences leading to the success of business corporations. Thus, management thinkers and leaders are being attracted towards spirituality amongst employees' at workplace. Several researchers have started operations to explore this field as there have been lot many theoretical studies over employee spirituality as per literature. But pragmatic and empirical evidences are provided by very few studies in the concerned arena.

Even in such empirical studies also; it does not pertain to any one particular sector. These studies are generic and applicable to all. The proposed work therefore, offers to present an integrated framework of employee spirituality and to empirically validate the various components discussed in the framework for banking industry.

### OBJECTIVES OF THE STUDY

Based on the past literature available and gap identified regarding employee spirituality, objectives in the pilot study are to analyze the determinants and outcomes of Employee Spirituality over Banking Sector on the basis of conceptual framework designed. And to make recommendations to human resource managers of banking sector about the role of employee spirituality on individual as well as organizational performance.

### RESEARCH PROCEDURE

The qualitative data collection has been done amongst the employees of banking sector at Agra region. Employees' consisted from renowned banks from public (SBI, PNB and Canara Bank) as well as private sector (HDFC, Axis Bank and ICICI).

#### SAMPLE SIZE

The population from which sample is to be drawn is infinite in nature. To calculate the sample size from infinite population following formula is used:

$$n = \sigma^2 Z^2 / D^2$$

Here, n = sample size,  $\sigma$  = Standard deviation, Z = Standard normal distribution for 95% confidence level equivalent to 1.96 and D = Degree of precision desired.

In order to obtain a representative and realistic sample size we have compared the results of sample size from 3 scenarios:

- Scenario 1- Estimating a high standard deviation and high degree of precision.
- Scenario 2- Estimating a moderate standard deviation and moderate degree of precision.
- Scenario 3- Estimating a low standard deviation and low degree of precision.

The results are summarized in Table 1:

**TABLE 1: COMPARATIVE ANALYSIS TAKING DIFFERENT VALUES OF  $\sigma$  AND D**

	Scenario 1	Scenario 2	Scenario 3
$\Sigma$	0.47	0.70	1.40
Z	1.96	1.96	1.96
D	0.80	0.50	0.20
N	1.33	7.53	188.23
Average of n in all scenarios			66

Taking an average of the all the three scenarios, considered taking different values of  $\sigma$  and D, the sample size is computed for the study is 66.

The respondents are from public as well as private banks from Agra region being selected by using Non-Probability Sampling Techniques like judgmental and convenience sampling.

#### INSTRUMENT

For various variables under study as per the conceptual framework designed, cronbach alpha has been calculated and shown in the Table 2. It shows the variables, inventory used, calculated cronbach alpha and comments.

**TABLE 2: INSTRUMENT/INVENTORY USED FOR THE STUDY ALONG WITH THE CALCULATED CRONBACH ALPHA**

S. No.	Variable	Instrument/ Inventory	No. of items	Calculated Cronbach Alpha	Comments
1.	Employee Spirituality	Indian version of Ahmos & Duchon by Tripti Singh (Abridged version)	22	0.94	Excellent
2.	Peer Group Spirituality	Developed	5	0.74	Acceptable
3.	Leader's Spirituality	Developed	5	0.83	Good
4.	Job Satisfaction	MSQ (Abridged version)	20	0.95	Excellent
5.	Job Turnover	Turnover test by Gert Roodt	6	0.70	Acceptable

**DATA ANALYSIS**

Primary data was collected through questionnaire. The filled in questionnaire was edited and was subsequently coded and computer analyzed. The data was then presented in tabular form, analyzed and interpreted. Directional study has been done to define the association of employees' spirituality with its determinants and outcomes. Strength of relationships has been evaluated through correlation analysis. The numeric value of correlation ( $r$ ) ranges between +1 to -1 being calculated to analyze the relationship between dependent and independent variable. The closer the correlation is to (+ or -) 1.0, the stronger the relationship between the two variables. A correlation of 0.00 indicates the absence of a relationship.

A positive correlation coefficient ( $r$  being +) means that as variables move in the same direction when there is a positive correlation. A negative correlation ( $r$  being -) means that variables move in opposite directions when there is a negative correlation.

**FINDINGS AND DISCUSSION**

A brief summary of results as per correlation analysis is being highlighted in the Table 3.

**TABLE 3: RESULTS OF CORRELATION ANALYSIS**

Independent Variable	Dependent Variable	Correlation	Regression		Accepted Hypothesis/ Results
			R <sup>2</sup>	Slope	
Age	Employee Spirituality	On the basis of comparison of mean score of spirituality with different age groups.			Age (↑), Emp. Spirituality (↑)
Value Education	Employee Spirituality	No proper data could be attained from respondents to draw any conclusion.			No conclusion could be drawn
Peer Group Spirituality	Employee Spirituality	0.915	0.838	a= 0.294 b= 0.946	Peer spirituality (↑), Spirituality (↑)
Leaders' Spirituality	Employee Spirituality	0.905	0.820	a= 1.163 b= 0.744	Leader Spirituality (↑), Emp. Spirituality (↑)
Employee Spirituality	Job Satisfaction	0.937	0.879	a= -1.038 b= 1.152	Emp. Spirituality (↑), Job Satisfaction (↑)
Employee Spirituality	Job Turnover	-0.854	0.730	a= 7.711 b= -1.134	Emp. Spirituality (↑), Job Turnover (↓)

**Hypothesis 1: Age positively influences employee's individual spirituality.**

**H01:**  $x \geq 2.50$  Null Hypothesis: Age does not affect employee's spirituality.

**Ha1:**  $x \geq 2.50$  Alternative Hypothesis: Age has a positive relationship with employee's spirituality.

**TABLE 4: AGE INFLUENCES EMPLOYEES' INDIVIDUAL SPIRITUALITY**

Age Group	Employee Spirituality			
	Total Score	Total Mean Score	No. of respondents	Mean
Upto 30 yrs	1606	73.00	22	3.318
31- 45 yrs	2362	107.36	26	4.129
46 and above	1757	79.86	17	4.697

Observations as per Table 4, age people have less concern for materialistic satisfaction; they pay more attention towards satisfaction of life i.e. more inclination towards spirituality. There is an increasing trend of spirituality level with an increase in age of individuals.

Graph highlights a negative slope line, which states that higher the age of an individual employee, higher is his inclination towards spirituality.

**Hypothesis 2: Value education positively influences employee's individual spirituality.**

There was no proper data/information provided by respondents, thus we couldn't conclude any useful insights from the data.

There couldn't be any conclusive results drawn on the basis of data provided by respondents. We had tried to tap the value education level on the basis of education institutions/ universities where the respondents have studied. It was supposed to be analyzed on the basis of type of education imparted, i.e. values based institutions which provide spirituality amongst students and future employees. We had assumed that institutions like DEI, Vanasthali Vidhya Peeth, etc and schooling from schools like catholic, would have been considered as institutions providing value education to employees.

**Hypothesis 3: Higher the spirituality of peer group, the higher will be the employee's individual spirituality.**

**H03:**  $r = 0$  Null Hypothesis: Peer group spirituality does not affect employee's individual spirituality.

**Ha3:**  $r \neq 0$  Alternative Hypothesis: Peer group spirituality has a positive relationship with employee's individual spirituality.

A large correlation emerged for Peer Group Spirituality and employee Spirituality,  $r = 0.915$ . Given this outcome, we reject the null hypothesis as there is significant relationship between the two variables. As peer's spirituality increases, employee spirituality also increases. A positive relationship was found between peer group spirituality and employee spirituality. Thus, it can be concluded that organization culture and group interactions affects the learning amongst the employees.

**Hypothesis 4: Higher the spirituality of business leader, the higher will be the employee's individual spirituality.**

**H04:**  $r = 0$  Null Hypothesis: Leader's spirituality does not affect employee's individual spirituality.

**Ha4:**  $r \neq 0$  Alternative Hypothesis: Leader's spirituality has a positive relationship with employee's individual spirituality.

A large correlation emerged for Business Leader Spirituality and Individual employee Spirituality,  $r = 0.905$ . Given this outcome, we reject the null hypothesis as there is significant relationship between the two variables. As leader's spirituality increases, individual employee spirituality also increases. Thus, a positive relationship was found between the variables. Accordingly, it can be concluded that level of ethics demonstrated by the leader influences the individual employee's level of excellence to a great extent.

**Hypothesis 5: Higher the employee spirituality, the higher will be his job satisfaction.**

**H05:**  $r = 0$  Null Hypothesis: Employee spirituality does not affect his job satisfaction.

**Ha5:**  $r \neq 0$  Alternative Hypothesis: Employee spirituality has a positive relationship with job satisfaction.

A large correlation emerged for Employee Spirituality and Job Satisfaction,  $r = 0.937$ . Given this outcome, we reject the null hypothesis as there is significant relationship between the two variables. As employee spirituality increases, job satisfaction also increases. Thus, a positive relationship was found between employee spirituality and job satisfaction level. And it is concluded that strong sense of connectedness with co-workers and organization leads to contentment towards job.

**Hypothesis 6: Higher the employee spirituality, the lower will be his tendency to job turnover.**

**H06:**  $r = 0$  Null Hypothesis: Employee spirituality does not affect his tendency to job turnover.

**Ha6:**  $r \neq 0$  Alternative Hypothesis: Employee spirituality has a negative relationship with tendency to job turnover.

A large correlation emerged for Employee Spirituality and Job Turnover,  $r = -0.854$ . Given this outcome, we reject the null hypothesis as there is significant relationship between the two variables. As employee spirituality increases, job turnover tendency decreases. Thus, a negative relationship was found between employee spirituality and job turnover. Accordingly, it is concluded that intrinsic contented employee with self and work would have less propensity to leave the organization.

**CAUSE EFFECT RELATIONSHIP**

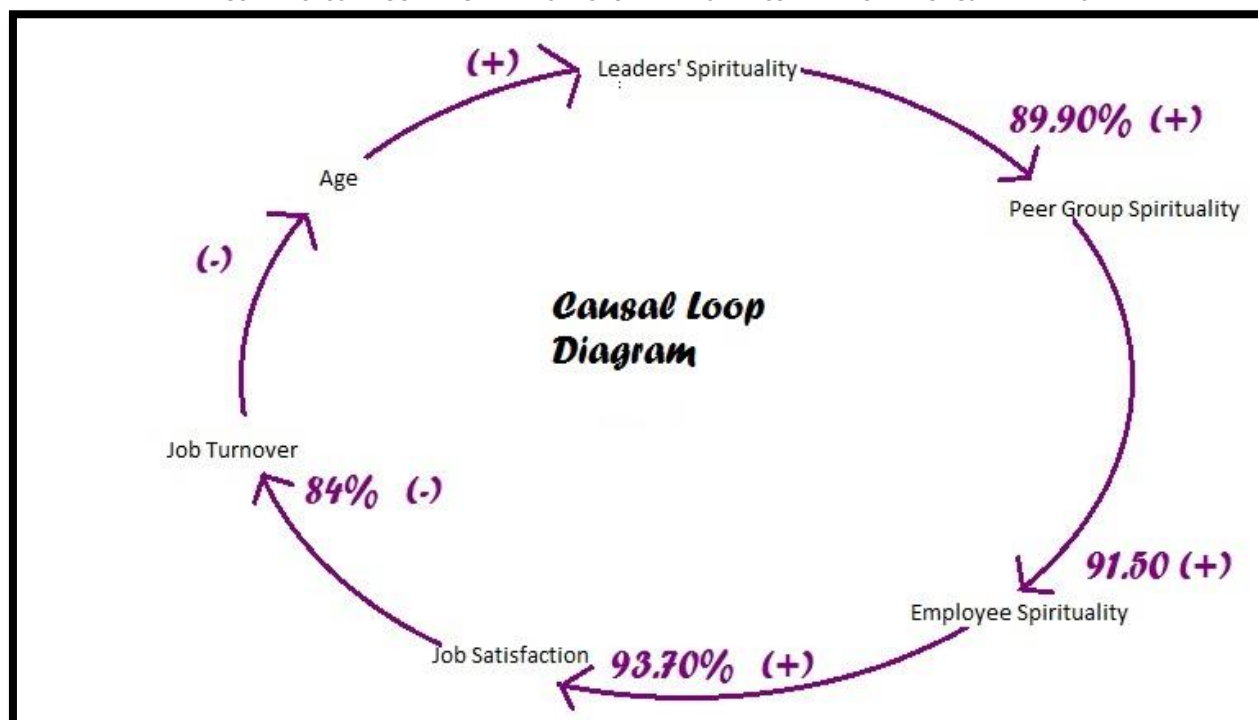
Based upon the combined matrix of correlation in Table 5 amongst different variables, represented in the Table 5 given below, a Causal loop diagram has been prepared indicating the inter-linked variables with highest correlation values. Causal loop diagram in based upon the values loop is prepared indicating positive/negative relationship amongst variables.

**TABLE 5: COMBINED MATRIX OF VARIOUS CORRELATIONS AMONGST ALL VARIABLES**

		Correlations				
		Employee Spirituality	Peer Group Spirituality	Leaders' Spirituality	Job Satisfaction	Job Turnover
Employee Spirituality	Pearson Correlation	1	.915**	.905**	.937**	-.854**
	Sig. (1-tailed)		.000	.000	.000	.000
	N	66	66	66	66	66
Peer Group Spirituality	Pearson Correlation	.915**	1	.899**	.922**	-.857**
	Sig. (1-tailed)	.000		.000	.000	.000
	N	66	66	66	66	66
Leaders' Spirituality	Pearson Correlation	.905**	.899**	1	.948**	-.850**
	Sig. (1-tailed)	.000	.000		.000	.000
	N	66	66	66	66	66
Job Satisfaction	Pearson Correlation	.937**	.922**	.948**	1	-.840**
	Sig. (1-tailed)	.000	.000	.000		.000
	N	66	66	66	66	66

\*\* . Correlation is significant at the 0.01 level (1-tailed).

A cause and effect relationship as per Figure 4 below depicts how certain variables form a part of vicious circle, one affecting the other. And how the end consequent (age) turns to be the determinant for the first variable (leader's spirituality). This causal loop starts with leader's spirituality affecting the peers' spirituality level positively, which in turn affects an individual employee understanding regarding spirituality to have a direct relationship. A spiritual employee has higher job satisfaction thereby leading to lower tendency to switchover. And this propensity to turnover is majorly influenced by age parameter. And lastly it is seen empirically that elderly person has higher excellence towards spirituality. Thus, a cause and effect cycle is formed between these variables.

**FIGURE 2: CAUSAL LOOP DIAGRAM BASED UPON THE BEST FIT CORRELATION AMONGST VARIABLES****CONCLUSION**

The present study investigated the determinants of employee spirituality on the banking sector, which leads to positive impact on enhancing the spirituality level. The identified variables through literature review had a positive relationship with employee spiritual implies that age, peers' and leaders' play a major role in determining individual's spirituality. And this spirituality in turn affects individual behavior in terms of warmth, kindness and inter-connectedness leading to well-built achievement of task at work. And these attributes consequent towards job satisfaction and lower turnover, the organizations with higher yield of employees as they have a sense of calling membership.

The significant results between spirituality and variables show that job satisfaction intensity increases with the strengthening of spirituality at work in banking employees as it aids towards running the day to day business affairs and perform better. Such types of people always flourish tendency to job turnover trim down.

**MANAGERIAL IMPLICATIONS**

➤ **Alignment of Individual and Organization Values**

Employees' develop a sense of satisfaction as organization perspective and goals matches with their personal visionary values. It generates a strong bond between the two and leads to higher performance at the organization, benefiting the both parties.

➤ **HR Practitioners**

It will help the HR authorities to develop an orientation and training programme in such a manner that aligns individual and organizational goals and values. It would be applicable to enrich spirit in new hired resources as well as to improve the strategic performance of the old and experienced employees'.

## LIMITATIONS AND FUTURE GUIDELINES

The basic limitation of the study is that the sample size is marginal, as the study covers employees of one sector of financial system i.e. banking sector at Agra Region. However, the results would be improved if data would be analyzed from other regions and sectors, i.e. applicability would be enhanced. And secondly, authenticity would be enhanced if the data is collected on prolonged basis, i.e. collection on regular interval basis. Lastly, various other variables as an outcome of spirituality can be explored through literature and further studied like creativity, team work, etc.

## RECOMMENDATIONS

Spirituality is more of a process than an end. It is about how things to be performed for achieving goals. The development of an individual requires spiritual practices in the process of achieving an organizational goal, i.e. both aligned together.

The following recommendations will help leaders and HR experts to establish workplace spirituality and reap the benefits of increased employee productivity leading to a flourishing organizational values and goals:

1. Appointment of a committee to determine the role of spirituality, by providing appropriate definition and meaning of "spirituality at workplace".
2. To integrate spirituality, a proper strategic plan and process is required to be developed.
3. A Spirituality Survey within the organization would aid in understanding the present levels of spiritual aptitude of the workforce for further course of action to be developed.
4. It is necessary to have an atmosphere of trust so that the employees feel comfortable to ask question, learn properly and contribute towards success.
5. Less intelligent team on spirituality score should be begin first by the leaders for spreading and strengthening values and morals in the name of business ethics.

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# CORPORATE SOCIAL RESPONSIBILITY AS A BRANDING TOOL WITH REFERENCE TO CARBORUNDUM UNIVERSAL LIMITED (CUMI), KOCHI

**P. BALASUBRAMANIAN**

**ASST. PROFESSOR**

**DEPARTMENT OF COMMERCE AND MANAGEMENT**

**AMRITA SCHOOL OF ARTS & SCIENCES**

**AMRITA VISHWA VIDYAPEETHAM**

**KOCHI**

**SREEJA P.S**

**STUDENT**

**DEPARTMENT OF COMMERCE & MANAGEMENT**

**AMRITA SCHOOL OF ARTS & SCIENCES**

**KOCHI**

**SURYA P.T**

**STUDENT**

**DEPARTMENT OF COMMERCE & MANAGEMENT**

**AMRITA SCHOOL OF ARTS & SCIENCES**

**KOCHI**

**SHEETHAL M.S**

**STUDENT**

**DEPARTMENT OF COMMERCE & MANAGEMENT**

**AMRITA SCHOOL OF ARTS & SCIENCES**

**KOCHI**

## ABSTRACT

*Implementation of CSR policy may generate a trusting relationship that leads stakeholders to become committed to the organization. With the care for the community and markets the corporations operate in, will help the organization for a sustainable business growth. CSR activities will help CUMI to continuously interact with the community and thereby maintain an enhanced community relation. This will also help the company to establish their brand name among the society.*

## KEYWORDS

corporate social responsibility, branding tool, Carborundum Universal Limited, Kochi.

## INTRODUCTION

**B**usiness is not divorced from the rest of society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates.

What is the main purpose of a company's existence? Is it simply to maximize profits in order to satisfy the owners' requests and demands, or is it possible to see the company in a larger perspective in society? Should this perspective go beyond pure financial aspects of the activities? The quotation above refers to the ongoing debate about corporate responsibility. With the advent era of globalization and cut throat competition concern of the companies has shifted to Corporate Social Responsibility. CSR creates a landing place in the minds of target consumers. Due to global competition, increase in media clutter, less differentiation in brand, companies is using different tools to increase the value of intangible assets. CSR is not only creating the brand awareness among the consumers but also leads to a positive brand image in the minds of potential consumers. Brands must be inspirational in a socially responsible way to its stakeholders. To achieve the same, Corporate Social Responsibility has become more common business practices with reference to the corporate governance.

There is no one universally accepted definition. Different concerns define Corporate Social Responsibility differently. World Business Council for Sustainable Development defines Corporate Social Responsibility as "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." Jamshedji Tata has very beautifully defined the Corporate Social Responsibility. "The clear definition of Corporate Social Responsibility is that the community is not just another stakeholder in our business but the very purpose of our existence."

Implementation of CSR policy may generate a trusting relationship that leads stakeholders to become committed to the organization through actions such as customer loyalty, stock holder, capital investments and supplier investments. CSR has become increasingly prominent in Indian corporate scenario because organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large.

CSR is regarded as a part of the "triple bottom line", in which sustainability is built on financial, environmental and social grounds. Working actively with an increased awareness and focus of the responsibilities of a corporation gives the business communities the opportunity to be important and powerful actors in society. Corporate social responsibility is about businesses transforming their role from merely selling products and services with a view to making profits and increasing their revenue to the development of a society through their abilities of generating capital and investing it for social empowerment.

CSR practically has the same effects as advertisements, because it sheds a positive light on a brand or product. That is why CSR can also be seen as an expression of marketing. By including the brand name in social responsible campaigns, brand awareness and brand recognition are raised. It's clear that the concepts of value and values are rapidly merging in the minds of consumers. People want to be engaged with companies that share their values. CSR has an important role to play especially in building up trust or brand in the minds of the consumers. In an emerging market where consumers are looking for functional products which last longer is not a problem. A company which builds the image of producing quality products that last longer though they may not be on the cutting edge of technology will actually be able to gain strategic advantage in emerging economies.

Companies are encouraged to actively work with CSR. But it is not only an opportunity given to the companies; it is also in many cases expectation by customers, employees, society and other stakeholders. Firms all over the world are beginning to grasp the importance of intangible assets, be it brand name or employee morale. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be to develop these intangible assets into strategic advantages.

The desire of a good corporate citizen and improved brand image are the main drivers of CSR among companies. The role of business in society has undergone several changes. Awareness of the impact of business on society and environment has grown along with the increasing socio-regulatory pressures. It is no longer simple enough to employ people, make profits and pay taxes. Companies are now expected to be responsible, accountable and benefit the society as a whole. Business cannot escape from society and society cannot exist without business. Thus there is a two-way relationship between business and society. Business is expected to create wealth, supply market, generate employment, innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness while contributing to the maintenance of community in which it operates.

Individuals who were aware of the CSR initiative had more positive company related associations, displayed greater organizational identification with the company and indicated a greater intent to purchase products, seek employment, and invest in the company than respondents who were unaware of the initiative. Therefore, CSR activity has the potential to increase not only CSR associations, attitudes and identification but also the intent of stakeholders to commit personal resources to the benefit of the company. A key implication is therefore, is that to reap the positive benefits of CSR, companies need to work harder at raising awareness levels.

Brand equity is one of the factors that increase the financial value of a brand to the brand owner. Elements that can be included in the valuation of brand equity include: changing market share, profit margins, consumer recognition logos and other visual elements. Survival of the company depends upon how responsible company is towards the society. More concerned a company is, it is easier for it to create a positive brand image on the minds of consumer that leads to working towards building brand equity. Corporate Social Responsibility is arguably the most important thing on any brand marketer's mind. It is important because studies increasingly show that consumers will spend their money on brands that reflect their values and concerns.

Present study focus on brand positioning tool through Corporate Social Responsibility with reference to Carborundum Universal Limited (CUMI), Kochi. Carborundum Universal Limited is a part of Murugappa Group. The firm pioneered the produce of coated Abrasives and Bonded Abrasives in India in supplement to the produce of Super Refractories, Electro Minerals, Industrial Ceramics and Ceramic Fibers.

### CSR AT CARBORUNDUM UNIVERSAL LIMITED (CUMI)

CUMI was founded in 1954 as a tripartite collaboration between the Murugappa Group. The company pioneered the manufacture of **Coated Abrasives** and **Bonded Abrasives** in India in addition to the manufacture of **Super Refractories, Electro Minerals, Industrial Ceramics and Ceramic Fibers**.

With the state-of-art facilities and strategic alliances with global partners, CUMI has achieved a reputation for quality and innovation. CUMI is one of the five manufacturers in the world with fully integrated operations that include mining, fusing, wind and hydro power stations, manufacturing, marketing and distribution. Almost all of CUMI's ten manufacturing facilities have received the ISO 9001:2008 accreditation for quality standards.

The Murugappa Group is known for its tradition of philanthropy and community service. The Group's philosophy is to reach out to the community by establishing service-oriented philanthropic institutions in the field of education and healthcare as the core focus areas.

Carborundum Universal Limited "The Company" has been upholding the Group's tradition by earmarking a part of its income for carrying out its social responsibilities. They believe that social Responsibility is not just a corporate obligation that has to be carried out but it is one's *dharma*. Therefore, their philanthropic endeavors are a reflection of their spiritual conscience and this provides them a way to discharge their responsibilities to the various sections of the society.

They have been carrying out Corporate Social Responsibility (CSR) activities for a long time through AMM Foundation, an autonomous charitable trust, in the field of Education and Healthcare, while also pursuing CSR activities for the benefit of community around their local areas of operations viz., locations where their plants operating.

The company shall seek to impact the lives of the disadvantaged by supporting and engaging in activities that aim to improve their wellbeing. They are dedicated to the cause of empowering people, educating them and in improving their quality of life. While they will undertake programmes based on the identified needs of the community, education and healthcare shall remain their priority. Across the different programme areas identified by the company, it would be their endeavor to reach the disadvantaged and the marginalized sections of the society to make a meaningful impact on their lives.

The company is committed to identifying and supporting programmes aimed at:

- Empowerment of the disadvantaged sections of the society through education, access to and awareness about financial services and the like;
- Provision of access to basic necessities like healthcare, drinking water & sanitation and the like to the underprivileged;
- Work towards eradicating hunger and poverty, through livelihood generation and skill Development;
- Supporting environmental and ecological balance through afforestation, soil conservation, rain water harvesting, conservation of flora & fauna, and similar programme;
- Promotion of rural sports, nationally recognized sports, Paralympics sports and Olympic sports through training of sportspersons;
- Undertake rural development projects;
- Any other programme that falls under company's CSR purpose including those listed in schedule VII of the Companies Act, 2013 as may be amended from time to time and is aimed at the empowerment of disadvantaged sections of the society.

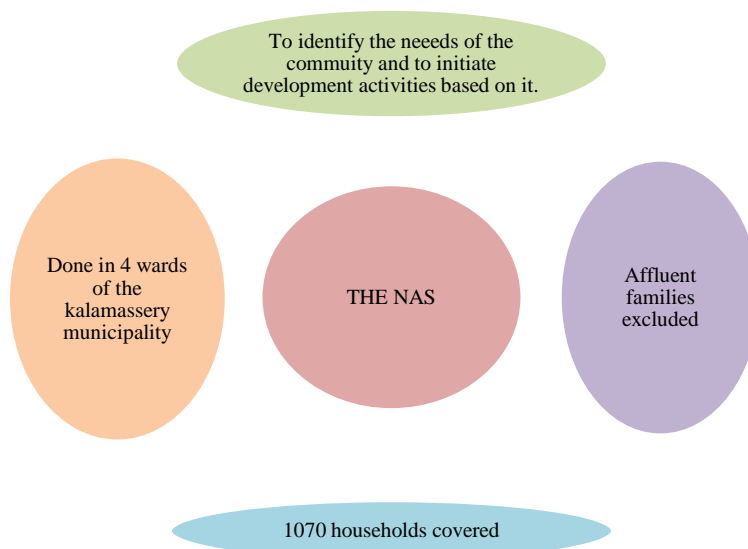
The approval of the CSR policy and oversight is the responsibility of the Company's Board of Directors. The CSR Committee shall recommend to the Board the amount of expenditure to be incurred on the CSR activities to be undertaken by the company as approved by the Board. In case of any surplus arising out of CSR projects, the same shall not form part of business profits of the Company.

The Murugappa Group has upheld its ancient family tradition of earmarking and spending a portion of family income for social service in its business enterprise also. Therefore, the Group invests a portion of its wealth — one per cent of profit after tax (PAT) for the welfare of society since it went into business.

This approach was institutionalized through establishing the AMM Foundation originally founded in 1953 as the AMM Charities Trust, the foundation works for the welfare of the community where Murugappa operates, with special thrust on education and health sector. Over the last eight decades, the foundation has built and maintains four high schools comprising 8000 students, a polytechnic institute of 1000 students, four no-fee hospitals and a rural research centre that focuses on the development of protein-efficient algae, natural dyes, organic farming and technologies for the rural and urban poor.

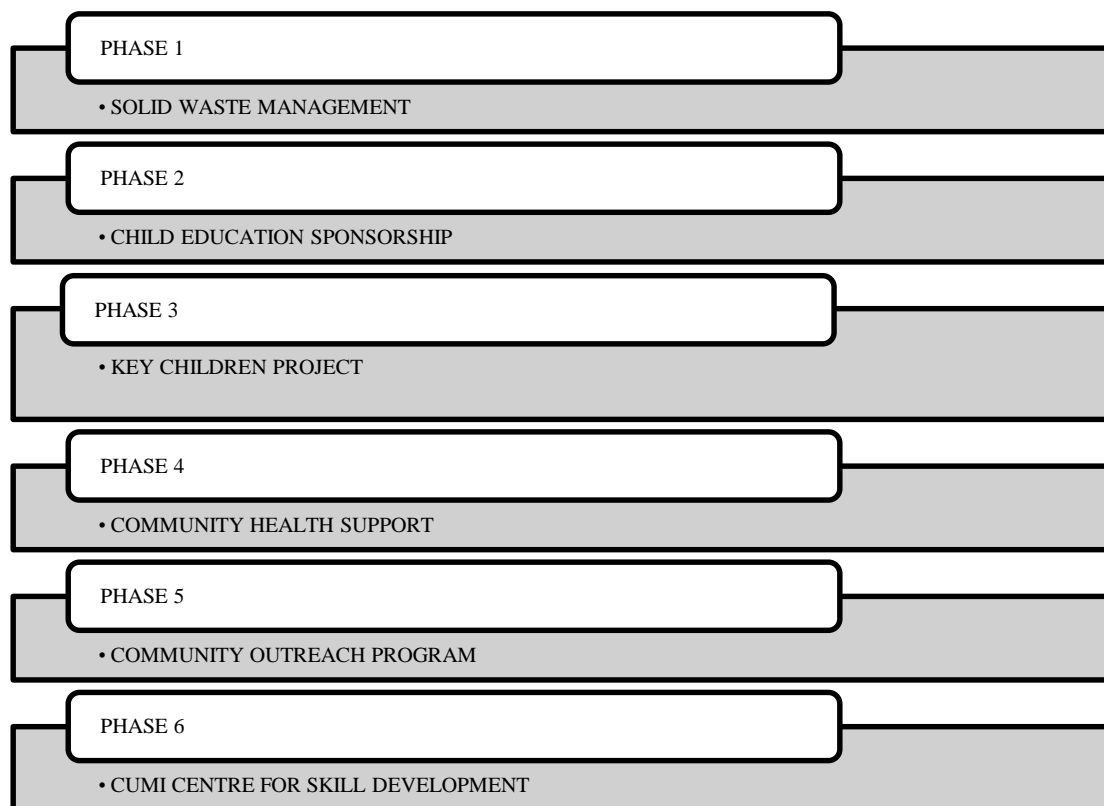
A Socio- Economic need assessment survey is carried out by experts to understand the need of community. On that basis CSR activities are done in the company.

TABLE 1: SOCIO - ECONOMIC NEED ASSESSMENT SURVEY (NAS)



The neighboring communities of Carborundum Universal Ltd. (CUMI) were selected for the study, namely the areas catering to wards 38, 39, 40 and 41 of Kalamassery Municipality. All the households of the wards were not included in the study as some of the areas are inhabited by rich families. Neighboring communities as well as the socio economic status were the criteria for arriving at a consensus on selection of the target area by the officials of CUMI and the Consulting Agency. This target area is basically an isolated area surrounded with numerous small scale industries.

CHART 1: THE COMMUNITY INTERVENTION PROJECTS IDENTIFIED WITH THE HELP OF NAS



#### I. SOLID WASTE MANAGEMENT

The Solid Waste Management project was planned in 3 stages.

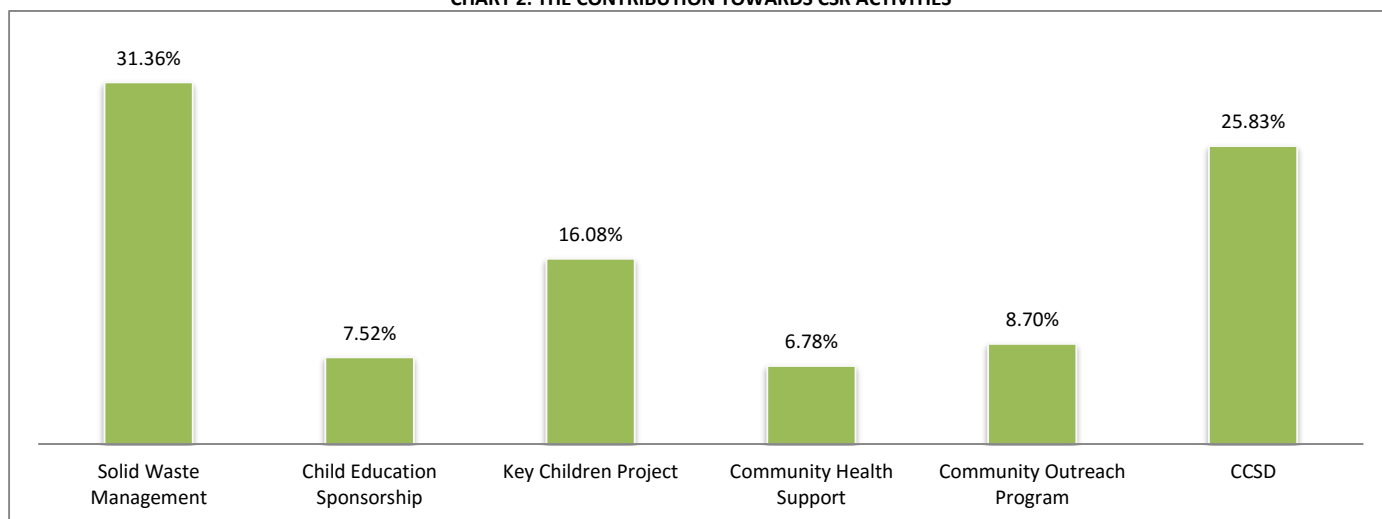
- In the first stage, Bio Gas plants will be provided to 100 beneficiaries. Each Bio gas plant will cost Rs. 10,500/- out of which CUMI will pay Rs. 8500/- Beneficiary has to pay Rs. 2000/-. These bio gas plants will work with kitchen waste and is very simple to operate. Through this they can save 30-40% LPG and can have a clean environment.
- In 2nd stage, for households which do not have space to accommodate a bio gas plant, vermin pots will be provided. Each vermin pot will cost Rs. 600/- out of which Rs 500/- will be paid by CUMI.
- In 3rd stage, for people who could not afford a bio gas plant or vermin pot, a system to collect daily waste will be implemented.

#### II. CHILD EDUCATION SPONSORSHIP

- This program is aimed at providing support to under privileged children for their continuous overall development during education period.

- They sponsor 50 children in the age group of 6-14.
  - Sponsorship for learning infrastructure annually for a period of 8 continuous years.
- III. KEY CHILDREN PROJECT**
- This project aimed at addressing the after- school hours of children whose parents are employed to effectively utilize the after school hours.
  - It help the youth in the community so as to engage in the segment to a great extent and this exercise will provide them with an opportunity to create a meaning in the social course.
  - It helps to prevent child abuse.
- IV. COMMUNITY HEALTH SUPPORT**
- Two sides of Edappally plants are thickly populated area mostly the working class. Neglected area noted in the survey was old age people, children and women.
  - To support them there is a dispensary with free medicine is facilitated which functions 6 days in a week.
  - CUMI is providing the service of doctor and supporting medical staff for 4 days and doctors from Cochin Cooperative Medical College extend their service on two days. All the out patients are supported with Generic medicines free of cost.
- V. COMMUNITY OUTREACH PROGRAM**
- Noon meals program for students at school.
  - Cultural development program for local community.
  - "CUMI's light at your house" – program of energy conservation.
  - Health awareness program, Environmental awareness program, Pampa cleaning project.
- VI. CUMI CENTRE FOR SKILL DEVELOPMENT(CCSO)**
- Enhancing employability skill of young aspirants through holistic education
  - The objective of this initiative is to impart quality education for skill up gradation free of cost.
  - Enabling them to appear the relevant trade examination conducted by National Council on Vocational Training (NCVT).
  - Students are given exposure to manufacturing set up to minimize skill gaps felt by the industry in the field of technical education.
- VII. ASK (Attitude, Skill & Knowledge) CENTER**
- This project provides multiple platform to all demographic segments of local community viz, children, youth, women, and elderly citizen in promoting education, knowledge skill development, health and sports etc. as per the yearly plan.

CHART 2: THE CONTRIBUTION TOWARDS CSR ACTIVITIES



Source: primary data

CSR activities will help the company to continuously interact with the community and thereby maintain an enhanced community relation. This will also help the company for their branding. Consumer's ability to accurately identify the CSR activities of the firm they consume from is, in general quite low. Usually awareness of CSR initiatives to be associated with a set of four factors like beliefs, attributes, attitudes and identification-those are internal to consumers, pointed out that CSR does not promote a brand and its effects can never be visible in the profit and loss account of a company. CSR plays a role in overall corporate objectives, as a better society means greater future market potential. The CUMI is using all these factors to aware the community about their CSR activities.

CUMI has no challenges from the community level while implementing these CSR activities. Because, it is own by the people and their representatives. The message CUMI wants to give to the CSR world and to the CSR beginners is that the company's Corporate Social Responsibility should be worked on the basis of the people's need. The only duty of the company is to support and encourage them.

## WAY FORWARD

- Installation of 100 bio gas plants and 16 vermin pots completed as on 31 Dec 2011. Request for more installation bio gas plant for new beneficiaries will also be considered.
- As per the child sponsorship project, 50 children studying in classes from 3rd to 7th were selected for sponsorship.

## ACCOLADES

Kerala Management Association has chosen CUMI-EMD for Management Excellence Awards 2012 for its commitment towards Corporate Social Responsibility.

## SUGGESTIONS

- Educate the people on sanitation, and good habits through counselors appointed by the company.
- Open employment bureau, collect opportunities list for all kind of people and coordinate with unemployed youth to engage them gainfully.
- Conduct extensive and continual research on the concepts of Corporate Social Responsibility.
- Provide computers and free training for students in rural areas.
- Get affiliated with an NGO.
- Promote rural entrepreneurship.
- Develop women's self-help groups to teach selling and book-keeping skills and build commercial knowledge.

- Establish positive relationships with other socially responsible companies.
- Involve employees in defining and advancing CSR.

## CONCLUSION

Implementation of CSR policy may generate a trusting relationship that leads stakeholders to become committed to the organization. With the care for the community and markets the corporations operate in, will help the organization for a sustainable business growth. CSR activities will help CUMI to continuously interact with the community and thereby maintain an enhanced community relation. This will also help the company to establish their brand name among the society.

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## IMPACT OF GREEN MARKETING ON CONSUMER BUYING DECISION (WITH SPECIAL REFERENCE TO BANGALORE CITY)

**NAGALAKSHMI G S**  
**JUNIOR ASST. PROFESSOR**  
**NEW HORIZON COLLEGE**  
**KASTURI NAGAR**

### ABSTRACT

*The study finds out that the Green Marketing concepts and products can be easily accepted by the people in Bangalore. Even they are willing to pay more for the green products. People are ready to accept but the entrepreneurs and the Government has to take initiative for promoting and implementing the concept of green marketing and green products. Companies such as Tata Motors, Maruti Suzuki, Canon, Toyota, Philips, NTPC and McDonald's follow green marketing. Green marketing should not neglect the economic aspect of marketing. Marketers need to understand the implications of green marketing. Green marketing should not be considered as additional approach to marketing. It has to be implemented in all products as it has environmental and social impact. With global warming looking largely, it is important that green marketing becomes the norm rather an exception, or just a fad.*

### KEYWORDS

green marketing, green products, environment safety.

### INTRODUCTION

Bangalore is a vast city, where people from many places come and settle down in Bangalore. Every day many new products come into the market, will have many competitors for the product, it is the duty of every producer to produce products which is environmental friendly and bio degradable.

Green marketing is the concept which provides guidelines to producer to produce eco-friendly products, by adopting innovations in production strategy. Even today, people through wastes/thrash to vacant sites nearby, there by polluting the environment which makes very uncomfortable for people living nearby. By adopting green marketing atleast to some extent the pollution can be reduced.

As society becomes more concerned with the natural environment, businesses have begun to modify their behaviours in an attempt to address society's new concerns. Some businesses have been quick to accept concepts such as environmental management systems and waste minimization, and have integrated environmental issues into all organizational activities.

### RESEARCH METHODOLOGY

It is a conceptual study, based on secondary data.

### GREEN MARKETING

Green marketing is environment friendly, sustainable and socially responsible. According to the American Marketing Association, 'green marketing is the marketing of products that are presumed to be environmentally safe'.

Consumer's attitude towards green marketing is high, as far as green branding is concerned the consumers strongly expressed that they are familiar with green products and shown interest to know more about green products. In India, at present situation is concerned the transition from regular marketing to green brand is difficult. Most of the consumers realize the importance of green branding which means that there is a positive sign for betterment of the environment as well as for business. This exploration in to green marketing or eco-friendly marketing is a positive sign for transition from India to a greener and greater India.

### WHAT IS THE NEED FOR GREEN MARKETING?

Green marketing covers a wide array of ideas, as well as applications, including the use of green technology, the study and application of converting older models of technology into thoroughly 'greener' versions, as well the overall trend of encouraging environmentally friendly ideas.

One of the more important aspects of 'going green' is green marketing.

Green marketing is important because it, essentially, has the task of making green technologies an acceptable, and viable, alternative – at least in the eyes of the public. And this isn't an easy task.

With the majority of the world still happily using fossil fuels to power their homes and cars, it's difficult for the green industry – which includes renewable energy technologies – to gain much of a financial hold.

Other terms for green marketing are environmental marketing and ecological marketing.

### GREEN PRODUCTS AND ITS CHARACTERISTICS

The products those are manufactured through green technology and that caused no environmental hazards are called green products. Promotion of green technology and green products is necessary for conservation of natural resources and sustainable development. We can define green products by following measures:

- Products those are originally grown,
- Products those are recyclable, reusable and biodegradable,
- Products with natural ingredients,
- Products containing recycled contents, non-toxic chemical,
- Products contents under approved chemical,
- Products that do not harm or pollute the environment,
- Products that will not be tested on animals,
- Products that have eco-friendly packaging i.e. reusable, refillable containers etc.

### KEY POINTS WHICH CONSTITUTE GREEN MARKETING

- Environmental protection is advanced through the private sector (compared to the public sector).
- Green marketing is based on the assumption that the environmentally conscious consumer is an untapped marketplace.
- Involves the advertising of consumer goods, industrial goods and services in a way that convinces the consumer that a specific product is green.

### GREEN MARKETING STATISTICS IN USA

- 12% of the population in the United States consider themselves consumers who seek green products.

- 68% consider themselves as consumers who will buy green products occasionally. Usually, these type of consumers will only buy a green product if they are purchasing an item that they previously have never bought.
- Although, on a grander scale, a customer might not notice that the instructional manual, for the product they bought, is made of biodegradable paper. However, some might.

It's the little things that build up the integrity of a company, as well give the company solidarity within the green market place.

The main idea of green marketing is that, when given two identical products, the consumer will always choose the product which is more environmentally friendly.

- **Be technology friendly.** This is already the norm for most businesses in the world but there are still some businesses, for example, that send pamphlets instead of emails. Being technologically current within the marketplace is the best way to stay on top of green marketing trends.
- **Be environmental friendly.** This involves in the materials you use, do you use a lot of recycled materials, do you use chemicals, do you carry tests on live animals? Do you purposely set up a department or have key people to ensure your manufacturing process is environmental friendly.
- **Open to green auditing.** One new industry created by the green industry is green auditing. You can see inclusion of green index, or carbon conscious index, sometimes these are included in annual reports, sometimes they are done by independent reviews or industry reports. For example, one cruise line was rated badly in environmental rating, because they do not use renewable energy for their cruises; this has impacted on their overall rating and customer satisfaction.
- **Investing in other greentech and opportunities.** Conglomerates have been promoting themselves as "Green citizens" through investments. Good examples are the oil & gas companies, which are also major investors in the renewable energy projects, many conglomerates in the chemicals and manufacturing industries are also major investors in the cleantech opportunities (GE, BASF, DuPont are all examples).

Some of the mining companies have allocated part of their company pension funds into environmental opportunities such as co-investing in new cleantech venture capital funds or forestry management investments.

## ADVANTAGES OF GREEN MARKETING

- It ensures sustained long-term growth along with profitability.
- It saves money in the long run, although initial cost is more.
- It helps the companies to market their products and services keeping the environment aspects in mind. It helps in accessing the new markets and enjoying competitive advantage.
- Most of the employees also feel proud and responsible to be working for an environmentally responsible company.
- It promotes corporate social responsibility.

## CHALLENGES OF GREEN MARKETING

- Green products require renewable and recyclable material, which is costly.
- Problems of deceptive advertising and false claims.
- Requires a technology, which requires huge investments in research and development.
- Majority of the people are not aware of green products and their uses.
- Majority of the consumers are not willing to pay a premium for green products.
- Educating customers about the advantages of green marketing.

## RESULTS

### 1. NEED FOR STANDARDIZATION

It is found that only 5% of the marketing messages from "Green" campaigns are entirely true and there is a lack of standardization to authenticate these claims. There is no standardization to authenticate these claims. There is no standardization currently in place to certify a product as organic. Unless some regulatory bodies are involved in providing the certifications there will not be any verifiable means. A standard quality control board needs to be in place for such labeling and licensing.

### 2. NEW CONCEPT

Indian literate and urban consumer is getting more aware about the merits of Green products. But it is still a new concept for the masses. The consumer needs to be educated and made aware of the environmental threats. The new green movements need to reach the masses and that will take a lot of time and effort. By India's ayurvedic heritage, Indian consumers do appreciate the importance of using natural and herbal beauty products. Indian consumer is exposed to healthy living lifestyles such as yoga and natural food consumption. In those aspects the consumer is already aware and will be inclined to accept the green products.

### 3. PATIENCE AND PERSEVERANCE

The investors and corporate need to view the environment as a major long-term investment opportunity, the marketers need to look at the long-term benefits from this new green movement. It will require a lot of patience and no immediate results. Since it is a new concept and idea, it will have its own acceptance period.

### 4. AVOIDING GREEN MYOPIA

The first rule of green marketing is focusing on customer benefits i.e. the primary reason why consumers buy certain products in the first place. Do this right, and motivate consumers to switch brands or even pay a premium for the greener alternative. It is not going to help if a product is developed which is absolutely green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Also if the green products are priced very high then again it will lose its market acceptability.

## EXAMPLES OF GREEN MARKETING IN INDIA

### 1. DIGITAL TICKETS BY INDIAN RAILWAYS

Recently IRCTC has allowed its customers to carry PNR no. of their E-Tickets on their laptop and mobiles. Customers do not need to carry the printed version of their ticket anymore.

### 2. NO POLYTHENE CARRY BAGS FOR FREE

Forest & Environmental Ministry of India has ordered to retail outlets like Big Bazar, More, Central, D-Mart etc. that they could provide polythene carry bags to customers only if customers are ready to pay for it.

### 3. GREEN IT PROJECT: STATE BANK OF INDIA

By using eco and power friendly equipment in its 10,000 new ATMs, the banking giant has not only saved power costs and earned carbon credits, but also set the right example for others to follow. SBI is also entered into green service known as "Green Channel Counter". SBI is providing many services like; paper less banking, no deposit slip, no withdrawal form, no checks, no money transactions form all these transactions are done through SBI shopping & ATM cards. State Bank of India turns to wind energy to reduce emissions. The wind project is the first step in the State Bank of India's green banking program dedicated to the reduction of its carbon footprint and promotion of energy efficient processes, especially among the bank's clients.

### 4. LEAD FREE PAINTS FROM KANSAI NEROLAC

Kansai Nerolac has worked on removing hazardous heavy metals from their paints. The hazardous heavy metals like lead, mercury, chromium, arsenic and anti-mony can have adverse effects on humans. Lead in paints especially poses danger to human health where it can cause damage to Central Nervous System, kidney and reproductive system. Children are more prone to lead poisoning leading to lower intelligence levels and memory loss.

**5. WIPRO'S GREEN MACHINES**

Wipro Infotech was India's first company to launch environment friendly computer peripherals. For the Indian market, Wipro has launched a new range of desktops and laptops called Wipro Greenware. These products are RoHS (Restriction of Hazardous Substances) compliant thus reducing e-waste in the environment.

**WAYS TO REDUCE ENVIRONMENT POLLUTION THROUGH GREEN MARKETING**

- Using eco-friendly products
- Regular vehicular pollution check ups
- Avoid using plastic
- Gather and spread environmental information
- Tree plantation
- Enforcement of law
- Water harvesting
- Proper treatment and disposal of industrial and household waste
- Improve public transport system
- NGO should come forward for environmental protection
- Recycling scrap

**CONCLUSION**

From the study it can be concluded that Green Marketing concepts and products can be easily accepted by the people in Bangalore. Even they are willing to pay more for the green products. People are ready to accept but the entrepreneurs and the Government has to take initiative for promoting and implementing the concept of green marketing and green products

Companies such as Tata Motors, Maruti Suzuki, Canon, Toyota, Philips, NTPC and McDonald's follow green marketing. Green marketing should not neglect the economic aspect of marketing. Marketers need to understand the implications of green marketing.

Green marketing should not be considered as additional approach to marketing. It has to be implemented in all products as it has environmental and social impact. With global warming looking largely, it is important that green marketing becomes the norm rather an exception, or just a fad.

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# A STUDY OF RURAL CONSUMERS' SATISFACTION AND THEIR PERCEPTION TOWARDS TELECOM (WIRELESS) SERVICE

**SUSHILKUMAR M. PARMAR**

**LECTURER**

**SMT. T. J. PATEL COMMERCE COLLEGE  
NADIAD**

**MILAN S. SHAH**

**LECTURER**

**SMT. T. J. PATEL COMMERCE COLLEGE  
NADIAD**

## ABSTRACT

Net Neutrality, stain of 2G spectrum and the waves of 3G & 4G have rattled the Telecom Industry and there is a lot more brewing. The post liberalization period witnesses the unprecedented growth in telecom industry and a significant rise in tele-density in India due to the wide spread of cellular network and internet technology. The development of rural area is possible through telecom sector as the growth of telecom and development of infrastructure are directly related. The affordability of telecom service leads to increase in tele-density in rural areas. As telecom industry is competitive, it becomes imperative for wireless telecom service providers to offer quality services to customers and develop long term relationship. The primary objectives of this research study are to study the rural consumer satisfaction and to understand their perception towards telecom service. The researchers have collected necessary data from 106 rural consumers availing wireless telecom services through questionnaire for which a convenient sampling method was used. Moreover, the present status of tele-density in rural area is documented with the help of secondary data. Multiple Regression Analysis and descriptive statistics such as mean score and standard deviation have been used as statistical tools. The findings indicate that customer care service and value added service have the significant impact on customer satisfaction towards telecom services in rural areas. In addition to this, the result shows that majority of respondents are Idea subscribers in rural areas and 35% of rural consumers are highly satisfied while 44% of respondents agreed that call and SMS plans are consumer friendly.

## KEYWORDS

telecom, tele-density, customer satisfaction, cellular network.

## 1. INTRODUCTION

The phenomenal growth of telecom industry can lead to the accomplishment of objective of a nation such as Digital India, Infrastructure development and improvement in rural lifestyle etc. The ultimate reason is that the industry is greatly influenced by wide spread of cellular network and internet technology. The tele-density is on rising due to Government's telecom policies and regulatory framework of TRAI. Similarly, the emergence of wireless telecom service and liberalization has brought significant revolution in the industry. Actually, the growth of telecom industry largely relies on the development of necessary infrastructure consequently the rapid growth of a developing country. In India, telecom industry is facing competition because of the existence of number of private cellular companies and their basic and value added services (VAS).

**TABLE 1: WIRELESS MARKET SHARE** (Total Subscribers in India)

Wireless Telecom Operator	Market Share (%)
Bharti Airtel	23
Vodafone	18
Idea	15
Reliance	12
BSNL	10
Aircel	8
Tata	7
Telewings	4
Sistema	1
Other	2

Source: A Brief Report on Telecom Sector in India – January 2015

The above table clearly depicts wireless market share in terms of total subscribers in India. As shown above, Bharti Airtel has a larger market share (23%) followed by Vodafone (18%). The market shares held by Idea, Reliance, BSNL and Aircel are 15%, 12%, 10% & 8% respectively. Moreover, the shares of urban subscribers and rural subscribers at the end of October 2014 were 59.27% and 40.73% respectively. And the wireless subscription in urban area increased from 547.70 million at the end of September 2014 to 548.78 million at the end of October 2014. The wireless subscription in rural areas increased from 382.50 million to 386.57 million during the same period. The monthly growth rates of urban and rural wireless subscription were 0.20% and 1.06% respectively. According to a report of Telecom Regulatory Authority of India (TRAI), the total, urban and rural teledensity as of March 31, 2014 were 75.2%, 145.8% and 44% respectively which shows the significant growth over the last 15 years. 'Today, the Indian telecom industry suffers from major problems of customer attrition in the name of "number portability" because of multiple service providers or close substitutes with zero or less switching cost. (Naidu & Ponduri, 2015)

**TABLE 2: COMPOSITION OF TELEPHONE SUBSCRIPTION IN INDIA**

Market and type of subscription	% of Subscription
Urban Wireless	57
Rural Wireless	40
Urban Wireline	2
Rural Wireline	1

Source: A brief report on Telecom Sector in India, January 2015

Above statistics give the correct picture of total % of subscription in both urban and rural market. Total share of wireless subscription in urban and rural areas are 57% and 40% respectively. While total share of wireline subscription are reported 2% and 1%.

TABLE 3: MARKET SHARE OF THE SERVICE PROVIDERS IN TOTAL RURAL SUBSCRIBER

(base Q.E. June 15)

Service Provider	No. of Total Subscribers (in millions)	No. of Rural Subscribers (in millions)	Percentage of Rural Subscribers %	Market Share of Rural Subscribers %
Bharti	234.11	110.25	47.09	26.08
Vodafone	185.47	99.26	53.52	23.48
IDEA	162.08	92.73	57.21	21.94
BSNL	93.29	30.75	32.96	7.27
Aircel	83.05	29.13	35.07	6.89
Reliance Com.	111.08	27.86	25.08	6.59
Tata	63.26	15.85	25.06	3.75
Telewings	48.13	14.91	30.97	3.53
Sistema	8.75	1.89	21.54	0.45
Quadrant	3.04	0.13	4.16	0.03
Videocon	7.61	-	-	-
MTNL	7.08	-	-	-
<b>Total</b>	<b>1006.96</b>	<b>422.75</b>	<b>41.98</b>	<b>100</b>

Source: The Indian Telecom Services Performance Indicators April-June 2015, 23<sup>rd</sup> November, 2015 (Telecom Regulatory Authority of India)

As on 30<sup>th</sup> June 2015, there were total 1006.9 million subscribers, out of which 422.5 million were rural subscribers. Moreover, there were 980.81 million wireless subscribers out of which 471.85 million were rural subscribers and rural density was 48.10. Total internet subscribers were 319.42 million out of which 114.44 million are rural Internet subscribers and rural internet density was 13.17.

## 2. LITERATURE REVIEW

(Sharma, 2014), investigated variety of factors which influence customer satisfaction. The findings showed that customers are more satisfied with quality of service network coverage, quality of SMS and mobile internet. The results also indicate the significant relationship between customer satisfaction and the age, occupation and education level of customers, but no significant relation was reported between customer satisfaction and the monthly income. Similarly, (Yadav & Dabhade, 2013), attempted to know the impact of service quality on customer satisfaction among mobile users by using SERQUAL model. They found that customers remain content with the availability of VAS (value added service) and good network coverage and suggested that service providers are required to carry out marketing research to know the customer satisfaction. (Umair, Saeed, Arshad, Haider, & Ahmad, 2013), used structural model to analyse the relationship between customer loyalty and service quality, customer satisfaction, brand image, product value. The results reveal that customer loyalty has a direct and positive relationship with customer satisfaction, quality and value and no significant relationship was found with perceived brand image. (Ratnesh & Kansal, 2013), found that customer satisfaction with caller tune services of mobile service providers is not significantly related to the occupation of consumers, whereas significant relationship was resulted between customer satisfaction with call rates of mobile service providers and income of consumers and between that of with availability of customer stores and age of consumers. In their research, they recommended customised VAS, convenience, network coverage and call tariff. (Dineshkumar & Moorthy), conducted a research aimed to know the satisfaction level of customers with service provided by Airtel prepaid and determine their preference. (Naidu & Ponduri, 2015) attempted to study Customer Relationship Management practices followed by the major public (BSNL) and private (Airtel) sector telecom service providers in India and concluded that BSNL has improved a lot in its performance and quality of service after the emergence of private players in terms of uninterrupted services, customer satisfaction, retention and providing customized products.

## 3. IMPORTANCE OF STUDY

Now, the telecom industry has become the most competitive and so, it is an alarm for the service providers to revamp their marketing strategy to offer customers satisfaction and to capture the larger market share. Telecom services providers are required to concentrate more on rural areas as majority of customers reside there. This study offers an insight on rural consumers' perceptions and satisfaction towards telecom service.

## 4. STATEMENT OF PROBLEM

There is a lot more brewing in Telecom Industry. Broadly speaking, net neutrality, black stain of 2G spectrum and waves of 3G and 4G have rattled the entire telecom industry and therefore the Government and TRAI have raised the eyebrow over the phenomenal growth in the industry. Today, telecom industry has gained the status of most competitive in nature with the existence of public and private players and the access of telecom (wireless) service in rural area is no longer any dream because of its affordability and availability which has resulted into rise in teledensity in rural area. However, yet lower rural tele-density has been reported as compared to urban area. Through this study, the researchers are striving to give an account on rural teledensity and rural consumer satisfaction and their perceptions towards telecom service especially wireless.

## 5. RESEARCH OBJECTIVES

- 5.1. To study the impact of Value Added Service, Customer Care Service and Commercial aspects of telecom service on Customer Satisfaction
- 5.2. To understand rural consumer's perception towards telecom service
- 5.3. To analyze the present trend of wireless subscription and tele-density in rural area

## 6. RESEARCH HYPOTHESES

- 6.1. Ho1: There is no significant impact of Commercial Aspects on Customer Satisfaction towards telecom service in rural areas.
- 6.2. Ho2: There is no significant impact of VAS on Customer Satisfaction towards telecom service in rural areas.
- 6.3. Ho3: There is no significant impact of Customer Care Service on Customer Satisfaction towards telecom service in rural areas.

## 7. RESEARCH METHODOLOGY

To successfully realize the aforementioned objectives, following research methodology was used by the researcher. All rural consumers availing wireless telecom service of Kheda district were considered as the universe of the study. The researchers have collected relevant data from 106 rural consumers availing telecom service. A convenient sampling method was adopted to collect the data. A structured questionnaire with 5 points rating Likert Scale was used to collect the primary data. The researchers have distributed 130 questionnaires, out of which 117 were received back and 11 questionnaires were found to be incomplete. Hence, 106 questionnaires were fit for the research. Multiple Regression Analysis and Descriptive Statistic such as Mean and S.D were used as statistical tools. To furnish more information on tele-density in rural area and related research done in the similar area, the researchers reviewed some secondary sources like books, magazines, journals and other published information.

## 8. RESULTS & DISCUSSION

TABLE 4: TYPE OF MOBILE USER

Type of Mobile	No. of User
Simple	22 (20.75)
Smart Phone	84 (79.25)
<b>Total</b>	<b>106 (100)</b>

The Table 4 shows that 20.75% of respondents have simple mobile phone while majority of respondents (79.25%) possess smart phone. This statistic makes it clear that affordability and popularity of smart phone in rural areas

TABLE 5: TELECOM OPERATOR WISE CLASSIFICATION

Name of Telecom Operator	No. of User
Idea	47 (44.34)
Airtel	20 (18.87)
Vodafone	18 (16.98)
Telenor (Uninor)	13 (12.26)
BSNL	4 (3.77)
Tata Docomo	3 (2.83)
Reliance	1 (0.94)
<b>Total</b>	<b>106 (100)</b>

The table 5 portrays the clear picture of telecom operators whose services are availed by rural consumers. The maximum number of respondents (44.34%) have been availing the service of Idea followed Airtel (18.87%), Vodafone (16.98) and Telenor (12.26%).

TABLE 6: TYPE OF ACCOUNT

Type of Account	No. of User
Post paid	4 (3.77)
Pre paid	102 (96.23)
<b>Total</b>	<b>106 (100)</b>

As shown in the table 6, 96.23% of rural consumers have prepaid account whereas only 3.77% of rural consumers have post-paid account.

TABLE 7: FREQUENCY OF LOSS OF SERVICE

Frequency of loss of service	No. of User
Never	10 (9.43)
Once	10 (9.43)
Rarely	14 (13.21)
Often	7 (6.60)
Sometimes	65 (61.32)
<b>Total</b>	<b>106 (100)</b>

The above statistics make it clear that 9.43% of respondents have reported the 'Never' loss of service, 9.43 % of respondents shared 'Once' loss of service, 13.21% of respondents have reported 'Rarely' loss of service, 6.60% of respondents experienced 'Often' loss of experience while majority of respondents (65%) have opined 'Sometimes' loss of service.

TABLE 8: USE OF INTERNET THROUGH MOBILE

Internet user in Mobile	No. of user
User	91 (85.85)
Non- user	15 (14.15)
<b>Total</b>	<b>106 (100)</b>

The above table gives an account of the access of internet facility through mobile. As per the given data, 85.85% of respondents have access of internet through their mobile whereas only 14.15% do not avail internet facility in their mobile. Moreover, Appendix II offers the bird view of rural consumers' perception toward telecom services, 35% of respondents are highly satisfied whereas 33% are just satisfied. Moreover, Majority of respondents (55%) opined that they enjoy availing service and 35% agreed that they will not switch over to other operators. Similarly, 39% of rural respondents strongly believed that staffs are courteous, polite and well behaved, 34% of respondents agreed that there is availability of customer care offices. In the similar line, 43% of respondents agreed that technical support and problem assistant are taken care of. Surprisingly, 55% of rural consumers strongly agreed for 24 x 7 hours' customer care service.

TABLE 9: DESCRIPTIVE STATISTICS AND RELIABILITY TEST

Variables	No. of Items	Mean	S.D.	Cronbach's Alpha
Commercial Aspects	05	3.0981	0.69625	0.584*
VAS (Value Added Service)	11	3.6973	0.44105	0.622
Customer Care Service	06	3.7484	0.61946	0.657
Customer Satisfaction	04	3.8113	0.74866	0.700

The reliability and internal consistency of the items representing each construct were evaluated using Cronbach's alpha. The reliability statistics for independent and dependent variables given in the table 9 show that the values of variables range between 0.584 and 0.700. There is a general consensus among the researchers that the acceptable alpha limit could be as low as 0.600 or 0.500\* for scales consisting of a small number of items (Carmines & Zeller, 1979; Cronbach & Meehl, 1955; Pedhazur & Schmelkin, 1991). Hence, the reliability and internal consistency values of the measures are accepted.

### 8.1. MULTIPLE REGRESSION ANALYSIS & HYPOTHESES TESTING

TABLE 10: REGRESSION MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504 <sup>a</sup>	.254	.232	.65601

a. Predictors: (Constant), Customer Care Service, Commercial Aspects, VAS

The above tables indicate that independent variables have an impact on rural customer satisfactions towards telecom service since the value of R is 0.504 and 25.4% variance is explained by independent variables in dependent variable.

TABLE 11: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	14.956	3	4.985	11.584	.000 <sup>b</sup>
Residual	43.896	102	.430		
Total	58.851	105			

a. Dependent Variable: Customer Satisfaction  
b. Predictors: (Constant), Customer Care Service, VAS, Commercial Aspects

The ANOVA table shows that overall model is significant as the p sig. value (0.000) is less than 0.05. So, the model is statistically significant and fit.

TABLE 12: REGRESSION COEFFICIENTS

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.411	.594		.692
	Commercial Aspects	.100	.094	.093	1.067
	VAS	.582	.166	.343	.001
	Customer Care Service	.250	.120	.207	.040

a. Dependent Variable: Customer Satisfaction

The Regression Coefficients table depicts that the commercial aspects of telecom service has an insignificant impact on customer satisfaction. So, the Ho1 is accepted. The rest of the variables namely VAS and CCS have the significant impact on customer satisfaction as p sig. value is less than level of significant 0.05. And, therefore, Ho2 and Ho3 are rejected. Among all variables, VAS is the major variable contributing highly with standardized coefficient  $\beta=0.343$ . While CCS is the second variable contributing moderately with standardised coefficient  $\beta=0.207$ .

## 9. FINDINGS, RECOMMENDATIONS & MANAGERIAL IMPLICATION

Looking at present trend in telecom sector, all telecom companies are required to formulate such benefit offering strategies as can retain the customers for long time and be capable of fetching more number of new customers. Similarly, telecom service providers should adopt customer oriented approach instead of product oriented. To a larger extent, consumer friendly approach in service sector especially telecom adds value to the customer satisfaction. Most importantly, rural consumers often complain about the loss of connectivity or service which may negatively influence their perceptions and satisfaction. To capture larger market share, service providers need to develop necessary infrastructure suited to wireless telecom service and make available customer care offices at particular destination in rural areas. Besides, receipt of junk stuff such as unwanted SMS and unsolicited call develop feeling of irritation among the consumers which in turn switching to other service providers. It is also recommended that telecom service providers should think of such variety of promotion offers as can satisfy the diversified needs of rural consumers. Today, highest attrition rate is observed in telecom industry and therefore, service providers should revamp the marketing strategy which is aggressive in nature and more attention should be paid on quality of service. To wisely deal with rural consumers and to persuade them, staffs should be well trained, courteous, polite and well mannered.

## 10. CONCLUSION

In a nutshell, tele-density of wireless telecom subscription in rural areas is yet lesser than that of in urban areas. And factors like customer care services, fair charges of SMS and call, non-receipt of spam SMS and unsolicited calls, courteous and polite staff contribute significantly to customer satisfaction.

## 11. LIMITATIONS OF STUDY

The study is confined to only few selected rural areas of Kheda district and therefore, the result cannot be generalized. Moreover, the research involves small sample size. Hence, the same study can be conducted with large sample size and in the context of other rural areas.

## 12. SCOPE FOR FURTHER RESEARCH

Similar study can also be carried out in rural areas by taking other services such as healthcare, education, insurance, banking etc.

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## APPENDIX I - PROFILE OF RESPONDENTS

No	Demographic Details of Respondents		Number and % of Respondents
1	Gender	Male	59 (55.66)
		Female	47 (44.34)
2	Age Group	18-24	91 (85.85)
		25-30	3 (2.83)
		31-40	6 (5.66)
		41-50	5 (4.72)
		Above 50	1 (0.94)
3	Education	SSC	4 (3.77)
		HSC	60 (56.60)
		Graduation	13 (12.26)
		Under Graduation	27 (25.47)
		Post Graduation	2 (1.89)
4	Occupation	Student	87 (82.08)
		Housewife	2 (1.89)
		Self-employed	3 (2.83)
		Businessman	7 (6.60)
		Service	7 (6.60)
5	Monthly Family Income	Less than Rs.5000	7 (6.60)
		Rs. 5000-10000	50 (47.17)
		Rs.11000-20000	25 (23.58)
		Above Rs. 20000	24 (22.64)

Source: Primary Data compiled by the authors

## APPENDIX II - TOTAL SCORE AND PERCENT SCORE ON VARIABLES

Variables	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
<b>Commercial Aspects</b>					
Fair SMS Charges	14(13.208)	26(24.5)	26(24.5)	22(20.76)	18(16.98)
Fair Call Charges	19 (17.92)	42(39.62)	13(12.26)	20(18.87)	12(11.32)
Correctly charged video call	5 (4.7)	13(12)	66(62)	17(16)	5(4.7)
No hidden charges are imposed	10 (9.4)	25(24)	45(42)	11(10)	15(14)
Tariff Charged as per the advertisement	14 (13)	25(24)	40(38)	21(20)	6(5.7)
<b>VAS (Value Added Service)</b>					
Better Voice quality	44(41.5)	42(39.6)	18(17)	2(1.89)	0(0)
Barrier free voice call & video call	10(9.4)	32(30)	44(42)	14(13)	6(5.7)
Ability to check balance	67(63.2)	31(29.2)	4(3.7)	3(2.83)	1(0.94)
Quick and Easy Recharge	74(69.8)	27(25.5)	3(2.83)	2(1.89)	0(0)
Consumer Friendly call & SMS Plan	32(30)	47(44)	20(19)	6(5.7)	1(0.94)
Variation in Internet Schemes	34(32.1)	27(25.5)	26(24.5)	14(13.2)	5(4.72)
Good Speed of Internet	30(28)	25(24)	26(24.5)	19(18)	6(5.7)
Wide network coverage & connectivity	28(26)	35(33)	23(22)	17(16)	3(2.8)
Variety of promotional offers	24(23)	38(36)	30(28)	10(9.4)	4(3.8)
No Receipt of Spam SMS	8(7.5)	18(17)	38(36)	18(17)	24(23)
No Receipt of unsolicited Call	10(9.4)	13(12)	43(41)	17(16)	23(22)
<b>Customer Care Service</b>					
24 x 7 hours Customer Care Service	58(55)	30(28)	12(11)	4(3.8)	2(1.9)
Courteous, polite & well behaved staff	38(36)	41(39)	23(22)	1(0.9)	3(2.8)
Timely complaint handling	20(19)	46(43)	29(27)	7(6.6)	4(3.8)
Technical Support & Problem Assistant	11(10)	46(43)	37(35)	10(9.4)	2(1.9)
Minimum Waiting Period	23(22)	35(33)	38(36)	9(8.5)	1(0.9)
Availability of Customer Care Offices	22(21)	36(34)	18(17)	13(12)	17(16)
<b>Customer Satisfaction</b>					
I enjoy availing the service	27(25)	58(55)	12(11)	5(4.7)	4(3.8)
I will not switch over to other operator	30(28)	37(35)	25(24)	9(8.5)	5(4.7)
I will recommend it to other	24(23)	40(38)	27(25)	12(11)	3(2.8)
Overall, I am satisfied with the service	37(35)	35(33)	24(23)	8(7.5)	2(1.9)

Source: Primary, compiled by the authors

## EMPLOYEE PERCEPTION ON HR PRACTICES: A STUDY WITH REFERENCE TO PUBLIC AND PRIVATE LIFE INSURANCE ORGANISATIONS

**B. RAGHAVENDRA**

**RESEARCH SCHOLAR**

**SRI KRISHNADEVARAYA INSTITUTE OF MANAGEMENT**

**SRI KRISHNADEVARAYA UNIVERSITY**

**ANANTAPURAMU**

**DR. D. APPALA RAJU**

**POST DOCTORAL FELLOW**

**SRI KRISHNADEVARAYA INSTITUTE OF MANAGEMENT**

**SRI KRISHNADEVARAYA UNIVERSITY**

**ANANTAPURAMU**

### ABSTRACT

*Life insurance is one of the most important businesses that stabilize individuals and businesses from critical environmental effects. This service industry is people-centric in character in every form from employees to beneficiaries. The employees are vital for organisation's success and superior human resource management is the differentiator in the competition. As HR practices signals employees to carry out actions desirable to the firm. This industry key performance measures includes positive employee attitudes and behaviours. The effectiveness of HR practices is measured by the way they influence the employee attitudes on expected lines. HR practices helps to maximize employee positive affective reactions at work; in turn, employees would enthusiastically put more efforts for organisation and contributes for productivity and effectiveness of the system. Employee behaviour says both external and internal factors in combination produce employee behaviour. The combination of attitudes with societal pressure to behave in a given way that influences an employee intention, in turn more directly affect behaviour. Behaviours consequently results in individual and organisational outcomes. Therefore, the main objective of this paper to describe employees' perceptions on HR practices in public and private life insurance organisations. The primary and secondary sources of data used for this study. Descriptive statistics used to compare and analyze the difference between the employee opinions of two sample organisations. Independent t-test results on HR practices resulted there exists no statistically significant difference between the scores of two sample organisations except for performance appraisal.*

### KEYWORDS

staffing, training & development, performance appraisal, compensation & benefits, employee involvement.

### INTRODUCTION

People are valuable assets for any organisation. The importance of human resources in for business organisation is further emphasized by rapid changes in the business environment. From the early days of 1991 economic reforms, the Indian economy has been positively affected by increasing contribution of services sector, information systems, and technology. The growth of service sector is also familiar with the rise in importance of human resources and its crucial role in the service sector. The firms are recognizing the importance of the human resources, and in recognition, they often state human resources are valuable assets for them. The management function of human resources is human resources management.

HRM involves management decisions related to policies and practices that together shape the employment relationship and they aimed at achieving individual, organisational and societal goals. Human resource practices are organisational practices applied to hire, trained, motivate, and supervision of employees. HRM usually consider all of the practices for employee management.

Prior studies focus on three processes that facilitates HR practices influencing business performance, acquisition of human resources through recruitment, selection, and training and development processes directly impact the quality of the resources; Employees are Motivated by various HR practices that involves recognition, reward and work systems and Opportunity to contribute, which is influenced by work design and employee involvement. Human capital theory supports the view of collection of universal HR practices and organizational outcomes. The principle refers to employee's knowledge, skills and abilities provide better performance levels to firms.

Life insurance is one of the most important businesses that stabilises individuals and businesses from critical environmental effects. This service industry is people-centric in character in every form from employees to beneficiaries. The employees are vital for organisation's success and better human resource management is the differentiator in the competition (Schuler & Jackson, 1987). The entry of private life insurance companies in to the market, public sector giant has been successful as a market leader by putting its mighty network and human resources. Private life insurers with their foreign partners are implementing HR practices that were effectively being implemented in partners organisations in different countries. These time tested practices are being adapted by the private firms.

This industry key performance measures includes positive employee attitudes, behaviours and customer retention. To achieve these goals, organisation frames various policies and practices. Among these human resources management is very important. HR practices signals employees to carry out actions desirable to the firm (Bowen 2004) and the effectiveness of HR practices is measured, the way they influence the employee attitudes on expected lines (Cunningham, 1977). HR practices helps to maximise employee positive affective attitudes at work, in turn employees would eagerly put more efforts for organisation and contributes for productivity and effectiveness of the system. HR practices also affects employee behaviours include organisational citizenship behaviours and job task behaviours, both in combination influence organisational effectiveness (Jackson, 2013). OCB defined as discretionary behaviours of employee that promote the effective functioning of the organisation, which are important and beyond job descriptions. These citizenship behaviours have positive effects on performance outcomes (Henning-Thurau, T. 2004).

Employees who perceive that organisations implement HR systems for their betterment, in turn results positive attitudes and behaviours that aids in achieving organisational effectiveness. Hellriegel et al. (1989) found the combination of attitudes with societal pressure to behave in a given way that influences an employee intention; in turn more directly affect behaviour. Behaviours consequently results in individual and organisational outcomes (Kusluvan 2003). Hence, for organizational success the HR practices forms the basis.

### IMPORTANCE OF THE STUDY

This study uses the HR practices being implemented in the sample organisations that are very crucial for organizational success and these practices also important from both academics and industry perspectives. In this industry, full time employee at branch level, who is closest point of interaction with customers, involves stressful conditions in the work place, and these employee perceptions are considered for evaluation. Evaluation of HR practices helps to understand the employee attitudes and behaviours towards the internal and external customers and which is the concern for industry (Sengupta and Basu, 2013). This study results helps to understand, implementation of focused and effective human resource practices within organisations that could benefit over time.

**OBJECTIVES**

1. To review the related HR practices literature.
2. To study the employee's perceptions on HR practices in sample public and private life insurance organisations.
3. To explore whether there is significant difference in employee opinions of two sample organisations.

**HYPOTHESIS**

H<sub>0</sub>: There is no significant difference between employee perceptions of public and private sector life insurance organisations on HR practices.

H<sub>1</sub>: There is significant difference between employee perceptions of public and private sector life insurance organizations on HR practices.

HR Practices includes, Staffing; Training & development; performance appraisal; Compensation & Benefits; Employee Involvement.

**RESEARCH DESIGN****SELECTED AREA FOR STUDY**

In stated Rayalaseema region of four districts, two life insurance organizations were considered for the study. It includes 12 branches of public sector organisation and private life insurance company. For every organization three branches were selected in each district for the study on the random basis and depending on response from the employee's.

**TABLE 1: EMPLOYEE POPULATION AND SAMPLE PERCENTAGE**

Life Insurer	Branches	Sample Respondents
LIC	12	137
Bajaj Allianz	12	104

Source: field study

Sample Selection: Stratified Random (for employees)

**SOURCES OF DATA**

This study used both primary and secondary data. Primary data collected with the help of structured questionnaire, administered personally by drop-off approach and through e-mail survey. For this purpose, a specified design of questionnaire was used and from each branch, more than targeted sample employees were requested to give opinion. Secondary data are sourced from published works of research variables, IRDA annual reports, journals, media reports and respective company portals along with archival data.

**RESULTS & DISCUSSION****STAFFING**

Staffing refers to the process that determines and manages the flow of employees interested in the organization, within and out of the organization. This system of flow of employees involves recruitment, selection, decision-making, job offer and retention systems. The recruitment systems intended to generate large number of applicants than expected, the selection system needs to handle the more number of applicants to be assessed in terms of attitude and competence necessary for the job, and decision making concerns with selected candidates receive job offers with suitable packages so that necessary numbers are get into the organization. Retention activities meant to retain the employees and keep away from repeating the experiences of the staffing cycle. Staffing systems are designed to realize organizational goals. Organizations practices and reaction to staffing systems and familiarity explains how critical these forces can be to organizational success (Henemen & Berkley 1999).

**TABLE 1: EMPLOYEES OPINION ON STAFFING PRACTICES**

S. No.	Organization	LIC (N = 137)		Bajaj Allianz (N = 104)	
		Mean	S.D.	Mean	S.D.
1	Service attitude and skills are basis for selection of individual	3.34	1.07	3.17	1.04
2	Learning capability is important priority during recruitment	3.35	1.01	3.16	1.08
3	My organisation attracts service oriented employees	3.30	1.04	3.19	1.06
4	Internal candidates have the priority for job openings	3.21	1.02	3.24	1.09
5	Formal tests and interviews are part of the selection process	3.31	0.96	3.24	1.02
	Average score of staffing/selection	3.30	0.59	3.20	0.63

Source: Statistical analysis of field data

Table one indicates summary of means and standard deviation of staffing variable of two sample organizations. In organization LIC, the maximum and minimum mean ratings of the five measured statements are 3.35 and 3.21; the average mean rating of 3.30 suggests staffing practices are moderate. In Bajaj Allianz, the mean ratings ranged from 3.24 to 3.16, the average mean rating of all statements is 3.20. The maximum and minimum mean ratings of employees indicate staffing practices are moderate in both public and private organizations.

Among two sample organizations' staffing practice elements, employee perceptions regarding 'service attitude and skills are basis for selection of individual' and 'Formal tests and interviews are part of the selection process' explains the top priority given by the organizations. The latter statement has highest mean rating (3.31) in LIC. 'Learning capability is important priority during recruitment' statement has minimum rating (3.16) by organization Bajaj Allianz employees. Internal candidates have the priority for job openings in Bajaj Allianz.

**TABLE 2: INDEPENDENT T-TEST FOR STAFFING IN LIC AND BAJAJ ALLIANZ**

Staffing	Levene's Test for Equality of variance		t-test for Equality of Means		
	F	Sig.	t	Df	Sig. (2-tailed)
Equal variances assumed	1.10	0.237	-0.70	206	0.484
Equal variances not assumed			-0.70	205.24	0.486

Source: Statistical analysis of field data

The results of t-test (table.2) between LIC and Bajaj Allianz organization's staffing practices, there exists no statistically significant difference in the scores for LIC (3.30, 0.59) and Bajaj Allianz (3.20, 0.63) in terms of Levene's test for equality of variances, t-test for equality of means ( $t = -0.70$ ), and corresponding p value ( $p = 0.237$ ).

**TRAINING AND DEVELOPMENT**

Training refers to systematic acquisition and development of knowledge, skills, and attitudes that are necessary for employees to perform a task (Goldstein, 1980). After selection candidates before taking the job responsibility undergo induction course that enable them confidence and perform better to meet the desired expectation. Training imparts new knowledge and skills for the employee to perform job better. Effectively designed and delivered training and results in improvement of knowledge and acquisition of specific skills, employee on the job and helps to go beyond their job description to perform. Enhancement in performance behaviours reflects in organizational outcomes.

The first four statements one to three, explain the induction practices in sample organisations. 'Training is given before new employee fills his position' states the top priority given to induction in every organization with maximum mean ratings. 'Training helps new employees to learn about the company' has minimum mean ratings states that it takes some time to know about the company. The moderate scores of induction statements sample organizations use various tool to impart knowledge to new employees and helps them in introducing new products and services to the end customers.

**TABLE 3: EMPLOYEE OPINIONS ON TRAINING & DEVELOPMENT PRACTICES**

Sl. No.	Organization	LIC (N = 137)		Bajaj Allianz (N = 104)	
	Statement	Mean	S.D.	Mean	S.D.
1	Training is given before a new employee fills his positions	3.48	0.87	3.46	1.04
2	Training helps new employees to learn about the company	3.23	1.09	3.28	1.17
3	Useful tools are used to deliver training for employees	3.30	0.97	3.30	1.11
4	Employees receive regular training to learn new skills	3.34	1.01	3.39	1.10
5	The company invests considerable time and money in training	3.33	1.09	3.27	0.93
6	I receive training to deliver quality customer service	3.17	1.05	3.12	1.12
7	Training programs emphasize on-the-job experiences	3.30	1.09	3.24	1.16
8	Clearly defined promotion opportunities are available here	3.37	1.06	3.30	1.08
9	Challenging work opportunities are offered	3.43	1.03	3.44	1.05
	Average score of training and development	3.32	1.02	3.31	1.08

Source: Statistical analysis of field data

On the job training for employee is necessary to improve the skills needed by the employee to perform a job competently. Training imparts skills most appropriate for the job and employees can apply learnt skills and knowledge at different environments. Statements explain the training importance in concerned organizations. 'Employees receive regular training to learn new skills' statement have maximum mean ratings in every sample organization, indicates employees are given training regularly to sharpen their skills for perform their jobs. Moderate mean ratings explain every organization emphasize on-the-job experiences for employees as part of training programs. The concern point in training practice is, the minimum mean ratings for statement 'I receive training to deliver quality and customer service' Off the job training or Professional training courses are offered to employees that help them to acquire professional certifications in respective subject matters. Training influences organizations by equipping employees the required knowledge and skills to reach desired objectives. It also refers to the opportunities provided for employees for their growth and development. These opportunities offer directly related to the employee goals, growth, and satisfaction. It also explained as the emphasis of an organization place on nurturing employee natural strengths and pave for growth and development including offering job-specific training. Statements 8 and 9 explain the development opportunities in sample organizations. Maximum mean ratings for the statement 'Challenging work opportunities are offered' suggest every sample organization offers exciting and challenging work opportunities for its employees.

**TABLE 4: INDEPENDENT T-TEST FOR TRAINING AND DEVELOPMENT IN LIC AND BAJAJ ALLIANZ**

Training & development	Levene's Test for Equality of variance		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.12	0.283	-0.28	206	0.779
Equal variances not assumed			-0.28	205.32	0.780

Source: Statistical analysis of field data

These results of t-test between Organisation's LIC and Bajaj Allianz Training and development practices revealed, there exists no statistically significant difference in the scores for LIC (3.32, 1.02) and Bajaj Allianz (3.31, 1.08) in terms of Levene's test for equality of variances, t-test for equality of means ( $t = -0.28$ ), and corresponding p value ( $p = 0.283$ ).

The two organization's training and development elements, table four shows employee perceptions regarding 'Training is given before new employee fills his position' and 'challenging work opportunities are offered' have maximum mean ratings between the organizations. Statement 'I receive training to deliver quality customer service' has minimum mean scores and organization Bajaj Allianz has the lowest rating compared to LIC. In every organization there are clearly defined promotion opportunities are available for employees. In organization LIC, the maximum and minimum mean ratings of the training and development construct are 3.48 and 3.17, with average mean rating of 3.32 for all statements. In organization Bajaj Allianz, the mean ratings ranged from 3.46 to 3.12, the average mean rating of all statements is 3.31. In summary, the average mean ratings on Training and development practices was moderate in LIC and private organization Bajaj Allianz put emphasis on training and development on par with public sector organization.

Means score comparison of the training and development practices. The scores shows there was no considerable difference between LIC and Bajaj Allianz; Mean scores indicate that Training and development practices in private sector organization are on par with public sector organization LIC.

#### PERFORMANCE APPRAISAL

Performance appraisal refers to structured formal interface between a employee and supervisor, usually takes place periodically, where performance of the employee is analyzed and discussed, with a scope to identify strengths and areas to improve by learning (Basu, 1978). Performance is evaluated on the basis of various sources of supervisors, colleagues, employee etc. This process helps to take required action on employee for an organization, to identify his strength and weaknesses and feedback provided reinforces good performance and put off poor ones. Performance scores help employees to know skills and knowledge to acquire. This process also helps organization to internalize the norms and values and emphasize customer needs by counseling employees.

**TABLE 5: EMPLOYEE OPINIONS ON PERFORMANCE APPRAISAL**

Sl. No.	Organisation	LIC (N = 137)		Bajaj Allianz (N = 104)	
	Statement	Mean	S.D.	Mean	S.D.
1	Performance is evaluated on objective basis regularly	3.42	0.92	3.08	0.99
2	Performance review scores are based on multiple sources	3.33	1.00	3.08	1.03
3	Feedback provided to employees for improvement	3.18	1.09	3.05	1.06
4	Evaluated impartially and related to job description	3.29	1.06	3.07	1.04
5	Meeting customer needs emphasized	3.25	0.89	3.07	1.13
	Average score	3.31	0.56	3.07	0.60

Source: Statistical analysis from field data

Table five indicates summary of means and standard deviations of performance appraisal of two sample organizations. In LIC, the maximum and minimum mean ratings of the five measured statements are 3.42 and 3.18; the average means rating of 3.31 suggests performance appraisal was moderate. In Bajaj Allianz, the mean ratings ranged from 3.08 to 3.05, the average mean rating of all statements is 3.07. The maximum and minimum mean ratings of employee's reveals performance appraisal practices are moderate in sample organizations – LIC and Bajaj Allianz.

**TABLE 6: INDEPENDENT t-TEST FOR PERFORMANCE APPRAISAL PRACTICE IN LIC AND BAJAJ ALLIANZ**

Performance Appraisal	Levene's Test for Equality of variance		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.75	0.005	-0.73	206	0.466
Equal variances not assumed			-0.73	203.42	0.467

Source: Statistical analysis of field data

Table.6 results of t-test between LIC and Bajaj Allianz portrayed, Performance appraisal practices, there exists statistically significant difference in the scores for LIC (3.31, 0.56) and Bajaj Allianz. (3.07, 0.60) in terms of Levene's test for equality of variances, t-test for equality of means ( $t = -0.73$ ), and corresponding p value ( $p = 0.005$ ).

Organization's performance appraisal elements, employee perceptions regarding statement 'Performance is evaluated on objective basis regularly' has maximum mean ratings in every sample organizations and highest ratings in public sector organization – LIC compared to private sector organization Bajaj Allianz. Statement 'Feedback provided to employees for improvement' has minimum mean ratings in each sample organizations, this statement has lowest ratings in Bajaj Allianz when compared to LIC. Statement 'Performance is evaluated on objective basis periodically' has the maximum mean score (3.42) in LIC. 'Feedback provided to employees for improvement' has the minimum mean score (3.05) in Bajaj Allianz.

Mean scores suggest Performance appraisal systems is more effective in public sector organisation LIC compared to private sector organisations Bajaj Allianz.

#### COMPENSATION & BENEFITS

Compensation and benefits refers to evaluation of the way an organization sharing of financial gains resulted from employee's contributions generously and fairly with them. Compensation defined as the sum of the rewards earned by employee for their contribution or efforts. Benefits are put in place to create caring environment for the employee and their family members. They are provided by organization to its employees to keep their morale and positive reinforcement. Compensation is of different types, direct, indirect and non-financial. Direct financial compensation involves pay received by employees in the form of wages, salaries, bonuses and commissions. Indirect financial compensation involves financial rewards excluding compensation and forms part of the benefits provided by an organization to employee for instance, benefits, leaves, education, employee services and retirement plans. Non-financial compensation related to career development and opportunities, recognition and providing conducive environment for growth of employee. Recognition refers to non-monetary ways of saying thank you for employee performance in nonexpensive way.

**TABLE 7: EMPLOYEE OPINIONS ON COMPENSATION & BENEFITS**

Sl. No.	Organization Statement	LIC (N = 137)		Bajaj Allianz (N = 104)	
		Mean	S.D.	Mean	S.D.
1	Pay is better than others	3.01	0.98	3.16	1.13
2	Performance decides salaries and rewards	3.10	1.04	3.22	1.05
3	Rewards for improved performance	3.26	1.03	3.26	1.04
4	Variety of benefits are provided	3.45	1.04	3.19	1.09
5	Compensation /rewards are reasonable	3.08	1.08	3.24	1.13
6	Monetary & Nonmonetary rewards are given for performance	3.31	0.92	3.39	1.09
7	Excellent service to customers is specially rewarded	3.20	1.04	3.22	1.15
	Average score Compensation and benefits	3.20	0.54	3.24	0.58

Source: Statistical analysis from field data

Table 7 gives summary of means and standard deviation of compensation and benefits variable of three sample organizations. In LIC, the maximum and minimum mean ratings of the seven measured statements are 3.45 and 3.01; the average means ratings of 3.20 states compensation and benefits was moderate. In Bajaj Allianz, the mean ratings ranged from 3.39 to 3.16, the average mean rating of all statements is 3.24. The maximum and minimum ratings of employees indicate compensation and benefits practices are moderate in sample organizations – LIC and Bajaj Allianz.

Among two organization's compensation statements, 'pay me better than others'; 'performance decides salaries and rewards'; 'Rewards for improved performance' and 'compensation are reasonable' mean score of employee perceptions shows compensation in private sector organization Bajaj Allianz is better than public sector organization- LIC. LIC mean scores for statement 'Providing various benefits' to its employees, shows public sector organization stands high compared to private sector organization Bajaj Allianz. Monetary and non-monetary rewards are given for performance, in every organization irrespective of public and private sector. Excellent service customers is specially rewarded, mean scores show private sector organization rewards better than public sector organization-LIC. The summary of mean scores shows private sector organization offers better compensation to its employees, whereas there is need to match the benefit offered by public sector organization- LIC for its employees.

**TABLE 8: INDEPENDENT T-TEST FOR COMPENSATION & BENEFITS IN LIC AND BAJAJ ALLIANZ**

Compensation & Benefits	Levene's Test for Equality of variance		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.01	0.479	-0.71	206	0.478
Equal variances not assumed			-0.71	205.99	0.478

Source: Statistical analysis of field data

These results of t-test between LIC and Bajaj Allianz Compensation and Benefits practices shows, there exists no statistically significant difference in the scores for LIC (3.24, 0.58) and Bajaj Allianz (3.30, 0.57) in terms of Levene's test for equality of variances, t-test for equality of means ( $t = -0.71$ ), and corresponding p value ( $p = 0.479$ ).

#### EMPLOYEE INVOLVEMENT

Employee involvement refers to the processes designed to hold the support, understanding, and optimum contribution of employee in an organization and commitment to its goals (Marchington, 2005). It is defined as processes designed to provide opportunity to influence and wherever appropriate and commitment of employees to the organization and its goals. Kearney & Hays (1994) conceptualized as the process of developing 'a feeling of psychological ownership among organizational members' and implemented through participation of employee in information processing, decision making and problem solving. This system is makes the organizations competitive irrespective of the size. This study considers employee involvement call for employees to have decision-making power of employees, tools and resources provided by organization and performance information available for employees to perform their jobs effectively. Decision-making involves considering employee opinion regarding the decision that may affect employees, identifying, and selecting a course of action to solve customer problems

**TABLE 9: EMPLOYEE OPINIONS ON EMPLOYEE INVOLVEMENT PRACTICES**

S. No.	Organization Statement	LIC (N = 137)		Bajaj Allianz (N = 104)	
		Mean	S.D.	Mean	S.D.
1	Employee opinion is taken before decision making	3.08	0.99	3.07	1.05
2	Employees are asked to participate in work related decisions	3.04	1.08	3.12	1.06
3	Employees have discretion in handling customers' requests	3.18	1.12	3.17	1.12
4	Employees have autonomy in settling customer complaints	3.13	1.13	3.11	1.05
5	Employees are allowed to make changes in performing the job	3.21	0.98	3.21	1.12
6	Required tools and resources are provided to employees	3.36	0.94	3.27	1.11
7	Information is shared among employees	3.47	1.14	3.27	1.12
8	Employees and customers are communicated effectively	3.21	1.08	3.14	1.17
	Average score of employee involvement	3.21	0.55	3.17	0.61

Source: Statistical analysis of field data

Table 9 suggests employee's perception on Decision-making shows moderate ratings irrespective of public and private sector. 'Information is shared among employees' statement has highest mean scores compared to other decision-making elements. Every organization provides required infrastructure for its employees

to serve the end customer in a better way. 'Information is shared among employees', has the maximum mean scores in every organization, states that information which is important and that motivates employees to perform better, is shared with the employees.

In LIC, the mean ratings ranged from 3.47 to 3.04, the average mean rating of all employee involvement statements is 3.21. In Bajaj Allianz, the maximum and minimum mean ratings of the eight statements are 3.27 and 3.07; the average mean rating of 3.17 indicates employee involvement practices are moderate. 'The company provides and shares information with employee' has the maximum mean score (3.47) in every sample organization. 'Employees are asked to participate in work related decisions' has the minimum score (3.04) in LIC. The Mean scores of employee involvement practices moderate in every sample organization signals that in every organization both in private and in public sectors. Mean scores comparison of the employee involvement practices, resulted there was no considerable difference between LIC and Bajaj Allianz; Organisations-LIC and Bajaj Allianz. Mean scores indicate employee involvement practices are slightly better in private sector organization.

**TABLE 10: INDEPENDENT SAMPLES T-TEST FOR LIC AND BAJAJ ALLIANZ ORGANISATION'S**

Employee Involvement	Levene's Test for Equality of variance		t-test for Equality of Means		
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	1.23	0.147	-0.10	206	0.318
Equal variances not assumed			-0.10	203.81	0.317

*Source: Statistical analysis of field data*

Table 10 results of t-test between Organization's LIC and Bajaj Allianz employee involvement practices, explains there exists no statistically significant difference in the scores for Bajaj Allianz (3.17, 0.59) in terms of Levene's test for equality of variances, t-test for equality of means ( $t = -0.10$ ), and corresponding p value ( $p = 0.147$ ).

## CONCLUSION

The results show that staffing practices in sample organizations, the employees are chosen because of traditional knowledge, skills, and ability to suit the job of the organizations. The individual who are hired, over the time, individuals in cognitive misfit may be less motivated and experience work-related stress and job satisfaction compared to fit for the purpose. The fit employees with the values that exist within the workplace are considered for selection and this selection helpful to organization in providing better service to the customers as they stay with the organizations (Schneider & Smith, 2004). There is no significant difference between two sample organisations training and development practices, and indicates irrespective of the sector every organisation are investing better for skill development and providing career opportunities for their employees. The result of significant difference in performance appraisal practices in sample organizations, reveals the employees in public sector organization feel ease compared to private sector organizations in terms of reaching the goals. Compensation and benefits and Employee involvement scores indicates there is slight difference in mean scores and no significant difference between public and private sector organizations. The results indicate irrespective of the sector every organization putting good efforts for the results.

The findings of the study explain that it is crucial for organizations to focus on HR practices, as they affect effectiveness of an organization. HR practices directly affect the employees' and results in positive employee outcomes. As the private life insurance sector is in their teens, as a financial risk solutions provider's, they almost achieved one-third of the market from the established player withstanding internal HR challenges and external environment challenges. The study provides valuable information for the organizations, both in public and private sectors, that employee is crucial in providing services. Hence, it is suggested to focus more on HR practices in any organization.

## LIMITATIONS & SCOPE FOR FURTHER RESEARCH

This study focused only on HR practices of the two sample life insurance organisations, that have operations in rayalaseema region of four districts of Andhra Pradesh state. Future studies can explore in other companies of the same sector, in other regions of the country and conceptually HR practices is studies by linking the employee attitudes, behaviours and organizational performance.

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# ORGANISATIONAL CONFLICT AND MOST PREFERRED CONFLICT MANAGEMENT STYLES (A RESEARCH STUDY CONDUCTED AT NTPC, PATNA)

**KIRTI**  
**JUNIOR RESEARCH FELLOW**  
**DEPARTMENT OF APPLIED ECONOMICS & COMMERCE**  
**PATNA UNIVERSITY**

## ABSTRACT

*Conflicts are inevitable; indeed they are everyday phenomenon not only in each organisation but in every individual's work life. In this era of 'Emotional Intelligence' understanding the existence and importance of conflict is vital. The management of organisational conflict involves the diagnosis of the styles (strategies) used to handle conflict arising at workplace. The aim of this study was to find out the most preferred Conflict Management Styles to effectively manage conflict and deal with conflict situations efficiently. This research contributes to the body of existing literature; specifically, it will inspire the managers to manage conflict in the organisations. A survey of 104 managers of NTPC, Patna (ER-HQ1) a Public Sector Company shows that which out of Five different 'Conflict Management Styles' are most preferred. Bar graphs and pie-charts have been used to represent the results of a 5 Point – Likert Scale based Questionnaire. Albeit, (however/even though) most out of five Conflict Management Styles. Three Styles come out to be most adopted ones by the managers and other employee; these include: integrating, dominating and compromising.*

## KEYWORDS

conflict, conflict management, substantive/functional conflict, affective/dysfunctional conflict, conflict management style.

## 1. INTRODUCTION

Conflict means different things to different people, for some it's meant war, fight, or may be trade embargos ( an official ban on trade or other commercial activity) where as for some concept of conflict may be difference of opinion, perspective or personality and it might be possible that one party may feel that they are in a conflict situation, when the other party feels that they are just discussing opposing view so when discussing about conflict a lot depends upon a person's 'take' on the existing situation. Conflict in organisation is considered healthy if there is diametrically opposed of ideas pertaining to the nature of the business and the advantage is for the improvement, but when it comes to the context of personal conflicts the organisation is faced with great predicament that requires to be managed. This research study comprises of the determination of those conflicting management styles that are mostly adopted by the employees and managers that describes the techniques of decision making styles to combat and resolve the critical situation of conflict and so to ensure the optimal level of work productivity and work performance in the organization.

## 2. RESEARCH PROBLEM STATEMENT

Conflicts may arise from the contradictory goals and interests and the results may deteriorate the organization. The need for the relevant conflict management techniques must be projected whenever there is a hint of conflict present in the workplace. In order to analyse the behaviour of employees at the Managerial level in various conflict scenarios and to seek out the most prominent behavioural outcome in the pursuit of Conflict Management; following research questions tends to seek an in depth knowledge about the research topic. Thus, the Research Problem Statement is:

1. 'What are the most preferred Conflict Management Style by the Managerial Personnel at National Thermal Power Corporation, Patna (Eastern-Region HQ1)?'
2. Is there any relationship between Gender and Conflict Management Style?
3. Is there any relationship between Managerial Level and selection of Conflict Management Style?

## 3. RESEARCH OBJECTIVES

Since, growing competency due to globalization needs continuous organizational development, and it will be sheer wastage of valued resource in terms of time spend on useless unmanaged conflict and doing so will not only lead to losing employees moral but also bring demise of the organisation. To be more precise it is important that the organization values different relationships of its people. Hence, the 'Objective' of the study is:

- To contribute to the existing literature of Conflict and Conflict Management Styles and to assess the behaviour of managers in conflict situations and help them understand various strategies to handle conflict better way.
- To find out the most significant Conflict Management Style at Managerial Level and to establish a relationship between gender, management level to that of the selection of Conflict Management Style.

## 4. RESEARCH HYPOTHESIS

### a) Part I

➤ H0:	There is no existence of common dominant conflict management style out of 'Five types of Conflict Management Styles' that is being preferred by the managers at NTPC Ltd., Patna (ER-HQ1).
➤ H1:	There is an existence of common dominant conflict management style out of 'Five types of Conflict Management Style' that is being preferred by the managers at NTPC Ltd., Patna (ER-HQ1).

### b) Part II

➤ H0:	There is no significant relationship between gender and the preferred Conflict Management Style.
➤ H1:	There is a significant relationship between gender and the preferred Conflict Management Style.

### c) Part III

➤ H0:	There is no significant relationship between management level of the employee and preferred conflict management style.
➤ H1:	There is no significant relationship between management level of the employee and preferred conflict management style.

## 5. LITERATURE REVIEW

- 1) Conflict
- a) Concept

"People tend to be very effective at managing relationships when they can understand their own emotions and can empathize with the feeling of others" (Golman, 1998)<sup>1</sup> so the need arises to understand not only ones own behaviour but also of others it is then only possible that theses rising conflicts could be dealt and managed effectively for the reason that if unhealthy conflict is allowed to creep and develop, the spin off effects can result in lasting damage to relationships as well as the organisational performance. Well managed conflict can bring enormous benefits to people and companies; in fact conflict management is one of the

biggest drivers of change. Properly managed conflict with application of the most effective conflict management styles can not only help people to be more innovative but also creates stronger bonds and effective team cohesion.

Marry Parker Follett once said "I should like to ask you to agree for the moment to think of conflict as neither good nor bad; to consider it without ethical prejudgment; to think of it not as warfare, but as the appearance of difference, difference of opinions, of interests. For that is what conflict means—difference. ... As conflict is here in the world, as we cannot avoid it, we should, I think, use it. Instead of condemning it, we should set it to work for us."<sup>2</sup>

"Conflicts are inevitable part of organisational life since the goals of different stakeholders such as managers and staffs are often incompatible."<sup>3</sup> So differences are bound to arise and leading to disagreement on various issues. Adding to these views of Jones GR, George JM (2000), Henry O (2009) suggests that "Conflict is an unpleasant fact in any organisation as long as people compete for jobs, resources, power, recognition and security. Organisational Conflict can be regarded as a dispute that occurs when interest, goals or values of different individuals or group are incompatible with each other."<sup>4</sup> Moreover, Weirich (1992) opines that "Conflict is a part of organisational life and may occur between individuals and the group, and between groups."<sup>5</sup>

But unfortunately, the term 'conflict' has only the connotation of 'bad' for many people; so much that they think principally in terms of suppression, giving little or no attention to its more positive side. Rico (1964) emphasizes this by stating that "it seems entirely likely that many, if not most, organizations need more conflict, not less."<sup>6</sup> Pondy (1992) also stated that the "absence of conflict may indicate autocracy, uniformity, stagnation, and mental fixity; the presence of conflict may be indicative of democracy, diversity, growth, and self-actualization."<sup>7</sup> And Tjosvold complements this statement by arguing that "conflict is not the opposite of cooperation but a mechanism that allows to perceive benefits of cooperative work.

Furthermore, conflict is considered psychologically and socially healthy. It is psychologically healthy because it provides a breather for frustrations and enables a feeling of participation and even of joy. And it is socially healthy because it encourages opposition to the status quo and provides conditions for social changes and democracy stemming from pluralism and respect to diversity."<sup>8</sup> Therefore, according to Butler AF (1973), "conflict is ubiquitous, not necessarily dysfunctional and can be required to defy people to perform and stimulate progress."<sup>9</sup>

#### b) Definition

According to Roloff (1987), "Organisational conflict occurs when members engage in activities that are incompatible with those of colleagues within their network, members of other collectivities, or unaffiliated individuals who utilize the services or products of organisation"<sup>10</sup>

Rahim, Broadens this definition by saying that "conceptualizing conflict as an interactive process manifested in incompatibility, disagreement, or dissonance within or between social entities (i.e. individual, group, organisation, etc.). Calling conflict an interactive process does not preclude the possibilities of intra-individual conflict, for it is known that a person often interacts with self. Obviously, one also interacts with others."<sup>11</sup>

#### 2) Conflict Management

Conflicts are part of human consciousness it exists in all aspects of life knowingly or unknowingly. We cannot avoid conflict, whether we are at home, or at work, and not to forget that even if we are alone we it might happen that we find conflict arising within ourselves over different matters of life. The consequences of organizational conflict reach further today than ever before as the interface between work and home blurs and organizations experiment with flatter and more decentralized structures. In addition, the complexity of conflict increases as organizations become more open and diverse. Conflict is inevitable and even desirable. Parker (1974) argued that "if conflicts arise and are not managed properly, it will lead to delays of work, disinterest and lack of action and in extreme cases it might lead to complete breakdown of the group. Unmanaged conflict may result in withdrawal of individuals and unwillingness on their part to participate in other groups or assist with various group action programs in the organization."<sup>12</sup>

Conflict can be managed in different ways, some focusing on interpersonal relationships and others on structural changes. Robinson (1974) *et al* advocates that "managing conflict toward constructive action is the best approach in resolving conflict in organization. When conflict arises, we need to be able to manage them properly, so that it becomes a positive force, rather than a negative force, which would threaten the individual or group."<sup>13</sup>

"To work in an organization is to be in conflict. To take advantage of joint work requires conflict management."<sup>14</sup> Tjosvold (2008). It is no wonder that conflict management is receiving increasing attention from top managers and policymakers across major corporations and non-profit organizations.

Lipsky and Seiber (2006), note that "during the past 25 years, organizations have changed their orientation towards conflict management. In particular, organizations are more inclined to adopt —a proactive, strategic approach to managing organizational conflicts". The prevalence of conflict has various implications for organizations. It has been noted that managers may spend up to 42 percent of their time dealing with conflict-related issues.

#### 3) Conflict resolution and conflict management

Conflict resolution involves the reduction, elimination, or termination of all forms and types of conflict. When people talk about conflict resolution they tend to use terms like negotiation, bargaining, mediation, or arbitration.

Businesses can benefit from appropriate types and levels of conflict. That is the aim of conflict management, and not the aim of conflict resolution. "Conflict management does not imply conflict resolution. Conflict management minimizes the negative outcomes of conflict and promotes the positive outcomes of conflict with the goal of improving learning in an organization"<sup>15</sup> (Rahim, 2002, p. 208).

"Organizational learning is important. Properly managed conflict increases learning by increasing the amount of questions asked and encourages people to challenge the status quo"<sup>16</sup> (Luthans, Rubach, & Marsnik, 1995).

#### 4) Conflict Management Styles

##### Models of Conflict Management

There have been many styles of conflict management behavior that have been researched in the past century. One of the earliest, Mary Parker Follett (1926/1940)<sup>17</sup> found that conflict was managed by individuals in three main ways: domination, compromise, and integration. She also found other ways of handling conflict that were employed by organizations, such as avoidance and suppression.

Blake and Mouton (1964)<sup>18</sup> were among the first to present a conceptual scheme for classifying the modes (styles) for handling interpersonal conflicts into five types: forcing, withdrawing, smoothing, compromising, and problem solving.

According to Robert, and James (1969) "Avoidance of the situation that causes the conflict is an example of an interpersonal approach. Another way of coping with conflict is through *smoothing*, emphasizing the areas of agreement and common goals and de-emphasizing disagreements. A third way according to him is *forcing*, pushing one's own view on others; this, of course, will cause overt or covert resistance."<sup>19</sup>

In the 1970s and 1980s, researchers began using the intentions of the parties involved to classify the styles of conflict management that they would include in their models. Both Thomas (1976)<sup>20</sup> and Pruitt (1983)<sup>21</sup> put forth a model based on the concerns of the parties involved in the conflict. The combination of the parties concerns for their own interests (i.e. assertiveness) and their concern for the interests of those across the table (i.e. cooperativeness) would yield a particular conflict management style. Pruitt called these styles yielding (low assertiveness/high cooperativeness), problem solving (high assertiveness/high cooperativeness), inaction (low assertiveness/low cooperativeness), and contending (high assertiveness/low cooperativeness). Pruitt argues that problem-solving is the preferred method when seeking mutually beneficial options.

Khun and Poole's Model: Khun and Poole (2000)<sup>22</sup> established a similar system of group conflict management. In their system, they split Kozan's confrontational model into two sub models: distributive and integrative.

- Distributive - Here conflict is approached as a distribution of a fixed amount of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions.
- Integrative - Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This model has a heavier emphasis on compromise than the distributive model. Khun and Poole found that the integrative model resulted in consistently better task related outcomes than those using the distributive model.

DeChurch and Marks's Meta-Taxonomy: DeChurch and Marks (2001)<sup>23</sup> examined the literature available on conflict management at the time and established what they claimed was a "meta-taxonomy" that encompasses all other models. They argued that all other styles have inherent in them into two dimensions - activeness ("the extent to which conflict behaviors make a responsive and direct rather than inert and indirect impression") and agreeableness ("the extent to which conflict

behaviors make a pleasant and relaxed rather than unpleasant and strainful impression"). High activeness is characterized by openly discussing differences of opinion while fully going after their own interest. High agreeableness is characterized by attempting to satisfy all parties involved. In the study they conducted to validate this division, activeness did not have a significant effect on the effectiveness of conflict resolution, but the agreeableness of the conflict management style, whatever it was, did in fact have a positive impact on how groups felt about the way the conflict was managed, regardless of the outcome. Conflict management 4

Rahim's meta model: Rahim (2002)<sup>24</sup> noted that there is agreement among management scholars that there is no one best approach to how to make decisions, lead or manage conflict. In a similar vein, rather than creating a very specific model of conflict management, Rahim created a meta-model (in much the same way that DeChurch and Marks, 2001, created a meta-taxonomy) for conflict styles based on two dimensions, concern for self and concern for others. Within this framework are five management approaches: integrating, obliging, dominating, avoiding, and compromising. Integration involves openness, exchanging information, looking for alternatives, and examining differences so solve the problem in a manner that is acceptable to both parties. Obliging is associated with attempting to minimize the differences and highlight the commonalities to satisfy the concern of the other party. When using the dominating style one party goes all out to win his or her objective and, as a result, often ignores the needs and expectations of the other party. When avoiding a party fails to satisfy his or her own concern as well as the concern of the other party. Lastly, compromising involves give-and-take whereby both parties give up something to make a mutually acceptable decision. (Rahim, 2002).

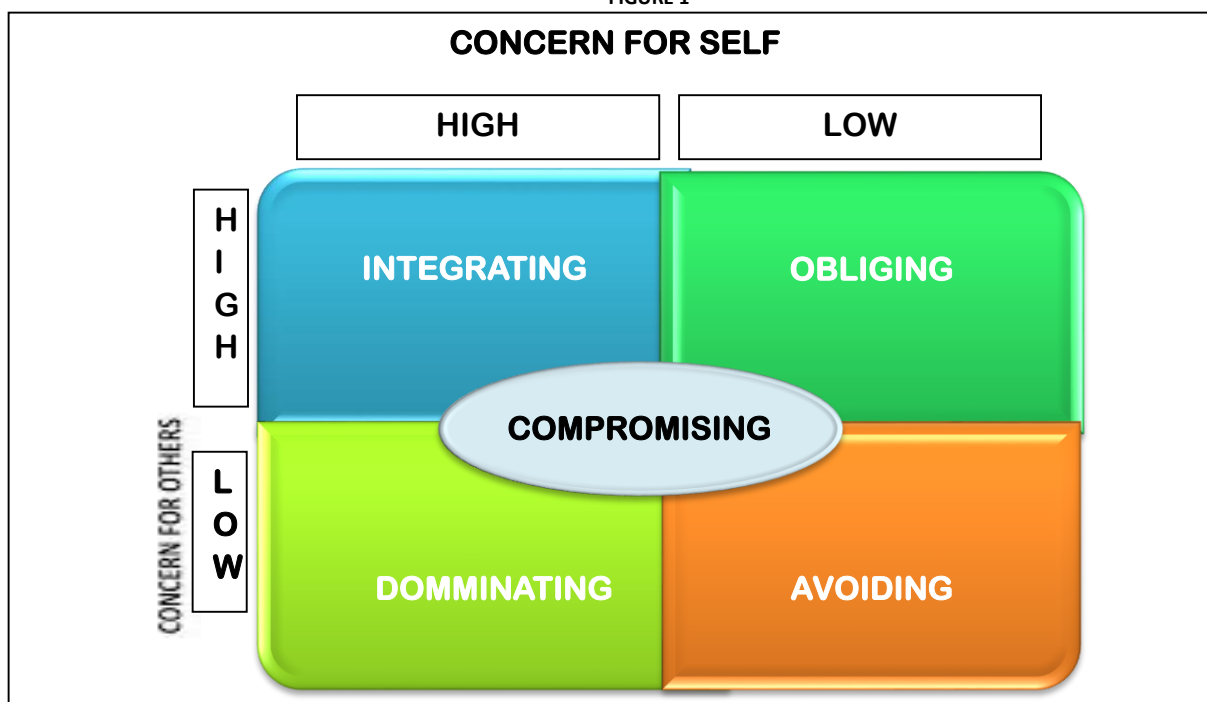
## 6. RESEARCH DESIGN/ MODEL

This research paper is based on the 'Five Styles of Handling Interpersonal Conflict' model being developed by Rahim and Bonoma (1979, this model differentiated the styles of handling conflict on two basic dimensions:

- Concern for self: the degree (high or low) to which a person attempts to satisfy his or her own concern
- Concern for others: the degree explains the degree (high or low) to which a person attempts to satisfy the concern for others.

The motivational orientation of a given individual during conflict has been portrayed by these two dimensions, which is not only been accepted but also supported by the studies conducted by Ruble and Thomas (1976) along with Van de Vliert and Kabanoff (1990). Results of the combination of these two dimensions come out in specific 'Five Styles of Handling Interpersonal Conflict'. As shown in figure (1), being taken from Rahim and Bonoma, (1979, p. 1327)<sup>25</sup>

FIGURE 1



- **Dominance** - it occurs when the cooperation is extremely low, and the persistence in satisfying of personal interests high. By this strategy conflict is resolved in a way to satisfy the needs of one party damaging the other party involved in the conflict.
- **Integration** - cooperation is high, as well as the persistence in satisfying of one's own needs, so there is to be sought for the appropriate solution for all parties involved in the conflict.
- **Compromise** - there is an equal wish for medium level of cooperation and persistence in satisfying of one's personal needs, so the conflict is resolved so that each party involved in conflict gives up the part of the value.
- **Avoiding** - when the cooperation as well as persistence in satisfying of one's personal needs is very low. In that case the conflict resolution will be solved by withdrawal or repression of conflict.
- **Cooperativeness/ obliging** - the readiness for cooperation is extremely high, and the conflict is resolved by putting the other party's interests before its own.
- It is stated that different people employ distinct strategies for managing conflicts. Such strategies are learned, usually in childhood, and seem to function automatically. Sometimes individuals are not aware at the time of how they must act in conflict situations. They usually do whatever seems to come naturally. Individuals do have a personal strategy; and because it was learned, they can always change it by learning new and more effective ways of managing conflicts. Whenever one becomes engaged in a conflict, there are two major concerns one has to take into consideration:
  - Concern for Self/Achieving the personal goals - one is involved in a conflict because he/she has a goal that conflicts with another person's goal. His/her goal may be highly important to him/her, or it may be of little importance.
  - Concern for others/ maintaining good relationship with the other person - one may require to be able to interact effectively with the other person in the future. The relationship may be very important to the individual, or it may be of little importance. The importance of these two areas will influence the ways in which one act in any given conflict.

## 7. DATA ANALYSIS, HYPOTHESIS TESTING, RESULTS, AND DISCUSSION

**Hypothesis Testing: Modified hypothesis to get the better results**

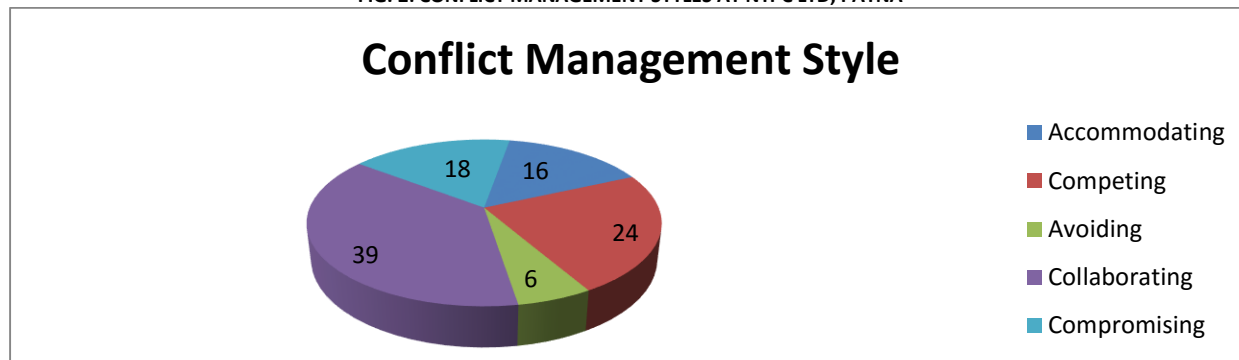
### Part-I

The basic research was aimed at finding if there is a dominant strategy followed by employees of NTPC Ltd. Patna (ER-HQ-1) to tackle conflict situation. To test this we had formulated the following hypothesis:

➤ <b>H<sub>0</sub>:</b>	There is no existence of common dominant conflict management style out of the "Five Types" of conflict management style <sup>28</sup> .
➤ <b>H<sub>1</sub>:</b>	There is an existence of common dominant conflict management style out of the "Five Types" of conflict management style.

On finding the frequency distribution we got the following pie chart:

FIG. 2: CONFLICT MANAGEMENT STYLES AT NTPC LTD, PATNA



This chart indicates that Compromising is the most preferred approach amongst the respondents whereas Accommodating is the least. But we cannot conclude statistically on the frequency distribution. To conclude statistically we will need to carry out hypothesis testing.

When we started hypothesis testing we modified the Null and Alternate hypothesis to suit the data at hand. The modified hypothesis became:

➤ <b>H<sub>0</sub>:</b>	The proportion of Collaborating, Accommodating, Competing, Avoiding and Compromising is 20% each.
➤ <b>H<sub>a</sub>:</b>	At least one of the proportions in the null hypothesis is false.

We used Chi-Square goodness of fit because the following conditions are being met:

- The variable under study is categorical.
- The expected value of the number of sample observations in each level of the variable is at least 5.

Using sample data, we conducted a Chi-Square goodness of fit test of the null hypothesis using SPSS. The output of SPSS is pasted below:

TABLE 1: SPSS OUTPUT OF THE HYPOTHESIS TESTING-OVERALL

Management Style	Observed N	Expected N	Residual
Accommodating	16	20.6	-4.6
Competing	24	20.6	3.4
Avoiding	6	20.6	-14.6
Collaborating	39	20.6	18.4
Compromising	18	20.6	-2.6
Total	103		

Test Statistics	
	Mgmt. Style
Chi-Square(a)	28.699
df	4
Asymp. Sig.	.000

*a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.6.*

We can see that  $\chi^2$  is coming out to be 28.699. Since there are 5 levels in the variable, the degree of freedom is 4 (5-1). Hence when we look at critical value of Chi-Square at 95% Confidence Level and degree of freedom = 4, we get  $\chi^2_{critical} = 9.488$ <sup>28</sup>. Therefore, we have  $\chi^2 > \chi^2_{critical}$ .

Hence, from the above result we come to the following conclusion:

**"There are enough evidences to reject the Null hypothesis, hence we conclude that there is a dominant conflict management style at NTPC, Ltd. Patna (HQ-ER-1). The dominant style is collaborating followed by competing"**

#### Part-II

The basic research was aimed at finding if there is a dominant strategy followed based on gender of employees of NTPC Ltd. Patna (ER-HQ-1) to tackle conflict situation.

To test this we had formulated the following hypothesis:

➤ <b>H<sub>0</sub>:</b>	There is no significant relationship between gender and the preferred Conflict Management Style.
➤ <b>H<sub>a</sub>:</b>	There is a significant relationship between gender and the preferred Conflict Management Style.

On finding the frequency distribution we got the following pie charts:

<sup>28</sup> Refer the Appendix for the Chi-Square Test Critical Values.

FIG. 3: CONFLICT MANAGEMENT STYLES OF FEMALE EMPLOYEES AT NTPC LTD, PATNA

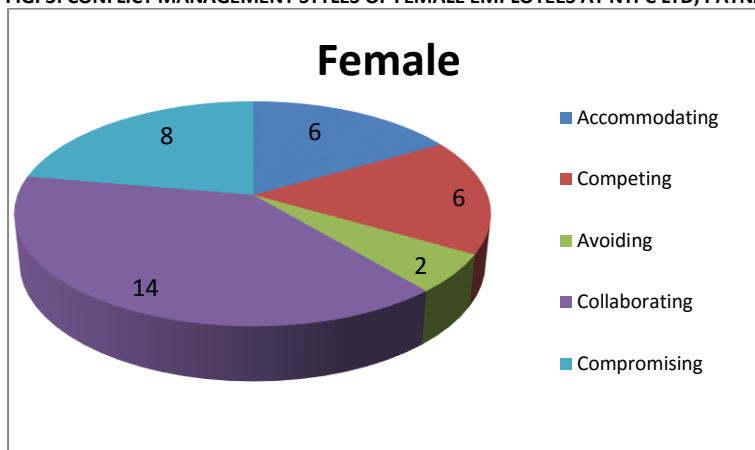
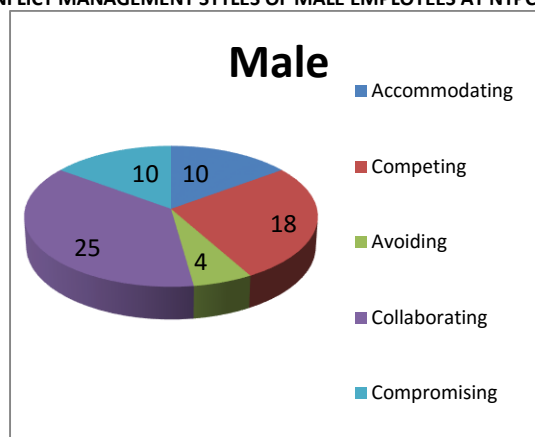


FIG. 4: CONFLICT MANAGEMENT STYLES OF MALE EMPLOYEES AT NTPC LTD, PATNA



When we started hypothesis testing we modified the Null and Alternate hypothesis to suit the data at hand. The modified hypothesis became:

➤ <b>H<sub>0</sub>:</b>	For Female Employees the proportion of Collaborating, Accommodating, Competing, Avoiding and Compromising is 20% each.
➤ <b>H<sub>a</sub>:</b>	For Female Employees at least one of the proportions in the null hypothesis is false.

Similar hypothesis was formulated for the Male Employees as well.

We conducted a Chi-Square goodness of fit test of the null hypothesis using SPSS. The output of SPSS is pasted below:

### FEMALES

Management Style	Observed N	Expected N	Residual
Accommodating	6	7.2	-1.2
Competing	6	7.2	-1.2
Avoiding	2	7.2	-5.2
Collaborating	14	7.2	6.8
Compromising	8	7.2	0.8
Total	36		

### Test Statistics(b)

	Coded Mgmt Style
Chi-Square(a)	10.667
df	4
Asymp. Sig.	.031

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.2.

### MALES

Management Style	Observed N	Expected N	Residual
Accommodating	10	13.4	-3.4
Competing	18	13.4	4.6
Avoiding	4	13.4	-9.4
Collaborating	25	13.4	11.6
Compromising	10	13.4	-3.4
Total	67		

### Test Statistics(b)

	Coded Mgmt Style
Chi-Square(a)	19.940
df	4
Asymp. Sig.	.001

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 13.4.

We can see that  $X^2$  is coming out to be 10.667 for females and 19.940 for males. Since there are 5 levels in the variable, the degree of freedom is 4 (5-1). Hence when we look at critical value of Chi-Square at 95% Confidence Level and degree of freedom = 4, we get  $X_{critical} = 9.488^{29}$ . Therefore we have  $X^2_{female} > X_{critical}$  and  $X^2_{male} > X_{critical}$ .

Hence, from the above result we come to the following conclusion:

**“There are enough evidences to reject the Null hypothesis; hence we conclude that there is significant relationship between gender and the preferred Conflict Management Style at NTPC, Ltd. Patna (HQ-ER-1). While collaborating is preferred the most by both categories, competing is more preferred amongst males where as compromising amongst females”**

### Part-III

The basic research was aimed at finding if there is a dominant strategy followed based on level of designation of employees of NTPC Ltd. Patna (ER-HQ-1) to tackle conflict situation.

To test this we had formulated the following hypothesis:

➤ <b>H<sub>0</sub>:</b>	There is no significant relationship between management level of the employee and preferred conflict management style.
➤ <b>H<sub>1</sub>:</b>	There is a significant relationship between management level of the employee and preferred conflict management style.

On finding the frequency distribution we got the following bar charts:

FIG. 5: CONFLICT MANAGEMENT STYLES OF TOP LEVEL EMPLOYEES AT NTPC LTD, PATNA

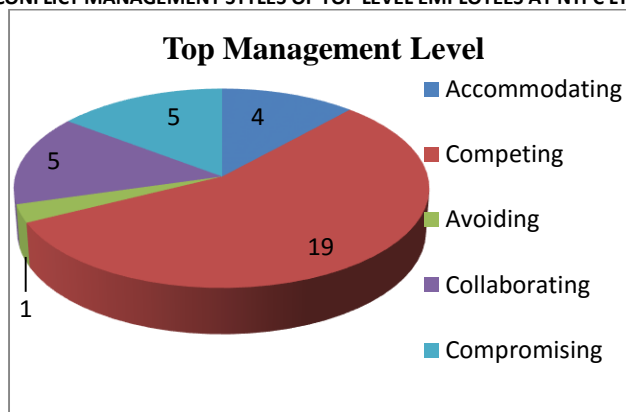


FIG. 6: CONFLICT MANAGEMENT STYLES OF MIDDLE LEVEL EMPLOYEES AT NTPC LTD, PATNA

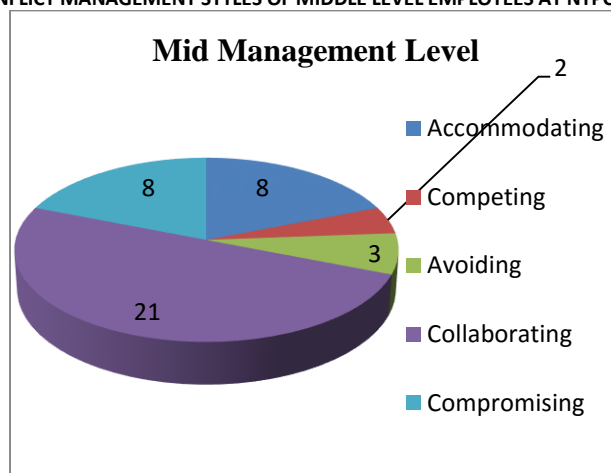
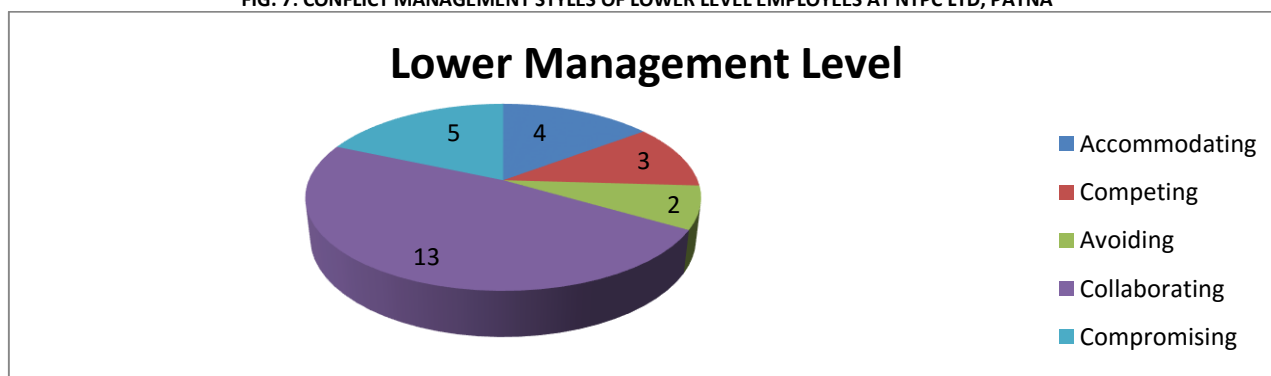


FIG. 7: CONFLICT MANAGEMENT STYLES OF LOWER LEVEL EMPLOYEES AT NTPC LTD, PATNA



When we started hypothesis testing we modified the Null and Alternate hypothesis to suit the data at hand. The modified hypothesis became:

➤ <b>H<sub>0</sub>:</b>	For Top Level Employees the proportion of Collaborating, Accommodating, Competing, Avoiding and Compromising is 20% each.
➤ <b>H<sub>1</sub>:</b>	For Top Level Employees at least one of the proportions in the null hypothesis is false.

<sup>29</sup> Refer the Appendix for the Chi-Square Test Critical Values.

Similar hypothesis was formulated for the Mid Level and Lower Level Employees as well. We conducted a Chi-Square goodness of fit test of the null hypothesis using SPSS. The output of SPSS is given below:

Top Management Level			
Management Style	Observed N	Expected N	Residual
Accommodating	4	6.8	-2.8
Competing	19	6.8	12.2
Avoiding	1	6.8	-5.8
Collaborating	5	6.8	-1.8
Compromising	5	6.8	-1.8
Total	34		

## Test Statistics(b)

	Coded Management Style
Chi-Square(a)	28.941
df	4
Asymp. Sig.	.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.8.

b LEVEL = Top

Mid Management Level			
Management Style	Observed N	Expected N	Residual
Accommodating	8	8.4	-0.4
Competing	2	8.4	-6.4
Avoiding	3	8.4	-5.4
Collaborating	21	8.4	12.6
Compromising	8	8.4	-0.4
Total	42		

## Test Statistics(b)

	Coded Management Style
Chi-Square(a)	27.286
df	4
Asymp. Sig.	.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.4.

b LEVEL = Middle

Lower Management Level			
Management Style	Observed N	Expected N	Residual
Accommodating	4	5.4	-1.4
Competing	3	5.4	-2.4
Avoiding	2	5.4	-3.4
Collaborating	13	5.4	7.6
Compromising	5	5.4	-0.4
Total	27		

## Test Statistics(b)

	Coded Management Style
Chi-Square(a)	14.296
df	4
Asymp. Sig.	.006

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 5.4.

b LEVEL = Low

Since there are 5 levels in the variable, the degree of freedom is 4 (5-1). Hence when we look at critical value of Chi-Square at 95% Confidence Level and degree of freedom = 4, we get  $X_{critical} = 9.488^{30}$ . Therefore we have  $X^2 > X_{critical}$  for all the designation of employees. Hence, from the above result we come to the following conclusion:

"There are enough evidences to reject the Null hypothesis, hence we conclude that there is relationship between designation and conflict management style at NTPC, Ltd. Patna (HQ-ER-1). While collaborating is preferred by the Middle and Lower Level employees, competing is the most preferred method across top management".

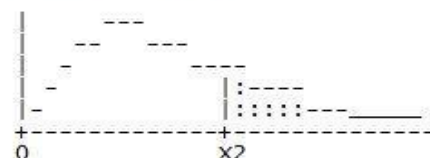
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<sup>30</sup> Refer the Appendix for the Chi-Square Test Critical Values.

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## APPENDIX

VALUES OF CHI-SQUARE (ALPHA) OF THE CHI-SQUARE DISTRIBUTION  
(CHI-SQUARE TABLE)


DF	x2(.995)	x2(.99)	x2(.975)	x2(.95)	x2(.05)	x2(.025)	x2(.01)	x2(.005)
1	0.000	0.000	0.001	0.004	3.841	5.024	6.635	7.879
2	0.010	0.020	0.051	0.103	5.991	7.378	9.210	10.597
3	0.072	0.115	0.216	0.352	7.815	9.348	11.345	12.838
4	0.207	0.297	0.484	0.711	9.488	11.143	13.277	14.860
5	0.412	0.554	0.831	1.145	11.071	12.833	15.086	16.750
6	0.676	0.872	1.237	1.635	12.592	14.449	16.812	18.548
7	0.989	1.239	1.690	2.167	14.067	16.013	18.475	20.278
8	1.344	1.646	2.180	2.733	15.507	17.535	20.090	21.955
9	1.735	2.088	2.700	3.325	16.919	19.023	21.666	23.589
10	2.156	2.558	3.247	3.940	18.307	20.483	23.209	25.188
11	2.603	3.053	3.816	4.575	19.675	21.920	24.725	26.757
12	3.074	3.571	4.404	5.226	21.026	23.337	26.217	28.300
13	3.565	4.107	5.009	5.892	22.362	24.736	27.688	29.819
14	4.075	4.660	5.629	6.571	23.685	26.119	29.141	31.319
15	4.601	5.229	6.262	7.261	24.996	27.488	30.578	32.801
16	5.142	5.812	6.908	7.962	26.296	28.845	32.000	34.267
17	5.697	6.408	7.564	8.672	27.587	30.191	33.409	35.718
18	6.265	7.015	8.231	9.390	28.869	31.526	34.805	37.156
19	6.844	7.633	8.907	10.117	30.144	32.852	36.191	38.582
20	7.434	8.260	9.591	10.851	31.410	34.170	37.566	39.997
21	8.034	8.897	10.283	11.591	32.671	35.479	38.932	41.401
22	8.643	9.542	10.982	12.338	33.924	36.781	40.289	42.796
23	9.260	10.196	11.689	13.091	35.172	38.076	41.638	44.181
24	9.886	10.856	12.401	13.848	36.415	39.364	42.980	45.559
25	10.520	11.524	13.120	14.611	37.652	40.646	44.314	46.928
26	11.160	12.198	13.844	15.379	38.885	41.923	45.642	48.290
27	11.808	12.879	14.573	16.151	40.113	43.195	46.963	49.645
28	12.461	13.565	15.308	16.928	41.337	44.461	48.278	50.993
29	13.121	14.256	16.047	17.708	42.557	45.722	49.588	52.336
30	13.787	14.953	16.791	18.493	43.773	46.979	50.892	53.672
31	14.458	15.655	17.539	19.281	44.985	48.232	52.191	55.003
32	15.134	16.362	18.291	20.072	46.194	49.480	53.486	56.328
33	15.815	17.074	19.047	20.867	47.400	50.725	54.776	57.648
34	16.501	17.789	19.806	21.664	48.602	51.966	56.061	58.964
35	17.192	18.509	20.569	22.465	49.802	53.203	57.342	60.275
40	20.707	22.164	24.433	26.509	55.758	59.342	63.691	66.766
50	27.991	29.707	32.357	34.764	67.505	71.420	76.154	79.490
60	35.534	37.485	40.482	43.188	79.082	83.298	88.379	91.952
70	43.275	45.442	48.758	51.739	90.531	95.023	100.425	104.215
80	51.172	53.540	57.153	60.391	101.879	106.629	112.329	116.321
90	59.196	61.754	65.647	69.126	113.145	118.136	124.116	128.299
100	67.328	70.065	74.222	77.929	124.342	129.561	135.807	140.169
110	75.550	78.458	82.867	86.792	135.480	140.917	147.414	151.948
120	83.852	86.923	91.573	95.705	146.567	152.211	158.950	163.648

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