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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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A STUDY TOWARDS CUSTOMER LOYALTY IN LIFE INSURANCE

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ABSTRACT

Building customer loyalty is important as it often lead to more business because; loyal customers tend to make more than a single transaction. Loyal customers will spend more as they already trust the brand. Customer loyalty helps business to improve brand image. As brand has already won trust of loyal customers, they are more likely to share positive experience than a new customer. This eventually helps a brand to retain more customers and improve customer loyalty as well as brand loyalty. As life insurance is a complex business and contract for long term, the behavior of customer becomes critical for all insurers to understand. In this orientation, the study emphasizes the ways toward building and strengthening customer loyalty in life insurance.

KEYWORDS

customer loyalty, insurance, services, service quality, agents, employees.

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INTRODUCTION

Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of experience, which includes the product or services. Customer loyalty can be said to have occurred if people choose to use a particular shop or buy one particular product, rather than use other shops or buy products made by other companies. Customers exhibit customer loyalty when they consistently purchase a certain product or brand, purchase insurance policy from same company or endorse to others over an extended period of time. Likelihood of previous customers to continue to buy from a specific organization is their loyalty. Great attention is given to marketing and customer service to retain current customers by increasing their customer loyalty. Organizations employ loyalty programs, which reward customers for repeat business. Customer loyalty is a measure of how likely customers are to do repeat business with same company. Different industries have various ways of measuring loyalty, but the most basic way is to look at the number of purchases over a customer's lifetime in company's database. Repeat buyers are most valuable customers. Though they may not be big purchasers, it is likely that over time, the revenue from them will top revenue from big one-time buyers. In fact only 5% improvement in customer retention rates yields between 25% to 100% increase in profits across industries. Happy customers spend more money, more often. There are tons of other benefits to having a loyal customers as well- free advertising by word-of-mouth, positive online reviews, free endorsement. One must look for a reciprocal customer loyalty: a premium relationship benefitting both the brand and the customer.

The relationship between the insurer and customer cannot be made permanent forever, neither by the seller nor by the customer. Either of them may become the reason for their break-up. Moreover, such a situation differs from the nature of business of the seller. It depends as to whether it is a market of products or service or as to whether it is a market of tangible or intangible products or services. We will narrow down our issue of the scope for customer loyalty to an intangible service product – the life insurance service market.

OBJECTIVES

The present study focused on the following objective.

1. To know the type and nature of customers in life insurance market.
2. To assess the significance of customer loyalty and ways to build, and strengthen customer loyalty for a brand, specifically in life insurance.

RESEARCH METHODOLOGY

Studying of literature on life insurance market, structure of life insurance distribution system, service standards and quality, relationship of service quality and customer satisfaction, customer loyalty to various brands, customer loyalty in life insurance, customer relationship management was the first step. Then study of nature of business of the seller; product or service, tangible or intangible was given the priority. The nature, role and significance of external customer like policy-holder, internal customer like employees and dual customers like agents were detailed. The reasons for customer dissatisfaction were analyzed. Various ways to build, grow and strengthen customer loyalty to different brand and life insurance sector operating in the market for company's survival, branding and growth are clearly discussed.

LIFE INSURANCE SERVICE

The nature of life insurance business differs in many ways- even among its genre of the financial service product business. The life insurance sellers sell comparatively longer-term service products. The customers have to wait longer periods of time to reap the benefits of his purchase. Life insurers sell words or promises to be fulfilled at very distant future points of time. Whereas many of the competitors offer mostly short-term financial service product garbed in more tangible promises than the long term insurance promises. A financial service product normally gives rise to the needs either for the customer or the service seller to come into mutual contracts for favor of some service or for any official or administrative purpose. Such times of needs for contacts between the seller and the customer- especially in insurance business – are called the service points during the term of the service product. In practice, these service points are of more importance in life insurance transactions than the point of sales of the transactions or the points of fulfilling the promise made under the transactions. It is so because of the tangible evidence that a customer can gain at these service points about the seller's credibility and the veracity of his promise. A prudent insurer should take advantage of these service points to prove his credibility to his customers. Another aspect is that as the term of life insurance service product is usually very long, it is both important and difficult to hold the customer loyalty to the seller over so a long a term of the service.

CUSTOMER LOYALTY

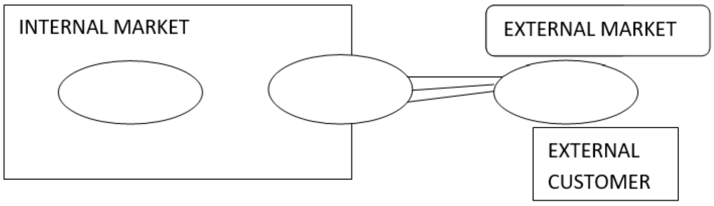
Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude toward an entity (brand/service/store/vendor) and repeat patronage behavior. The relationship is seen as mediated by social norms and situational factors. Cognitive, affective antecedents of relative attitude are identified as contributing to loyalty, along with motivational, perceptual and behavioral consequences. Implications for research and for the management of loyalty are derived. (Dick and Basu, 1994). So according to researchers, there are two distinct indicators for a customer's loyalty; relative attitude and patronage behavior. Relative attitude of a customer toward a product or service is the attitudinal preference of the customer to that particular product or service in relation to his preferences to similar other products and services available to him in the market. Patronage behavior of a customer toward a product or service is his inclination and/ or likelihood of patronizing that particular product or service by repeat purchases or patronizing it to others by word of mouth. In other words, a customer's loyalty to a product or service should reflect in his repeat purchases or word of mouth to others. This can happen only when the customer is totally pleased with the product or service which he purchased from an insurer and that too throughout its (the product or service) 'life'. It becomes more critical in the case of a service product – like a life insurance product – because the insurer has to keep his customer 'totally pleased' throughout the contact period stretching over some decades. Fortunately, an insurer gets several nuances – service points or contact points – created by either the customer or that can be created by him (the insurer) to please his customer fairly totally.

Normally a customer makes a contact with the seller/ insurer whenever he has a problem or need during the term of the service product. Any such 'problem a customer has with a service can be called "service failure". On such occasions, the customer expects that "all actions are taken by a service provider to try to resolve a customer's problem". The result of all such actions by the service provider is called the "service recovery". Further, "when customers encounter a service failure, they can either not complain, or complain and give the service provider an opportunity to rectify the problem. If they do not complain, they may remain with the provider, despite their dissatisfaction, or exit. If they do complain, they may also choose to stay or leave, and this is influenced by how the situation is handled by the service provider (i.e. the service recovery). Service recovery includes all actions taken by a service provider to try to resolve a customer's problem". Or rather, before a customer realizes that he has a "service failure", an insurance service provider must be proactive and be able to reach his customer and try to make it a point to create occasions and times to come into contact with his customers and maintain the required nuances of credibility. These activities will also lessen the burden of the long-term nature of his service product. Otherwise, any deficiency in the contact or a service failure may dissatisfy the customer and turn off the customer permanently or temporarily. Both ways, his (the customer's) faith in the service provider and his loyalty to the service provider get jeopardized and questionable.

Traditionally, life insurance business is sought by the provider through certain links called – agents – who are more known to the customers. This system of selling life insurance has developed in the market for several reasons and one reason being that the client is known more to the agent rather than to the insurer. The process, in simple terms, is that the agent appointed by the insurer to sell life insurance product on his behalf – the actual seller of the insurance product – approaches the customer, sells the product and hands over the proposal papers of the customer for further processing and issuance of the insurance of the insurance contract in the shape of a "policy document". This insurance product is further "serviced" by the employees of the insurer as and when required by the customer or otherwise – throughout the term of the insurance service product.

Thus, there are two separate sets of people who support the total business activities of a life insurer. These two sets of people work in the processes of the life insurer either severally or jointly – as supplementary or complementary work force. In other words, sales and service are done by two sets of appointed persons in the life insurance market domain.

CHART 1



There are two distinct market areas – the external market and the internal market, and the service provider has to necessarily deal effectively with both the external marketing and the internal marketing. The two consequential types of customers are the internal customers – the employees – and the external customers – the buyers of the service products (the policyholders).

Employees are visualized as customers. "A customer is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration". In the light of above definition, we may treat an employee as a customer to his employer if the former is considered as having purchased his livelihood – job – by selling his labor, skill and time to his employer. Berry (1981) described the same concept as: " viewing employees as internal customers, viewing jobs as internal product that satisfy the needs and wants of these internal customers while addressing the objectives of the organization". Normally employees enter into a service contracts and promise to perform their primary duty to take care of and 'serve' the customers of his employer – especially at the times of service failures and offer timely service recoveries. There are several ways in which the customers react to service failures. Some complain and wait for the reaction from the seller. Some complain and do not wait but leave. Some neither complain nor wait and just leave.

So service recovery actions on all situations become extremely crucial to the service providers to keep the customers with them and not to decide, "to leave". Many times, customers – especially service products customers – resent the attitudes of their sellers more on personal and psychological bearings. If companies know why customers leave, it's much easier to win them back. We can find examples of such bearings below. Ted Barrows, a sales consultant and Trainer, gives the reason for which the customer chooses to leave their service providers:

1. They feel you are taking them for granted. You didn't work at making them feel "special".
2. They get the idea that the only time you show interest in them is when you want an order.
3. They feel you come to their door only when you have something you want them to buy.
4. They feel you spend too much time and lavish too much attention on prospects.
5. They feel you are only interested in them when they are placing orders.
6. They feel you do a poor job communicating with them.
7. They feel you are only interested in "big accounts".
8. They are pleased with the way you treated them at the beginning, but they noticed the difference once they became customers.
9. They are dissatisfied with the product, delivery, installation, service or price.
10. There are changes within your company the customer doesn't like.

It is interesting to notice that many of the above reasons for a customer to resent and feel "omitted" by the insurance service provider are true when the employees and sales force of the service provider including the agents are seen as "omitting" their customers. Getting feedback from defectors is important because of the unique insights it provides. The former customers know the areas in which company need to improve to improve to get their business back. So whenever one loses a customer, following questions are to be asked: what did the customer like? What didn't the customer like? Why did the customer stop doing business with the company/ representative? What suggestions does the customer have to help company/representatives get him or her back?

How do these agents fit into the insurance service market? As "agents", they represent the insurance service providers – by appointment. They are the 'primary' sellers of the insurance service and to the customers they are the 'insurance service providers'. Thus, the agents are treated by the customers as parts of the internal mechanism or internal marketing part of the insurance providers. But in reality the agents are not like the internal employees of the insurance service providers and they are outside their internal market and act from the external market of the insurer only. But still the customers expect and approach their agents for all their 'after-sales needs, though these services are attended by the employees of the insurer. As shown, in the diagram above these service recoveries are passed on to the customers through the agents; sometimes of course the employees serve the customers directly, as shown in the diagram. That is why an insurer is different from his competitors in that he can use this agency forces to his advantage in securing the customer loyalty - keeping the customer totally pleased, may be by trying to avoid at least the ten mistakes mentioned above by Ted Barrows.

It can be judged here that the agents - the sales persons in the life insurance market - take a dual role, especially in Indian market conditions. As a result, the agents become dual customers to the insurers - as internal customers like their regular employees and as external customers like their customers. This is the peculiarity of the life insurance domain. It has to deal with the duty of satisfying three types of "customers" - the external customers (the buyers of life insurance service), the internal customers (the employees of the insurer who cater the services of the buyers of insurance service) and the dual customers (the sales persons who sell the insurance service to the public).

Any service failure to any of the three types of the above customers may turn away the external customer. They may leave the service provider. Therefore, the life insurance service provider should be on constant vigil and arrange for the required service recoveries so that the customer does not desert him. He should especially take care of training the dual customers so that they do not commit any of the above-mentioned ten service failures, mentioned by Ted Barrows. This is so because the dual customers of the insurer - the agent - are the proximate and primary seller and service provider in the eyes of buyers of life insurance service. The buyer will naturally look up to the seller only and the buyer's loyalty will depend upon the seller's loyalty to him.

Consumer behavior is complex. Marketing begins with the question, "what does the customer want?" It is necessary to know why and how he buys, his motivations. Several new concepts like social stratification, reference groups, role orientation, culture, opinion leadership, etc., are used to understand and explain buyer behavior. In the buying process or otherwise in retention, he has to become aware of the need to be satisfied, he must want to satisfy that need, he will search for alternatives that will satisfy the wants, he will gather data on the alternatives available and compare the data and he will evaluate the alternatives on the basis of such comparisons. This would be the rational process of making a buying decision. Rational processes are easy to understand and respond to. But, in reality, the factors involved are not amenable to rational analysis.

Successful companies spend time with their customers beyond the initial purchasing transactions, providing value and building engagement and alignment. They continue to learn what their customers need after closing the initial sale.

What customers appreciate? Customers appreciate knowing that you expect to be held accountable for their success after the sale is complete. It provides them with a sense of reduced risk, the inability or willingness of sales people to do business, the way their customers want to do can jeopardize long-term relationships. Customers buy in large part because of their relationship with their suppliers. So it is a good idea for sales people to become students of their customers. Successful sales people use the "Engage-Win-Grow" sales approach to get closer to their customers and continue a positive relationship. To win more sales, they want to occupy space in their customers' minds. Here are some strategies that will win the battle for customers mind share;

- Research the organization: What significant thing is going on with the customer? What companies are its rivals in the market place? Who makes purchasing decisions? Research should clarify what matters most to them. You have to give customers reasons to do business with you.
- Visualize success: Help the customer visualize future success and discuss how to make that vision a reality. The vision for a brighter future that you present should include how you and your products and services will continue to add genuine value for the customers.
- Elevate the conversations: Focus on what the customer cares about (his/her business or life or future) and not on what you care about (the sale). Route the conversation to what your customer wants to accomplish, why it matters to him/her and how you can help the person achieve this goal. Prioritize the customer's target - the needs he/she wants to fulfill – not your targets.
- Differentiate value: Your value represents more than product features and benefits. It should fulfill the customer's goals and be sustainable over time. Try to break down the elements of your products or service's unique value. You are unique if no other product or service delivers the same impact as your product or service.
- Grow the sale: In the grow phase you drive success after the sale by developing the strongest possible relationship with your customers and extending your success to new opportunities. Did purchasing your product or services result in your customer achieving the goals you planned together before hand? Customers do not like sales people who vanish after the sale. They expect sales person to deliver the value they promise and to maintain a relationship past the initial sale.
- Expand the relationship: Summarize how your customer secured value by buying from you. Try to help your customer attain additional success overtime. Rely on the insights you develop through research and interactions to make your case.

Do you really expect your customer to respond favorably to you if you only show up when they are buying something? Relationship matters. Extend your Sales success by going beyond the traditional sales process by learning from top performer sales person and their new and innovative approaches for engaging more effectively with customers, developing and winning new opportunities and growing and sustaining customer relationships. Give customers new and powerful reasons to engage with you by exploring possibilities, vision success and facilitating collaborative discussions with customers in the "pre-opportunity" phase. Align customers, and position and differentiate your unique value. Build trust based relationships with buying and decision teams that establish an unshakable foundation for mutual value creation and develop customer specific messaging that aligns your solutions and value with your customer's success. Drive success after the sale through value realization and relationship growth. Seize the momentum of the value created after your last sales and leverage that success to forge enduring and mutually beneficial relationships with those customers before your next opportunity. It's a cold hard reality: your customers typically spend less than 5% of their time engaged in buying of products and services from you. In order to continuously drive sales, it is imperative to engage with would- be buyers during the 95% of their time when they are not buying from you.

Excellence before, during and after the sale requires a long-term approach, which leads to continuity and creates trust and understanding. The role of service is being changed. Some sales people do a great job of selling until the prospect turns in to a customer. Then after the product or service is delivered, they drop out of the picture, moving on to close new sales. Here are four reasons, why sales people don't focus on after- sale- checkups.

1. They focus on the next prospects before finding out if the new customer is satisfied with their product or service.
2. They fear they might hear complaints during a follow up meeting with the customer about the service rendered.
3. They do not know enough about the product or service they sell/ have already sold, so may invite awkward situation.
4. They forget that every product or service may still require advice from the seller before it fulfills a customer's need.

Top sales people separate themselves from the ordinary by conducting after- sales- checkups, after delivery is made. They recognize that service excellence gives them a competitive edge over other sales professional or other companies. When good service is experienced by customers, they are much more likely to do business with the sales person or company again. Referrals and repeat business may increase when customer expectations for services are met. The first and vital rule is to stay in touch. Immediately after your first delivery is made, call to find out if the customer has any problems? Let your customers know that they can count on you to solve their problems even after the sale is made.

Good things happen, when you give customers an outstanding experience.

- 75% continue to spend more because of a history of great experience
- More than 80% are willing to pay more for the great experiences
- More than 50% who have and had great experiences are three times more likely to recommend your company to others.

That's the hardcore, research proven evidence that it pays to make sure customers get top-notch service. On a less quantifiable level, customer experience professionals agree that it's a pleasure to work with customers who are highly satisfied. Right words benefit everyone. Many of those mutual benefits are the result of good conversations that build better relationships. The right words from a customer experience professional at the right time can make all the difference. Here are the 17 relationship- building phrases and the best time to use them with customers.

At the beginning

Hello. What can I help you with today? # I will be happy to help you with…… # Nice to meet you… (Even on the phone, if you know it's the first – time you have talked, acknowledge it.)

In the middle

I understand why you…. feel this way/ want a resolution/ are frustrated (This confirms you understand their emotions too). # That's a good question. Let me find out for you. (Very effective when you don't have the answer at hand). # What can I do is … (This is especially good, when customers request something you can't do. # Are you able to wait for a moment while I ….? (This is perfect when the task will take a few minutes). # I would love to understand more about this. Please tell about … (Good for clarifying and showing interest in their needs.) # I can tell how much this means to you and I will make it a priority. (That's reassuring to any customer with concerns.)

At the end

I will send you an update when….. # Rest assured, this will/ I will / you will …… (let them know of the next steps you are certain will happen). # I really appreciate that you let us know about this. (Great for times when customers complain about something that affects them and others). # What else can I help you with? (This makes them feel comfortable bringing up something else). # I will personally get this taken care of and let you know when it's resolved. # It's always a pleasure working with you. # Please contact me directly at …… whenever you need something. I will be ready to help.

The concept of perceptions is very significant in understanding customer behavior. What one 'sees' is not what is there outside to be seen. One does not react to all the stimuli that he receives from the outside. As one goes along the road, one does not see all that there is to be seen. The stimuli are selected. Each person makes his selection differently. The stimuli from outside, as visuals or sound, interact with one's beliefs, values, needs etc. The meaning or significance of the stimuli emerges from that interaction. It is organized within one's mind, in terms of one's own logic, created by himself from his past. What one really sees or perceive is what one's mind interprets of the reality outside. One may not feel happy with the tone of the front office Assistant in office and may say he was rude, as if that rudeness was a fact. But it is not a fact, rather one's perception. Perception is a visual phenomenon. It is also a cognitive phenomenon, influencing one's observations and judgments. The perception may or may not be an accurate understanding of the reality. The extent, to which the reality differs from the perception, may be referred to as perceptual error. A number of factors cause perceptual errors. Some of them are role or status of other person, nature of occupation, physical features including dress, body language, incomplete reception of or/and attention to all available symbols and data, Stereo-typing, whereby one attribute positive or negative characteristics on the basis of generalized categorizations, Halo effect, Projection, the tendency to project one's feelings, motivations or characteristics on the other persons. Perceptions influence the nature of relationships between persons and towards organizations that such persons are deemed to be part of it. One like, dislike, suspect, trust, rely, avoid, admire, respect, etc., because of his perceptions of the other. Perception is a function not merely of the persons concerned, but also of situations or circumstances in which the events occurred. While making decisions, one's understanding of the situation, the costs and rewards, etc., are all influenced by perceptions. When one interprets a situation, the input into that process is one's belief system and critical assumptions along with information and data and the output includes cause-effect understandings and predictive judgments. Perception is not an explicit process. The reception, selection and evaluation of the many sensory stimuli may occur below the threshold of consciousness. The perceptual process, being internal to one, cannot be directly observed, but may be inferred from observable behavior. Even the factor of affordability, which should appear as an economic calculation, is a matter of perception. An insurance premium of Rs. 18000 per year would look to be less onerous when quoted as Rs. 50 per day. One of the tasks of the effective salesmen is to tackle the perceptions of the prospects. While handling objections from prospects, insurance agents are effectively trying to influence perceptions.

Another useful concept to understand consumer behavior is that of stroke. People want strokes. They want positive strokes, which may be in the form of compliment, appreciation, praise - reference to one's worth. Negative strokes like scolding, rebuke, criticism, denial, also have messages of recognition, but refer to one's lack of worth. Insurance personnel are in peculiar positions while dealing with people visiting their offices or making enquiries on the telephone. The extent of concern shown by the contents, manner and tone of the conversation, is as much contributory to the nature of stroke as the manner of handling the problem.

Dissonance occurs when the purchaser, after the purchase, starts getting doubts about the decision to buy. This may happen because of subsequent information that the alternatives had better values, observation of certain disquieting features that were not told to him earlier. Dissonance is more likely to happen when the item bought is highly priced or premium paid is high, the decision to buy did not consider all the information completely, the decision to buy was taken in a hurry, the purchase made is for a long term, and the benefits of the purchase are not easily visible. Insurance purchases are likely to create considerable dissonance, because (i) the benefits there from are not tangible, (ii) the benefits may not be seen for a longtime, (iii) the commitment is for a long term, (iv) there are alternatives which may appear to be more attractive in terms of immediate pleasures and (v) there are detractors who would be only too willing to discredit the advantages of insurance. Some more steps toward strengthening loyalty:

1. Knowing your customer and let them know you: Company representatives must remember customer's name and enable customer to know them. Sending "Happy Birthday" & other personalized Emails: Customers are more likely to be loyal if they feel valued; remembering their birthdays, kids' ages etc. Many retailers have implemented triggered email programs for sending birthday emails and discounts during a customer's birthday month. Sending a personalized announcement to your customers, giving them a heads-up before the news gets to media and even earlier, to collect honest feedback gives them WOW feelings.
2. Rewarding loyalty point or gift with preferably a card based loyalty program or thru punch card is a good way to maintain customers' regularity.
3. Making customer loyalty easier by storing customer data, using automation for utilization of data.
4. An easy way to build customer loyalty is to simply be the best out of there amongst others. Making your value proposition part of your brand like good return on policies, 100% maturity claim settlement before due date will work. No company is perfect, so a great alternative to being the best is showing your customers that you are constantly striving to improve.
5. Feedback from customers is very vital. Customer reviews go hand in hand with customer loyalty. Good reviews will drive prospects to your business, good service will convert prospects into customers, and satisfied customers will leave good reviews. But the first step in this chicken-and-egg cycle is better service quality.

CONCLUSION

Regardless of what the product or service is, customers feel happy when they experience recognition (positive strokes), courtesy, responsiveness, sensitivity, competence, reliability or credibility and ease of access. Recognition is more vital than any other factor. If this is provided, then several other defects in service will remain either unnoticed or excused. There can never be a perception of good service from a person who senses that he has been ignored. Recognition is explicit when the other person shows courtesy. Discourteous behavior shows lack of concern and thereby lack of recognition. Recognition means that the contact point accepts the customer as a valued person. Recognition is strong when there is willingness to help (responsiveness) and sensitivity (understanding) to the requirements of the customer. Responsiveness and sensitivity are two different things, but both are necessary for effective service. The competence of the person at the contact point has to be satisfying. When an incompetent person is deputed to deal with customers, the organizations, as a whole, is showing lack of recognition. Reliability or credibility is the same as trustworthiness. The person in contact must reinforce the trust that the service being bought will indeed be available, as promised, after purchase. The insurance agent who is available at the time of claim is adding to reliability. When one exaggerates the term of the offer, or hides some unpleasant facets, leaving it to the customer to discover them later, there is lack of reliability. Candour is the best way of attaining credibility. Ease of Access is another important factor. Locations, telephone connections, hours of operations, etc., make ease of access. Access becomes easier, as distances to travel become shorter, times taken become less, forms to be completed are reduced, steps in the procedure become less and the number of persons to meet becomes less. Ease of Access is the 'Place' in the Marketing Mix. While 'Hi-Tech' may have an increasing role, 'Hi-Touch' in the sense of the personal touch, will be vital. In this competitive global business environment, the customers' expectations are ever increasing; the insurers can meet the expectations only if they are responsive and sensitive to customers' issues. Thus, the insurers must understand the core responsibility of providing all round service to ensure customer loyalty.

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INDIA'S GDP TO GROW AT 7% IN 2018

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ABSTRACT
The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. The Indian economy is expected to expand at its slowest pace in the four years since the Narendra Modi government took office, as economic activity was hit by the twin blows of demonetization and implementation-related issues of the goods and services tax (GST). Despite the overall fiscal tightening, capital expenditure under the budget for fiscal year 2017/18 is about 25 per cent higher than that in the preceding budget. Moreover, we can saw upside risks to inflation, weak growth concerns have held them back. When both growth and inflation are likely to be significantly higher, but we believe, rates will be left unchanged through 2018 due to an ample real rate cushion.

KEYWORDS
GDP, demonetisation and GST systems, India's economic growth.

JEL CODE
O40

I. INTRODUCTION
India's challenge is favourable growth outlook could stem from continued uncertainties in the global environment, including rising global protectionism and a sharp slowdown in the Chinese economy, which could further delay a meaningful recovery of external demand. Referring to the external factor, exchange rate has appreciated, partly reflecting expectations of a narrowing inflation gap between India and the US and limited external vulnerabilities as the current account deficit is expected to remain below 2 per cent of the GDP and fully financed by FDI inflows.

Inflation is projected to reach 5.3-5.5 per cent in 2017 and 2018, which is somewhat above the official target of 4.5-5 per cent. A key downside risk for India was heightened financial sector risks related to the concentration of bad loans in public sector banks. The gross non-performing assets ratio in public sector banks reached almost 12 per cent in 2016, which points to the need for "bank recapitalisation".

The Reserve Bank in its fifth bi-monthly review of this fiscal kept repo rate unchanged at 6 % and reverse repo at 5.75%, while raising the inflation forecast for the remainder of 2017-18 to 4.3-4.7%. The economy had grown by 7.1% in fiscal year 2016-17 and 8% in 2015-16, due to a combination of weak investments and the impact of demonetisation.

II. RESEARCH METHODOLOGY
In the present study, secondary data has been used. Qualitative research methods were employed. Data was obtained by supporting documents from the internet, books and articles. In addition to this study, data have also been collected from various journals, economic and political weekly and the research is also based on the referred sources-published, unpublished and other sources of information.

III. NEED AND IMPORTANCE OF THE STUDY
India succeeded in becoming the second-fastest growing economy in the world in the last decade, but without including enough of its women. The forecast released by the Central Statistics Office (CSO) assumes that the economy is on a recovery path. The economy grew at 6% in the six months ended 30 September, indicating that it will accelerate to 7% in the second half ending 31 March, if the forecast is to come true.

IV. STATEMENT OF THE PROBLEM
The economy of India is a developing mixed economy. India is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity. The long-term growth prospective of the Indian economy is positive due to its young population, corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. The unexpected withdrawal of the two largest denomination currency notes in November 2016 and their subsequent replacement with new currency weighed down economic conditions in late 2016 and early 2017.

V. ANALYSIS AND INTERPRETATION
According to Maurice Obstfeld, IMF's economic counsellor and director of research, India and China are predictably headed for slower growth. The government has implemented a major change in the economic environment by demonetizing the high value currency notes- of Rs. 500 and Rs. 1000 denomination. These ceased to be legal tender from the midnight of 8th November 2016. People have been given up to December 30, 2016 to exchange the notes held by them. The proposal by the government involves the elimination of these intended that the cash in circulation would be substantially squeezed since there are limits placed on somewhat. The reasons offered for demonetization are two-fold: one, to control counterfeit notes that could be contributing to terrorism, in other words a national security concern and second, to undermine or eliminate the "black economy".

The demonetisation caused an immediate cash crunch, and activity in cash reliant sectors was affected. "Significant risks" to economic growth could emanate from fallout of demonetisation on small and informal economy, stress in the financial sector and uncertainty in global environment. Also, a rapid increase in oil and other commodity prices could have a negative implication for the economy, it added.

RBI DATA ON DEMONETIZATION

Demonetisation, which was done to crack down on black money, significantly affected India's GDP growth, but with almost all of the money now being accounted for there are doubts if the government's action was effective. Demonetisation's long-term impact on the Indian economy is still debated. RBI data states that out of Rs. 15.44 lakh crore worth of currency notes that were taken out of circulation, Rs. 15.28 lakh crore have returned to the system and around Rs. 16,000 crore is yet to be deposited back to banks. RBI report also says that about 8.9 crore units of the demonetised Rs. 1,000 notes worth Rs. 8,900 crore, had not come back into the system. There were 632.6 crore pieces of Rs. 1,000 currency notes in circulation on the day of demonetisation. This reveals that just 1.4 per cent of Rs. 1000 notes did not return after demonetisation.

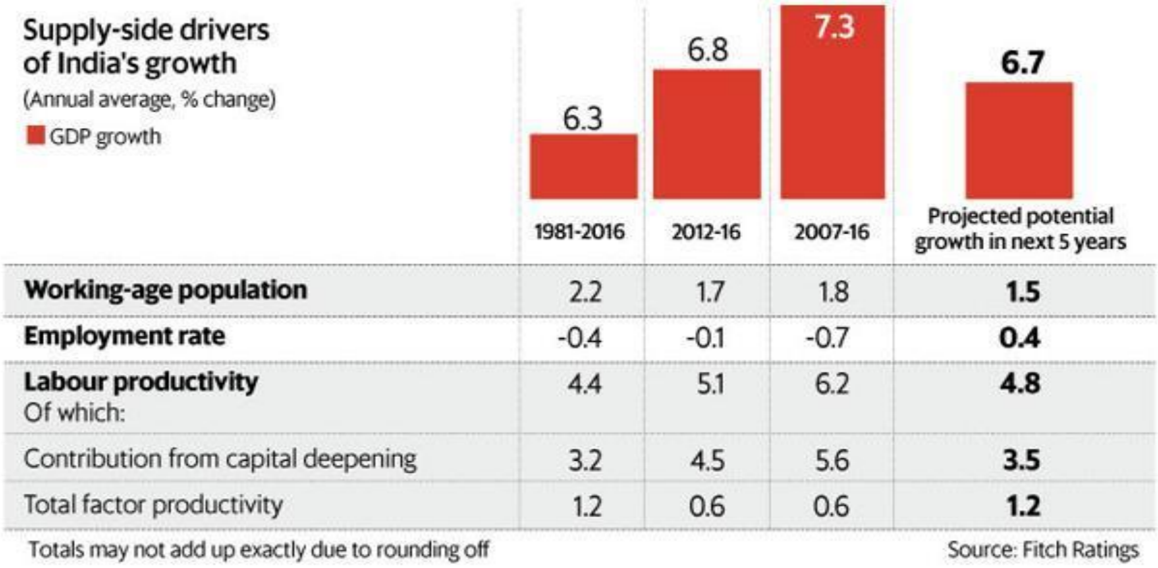
However, Demonetization restores consumption, and infrastructure spending increases. The resulting liquidity crunch led to delays in the payment of wages and purchase of inputs in the industrial sector. While the impact of demonetization on the economy is expected to be transient, a slower-than-expected recovery would particularly diminish the outlook for cash-intensive sectors and supply chains for agricultural products. We added that a timely and smooth implementation of Goods and Services Tax (GST) could prove to be a significant "upside risk" to economic activity in 2017-18. In 2017, China's GDP growth rate of 6.8% was ahead of India's at 6.7%, giving the former the tag of being the fastest growing emerging economy. The Indian economy, which grew at 7.1% in 2016, slowed in 2017 due to demonetisation in November 2016 and GST rollout on 1 July 2017.

'A WELL-DESIGNED GST CAN BOOST GDP GROWTH BY 2%'

We added that a timely and smooth implementation of Goods and Services Tax (GST) could prove to be a significant "upside risk" to economic activity in 2017-18. GST on growth through direct cost reduction as well as cost reduction of capital inputs. Preliminary results indicate that the growth in GDP can be between 2-2.5% with the implementation of a well-designed GST. The increase in exports can be between 10-14%. For GST to be successful, all states and the Centre should implement it in a similar fashion. Only then will it bring about the national common market. The GST will perhaps be the single most important reform stimulus since 1991-92. A flawless GST and the New Direct Taxes Code will put India's fiscal system on the cutting edge of the world market economies. Even a 2% reduction in costs increases profits by over 20%. This will attract investments. As tax cascading disappears, the industry will move to the lagging regions because of lower costs and thus bring these into the growth dynamics.

India is expected to clock 7.1 per cent growth this year before edging up to 7.5 per cent in 2018, according to a UN report, which warned that the country faces heightened risks related to the concentration of bad loans in the public sector banks. We expect GDP growth to rise to 6.7% year-on-year in October- December from 6.3% in July-September, followed by a stronger rebound to 7% in 2018.

CHART 1



Central Statistics Office (CSO) reported, for a few quarters; take all year-on-year(y-o-y) growth figures about the Indian economy with a pinch of salt. That is because they will now be boosted due to the favourable effect of a low base. Since demonetisation and the introduction of the goods and services tax (GST) led to a downturn in the economy, y-o-y numbers will now show high growth.

Growth in 'trade, hotel, transport, communication and services related to broadcasting' sector is estimated to slow in the second half, compared with the first half, in spite of a favourable base effect. Also, growth in the 'financial, insurance, real estate and professional services' group hasn't gone up by much, compared with the hugely favourable base effect. This suggests private sector services will remain sluggish in the second half of the current fiscal. That fits in with data from the Purchasing Managers' Index (PMI), which show the recovery in services is far slower than that in manufacturing.

Growth in the 'public administration, defence and other expenses', or the government part of GVA, is estimated at a massive 11% at constant prices in the second half of the current fiscal year, well above the 9.1% growth in the first half. There is no base effect in this group. That means government expenditure is still propping up growth, perhaps as states implement the Pay Commission recommendations for their employees.

Indeed, government expenditure has been supporting growth since 2016-17, helping to cushion the economy from the disruption inflicted on it by demonetization, the GST and the Real Estate (Regulation and Development) Act. The chart shows growth in non-government GVA (Total GVA less 'public administration, defence and other expenses') this fiscal year is estimated by CSO to be barely above the growth in 2012-13 and well below that in 2013-14. For the second half of FY18, non-government GVA growth is projected at 5.8% y-o-y.

The Reserve Bank of India (RBI) had, in its last monetary policy report, projected real GVA growth at 7.1% in Q3 and 7.7% in Q4 of the current fiscal, a far cry from the 6.4% growth predicted by CSO for the second half. That should normally have called for a re-think on the central bank's part about its monetary policy stance. But at the moment, uncertainties abound.

HAVE MORE WOMEN IN WORKFORCE

The World Economic Forum's Gender Gap report has ranked India at 108 out of 144 countries surveyed, showing a fall of 21 places from the last year's survey. The report has listed parameters—participation in labour force, wage parity with men, proportion of women who are legislators, senior officials and managers, and share of women in professional and technical workers—where India faces challenges when it comes to participation of women in the economy.

According to the report, 66 per cent of women's work in India is unpaid while the figure for men is just 12 per cent. One of the main challenges faced by women in the workforce is the dropout rate after childbirth. The government brought changes to maternity benefits law in March this year to address this problem. The amended law has enhanced the period of paid maternity leave to six months for first two children. The move will encourage more women to return to the workforce after childbirth. India has too few women at the higher levels in corporations. And it can certainly boost India's GDP too.

INDIA'S ECONOMIC GROWTH SEEN INCREASING FURTHER TO 7% IN 2018-19

The Indian economy expanded 6.3 percent year-on-year in the third quarter of 2017, above a 5.7 percent in the previous quarter, which was the lowest in near three years, but below market expectations of a 6.4 percent. Investment and inventories growth rebounded, offsetting a slowdown in both private and public spending. GDP Annual Growth Rate in India averaged 6.12 percent from 1951 until 2017, reaching an all-time high of 11.40 percent in the first quarter of 2010 and a record low of -5.20 percent in the fourth quarter of 1979.

All four contributors to economic growth – domestic consumption, foreign consumption or exports, private investment and government spending – are hit by the slowdown. In the first quarter of this fiscal year, domestic consumption fell to 6.66% as against 8.41% in the same period last fiscal; exports as a share of the Gross Domestic Product was down to 19% from 20%; and fixed capital formation decreased from about 31% of the GDP to 29.8%, signalling a slowdown in the industry as well.

Indian economy is expected to witness sharp recovery in the January-March quarter and its GDP growth likely to be around 7.5% for 2018. We remain bullish on the growth outlook highlights. The country's economic growth is expected to see an uptick at 7.2 per cent this fiscal year and further accelerate to 7.5 per cent in 2018-19.

It is difficult for GDP growth to cross 7% this fiscal year unless the base is revised downwards. The economy is expected to do well in the Q3 and Q4. *Soumya Kanti Ghosh*, chief economic advisor to the State Bank of India, said India needs to stop chasing the “mirage of a ratings upgrade” and focus on spending more. *According to Ghosh*, GDP growth for the current fiscal year would stand at around 6.5 percent, if the base remains unchanged. Ghosh’s statement comes in the back of a series of reports predicted below 7.5 % growth in 2017-18.

VI. CONCLUSION

We are in a slowdown mode since Q2FY17 and any slowdown that has been prolonged till Q1FY18 is technically not short-term in nature or even transient. We are realising that without demonetisation, the growth situation would have been much better. However, growth will continue to improve over the next few years, and is expected to accelerate to 7.5 % in 2018-19. India’s growth story has a two-part narrative. The first is a slowdown and gradual recovery in the short run, likely over FY 18 and FY 19, as key sectors revive from disruptions related to the implementation of GST. India's economic momentum suffered a modest setback due to demonetisation, while the poor and vulnerable likely witnessed a larger negative shock. Give priorities to restore growth -1) Ensure that stalled projects, particularly in infrastructure, are resurrected and shovel-ready projects commissioned. 2) Create employment for India’s sizeable and growing workable-age population, with almost 60% of it between the ages of 15 and 54. 3) Liberalize policy to attract domestic capital investment, foreign direct investment and institutional capital. Future economic growth will need to rely more on productivity gains, compared to factor accumulation. The economy is expected to recover and growth will gradually accelerate to 7.7 per cent by 2019-20.

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IMPACT OF SITUATIONAL FACTORS IN STUDENTS' PREFERENCE OF FAST FOOD – AN EMPIRICAL STUDY

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ABSTRACT
Fast food culture is a vigorously uprising trend among the youngsters around the world. According to Tif (2015) India has seen a massive rise in the consumption of fast food over the recent few years. Numerous studies in the past were undertaken to identify the influential factors related to the consumer preference of fast food but studies with a specific focus on situational factors were few and limited. In most researches, either the impact of situational factors overlooked or few of them covered alongside other factors. As their influence being increasingly felt especially among youth, examining such factors in their preference and its subsequent research outcome would be of immense value to parties concerned. They normally include favourite time of eating, pocket money possessed, peers influence, time of social interaction, place of advertisements, parent's income and location of restaurant. The present study is an attempt to investigate the influence of these situational factors in preferring the fast food by students. The study would serve the twin objectives in one-go. In one-side, it helps the parents and individuals to regulate and reduce the intake of fast food as the increased eating of the food causes health related problems. On the other side, it suggests the fast food companies to use the situational factors effectively in their advertisements while targeting their audience.

KEYWORDS
fast food, situational factors, students' preference.

JEL CODE
L66

INTRODUCTION
Fast food culture is a vigorously uprising trend among the youngsters around the world. According to Tif (2015) India has seen a massive rise in the consumption of fast food over the recent few years. According to leading websites, fast food is the term given to that can be prepared and served very quickly, while Habib et al., (2014) described fast food as quickly prepared, reasonably priced and readily available alternatives to home cooked food. We can find the imprints of its existence at restaurants, stadiums, airports, zoos, schools and universities, on cruise ships, trains and aeroplanes, at supermarkets, petrol stations and even hospitals (Schlosser, 2002). The fast food market in India will more than double to around Rs. 15,000 crore by 2018-19 from Rs. 7000 crore in 2016-17, driven largely by new store additions (Crisil). The preference of fast food has become a trend especially among teenagers and youth and has won the palate of those groups. And, hence it has earned the name of 'Tiffin' of students (Ahamed Hossain et. al., 2008). Their most prominent fast food items include burger, pizza, fried chicken, hamburger and sandwich (Islam & Ullah, 2010).

Numerous studies in the past were undertaken to identify the influential factors related to the consumer preference of fast food but studies with a specific focus on situational factors were few and limited. In most researches, either the impact of situational factors overlooked or few of them covered alongside other factors. As their influence being increasingly felt especially among youth, examining such factors in their preference and its subsequent research outcome would be immense value to parties concerned. They normally include favourite time of eating, pocket money possessed, peers influence, time of social interaction, place of advertisements, parent's income and location of restaurant. The present study is an attempt to investigate the influence of these situational factors in preferring the fast food by students. The study would serve the twin objectives in one-go. In one-side, it helps the parents and individuals to regulate and reduce the intake of fast food as the increased eating of the food causes health related problems. On the other side, it suggests the fast food companies to use the situational factors effectively in their advertisements while targeting their audience.

LITERATURE REVIEW
When the food choices of the children are changed it leads to a dietary problem and affects the health of the children (Joint Report of WHO/FAO, 2002). Many factors such as lifestyle have been linked to college students' eating behaviours. However, it is much related to hours spent with peers, time of social interaction, and weekly budget for food (Jackson et. al., 2009). It is reported that students spent approximately half of their pocket money on fast food, which put extra economic burden on the parents of university students (Yadav K, and Krishnan, 2008). It was indicated that most of the fast food users are well informed about the negative effects associated with its consumption, but they were still reported to have fast food at a regular basis without considering their health complications (Munmeen Shabnam, 2013). Adolescents often compare themselves to their friends and many after their choices to conform to the behaviour of their peers (Rogers et. al., 2016) social relationships and interactions also influenced the eating habits of students (Chang et. al., 2010). Hastings (2010) found that there was a direct casual relationship between children's exposure to food promotion and children's food preferences. Social factors such as eating in groups are another factor, which affects the diet behaviour, because when they act in group, at that time persons are busy in gossiping. People are more attentive in gossiping instead of they eat or how much they eat (Gurven, 2015).

PROBLEM STATEMENT
Numerous studies in the field of fast food preference by students documented the influence of various factors like convenience, taste and quality, which were mostly from the perspective of food and store. The influence of situational factors like peers influence, time of social interaction, favourite time of eating, status of parents, amount spending and place of advertising were covered by studies alongside other factors while investigating the preference of fast food. All these factors referred as situational factors were not studied enblock holistically by researchers as evident from the reviews. The present study fills this research gap.

OBJECTIVES

The major objectives of the study are

1. To identify the situational factors of students while preferring fast food.
2. To analyse the influence of major situational factors in students preference of fast food.
3. To offer suggestions based on the findings of the study.

METHODOLOGY

It is an empirical study based on primary data. The students who were in the age group of fifteen and above considered for the study. By a judicious mixture of non-probability sampling methods of judgemental and quota sampling, a sample of 300 students were selected for the study. Responses on 20 statements expressing the effect of situational factors on the preference of fast food by respondents were received and analysed. Statistical tools like percentage analysis and chi-square test were applied and inferences were drawn. The study was conducted among the students of selected schools and college in the Madurai city of Tamil Nadu.

ANALYSIS AND INTERPRETATION

Table-1 shows the situational background of factors where the respondents usually prefer and eat fast foods.

TABLE 1: SITUATIONAL FACTORS OF RESPONDENTS

S. No.	Situational Factor	Sub-categories	Number	%
1.	Favourable time of eating	Leisure time	91	30.30
		Class interval	132	44.00
		Holidays	77	25.70
			300	100.00
2.	Status of peers	Classmates	119	39.70
		Friends	181	60.30
			300	100.00
3.	Pocket-money spent (Per week)	Upto Rs. 1000	122	40.70
		Between Rs.1000 and Rs.2000	95	31.70
		Above Rs.2000	83	27.60
			300	100.00
4.	Educational level	Schooling	156	52.00
		College	144	48.00
			300	100.00
5.	Occupational status of Parents	Govt. employee	88	29.30
		Private employee	125	41.70
		Business and industry	87	29.00
			300	100.00
6.	Location of school / college studied	Busy area	79	26.33
		Outskirts of the city	124	41.33
		Residential / Far off	97	32.33
			300	100
7.	Time of social interaction	Birthday parties/ functions	100	33.30
		Evening get together	114	38.00
		Weekend meetings	86	28.70
			300	100.00
8.	Place of advertisement	In-School/College	156	52.00
		Indirect	144	48.00
		Total	300	100.00

Source: Primary data

It is known from Table-1 that a majority of 44%, 60.30%, 40.70%, 41.70%, 41.33% and 38% of respondents belong to the situational sub-categories of ‘class interval’ (favourable time of eating), ‘friends’ (status of peers), ‘upto Rs. 1000’ (pocket-money spent), ‘schooling’ (educational level), ‘private - employee’ (occupational status of parents), ‘outskirts of the city’ (location of school/college studied) and ‘evening get together’ (time of social interaction) respectively.

To ascertain the impact of selected eight situational factors, a broader null hypotheses that ‘the situational factors of students do not have any impact on their preference of fast food’ was framed and tested.

The result of Chi-square test are furnished in Table-2

TABLE 2: RESULTS OF CHI – SQUARE TEST ON SITUATIONAL FACTORS

Sl. No.	Situational Factor	Calculated Value of Chi – Square	Degrees of freedom	Table Value of Chi – Square	Acceptance / Rejection of Null hypothesis
1.	Favourable time of eating fast food	25.685	4	9.49	Rejected
2.	Status of peers	13.492	2	5.99	Rejected
3.	Amount of pocket money – spent	9.876	4	9.49	Rejected
4.	Level of Education	36.686	4	9.49	Rejected
5.	Educational status of parents	2.908	4	9.49	Accepted
6.	Location of school/college	2.497	4	9.49	Accepted
7.	Time of social interaction	10.313	4	9.49	Rejected
8.	Place of advertisement	0.574	2	5.99	Accepted

Source: Computed data

From the result of the analysis (Table 2) it is inferred that out of the eight situational factors considered for the study, the five factors such as ‘favourable time of eating’, ‘status of peers’, ‘amount of pocket-money spent’, ‘level of education’ and ‘time of social interaction’ have significant impact on the preference of fast food by students as their null hypotheses were rejected. The remaining three factors such as ‘occupational status of parents’, ‘location of school/college, and ‘place of advertisements’ do not have any impact in preference.

SUGGESTIONS AND CONCLUSION

Increasing economic status and appetite for western food among students throughout the country has seen a massive rise in the consumption of fast food over the recent few years. Marketers may benefit by adjusting their marketing and promotional mixes to the different segments of consumers. While targeting student-consumers, situational factors like time of eating, influence of peers, pocket-money spent, educational and time of social interaction have to be rightly mixed in the future promotional strategy as their value being empirically established in the present study.

But, excessive consumption of fast food is not good for health as they are rich in saturated fats, trans-fat, simple carbohydrates and sodium-all of which are nutrients associated with hypertension, heart disease and type-2 diabetes. Developing healthy lifestyle among younger generation is a concern for all. Government on its part, may play an effective regulatory role in the fast food industry. The parents who are the genuine protector of their wards, have to play a role of 'watch-dogs' in the area of food choices of their children. The findings of the present study draw the attention of parents and require them to be cautious and exercise strict vigil on influential situational factors like their time of eating, peers presence, pocket-money given, and time of their social interaction and gatherings, while their children away home. Further researches in vast geographical area with large sample size, may be attempted to gain more and more valuable insights on the most influential situational factors in the preference of fast food by students.

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DIVERSITY AND ITS IMPACT ON EMPLOYEE SATISFACTION AND PERFORMANCE

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ABSTRACT

In today's increasingly rapid changing business environment, countries such as Afghanistan have changed drastically to accommodate the increasingly diverse work force in most, if not all, of its organizations. The diversity of the work force in Afghanistan is quite admirable and has been taking an ever-increasing trend in the past couple of decades. Nowadays, it is very common to find business professionals whom are simultaneously fluent in several languages, such as English, French, German, and of course Dari while coming from a highly diverse training and education backgrounds. This study explores the impact of gender, age, and education background on employee performance in the ACCL Logistic International, which is renowned to employ highly diversified workforce. Data were collected via self-administered questionnaires and regression models were conceived. The results indicated that overall organizational outcome and employee satisfaction depends on the group of factors such as such as Culture, Communication, Information and Demographic in an organization. Further, Culture factor in an organization is found to be having significant superior effect on performance of organization and employee satisfaction. The study is concluded with few recommendations and limitations.

KEYWORDS

diversity, employee performance, employee satisfaction.

JEL CODE

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INTRODUCTION

In the last twenty years the increasing diverse work force in the companies or Organization has let the scholars or to pay attention to this matters of workforce diversity (Al-Ahmad, 2017). The recognition of workforce diversity as source of competitive advantage has become reality in companies or organizations today and even has a generated enormous amount of interest among the business leaders, government and even in the civil societies according to Kochan, that businesses intends to be successful must have no borders view of workforce by getting the idea of this work force diversity also a part of these day to day work. In today's workforce it's even getting better and better due to the effect of Globalization Kurtulus while workforce diversity is not manage properly there will huge volunteering employee turnover from the organization, problem in the communication and lack of interpersonal fights The reverse leads to a more engaged work force and subsequently improved organizational performance (Rizwan et al., 2016). Organizations devote resources to diversity initiatives because they believe it is a business imperative and good for the bottom line has also stated that a global economy would require organizations have to attract and retain a diverse workforce so that they can effectively deal with an increasingly diverse customer base leading to increased market share, Firms are seeing the needs to hire workforce that reflect today's divers and major competitive Factor for Organization is attractive though, retaining the best way available humans resources talents in the contexts form of current workforce and demographic trends (Konrad et al., 2016).

If firms use their diverse human's resources in the good way only then it would be very profitable for them thus human diversity gets better in the flow of new and innovative ideas (Ogbo et al., 2014).According to diversity is more and more conducive to performance in the industry where firm members come into contact with customers whom prefer to be interacting with similar others than in manufacturing industry (Anthony and Solomon, 2015).

Diverse workforce ensures a high level of performance and productivity for human and intellectual capital and provides business organizations a competitive advantage in their expanded markets Organizations will only be successful to the extent that they are able to embrace and encourage workforce diversity (Richard, 2000). Workplace diversity can also generate conflicts between employees. This conflict occurs due to differences of perception, ideas, behaviors, interest, attitudes, religious and political differences and unjustified distribution of resources (Elsaid 2012). The modern workforce is far more varied in its composition than it has been previously, due to demographic factors, such as immigration and economic factors like globalization (Simons and Rowland, 2011).

The minority workforce in the United States is expected to rise from 16.5% in 2000 to an estimated 25% in 2050. In keeping with this increasing level of diversity inherent in the workforce, diversity management has been increasingly a matter of academic and practical interest, and the rate at which diversity management programs have been adopted has been steadily growing (Munjuri and Maina, 2013). However, this relationship has not been carefree, and a number of companies have reported problems with or outright failure of their diversity management approaches (Selvaraj, 2015).

LITERATURE REVIEW

Simons and Rowland (2011) highlighted the importance of diversity and finding new mechanisms of integration can hardly be overestimated in the modern era of globalization with its changing patterns of demography and work practices. New ways to implement diversity in organizations with multicultural staff and thus enhance their working power are to be found but before these positive changes are put into practice; the meaning of the term "diversity" is to be clarified. The lack of precise information and terminology consistency is reflected in both theoretical and pragmatic research, thus making the exploration of new approaches to handle the workforce from different cultural and social backgrounds more challenging. This work is dedicated to analyzing the vast range of interpretations given in literature on this issue; both theoretical and practical discussions of diversity management will be considered. Our aim is to figure out what is the differentiation based on. Also, Saltson and Ozgur (2015), interpreted workforce diversity as a complex of distinctions and similarities team members have, and organizational performance as the actual output of a company compared to its goals and objectives. Most Nigerian business organizations turn out to be low-performing due to the lack of integration activities among their employers and sufficient attention to training-related and policy-related issues. Moreover, companies fail to implement required management strategies to achieve their specific and overall goals. As a result, the profitability index analysis in Nigeria is handicapped by lack of relevant data. Nonetheless, in this country workforce diversity has some historical background, taking its roots back to the to the barter system era of the XVIII century and to the attempts of scientific management of 1911. This study is aimed at discovering positive effects of workforce diversity on customer related issues and estimating the role of education in enhancing earning power of a company. Several Nigerian organizations were selected, and a correlational research was conducted to determine a relationship between workforce diversity and organizational performance. Secondary data and content analysis were used, as well as oral interviews. Results of the survey revealed the positive effect workforce diversity has on organizational performance. Besides, it was verified that education could be put to use to scale up profitability of a company. Moreover, Omankhanlen and Ogaga (2011) mentioned that whatever kind of enterprise one deals with, national or privately-owned, business or nonprofit, workforce diversity is observed among its employers. Using a Nigerian bank as the object of our study, we conducted this research to reveal how workforce diversity influences organizational effectiveness. The data of 2008 and 2009 reflects the banks assert growth, and 2007 and 2008 were taken as a basis to evaluate the growth strategy. The Blau index was used for quantification of diversity. Numerous hierarchical regression analyses were performed to find out the relationship between group diversity and performance outcomes of the group. A meaningful correlation was found between the measures of organizational effectiveness and some group and individual diversity variables. It was also proved that gender and ethnicity are inversely proportional to the employee productivity and performance bonus, while gender, age and employment period are in direct ration and proved significantly related. For the further promotion of effective performance and enhancing of outcomes more collective research in this field must be done and new managerial strategies to handle workforce diversity implemented. Further, Iqbal and Maqbool (2015) examined that Workforce diversity is steadily getting more widespread and more widely used when it comes to setting of your business goals: to be a preferred employer, to provide better servicing facilities, or to gain an advantage over your competitors? Diversity was also proved to be a fundamental part of successful business performance, and managers had to advance their knowledge of the theory of workplace diversity with all its pros and cons. This research was conducted to explore the influence of workforce diversity on overall productivity and organizational performance fixated on the educational sector. We distributed 100 questionnaires in five different universities of Karachi and got them filled by the teaching staff. Our conclusions are based on the data containing the gender, ethnicity and educational level of the employers. The results demonstrate that the diverse workforce in the education sector is influenced by the variability's mentioned above. Dixit and Bajpai (2015), mentioned is a study that **w**orkforce diversity gives a company a head start over its competitors and can be effectively used as a tool in improving its business performance. Should the right approach towards the diversity of the workforce be found, numerous benefits will follow, while poor management strategies can cause a lot of harm to business development. The present study was held in Singapore, one of the most competitive countries in the world where highly professional and extraordinary people from a number of countries come to seek for career opportunities. The study was focused on age, gender, and ethnicity, which are said to be the most widespread demographic variabilities present among the employers of many companies. We conducted a survey to gather the opinions of workers in manufacturing and service industries in Singapore via a self-administrated questionnaire distributed to them. To measure consistency and reliability of the dataset, Cronbach's alpha was used. The empirical dependence of the three demographic variabilities was computed by Software Package for Social Science. None of them bear a statistically valid influence on the employees' behavior, according to the survey results. Human resource planning was offered by the employees to increase the effectiveness of workforce diversity.

STATEMENT OF PROBLEM

Diversity in organizations effect deeply on outcome of it, lack of cultural differences, lack of communication which create huge problems they don't get the power of understanding in a deferent countries which we will focus on it, working in such environment have some direct effects on the organization and on the Employers, it also effect on the performance or on the Outcome of the organizations, most organizations or specially multinational companies whom hires people from outside of the country have such kinds of problems, employee behaviors toward other employees lack of understanding culture and Demographic issues which makes the working environment more difficult for them, when such issues rises it directly effect on the organization or company performances and the satisfaction of organization, thus it leads to have some bad consequences, there for our research is going to focus on these issues, and which steps to take to make this organization a better place for people of multi-culture?

OBJECTIVES OF THE STUDY

Based on the problems identified, following objectives were framed for the present study as follows.

1. To find out influence of diversity on employee performance.
2. To identify effect of diversity on employee satisfaction.

HYPOTHESES

To work out the objectives framed for the study, the following Hypotheses were framed for testing:

H1: There is no influence of diversity on employee performance.

H2: There is no effect of diversity on employee satisfaction.

HYPOTHESES RELATED TO OBJECTIVES

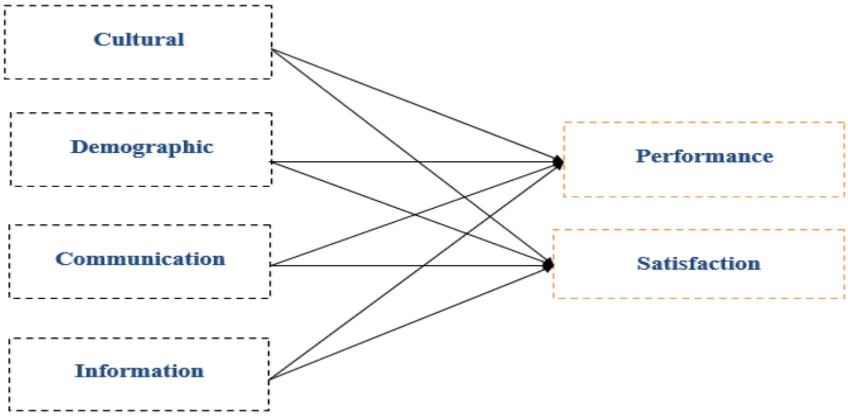
Following are the details of the hypotheses corresponding to each objective taken for work:

Objectives	Hypothesis
Objective-1	H1
Objective-2	H2

CONCEPTUAL FRAMEWORK

The details of the conceptual framework taken up for the present work is shown in Figure-1, where the details like components of culture, Demographic, Communication, Information and the effect of diversity were shown in schematic representation. This was framed taking into considerations the nature of the topic and subsequent objectives taken up for the present work.

FIGURE 1: DIAGRAMMATIC REPRESENTATION OF CONCEPTUAL FRAMEWORK



DETAILS OF RESEARCH DESIGN

This research work is prepared considering the nature of the problem identified and succeeding objectives taken up for the work. Hence, a descriptive research design with a questionnaire for the primary data collection is employed in this work following the standard guidelines.

The present study is to recognize the existing problems among organization's employees based on demographic and cultural differences among the employees of the Organization lack of communication and information, which cause dissatisfaction of employee. More specifically the inadvertent interpersonal conflict diversity practices in organizations is viewed as a function of two, effect of diversity such as performance and satisfaction Hence, a descriptive research design was followed in the present work and survey was conducted among employees of diverted Organization for the purpose of collecting primary data constituting the present work.

INSTRUMENT USED FOR PRIMARY DATA COLLECTION

This work was carried out based on the primary data collected through the survey instrument. The survey instrument used for this work is a standardized well-structured questionnaire. The questionnaires were employed to collect the primary data and relevant information from the employees of ACCL Logistic International. This survey instrument was designed and tested as a part of this work and proved reliability.

SAMPLING DETAILS

This study employed survey of ACCL International (based in Kabul) employees to gather data with the help of validated survey instrument in the form of questionnaire for hypothesis testing, and to address research objectives 100 questionnaires were distributed among them. The ACCL International employees constituting the sampling procedure adopted for the present work For the purpose of analyses of the data collected the respondents who did not respond to all questions or for whom there was a suspicion of random response such as use of the identical answer throughout is excluded. A total of 30 respondents met these inclusion criteria and thus, constitute a sample size for the present study. As far as the sample size for the employee survey is concerned, Hoinville (1978) stated that the decision on a sample size could be based on experience and good judgment rather than relying on strict mathematical formula. Also, the use of surveys in social research does not necessarily have to involve samples of 1000 or 2000; instead research with samples between 30 and 250 is adequate (Martyn, 1999). Since, the respondents for the survey were identified on the basis of judgment comprising factors with more possibilities of human interaction and job complexities; the sampling procedure adopted for the present study is categorized as simple random sampling method.

IMPACT OF DIFFERENT DIVERSITY FACTORS ON BUSINESS OUTCOME

From the results of table-1, it can be inferred that the F value of 2.489 is found to be significant at 5 percent level and hence, hypothesis-1 is rejected. These results suggest that organizational outcome depends on the group of factors in the service sector. Further, the adjusted R square value of 0.690 from the table-1 indicates that 69 percent of business outcome among service sector significantly depends on these groups of diversity factors. Also the 't' values of 2.238, 1.193, 0.813and 0.128 corresponding to different factors such as Culture, Communication, Information and Demographic are found to be having significant effects on the model conceived.

TABLE 1: RESULT OF REGRESSION FOR HYPOTHESIS - 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	F value	Adjusted R square
		B	Std. Error	Beta				
1	(Constant)	13.880	5.357		2.591	0.031*	2.489	0.690
	Culture	0.438	0.196	0.399	2.238*			
	Communication	0.218	0.183	0.226	1.193*			
	Information	0.136	0.167	0.144	0.813*			
	Demographic	0.055	0.431	0.024	0.128*			

Source: Computed from Primary data

* Sig at 5%

More specifically Culture factor in an organization is found to be having significant superior effect on performance of organization with highest 't'value of 2.238. This confirms that the organization does a good job of attracting and hiring minorities and organization concerns about the employee's customs, cultures, and values. Also the team leader includes all members at different ethnicity in problem solving and decision making.

Similarly, diversity factor communication causes significantly good effect on performance of organization in an organization with the next higher t value of 1.193. This confirms different languages that are used to communicate do not create problem among employees. The 't' value of 0.813 obtained for the factor Information significantly causes considerable effect on the business outcome in an organization. The 't' value of 0.128 obtained for the Demographic factor significantly causes considerable effect on the outcome of organization. This confirms that this organization provides me with equal opportunities for training and career development also, age and gender differences in work group don't cause conflict.

IMPACT OF DIFFERENT DIVERSITY FACTORS ON EMPLOYEE SATISFACTION

From the results of table-2, it can be inferred that the F value of 7.301 is found to be significant at 5 percent level and hence, hypothesis-2 is rejected. These results suggest that employee satisfaction depends on the group of factors in an organization. Further, the adjusted R square value of 0.714 from the table-2 indicates that 71 percent of employee satisfaction among service sector significantly depends on these groups of diversity factors. Also the 't' values of 5.140, 0.313, 1.144 and 1.374 corresponding to different factors such as Culture, Communication, Information and Demographic are found to be having significant effects on the model conceived.

TABLE 2: RESULT OF REGRESSION FOR HYPOTHESIS - 2

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F value	Adjusted R square
		B	Std. Error	Beta				
1	(Constant)	5.623	3.828		1.469	0.000*	7.301	0.714
	Culture	0.718	0.140	0.737	5.140*			
	Communication	0.041	0.131	0.048	0.313*			
	Information	0.137	0.120	0.162	1.144*			
	Demographic	0.423	0.308	0.205	1.374*			

Source: Computed from Primary data

* Sig at 5%

More specifically Culture factor in an organization is found to be having significant superior effect on employee satisfaction with highest 't' value of 2.238. The 't' value of 1.174 obtained for the Demographic factor significantly causes considerable effect on the employee satisfaction. This confirms that organization provides me with equal opportunities for training and career development and the age and gender differences in work group do not cause conflict. The 't' value of 1.144 obtained for the factor Information significantly causes considerable effect on the satisfaction of employees in service sector. Similarly, diversity factor communication causes significantly good effect on performance and satisfaction of employees in an organization.

RECOMMENDATIONS AND LIMITATION

It is recommended that diversity managers of the selected company should endeavor to enhance Organizational performance, the effectiveness and corporate profitability aspects of organizational, by effectively using the Educational enforcement of diversity goals and exposure of people to the aspect of managing diversity by ensuring that Appropriate guides to thinking are done to formulate policies on diversity management. The area of this research is the private Organization of Kabul. This study is just for the purpose to know how the different factors of workforce diversity impact the performance of Organization

CONCLUSION

The effect of Diversity intends to create and maintain a positive work environment where the similarities and differences of individuals are valued, so that all can reach their potential and maximize their contributions to an organization's strategic goals and objectives. The effect Diversity ensures that all employees have the opportunity to maximize their potential and enhance their self-development and their contribution to the organization. It recognizes that people from different backgrounds can bring fresh ideas and perceptions, which can make the way work is done more efficient and make products and services better. Diversity successfully will help organizations to nurture creativity and innovation and thereby to tap hidden capacity for growth and improved competitiveness. In this study of the effect of diversity on business outcome, we find that how the demographic factors like age, gender, educational qualifications, tenure of service in the logistic and transport sectors effect the employee's requirements of been monitored and equally given an opportunity to work.

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LIQUIDITY MANAGEMENT AND CORPORATE PROFITABILITY PERFORMANCE OF TEA COMPANIES IN INDIA

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ABSTRACT
Liquidity and profitability management is of crucial importance in financial management. In this connection researcher is interested in analyzing liquidity and profitability of selected tea companies in India. In this research, five companies have been taken for analysis and used purposive sampling techniques. Secondary data have been collected for the period of fifteen years from 2002-03 to 2016-17. The OLS model has been used to check the relationship among the independent and dependent variables and its impact. The findings and suggestions would be useful for corporate people to improve their liquidity management and profitability performance.

KEYWORDS
tea companies, liquidity management, corporate profitability performance.

JEL CODE
D25

INTRODUCTION
India is the second largest tea producer in the world. In 2015-16 the production of tea reached 1,233.14 million Kg as per India Brand Equity Foundation report. Around 1,008.56 million kg was produced in North India and 224.58 million kg was produced in South India. Owing to its increasing demand, tea is considered to be one of the major components of world beverage market. Henceforth, considering the growth and prosperity of production of tea market, the study aims to analyze the financial performance of selected tea companies, by regulating a close relationship between the variables in terms of liquidity and profitability. The liquidity and profitability of a firm is measured primarily by debt equity ratio, current ratio, fixed asset, Inventory turnover ratio, debtor turnover ratio, total asset turnover ratio, interest coverage and return on capital employed. Thus profitability and liquidity are the two terms which are most widely observed by both the investors and owners in order to measure performance of the business.

REVIEW OF LITERATURE
Byson (2015) in his research shows that the relationship between liquidity and profitability of manufacturing companies in Malawi from the year 2007 to 2015. The company's liquidity measured by cash conversion cycle and its profitability measured by return on capital by using a correlation and regression test. From the result, an inverse relationship between the cash conversion cycle and the company's return on investment and return on equity. From his study, conclude that the cash conversion cycle have more impact on a firm's performance. **Debasish Sur et al., (2013)** have studied the relationship between liquidity and profitability of the Bharat Heavy Electricals Limited (BHEL) by applying Spearman's rank correlation analysis. The study, which covers a period from 2000-01 to 2011-12 reveals that significant degree of negative association between liquidity and profitability of the company during the study period. He concludes that company should manage its business to ensure lower liquidity and higher profitability blend.

Safiuddin et al., (2016) in their study measured the liquidity and profitability performance of the selected pharmaceutical companies from the financial year 2010 to 2014. Researcher analyzed the liquidity position of the selected firms with current ratio and quick ratio and to calculate the profitability of the firm with return on assets and return on equity. They conclude that Cipla firm has performed better in term of liquidity position during the study period. **Manoj N. Kagathara (2016)** attempted made to measure the liquidity and profitability position of selected automobile companies during the five years commenting from 2010 to 2014. Researcher has collected data from annual reports of selected automobile companies and applied two- way ANNOVA analysis technique to measure the significant difference in liquidity and profitability position. The study concluded that there is no significant difference in liquidity and profitability of the selected companies during the study period. **Mohanty (2013)** in his study made an attempt to examine and highlights the efficiency of the liquidity management in selected state and private sector industries in Orissa. The selected sectors were engaged in mining, processing, production and manufacturing activities of products of metals and non-metals, ores and alloy in the competitive environment. The study found that there is a fluctuating trend of liquid ratio in all selected sectors during the study period. He concludes that higher the value of liquid ratio shows adequate their liquidity position.

While conducting an analysis the changes in working capital position of selected small firms association with changes in economic activity by **Morris Lamberson (1995)** found that the liquidity position increased moderately among the selected firms during economic expansion while there is no change in liquidity throughout the economic slowdowns during the study period from 1980 to 1991. He also found that investment in working capital have relatively stable over the period of the study as measured by the inventory to total assets and current assets to total assets ratios. **Khatik et al., (2015)** in their study made an attempt to examine the liquidity and profitability position of ITC by using various financial ratios during the period 2001-02 to 2013-14. The results of the study showed that the liquidity management of ITC was not satisfactory due to poor current assets management. The study suggested that all the techniques of current assets management should be employed by the company to maintain overall control over liquidity position. **Shivakumar et.al.,(2016)** conducted the study on "Working Capital Management – Its Impact on Liquidity and Profitability" - A Study of Coal India Ltd for the period from 2010-11 to 2014-15. The correlation results of the study have revealed that there was a negative relationship between liquidity and profitability of selected firm. They concluded that company has better liquidity position due to maintain sufficient liquidity ratio and there is growth trend in profitability during the study period.

In the research study for relationship of working capital with liquidity, profitability and solvency with respect to a case study of HUL Limited **(Varghese et al., 2014)** concluded that there is no significant difference in the profitability and liquidity position of the company. It shows that profitability position was strong were as the liquidity position was not satisfactory. The risk factor of the selected firm is high as compared to profitability during the study period. In the research study for relationship between liquidity and profitability with respect to a case study of Bharat Heavy Electrical Limited **(Venkatachalam.K and Karupaiah A. 2015)** concluded that there is a positive insignificant between current assets to fixed assets ratio with return on capital employed. They also found that there is a negative insignificant between absolute liquid ratio and gross profit ratio with return on capital employed. The study reveals that selected company can improve their profitability by control the cost of goods and operating expenses.

NEED OF THE STUDY

The purpose of this study is to measure the liquidity and profitability performance of the selected tea manufacturing companies. Every stock holder investigates the profit of companies as they obtain revenue in the form of dividends. In suppliers point of view it is important to scrutinize the liquidity of the company before selling goods on credit and profits are one source of funds for their debt coverage. Furthermore, liquidity ratios measure the ability of a firm to meet its short term obligations and profit as a performance measure by the management.

STATEMENT OF THE PROBLEM

Management of working capital is an extremely important area of financial management as current assets represents more than half of the total assets of a business (Amarjit et al;2010) The assets engaged in the business have high impact on making the profitability and liquidity position of the firm. From the operational point of view, liquidity and profitability will always be in opposite position. Profitability aims at maximization of the firm's returns which is manageable with low level of investment made in short term assets whereas liquidity aims to safeguard the firm in a well to do position while discharging its current obligations. Trade-off between liquidity and profitability is so important task for finance manager of the every firm (Arunkumar and Radharamanan). All the above factors clearly indicate the importance of working capital in the management of finance. Thus, need for skilled working capital management has become very essential in recent years. Viewed in this perspective, the study devoted to liquidity management and profitability performance may be a very rewarding one.

OBJECTIVES

1. To evaluate the impact of liquidity on profitability of the selected companies.
2. To examine current ratio, inventory turnover ratio and debtor turnover ratio influence the inventory turnover for the selected companies.
3. To give suggestions from the findings of the study.

HYPOTHESIS

H1: There is significant difference between liquidity and profitability of selected companies.
H1: There is significant ratios influence the inventory turnover of the selected companies.

RESEARCH METHODOLOGY

In this study, the sample companies are Harrisons Malayalam Limited, Jay Shree Tea & industries Limited, Mcleod Russel India Limited, Rossell India Limited and Tata Global Beverages have been taken for analysis of liquidity and profitability position. Present study is based on secondary data i.e published annual reports of the company. For requirement of the study, the collected data are edited, classified and tabulated. This study has covered 15 years data's from 2002-03 to 2016-17 for analyzing the liquidity and profitability position of selected companies.

ANALYSIS AND INTERPRETATION

H1: Liquidity and Profitability of Selected Companies

Table 1.1.1: LIQUIDITY AND PROFITABILITY OF HARRISONS MALAYALAM LTD.

	DER	CR	FA	ITR	DTR	TATR	ICR	ROCE	PAT
2002-03	1.26	0.99	1.35	12.99	12.18	0.47	-0.63	0	716.22
2003-04	1.57	0.86	1.13	13.86	10.11	0.42	-0.01	0	-302.13
2004-05	1.53	0.86	1.28	13.3	13.35	0.49	1.5	12.08	27.94
2005-06	0.8	1.03	1.34	12.36	18.35	0.5	3.05	15.76	81.71
2006-07	0.57	2.49	1.37	12.88	18.63	0.42	1.53	7.52	83.75
2007-08	0.52	2.59	1.91	20.2	22.95	0.52	2.27	10.6	47.14
2008-09	0.48	2.39	1.85	19.82	16.51	0.52	1.38	7.36	26.48
2009-10	0.53	2.89	2.66	24.18	22.1	0.73	1.8	8.89	25.06
2010-11	0.57	1.61	1.44	13.89	30.06	0.79	1.97	9.23	33.66
2011-12	0.61	0.72	1.06	12.42	31.73	0.85	1.33	7.07	14.58
2012-13	0.57	0.79	0.96	15.31	26.65	0.77	1.61	8.93	14.09
2013-14	0.56	0.69	0.92	16.82	31.59	0.74	1.26	5.94	9.36
2014-15	0.61	0.75	0.99	15.83	31.61	0.78	1.34	6.22	16.65
2015-16	0.67	0.72	0.88	13.54	23.64	0.72	-1.47	-6.69	256.62
2016-17	0.9	0.49	0.76	12.66	28.89	0.68	-2.22	-11.21	175.9
MEAN	0.783333	1.324667	1.326667	15.33733	22.55667	0.626667	0.980667	5.446667	81.802

From the above table regarding Harrisons Malayalam Ltd, it can be inferred that the Debt equity ratio was 1.29 during 2002-03 but has decreased to 0.9 during 2016-17. The current ratio was 0.99 during 2002-03 it has come to 0.49 during 2016-17. The fixed asset ratio was 1.35 during 2002-03 and gradually decreased to 0.76 during the year 2016-17. When we look at the inventory turnover ratio it was 12.99 during 2002-03 it has increased to 24.18 during the year 2009-10 and then declined to 12.66 in the 2016-17. Whereas the debtor turnover ratio is 12.18 during 2002-03 and it increased to 28.89 during 2016-17. The total asset turnover ratio was 0.47 during 2002-03 it has come to 0.68 during 2016-17. The interest coverage ratio was -0.63 during 2002-03 now during 2016-17 it stands at -2.22. The return on capital employed was 0% during 2002-03, though there were fluctuations it is now at -11.21 % during 2016-17. The profit after tax was 716.22% during 2002-03 but has decreased to 175.9% during 2016-17.

TABLE 1.1.2: LIQUIDITY AND PROFITABILITY OF JAY SHREE TEA & INDUSTRIES LTD.

	DER	CR	FA	ITR	DTR	TATR	ICR	ROCE	PAT
2002-03	0.59	2.48	1.14	5.45	8.52	0.73	0.43	1.96	-20.5
2003-04	0.64	1.47	1.2	6.35	9.19	0.81	0.73	2.82	56.78
2004-05	0.75	1.02	1.27	6.27	9.12	0.82	0.83	2.59	22.98
2005-06	0.87	0.94	1.42	6.46	10.86	0.91	1.38	3.76	35.12
2006-07	0.94	1.04	1.36	6.24	11.05	0.84	0.92	2.6	45.61
2007-08	1.02	1.15	1.46	7	12.17	0.87	1.14	3.61	28.18
2008-09	1.03	1.04	1.43	7.61	11.36	0.91	1.39	4.53	41.47
2009-10	0.96	0.97	1.86	9.56	8.76	1.35	2.38	12.56	34.09
2010-11	1.08	1.09	1.64	5.86	8.02	1.03	6.77	20.32	69.8
2011-12	1.22	0.96	1.56	3.6	11.28	0.77	3.14	11.88	52.99
2012-13	1.2	0.82	1.61	3.13	9.95	0.79	1.44	7.15	19.94
2013-14	1.12	0.81	1.67	2.95	8.92	0.84	2.23	10.59	38.4
2014-15	1.18	0.87	1.64	2.93	9.14	0.82	0.37	2.01	5.17
2015-16	1.23	0.88	1.55	2.9	8.76	0.81	0.44	2.4	-47.87
2016-17	1.14	0.84	1.54	3.01	8.48	0.91	0.49	2.81	-42.92
MEAN	0.998	1.092	1.49	5.288	9.705333	0.880667	1.605333	6.106	22.616

From the above table regarding Jay Shree Tea & Industries Ltd, it can be inferred that the Debt equity ratio was 0.59 during 2002-03 and it increased to 1.14 during 2016-17. The current ratio was 2.48 during 2002-03 and gradually decreased to 0.84 during 2016-17. The fixed asset ratio was 1.14 during 2002-03 it has come to 1.54 during 2016-17. When we look at the inventory turnover ratio it was 5.45 during 2002-03 but has decreased to 3.01 during 2016-17. Whereas the debtor turnover ratio is 8.52 during 2002-03, though there were fluctuations, it is now at 8.48 during 2016-17. The total asset turnover ratio was 0.73 during 2002-03 it has come to 0.91 during 2016-17. The interest coverage ratio was 0.43 during 2002-03 now during 2016-17 it stands at 0.49. The return on capital employed was 1.96% during 2002-03 it has increased to 20.32 during the year 2010-11 and then declined to 2.81 in the 2016-17. The profit after tax was -20.5% during 2002-03 now during 2016-17 it stands at -42.92.

TABLE 1.1.3: LIQUIDITY AND PROFITABILITY OF MCLEOD RUSSEL INDIA LTD.

	DER	CR	FA	ITR	DTR	TATR	ICR	ROCE	PAT
2002-03	0	60	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	100
2005-06	0.72	0.4	0.79	30.5	54.56	0.68	0.19	0	-126.36
2006-07	0.93	0.43	0.55	17.52	26.19	0.42	1.29	7.73	33.59
2007-08	0.9	0.45	0.56	15.25	23.57	0.4	1.58	8.5	40.46
2008-09	0.8	0.43	0.56	15.22	25.07	0.42	1.45	7.73	37.59
2009-10	0.77	0.48	0.67	15.38	30.89	0.52	2.25	18.66	41.61
2010-11	0.5	0.59	0.85	18.44	51.58	0.67	9.6	33.32	64.23
2011-12	0.28	0.59	0.84	17.85	80.7	0.64	9.33	27.36	67.72
2012-13	0.19	0.57	0.9	17.03	96.52	0.67	6.43	23.52	66.09
2013-14	0.16	0.64	0.95	14.7	89.25	0.7	6.73	21.49	68.37
2014-15	0.16	0.7	0.96	12.33	66.35	0.7	5.13	18.76	66.77
2015-16	0.23	0.86	0.85	9.85	29.58	0.62	1.8	7.07	34.52
2016-17	0.4	1.04	0.86	9.39	24.29	0.62	1.15	6.17	8.24
MEAN	0.402667	4.478667	0.622667	12.89733	39.90333	0.470667	3.128667	12.02067	33.522

From the above table regarding Mcleod Russel India Ltd, it can be inferred that the Debt equity ratio was 0 during 2002-03 it has come to 0.4 during 2016-17. The current ratio was 60 during 2002-03 but has decreased to 1.04 during 2016-17. The fixed asset ratio was 0 during 2002-03 it has come to 0.86 during 2016-17. When we look at the inventory turnover ratio it was 0 during 2002-03 and it has increased to 9.39 during 2016-17. Whereas the debtor turnover ratio is 0 during 2002-03 it has increased to 96.52 during the year 2012-13 and then declined to 24.29 in the 2016-17. The total asset turnover ratio was 0 during 2002-03 it has come to 0.62 during 2016-17. The interest coverage ratio was 0 during 2002-03 now during 2016-17 it stands at 1.15. The return on capital employed was 0% during 2002-03, though there were fluctuations it is now at 6.17 % during 2016-17. The profit after tax was 0% during 2002-03, though there were fluctuations it is now at 8.24 during 16-17.

TABLE 1.1.4: LIQUIDITY AND PROFITABILITY OF ROSSELL INDIA LTD.

	DER	CR	FA	ITR	DTR	TATR	ICR	ROCE	PAT
2002-03	0.58	1.88	0.53	10.84	65.21	0.41	-2.01	-6.34	76.95
2003-04	0.9	1.1	0.68	16.96	75.5	0.55	-0.44	-3.05	344
2004-05	1.19	1.02	0.68	16.96	110.12	0.56	-0.94	0	105.69
2005-06	1.34	1.06	0.86	18.11	603.25	0.76	1.88	0	-44.24
2006-07	1.48	0.97	0.73	13.06	227.03	0.68	0.08	0	-133.1
2007-08	1.24	0.75	0.93	19.13	99.78	0.92	5.17	21.8	39.92
2008-09	0.58	0.68	0.86	23.8	64.88	0.61	9.32	22.16	75.93
2009-10	0.34	0.9	0.9	26.82	80.45	0.45	5.4	16.58	50.69
2010-11	0.34	1.33	1.11	33.61	160.97	0.51	11.54	28.32	66.59
2011-12	0.23	1.08	1.06	26	49.99	0.48	18.26	23.19	70.41
2012-13	0.11	0.97	1.05	26.17	18.71	0.49	41.73	19.66	73.86
2013-14	0.26	0.84	0.9	25.47	16.08	0.49	11.03	16.49	68
2014-15	0.38	0.5	0.87	20.97	27.17	0.54	3.81	15.86	48.87
2015-16	0.35	0.54	0.77	15.89	13.42	0.52	1.55	5.06	17.74
2016-17	0.38	0.6	0.8	11.17	8.53	0.57	2.27	6.75	33.58
MEAN	0.646667	0.948	0.848667	20.33067	108.0727	0.569333	7.243333	11.09867	59.65933

From the above table regarding Rossell India Ltd, it can be inferred that the Debt equity ratio was 0.58 during 2002-03 it has come to 0.38 during 2016-17. The current ratio was 1.88 during 2002-03 but has decreased to 0.6 during 2016-17. The fixed asset ratio was 0.53 during 2002-03 it has come to 0.8 during 2016-17. When we look at the inventory turnover ratio it was 10.84 during 2002-03 and it increased to 11.17 during 2016-17. Whereas the debtor turnover ratio is 65.21 during 2002-03 it has increased to 160.97 during the year 2010-11 and then declined to 8.53 in the 2016-17. The total asset turnover ratio was 0.41 during 2002-03 it has come to 0.57 during 2016-17. The interest coverage ratio was -02.01 during the year 2002-03 but has increased to 2.27 during 2016-17. The return on capital employed was -6.34% during 2002-03, though there were fluctuations it is now at 6.75 % during 2016-17. The profit after tax was 76.95% during the year 2002-03 but has decreased to 33.58 during 16-17.

TABLE 1.1.5: LIQUIDITY AND PROFITABILITY OF TATA GLOBAL BEVERAGES LTD.

	DER	CR	FA	ITR	DTR	TATR	ICR	ROCE	PAT
2002-03	0.25	1.63	1.63	6.03	12.42	0.66	3.37	9.55	51.62
2003-04	0.23	1.26	1.53	6.67	13.06	0.64	4.56	11.12	46.9
2004-05	0.22	1.12	1.56	6.98	17.48	0.66	7.6	12.06	57.13
2005-06	0.2	1.08	1.79	6.49	27.14	0.75	12.58	15.07	65.15
2006-07	0.2	0.95	2.15	6.35	24.33	0.75	13.46	17.48	70.22
2007-08	0.39	0.52	2.58	6.6	18.33	0.57	5.71	14.25	74.12
2008-09	0.47	0.63	3.94	6.04	17.68	0.47	4.4	12.01	67.76
2009-10	0.42	0.84	8.27	5.59	17.53	0.53	3.8	12.3	49.52
2010-11	0.33	0.87	9.45	5.07	16.31	0.66	5.57	12.36	69.42
2011-12	0.25	1.01	8.97	4.48	16.6	0.69	6.67	10.4	63.78
2012-13	0.21	1.25	9.07	4.61	21.14	0.76	11.61	11.77	74.01
2013-14	0.2	1.14	9.66	4.21	23.29	0.83	11.03	12.68	70.03
2014-15	0.2	1.21	10.53	4.17	23.96	0.88	11.04	14.3	69.73
2015-16	0.19	1.62	9.59	3.96	27.67	0.91	13.23	14.33	71.68
2016-17	0.16	1.51	8.82	3.62	28.39	0.93	14.35	12.93	79.02
MEAN	0.261333	1.109333	5.969333	5.391333	20.35533	0.712667	8.598667	12.84067	65.33933

From the above table regarding Tata Global Beverages Ltd, it can be inferred that the Debt equity ratio was 0.25 during 2002-03 it has come to 0.16 during 2016-17. The current ratio was 1.63 during 2002-03 but has decreased to 1.51 during 2016-17. The fixed asset ratio was 1.63 during 2002-03 and it increased to 8.82 during 2016-17. When we look at the inventory turnover ratio it was 6.03 during 2002-03 and gradually decreased to 3.62 during the year 2016-17. Whereas the debtor turnover ratio was 12.42 during the year 2002-03 but has increased to 28.39 during 2016-17. The total asset turnover ratio was 0.66 during 2002-03 now during 2016-17 it stands at 0.93. The interest coverage ratio was 3.37 during 2002-03 and it increased to 14.35 during 2016-17. The return on capital employed was 9.55% during 2002-03, though there were fluctuations it is now at 12.93 % during 2016-17. The profit after tax was 51.62% during 2002-03 and it increased to 79.02 during 16-17.

H1: Current Ratio, Debtor Turnover Ratio and Return on Capital Employed influence the Inventory Turnover Ratio.

TABLE 1.2.1: HARRISONS MALAYALAM LTD.

Model 1: Pooled OLS, using observations 1-15
Dependent variable: ITR

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	13.8541	8.18532	1.6926	0.14149	
CR	3.10026	1.637	1.8939	0.10708	
DTR	-0.0701412	0.249393	-0.2812	0.78797	
ROCE	0.0535263	0.14331	0.3735	0.72162	

Mean dependent var	16.46700	S.D. dependent var	3.838649
Sum squared resid	31.52733	S.E. of regression	2.292281
R-squared	0.762268	Adjusted R-squared	0.643402
F(3, 6)	6.412829	P-value(F)	0.026632
Log-likelihood	-19.93073	Akaike criterion	47.86147
Schwarz criterion	49.07181	Hannan-Quinn	46.53373
Rho	0.042548	Durbin-Watson	1.800584

The above table shows the relationship between the independent variables and the dependent variable inventory turnover ratio of Harrisons Malayalam Ltd. From the above table it can be inferred that the significance value for the independent variable current ratio p = 0.10708 > 0.05, there is no significant relationship between current ratio and inventory turnover ratio. The significance value of debtor turnover ratio p= 0.78797 > 0.05 at 5 % level of significance, therefore there is no significant relationship between debtors and inventory turnover ratio. The significant value for Return on capital employed, P= 0.72162 > 0.05, therefore there is no significant relationship between ROCE and inventory turnover ratio.

TABLE 1.2.2: JAYSHREE TEA & INDUSTRIES LTD.

Model 1: Pooled OLS, using observations 1-15
Dependent variable: ITR

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	-8.3463	6.05455	-1.3785	0.21724	
CR	15.1903	7.68582	1.9764	0.09550	*
DTR	-0.134967	0.641648	-0.2103	0.84036	
ROCE	0.0236204	0.141551	0.1669	0.87295	

Mean dependent var	4.855000	S.D. dependent var	2.459662
Sum squared resid	26.00011	S.E. of regression	2.081670
R-squared	0.522491	Adjusted R-squared	0.283736
F(3, 6)	2.188401	P-value(F)	0.190344
Log-likelihood	-18.96696	Akaike criterion	45.93393
Schwarz criterion	47.14427	Hannan-Quinn	44.60619
Rho	0.082733	Durbin-Watson	1.754977

The above table shows the relationship between the independent variables and the dependent variable inventory turnover ratio of Jayshree Tea & Industries Ltd. From the above table it can be inferred that the significance value for the independent variable current ratio p = 0.09550 > 0.05, there is no significant relationship between current ratio and inventory turnover ratio. The significance value of debtor turnover ratio p= 0.84036 > 0.05 at 5 % level of significance, therefore there is no significant relationship between debtors and inventory turnover ratio. The significant value for Return on capital employed, P= 0.87295 > 0.05, therefore there is no significant relationship between ROCE and inventory turnover ratio.

TABLE 1.2.3: MCLEOD RUSSEL INDIA LTD.

Model 1: Pooled OLS, using observations 1-15
Dependent variable: ITR

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	10.2936	4.69391	2.1930	0.07078	*
CR	-7.04781	6.10216	-1.1550	0.29202	
DTR	-0.0246009	0.0627482	-0.3921	0.70856	
ROCE	2.79727	0.554267	5.0468	0.00234	***

Mean dependent var	17.25800	S.D. dependent var	9.519610
Sum squared resid	70.91509	S.E. of regression	3.437904
R-squared	0.913052	Adjusted R-squared	0.869579
F(3, 6)	21.00235	P-value(F)	0.001390
Log-likelihood	-23.98388	Akaike criterion	55.96775
Schwarz criterion	57.17809	Hannan-Quinn	54.64001
Rho	-0.158059	Durbin-Watson	2.031854

The above table shows the relationship between the independent variables and the dependent variable inventory turnover ratio of Mcleod Russel India Ltd. From the above table it can be inferred that the significance value for the independent variable current ratio $p = 0.29202 > 0.05$, there is no significant relationship between current ratio and inventory turnover ratio. The significance value of debtor turnover ratio $p= 0.70856 > 0.05$ at 5 % level of significance, therefore there is no significant relationship between debtors and inventory turnover ratio. The significant value for Return on capital employed, $P= 0.00234 > 0.01$ at 1% level of significance, therefore there is no significant relationship between ROCE and inventory turnover ratio.

TABLE 1.2.4: ROSSELL INDIA LTD.

Model 1: Pooled OLS, using observations 1-15
Dependent variable: ITR

	Coefficient	*Std. Error*	*t-ratio*	*p-value*
Const	5.41876	4.30994	1.2573	0.25538
CR	12.6837	7.04351	1.8008	0.12182
DTR	-0.0118673	0.0372489	-0.3186	0.76083
ROCE	0.439935	0.287353	1.5310	0.17665

Mean dependent var	22.90300	S.D. dependent var	6.346119
Sum squared resid	76.37338	S.E. of regression	3.567758
R-squared	0.789291	Adjusted R-squared	0.683936
F(3, 6)	7.491762	P-value(F)	0.018772
Log-likelihood	-24.35463	Akaike criterion	56.70926
Schwarz criterion	57.91960	Hannan-Quinn	55.38152
Rho	0.062356	Durbin-Watson	1.302159

The above table shows the relationship between the independent variables and the dependent variable inventory turnover ratio of Rossell India Ltd. From the above table it can be inferred that the significance value for the independent variable current ratio $p = 0.12182 > 0.05$, there is no significant relationship between current ratio and inventory turnover ratio. The significance value of debtor turnover ratio $p= 0.76083 > 0.05$ at 5 % level of significance, therefore there is no significant relationship between debtors and inventory turnover ratio. The significant value for Return on capital employed, $P= 0.17665 > 0.05$, therefore there is no significant relationship between ROCE and inventory turnover ratio.

TABLE 1.2.5: TATA GLOBAL BEVERAGES

Model 1: Pooled OLS, using observations 1-15
Dependent variable: ITR

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	5.89016	1.42817	4.1243	0.00619	***
CR	-2.53666	0.898918	-2.8219	0.03028	**
DTR	-0.00839231	0.0828839	-0.1013	0.92265	
ROCE	0.142205	0.155036	0.9172	0.39439	

Mean dependent var	4.835000	S.D. dependent var	0.968610
Sum squared resid	0.889368	S.E. of regression	0.385004
R-squared	0.894673	Adjusted R-squared	0.842009
F(3, 6)	16.98843	P-value(F)	0.002453
Log-likelihood	-2.090239	Akaike criterion	12.18048
Schwarz criterion	13.39082	Hannan-Quinn	10.85274
Rho	-0.114276	Durbin-Watson	1.975309

The above table shows the relationship between the independent variables and the dependent variable inventory turnover ratio of Rossell India Ltd. From the above table it can be inferred that the significance value for the independent variable current ratio $p = 0.03028 < 0.05$, there is significant relationship between current ratio and inventory turnover ratio. The significance value of debtor turnover ratio $p= 0.92265 > 0.05$ at 5 % level of significance, therefore there is no significant relationship between debtors and inventory turnover ratio. The significant value for Return on capital employed, $P= 0.39439 > 0.05$, therefore there is no significant relationship between ROCE and inventory turnover ratio.

FINDINGS & SUGGESTIONS

The Harrisons Malayalam Ltd the debt equity ratio, current ratio and profitability has gradually decreased year by year during the study period. The result suggests that company can improve their internal efficiency.

Jay Shree Tea & Industries has growth in debt equity ratio and profitability has gradually decreased year by year but return on capital employed increased. It reveals that company can manage their internal efficiency in good and overall returns for the company is better during the study period.

Mcleod Russel India Ltd has debt equity and current ratio gradually decreased it effects the company efficiency. The return on capital employed and profitability has gradually increased during the study period.

Rossell India Ltd debt equity ratio and current ratio and profitability has decreased year by year. The result suggests that company can improve their internal efficiency and control their working capital efficiency during the study period.

During the study period Tata Global Beverages current ratio has decreased and study reveals that company should manage their liquidity position well. Return on capital and profit after tax has stable growth it shows that their profitability position is good.

According to ordinary least square the inventory turnover ratio has direct impact with current ratio, debtor turnover ratio and return on equity. It shows that the company working capital efficiency is based on its utilization of capital.

RECOMMENDATIONS

Debt equity ratio shows how much a company is hold, that is, how much debt is involved in the business vis a vis equity. Current ratio shows the liquidity position, that is, how the company meeting its short term obligations with short term assets. Hence, the researcher can use these ratios to measure the liquidity and profitability of working capital of the company.

To measure the utilization of working capital of the company, the researcher can use the current ratio, debtor turnover ratio and return on capital employed that has direct impact on inventory turnover ratio.

CONCLUSIONS

It is found that liquidity is required for the short-term survival of the firm and profitability stand for long term survival. This study shows that both are important for the continuity of the firm in long and in short run.

LIMITATIONS

1. The study used the secondary data from the published annual reports of the companies.
2. The study has been carried out mainly by employing ratio analysis technique only.
3. The study is limited to ten years only i.e from the year 2007-08 to 2016-17.

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FINANCIAL CRISIS OF STATE TRANSPORT UNDERTAKING - A CASE STUDY OF KERALA STATE ROAD TRANSPORT CORPORATION (KSRTC)

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ABSTRACT

Passenger road transport is an important segment of road transport industry in Kerala. It is carried out by the public, private and co-operative sector. Buses take up over 90 per cent of public transport in Indian cities, and serve as a cheap and convenient mode of transport for all classes of society. Services are mostly run by state government owned transport corporations. The oldest Indian state transport undertaking is North Bengal State Transport Corporation still vibrant and running, providing service to commuters of North Bengal region. In Kerala, too road transport is a very important segment of the transport industry. With the formation of the Kerala State in 1956, the name of the Department was changed to Kerala State Road Transport Department and in 1965, it was converted to Kerala State Road Transport Corporation, in order to expedite the process of nationalisation and receive the assistance from Government. The main objective of the corporation is to provide an efficient, adequate and economical system of road transport service. Basically it is a service oriented organization and is obliged to provide economical services. The scrutiny of the balance sheet revealed that the income of the Corporation was not able to meet even the operating expenses of the Organisation. The actual and the exponential trend of total income and expenditure of KSRTC from 1991 to 2012 was analysed and it was concluded that the growth of expense is high when compared to income. On analysing the scatter graph showing the relation between Income and Expenditure of KSRTC it can be inferred that the strength of association between the income and expenditure of KSRTC is very high (r = 0.995) as significance level is less than 0.05. KSRTC continued to incur losses during the period of analysis, which was mainly due to increase in the operational expenditure arising out of the huge amount for petroleum products, wage rise and the non-revision of fare for the last ten years. In 2012, the net loss of the Corporation was ₹ 34,997 lakhs which is much larger when compared to the previous years. A regression analysis was made on the determinants to estimate the conditional expectation of the net profit/loss made by the Corporation over the years (dependent variable) and the determinants of loss over the years (the independent variables) and it was found that the determinants of the variables to be 92.87 per cent. The pricing policy of the KSRTC should be profit oriented and dynamic in order to achieve a better financial performance of Kerala State Road Transport Corporation could adopt an automatic fare revision system without political intervention. It should also focus to generate revenue that can ensure an efficient and adequate supply of public transport service. Public transport pricing may also be expected to contribute to the reduction of congestion and environmental impact of road traffic, efficient coordination between public transport modes and the reduction of poverty. The main features of poverty are poor connectivity to jobs, services, education and recreational activity.

KEYWORDS
KSRTC, passenger road transport, Pricing Policy.

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INTRODUCTION

It has been seen throughout the history of any nation that a proper, extensive and efficient Road Transport has played a major role in its development. 'Transporters' perform one of the most important activities, at every stage of an advanced civilization. It is small wonder therefore, that where roads are considered as veins and arteries of a nation, passenger and goods transported are likened to blood in circulation.

Upon gaining independence in 1947, the government took on the responsibility to provide its people an affordable means of transportation and thus nationalised most public transport operations. Except the Railways and Airways, all other modes of transportation were the responsibility of the respective state governments. With the view to provide affordable, safe and reliable bus service to people both in rural and urban areas, the Road Transport Act was promulgated in 1950. This enabled the State and Central Government to form Road Transport Corporation.

The Road Transport Corporations Act was passed in 1950 with the aim of encouraging and providing appropriate institutional set-up for individual states to operate road transport services in their state. The goal was to offer significant advantages to the public, trade and industry through the development of road transport (Government of India 1950).It was expected that if the state government were responsible for the provision of road transport, it would allow coordination of road transport with any other form of transport that may be available. The state could also use its discretion to decide which areas needed expanded services and improvements in road transport facilities.

The main objective of the corporation is to provide an efficient, adequate and economical system of road transport service. Basically it is a service oriented organization and is obliged to provide economical services.

In 1937, the State Transport Development was organised for Public Road Transport Service in the estimated while Princely State Transport of Travancore in Kerala, nationalising the Trivandrum Cape Comorian and Nagercoil – Colachal covering a distance of 112 kilometres.

With the formation of the Kerala State in 1956, the name of the Department was changed to Kerala State Road Transport Department and in 1965, it was converted to Kerala State Road Transport Corporation, in order to expedite the process of nationalisation and receive the assistance from Government.

The study is made for the consecutive tenure of twenty-two years from the year 1990 to 2012. The performance of the Corporation was satisfactory at the time of inception and during the period of study, the Corporation was operating at a heavy loss. Hence, the scrutiny of balance sheet was an inevitable area of study.

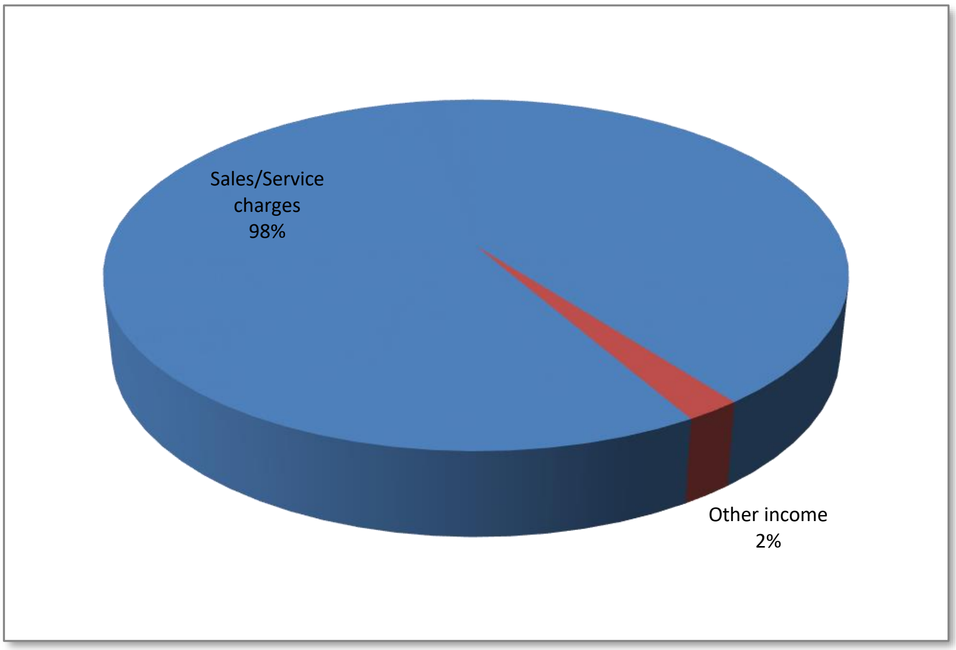
OBJECTIVE
To scrutinize the financial statement and examine the income and its utilization by Kerala State Road Transport Corporation from various sources.

RESEARCH METHODOLOGY OF THE STUDY
Exploratory research design was adopted for the study. The study was based on secondary data collected from the accounts and statements of KSRTC, Report of the comptroller and auditor general of India, Economic Review brought out by the Planning Board, and other related sources.

ANALYSIS
INCOME
The International Accounting Standards Board defines Income as "increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants." The amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments is income.

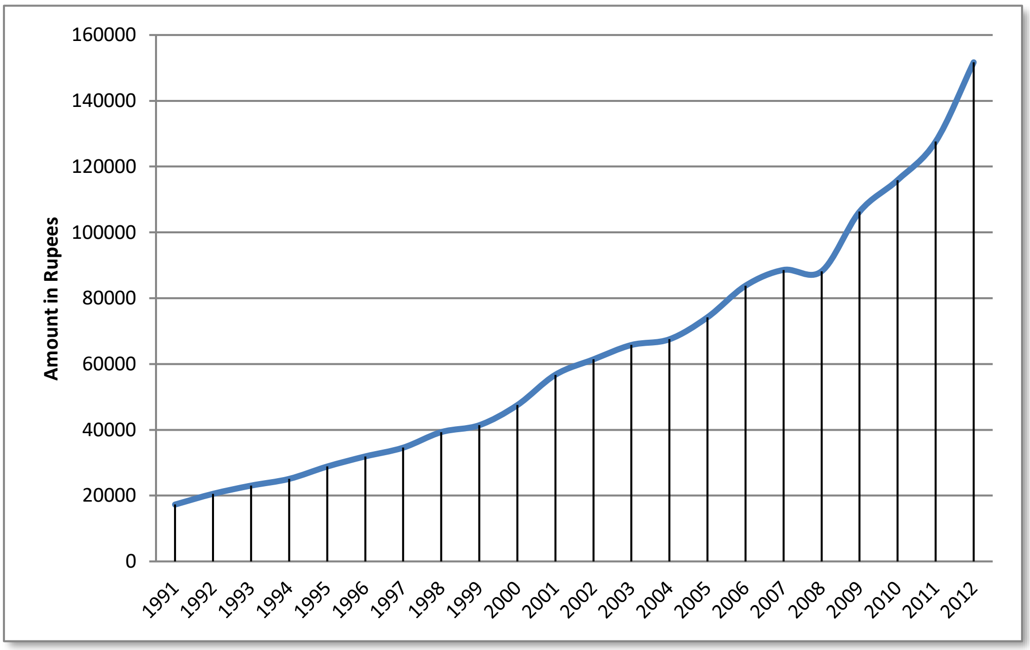
The income of Kerala State Road Transport Corporation comprises of two factors: Sales/Service Charge and Other Income. The Sales/ Service category of income comprises of the income from the transportation service offered by KSRTC to the common Public. The income from other source comprises of the income earned by KSRTC from advertisements in the fleet body and hoardings in the Corporation owned premises, rent from Corporation owned buildings. A proposal was already taken up by KSRTC to introduce courier service using existing fleet to earn non-operating income. But the proposal did not materialize.

FIGURE 1: SOURCE OF INCOME OF KSRTC DURING THE YEAR 1991



An overview of the income of KSRTC during the initial year of study is made in the figure. The major portion of the income of KSRTC is from the service provided to the General Public. Two per cent of the total income comes from the other incomes like rent and advertisements. From the daily collection received by KSRTC a fixed portion is set aside for making the liability of the Indian Oil Corporation (IOC) at 100 lakhs as if the credit with the IOC exceeds ₹ 100 lakhs the Corporation will completely stop supply of diesel to KSRTC. It is to be noticed that during the final years under study, there is no income from other sources and the only mode of income to KSRTC is only sales/service charges.

FIGURE 2: TOTAL INCOME OF KSRTC DURING THE PERIOD FROM 1991 TO 2012



Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

A graphical representation of the total income of the Corporation is done in Figure 2. The graph shows an increasing trend throughout the period of study even though it has a minor decrease in the year 2004 and 2005. During 2008 the total income has decreased to ₹ 88,174 lakhs from ₹ 88,600 lakhs even though there was an increase in the fare in the particular year. This can be because of the discontinuation of the Super Express Service for three years vide 2007, 2008 and 2009. The Corporation has reinitiated the Super Express Service in the last year of the period of study. During 2009 the income of the Corporation has risen to 106,305 lakhs from ₹ 88,174 lakhs and continued to increase and during 2012 the total income is ₹ 151,711 lakhs which is high compared to other years of the study.

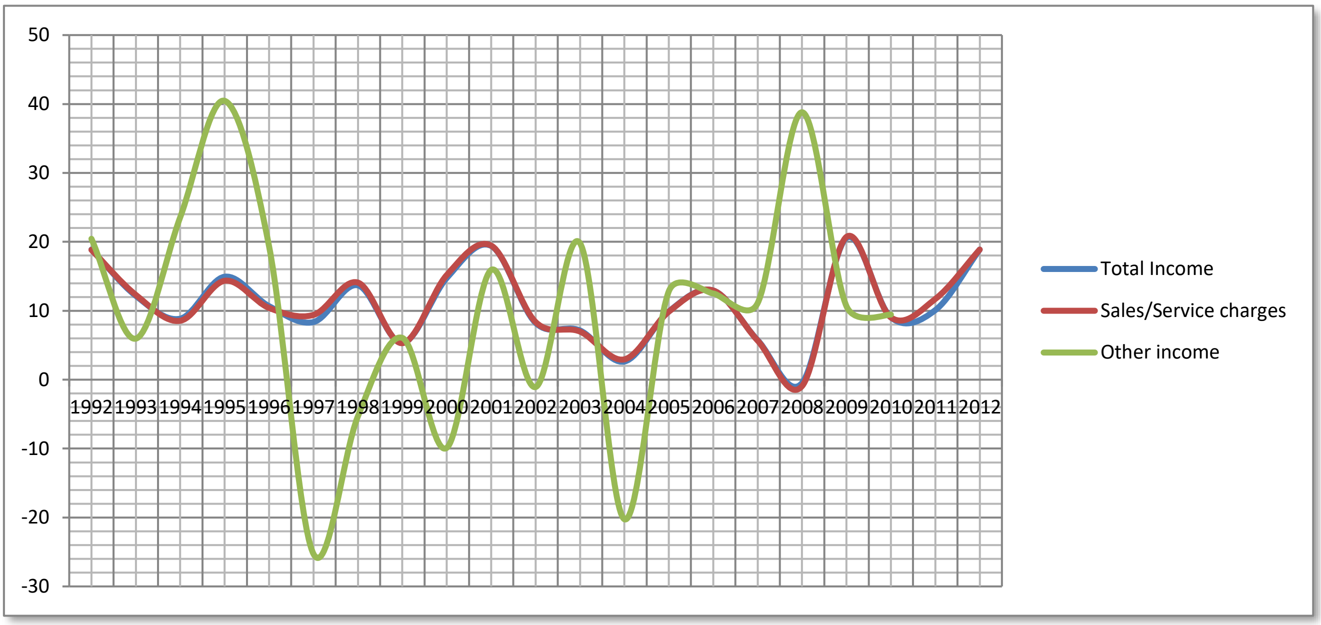
TABLE 1: GROWTH STATISTICS OF TOTAL INCOME AND ITS SOURCES OF KSRTC DURING THE PERIOD FROM 1991 TO 2012

Sl. No. (1)	Year (2)	Total Income (3)		Sales/Service charges (4)			Other income (5)		
		Amount in lakhs	GR	Amount in lakhs	Percent	GR	Amount in lakhs	Percent	GR
1	1991	17,285	-	16,923	97.91	-	362	2.09	-
2	1992	20,548	18.88	20,112	97.88	18.84	436	2.12	20.44
3	1993	23,047	12.16	22,585	98.00	12.30	462	2.00	5.96
4	1994	25,086	8.85	24,515	97.72	8.55	571	2.28	23.59
5	1995	28,835	14.94	28,033	97.22	14.35	802	2.78	40.46
6	1996	31,909	10.66	30,952	97.00	10.41	957	3.00	19.33
7	1997	34,577	8.36	33,862	97.93	9.40	715	2.07	-25.29
8	1998	39,310	13.69	38,633	98.28	14.09	677	1.72	-5.31
9	1999	41,400	5.32	40,682	98.27	5.30	718	1.73	6.06
10	2000	47,505	14.75	46,858	98.64	15.18	647	1.36	-9.89
11	2001	56,725	19.41	55,975	98.68	19.46	750	1.32	15.92
12	2002	61,400	8.24	60,658	98.79	8.37	742	1.21	-1.07
13	2003	65,783	7.14	64,894	98.65	6.98	889	1.35	19.81
14	2004	67,519	2.64	66,810	98.95	2.95	709	1.05	-20.25
15	2005	74,201	9.90	73,401	98.92	9.87	800	1.08	12.83
16	2006	83,800	12.94	82,900	98.93	12.94	900	1.07	12.50
17	2007	88,600	5.73	87,600	98.87	5.67	1000	1.13	11.11
18	2008	88,174	-0.48	86,786	98.43	-0.93	1388	1.57	38.80
19	2009	106,305	20.56	104,769	98.56	20.72	1536	1.44	10.66
20	2010	115,913	9.04	114,232	98.55	9.03	1681	1.45	9.44
21	2011	127,612	10.09	127,612	100	11.71	NA		
22	2012	151,711	18.88	151,711	100	18.88	NA		
	CAGR	10.90		11.01			8.42		

Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

A comparison between the growth rate of total income and its sources is done in the Table. Growth rate is the amount of increase that a specific variable has gained within a specific period and context. The Compound Annual Growth Rate of the total income and it sources is also done within the years 1991 and 2012. The Compound Annual Growth Rate of the different sources of income and also the total income's growth of the Corporation during the period of study is calculated in the table. The growth rate is high in the Sales/Service Charge source (11.01). Even though the source of income from others contributes only to a small portion of the total income the growth rate is not much lower when compared to sales/service charge. A graphical representation is given in the following figure.

FIGURE 3: GROWTH RATE OF TOTAL INCOME OF KSRTC DURING THE PERIOD FROM 1991 TO 2012

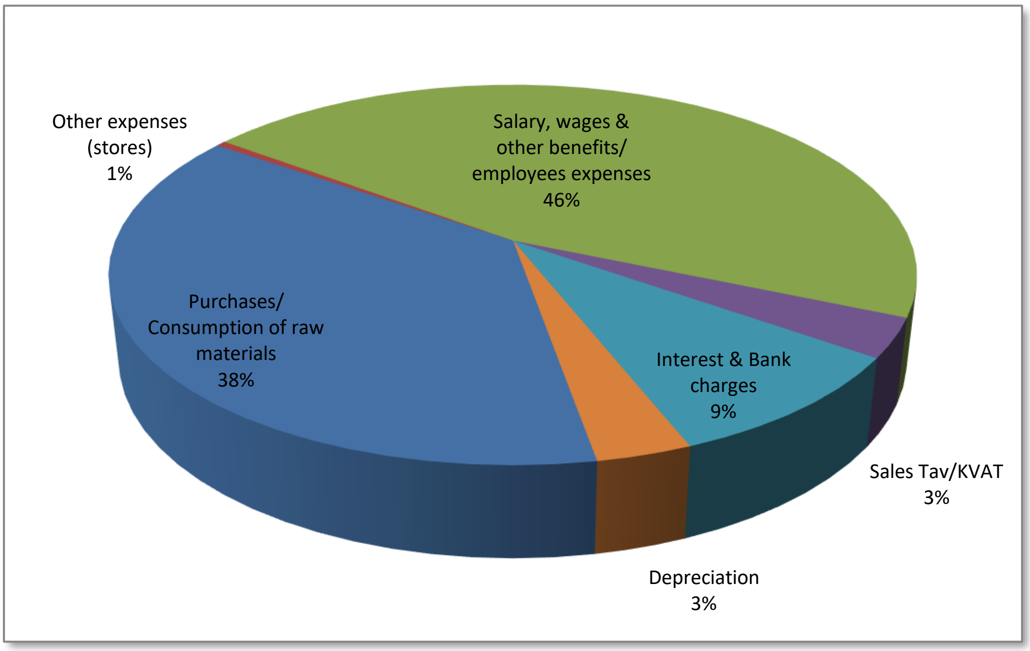


From figure 3 it is evident that major portion of the total income comprises of the income from sales/service and income from other sources contributes only a small portion. The Growth Rate of income from sale/service charge is negative only in the year 2008(-0.93). The Growth Rate of income from other service has gone negative in several years i.e on 1997 (25.29), 1998 (5.31), 2000 (-9.89), 2002 (-1.07) and 2004 (-20.25). Negative growth rate means that not only there is no growth, but something which is getting smaller. This negative growth rate appears only in some years and after 2004 the growth rate shows a positive trend.

OPERATIONAL EXPENDITURE

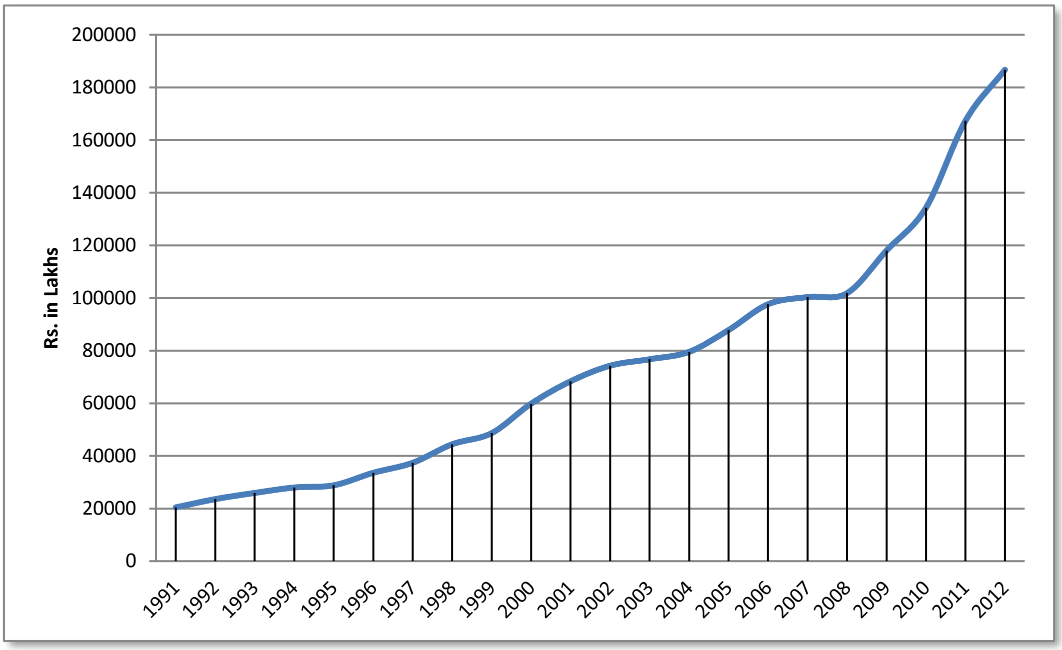
In business, an operating expense is a day-to-day expense such as sales and administration, or research & development, as opposed to production, costs, and pricing. In short, this is the money the business spends in order to turn inventory into throughout. On an income statement, "operating expenses" is the sum of a business's operating expenses for a period of time, such as a month or year. The operational expenditure of KSRTC consist of purchases and raw materials consumed, personnel expenses, other expenses which include stores, depreciation, rent rates and taxes and interest and bank charges.

FIGURE 4: TYPE OF OPERATIONAL EXPENDITURE OF KSRTC DURING THE YEAR 2012



In 2012, the cost structure of the organisation shows that salary, wages and other benefits/employees expenses constitute 46 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 09*per cent*. Thus, the major cost saving can come only from manpower and fuel. Low Kilometre Per Litre (KMPL) is a most important concern in KSRTC. At present KMPL of KSRTC is around 4 km per litre and considering the huge amount spent in this account even a small increase in KMPL can save a very huge amount.

FIGURE 5: TOTAL OPERATIONAL EXPENDITURE OF KSRTC DURING THE PERIOD FROM 1991 TO 2012



Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

A graphical representation of the total expense of the Corporation is done in Figure 5. The graph shows an increasing trend from the year 1991 to 1994, and then a small fluctuation in the expenditure is found till the year 1999. In 2006, a notable increase happens in the total expenditure of the Corporation, as there was a price hike in the fuel charges. In 2008, the Government of Kerala avoided taxes for fuel and thereby there was a reduction in the price of the fuel. From 2008 to 2012, the graph shows almost a proportionate increasing trend.

TABLE 2: GROWTH OF TOTAL OPERATIONAL EXPENDITURE AND ITS SOURCES OF KSRTC DURING THE PERIOD FROM 1991 TO 2012

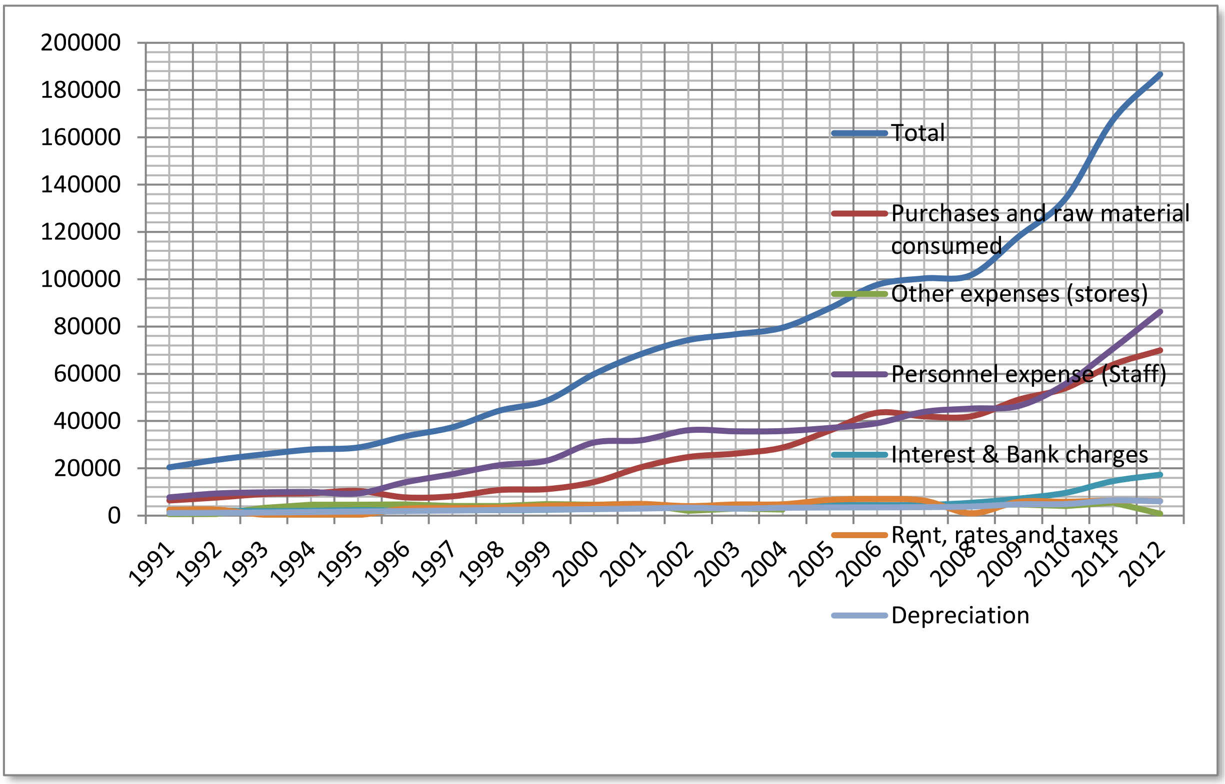
Sl.No. (1)	Year (2)	Total (3)		Purchases and raw material consumed (4)			Other expenses (stores) (5)			Personnel expense (Staff) (6)			Interest & Bank charges (7)			Rent, rates and taxes (8)			Depreciation (9)		
		Amt. in lakh	GR	Amt. in lakh	%	GR	Amt. in lakh	%	GR	Amt. in lakh	%	GR	Amt. in lakh	%	GR	Amt. in lakh	%	GR	Amt. in lakh	%	GR
1	1991	20,439		6,412	31.37		621	3.04		7,748	37.91		2,046	10.01		2513	12.30		1099	5.38	
2	1992	23,568	15.31	7,644	32.43	19.21	680	2.89	9.50	9,362	39.72	20.83	2,155	9.14	5.33	2,555	10.84	1.67	1172	4.97	6.64
3	1993	25,928	10.01	9,111	35.14	19.19	3,298	12.72	385.00	9,844	37.97	5.15	1,931	7.45	-10.39	409	1.58	-83.99	1335	5.15	13.91
4	1994	27,983	7.93	9,463	33.82	3.86	4,610	16.47	39.78	9,977	35.65	1.35	2,067	7.39	7.04	357	1.28	-12.71	1509	5.39	13.03
5	1995	28,825	3.01	10,451	36.26	10.44	4,647	16.12	0.80	9,388	32.57	-5.90	2,316	8.03	12.05	286	0.99	-19.89	1737	6.03	15.11
6	1996	33,570	16.46	7,726	23.01	-26.07	4,742	14.13	2.04	14,112	42.04	50.32	2,145	6.39	-7.38	2,922	8.70	921.68	1923	5.73	10.71
7	1997	37,380	11.35	8,174	21.87	5.80	4,028	10.78	-15.06	17,552	46.96	24.38	2,265	6.06	5.59	3,212	8.59	9.92	2149	5.75	11.75
8	1998	44,410	18.81	10,842	24.41	32.64	4,096	9.22	1.69	21,349	48.07	21.63	2,322	5.23	2.52	3,424	7.71	6.60	2377	5.35	10.61
9	1999	48,634	9.51	11,223	23.08	3.51	4,881	10.04	19.17	23,243	47.79	8.87	2,465	5.07	6.16	4,218	8.67	23.19	2604	5.35	9.55
10	2000	59,847	23.06	14,207	23.74	26.59	4,545	7.59	-6.88	30,909	51.65	32.98	2,907	4.86	17.93	4,542	7.59	7.68	2737	4.57	5.11
11	2001	68,345	14.20	20,500	29.99	44.30	4,850	7.10	6.71	31,875	46.64	3.13	3,165	4.63	8.88	4,955	7.25	9.09	3000	4.39	9.61
12	2002	74,260	8.65	24,790	33.38	20.93	2,106	2.84	-56.58	36,134	48.66	13.36	3,907	5.26	23.44	4,003	5.39	-19.21	3320	4.47	10.67
13	2003	76,716	3.31	26,257	34.23	5.92	2,988	3.89	41.88	35,658	46.48	-1.32	4,117	5.37	5.37	4,730	6.17	18.16	2966	3.87	-10.66
14	2004	79,515	3.65	28,810	36.23	9.72	2,630	3.31	-11.98	35,775	44.99	0.33	4,200	5.28	2.02	4,800	6.04	1.48	3300	4.15	11.26
15	2005	87,806	10.43	36,030	41.03	25.06		0.00		37,100	42.25	3.70	4,550	5.18	8.33	6,676	7.60	39.08	3450	3.93	4.55
16	2006	97,619	11.18	43,500	44.56	20.73		0.00		39,094	40.05	5.37	4,500	4.61	-1.10	7,025	7.20	5.23	3500	3.59	1.45
17	2007	100,350	2.80	42,000	41.85	-3.45		0.00		43,900	43.75	12.29	4,500	4.48	0.00	6,350	6.33	-9.61	3600	3.59	2.86
18	2008	101,813	1.46	42,024	41.28	0.06	4,237	4.16		45,286	44.48	3.16	5,432	5.34	20.71	989	0.97	-84.43	3845	3.78	6.81
19	2009	118,017	15.92	49,058	41.57	16.74	4,755	4.03	12.23	46,385	39.30	2.43	7,186	6.09	32.29	5,836	4.95	490.09	4797	4.06	24.76
20	2010	134,277	13.78	53,965	40.19	10.00	4,133	3.08	-13.08	55,770	41.53	20.23	9,653	7.19	34.33	5,875	4.38	0.67	4881	3.64	1.75
21	2011	167,342	24.62	63,862	38.16	18.34	5,507	3.29	33.24	70,585	42.18	26.56	14,593	8.72	51.18	6,370	3.81	8.43	6425	3.84	31.63
22	2012	186,708	11.57	69,911	37.44	9.47	871	0.47	-84.18	86,314	46.23	22.28	17,312	9.27	18.63	6,225	3.33	-2.28	6075	3.25	-5.45
	CAGR	11.11		12.05			1.62			12.16			10.70			4.41			8.48		

Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

In Table 2 the Percentage, GR and CAGR of the operational expenditure of KSRTC is calculated. In 1996 and 2007 the growth rate of purchase and raw materials was negative. In 1993 the growth rate of stores expenses was very high (385) and in 1997, 2000, 2002, 2004, 2010 and 2012 the growth rates were negative figure. In 1993 the growth rate of rent rates and taxes showed the negative growth rate of 83.99 which is the second highest when compared to the growth rate of all other expenses during the period of study. It also shows a positive growth rate of 490.09 in 2009 which is the highest positive growth rate when compared to all other expenses of the Corporation during the period of study.

The major portion of the operational expenditure of KSRTC is covered by personnel expenses and the purchase of raw materials consumed. On percentage analysis, in 2012it was found that 46.23 percent of the total expenditure is the amount spent on staffs and the expenditure on purchases and raw materials comes to only 37.44 percent. The expenses on personnel staff has the maximum CAGR (12.16) over the years of study which is even more than the amount spent on purchases and raw materials consumed (12.05) when the CAGR of total expenditure counts only to 11.11.

FIGURE 6: TOTAL OPERATIONAL EXPENDITURE OF KSRTC DURING THE PERIOD FROM 1991 TO 2012

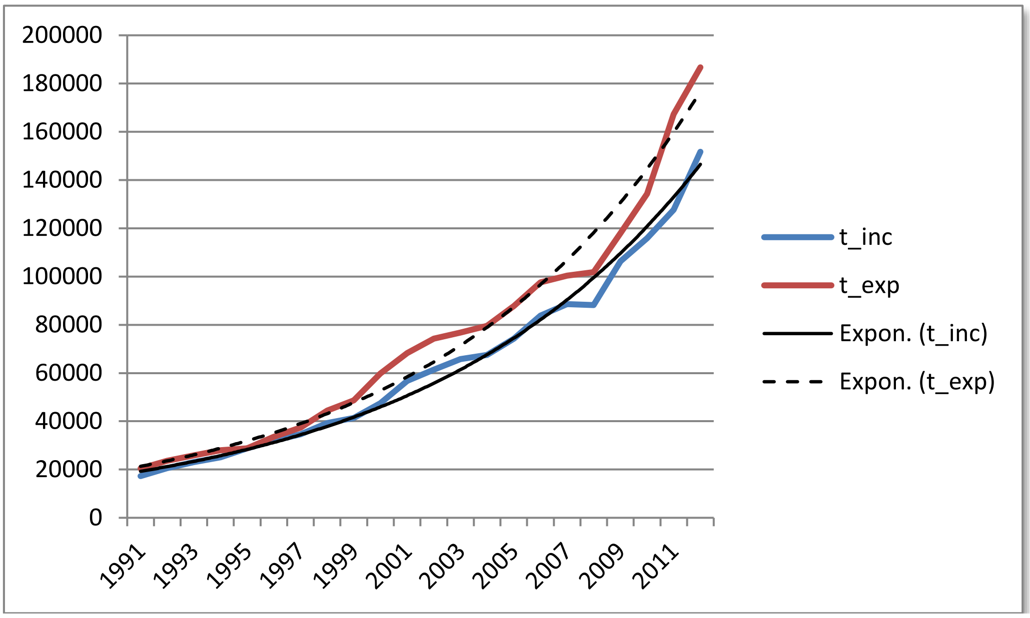


Kerala State Road Transport Corporation continues to annually incur losses due to increase in operational costs arising out of the huge petroleum products and wage bills. In 2012, the operational loss made was much larger to Rs186708 lakhs as compared with the loss making trend during the years under study. Even though there was a fare revision during 2010, the loss could not be minimised due to wage revision, diesel price increase, the price hike in the raw materials consumed and the loss increased to Rs186708 lakhs during 2012.

COMPARISON OF INCOME WITH OPERATIONAL EXPENSE

The income of KSRTC includes, as discussed earlier, income from rented premises and also other incomes from advertisement on buses etc. A comparison of fare with the operational expense is necessary to ensure whether the fare covers the operational expense of the Corporation.

FIGURE 7 THE ACTUAL AND THE EXPONENTIAL TREND OF TOTAL INCOME AND EXPENDITURE OF KSRTC FROM 1991 TO 2012



Source: A review of public enterprises in Kerala 1991-2012, Bureau of Public Enterprises, Government of Kerala

A graphical representation of the effectiveness of KSRTC is done in the figure given. Here it can be inferred that the income and expenditure of KSRTC is exponential with minor irregularities. The income exponential curve is more bended when compared to expenses exponential curve. Thus it can be concluded that growth of expense is high when compared to income.

TABLE 3: RESULTS OF FITTING THE EXPONENTIAL CURVE TO THE INCOME OF KSRTC DURING 1991-2012

Sl.No.	Year	X	y	Ln y	x^2	x Lny
1	1991	1	17,285	9.76	1	9.76
2	1992	2	20,548	9.93	4	19.86
3	1993	3	23,047	10.05	9	30.14
4	1994	4	25,086	10.13	16	40.52
5	1995	5	28,835	10.27	25	51.35
6	1996	6	31,909	10.37	36	62.22
7	1997	7	34,577	10.45	49	73.16
8	1998	8	39,310	10.58	64	84.63
9	1999	9	41,400	10.63	81	95.68
10	2000	10	47,505	10.77	100	107.69
11	2001	11	56,725	10.95	121	120.41
12	2002	12	61,400	11.03	144	132.30
13	2003	13	65,783	11.09	169	144.22
14	2004	14	67,519	11.12	196	155.68
15	2005	15	74,201	11.21	225	168.22
16	2006	16	83,800	11.34	256	181.38
17	2007	17	88,600	11.39	289	193.66
18	2008	18	88,174	11.39	324	204.97
19	2009	19	106,305	11.57	361	219.91
20	2010	20	115,913	11.66	400	233.21
21	2011	21	127,612	11.76	441	246.89
22	2012	22	151,711	11.93	484	262.45
	Total	253	1397,245	239.37	3795	2838.31

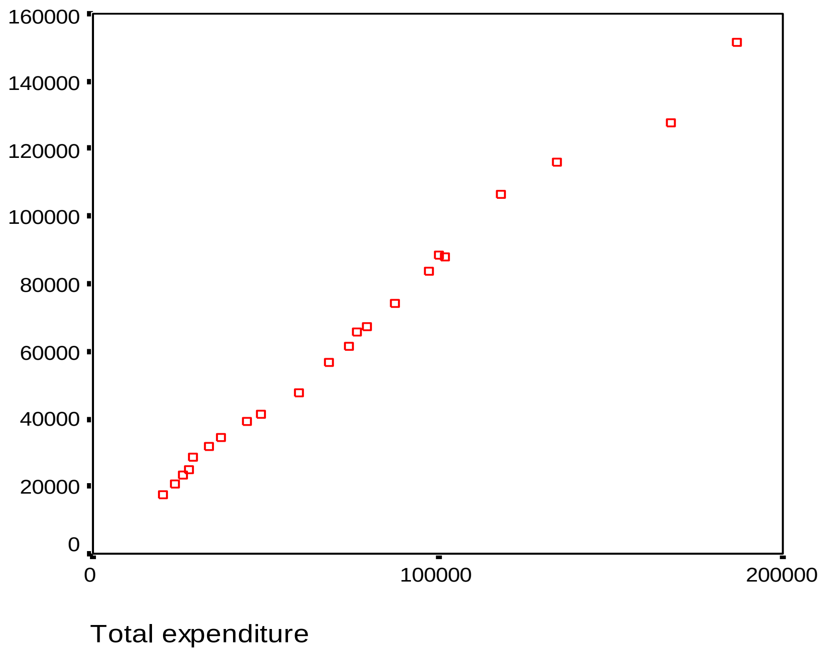
TABLE 4: RESULTS OF FITTING THE EXPONENTIAL CURVE TO THE OPERATIONAL EXPENDITURE OF KSRTC

Sl.No. (1)	Year (2)	x (3)	Y (4)	Ln y (5)	x^2 (6)	x Lny (7)
1	1991	1	20,439	9.93	1	9.93
2	1992	2	23,568	10.07	4	20.14
3	1993	3	25,928	10.16	9	30.49
4	1994	4	27,983	10.24	16	40.96
5	1995	5	28,825	10.27	25	51.34
6	1996	6	33,570	10.42	36	62.53
7	1997	7	37,380	10.53	49	73.70
8	1998	8	44,410	10.70	64	85.61
9	1999	9	48,634	10.79	81	97.13
10	2000	10	59,847	11.00	100	110.00
11	2001	11	68,345	11.13	121	122.46
12	2002	12	74,260	11.22	144	134.58
13	2003	13	76,716	11.25	169	146.22
14	2004	14	79,515	11.28	196	157.97
15	2005	15	87,806	11.38	225	170.74
16	2006	16	97,619	11.49	256	183.82
17	2007	17	100,350	11.52	289	195.78
18	2008	18	101,813	11.53	324	207.56
19	2009	19	118,017	11.68	361	221.89
20	2010	20	134,277	11.81	400	236.15
21	2011	21	167,342	12.03	441	252.58
22	2012	22	186,708	12.14	484	267.02
		253	1,643,352	242.56	3795	2878.60

Operational Expenditure = $19293.67e^{0.101x \text{ number years from 90-91}}$

A scatter plot or scatter graph is used showing the relation between income and expenditure of the Corporation. X Axis represents income in Rupees and Y Axis represents the operational expenditure.

FIGURE 8: SCATTER GRAPH SHOWING THE RELATION BETWEEN INCOME AND EXPENDITURE OF KSRTC



Here the pattern of dots slopes upwards from lower left to upper right with 45 degree in the X axis and thus suggests a strong positive correlation, in linear manner, between the operational expenditure and total income of the Corporation.

In conclusion, it can be inferred that the strength of association between the income and expenditure of KSRTC is very high (r = 0.995) as significance level is less than 0.05.

FINDINGS AND RECOMMENDATIONS

The scrutiny of the balance sheet revealed that the income of the Corporation was not able to meet even the operating expenses of the Organisation. Also, on analysing the comments of the Auditor General of India it was found that a right kind of policy measures and better management of affairs, it is possible to increase revenue and reduce costs, so as to limit losses and serve people better.

i. The income of KSRTC comprises of two factors: Sales/Service Charge and other income which includes advertisement in the fleet body, rent from the Corporation owned premises etc.

ii. The income had an increasing trend during throughout the period barring very few years. The income earned did not even cover the operational expenditure of the organisation and in 2012, the operational expenditure was much larger to ₹ 186,708 lakhs as compared with the loss making trend during the years under study.

iii. The actual and the exponential trend of total income and expenditure of KSRTC from 1991 to 2012 was analysed and it was concluded that the growth of expense is high when compared to income. On analysing the scatter graph showing the relation between Income and Expenditure of KSRTC it can be inferred that the strength of association between the income and expenditure of KSRTC is very high (r = 0.995) as significance level is less than 0.05.

iv. KSRTC continued to incur losses during the period of analysis, which was mainly due to increase in the operational expenditure arising out of the huge amount for petroleum products, wage rise and the non-revision of fare for the last ten years. In 2012, the net loss of the Corporation was ₹ 34,997 lakhs which is much larger when compared to the previous years.

v. A regression analysis was made on the determinants to estimate the conditional expectation of the net profit/loss made by the Corporation over the years (dependent variable) and the determinants of loss over the years (the independent variables) and it was found that the determinants of the variables to be 92.87 per cent.

Based on the findings the followings suggestions/recommendations could be made to the KSRTC.

i. The pricing policy of the KSRTC should be profit oriented and dynamic in order to achieve a better financial performance of Kerala State Road Transport Corporation could adopt an automatic fare revision system without political intervention.

ii. The ticketing system may be rationalised scientifically to attract more passengers like daily commuters, long distance commuters etc.

iii. Bus drivers may be required to conduct fare collection, inspect a travel pass or free travels pass, or oversee stored-value card debiting. Smart card technology can be introduced for passengers, which will replace an ordinary ticket and allow travel on vehicles that have smart ticket machines, with easy transfer between services. Customers will be able to buy and top up on-line, check the credit left on the card, or buy a card at outlets across the county.

iv. As present, the Motor Vehicle Rules the KSRTC is unable to operate conductor less services. Government may think of amending the rules to allow KSRTC in operating driver only services.

v. Public transport buses may also operate on a zero-fare basis, or ticket validation may be through use of on-board/off-board proof-of-payment systems, checked by roaming ticket controllers who board and alight buses at random.

vi. The Corporation can concentrate on long distance and super class services thereby avoiding competition with private services.

vii. Computerisation in all levels and in all activities can result in reduction of manpower, updating audit, control of inventory and minimisation of local purchase.

The pricing policy of a State Transport Undertaking is to generate revenue that can ensure an efficient and adequate supply of public transport service. Public transport pricing may also be expected to contribute to the reduction of congestion and environmental impact of road traffic, efficient coordination between public transport modes and the reduction of poverty. The main features of poverty are poor connectivity to jobs, services, education and recreational activity. Lack of access to services leads to social exclusion barriers to work, learning, health care, food supply etc. Improving access is a must, but it has to be affordable. Hence, pricing policy of a public transport organization is not profit oriented. Development of society is the main objective.

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