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**TO EVALUATE THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL LEARNING**

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**ABSTRACT**

*The transformational leadership approach addresses the research on how the transformational leadership behaviors affects the learner's result of cognitive learning, enthusiastic learning and learner's sense of leader trustworthiness and communication satisfaction. A layout of the philosophy, including examining strategies, instrumentation and data aggregation methodology were presented, along with the systems used for data examination. Many straight relapses were used to break down the organizations among the characterized variables. In order to determine learner outcomes on transformational leadership practices MLQ was used. The questionnaire was sent electronically to 125 employees of selected organizations in Hyderabad City, India. The hypothesis was evaluated using SPSS. Finding of this study revealed that transformational leadership behaviors (idealized impact, intellectual incitement and Attributed charisma) are more gigantic pointers of individual learning outcomes like cognitive learning, communication satisfaction and learning sense of leader trustworthiness in instruction setting.*

**KEYWORDS**

transformational leadership, organizational learning, leadership behavior.

**INTRODUCTION**

**T**ransformational leadership focuses on the relationship between transformational initiatives and influence on its followers. Transformational learning is part of transformational practices outcome, which is diverse in nature and can help organizations increase the learning and productivity of the employees. This research will investigate on certain variables of transformational in addition to value-based management, which fundamentally influence authoritative learning. Organizational learning is a societal occurrence where learning relies on the information communicated by the leaders in an organization (Figueiredo, 2003). The social collaboration encourages the communication and coordination, as well as learning. The importance, the comprehension and the learning are characterized by setting, adapted through the identification within the organization, which is more effective than attempting to "lead" the people in utilizing the incentives. Ganapathy & Kumar (2000) are of opinion that there exists a three level learning in an organization. Initially it starts with primary level termed as individual level where learning involves development of particular individual skills relevant to organization and individual. Secondly at the group level learning and guidance for future is involved for individuals, familiarizing by sharing common experiences and finally, authoritative level where development of support systems are used in order to increase learning which can be either informal or formal. In an organization set up, Employees need chances to convey and learn from surroundings (Saint-Onge & Armstrong, 2004). With a specific end goal to influence knowledge-based resources through firms, the firm's should take initiative for organizational learning as a whole (Tetrick & Da Silva, 2003). Therefore, Analysis of literature on organizational learning will uncover the relationship between different variables of firms and their approach to individual learning outcomes at the different level of organization that exists in a firm.

**OVERVIEW - TRANSFORMATIONAL LEADERSHIP**

In 1978, James Macgregor Burns presented the idea of transformational leadership. As indicated by Burns, transformational leadership can be seen when "leaders and supporters make one another to progress to a more elevated level of moral and inspiration." Through the power of their vision and identity, transformational leaders have the capacity to motivate followers and to change desires, discernments and inspirations to work towards basic objectives. Later, investigator Bernard M. Bass in 1985 elaborated on the Burns unique thoughts that are eluded today as Bass Transformational Leadership Theory. As indicated by Bass, transformational leadership can be characterized to focus and can have direct effect on supporters. They also gather trust, appreciation and reverence from their supporters.

**BEHAVIORS OF A TRANSFORMATIONAL LEADERSHIP****IDEALIZED IMPACT**

Khan et al. (2009) proposed that idealized influence is positively related to Individual Learning. Leaders representing idealized influence act as role models; they are respected by the followers and trusted to make good decisions for the organization. They show loyalty to important principles and values and pay more attention to follower's needs rather than their own needs (Jung et al., 2008; Oke et al., 2009). Leaders with a great deal of idealized influence talk about their most important values and beliefs and specify the importance of having a strong sense of purpose. They consider the moral and ethical consequences of decisions and emphasize the importance of having collective sense of mission. When leader exhibits idealized influence, students look at such leaders as role models and try to imitate in order to reach their goals (Oke et al., 2009). The transformational leader serves as a good example for supporters. Since supporters trust and admire the leader, they copy this individual and disguise his or her standards.

**INTELLECTUAL INCITEMENT**

Jung et al. (2008) suggested when a transformational leader provides intellectual stimulation; he/she can simplify innovative and unconventional way of thinking and working processes that lead to new technology and knowledge, which is essential to learning process. Previous study by Khan et al. (2009) also revealed that intellectual stimulation has a positive and significant correlation with Individual Learning. Finding of this research shows that students are more probable to be engaged in learning ideas rather than inhibiting them, likewise, transformational leaders are most likely to heighten Learning and creativity through the application of intellectual stimulation. Furthermore, Study by Jong and Hartog (2007) revealed that students with the perception of intellectual stimulation from their educator's behavior may voice their ideas and have more innovative efforts. Considering deep meaning of intellectual stimulation, it can play an important role in stimulating learning individually and at the university level. Transformational leaders not only express the supporters to test the business but also encourage inventiveness among supporters. The leader urges supporters to investigate better approaches for doing things and new chances to learn.

**ATTRIBUTED CHARISMA**

Leaders with attributed charisma create trust, respect and admiration and followers wish to stimulate them. They instill pride in followers associated with them, go beyond self-interest for the good of the group, act in a way that build respect and displays a sense of power and confidence. Perceived leaders' charisma by followers promotes a sense of commitment and identity, and encourages Learning (Paulsen, Maldonado, Callan, & Ayoko, 2009). Charisma elements of transformational leadership produce change in groups and educational institutions. Change is a core element in the concept of transforming leaders (Burns, 1978) and notion of charisma (Weber, 1947). Leaders with attributed charisma are known as risk takers and creative leaders with a strong need for change (Bass & Riggio, 2006). Students perception of attributed charisma influences Learning through inspiring followers to engage in learning behaviors by intrinsically motivating them to look for new solutions and approaches for the benefit of the group and educational institution. In addition, attributed charisma promotes learning needs by increase the chances of more cooperative team behaviors (Paulsen et al., 2009). In line with this, they play an important role in fostering follower's creativity and Individual Learning (Jung et al., 2003).

**INSTRUCTOR TRANSFORMATIONAL LEADERSHIP AND LEARNERS OUTCOMES**

Bolkan & Goodboy, (2009), Politis (2004) and Griffith (2004) focused on studies calculating learner's transformational leadership behavior and its impact on learners. Results showed that understudy inspiration, learning, information management and learners assessments of leader validity corresponded with transformational leaders who show inspiration, support, charm, guiding and intelligent incitement. Harvey et al. (2003) analyzed the impact of transformational leadership practices on supporters and discovered that transformational leadership behaviors such as intellectual incitement and its appeal is essential learner for supporter's appreciation of their leader, trust in a leader and fulfillment with a leader. Similarly, savvy incitement, individualized thought are the vital indicators of learner's influence. The impact of transformational leadership at understudy level through shows elevated amounts of understudy engagement due to leaders behavior of rousing inspiration and leading incitement (Leithwood & Jantzi, 2000 and Kuchinke, 1999).

Research done by Walumbwa et al., (2004) shows that leader's ability to view leadership viability, apply additional exertion and their general fulfillment with the learner are connected with leader transformational leadership behaviors, for example erudite incitement and individualized thought. Likewise, Pounder (2008) analyzed leader leadership in an organizations culture and discovered significant connections between leader transformational leadership behaviors, particularly scholarly incitement, and persuasive inspiration, and additional exertion from understudies, expanded understudy fulfillment, and expanded understudy view of leader adequacy. Additionally, Hoehl (2008) found that leader romanticized impact and individualized thought are noteworthy leaders of understudy results of emotional learning, the study assessments of learner validity, and learner inspiration. Correspondingly, the consequences of Bolkan and Good boy's study showed an in number connection between leader appeal, savvy incitement, and uplifting inspiration and communication fulfillment.

**PRACTICES OF A TRANSFORMATIONAL LEADERSHIP**

Yuen and Cheng (2000) and Doyle & Ponders (1997) have revealed certain management practices that is imperative for fruitful transformational leadership behavior. Yuen and Cheng (2000) characterized such behaviors as social supporting rousing, and empowering. Leader should build a dream by giving enthusiasm and social supporting. Yuen & Cheng further said that leader can cultivate a encouraging help systems, learning society, taking care of clashes, empowerment, abilities to improve information by advertising scholarly incitement. Such Transformational behaviors have found to build supporters fulfillment and inspiration in an organizational culture. These behaviors also increase learner emotional, motivational and cognitive results in organizational culture (Hardy et al., (2010), Gooty, et al (2009), Hoehl (2008). Research done by Mulford and Silins (2003) shows that transformational leadership practice will increase learning if a leader gives good help and demonstrate thankfulness for the work exhibited by individual learners or employees and considers their assumption. Moreover, a learner that follow transformational leader behavior sets a sensible tone for cooperation with leaders, shows readiness to modification in light of new considerations and creates an organizations culture that advances participative choice making and designation. Mulford and Silins further express that transformational leader work to granting organizations needs and goals to learners attempting and to give an inclination of general reasons.

**TRANSFORMATIONAL LEADERSHIP AND LEARNER RESULTS**

Significant impact of transformational leadership is established through learner's degree by implementing measures of learner engagement in light of leader behavior of elevating motivation and leading. (Leithwood and Jantzi, (2000), Kuchinke (1999)). Researchers studied the impact of transformational behaviors on organization culture on learner outcomes and found that transformational leadership behaviors like Attributed charisma and appeal are the critical pointers of learner insightful and respecting leader, satisfaction with the leader and trust in leaders. Moreover, individualized consideration and organization culture are the vital pointers of learner's incorporation (Harvey et al.2003). Politis (2004) and Griffith (2004) both researched and analyzed finding related to leader transformational organization practices and learner results. And results showed that learner success, brimming with feeling learning, motivation, data organization and learner appraisals of leader legitimacy are unequivocally compared with transformational leader who show bolster, motivation, sharpening, learned instigation and allure. Besides, learner availability to smear extra effort, their general satisfaction and their perspective of leader reasonability are related to transformational leadership behaviors like idealized impact, intellectual incitement and attributed charisma. Pounder (2008) in like manner investigated learner activity in an organizational setting and found positive relationship between organizations and leader transformational initiative practices especially attraction, intelligent induction, powerful motivation, extra effort from learners, extended learner satisfaction and extended learner impression of leader sufficiency. Moreover, Hoehl (2008) found that leader appreciated effect and individualized believed are discriminating pointers of learner aftereffects of passionate.

**LITERATURE REVIEW****TRANSFORMATIONAL LEADERSHIP IN ORGANIZATION**

Transformational Leadership studies have state the reference that leader adopt a transformational style of leading as it is beneficial and its implications for instruction and learner learning results (Griffith, 2004; Goodboy & Myers, 2008; Bolkan & Goodboy, 2009; Goodboy, Martin, & Bolkan, 2009;Harvey et al., 2003; Hoehl, 2008; Walumbwa et al., 2004; Politis, 2004; Pounder, 2008). The outcomes of transformational learning results are not limited to learner. Transformational leadership direction is significantly related to with more levels of employee's job satisfaction, lesser employee's turnover rates, higher employees commitment to organizations change and reform, and empowerment of employee (Griffith, 2004;Leithwood & Jantzi, 2000; Jason, 2000;). As said by Adams and Hambricht (2005) in present organizations culture it is essential to cultivate learning environment in organizations based on transformational leadership practices. Based on previous review there is a significant relationship between behaviors of transformational leadership in increased affective learning, leading yields employee motivation, and learner perceptions of leader credibility (Hoehl).

Results from studies doing research on transformational leadership and organizational culture learning make it clear that transformational leadership has its associating in increasing learning in the organizations (Conger, 1999; Banerji & Krishnan, 2000; Goodwin et at 2001; Bartlett et al., 2001; Ravlin & Meglino, 1989; Hackman & Johnson, 2004). Moreover, bunch of researchers have ongoing research to explore the significance between leader transformational leadership behavior and learning results (Leithwood & Jantzi, 2006; Hoehl, 2008; Blokan & Goodboy, 2009; Pounder, 2003). This research gives an overview by inspecting the connection between leader transformational leadership behavior and learner's outcome regarding emotional learning, cognitive learning, communication fulfillment and view of learner validity.

**THEORETICAL UNDERPINNINGS**

Transformational leadership theory and social learning theory see how leadership behavior influences learner's emotional learning, cognitive learning impression of leader believability, and communication fulfillment. The theoretical explanation supporting the future examination outline is taking into account transformational leadership behavior investigate the relationship between transformational leadership behaviors like individualized consideration, attributed charisma, idealized influence and learners results (Hoyt & Blascovich, 2003; Eom, 2009; Ruggieri, 2009, Purvanova & Bono, 2009). These variables have been observationally tried in instructive settings and connected to positive outcomes (Bolkan & Goodboy, 2009; Goodboy & Myers, 2008; Hoehl, 2008; Pounder, 2008; Walumbwa et al., 2004). Kolb (1984), said that learning is the strategy whereby data results from the blend of understanding and changing foundation set that learning is the strategy whereby data results from the blend of understanding and changing foundation. Bandura's (1977) social learning theory expresses that individuals can learn by watching the behaviors of others. Most human conduct is found out observationally through demonstrating. Through watching others, one structures a

thought of how new behaviors are performed, and on later events this data serves as an aide for activity (Bandura). Ormrod (1999) portrayed social learning theory as a scaffold between behaviorist learning theory and cognitive learning speculations. Social learning theory incorporates inspiration, feeling, insights, social implementers, and self-re-masters.

Social learning theory binds to transformational leadership behavior as inspiration (glorified impact), perception (individualized thought: coaching and drilling), and demonstrating (persuasive inspiration: displaying proper practices). Learner who see a leader as exhibiting consolation, bolster, gratefulness, magnetism, and learned incitement may exhibit additional exertion, investment, and trust in the leader (Bolkan & Goodboy, 2009).

Originating from social learning theory, which shows that employee learn through perceptions and displaying, thus prompting learner inspiration, discernment, and influence toward the topic, the expressed learner observations thus prompt increments in learner maintenance and union of material (cognitive learning). Notwithstanding increments in cognitive taking in, the expressed observations lead to increments in understudy emotions, feelings, and degrees of acknowledgement toward the topic (emotional learning); expanded impression of learner dependability, skill, and goodwill (leader validity); and increments in learner full of feeling reactions to the achievement of communications objectives and desires (communication fulfillment) (Bolkan & Goodboy, 2009). Moreover, saw leader believability is accomplished through powerful guideline taking into account learner impression of positive communications with the leader, which prompts expanded learner purpose to take future courses from leaders and expanded general evaluations of the leaders (Hoehl, 2008; Schrodt & Witt, 2006). These variables are chosen in light of the fact that they have each been connected with successful showing conduct and expanded exertion and fulfillment from the learner (Goodboy & Myers, 2008; Pounder, 2008; Walumbwa et al., 2004). Given that leaders who showcase learners thought, erudite incitement, glorified impact, and moving inspiration are seen as more compelling (Walumbwa et al.) and that leaders are more fulfilled by leadership behaviors. (Pounder, 2008), understudies ought to report expanded learning results contrasted with understudies seeing leaders as showing value-based leadership behaviors.

According Moolenaar et al., (2010) transformational initiative is decidedly connected with organizations' creative atmosphere and it inspires learners to accomplish more than they are normal regarding additional exertion and more noteworthy benefit (Day, Harris, Hadfield, Tolly & Beresford, 2000; Geijsel, Slegers, Van cave Berg & Kelchtermans, 2001; Leithwood, Harris & Hopkins, 2008), changed leader hones (Geijsel et al., 2009; Leithwood et al., 2004; Stewart, 2006), hierarchical learning (Silins, Mulford & Zarins, 2002), authoritative responsibility and additional exertion for change (Geijsel, Slegers, Leithwood & Jantzi, 2003; Nguni, Slegers & Denessen, 2006; Yu, Leithwood & Jantzi, 2002), and aggregate leader viability (Ross & Gray, 2006) in a mixed bag of worldwide settings (Bommer, Rubin & Baldwin, 2004; Geijsel et al., 2003; Leithwood, Steinbach & Jantzi, 2002; Leithwood & Jantzi, 2005; Nemanich & Keller, 2007; Rafferty & Griffin, 2004).

Transformational leadership has three fundamental functions. In the first place, transformational leaders earnestly serve the needs of others, enable them and rouse adherents to make incredible progress. Also, they alluringly lead; set a dream, ingrain trust, certainty and pride in meeting expectations with them. At last, with the erudite incitement they offer learner of the same bore as the leader (Castanheira & Costa, 2011). In this model, the organizational gets to be less bureaucratic and it works as its own changing operators. As opposed to engaging chose employee, the organizational gets to be enabled as an aggregate unit.

Wang and Howell (2010) contend that transformational leadership can be focused around the learner and gathering levels. In the first example, the point is to enable people to "build up their maximum capacity, improve their capacities and abilities and enhance their feasibility toward oneself and respect toward oneself." The impact of the leaders is reinforced by their enthusiasm for the supporters as people. Transformational leaders endeavor to comprehend learners' capacities, aptitudes, and needs, and offer them training and tutoring to defeat any shortcomings. At the gathering level, transformational leadership creates basic values and convictions, and moves solidarity so as to achieve bunch of objectives. In this circumstance, leaders carry on just as toward all learners from the organizations, and the last have a typical recognition about the leader's conduct.

Transformational leaders have the capacity to understandable the organization's normal reason in a manner that accentuates the social measurement of the procedure: the effect of one singular's activities on the more noteworthy gathering past the organization. The vision in this manner unmistakably accents the seriousness of the results of every activity for the organization and its leaders (Grant, 2012). In this manner, the transformational leader urges learners to receive the change transform as their-own and accordingly takes into account the fulfillment of the focused on change. To put it forcefully, the accomplishment of the transformational leaders is characterized by their capacity to offer others something that goes past speculation toward oneself: they give other "a rousing mission and vision and issue them a personality" (Geib and Swenson, 2013).

#### THE EFFECT OF TRANSACTIONAL LEADERSHIP ON ORGANISATIONAL LEARNING

Transactional Leadership can be gauged by Multifactor Leadership Questionnaire (MLQ) to analyze the complete scope of initiatives. Three types of initiative styles like value-based, transformational, and free enterprise initiative are covered by initiatives. The full-go authority model licenses perception over the whole range of practices that can be normal from learners. The transformational initiative style includes the accompanying five first-request variables: Savvy incitement, alluding to learners' activities, testing their learners' reasoning to be more inventive furthermore to discover answers for troublesome issues, with the leader going about as a mental stimulator.

Inspirational motivation, alluding to learners' rousing their adherents by review the upcoming with idealism, projecting a romanticized and achievable vision and focusing on yearning goals. Idealized impact (credited magnetism), refers to the standardized mystique of the leader, where the leader is gathered of being confident and capable. It is seen as concentrating on higher-request beliefs and morals (Antoniadis et al., 2003). Idealized impact (behavioral charm), identifies leaders who demonstrate high honesty. They discuss their most essential values, convictions and concentrate on alluring vision. Together, these practices can have an imperative effect on the organizational learning procedure.

#### OBJECTIVES

1. To identify the effect of transformational leadership behavior on organizational learning.
2. To explore the effect of transformational leadership facets (idealized impact, intellectual incitement and Attributed charisma) on organizational learning.

#### HYPOTHESIS

H1: Transformational Leadership is positively related to Organizational learning.

H2: Transformational Leadership facets (idealized impact, intellectual incitement and Attributed charisma) are positively related to Organizational learning

#### METHODOLOGY

The study has been conducted with a survey-based method. MLQ questionnaire (Bass 1999) technique was utilized to acquire knowledge about the issues investigated in the study.

#### SAMPLE SIZE

This research utilized an institutionalized study survey to accumulate the data. Five organizations were picked for survey. Among the organizations senior level employee were chosen to fill in the surveys. An aggregate of 200 was chooses out of which 125 completed the survey

#### RESEARCH INSTRUMENTS

The Multifactor Leadership Questionnaire (MLQ) developed by Bass and avolio (1995) was used to measure transformational leadership on five point likert scale. For measuring organizational learning, authoritative learning demonstrative scale created and institutionalized by Pareek (2003) was chosen. Organizational learning was evaluated on the five-point Likert scale.

RESULTS AND DISCUSSION

TABLE 1: RESPONDENTS DEMOGRAPHIC PROFILE

Demographic	Sub-Parameters	Freq	%
Age (yrs.)	Less than 30	42	33.6
	30-40	46	36.8
	More than 40	37	29.60
Gender	Male	87	69.60
	Female	38	30.40
Qualification	U.G (Under Graduates)	83	70.94
	P.G (Post Graduates)	33	28.21
	Ph.D. (Doctorates)	9	7.20
Experience in Years	Less than year	33	26.40
	1 to 3	45	36.00
	4 to 5	20	16.00
	More than 5 years	27	21.60
Organization	Hydro Power	85	68.00
	IT	12	9.60
	Groundwater surveys	15	12.00
	Manufacturing	13	10.40

This study investigated the linkage between the transformational leadership and its facets influence in organizational learning. The outcomes of the results likewise demonstrated that out of the three elements of transformational leadership the idealized impact (behavioral) and intellectual incitement revealed significant relationship with organizational learning. Transformational leaders use scholarly incitement to have learner's perceptions of the issues from distinctive points. Leaders tackle their past encounters and aptitude with a specific end goal to elucidate the thoughts of adherents and move more innovativeness (Mumford et al, 2003). Leader's concept of assessment empowered the adherents to direct thought elucidation in a way will guarantee upcoming arrangement with the organization's culture

Leader's behavior that empowers subordinate practicality toward oneself and help in issue development had been found to improve subordinate inventiveness. The leaders organizational characterize and form work settings by adding leadership advancement. The leadership style of top leaders had turned into a critical determinant of development. Specifically, transformational leadership had been indicated to encourage and improve development, which therefore guarantees the long haul existence of an organization.

TABLE 2: CORRELATION BETWEEN TRANSFORMATIONAL LEADERSHIP (TL), ITS FACETS AND ORGANIZATIONAL LEARNING (OL)

	MEAN	S.D	TL	Idealized influence	Intellectual Incitement	Attributed charisma	OL
TL	43.71	3.64	1				
Idealized influence	16.00	1.75	.477**	1			
Intellectual Incitement	14.40	2.43	.542**	.322**	1		
Attributed charisma	11.29	2.22	.210*	-.112	-.283**	1	
OL	238.22	51.63	.116	.171*	-.083	.310*	1

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

\*... significant at the 0.05 level... (2-tailed).

As per the analysis mentioned in Table 2. Outcomes showed that transformational leadership was positively related to organizational learning. Understanding the relationship between the leaders and learning outcomes needs an analysis of learning builds over the different levels of investigation, taking into consideration relevant ramifications as well. From the viewpoint of learners, the steady regarding of value-based understandings agreements trust, reliability and impression of consistency concerning leaders, each of which structure a premise for powerful gathering execution. Therefore, H1 is accepted.

In Table 2 the dependent variable remunerates and in addition idealized influence is discovered to be significant and positive to transformational organizational style. The outcomes of the analysis found that contingent reward empower the learners to see the reliability in learners conduct and additionally the dependability of their leaders. The leaders secure concessions to the prerequisites of the employment and reward others in return for attractively doing the assignment.

The results in demonstrate that transformational leadership is identified with development, execution and adjustment measures of learning in an organization. Understanding the development, sustenance, and execution of efforts get will smothered at whatever points the employee's impression that they are most certainly being paid attention to or went to or fitting communication with the manager or they are employed under close supervision, and so on. At the end of the day, re-designing and re-incarnating state of mind of employees in organizational learning is influenced, contrarily when they feel that it is the manager who dependably chooses what choices to make, when and how to begin critical thinking activities, and the preferences.

This study shows the significant relationship between the facets of transformational leadership and organizational learning. When results were analyzed, it is found that relationship between transformational leadership in organizational learning is positive & significant. This demonstrates that transformational leadership when followed in totality is contrarily identified with organizational learning. This is supported by the suggestion that the idea is normal for transformational leaders and will meddle with advancement.

The effect of leadership is most noteworthy on cognitive and behavioral changes, which refers to last and obviously the most important imperative period of the learning process in firms. The transformational leadership effects cognitive and behavioral changes in two ways. To begin with, it influences them through the past data preparing periods of the organizational learning methodology and also leaders energizes changes in the mindset or conduct of authoritative individuals to address changes in the inner or outside organizational environment.

The relationship in the middle of learners and leaders affects investigation by employees and gatherings. At the gathering level, the level of operational self-rule that leaders provided for venture improvement groups was emphatically identified with learning adequacy and these connections were stronger for the more exploratory undertakings.

LIMITATIONS AND FUTURE RESEARCH

This research is in light of specific organization. Further extension of the examination to different countries (with diverse national societies, countries of distinctive sizes, histories, and so on.) would fundamentally add to considerate the connection between leadership and learning. This exploration is restricted to the direct impact of leadership on authoritative learning. However, directing variables, for example, organizational culture and structure might lessen this impact. Future research ought to amplify the comprehension of the leadership style as precursor to the organizational learning process by including some directing and interceding variables like vision, organizational execution and so forth. Utilizing as a part of profundity interpretive studies to answer a considerable lot of the "how's" rising, this research may produce extra experiences into this obviously interesting region of examination. Transformational leaders likewise empower criticism forms. Actually, this research reveals that such leaders will discover the right harmony between abusing organized gaining from the past and investigating new learning.



**CONCLUSION**

This study sought to develop a comprehension of the relationship between key transformational leadership and organizational culture. The information investigation created the significance of principals' transformational leader conduct to the advancement of a community organizational culture. Further study will look at the components by which principals exercise transformational leadership and the different sort of affect such leader conduct has upon organizational learning, is fundamental. Preferably, this study will make known sample of organizational conduct that are extending intense of leadership behavior attempt to improve in this time of advancement, change and weakness.

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**PROBLEMS AND PROSPECTS OF TOURISM INDUSTRY IN INDIA – WITH SPECIAL REFERENCE TO UTTAR PRADESH**

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**ABSTRACT**

*The tourism/excursion industry has developed as brace of the largest and quickest developing financial segments universally. It's commitment to the worldwide GDP and business has expanded altogether. The excursion/tourism industry in India has developed as twosome of essential drivers of development along with the service industry in India. Excursion/Tourism in India is a sunrise enterprise, an occupation originator, a noteworthy wellspring of remote trade for the nation and a pecuniary endeavour that helps neighbourhood and legion corporations. Increased salary tiers and evolving methods of life, development on differing tourism/excursion offerings and arrangement or pecuniary aid through the legislature are holding a quintessential portion in shaping the journey and tourism/excursion zone within India. In any case, the division is confronting difficulties, for example, absence of good quality tourism foundation; worldwide concerns in regards to wellbeing and security of travellers, unique traveller impose structures crosswise over different states and setback of sufficiently prepared and talented labor. Coordinated endeavours by all partners, for example, the central and the regimen governments, non-public area and the communities elsewhere are appropriate for feasible advancement and support of the excursion/tourism division in the nation. The current study has been an undertaking to highlight the precept possibilities and problems of tourism in Uttar Pradesh. The advancement of tourism within the regimen amid the globalization period has additionally been broken down on the basis of a few optional facts. The results shows the prospects that are mostly liked for excursion/tourism in Uttar Pradesh.*

**KEYWORDS**

transportation, excursion/tourism, traveller, problems and prospects.

**INTRODUCTION**

In spite of the fact that the whole northern place of India has gigantic excursion/tourism angle, the excursion/tourism commercial enterprise inside the vicinity continues to be miles to visit misuse the best possible possibilities. This is because of reviling of character and absence about appropriate consideration of the crucial authorities. The state and furthermore the entire northern territory of India have been subjected to century long dismissal. In reality, still, after passing of subsequent years of country's autonomy, a similar kind of central indifference of interest is being preceded to the region.

The Indian excursion/tourism and inure enterprise has risen as twosome of essential driver development amid the economic areas in our nation. It gives a few financial advantages and subsequently holds a vital significance in Indian economy. Considering the rich social and chronicled legacy, assortment in environment, territories and spots or regular excellence spread over the nation, this division is an immense group puller and has seen a consistent development before decade. An extensive business generator, the travel and tourism industry is a major wellspring of remote trade era for the nation.

Uttar Pradesh, the heartland of India, rules the nation in culture, religion, dialect and legislative issues. Arranged in the incomprehensible hot plain of the Ganges, it brags of a history that is especially the historical backdrop of India, and its sanctuaries and landmarks – Buddhist, Hindu and Muslim – are among the most great in the nation. The state, abutting Delhi has dependably been near India's energy focus.

**LITERATURE REVIEW**

**P C Sinha (2002)** in his book titled "Tourism Transport and Travel Administration" concentrates on different significant issues with respect to current worldwide tourism. It examines the issues identifying with transportation of voyagers. It considers different issues identifying with request and inspiration or tourism travel administration. The book examined in detail the different methods of transport like rail, street, water and air transport and their issues. Jolt reaction model of purchaser conducts connected in this review to examine the elements impacting the individual enthusiasm of voyagers. The socio-cultural variables which impact the visitor conduct are studies in detail. Essential and optional information are utilized as a part of this review. Factual strategies like the relationship, relapse, and so on are connected for examining the information. Talk with cum poll calendar is utilized for gathering essential information.

The work of **Krishan K Kamra and Mohinder Chand (2004)** titled "Basics of Tourism Theory, Operation and Practice" shows the various entomb – related measurements of the tourism business. The tourism business has relentlessly obtained an undeniably huge part in the worldwide economy. The book likewise covers the different qualities required for the tourism items and builds up another way to deal with the tourism business. It examinations the request and supply of tourism items in the changing worldwide market. Essential and optional information are utilized as a part of the review. Factual apparatuses like change, relapse, and drift examination and so on are utilized for investigating the information.

The book titled "International Tourism – Issues and Challenges" altered by **DS Bhardwaj, Manjula Chaudhary, S Boora, R H Taxak, Krishnan K Kamra, Ravi Bhushan Kumar and Mohinder Chand (2006)** attempt to investigate the issues and issues in the administration of tourism industry, especially in accommodation. In his review, the creators assess the business probability of the neighbourliness business in India. It ought to be noticed that in the worldwide economy, tourism is required to be the main employment maker in the following decade and India would need to take genuine activities to profit it. The buy of Indian products and handiworks by visitors expanded valuation for our speciality and culture advantages to the general population and the country. The execution of the lodging business is firmly connected to the condition of the economy and the inflow of vacationers into the nation. The review infers that the principal issue confronted by tourism industry is consumer loyalty. Now and again, nourishment quality, administration, and settlement offices are not attractive in Indian inns. So it is important to enhance the administrations in the tourism business in the nation.

The review titled "Visitor Behavior - Themes and Conceptual Schemes" by **Philip L Pearce (2006)** investigations the different issues in the administration of traveller conduct. This book is an expert approach in the field of visitor conduct. This work gives a far-reaching perspective of the social contacts and connections that sightseers may involvement. It likewise checked on how voyagers manage other individuals while voyaging. The correspondence among the sightseers, their companions, and contacts was seen as the center component for understanding oneself and has been accomplished in happiness, fulfilment, learning and expertise advancement. The work, for the most part, relies on upon the optional information.



**Motiram (2007)** in his review on "Globalization: Potentials and Prospects of Mass Tourism in India" has depicted the effect of globalization on mass tourism in India that is, Beach Tourism, Mountain Tourism, and Religious Tourism. The review highlights that because of globalization, the tourism business has created greater work and more outside trade profit. Promote, it encouraged framework improvement in the nation. The scientist has called attention to that India is the third quickest developing travel and tourism economy on the planet after Montenegro and China. The creator has proposed that India must create tourism foundation to pull in worldwide travelers in huge numbers.

**Manish Srivastava (2009)** in his article on "Surveying International Heritage Tourist Satisfaction in India" has expressed that India is presently progressively observed as a colorful goal offering a blend of culture, history, and condition of workmanship luxuries to the worldwide explorer. As per him, legacy tourism is a rich ground for practicing innovative abilities, encouraging extraordinary sorts of relations between the guests and the host of the populace and between the voyagers and nature. While the worldwide visitors are more happy with sustenance, in and individuals of India, a profound feeling of disappointment can be seen as to framework. There is a disappointment as for terrible street conditions, over the top deferrals at movement counters, awful air terminal offices, and nonappearance of sign sheets, unlawful aides and poor support of legacy spots. Be that as it may, the sightseers are particularly happy with aides endorsed by the administration.

**Edmund Goh (2010)** in his article titled, "Understanding the Heritage Tourist Market Segment" has demonstrated that sightseers are inspired diversely in choosing to visit legacy locales. Besides, practical, typical, experiential affiliations and general brand states of mind are distinguished as key brand picture relationship towards legacy goals.

**KR. Diganta Mudoi (2011)** in his article entitled, "Tourism Sector in North East Region of India" has proposed that it is more vital to make a quiet air with the goal that voyagers can make the most of their stay in a visitor range. The review has additionally expressed that keeping in perspective of the inadequacies of tourism development and the improvement possibilities of this industry in work era; ample opportunity has already passed to make dire moves to the administration of each state to help the tourism division in their district.

**Archana Bhatia (2013)** in her article entitled, "SWOT Analysis of Indian Tourism Industry" has examined that tourism today is a recreation movement of the masses. Along these lines, an endeavor is made in this exploration paper to examine the qualities, shortcomings, openings and dangers of Indian tourism industry so that the same can be used to build its remote footfalls. India which is blessed with a fortune of excellence spots normal and man-made can't gloat of a solid inflow of remote sightseers. Tourism industry holds an extraordinary potential to thrive in India gave its social and recorded heritage is legitimately dealt with. Along these lines, the service of tourism can examine the qualities and shortcomings of Indian tourism industry and furthermore investigate the positive open doors coming to its direction and limit the impacts of the dangers postured so that Indian tourism industry can be profited from it. As the UNWTO highlights have likewise uncovered in their review that there will be a move in the worldwide pattern of remote traveler landing from cutting edge economies to developing economies and India being a piece of the last ought to, along these lines, be sufficiently prepared to get the products of this open door coming its direction.

**Ravi Bhushan Kumar (2014)** in his article entitled, "Journey Tourism in Kurukshetra (Haryana): A Sustainable Development Approach" has said that tourism is one of the greatest and quickest developing monetary divisions in the worldwide economy and has huge ecological, social, social, and financial impacts, both positive and negative. Journey tourism is one of the pre-essentials of accomplishing maintainable improvement, which can be taken as a solution for overseeing tourism impacts. This paper concentrates on the practical advancement of journey tourism in Kurukshetra arranged in the condition of Haryana. Kurukshetra has been a rising traveler spot because of its radiantly assorted religious visitor potential and rich social legacy. The primary targets of the review are the arrangement of vacationer ranges, to highlight the variables making obstructions in the practical advancement of tourism and recommend appropriate measures for feasible improvement of journey tourism in Kurukshetra. A field based orderly study was completed at chosen tourism spots in the review region. The consequence of the review brings possible proposals and suggestions for further improvement of tourism in this district.

## METHODOLOGY

The nature of the study is exploratory in nature as it identifies the problems and prospects of tourism in Uttar Pradesh. The study was concise to find out which places are prospects for tourism in Uttar Pradesh the problems faced during tour by the people. Convenient sampling method was used for the study and sampling consisted of visitors of the places. The most liked places and problems were the main findings of the study.

## FINDINGS

### PROSPECTS OF TOURISM IN UTTAR PRADESH

Uttar Pradesh is gifted with a different range of excursion/tourism contributions. These are spread through from marvel of the universe "Taj Mahal – Agra" to special artistic and sacred places of unrest such as – "Mathura, Vrindavan, Goverdhan, Awadh, Ayodhya," etc. The regimen is well-known for:

- Uttar Pradesh, the regimen which is homesteads twosome of marvel of the universe "TAJ MAHAL" and a centre of attraction as well for love couples and newly married couples.
- Uttar Pradesh is home to some critical Hindu explorer focuses of India viz. Krishna Janambhoomi in Mathura, Ram Janambhoomi in Ayodhya, Maa Vindhyavasani in Vindyanchal range and so on many others.
- Uttar Pradesh is also fond of vital destinations identified with the life of "Lord Buddha viz. Kapilvastu, Sarnath Temple, Shravasti, Kaushambi, Sankisa and Kushinagar".
- Uttar Pradesh has aplenty of remarkable natural life particularly in the "Terai" area of "Dudhwa National Park and Pilibhit Tiger Reserve", that is blessed by means of special botanical and distinguished animals.
- "Dudhwa National Park" regarding Uttar Pradesh is the predominant secured region where people can see "one horned rhinoceros" alongside country wide brute tiger. It is additionally the primary vicinity in the nation where people visit to have a look on five types of deers viz., "Sambhar Deer, Swamp Deer, Spotted Deer, Barking Deer and Hog Deer".
- Uttar Pradesh has some extremely intriguing and probable sightseeing trails, for example, The City of Nawabs, Lucknow – Bara imambara, Chota imambara, hazaratgunj, Museum, etc.; Religious Capital, Varanasi – River Ganges, KashiVishwnath Temple, Chunar Fort, Banaras Ghats etc.; Ancient City also known as Prayag, Allahabad – Treveni Sangam, Khusro Bagh, Allahabad Fort, Patalpuri Temple, etc.; Manchester of the nation, Kanpur – the biggest city in the regimen – Biidha Bargad, Jajmau, Jain Glass Temple, Mecca Masjid, etc.; Buddhist pilgrim center – Kushinagar – Sun Temple, Ramabhar Stupa, Wat Thai Temple, etc.; Rhino – Tiger pilgrim center – Dudhwa National Park, and so on.
- The cooking of Uttar Pradesh is likewise as diverse as its natural features. The ruling kind of Uttar Pradesh is Awadhi, celebrated far and wide around the globe for its Dumpukht (sustenance cooked on direct fire).

### PROBLEMS OF UTTAR PRADESH TOURISM

- Lacking bolster framework at vacationer goals
- Deficient street, rail and air availability to different visitor places
- Deficient accessibility of inn rooms
- Deficient accessibility of talented work
- Constrained accessibility of sterile and quality sustenance outlets, eateries
- Inadequate cleanliness at visitant places and surroundings together with absence of fresh open bogs
- Poor visitor organization at the site, especially at religious spots.
- Absence of protection of Heritage sites
- Constrained accessibility of affirmed visitor guides
- Badgering of visitors from lowlifes and infamous components
- Wellbeing of visitors

**CONCLUSION**

The tourism/excursion industry has developed as brace of the largest and quickest developing financial segments universally. It's commitment to the worldwide GDP and business has expanded altogether. The excursion/tourism industry in India has developed as twosome of essential drivers of development along with the service industry in India. Tourism in India is a crackdown enterprise, an occupation originator, a noteworthy wellspring of external trade for the nation and a pecuniary endeavour that helps nearby and swarm assembly. India is a tourism item who is absolute of its excellence, distinctiveness, prosperous lifestyle and chronicle has been forcefully seeking after the advancement of excursion/tourism mutually universally and in addition to the household advertises. With expanding visitor inflows in the course of recent lifetime, it is a critical supporter of Indian pecuniary endeavour also. Increasing pay scales and evolving ways of life, advancement of assorted excursion/tourism assistance and strategy and administrative shore up by the legislature are assuming an urgent part in forming the travel and tourism area in India. Be that as it may, the segment is confronting difficulties, for example, absence of good quality tourism foundation, worldwide concerns with respect to wellbeing and security of sightseers, different traveller assess structures crosswise over different states and deficiency of satisfactorily prepared and gifted labor. While a few arranges and projects have as of now been conceived for handling these difficulties, fruitful usage would be basic to quicken development. Purposeful endeavours by all partners, for example, the central and regimen governments, non-public sector and the assembly everywhere are correlated for practical advancement and unkeep of the excursion/tourism segment within the nation.

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## USING ANT LION ALGORITHM FOR PORTFOLIO OPTIMIZATION ON THE BASIS OF TIME PERIOD OF INVESTMENT

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### ABSTRACT

Recently, the authors have applied a new nature inspired computing i.e. Antlion Algorithm (ALO) to portfolio optimization. ALO mimics the hunting mechanism of antlions in nature and can be used as an optimization technique to solve various problems in management and engineering. The stocks of top 50 Indian Companies listed on Bombay Stock Exchange (BSE) have been selected on the basis of market capitalization. In this paper, we further present findings on the use of ALO as applied to stocks listed on BSE. It is noted from the presented findings that technique can be used to make future predictions.

### KEYWORDS

lion algorithm, portfolio optimization.

### INTRODUCTION

Several nature inspired computing techniques are being used in finance for optimization issues. The design of a best portfolio that meets the requirements of the investors can be modelled as an optimization problem (Fabozzi et al., 2007). In case of portfolio optimization, the optimal weights of the stocks have to be found in order to meet the satisfaction of the investor, which lies in maximizing return and minimizing risk. Various traditional methods to construct portfolio have been used previously (Markowitz, 1959; Lee and Lerro, 1973; Elton and Gruber, 2001; Gupta and Aggarwal, 2009). The nature-inspired techniques derive their inspiration from nature and there are various such algorithms in literature, like Genetic Algorithm (GA), Particle Swarm Optimization (PSO), Bacterial Foraging Algorithm (BFO), Ant Colony Optimization (ACO), Firefly Algorithm (FA), Cuckoo Optimization (CO), and Antlion Algorithm (ALO) etc. In recent years, various nature inspired optimization techniques are being used to find solution of portfolio optimization problem (Kaushal, 2016; Anagnostopoulos and Mamanis, 2011).

Many studies in finance have used Genetic Algorithm (Leinweber and Arnott, 1995; Colin, 1996; Nelly et al., 1997; Allen and Karjalainen, 1999; Soleimani et al. 2009) and Particle Swarm Optimization (Kendall and Su, 2005; Zhang and Li, 2010; Zu et al. 2011) for solving finance problems. Niu et al. (2012) have proposed a new model using 'Variance' measuring both market and liquidity risk and then employed a new swarm intelligence based method- Bacterial Foraging Optimization (BFO) to solve this model. The recently developed Firefly Algorithm, Ant Colony Optimization and Cuckoo Optimization have also been used for portfolio optimization (Bacanin and Tuba, 2014 ; Haqiqi and Kazemi, 2012; Sawaya, 2012).

The antlion optimization (ALO) algorithm is a relatively recent nature inspired heuristic algorithm that is computationally less expensive than other techniques (Mirjalili, 2015). Recently, it has been used for portfolio optimization (Kaushal, 2017). In this paper, we further investigate the area and present new findings. The next section gives overview of ALO as applied to design of optimal portfolio. Subsequent section presents findings. The work has been concluded in the last.

### ALO FOR PORTFOLIO OPTIMIZATION

Antlion optimization (ALO) is a bio-inspired optimization algorithm proposed by (Mirjalili, 2015). It mimics the hunting mechanism of antlions in nature. Antlions are sometimes referred to as doodle bugs because of the strange marks they leave in sand. Antlions have very unique hunting behaviour and ALO is based on this. An Antlion larvae digs a cone shaped pit in sand by moving along a circular path and throwing out sand with its massive jaw. The larvae hide underneath the bottom of funnel after digging the pit. It sits and waits for ant to be trapped. The ant can easily get trapped in pit as edge of funnel is very sharp. The Antlion tries to catch the ant that is in the trap. The ant tries to escape but Antlion throws sand in a way that ant comes towards the bottom of pit. When caught, it consumes the ant and throws the leftovers out of the pit. Again, it becomes ready for the next hunt. This behavior of AntLion can be used as an algorithm to find optimal weights of a portfolio. A fitness function has been written that minimizes risk for a particular value of return and this function has been optimized using ALO.

Consider a portfolio with a vector of portfolio returns  $R$ , and a covariance matrix  $K$ , and the fitness function can be formulated as follows (Kaushal, 2017):

$$\text{Maximize} \quad R^T x - x^T K x \quad (1)$$

Subject to following constraints:

$$\sum_i x_i = 1 \quad (2)$$

$$x_i \geq 0 \quad \text{and} \quad x_i < 1 \quad (3)$$

where  $x_i$  is the proportion of the total capital invested in stock  $i$ ,  $R^T$  is the average return of each stock, and  $K$  is the covariance matrix. The first term  $R^T x$  denotes the 'return' of portfolio and the second term  $x^T K x$  denotes 'risk'. The covariance matrix  $K$  has variances in its diagonal and covariance in its off-diagonal elements. The equation (1) maximizes return ( $= R^T x$ ) and minimizes the risk ( $= x^T K x$ ) of the portfolio. The equations (2) and equation (3) correspond to the constraints that sum of all investments is one unit and all investments are positive.

### FINDINGS ON THE BASIS OF TIME PERIOD FOR INDIAN COMPANY STOCKS

The investment weights obtained using ALO taking two year data results have been taken and analysis is done for using these as projected investment upto six years for Indian company stocks. The results obtained are quite promising and close to expected. Table shows the results obtained by projecting two years weight data for upto six years. It can be seen that these are in close agreement and thus ALO is well suitable in such scenarios. Thus, we can use the investment options based on two year data and expect similar return and risk in future.

TABLE 1: EXTENDING TWO YEAR INVESTMENT TO SIX YEARS

S.No.	Return and Risk		Weight Set in Portfolio (of 2 year data)	Actual Return and Risk obtained after six years	
	Return	Risk		Return	Risk
1	0.032	0.0533	W1	0.0293	0.0480
2	0.027	0.0434	W2	0.0280	0.0469
3	0.0242	0.042	W3	0.0225	0.0389
4	0.021	0.0386	W4	0.0208	0.0383
5	0.0163	0.0333	W5	0.0208	0.0383

Further, the investment weights obtained taking four year data results have been taken and analysis is done for using these as projected investment upto six years. The results obtained are quite promising and closest to expected. Table shows the results obtained by projecting two years weight data for upto six years. It can be seen that these are in close agreement and thus ALO is well suitable in such scenarios. Thus, we can use the investment options based on four year data and expect similar return and risk in future. The results obtained using four year data are more close to actual ones compared to that using two year data.

TABLE 2: EXTENDING FOUR YEAR INVESTMENT TO SIX YEARS

S.No.	Return and Risk		Weight Set in Portfolio (of 4 year data)	Actual Return and Risk obtained after six years	
	Return	Risk		Return	Risk
1	0.0325	0.0748	Wt1	0.0325	0.0654
2	0.0257	0.0756	Wt2	0.0271	0.0725
3	0.0234	0.0405	Wt3	0.0237	0.0391
4	0.0196	0.0346	Wt4	0.0204	0.0366
5	0.0164	0.0342	Wt5	0.0155	0.0339

TABLE 3: INVESTMENT TABLE

Stock No.	W1	W2	W3	W4	W5	Wt1	Wt2	Wt3	Wt4	Wt5
1	0.0673	0.2561	0.3038	0.0097	0.0443	0.1725	0.0344	0.0863	0.0154	0
2	0.0008	0.0003	0	0.0022	0	0.0001	0.0001	0.0002	0.0005	0.0003
3	0.0118	0.0001	0.0337	0.1234	0.0145	0.2812	0.0014	0.0077	0.0013	0.0011
4	0.1069	0.0031	0.0237	0.1408	0.0593	0.0002	0.0091	0.0342	0.0678	0.2723
5	0	0.0008	0.0074	0.01	0	0	0.0007	0.0048	0.0001	0.0002
6	0.0215	0.0219	0.0101	0.0318	0.0329	0.0406	0.001	0.0065	0.0354	0.0045
7	0.0182	0.0025	0.0002	0.0004	0	0.0156	0.0003	0.0028	0.0002	0.0131
8	0.0005	0	0.0001	0	0.0023	0.0001	0	0	0.0105	0
9	0.0527	0.2049	0.0927	0.017	0.099	0.0138	0.0225	0.1474	0.1236	0.0162
10	0	0	0	0	0	0	0	0	0	0
11	0	0.0153	0.0051	0.0029	0.012	0	0.0005	0.0019	0.0073	0.0158
12	0.0513	0.0762	0.0258	0.0217	0.0527	0.0082	0.0099	0.1393	0.0555	0.0173
13	0	0	0	0	0	0.0041	0	0	0	0
14	0	0	0	0	0	0.1602	0	0.0622	0	0
15	0.0155	0	0	0	0	0.0012	0	0.0019	0.0014	0
16	0	0	0	0	0	0	0	0	0	0
17	0.0039	0.0086	0.0129	0.0368	0.0027	0	0.0003	0.0001	0.0038	0.0184
18	0.0023	0.0027	0	0.014	0.0365	0	0.0001	0.023	0.0448	0.0101
19	0	0	0	0	0	0.0004	0.4404	0	0	0
20	0.0029	0.018	0	0.0053	0	0.0002	0.1729	0.0137	0.0173	0.0001
21	0.1377	0.0461	0.0017	0.0128	0	0.0925	0.0062	0.034	0.0088	0
22	0.0294	0.0617	0.0242	0.0074	0.016	0.0014	0.0402	0.0177	0.061	0.016
23	0.0801	0.0478	0.0471	0.0825	0.0399	0.0113	0.0341	0.0522	0.1102	0.0125
24	0.0069	0.0117	0.0314	0.0159	0.0446	0.0001	0.0194	0.0348	0.0432	0.0203
25	0.0113	0.0006	0.0189	0.0039	0.0379	0.001	0.0081	0.0099	0.0296	0.0363
26	0.0019	0.0571	0.0002	0.0004	0	0.0003	0.0091	0.0081	0	0
27	0.175	0	0.0007	0.0164	0	0.0189	0.0173	0.0049	0	0
28	0.0019	0	0.0066	0.0056	0	0.0172	0.0227	0.0005	0	0.0023
29	0	0.0287	0	0	0	0	0	0	0	0
30	0.0293	0.0001	0.0098	0.0665	0.0178	0.0018	0.092	0.0629	0.0693	0.0389
31	0	0	0.0001	0.0001	0.0126	0	0	0.0001	0.0003	0.0079
32	0	0.0005	0	0.0019	0.0048	0.0001	0.0032	0	0.0006	0.0002
33	0.0004	0.0002	0.001	0.0008	0.0049	0	0.005	0.0003	0.0027	0.0001
34	0.0084	0	0.0097	0.0256	0.0265	0.0002	0.0018	0.0155	0.0124	0.0215
35	0	0	0	0	0	0	0	0	0	0
36	0	0.0137	0	0	0	0	0	0	0	0
37	0.0279	0	0.109	0.0608	0.1643	0.0007	0.0069	0.0778	0.0963	0.099
38	0	0.0214	0	0	0	0	0	0.0001	0	0.0002
39	0.0186	0.0001	0.0124	0.0643	0.0474	0.0003	0.0066	0.0709	0.0797	0.0909
40	0.0105	0	0.0031	0.0001	0.0027	0.0002	0.0006	0.0025	0.0068	0.0002
41	0	0.039	0	0	0	0	0	0	0	0
42	0.0456	0.0002	0.0927	0.0074	0.0282	0	0.0052	0.0359	0.0059	0.0963
43	0	0.0302	0.0015	0	0	0.0001	0	0	0	0
44	0	0.0002	0.0265	0.0041	0.0137	0	0.0005	0.0013	0.0175	0.0097
45	0	0.0085	0.0159	0	0	0	0	0.0047	0	0.0001
46	0.0165	0	0.0363	0.1392	0.0409	0.0002	0.0092	0.0124	0.0264	0.0382
47	0	0.0014	0	0	0	0	0	0	0	0
48	0.0042	0.0036	0.0101	0.0173	0.0086	0	0	0	0.0078	0.0246
49	0.0227	0	0.0094	0.0318	0.1103	0.0003	0.0031	0.0028	0.0166	0.094
50	0	0	0	0	0	0.1456	0	0	0	0

**CONCLUSIONS**

ALO has been applied considering two year, four year and six year data of 50 companies listed on BSE on the basis of market capitalization. The solutions obtained after two year data have been simulated for six years and it has been seen the actual return is close to predicted. Similar findings are there for four year data, but these are more close to actual ones. As the findings on time basis leads to consistency in weights, this is an indication of investment. This implies that technique can be safely used for future predictions. ALO is thus a promising technique that can be used by investors for making financial decisions.

**ACKNOWLEDGEMENT**

The authors thank Dean, RIC, IKG Punjab Technical University, Kapurthala and Director, GNDEC, Ludhiana, for providing the necessary facilities for carrying out this research work.

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## APPENDIX

## APPENDIX 1: SELECTED STOCKS BASED ON MARKET CAPITALIZATION AND PERIOD OF STUDY

S. No.	Name of Stock
1	TCS
2	Reliance
3	HDFC
4	ITC
5	ONGC
6	Infosys
7	HDFC
8	SBI
9	HUL
10	Maruti Suzuki
11	IOC
12	Sun Pharma
13	ICICI Bank
14	Tata Motors
15	Kotak Mahindra
16	Larsen
17	Bharti Airtel
18	NTPC
19	Axis Bank
20	Wipro
21	HCL Tech
22	Ultra Tech Cement
23	Asian Paints
24	Power Grid Corp.
25	BPCL
26	Bajaj Auto
27	IndusInd Bank
28	M and M
29	Vedanta
30	Bosch
31	Adani Ports
32	Eicher Motors
33	Hero motorcorp
34	Lupin
35	Yes Bank
36	Bajaj finance
37	GAIL
38	Bajaj Finserv
39	Nestle
40	Godrej Consumer
41	Shree Cements
42	Cairn India
43	HPCL
44	Mothers on Sumi
45	Zee Entertain
46	Dabur India
47	Tata Steel
48	Grasim
49	Cipla
50	Tech Mahindra



**SAVINGS BEHAVIOR IN UNAKOTI DISTRICT OF TRIPURA: A CASE STUDY**

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**ABSTRACT**

*Savings is an important aspect of the socio-economic development of rural households. Under present developing countries like India, savings can play a vital role for upgrades standard of living of marginal peoples. Present study entitled "Savings Behavior in Unakoti District of Tripura" is an empirical study on small savings and investment of rural households in Unakoti District of Tripura. The study shows that collection of small savings and investment in the District are optimistic. Income levels of the rural households are despondent but people have habit to save in small savings scheme. Savings environment are establishing very smoothly.*

**KEYWORDS**

Unakoti district, income, savings behaviour, household savings, investment.

**INTRODUCTION**

Unakoti is a tiny and hilly district of Tripura. Total population of the District are 2,76,506 out of which males and females population are 1,40,210 and 1,36,296 respectively which is Lowest among all eight Districts of the State (GOI, Census, 2011). Literacy rate of the District are 86.91% out of which male and female literacy rate are 90.92% and 82.79% respectively (GOI, Census, 2011). The present study, entitled "Savings Behavior in Unakoti District of Tripura" has revealed to focus the contemporary scenarios on savings behaviour in Unakoti district of Tripura. The study has examined the various obstacles and opportunities of savings in Unakoti District of Tripura. Through the study, the obstacles and opportunities are to be carefully analyzed for better understanding of the future of small savings as well as socio-economic development of Unakoti district of Tripura.

**REVIEW OF LITERATURE**

A lot of studies on small savings and investment have been carried out by the researcher. Some studies regarding the topic are quoted in subsequent lines:

Charles Yujii Horioka and Junmin Wan (2007) in their work on The Determinants of Household Saving in China: A Dynamic Panel Analysis of Provincial Data found that Chinas household saving rate are high and raising, the variables relating to the age structure of the population do not have any significant impacts on the household savings rate.

Dr.Rekha Attri (2012) in her details study on Spending & saving habits of youth in the city of Indore examined that youth people does not believe much in saving and believe in spending more on entertainment, eating and personal grooming.

Bindhu. P.K (2013) analyzed financial literacy and income level influences on the savings and investment pattern of urban city households. He concluded that financial literacy is an important predictor of financial behavior in the developing countries around the world. The study also reveals the fact that the urban households prefer to save their money for meeting social obligation like marriage, repayment of debt etc.

Subhasree Nayak (2013) conducted a study on determinants and pattern of saving behaviour in rural households of western Odisha. The study highlighted that there should be proper policies of the banks and other financial institutions in the rural areas. The interest rate policies of the financial institutions should be more polished for the proper and effective implementation of the savings and investment programs of bank and financial institutions.

S.C. Shanbagavalli (2002) who had attempted a study on role of post office in Salem district relating to savings bonds. He concluded that most attractive post office Saving Schemes need to be designed to promote and to mobilize savings from unemployed and Business people particularly in rural areas as well as the low-income-group people.

Karuna Peace (2011) made an analysis of Small savings and credit schemes and financial accessibility in rural areas: A case study of Mitaana SACCO in Rukungiri district. The study revealed that small savings and credit scheme under Mitaana SACCO was of importance to the rural people of Nyakagyeme as it had helped people in mobilising funds for loans, supporting low income groups to build savings and supporting small scale enterprises.

Dr. Elangbam Nixon Singh (2011) who made a study on Rural Savings and its Investment in Manipur. The study concluded that expansion of bank branches in to the interior parts of the state, particularly in rural areas, will a long way for having a good climatic condition for savings and investment in the state.

Graham A.N. Wright and Leonard Mutesasira (NA) examined the relative risks to the savings of poor people. The research revealed that 99% of clients saving in the informal sector report that they have lost some of their savings and on average, they had lost 22% of the amount they had saved in the last year. 15% of those saving in the formal sector report that they had lost some savings and 26% reported that they had lost savings in the semi-formal sector.

Sylvia Wisniwski (1998) worked on Savings in the context of microfinance: lessons learned from six deposit taking institutions. He found that small and micro savings are a profitable source of funds if designed appropriately. Empirical evidence has shown that mobilizing small and micro savings can be a profitable business if built-in incentives instill financial discipline and cost-accountability.

F. Thomas Juster, Joseph Lupton, James P. Smith and Frank Stafford (2000) conducted a study on Savings and wealth: Then and Now. The study highlighted the rapidly declining rates of household savings since 1983 appear largely to be a consequence of the large amounts of capital gains achieved in corporate equity markets.

Henrik Cronqvist and Stephan Siegel (2010) in their work on The Origins of Savings Behavior examined that an individual's savings behavior is governed by both innate genetic predispositions, social transmission of behavior from parents to their children, and gene-environment interplay where the environment moderates genetic influences.

Stuart Rutherford (2001) in his details work on The Economics of Poverty: How Poor People Manage Their Money found that we must now embrace the bigger task of making basic flexible banking services as available to poor people as they are to the world's more prosperous populations.

Wangkheimayum Seityavama Chanu (2014) in her detailed investigations on small savings and investment in Manipur found that small savings and household savings have contributed a great portion to the national economy of the country. Despite of having different limitations and constraints from the small savings providing institute, the growth rate is encouraging. However, Financial literacy, creation of awareness, building of trust and understanding, removal of barriers and socio-economic distances are important components towards successful growth of small savings strategies.



**OBJECTIVES OF THE STUDY**

The basic objective of the present research work is to present a detailed scenario on small savings in Unakoti District. Apart from these overall objectives, there are some specific objectives, which are as follows:

1. To examine the saving pattern of the individual household in Unakoti District.
2. To identify the determinants of savings behavior of the individual households in the District.
3. To offer suggestions for improvement of savings from the present stage in the District.

**METHODOLOGY**

The researcher was followed the following methods and tools for the study to arrive at a feasible and meaningful conclusion:-

**I) SCOPE OF STUDY**

The present study is covering Unakoti district of Tripura.

**II) SOURCES OF DATA**

Both the primary and secondary data were used for the present study. The primary data required for the present study were collected from 117 numbers of households from different sections of people viz., employees, housewives, agents of various small savings scheme, businessmen & others, etc. on simple random basis with the help of structured questionnaire. Primary data for the present study were also collected through interaction and consultation with the top management from the concerned department.

The secondary data were collected from the Directorate of Small Savings; Government of Tripura, National Savings Institute (NSI), Department of Posts and Telegraphs etc. Other relevant secondary informations were also collected from various books, journals, annual reports, magazines, publications & thesis, etc.

**III) FRAMEWORK OF ANALYSIS**

Primary and secondary data collected from various sources were analyzed with the help of different financial tools and statistical devices such as percentage and so on. The data were also analyzed with the help of pictorial presentation methods wherever necessary to get the result of data analysis.

**RESULTS AND DISCUSSIONS**

From the collected data from household respondents through structured questionnaire, the following analysis and interpretations have been made:

**AGE LEVEL OF RESPONDENTS**

From the below Table No. 1 it is showing that a lion portion of the respondents are belongs to below 40 years age group (31.48%), 24.07% of the respondents are belongs to 41-50 years age group, 25.93% of the respondents are belongs to 51-60 years age group and remaining 18.52% of the respondents are belongs to above 60 years age group. It implies that the majority of the house hold respondents are belongs to below 40 years age group.

**TABLE NO. 1: AGE LEVEL OF RESPONDENTS**

Sl. No.	Age Group	No. of Respondents	Percentage of Respondents
1.	Up to 40 Years	37	31.48
2.	41 to 50 Years	28	24.07
3.	51 to 60 Years	30	25.93
4.	Above 60 Years	22	18.52
5.	Total	117	100

Source: Field Survey

**GENDER GROUP OF RESPONDENTS**

The below Table No. 2 showing that 87.04% of the respondents are male and the remaining 12.96% of the respondents are female. So far, gender equalisation and sustainable socio-economic development is concern, male and female respondent's ratio should be 50-50.

**TABLE NO. 2: GENDER GROUP OF RESPONDENTS**

Sl. No.	Gender Group	No. of Respondents	Percentage of Respondents
1.	Male	102	87.04
2.	Female	15	12.96
3.	Total	117	100

Source: Field Survey

**EDUCATIONAL QUALIFICATION OF RESPONDENTS**

From the below Table No.3 it is reveals that only 11.11% of the respondents have educational qualification Graduate and above,31.48% of the respondents have secondary education, 46.30% of the respondents have primary education and remaining 11.11% of the respondents are illiterate. From this scenario it is interpreted that majority of the respondents have primary education. Most of the respondents are belongs to last generation, the picture of the educational qualification of present generation people is more upgraded. So it may conclude that the future of small savings and investment in the District will be brighter.

**TABLE NO. 3: EDUCATIONAL QUALIFICATION OF RESPONDENTS**

Sl. No.	Educational Qualification	No. of Respondents	Percentage of Respondents
1.	Illiterate	13	11.11
2.	Up to Class-V	54	46.30
3.	Up to Class-X	37	31.48
4.	Graduate & Above	13	11.11
5.	Total	117	100

Source: Field Survey

**OCCUPATION OF RESPONDENTS**

Occupational statuses of the respondents have been classified under 5 major groups. From the below Table No. 4 it is showing that 24.07% of the respondents are working in Government services, 5.56% in private services, 33.33% in business, 9.26% of the respondents are house wife and remaining 27.78% of the respondents are working in others i.e. retired Government services holder and daily labour etc.

TABLE NO. 4: OCCUPATION OF RESPONDENTS

Sl. No.	Occupation	No. of Respondents	Percentage of Respondents
1.	Government Service	28	24.07
2.	Private Service	7	5.56
3.	Business	39	33.33
4.	House Wife	11	9.26
5.	Others i.e. Daily Labour, Retired Employ	33	27.78
	Total	117	100

Source: Field Survey

**MONTHLY FAMILY INCOME OF RESPONDENTS**

Monthly family income of the majority respondents are below Rs. 10000 (46.30%), 44.44% of the respondents have monthly family income Rs. 10000/- to Rs. 30000/-, 3.70% of the respondents have monthly family income Rs. 30001/- to Rs. 50000/- and remaining 5.56% of the respondents have monthly family income above Rs. 50000/-. As income is the source of savings and majority of the respondents have monthly income below Rs. 10,000/-, it is not a good symptom for positive savings environment.

TABLE NO. 5: MONTHLY FAMILY INCOME OF RESPONDENTS

Sl. No.	Amount (Rs.)	No. of Respondents	Percentage of Respondents
1.	Below Rs. 10000	54	46.30
2.	Rs. 10001 to Rs. 30000	52	44.44
3.	Rs. 30001 to Rs. 500000	4	3.70
4.	Above Rs. 500000	7	5.56
5.	Total	117	100

Source: Field Survey

**MONTHLY SAVINGS OF RESPONDENTS**

From the below table No.6 it is reveals that 48.15% of the respondents have monthly savings below Rs. 2000/-, 33.33% of the respondents have monthly savings Rs. 2001/- to Rs. 4000/-, 9.26% of the respondents have monthly savings Rs. 4001/- to Rs. 6000/-, 1.85% of the respondents have monthly savings Rs. 6001/- to Rs. 8000/-, 5.56% of the respondents have monthly savings Rs. 8001/- to Rs. 10000/-, and remaining 1.85% of the respondents have monthly savings above Rs. 10000/-

TABLE NO. 6: MONTHLY SAVINGS OF RESPONDENTS

Sl. No.	Amount (Rs.)	No. of Respondents	Percentage of Respondents
1.	Up to Rs. 2000	52	48.15
2.	Rs. 2001 to Rs. 4000	43	33.33
3.	Rs. 4001 to Rs. 6000	11	9.26
4.	Rs. 6001 to Rs. 8000	2	1.85
5.	Rs. 8001 to Rs. 10000	7	5.56
6.	Above Rs. 10000	2	1.85
7.	Total	117	100

Source: Field Survey

**REASON BEHIND SELECTION OF SMALL SAVINGS AND INVESTMENT**

64.81% of the respondents have started savings and investment by their own idea (Table No. 7), 33.33% have started by influence from others and remaining 1.85% only have started by pressured from agents and others. As majority of the respondents have started savings and investment by their own idea, it is significant for escalating savings and investment in the District.

TABLE NO. 7: REASON BEHIND SELECTION OF SMALL SAVINGS AND INVESTMENT

Sl. No.	Reason	No. of Respondents	Percentage of Respondents
1.	Own Idea	76	64.81
2.	Influence from Others	39	33.33
3.	Pressured by Agent and Others	2	1.85
4.	Total	117	100

Source: Field Survey

**AWARENESS OF VARIOUS SMALL SAVINGS AND INVESTMENT SCHEME**

From the field survey it is reveals that only 37.04% of the respondents are aware regarding various small savings and investment scheme. 62.96% of the respondents are not aware regarding various small savings and investment scheme. For better understanding of savings and investment in the District, majority of the respondents should know regarding various small savings and investment scheme.

TABLE NO. 8: AWARENESS OF VARIOUS SMALL SAVINGS AND INVESTMENT SCHEME

Sl. No.	Response	No. of Respondents	Percentage of Respondents
1.	Yes	43	37.04
2.	No	74	62.96
3.	Total	117	100

Source: Field Survey

**AMOUNT OF SAVINGS FROM INCOME**

From the below Table No.9 it is showing that 61.11% of the respondents have savings below 25% of their income, 31.48% have savings 26%-50% of their income and remaining 7.41% have savings 51%-75% of their income. There are no respondents who save above 75% of their income.

TABLE NO. 9: AMOUNT OF SAVINGS FROM INCOME

Sl. No.	% of Income	No. of Respondents	Percentage of Respondents
1.	Up to 25%	72	61.11
2.	26% to 50%	37	31.48
3.	51% to 75%	9	7.41
4.	Above 75%	0	00
5.	Total	117	100

Source: Field Survey

## SMALL SAVINGS COLLECTIONS OF UNAKOTI DISTRICT

From the Table No.10 it reveals that Small savings collection of Unakoti District is increasing year by year. Because of increasing trend of small savings collection, most of the years the District has achieved its target. Very interestingly, the District has achieved its target for the year 2016-17 by November 2016. A huge amount of money has been deposited (Net Rs. 29, 18, 15,262/-) to the small savings scheme through Post Offices during the month of November 2016 because of demonetization by Central Government.

TABLE NO. 10: SMALL SAVINGS COLLECTIONS OF UNAKOTI DISTRICT FOR THE PERIOD FROM 2011-12 TO 2016-17 (UP TO NOVEMBER)

Year	Target During the Year (Rs. in Crore)	Collections		Number of Agents		
		Gross (Rs.)	Net (Rs.)	MPKBY	SAS	Total
2011-12	NA	425,808,563	45,155,386	NA	NA	NA
2012-13	9	508,860,965	70,195,819	120	54	174
2013-14	8	607,614,896	97,532,307	178	51	229
2014-15	12	606981548	130,257,085	192	54	246
2015-16	15	1030789050	157,705,823	192	54	246
2016-17(Up to November)	17	1155121533	395,804,354	189	54	243

Source: Office of the DM & Collector, Unakoti District, Tripura.

NA: Not Available, MPKBY: Mahila Pradhan Kshetriya Bachat Yojana, SAS: Standardised Agency System.

## FINDINGS OF THE PRESENT STUDY

1. Financial literacy is an important aspect of small savings and investment of rural households. As most of the respondents are not financially literate, they are not so far aware regarding various small savings and investment scheme.
2. The Respondents who belong to business profession are interested to save and invest their hard earned money in post office savings scheme on daily deposit basis. Local post office agents are collecting small amount of money from the depositor's shop.
3. Collections of small savings in Unakoti District are escalating very smoothly during last few years. After detection of a huge numbers of cheat, NBFC in the State as well as in the District the people are intended to save their hard earned money to the government secured small savings scheme.
4. The numbers of small savings agents are not increasing in the Unakoti District. Most of the educated unemployed youth are not attracted to appoint as agent of small savings scheme; they are interested for other secured job.
5. Most of the Government and private employs are paying attention to save their money in GPF, EPF, Bank Savings A/C and LIC. They are not interested to save their money to Post Office savings Scheme.
6. A lion portion of the respondents have monthly family income below Rs. 10000 (46.30%), 44.44% of the respondents have monthly family income Rs. 10000/- to Rs. 30000/-, 3.70% of the respondents have monthly family income Rs. 30001/- to Rs. 50000/- and remaining 5.56% of the respondents have monthly family income above Rs. 50000/-.
7. 48.15% of the respondents have monthly savings below Rs. 2000/-, 33.33% of the respondents have monthly savings Rs. 2001/- to Rs. 4000/-, 9.26% of the respondents have monthly savings Rs. 4001/- to Rs. 6000/-, 1.85% of the respondents have monthly savings Rs. 6001/- to Rs. 8000/-, 5.56% of the respondents have monthly savings Rs. 8001/- to Rs. 10000/-, and remaining 1.85% of the respondents have monthly savings above Rs. 10000/-
8. 64.81% of the respondents have started savings and investment by their own idea, 33.33% have started by influence from others and remaining 1.85% only have started by pressured from agents and others.

## SUGGESTIONS

1. Financial literacy of the people may increase by proper awareness program organize and manage by the Government of Tripura. Government may appoint some specialist agencies for boost up savings and investment in the District.
2. There is no professional training of the agents of various small savings scheme. The Government of Tripura and National Savings Institute should arrange professional training programs for the agents.
3. Adequate numbers of Post Offices in the remote areas should establish for escalating the movement of savings and investment in the district.
4. Government of Tripura should announce some incentive scheme for the agents of various small savings scheme.
5. Informal way of savings should discourage by proper policies of the Government of Tripura. Informal way of savings may turn in to formal savings avenues.
6. Digitalization of the Post Offices and improvement of the infrastructure may play a vital role for improvement of savings and investment.
7. Various income generation program of the Government, public and public private partnership (PPP) should widely implement in the District in general and in the rural areas in particular as income is the source of savings.

## CONCLUSION

Savings is a spontaneous process of the decent society and it is continuing from thousand and thousand years ago. It has stood as a living standard of the people. The characteristic and nature of the savings and investment has been changing year after year and decade after decade. Now a days it has become more sophisticated and easy to access. The present study has revealed that small savings in the Unakoti District are growing very smoothly. However, financial literacy, massive awareness program, proper training of the Agents and a good management system is extremely require for acquiring a good savings and investment environment in the District.

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**MONEY AND OUTPUT: IMPACT ON PRICE LEVEL IN INDIA DURING 1970-71 TO 2012-13**

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**ABSTRACT**

*This paper aims to examine the relationship among the macro economic variables like real gross domestic product (GDP), broad money (M<sub>3</sub>) and price level (WPI) has been examined for the Indian economy using time series data for the pre and post reform period 1970 to 2013. Three variants of the price equation specified in logarithmic form have been estimated following a partial adjustment mechanism. Various tests conducted on the price equation show that the behaviour of price is well explained by changes in output and broad money. Results show that Static and dynamic price equation technique established that increase in money supply has been a quite an important factor in the emergence of inflationary situation in India as well this indicates that an increase of GDP may be effective in reducing the price level in India. This paper suggest that a rise in the real output accompanied by a control of money supply would reduce the price level.*

**KEYWORDS**

money supply, output, price level, partial adjustment model.

**1. INTRODUCTION**

It has been a great interest in studying the relationship between money, output and price in macro-economic theory and policy. In an economy, Money and Income are important macroeconomic variables, which play a crucial role particularly in determining the level of prices. An unbroken and substantial increase in money supply in India has been a chief contributory factor in the occurrence of inflationary rise in prices during the period of planning, particularly since the beginning of the second plan. (K.K. Dewett et.al., 1992). It is observed through Empirical studies that there has been a high degree of correlation between increase in money supply and increase in real national income. (Zacharish, 1969; Sarma, 1991; Ramanjaneyulu, 2012). The close relationships between these two important macro variables lead us to the effect on price. As would be bought out below, if the percentage increase in real income in a year is lesser than the percentage increase in money supply of that year, the price level in the next shows a growing tendency. If the percentage increase in money supply is lesser than the percentage increase in real national income, the opposite is real, If the percentage increase in money supply is smaller than the percentage increase in real national income. (Dewett, et.al., 1992 p. 391-393)

Brahmanada (1987) confirmed the relationship between money supply and price that being presence of almost constant annual growth in real national income results in the increased rates of growth in money supply in association with rising rates of rise in the price level. C.Rangarajan (1994) stated that "The impact of money can be found in both price and output. The process of money creation is a process of credit creation. The creation of money is carried out so that the credit can be given to either to government or private sector or the foreign sector. Credit facilitates the production process and hence it has a favorable impact on output. However, the price effect of a given expansion of money supply raises the demand with an upward pressure on price".

**2. LITERATURE REVIEW**

There have been several studies in the literature trying to explore how money, price and output relate in an economy. Empirical findings are mixed on the nature of these relationships. Researchers have used India with variation in sample sizes and econometric methodology. This section briefly reviews some of the latest empirical studies on this topical issue.

Rangarajan and Arif (1990) verified the relationship among money supply, output, and prices by formulating an econometric model for the Indian economy. The empirical results show that the price effect of an increase in money supply was stronger than the output effect. Further, they found that since government revenue collections did not keep pace with government expenditures, as nominal income rose, it widened the resource gap and hence influenced the price level. The results of policy simulations showed that while a substantial increase in government capital expenditure increases output, its impact on output and prices depends upon the extent of the resource gap met by borrowing from the Reserve Bank. The increase in borrowing from the RBI worsens the trade-off between output and price level.

Pulapre Balakrishnan (1991) report that bearing on the interest-sensitivity of demand for money and the role of money supply in the inflationary process which must be addressed by those who argue for a money-based monetary policy, especially in approaching the problem of inflation.

Sarma (1991) observed that interaction between money, output and price has received considerable attention both in theoretical and empirical analysis. The alternative theories regarding the role of money in economic activity however, emphasis that variation in money supply is an important cause of the variation in nominal income. The causality or the nature of transmission mechanism between the three macro-economic variables, money output and price, has a bearing on the goals of economic growth and price stability. Deficit financing by the government has a significant influence on money supply. Deficit financing or net reserve bank credit to government is itself determined, among others, by prices as government receipts and expenditure are influenced by inflation. Thus, the objective of price stability along with stepping up the rate of economic growth assumes importance.

Deepak Mohanty and Rajiv Ranjan (1993) in their paper entitled the inflationary process in the ACU countries during the period 1970 to 1990, in an effort to identify the influence of both monetary and structural factors. The study reveals that the moderate inflation rate of ACU countries, excepting Iran, camouflaged

some intense inflation episodes during the last two decades. While the income elasticity of demand for money showed wide variation across low income ACU countries, the interest rate showed the desired inverse relationship with money demand. Apart from money supply, structural factors such as agricultural output, import prices and food price were found to have major influences on price. The observed negative correlation between growth and inflation would mean that monetary policy has to bear the responsibility of containing inflation whenever fiscal actions or external shocks or supply rigidities become destabilizing since any accommodative action would generate price increases.

Dhanasekaran. K (1996) observed that a rise in the growth rate of national output accompanied by a control of money supply would reduce the price level in the country. In the work of Das (2003), the long-run relationship between money, price and output was determined for India, the study come out with three fold results; first a bidirectional causality between money and price; second, a bidirectional causality between output and price, and finally, a unidirectional causality from money to output showing that output is a result and not a cause.

Ashra et al., (2004) conducted a study on same topic for India and found a bidirectional causality running from money to price and conclude that money is not neutral and that money is not exogenous in the long-run.

Sharma et al., (2010) in their paper examined the causality between prices, output, and money in India. They viewed that a unidirectional causality between money and output, the study also found a unidirectional causality between money and prices. Mishra et al., (2010) in their own study on same topic for India employing VAR/VECM modeling technique and found a long-run bidirectional causality between money and output. They also found a long-run unidirectional causality running from price to money and from price to output. Also, their findings revealed a short-run bidirectional causality between money and price and short-run unidirectional causality running from output to price.

Umanath Kumarasamy (2012) noted excess supply of a commodity or product usually reflected in downside pressure on its price, and the same is true for money. Excessive supply of money leads to its debasement, to a decline in its value that otherwise is known as inflation. Where money supply generally is an underpinning of economic activity, it also is the ultimate determinant of prices and inflation. On another hand, the gross domestic product (GDP) is one the crucial sign used to determine the strength of a country's economy.

Ramanjaneyulu (2012) examined the Changes in the stock of money deserve to be carefully watched and controlled, because such changes exert a powerful influence on changes in money income, prices and output.

### 3. METHODOLOGY AND FRAMEWORK

#### 3.1. OBJECTIVES OF THE STUDY

To examine the impact of money supply and output on price level in India over the period 1970-2013.

1. To test the inter relationship between the key economic variables viz., money supply, output and price level in the pre and post 1990 reform periods.
2. To measure the degree of responsiveness of Indian money supply and economic growth (GDP) to changes in the general price level

#### 3.2. RELATIONSHIP OF MONEY, OUTPUT AND PRICES

The association between movements of prices, money supply and GDP is mentioned in the data Table 1 declare the data relating to the annual compound growth rate of M3, GDP and price during the 1950-51 to 2012-13 and the whole period were as follows:

TABLE 1: ANNUAL COMPOUND RATE OF GROWTH (in percent)

YEARS	GDP	M <sub>3</sub>	WPI
1950-51 TO 1959-60	3.59	5.95	1.23
1960-61 TO 1969-70	3.9572	9.57	6.04
1970-71 TO 1979-80	2.9442	17.28	9.74
1980-81 TO 1989-90	5.584	17.22	7.97
1990-91 TO 1999-00	5.84	17.18	8.12
2000-01 TO 2012-13	7.13	16.75	6.12
TOTAL AVERAGE OVER ALL PERIOD 1950 TO 2013	4.97	14.25	6.605

Source: Computed by the Author

The annual data on the prices for the period (1950 – 2013) reveal that India has undergone severe inflation. The annual growth of money supply was 5.95 percent and the inflation rate 1.23 percent with the annual output expanding by 3.59 percent during fifties. During sixties, the annual growth rate of output was 3.95 percent and the inflation was increased to 6.04 percent due to the fact that enamors growth in money supply with 9.57 percent. During seventies, inflation was at the peak with 9.74 percent because of the decrease in output with 2.94 percent and multiple growth of money supply with 17.28 percent. During eighties, the annual growth rate of money supply was 17.22 percent and the inflation was dropped to 7.97 percent despite acceleration in growth of output 5.58 percent. During nineties, the growth of output was 5.84 percent and a rise in inflation with 8.12 percent since there was a slight variation of money supply with 17.18 percent. During the period 1990-91 to 1991-92, price rose sharply; it rose from 7.46 percent in 1989-90 to 10.25 percent in 1990-91 and further to 13.74 percent in 1991-92 the devaluations of the Indian rupee in July 1991 and the severe important compression that followed, along with the reduced GDP growth rate from 5.07 percent in 1990-91 to 1.38 percent in 1991-92 gave rise to a high degree of inflation during these years. During the first decade of 21<sup>th</sup> century the growth of output was at the peak with 7.13 and the inflation was dropped to 6.12 percent. During the same period the growth of money supply was also witnessed a slight fall. (See Table1). In this context, an attempt is made to analyze the relationship between money, output and prices in India.

There are various theories concerning in an inflationary state emerges. Modern economists use the equation approach to understand the course of economic magnitudes. One of the fundamental equation of macroeconomic theory is the equation of exchanges, MV=PT. This equation states that the aggregate volume of money (M) held on an average during a year, multiplied by the velocity of circulation of a unit of money (V) equals the quantities of good and service exchanged for money (T) during the year multiplied by their money prices (P). If we assume that over long periods of time V remains constant, and that T is a constant proportion of Y (real GDP), then the equation from a growth angle can be reformulated as follows:-

$$\ln P = \ln M - \ln Y \tag{1}$$

Where Y refers to the real gross domestic product produced during a year, M refers to money and P refers to the level of price. Over short periods, the assumption as above do not hold; we do not expect the proportionality relation between the money and prices to hold true in short periods. If it does, then it is clear that the monetary approach hold true short periods as well (P.R.Brahmananda, 1994, p-25)

#### 3.3. METHODOLOGY AND DATA SOURCE

For the present study the data series on money supply (BM) price level (WPI) and output (GDP) were collected from the following sources (1) Annual Reports of Reserve Bank of India, (2) Reports on Currency and Finance of Reserve Bank of India (various issues) and (3) Economic Survey of Government of India (various issues). The study is based on annual data for the period of 43 years (1970-71 to 2012-13), the choice of the period depends on the availability of data at the time of study. Static and Dynamic equations have been estimated using, ordinary least squares (OLS) method. All our empirical tests have been carried out using the E-views econometrics package.

Price Equation Static and Dynamic Models: Monetarists prefer small-scale econometric models. Since the changes in the stock of money are dominant in explaining changes in nominal income, their focus is on the behaviors of the demand for real cash balances (George Macesich, 1983, p.184). The relationship between money and real output can be expressed in the form of a simple real money demand function on the assumption that the elasticity of price with respect to money is unity:-

$$(M_t / P_t)_D = \alpha YR_t^\beta \tag{2}$$



Where  $M$  is nominal money stock,  $P$  is the price level,  $YR$  is the real income ' $\alpha$ ' is constant, and ' $\beta$ ', is the income elasticity of demand for money. The equation 2 states that the quantity of real balance demanded  $(M_t / P_t)_D = \alpha YR_t^\beta$  is a function of real income. The increase in real income necessitates an increase in the demand for real money balances and so long as money supply expands to this extent; there is no increase in the price level.

From the equation – (2), a price equation is formulated as follows:

$$P_t = f(YR_t, M_t), \ln$$

Taking natural logarithm on both sides of the equation – (2) we get

$$\ln M_t - \ln P_t = \ln \alpha + \beta \ln YR_t \tag{3}$$

Equation – (3) can be rearranged to obtain a price equation – (4) of the form

$$\ln P_t = -\ln \alpha + \ln M_t - \beta \ln YR_t \tag{4}$$

Where ' $\beta$ ' is the elasticity of price with respect to real income and also the income elasticity of demand for money assuming an unitary elasticity of price with respect to money (Rangarajan 1994, Sarma 1991 and Dhanasekaran 1995).

For the present study, the equation (4) can be restated in the form of following econometric models (equations 5 and 10)

$$P_t = \beta_0 X_1^{\beta_1} X_2^{\beta_2} e^u \tag{5}$$

Where

$P$  = price level

$X_1$  = Nominal Broad Money ( $M_3$ )

$X_2$  = real GDP

$u$  = error term

According to this formulation, other things remaining constant, an increase in real output (real GDP) lowers the price level and an increase in money supply ( $M_3$ ) raises the price level. That is the above equation assumes the following a priori hypothesis.

$$\lambda p / \lambda X_1 > 0 \text{ and } \lambda p / \lambda X_2 < 0$$

In estimating the above equation (5), this article also considers partial adjustment model. The following equation has been used in a partial adjustment framework for the period 1970-71 to 2012-13.

Consider the following price equation

$$P_t^* = \beta_0 X_1^{\beta_1} X_2^{\beta_2} e^{\beta_3 D + u} \tag{6}$$

Where

$P^*$  = Long run price level

$X_1$  = Nominal broad money ( $M_3$ )

$X_2$  = real GDP

$D$  = dummy and

$u$  = error term

A dummy variable (D) is included in the equation to take into consideration the effect of a special factor like new economic reform, dummy variable taking the value 1 in the pre-reform period (1970-71 to 1989-90) and 2 for the post reform period (1990-91 to 2012-13) which had an adverse impact on the price level.

For statistical evaluation, the equation (6) is expressed in logarithmic form as

$$\ln P_t^* = \ln \beta_0 + \beta_1 \ln X_1 + \beta_2 \ln X_2 + \beta_3 D + u \tag{7}$$

Since the long run price level is not directly observable, let us consider the following partial adjustment hypothesis

$$\left( \frac{p_t}{p_{t-1}} \right) = \left( \frac{p_t^*}{p_{t-1}} \right)^\lambda \quad 0 \leq \lambda \leq 1 \tag{8}$$

In log form, equation (8) is expressed as

$$\ln p_t - \ln p_{t-1} = \lambda (\ln p_t^* - \ln p_{t-1}) \tag{9}$$

Substituting the equation (7) in the equation (9) and rearranging it without considering the dummy variable we obtain equation (10)

$$\ln p_t = \lambda \ln \beta_0 + \beta_1 \lambda \ln X_1 + \beta_2 \lambda \ln X_2 + (-\lambda) \ln p_{t-1} + \lambda u \tag{10}$$



The equation (10) is the short-run price relationship with money and output. Once we estimate the short-run function (10) and obtain the estimate of the adjustment coefficient  $\lambda$ , from the coefficient of  $(\ln P_{t-1})$  we can easily derive the long-run function by simply dividing  $\lambda \ln \beta_0, \beta_1 \lambda, \beta_2 \lambda, \beta_3 \lambda$  by  $\lambda$  and omitting the lagged P term which will give the equation (6).

A dummy variable (D) is included in the equation (10) to take into consideration the effect of a special factor - new economic reform; we obtain equation (11)

$$\ln p_t = \lambda \ln \beta_0 + \beta_1 \lambda \ln X_1 + \beta_2 \lambda \ln X_2 + \beta_3 \lambda \ln D + (-\lambda) \ln p_{t-1} + \lambda u \tag{11}$$

A dummy variable (D) is included in the equation to take into consideration the effect of special factor like new economic reform, pre-liberalization period(1970-71 to 1989-90) and post-liberalization period(1990-91 to 2012-13). Which had an adverse impact on the price level? The equation (11) is the short-run price relationship with money and output. Once we estimate the short-run function (11) and obtain the estimate of the adjustment coefficient  $\lambda$ , from the coefficient of  $(\ln P_{t-1})$  we can easily derive the long-run function by simply dividing  $\lambda \ln \beta_0, \beta_1 \lambda, \beta_2 \lambda, \beta_3 \lambda$  by  $\lambda$  and omitting the lagged P term which will give the equation (6)

**4. RESULT AND DISCUSSIONS**

The equation (5) and (10) are estimated by the method of least squares. The results of the static modal (equation-5) are given below:

**TABLE 2: REGRESSION RESULTS OF THE PRICE EQUATION – STATIC MODEL**

VARIABLE	CO-EFFICIENTS	"t" VALUE	R <sup>2</sup>	$\bar{R}_2$	F
Intercept $\ln \beta_0$	5.474031*	7.5457	0.9956	0.9954	4580.819 *
$\ln x_1$ BM	0.717653*	19.8301			
$\ln x_2$ GDP	-0.782635*	-7.4351			

Source: computed by the author

\* Significant at the one percent level

\*\* Significant at the five percent level

The price equation, which regress P on broad money and real GDP in India, Clearly brings out the significant impact of rise in prices. The parameter estimates have the predictable signs and found to be significant. The money elasticity for price works out to be 0.72 implying that for a one percent increase in money supply, price would increase by 0.72. The output elasticity shows that for a one percent increase in real GDP there would be 0.78 percent decrease in prices.

The price equation has also been estimated in a partial adjustment framework the empirical results of the equation (10) are given below

**TABLE 3: REGRESSION RESULTS OF THE PRICE EQUATION – DYNAMIC MODEL**

VARIABLE	CO-EFFICIENTS	"t" VALUE	R <sup>2</sup>	$\bar{R}_2$	F
Intercept $\ln \beta_0$	1.8954*	2.6987	0.9980	0.9978	6383.116*
$\ln x_1$ BM	0.2286*	3.1956			
$\ln x_2$ GDP	-0.2593*	-2.5288			
$\ln p_{t-1}$	0.6801*	7.2642			

Source: Computed by the author

\* Statistically Significant at one percent level

\*\* Statistically Significant at five percent level

The above results show that the estimated equation is in line with a priori and statistical criteria. That is all the regression coefficient of  $\ln x_1, \ln x_2$  and  $\ln p_{t-1}$  have the expected positive, negative and positive signs respectively. The long run elasticity's are obtained by dividing the regression coefficients by  $\lambda$ . The short-run and long-run elasticity's of price with respect to broad money and real GDP are given below.

The price equation has also been estimated in a partial adjustment framework the empirical results of the equation (11) are given below

**TABLE 4: REGRESSION RESULTS OF THE PRICE EQUATION – INCLUDED (DMY) DYNAMIC MODEL**

VARIABLE	CO-EFFICIENTS	"t" VALUE	R <sup>2</sup>	$\bar{R}_2$	F
Intercept $\ln \beta_0$	2.0052*	2.6987	0.9982	0.998	5133.908*
$\ln x_1$ BM	0.2432*	3.4993			
$\ln x_2$ GDP	-0.2662*	-2.6865			
DMY	0.0495**	1.9347			
$\ln p_{t-1}$	0.6288*	6.6731			

Source: Computed by the author

\* Statistically Significant at one percent level

\*\* Statistically Significant at five percent level

The Lagged price variable in this equation represents the influence of the past value's output and money supply on the current period price level. A dummy variable (DMY) is including regression coefficient is statistically significant consequently to take into consideration of the special effect factors like New Economic Reforms in 1991 which had an adverse impact on the price level. The above results show that the estimated equation is in line with a priori and statistical criteria. That is all the regression coefficients such as  $\ln x_1, \ln x_2, \text{DMY}$  and  $\ln p_{t-1}$  have the expected negative and positive signs respectively. The long run elasticities are obtained by dividing the regression coefficients by  $\lambda$ . The short-run and long-run elasticities of price with respect to broad money and real GDP are given aside.

**TABLE 5: SHORT-RUN AND LONG-RUN ELASTICITIES OF PRICE WITH RESPECT TO BROAD MONEY AND REAL GDP**

PRICE	SHORT-RUN ELASTICITY OF PRICE WITH RESPECT TO		LONG-RUN ELASTICITY OF PRICE WITH RESPECT TO		IMPLIED INCOME ELASTICITY OF DEMAND FOR $M_3$
	BROAD MONEY	REAL GDP	BROAD MONEY	REAL GDP	
EQUATION: 10	0.2286	-0.2593	0.7146	-0.8106	1.1342
EQUATION:11	0.2432	-0.2662	0.6573	-0.7195	1.0945

Source: Computed by the author

The above table 5 shows that for a one percent rise in money supply, price would rise by 0.2286 in the short run and by 0.7146 in the long run. The results show that the long run price elasticity with respect to money is almost unity and the implicit income. Elasticity of demand for money works out to 1.1 i.e., (0.2593/0.2286=1.1342). A rise in real GDP by one percent would result in decrease of prices by 0.2593 in the short run and 0.8106 percent in the long run. When the log p<sub>t-1</sub> is included in the equation, the goodness of fit of the model has improved. The price behavior is well explained by money supply and real GDP according to a partial adjustment mechanism. The coefficient of multiple determination (R<sup>2</sup>=0.99) indicates that about 99 percent of the variation in the price level is explained by money supply and real GDP.

The above table: 5 equations 11 also show that for a one percent rise in money supply, price would rise by 0.2432 in the short run and by 0.6573 in the long run. The results show that the long run price elasticity with respect to money is almost unity and the implicit income. Elasticity of demand for money works out to 1 i.e., (0.2662/0.2432=1.0945) A rise in real GDP by one percent would result in decrease of prices by 0.2662 in the short-run and 0.7195 percent in the long run. When the log DMY is included in the equation, the goodness of fit of the model has improved. The price behavior is well explained by money supply and real GDP according to a partial adjustment mechanism. The coefficient of multiple determination (R<sup>2</sup>=0.99) indicates that about 99 percent of the variation in the price level is explained by money supply and real GDP.

EQUATION- 10 like  $\ln p = f(\ln m_3, \ln GDP, \ln p_{t-1})$  (10)

TABLE 6: DISTRIBUTED LAG EFFECT ON PRICES OF A ONE PERCENT ONCE- FOR- ALL CHANGE IN THE EXPLANATORY VARIABLE (PERCENT)

	For a change in M3, GDP held constant			For a change in GDP, M3 held constant		
	P <sub>t</sub> /GDP <sub>t</sub> = Constant	M3 <sub>t</sub>	P <sub>t-1</sub>	P <sub>t</sub> / M3 <sub>t</sub> = Constant	GDP <sub>t</sub>	P <sub>t-1</sub>
0	0	0	0	0	0	0
1	0.23	1	0	-0.259	1	0
2	0.16	0	0.23	-0.176	0	-0.259
3	0.1088	0	0.16	-0.1197	0	-0.176
4	0.074	0	0.1088	-0.0814	0	-0.1197
5	0.050	0	0.074	-0.0554	0	-0.0814

Source: computed by the author

EQUATION-11 like  $\ln p = f(\ln m_3, \ln GDP, \ln p_{t-1}, DV.)$  (11)

TABLE 7: DISTRIBUTED LAG EFFECT ON PRICES OF A ONE PERCENT ONCE- FOR- ALL CHANGE IN THE EXPLANATORY VARIABLE (PERCENT)

	For a change in M3, GDP held constant			For a change in GDP, M3 held constant		
	P <sub>t</sub> /GDP <sub>t</sub> = Constant	M3 <sub>t</sub>	P <sub>t-1</sub>	P <sub>t</sub> / M3 <sub>t</sub> = Constant	GDP <sub>t</sub>	P <sub>t-1</sub>
0	0	0	0	0	0	0
1	0.24321	1	0	-0.2662	1	0
2	0.1529	0	0.24321	-0.1674	0	-0.2662
3	0.0961	0	0.1529	-0.1053	0	-0.1674
4	0.0604	0	0.0961	-0.0662	0	-0.1053
5	0.03797	0	0.0604	-0.0416	0	-0.0662

Source: computed by the author

The distributed lag effect on prices of a one percent once for all change in M3 and output (GDP) have been worked out from the two price equations. These are shown in tables 6 and 7. It is found that the lagged effects of a change in M3 and GDP are significant for about three years following the changes and peter out progressively in the subsequent years.

TABLE 8: ILLUSTRATION OF DISTRIBUTED LAG EFFECT OF THE INCREASE OF 16.089 PERCENT IN M3 DURING 2010-11 ON THE PRICE LEVEL IN SUCCEEDING YEARS WITH NO CHANGE IN OUTPUT PERCENT

YEARS	EQUATION-10	EQUATION-11
2010-11	0	0
2011-12	0.23 × 16.089 = 3.7005	0.24 × 16.089 = 3.9128
2012-13	0.16 × 16.089 = 2.5742	0.15 × 16.089 = 2.46
2013-14	0.11 × 16.089 = 1.7505	0.1 × 16.089 = 1.5462
2014-15	0.07 × 16.089 = 1.1906	0.06 × 16.089 = 0.9718
2015-16	0.05 × 16.089 = 0.8045	0.04 × 16.089 = 0.6114

Source: Computed by the author

Illustratively, M3 rose by 16.09 percent in 2010-11 other factors remaining constant, the effect of the rise in M3 would be felt on the price level at least in the next four to five years table 8. According to the first equation, it is estimated that the price would have risen by 3.7 percent in 2011-12, 2.6 percent in 2012-13, 1.75 percent in 2012-14, 1.19 percent in 2012-15 and 0.80 percent in 2015-16.

According to the second equation, price would have been raised by 3.9 percent in the 2011-12, 2.46 percent in 2012-13, 1.54 percent in 2012-14, 0.97 percent in 2012-15 and 0.61 percent in 2015-16.

TABLE 9: ILLUSTRATION OF DISTRIBUTED LAG EFFECT OF THE INCREASE OF 9.32 PERCENT IN GDP DURING 2010-11 ON THE PRICE LEVEL IN SUCCEEDING YEARS WITH NO CHANGE IN M3 PERCENT

YEAR	EQUATION-10	EQUATION-11
2010-11	0	0
2011-12	-0.259 × 9.32 = -2.4139	-0.2662 × 9.32 = -2.4810
2012-13	-0.176 × 9.32 = -1.6403	-0.1674 × 9.32 = -1.5602
2013-14	-0.1197 × 9.32 = -1.1156	-0.1053 × 9.32 = -0.9814
2014-15	-0.0814 × 9.32 = -0.7586	-0.0662 × 9.32 = -0.6170
2015-16	-0.0554 × 9.32 = -0.5163	-0.0416 × 9.32 = -0.3877

Source: Computed by the author

It is found that the lag effects of a change in GDP are significant for about three years following the change and peter out progressively in the subsequent years. Illustratively, GDP rise 9.32 percent in 2010-11, When other factors remaining constant, the effect of the rise in GDP would be felt on the price level at least in the next four to five years table:9. According to the first equation, it is estimated that the prices would have reduce by -2.4 percent in the 2011-12, -1.64 percent in 2012-13, -1.12 percent in 2013-14, -0.76 percent in 2014-15 and -0.52 percent in 2015-16. According to the second equation, price would have fall down by -2.48 percent in 2011-12, -1.56 percent in 2012-13, -0.98 percent in 2013-14, -0.62 percent in 2014-15, -0.39 percent in 2015-16.

## 5. CONCLUSION AND POLICY IMPLICATIONS

The behavior of price in India is well explained by changes in money supply and real GDP. Monetary theories always indicate that an increased money supply in an economy often help to increase or moderate inflationary targets. The supply side of inflation is a key ingredient for the rising inflation in India and the parameter estimates of GDP carry expected negative sign in three equations. This indicates that an increase in GDP may positively influence the control of inflation in India. This study concluded that a rise in the growth rate of real output accompanied by a control of the money supply would reduce the price level.

1. One of the foremost measures should be adopted to increase the production of essential consumer goods like food, oil and vegetables.
2. Effort should also be made to increase productivity of all sector of the economy.
3. Government should reduce unnecessary expenditure on non- development activities.
4. The government should provide storage facilities for all types of edible goods in order to curb the seasonal variation of the products.
5. RBI should follow qualitative measures rather than quantitative measures in credit control measures.

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**ROLE OF CUSTOMER RETENTION STRATEGIES IN RETAILING SECTOR****DR. K.V.S.N. JAWAHAR BABU****HEAD****DEPARTMENT OF TOURISM MANAGEMENT****VIKARAMA SIMHAPURI UNIVERSITY****NELLORE****S. KALESHA MASTHANVALI****RESEARCH SCHOLAR****DEPARTMENT OF MANAGEMENT****BHARATHIAR UNIVERSITY****COIMBATORE****ABSTRACT**

*As the \$4.5 trillion U.S. retail industry evolves from being product centric to focusing on consumer relationships, customer retention has become a key metric of success. Brand loyalty is no longer something to be won once and relied on forever. Today, you have to win your customers repeatedly with every interaction. The 20th century product economy was based on discrete, anonymous transactions. Retail was about inventory, shelving and cost-plus pricing. Companies had minimal insight into who was actually buying their products, or how they were using them. But, in today's Subscription Economy, the customer is king and customer retention must top every retail company's priorities. Consumers value outcomes and unique experiences – they want easy shopping customized to their individual needs, curate choices, easy payments, and guaranteed satisfaction. And they want all of these to be delightfully smooth experiences – both online and in-store. In many ways, today's Subscription Economy is about rediscovering the value of ongoing, commercial relationships. We used to know the names of the people who sold us things. Retail needs to rediscover those relationships. The recipe for customer retention is simple – retail has to become relentlessly customer-focused.*

**KEYWORDS**

customer retention strategy, technology, customer economy, customer retention.

**INTRODUCTION**

**C**ustomer retention rate is how well a company keeps its paying customers over a period of time. Peter Drucker once said the purpose of a business is to make and keep a customer. Retention deals with the latter.

A low retention rate is similar to filling a bucket with holes in the bottom — sure, you could keep piling on to make up for it, or you could figure out what caused the holes and how you can patch them up. Retaining customers costs less than acquiring them, and both add to your company's bottom line; revenue doesn't care where it comes from, earned or saved.

**CUSTOMER RETENTION AND RETAILING**

Sector Since the last decade, many companies perceive the retention of the customer as a central topic in their management and marketing decisions (Van den Poel & Larivière, 2005). Most of the studies about customer retention argue that retaining customers improves profitability, importantly by reducing the cost incurred in acquiring new customers (Reichheld and Kenny, 1990; Schmittlein, 1995; Reichheld, 1996). Firms that constantly attract new customers will not be able to witness increases in profits if they are unable to retain them but at the same juncture, it is not rewarding to maintain every customer, since it is very costly [Anderson and Mittal 2000 IN Woo and Fock 2004]. This is supported with findings of (Reichheld and Schefter, 2000) which discovered that a firm can increase profits by 25-95 percent if it could improve its customer retention rates by 5 percent. A small shift in customer retention rates can make a large difference for the firm's profit, which will accelerate over time (Reichheld, 1993; Wright & Sparks, 1999; Zeithaml et al., 1996).

Inherently, a retained customer will be loyal due to the attachment and commitment to the organization. This customer will, then, recommend others to purchase and repurchase the companies' product and services (Diller, 1996; Diller and Muellner, 1998; Gremler and Brown, 1998; Homburg et al. 1999; Oliver, 1999). Retailing is identified as one of the top contributors for service sector worldwide (Currah and Wrigley, 2004; Kaliappan et al., 2008) which constantly evolves over time. It is believed that customer retention strategy will be a vital management tool for retailers to survive and grow in the very competitive sector as retailers encounter fierce competition both from local and foreign retailers alike and as well as from non-traditional retailers such as online retailers (Levy, 2009). Review on past literatures indicates that studies on customer retention concentrated more on the manufacturing sector over the service (retailing) sector (Anderson and Sullivan, 1993) despite its growing importance to the development of nations (Hernandez, 2004; Ganz, 2005).

This study explores literatures pertaining to the factors that influence customer retention and its measures at great length. Accordingly, a theoretical framework is proposed and some possible recommendations are put forward for future researches. 2. Influencing Factors of Customer Retention Customer retention requires clear direction and this is the first strand of customer retention (Farquhar, 2004). In order to effectively retain customers, a significant commitment and clear signal from company's top management is highly required. Top management need to adopt a more holistic approach in order to be more receptive towards latest changes in the industry.

The retailer is the end link in the chain through which goods produced by the manufacturer reach the consumer destiny. Retailers facilitate distribution of goods by providing points of sale and making the goods available to customers in convenient and cost effective manner. Retailers provide an arena for social activities. Retailing is one of the pillars of economy in India and accounts for 35 percent of the GDP and employs 14 percent of working population.

The retail sector in India encompasses twin sectors- organized and unorganized, with predominance of unorganized sector thinning out 94 percent of retail business. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors and the like (ICRIER). The Indian food industry is a significant part of the Indian economy with food constituting about 30 percent of the consumer wallet.

Indian consumers spend as much as 70 percent of the current food spending on agri-products. In agri-products, fruits and vegetables (F&V) is the largest consumption category and accounts for over 50 percent of the total consumption. India is the second largest producer of grains and cereals and fruits and vegetables.

Switching costs also plays a vital role in customer retention (Chen and Hitt, 2002; Kim et al., 2004). The switching cost includes all costs incurred when a customer switches between different brands of products or services and when it consists of loss and gain costs. Loss costs occurs when customers leave their service providers while gain costs occurs when the customers start to subscribe to a new service or gains a new product [Burnham, et. al. 2003]. Customer retention greatly depends on how customers perceived service quality (Kim et al., 2004). They found that unique features of products, value added services, customer support, price and convenience in procedures significantly influence the perceived service quality. It is discovered that retained customers tend to have higher

levels of perceived service quality. Besides, customer satisfaction is also related to the customer retention rate (Reinartz and Kumar, 2003) where more satisfied customers stay longer if the switching costs are similar and there are no contractual obligations. Relationship marketing has been identified as an important tool to foster long term relationships with all customers in general, profitable customer in particular (Dawes and Swailes, 1999).

Interactions with customers would be most effective if sustained through relationship marketing where companies can obtain effective interactions via discussions with individual customers (Farquhar, 2004). Employees are able to exceed the customers' expectations when they are empowered, knowledgeable and have access to customers' information (Farquhar, 2004). If the staffs are given more power, greater access to information, adequate knowledge and enormous training (Bowen and Lawler, 1995; Dawes and Swailes, 1999) they are in a better position to delight customers and ensure customers stay longer. Voss et al. (1998) found that the price of company's offerings does affect customer satisfaction and hence it influences customer retention. It is perceived that price set is likely to improve both post-purchase satisfaction and intention to return (Jarvenpaa and Todd, 1997; Liu and Arnett, 2000). The fairness of the price is the dominant determinant of satisfaction and it also influences the subsequent intention to return and stay longer with the company. According to Diller (1997) customer membership is very essential in improving the interaction frequency between company and its customers via creation of contact and feedback opportunities. With the membership, each customer contact with company begins with the registration of detailed information regarding the individual, their interests and demand structures. This information will then be linked to customer data, which forms the basis for individualized marketing measures. Existence of information systems greatly facilitates the record keeping of customer membership (Farquhar, 2004) which will be beneficial in the company's decision making process particularly in serving and keeping customers satisfied.

## RETAILING SECTOR

Retailing is the largest private industry in the world. It is also India's largest industry accounting for over 10% of the country's GDP and around 8% of the employment. Customer relationship management is an emerging tool that enables marketers to maintain their presence in the dynamic marketing environment. Particularly today, retailers are faced with an increasingly challenging environment, especially when managing multiple sales and distribution channels. Retailing is not only an important aspect of the economic structure but very much a part of our lives. Though trading of goods has been in existence since the older days, it is only in the recent past that the buying and selling of goods have become more dominated activity. In fact, today retailing is evolving into a global, high tech business. According to India Retail Report 2009, even at the going rate, organized retail is expected to touch Rs. 2,30,000 cr (at constant prices) by 2010, constituting roughly 13 per cent of the total retail market. Global Retail Industry is of size USD 08 Trillion. Over 50 of the Fortune 500 companies are retailers According to V. Ramanathan (2008), Customer Relationship Management is an emerging tool that enables retail marketers to maintain their presence in the dynamic market environment. In early days CRM was the tool preferred by the manufacturers in order to motivate and retain retailers. Now retailers are applying this very same tool in order to retain customers.

## RETAIL CHALLENGES

Retailers continue to face these key challenges:

Identifying and knowing the shopper through a 360° view.

Driving incremental store traffic and demand through effective marketing.

Increasing customer loyalty by better management of the relationship.

## CONCLUSION

As the \$4.5 trillion U.S. retail industry evolves from being product centric to focusing on consumer relationships, customer retention has become a key metric of success. Brand loyalty is no longer something to be won once and relied on forever. Today, you have to win your customers repeatedly with every interaction. The 20th century product economy was based on discrete, anonymous transactions. Retail was about inventory, shelving and cost-plus pricing. Companies had minimal insight into who was actually buying their products, or how they were using them. But, in today's Subscription Economy, the customer is king and customer retention must top every retail company's priorities. Consumers value outcomes and unique experiences – they want easy shopping customized to their individual needs, curate choices, easy payments, and guaranteed satisfaction. And they want all of these to be delightfully smooth experiences – both online and in-store. In many ways, today's Subscription Economy is about rediscovering the value of ongoing, commercial relationships. We used to know the names of the people who sold us things. Retail needs to rediscover those relationships. The recipe for customer retention is simple – retail has to become relentlessly customer-focused.

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**GENDER DIVERSITY: WOMEN ON BOARD AND CORPORATE SOCIAL RESPONSIBILITY**

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**ABSTRACT**

*The term CSR identifies with the proceeding with the responsibility of an organization to carry on decently and dependably towards the general public and the earth inside which it works while adding to financial intensity and advance. This review examines the relationship between board sex assorted qualities and different measurements of CSR. Today CSR is viewed as an important apparatus to make sex correspondence at where you work. Equality and differences in the work environment are the fundamental mainstays of CSR. The organizations are progressively tending to the sexual orientation uniformity plan and including it inside their CSR programs, in light of lack of gifted work and a development in the cooperation of ladies in the workforce. The consideration of a sexual orientation point of view in CSR can assume a dynamic part in accomplishing sex fairness in the work environment through exercises, activities, systems and approaches that give rise to access to openings for work to female representatives and accommodate correspondence of the treatment of ladies in the work environment. Also, this article analyzes whether CSR evaluations intervene the connections among board asset assorted qualities, sexual orientation creation, and corporate notoriety*

**KEYWORDS**

CSR, gender diversity, gender equality.

**INTRODUCTION****CORPORATE SOCIAL RESPONSIBILITY**

The vedic philosophy of "Sarva loka hitam" i.e. "the well-being of all stakeholders", has regained importance in the current business environment. The concept has evolved over the years and now used as strategy and a business opportunity to earn stakeholder goodwill. Corporate Social Responsibility (CSR) is a concept whereby companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities, and all other members of the public sphere. The basic premise is that when the corporations get bigger in size, apart from the economic responsibility of earning profits, there are many other responsibilities attached to them, which are more of non-financial/social in nature. These are the expectations of the society from these corporate to give something in return to the society with whose explicit or implicit help these entities stand where they are.

CSR is comprehended to be the way firms coordinate social, ecological and monetary worries into their qualities, culture, basic leadership, procedure and operations in a straightforward and responsible way and in this way set up better practices inside the firm, make riches and enhance society. CSR is additionally called Corporate Citizenship or Corporate Responsibility. With the understanding that organizations assume a key part of occupation and riches creation in the public arena, CSR is for the most part comprehended to be the way an organization accomplishes an adjust or reconciliation of financial, ecological, and social objectives while in the meantime tending to shareholder and partner expectations. CSR is an idea whereby organizations incorporate social and natural worries in their business operations and in their communication with their partners on a willful premise.

**ESSENTIALLY, CORPORATE SOCIAL RESPONSIBILITY IS AN INTER-DISCIPLINARY SUBJECT IN NATURE AND ENCOMPASSES IN ITS FOLD**

- Social, economic, ethical and moral responsibility of companies and managers,
- Compliance with legal and voluntary requirements for business and professional practice,
- Challenges posed by needs of the economy and socially disadvantaged groups, and
- Management of corporate responsibility activities.

**WHY CSR**

CSR creates a favorable public image, which attracts customers. Reputation or brand equity of the products of a company, which understands and demonstrates its social responsibilities is very high. Customers trust the products of such a company and are willing to pay a premium on its products. It builds up a positive image encouraging social involvement of employees, which in turn develops a sense of loyalty towards the organization, helping in creating a dedicated workforce proud of its company. Society gains through better neighborhoods and employment opportunities, while the organization benefits from a better community, which is the main source of its workforce and the consumer of its products. The industry/ business owe its very existence to society and have to respond to needs of the society. The company's social involvement discourages excessive regulation or intervention from the Government or statutory bodies, and hence gives greater freedom and flexibility in decision-making. The internal activities of the organisation have an impact on the external environment, since the society is an inter-dependent system. A business organisation has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility. In other words, there should be a balance between the authority and responsibility. The good public image secured by one organisation by their social responsiveness encourages other organizations to adapt themselves to achieve their social responsiveness. The atmosphere of social responsiveness encourages co-operative attitude between groups of companies. Companies can better address the grievances of its employees and create employment opportunities for the unemployed. A company with its "ear to the ground" through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation.

**CSR IN INDIA**

Indian business visionaries and business endeavors have a long convention of working inside the qualities that have characterized our country's character for centuries. India's antiquated insight, which is as yet pertinent today, moves individuals to work for the bigger goal of the well-being of all stakeholders. The Ministry of Corporate Affairs has embraced the part of an empowering agent, facilitator and controller for viable working and development of the corporate segment. Various activities are in progress on the administrative, benefit conveyance and limit building sides so that the corporate segment is furnished with a light and empowering administrative condition for its development. At the same time, the Ministry is additionally concentrating on different issues identified with comprehensive development in connection to the improvement of corporate area.



**ROLE OF BOARD OF DIRECTORS**

A top managerial staff is a collection of those or selected individuals who mutually regulate the exercises of an organization. They are additionally alluded as leading group of governors, leading body of chiefs, leading body of officials, leading body of trustees, or essentially alluded to as "the board". As per Section 2(10) of the Companies Act, 2013 "Directorate" or "Board", in connection to an organization means the aggregate assortment of executives of the organization named to the Board of the Company. The board's part is to give entrepreneurial authority of the organization inside a system of judicious and viable controls which empowers hazard to be evaluated and overseen.

**RESPONSIBILITIES**

Responsibilities cast upon Directors are quite onerous and multifarious. The duties of directors are partly statutory, partly regulatory and partly fiduciary. Directors are in fiduciary position and must exercise their powers for the benefit of the company. Board is responsible for direction, control, conduct management and supervision of the company's affairs.

**WOMAN DIRECTOR**

Proviso 2 to Section 149 provides that such class or classes of companies as may be prescribed in Rules shall have at least one woman director. With regard to this, Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes that the following class of companies shall have at least one woman director:

Every Listed Company	Every other Public Company having:
	Paid-up capital of 100 crore rupees or more; or
	Turnover of 300 crore rupees or more.

**OBJECTIVE**

To know the awareness of Women on Board of Director and Corporate Social Responsibility.

**METHODOLOGY**

The study is descriptive in nature. The population of the study is the managers, company secretaries, and executive directors in various companies. As a part of the research work of the author. A pilot study was carried out by administering a questionnaire. A questionnaire consisting of 8 questions regarding the Board diversity, Board attitude, positive relation between CSR and the number of female directors on the board, Women directors are less concerned about economic performance, Lack of qualified women, Development program in place concerning diversity, measures of diversity and various board attributes like gender diversity can have significant influence on CSR. The respondents were asked to fill a questionnaire. Percentage analysis was done for the data obtained and discussed.

**TABLE 1: WHY ARE WOMEN UNDER REPRESENTED IN THE BOARDROOMS OF LISTED COMPANIES?**

Response	Frequency	Percent
Issues with maintaining work/life balance	21	35%
Male culture/women have poor networks	10	17%
Maternity issues/ leave	8	13%
Lack of opportunities	17	28%
Men tend to recruitment	4	7%
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows the maximum number of respondents of women under represented in, the boardrooms of listed companies facing the issues with maintaining work life balance 21 (35%) and the lack of opportunities 17 (28%). Only 4 respondents of men tend to recruitment.

**TABLE 2: WHAT IMPACT WOULD GENDER DIVERSITY IN SENIOR POSITIONS HAVE FOR BUSINESS? HIGH LEVEL THEMES**

Response	Frequency	Percent
Attitude/behaviour	20	33
Company performance	10	17
Career advancement	8	13
Employee satisfaction	9	15
Brand image	13	22
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that impact would gender diversity in senior positions have for business in the high level themes of attitude or behavior shows maximum respondents of 20 (33%) and minimum theme shows the respondents level of 8 (13%).

**TABLE 3: HAS GENDER DIVERSITY CAUSED ANY PARTICULAR PROBLEMS FOR YOUR ORGANISATION?**

Response	Frequency	Percent
Lack of senior women/role models	22	36.67
Lack of gender diversity	17	28.33
Communication Problems & Unresolvable Conflict	10	16.67
Male dominated	5	8.33
Lack of Decision Making	6	10
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that the gender diversity caused the maximum problem of 22 (36.67%) and minimum problem facing in the organization by the respondents are male dominated is 8.33%

**TABLE 4: WHAT STEPS HAS YOUR ORGANISATION TAKEN TO OVERCOME ISSUES RELATING TO GENDER DIVERSITY**

Response	Frequency	Percent
Gender diversity programme	14	23.33
Balanced work force management	12	20
Opportunities for advancement	10	16.67
Better training/ coaching	20	33.33
Developed networks	4	6.67
<b>Total</b>	<b>60</b>	<b>100</b>

The above table show that 20 (33.33%) says that better training or coaching will be taken to overcome issues relating to gender diversity and minimum percentage of the respondents shows for developed networks 4 (6.67%).



TABLE 5: IN YOUR OPINION, WHAT OBSTRUCTS WOMEN PROGRESS AND GROWTH IN AN ORGANIZATION?

Response	Frequency	Percent
Male Domination	15	25
Family Commitments	12	20
Less Career Ambition/ Education	17	28.33
Nature of work / Demands of work	10	16.67
Compensation benefits	6	10
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that the 17 (28.33%) respondents are under less career ambition/Education and minimum percentage of the respondents shows for compensation benefits 10%.

TABLE 6: WHAT IS THE MOST FREQUENT OBSTACLE FOR WOMEN TO GET INTO THE MANAGEMENT POSITION?

Response	Frequency	Percent
Male Domination	24	40
Family Commitments	16	26.67
Less Career Ambition/ Education	8	13.33
Nature of work / Demands of work	7	11.67
Compensation benefits	5	8.33
<b>Total</b>	<b>60</b>	<b>100</b>

The above table show that 40% of the respondents due to male domination and minimum percentage of the respondents, 5% due to compensation benefits will be obstacle for women to get into the management position.

TABLE 7: WHAT IS THE AVERAGE LENGTH OF SERVICE OF THE CURRENT BOARD MEMBERS?

Response	Frequency	Percent
>10 years	24	40
5- 10 Years	16	26.67
<5 years	20	33.33
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that the average length of service of the current board members of the respondents are less than 5 years, 33.33% and minimum percentage of the respondents under more than 40%.

TABLE 8: WHAT PROPORTION OF THE EXECUTIVE TEAM IS WOMEN?

Response	Frequency	Percent
Above 50%	10	16.67
25 – 50%	20	33.33
Less than 25%	30	50
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that the ratio between maximum respondents have the executive team of women between 50% below less than 25% and minimum percentage of the respondents are under 16.67%

TABLE 9: DESCRIBE ANY STEPS YOU TOOK TO OVERCOME THE PARTICULAR ISSUES YOU FACED

Response	Frequency	Percent
Left the job	4	6.67
Worked harder	18	30
Got better training	20	33.33
Developed stronger networks	8	13.33
Became stronger/ more aggressive	10	16.67
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that steps to overcome the particular issues faced by the maximum respondents are under better training 33.33% and minimum respondents are under the category of left the job of 6.67%.

TABLE 10: DOES THE BOARD ASK MANAGEMENT TO PROVIDE MEASURES OF GENDER/DIVERSITY REPRESENTATION IN MANAGEMENT AT EACH LEVEL?

Response	Frequency	Percent
Strongly Agree	10	16.67
Agree	8	13.33
Neutral	20	33.33
Disagree	18	30
Strongly Disagree	4	6.67
<b>Total</b>	<b>60</b>	<b>100</b>

The above table shows that 20% respondents say that neutral performs to provide measures of gender diversity, 6.67 % strongly disagree and Disagree is 30%

**SUGGESTION FOR FURTHER RESEARCH**

A large study involving more samples at the national level will be more useful. The same study can be conducted by using variables to know more about CSR and its importance

**FINDINGS**

Women under represented in the board rooms of listed companies facing the issues with maintaining work life balance 21(35%) and the lack of opportunities 17(28%).Only 4 respondents of men tend to recruitment. that impact would gender diversity in senior positions have for business in the high level themes of attitude or behavior shows maximum respondents of 20 (33%) and minimum theme shows the respondents level of 8 (13%). the gender diversity caused the maximum problem of 22 (36.67%) and minimum problem facing in the organization by the respondents are male domination 5(8.33%).The frequency of 20 respondents (33.33%) says that better training or coaching will be taken to overcome issues relating to gender diversity and minimum percentage from the respondents shows for developed networks 4 (6.67%).(28.33%) respondents are under less career ambition/Education and minimum percentage of the respondents shows for compensation benefits 10%.40% of the respondents due to male domination and minimum percentage of the respondents 5% due to compensation benefits will be obstacle for women to get into the management position. The average length of service of the current board members of the respondents is less than 5 years, 33.33% and minimum percentage of the respondents under more than 40%. That ratio between maximum respondents have the executive team of women

between 50% below less than 25% and minimum percentage of the respondents is under 16.67%. overcome the particular issues faced by the maximum respondents are under better training 33.33% and minimum respondents are under the category of left the job of 6.67%. 20% respondents say that neutral performs to provide measures of gender diversity, 6.67 % strongly disagree and Disagree is 30%.

### SUGGESTIONS

Managers should be given training on the most proficient method to manage sexual orientation assorted qualities and energize sex uniformity in the work environment. Facilitate, there ought to prepare for enlistment and choice staff to guarantee the approaching representatives can make a more adjusted workplace. Women need to build up the certainty, disposition and aptitudes expected to prevail in business and venturesome exercises. Ladies ought to know about their rights and they ought to be prepared on the best way to be more proactive in the working environment and how to manage clashes, inappropriate behavior and complaints. So organizations ought to composed mindfulness programs for ladies of association as a piece of CSR.

### CONCLUSION

With the privilege CSR system and sexual orientation adjust in the working environment, organizations can mirror a superior open and brand picture and will prevail with regards to making a supportable workforce that can concentrate on and put resources into amazing execution sets. On the other hand If the organizations gave them appropriate status, position and cash in the corporate world then with no uncertainty their position will enhance in the home and they will acquire more regard in the family and it will help in bringing the genuinely necessary change in our society. So organizations ought to incorporate sex differing qualities as an obligatory consider their corporate social duty regarding their own particular advantage and for the advantage of society.

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**GLOCAL FASHION: IMPACT OF GLOBALIZATION ON INDIAN GARMENT AND TEXTILE SECTOR**

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**ABSTRACT**

*With the expansion of western colonialism and development of foreign trades, Indian fashion has been continually improving to perfection. There has been both positive and negative impact of globalization on social and cultural values in India. Globalization is providing new panorama of dressing up as well as employment and thereby bringing happiness in the lives. The fusion of various fashions and styles, multiplicity of apparel fashion is enriching the cultural heritage of this country. When global fashion becomes the local, it is referred as "glocalization". A beautiful synthesis of traditional and western costumes is emerging as the new style statement of Indian youth. India is a developing economy, with a growing population of youth and technological advancement, which is opening doors for newer and diversified trends in wardrobe. Increase in the number of shopping malls, advent of brands, popularity of designer clothing, boom in the number of fashion institutes, initiation of fashion shows, boutiques, emergence of fashion houses, globalization of Indian attire, use of synthetic fibers, improvement in professional management skills, rising demand for readymade garments, availability of superior quality at rational value, high competitiveness, installation of new technology in garment and textile production, sustainable and ethical consumerism, fair trade - supply chain transparency, eco-friendly fashion and green wardrobe, use and throw concept are the major impact of globalization on Indian garment and textile sector. All these arenas have their own distinctive influence – good or bad - on Indian society and fashion industry.*

**KEYWORDS**

eco-friendly fashion, fair trade, globalization, glocalization, sustainable consumerism.

**JEL CODE**

M (Business Administration and Business Economics; Marketing; Accounting; Personnel Economics)

**INTRODUCTION**

Indian fashion industry has a long history of its richness of styles and trends. It embraces the stories of various cyclic and non-cyclic changes. The panorama of Indian fashion has always proceeded ahead and evolved incessantly. Its fruition has been aided by a mixture of diverse influences and invasion of India – foreign traders, Greek and Islamic invasion and then Western colonialism. However, Indian fashion industry has the unique characteristic of absorbing and transforming foreign influences into something that is so Indian that it is tough to recognize its origin. In the present times, our fashion industry is mainly influenced by customer choices and globalization of Indian economy.

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient (Malik). Socialization of people for improving business and financial activities across the globe can be referred as globalization. In essence, it refers to increased possibilities for action between and among people in situations irrespective of geographical considerations as per the definition of social theorists. Developed countries have been trying to pursue developing countries to liberalize the trade and allow more flexibility in business policies to provide equal opportunities to multinational firms in their domestic market. International Monetary Fund (IMF) and World Bank helped them in this endeavour. Liberalization began to hold its foot on barren lands of developing countries like India by means of reduction in excise duties on electronic goods in a fixed time frame. Indian government did the same and liberalized the trade and investment due to the pressure from World Trade Organization (Sankar, 2006).

The initiation and development of globalization and Indian textile industry took place simultaneously in the 1990s. The Indian textile industry, until the economic liberalization of Indian economy was predominantly an unorganized industry. The process of globalization and Indian textile industry development was the effect of rapid acceptance of 'open market' policy by the developing countries, much in the lines of the developed countries of the world (business.mapsofindia.com, 2011).

The clothing-textiles value chain has historically played an important role in the process of industrialization and is generally regarded as being a potential first step for developing countries embarking on an industrialization path. This clothing-textiles value chain has become increasingly globalized (Morris and Barnes, 2009). Wide scale impact of Globalization resulted in increase in Indian imports from the west, which in turn, also made it easier for Indians to keep a track on the latest fashion clothes and accessories ruling the Western men and women's wear market. Incidentally, Indian fashion industry has been drawing even western buyers. Needless to say, the fashion fraternity in India have willingly adopted western designs keeping in mind both the Indian and western sensibilities. In addition, the Indian designers embrace western fashion industry to such an extent that they like to adapt the social and cultural changes and western lifestyles as well.

There has been both positive and negative impact of globalization on social and cultural values in India. There is no denying of the fact that globalization has brought cheers to people's life by opening new vistas of employment. It has also made inroads in the cultural heritage of this country. About the impact of globalization, in particular on the development of India, the ILO Report (2004) stated: In India, there had been winners and losers. The lives of the educated and the rich had been enriched by globalization.

**GLOCALIZATION**

Friedman (1999) defines healthy glocalization as "...the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich the culture, to resist those things that are truly alien, and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different". Glocalization, then, seems to be the art of attaining a fine balance of assimilating foreign influences into a society that add to its diversity without overwhelming it.

Although there has been a surge of foreign products that have become available in the past decade, Indian consumers are still negotiating their choices in this new environment. Indian consumers are typically described as currently in a state of tension (Mazzarella, 2003). Although the caste system no longer exists, it has evolved into a social system almost as rigid. Indian consumers use consumption of newly available products to reinforce these deeply ingrained notions of social distinction within Indian society. In addition, the Indian consumer has been characterized as sophisticated and savvy, even when rural and illiterate. All of these characterizations imply that Indian consumers are active in seeking choices in the marketplace, making the Indian context an ideal one in which to explore consumer agency issues vis-à-vis globalization (Eckhardt and Mahi, 2004). Indian fashion wear has been constantly evolving, with the expansion of western colonialism and development of foreign trades and Greek and Islamic invasions. However, the forte of Indian fashion industry lies in its free-wheeling nature that incorporates anything exotic into integral Indian so much that it is not that easy to sport its origin. Today, the Indian fashion industry is driven by customer choices as well as globalization of Indian economy (Impex, 2010).

Chronicling the various ways in which the consumer approaches consumption decisions in the globalization process has some important implications. When transformation of meaning occurs, what was at first the global becomes the local – “glocalization” occurs. When consumers are allowed to consume in traditional ways, the product ceases to be exotic or foreign, and in fact becomes part of the local scenscape. In India this has happened with western-style clothing. This ‘glocalization’ enables consumers in developing countries to receive the benefits of modern technology, which might include convenience, while still upholding traditional values.

### TODAY'S GLOCALIZED INDIAN CONSUMER

There are many reasons accounting western impact on the Indian apparel and costume industry. As a melting pot of multi ethnic groups, the open-minded culture coupled with cultural diversities of India embrace the whole world in tolerance posture. Each group has its own prominent style and type of dresses and costumes. Indian Fashion designers are known to interweave these diverse fashions and lend an amazing Indian touch to them. Winning of beauty pageants on international platforms, Indian Movies and Overseas Education and employment opportunities are big influencing factor. People of India have a lasting impression on them by watching Indian movies. People blindly follow what the celebrities are wearing in the films. Many of the Indian movies have usage of western patterns in their costumes and this is eventually followed by the Indians. A change has also been brought in the style and lifestyle of Indian youth because of overseas education and employment opportunities available abroad. To make themselves in sync with the western culture, Indians follow the western culture and adjust themselves with the lifestyle of the foreigners.

A theoretical implication of this framework is that opening up economically does not necessarily mean pitting the modern against the traditional, a stance argued by many scholars (Venkatesh and Swamy, 1994). Consumers are able to take something new and incorporate it into their traditions, thus embodying both. In fact, they are able to use modern products to uphold their traditions (i.e., polyester saris make them more affordable, and thus more people can wear them), not simply become more like the West by virtue of their use of these products. Due to globalization consumers have a larger variety of goods to choose from, and hence are eventually better off. Contrary to it, now-a-days consumers seem to be the slaves of multinational offerings.

The fear of loss of cultural identity also allows the consumer to adapt the non-local offering in question (English) to use it in a manner that makes it ‘Indian’, thus effectively glocalizing. Men in urban India wear western clothes to work and suits for formal wear, which is not the case for most women. It can be argued that since traditional Indian clothing styles for men differ by region, the use of western clothing provides a uniformity of clothing style. Consumers evaluate if and to what extent foreign offerings are in line with important underlying local values and ways of interacting. If the offering radically challenges the nature of the social fabric, dismissal occurs. When the foreign offering provides a new medium to uphold traditional values and ways of interacting, the meaning of the offering will be transformed from what the multinational and/or marketer has conceptualized the meaning to be to what is appropriate in the local context (Joy and Ross, 1989). One of the product categories that has gone through great changes in the past ten years and thus is very illuminating in illustrating the acceptance and transformation of product meaning is the fashion industry in India - Use of polyester in saris is evidence of this. Finally, when products do not provide the means for upholding traditional values yet provide novel benefits, they are accepted as foreign and treated as such in the marketplace.

### IMPACT OF GLOBALIZATION ON INDIAN FASHION SCENARIO

- CROPPING UP OF SHOPPING MALLS:** Number of shopping malls is gradually increasing in India. In the year 1993 Shopper’s Stop was launched as the first retail outlet in India. After this, a number of such malls became perceptible in the major cities in the country. These malls offer an assortment of wide-ranging branded stuff under a single roof. Some of the famous malls of India are Pantaloons, Westside, Lifestyle, Globus, etc. These retail outlets have also launched clothing line under private labels, manufactured and sold by them. The buyer gets an international shopping experience in such retail outlets. There are no nagging sales persons pressurizing the customers to buy. Family stores are becoming hot favorite shopping hub for the middle-class and upper middle class shoppers. These stores sell garments of nearly all age groups and sexes. Apparels of various brands can be found in family stores. They are being considered as one-stop shopping destination. Big Bazaar, V-mart, Maxx, etc are examples of some family stores.
- ADVENT OF BRANDS:** The market of branded garments is growing up in India. More and more people are switching on to branded apparel then non-branded ones as it provide quality assurance. Many national as well as international brands have established themselves in Indian garment industry. Allen solly, Van Heusen, Louis Philipe, Charagh Din, Raymonds, Arrow, etc. are some leading national brands. The branded apparel market saw a boost due to growing denim demand. Many international brands entered the denim industry in India like- Lee, Levi’s, Seven Jeans, Pepe Jeans, etc. But these foreign brands get a tough competition from Indian branded denim manufacturers like Flying Machine, Wrangler, Killer, Numero Uno, etc. Branded clothes have captivated the market of both menswear and women’s wear and slowly catching up in children wear segment. The Indian consumer has become brand conscious, which is a sign of globalization of Indian apparel industry. Branded garments are beginning to occupy Indian retailers’ shelves. The trend is the combination of exclusive brand stores and multi-brand outlets.
- POPULARITY OF DESIGNER CLOTHING:** Recent western influences on clothing and fashion in India have brought about another effect on Indian consumers – it has changed perceptions of what constitutes ‘designer’ clothing in India. Bullis (1997) reports that India has embraced *haute couture*, but with traditional clothing (i.e., the sari or the salwar-kameez). The face of designer clothing in India has changed to adapt western influences where the end product of these western influences is one that is a mix of the East and the West in what is termed ‘fusion fashion’ in India. This style incorporates western styles with Indian fabric (hand-painted trousers); adapts traditional styles to give a western look (Western cut shirts to accompany traditional saris) or is a mix where the lines blur on the East-West divide (Indian-style bead embroidery on a western style shirt). The ‘fusion’ aspect of this trend illustrates the adaptation of influences to indigenize them where the end product is ultimately Indian.
- BOOM IN THE NUMBER OF FASHION INSTITUTES:** Indians have started experimenting with fashion trends and styles; they are all geared up for the international exposure. This fact can be proved by the existence of 80+ odd small and big fashion schools in India. Thousands of designers are produced every year by these institutes. Designers are getting exposure through fashion weeks, here they can show their talent to Indian and foreign audience. These fashion weeks have contributed to the change in style preference especially in women wear. Indo-western or fusion wear is the most preferred manner of dressing gaining popularity globally. Pure traditional outfits are worn on special occasions only. Earlier buying designer wear outfit was a very costly affair and upper class people could only afford them. But now it is possible for the common people to wear designer clothes, this change occurred due to popularity of diffusion of fashion.
- INITIATION OF FASHION SHOWS:** Exhibition of fashion garments and designer costumes by means of fashion shows has become a quite frequent fashion trend in India. In fashion catwalk the models display the collection of designers on ramp. At the start, simple catwalks were common in trend but today many theme-based and speculative fashion shows and fashion weeks are being organized to display the current fashionable attire. These assist in showcasing the coming fashion trends especially for various seasons.
- BOUTIQUES:** Another aspect seen in the changing face of Indian garment industry is the increasing popularity of ‘Boutiques’. A boutique is a small shop or departmental store selling designer, unique and trendy products. A wide range of items can be displayed in a boutique like watches, lingerie, evening wear, sportswear, t-shirts, tuxedos, etc. Boutiques are generally specialty stores. Exclusive designer items can be purchased from such stores. Boutiques are operated both online and offline, this concept is yielding positive outcome for the retailers. Some time back only rich and famous people were customers of such boutiques, but now due to increasing demand of designer outfits more and more fashions stores are opening up.
- EMERGENCE OF FASHION HOUSES:** High profile and eminent fashion designers of India mainly merchandise through their personal boutiques – “Fashion Houses”. Ensemble was the first fashion house of India founded in 1987. As these are designed and marketed by the distinguished designers, the collections available in these outlets have very high price tag and only the rich customers can afford to purchase.

8. **GLOBALIZATION OF INDIAN ATTIRE:** The craze for fashion sari, salwar-kameez, sherwani, etc. is increasing day by day. Even people outside India adore dressing in a designer Indian garments. Indian patterns and designs attract and allure everybody towards our custom and traditions. Embroidered and embellished fashion wear presents the Indian ingenuity and attracts people with their work and designs. Many types of needlework are there in trend since a long time and people love to dress in diverse and eminent Indian embroidery designs.
9. **USE OF SYNTHETIC FIBERS:** According to **Joy and Wallendorf (1996)**, "Cloth and cloth transactions acquire meaning because they symbolize status, they record changes in status, and they transform the moral and physical bearing of the wearer". Gandhiji encouraged Indians to purchase Indian-made clothing to support the Indian economy at the time of independence from Britain. Now, as non-native fabrics such as those made up of synthetic fibers are becoming more and more popular in India. It is becoming quite popular to buy traditional garments such as saris in non-indigenous fabrics such as polyester. However, these garments are preferred with traditional colors and prints, which suggest that the incorporation process is guided by acceptable cultural norms and principles rather than mere emulation. Further, although polyester is used for day-to-day activities, it is not acceptable for ritual activities. This implies a rejection of western influences on clothing in more traditional settings but an acceptance of the same in more modern settings, thus allowing the consumer to slip in and out of modernity at will using fabric/clothing to do so.
10. **IMPROVEMENT IN PROFESSIONAL MANAGEMENT SKILLS:** In professionally managed companies Benchmarking, Human Resource Development, best management practices, and quality certifications have started gaining importance in the textile industry. These influence a variety of customers in various ways and the dealers as well. The skilled managers are able to meet the problems in production and distribution efficiently.
11. **RISING DEMAND FOR READYMADE GARMENTS:** There has been an increase in demand of readymade garments, because today's customers have rising financial status along with higher expending capacity and willingness. High and middle income groups now days prefer readymade garments as compared to the customary tailor made outfits. Shortage of time, appearance, fitting, finishing and readiness to wear are some of the factors behind the popularity of readymade garments.
12. **SUPERIOR QUALITY AT RATIONAL VALUE:** Due to globalization, the textile industry has shown some signs building competitiveness not only in terms of price but also in terms of quality. To make their identity in the globally competitive fashion industry, the domestic manufacturers have focus on to check the outflow of local customers towards foreign brands. Therefore, some big production houses are providing good quality fashion products in a price range affordable for a large number of Indian customers.
13. **HIGH COMPETITIVENESS:** Garment retail sector is increasingly becoming competitive. With globalization aided by WTO agreements on increased market access, the number of international brands is on the increase. The emerging trend is that the brands are becoming paramount importance and companies that build brands successfully are gaining advantages in the market place. As customers get more knowledgeable, product differentiation is becoming more difficult. Building regional markets across the country (not just concentrate on metros) through franchise programmes and distributorship arrangements taking place.
14. **INSTALLATION OF NEW TECHNOLOGY:** Indian garment producers are now putting in new technology not only for production but also for design, communication and integration of the entire supply chain.
15. **SUSTAINABLE AND ETHICAL CONSUMERISM:** The concept of sustainable and ethical consumerism is on the rise. Due to the large quantity of products manufactured, used, and disposed of, the textile and apparel industry has a big environmental impact in every phase of product life cycle. Considering all the social and environmental impacts from harvest/processing to waste/reuse is a total mindset shift at the product design and creation level and a key component to sustainable economic development strategies. It's a movement based on purchasing products that have been ethically produced by organizations that are involved in a process of ensuring that the basic labor rights of the employees of their Third World suppliers are respected. It is ought to be remembered that without a sustainable and productive growth of the textile sector, the other types of development in any sphere will be unstable and deceptive.
16. **FAIR TRADE - SUPPLY CHAIN TRANSPARENCY:** Fair Trade Certification is a market-based model of international trade that benefits over one million farmers and farm workers in developing countries. Fair Trade products have experienced consistent global growth in the 40 percent range over the last few years, making Fair Trade good for business.
17. **ECO-FRIENDLY FASHION AND GREEN WARDROBE:** Inclination of educated Indian consumers towards eco-parameters and eco-labeling, i.e., fabrics / garments that are degradable, compostable, ozone-safe / ozone-friendly, recyclable, free-of and non-toxic, made with renewable materials, made with renewable energy, carbon offsets is increasing rapidly, as they are aware of environmental constraints occurring because of textile production processes and utilization. Consequently, eco-friendly fashion is gaining momentum in an environment-conscious segment of Indian people. Textile Eco-Footprint calculator allows consumers to calculate the environmental impact of their clothing.
18. **USE AND THROW CONCEPT:** Street wear concept developed in west and no doubt is slowly catching up in India as well. Street wear mainly involves low-priced clothes that could be worn a couple of times and then discarded. Street wear is considered economical as opposed to the Indian traditional clothes that involve fine cotton, silk, etc. (**Dicosta, 2011**). Street wear are produced in bulk and sold at the cheapest rates. But to save our planet it is better to prevent waste than to treat or clean up waste after it is formed.

## CONCLUSION

Indian fashion industry has come at par with international standards. It has become one of the most happening and revenue generating industry of India. The people like to dress in style, which is accepted globally. Dressing has become one of the important aspects of one's identity and personality. A lot of influence of west is seen on the Indian fashion industry though it is manipulated beautifully and seem to be original designs. Modern fashion scenario in India is influenced greatly by western fashion. The local costumes and designs, artwork and crafts are intermingled with western dresses, creating fusion fashion garments. This blend of global and local fashion is widely accepted in India and worldwide. This concept of glocalization is facilitating us the distinct dignity in the modern global world with preserving and nurturing our traditional cultural values in addition.

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**SUCCESSFUL ATTRIBUTES OF FINANCIAL SERVICES TARGETED FOR WOMEN CUSTOMERS**

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**ABSTRACT**

*With the growth of education and economy, women have come out of the peripheries of family and they are performing very well in all fields. They are breaking all the myths of world like women can't do this or that. They are taking all their decisions with intelligence and proving their caliber and intelligence. They are taking their own decisions by analyzing to their best. So if the financial services providers want to target women as customer segment they will have to add some special attributes to their services by adding colors of their interest. Present study is an attempt to identify the attributes a woman looks into an advisor before investing in any financial product or service. The objective of the research paper is to examine the most successful attributes used by the financial advisors from banks in providing financial services to women customer. The validity of any research is based on the methods of collection of data and analysis of data collected. The researcher have collected data through primary sources. The Primary data have been collected through a structured and carefully developed questionnaire from 220 educated working women in NCR in the age group of 25 years to 45 years with respect to their opinion about financial advisors. The exploratory factor analysis is applied on collected data.*

**KEYWORDS**

financial services, attributes, financial advisor.

**INTRODUCTION**

Financial services, a sector that is itself a subset of services, fulfill an extensive range of consumer needs. Salient characteristics of financial services that impact on marketing of the product are intangibility, inseparability, perishability, heterogeneity, and fiduciary responsibility, high levels of loyalty and/or inertia and long term nature and/or risk inherent. Financial services providers focus on geographic, socio-economic and psychological characteristics to target customers. Now with the economic advancement of Women a new segment has emerged as women customers of them. The increase in the number of women in paid employment in any country has made them a more attractive segment to the service providers. The identification of the women's market is based on economic and social changes; however, the group 'women' be more accurately identified as professionally employed women earning relatively high salaries. For making plans and products, a segregation of pink (female) and black (male) has emerged. Although these kind of segregation cannot be efficient predictors of future buying behavior. To overcome this shortcoming factor analysis has been used to analyze the attributes women customer look for from financial services providers.

The emergence of the service sector has been observed in the latter half of the twentieth century in developing economies of the world, as services lead to an increasing proportion of employment, GDP consumer expenditure and off course saving too. Services can be classified in terms of customers (Corporate and private), the nature of product etc. Service is a composite term. The customer organization interface is of critical importance in the development of a satisfactory relationship with a customer particularly in reference to future consumption. For the development of long term relationships, the service providers need to develop trust and confidence with the customers via the employees and providing services required. The increase in the number of women in paid employment in any country has made them a more attractive segment to the service providers. The identification of the women's market is based on economic and social changes; however, the group 'women' be more accurately identified as professionally employed women earning relatively high wages. 'Financial services is a masculine type product because of men's perceived knowledge or expertise in handling financial matters and their traditional assumption of this role'(Debevec and Iyer,1986,p211)

**METHODOLOGY**

This research study has based on empirical type and the main objectives of this study have to measure the problems into insights. The objective of the study is to examine the most successful attributes used by the financial advisors from banks in providing financial services to women customer. In the study, primary data is collected from 220 working women with in the age group of 25-45 in NCR with respect to their opinion about financial advisors. The twenty different statements related to financial advisors were included in the questionnaire. The respondents were asked to rate these statements in the scale of 1-5 where 1 means strongly agree & 5 means strongly disagree. To analyse the data collected Factor Analysis is applied. Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization. In marketing research, there may be a large number of variables, most of which are correlated and which must be reduced to a manageable level. Relationships among sets of many interrelated variables are examined and represented in terms of a few underlying factors." (Malhotra, 2006).

**DATA INTERPRETATION AND ANALYSIS**

The exploratory factor analysis is applied on the 220 responses received against these 20 statements. The Purpose of applying exploratory factor analysis is to extract the latent factors on the basis of co-relation between the variables considered for the analysis. The factor analysis is multivariate statistical method, which identifies the latent factors on the basis of correlation structure between the variables. The highly correlated variables are clubbed together to form a factor. The results of exploratory factor analysis applied on the variable are discussed below.

Before applying the exploratory factor analysis, it is necessary to check the sample adequacy as well as presence of correlation between the variables. The sampling adequacy is tested with the help of KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) statistics and correlation structure is tested with the help of Bartlett's Test of Sphericity. The results of KMO test and Bartlett's Test of Sphericity is shown below in table 1.1.

TABLE 1.1: TABLE SHOWING KMO TEST AND BARTLETT'S TEST OF SPHERICITY

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.751
Bartlett's Test of Sphericity	Approx. Chi-Square	2463.967
	df	190
	Sig.	.000

The result integrates that KMO statistics is found to be 0.751 which indicates the presence of sampling adequacy in variables. The presence of sampling adequacy represents adequate variance in the variables. The Bartlett's Test of Sphericity is used to test the null hypothesis that the correlation matrix of the variables is an identity matrix that means there is no significance correlation exists between each pair of variables. The P value of Chi-square statistics in Bartlett's Test of Sphericity is found to be less than 5% level of significance, hence, the null hypotheses that the correlation matrix of the variables is an identity matrix cannot be accepted. Hence, it can be concluded that there exist significant correlation between different pair of variables and factors analysis can be applied on the variables in order to extract the latent factors representing different sets of highly correlated variables.

In the process of factor analysis communalities are estimated for the variables included in the analysis. The communalities are estimated initially before applying the factor analysis as well as after applying the factor analysis. The communalities can be defined as percentage of variance explained by the factor after extraction. The initial as well as extracted communalities are shown below in table 1.2.

TABLE 1.2: TABLE SHOWING INITIAL AND EXTRACTED COMMUNALITIES

Communalities		
	Initial	Extraction
Women are sympathetic and considerate	1.000	.862
Hard working	1.000	.838
Patient and believe in long term relation	1.000	.847
Responsible Service	1.000	.841
Specialist	1.000	.717
They have a product to sell	1.000	.659
Do not depend on them	1.000	.711
Only Interested in their opinion	1.000	.585
Do not make sure that a client understands	1.000	.675
Make money for company & Themselves	1.000	.587
Do nothing after deal done	1.000	.665
Can be a problem	1.000	.863
Not aggressive enough to seek new clients	1.000	.713
Necessary	1.000	.641
Trustworthy	1.000	.780
Good Product Knowledge	1.000	.663
Selfish for own benefits	1.000	.689
Sell wrong products to client	1.000	.627
Push too much	1.000	.449
Men are cheats and only work for commission	1.000	.611
Extraction Method: Principal Component Analysis.		

The result indicate that the extracted communalities of all the variables are found to be greater than 0.5, this represents that factor analysis applied on the variables is useful for the study.

The principle component analysis is applied to extract the factors. In principle component analysis, the Eigen values of different components are calculated. On the basis of calculated Eigen values, the components are arranged in descending order and only those principle components are considered which have the Eigen value more than one 'Eigen Value>1'. The result of Principle components analysis applied for extracting the latent factors is shown below in table 1.3

TABLE 1.3: TABLE SHOWING TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	117	22.087	22.087	117	22.087	22.087	4.024	20.118	20.118
2	3.416	17.082	39.169	3.416	17.082	39.169	3.305	16.526	36.645
3	2.461	12.304	51.473	2.461	12.304	51.473	2.333	11.666	48.311
4	2.012	10.058	61.530	2.012	10.058	61.530	2.200	11.000	59.311
5	1.716	8.579	70.109	1.716	8.579	70.109	2.160	10.798	70.109
6	.889	146	74.555						
7	.798	3.988	78.544						
8	.676	3.381	81.925						
9	.560	2.798	84.723						
10	.502	2.508	87.231						
11	.437	2.185	89.416						
12	.387	1.935	91.351						
13	.327	1.637	92.989						
14	.314	1.568	94.557						
15	.250	1.251	95.808						
16	.210	1.050	96.858						
17	.189	.944	97.802						
18	.177	.887	98.689						
19	.157	.785	99.473						
20	.105	.527	100.000						
Extraction Method: Principal Component Analysis.									

The result of Principle Component Analysis indicates that twenty variables can be extracted into five latent factors on the basis of estimated Eigen values. The Eigen values of five factors are found to be more than one and explains seventy percent of the variance of the variables. The Eigen value of each component divided by the sum of Eigen value represents the percentage of variance explained by that component.

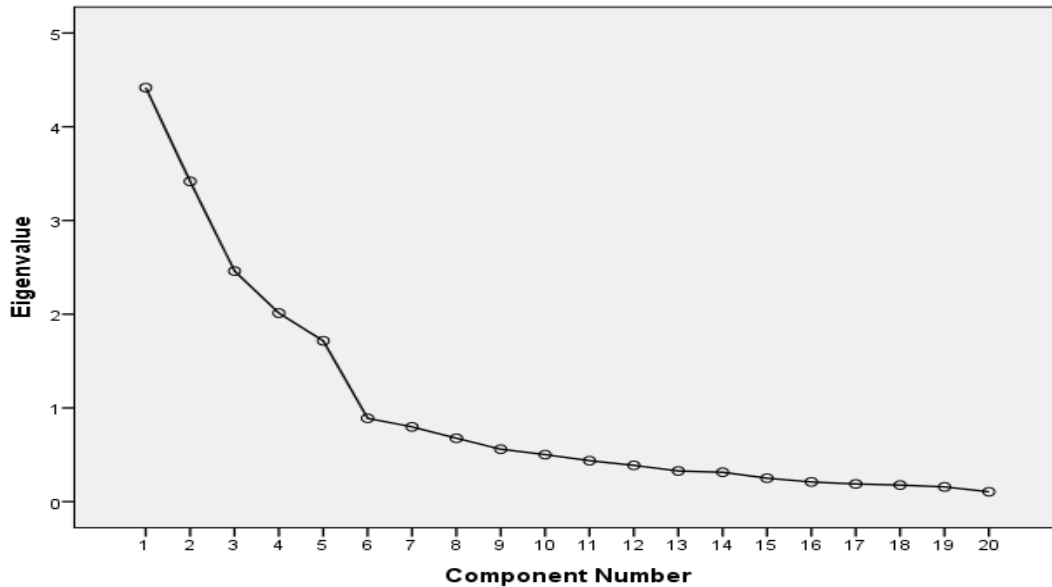
% of variance= Eigen value of each component / Sum of Eigen value

The result indicates that the first component explains 20.118% of the variance followed by second component which explains 16.526% of the variance, third component 11.666% of the variance, fourth component 11.00%, and fifth component 10.798% of the variance.

The calculated Eigen value of different components is shown below in figures, the graphical representation of Eigen value is known as Scree plot.

FIGURE 1.1

Scree Plot



After applying the Principle Component Analysis, components are rotated using Varimax Rotation. The Varimax is one of the popular Orthogonal Rotation method, which helps in extracting Orthogonal (Independent) factors. Rotated Component Matrix is shown below in Table 1.4

TABLE 1.4: TABLE SHOWING ROTATED COMPONENT MATRIX

Rotated Component Matrix	Component				
	1	2	3	4	5
Women are sympathetic and considerate	.912	-.009	-.061	-.079	-.140
Hard working	.906	-.045	-.058	.064	.082
Responsible Service	.900	-.013	.019	-.040	.169
Patient and believe in long term relation	.898	.060	-.075	-.083	-.157
Specialist	.742	-.103	-.010	.135	.371
Do not depend on them	-.028	.834	.009	.029	-.117
Do not make sure that a client understands	.038	.812	.059	.099	.021
They have a product to sell	-.040	.793	-.047	-.073	-.148
Make money for company & Themselves	-.053	.743	.165	.055	.046
Only Interested in their opinion	-.006	.742	-.045	-.037	-.175
Can be a problem	-.008	-.009	.924	.059	-.071
Not aggressive enough to seek new clients	-.024	-.080	.838	.060	.013
Do nothing after deal done	-.107	.212	.775	-.029	-.085
Selfish for own benefits	.171	.119	.139	.771	-.180
Men are cheats and only work for commission	-.064	-.080	-.126	.756	.114
Sell wrong products to client	-.136	.224	.284	.689	-.058
Push too much	.001	-.081	-.050	.660	.063
Trustworthy	.007	-.133	-.083	.066	.867
Necessary	-.052	-.017	-.051	-.168	.779
Good Product Knowledge	.362	-.238	-.005	.160	.671

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

The Rotated Component Matrix contains the factor loadings of each component with the considered variables for the analysis. The factor loading can be defined as the correlation between the variables and the factors. Higher the loading, better they are. It is expected that each variable considered for factor analysis should have one significant factor loading with only one factor. The sum of the square of factor loadings of each variable is equal to the commonality of the variable and the sum of square of factor loading of the component is equal to Eigen value of the component. Higher the Eigen value and commonalities, better they are.

On the basis of factor loading of different factors, the variables are categorized in to five factors namely as

1. Positive Attitude & Expertise
2. Self Interest
3. Post sale attitude
4. Cheater
5. Sincere Efforts

1. **Positive Attitude & Expertise:** The variables/ attributes that a woman have in her mind thinking positive about financial advisors are "Women (Financial Advisor) are sympathetic and considerate, (Financial Advisor) are **Hardworking**, they provide **responsible services**, they are **Patient and believe in long term relation**, they are **Specialist** of their field. In his article '**Financial advisory is the best profession for women**' Ravi Samalad (2015) had written "women are said to be better financial planners because of their listening skills, emotional side, ability to empathise and great interpersonal skills. Studies have also shown that women entrepreneurs are better listeners." "Women are perceived as more trusting and serious players in the business' Tejal Gandhi, Money Matters shares her experience of being a woman financial planner in a male dominated industry. Good Financial advisors are **Hardworking**, they provide **responsible services**, they are **Patient and believe in long-term relation**, they are **Specialist** of their field. John Cindric in his article on "Ten traits of successful financial advisors" has advocated these variables as traits of successful advisors.
2. **Self Interest:** It's not always an easy task to make a solid connection with a complete stranger who is going to advise and manage your hard-earned money. The variables/ attributes that a woman have in her mind thinking that these financial advisors work only in self Interest the statements like "Do not depend on them, Do not make sure that a client understands, They have a product to sell, Make money for company & themselves, Only Interested in their opinion" were kept in second group.
3. **Post sale attitude:** Kelly Tramontano (2014) in her article on 'The 6 characteristics of great financial advisors' everyone wants peace of mind knowing that their money is being handled properly. Financial advisors play an important role in helping you make the right investment decisions. Whereas, women's perception about them is that these advisors can be a problem, not aggressive enough to seek new clients do nothing after deal done. **Mark Toh** (2012) in his paper 'SWOT Analysis For Independence Financial Adviser Industry' taking about the weakness of these financial advisors use the word, NATO (know too much, think too much, no action)
4. **Cheater:** Women perception about financial advisors variables like selfish for own benefits, men are cheats and only work for commission, sell wrong products to client, push too much are clubbed in this factor. James Sanford, portfolio manager (2014) in his show on 19 Jan 2014 at CNBC 'Confessions of a financial advisor' has commented, "most investors know their financial advisors take a percentage for managing their portfolios, but they probably didn't know the mutual fund industry is also giving these advisors commission for pushing specific equity mutual funds, unbeknownst to investors."
5. **Sincere Efforts:** The variables like trustworthy, necessary, good product knowledge are kept in this set of factor. Luke Arthur (2011), in his article 'Advantages & Disadvantages of Using a Financial Advisor', appraises these as expert advice. An ordinary investor does not have sufficient knowledge at all times, so financial advisor become necessity to plan out the financial lives. Every individual have once own requirement so they are advised to take expert advice who can give them tailored made financial plans to meet their future needs and plans and this is only possible if an advisor has full product knowledge.

## DISCUSSION AND CONCLUSIONS

The financial decisions are normally called as masculine decisions and finance industry is dominated by males in any society. The bottom line is that the financial community is failing to recognize that as needs of women are inherently distinct so is their approach to money. "We have unique emotions and values attached to money, but not many advisors are addressing the issues affecting women." says Rhonda Sherwood, a wealth advisor. Now a day, when more women are working and being independent they need independence in financial decisions too. They want to invest their money in their way and for this they look for proper guidance/ good advisors products specially designed for them. It can be concluded from the above analysis that to win their trust the financial services provider must recruit the people having Positive Attitude & Expertise. They must act in such a way that their negative image of having self-interest, Post sale attitude, being a cheater should be changed and their sincere efforts should be recognized.

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**PILGRIMAGE TOURISM IN THE REALM OF FOREIGN TRADE CONCERNING ENVIRONMENTAL FACTOR  
(A CASE STUDY OF KANGLA SHRINE)**

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**ABSTRACT**

*Religious tourism, also commonly referred to as faith tourism, is a type of tourism, where people travel individually or in groups for pilgrimage, missionary, or leisure purposes. According to the World Tourism Organization, an estimated 300 to 330 million pilgrims visit the world's key religious sites every year. Manipur has the advantage of acting as India's 'Gateway to the East' through Moreh town, which is the only feasible land route for trade between India and Myanmar and other Southeast Asian countries. On 20<sup>th</sup> November 2004, the Kangla Fort was handed over by the Indian Prime Minister Manmohan Singh to the state government of Manipur. At present, the fort is open for visitors and is a major tourist attraction of the state. A visit to the Kangla Fort is a must for art lovers and historians as this ancient fort holds immense archaeological, religious and historical significance. Every year around 7 million pilgrims visit the Shrines in India, which is influencing the socio-economic environment of the region, and the present paper is throwing light on the economic impact of the pilgrimage tourism. Over the years pilgrim tourism has been recognized as one of the most vibrant natural sectors of economy. Surroundings, cleanliness and ethnic culture always provide the spiritual aura. Today, pilgrimage tourism is one of the largest and dynamically developing sectors of external economic activities. Its high growth and development rates, considerable volumes of foreign currency inflows actively affect various sectors of economy, which positively contribute to the social and economic development of the country as a whole. Foreign trade concern with globalization and its impact on tourism industry, recent trends in global tourism and its impact on Indian tourism industry and trends in global industry and its impact on the State concerned.*

**KEYWORDS**

Kangla Fort, pilgrimage tourism, environment, foreign trade.

**1. INTRODUCTION**

Manipur is situated in the eastern-most corner of Northeast India. The state shares borders with other north-eastern states of Nagaland, Mizoram and Assam and the neighbouring country of Myanmar. Due to its wealth of flora and fauna, Manipur is described as a 'flower on lofty heights', 'a jewel of India' and 'Switzerland of the East'. Its breath-taking scenic beauty makes it a tourist's paradise. The existence of this fort dates back to 33 AD, when the mythical God-King of Manipur, Nongda Lairon Pakhangba first ascended the throne. It was gradually renovated and developed by successive kings who ruled the place. King Khagemba (1597-1652) ordered the construction of a brick wall on the western gate of the palace. Afterwards, Khunjaoba (1652-1666), his son put in immense efforts in beautifying the fort. It is believed that he excavated a moat on the western side of this palace. In 1891, it was taken over by the British army after the Anglo-Manipur War. Later, the Assam Rifle took control of it, until 2004. Situated close to the banks of the Imphal River, the Kangla Fort or Kangla Palace is a symbol of Manipur's glory. The word 'Kangla' means dry land in Manipuri or Meetei language. Kangla was the ancient capital of Manipur and a number of Meetei monarchs have ruled the destination from this fort. Imphal has one airport and Air India provides air cargo services. Four national highways run through the state. The railway line under construction on the Manipur-Assam border is a national priority project. Manipur has a land area of 22,327 sq km and a pollution free environment. In 2015, the number of foreign tourist arrivals in the state was recorded to be 3,260.

In recent years, pilgrimage tourism has become very popular among pilgrims. Pilgrimage Tourism to Shrine constitutes an important component of total tourism in and has contributed effectively to the growth and development of the place. This article explains and supports the idea that the economic impacts of religious tourism should not be neglected or underestimated, although religious institutions have traditionally attempted to downplay this in the past. Additionally, the paper argues that religion and tourism have much in common. In the modern world it is hard to ignore the impression that in most places of pilgrimage the profane impacts of tourism are just as important if not more so than the religious. This paper lends theoretical support to this argument.

**2. SELECTION OF THE RESEARCH PROBLEMS**

Pilgrimage tourism is being recognized as a prime industry in most parts of the world for the purpose of earning maximum foreign exchange. Social significance of pilgrimage tourism cannot be said of less importance. Tourism industry requires variety as it is very essential capital and India is land of diversity. Here diversity is present in every walk of life, from natural such as air, and water to social factors such as language and behaviour all varies from place to place. Pilgrimages are not a destination only for our religious faith but they also strengthen our national unity and promote brother hood also. The time has to come when these should be used to earn foreign exchange also keeping guarded our cultural heritage. In fact, the other part of world may learn many things from India. Indians might be poor from pocket but the wealth what they have in their behaviour is match less in the world. On domestic front religious tourism can be very helpful for regional development, employment generation, and can enroot again the cultural values. Many modern social evils which are caused by materialism can be cured with the help of religious tourism.

**3. CONDITIONS OF THE STUDY**

Manipur though stands tall when it comes to Look East Policy of the Indian government, where the economy of the state can be boost up by contributing a lot in the field of trade, tourism and transport, lack of a specific policy on the part of the state government has left the state going backward instead of marching forward at the international trade.

**4. LITERATURE REVIEW**

Chattatopadhyay (2008) ensured to safety and security of tourists, the tourist industry should be destroyed by political unrest and terrorism.

Handique (2014) asserted that the then Minister of Mines and Minister of Development of North Eastern Region said the Look East Policy has also been pursued through constructive engagement with various regional groupings/organizations such as ASEAN, East Asia Summit, BIMSTEC and Mekong-Ganga Cooperation



(MGC). East Asia Summit (EAS): then Malaysian Prime Minister first promoted the concept of an East Asia Grouping in 1991. It provides India the forum to carve out for itself a larger East Asian strategic presence and taking forward our vision for the future. Thrust areas of EAS include (i) Energy, Environment, Climate Change & Sustainable Development, (ii) Education, (iii) Finance, (iv) Natural Disaster Mitigation and (v) Avian Influenza. Four summits of EAS have been held so far.

**Laishram (2014)** commented that Village tourism, sports and cultural tourism could be look at as future economy of the state. It is very different from conventional tourism regarding infrastructures and its investment. It could be afford by the poor state/country. Therefore, leading rural tourism states of the world are from Asia. Manipur could also be one of the leading rural tourism states in the world if Arunachal Pradesh and Sikkim are in the good position. A tourism village is a village area, which has some special characteristics of a place as tourism object. A tourism village is also colour by some supporting factors, such as local cuisine/food, agriculture system and social system. Besides, pure nature and environment are added points for a tourism village. Village tourism is one of the types of rural tourism. Besides, there are four types of tourism like natural, cultural, health, and ecotourism

A number of buses, shared jeep are available here for the journey of holy Shrines. Therefore, transport economy is also play an important role here due to pilgrim tourism. Tourism development board always engaged for the betterment of the pilgrims. The tourism based economy, particularly which of the religious complex, may continue to flourish and thrive as long as its religious sanctity is ensured to satisfy religious sentiment of the pilgrim tourists".

## 5. RESEARCH METHODOLOGY

### A) OBJECTIVES OF THE STUDY

1. To explore the associated relevancy (viz. Tourism) of Kangla shrine, India;
2. To suggest possible policy measures for the implementation of Tourism Policy.

### B) HYPOTHESIS

Ho: There is no difference among the three types of Industry viz. Service, Manufacturing and Trading sectors of Manipur with respect to presences of Quality Infrastructure especially Tele-communication facilities.

### C) STATISTICAL TOOLS

The research is based on both primary and secondary data.

#### PRIMARY DATA

**Type of study:** Cross-sectional comparative study.

**Study tools:** Pretested semi structural questionnaire (prepared for purposed)

**Sampling method:** Purposive Sampling.

**Sample size:** For getting the meaningful and reliable insights, the aware of Foreign Trade, 264 numbers of entrepreneurs, government officials and customers were evaluated on other parameters. It consists of 264 respondents.

**Statistical analysis:** After thorough checking and scrutinized the raw data, statistical data processing and analysis was performed through SPSS version 21. Results are report as number of cases/frequencies along with percentages. In order to establish the association, Pearson  $\chi^2$  - test/Likelihood Ratio  $\chi^2$  - test is use if data permit. All comparisons are two-sided and the P-values of  $< 0.05$  and  $< 0.01$  are treating as the cut off values for significance and highly significance respectively. The schedule consists of 7 questions at 5 point likert scale with score 1 to 5, where 1 represents highly disagree and 5 represents highly agree. Independent t-test and paired t-test are the two statistical tests, which have been applied in this study.

The data for this study were collected from local residents, which engaged in tourism activities. Tourists were identified as a key factor in developing tourism in local communities.

### D) SIGNIFICANCE OF THE STUDY

The study would contribute to identify the need for economic dimension in pilgrimage tourism. Pilgrimage tourism helps in giving manifold economic benefits. The present study will be designed as a conceptual one, few places of Manipur had identified as places where high positive effects of pilgrimage tourism on income, employment and standard of living of local residents in Manipur had analyzed here in this study. By studying this article, it is possible to bring out the various strategies required for making the pilgrimage tourism in Manipur a better destination in economic dimension. Further, this study may be useful to other states also for tapping the pilgrimage potential.

## 6. FINDINGS OF THE STUDY

Although no definitive study has been completed on worldwide religious tourism, some segments of the industry have been measured:

- According to the U.S. Office of Travel and Tourism Industries, Americans travelling overseas for "religious or pilgrimage" purposes has increased from 491,000 travellers in 2012 to 633,000 travellers in 2015 (30% increase).
- Religious attractions including Sight & Sound Theatre attracts 800,000 visitors a year while the Holy Land Experience and Focus on the Family Welcome Center each receives about 250,000 guests annually.

Pilgrimage Tourism has emerged as an instrument for employment generation, poverty alleviation and sustainable human development. Pilgrimage Tourism promotes international understanding and gives support to local handicrafts and cultural activities. It is an important segment of the country's economy, especially in terms of its contribution towards foreign exchange earnings, generation of additional income and creation of employment opportunities. The foreign exchange earnings from tourism during the year 2010 were estimated at about Rs. 14,408 crores with an estimated direct employment of about 15 million, which is about 2.4% of the total labour force of the country. Pilgrimage Tourism is the third largest foreign exchange earner for India. The International tourist traffic in the country is estimated to be 2.64 million during the year 2010. However, according to the World Tourism Organization (WTO), India's share in world tourism arrivals is only 0.38%, accounting for 0.62% of the world tourist receipts. This indicates that much of the tourist potential is yet to be tapped. With rapid advances in Science & Technology, tourism has acquired the status of an industry in all industrialized countries. The high influx of foreign tourist traffic has accelerated demand for certain economic production and distribution activities. Pilgrimage Tourism has emerged as an industry next in importance only to Information Technology industry in the Services sector. By 2012, the contribution of pilgrimage Tourism to the world economy will be doubled. The economic liberalization in India and consequent foreign investment opportunities, development of tourist facilities including expansion in air-line services, etc. provide an impetus for a spurt in tourist arrivals as in South Asian regions. Domestic pilgrimage tourism plays a vital role in achieving the national objectives of promoting social and cultural cohesion and national integration. Its contribution to generation of employment is very high. With the increase in income levels and emergence of a powerful middle class, the potential for domestic pilgrimage tourism has grown substantially during the last few years.

In order to establish the association between type of Industry and other prognostic variables, considered, Pearson  $\chi^2$  - test is applied. In lieu of none feasibility of applying  $\chi^2$  - test, Likelihood Ratio  $\chi^2$  - test is used. There are 72 female and 192 male respondents in the present study sample of 264 respondents. Maximum numbers of them (53.4%) are graduate level of education which is followed by postgraduate (20.5 %), up to metric (14.8%) and lowest belongs to intermediate with a percentage of (11.4). Highest percentage of respondents (43.2%) pertains to entrepreneur as against the customer (30.7%) and government official (26.1%) respectively. In terms of the organization/sector they belong, service sector is found to be highest (42%) and next to it is the trading, and manufacture sector is the lease percentage (27.3).



**TABLE 1: INDUSTRY ACCORDING TO VEHICULAR TRAFFIC AFFECTED THE AIR QUALITY IN TOURIST SPOTS**

Type of Industry	Vehicular traffic has affected the air quality in Tourist spots		Total
	Yes	No	
Manufacturing	3 (9.1%)	30 (90.9%)	33 (100.0%)
Service	3 (25.0%)	9 (75.0%)	12 (100.0%)
Trading	3 (16.7%)	15 (83.3%)	18 (100.0%)
Total	9 (14.3%)	54 (85.7%)	63 (100.0%)

Source: Personal calculation using SPSS version 21 from the primary data sources.

$\chi^2 = 1.936$ ;  $df = 2$ ;  $P = 0.380$

Concerning about the vehicular traffic has affected the air quality in tourist spots; the study subjects/individuals gave their views as yes and no by the respective percentages of 14.3 and 85.7. Further, the table exhaustive illustrations percentage variations within each answer with respective of type of industry, considered in the present study but the difference is not significant statistically ( $P=0.380$ ).

**TABLE 2: INDUSTRY DISTRIBUTION ACCORDING TO THE PLANTATION AFFECTED BY DEVELOPMENTAL PROJECTS**

Type of Industry	Plantation affected adversely due to the development projects			Total
	Yes	No	Can't say	
Manufacturing	3 (9.1%)	27 (81.8%)	3 (9.1%)	33 (100.0%)
Service	0	12 (100.0%)	0	12 (100.0%)
Trading	0	18 (100.0%)	0	18 (100.0%)
Total	3 (4.8%)	57 (90.5%)	3 (4.8%)	63 (100.0%)

Source: Personal calculation using SPSS version 21 from the primary data sources.

$\chi^2$  –Test can't be used.

The question relating to vegetation on the areas has been affected adversely due to the developmental projects at the destination; most of them felt 'no' (90.5%) while 4.8% each of them respond 'yes' and 'can't say'.

**TABLE 3: TYPE OF INDUSTRY DISTRIBUTION ACCORDING TO PRESENCE OF QUALITY INFRASTRUCTURE**

Type of Industry	Presence of Quality Infrastructure- roads, railways, etc.				Total
	Very poor	Poor	Satisfactory	Good	
Manufacturing	9 (50.0%)	9 (50.0%)	0	0	18 (100.0%)
Service	18 (20.0%)	36 (63.2%)	9 (15.8%)	3 (3.3%)	66 (100.0%)
Trading	3 (20.0%)	57 (63.3%)	12 (13.3%)	3 (10.0%)	75 (100.0%)
Total	30 (28.6%)	102(53.1%)	21 (14.3%)	6 (4.1%)	159(100.0%)

Source: Personal calculation using SPSS version 21 from the primary data sources.

$\chi^2$  –Test can't be used.

With reference to presence of quality infrastructure (roads, railways, airports and ports), the study subjects/individuals gave their views as very poor, poor, satisfactory and good by the respective percentages of 28.6, 53.1, 14.3 and 4.1. Further, the table exhaustive illustrates percentage variations within each answer with respective of type of industry, considered in the present study. However, test would not be applicable as some of the cell frequencies are less. Above table show the presence of quality infrastructure and  $\chi^2$  - test can't be used.

**TABLE 4: TYPE OF INDUSTRY DISTRIBUTION ACCORDING TO ENVIRONMENTAL REGULATIONS**

Type of Industry	Environmental Regulations					Total
	Very poor	Poor	Satisfactory	Good	Excellence	
Manufacturing	0	15 (55.6 %)	3 (11.1%)	9 (33.3%)	0	27 (100%)
Service	0	12 (44.4%)	9 (33.3%)	0	6 (22.2%)	27 (100%)
Trading	3 (10.0%)	9 (30.0%)	15 (50.0%)	3 (10.0%)	0	30 (100%)
Total	3 (3.6%)	36(42.9%)	27 (32.1%)	12 (14.3%)	6 (7.1%)	84 (100%)

Source: Personal calculation using SPSS version 21 from the primary data sources.

$\chi^2$  –Test can't be used.

Similarly, the information on environmental regulations with respect to type of individuals is also furnished in the table-4 and outcomes suggest that 3.6%, 42.9%, 32.1%, 14.3% and 7.1% of the individuals provided their grading as very poor, poor, satisfactory, and good and excellence. The table, further, comprehensively shows percentage variations within each answer.

**7. ANALYSIS AND INTERPRETATION**

In table 5, the positive and insignificant mean difference for the statement no. 1 with value greater than 3.5 shows that the vehicular traffic in Imphal has affected the air quality to some extent. The expectation mean value for the statement pilgrimage has increased the erosion problem and environmental accidents like landslides is 2.9067 and experience mean value is 2.9867, with mean difference of .08. This shows that pilgrims are almost not sure about whether the erosion problem and environmental accidents like landslides have been one of the effects of pilgrimage. This difference between the expectation and the experience for the statement no. 1 and 2 is quite insignificant showing that the pilgrims hold the same view before and after the pilgrimage.

**TABLE 5: RESULTS OF PAIRED T-TEST ON PILGRIMS' EXPECTATIONS AND EXPERIENCE OF THE ENVIRONMENTAL ASPECTS**

Statements	Experience mean	Expectation mean	Mean dif-ference	t-value
Vehicular traffic has affected the air quality in Tourist spots.	3.973	3.7933	0.18	1.66
Tourist has increased the erosion problem and environmental accidents like landslides.	2.986	2.9067	0.080	0.850
Tourism has increased the contamination of water bodies such as Kangla site.	4.600	4.333	.2667	1.23
Increase number of tourists at the sites has resulted in shortage of water resources.	4	3.466	0.533	8.08
Plantation/gardening have been affecting adversely due to the developmental projects at the destination.	2.733	2.933	-0.20	-0.61
Heavy rush of tourists at certain location might cause congestion and suffocation.	4.726	3.726	1	3.73
There are frequent sights of garbage and unhygienic conditions en route the tourist spot.	1.26	1.606	-0.34	1.62

Source: Personal calculation.

The statement tourism has increased the contamination of water bodies such as Kangla fort has mean difference of .2667. It shows that pilgrims agree to the fact before and after the conduct of their yatra that the pilgrimage has increased the contamination of water bodies. The experience mean value 4 and the expectation mean value 3.46 for the statement 'Increase number of tourists at the sites has resulted in shortage of water resources' reveal that pilgrims were not sure about

it before the start of the yatra. Their experience has made them to believe that heavy rush of pilgrims has affected the water resources at the shrine. The significant difference with t-value 8.082 emphasizes that the matter needs a consideration. Gardening have been affecting adversely due to the developmental projects at the destination has the mean values and insignificance of the difference reveal that the pilgrims are almost not sure about it both before and after the pilgrimage. The significant level of difference between the experience mean value of 4.72 and expectation mean value of 3.72 for the statement "Heavy rush of tourists at certain location might cause congestion and suffocation" show that the pilgrims agree to this fact that crowd at this shrine causes congestion and suffocation. The positive mean difference is also confirming the same. The statement "frequent sights of garbage and unhygienic conditions en route the tourist spot" show that pilgrims disagree with any frequent sight of garbage and unhygienic conditions. Before the conduct of pilgrimage, they assumed the destination to be clean and found so after the pilgrimage. This reveals the shrine board's success with respect to the achievement of cleanliness.

#### Certain points are generated on the basis of happening-

Forming "Indo Asian Friendship, Manipur" under the theme of Look East Policy of the Government of India so as to bring good relationship with the Asian countries through tourism, sports, business, health and cultural exchange.

**State in north east integrated tourism master plan list Kangla, Loktak, Moreh mapped out:** As part of the North East Integrated Tourism Master Plan, the issues related to Manipur, Nagaland and Tripura have been discussed at the official level during a meeting chaired by Secretary of North Eastern Council (NEC) PK Sangma on 28/6/2011. With regard to Manipur, it has been propose to develop Kangla, Loktak Lake, and Moreh as a tourist circuit. Talking to media persons after the discussion at Classic hotel, PK Sangma informed that the meeting for the remaining States with regard to implementation of the North East Integrated Tourism Master plan would held at Guwahati on 29/6/2011. He explained that the Tourism Master plan is to be implement during the 12<sup>th</sup> Five-year plan, which is due to commence from next year. During the course of the meeting today, an understanding has arrived at with the Govt. of Manipur on development of Kangla, Loktak Lake, Moreh as a tourist circuit, the NEC Secretary disclosed. Under this master plan, NEC would help the state govt. in development of infrastructures related to tourism. It was telling that the master plan has been developing by Tata Consultancy Services and the same already submitted to the Ministry of Tourism, Government of India.

**Foreign tourists coming to the State of Manipur:** Following temporary lifting of the Protected Area Permit system from Manipur, there has been steady increase in the number of foreign tourists visiting to the state, stated Tourism Commissioner KK Chhetry, IAS.

Tourism is a powerful instrument of economic progress and growth of several economies around the world. Its contribution to the world economy in terms of both GDP growth (10.6% in 2005) and employment generation is spectacular 221.568 million in 2000. Tourism is one of the fastest growing sectors and this has been forcefully stating in the forecasts of the World Trade Organization. In the backdrop of the phenomenal growth of the tourism industry especially in the South Asia and Asia Pacific Region, it becomes imperative to situate the north-eastern India in the tourist map. In 2005, Asia and the Pacific region received 156.7 million tourist arrivals, rating the region second only to Europe, which received 441.6 million tourist arrivals.

TABLE NO. 6: TOURIST ARRIVALS IN MANIPUR FROM NEIGHBORING COUNTRIES

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Bangladesh	-	-	-	1	3	-	4
Iran	-	-	-	-	-	1	1
Malaysia	58	-	12	2	9	6	87
Singapore	2	1	3	4	14	7	31
Japan	50	20	35	29	74	59	267

Source: Tourism Directorate, Government of Manipur, 2013.

The NE India is unique in various ways. Nature has endowed this part of the country with an abundance of resources. This NE region displays a rich variety of distinct yet diverse cultures and communities some of which possess very rare, time tested unique characteristic. Moreover, this part of the country is advantageously located at the door to SA and SEA. Every single creative activity initiated whether it is promoting tea plantations, tribal habitat, herbal medicine, international trade fairs, world record shattering events and so on, could inevitably lead to tourism promotion. In addition to being extremely labour intensive the tourism industry is also a service industry capable of generating manifold employment opportunities to address this growing problem in all the states. It is, therefore, essential to create facilities and develop professionalism in order to tap the maximum potential of this industry. Development of infrastructure should be accorded priority, effective marketing and promotional efforts need to be undertaken to attract both the domestic and foreign tourists.

TABLE NO. 7: NUMBER OF TOURIST VISITING IN MANIPUR FOR THE LAST 7 (SEVEN) YEARS

Year	Domestic	Foreign	Total
2008 - 2009	1,15,300	271	1,15,571
2009 - 2010	1,27,524	405	1,27,929
2010 - 2011	1,16,652	431	1,17,083
2011 - 2012	1,33,224	602	1,33,826
2012 - 2013	1,31,803	768	1,32,571
2013-2014	1,21,032	1932	122964
2014-2015	1,34,584	2,900	1,37,484

Source: Tourism Directorate, Government of Manipur, 2016.

Planning for sustainable development of tourism, therefore, involves an integrated development of basic infrastructure and amenities along with development of tourism facilities in a balanced manner.

- 1. Tourism in the Northeast:** It also covers rural areas, the health sector, and the environment. There are about 305 communities and over 200 tribes in the North East region. Each community has its distinct customs, cultural heritage and folklore and as such, the region has ample prospects to promote modern day tourism. The region also has several aromatic plants, which could be used to develop and promote health tourism in selective locations of the region. It will provide opportunities for employment, rural development and also encourage mutual co-existence through cultural exchange and thereby help in transforming a close society to an open one. Tourism helps in the development of many subsidiary industries and services and has a huge potential to create a good many employment avenues. India's Look East policy can thus help the region to promote tourism. **Cultural tourism** and marketing of crafts and textiles can serve as a powerful catalyst for preserving the ongoing viability of both the tangible and the intangible heritage of the Northeast. It has been forecasting that by 2020 the region will generate 405 million tourists of the 1561 million tourists. By using Myanmar as a bridge to economically, leverage with China and the other ASEAN nations India wants to develop her Northeast. The income and employment effecting on roadside hotels and restaurants, handicrafts, transport and communication networks and many other backward and forward linkages as likely to be immense. Statistics show that the advantages of tourism have not been properly harness in these areas. This has been clearly depicting by the following data that shows the arrival figures of tourists both domestic and international in the region.

TABLE NO. 8: MONTH WISE DOMESTIC &amp; FOREIGN TOURIST VISITING MANIPUR

Sl. no.	Year – 2015 – 2016 (Month)	Domestic	Foreign
1	April – 2015	11,793	222
2	May – 2015	11,732	176
3	June – 2015	10,176	220
4	July – 2015	7,360	195
5	August – 2015	6,420	172
6	September – 2015	9,376	93
7	October – 2015	10,938	311
8	November – 2015	11,782	463
9	December – 2015	13,093	372
10	January – 2016	12,204	226
	Total	1,04,874	2,450

Source: Tourism Department, Government of Manipur, 2016.

2. Ever wonder why other States in India have less poverty and unemployment? Or why are they far ahead of us in terms of Tourism industry. One common demand is “**Employment**” and Tourism sector is one of most generating organization; we all need to be aware and support and encourage any Tourism Industries set up in our land. According to recent statistics, pilgrimage tourism provides about 10% of the world's income and employs almost one tenth of the world's workforce. All considered, pilgrimage tourism's actual and potential economic impact is astounding. Many people emphasize the positive aspects of pilgrimage tourism as a source of foreign exchange, a way to balance foreign trade, an "industry without chimney". But there are also a number of other positive and negative sides of pilgrimage tourism

**Less Threatened by Economic Crisis:** Pilgrimage travel is often less prone to economic ups and downs in the market place. Because faith-based travellers are committed travellers they tend to save for these religious experiences and travel despite the state of the economy. Faith travellers tend to have different motives for travel then do travellers for other reasons. Faith-based travel can provide a steady flow of income to a local tourism economy.

The pilgrimage and faith based market has the advantage of appealing to people from around the world, of all ages and of all nationalities. Tourism and travel professionals should be aware that this market might well double by the year 2020. To add to this number many faith-based travellers prefer to travel in groups rather than as individuals.

**Ho3: There is no difference among the three types of Industry viz. Service, Manufacturing and Trading sectors of Manipur with respect to presences of Quality Infrastructure especially Tele-communication facilities.**

Table-3 represent type of industry according to tele-communication facilities and highlight that  $\chi^2 = 19.513$ ;  $df = 6$ ;  $P = .003$ . Hence, the test value indicates a highly significant ( $P=0.003$ ). The null hypothesis is invalid. Therefore, there is significant difference between the three types of Industry viz. Service, Manufacturing & Trading sectors of Manipur and presences of Quality Infrastructure especially Tele-communication facilities.

## 8. SUGGESTIONS AND CONCLUSIONS

It will also consider the following suggestions.

1. Financial Institution: A Tourism Financial Corporation can be setting up by the Government to concentrate specifically on the Tourism industry.
2. Fund Utilization in State: Emphasis should take on spending the fund that has been allocating for the financial year.
3. Focusing the experience of traders who are directly involved in trade should be a factor for Academicians and policymakers.
4. Eradicate the lack of cooperation in the field of infrastructure, human resource development, industry, railways, science & IT, etc.
5. Development of infrastructure should be accorded priority, effective marketing and promotional efforts need to be undertaken to attract both the domestic and foreign tourists. Planning for sustainable development of tourism therefore involves an integrated development of basic infrastructure and amenities along with development of tourism facilities in a balanced manner. India's Look East policy can thus help the region to promote tourism. Cultural tourism and marketing of crafts and textiles can serve as a powerful catalyst for preserving the ongoing viability of both the tangible and the intangible heritage of the Northeast. It has been forecasting that by 2020 the region will generate 405 million tourists of the 1561 million tourists. By using Myanmar as a bridge to economically, leverage with China and the other ASEAN nations, India wants to develop her Northeast. Support industries must coordinate with the pilgrimage cycle and needs. All too often, the spirituality that visitors seek is lost at the level of supporting industries. During faith based tourism periods, it is essential that hotels and restaurants connect with the arts and cultural communities to develop an overall faith based product rather than a mishmash of unrelated offerings.

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## CORPORATE SOCIAL RESPONSIBILITY IN INDIA &amp; THE LAW

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**ABSTRACT**

*Corporate social responsibility is the persisting commitment by the business to contribute to the environment by indulging in activities to contribute to the improvement of the workforce and the families including the local community and the society. A company is a part of the society, and it has a certain duty and responsibility towards the employees, residents and the shareholders of the entire community. Hence, it is a really important that the corporation renders its services in the development of the society, and essential for healthy conduction of business. The ongoing scenario to make corporate social responsibility compulsory has drawn lot of stark criticism from the corporations. The present paper dwells comprehensively upon the concept of CSR, from its inception as philanthropy till its journey to a form where now it is mandatory to be sensitive about CSR in businesses with special reference to the provisions of the Companies Act, 2013.*

**KEYWORDS**

CSR committee, corporate social responsibility, ethical model, statist model, stakeholder model, cost benefit analysis.

**1. INTRODUCTION**

One are the days when business policies were just an investment by the corporate houses to increase their profits, what is needed in the present scenario is a much more complicated procedure of profit making combined with the social, economic and environmental responsibility where in the corporations are involved in the development of the society for the benefit of the citizens. Over the years, the corporation has transformed from a profit making institution to a social organisation, which devotes time to protect the interests of the shareholders, the employees and the society of which it is a part<sup>1</sup>.

A corporation can be an institution in the true sense not only when it has been successful in the creation of wealth but also when it has contributed to the development of the ingredients, which resulted in its success, hence the basic objective of the corporation is to give back to the society what it has given them. The measures taken by the corporate houses are not effective on the global level since they do not have the support of the government and the local bodies, there needs to be made an effort to increase the concept of corporate social responsibility to empower the community<sup>2</sup>. Also most of the earth's resources are controlled and manipulated by the corporate organizations which benefit from them, and there is a growing realization in India that the corporations should act in a responsible manner towards the society.

The present paper helps in understanding the meaning of business beyond financial numbers and tries to explain how even Corporate Social Responsibility (CSR) can be used as a marketing tool and for business benefits. It dwells comprehensively upon the concept of CSR, from its inception as philanthropy till its journey to a form where now it is mandatory to be sensitive about CSR in businesses with special reference to the provisions of the Companies Act, 2013

**2. CONCEPTUALIZATION OF CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility (CSR) can be defined as the 'ethical behaviour of a company (or say business) towards society'. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic intent. The government perceives CSR as the business contribution to the nation's sustainable development goals. Essentially, it is about how business takes into account the economic, social and environmental impact of the way in which it operates. Simply stated, CSR is a concept, which suggests that commercial corporations must fulfil their duty of providing care of the society.<sup>3</sup> CSR is the process by which managers of an organization think about and evolve their relationships with stakeholders for the common good, and demonstrate their commitment in this regard by adoption of appropriate business processes and strategies. CSR does not emanate directly from external demands but instead from organizationally embedded processes. These processes prompt the organization to view its relationships with stakeholders in a different perspective, which in turn influences its engagement with them.

Thus, CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

Corporate social responsibility is the preserving commitment by the corporations to behave ethically and contribute to the economic development by managing the business procedures to produce an overall impact on the society. The term CSR implies a different meaning to different people based on their opinions and policies. It might just be a compliance of laws for some while for others it might be an act of philanthropy for the betterment of the society. It can also be looked in a totally different angle as to who benefits from the actions, where the beneficiaries are the employees, suppliers, customers and the community. There is a minimum compliance which is needed in order for the corporation to stay in business where as the rest of the actions come under the ambit of corporate social responsibility<sup>4</sup>. CSR can be implemented in three groups, the private sector, public sector and the civil society and the various definitions of CSR can be classified as:

Philip Kotler and Nancy Lee (2005) define CSR as "a commitment to improve community well being through discretionary business practices and contributions of corporate resources" whereas Mallen Baker refers to CSR as "a way companies manages the business processes to produce and overall positive impact on society". According to World Business Council for Sustainable Development, "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large<sup>5</sup>".

While there may be many definitions which underline the meaning of corporate social responsibility, there is a consensus of some common principles of CSR: CSR is business oriented: Whether it is for a legal compliance reason or a voluntary corporate initiative, CSR will only achieve the standards it has set if it believes that the business is profitable. CSR is related to sustainable development: The integration of social, economic and environmental aspects for the benefit of the community. CSR is a method of business management: Corporate social responsibility is a method in which businesses are taken care of and not just additional responsibilities of the corporations.

<sup>1</sup> "Corporate social responsibility (CSR)", March 2012;

available at: [http://lexicon.ft.com/Term?term=corporate-social-responsibility--\(CSR\)](http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR)) (last visited on March 15, 2017)

<sup>2</sup> Available at: [http://www.hks.harvard.edu/m-rcbg/CSRI/init\\_define.html](http://www.hks.harvard.edu/m-rcbg/CSRI/init_define.html) (last visited on March 15, 2017)

<sup>3</sup> C. Gopala Krishna, *Corporate Social Responsibility in India: A Study of Management Attitudes* (Mittal Publications, New Delhi, 1992)

<sup>4</sup> C. V. Baxi and Ajit Prasad, *Corporate Social Responsibility, Concepts And Cases: The Indian Experience* (Excel Books India, New Delhi, 2005)

<sup>5</sup> ASSOCHAM, "Corporate Social Responsibility-Towards a sustainable future", available at: [www.in.kpmg.com/pdf/CSR\\_Whitepaper.pdf](http://www.in.kpmg.com/pdf/CSR_Whitepaper.pdf) (last visited on March 15, 2017)

### 3. GENESIS OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Philip Kotler once quoted to the students of The Harvard Business School, "Even tomorrow when you will become rich then also ask a question to yourself, 'What are you doing with your life and what have you given to Society?'". Corporate social responsibility is not a new concept in India, even though the term might be. Even though it has come into light during recent times, it was a practice which was followed in many countries through different processes. It was an integral part of the ancient literature in India where scholars like Kautilya also preached the implementation of principles to be followed by a corporation while doing business. Various religions also have propagated the idea, which has been entwined in their religious laws, to help the poor and needy through their social deeds. In Islam, it has been preached that a man should donate a part of his earnings to the poor and weak and in return it shall bring good faith to the person, this is called 'Zakaat'. While in Hinduism, there is the practice of 'Dharmada' and the Sikhs follow the 'Daashaant'. Whatever the name or form of the procedure might be, the objective is clearly understood.

India has a very long history of corporate responsibility, which was prevalent from the time of the medieval ages. The pre-independence era saw the start of the industrialization in the country, while on the other hand there was the fight for the independence of the country<sup>8</sup>. This was an ideal situation for the corporations, which set up charitable institutions, educational centres and medical facilities for the development of the community. Hence, the trend was set in India for corporate majors such as Tata and Birla companies to lead the way in the field of corporate social responsibility setting an example for the generations to come. Since then such companies have worked hard and have been constructively involved with the development activities in the communities surrounding their facilities<sup>9</sup>. Tata Steel, the child company of the Tata Group is the first company in India to produce the corporate sustainability report and is the administrator of the only Industry town in the world at Jamshedpur, also known as Tata Nagar in the state of Bihar. The Tata Group invested nearly as much as Rs. 150 crore on the social sector in 2002 followed by other companies like Birla Group, Reliance and Infosys which were also involved in the money spending process.

To understand the evolution of corporate social responsibility in India, we have to look at its history and how it evolved through time. This can be explained in four different models during varying periods of time.

- (i) **The Ethical Model (1930-1950)** proposed by Mahatma Gandhi suggested the companies to commit to public welfare and help in the nation building process. The companies were supposed to manage themselves as a trust and look after the larger interests of the community. We can give the example of the Tata Group of Companies in this model.
- (ii) **The Statist Model (1950-1970)** proposed by Jawaharlal Nehru came into effect during the post-independence era; it calls for the state ownership and legal requirements of corporate social responsibility in a socialist and mixed economy.
- (iii) **The Liberal Model (1970-1990)** proposed by Milton Friedman is concerned with corporate social responsibility limited to private owners or shareholders where it is confined to the economic bottom line<sup>10</sup>. It is a direct implication that it is sufficient for the businesses to obey rules and earn wealth, which can be directed to social means through taxes and private charitable institutions.
- (iv) **The Stakeholder Model (1990-present)** proposed by R. Edward Freeman proposes the companies to respond to the requirements of the stakeholders and this model came into effect in the 1990's as a result of the increased profits which required greater responsibility towards the society. The model is based on the triple bottom line approach and the public have some expectations on the companies, which require them to produce good quality products, treat its employees properly, regard the environment guidelines and contribute towards community and social development.

The reason corporate social responsibility has been followed since man ages is easy to understand, the practice adds value to the society and ultimately to the company. Nine out of ten Forbes 500 firms had one thing in common, which was the successful implementation of the programmes of corporate social responsibility. During the 27<sup>th</sup> annual meet of the US-India Business Council meeting, Dr. J.J. Irani, Director of Tata Sons quoted "The primary aim of industry should not be to make money. The aim should be to serve customers and other stakeholders and the result would surely be more money. And pursuing excellence would enable it to create even more wealth".<sup>11</sup>

### 4. SIGNIFICANCE OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has been in existence for a long time and is almost as old as civilization. It is based on the Gandhian Principle of "trusteeship concept" whereby business houses are looked upon as trustees of the resources they draw from society and thus are expected to return them back manifold. CSR is extremely important for sustainable development of all stakeholders (all the people, on whom the business has an impact, including the society at large). Proponents of CSR argue that companies make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Nevertheless, the importance of CSR cannot be undermined.<sup>12</sup>

Corporate social responsibility is also called corporate conscience, corporate citizenship, social performance, or sustainable business. It is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms.

### 5. REDEFINING CORPORATE SOCIAL RESPONSIBILITY

#### 5.1 GENESIS OF COMPANIES ACT, 2013

The Companies Act, 2013 ('2013 Act'), enacted on 29 August 2013 on accord of Hon'ble President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhance the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law will replace the nearly 61 year-old Companies Act, 1956 ('1956 Act').

The 2013 Act provides an opportunity to catch up and make our corporate regulations more contemporary, as also potentially to make our corporate regulatory framework a model to emulate for other economies with similar characteristics. The 2013 Act is more of a rule-based legislation containing only 470 sections, which means that the substantial part of the legislation will be in the form of rules. There are over 180 sections in the 2013 Act where rules have been prescribed and the draft rules were released by the MCA in three batches. It is widely expected that the 2013 Act and indeed the rules will provide for phased implementation of the provisions and in line with this, 98 sections of the 2013 Act have been notified and consequently the corresponding section of the 1956 Act cease to be in force.

The 2013 Act has introduced several provisions, which would change the way in which Indian corporate do business, and one such provision is spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been voluntary contribution, by corporate has now been included in law. Basis the CSR

<sup>6</sup> Sunil Singh Rana, "CSR in India: A Journey," March 17, 2009; available at: <http://www.slideshare.net/sunilsinghrana/csr-in-india-a-journey> (last visited on March 15, 2017)

<sup>7</sup> Arvind A. Dhond, "Corporate Social Responsibility of Indian Business Houses," available at: [www.mmbgims.com/docs/abstract/3\\_Arvind\\_paper\\_abstract.pdf](http://www.mmbgims.com/docs/abstract/3_Arvind_paper_abstract.pdf) (last visited on March 15, 2017)

<sup>8</sup> Ashwani Singla and Prema Sagar, "Trust and corporate social responsibility: Lessons from India," April 2003; available at: <http://www.reputare.in/related-articles/corporate-social-responsibility-articles/trust-and-corporate-social-responsibility-lessons-from-india> (last visited on March 15, 2017)

<sup>9</sup> "History of corporate social responsibility and sustainability", available at: [www.brass.cf.ac.uk/uploads/History\\_L3.pdf](http://www.brass.cf.ac.uk/uploads/History_L3.pdf) (last visited on March 15, 2017)

<sup>10</sup> Tatjana Chahoud, *Corporate social and environmental responsibility in India: Assessing the UN Global Compact's Role*, (German Development Institute, Bonn, 2007).

<sup>11</sup> <http://www.cipe.org/sites/default/files/publication-docs/irani.pdf> (last visited on March 15, 2017)

<sup>12</sup> Pushpa Sundar, *Business and Community: The Story of Corporate Social Responsibility in India*, (SAGE Publications India, New Delhi, 2013)



provisions, as laid down under the 2013 Act and the draft CSR rules made available for public comments, in this bulletin we bring out the key provisions, analysis and challenges relating to the compliance of these provisions for companies to consider.<sup>13</sup>

## 5.2 CORPORATE SOCIAL RESPONSIBILITY UNDER COMPANIES ACT, 2013

Corporate Social Responsibility (CSR), a term widely used for defining the responsibilities of corporate world towards the society & environment. Although the term is not new in this corporate world but its scope & meaning has undergone major changes from treating it as a mere charity in comparison with the responsibilities/duties of the corporate towards the outer world. As per the Companies Act, 2013, every company having a net worth of rupees five hundred crore or more, or a turnover of rupees one thousand crore or more or a net profit of rupees five crore or more, during any financial year, shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility policy.<sup>14</sup> The application is to every company, including its holding or subsidiary and a foreign company having its branch or project office in India<sup>15</sup>.

The Ministry of Corporate Affairs (MCA) has vide its notification dated 27 February 2014 and in exercise of powers conferred by Section 1(3) of the Companies Act, 2013 (the Act), notified 1 April 2014 as the date on which the provisions of Section 135 and Schedule VII of the Act shall come into force. The MCA has also notified the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the Rules) to be effective from 1<sup>st</sup> April 2014.

Companies are required to constitute a CSR committee consisting of three members, including one Independent Director with the following roles:

- Formulate CSR strategy and activities through a CSR policy
- Recommend expenditure amount
- Regularly monitor CSR policy and activities.

The Board of Directors shall be responsible for approving the CSR policy; disclosing its contents in the Board Report; making it public on the company's website and deploying the funds. Companies otherwise not required to have Independent Director under the Act need not have an Independent Director on the CSR committee. Similarly private and unlisted companies with a requirement of only two directors can constitute a two member CSR committee. Companies are under obligation to continue unless fails to meet the eligibility criteria for three consecutive years. If a company fails to meet its CSR obligation, the Board will have to specify reasons for non-compliance in its report. Failure to report on CSR obligation may have penal consequences for the company up to a maximum of INR2.5 million (USD42, 000).

## 5.3 PROVISIONS OF COMPANIES ACT, 2013 ON CSR

Companies Act of 2013, which has already been notified partially, gives the concept of CSR the importance it deserves. Section 135 of the Companies Act, 2013 contains provisions exclusively dealing with Corporate Social Responsibility. Schedule VII contains a list of the activities, which a company can undertake as part of its CSR in initiatives.

### 5.3.1 Applicability and Constitution of a CSR Committee

Section 135 of the 2013 Act states that every company having:

- Net worth of Rs 500 crore or more, or
- Turnover of Rs 1000 crore or more, or
- Net profit of Rs 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board.

The committee would comprise of three or more directors, out of which at least one director shall be an independent director.

### 5.3.2 Composition of CSR Committee

The Company should constitute a Corporate Social Responsibility Committee as follows:

- The Committee shall consist of minimum 3 (three) including 1 (one) Independent Director, however in case of Private Company or the Company, which is not required to appoint Independent Director on board, or Foreign Company the committee can be formulated with (2) two directors.
- The CSR Policy shall be formulated in accordance with Schedule VII and the CSR Committee will be responsible for framing the policy, finalizing the amount to be spent on CSR, monitoring & implementation of the Scheme.
- If Company ceases to fulfill the eligibility criteria for three consecutive years, then the company is not required to comply until the company will meet the eligibility criteria once again.

The mandate of the said CSR committee shall be:

- to formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- to recommend the amount of expenditure to be incurred on the activities referred to above;
- to monitor the Corporate Social Responsibility Policy of the company from time to time.

The CSR Rules provides the manner in which CSR committee shall formulate, monitor the policy and manner of understanding for CSR activities. Under the rules, the Government has also fixed a threshold limit of 2% of the "Average' Net Profits of the block of previous three years on CSR activities and if Company fails to spend such amount, disclosures are to be made for the same. But an exemption has been given to the Companies that do not satisfy the above threshold for three consecutive years.<sup>16</sup>

### 5.3.3 Responsibility of the Board

The Board of every company referred to above shall after taking into account the recommendations made by CSR Committee:

- approve the CSR Policy for the company and disclose contents of such Policy in its report and also place it on the company's website;
- ensure that the activities as are included in CSR Policy of the company are undertaken by the company, and
- ensure that the company spends, in every financial year, at least two per cent of the average net profits.<sup>17</sup>

If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount.

### 5.3.4 CSR Activities as per Schedule VII

CSR activities as per Schedule VII of the Companies Act 2013 to include:

- eradicating extreme hunger and poverty;
- promotion of education;
- promoting gender equality and empowering women;
- reducing child mortality and improving maternal health;
- combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- ensuring environmental sustainability;
- employment enhancing vocational skills;
- social business projects;
- contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and

<sup>13</sup>Subhasis Ray and S. Siva Raju, *Implementing Corporate Social Responsibility: Indian Perspectives* (Springer Science & Business Media, Berlin, 2014)

<sup>14</sup>Section 135 of Companies Act, 2013

<sup>15</sup> <http://www.mondaq.com/india/x/302204/Corporate+Commercial+Law/Corporate+Social+Responsibility+Now+A+Mandated+Responsibility> (last visited on March 15, 2017)

<sup>16</sup>Available at: [http://gtw3.grantthornton.in/assets/Companies\\_Act-CSR.pdf](http://gtw3.grantthornton.in/assets/Companies_Act-CSR.pdf) (last visited on March 15, 2017)

<sup>17</sup> Average Net Profit shall be calculated in accordance with the provisions of Section 198 of the 2013 Act.



j) such other matters as may be prescribed

The 2013 Act provides that the company shall give preference to the local area and areas around it where it operates.

The below activities doesn't include under the CSR activities of the Company:

- a) Business run in the normal course.
- b) Outside the territory of the India or abroad.
- c) For the welfare of the employees and their families.
- d) Political party contribution of any amount directly and indirectly as defined u/s 182 of the Act.

The above CSR activities shall be undertaken by the Company, as per its stated CSR policy, in consonance with the new or ongoing projects excluding activities undertaken in pursuance of its normal course of business. The Board of Directors may decide to undertake its CSR activities approved by the CSR Committee, through a registered trust or a registered society.

### 5.3.5 Compliances of Provisions on CSR

Companies are under obligation in order to compliances on CSR:

- a) The Annual Report of the Company shall include a comprehensive Report on CSR in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014, containing particulars on Overview of CSR Policy, Composition of the Committee, Avg. Net Profit, prescribed expenditure and details of its spending, reason in case of failure etc.
- b) The disclosure on CSR in Board Report should also be available on the Company's Website.
- c) The activities included in the CSR Policy and the prescribed expenditure being undertaken/ spent shall be ensured by the Board, in the respective manner.

This means all the Companies falling in the aforesaid criteria needs to ensure CSR compliance but it is debatable to say that the same is for welfare of the society or the companies are doing it just to avoid penalties. CSR stands to support the Company's Vision as well as directions to what Organization stands for and will sustain its clients. An ISO 26000 is the accepted worldwide standard for Corporate Social Responsibility (CSR).

CSR term has been reevaluated with an aim to embrace responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, conscience, corporate citizenship, social performance, employees, communities and all stakeholders. In short, CSR can also be termed as Corporate Organizations to behave responsibly.

## 6. CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

India is vast and diverse country of many religions, cultures and races and the implementation of corporate social responsibility is not an easy task as it faced with many challenges.

### (i) Dearth of Community Participation

All activities need the contribution of the community and there is a huge gap of interest for participation by the communities in the activities of corporate social responsibility. The main reason behind this is that there exists hardly any knowledge about the CSR within the society, as there has no effort to publicize it<sup>18</sup>. The situation worsens, as there is lack of communication between the community and the company. Effort should be made to publicise the concept of CSR to encourage the participation of the community.

### (ii) Local Capacity Building

Building of the local capacity of the non-governmental organisations helps in the contribution to the corporate social responsibility, as there is dearth of efficient and trained organisations that can contribute to development of society by giving a helping hand in the CSR activities<sup>19</sup>. The lack of proper training personnel serves as a hindrance to the CSR activities embraced by the company.

### (iii) Perception towards Corporate Social Responsibility

The perception of the non-governing agencies and the governmental organizations towards CSR activities is quite narrow, as they are of the view that these initiatives are donor driven rather than local and hence are not clear whether to participate in the activities in the long run.

### (iv) No Proper Guidelines

Every initiative needs a leading hand and a direction to follow; there are no clear-cut guidelines and directions to lead the CSR initiatives of the companies. This is a huge challenge for the companies and it is propagated that the initiatives of the companies depends on their profile and standard which means that bigger the company bigger is their CSR programme<sup>20</sup>.

### (v) Cost Benefit Analysis

One of the most important challenges faced by the companies in implementing corporate social responsibility is to prove that the CSR is financially sustainable. Usage of sources and donation of money through CSR is encouraged but the main point is to make the business sustainable where in the benefits should be constant despite the CSR or else the company might run into losses.

## 7. CONCLUSION

CSR clearly impacts our corporations, society, and educational organizations. Despite its complexities, the numerous sustainability initiatives point toward continued, positive impact. CSR policy should function as a built-in, self-regulating mechanism whereby businesses would monitor and ensure their adherence to law, ethical standards and international norms. In the recent years, corporate business houses have substantially involved towards societal responsibilities. Companies have started to realize the importance of CSR and initiating the steps towards it.<sup>21</sup> It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective. This effort will also motivate other corporate houses to join the league and play an effective role in addressing issues such as access to education, health care and livelihood opportunities for a large number of people in India through their innovative CSR practices. It is difficult for one single entity to bring about change, as the scale is enormous. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

Companies Act, 2013 has introduced the concept of CSR in the Act itself and even though the Act advocates it strongly but it has still prescribed, a "comply or explain" approach only. This means as per the new norms, the two per cent spending on CSR is not mandatory but reporting about it is mandatory. In case, a company is unable to spend the required amount, then it has to give an explanation for the same. The CSR regime in India is in a nascent stage and there will be hitches, and a lot of fine-tuning will be required before we hit the perfect balance. What is commendable is the spirit with which India has made her corporate socially responsible and in that, led the world's most developed nations.<sup>22</sup>

<sup>18</sup> Nilesh R. Berad, "Corporate social responsibility: Issues and challenges in India", International Conference on Technology and Business Management (2011); available at: [www.trikal.org/ictbm11/pdf/csr/D1142-done.pdf](http://www.trikal.org/ictbm11/pdf/csr/D1142-done.pdf) (last visited on March 15, 2017)

<sup>19</sup> John Quigley, 'The challenge of corporate social responsibility in India', 10 (11& 12) *Eur Asia Bulletin* (Nov-Dec 2006).

<sup>20</sup> Sattwik Shekhar, "Corporate social responsibility: The lessons from the corporate world", June 26<sup>th</sup> 2011; available at: <http://www.mightylaws.in/773/corporate-social-responsibility-lessons-corporate-world> (last visited on March 15, 2017).

<sup>21</sup> Bidyut Chakrabarty, *Corporate Social Responsibility in India* (Routledge, London, 2012).

<sup>22</sup> John Okpara and Samuel O. Idowu, *Corporate Social Responsibility: Challenges, Opportunities and Strategies for 21st Century Leaders* (Springer Science & Business Media, Berlin, 2013)

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## A REVIEW OF HIGHER EDUCATION ISSUES, CHALLENGES AND RESPONSES IN INDIA

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**ABSTRACT**

*Higher education institutions are large, complex, adaptive social systems like all other human organizations. Over the last decade, Higher Education around the world is facing a number of challenges and potential threats to effective learning and teaching support. Though the data show a massive growth in the number of students' enrolment in colleges/universities, holistic view reveals that still only a meagre of the total population has access to higher education. Globalization and privatization are imposing new challenges but the nations are still entangled in solving the basic problems of accessibility to higher education for all. In the wake of the transition from elitist to mass education, universities worldwide are under pressure to enhance access and equity, on the one hand, and to maintain high standards of quality and excellence, on the other. However, the relevant literature on higher education challenges is scattered over many textbooks, conferences and journals. This paper provides a comprehensive presentation of all those challenges found in the literature in a structured way. Also this study will identify how technology and data infrastructures could provide responses to address those challenges in a world where students are changing, their learning styles are changing, and the technologies to accommodate their needs are changing.*

**KEYWORDS**

higher education challenges, technology, higher education infrastructure, data infrastructure.

**INTRODUCTION**

"The future of higher education is to teach one to think intensively and to think critically".  
 "Intelligence plus character – that is the goal of true education".

*Dr. Martin Luther King.Jr.*

The 21st century is marked by a paradigm shift in education that has resulted both in threats and opportunities. It has brought new challenges and an opportunity for higher education. Higher education in India is undergoing rapid changes. The challenges ahead are multifaceted and multidimensional. Though the data show a massive growth in the number of students' enrolment in colleges/universities, holistic view reveals that still only a meagre of the total population has access to higher education. Globalization, Technology and privatization are imposing new challenges, which is transforming the way the global economy works, with the increased cost of HE, decreasing value of degrees obtained, availability of content, heightened competition and mass online courses ware, there is need for relooking into the current scenario of HE in India. But the nations are still entangled in solving the basic problems of accessibility to higher education for all. In the wake of the transition from elitist to mass education, universities worldwide are under pressure to enhance access and equity, on the one hand, and to maintain high standards of quality and excellence, on the other. Today the notion of equity not only implies greater access to higher education, but also opportunities for progress.

In a recent (march 2013) book entitled "Avalanche Is Coming – Higher Education And The Revolution Ahead", Michael Barber, Katelyn Donnelly And Saad Rizvi, have identified **three fundamental challenges** facing the education system all round the world: to ensure provision of education for employability, breaking the link between cost and quality and finally, changing the entire learning ecosystem to accommodate alternative providers and the future of work.

Over the past decade, not only has higher education in India doubled in size, but also everywhere in the world the higher education has doubled in size. There are lots of changes in the Higher Education (HE), students are changing, and their learning styles are changing as well as their demands are changing. At the same time, much more has been expected of institutions in terms of their wider engagement locally, regionally, nationally and globally. Universities need to prepare students for a more global future. Higher Education (HE) institutions around the world face the growing problem of relevance as they enter the twenty-first century. Higher Education facing a number of challenges and most contributions mention curriculum design, student retention, new technologies, quality of learning and teaching, widening participation, quality of research, funding and the necessity to improve governance and management as the most burning challenges. To provide the best service to the new student's higher education institutions need to change and hence, they need to respond to the challenges. This paper is intended to demonstrate all those challenges currently facing HE and also we group those challenges based on their interrelationship and influence of those challenges. Also we discuss about institutional data and how institutional can address these challenges with the help of technology. In the next section, we discuss the challenges as presented in various sources of literature. Following this presentation, we attempt a grouping of those challenges that illustrates in a more effective way their interrelationships, which we believe is necessary in order to better understand them and address them. Subsequently we discuss how institutional repositories could provide responses to some of those challenges. The last section concludes the paper.

**OBJECTIVES**

1. To analyze the current scenario of higher education system in India.
2. To study the growth of higher education.
3. To identify on the Emerging issues of higher education in India
4. To identify on the Emerging Challenges of higher education in India.
5. Suggestions for improving quality of higher education and Conclusion.

**RESEARCH METHODOLOGY**

The study is an empirical research. The study examines the challenges concerned with growth of higher education. The data is collected from both primary and secondary data

**SURVEY OVERVIEW**

- No of participants 30 students, 30 lecturers, 30 parents, total 90 sample size.
- Location of the survey: business schools and management colleges in Bangalore.

**DATA ANALYSIS**

The data is collected from various sources has been analyzed and presented in the form of charts, graphs and tables. Ms word, excel and power point applications have been used to tabulate and present data to be used in the research.

**HIGHER EDUCATION SCENARIO IN INDIA**

The table 1 reveals that there has been appreciable growth of higher education since 1951. Number of university level institutions and colleges has grown up from 28 to 677 and 578 to 3800 respectively from 1951 to 2014. As a result, the number of teachers as well as students has also increased significantly. The growth of

students' enrolment is more than the growth of number of teachers over the period of time, may be due to the massive investment by government at school level in form of primary as well as secondary education. Rise in enrolments and institutions at school level, there is mushrooming growth in higher education institutions. At the end of 2014 there were 677 Universities and 38000 colleges in India. But still we need more than 1500 universities to cater the demand. The table 1 shows that our education system is improving not only in number of colleges and universities but also in enrolment. Most of these universities have affiliated colleges where undergraduate courses are approved and taught. But still, if we compare this improving stat with increasing population, then we have to rethink, is it still improving.

TABLE 1: GROWTH OF HIGHER EDUCATION INSTITUTIONS AND THEIR INTAKE CAPACITY IN INDIA

Year →	1951	1961	1971	1981	1991	2000	2012	2014	2015
Institutions & Enrolment ↓									
No. of University	28	45	93	123	177	266	574	677	
Number of colleges	578	1816	3227	4738	7346	11146	35539	38000	
No. of teachers (in 000")	24	62	109	244	272	395	733	817	
No. of students enrolled (in 000")	174	557	1956	2752	4925	8399	22373	28000	

Source: UGC Reports

Growth of higher education level wise student enrolment boys and girls 2010-2011 has revealed in table -2. The study explores the fact that the women enrolments ratio is less when compare to male. The data evidently speaks the truth that the enrolment difference has found with 19 percent in research and next come with 17 percent in under graduation and next come with 13 percent in postgraduate.

TABLE 2: GROWTH OF HIGHER EDUCATION LEVEL WISE STUDENT ENROLMENT BOYS AND GIRLS 2010-2011

Serial number	Level wise students enrolment (0000)	Boys	Girls	Total
1	Graduate	8580(58)	6037(41)	14637
2	Post Graduate	1167(56)	882(43)	2049
3	Research	81(59)	56(40)	137
4	Diploma/Certificate	98(57)	73(47)	171

\* Figures in parenthesis depict their percentage to total

EMERGING ISSUES

The role of higher education in the emerging scenario of knowledge economy is very crucial and multifaceted for any country in general and India in particular. There are many basic problems faced by higher education system in India. These include Lower level of teaching quality, Financing of higher education, More concentrated on theories and rather than practical knowledge, Traditional methods of teaching, Privatization, Inadequate facilities and infrastructure Quota system.

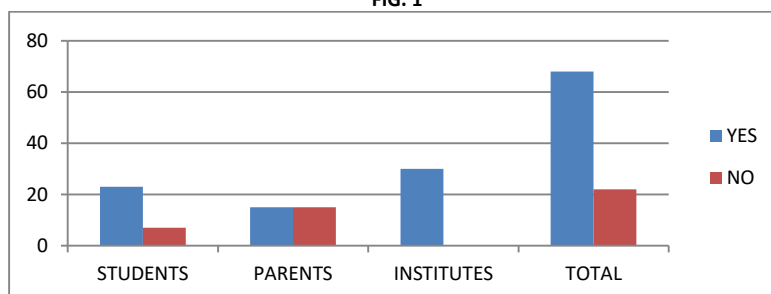
**Lower level of teaching quality:** Our education system is torture by issues of quality in many of its institutions and universities. Many of the issues like lack of faculty, poor quality teaching, Traditional teaching methods, outdated and rigid curricula and pedagogy, lack of accountability and quality assurance and separation of research and teaching are raise questions on Indian education system.

**Financing of higher education:** One of the most important things that have to be noticed is the issue of financial constraints regarding higher education before the government. Expenditure on education in common and on higher education in particular by the government, is one of the parameters to judge the quality in education for at all nation. The State Government have already been spending 20-30 per cent of its revenue budget on education. It cannot afford to spend more. In India, higher education has received less attention in terms of public spending than other levels. It is not feasible for India to make massive state investments in research and development that produced research led universities in the west such as MIT, University of California, Berkeley in the US or University of Cambridge in Britain. More concentrated on theories and rather than practical knowledge: Indian education system is more focused on theoretical knowledge rather than practical knowledge. In many jobs, there is also a minimum requirement of percentage, which is high.

TABLE 3: PERCENTAGE OF POPULATION INTERESTED TO PURSUE HIGHER EDUCATION

PARTICULARS	YES	NO
STUDENTS	23	7
PARENTS	15	15
INSTITUTES	30	0
TOTAL	68	22

FIG. 1



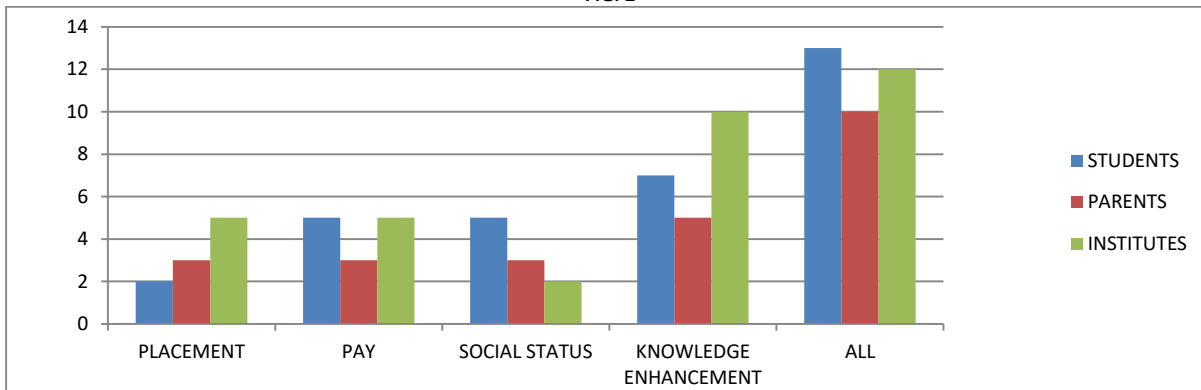
**Traditional methods of teaching:** Professors still stick to those older methods of teaching like board, marker. They don't like to make use of audio visual aids in teaching. Also they are not up to date with the information available and what global industry demands.

**Privatization:** In the present scenario, privatization of higher education is apparently a fledgling but welcome trend and is essential to maintain creativity, adaptability and quality. The economic trail of liberalization and globalization demands it. In India, both public and private institutions operate simultaneously. Approximately 50 per cent of the higher education in India is imparted through private institutions, mainly unaided involving high cost. However, the situation is not so simple. Private providers, in the interest of maximizing profit, have every incentive to 'minimize costs' by compromising on the quality of education provided in their institutions. Last but not least, quality of teaching staff is one of the considerable issues for higher education sector to sustain in the future. Earlier, they were committed to their students to their subjects and to their profession. Today, high salaries are available but the commitment is less. Thus, it is the need of the hour to free the higher education system from unnecessary constraints and political interference.

TABLE 4: PREFERENCE FOR HIGHER EDUCATION

PARTICULARS	PLACEMENT	PAY	SOCIAL STATUS	KNOWLEDGE ENHANCEMENT	ALL
STUDENTS	2	5	5	7	13
PARENTS	3	3	3	5	10
INSTITUTES	5	5	2	10	12

FIG. 2



**Inadequate facilities and infrastructure:** In India, many of the universities don't have adequate infrastructure or facilities to teach students. Even many private universities are running courses without classrooms. Internet and Wi-Fi facility is still out of reach of many students.

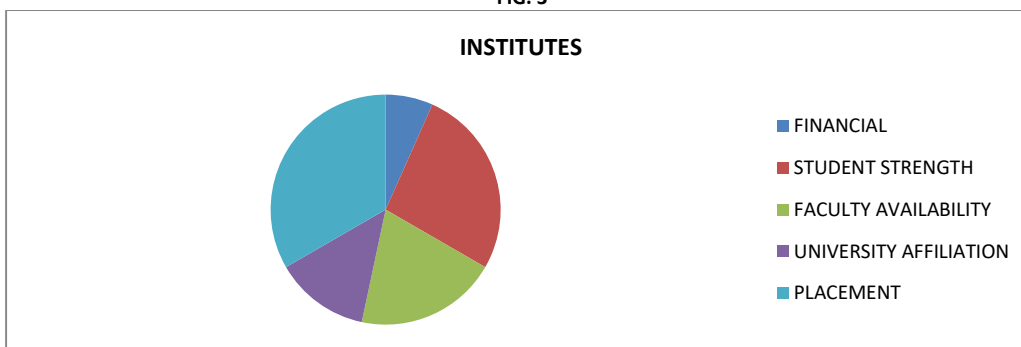
**Quota system:** Bringing the reservation and quota system for different categories in education lost its quality. Even deserving candidates of general categories are ignored and on quota, we have to select other person from reserved category even though he is not suitable.

**EMERGING CHALLENGES**

The system of Indian Higher education is the second largest in the world, which fulfils the educational requirements of millions of students who come from different sections of the society since it is the student community that can help to generate healthy academic atmosphere in institutions of higher learning. No doubt, that India faces today a number of problems pertaining to poverty unemployment disappearance of moral and spiritual values. But in the last few decades a country-wide problems/challenges have emerged in Higher Education system in India they are discussed as under.

**Our heterogeneous education system,** based on geographical, rural-urban, rich-poor set up have posed in great challenge for the educational institutions. Varieties of colleges, universities, technical institutions have produced and different types and quality of Education. Some of them are really imparting qualitative education although a few others are doing the dirtiest job. Thanks to UGC, for publishing the list of such a fake Universities and Institutions indulging in educational malpractices.

FIG. 3



**Lack of Moral values:** Rapid growth of science and technology and subsequent industrialization has caused a great and danger to our old moral and values. The younger generation's dissatisfaction and revolt is the outcome of a decaying system of values.

FIG. 4

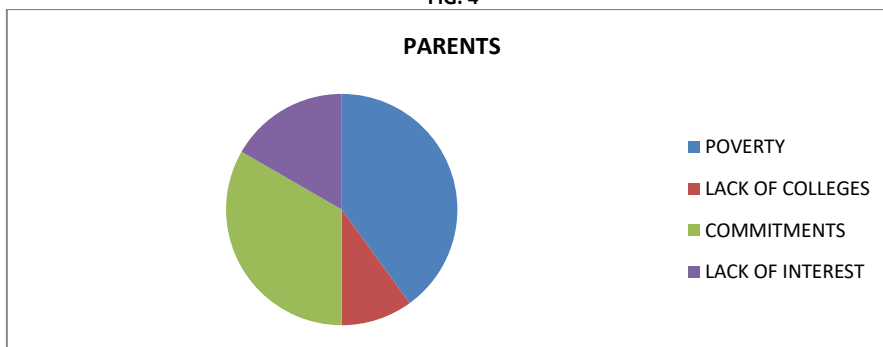
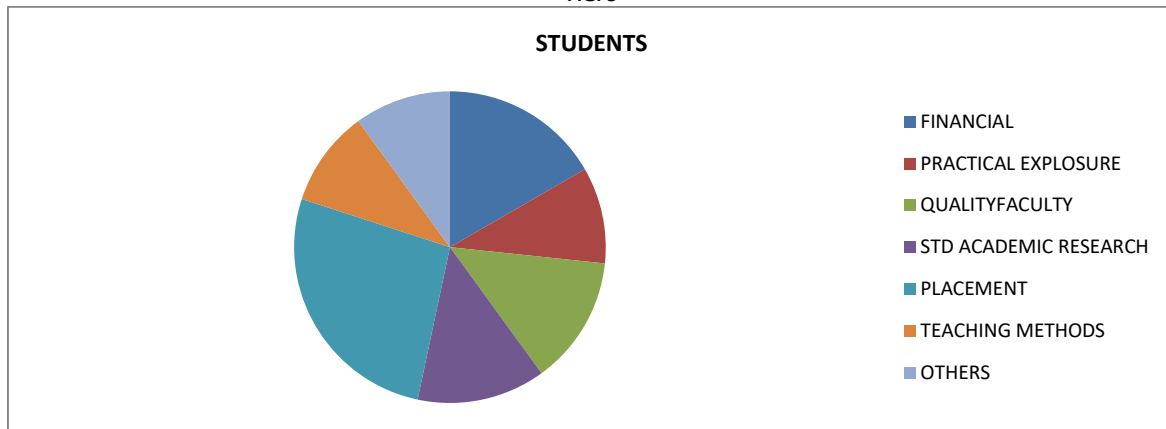


FIG. 5



**Interference of political factors:** Most of the Institutions, imparting education (Aided-non- aided) are owned by the dominant political leaders, now playing key role in governing bodies of the Universities. They have established their own youth cells and encourage students' organization on political basis. They exploit the students' energy for their political purposes. The students forget their own objectives and begin to develop their career in politics.

**Economic Difficulties:** Is one of the most troublesome changes that the present higher education system has imposed on the communities? The numbers of students are coming from the ordinary classes; many of them are unable to provide the minimum necessities of life for themselves. Economic miseries have grown due to the increasing prizes, habits of wasting money on luxuries, increasing population, scarcity of food supply, corruption, selfish etc. students hold part time jobs in order to pay for the their educational expenses and should divide their attention between a job and College/University education. Near about seventy five percent of the total students community today, have been facing the financial problems. Earn while learn scheme cannot adequately support student to face economic challenges.

## FINDINGS

The main challenges analyzed by respondents in the study to pursue higher education was challenges like finance, scholarship, cost of living, job opportunity, pleasant climate conditions, culture problem, food and language barriers, security, lack of theoretical/ practical knowledge, quality and practically trained faculties, course materials, evaluation criteria, infrastructure, accreditation, student strength, legal status, placement program and competition between international institute and distance courses,

## SUGGESTIONS FOR IMPROVING QUALITY OF HIGHER EDUCATION

There are some suggestions and Expectations from Government, Industry, Educational Institutions, Parents and Students for improving quality of higher education.

**Student-Centered Education and Dynamic Methods-** Methods of higher education also have to be appropriate to the needs of learning to learn, learning to do, learning to be and learning to become. Student-cantered education and employment of dynamic methods of education will require from teachers new attitudes and new skills. Methods of teaching through lectures will have to subordinate to the methods that will lay stress on self-study, personal consultation between teachers and pupils, and dynamic sessions of seminars and workshops. Methods of distance education will have to be employed on a vast scale.

**Examination Reforms-** Examination reforms, gradually shifting from the terminal, annual and semester examinations to regular and continuous assessment of student's performance in learning must be implemented.

**International Cooperation-** Universities in India have been a primary conduit for the advancement and transmission of knowledge through traditional functions such as research, innovation, teaching, human resource development, and continuing education. International cooperation is gaining importance as yet another function. With the increased development of transport and communication, the global village is witnessing a growing emphasis on international cooperation and action to find satisfactory solutions to problems that have global dimensions and higher education is one of them.

**To increase Quantity of Universities-** We need more universities because we are more in number and present number of universities is too less. On 13th June, 2005 Government of India constituted a high level advisory body known as National Knowledge Commission (NKC) to advise the PM about the state of education in India and measures needed to reform this sector. NKC has recommended setting up of 1500 universities by 2015 so that gross enrolment ratio increases to 15 percent.

**Cross Culture Programmes-** After education, tour to every the places in India and world as far as possible with the cooperation of government is necessary so that one can understand about people, culture, arts, literature, religions, technological developments and progress of human society in the world.

**Action Plan for Improving Quality-** Academic and administrative audit must be conducted once in three years in colleges by external experts for ensuring quality in all aspects of academic activities. The self-finance colleges must come forward for accreditation and fulfil the requirements of accreditation. Universities and colleges should realize the need for quality education and come forward with action plan for improving quality in higher educational institutions.

**World Class Education-** Indian government is not giving priority to the development of Standard in education. India must aspire for the international standard in education. Many national universities like in the USA, UK, Australia, etc. allow studies in higher education for foreign students in their countries and through correspondence courses as well. In the same way, India Universities of world-class education can also offer courses of studies to foreign students taking advantage of the globalization process. To achieve that goal it must adopt uniform international syllabus in its educational institutions.

**Entry of foreign universities-** though there is flip side in the entry but yet this would result in more funding for research work, world class infrastructure facilities and standard, quality education at less cost, world of experience in learning, employment opportunities, and over all raise in academic standard of Indian universities.

**Personality Development-** Finally, education must be for the flowering of personality but not for the suppression of creativity or natural skill. In the globalized world opportunity for the educated people are naturally ample in scope. As a result, business process outsourcing (BPO) activities have increased competition in the world trade leading towards the production of quality goods and their easy availability everywhere in the world market. That is the way the world can be developed for peace, prosperity and progress by able and skilful men.

**High-tech Libraries-** Our university libraries have a very good collection of books, but they are all in mess. A library must be online and conducive for serious study. Indian universities should concentrate more on providing quality education, which is comparable to that of international standards.

## CONCLUSION

1. In concluding words, we can say that over the period of time, growth have been take place in higher education in terms of institutions, enrolments etc. but it is not sufficient. Indian economy is facing various challenges regarding higher education, which need to overcome through appropriate policy formation and their effective implementation.
2. Higher education in India plays many roles. It is of extraordinary importance to many and reforms are often seen as significant threats to specific, social arrangements that provide benefits to powerful groups.



3. The politics is the result and most often the changes are not implemented language has been a similar issues in which government attempted to solve in difficult social and political problem through policy relating to higher education.
4. To conclude, Higher education in India is an extraordinarily important part of modern Indian society and it is intertwined in the political and social systems of the society. It is in need of change, development and important. In order to effectively plan for reforms and improvement, it is necessary to have in realistic perceptions of what is possible and what is not.

**REFERENCE**

1. Indian education services-a hot opportunity June 2009 by Amartya Sen

## WEST BENGAL FINANCIAL CORPORATION: THE REGIONAL LEADER IN FINANCING TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSME): A CRITICAL EVALUATION

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### ABSTRACT

*The Micro, Small and Medium Enterprises (MSME) considered as a growth engine of Indian economy. By its less capital intensive and high labour absorption nature, this sector has made significant contributions to employment generation and also to rural industrialization. However, lack of access to finance and timely credits as well as escalating cost are cited as important reasons for underutilization of the manufacturing capabilities of MSME. State Financial Corporations have been established to provide various types of financial and non-financial assistance to this sector. West Bengal Financial Corporation (WBFC) was setup in the year 1954 with the objective of providing financial assistance to MSME in the state of West Bengal. In this paper, an attempt has been made to analyze the performance of WBFC. Paper is based on secondary data and simple statistical tools and techniques have been used to analyses the data.*

### KEYWORDS

West Bengal financial corporation (WBFC), Micro, Small and Medium Enterprises (MSME), growth engine, contributions, financial assistance.

### I. INTRODUCTION

Economic development and industrialization are very closely linked. For rapid economic development, industrialization is given higher priority in every economy as net output value per person is higher in industry than in agriculture. This is due to higher scope in industry both in internal as well as in external economy. The economic and other planner and also the visionaries identified the need of industrialization, as industrialization is the main vehicle for overall improvement of people living standard. Industrialization is one of the important means to usher in economic and social transformation in the developing countries. More so, when agriculture cannot sustain the burden of the population growth, it is the industry and services sectors, which have to shoulder the responsibility to sustain as well as, accelerate the pace of growth. So industrialization is indispensable for survival and growth. In Indian context Micro, Small and Medium Enterprises (MSME) play a key role in the economic development besides acting as a breeding ground for the entrepreneur. It is a stepping-stone for entrepreneur to grow from small to big. It is an important vehicle for meeting the growth and equity with social justice. It provides implant training to millions of entrepreneurs and motivated them to become innovative entrepreneurs contributing substantially to the national economy. Economy where resources are scarce and labour is plenty, the Micro, Small and Medium enterprises (MSME) recognized as the best vehicle to develop the balanced economy because this sector needs low capital comparing to large scale sector but able to create large scale employment and can be best vehicle to remove regional disparity in industrial development. These types of industries are best suitable for developing economy of India with special relevance to West Bengal where unemployment is one of the greatest problems. But the development of MSME is the aggregate result of combined inputs of raw material, labour, finance, technological efficiency and managerial efficiency. In this process of development, non-availability of timely and adequate finance acts as a severe restraining factor. Finance, therefore assume a great importance in the development of MSME. For ensuring free flow of adequate finance to the MSME, a number of financial institutions have been set up at national and state level. West Bengal Financial Corporation is one of the remarkable state level financial institutions, which engaged in providing various types of financial and other assistance to the state MSME.

### II. OBJECTIVES OF STUDY

The objectives of study are as per following:

1. To evaluate the performance of West Bengal Financial Corporation (WBFC) regarding Micro, Small and Medium Enterprises (MSME).
2. To explore the growth and present status of state Micro, Small and Medium Enterprises (MSME).

### III. HYPOTHESIS OF STUDY

1. West Bengal Financial Corporation is placing equal emphasis in distribution of credit facilities to all districts;
2. West Bengal Financial Corporation is giving more emphasis on Micro and Small Scale Enterprises (M&SSE) in distribution of credit facilities.
3. West Bengal Financial Corporation is not placing an equal emphasis on different Sector/Purpose in distribution of credit facilities.

### IV. RESEARCH METHODOLOGY

Paper is mainly based on secondary data and various data are collected from various reputed secondary sources. Various annual report of WBFC is used to evaluate the performance of WBFC. Data from official website of WBFC, SIDBI, RBI, MSME enterprises, prime minister task force are also used. Different research paper, article, doctoral thesis have been also used to prepare the paper. Simple statistical tools and techniques have been used to analysis the data. The data for the study also directly collected from WBFC's head offices of Kolkata and various branches of WBFC.

### V. MSME IN WEST BENGAL: GROWTH AND PRESENT STATUS

The Government of West Bengal from the very beginning has adopted the industrialisation programme through the promotion of SSI/MSME to take care of poverty, unemployment and regional imbalance in the state. The various Industrial Policies have been formulated in the context of the ongoing economic liberalisation and development of industries. The Government also emphasised on proper development of agro-based industries, tiny and small industries, village and cottage industries, sericulture, handloom and handicraft and also emphasised on strengthening and up gradation of the entrepreneurial skills. DIC have been set up as a nodal agency for the development of SSI/MSME and for recommending grant for various incentives. The overall SSI/MSME scenario of the state are visualised in Table-01.

After the year 2002-03 concept of online registration of SSI/MSME emerged and gradually they started and became mandatory after the introduction of MSMED ACT-2006. Now submission of EM Part-I and Part-II is necessary as per this Act from October 2006. Registration is comparatively much lower than the previous system but they are gradually increasing one. In table number-01 the number of MSME in West Bengal are shown starting from 2007-08 to 20011-12.

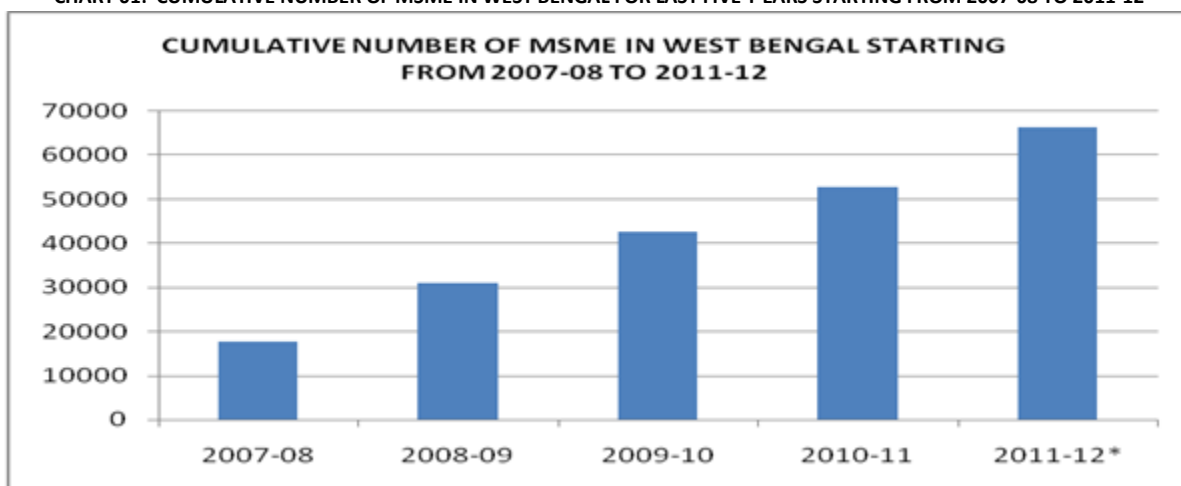
TABLE 01: GROWTH OF REGISTERED MSME UNITS IN WEST BENGAL AFTER ENACTMENT OF MSMED ACT-2006 (NUMBER AS PER EM, PART-II FILED BY ENTREPRENEURS)

Year	Number of MSME in West -Bengal. (Units)	Growth rate (%)	Number of MSME in India	Growth rate (%)	% of MSME Units in West Bengal to MSME in India	Cumulative Number of MSME in West Bengal
2007-08	17,618	-----	1,74,319	----	10.11	17618
2008-09	13,428	(23.80)	193,077	10.76	6.95	31046
2009-10	11,685	(12.98)	2,13,894	10.78	5.47	42731
2010-11	10,109	(13.48)	2,37,263	10.92	4.26	52840
2011-12*	13,470	33.25	2,82,496	19.06	4.77	66310
Average	----	(4.25)	----	12.88	6.31	----

Source: Economic Review of West Bengal and MSME Enterprises, GOI. \* Up to November 2011.

The number of EM, Part-II form filed by MSME units in West Bengal was 17,618 in 2007-08 and this decreased to 13,470 during 2011-12. The average annual growth rate is (4.25) percent. The number of MSME units filed EM, Part-II form in India was 1,74,319 units in 2007-08 and this rose to 2, 82,496 during 2011-12. The average annual growth rate is 6.31 percent. The MSME units in West Bengal constitute on an average only 6.31 percent of MSME units in India.

CHART 01: CUMULATIVE NUMBER OF MSME IN WEST BENGAL FOR LAST FIVE YEARS STARTING FROM 2007-08 TO 2011-12



**VI. WEST BENGAL FINANCIAL CORPORATION: THE GENESIS**

West Bengal Financial Corporation popularly known as WBFC was set up in 1954, is a premier state level developmental financial institution under the State Financial Corporations Act, 1951 [SFCs Act] of the Parliament of India, extending financial and other help to micro, small and medium [MSME] sector enterprises to implement their new projects/expansion projects/modernization venture/backward or forward integration schemes in both manufacturing and service sector. The Corporation has been devoting itself to the task of promotion and development of the MSME sector of the State for more than six decades and extends long term loan to the entrepreneurs for setting up their dream projects. It always acts in close coordination with the state level promotional and development agencies, commercial banks, the state and the Union Government and others. WBFC has been relentlessly extending financial assistance on easy terms to micro, small and medium scale enterprises in the form of long term loan for acquiring fixed assets to set up manufacturing units or service industries like nursing homes, hotels, restaurants, warehouses, commercial complexes, transport and the like. Timely follow-up of the projects for implementation and to carry on liaison with other co-agencies, amongst others, are its objectives to ensure successful launching of newer projects. The Corporation has its active presence through 14 Branch Offices located at the District Head Quarters. WBFC mainly provide medium and long-term loans but in exceptional cases, it may sanction working capital loan.

**VII. PERFORMANCE OF WEST BENGAL FINANCIAL CORPORATION (WBFC)**

To assess the performance of WBFC in the development of Micro, Small and Medium Enterprises (MSME) in the state of West Bengal, it is considered relevant to focus on the following aspects.

- (01). Growth trend in sanction and disbursement of loan;
- (02). Constitution Wise Sanction of loan;
- (03). Sector Wise Classification of Loan Sanction;
- (04). Purpose-wise, Sector Wise Breakdown of Loan Sanction;
- (05). District wise Sanction of Loan since Inception;
- (06). Recovery Performance of WBFC.

Details discussion on each of the above is made hereunder:

**(01) A. GROWTH TREND IN SANCTION**

Financial sanction to MSME by West Bengal Financial Corporation during a period of last ten years from 2004-05 to 2013-14 (Table-02) reveal that there has been a decline in number of units assisted compared to year 2004-05 (units assisted 382) where in the year of 2013-14 it was only 199. Between the years 2004-05 and 2013-14, although the trend is both declining and increasing. The highest number of units assisted in the year of 2004-05 is 382 and lowest one is in the year of 2012-13, only 152. Similarly, the trend of amount sanction is both decreasing and increasing in this ten year period. The highest amount sanctioned in the year of 2011-12 (Rs. 30853 lakh) and lowest amount sanction in the year of 2006-07, only Rs. 16067 lakh.

TABLE 02: PERFORMANCE OF WBFC SINCE 2004-05- TO 2013-14, REGARDING SANCTIONING OF LOAN (Amount in Rs. Lakh)

Sanction During the Year					
Sl. No.	Year.	Number.	% Increase/(Decrease) over the previous year.	Amount.	% Increase/(Decrease) over the previous year.
01.	2004-05	382	-----	18148	-----
02.	2005-06	380	(00.50)	20045	10.45
03.	2006-07	263	(30.79)	16067	(19.85)
04.	2007-08	274	04.18	22062	37.31
05.	2008-09	243	(11.31)	18926	(14.21)
06.	2009-10	308	26.75	23627	24.84
07.	2010-11	293	(04.87)	22367	(05.33)
08.	2011-12	253	(13.65)	30853	37.94
09.	2012-13	152	(39.92)	20227	(34.44)
10.	2013-14	199	30.92	27786	37.37

Sources: Annual Report of WBFC, Different Years.

**B. GROWTH TREND IN DISBURSEMENT**

Like sanctions, the period of disbursement of loan to MSME covers ten years from 2004-05 to 2013-14. It is observed (Table-03) that the corporation has also decreased the number of units year after year, excepting year 2009-10, starting from the year 2004-05. The highest number of units assisted by the WBFC in the year of 2004-05, units assisted 468 and lowest in this study period is 156 in the year of 2013-14. In this study period, Disbursement amount of loan although going to increasing year after year, excepting year 2013-14. The highest amount (Rs. 18001 lakh) disbursed in the year of 2013-14 and lowest amount in the year of 2004-05 (Rs. 11098 Lakh).

TABLE 03: PERFORMANCE OF WBFC SINCE 2004-05- TO 2013-14, REGARDING DISBURSEMENT OF LOAN (Amount in Rs. Lakh)

Disbursement During the Year					
Sl.No.	Year.	Number.	% Increase/(Decrease) over the previous year.	Amount.	% Increase/(Decrease) over the previous year.
01.	2004-05	468	----	11098	-----
02.	2005-06	427	(8.76%)	11473	3.38
03.	2006-07	371	(13.11%)	13525	17.88
04.	2007-08	351	(5.39%)	14537	7.48
05.	2008-09	187	(46.72%)	16668	14.65
06.	2009-10	273	45.99%	18688	12.12
07.	2010-11	245	(10.26%)	20022	7.14
08.	2011-12	215	(12.25%)	20082	00.30
09.	2012-13	171	(20.46%)	22237	10.73
10.	2013-14	156	(8.77%)	18001	(19.49)
Average	-----		-----		-----

Sources: Annual Report of WBFC, Different Years

**(02). CONSTITUTION WISE SANCTION OF LOAN**

In table below constitution wise WBFC's sanction during the FY 2012, FY 2013 & FY 2014 and since inception up to 31.03.2014 is presented:

TABLE 04: BORROWERS' CONSTITUTION WISE CLASSIFICATION OF LOAN SANCTION (Amount in Rs. Lakh)

Sl. No	Type of Constitution	Sanctions									
		FY 2012		FY 2013		FY2014		Since Inception Up to 31.3.2014			
		No.	Amount.	No.	Amount	No.	Amount	No.	% to Total	Amount.	% to Total
01.	Public limited company	09	2230.00	04	584.00	03	563.50	331	1.37	32259.85	10.61
02.	Private limited company	95	22557.00	67	17661.72	87	22821.24	2685	11.10	211418.96	69.55
03.	Cooperative society	00	00	00	0.00	00	00	28	0.12	314.52	0.10
04.	Partnership firm	59	3132.62	00	791.08	00	2699.49	2873	11.87	32525.12	10.70
05.	Proprietary firm/concern	82	1840.87	25	1190.44	47	1702.05	18274	75.52	27392.16	9.01
06.	Hindu undivided family	00	00	56	0.00	62	00	03	0.01	48.50	0.02
07.	Other	00	00	00	0.00	00	00	02	0.01	26.97	0.01
	Total	245	29760.49	152	20227.24	199	27786.28	24196	100	303986.08	100

Source: Annual Report of WBFC, different years

It is observed from the above table that in terms of number, Proprietary Concern has been availed more finance and it is as much as 75.52% followed by Partnership Firm, Private Limited Company etc. In terms of amount, Private Ltd Companies have availed about 69.55% of the total amount sanctioned by WBFC followed by Public Limited Company, Partnership Firm, and Proprietary Concern etc. It can also be observed that sanction to Cooperative Society and Hindu undivided family is very less. This is particularly in case of Cooperative societies; but they can obtain finance along with concessions from Governmental and other agencies.

**(03). SECTOR WISE CLASSIFICATION OF LOAN SANCTION**

Sector Wise Classification of loan sanction by WBFC is presented below:

TABLE 05: SECTOR WISE CLASSIFICATION OF LOAN SANCTION (Amount in Rs. Lakh)

Sl. No	Sectors	Sanctions									
		FY 2012		FY 2013		FY2014		Since Inception Up to 31.3.2014			
		No.	Amount.	No.	Amount	No.	Amount	No.	% to Total	Amount.	% to Total
01.	SRTO	10	59.30	06	105.37	02	5.43	1667	06.49	3629.75	01.05
02.	Micro sector	20	132.15	15	278.40	21	552.96	16589	64.55	22842.31	06.60
03.	Ancillaries	00	00	00	000	00	000	11	00.04	183.16	00.05
04.	SSI Units	176	16029.84	117	12529.91	152	15751.74	6332	24.64	166979.79	48.27
05.	MSE	47	14631.60	15	7365.00	25	11557.00	1102	04.28	152343.26	44.03
	Total	253	30852.89	153	20278.68	200	27867.13	25701	100	345978.27	100

Source: Annual Report of WBFC, different years, SRTO- Small Road Transport Organization.

It can be seen from the above table that since inception up to 31.03.2014, the Corporation has sanctioned loan to 25701 units amounting to Rs. 345978.27 lakh, out of which Micro Sector has been availed more finance in terms of number (16,589) followed by SSI Units (6332), SRTO (1667) etc. In terms of amount, SSI Units have availed about 48.27% of the total amount sanctioned since inception followed by MSE, Micro sector and SRTO. It is also evident that Ancillaries and SRTO

registered lowest share of assistance up to end –March 2014. During FY 2012, FY2013 and FY 2014 there was no sanction of loan to the Ancillaries sector. Sanction to SRTO to the FY 2012, FY2013 and FY 2014 also seen not satisfactory comparing to other sector. There was a positive growth in the sanction made to SSI units and Micro sector. Growth of loan sanction to MSE in number and in amount is both increasing and decreasing.

**(04). PURPOSE-WISE, SECTOR WISE BREAKDOWN OF LOAN SANCTION**

Purpose-wise, Sector Wise Breakdown of Loan Sanction by WBFC is shown below.

**TABLE 06: PURPOSE-WISE, SECTOR WISE BREAKDOWN OF LOAN SANCTION (Amount in Rs. Lakh)**

Sl. No	Purpose of Assistance	FY 2014								Since Inception									
		M& SSE		SRTO		MSE		Total		M& SSE		SRTO		MSE		Total			
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	% in Total	Amt.	% in Total	
01	New Project	81	10940.37	02	5.43	05	4450	88	15359.80	16598	10851.24	1278	2665.64	469	71351.02	18345	75.91	182913.68	60.29
02	Expansion	81	4287.50			14	5810	95	10097.50	4950	54392.01	31	117.98	386	46653.55	5367	22.21	101218.29	33.36
03	Diversification	02	269.98			01	60	03	329.98	47	814.73			09	681.42	58	0.24	1998.50	0.66
04	Rehabilitation	03	600.00			02	500	05	1100.00	62	1530.03			08	591.29	70	0.29	2121.32	0.70
05	Modernisation/Replacement	05	162.00			03	737	08	899.00	251	9101.82	01	2.58	51	5870.80	303	1.25	14975.20	4.94
06	Power Generation									19	28.16					19	0.08	28.16	0.01
07	Quality Control																		
08	Pollution Cont.																		
09	Res & Develop																		
10	Over-run Finance													06	116.41	06	0.02	116.41	0.04
11	Total sanction	172	16223.85	02	5.43	25	11557	199	27786.28	21927	174717.99	1311	2889.07	930	125764.49	24168	100	303371.56	100
	% in Total	86.43	58.39	1	0.02	12.57	41.59	100	100	90.72	57.57	5.43	0.96	3.85	41.47	100	-----	100	-----
	Total Disbursement	138	12060.55	0	0	18	5940.7	156	18001.25	21693	154170.21	1278	2642.61	894	116669.49	23865	----	273482.31	----
	Dis./San*100	80.2	74.34	00	00	72	51.40	78.4	64.79	98.95	88.24	97.3	91.10	96.2	92.67	98.76	----	90.11	----

It is observed from the above table that since inception of WBFC has always given more emphasis on New Project; in terms of number up-to date 75.91% loan have been sanction for new project followed by Expansion, Modernization etc. In terms of amount New Project also given highest amount and it is around 60.29% followed by Expansion project, Modernization etc. Lowest amount is sanction for Power Generation sector.

It can be also seen from the above table that since inception of WBFC, Micro and Small scale (M&SSE) enterprises have availed more finance in terms of number (90.72%) followed by SRTO and Medium Scale Enterprises. In terms of amount, again M&SSE have availed about 57.57% of the total amount sanctioned by the WBFC followed by MSE and SRTO. In case of disbursement ratio, highest ratio also observed for M&SSE (98.95%) in terms of number and in terms of amount it is for MSE (92.67%),

**(05). DISTRICT WISE SANCTION OF LOAN SINCE INCEPTION**

Cumulative positions of loan sanction since inceptions by the WBFC to the all districts are presented below:

**TABLE 07: CUMULATIVE POSITION OF LOAN SANCTION TO ALL DISTRICTS, SINCE ITS INCEPTION TO AS ON 31.03.2014 (Rs. in Lakhs)**

Districts	Total amount Rs.	% Share of the District	Districts	Total amountRs.	% Share of the District
01. Malda	4334.81	1.43	01. North Twenty Four Parganas	26389.67	8.69
02. West Dinajpur	228.65	0.08	02. South Twenty Four Parganas	18934.71	6.23
03. Murshidabad	5344.39	1.76	03. Bardhaman	54353.05	17.89
04. Coach Behar	2470.28	0.81	04. Hoogli	22346.11	7.36
05. Bankura	19464.27	6.41	05. Nadia	5172.20	1.70
06. Jalpaiguri	8135.86	2.68	06. Howrah	43624.85	14.37
07. Purulia	8611.52	2.83	07. Kolkata	36388.29	11.98
08. Birbhum	4546.41	1.50	08. Uttar Dinajpur	2964.10	0.98
09. Paschim Medinipur	4845.60	1.60	09. Darjiling	10883.37	3.58
10. Purba Medinipur	24702.42	8.13	----	-----	-----

Source: Compiled by researcher.

From the above table it is seen that few districts are getting more financial assistance and few districts share is very poor. Bardhaman, Howrah, Kolkata, North 24 PGS, South 24 PGS are getting more support and there share is 17.89%, 14.37%, 11.98%, 8.69%, 6.23% but West Dinajpur, Coach Behar, Malda, Birbhum, Paschim Medinipur are not getting adequate support and there share is only 0.08%, 0.81%, 1.43%, 1.50% and 1.60% only. Top five districts total share is 59.16% and bottom five districts share is only 5.42%.

**(06). RECOVERY PERFORMANCE OF WBFC**

Recovery is not an easy task and considered most crucial work for any financial institution. It is the tendency of people/organization to postpone the payment. There may be genuine reason to postpone the repayment schedule by MSME like- labour problem, power problem, raw material problem, high competition, low demand etc. If we carefully analyses the below table (Table-08), the recovery against the interest is more satisfactory than the principal and others. In all the five years the recovery rate is also more than 85 percent of target and in few years it is more than 100 percent. Comparing with the principal and others the average recovery rate is also higher in case of recovery against the interest. The average recovery rate for principal and others and for interest is 100 and 103.2 percent.

TABLE 08: RECOVERY PERFORMANCE OF WBFC (Amount Rs. in Lakhs)

SL.No	Year	BPRF Target			Recovery			% Achieve of Target		
		Principal & Others	Interest	Total	Principal & Others	Interest	Total	Principal & Others	Interest	Total
01.	2009-10	19000	9000	28000	16410	7564	23974	85	87	86
02.	2010-11	18500	7500	26000	17283	7721	25004	93	103	96
03.	2011-12	13500	6700	20200	13801	6933	20734	102	103	103
04.	2012-13	13000	6000	19000	14281	6739	21020	110	112	111
05.	2013-14	11400	5100	16500	12566	5640	18206	110	111	110
Total	-----	75400	34300	109700	74341	34597	108938	500	516	506
Average	-----	15080.0	6860.0	21940.0	14868.2	6919.4	21787.6	100.0	103.2	101.2

Source: Annual Reports of WBFC from 2009-10 to 2013-14

It is also seen from the below table that the recovery performance of WBFC is both increasing and decreasing if we compare it with previous years. But Trend of recovery against the target is quite good (Table-08) and is increasing one except the year 2012-13. Table-09 shows that recovery over the last year in the year 2011-12 and 2013-14 is negative. This is mainly due to the factor that corporation is providing various facilities like re-schedulement of term loan, one time settlement, premature repayment etc.

TABLE 09: TRENDS OF RECOVER FOR LAST FIVE YEARS OF WBFC (Amount in Rs Lakh)

SL. No	Year	Recovery	% Increase Over the Last Year
01.	2009-10	23974	-----
02.	2010-11	25004	4.30
03.	2011-12	20734	(17.08)
04.	2012-13	21020	1.38
05.	2013-14	18206	(13.39)
Total	-----	108038	(24.79)
Average	-----	21787.60	(6.20)

### VIII. TESTING OF HYPOTHESIS

**Hypothesis 01:** From the Table No-07 it is clear that WBFC are not placing equal emphasis in distribution of credit facilities to all districts. Bardhaman district's share is 17.89% where West Dinajpur's share is only 0.08%. Top five districts' total share is 59.16% and bottom five districts' share is only 5.42%. So there is a high disparity in distribution of credit facilities to all districts by the WBFC. Based on this analysis we can reject the Hypothesis-01 and can conclude that WBFC are not placing equal emphasis in distribution of credit facilities to all districts.

**Hypothesis 02:** From the Table No-06 it is observed that since inception WBFC are giving more emphasis on M&SSE in distribution of credit facilities. In number their share is 90.72% and in amount their share is 57.57%, followed by SRTO (5.43% and 0.96%) and MSE (3.83% and 41.47%). From the Table No-05 it is also observed that since inception micro enterprises are giving more importance in terms of number (64.55%) and in amount SSI are giving more importance (48.27%). Based on this analysis we can accept the Hypothesis-02 and can conclude that WBFC always giving more emphasis on Micro and Small Scale Enterprises in distribution of credit facilities for their proper growth and development.

**Hypothesis 03:** Table No-06 exhibit the purpose wise distribution of credit by the WBFC and it is seen that since inception different sectors are getting different importance. Out of the different sector like New Project, Expansion Diversification, Rehabilitation, the New Project is giving more importance. Since inception their share in number is 75.91% and in amount 60.29% followed by Expansion (22.21%) in number and (33.36%) in amount, Modernization/Replacement (1.25% in number and 4.94% in amount) and others. So maximum share enjoyed by New Project. It is also clear from the above that WBFC is not placing equal emphasis on different projects and based on this we can accept the Hypothesis-03 and can conclude that West Bengal Financial Corporation is not placing equal emphasis on different Sector/Purpose in distribution of credit facilities.

### IX. CONCLUSION

Realizing the significance of SSI/MSME in economic development, both at the centre and the State of West Bengal have been deliberately pursuing SSI/MSME friendly policies since the pronouncement of the first industrial policy resolution in 1948. Financing to MSME is the prime responsibility of WBFC as it is assigned with the task of promotion, development and improvement of MSME in the state. In the changed circumstances, there are many other agencies catering the needs of MSME but still, WBFC still continue to be one of the major sources of finance to state MSME. But to sustain its viability in fulfilling its objectives, the WBFC should be very careful with a close look to the growing incidence of sickness, particularly in the micro and small scale sector which has become a common phenomenon. From the above analysis, it is also clear that in the past 59 years WBFC have remained more or less confined to granting of different direct loans and advance and other assistance SSI/MSME related activities. The share of small-scale industries finance is the highest since its inception and WBFC are placing more importance on financing to new project. The recovery performance is not satisfactory and its recovery trend is decreasing one, so it is necessary to find new policies of debt recovery by which the outstanding burden of the corporation can be lessened and so the corporation will get more strength to provide more funds by recycling its funds. Overall, it can say that performance of WBFC regarding financial assistance is increasing one by amount but not in number of units.

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## CUSTOMER SATISFACTION OR DISSATISFACTION SURVEY ON BANKING SECTOR AFTER INCREASE OF SERVICE CHARGES FROM 01-04-2017

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### ABSTRACT

*There are many research papers on customer satisfaction on banking industry in India. This paper tries to find views of bank customers of Mancherial town after increase of service charges of PSU Banks w.e.f.01-04-2017. Primary data collected from 100 bank customers of different banks are used for this purpose. Data was analyzed using computers and statistical tools. The sample size is taken by random sampling method. Objectives of this research study to find out impact on banks after increase of service charges and also to know satisfaction level of customers after increase of service charges. Findings of the study are customer expressed dissatisfaction over increase of service charges. They particularly dissatisfied with charges on cash deposits and ATM withdrawal after permissible limits. 56% of respondents believe that use of Debit and Credit cards is best method to face increased charges.*

### KEYWORDS

Mancherial district, customer satisfaction, banking industry, bank charges.

### INTRODUCTION

**B**anks play important role in Economic development of India. Since introduction of Industrial Policy 1948, Government of India made RBI as Central Bank. In 1968 and 1980, Government of India nationalized banks so that banks will serve members of society much better. Public sector banks, Regional Rural Banks, Private Banks and Foreign banks constitute banking sector in India.

In Liberalization era Banks play vital role in development of any nation and in formation of capital required for industries. Banks deliver the following services to customers Accepting deposits, Sanction of loans, D.D., Cheques drawing, ATM services and Loans to industries for expansion or for establishment of new industries. Now a day customer is king in any business. Hence, banks shall strive to satisfy customers by delivering quality services. Usage of computers is almost compulsory for all banks in India. By using computers, banks can deliver services very fast. E-Banking or NET BANKING is another latest innovation in banking sector services. Due to this customers now able to access their bank account anytime, anywhere in India.

For the entire services banks offer, they will charge customers. Hence, service charges will decide satisfaction of customers. If any bank offers, fewer services and charges more than customers may shift from that bank to other. This study is undertaken to find out impact of service charges on customer satisfaction.

### REVIEW OF LITERATURE

- 1) A study on customer satisfaction towards online banking services with reference to Bangalore city – Mr.Lakshmi Narayana.k, Mr.Sri Hari., Dr.P.Paramashivaiah (2013) – In this paper researchers found that majority of customers (60%) satisfied with internet banking service of select bank. 30.26% of the respondents are not satisfied with banking services. The research found out that the most prominent and vital characteristic for any adoption of a new service or product is generating awareness among the customers about the specific service or product.
- 2) A study on customer satisfaction with service of banks, D.V.Harsha vardhan Reddy, and Dr.D.V.Ramana. Abhinav Journal, Volume no.2, Issue no.7, ISSN 2277-1166 – In this paper researcher found that service quality, attitude of bank employee in serving the customers, care and concern, physical facilities of the bank, promptness in attending needs of the customers are key factors to be considered in customer satisfaction. Research study further found that nationalized banks have received equal satisfactory response when compared with private and public sector banks.
- 3) Customer satisfaction and perception towards the services of Co-operative banks – Fathima adeela beevi, TKS-EPR International journal of Economic and Business Review (November 2014, Volume 2, Issue-11) – In this paper researcher conducted research on customer satisfaction of co-operative banks of Malppuram service co-operative bank. This paper found out that most of the customers express satisfaction with services of co-operative bank and the relationship of employees with their customers. But they expressed dissatisfaction over not using modern technology and equipment.
- 4) A study of customer satisfaction towards service provided by Employees of public banks using servqual model with reference to Durg-Bhilai Region – Minal shah, Dr.Sanjay Guha, Dr. Urvasi shrivatsava, International Journal of Management and Social Sciences Research (IJMSSR), Vol 2, No 8 (August 2013): In this paper research was conducted to identify key dimensions of service quality and its impact on customer satisfaction. It is found out that banks create good impression and thus satisfy customers by providing quality service. The customers of the public sector banks are satisfied with service they provide. This study shows that the service quality can affect the overall customer satisfaction.
- 5) A study of Factors affecting customer satisfaction in present highly competitive banking industry – prerna dawar – Asian pacific journal of Marketing & Management Review, Vol (2), Feb 2013 – In this paper researchers conducted survey to identify all the main factors that influence the customer satisfaction in banking at the present contemporary global and highly competitive economy. Researchers found that the following five factors are important in customer satisfaction. A) Reliability b) technology c) Commitment d) Empathy e) Privacy.
- 6) Customer satisfaction and E-Banking services : A case study of Tricity – Dr, Hitesh Kapoor- International Journal of Innovative Research in Science, Engineering and Technology –Vol4, Issue 10, October 2015 – In this paper researcher conducted research to find out factors contribute to customer satisfaction in Internet Banking services. Dimension of Service quality like tangibility, reliability, responsiveness, assurance, empathy have shown more or less great impact on customer satisfaction with internet banking services. The following are additional findings of the study a) customers feel that internet banking has bright future in India b) Respondents believe that huge investments is required for setting up of internet banking c) Internet banking is not suitable for every customer and it is highly risky.
- 7) Customer satisfaction with service quality of Internet banking, S.Kalpna Devi, B.Revathy, International Journal of Business policy and Economics, Vol4, No.1(2011) – in this paper the researchers try to evaluate the service quality of internet banking from customers perspective. This study observed that education influences usage of internet banking. This study suggests that banks should take precautions to keep customers safe. Banks should provide more convenient internet banking services.
- 8) “ A comparative study of Customer perception towards E-Banking services provided by Selected private and public sector banks in India ” – Ms.Fazia – “International Journal of Scientific and Research Publications ”, Volume 3, Issue 9 (September 2013) – In this paper researcher try to find the factors that determine the customers perception towards the E-Banking services. This study further intends to find out relationship between occupation, age and E-Banking. This paper finds out that different age group of customers and different occupation groups have different perception towards E-Banking services, occupation and age will show significant impact on internet banking.
- 9) “A study on customer satisfaction of commercial banks case study on State Bank of India ” – Amruth raj nipatlapalli- IOSR JBM, EISSN 2278-487, Volume 15, Issue 1, November –December 2013 – This research was conducted to study satisfaction of customers towards SBI and Identify the factors that influence the

customers behavior of SBI. 72% of respondents were felt that SBI bank will not take any service charge without any cause. 84% of the respondents were satisfied on financial transactions of the SBI. Only 38% respondents will aware of the list of shares in Stock Exchange provided by SBI.

**NEED OF THE STUDY**

From April 2017 onwards, all banks including PSU banks increased service charges. I wish to know reaction of Customers towards their bank after increase of service charges. In this contest, I decided to conduct survey by questionnaire model to know the opinion of customers and to know probable reaction of customers to bank after increase of service charges.

**STATEMENT OF THE PROBLEM**

Banks increased different service charges from April1, 2017. Due to increase of service charges customers invariably gets nervous and dissatisfaction over the bank. Customer will also keen on their operations with increased service charges. For example, charge of 20+ Service tax after certain number of free transactions for ATMs. Customers may draw heavy amounts whenever they go to bank. Banks are fixing limitations on number of transactions. Moreover, banks increased service charges but other financial institutions like post offices did not increase service charges. Due to increase of service charges of banks, Will the customers shift from bank to post office is a researchable question. The main problem is to find out impact of increased bank charges on bank customers and their relationship with banks.

**HYPOTHESIS**

The research is basically related to customers of banks in Mancherial District of Telangana State, India. Sample size is 100. The following are hypothesis for this study.

- a) Bank customers are more sensitive to service charges than other issues.
- b) Bank customers are aware of services and service charges of other financial institutions like post offices.

**RESEARCH METHODOLOGY**

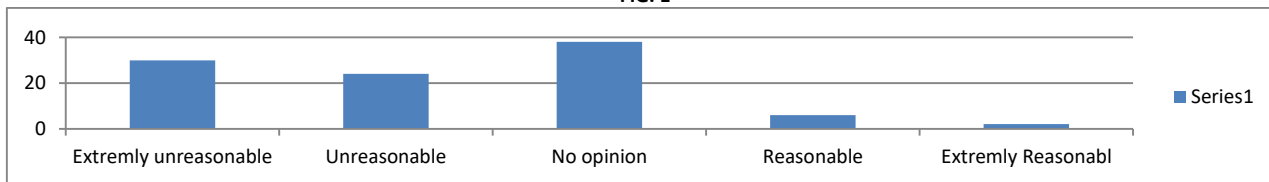
In this research data collected from 100 respondents of different bank accounts in mancherial town. SBI account holders 80, PSU banks 10, Private Banks 2, Grameena banks 8. Data collected by use of questionnaire from respondents. Data was analyzed using computers and statistical tools like table, graphs, averages and conclusions arrived. Data collected is primary data only. No secondary data used in this research work.

**DISCUSSION**

**TABLE 1: THIS TABLE SHOWS RESPONSES OF RESPONDENT RELATING TO SBI CHARGES Rs. 50 PLUS SERVICE TAX FOR CASH DEPOSITS BEYOND THREE TRANSACTIONS**

Extremely unreasonable	30
Unreasonable	24
No opinion	38
Reasonable	6
Extremely Reasonable	2

**FIG. 1**

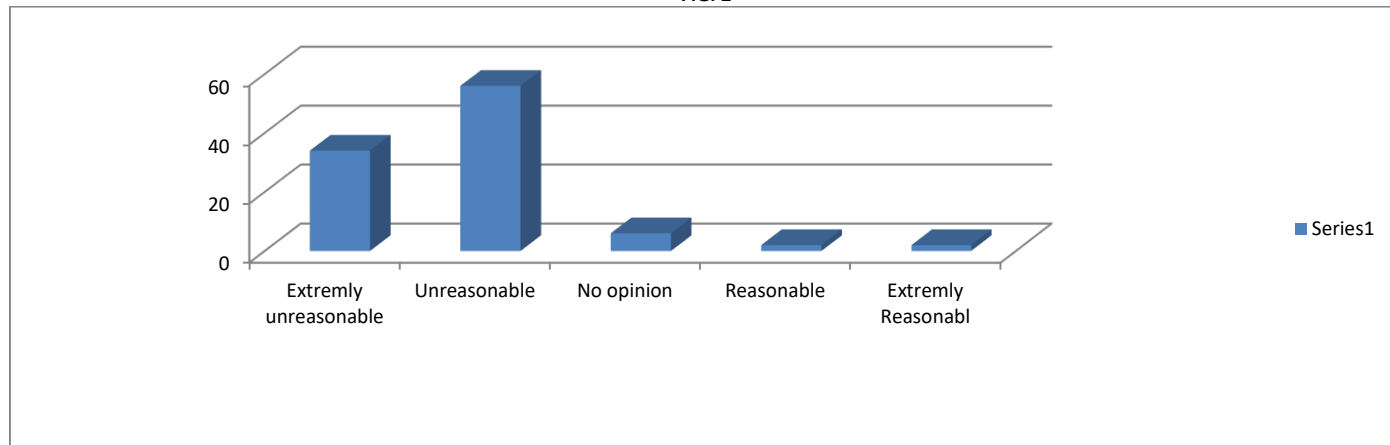


Source: Primary data collected.

**TABLE 2: THIS TABLE SHOWS RESPONSES OF RESPONDENTS RELATING TO SBI CHARGING 20 PLUS SERVICE TAX PER ATM TRANSACTION AFTER PERMISSIBLE NUMBER OF FREE TRANSACTIONS**

Extremely unreasonable	34
Unreasonable	56
No opinion	6
Reasonable	2
Extremely Reasonable	2

**FIG. 2**



Source: primary data collected

TABLE 3: THIS TABLE SHOWS RESPONSES OF RESPONDENTS FOR IMPOSING SERVICE CHARGES FOR FAILURE TO MAINTAIN MONTHLY AVERAGE BALANCES IN

ACCOUNTS	
Extremely unreasonable	32
Unreasonable	30
No opinion	6
Reasonable	32
Extremely Reasonable	0

FIG. 3

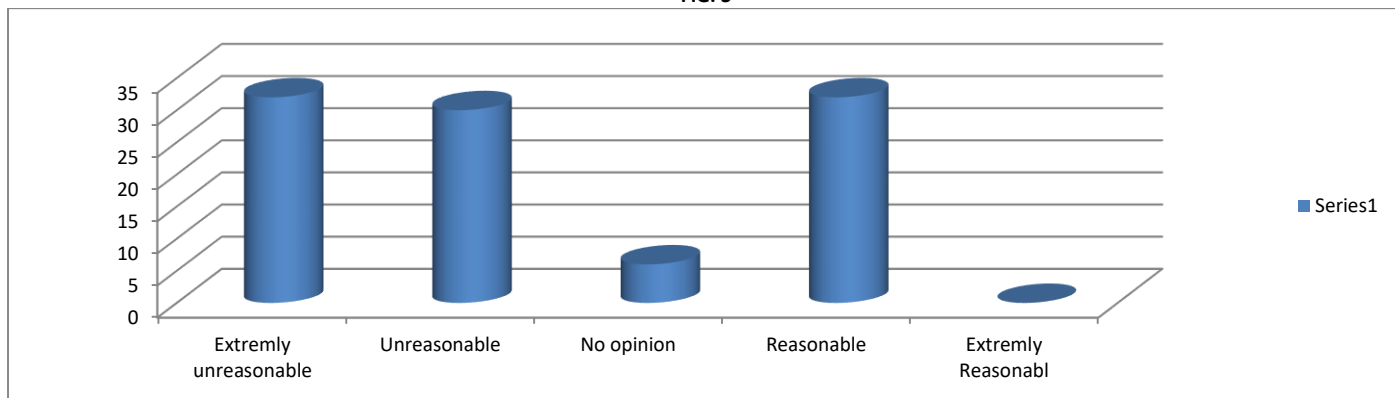


TABLE 4: THIS TABLE SHOWS RESPONSES OF RESPONDENTS SBI CHARGING Rs. 125-300 FOR ANNUAL MAINTENANCE FEE FOR ATM CARDS

Extremely unreasonable	32
Unreasonable	18
No opinion	0
Reasonable	48
Extremely Reasonable	2

FIG. 4

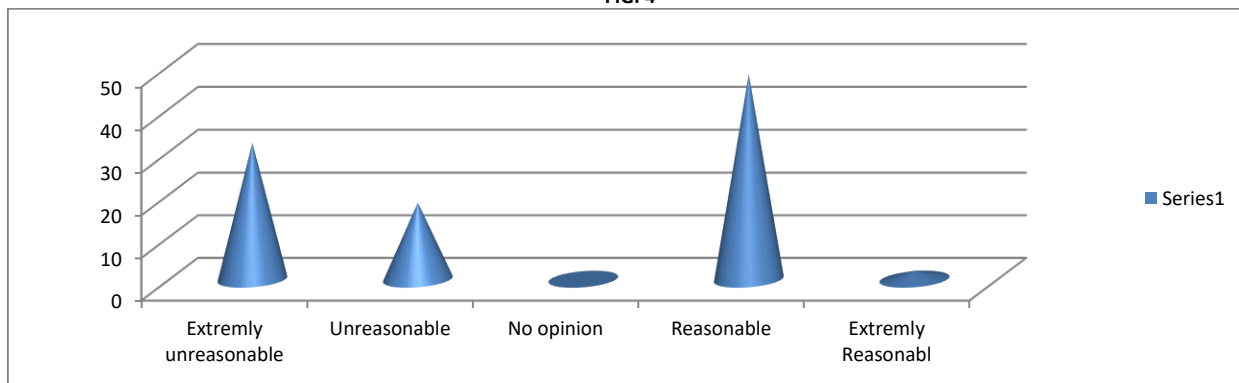


TABLE 5: THIS TABLE SHOWS RESPONSES OF RESPONDENTS FOR PRIVATE BANKS LIKE HDFC, ICICI CHARGING Rs. 150-00 PER TRANSACTION FOR CASH DEPOSITS AND WITHDRAWALS BEYOND 4 FREE TRANSACTIONS

Extremely unreasonable	32
Unreasonable	38
No opinion	12
Reasonable	14
Extremely Reasonable	4

FIG. 5

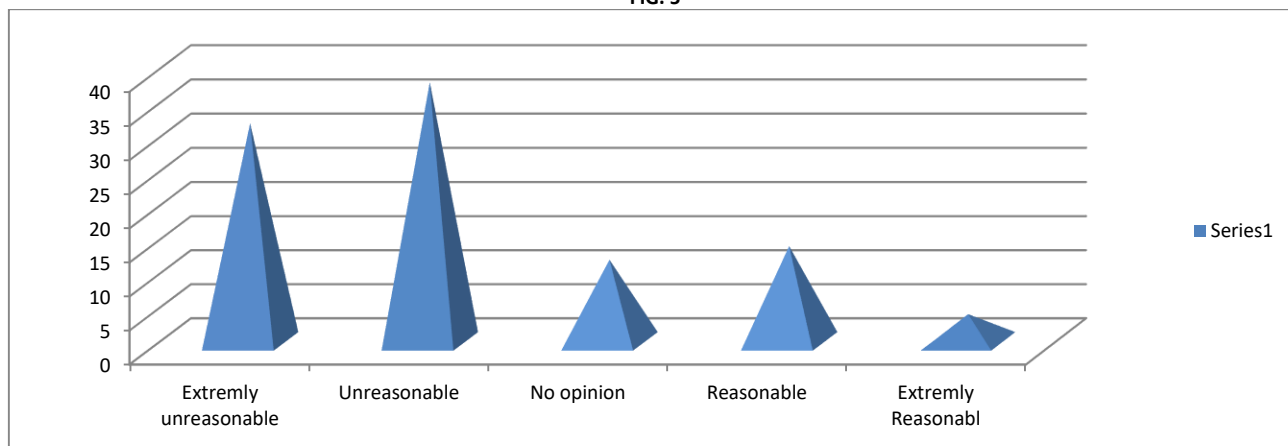


TABLE 6: THIS TABLE SHOWS RESPONSES OF RESPONDENT SBI CHARGING Rs. 15 FOR SMS ALERTS PER QUARTER FROM DEBIT CARD HOLDERS

Extremely unreasonable	18
Unreasonable	26
No opinion	4
Reasonable	46
Extremely Reasonable	6

FIG. 6

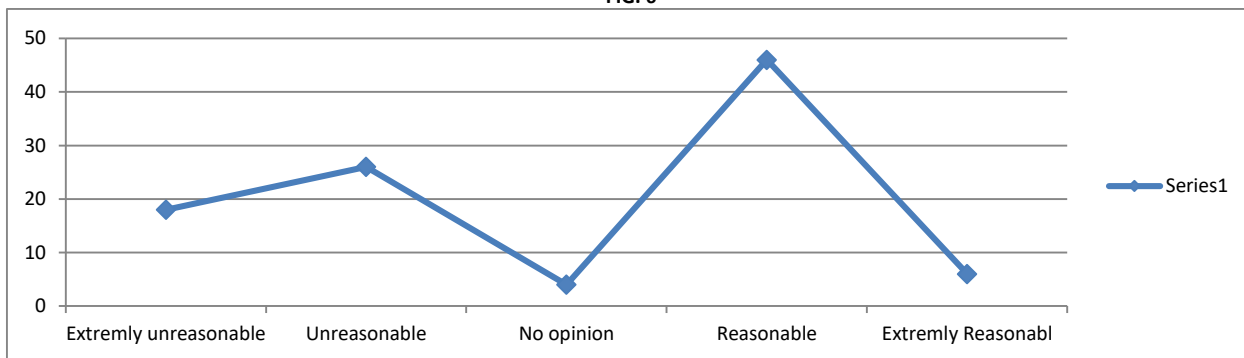


TABLE 7: THIS TABLE SHOWS RESPONSES OF RESPONDENTS WHICH THEY THINK AS BEST METHOD TO ESCAPE FROM INCREASED BANK CHARGES

Not to deposit in money in banks	6
Maintain single bank account	28
Open new post office account	10
Use debit card and credit card excessively	56

FIG. 7

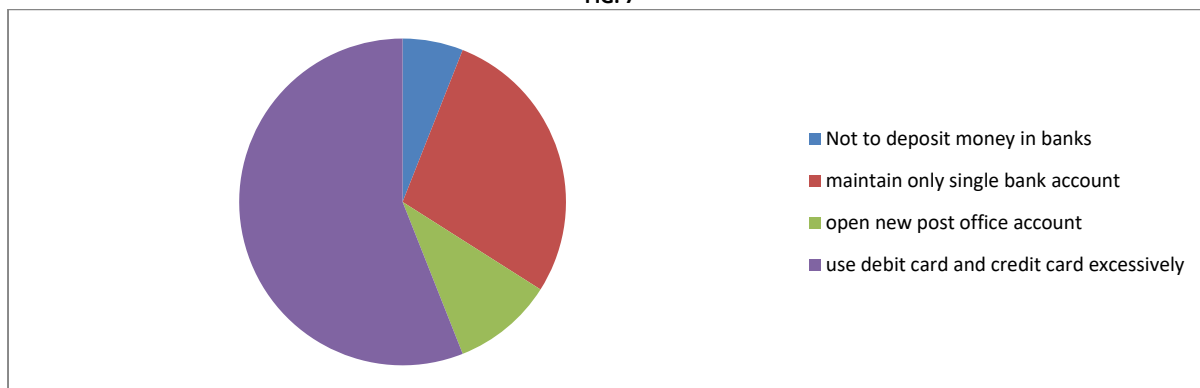


TABLE 8: THIS TABLE SHOWS RESPONSES OF RESPONDENTS OF THEIR OPINION REGARDING INCREASED SERVICE CHARGES EXCESSIVELY TO GET ABUNDANT INCOME IS ILL-WILL OF BANKS

Fully agree	10
Agree	40
No opinion	8
Disagree	20
Fully Disagree	22

FIG. 8

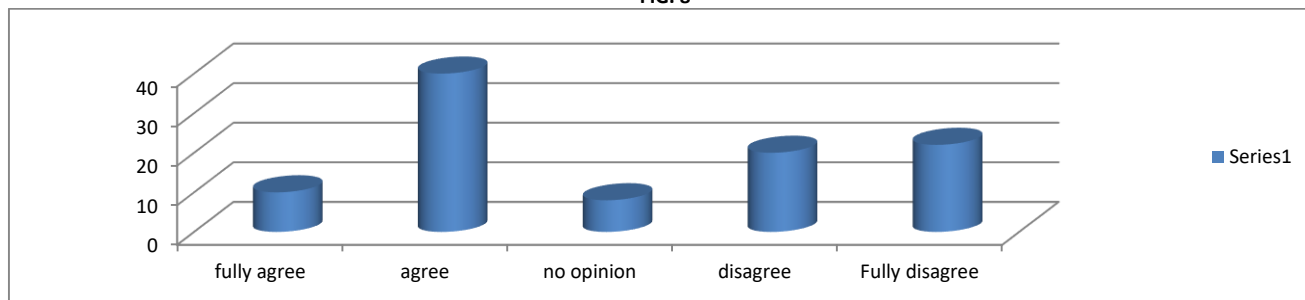
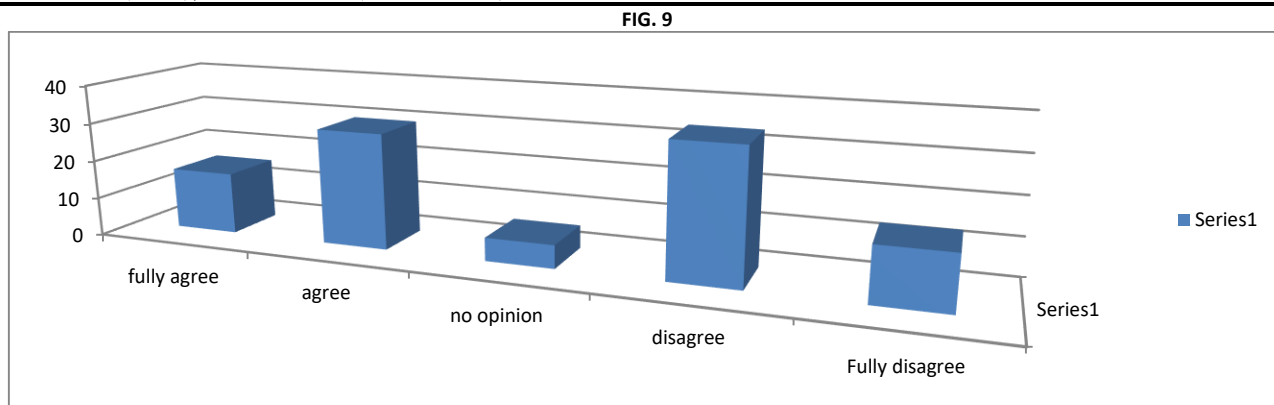


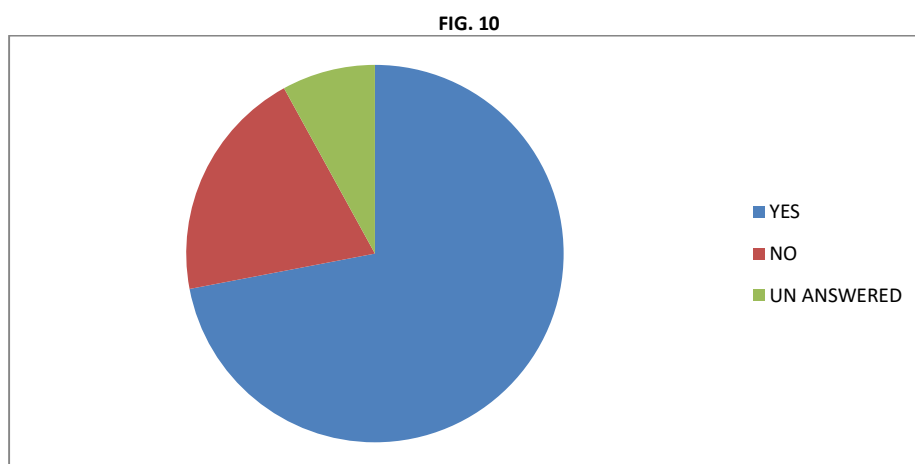
TABLE 9: THIS TABLE SHOWS RESPONSES OF RESPONDENTS TO QUESTION THAT BANKS FAIL TO COLLECTS LOANS GIVEN TO BIG INDUSTRIALISTS AND TO RECOVER LOSSES SERVICE CHARGES ARE INCREASING

Fully agree	16
Agree	30
No opinion	6
Disagree	34
Fully Disagree	14



**TABLE 10: THIS TABLE SHOWS RESPONSES OF RESPONDENTS TO THE QUESTION THAT WILL THE INCREASED BANK CHARGES REDUCE GOOD WILL OF BANKS AND REDUCE BANK DEPOSITS**

YES	72
NO	20
No opinion	8



**FINDINGS**

- 1) 54% of respondents state that charging service charges on deposits by SBI beyond 3 cash deposits is unreasonable.
- 2) SBI charges for use of ATM after permissible number of free transactions. This is also objected by respondents. 34% said it is extremely unreasonable, 56% said it is unreasonable.
- 3) SBI is imposing charges for failure to maintain Average monthly balance. 32% of respondents said it is extremely unreasonable, 30% said it is unreasonable.
- 4) SBI Charges Rs.125 to Rs.300 for Annual maintenance fee for ATM cards. 48% supported this decision.
- 5) Private Banks like HDFC, ICICI charging Rs.150 per each cash deposit beyond 4 free transactions. 70% of the respondents felt it is inappropriate.
- 6) SBI is charging Rs.15 for SMS alert per quarter. 52% respondents supported these charges.
- 7) 56% respondents believe that use of debit and credit cards is best option to escape from cash transaction charges. 28% said maintaining single bank account is best option. 6% said not to deposit money in banks, 10% said opening new post office bank account is best option.
- 8) 50% of respondents expressed that increase of service charges to get abundant income is ill will of banks.
- 9) 46% of respondents believe that banks giving loans to industrialists and fail to recover writing off. To recover such losses banks are increasing service charges.
- 10) 72% respondents mention that increased bank charges reduce bank deposits

**LIMITATIONS**

The research is based on data collected from 100 primary members of different banks. If more members are taken as sample size, the result may differ. This research is also based on hypothesis that customers are more sensitive to service charges. If customers do not bother about service charges results may differ. One more limitation of this study is that sample size is 100 taken from Mancherial. Mancherial is semi-urban town. If sample size is from Metropolitan city or from rural background the result also differs.

**SCOPE FOR FURTHER RESEARCH**

This research is undertaken to find out bank customers view or feelings on increased bank charges. Banks including PSU banks like SBI spread over India. Whereas this research is limited to mancherial town only. Further research is possible by taking sample size from all over Telangana, or from different state of India. It is also possible to undertake research studies in banks based ownership like Government banks, Private Banks. It is further possible to undertake research study based on customers whom bank serve like Employees, Farmers, Old age people or Women only.

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## ATTRITION IN GARMENT INDUSTRIES: A STUDY FROM HUMAN RESOURCE MANAGEMENT PARADIGM

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#### ABSTRACT

*The current study focuses on attrition rate in the garment industries and the role of Human Resource Managers in combating it. The quest here is to assess the factors that lead to high rates of voluntary employee turnover among the garment industry workers. The study found that multiple factors contributed to employee turnover in different rates in different companies. The effect of turnover was witnessed across the various levels of employees. The major factor perceived to contribute to employee turnover was remuneration, high production expectations and lack of individual respect accorded to the workers in the course of daily working scenarios. The study used primary data collected through a questionnaire administered to 106 employees in garment industries located in Bangalore district*

#### KEYWORDS

attrition, human resource management, garment industries, employee satisfaction.

#### INTRODUCTION

Attrition also called employee turnover is an issue for all organizations and more so for industries which are labour intensive. Garment manufacturing industries that turn clothes in readymade garments are highly labour intensive. The process uses exhaustive manpower across various levels in its manufacturing process. A certain amount of attrition is common to all industries. It becomes problematic only when the attrition rate is more than the industry standards. It is in such cases that the role of the Human resources department becomes very crucial.

The HR department helps to identify the patterns in attrition and do damage control after subjective analysis of the employee's reasons for quitting the job. The insights from data-driven predictive models, used along with effective plans from the HR department for reducing attrition, improving retention, reducing attrition costs can go a long way in mitigating attrition and ensuring that the production is not adversely affected.

One of the major factors affecting industrial relations and labour efficiency in the instability of the labour force, i.e., changes in its composition. It is a problem in the industrial life of all countries, being wasteful and destructive of the potential manpower of the nation, and a serious obstacle to the complete utilisation of the country's productive forces. The problem of labour instability or more specifically, of labour turnover has attracted serious attention in the current scenario.

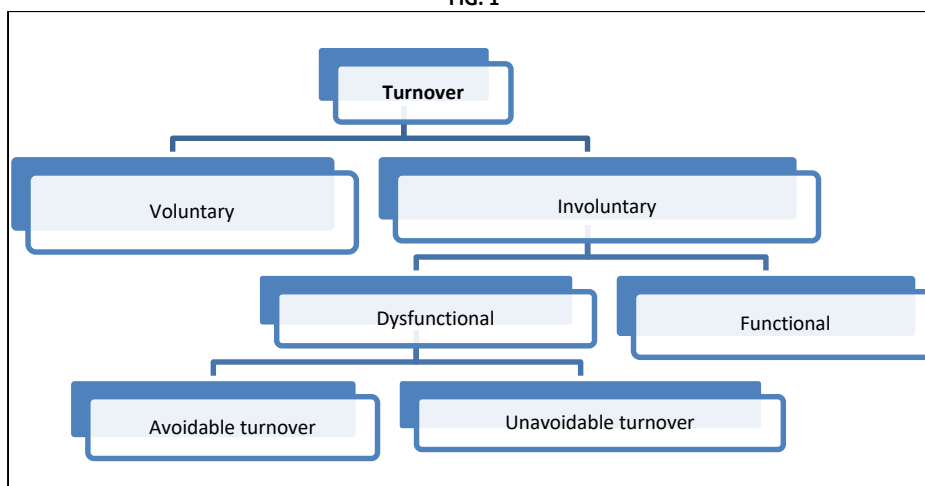
#### CONCEPTUALIZING LABOUR TURNOVER

Employee turnover, as defined by Hom and Griffeth (1994), is 'voluntary terminations of members from organizations'. Loquercio et al. (2006) observed that staff turnover is the proportion of staff leaving in a given time period but prior to the anticipated end of their contract. According to Singh et al. (1994), staff turnover is the rate of change in the working staffs of a concern during a defined period. Ivancevich and Glueck (1989) opine that staff turnover is the net result of the exit of some employees and entrance of others to the organization. Kossen (1991) defined turnover as the amount of movement in and out (of employees) in an organization.

Labour turnover has been defined by the American Management Association as "the extent of shift and replacement of labour occurring in the maintenance of the working force." "Labour turnover," according to the Bombay textile labour inquiry committee (10, 37-40), "measures the extent to which old employees leave and new employees enter the service of an industrial organization in a given period." the labour investigation committee which made an intensive survey of a large number of industries in 1944-45 adopted a similar definition.

As Nawaz (2009) indicates that there are two types of employee turnover happen in companies, voluntary and involuntary. Voluntary employee turnover involves employee's intention to quit the job or decide to give resignation from job. It can be due to better opportunity, job dissatisfaction, supervisor's bad behavior, less chances of growth etc. And involuntary employee turnover is that when an organization fires employees by itself. It can be like retirement cases, organization needs to cut cost, restructure or downsizing, low performers firing from the job or dismissals, permanent disability or employee death case etc.

FIG. 1



#### FRAMEWORK OF EMPLOYEE TURNOVER

There are two aspects in the problem of attrition: the proportion of workers who go out of employment during a period of time (separations) and that of the newly enrolled (accessions). There is, however, no unanimity as to what separations and accessions should exactly mean. For example, there is a difference of opinion as to whether the workers who are found to be surplus and are discharged should be taken into account in calculating the turnover rate. The official statistics of labour turnover in the UK and the USA include such discharges and dismissals. On the other hand, professor Sargent Florence says: "It seems fantastic to an economist to lump together cost-saving events under one definition." a recent study of this subject by the Birmingham University also excludes labour losses due to redundancy from the calculation of the labour turnover rate. Workers who leave a concern but return to it after a minimum specified period are considered as

new recruits. The duration of this minimum period naturally differs in different countries. In the United States, old employees who return to a concern after 7 or more consecutive calendar days, authorized or unauthorized absence are considered as "Accessions."

From the point of view of stabilising the labour force, it is not so much the definition of labour turnover as the analysis of the factors responsible for it, which is of significance. Labour turnover must be distinguished on the one hand, from absenteeism, which does not involve any break in the workers employment, and from the wider problem of mobility of labour from one industry to another, in response to changes in the conditions of supply and demand on the other. It is confined to the multilateral changes that take place in the composition of labour in different industries and industrial units, which cannot be attributed to any general shifts in the demand for labour. So far as industry is concerned, the problem posed by the constant shifts of labour is the cost incurred in replacing the employees who leave. Workers who are discharged because there is no work to do, do not give rise to this problem as there is no question of replacement cost in their case. It would, therefore, appear logical that labour losses due to redundancy should be excluded from the computation of labour turnover rates. On the other hand; workers going on leave, authorized or otherwise, do give rise to the problem of turnover and should be taken into account in calculating the incidence of turnover. It would also be more appropriate to approach the problem of labour turnover from the angle of separations than that of accessions. For, all accessions do not involve a turnover of labour. During a boom period, for instance, when new industries are being established and old ones expanded, employment increases. But the accessions thus caused are not in the nature of replacements, and no waste of resources is caused.

Labour turnover is caused by layoff, voluntary resignation, dismissal, retirement or death of workers. A certain minimum turnover is not only inevitable but also necessary, e.g., by retirement and death. For the UK, Prof. Florence calculates that "for men and single women the minimum unavoidable turnover for physical reasons in a manufacturing industry is slightly over 4 per cent per year."

## REVIEW OF LITERATURE

There are two major reasons why turnover is a central issue in the field of HRM across the globe. First, turnover is related to low organizational knowledge, low employee morale, low customer satisfaction, high selection costs, and high training costs (Staw, 1980; Talent Keepers, 2004). Research has also shown that high employee turnover is related to lower organization performance (Glebbeck & Bax, 2004; Huselid, 1995; Phillips, 1996). Second, the decision to turnover is often the final outcome of an individual's experiences in an organization (Hom & Griffeth, 1995).

Accordingly, many studies have used turnover as a criterion to evaluate the effectiveness of various organizational processes, such as selection (Barrick & Zimmerman, 2005; Meglino et al., 2000), training (Glance et al., 1993) and coaching/ mentoring (Lankau & Scandura, 2002; Luthans & Peterson, 2003; Payne & Huffman, 2005). Thus, understanding the factors that influence turnover gives organizations the opportunity to reduce selection and training costs, increase employee morale and customer satisfaction, and enhance organizational productivity. The study of turnover has a rich theoretical history in which multiple models have been advanced to understand this complex decision (Hom & Griffeth, 1995). Most of these models are based on the premise that if an individual is unhappy with a job and finds another job, s/he is likely to leave the current job (Lee, et al., 2004). Thus, the focus of most turnover models is on job attitudes (job satisfaction or job commitment) as the primary drivers of turnover (e.g. March & Simon, 1958).

Second reason is that human resources are the backbone of an organization (Gerhart & Milkovich 1990, Pfeffer 1998). Moreover, the continuing prosperity of a firm is likely to be enhanced by employees who hold attitudes, value and expectations that are closely aligned with the corporate vision (Borman & Motwidlo, 1993; Cable & Parsons, 2001; Feldman, 2003; Spector, 1997). It implies that hiring capable people is an attractive point of departure in the process, but building and sustaining a committed workforce is more likely to be facilitated by the employment of sophisticated HRM infrastructure (Schuler & Jackson 1987, Beechler et al., 1993).

Arguably, HRM policies and practices can be strategically designed and installed to promote desirable employee outcomes, which include the enhancement of the in-role and extra-role behaviors of employees. Yet, despite such costly investments, corporations are continually searching for techniques to improve and cement the linkage between employees and their organizations. With proper implementation, these techniques often facilitate a more committed workforce. Since turnover warrants heavy replacements and training expenses, organizations are now recognizing employee retention as an important issue that merits strategic attention (Glen, 2006).

Empirical studies (e.g. Harris, 2000; Kinnear & Sutherland, 2000; Maertz & Griffeth, 2004; Meudell & Rodham, 1998) have explained that factors such as competitive salary, friendly working environment, healthy interpersonal relationships and job security were frequently cited by employees as key motivational variables that influenced their retention in the organizations.

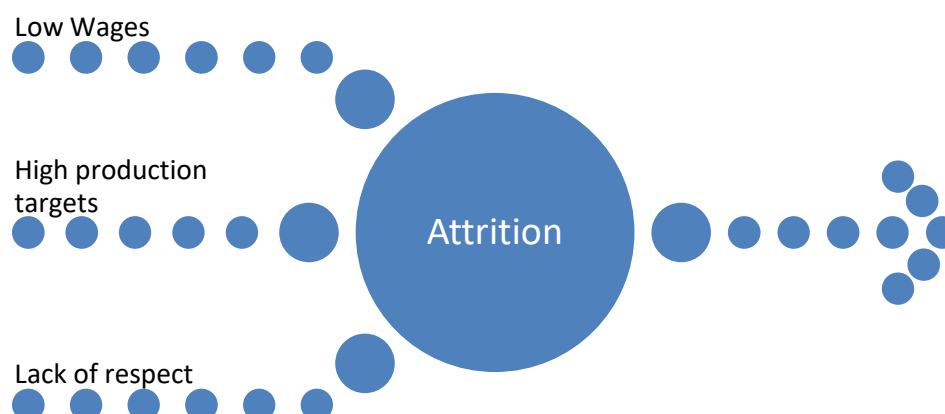
## INCIDENCE OF LABOUR TURNOVER

Generally, the extent of turnover depends upon the Type of persons employed (their sex, length of service, skill, etc.), the location of factories and the attitude of management towards workers. It varies from industry to industry, the variations reflecting differences in the scope for movement within an industry rather than in the nature of the work done. The average size of firms and the degree of concentration or localisation of industry influence the worker's chances of finding alternative employment.

## CAUSES OF LABOUR TURNOVER

Resignation, dismissal and discharge account for a large proportion of the high labour turnover in India. Dissatisfaction with working conditions, insufficient wages, sickness, family circumstances, distance of the place of work and last, but not the least, exodus to villages during the agricultural season, are the main reasons for workers to give up their jobs. In fact, in a number of industries like mining, plantations, cotton textiles (except in Bombay), jute mills and in some of the unorganised industries like rice milling, mica splitting, etc., employment is considered by the workers as a subsidiary occupation. As compared with the turnover caused by voluntary resignations, that resulting from dismissal and discharge is of minor importance. Apart from the objective factors responsible for labour turnover, there is also the cast; of the mentally unsettled, a small class probably, who find it difficult to settle down to any one job for long.

FIG. 2



**DISADVANTAGES OF HIGH TURNOVER**

A high rate of turnover is harmful to the efficiency of workers as well as to the quality and quantity of production. It is Moreover a serious obstacle to the complete utilisation of a country's human and material resources, although with our vast mass of unemployed and under-employed l a b o u r e r s, the national loss due to this source belongs to the second order of smallness. Extensive changes in the composition of labour, however, make it difficult to establish contacts between the employer and the employee and to build up a sense of co-operation between them.

The cost to the employer of constant changes in his labour force, involving the employment of new men, is represented by reduced production, greater wastage, and less careful handling of machinery. From the point of view of the worker, frequent changes in the place of employment, in the long run, affect his skill and efficiency and deprive him of the advantages which continued employment brings. The cost to the community is reflected in the loss of productive labour power and increase in costs of production due to the employment of less efficient labour.

**MEASURES FOR REDUCING TURNOVER**

Labour is critical to the sector's current competitiveness and long-term viability. Workers' skill levels, productivity and motivation, the industry's ability to attract and retain the right quantity and quality of workers, domestic labour laws and regulations and workers' living conditions and costs in urban areas, are all critical in the context of a continuously changing economic environment. In South Asia and other emerging economies, where low-cost labour is essential for industry competitiveness, the garment industry has been subject to various allegations of labour abuse, including long hours, forced overtime and low wages. In light of these factors, there have been many state- and non-state initiatives to try to ensure sound labour and other practices in the sector whilst maintaining its international competitiveness.

That the turnover of labour in India is very high in a number of industries is well recognised but the economic loss which it involves is not so well appreciated. The need for reducing this loss as much as possible and of improving industrial relations is urgent. Although the causes of the high degree of labour instability in the country are known in a general way, for adopting effective measures against it, more definite information is necessary regarding the extent of labour turnover in each industrial unit and of its incidence in terms of age group, sex, earnings, length of service, etc. Collection of this information on a scientific basis raises some technical problems, which can be easily solved. But until these data are available, remedies can be discussed only in general terms.

Since labour turnover is likely to be high due to the presence of " floating " workers who are unable to settle down to one job for long and new employees in the first few weeks or months, the responsibility of the management would be " first to pick people who will be able to settle down, and secondly, to ensure that the atmosphere in the unit where, the employee works gives an encouragement to stay." payment of bonus

**METHODOLOGY**

The study applied a two-phase methodology, to gather both quantitative and qualitative data. The quantitative survey gathered information from current and former garment sector workers.

A survey was done of garment workers working in factories in the Mysore road and Peenya garment manufacturing centres in Bangalore. The survey was administered through a structured questionnaire. The analysis of the survey data formed the main source of primary information for the study. In addition, various discussions with union activists around issues of productivity, labour turnover, and factory structuring of production were also used in the study. The study incorporated discussions with garment manufacturers and representatives of major brands in its analysis. It also utilised various secondary information sources for understanding the impact of the economic downturn on the garment sector. Given the relatively small sample size, responses of men and women were not disaggregated in the analysis.

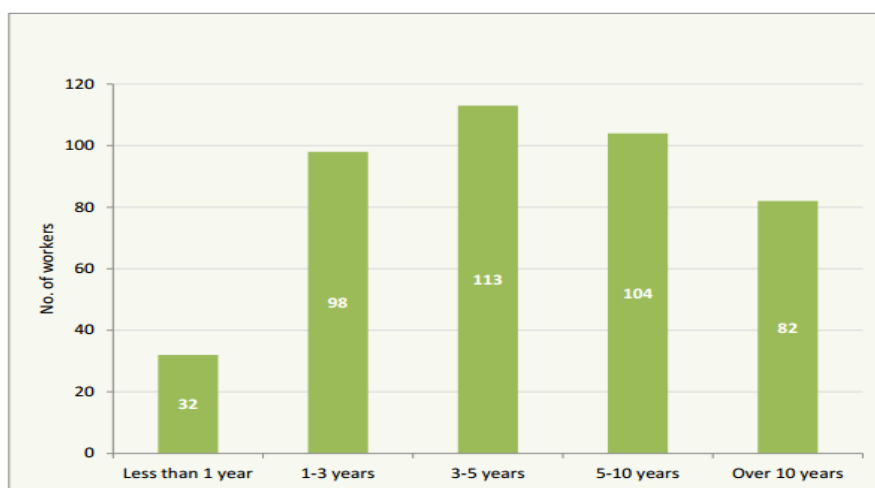
**LIMITATION OF THE STUDY**

The sample was not drawn randomly, either at the factory or the worker level, so the data cannot be extrapolated beyond the individuals and factories covered, and certainly cannot be deemed representative of the garment industry in India as a whole. Nonetheless, they are believed to give a reasonable indication of practices and issues in the workplaces covered.

**SAMPLE DESCRIPTION**

The areas covered in Bangalore were: Peenya, Hosur road, Mysore road and Doddabalapur.

**FIG. 3**  
**Number of years worked in the garment sector**



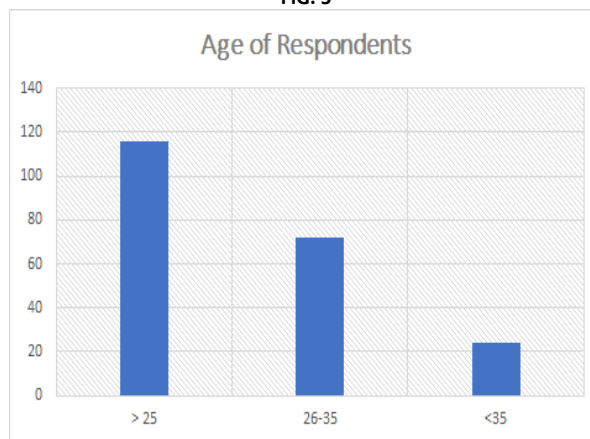
A total of 106 workers were drawn from 36 factories, with employment ranging from 250 workers to 3600 workers. The average factory strength was around 1360 workers. As per the estimate of workers, around 85 percent of workers in the factories were women.

Figure 1 gives the age profile of the sample. The average age of workers in the sample was 26 years. 90 of the workers (85%) were women. There were 72 tailors and 34 helpers in the sample. This roughly corresponds to the industry composition of the workforce.

FIG. 4



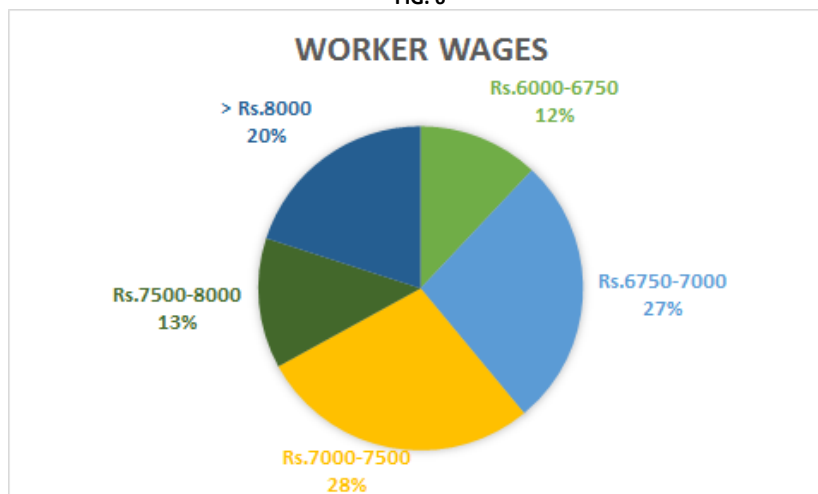
FIG. 5



**WAGES OF WORKERS**

Wages in the garment sector are very low. The statutory minimum wages in Bangalore are around 20% lower than minimum wages in Delhi and 35% lower than Mumbai wages in the garments industry. Demand for a higher wage has been a longstanding issue in the sector. GATWU has since 2007 actively campaigned for a minimum wage of Rs.200 per day in the sector.

FIG. 6



**PRODUCTIVITY**

Along with wages, productivity is the other burning issue for workers in the garments sector. High productivity norms are linked to forced (and often unpaid) overtime work to meet norms. Supervisory harassment on the shop floor is primarily for meeting very high production targets. In the present survey, 39 workers (38% of sample) reported production norms of more than 75 pieces per hour. This is repetitive work at the rate of more than one piece per minute. This is high by any standards. Two years ago workers reported targets of sixty pieces per hour as high. There would now be technological aids to help push up production. With all that the productivity standards are high. On the question of increased targets, 53% of the respondents said that targets had been revised up by the management in the last one year. 50% said that they had to work beyond the eight hour norm to complete the targeted production. 75% said that they had to face the burden of supervisors shouting at them. It is not surprising in the circumstances that labour turnover in garment factories (as obtained from ESI data, and confirmed in interviews with management) range around 100% per annum.

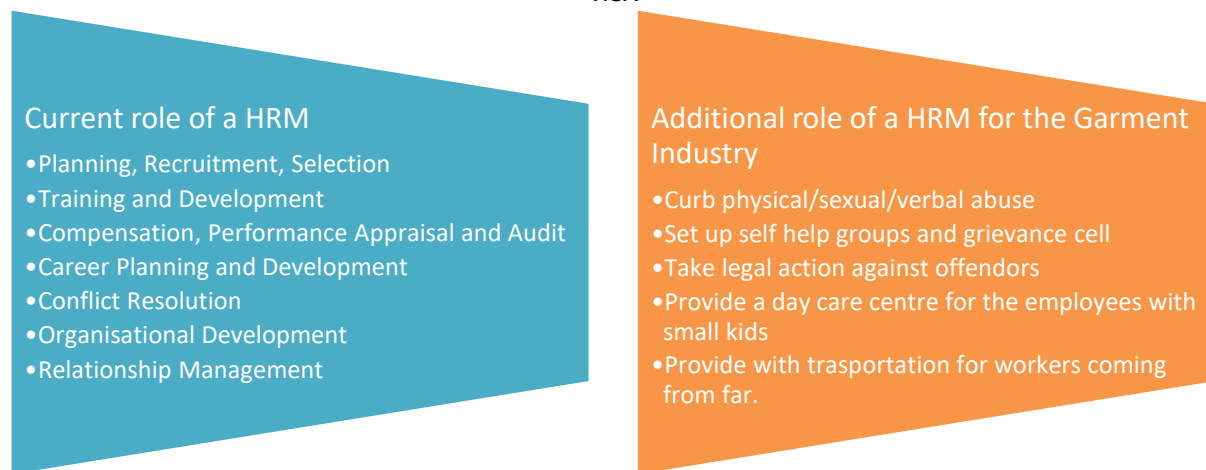
Perhaps the most telling question regarding workers' overall perception of their work was the very last one in the questionnaire – "would you want your child to work in the garment industry?" The answer was a resounding "no" (88% of current workers and 86% of former workers). Among both groups, the predominant reason given was that they had higher educational aspirations for their child/children, followed by the poor wages and working conditions in the sector. Six former workers cited "lack of respect" as a reason.

### ROLE OF A HR IN REDUCING ATTRITION

Along with the already defined roles that a HRM must carry out, a few more things can be undertaken proactively which still falls under the capacity of a HR. These extra activities are especially required in a Garment Industry as the dynamics are different when compared to other Industries. According to CMIE (Centre for Monitoring Indian Economy), the industry provides employment to about 15 million people, of which almost 90 per cent are women. Most of the garment-making units belong to the unorganised sector. Hardly 15-20 per cent of the units fall under the organised sector. Labour legislations, legal measures, and Minimum Wages Act are applicable only to a small section of the industry coming under the organised sector. Given the huge number of women employed in this Industry, it makes sense to have the HR's role defined to suit the women employees. If women leaving their jobs in this industry can be taken care of, then automatically the attrition rate will drop. Some of the provisions that should be made for the employees in this industry are:

- The HRM should hire a qualified woman as a supervisor instead of a male. This way the sexual abuse can be brought down and it gives the women confidence to work without the worry of being abused physically.
- A separate male supervisor can handle the male employees under him.
- Have a functional Grievance cell in each unit.
- Have Women Self help groups to handle their finances and this also helps in good bonding of the employees.
- Health care facilities should be provided.
- Provide decent wages that will motivate the employees to work.

FIG. 7



### CONCLUSION

In a volatile labour turnover environment, the role of an effective and efficient HR department cannot be undermined. The ever expanding sea of data, collected from people and systems, becomes valuable only with the insights provided from the predictive analytics of the HR team. By forecasting what is about to happen so that a firm can respond appropriately to stay on the most accurate, safe, repeatable and profitable course becomes feasible.

Overall, based on the analysis of patterns of attrition from a HR perspective projects, the picture that emerges is of a workforce, comprising both women and men, which enters and remains in the garment sector largely because of the perceived lack of better income-earning alternatives. Despite a rather high level of dissatisfaction with the pay, working conditions and production targets, workers tend to stay in the sector for quite a long time, most between 3 and 10 years, generally changing factories at least once during this period. Once working, they experience virtually zero job mobility, and often think of leaving. They tend not to enjoy good relations with their managers. Among those who say they "like" the work – who still represent the majority of current workers, but a minority of former workers - the reasons mostly concern the non-wage aspects, such as proximity to home and good benefits and amenities. But a significant minority do not like working in the sector and almost everyone pronounces that they would not wish their children to take up this kind of work, and aspires to better work for the next generation.

Major changes cannot be brought about by the HRM alone. Big decisions should be taken by the respective Government where they make a rule that the big brands which get their clothes manufactured and the suppliers for the big brands join hands and take onus on themselves to provide humane working conditions, nutritious food and decent wages for the garment employees.

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**GROWTH AND CHALLENGES IN RETAILING: AN INDIAN EXPERIENCE**

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**ABSTRACT**

*Changing consumer's preferences, availability of variety products and services, availability of foreign goods and services, increase in income level, changing in life style of urban and metro population and its impact on rural population and other factors affected greatly on consumers' expectations and buying behavior. Today's consumers are awaked and learned one. They are demanding wide range and unique merchandise products and services with consistent quality under one roof. The retail industry in India is one the sunrise sector in the economy and it becomes one of the most dynamic growing sectors in recent times. Opening new business will have positive impact on the economy as it provides employment opportunities. Retailing is one of the important sectors in the world economy. It is going through a transition phase not only in India but in the whole world. It involves a direct communication with the consumer and the co-ordination of business activities from end to end- right from the concept or design stage of a product to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and it is definitely one of the fastest growing and developing industries in the world economy.*

**KEYWORDS**

retailing, consumer preferences, economy, employment.

**THE CONCEPT**

The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer. Retailing is the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. It involves a direct communication with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today. Retailing is not new to the Indians. Since historical days, there is a system of retailing. Though it is recent past one, now it has developed continuously. Retailing can be defined as a set of the business activities that adds value to the product and services sold to the ultimate consumer for their own use.

"A set of marketing activities designed to provide satisfaction to the end user and profitability maintain the customer base by continues quality improvements across all areas concerned with selling and goods and services."

The basic problems faced by an Indian economy like unemployment, regional imbalances; retailing is good solution for this as it creates employment opportunities. Retailing includes all types of business and individuals who actively participated in the transfer of ownership rights to the ultimate users.

**OBJECTIVES OF THE STUDY**

1. To study the growth and development of Retailing.
2. To study the present scenario of Retailing.
3. To study organised and unorganized sector of retailing in India.
4. To find new opportunities in retail sector

**COLLECTION OF DATA**

The paper is mainly based on secondary data and information, which is collected from various libraries and available in published form.

**IMPORTANCE OF RETAILING**

Retailing has a tremendous impact on the economy. It involves high annual sales and employment. As a major source of employment, retailing offers a wide range of career opportunities including; store management, merchandising and ownership a retail business.

Retailer plays an important role for transfer of goods and services from producers to the consumers. During this process, he provides various benefits to the customer, wholesaler and the economy. Retailers perform marketing functions that makes it possible for customers to have access to a broad variety of products and services. They also helps to create place utility through transportation, time utility through warehouse and helps to enhance a product's image.

Retailers participate in the sorting process by collecting an assortment of goods and services from a wide variety of suppliers and offering them for sale. They provide information to consumers through advertising, displays and sales personnel. Marketing research support is given to other channels and members. They store merchandise, mark prices on it, place items on the selling floor and otherwise handle products; usually they pay suppliers for items before selling them to final customers. They complete transactions by using appropriate locations and timings, credit policies and other services like delivery and all. Retailing in a way, is the final stage in marketing channels for consumer products.

Supermarkets typically carry 20,000 to 30,000 different items made by more than 500 companies. Offering an assortment enables their customers to choose from a wide selection of products, brands, sizes, and prices at one location. Manufacturers specialize in producing specific types of products. If each of these manufacturers had its own stores that sold only its own products, consumers would have to go to many different stores to buy the groceries needed to prepare a single meal.

To reduce transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or cartons of blouses to retailers. Retailers then offer the products in smaller quantities tailored to individual consumers' and households' consumption patterns—an activity called breaking bulk. Breaking bulk is important to both manufacturers and consumers. It enables manufacturers to efficiently make and ship merchandise in larger quantities and enables consumers to purchase merchandise in smaller, more useful quantities.

A major value-providing activity performed by retailers is holding inventory so that the products will be available when consumers want them. Thus, consumers can keep a smaller inventory of products at home because they know local retailers will have the products available when they need more. This activity is particularly important to consumers with limited storage space.

Retailers provide services that make it easier for customers to buy and use products. For example, retailers offer credit so that consumers can have a product now and pay for it later. They display products so that consumers can see and test them before buying. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about products.

**GROWTH AND DEVELOPMENT OF RETAILING**

Retailing in the recent era stands as an exciting yet complex business sector in most developing economies. According to recent surveys, the Indian Retail economy is growing but it needs to pick up more speed. Nevertheless, the contribution of the retail sector cannot be underestimated and has extensively helped in enriching the economy of our country. But the Indian retail industry needs to be more organized since retailing offers huge benefits.

CHART 1

### Evolution of retail companies in India

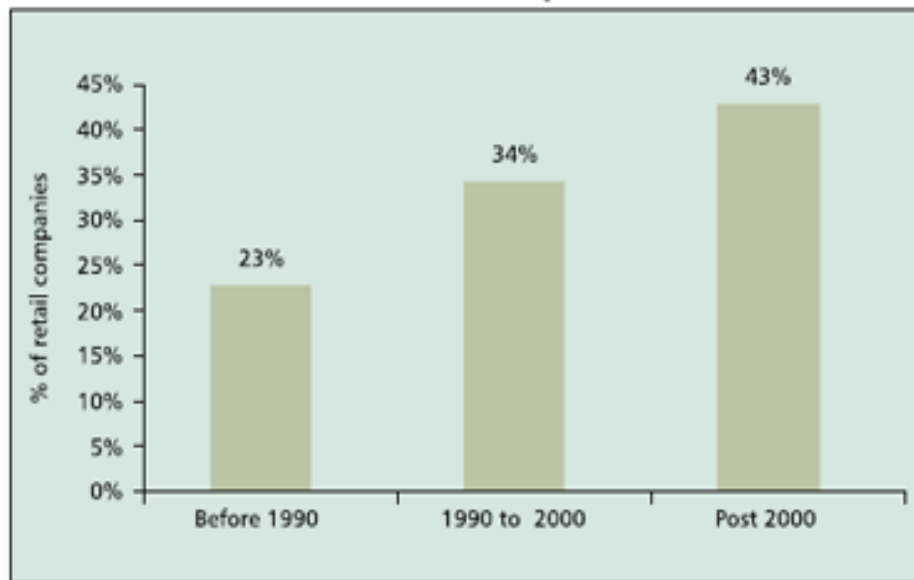
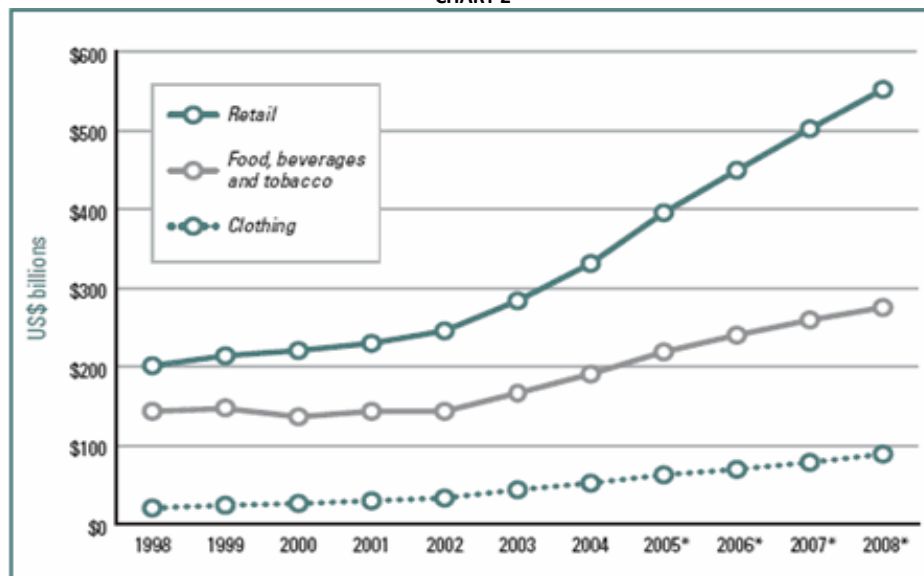


CHART 2



Sources: Economist Intelligence Unit and A.T. Kearney analysis

\*Data for 2005-2008 is based on estimates

#### BENEFITS OF MODERN RETAILING

- 1- Better Quality Products & Services
- 2- Better Lifestyle
- 3- Bridges the gap between consumers and manufacturers
- 4- Up-gradation of the agricultural sector and other small-scale industries
- 5- Promotes Tourism
- 6- Increases Employment
- 7- Boost in Exports

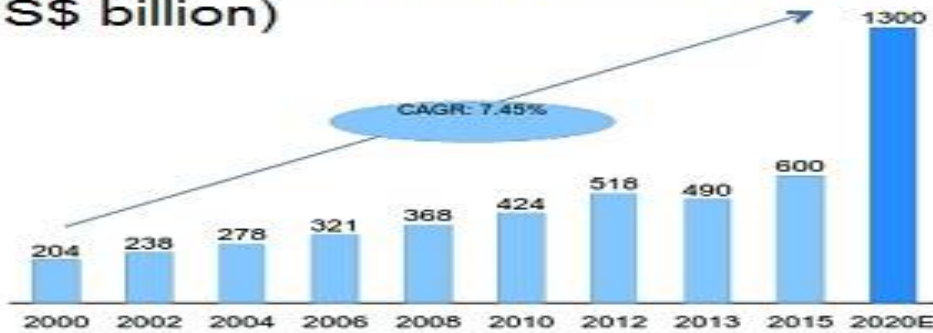
#### REASONS FOR THE FAST GROWTH OF RETAIL COMPANIES IN INDIA

The retail industries are found to be rising in India at a remarkable speed with the years and this has brought a revolutionary change in the shopping attitude of the Indian customers. The Growth of Retail industries in India is possible by certain reasons like -

- existing Indian middle classes with an increased purchasing power
- Indians becoming more and more quality conscious.
- rise of upcoming business sectors like the IT and engineering sectors
- change in the taste and attitude of the Indian customers
- impact of globalization
- entry of international names in the retail sector
- entry of FDI in retail sector
- major shift in consumer lifestyle
- emerged as attractive markets for retailers to expand their presence
- Higher incomes motivating the purchase of essential and nonessential products which contributing in the growth of the retail sector

CHART 3

## Market size over the past few years (US\$ billion)



Source: BCG Retail 2020, Ernst & Young, Deloitte, indiaretailing.com, Economist Intelligence Unit, Euro monitor, TechSci Research  
Notes: CAGR - Compound Annual Growth Rate, E - Estimated

### CHALLENGES IN RETAIL SECTOR

- Retail productivity in India is very low comparison to international. Total retail employment in India from organized and unorganized is 3.3% of Indian labor work force out of which mostly related to the unorganised retail sector.
- Indian retailing is still dominated by the unorganized sector in comparison of organised sector. There is still a lack of efficient supply chain management in retail sector.
- Most of the retail outlets in India are having less than 500 square feet in size.
- Many political parties in India have opposed FDI in retail sector. A political change in state and central governments can puts a lot of political risk on investment in retail sector.
- Trained manpower is a challenge for the organized retail sector in India. The Indian retailers have difficulty to finding the trained manpower and also have to pay more to retain them.
- The lack of proper infrastructure and distribution channels in the country results in inefficient processes in retailing. This is a major problem for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses for them.
- Different structure of sales tax in different. Taxation law does not in favour of small retailers.

### CONCLUSION

With the economic growth in 2015, retail sector witnessed improvement in consumer sentiment and business confidence. The growth can be attributed to decrease in inflationary pressures, the easing of monetary stance by the Reserve Bank of India and a more stable political and policy environment. While the long-term outlook for the retail industry in India is positive.

Organized retail is a new phenomenon in India and the market is growing very rapidly. The middle class growing very rapidly that is important factor which contributing in the growth of Indian retail sector. According to a report up to 2030, it is estimated that currently 21 million household converted into 91 million households who are 'middle class.

The retail sector played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail industry. The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The Indian Retail Industry is gradually developing its way towards becoming the next boom industry.

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## LEADERSHIP STYLES ACROSS ORGANISATIONAL TYPES: A COMPARATIVE STUDY IN ADMINISTRATIVE AND FINANCIAL ORGANISATION

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### ABSTRACT

*The primary purpose of the present investigation was to examine leadership across two organisation types and two job categories. 100 adult employees (50 from administrative organisations and 50 from financial organisations) were randomly sampled for the study. Half of the participants in each organisation type were assistants and the other half of the participants were supervisors. Thus, the study adopted a 2 (organisation type) X 2 (job category) factorial design. The participants were individually administered a leadership style questionnaire developed by J.B.P.Sinha. It may be indicated that the questionnaire measures several dimensions include paternalistic, nurturant task, nurturant, task oriented, dependency, fascist, personalised, and status conscious styles. The sub-groups (assistants in administrative organisation, supervisors in administrative organisations, assistants in financial organisations and supervisors in financial organisations) were compared with respect to each of the leadership style dimensions. The result indicated that the employees in administrative organisations indicated higher scores than the employees in financial organisations with respect to each of the dimensions. Furthermore, assistants indicated greater score than the supervisors on nurturant task, nurturant, task oriented, bureaucratic, dependency styles. On the contrary, supervisors revealed higher scores than the assistants with respect to fascist and status conscious leadership patterns. The higher score of employees in administrative organisation was explained in terms of importance attached to control and supervision in administrative organisations. Similarly higher scores of supervisor on the dimension of fascist and status conscious dimension was conceivable in terms of the greater power and authority associated with supervisors. The role of socio-demographic features was accordingly explained. The findings of the study were explained in the light of current theories. The implications of the study were pointed out and the directions for the future research were outlined.*

### KEYWORDS

leadership style, administrative organisation, financial organisation.

### INTRODUCTION

In 1970s, the late onset of leadership research in India doesn't minimise its importance for Indian organisations. On the contrary, in the context of development, leadership research assumes greater importance in India, particularly when Indian organisations are going to face new the traditional view of leadership provides some initial inputs for subsequent development. It is important to recognize that social scientists and management professional from many different disciplines including Human Resource Management have contributed during such evolution of ideas.

A modification of the Great Man Theory is the Trait Theory, which argues that leadership qualities or traits can be acquired. Traits are personal characteristics of the individual, including the physical characteristics, social background, intellectual ability, personality, task orientation, and social skills. The trait theory attempts to isolate the attributes of successful and unsuccessful leaders. Trait includes skills such as creativity, Organisation persuasiveness, diplomacy, tactfulness, knowledge of the task and the ability to speak well.

Others criticize the trait theory because it focuses attention only on the leader, disregards the dynamics of the leadership process and ignores the followers and the leadership situation, which makes the emergence of a leader possible.

#### THE IOWA LEADERSHIP STUDIES

A series of pioneering leadership studies conducted in the late 1930s by Ronald Lippitt and Ralph K. White under the general direction of Kurt Lewin at the University of Iowa. Lewin is recognized as the father of dynamics and as an important cognitive theorist. The study focuses on their different leadership styles like authoritarian, democratic and laissez faire. The authoritarian leader was very directive and allowed no participation; the democratic leader encouraged group discussion and decision-making; and the laissez faire leader gave complete freedom to the group members to initiate the process and taking decisions.

#### BALE'S STUDY

Bale (1958) also investigated the pattern of leadership and adopted the method of observation to probe into the leadership. He observed groups in action such as classroom situation, workers' meeting and other group meetings. On the basis of his observation Bale concluded that the leaders are likely to have two kinds of orientation: task orientation and socio-emotional orientation. The leaders with the task orientation are concerned with the task procedures, work deadlines; performance appraisals and work linked feedbacks whereas the leaders with the socio-emotional orientation are particular about relationship aspect, welfare programmes and group happiness.

#### THE MICHIGAN LEADERSHIP STUDIES

Like the Bales' Study, the Michigan group came up with two dimensions of leadership behaviour- labeled as: (1) The job-centered (task oriented) leadership style, emphasizing the use of rules, procedures and close supervision of subordinates and (2) the employee-centered (relationship oriented) leadership style emphasizing delegation of authority and responsibility and concern for employees welfare, needs advancement and personal growths.

#### GROUP DYNAMICS STUDIES

Dorwin Cartwright and Alvin Zander, summarizing the findings of numerous studies at the Research Centre for Group Dynamics, claim the group objectives fall into one of two categories: (1) the achievement of some specific group goal and (2) the maintenance of strengthening of the group itself. Goal achievement seems to coincide with the task concept and the task-orientation leadership style is emerged out of it. Whereas group maintenance parallels the relationship concept and out of it democratic leadership style is usually emerged.

#### THE OHIO-STATE LEADERSHIP STUDIES

The Ohio-state leadership studies certainly gain value for the study of leadership as because they were the first to point out and emphasize the importance of both task and human dimensions in assessing leadership. They have identified two dimensions of leadership: initiating structure and consideration. Initiating structure refers to the extent to which a leader is likely to define and structure his/her role and also involves the degree to which the leader concentrates on group goal attainment. On the other hand, consideration involves the extent to which the leader is approachable and shows personal concerns for the subordinates and as well for the teammates.



**BEHAVIOURAL THEORIES OF LEADERSHIP**

Behavioural theories propose that there are specific behaviours that differentiate leaders from non-leaders. Successful leaders are engaged in some crucial behaviours and these behaviours influence sub-ordinate performance and satisfaction.

**SITUATIONAL THEORY OF LEADERSHIP**

One of the popular approaches to management style training and development is the life cycle approach to leadership. It is an extension of the managerial grid approach. Situational leadership is based on the interplay among (1) the amount of guidance and direction, a leader gives, (2) the amount of socio-emotional support a leader provides, and (3) the readiness level that followers exhibit in performing a specific task, function or objective. The basic concept of situational leadership is, there is no one best way to influence people. Which leadership style a person should use with individuals or groups depends on the maturity level of the people the leader is attempting to influence?

The key to using situational leadership is to assess the maturity level of the followers and to behave as the model prescribes. Implicit in situational leadership is the idea that leader should help followers grow in maturity as far as they are able and willing to proceed.

**EMERGING DIMENSIONS**

While the mainstream leadership research has generated the elements of contingencies among style, followers, and situation, some emerging trends have pointed the significance of a few new dimensions. Recent development in the area of charismatic leadership is one such trend. Similarly, the recent upsurge of interest in the study of emotional intelligence (EQ) and its linkage with the leadership represent another interesting development.

**CHARISMATIC LEADERSHIP**

Charismatic leadership is a very rich and complex social phenomenon and its manifestation among different kinds of leaders and its overpowering effects on followers have lent it an elusive and mystical character. Yet, inspite of complexity, its effects are widely recognized Charismatic must view as an attribution made by followers. The role played by a person makes that individual not only a task leader or a social leader and a participative or directive leader but also a charismatic or non-charismatic leader.

**EMOTIONAL INTELLIGENCE**

Effective leaders are alike in one crucial way: they all have a high degree of Emotional Intelligence (EQ). There is relationship between EQ and effective performance, especially in leaders. There are some components of EQ, like self-awareness, self-regulation, motivation, empathy and social skills which are highly demanding to create a better leader.

**THE INDIAN SCENARIO**

In every society, Organisations are formed to provide a variety of goods and services that promote the well-being of its members. In order to achieve the purpose of the Organisation, it is often necessary to develop a structure and specification of tasks, roles and status of organisational members' structure and role specification imply that some members assume leadership status and other assume the status of followers. It is the task of the leaders to assess the environmental demands and Organisational capabilities to respond to such demands.

As Ganesh and Rangarajan (1983) observed in their review of Organisational behaviour research in India, "Leadership as a theme has emerged environmental demands resulting from globalisation and liberalisation of business and politics (Kanungo and Mendonca, 1996a).

Leadership is often thought of as a set of functions performed by a superior vis-à-vis subordinates, such as task and interaction facilitation, goal emphasis and nurturance or support (Bowers & Seashore, 1996). Leadership may be an important mechanism for the process of socialization, Organisational integration and institutional building. Sinha (1979, 1980, 1984) has argued that in a culture with high dependency proneness, a work ethic, a strong bonding orientation, a firm directive but nurturant leadership is an essential first step in socializing a work force into a culture of autonomy, work ethic and professionalism. In partial contrast to the analyses of Sinha, Singh et.al. (1982), visualised that participative and democratic style leadership style as the best. From their research findings, Singh, Warrior, and Das (1979), reported that the authoritarian leadership style affected group productivity negatively while democratic, participative leadership affected it positively. Similarly the more democratic the style, the higher tended to be work satisfaction and group cohesion. Apart from the authoritarian participative leadership continuum another continuum has been focused, that is the production vs. employee oriented supervision. Singh and Srivastava (1979), reported that performance of subordinates is better under production oriented supervision.

Leadership style somewhat affect the Organisational climate. Habibullah and Sinha (1980) found that the perceived authoritarianism of leadership style is negatively correlated with organisational climate being perceived as affiliative. Broadly speaking organisational climate is the psychological feel of a work place, or an organisational unit and the organisational norms that seem to correspond to this feel. Ansari (1980) measured the organisational climate in terms of perceived leadership style support to personal and bureaucratization. He supports that organisational climate viewed as molar or aggregated organisational construct. Das (1977b) observed the relationship between the department's style or culture of decision making and the values of the department's managerial staff. He found that in the autocratic and benevolent autocratic groups or departments "to be force supervision", i.e. autonomy ranked first as a managerial value, while in the consultative groups or departments using special abilities and talents ranked first and in the democratic departments or groups "to be creative and original" ranked first.

Morrison, et.al. (1997) studied in The Relation between Leadership Style and Empowerment on Job Satisfaction. They noticed that both transformational and transactional leadership were positively related to job satisfaction, as was empowerment. Differences in the contributions of empowerment and leadership style in predicting job satisfaction for licensed and unlicensed workers was evident.

Srivastava and Sharma (1992), conducted a research to examine the relationship between managerial effectiveness and leadership style. He found that there is significant relationship between managerial effectiveness and low task and low relationship leadership behaviour was noticed. Vidhu Mohan (1993) assessed the effect of intensive human resource development (HRD) training on the leadership style and effectiveness. He noticed that (a) the highest scores were obtained on the participative style and the least on the delegatory style; (b) training led to a significant increment in the mean score of leadership style and (c) pronounced change was noticed in leadership effectiveness. Ansari, Mahfooz and Saxena (1994), investigated the role of leadership styles and perceived supervisory control on the use of integrative tactics with the immediate supervisor. Podder (1994) explores the team leader's role in achieving succession team work. An understanding of group dynamics, member's needs and feelings and involving all members in decision making on the part of the manager lead to high morale and productivity in the group.

Ruddy (1994), examines the leadership styles adopted by managers of Govt. and Pvt. Sector Industries while dealing with their subordinates. He found that in the Govt. sectors the predominant style perceived to be adopted by managers was delegation followed by participation and consultation, however, according to the subordinates, delegation, negotiation and direction were most frequently used styles. Pradhan (1999), assess the impact of organisational culture on leadership and bases of power in service and industrial organisations. This research finding indicated that there were significant differences, between managers of banks and industries with regard to their perception about different styles of leadership. Rastogi & Verma (1999), examines the effectiveness of bureaucracy of organisations on need satisfaction. Results revealed significant differences in the mean scores of bureaucracy of teachers and scientists.

Agarwal & Krishnan (2000) examines the relationship between a person's values systems and leadership styles. Findings revealed that relation oriented leadership style was positively related to values of benevolence and security.

Schippers, Hartog, Koopman, & Knippenberg (2008) studied on the role of transformational leadership in enhancing team reflexivity. They found that Team members rated reflexivity and leadership, while external managers rated team performance. We hypothesized and tested a meditational model proposing that transformational leadership is related to the adoption of a shared vision by the team. This in turn relates to team reflexivity, which leads to higher team performance. Results support this model.



**RATIONALE AND OBJECTIVES**

As indicated, leadership research has expanded in many directions. Although such research activities in India show the diversity and complexity, there is a lack of integration. It may be pointed out that Behavioural scientists of the present era are emphasizing cultural relevance of psychological theories. In other words, the development of indigenous theories and models is stressed.

Considered from this angle, a great deal of empirical research is needed in Indian context. While some of the studies carried out in Indian context have been reviewed and there seems to be a research gap. Although several styles of leadership have been identified, an important question concerns the prevalence of these styles in Indian situation. Sinha (1980) has spoken of "nurturant-task leadership" as an effective pattern in India.

Prior to validating Sinha's (1980) claim, it is important to examine the use of model leadership styles in Indian situation. The present investigation is directed to examine several leadership studies in Indian Organisational settings. Considering the fact that the Organisational type is a relevant variable, the present study examines leadership styles in two types of Organisation: administrative and financial.

**AN OVERVIEW OF THE DESIGN**

The present study adopts a 2 (Organisational type) X 2 (job category) factorial design where employees from two different types of Organisations were sampled. The participants in each Organisation types were from two job categories: supervisors and assistants. Following the classification, the participants of these four sub-groups (Financial Supervisors, Financial Assistants, Administrative Supervisors, and Administrative Assistants) were individually administered on Sub-ordinate Leadership Style Questionnaire, which measures nine specific leadership styles like- Paternalistic (P), Nurturant Task (NT), Fascist (F), Nurturant (N), Task (T), Bureaucrat (B), Dependency (D), Personalized (PE), and Status Conscious (SC).

**PARTICIPANTS**

One hundred employees (50 financial and 50 administrative) were randomly sampled for the study. Fifty employees from financial Organisations were selected. These fifty employees were selected from different banks located in and around Puri and Bhubaneswar of Odisha state. Similarly fifty administrative employees were selected from different administrative Organisations like Orissa Power Generation Corporation (OPGC) and GRID Corporation of Odisha (GRIDCO) located in and around Bhubaneswar. Half of the employees in each Organisational type were from higher positions (Supervisors) where as the other half of the employees were from the sub-ordinate positions (Assistants).

**MEASURE**

The study includes Sub-ordinate Leadership Style Questionnaire. This questionnaire was developed by Prof. J.B.P.Sinha (1980). This questionnaire presents 60 items configurating nine basic leadership styles like Paternalistic (P), Nurturant Task (NA), Fascist (F), Nurturant (N), Task (T), Bureaucratic (B), Dependency (D), Personalized (P), & Status Conscious (S).

So far, the questionnaire is concerned; participants are asked to indicate how they deal with their immediate subordinates. Respondents are asked to indicate their preference on a five-point rating scale. The five response categories include 'always', 'usually', 'sometimes', 'rarely', and 'never'. Each item of the questionnaire is positively keyed where scoring system is 5 for always, 4 for usually, 3 for sometimes, 2 for rarely, and 1 for never. Furthermore, the complete score for each leadership dimension is also computed.

**PROCEDURE**

The study has adopted a 2 X 2 factorial design. Fifty employees from financial and fifty employees from administrative Organisation, located in and around Puri and Bhubaneswar were randomly sampled. Again, each Organisational type was split into two job categories like supervisors and assistants. At the very outset, a formal concept over leadership was given to each employee. Later the employees for the study were individually administered Sub-ordinate Leadership Questionnaire. For each leadership dimensions, separate analyses were carried out.

**RESULT AND DISCUSSION**

The primary purpose of the investigation is to identify and compare leadership dimensions across Organisational types and job categories. The Organisational type involves financial and administrative settings. The job category pertains to supervisors and assistants in respective Organisations. In addition, the analysis is also directed to examine the association between certain demographic features and stylistic dimensions.

The Analysis of Variance (ANOVA) is performed on paternalistic leadership scores. The results indicate significant effect for Organisational type,  $F(1.96) = 249.18$ ,  $P < 0.01$  (see Table-1). As shown by table-2, employees in administrative Organisations show greater paternalistic leadership than do employees in financial Organisations. ( $M = 37.70$  and  $24.66$ , respectively). However, the result shows non-significant job category effect,  $F(1.96) = 0.28$ , n.s. The examination of mean scores shows that supervisors reveal as much paternalistic style scores as do assistants ( $M = 30.17$  and  $30.84$  respectively). Furthermore, the result shows significant Type X Category effects,  $F(1.96) = 23.46$ ,  $P < 0.01$ . As shown by Figure-1, the gap between the employees of financial Organisations and employees of administrative Organisation with respect to paternalistic leadership scores widens when employees move from their assistant to supervisory job categories.

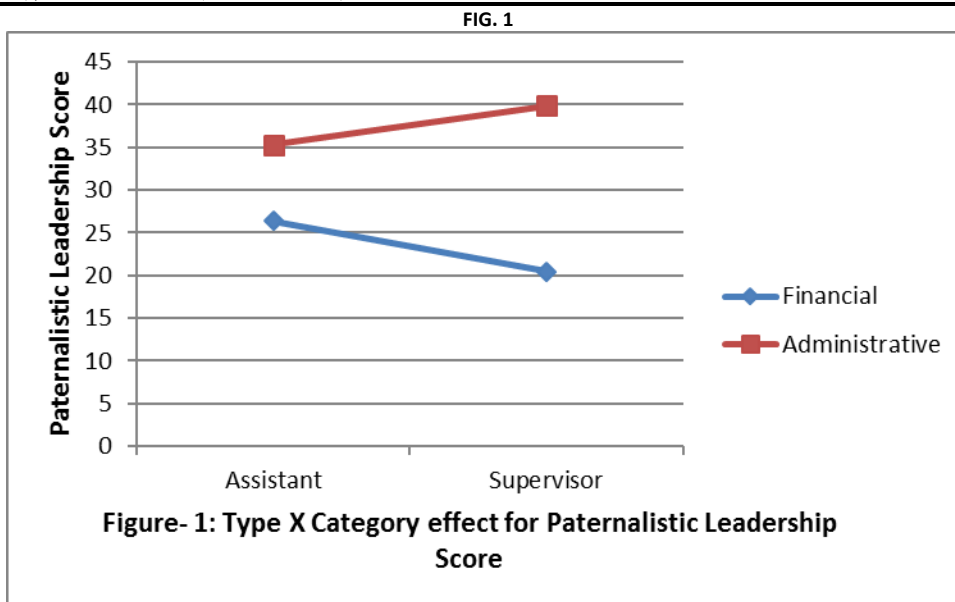
**TABLE 1: ANOVA PERFORMED ON PATERNALISTIC LEADERSHIP STYLE SCORES**

Source	df	MS	F
Organisational Type	1	4251.04	249.18*
Job Category	1	4.84	0.28
Type X Category	1	400.16	23.46*
Error (Within)	96	17.06	

\*  $P < 0.01$

**TABLE 2: MEAN AND SD ON PATERNALISTIC LEADERSHIP STYLE SCORES**

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	20.46	8.27	39.88	3.24	30.17	11.56
Assistant	26.37	2.92	35.32	5.30	30.84	6.19
All	24.66	4.20	37.70	4.87	--	--



The ANOVA is computed on nurturant task leadership style scores. The result reveals significant effect for Organisational types,  $F(1,96) = 1128.99, P < 0.01$  (see Table-3) As shown by Table-4, employees in administrative Organisation manifest higher nurturant task leadership than that of financial Organisation ( $M = 43.52$  and  $22.81$  respectively). Similarly, there is significant effect for job category,  $F(1,96) = 14.70, P < 0.01$  (see Table-3). As shown by Table-4, assistants are manifesting higher nurturant task leadership than do supervisors ( $M = 34.36$  and  $32.00$  respectively). Even the result shows significant Type X Category effects,  $F(1,96) = 107.81, P < 0.01$ . As shown in Figure-2, the gap between employees of financial Organisation and employees of administrative Organisation with respect to nurturant task leadership style scores widen when employees move from their assistants to supervisor job categories.

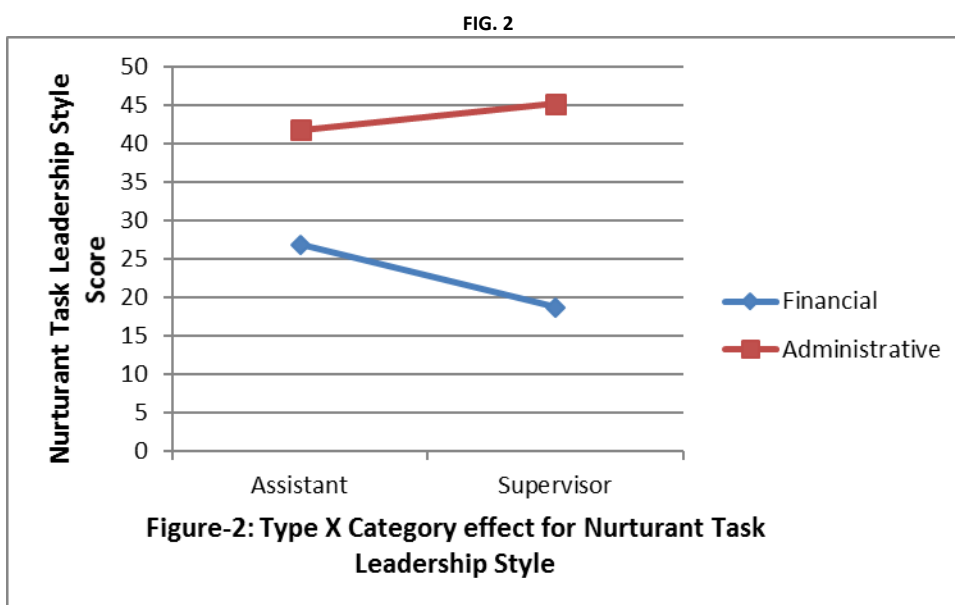
**TABLE 3: ANOVA PERFORMED ON NURTURANT TASK LEADERSHIP STYLE SCORES.**

Source	df	MS	F
Organisational Type	1	10691.56	1128.99*
Job Category	1	139.24	14.70*
Type X Category	1	1021.00	107.81*
Error (Within)	96	9.47	

\*  $P < 0.01$

**TABLE 4: MEAN AND SD ON NURTURANT TASK LEADERSHIP STYLE SCORES**

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	18.76	4.32	45.24	2.50	32.00	13.70
Assistant	26.92	2.10	41.80	3.88	34.36	8.07
All	22.84	5.31	43.52	3.69	--	--



The ANOVA is performed on fascist leadership style scores, where the result indicates significant effect fro Organisational Types,  $F(1,96) = 4.04, P < 0.01$  (see Table-5). As shown by Table-6 employees in administrative Organisations show higher fascist leadership than employees of financial Organisations ( $M = 37.02$  and  $35.26$  respectively). Similarly, there is significant job category effect,  $F(1,96) = 19.65, P < 0.01$ . The examination of mean scores (see Table-6) reveals that supervisors manifest higher fascist leadership than assistants ( $M = 38.08$  and  $34.20$ , respectively).

TABLE 5: ANOVA PERFORMED ON FASCIST LEADERSHIP STYLE SCORES

Source	df	MS	F
Organisational Type	1	77.44	4.04*
Job Category	1	376.36	19.65*
Type X Category	1	36.00	1.88
Error (Within)	96	9.47	

\* P < 0.01

TABLE 6: MEAN AND SD ON FASCIST LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	38.00	3.12	38.16	5.80	38.08	4.66
Assistant	32.52	2.50	35.88	4.98	34.20	4.28
All	35.26	3.91	37.02	5.52	--	--

The ANOVA computed on nurturant leadership style scores. The result reveals significant effect for Organisational Types,  $F(1,96) = 41.60$ ,  $P < 0.01$  (see Table-7). As Table-8 projects, employees of administrative Organisations show higher nurturant leadership than employees of financial Organisations. ( $M = 36.12$  and  $31.36$  respectively). There is also significant job category effect,  $F(1,96) = 129.44$ ,  $P < 0.01$  (see Table-7). The examination of mean scores shows that assistants are manifesting higher nurturant leadership style than supervisors. ( $M = 37.80$  and  $29.68$  respectively). Even there is significant Type X Category effects,  $F(1,96) = 15.23$ ,  $P < 0.01$ . As presented in Figure-3, the gap between the employees of administrative Organisation and employees of financial Organisation with respect to their nurturant leadership scores widens as employees move from assistant to supervisory position.

TABLE 7: ANOVA PERFORMED ON NURTURANT LEADERSHIP STYLE SCORES

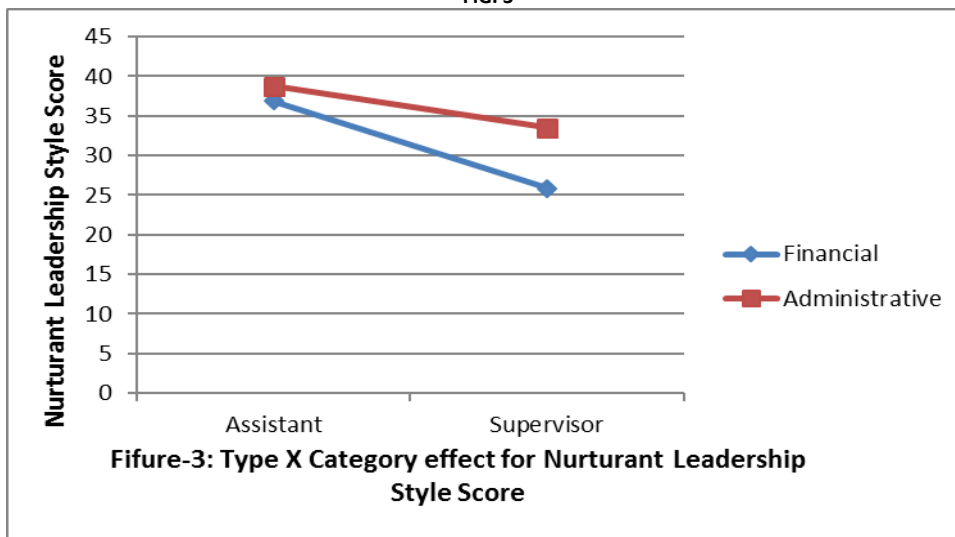
Source	df	MS	F
Organisational Type	1	542.89	41.60*
Job Category	1	1689.21	129.44*
Type X Category	1	198.81	15.23*
Error (Within)	96	13.05	

\* P < 0.01

TABLE 8: MEAN AND SD ON NURTURANT LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	25.84	2.54	39.52	3.22	29.68	4.81
Assistant	36.88	3.81	38.72	4.24	37.80	4.13
All	31.36	6.39	36.12	4.57	--	--

FIG. 3



The ANOVA result of task leadership style score indicates significant effect for Organisational types,  $F(1,96) = 69.26$ ,  $P < 0.01$  (see Table-9). As shown by Table-10, employees in administrative Organisations show greater task: leadership style than that of employees of financial Organisations ( $M = 43.24$  and  $36.28$  respectively). Similarly, as shown in Table-9 there is significant job category effects,  $F(1,96) = 15.96$ ,  $P < 0.01$ . It is revealed that supervisors of both financial and administrative Organisations show higher task leadership style than that of assistants ( $M 41.46$  and  $38.06$  respectively).

TABLE 9: ANOVA PERFORMED ON TASK LEADERSHIP STYLE SCORES

Source	df	MS	F
Organisational Type	1	1225.00	69.29*
Job Category	1	282.24	15.96*
Type X Category	1	27.04	1.53
Error (Within)	96	17.78	

\* P < 0.01

TABLE 10: MEAN AND SD ON TASK LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	38.48	2.78	44.44	3.43	41.46	4.31
Assistant	34.08	5.58	42.04	4.72	38.06	6.52
All	36.28	4.91	43.24	4.29	--	--

The ANOVA result of bureaucratic leadership style indicating significant effect for Organisational type,  $F(1.96) = 9.18, P < 0.01$  (see Table-11). As shown by Table-12, employees in financial Organisations show higher bureaucratic leadership style than do employees in administrative Organisations ( $M = 39.96$  and  $36.45$  respectively) Moreover, from Table-11 it is revealed that there is significant effect for job category,  $F(1.96) = 5.46, P < 0.01$ . As has been observed from Table-12, assistants are showing higher bureaucratic leadership style then do supervisors ( $M = 38.81$  and  $36.90$  respectively).

TABLE 11: ANOVA PERFORMED ON BUREAUCRATIC LEADERSHIP STYLE SCORES

Source	df	MS	F
Organisational Type	1	179.56	9.18*
Job Category	1	104.04	5.46*
Type X Category	1	12.96	0.66
Error (Within)	96	19.56	

\*  $P < 0.01$

TABLE 12: MEAN AND SD ON BUREAUCRATIC LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	38.60	4.28	35.20	5.05	36.90	4.98
Assistant	39.92	3.94	37.70	3.84	38.81	4.04
All	39.96	4.12	36.45	4.34	--	--

The ANOVA result of dependency leadership style scores presents significant effect for Organisational type,  $F(1.96) = 333.21, P < 0.01$  (see Table-13). From Table-14 it is clearly visible that employees of administrative Organisations show higher dependency leadership style Behaviour than do employees in financial Organisations ( $M 41.66$  and  $31.06$  respectively). There is also significant effect for job category  $F(1.96) = 1.04, P < 0.01$ . From Table-14 it is also clear that assistants manifest greater dependency leadership than supervisors ( $M = 37.28$  and  $35.44$ , respectively). Even the result shows the significant Type X Category effects,  $F(1.96) = 29.61, P < 0.01$ . As depicted in Figure-4 the gap between the employees of administrative Organisation with respect to their dependency leadership style scores widens as employees move from assistant to supervisory position.

TABLE 13: ANOVA PERFORMED ON DEPENDENCY LEADERSHIP STYLE SCORES

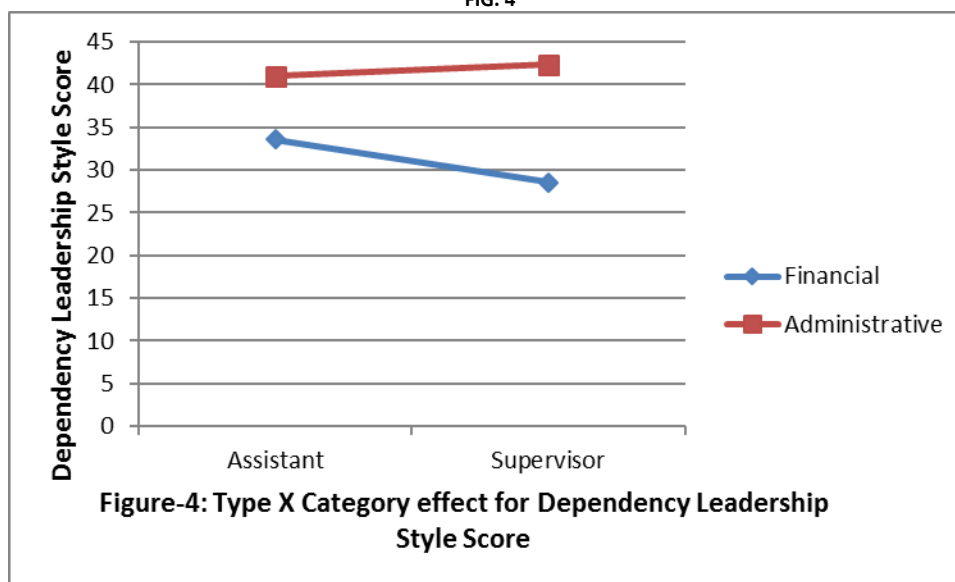
Source	df	MS	F
Organisational Type	1	2890.00	333.21*
Job Category	1	84.64	10.04*
Type X Category	1	249.64	29.61*
Error (Within)	96	8.43	

\*  $P < 0.01$

TABLE 14: MEAN AND SD ON DEPENDENCY LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	28.56	2.53	42.32	2.64	35.44	7.35
Assistant	33.56	2.81	41.00	3.47	37.28	4.88
All	31.06	3.65	41.66	3.15	--	--

FIG. 4



ANOVA computed for personalized leadership style scores. The result reveals significant effect for Organisational type,  $F(1.96) = 9.19, P < 0.01$  (see Table-15). As stated by Table-16 employees of administrative Organisations show greater personalized leadership style scores than employees of financial Organisations ( $M = 39.58$  and  $30.62$  respectively).

TABLE 15: ANOVA PERFORMED ON PERSONALIZED LEADERSHIP STYLE SCORES

Source	df	MS	F
Organisational Type	1	2007.04	9.19*
Job Category	1	7.84	0.03
Type X Category	1	96.04	0.44
Error (Within)	96	218.29	

\*  $P < 0.01$

TABLE 16: MEAN AND SD ON PERSONALIZED LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	29.92	2.63	40.84	3.68	35.38	6.33
Assistant	31.32	1.87	38.32	3.96	34.82	4.67
All	30.62	2.36	39.58	4.02	--	--

Finally, ANOVA performed on status conscious leadership style scores. The result indicates significant effect for Organisational type,  $F(1.96) = 86.34, P < 0.01$  (see Table-17). From the Table 18 it is observed that employees of administrative Organisation show higher status conscious leadership than employees of administrative Organisations. (M 38.78 and 33.14 respectively). Table-17 also indicates significant effect for job category,  $F(1.96) = 8.03, P < 0.01$ . Similarly from Table -18, it is noticed that supervisors reveal as much status conscious leadership style scores as assistants (M = 36.82 and 35.10 respectively). Moreover, the result indicates significant Type X Category effects,  $F(1.96) = 3.91, P < 0.01$  (see Figure- 5). As shown by Figures-5, the gap between the employee of administrative Organisation and employees of financial Organisation with respect to their status conscious leadership style scores widen as employees move from assistant to supervisory positions.

TABLE 17: ANOVA PERFORMED ON STATUS CONSCIOUS LEADERSHIP STYLE SCORES

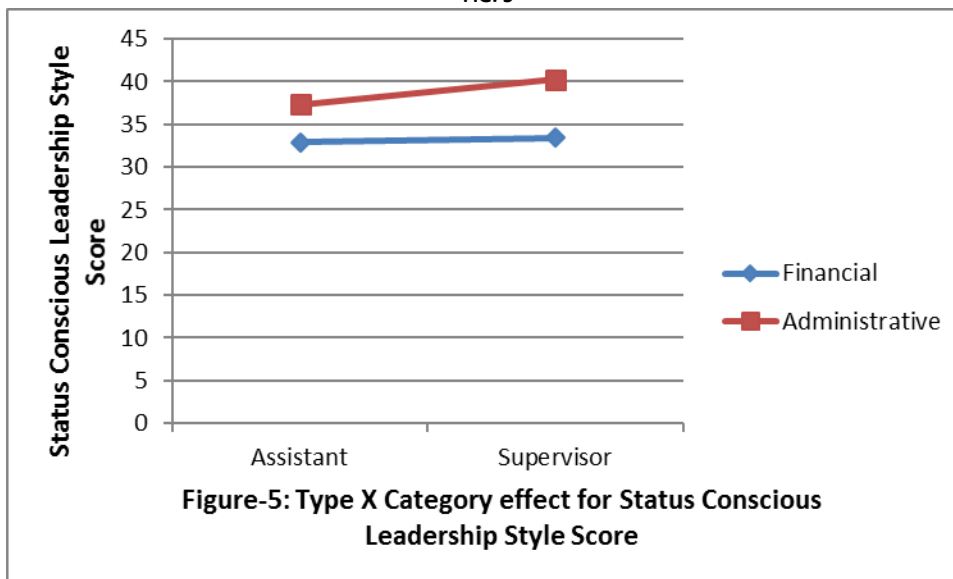
Source	df	MS	F
Organisational Type	1	795.24	86.34*
Job Category	1	73.96	8.03*
Type X Category	1	36.00	3.91*
Error (Within)	96	9.21	

\* P < 0.01

TABLE 18: MEAN AND SD ON STATUS CONSCIOUS LEADERSHIP STYLE SCORES

Groups	Financial		Administrative		All	
	M	SD	M	SD	M	SD
Supervisor	33.40	3.08	40.24	2.29	36.82	4.36
Assistant	32.88	3.10	37.32	3.40	35.10	3.94
All	33.14	3.10	38.78	3.19	--	--

FIG. 5



Taken, together the result shows that employees in administrative Organisation indicate greater leadership style scores than do employees in financial Organisations. This is reflected in the areas of paternalistic, nurturant task, fascist, nurturant, task oriented bureaucratic, dependency, personalized and status conscious leadership styles. With regard to the role of job categories, it is shown that assistant indicate higher scores in the areas of nurturant task, nurturant, task oriented, bureaucratic, and dependency leadership pattern. On the contrary, supervisors reveal higher scores in the areas of fascist and status conscious pattern of leadership.

The basic objective of the study was twofold. First, the purpose was to compare the employees of administrative Organisation with those of employees of financial Organisation. Second, the objectives were also to examine the role of job categories. For such comparison, several dimensions of leadership were considered. The included paternalistic, nurturant task, nurturant, task-oriented, fascist, dependency, bureaucratic, personalized and status conscious styles.

The comparisons indicated a number of interesting features. It was shown that the employees in administrative Organisation indicated higher scores than employees of financial Organisations with respect to each of the dimensions. Furthermore, assistants indicated higher scores with respect to nurturant-task, nurturant, task oriented, bureaucratic, dependency and personalized styles whereas, supervisors reveal higher scores on fascist and status conscious patterns.

As has been pointed out, the employees in administrative Organisation revealed higher scores on each of the dimensions although it is difficult to put forward definitive casual explanations. Some plausible reasons may be pointed out. It seems that the higher scores of employees in the administrative Organisations are the product of the emphasis placed on controls and supervision in administrative Organisation.

In administrative Organisations, there are clear channels of control. The supervisor is expected to direct and control his or her subordinate. In other words, the need for supervision or leadership is more clearly felt in administrative Organisations than in financial Organisations.

It may be noted that the financial Organisation in this study includes banks. In financial Organisation, there are clear-cut guidelines in the form of rules and regulations to control the activities of the employees. A Bank officer or an assistant in the bank looks at the guidelines and does the work. There is relatively less need of human supervision. On the contrary, the activities in the administrative Organisation require human supervision. Many of the rules are to be collected from seniors, many rules are interpreted and decision making are to be properly guided. Because of this difference in the nature of activity in administrative Organisation vis-à-vis banks, the higher scores of employees on administrative Organisation are conceivable.

The result revealed that assistants surpass the supervisors with respect to many leadership dimensions. These include nurturant-task, nurturant, task oriented, bureaucratic, dependency, and personalized leadership styles. It is interesting to know that the assistants revealed higher scores both on the positive and negative aspects of leadership. They report positive aspects such as nurturant, nurturant-task; task oriented, and personalized styles. It is possible that their liberal attitudes

during the early part of their careers help them to make good leaders. On the contrary, the supervisors have higher scores on fascist, and status conscious leadership pattern. Perhaps, supervisors become autocratic and display fascist style. Similarly, they become very much conscious of their position and authority and behave in a status conscious manner.

Both education and experience revealed similar kind of relationship with most of the leadership dimensions. With increasing education and experience, the scores increase. It implies that people tend to use more of their leadership functions with increasing education and experience. When they became more and more educated, they are promoted to supervise more and more. Similarly, with increasing levels of experience, employees are motivated to behave like leaders. This explains positive association between education and each leadership dimensions and between experiences and leadership dimensions. The positive relationship between income and leadership dimensions is reflected in all aspects of leadership.

### MAJOR IMPLICATIONS

The study offers a number of implications. First, it is shown that the supervisors in administrative and financial Organisation exhibit a greater degree of fascist and status conscious leadership. This is not a desirable and fascist style implies rigid authoritarian and anti-democratic management style. Similarly, status conscious pattern reflects an undue emphasis on power and position. Since these are not the desirable goals, supervisors need to be trend to reduce these tendencies. They should be encouraged to develop democratic and liberal attitudes.

There is another implication suggested by the study. Leadership is situation specific. The comparison of leadership in two Organisation type reveals different styles. It implies that different types of Organisations promote varied patterns of leadership. So it is inappropriate to expect similar patterns from different Organisations.

### DIRECTIONS FOR FUTURE RESEARCH

The present study has been directed to investigate an important issue. This issue involves styles of leadership in two different types of Organisations. It is important to recognize that the investigation has employed a Leadership Style Questionnaire, which is relevant in Indian socio-cultural context. In addition, it has included a large number of dimensions. Yet, there are several areas where refinements can be brought in the form of future studies.

The present study has survey only two types of Organisation: administrative and financial. The future research may be extended to include other Organisational types such as industrial, educational and research Organisations. Similarly, the comparison can be undertaken with respect to private and public Organisations. It's likely that such as extended comparison would provide more meaningful information.

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**EMPLOYEE ENGAGEMENT, CUSTOMER ENGAGEMENT AND FINANCIAL PERFORMANCE****ARUNA ADARSH****ASST. PROFESSOR****JSS CENTRE FOR MANAGEMENT STUDIES****MYSURU****ROOPESH KUMAR B****STUDENT****SRI JAYACHAMARAJENDRA COLLEGE OF ENGINEERING****MYSORE****ABSTRACT**

*The very own purpose of this study is to know the impact of employee engagement and customer engagement on the financial performance of service industry especially private banking sector of India. Particularly this study is made on the selected ten private banks in India and emphasizes on three major relationships i.e. (1) Relationship between employee engagement and financial performance, (2) Relationship between customer engagement and financial performance, (3) Relationship between employee engagement and customer engagement. This study involves the review of nine papers and used 5 point Likert scale questionnaire to collect the data from the target respondents such as customers, employees and branch managers of selected private banks. T-test has been used as statistical tools to empirically test the proposed hypothesis and relationships between the above constructs. The major findings of this study states that employee engagement has relationship with financial performance, customer engagement has relationship with financial performance, and employee engagement has no relationship between customer engagement.*

**KEYWORDS**

employee engagement, customer engagement, financial performance.

**INTRODUCTION**

 Since this study is made on the banking sector of India which is a highly service related industry. In this sector both employees and customers will play a highly significant role in the success of the banks existence, so knowing in depth about the prominence of both employees and customers in this particular industry is a base requirement for this study.

Employee engagement plays a crucial role in the service industry and has seek important attention from the several researchers from many studies. Empowering employees and making them more comfortable with their working conditions by creating them most appropriate environment around them so that they feel enthusiastic and motivated to work hard towards reaching the goals of the banks. Engagement of employees towards the bank leads to improving customer's loyalty, market share and profitability.

Customers are the real gods of the firms in service industries, so making more and more customers engaging towards the firm will lead to the higher sales, profitability. Service industries survival without customer engagement is not at all possible. Retaining them with the firm by making them by happy with some value creation to them and providing excellent services without disappointing them. Customer engagement can be achieved by maintaining good relationship and their past experience with service provided for the customers.

**CUSTOMER ENGAGEMENT AND FINANCIAL PERFORMANCE**

The impact of customer engagement is should be in positive manner to have better financial performance and a healthy financial performance of a firm is possible with higher and higher customer engagement. Many researchers argue that customer engagement and perception about quality of service provided by the banks may or may not reflect on the financial performance of the firm. However, the relationship between these two factors should be positive for the long run of the firm.

As we, all know that customers are the core of service industries, without proper customer engagement surviving in hospitality or service industries is not possible. So satisfying them in higher manner will definitely effect on the financial performance of the firm. Sometimes various factors may cover the real relationship between these two constructs like, company may spend a huge amount on increasing customer engagement by making them more and more satisfied with the service and this may lead to increasing the customer engagement, but the firm might end up with lower profit. And in some cases the firms may increase their profitability without higher customer engagement but by reducing their several internal costs. Yes, of course, sometimes various facts cover the real relationship between these two constructs and many companies would have positive impact on profits without engaging customers. Results obtained from the studies made on various business states that customer engagement has a significant role in firm's success.

**FIVE DIMENSIONS TO MEASURE CUSTOMER ENGAGEMENT**

- Staff
- Security
- Service
- Communication
- Reliability

**EMPLOYEE ENGAGEMENT AND FINANCIAL PERFORMANCE**

Many studies say that employee engagement plays a major role in reaching financial goals of the companies. Customers will be taken care by employees only when the employees are taken care by the company, only the engaged employees can make customers satisfied. Companies can keep their employees engaged by empowering them; ongoing training, better pay and making them feel secure. More satisfied employees will be more enthusiastic than dissatisfied one.

Engaged employees will have willingness to work hard by putting themselves into the manager's shoes and provides better services and this leads to higher customer satisfaction. Several studies report that examination of the direct relationship between employee engagement and financial results tend to yield insignificant results suggesting an insignificant direct relationship between employee engagement and financial performance. If employees feel that they been cared by their company, in return, they try hard to provide good services and meet the customers' expectations, which leads to repeat business, positive word-of mouth behavior and, therefore, higher sales and better financial performance. As suggested by the preceding discussion, the relationship between employee engagement and financial performance is likely to be direct and positive.

**FIVE DIMENSIONS TO MEASURE EMPLOYEE ENGAGEMENT**

- Job environment
- Team work
- Supervision
- Organization
- Reward and recognition

**EMPLOYEE ENGAGEMENT AND CUSTOMER ENGAGEMENT**

Many studies states that there should be positive relationship between employees and customers. The relationship between customer engagement and employee engagement is the one relationship that does not seem to yield conflicting results. Providing employees with a superior internal working environment will lead to satisfied employees who are both loyal to the organization and able to provide the customer with an excellent service experience, which will result in satisfied customers.

**FINANCIAL PERFORMANCE**

Since the secondary data about the financial performance of the banks are not possible to compare with the fresh data collected from the employees and customers, the details about the financial performance of the banks were collected from the branch managers of the respective banks with the help of a detailed questionnaire.

**DIMENSIONS TO MEASURE COMPANY PERFORMANCE**

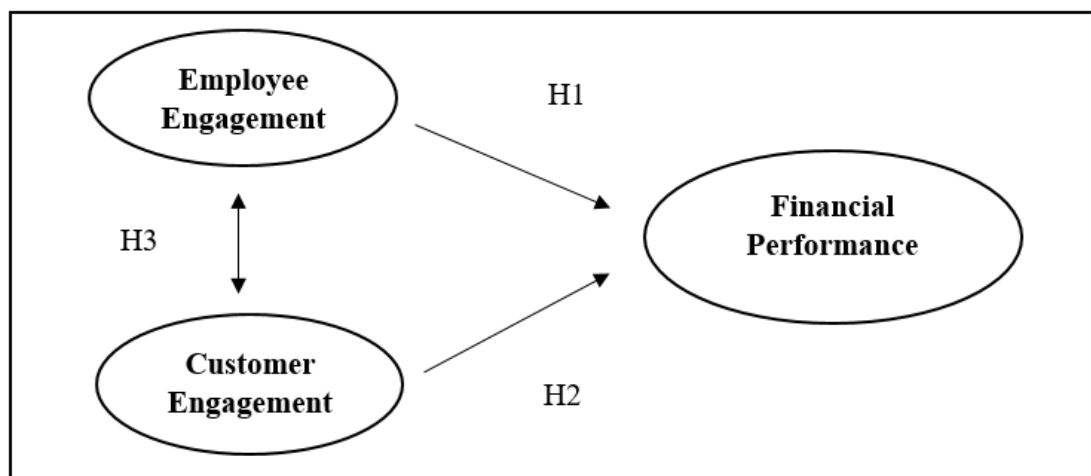
- ROI
- Capital adequacy
- Asset quality
- Management efficiency
- Earning quality
- Liquidity
- Productive measures
- Employee productivity
- Branch productivity
- Motivation
- Benchmarks

**BANKS SELECTED FOR THIS STUDY**

- HDFC
- ICICI
- AXIS
- KOTAK MHINDRA
- INDUSIND
- YES BANK
- ING VVSYA
- FEDERAL
- BANK OF PUNJAB
- IDBI

**CONCEPTUAL FRAMEWORK**

FIG. 1

**LITERATURE REVIEW**

As stated by Christina G. Chi and Dogan Gursay, they made a study in 2009 and explored the relationship between Employee satisfaction and customer satisfaction and impact of both on financial performance with the help of service profit chain as base framework. The findings of this study states that, there is positive impact of customer satisfaction on financial performance and employee satisfaction has indirect impact on financial performance, which is mediated by customer satisfaction. [1]

In 2015 Iqra Shaheen and Nadia Naseem made a study and finds that, the variables are having positive relationship because customer satisfaction if depended upon employee engagement. This study states customer satisfaction is possible only when employees are satisfied and finally this will lead to increase in company's performance. [2]

In 2000 Kenneth L. Bernhardt, Naveen Donthu and Pamela A Kennett made an longitudinal analysis to the relationship between performance and satisfaction. As stated by them employee satisfaction and customer satisfaction have significant relationship, change in customer satisfaction will effect on company's performance. even though it effects in negative ways for short run by many factors it will have positive impact on long run. [3]

In 2003 Rachel W. Y. Yee, Andy C. L. Yeung and T. C. Edwin Cheng examines a study and states that, employee satisfaction plays a major role in service quality and satisfying the customers which leads to the increase in company's performance. The increase in company's profitability will have moderate impact on the employee satisfaction leading to a "satisfaction-quality-profit cycle". [4]

Richa Aishwarya Jogi and Dr. AK Srivastava made an attempt in 2015 to examine the relationship between employee engagement and organizational commitment. As stated by them, organization commitment has high level affective commitment and normative commitment and also says that front line employees are more engaged than any other level employees of the organization. This study states tries to fill gap between commitment and engagement, which effects on organization's performance. [5]

Ali Abbaas Albodour and Ikhlas I. Altarawneh made a study made a study in 2015 and as stated by them, the turnover rate of employees in banking sector is high and the plays a significant role in bank's performance. This study tries to enhance the engagement and retention of employees by helping human resource policy makers in banking sectors. [6]

In 2005 Roger Hallowell made an attempt to explore the relationship between company's profitability and customer related services. As stated by him customer satisfaction leads to high level customer loyalty and that leads to higher sales or profitability. [7]

Shahnaz Nayebzadeh, Maryam Jalaly and Hamideh Mirabdolahi Shamsi had made a study in 2013 on banking sectors to know the relationship between customer satisfaction and customer loyalty with the financial performance of the company. The findings this study states that, there is a positive relationship between satisfaction and loyalty, significant relationship between satisfaction and loyalty with the performance. [8]

In 2014 Mubbsher Munawar Khan and Mariam Fasi conducted a study to explore the level of customer satisfaction with the quality service provided by the banks and level of loyalty towards them. As stated by them, since banks are service related business quality service plays a significant role in increasing satisfaction and loyalty in the minds of customer, so concentrating on service quality will contribute to higher customer satisfaction and loyalty. [9]

## RESEARCH OBJECTIVES

1. To know the relationship between Employee Engagement and Financial Performance.
2. To know the relationship between Customer Engagement and Financial Performance.
3. To know the relationship between Employee Engagement and Customer Engagement.

## DATA SOURCE AND METHODOLOGY

A descriptive research methodology is used in this study and the data has been collected through primary research by circulating different questionnaire to employees, customers and branch managers. Reliability analysis is used for checking significance of all three questionnaires. The statistical tool used for data analysis is T test.

### SAMPLE SIZE AND FRAMEWORK

Data has been collected from 50 customers, 50 employees and 10 branch managers of top 10 private banks in India. For analysis purpose I consider 5 customers as 1 unit, 5 employees as 1 unit and 1 manager as 1 unit. The sample size customers and employees consist of various classification such as age, gender, marital status, annual income, occupation etc.

### HYPOTHESIS

- **Employee Engagement and Financial Performance**
  - H0- There is no relationship between Employee Engagement and Financial Performance.
  - H1- There is a relationship between Employee Engagement and Financial Performance.
- **Customer Engagement and Financial Performance**
  - H0- There is no relationship between Customer Engagement and Financial Performance.
  - H1- There is a relationship between Customer Engagement and Financial Performance.
- **Employee Engagement and Customer Engagement**
  - H0- There is no relationship between Employee Engagement and Customer Engagement.
  - H1- There is a relationship between Employee Engagement and Customer Engagement.

## DATA ANALYSIS

As per the requirements of this study both Reliability and T-test has been used to interpret the data collected from the customers, employees and branch managers by using 5 point Likert scale.

### RELIABILITY ANALYSIS

#### CUSTOMER ENGAGEMENT

Table 1 shows the reliability and Cronbach's Alpha for questions used to collect data from the customers from the top ten private banks in India to measure the customer engagement.

TABLE 1: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.746	.796	25

#### EMPLOYEE ENGAGEMENT

Table 2 shows the reliability and Cronbach's Alpha for questions used to collect data from the employees from the top ten private banks in India to measure the employee engagement.

TABLE 2: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.744	.765	25

#### FINANCIAL PERFORMANCE

Table 3 shows the reliability and Cronbach's Alpha for questions used to collect data from the branch managers from the top ten private banks in India to measure the financial performance.

TABLE 3: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.927	.899	87

t-Test  
DESCRIPTIVE STATISTICS

TABLE 4

Banks	Employees	Customer	Managers
HDFC	3.991	3.392	3.666
ICICI	4.141	3.568	4.137
AXIS	4.175	3.563	4.103
KOTAK MAHENDRA	4.025	3.704	4.275
INDUSIND	4.166	3.712	4.137
YES BANK	3.991	3.392	3.333
ING VVSYA	4.141	3.568	3.701
FEDERAL	4.175	3.552	3.783
BANK OF PUNJAB	4.025	3.704	3.344
IDBI	4.166	3.712	3.586

The above table (table 4) shows the mean value obtained by the data collected from customers, employee and branch managers.

HYPOTHESIS TESTING

EMPLOYEE ENGAGEMENT AND FINANCIAL PERFORMANCE

TABLE 5

Parameters	T-value	T-Cal	Hypothesis
Employee Engagement	2.446	0.9292	Accepted
Financial Performance			

In the above table (table 5) explains that hypothesis testing between employee engagement and financial performance. Since the calculated T-Cal is less than Tc, the alternative hypothesis has been accepted.

CUSTOMER ENGAGEMENT AND FINANCIAL PERFORMANCE

TABLE 6

Parameters	T-value	T-Cal	Hypothesis
Customer Engagement	2.446	-0.4783	Accepted
Financial Performance			

In the above table (table 6) explains that hypothesis testing between customer engagement and financial performance. Since the calculated T-Cal is less than Tc, the alternative hypothesis has been accepted.

EMPLOYEE ENGAGEMENT AND CUSTOMER ENGAGEMENT

TABLE 7

Parameters	T-value	T-Cal	Hypothesis
Employee Engagement	2.446	4.4088	Rejected
Customer Engagement			

In the above table (table 7) explains that hypothesis testing between employee engagement and customer engagement. Since the calculated T-Cal is more than Tc, the alternative hypothesis has been rejected.

FINDINGS

The major findings of this study according to table 5, table 6 and table 7 are both employee and customer engagement are having their impact on financial performance of the banks. But there is no relationship between employee engagement customer engagement.

HYPOTHESIS

- Between Employee Engagement and Financial Performance: - "H1 Accepted"
- Between Customer Engagement and Financial Performance: - "H1 Accepted"
- Between Employee Engagement and Customer Engagement: - "H1 Rejected"

FINDINGS ON DEMOGRAPHIC FEATURES

ON EMPLOYEES

TABLE 8

Gender	Mean
Male	4.523
Female	4.427

The male employees are slightly more engaged than the female employees with the total mean of 4.523.

TABLE 9

Age	Mean
<20	NIL
21-30	3.921
31-40	4.245
40>	3.984

The employees belong to the age of 31 to 40 years are more engaged to wards their work followed by the age group of 21 to 30 and above 40 years.

TABLE 10

Marital Status	Mean
Married	4.025
Unmarried	4.685

When come to the marital status of the employees, the unmarried employees are more engaged than the married employees.

TABLE 11

Annual Income	Mean
<1 lakh	NIL
1-2	3.587
2-5	3.985
5-10	4.235
>10lakhs	4.315

The above table shows that the employees whose annual salaries are high they tend to be more engaged than the employees who draws less salary

TABLE 12

Gender	Mean
Male	3.952
Female	3.917

There is no much difference between male customer and female customer's engagement level.

TABLE 13

Age	Mean
<20	NIL
21-30	4.52
31-40	4.193
>40	4.334

As per the above table the customers belong to the age group of 21 to 30 are more engaged than any other age group of customers.

TABLE 14

Marital Status	Mean
Married	2.991
Unmarried	3.235

The above table explains that unmarried customers are more engaged than the married customers.

TABLE 15

Annual Income	Mean
<1lakh	NIL
1-2	3.451
2-5	4.189
5-10	3.956
10>lakhs	3.771

In this study, it is found that the customers whose annual is between 2 to 5 lakhs are highly engaged than any other customers of the bank.

## CONCLUSION

As the findings of this study states that, the financial performance of the banking sector is depending upon the level of employee and customer engagement. This study explored many relationships i.e. employee engagement has positive relationship with financial performance, customer engagement has positive relationship with financial relationship and there is negative relationship between customer engagement and employee engagement, this negative relationship can found due to effects of many factors for short time period but it will have positive relationship between these two variables in long run. Because the customer engagement can be achieved only when the employees are engaged.

This study has some managerial implications for the banks to increase in the level of engagement in their employees and customers. The huge amount of investment is required of increasing the engagement of both employees and customers and level of quality has to be increased in whatever service they offer. Upgradation of technology and training both employees and customers will impact of the profitability of the banks.

The focus of this research lies with the link between engagement and financial performance. Future researchers might consider examining the link between each of the various quality attributes and performance. Perhaps some of attributes have a stronger impact on financial performance or perhaps different lags exist for each of the attributes impact on performance.

## LIMITATIONS

This study and findings are limited to the private banks of Mysuru region.

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**INFLUENCE OF VARIOUS ASPECTS ON THE CHOICE OF INVESTMENT INSTRUMENTS BY THE HOUSEHOLDS**

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**ABSTRACT**

*Households are that sector of the economy, which is always the net saver. In India, the savings of the household sector form the base for the economic activities, which are undertaken by the other sectors of the economy. The household investors are uncertain while deciding whether they should invest in safe instruments and settle for lesser returns or try to invest in risky securities to earn increased return. The present study is an attempt to identify the aspects, which influence the choice of the instruments. It was found that the area and occupation has a major influence of the choice of the investment option, followed by district and education. Age and residence type significantly influenced only the decisions of investing in Bank Instruments, Provident fund and Bullion. Family type had the least influence on the choice of investment instrument. The advice of agent had a major influence in the choice of investment instrument followed by safety and advice of family and friends. The least influential aspect was returns that the investment options generate.*

**KEYWORDS**

aspects considered, demographic factors, households, instruments, investment.

**INTRODUCTION**

The economic activities which are undertaken by the individuals is for consideration and this consideration is known as income. The income of an individual is part of household income. The income of the household is divided into parts namely, a part of it is consumed for satisfying their needs and a part of it is saved in order to use in future.

According to the Father of Value Investing, Benjamin Graham, an individual investor should act consistently and not like a speculator. He also added that for this, he should be able to justify every purchase he makes and the price he pays by impersonal and objective reasoning so that he able to satisfy himself that he is getting more than the worth of his money.

The savings of the household form the base of the economic activities undertaken by the various sectors of the economy as they are invested by the households in various sectors.

According to a Press Release of Reserve Bank of India on December 26, 2016, out of the total deposits in India, about 61.5% were held by the household sector. Out of the deposits held by the households, 68.3% were held as term deposits.<sup>1</sup>

The decision to invest in a particular instrument is a very difficult for any household as they are in a dilemma as to whether they should prefer less risky investment options and settle for lower returns or choose high-risk instruments to earn higher returns. Such decisions are influenced by many aspects such as district, area, age of the head, their education level, occupation as well as certain aspects such as safety, return, advice of agent, family and friends. The present study is an attempt to find out whether these aspects influence the choice of investment instrument.

**LITERATURE REVIEW**

Browning (1994) found that the husband discounts the future more than the wife and so he will never choose to contribute to future consumption unless wife saves all her income. They also observed that the extra income received by the husband will be spent entirely while the wife tends to save the entire extra income. While making a choice of investment, the husband's preferred annuity while wives choose insurance and private savings.<sup>2</sup>

In another study, Chakraborty and Digal found that among the male respondents, real estate was more popular and among the female respondents, bullion and real estate was more preferred. Further, in case of small saving instruments, National saving certificate, Provident funds and post office saving schemes were more preferred. Gosh and Pain, in their study found that bank deposits were preferred by majority of people.<sup>3</sup>

In case of Dutch households, Euwals, Eymann and Supan (2004) found that the most preferred investment mode was residential real estate followed by traditional saving account.<sup>4</sup>

According to Kibet et al. (2009) found that households consider the safety of their savings while selecting a saving institution. They also found that before choosing an investment instrument, the households also considered whether they are able to qualify for group assistance or not.<sup>5</sup>

Brunetti and Torricelli (2010) found that the Italian households held on an average 70% of their wealth in deposits. They observed that the Italian households had very few investment options and they tended to concentrate their wealth in safe assets.<sup>6</sup>

Patel and Patel (2012) observed that the youngsters preferred Systematic investment plans followed by real estate market. Gold is the most preferred investment avenue by the female respondents.<sup>7</sup>

Amu and Amu (2012) studied the saving behaviour of Ghana. They found that the most popular form of saving for the households is Mutual self help group followed by Susu.<sup>8</sup>

In another study undertaken by Lewis and Messy (2012) it was found that the friends and family members influence the saving rate of an individual. They also noted that in some countries, social norms prevailing there force the people to spend more. As a result, the savings in those countries were lower than those countries where such norms do not prevail.<sup>9</sup>

Samudra and Burghate (2012) observed that majority of households stated that they would look for high returns while opting for any investment instrument.<sup>10</sup> In their study Palanivelu and Chandrakumar (2013) found that insurance is the most preferred investment avenue by the salaried class followed by bank deposits, gold and real estate.<sup>11</sup> In a similar study, ShreePriya and Gurusamy (2013) observed that majority of people preferred investment in bank deposits. They also found that the major consideration for investors was safety of investment rather than high returns.<sup>12</sup>

In another study undertaken by Mehta (2013), it was found that the traditional instruments were the most preferred saving mode as they have low risk. The bank deposits remained the single largest instrument for financial savings followed by life insurance.<sup>13</sup>

In their study, Nasir and Khalid observed that the major determinant of investment was the return on investment.<sup>14</sup>

**OBJECTIVES OF THE STUDY**

1. To find out the various aspects considered by the investors before taking investment decisions.
2. To study the influence of the demographic factors on the choice of the investment instrument.
3. To study the influence of aspect considered on the choice of investment instrument.



**RESEARCH METHODOLOGY**

**HYPOTHESIS**

- H<sub>01</sub>: There is no significant influence of the demographic factors on the choice of investment instrument
- H<sub>11</sub>: There is a significant influence of the demographic factors such as on the choice of the investment instrument
- H<sub>02</sub>: There is no significant influence of the aspects considered on the choice of investment instrument
- H<sub>12</sub>: There is a significant influence of the aspects considered on the choice of investment instrument

**DATA SOURCES**

The data of this study has been collected with the help of a questionnaire. The information pertaining to the demographic details as well as the aspects considered was collected with the help of the structured questions.

**SAMPLE SIZE**

The sample size is 658 households from the districts of Banaskantha, Gandhinagar, Mehsana, Patan and Sabarkantha in North Gujarat Region.

**TOOLS OF ANALYSIS**

The analysis was undertaken with the help of cross tabulation, Chi - Square test and percentages.

**RESULTS AND DISCUSSION**

The data which was collected with the help questionnaire was classified and tabulated. In order to undertake analysis, cross tabulation was undertaken with the help of SPSS and then Chi-Square was calculated. The below tables show the analysis which was undertaken to determine the effect of each of the variable on the choice of investment option.

**DISTRICT**

**TABLE 1: DISTRICT-WISE PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS**

Investment Instruments	Districts					Total Units	$\chi$ Square	df	Sig.	S/NS
	Banas-kantha	Gandhi-nagar	Mehsana	Patan	Sabar-kantha					
<b>Bank Instruments</b>	173 (35.67%)	40 (8.25%)	77 (15.88%)	169 (34.85%)	26 (5.36%)	<b>485</b>	6.799	4	0.147	NS
<b>Post office Instruments</b>	10 (17.24%)	13 (22.41%)	22 (37.93%)	8 (13.79%)	5 (8.62%)	<b>58</b>	43.045	4	0	S
<b>Provident Fund</b>	15 (21.43%)	14 (20.00%)	34 (48.57%)	3 (4.29%)	4 (5.71%)	<b>70</b>	76.867	4	0	S
<b>Company Securities</b>	2 (16.67%)	3 (25%)	4 (33.33%)	3 (25%)	0 (0%)	<b>12</b>	7.415	4	0.096	NS
<b>Insurance Policy</b>	103 (29.86%)	38 (11.01%)	92 (26.67%)	88 (25.51%)	24 (6.96%)	<b>345</b>	61.505	4	0	S
<b>Bullion</b>	77 (33.92%)	18 (7.93%)	32 (14.10%)	86 (37.89%)	14 (6.17%)	<b>227</b>	6.284	4	0.179	NS
<b>New Instruments</b>	2 (14.29%)	4 (28.57%)	3 (21.43%)	1 (7.14%)	4 (28.57%)	<b>14</b>	27.901	4	0	S
<b>Real Estate</b>	209 (36.35%)	43 (7.48%)	97 (16.87%)	201 (34.96%)	25 (4.35%)	<b>575</b>	17.825	4	0.002	S
<b>Other Instruments</b>	2 (25%)	1 (12.50%)	2 (25%)	1 (12.50%)	2 (25%)	<b>8</b>	8.417	4	0.084	NS

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

**Note:** df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

It was observed that the units of Banaskantha, Gandhinagar, Mehsana and Patan preferred to invest in Real estate whereas the units in Sabarkantha invested in instruments offered by banks. Further, the units of Banaskantha invested the maximum in the instruments offered by the banks, insurance policies, and real estate. Investment in post office instruments, Provident Fund and Company securities was the highest in case of Mehsana. Investment in bullion was maximum in Patan and the investment in new instruments was the highest in Sabarkantha. (Table 1)

When Chi-Square analysis was undertaken, it was found that there was a significant influence of district when the units were choosing instruments offered by post office, Provident funds, insurance policies, new instruments and Real estate. In the case of instruments offered by bank, securities offered by companies, bullion and other instruments, the influence of district was not significant. (Table1)

**AREA**

**TABLE 2: AREA-WISE PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS**

Investment Instruments	Area		Total Units	$\chi$ Square	df	Sig.	S/NS
	Rural	Urban					
<b>Bank Instruments</b>	372 (76.70%)	113 (23.30%)	<b>485</b>	15.276	1	0	S
<b>Post office Instruments</b>	22 (37.93%)	36 (62.07%)	<b>58</b>	38.57	1	0	S
<b>Provident Fund</b>	21 (30%)	49 (70%)	<b>70</b>	71.684	1	0	S
<b>Company Securities</b>	3 (25%)	9 (75%)	<b>12</b>	13.962	1	0	S
<b>Insurance Policy</b>	220 (63.77%)	125 (36.23%)	<b>345</b>	28.755	1	0	S
<b>Bullion</b>	187 (82.38%)	40 (17.62%)	<b>227</b>	16.525	1	0	S
<b>New Instruments</b>	2 (14.29%)	12 (85.71%)	<b>14</b>	24.515	1	0	S
<b>Real Estate</b>	445 (77.39%)	130 (22.61%)	<b>575</b>	51.688	1	0	S
<b>Other Instruments</b>	5 (62.5%)	3 (37.5%)	<b>8</b>	0.419	1	0.69	NS

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

**Note:** df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

It was observed that the units of rural area preferred to invest in traditional instruments such as Bank Instruments, Insurance Policies, Bullion, Real Estate and other instruments. This might be due to the reason that the units of the rural areas either may not have access to the new instruments or might not be aware about the benefits of such instruments. There is a possibility that the units in the rural area might be aware about these instruments but do not invest in the new instruments as they have a fear that they are not safe. As a result, they prefer to invest in traditional instruments. On the other hand, the units of the urban area preferred to invest in Post office instruments, Provident Funds, Company Securities and New Instruments. The units of the urban areas might invest in these instruments, as they are aware about the benefits of these instruments. The difference in the preference of the instruments also can be due to the difference in the level of education and their occupation. It can also be due to accessibility of the information regarding the instruments as well as the means of undertaking investment (Table 2).

When Chi-Square analysis was undertaken, it was found that there was a significant influence of area in all the instruments except other investment instruments (Table 2).

AGE GROUPS

TABLE 3: AGE-WISE PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS

Investment Instruments	Age Groups					Total Units	$\chi$ Square	df	Sig.	S/NS
	30 years or below	31-40	41-50	51-60	Above 60					
Bank Instruments	33 (6.80%)	89 (18.35%)	163 (33.61%)	136 (28.04%)	64 (13.20%)	485	15.466	4	0.004	S
Post office Instruments	0 (0%)	9 (15.52%)	21 (36.21%)	20 (34.48%)	8 (13.79%)	58	7.169	4	0.124	NS
Provident Fund	1 (1.43%)	13 (22.17%)	23 (51.72%)	31 (49.26%)	2 (19.70%)	70	18.539	4	0.001	S
Company Securities	0 (0%)	2 (16.67%)	2 (16.67%)	7 (58.33%)	1 (8.33%)	12	7.146	4	0.128	NS
Insurance Policy	19 (5.51%)	66 (19.13%)	134 (38.84%)	100 (29%)	26 (7.54%)	345	15.765	4	0.003	S
Bullion	11 (4.84%)	37 (16.30%)	74 (32.60%)	72 (31.72%)	33 (14.54%)	227	13.33	4	0.01	S
New Instruments	0 (0%)	2 (14.29%)	3 (21.43%)	8 (57.14%)	1 (7.14%)	14	7.587	4	0.098	NS
Real Estate	35 (6.09%)	117 (20.35%)	199 (34.61%)	156 (27.13%)	68 (11.83%)	575	7.336	4	0.118	NS
Other Instruments	0 (0%)	1 (12.5%)	3 (37.5%)	1 (12.5%)	3 (37.5%)	8	6.334	4	0.172	NS

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

The units all the age groups preferred to invest in Real Estate followed by Bank instruments as they are considered to be safe instruments. Among the units which were between 41 to 50 years, bank instruments, post office instruments, Insurance policies, Bullion, Real estate and other securities were more popular. It was also observed that the portfolio of this age group was more diversified than the other age groups. The units which belonged to 51 to 60 years had the highest investment among all the age groups in provident funds, company securities, and new instruments. The units which were above 60 years also had the maximum investment among all the age groups in other instruments (Table 3).

When Chi-Square analysis was undertaken, it was observed that age has a significant impact on the decision of choosing bank instruments, Provident funds, insurance policy and Bullion. This might be due to the reason that as the age of the investor increases, the units try to minimize the risk and opt for less risky securities. A significant influence was not observed if the household choose post office instruments, company securities, new instruments, real estate or other instruments (Table 3).

EDUCATION QUALIFICATION

TABLE 4: EDUCATION-WISE PREFERENCE OF INSTRUMENTS

Investment Instruments	Education								Total Units
	Uneducated	Below Primary	Primary	SSC	HSC	Others	Grad.	P.G.	
Bank Instruments	62 (12.78%)	78 (16.08%)	99 (20.41%)	92 (18.97%)	70 (14.43%)	3 (0.62%)	54 (11.13%)	27 (5.57%)	485
Post office Instruments	1 (1.72%)	5 (8.62%)	3 (5.17%)	12 (20.69%)	4 (6.90%)	1 (1.72%)	17 (29.31%)	15 (25.86%)	58
Provident Fund	0 (0%)	3 (4.29%)	1 (1.43%)	10 (14.29%)	5 (7.14%)	1 (1.43%)	23 (32.86%)	27 (38.57%)	70
Company Securities	0 (0%)	0 (0%)	1 (8.33%)	4 (33.33%)	1 (8.33%)	0 (0%)	4 (33.33%)	2 (16.67%)	12
Insurance Policy	21 (6.09%)	28 (8.12%)	42 (12.17%)	79 (22.90%)	72 (20.87%)	4 (1.16%)	57 (16.52%)	42 (12.17%)	345
Bullion	26 (11.45%)	31 (13.66%)	40 (17.62%)	57 (25.11%)	26 (11.45%)	1 (0.44%)	29 (12.76%)	17 (7.49%)	227
New Instruments	0 (0%)	0 (0%)	1 (7.14%)	3 (21.43%)	2 (14.29%)	0 (0%)	6 (42.86%)	2 (14.29%)	14
Real Estate	71 (12.35%)	86 (14.96%)	112 (19.48%)	113 (19.65%)	85 (14.78%)	4 (0.70%)	61 (10.61%)	43 (7.48%)	575
Other Instruments	2 (25%)	1 (12.5%)	0 (0%)	2 (25%)	1 (12.5%)	0 (0%)	1 (12.5%)	1 (12.5%)	8

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

It is observed that the uneducated units had the maximum investment among all the groups in Other Instruments. The units with primary education preferred to invest in Bank securities. The ones, who were educated till SSC, had the maximum investments among all the other age groups in company securities, insurance policies, bullion, real estate and other instruments. The Graduates invested more than the other groups in Post office instruments, Company securities and new instruments. The units who were educated till post graduates as compared to other groups invested more in Provident funds. It is observed that as the education level of the people increased, their preference of the investment became more sophisticated and they had a more diversified portfolio than their other counterparts (Table 4).

TABLE 4.1:  $\chi$  SQUARE ANALYSIS FOR EDUCATION AND CHOICE OF INSTRUMENT

Investment Instruments	$\chi$ Square	df	Sig.	S/NS
Bank Instruments	23.313	7	0.002	S
Post office Instruments	64.414	7	0	S
Provident Fund	165.164	7	0	S
Company Securities	12.491	7	0.117	NS
Insurance Policy	110.343	7	0	S
Bullion	13.031	7	0.071	NS
New Instruments	18.788	7	0.015	S
Real Estate	13.312	7	0.065	NS
Other Instruments	3.359	7	0.821	NS

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

When Chi-Square analysis was undertaken, it was observed that the education had a significant influence in selection of bank instruments, post office instruments, provident fund, insurance policy and new instruments. This might be due to the reason that as the level of education increases, the ability to understand increases. As a result, the people are able to understand the benefits of a particular investment option in a much better manner. The influence of education was not significant in case of company securities, bullion, real estate and other instruments as these instruments as considered as traditional instruments of investment (Table 4.1).

OCCUPATION

TABLE 5: OCCUPATION-WISE PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS

Investment Instruments	Occupation								Total Units
	Business	Farmer	Government Job	Housewife	Private Job	Laborer	Retired	Other	
Bank Instruments	60 (12.37%)	263 (54.23%)	27 (5.57%)	3 (0.62%)	69 (14.23%)	42 (8.66%)	20 (4.12%)	1 (0.20%)	485
Post office Instruments	5 (8.62%)	11 (18.97%)	15 (25.86%)	1 (1.72%)	20 (34.48%)	2 (3.45%)	4 (6.90%)	0 (0%)	58
Provident Fund	1 (0.43%)	2 (0.85%)	33 (14.05%)	0 (0%)	31 (12.20%)	0 (0%)	3 (1.28%)	0 (0%)	234
Company Securities	3 (25%)	0 (0%)	3 (25%)	0 (0%)	4 (33.33%)	0 (0%)	2 (16.67%)	0 (0%)	12
Insurance Policy	42 (12.17%)	159 (46.09%)	46 (13.33%)	2 (0.58%)	79 (22.90%)	8 (2.32%)	9 (2.61%)	0 (0%)	345
Bullion	21 (9.25%)	145 (63.88%)	14 (6.17%)	1 (0.44%)	28 (12.33%)	7 (3.083%)	10 (4.41%)	1 (0.44%)	227
New Instruments	4 (28.57%)	0 (0%)	3 (21.43%)	0 (0%)	4 (28.57%)	0 (0%)	3 (21.43%)	0 (0%)	14
Real Estate	62 (10.78%)	314 (54.61%)	37 (6.43%)	5 (0.90%)	90 (15.65%)	44 (7.65%)	22 (3.83%)	1 (0.17%)	575
Other Instruments	0 (0%)	5 (62.5%)	1 (12.5%)	1 (12.5%)	1 (12.5%)	0 (0%)	0 (0%)	0 (0%)	8

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

When the data was observed, it was found that the maximum investment by the businessmen, farmers, housewives, and ones employed in the private sector, labourers, the ones who were retired was in real estate. This might be due to the reason that all the above people might needs some safe investment option. As a result, they preferred to invest in real estate rather than any other instrument. The ones in the government sector preferred to buy insurance policies. It might be due to the reason that these people might be thinking about their future and in order to have a secured future as well as to have a cover for uncertain circumstances, they might have laid more emphasis on buying insurance policies. The ones employed in the other sectors preferred to invest bank instruments, bullion and real estate.

It was further observed that the farmers had the maximum investment in bank instruments, Insurance Policies, Bullion, real estate and other instruments than their other counterparts. The ones who were employed in private sector had the maximum investment in post office instruments, company securities and new instruments. The ones in employed in the government sector invested more in provident fund. The ones who were doing business preferred to invest in new instruments (Table 5).

TABLE 5.1:  $\chi$  SQUARE ANALYSIS FOR OCCUPATION AND CHOICE OF INSTRUMENT

Investment Instruments	$\chi$ Square	df	Sig.	S/NS
Bank Instruments	35.102	7	0	S
Post office Instruments	54.423	7	0	S
Provident Fund	234.918	7	0	S
Company Securities	21.379	7	0.031	S
Insurance Policy	78.988	7	0	S
Bullion	35.219	7	0	S
New Instruments	29.176	7	0	S
Real Estate	49.004	7	0	S
Other Instruments	10.933	7	0.142	NS

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

When Chi-Square analysis was undertaken, it was observed that except on other instruments, occupation has a significant influence on selection of those instruments (Table 5.1).

TYPE OF FAMILY

TABLE 6: TYPE OF FAMILY AND PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS

Investment Instruments	Family Type		Total	$\chi$ Square	df	Sig.	S/NS
	Joint	Nuclear					
Bank Instruments	149 (30.72%)	336 (69.28%)	485	8.268	1	0.005	S
Post office Instruments	22 (37.93%)	36 (62.07%)	58	0.463	1	0.561	NS
Provident Fund	18 (25.71%)	52 (74.29%)	70	2.337	1	0.143	NS
Company Securities	3 (25%)	9 (75%)	12	0.431	1	0.563	NS
Insurance Policy	120 (34.78%)	225 (65.22%)	345	0.258	1	0.622	NS
Bullion	55 (24.23%)	172 (75.77%)	227	14.438	1	0	S
New Instruments	6 (42.86%)	8 (57.14%)	14	0.513	1	0.571	NS
Real Estate	189 (32.87%)	386 (67.13%)	575	2.121	1	0.172	NS
Other Instruments	2 (25%)	6 (75%)	8	0.286	1	0.723	NS

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

It was observed that nuclear families invested more than the joint families in all the investment instruments. Further, it is observed that joint families invested more in traditional instruments such as Bank Instruments while the nuclear families invested more in real estate as it might be due to the fact they might have not inherited property (Table 6).

When Chi-Square analysis was undertaken, it was observed that except in selection of bank instruments and bullion, family type has no significant influence of selection of the investment option (Table 6).

TYPE OF RESIDENCE

TABLE 7: RESIDENCE TYPE AND PREFERENCE OF INSTRUMENTS AND  $\chi$  SQUARE ANALYSIS

Investment Instruments	Residence Type		Total Units	$\chi$ Square	df	Sig.	S/NS
	Rented House	Own House					
Bank Instruments	50 (10.31%)	435 (89.69%)	485	7.836	1	0.007	S
Post office Instruments	12 (20.69%)	46 (79.31%)	58	3.947	1	0.059	NS
Provident Fund	15 (21.43%)	55 (78.57%)	70	5.773	1	0.022	S
Company Securities	1 (8.33%)	11 (91.67%)	12	0.191	1	1	NS
Insurance Policy	50 (14.49%)	295 (85.51%)	345	2.742	1	1	NS
Bullion	13 (5.73%)	214 (94.27%)	227	14.411	1	0	S
New Instruments	2 (14.29%)	12 (85.71%)	14	0.44	1	1	NS
Real Estate	3 (0.52%)	572 (99.48%)	575	595.743	1	0	S
Other Instruments	1 (12.5%)	7(87.5%)	8	0	1	1	NS

Source: Computed from survey data. Percentage calculated as Percentage of Total of that instrument.

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

When the data was observed it was observed that the homeowners invested more in all the instruments as compared to the rented house dwellers. Further, the rented house dwellers preferred to invest in bank instruments and insurance policies while the home owners preferred to invest in real estate followed bank instruments (Table 7).

When Chi-Square analysis was undertaken, it was found that residence type had a significant influence on the decision of choosing bank instruments, provident fund, bullion and real estate. Residence type has no impact on the decision to invest in post office instruments, company securities, insurance policy, new instruments and other instruments (Table 7).

TABLE 8: ASPECT CONSIDERED AND PREFERENCE OF INSTRUMENTS

Investment Instruments	Safety	Returns	Advice of Agent	Advice of Family and Friends
Bank Instruments	388 (58.97%)	332 (50.46%)	61 (9.27%)	119 (18.09%)
Post office Instruments	46 (6.99%)	35 (5.32%)	8 (1.22%)	19 (2.89%)
Provident Fund	63 (9.57%)	48 (7.29%)	17 (2.58%)	22 (3.34%)
Company Securities	9 (1.37%)	6 (0.91%)	2 (0.30%)	4 (0.61%)
Insurance Policy	270 (41.03%)	218 (33.13%)	59 (8.97%)	129 (19.60%)
Bullion	181 (27.51%)	156 (23.71%)	29 (4.41%)	64 (9.73%)
New Instruments	12 (1.82%)	10 (1.52%)	5 (0.76%)	3 (0.46%)
Real Estate	444 (67.48%)	378 (57.45%)	70 (10.64%)	156 (23.71%)
Other Instruments	8 (1.22%)	7 (1.06%)	0 (0%)	1 (0.15%)

Source: Calculated from the data collected.

Figures in Brackets indicate Percentage out of 658 units.

When the data was observed, it is seen that while selecting any instrument, the units in North Gujarat first and foremost considered safety of the said instrument, followed by returns that they offer. The advice of agent considered while investing in bank instruments and new instruments. While investing in post office securities, provident funds, company securities, insurance products, bullion, real estate and other securities, the households considered the advice of family and friends (Table 8).

TABLE 8.1:  $\chi$  SQUARE ANALYSIS OF ASPECT CONSIDERED AND PREFERENCE OF INSTRUMENTS

Investment Instruments	Aspects Considered															
	Safety				Return				Advice of agent				Advice of family & friends			
	$\chi$ Sqr	df	Sig.	S/NS	$\chi$ Sqr	df	Sig.	S/NS	$\chi$ Sqr	df	Sig.	S/NS	$\chi$ Sqr	df	Sig.	S/NS
Bank Instru-ments	6.573	1	0.011	S	9.423	1	0.002	S	0.57	1	0.45	NS	16.913	1	0	S
Post office Instru-ments	0.119	1	0.731	NS	0.618	1	0.472	Ns	0.192	1	0.661	NS	0.467	1	0.554	NS
Provident Fund	7.012	1	0.009	S	0.428	1	0.596	NS	11.181	1	0.001	S	0.249	1	0.676	NS
Company Securities	0.044	1	1	NS	1.217	1	0.359	NS	0.251	1	0.645	NS	0.118	1	0.751	NS
Insurance Policy	0.236	1	0.641	NS	1.1	1	0.326	NS	17.824	1	0	S	25.61	1	0	S
Bullion	0.987	1	0.328	NS	2.061	1	0.169	NS	6.194	1	0.705	NS	0.078	1	0.787	NS
New Instru-ments	0.553	1	0.544	NS	0.256	1	0.70	NS	7.61	1	0.018	S	0.386	1	0.578	NS
Real Estate	0.22	1	0.676	NS	0.964	1	0.389	NS	0.122	1	0.857	NS	6.758	1	0.1	NS
Other Instru-ments	2.35	1	0.209	NS	1.796	1	0.272	NS	1.105	1	0.605	NS	1.057	1	0.449	NS

Source: Computed from survey data.

Note: df= degrees of freedom; Sig.= Significance Value; S= Significant; NS= Not Significant

The Chi-Square analysis shows that safety and advice of family and friends has a significant impact on selection of bank instruments. None of the aspects had a significant influence on the selection of post office instruments. The selection of the provident fund is influenced significantly by the aspects of safety and advice of agent. None of the aspects had a significant influence on selection of company securities.

The choices of insurance policies are significantly influenced by advice of agent, advice of family and friends, and other aspects. The investment choice in bullion if not significantly influenced by any of the aspects included. The investment in new instruments is significantly influenced by advice of agent. The investment in real estate is significantly influenced by other aspects and while choosing other instruments, none of the considered aspects has a considered (Table 8.1).

FINDINGS OF THE STUDY

Hypothesis 1: There is no significant influence of the demographic factors on the choice of the investment instruments

The following are the findings regarding the demographic factors:

- District has a significant influence on the decisions to invest in post office instruments, provident funds, insurance policies, new instruments and real estate. District has no significant impact on the decisions to invest in bank instruments, company securities, bullion or other securities.
- Area has a significant impact on the decisions to invest in bank instruments, post office instruments, provident funds, company securities, insurance policy, bullion, new instruments and real estate. No significant impact of area was observed on decisions to invest in other securities.
- Age has a significant impact on decisions to invest in bank instruments, provident funds, insurance policy and bullion. No significant impact of age was observed on decisions to invest in post office instruments, company securities new instruments, real estate and other securities.
- Education has a significant impact decisions to invest in bank instruments, post office instruments, provident funds, insurance policy and new instruments. No significant impact of education was observed on decisions to invest in company securities, bullion, real estate and other securities.
- Occupation has a significant impact on decisions to invest in bank instruments, Post office Instruments, Provident Fund, Company securities, Insurance policy, Bullion, New instruments and Real estate. No significant impact of occupation was observed on decisions to invest in other instruments.

6. Family Type has a significant impact on decisions to invest in Bank instruments and bullion. No significant impact of Family Type was observed on decisions to invest in Post office Instruments, Provident Fund, Company securities, Insurance policy, New Instruments, Real Estate and Other Instruments.
7. Residence Type has a significant impact on decisions to invest in Bank Instruments, Provident Fund, Bullion and Real Estate. No significant impact of Residence Type was observed on decisions to invest in Post office Instruments, Company securities, Insurance policy, New Instruments, Other Instruments.

Hypothesis 2: There is no significant influence of the aspects considered on the choice of investment option

**The following are the findings of the study regarding the aspects considered:**

1. Safety as an aspect has a significant impact on decisions to invest in Bank Instruments and provident fund. No significant impact of Safety as an aspect was observed on decisions to invest in Post office Instruments, Company securities, Insurance policy, Bullion, New Instruments, Real estate and Other Instruments.
2. Returns as an aspect considered has a significant impact on decisions to invest in Bank Instruments. No significant impact of Returns as an aspect was observed on decisions to invest in Post office Instruments, Provident Fund, Company securities, Insurance policy, Bullion, New Instruments, Real estate and Other Instruments.
3. Advice of agent has a significant impact on decisions to invest in Provident Fund, Insurance policy and New Instruments. No significant impact of advice of agent was observed on decisions to invest in Bank Instruments, Post office Instruments, Company securities, Bullion, Real estate and Other Instruments.
4. Advice of family and friends has a significant impact on decisions to invest in Bank Instruments and Insurance policy. No significant impact of advice of family and friends was observed on decisions to invest in Post office Instruments, Provident Fund, Company securities, Bullion, New Instruments, Real estate and Other Instruments.

## CONCLUSIONS

One of the major decisions that are taken by the households is the investment option that they choose. The present study was undertaken with the purpose of finding out which are the aspects that the investors consider and how they influenced the choice of investment instrument.

The first objective of the study was to determine the various aspects considered by the investors before taking investment decisions. Here four aspects have been included for the purpose of the study which are considered by the before undertaking investment namely safety, returns, advice of agent and advice of family and friends.

The second objective of the study was to know the influence of the demographic factors on the choice of the investment option. It was found that the area and occupation has a major influence of the choice of the investment option, followed by district and education. Age and residence type significantly influenced only the decisions of investing in Bank Instruments, Provident fund and Bullion. Age also influenced the decision to invest in insurance while residence type also had a significant influence on the decision to invest in real estate. Family type had the least influence on the choice of investment instrument.

The third objective of the study was to study the influence of aspect considered on the choice of investment instrument. It was observed that the advice of agent had a major influence in the choice of investment instrument followed by safety and advice of family and friends. The least influential aspect was returns that the investment options generate.

This study was undertaken with the purpose to identify the aspects that households consider while undertaking investment. Area and occupation are the major demographic followed by district and education which influenced the choice of investment option. Further, it was observed that while choosing the investment option, the households relied on the advice of the agent followed by safety of the particular investment instrument.

## LIMITATIONS OF THE STUDY

1. The limitations of the primary data collection are present in this study.
2. This study is confined only to selected districts of North Gujarat.

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## THE ROLE OF SFCs IN THE INDUSTRIAL GROWTH OF THE STATES WITH SPECIAL REFERENCE OF DELHI FINANCIAL CORPORATION

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### ABSTRACT

*In any of the developing and/or developed country, financing and industrial growth/development are one of the most important segment which are overall responsible for the growth of the country and its states and so on closely inter-linked, as without adequate financing, organizations are not in position to take a single decision with pragmatic approach. Financial needs are main source for every developing activity of the organization and as such require on every step. In India, there are various financial institutions at nation and state level to provide financial assistance to the different category Industries and for their different financial needs. State Financial Corporations (SFCs) are state level financial institutions established under State Financial Corporation Act, 1951 and their activities are confined within the territory of the state. SFCs mainly established to provide financial and other assistances to those Entrepreneurs/organizations, which falls under the purview of SFCs, as it has salient features, different to the other financial institutions. The main object of SFCs are to provide assistance to micro, small and medium enterprises (MSMEs) and not to large scale industries, as it falls out of the purview of financing these segment of entrepreneurs. At present, there are 18 State Financial Corporations (SFCs), in India and they are playing very pivotal and active role for the industrial growth/development of the state. SFCs offer various types of financial assistance under its different schemes, so that each and every organization can have financial assistance, as per their specific needs and requirements. SFCs provide loan to Prop/Partnership firms, Private Limited/ Public Limited companies/Co-operative Societies and Trusts.*

### KEYWORDS

SFCs, industrial growth/development, MSMEs, finance, and financial schemes.

### INTRODUCTION

To provide medium and long-term credit to industrial units, Industrial financial Corporation of India (IFCI) was set up under the Industrial Finance Corporation Act, 1948. The object was mainly to provide the credit to those undertakings, which fall outside the normal banking activity. The state governments also expressed their desire to set up similar corporations in the state to supplement/replace the activities of the industrial financial corporation. The main objective of state governments are to provide financial assistance to small and medium scale industries within the state but outside the activities of central financial corporation. The State Financial Corporation Bill passed by the both houses of parliament, received the concurrence of the President on 31st October, 1951. It came on the statute book as "The State Financial Corporation Act, 1951." The State Financial Corporation Act, 1951 empowered the each state and union territory to establish state financial corporation with a view to provide financial assistance to small and medium scale industries. The area of operation of each state financial corporation (SFC) is within the state in which it has been established, but in some exceptional cases, the activities may be extended to neighboring states or union territory, if there are no state financial corporation in the state. For example, Maharashtra State Financial Corporation's activities extended to Goa, Daman & Diu). Similarly, Delhi Financial Corporation, on re-organization of erstwhile Punjab Financial Corporation (PFC), which was divided into four SFCs in 1967, was established. Though Punjab Financial Corporation also has its own office in Chandigarh. SFCs provide loan to Prop/Partnership firms, Private Limited/ Public Limited companies/Co-operative Societies and Trusts. But loan given is to maximum up to 20 years. Besides providing the loan to small and medium scale organization SFCs also engaged in the various activities to assist the entrepreneurs to undertake the programme of diversification, expansion, modernization etc. currently it also offering various facilities like a) Consultancy, b) Merchant Banking, c) Equipment Leasing, d) Debenture trust ship etc. It acts as an agent of state government, central government, SIDBI and any other financial institution if it becomes necessary. At present, there are 18 State Financial Corporations in India. Out of these 17 were set up under State Financial Corporations Act (SFCs), 1951. The Tamil Nadu Industrial Investment Corporation Ltd established in 1949 under the companies act as Madras Industrial Investment Corporation, also functions as SFCs. Industrial development and SFCs are very close to each other and SFCs are playing an important role for overall industrial development of the state and country as well.

### LITERATURE REVIEW

Few literatures in relation to industrial growth/development and finance are reviewed, which are as under:

Upadhyaya.K.K (1980) in his study explains the sources of finance for small scale, medium scale and also Large-scale enterprises. Study also provides financial spectrum for industrial sector as a whole. PATEL.G. S (1996) in his doctoral thesis emphasizes the progress made by the commercial banks in the various components of the priority sector lending i.e. agriculture, small scale industries and other priority sector advances comprised of rural artisans, transport operators, education etc. Desai, Vasanta (2000) in his study explains financial inadequacy is one of the most important causes, leading to sickness of small-scale units. He also mentioned that bank should provide expertise in guiding small entrepreneurs in their financial management problems and offer preventive assistance to them in case where sickness is anticipated. Raje, Vasandhara (2000) Reported that credit is an essential input for the working of small-scale sectors. Delay or inadequate supply of credit seriously affects growth of small-scale sectors. Therefore, timely and adequate availability of credit is crucial for setting up and expansion of existing SSI units. Uma, S (2001) in her doctoral thesis assess the extent and purpose of credit channeled to priority sector and specially to small scale industries and she also assess the prospects of priority sector lending in the light of the new economic policy. H.S. Parekh (2004), in his study examine the role of financial institutions and state agencies in extending credit to small scale units and pin points their attitude of indifference in catering to the needs of the tiny units. He was the view that financial assistance has to attain their lending policies in consonance with the need of the small sector in general and smaller among the small-scale units in particular. Srinivas. Y (2005) in his study explains without adequate bank finance, SMEs cannot acquire or absorb new technologies or can they expand to compete in global markets or even strike business linkages with larger firms. At the same time, banks cannot consider the financing of SMEs as a viable option unless their priorities are addressed by SMEs. SMEs should be assisted largely by public initiatives involving participation of the banking industry. Basu.S.K (2007) tries to analyses the role and problems of small-scale industries. He emphasizes their importance in the economic development and their financial problems and also the role of state financial corporation in helping them. Inigo, R.M (2008) in his research work reveals the various role-played by the Bank to financing the small-scale industries in Sivnaganga district of Tamilnadu. Pooja (2009) in her study explain inadequate and delayed supply of credit continues to be the main problem faced by the small and medium enterprises. The problem is more acute in case of micro enterprises. A study conducted by Chakrabarty. K. C. (2010) States that with increasing competition, introduction of new products and stringent regulatory environment, the role of banks needs to change from mere lenders to partners in business. There is a need for greater participation of banks in the affairs of their constituents by convergence of credit services and non-credit services. The banks should not only provide differentiated products for MSMEs, but also provide counseling & guidance to new and established businesses, extending marketing support etc. Similarly, the Government and other institutions entrusted with development of the MSMEs sector need to focus providing an enabling environment, infrastructure and forward & backward linkages so that the credit function being discharged by the banks is adequately supplemented by their non-credit functions.



**OBJECTIVES OF STUDY**

The objective of study is to find out the role played by state financial corporations in the industrial growth of states with special reference of Delhi Financial Corporation.

**DATABASE AND RESEARCH METHODOLOGY**

Data are mostly collected through desk research of online resources, research papers, conference documents and other publications. Data from various annual reports of Delhi Financial Corporation and from Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 also has been utilised. Data from various State Financial Corporations have been also used. The data have been compiled from three types of sources: published documents and reports, the World Wide Web and statistical agencies. All data sources are listed at the end of this note and Web links are provided wherever possible. Simple statistical tools have been used for analyzing data.

**STATE FINANCIAL CORPORATION AND INDUSTRY**

At present, there are 18 State Financial Corporations (SFCs) in India and they are very actively playing various roles for industrial growth/development of the country and states as well. More or less every state have its own state financial corporation for the development of state industries. Beside the above, the following state's State Industrial Development Corporation (SIDCs) also act as a State Financial Corporation (SFCs) for providing assistance to small and medium scale enterprises and act as a promotional agencies for this sector. The name of state and union territory where these SIDCs are working as a SFCs are: Andaman & Nicobar, Arunachal Pradesh, Daman & Diu and Dadra & Nagar Haveli, Goa, Manipur, Maghalaya, Mizoram, Nagaland, Tripura, Pondicherry, and Sikkim.

**THE FOLLOWING MAIN FUNCTIONS ARE PERFORMED BY SFCs FOR INDUSTRIAL GROWTH/DEVELOPMENT IN THE STATES**

- Loans and advances: SFCs Grants loans and/or advances to industrial concern for its commercial activities, including commercial vehicles, repayable within a period not exceeding twenty years.
- Guarantee Providing: SFCs provide guarantee for loans raised by industrial units from commercial banks and state cooperative banks and also for deferred payments in cases where industrial units have purchased capital goods on a deferred payment basis or for taking any other loans.
- Underwriting of securities: For properly financial assistance, it underwrites the shares, bonds and debentures of industrial concerns.
- Subscription of securities: It also subscribes shares, bonds and debentures of industrial concerns for providing long-term finance.
- Different types of loan with matching the industrial needs: SFC's provide different types of loans and it includes loans to industrial units for the purchase of different fixed assets (Land, Building and Machinery). In some exceptional cases, SFC's also provide loans for working capital requirements in addition with loans for fixed capital.
- Providing assistance of foreign currencies: SFC's provide loans in foreign currency for the import of machinery and technical know-how, under the IDA (International development association) and World Bank tie up if the industrial unit so needed. But SFC's are prohibited from subscribing directly to the shares or stock of any company having limited liability.

Beside these, SFCs also play various functions as per the needs of industrial units with a view to overall industrial growth/development of the state.

**FINANCIAL ASSISTANCE TO INDUSTRIAL UNITS**

The SFCs are engaged in the industrial growth/development of the country by providing different types of financial and non-financial assistances to industries. The share of different categories of Institutions in the development of Financing Disbursements from 2003-04, has been shown in Table No.1 and share of Government and RBI in total liabilities of different DFIs in percentage is shown in Table No.2. The share of different categories of Institutions clearly indicates that SIDBI/SFCs/SIDCs are playing an active role for the industrial growth/development of the state and country as well.

**TABLE NO. 1: SHARES OF DIFFERENT CATEGORIES OF INSTITUTIONS IN DEVELOPMENT FINANCING DISBURSALS**

Year	All India FIs	SIDBI/SFCs/ SIDCs	Special purpose	Venture	Investments	Total
2003-2004	17.4	17.05	7.6	1.2	56.3	100.00
2004-2005	29.02	28.8	0.3	0.0	41.7	100.00
2005-2006	0.9	43.0	0.4	0.0	55.7	100.00
2006-2007	1.4	26.5	0.3	0.0	71.8	100.00
2007-2008	5.0	32.8	0.4	0.0	61.8	100.00
2008-2009	3.5	30.0	0.3	0.0	66.1	100.00
2009-2010	6.6	34.7	0.3	0.0	58.4	100.00
2010-2011	9.6	44.2	0.4	0.1	45.7	100.00
2011-2012	5.7	41.7	0.6	0.3	51.8	100.00
2012-2013	1.7	45.5	0.4	0.3	52.1	100.00

Source: RBI (2013), Table 83

**TABLE NO. 2: SHARE OF GOVERNMENT AND RBI IN TOTAL LIABILITIES OF DIFFERENT DFIs (Percentage)**

Share of Government and RBI in Total liabilities of different DFIs (Percentage)				
Name of the Institutions	1965	1971	1975	1980
IFCI	36.75	40.84	25.20	6.00
ICICI	42.65	20.81	8.75	1.12
IDBI	82.08	80.57	71.75	47.61
IRCI			43.48	49.43
SFCs	14.63	22.09	28.78	37.54

Source: RBI quoted in Kumar (2013)

**DELHI FINANCIAL CORPORATION (DFC)**

Delhi Financial Corporation (DFC) was established in April 1967 under State Financial Corporation's Act 1951 on re-organization of erstwhile Punjab Financial Corporation (PFC), which was divided into four SFCs in 1967 i.e. Delhi Financial Corporation (For NCT of Delhi & UT of Chandigarh), Punjab Financial Corporation (For Punjab), Haryana Financial Corporation (For Haryana) and Himachal Pradesh Financial Corporation (For Himachal Pradesh). The main objective of the Corporation is financing of loans for establishing and running micro, small and medium scale industries' service sector industries commercial/ transport sector in NCT of Delhi and UT of Chandigarh. DFC has been playing vital role in promotion and development of MSMEs and service sector. The Corporation extends financial assistance for Restaurants/ Hotels, Amusement parks & other tourism related activities, Construction of Commercial complexes/ multiplexes, Hospitals/ Nursing homes/ Clinics/ Diagnostic centres, commercial vehicles etc. as specified under SFC's Act, 1951 or any other activity approved by SIDBI/State Govt. The Corporation can extend financial assistance upto Rs. 10.00 crore for companies & co-operative societies and Rs. 4.00 crore to Proprietorship and Partnership firm. However, the limit of assistance can be doubled with the prior approval of the Small Industrial Development Bank of India. It allows longer repayment period as compared to other financial institutions.

TABLE NO. 3: FINANCIAL STATUS OF DFC

FINANCIAL STATUS (Rs. in lacs)							
	2010-2011	2011 - 2012	2012 - 2013	2013- 2014	2014-2015	2015-2016	
Paid-up Capital	2611.75	2617.75	2623.75	2629.75	2635.75	2641.75	
Reserves	4541.08	4624.95	4699.21	4679.90	4499.25	4778.75	
Borrowing	8118.51	11935.67	9008.91	5698.83	5133.33	4699.99	
Gross Sanctions (Cumulative)	132968.64	138016.77	138994.11	139713.63	145785.89	142032.78	
Net Effective Sanctions (Cumulative)	91983.63	94084.48	94666.40	94523.25	100284.71	96697.19	
Disbursement (Cumulative)	78050.37	84094.07	84976.37	85641.58	86555.92	90578.10	
Loans Outstanding	14732.19	18234.42	16216.11	13481.95	11050.98	11955.21	
Gross Income	1468.34	2351.79	2230.75	1898.88	1699.85	1925.84	
Profit before Tax	239.52	430.30	302.65	920.09	123.66	429.52	

PERFORMANCE FOR LAST 6 YEARS AT A GLANCE (Rs. in Crore)							
Sanction	125.97	50.48	97.73	71.95	607.22	231.91	
Disbursement	86.55	60.44	88.30	66.52	91.43	493.65	
Recovery	37.90	46.47	492.22	507.85	437.04	524.02	

TABLE NO 4: APPLICABLE INTEREST RATE AT DIFFERENT YEARS \*

Sl.No.	Category	Refinance rate w.e.f. 08.09.2003	Gross rate w.e.f 08.09.2003	Effective rate on prompt payment	Intt. Rate effective from 01.04.2004	Intt. Rate effective from 05.04.2007	Intt. Rate effective from 05.04.2007
1	For loans upto Rs.50,000/-	8.25%	11.25%	10.75%	9.50%	10.50%	11.5%
2	For loans above Rs.0.50 lakhs and upto Rs.2.00 lakhs	8.75%	11.75%	11.25%	10.00%	11%	12.5%
3	For loans above Rs.2.00 lakh and upto Rs.25.00 lakhs	9.75%	12.75% for those meeting rating parameters and 13.25% for new Units and others	12.25% for those meeting rating parameters and 12.75 % for new Units and others	11.00%	12%	12.5% (In all loan cases above Rs.2.00 lakhs)
4	For loans above Rs.25.00 lakhs and upto Rs.100.00 lakhs	10.25%	13.25% for those meeting rating parameters and 13.75% for new Units and others	12.75% for those meeting rating parameters and 13.25% for new Units and others	1)10.50% (loan above Rs.25 lakhs and upto Rs.50.lakhs) 2)10.25% (loan above Rs.50 lakhs and upto Rs.100 lakhs)	1)11.50% or above as per risk perception (loan above Rs.25 lakhs and upto Rs.50.lakhs) 2)11.25% (loan above Rs.50 lakhs and upto Rs.100 lakhs)	
5	For loans above Rs.100.00 lakhs	--	13.00% for those meeting rating parameters and 13.50% for new Units and others	12.50% for those meeting rating parameters and 13.00% for new Units and others	10% or above as per risk perception	11% or above as per risk perception	
6	For loans under scheme for TDMF and ISO-9000 schemes: i)Loans upto Rs.50,000/- ii)For loan above Rs.50,000/- to Rs.2.00 lakhs iii)For loans above Rs.2.00 lakhs	i)8.25% ii)8.75% iii)9.50%	i)11.25% ii)11.50% iii)11.50%	i)10.75% ii)10.75% iii)11.00%	i)9.25% ii)10% iii)0.50%	i)10.25% ii)11% iii)11.50%	

\*Conditions apply

The interest rate from 01.08.2008 and till June,2017 has been between 12% to 13.5% per annum with rebate of 0.75% was applicable to the borrowers, who have been rated amongst the top three credit rating given by CRISIL/ICRA/SMERA/CARE/TITTC and the credit rating given by the agency is valid on the date of receipt of loan application. Besides this, the rebate was also accorded to the existing Borrowers of the Corporation, who have been standard assets during the last three years (for cases covered under transport and assets-based financing schemes). In addition to this, rebate has also been accorded to the past clients of the Corporation, whose loan remained standard during the tenure of loan (for cases covered under transport and assets based financing scheme).

The reason of change of rate of interest in the Corporation has been due to change of interest in the refinance availed by the SIDBI and other lending agencies.



TABLE NO. 5: BUSINESS OPERATION (Rs. in lakhs)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Sanction	5048.13	977.34	719.52	6072.26	2319.15
Disbursement	6043.70	882.30	665.21	914.34	4936.52
Recovery	4647.00	4922.23	5078.57	4370.48	5240.21
O/s.Loans and Advances	18262.63	16216.11	12628.81	10217.54	11291.80
Reserves	4624.93	4699.20	4679.90	4499.24	4778.75

The above table gives the comparative picture of the performance of the DFC in all the key areas of Sanction, Disbursement and Recoveries over the past five years. The fluctuation in Sanction and disbursement in the DFC, has been due to various constraints, the Corporation has to face. Delhi being facing of limitation of space for expending of industrial area and more concerned with improvement of environment of the state were few major hurdles, where legged behind the Corporation from the Sanction and Disbursement in few years. Due to augmentation of various schemes of GNCT of Delhi, in which various industries, which were responsible for creating hazardous outflow in the residential areas, as per the orders of the NGT, were relocated in the Industrial area and accordingly few Industrial area were developed and new plots were allotted to them, in Bawana Part-I, Part-II, Narela, Sanjay Gandhi Transport Nagar, PVC Market, Issue of New Permit to TSRs/E-Rickshaw, replacement of Buses with CNG, allotment of shops by Delhi Agriculture Marketing Board etc. The Corporation grabbed business due to its salient features of loan scheme and found lucrative by its customer, comparative to the other lending institutions. The State Financial Corporations, having the main work to finance and providing consultation to house hold, small and medium entrepreneurs, have capacity to expend leaps and bounds, subject to continuation of various schemes by the state governments and time to time providing of financial package for bailing out to few of the sick SFCs.

## CONCLUSION

The Industrial growth/development and State Financial Corporations are very close to each other; SFCs, by and large, in the industry are playing a very important and vital role for country's overall industrial growth/development. In the changing scenario SFCs also changed their policies, various loans schemes with commensurate to the existing fund requirement of various entrepreneurs. All 18 State Financial Corporations are very energetic and aware about industrial needs, though their loan sanction/disbursement amount gradually decreasing year by year. This is mainly due to high NPA and competition with other financial institutions but overall it can clearly say that they are very aware about industrial needs and their roles also easily understandable by seeing their loan sanctions and disbursement patterns and various schemes for industries. Even this has also been noted that SIDBI, which at present is the main source of making available fund to all SFCs for further distribution of loans to various stake holders, puts restrictions for making available to certain categories entrepreneurs. SFCs are no longer free to make available loan to all the borrowers and/or to the borrowers, to those SFCs think may be given loans. DFC one of the leading financial corporation in India is very active to provide various types of financial assistances to state industries. It also specially give attentions to MSMEs sectors and there are various attractive schemes for MSMEs sectors. The performance level of DFC is growing and far better amongst overall SFCs. During last 57 years DFC is playing an active role for growth/development of various type of industries.

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