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   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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AN INSIGHT ON CONSUMER CHOICE AND MARKETING OPPORTUNITIES FOR BREAKFAST- CEREALS

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ABSTRACT

This study aims to explore the changing meal patterns of contemporary consumers to Breakfast-Cereals in the global market scenario. Paper attempts to determine the consumer choice and hence forth the future market opportunities for Breakfast-Cereal companies. The study reviewed many international publications and records as well as large amount of secondary sources of data on Breakfast-Cereals. The finding shows Breakfast - Cereal as an accepted consumer product with immense opportunities for the marketers to get hold of a permanent place in the Breakfast market. The study also derived at some commendations to Breakfast-Cereal Marketers for improving the existing system.

KEYWORDS
Breakfast-Cereals, Consumer choice, Marketing opportunities.

BACKGROUND

Market Line reports that the world Breakfast - Cereal industry worth $28 billion in 2010, recorded 4% growth for the four preceding years. Ready-to-eat cereals stand to be the leading market segment generating almost $24.5 billion in 2010, and almost account to more than 87% in value of the overall market. It is expected to accelerate and exceed a yearly rate of 4% between 2010 and 2015 which will generate more than $34 billion (Breakfast and Cereal Industry, Reportlinker.com: 2011). Changing life styles, consumer awareness regarding healthy eating habits and diverse food consumption patterns fuelled growth in the global cereal industry. Cereal manufacturers are producing more organic and specialty food products due to the increased focus on the benefits of a healthy diet. Breakfast-Cereals grant a diverse, inexpensive and suitable source of nutrition, serving a multi-billion dollar global industry. The manufacture of cereals involves processing raw materials like rice, sugar, flour, wheat, corn and malt extract into ready-to-eat cereals, cereal bars and hot cereals. The finished cereal products are sold to retailers, food service providers and grocery wholesalers and making it available to the final consumers.

Keeping the above background in view, current study aims to explore the changing meal patterns of consumers. It focuses on the consumer choice and future market opportunities of Breakfast-Cereals. Information collected by the study tried to derive commendations to Breakfast-Cereal Marketers for improving the existing system. The method used in this research study includes desk reviews of international publications and records and a large amount of secondary sources of data on "Breakfast-Cereals".

CHANGING MEAL PATTERNS

There are many social changes noticed on food and drink markets across the world. Health awareness has also improved by giving special emphasis on balanced food. Over the past few years attitude towards Breakfast has changed dramatically. People are more aware of overall calorific intake as a part of new lifestyle. The trends are particularly strong in urban areas where consumers have high purchasing power. An increasing number of manufacturers have fortified Breakfast-Cereals with vitamins and health benefits, thus creating a favourable perception for cereals.

Perception theory of Mitchell and Boustani (1992) indicates various risks as motivating factors in consumer's choice of Breakfast- Cereal. It significantly affects the consumers' choice and purchasing behavior for Breakfast-Cereals. The most important risks identified were those of taste and nutritional value. As per their studies, risk relieving solutions for these risks are choosing a well-known brand and also to try free samples of products. The study highly supports the elevated spends on advertisements and promotional efforts of the marketers. The consumers are alert to the information that is related to his/her purchase decision. The consumer will respond to all favorable information and acquire them as beliefs and end up in taking it as their attitudes.

Consumer Attitudes to Foods and Nutrition study by Stephen (1986) revealed that consumers care about the nutritional content of their foods, as this is the first step towards a healthy diet. A consumer survey (Mitchell, Boustani, 1992) affirmed that eating Breakfast-Cereal is because consumers enjoyed its taste. And also another reason is estimated as the increase of convenience which Breakfast-Cereals have over other Breakfast alternatives. Consumer prefers Breakfast-Cereal because of non-nutrient characteristics also such as grain type, texture, sugar and fruit content. There is recurrently an exchange between nutrient quality and taste by the socio-demographic variables (Shi and Price, 1998).

The percentage of men in forties, in the last two decades considered obese with a body-mass index of over 25 has increased from 21.4% to 34.1% resulted in heart disease, the biggest killer in the world (Tabuchi, 2008). The health benefit is the highest trigger to adopt Breakfast-Cereals in the modern consumer's diet. Cereals are excellent source for carbohydrates, protein and dietary fiber. In addition most of the cereals help to reduce the cholesterol which is favorable for controlling the heart disease. Customer's perception for traditional breakfasts is that they are heavy stuff, which keeps stomach full until a relatively late lunch. Now the marketers are trying to convince them that Breakfast-Cereals also offer the same 'fullness' solution, though not cooked in oil or ghee.

One of the main reasons consumers adopting cereals for their breakfast is the sheer convenience of getting it ready by three minutes. Comparatively all the traditional breakfasts are cumbersome to prepare. Particularly for double-income couples, where the morning time is considered as high premium, this is a favourable trigger. Convenience backed up with health benefits can be an unbeatable combination. The growing interest and action in the instant food market is also an emerging trend. The young demographic profile, increasing family income, improving urbanization, increasing number of working couple, time constraints, global travel and increasing global cuisine have played a major role in the acceptability of Breakfast-Cereals. The taste preference varies from one consumer to another as the cereals offers different flavours to their brands. Children will not prefer the taste of cereals if it is not containing the sweet taste. Children will get influenced by their favourite taste and would become loyal to their favourite brands.

MARKET OPPORTUNITIES

International market of the Breakfast-Cereals is more than what meets our observation. The challenge faced by Breakfast industry is to develop programmes that recognize the nature of opportunities in the market. Research (Stephen J., 1986; Mitchell and Pari Boustani, 1992; Ogba and Johnson, 2010; Allagolab and

Binkley, 2005) from secondary sources clarified why consumers are opting Breakfast-Cereals to traditional breakfast. It also justified the opportunities of Breakfast-Cereals in the global market. According to majority of these studies, Cereals are rich in whole grains which supplies high percentage of vitamins, minerals and fiber. Consumption of Cereals is now becoming the one of the physiological needs which most of the consumers seeks to fulfil.
Stephen J. (1986) performed a research to ascertain the degree of consumer concern with diet and health issues, and evidence suggests that the level of concern on health is significant. With the study it was evident that issue-specific slogans such as 'less fat', 'more fiber', 'less salt' or 'less sugar' tries to put emphasis on the importance of nutritional attributes. A study by Mitchell and Pari Boustani (1992) investigated many secondary sources, some focus groups and a survey from 180 shoppers revealed that various risks of taste and nutritional value appeared significant in affecting consumers' purchasing behaviour.
Another consumer study by Mitchell and Pari Boustani, (1992), recognized the significance of taste offered by different Breakfast - Cereals. Another reason was the increased convenience with Breakfast-Cereals has over other breakfast alternatives. The results of this survey turn to be the eye opener for leading manufacturers and marketers to encourage non-eaters to consume Breakfast-Cereals. Ogba and Johnson (2010) gave information to the marketers regarding how packaging would affect the purchasing preferences of children in the Breakfast – Cereal industry. The outcome reflects that packagings affects children's product preferences and influence their choices. The results from this study also emphasise the importance of packaging as an important element of the marketing mix, i.e. the "silent salesman" and the power it can add towards the communication.
Research by Tate and Lyle (2012) gives insights to marketers on consumers' perception to Breakfast-Cereals. The survey polled 1,565 European consumers on the various elements they consider as important in their options for Breakfast-Cereals. It revealed that the reasons for those who are buying these cereals are considering future potential benefits. A focus group research (Lee at al.,2007), investigated the attitudes, opinions and concerns of the two largest consumer segments of ready-to-eat (RTE) cereal and their findings illustrated that the concerns and needs of different segments of healthy breakfast cereal (HBC) can be readily transferred to the commercial sector.
Annunziata and Vecchio (2010) studied the factors affecting Italian Consumer Attitudes towards functional foods and found that healthy food products have rapidly gained market shares. The study has helped to develop a variety of new products with health-related claims and images. In addition, it was found that demographic characteristics are only partially correlated with the acceptance of these products. Findings would give interesting market opportunities for policy makers and food companies.
Allagolab and Binkley (2005) examined the effect of prices, household structure and purchase behaviour of the household Breakfast-Cereal choice. They examined three measures of the healthiness: an overall nutritional quality index, a fiber index and sugar index. Households with older members make healthier choices when compared to the households with teens and children. Educated households also choose healthier cereals. There is a positive relationship between income and the choice. A higher income serves as an access to nutrition information of various Breakfast-Cereals. They also suggested that among various factors expected to influence the purchasing behaviour, the prices appear to the strongest effect on the health choices. The more, healthy cereals become less expensive, the more households would buy them.
Binkley and Eales (2000) conducted an exploratory study on how the prices of Breakfast-Cereals, demographic variables and health elements of consumers affect consumer choice between high fiber and low fiber Break-fast Cereals. There was also an increase in the consumer awareness of the functional foods and health benefits with age. Middle-aged women were more likely to consume functional foods than other age categories. They are considered to be the innovative consumers in terms of purchasing new products. Females generally had more knowledge about diet and health relationship than males and more positive attitudes towards functional cereal foods (Poulsen, 1999).
Ares and Gambaro (2007) indicated that socio-demographics such as age and gender as the key determinants which influenced consumer acceptance for functional food products. The study provides valuable information to food companies for identifying new market segments and positioning strategies. Moreover, consumers can very well provide information to marketers with relevant information on the specific needs and concerns in order to design their new products.
Results from the above literature review establish that cereal foods seem to be satiate, healthy and convenient. This is consistent with the previous research (Dean et al., 2007; McKevith, 2004) which showed that consumers treated cereals as having healthy properties. Consumers' knowledge of cereal foods is found to be a determinant specifically because of their perceptions towards health benefits.

INSIGHTS FOR MARKETERS

The rising trend for the demand of healthy food among urban middleclass people is fascinating many Fast Moving Consumer Goods (FMCG) companies to explore the Food market. Most of these firms have begun to focus on the Breakfast cereal market where the profit margins are anticipated to be high. Breakfast was traditionally a sit-down meal in most of the countries. The past few years witnessed a drastic shift in the eating habits of the young urban consumers. Young generation is very conscious of the importance of Breakfast. The westernized form of Breakfast-Cereals, muesli and oats has seen a growth in the market. By looking to the changed outlook of consumers' food habits and life styles the food makers have tried to change the food norms from ethnic to modern trends.
Breakfast around the world is a meal rooted in tradition. As global demand grows for western breakfast foods, cereal marketers are battling to make their brands popular globally instead of traditional norms. Marketers are watchful to design strategies to offer their products suitable to the local breakfast habit.Though there is high demand in the Breakfast market, it is extremely difficult for these food products to find a place on consumer's dining table. In order to know the consumer buying behavior patterns and preferences, a proper understanding of the consumer attitude is significantly important. Thus any company is advised to fit their products to the existing consumer attitude rather than trying to change people's attitude.
In addition to the demographic characteristics, knowledge of nutritional and health effects of food ingredients has direct influence on consumer beliefs in the benefits of functional foods (Bech-Larsen and Grunert, 2003; Urala and Lahteenmaki, 2003). The acceptance of functional foods is partially determined by the awareness of the base product and their perceptions in terms of health improvements after consumption of functional foods (Dean et al., 2007; van Kleef et al., 2005).
It was noticed throughout the studies that consumers are rational about the purchasing environment before they arrive at a purchase decision. So marketers will have to come across with all the possibilities of understanding the rational attitude of the consumers before launching a new product. Key dimensions of a product like flavour, size and style must be designed in accordance with the target consumers.
Among all the factors analysed in the study, the price appear to have the strongest effect on the choice of Breakfast-Cereals. Fixation of the prices shall be justifiable enough to match the nutritional concerns of the product. It is significant to consider the prices as an important aspect by marketers as the Breakfast-Cereal prices have increased over the past years. All customers are not interested in buying the low-priced alternative. Consumers would accept a price if it is within their acceptable range.
Breakfast-Cereals are looked upon as a healthier and quicker alternative compared to any other breakfast option. Considering the lifestyle changes that present consumer is faced with, marketers should not treat Breakfast-Cereal as a low involvement product. Now many products that were considered as low involvement products are turning to be the high involvement products. This is mainly because of the different Marketing Strategies taken up by the companies with regard to the existing beliefs and attitudes of the consumers which leads to brand awareness in the consumer purchase preferences.
Catering to the health needs of today's rational consumer is essential to make a company's brand success. Competition from other rival products such as health drinks, nutritional bars and cookies can be dealt with by pronouncing the fact that Breakfast- Cereal coupled with milk will provide a best source of calcium for all ages which is preservative free (Michael et al, 2007). The companies should aim at supplying the ideas that help the consumer to feel good about their brand choice.
Marketers should consider family as a core audience seeing that parents ensure their children to start a day with a healthy meal. Competition in children's cereal market is very much noticeable. The marketers must concentrate in promoting the consumption of cereals at different occasions other than morning hours. If the target markets are families, marketers could chose large and resaleable packages in order to extend the brand's shelf life and thereby encourage families to buy them.

The marketers should observe the media vehicles which are influential with the target segments. To get more improved market position, the product information transferred to the consumers shall be simple so as to increase the decision-making capabilities in their purchasing environments. Specific advertising objectives may be set to complement or support objectives for personal selling, direct marketing or other tools. Personal selling can be a very useful tool as it can provide more tailored information to the consumers. One of the advantages of direct marketing is that the results of the efforts are quickly seen and also aid to refine the strategies if required.

From practical marketing point of view, each marketer shall concentrate on unique marketing mix strategy to avoid all risks associated in selling their products. Effective packaging can also affect the product choices. Evaluation from Breakfast-Cereals studies shows the significance of pervasive targeting on children in all media platforms and in stores (Yale news, 2009). Companies shall continue to offer healthy cereals in the future by producing 'instant varieties', which have greater potential.

Economic factors such as urbanization and demographic factors such as population and aging could exert an influence on the evolution of future demand. Many of these developments will influence the world demand; especially education, health conditions, technology, transport and communication. The next generation of Breakfast-Cereals must be considerably more convenient combined with clever marketing.

Marketers would need to develop a good marketing mix for promoting the Breakfast-Cereals to women, children or the other potential consumers. This can be made possible if they are watching continuously the triggers of different individuals and correspondingly creating correct stimuli to them. Considering the socio-economic factors would also help in developing a major role in developing new products. Fancy packaging strategy with the strong backing of health aspects can hold the loyalty index with the consumers. Low calorific cereals may be welcomed as consumers are aware of health.

CONCLUSION

This research paper made an attempt to bring out the changing meal patterns of present consumers. The results of this study exposed Breakfast-Cereal as an accepted consumer product. Much stronger action is needed by all Cereal companies to enhance the overall step up in the present market. Appropriate research and background studies would further value to Marketers to understand the consumer trends and thus to get a significant focus to address them. To maintain a reasonable share, manufacturers shall try product innovation and brand variation which in turn would help the marketers to showcase the products. Given its healthy image, the Breakfast-Cereal market will continue to prosper in the long term.

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RECOGNITION OF THE INCOME TAX DEPARTMENT OF THE DISCLOSED PROFITS LISTED ACCORDING TO THE LEGISLATIONS OF THE COMMISSION OF REGULATING THE BUSINESS OF THE JORDANIAN INSURANCE COMPANIES

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ABSTRACT

This study involved the Jordanian insurance companies. It targeted in particular The Holy land Insurance Co. as a sample to apply and implement the scientific method. It is financial tables were analyzed for the fiscal year 2008 qualitatively with the necessary comparisons to reveal the difference resulted from the works of the company and its financial position according to the legislations of the Commission of Regulating the Business of the Insurance sector and comparing that with results consistent with the legislations of the Income Tax Department. The study concluded that the requirements of the Commission of Regulating the Business of the Insurance sector impose a set of actions on the insurance companies when preparing the financial tables revealing it, and implementing the international criteria used in preparing the financial reports. The legislations of the Income Tax Department recognizes only some acts related to the revenues and expenses according to the principles and basics accepted internationally, where this affected the allotted value of the bad debts. (debtors' receivables, reinsurance companies receivables, notes receivable). So we can notice the difference between the accountable income and the taxable income. So the study advised a collection of recommendations the most important one is to create a unified committee appointed by the commission of regulating the insurance sector and the income tax dept. so as to agree upon the allotments specified for bad debts., agreeable with the international criteria, principles and basics, and not contradicting with the goals of the Income Tax Dept. and the commission of Regulating the business of the insurance companies. Following that will result in great positive impact on the outcomes of the operating the insurance companies and their financial position.

KEYWORDS

Bad debt, Allotments, profits, the legislation of the Income Tax Department, The legislations of the commission of Regulating the Business of the Insurance Sector.

PREFACE

As a result to the expansion of the business and the increase in its volume, there is a great demand for the disclosed information and data lists of the joint stock companies. Accounting is considered the language used to disclose the financial of the joint stock companies and their output.

This is realized by the functions of measurements and forwarding the information, that requires accounting to adjust itself to the demands and the diversity all parties that use and benefit from it.

So, it is important when preparing financial reports to follow the basics and strategies of accounting that discloses the economical information of the accounts companies business their products in a way that agree with the regulations and the legislations imposed by all parties that regulate the business of such companies.

The instructions and legislations issued by the Commission of Regulating the Business of the Insurance Companies imposes a machinery requiring the insurance companies to disclose and observe their works and the financial information, casting light on the potential risks that may encounter the insurance companies, may cause different effects and weaken their ability to survive and fulfill their commitment towards debtors.

The legislations of the commission are sometimes contradicting with some articles issued by governmental party such as the Income Tax Department.

This will clearly affect the products of the companies, as well as the shareholders rights. In addition to that, the legislations of the commission are derived from the international criteria, while that of the income tax department derived from the international rules and principles.

The financial information and data list of the Jordanian insurance companies that should be disclosed and presented are to focus on the business products and the financial position of the companies, in addition to the needs of the information users, so as to take the necessary actions.

But the Income Tax Department has specific concepts in some disclosed articles in the financial lists of the insurance companies. That will create substantial changes in the business products and the financial position as well.

When applying the accounts profit and changing it into a taxable profit, such allotment is not accepted by the legislations from the view point of the Income Tax Department.

The difference between the accountable profit and the taxable profit caused by the fact that the Jordanian insurance companies adopts the base of the payability, while the income tax department adopts the payability with relative to revenues and the financial basic with relative to expenses .

This case study is discussing the legislations imposed on the Jordanian insurance companies by the commission of regulating the business of the Jordanian insurance companies according to the criteria of the financial accounting that discloses the financial lists regarding the recognition of the allotments when preparing the lists, disclosing their financial positions, and the products of their businesses.

Added to this, disclosing the profit value of the insurance companies according legislation of the commission differs from that imposed by the Income Tax Department, causing the payment of higher income taxes in addition to the effect of that on the profits that may be distributed to the shareholders.

So the question of the case study is as the following:

Is there a difference between the legislations of the commission of regulating the business of the Jordanian Insurance Companies and the legislations of the Income Tax Dept. regarding the acceptance of the net profit of the insurance companies?

Therefore, this study aims to:

1- The legislations that are imposed by the Commission of Regulating the Business of the Jordanian Insurance Companies regarding the disclosures of the annual financial lists of that companies.
2- The legislations imposed by the Income Tax Dept. on the Jordanian Insurance Companies regarding the annual income and determining the taxable profits of that companies.
3- Comparing the financial lists in the light of such legislations and their effects on the results of the business and shareholders.

The importance of this study comes through focusing lights on the differences between the legislation of the commission of regulating the business of the Jordanian Insurance Companies and that of the Income Tax Dept., regarding the allotments of bad debt during the preparation of the financial lists of the Jordanian Companies.

STUDY POPULATION

The study involved the population of the Jordanian insurance companies (numbering 28 companies in 2009). It was applied on the Jordan Holy Land Insurance Co., because it gave the researcher the opportunity to study its financial and data lists for the fiscal year 2008, which is the period of the study.

THEORETICAL PART OF THE STUDY

Disclosures are one of the criteria of accounting that were emphasized on through the local and international legislations and regulations. It is considered the essence of markets and the fundamental and the necessary condition for their success.

It makes all information available to the investors in the banknotes markets, and the new view of disclosing the financial information is directed towards offering the important information that help in taking the right decisions in incitement (Mr. Lotfi, 1998, pp20).

The information appended to the financial lists takes the form of classifications or supplemental details and explanations to the financial positions and the output of operations.

It explains information related to the healthy financial results of the businesses; making it of a high important to its users; because it reflects a clear picture of the financial position of the business. (Hammad, 2009, pp. 21).

The disclosure of accounting is meant to include the financial lists that should be prepared according to the acceptable accounting principles, lowers the uncertainty and show all accounting information.

Accounting is merely a system working through measuring, forwarding, deleting, and adjusting information. Excluding any information may mislead the decision makers. (Mohtadi, Siam, 2007, pp. 260), (Aboud, 2009, pp.11)

There are two levels of disclosures: (Matar 2004), (Sa'ada, 2008, pp.21), (Aboud, 2009, pp.13)

First: the ideal level, which is realized under three conditions:

1- The issued financial lists should be correct and credited.
2- The numbers of the financials list should be correct and credited
3- The financial lists should be presented in time and suitable to the users.

Second: the real level or the available level

Which means the balancing between the results of using the information's and the cost of issuing its. This is realized under the following conditions:

1- The principles and methods of accounting.
2- The policy of administration.
3- The supervision, observations, and auditing guidelines.

Based on such conditions, disclosures take several forms and considered to be the channel on which the information is sent to the benefited users. (Dharawi 2009, pp. 13)

The Jordanian legislators are keen on disclosing the financial information and data included in the financial lists and bringing investments to the market.

Therefore, the relevant articles in the law included the requisites of disclosing the financial information and data issued by a group commissioned to regulate the work of all companies and sectors operating in the Jordanian business market.

At the top of that is the commission of banknotes, which included in its instructions and recommendations much interest in fulfilling the needs of the financial principles and governmental parties interested in the result of the business of various companies.

Maturity is meant to include revenue and all expenses in the accounts of the fiscal year, regardless of the dates in which the revenues occurred or how the expenses paid. This method gives the fiscal year a specific identity, and because of that it is sometimes called (The fiscal year method), and what remained is to implement the required statements so as to determine the share of each cost. (Work press, 2008-2009) http://finanicalmangement

With regard to the business of the insurance companies, the accounting based on maturity and revenues are calculated on the bases of selling services and recording costs upon receiving the service or the commodity. Maturity includes non monetary expenses such as the depreciation of the fixed assets, bad debts. Other allotments as non monetary transactions have impact on the income lists considered as a precaution and early warning; provided that the maturing principle demands that no allotments are to be recorded in the books of accounting.

When preparing financial lists, insurance companies use the international criteria, but the maturity principle should not be applied, because most of their actions are based on technical allotments, such as the prevailing risks, suspended claims, vested rights and the fall of banknotes. All these allotments affect the income lists in terms of the yearly profit, or the accounting profit.

According to the legislation of the Jordanian Income Tax Dept., the Jordanian legislator refused to recognize such allotments, but accepted part of them. So the accountable income is amended to return the unacceptable part to the yearly income. By doing so the profit is increased to reach the taxable income, and a 25% is deducted from the taxable income, in a way that may affect property rights and shareholders, as there may be accounting profit, causing loses for that year.

This case is not considered by the commission of insurance, because it is a government commission having the authority to enact laws and legislations for the insurance companies.

Contrary to that, the commission of the insurance companies demands the implementation of the maturity principle in their financial operations and from bad debt allotments reaching 100% of the debt older than 360 days. But the Income Tax Dept. does not recognize such expenses until actually paid by the insurance companies and returns part of the allotments.

So it employs the maturity principle, and recognizes revenues either received or not. That is to say it recognizes revenues when the transaction occurs.

PRACTICAL PART

The legislation of the Income Tax Dept. (#17, 2003) regarding the tax processing of the bad debt issued based on the article (2) from the paragraph (f) from the article 10 from the Income Tax Dept. law (#57), 1985, 1997) and its amendments requires the acceptance of bad debt allotments for tax purposes, and not exceeding the following rates of the balance of the vested fees for each year according to the articles #3) from the same law, and as follows:

- 5% of the balance of fees matured since 180 days and less than one year.
- 10% of the balance of fees matured since one year or less than two years.
- 20% of the balance of fees matured since two years and up to three years.

This is in contradiction with the legislations of the commission of insurance because it is obliged to create an allotment for bad debt that may reach 100% of the receivable debt exceeding 360 days. This discrepancy may cause a difference in profits of the accounting period. But the Income Tax Dept. recognize only 10% of that, so there is 90% difference between the requirements of the commission of Insurance and what of the Income Tax Department recognizes .Such situation may have an impact the revenue of profits and losses in the revenue list with a rate of 90%.

It is noticeable from the attached financial lists after applying the legislations of the Income Tax Dept. that the paragraph debtors and the reinsurance receivables had been influenced and became J.D 1100442 for the debtors, which is considered a book value, and the reinsurance receivable debt became 1830849 after applying the requirements of the commission, changing from J.D 1082104 for debtors, and the reinsurance receivables were J.D. 152257.

The profits of the financial period had become J.D 949555 after tax with a difference of J.D 122305.

This change in the financial lists is due to applying the requirements of the Insurance Commission regarding bad debt and neglecting the application of the income tax legislations.

Table (1) and (2) explains the financial position and the company's operations sample according to the legislations of the insurance commission and that of the Income Tax Dept., in addition to the effects on such difference.

We can see that the value of the financial period had increased according to the legislations of the Income Tax Dept. compared with that of the commission. Such differences can be seen in the data illustrated in the tables (3) and (4) prepared according to the requirements of the insurance commission to explain the reason of differences in the value of allotment of the bad debt.

The financial lists presented here are issued according to the requirements of the insurance commission to allot 100% for the bad debt receivable before 365 days. Whereas the accountable profit was J.D 122305 and the profit of each share was J.D 0.031; while the total right properties was J.D 3577721 right properties was J.D 357772. The allotment for the income tax is estimated to be J.D 46235.

These actions are not agreeable with the legislations of the Income Tax Dept. regarding the bad debt, but it agrees with the fixed ratios adopted by the income Tax Dept. regarding creation of bad debt, and what exceeds that is not recognizable by the Jordanian Income Tax Dept, and should be returned to the profit of that year.

So such allotments from the view point of the Tax Dept. is not acceptable and the tax department will return large part from the bad debt allotment to reach the taxable value J.D 31658.

In addition, when fixing the amount allotted for the income tax according to the legislations of the insurance commission, there will be loses between J.D 122305-J.D 16518, the product for that year is lose, no profit for the shareholders, and the total rights of the shareholder is lowered by the same difference between the two cases .

However, when amending the financial lists according to the legislations of the Income Tax Dept., the value of the declared profit will change radically and the value of the rights of the shareholder will be (J.D 1226074), the rights of the, the profit for each share will be J.D 0.237, the income tax is going to be after deducting the income (net profit) J.D 949555.

Therefore, it is apparent how the rights of the shareholders are influenced and the effect of that on the ability of the insurance company to compete with other companies and the price of the share of that company in the financial markets.

TABLE (1): THE UNIFIED BALANCE SHEET OF THE SAMPLE COMPANY FOR THE YEAR 2008

Value according to the legislations of		Description	Value according to the legislations of		Description
Income tax	The commission	Liabilities	Income tax	The commission	Assets
5.755,349	5.755,350	Non-vested premium –net	9,038,810	9,038,810	Deposits at banks
1.454,039	1.454,039	Claims	1,406,830	1,406,830	Financial assets for trading
7.209,388	7.209,389	Insurance contracts liabilities	50,000	50,000	Investments in real estate
1.050,635	1.050,635	Crediting bank	234,135	234,135	Total investments
576.138	576.138	Creditor	10.729,775	10.729,775	Cash
1,325	1,325	Receivable expenses	21,344	21,344	Collectable checks
150,870	150,870	Reinsurance crediting	316.528	222,484	Debtors- net
234,262	234,262	Receivables other allotments	1,100,442	855,697	Reinsurance debiting receivables
317,304	47,016	Income tax allotment	1,840,849	1.082,104	Fixed assets –net
256,135	256,135	Other liabilities	152,257	152,257	Other ASSETS
2,586,669	2,316,381	Total	28,830	28,830	Total of current assets
9,796,058	9,525,770	Total liabilities			
4,000,000	4,000,000	Shareholders rights			
38,221	38,221	Compulsory reserve			
555,086	355,086	Optional reserve			
22,561	22,561	Period profit after tax			
949,555	122,305	Accounted loses			
1,171,452	1,171,452	Total			
4,393,971	3,566,721	Rights of shareholders			
4,393,971	3,566,721	Total of property rights			
14,190,024	13,092,491	Total of receivable of property rights		13,092,491	

TABLE (2): LIST OF INCOME OF THE SAMPLE COMPANY (2008)

Description	Values according to the legislations o the	
	Income tax	The commission
Revenues	12,304,874	12,304,874
Total of subscription installments	478,098	478,098
Share of reinsurance companies	11,826,776	11,826,776
Net change in the unsubscribed	3,466,860	3,466,860
Revenues of realizable fees-net	8,359,916	8,359,916
Commission revenue	90,412	90,412
Fees of issuing insurance policies	69,492	69,492
Other subscribing revenues interests	28,942	28,942
Crediting	210,740	210,740
Profit of financial assets and investments-net	62,657	62,657
Change in fixed assets	390,941-	390,941-
Other revenues	56,761	56,761
Revenues of returned surplus	1,097,534	1,097,534
Total revenues	9,585,513	9,585,513
Compensations, loses an expenses		
Paid compensations	6,094,742	6,094,742
Recoveries	313,117	313,117
Reinsurance share	652,108	652,108
Paid compensations-net	5,129,517	5,129,517
Change in claims-net	500,713	500,713
Paid employees expenses	519,028	519,028
Paid administrative expenses	375,818	375,818
Installments of surplus loses	132,774	132,774
Insurance policies expenses	785,401	785,401
Other subscription expenses	28,250	28,250
Expenses of employees compensations-net	7,471,500	7,471,500
Employee expenses	129,757	129,757 1
Depreciation	21,018	21,018
Management expenses	93,954	93,954
Loses	586,811	586,811
Garage operation expenses		
Other expenses	16,398	16,,398
Total expenses	8,319,439	8,319,439
Profit before tax	1,266,074	168,540
Income tax	316,518	46,235
Period borfit	949,556	122,305
Shareholder of mother company	949,556	122,305

When viewing the paragraphs committed by the sample company regarding the international accounting criteria and the requirements of the insurance commission, we can see that the sample company is committed itself disclose the registered values of each category of assets or discounts if in budget, because most budget articles are important during evaluation of the financial tools regarding the financial position. This will help in understanding how the policies of accounting affect each category.

The sample company had committed itself to the amended international, according criterion (39) and the preparation of the financial reports (7), so as to reclassify the assets. Such amendments gave permission to reclassify the financial assets for trading it to other assets, and reclassifying the financial assets available for selling to be as assets kept for the date of maturity, because there was no change in the accounting policies or had no effects on that, since reclassifying any asset influences the way in which the financial asset is measured.

The disclosures of the information related to the fulfillment of repaying the receivables, returned checks, and bills receivable prepared at the time of preparing the financial report, as the details of such values, and the reserves of bad debts.

The income lists is one of the most important financial lists that concerns the shareholders. Such list is used to measure the competence of the administration and to help users to evaluate the performance of the financial tools and activates of the bank as mentioned above.

The insurance commission imposes observational formats on the insurance companies, as the tables (3) and (4)-and preparing a trust policy to focus light on the potential risks resulting for the normal practices of the insurance companies. To safeguard that, the insurance companies usually take the proper actions before the incidence of the risks, so as to keep the continuity of the company and its ability to fulfill its commitments towards the insurance policy holders.

The insurance company usually issue insurance and reinsurance policies to distribute the risks of the insurance, so as not to bear the burner solely, such dealings are dealt with either by the instant collection of the insurance and the reinsurance installments or through resorting to receivable, whereas the insurance companies allot bad debts. At the end of the financial period. Such allotments are deducted from the earnings and lose of the accounting period.

The insurance commission usually reviews the financial data of the insurance companies and dictates the formation of the bad debt. Allotment for the bills receivable, uncollected checks and the receivables of the reinsurance companies. The allotment of the bad debt may be 100% of the receivables matured more than 360 days.

It should be noted that the Insurance commission requires the insurance companies to have a collection policy to collect receivables, so as to provide sufficient liquidity for the insurance companies and to have the required ability to pay claims to the customers.

TABLE (3): THE RECEIVABLES OF THE SAMPLE INSURANCE COMPANY

The total according to		Receivable before between 360 days, according to the legislations of		Receivable matured between 360-180days, according to the legislations of		Receivable matured 180-90 days, according to the legislations of		Receivable matured before 90 days, according to the legislations of		Accrued receivable	Description
Income tax	Commission	Income tax	Commission	Income tax	Commission	Income tax	Commission	Income tax	Commission		Receivable s
468620	468620	151027	151027	84142	84142	88534	88534	144917	144917		Policy holders
473129	473129	103823	103823	40602	40602	120249	120249	208455	208455		Agents
19410	19410	19147	19147	0	0	0	0	263	263		Garage
88284	88284	58408	58408	0	0	9218	9218	20658	20658		Unsettled cases
6514	6514	641	641	255	255	692	692	4926	4926		Employees
99187	99187	30495	30495	13573	13573	9708	9708	45411	45411		Return checks
											Bad debts. deducted
-54703	-54703	-36354	-299447	-6929		-11420					Receivable net
1100441	1100441	327187	64094	131643	138572	216981	228401	424630	424630		Receivables of the insurance companies
774572	774572	13165	13165	30672	***30672***	54500	***54500***	676235	676235		Local insurance companies
1169738	1169738	849041	849041	170722	***170722***	87913	***87913***	62062	***62062***		foreign reinsurance companies
-103461	-103461	-86221	-862206	-10070		-7171					Allotment of bad debts.
1840849	1840849	775985	0	191324	***201394***	135242	***142413***	738297	***738297***		Receivable of insurance companies net

TABLE (4): CHECKS UNDER COLLECTION AND RECEIVING PAPERS OF THE COMPANY

Matures after 6 months				Matures during 6 months				Description
Previous period according to the legislations of		Current period according to the legislations of		Previous period according to the legislations of		Current period according to the legislations of		
The income tax		The income tax	The commission	The income tax	The commission	The income tax	The commission	
94300	***94300***	***119584***	***119584***	***74092***	***74092***	***18778***	***18778***	Receivable papers
10594	***10594***	***11290***	***11290***	***127686***	***127686***	***173794***	***173794***	Checks under collection
80000-	***80000-***	***6918***	***100962-***	***4000-***	***4000-***		***0***	Bad debts. allotment deducted
24894	***24894***	***145280***	***37400***	***161778***	***161778***	***192572***	***192572***	Total

We can see in the tables (3) and (4) the data prepared according to the specific formats imposed on the insurance companies by the insurance commission, to enable the commission to verify the commitment of the insurance companies to sufficient allotments and that the sample company had receivables matured before 360 days.

So the allotments according to the insurance commission should reach 100% of the receivables matured before 360 days. The allotment of the bad debt of the receivables of the local and foreign reinsurance companies, the receivables of the policy holders, the returned checks and receiving papers amounted to J. D. 1262615.

Such allotment forms 96% of the total receivable or 35% of the total property rights. This gives the impression that the sample company has no clear credit policy and no section responsible of collecting the dues. But according to the income tax legislations, the total allotments of the bad debts. created by the sample company should be only 10% of the allotment prepared according to the insurance commission, that is J.D 126261, and the difference rejected by the income tax (J.D 1136353) will clearly influence the business and the shareholders of the company. This is evident from the above mentioned tables (1) and (2), which proves that the income tax department aims to urge the insurance companies to create competent credit policy and be able collect money from the insurance companies.

It should be noted that the ages of debts are classified into intervals according to the needs of the insurance commission, and the extent of using it is up to the insurance companies to invest according to the satisfaction of the company and its ability to collect receivables.

In addition, the sample company had formed its allotments according to the dates of the receivables that are not exceeding 360 day, because receivables are connected with dates of issuing the insurance policies.

In case other companies needed to exploit such dates, the income tax legislations determined recognizable rates- as mentioned above- according to the disclosures period declared by the company.

The net receivable had reached at J.D 42463 in 90 days according to the insurance commission; and arrived at the same value in 90 days according to the legislations of the income tax department. The receivables aged between 90-180days arrived at J.D 22840 according to the insurance commission, but according to the income tax legislation it differed and arrived at J.D 21698 due to the allotment of 5% for the bad debt.

As for the period between 180-360 days, it arrived at J.D 13857 according to the legislations of the insurance commission.

But it arrived at J.D 131643 according to the legislations of the income tax department due to the allotment of 10% for the bad debt.

The net receivables aged more than 360days reached J.D 64094 due to the allotment at 95% for the bad debt, but it was J.D 327187 according to the legislations of the income tax department after allotting 20% of the bad debt.

The total net receivable reached J.D 64094 after deducting bad debts. of J.D 299447, but according to the legislations of the income tax department a sum of J.D 54703 were allotted for bad debts. and the net receivable were J.D 100441.

The net receivables of the insurance and the reinsurance companies had arrived at J.D 73829 for the 90days according to legislations of the insurance commission, while it was the same value according to the legislations of the income tax department. With respect to the period of maturity ranging between 90-180fays, it arrived at J.D 14241 according to the insurance commission and J.D 13524 according to the income tax department after allotting 50% for the bad debt (J.D 7171).

However, for the period between 180-360 days, the not profit had amounted to J.D 20139 according to the insurance commission, but as for the income tax department there were an allotment of 10% for the bad debts. valued at J.D 10070 and the net receivables were J.D 191324. As for the period exceeding 360 days, there was 100% allotment for the bad debts. matured before 360 days.

But according to the income tax department, a 20% were allotted for the bad debt. and the net receivables were J.D 775985. The net receivables amounted to J.D 1082194 according the legislations of the insurance and reinsurance companies, whereas the allotment for the bad debt arrived at J.D 862206, but it arrived at J.D. 103461 and the reinsurance companies were J.D 1840849 according to the legislations of the income tax department.,

The net receivable and checks under that reaches 6 months were J.D 192572 according to the legislations of the insurance commission, and the difference was attributed to the period exceeding the six months, the net receivables were J.D 37400 and bad debts. were J.D 100962.

But according to the legislations of the Income Tax Department, the net receivables were J.D 145280 and the bad debts. amounted to J.D 6918.

These difference between the allotments required by the insurance commission and the allotment recognized by the income tax department had influenced greatly the business results and the shareholders rights, because the net profit amounted to J.D 122305 according to the legislations of the insurance commission (see table 2), while the net profit was J.D 949356 according to the legislations of the income tax department as shown in the same table, but for the shareholders rights it was J.D 3566721 according to the insurance commission and J.D 4393971 according to the income tax department as shown in table (1).

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The study reached the following conclusions:

1. The commission of regulating the business of the insurance companies imposes a set of actions on the insurance companies when preparing and disclosing the financial lists and applying the international criteria. However, the legislations of the income tax department recognize some articles related to income and expenses according to its legislations disclosed in the financial lists and the known accounting principles recognized internationally. Therefore, a difference is seen between the accounting income and the taxable income appeared during the preparation of the practical part of this study – see tables 1 &2.
2. The Insurance Commission usually adopts certain formats for inspection as shown in tables 3&4 so as to focus light on the potential risks resulting from normal operations of the insurance companies as a precaution for taking the necessary actions, keeping the continuity of the insurance companies and verifying their ability to pay the needed compensations to the insurance policy holders , as the commission of regulating the insurance sector requires preparing a credit policy to apply the afore mentioned target .
3. There is no clear crediting policies for the sample company, neither a section for to collect the bad debt, whereas the allotment for the bad debt was J.D. 100962 for the debt matured before 360 days, a value comprising 96% of the total receivables or 35% of the total shareholder rights.
4. When applying the legislations of allotting values for bad debt not exceeding 20% of the debt matured 360 days ago , the profit before tax becomes more than that prepared according to the legislations of regulating the insurance sector which allows the allotment of nearly 100% ,in addition to the impact of that on the shareholders rights.
5. The insurance companies adopt the financial results prepared according to the commission of regulating the business of the insurance sector for the purpose of distributing the profit on the shareholders. Such lists do not disclos high profits caused by the deductions from the realized profit which negatively affects the shareholders. This is emphasized by the objectives of the legislations of the commission in protecting the insured.

RECOMMENDATIONS

After implementing the study theoretically and practically, we recommend the following:

1. Finding means to harmonize between the legislations of the commission of regulating the insurance sector and that of the income tax department with respect to the allotment of bad debt (receivables of debtors, receivables of reinsurance companies) for the purpose of reducing negative effects on the results of the 2- creating a unified committee by the commission of regulating the insurance sector to be agreeable with a unified ratio of deductions to form the allotments of the bad debt conforming with the acceptable international principles and rules not contradicting with the aims of the income tax department and the commission of regulating the insurance sector, the thing which have a positive effect on the results of the insurance companies and their financial positions.
2. The necessity of establishing a special section for the insurance companies dealing with collecting receivables, the thing which have a positive impact on the allotment of the bad debt. This will be directly reflected on on the results of the insurance companies and the rights of the shareholders, in addition to creating proper solutions for the expected risks and the fulfillment of the insurance companies' commitments.
3. The necessity of creating committee for preparing competent credit policies enabling the recovery of money and forecasting the potential risks that may affect the relationship between the company and the insured.

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A CRITICAL ASSESSMENT OF THE CONTRIBUTION OF MARINE INSURANCE TO THE DEVELOPMENT OF NIGERIAN ECONOMY

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ABSTRACT
This paper examines the contribution of marine insurance to the development of Nigerian economy in the period 1984 to 2006. It is not intended to extend the study to other countries of the world, but mainly to Nigeria where the public opinion has been that insurance is of no benefit to the economic well being of the people. Research was conducted in the Nigerian Insurance Market, Central Bank of Nigeria, National Bureau for Statistics, Insurance Department of Finance and Economic Development and Research and Development Department of Nigeria Reinsurance Corporation, Lagos. Premiums accruing to Marine Departments of insurance companies were collected analyzed and it was confirmed that marine insurance has significant impact on the level of economic development of Nigeria, but had no significant contribution.

KEYWORDS
Assessment, Development, Nigerian Economy, Peril, Utmost Good Faith.

INTRODUCTION
Marine insurance is the earliest of commercial insurance from which all other insurances started. Dover (1983).and Lambeth (1980), stated that the expression marine insurance refers to "that branch of insurance concerned with the insurance of ships as well as their freight and cargo against marine risks"

Marine insurance is a contract whereby the insurer undertakes to indemnify the insured, in manner and to the extent thereby agreed against marine losses, that is to say, the losses incident to marine adventure (Marine Insurance Act (M.I.A.) 1906, s.1). Indemnity is provided against the majority of losses which can occur during transit, (M.I.A.1906, section 55). The marine insurance market comprises insurance companies, Lloyds' Underwriters and Private Underwriters and in practice, each insurer pools the premiums received from the insured in order to pay claims and expenses, to build reserve fund against future losses and to secure a small margin of profit, hence insurance is said to be based on the principles of contribution, Dover (1983).Insurance may be defined with emphasis on its financial nature or with emphasis on its legal nature, Dorfman (1983).To carry out this research on insurance, key terms must be defined carefully. These terms include loss, chance of loss, peril, hazard and risk. The mathematical background of insurance must be understood if this paper is to be fully appreciated. The law of large numbers is the key to understanding the mathematics of insurance operation, lrukwu (1996).The first definition of insurance to be examined is the financial one. In this instance, insurance is a financial arrangement which redistributes the cost of unexpected losses, Dorfman (1983). Dorfman went further to explain that throughout human history unexpected economic losses have occurred. Such losses he opined, would continue to occur regardless of whether or not a system of insurance were ever devised by man, but through the operation of an insurance system losses can be predicted before they occur. The predictability of losses is a basic necessity of an insurance system's operation. Because an insurance system allows losses to be predicted in advance of their occurring, it allows the cost of losses to be financed and redistributed in advance of their occurring, Isimaya (2001). An issuance system accomplishes the redistribution of the cost of losses by collecting a premium payment from every participant in the system, Irukwu (2003). In exchange for the payment of the premium the insured receives a promise from the insurance system to be indemnified in the event of a loss.

In most insurance systems only a small percentage of those insured suffers losses. Thus an insurance system redistributes the cost of the losses from the unfortunate few members who experience them to all the members of the insurance pool (including those who suffer losses) who have all paid premiums. The Figure below illustrates the way an insurance system redistributes the costs of losses. Assume that all the members are exposed to loss of their ships by peril of the sea.

Each member therefore will contribute his premium (say,$20,000) to the insurance pool. Assume that ship-owner number four loses his insured ship to peril insured against. He will collect $300,000 the insured value of his ship, from the insurance pool. If there were no insurance pool, the unfortunate victim would lose $300,000. but, instead with the insurance system operation all the member of the pool have paid $20,00. thus each insured has paid a part of the $300,000 loss experienced by on member the $20,000 premium which each insured paid advance was calculated on the losses predicted by the insurance system when the year began it was not predicted that ship number four would sink, but that 33 ships from among the 5, 000 insured would sink. From this prediction came the decision to charge each ship-owner $20,000 for his insurance.

In its second sense, insurance is a legal contract whereby one party agrees to indemnify another party for losses. The party agreeing to pay for the losses is called the "insurer". The party who will receive the payment for his losses is called the "insured". The payment the insurer receives from the insured is called the "premium." The insurance contract is called a "policy." The losses that will cause the insurer to make payment to the insured are the result of the insured's "exposure to loss" We say the insured transfers his "exposure to loss" to the insurer by purchasing an insurance policy. The insurance policy like all contracts is viewed as an arrangement that creates rights and corresponding duties for those who are a part to it, Dorfman (1983). Dorfman went further to say: "for instance, the insurance contract creates the right of the insured to collect from the insurer when a covered loss takes place. There is a corresponding duty on the part of the insurer to pay for such losses". The insurance contract creates other rights and duties as well. There is the right of the insurer to specify the rules and conditions for participating in the insurance pool, and the corresponding duty of the insured to obey them if he expects to collect for a loss. In analyzing an insurance contract one must remember that the right created for one party represents a duty for the other party, Irukwu (1996). Perhaps the word "duty" is too strong a word to describe the obligations of an insured to insurer. Generally, an insurer cannot legally force an insured to pay premiums, but he may cancel the insurance if premiums are not paid. Likewise, an insurer cannot force an insured to meet the conditions set forth in the contract, but if the insured does not meet the conditions losses will not be paid, lrukwu (1996). Thus, it seems fair to note that an insurance contract creates rights and corresponding obligations for the insurer and insured.

MEANING, PURPOSE AND FUNCTIONS OF INSURANCE
Risk and uncertainty are two most fundamental facts of life Banjo (1995). We all know that the one event which is certain about our lives on this planet is that one day we will die, but the actual date, time and circumstances of our deaths remain in the realms of uncertainty. Despite the certainty of ultimate death which most of us prefer not to contemplate, everything else about our lives and future remain uncertain Irukwu (1996).

Irukwu further opined that having recognized this element of risk and uncertainty as inevitable features of our lives coupled with the fact that we do not know what the future will bring, then as intelligent, rational and creative beings, we have had to devise methods of combating and responding to the possible adverse effects of this permanent feature of risk and uncertainty. The most important responses to risk and uncertainty are insurance. He added that as a risk management tool, the basic role of insurance in the economic and social structure of society is the provision of relief from the financial consequences of element

of uncertainty. Its principles have over the years been perfected and utilized for the purpose of protecting individuals and corporate bodies against financial losses arising from death or injury in the case of life or accident insurance.
Insurance protection may be obtained directly from a registered insurance agent or broker. As consideration for the insurance protection given by insurer the insured is required to pay an agreed premium which depends on the extent of the risk introduced into the insurance programme by the insured or policy holder, Jammy (2002). From the forgoing, Irukwu, (1996) postulates it is evident that the insurance industry exists primarily for the purpose of providing protection against financial losses arising from unexpected events. In addition to this primary function of financial protection, the insurance industry today, provides several other secondary services to their policy holders and the wider society in such areas as risk management and loss prevention advice, inspection of plant and buildings and the promotion of savings and investments. In spite of the importance of these secondary functions, the primary function of insurance is the provision of the insurance cover against the financial consequences of uncertainty or the provision of financial security to the insured or policy holder. The traditional and 1egal definition of insurance describes it as a contract whereby one party, the insurer undertakes in return for a consideration for the premium to pay to the other party, the insured, a sum of money in the event of the happening of one or various certain events.

DIFFERENT CLASSES OF INSURANCE
Apart from marine insurance which covers marine risks there are other classes of insurance. The other classes of insurance include life and personal accident insurance in which the sum becomes payable on death of the life assured, or on injury or illness, accident, casualty or property insurance, in which the agreed suffix becomes payable on the happening of an accident, such as fire, theft, flood or any other perils insured against and liability insurance which provides that the sum insured shall become payable when legal liability is incurred by the policy holder or any other person covered by the policy, as for example, when the insured had incurred legal liability under a professional indemnity policy as a result of his professional negligence or some other tortuous act.

THE RIGHT TO INSURE AND LIMITS TO THE SCOPE OF INSURANCE
Banjo (1995) states that as a general rule any person (Including corporate or juristic persons) may insure property, a right in property, a pecuniary interest in property, any potential or possible legal liability, if as a result of the destruction or loss of, or damage to such property right or interest, or the incurring or accruing of such legal liability, he will suffer financial loss, Irukwu (1996) added that in exercising their right to insure, all the parties to the insurance contract must comply with the general law of contract as well as those peculiar and fundamental rules of law which apply specially to insurance contracts such as the “uberrimae fidei" rule or the doctrine of “utmost good faith”, the principles of indemnity and insurable interest This fundamental rules of law are further amplified by the Marine Insurance Act 1906, Section4 as stated thus:
1. Every contract of marine insurance by way of gaming or wagering is void.
2. A contract of marine insurance is deemed to be a gaming or wagering contract: (a). where the assured has not an insurable interest as defined by this Act and the contract is entered into with no expectation of acquiring such an interest; or (b) where the policy is made “interest or no interest” or “without further proof of interest than the policy itself’ or “without benefit of salvage to the insurer” or subject to any other like term. Provided that, where there is no possibility of salvage a policy may be effected without benefit of salvage to the insurer.

CAPACITY TO ENTER INTO INSURANCE TRANSACTIONS
Irukwu (1996) opined that in accordance with the general law of contract the rule is that everyone is capable of making a valid contract. The only exceptions to these general rules are persons of unsound mind and persons under the influence of drink. He went on to reiterate that since the general rule is that contracts made by a minor are voidable at his option, the courts would refuse to enforce such contracts of the minor so requested, but contracts for the minor’s benefit will be enforced. As an instance, contracts generally for the benefit of the minor who enters into them, will be enforced whenever necessary, Irukwu averred. However, Irukwu (2003) added that if a minor is tricked or induced to enter into an expensive insurance contract which deprives him of all his financial resources or is made to pay an unreasonable high premium it is submitted that the insurance contract would be voidable at his option.
It is also a settled law that persons of unsound mind and persons who enter into contracts under the influence of drink or drugs may avoid such contracts provided that they do so without delay after their return to a normal state. In an English case of Imperial Life Assurance of Canada v. Audett (1912), an insurance agent obtained a proposal for life assurance from a man who he knew to be drunk at the time the proposal form was completed. The Court held that the contract was not binding on the proposer.

LIMIT TO THE SCOPE OF INSURANCE
Insurance is concerned with risks, but not all risks or perils are insurable, Gi1es (1992). There are definitely limits to scope of insurance.
Irukwu (1995) in a paper he presented at Maritime Seminar of Judges explained that the first limitation is that the thing or object to be insured must have monetary value so that its loss or damage must result in a monetary loss to the insured. If not it is not insurable. Thus an object of high sentimental value only to *its* owner cannot be insured. The scope of insurance is quite often limited by law as Marine Insurance (Gambling Policies) Act 1909 sections 1, (1) and (2) say that an illegal transaction or any event, contract, project or property that is tainted with illegality cannot be insured, and similarly transactions that are considered to be against public policy cannot be insured.
For example, Birds (2000) stated that no person can insure against the consequences to him of his own fraudulent or deliberate acts. He went on to add that a professional man such as a lawyer or a medical practitioner or an insurance broker cannot insure against the effects of being disqualified from practicing his profession as a result of his own professional misconduct. This is not the same as taking out a professional indemnity policy. A professional indemnity policy insures the professional man against the possible liability of paying damages to an aggrieved third party client of his through some unintentional error or oversight in carrying out his professional duties, Botos (2002). Botos threw more light on the matter by explaining that this is quite different from deliberate fraudulent or intentional misconduct which would be uninsurable. He affirmed his argument by stating that smuggling ventures cannot be insured and any event or venture which contravenes the law of the land or is against public policy cannot be insured. It is definitely illegal or against public policy to take out an insurance against fines imposed by the courts for motoring offences or court fines and penalties generally.
In addition to the limits to the scope imposed by law there are other risks generally regarded as uninsurable by the insurers. Irukwu (2003) listed such risks as follows: War risks or warlike operations such as civil strike and civil commotion, loss or damage resulting from radioactive contamination and explosive nuclear devices or components, losses arising from confiscation or detention of goods and other property, a government authority such as the Customs or other official bodies, wear and tear or depreciation as opposed to actual accidental loss or damage. Botos (2002) says that however, these could be insured on special terms at very expensive premiums but both on normal terms of usual policies.

THE DEVELOPMENT OF MODERN INSURANCE IN NIGERIA
Although the institution of insurance has existed in Europe and some other parts of the world for a long time, the practice of modern commercial insurance is relatively new to Nigeria, Irukwu (1996). The concept of insurance in its modern form was introduced into Nigeria by the British during the closing years of the 19th century, Banjo (1995). Banjo went on to explain that with the establishment of trading posts on the West Coast of Africa now known as Nigeria towards the end of the last two centuries by European trading companies mostly British, these companies started effecting their insurance contracts with established insurers in the London Insurance Market. As time went on some British insurers appointed Nigerians to represent their interests in the country as agencies. These agencies later gave way to full branch offices of their parent companies in Great Britain. lrukwu confirmed that the first insurance company to establish a full branch office in Nigeria was the Royal Exchange Assurance in 1921, which was later followed by other British companies. He is of the opinion that indigenous

Nigerian insurers later followed including some State-owned insurance and reinsurance organizations such as the National Insurance Corporation of Nigeria (NICON) which was established in 1969 and the Nigerian Reinsurance Corporation established in 1977.
Irukwu (2003) averred that the position today is that we have well over 150 direct insurance companies and five professional reinsurance companies operating in the country. Banjo (1995) asserted that the law and regulations governing insurance operations in Nigeria are contained in the Insurance Act 1961, Insurance Decree 1976, Insurance Decree 1991 and lately the Insurance Act 2003.
Having set the tone for this paper by examining in detail the origin, purpose, function, scope and development of insurance in Nigeria, we now precede to the next stage of assessing the impact of marine insurance on Nigerian economy.

METHODOLOGY
This assessment is carried out by formulating a hypothesis thus: Marine insurance does not significantly impact on the level of economic development in Nigeria. The period of study is 1984-2006; no attempt is made to extend the area of study to other countries of the world.

SOURCES OF DATA
The study employed secondary sources of data as collected from the following sources:
i. Central Bank of Nigeria (C.B.N.) publications, statistical bulletin and economic research seminar papers,
ii. National Bureau for Statistics-Annual Abstract of Statistics.
iii. Insurance Department of Finance and Economic Development.
iv. Research and Development, Nigerian Reinsurance Corporation, Lagos.

PROCEDURE FOR DATA ANALYSIS
The data generated for this research was analyzed employing both descriptive statistics. The hypothesis formulated was analyzed using Multiple Regression Model. This was in view of the five explanatory variables (independent variables) involved in the hypothesis of the study. Therefore, the analysis of variance (ANOVA) and coefficient of determination R2 were employed in the test.

OPERATIONAL DEFINITION OF VARIABLES/ HYPOTHESIS TESTING
The study is concerned with the analysis of the impact of marine insurance business on the level of economic development in Nigeria. Hence the study requires the specification of the dependent and independent variables in order to encourage effective analysis.
In the hypothesis, we have the following dependent variables. OVERALLGDPt = level of OVERALL Gross Domestic Product in the year, t. For the hypothesis however, the independent variables are given as: FIREt: level of Fire insurance (total premium income) in year, MOTORt = level of Motor Insurance (total premium income) year, t.
GEACCIDENTt = level of General Accident Insurance (total premium income) in year, t.
MARINEt = level of Marine Insurance (total premium income) in year, t.
Left = level of Life Insurance (total premium income) in year,

HYPOTHESIS TESTING
Ho = Marine Insurance does not significantly impact on the level of economic development in Nigeria.
(a) Here, the independent variables are the levels of fire, motor, general accident, marine and life insurances.
(b) The dependent variable is Overall Economic Development with the level of Overall Gross Domestic Product for the same period as its proxy denoted as GDPt.

Mathematically, therefore, we have:
GDPt = f(FIREt, MOTORt, GEACCIDENTt, MARINEt, LIFEt) +e - ……….(1)
GDPt = 13ot J31FIREt+J32 Motor+ 133 GEACCIDENTt + B4
MARINEt+ 13s LIFEt +e ---(1)
Where:
GDPt = level of Overall Gross Domestic Product in year, t FIREt = level of Fire Insurance in year, **t,**
Motor level of Motor Insurance in year, **t.**
GE Accident = level of General Accident Insurance in the year, **t.**
Marinette = level of Marine Insurance in year, t.
LIFEt = level of Life Insurance in year, t.
f3 = Estimated Parameter of Coefficient of Regression
e = The Error Term

TEST OF SIGNIFICANCE
TEST OF MODEL SIGNIFICANCE
For the hypothesis to be tested, it is imperative for a test of model as a whole to be conducted. Carrying out such a test has the advantage of confirming the appropriateness of the model specification. Two ways of performing the test are:
1. The analysis of variance approach (ANOVA) and
2. The Coefficient of Determination approach, both calculated from the regression model.
The Analysis of Variance approach seeks to split the variations in the dependent variable (Overall Gross Domestic Product).
Variations in the Dependent Variable that are accounted for by the explanatory variables are called the EXPLAINED VARIATIONS. Other sources not thus explained are due to random or chance factors. These are estimates of the population disturbance variable 'u' and are represented by 'e' otherwise called the residual or error term.

TABLE 1: HYPOTHETICAL NOVA TABLE

Source of variation	Sum of squares (SS)	Degree of freedom (d. f.)	Mean square(ms)	f-ratio
Regression	SSR = $\Sigma y^2 R^2$	k	MSR= SSR k	f = MSR
Residual	SSE = SST - SSR= $\Sigma y^2(1-R^2)$	n-k-1	MSE=SSE n-k-1	MSE
Total	SST= Σy^2	n-1		

Where:
SSR = Sum of squares of the regression.
SSE = Sum of squares of the error term.
SST = Sum of squares of total variation.
k = Number of independent variables.
N = Number of observations.

Note: $R^2 = \frac{b1\Sigma x1Y + \Sigma b2\ \Sigma x\ 2Y}{\Sigma Y2}$

TEST OF THE MODEL: COEFFICIENT OF DETERMINATION AND THE F-TEST APPROACH

Another method to test the statistical significance of the estimated regression model is through the coefficient of determination (R^2), calcu1ated from the regression R^2 gives the proportion of the total variation in the depend variable. R^2 From the sample is a statistical estimate of the population, P^2, {row-squared). Values of R^2 range from 0 to 1. In setting up the test, the following hypothesis is tested: H

0_1 : $P^2 = 0$ (i. e., the regression in a given year has no significant relationship with the actual dependent variable the, the year). HAIP^2 = 0 (one- tailed 0 test of significance) (i.e, at least there is a significant relationship between one of the independent variables and the actual dependent variable).

DECISION RULE

If f- ratio calculated is greater than the f- ratio tabulated at alpha (a)- level of significance, and (k-1) (n-k) degree of freedom then we reject Ho and accept Hi and state that there is some truth in the estimated model (i.e, the regression model is significant since the repressors significantly account for the variation in the dependent variable).

Here, f-ratio calculated = $\frac{(R^2)/(k\text{-}l)}{(1-R^2)/(N\text{-}k)}$

Where,

R^2 = R squared of the model

k = number of variables (independent and dependent)

N = number of observations.

TEST OF THE SIGNIFICANCE OF THE EXPLANATORY VARIABLES

Having established the significance of the estimated model as a whole, we go further now to test the specific strength of the various regressors in bringing about the result. We can check this through conducting t-test on the estimated parameters of the regressors. The test statistics ratio is calculated thus:

t-ratio = $\frac{Bk}{Se\ (Bk)}$ for k = 1 ……………………………..6

Where Bk = estimation of the population parameters for the regressors and BSe (Bk) = standard error of the estimate.

DECISION RULES

If absolute value $\left| \frac{Bk}{Se\ (Bk)} \right| > t_n - k\ a/2$

Level of significance, we reject H_o and accept H_1 and then conclude that the variable belongs significantly to the model.

ASSUMPTION OF THE LINEAR REGRESSION MODEL

In choosing the above model, we made the following principal assumptions about our population disturbance term, "ut".

These assumptions about the distribution of the values of "ut" are very crucial for the estimate of the regression. These include the following.

a. Assumption of Randomness: The value "ut" being a random real variable may be positive, zero or negative each with a certain probability of occurrence for a particular period.

b. ASSUMPTION OF ZERO MEAN: The mean value of "ut" **in** any particular period is zero. This being the case the expected value, (E(ut)), of "ut", for all observations, t = 1,2,3……….. n is equal to zero.

c. CONSTANT VARIANCE ASSUMPTION: The variance, [32ut, is constant in each period, that is, the variance of "ut" for each explanatory variable is constant. This being the case "ut" will show the same dispersion for all values of the explanatory variables. $(E(u^2t)) = 8^2$. This is called the assumption of HOMOSCEDASTICITY. If this assumption does not apply then the condition of HETROSCEDASTICITY obtains under which condition, therefore, it will be difficult for us to construct confidence intervals on the regression estimates. These tests then become inapplicable.

d. **NORMALITY ASSUMPTION:** The variable "ut" has a normal distribution that is the values of **"ut"**(for each explanatory variable) have a bell- shaped symmetrical distribution. The above four principal assumptions are symbolically represented as ut-N(0,8^2ut), that is, ut is a random variable with a normal distribution, zero mean and a constant variance.

e. OTHER ASSUMPTIONS OF THE MODEL:

i. Cov (uiuj) = 0 (there is no covariance between the disturbance terms in different observations

ii. Cov (xisui) = 0 (no covariance between the disturbance terms and the explanatory variables)

iii. Cov (xis) =0 (i. e. No multi-co linearity exists).

iv. The relationship is IDENTIFIED- that is the model has a unique mathematical form. Its explanatory variables are not found in any other mathematical equation related to the phenomenon being studied

v. It is also assumed that the model is correctly **SPECIFIED MATHEMATICALLY.**

RESULTS AND DISCUSSION

INTRODUCTION

This Section presents the necessary data *set* for the study, the result and discussion of the test carried out to buttress the augment transformed into hypothesis. As stated earlier, secondary data were mainly employed as sourced from the Central Bank of Nigeria, National Bureau for Statistics (NBS) Publications and the Research and Development Department of Nigerian Re- Insurance Corporation and Insurance Department of the Ministry of Finance and Economic Development. For orderly presentation, this section shall fall into subsections of data presentation, analysis, result and discussion.

DATA PRESENTATION

Here, we present the data used in the analysis. As stated, only secondary data were used as sourced from the four main organisations explained above.

TABLE II: DATA SET OF GROSS DOMESTIC PRODUCT (GDP) AND PREMIUM INCOME OF FIVE CLASSES OF INSURANCE IN NIGERIA (1984-2006)

S/N	YEAR	FIRE	MOTOR	GEACCIDENT	MARINE
1	1984	107204656.00	134793142.00	136498650.00	72499784.00
2	1985	117835887.00	135169979.00	12016582.00	74273649.00
3	1986	9825851.00	140045797.00	139357452.00	74078774.00
4	1987	202782785.00	157717219.00	253638817.00	251933911.00
5	1988	219520000.00	203000000.00	222048000.00	104400000.00
6	1989	280000000.00	273644000.00	385500000.00	464000000.00
7	1990	300000000.00	354000000.00	475500000.00	2100000000.00
8	1991	180060000.00	583650140.00	650705080.00	2850640000.00
9	1992	860900.00	1350868.00	25875830.00	5775850145.00
10	1993	752700.00	1484940.00	1013190.00	2434870.00
11	1994	125770.00	2110360.00	977080.00	1142270.00
12	1995	1557780.00	2994590.00	1292000.00	2944460.00
13	1996	2850071.00	4061407.00	17672122.00	2992406.00
14	1997	22914160182.00	5269160721.00	6137423121.00	2445379358.00
15	1998	2784213352.00	5572915068.00	4377652453.00	3541757118.00
16	1999	2760614222.00	5268561896.00	3776047282.00	4636622617.00
17	2000	3445549871.00	7046210483.00	7953682914.00	4071701211.00
18	2001	3697248037.00	8797454838.00	5648363502.00	855931963.00
19	2002	4751655905.00	10816015116.00	7310288803.00	13353666773.00
20	2003	6016097000.00	138091441000.00	10232577000.00	15696362000.00
21	2004	7335994000.00	15071809000.00	13819477000.00	20989737000.00
22	2005	9518785000.00	16484517000.00	16307327000.00	21013148000.00
23	2006	12931350750.00	18957194550.00	20384158750.00	22063805400.00

DATA ANALYSIS AND TESTING OF HYPOTHESIS

The contribution of marine insurance to development of Nigerian economy.
The hypothesis to test this theory states that:
Ho: Marine insurance did not significantly contribute to the economic development of Nigeria in the period under review.

TABLE III: HYPOTHESIS RESULT /OUTPUT

0.940 R
0.883 R^2
0.848 adjusted R^2
38943.22834 Std. Error of the Estimate
23 Observations
5 Predictor variables
Y Dependent Variable

Variables	Coefficients		Std error	T (df=17)	Significance
INTERCEPT	β_o	302765.30	10544-169		
FIRE	β_1	-3.71E-007	0.000	-0.139	0.891
MOTOR	β_2	1.40E-055	0.000	0.892	0.385
GEACCIDENT	β_3	3.36E-006	0.000	.0450	0.659
MARINE	β_4	3.58E-006	0.000	0.775	0.449
LIFE	β_5	-7.94E-006	0.000	-0.364	0.721
ANOATABLE					
SOURCE	SS	D f	MS	F=25.580	0.000****
REGRESSION	1.9E+011	5	38794634820		***
RESIDUAL	2.6E+010	17	1516575033		**
TOTAL	2.2E+011	22			

NB: **** significant at 0%; *** 2significant at 1%; ** significant at 5% f- ratio tabulated; df (5,17), 1%= 4.34; 5% = ratio tabulated, df (17), 1%= 2.898, 5%= 2.110.

TEST OF MODEL SIGNIFICANCE - ANOVA METHOD

Also to confirm the specification status of the model, we conducted the Analysis of Variance (ANOVA) Test. From Table II we compared the calculated f- ratio with the f- tabulated or theoretical.

DECISION RULE

Since the f- ratio calculated (25.580)> f-ratio tabulated (4.34, 2.0) we reject Ho and accept Ha, to conclude that Marine Insurance impacted significantly on the economic development of Nigeria in the period under review.

TEST OF MODEL SIGNIFICANCE R^2 METHOD

Similarly, in testing with the coefficient of multiple determination, we adopt the formula:

$$\text{f- ratio calculated} = \frac{(R^2)/(k-1)}{(1-R^2)/(N-k)}$$

Where:
$R^2 = 0.883$
$k = 6$
$N=23$

$$= \frac{(0.883)/(6-1)}{(1-0.883)/(23-6)}$$

$=25.580$

Since f-ration calculated (25.580) > f- ratio tabulated (4.34, 2.81) at both 1% and 5% levels of significance respectively, Ho is therefore rejected and Ha accepted to conclude that the model is significant and that marine insurance impacted *significantly* on the gross domestic product (GDP) of Nigeria. The resulting model from this test is given as:

OVERALLGDPt= 302765.38- 3.58E- 007firet +1.40E- 3.36E- 006 GEACCIDENTt-3.58E- 006MARINEt - 7.94E 006 LIFEt 2

TEST OF THE SIGNIFICANCE OF EXPLANATORY VARIABLES

Having confirmed the model significance, t- test is conducted to determine whether the individual explanatory variable contributed significantly to the economic development of Nigeria in the period under review. Here, Table II is also employed:

Ho (a) Fire insurance did not make significant contribution to the gross domestic product of Nigeria in the period under review.

Ho (b) Motor insurance did not make significant contribution to the gross domestic product of Nigeria in the period under review.

Ho(c) General Accident Insurance did not make a significant contribution to the gross domestic product of Nigeria in the period.

Ho (d) Life Insurance did not contribute significantly to the gross domestic product in Nigeria in the period reviewed.

Also, t- ratio calculated respectively for Fire, Motor, General Accident, Marine and Life Insurances (0.139, 0.892, 0.775, and 0364) < t- ratio tabulated (2.898, 2.110) respectively at 1% and 5% levels of significance, Ha is rejected while Ho is accepted in each case, to conclude that none of the explanatory variables, (Fire, Motor, General Accident, Marine and Life Insurances) offered a significant contribution to the level of economic development of Nigeria in the period of investigation.

DISCUSSION OF RESULT

The result follows basically the pattern of the insurance market development. First, there is a high correlation among all the variables taken together, 94% slight improvement from the experience of the insurance market. In like manner, the other test statistics posted similar results as the R^2 herein is 88.3%, adjusted R^2 84.8% and f- ratio 25.580. It is interesting to note that the variations in the different classes of insurance have been able to explain at least 88% of the total variation in the gross domestic product of Nigeria, thus, leaving only about 12% to chance occurrence.

Again, in terms of contribution to Economic Development, none of the explanatory variables is a significant contributor to the level of Economic Development in the period of investigation, 1984- 2006. The resulting estimated model is: OVERALLGDPt = 302765. 38- 3. 71E-007FIREt + 1.40E -005 MOTORt + I 3.36E – 006GEACCIDENTt -3.58E - 006MARINEt -7.94E- 006LIFEt ....(3)

This gives a repeat of the insurance market development in many respects. For instance, whereas Motor, General Accident and Marine Insurances all were positive contributors to the economic development both Fire and Life insurances had negative coefficients and so offered negative contributions to the gross domestic product (GDP) in Nigeria. In terms of correlation the highest is between Economic Development and Motor Insurance (93%), Life Insurance (93.2%) General Accident (92.3%), Marine (91.5%) and the least came from Economic Development and Fire Insurance (59.4%).

SUMMARY OF FINDINGS

This study investigated the contribution of Marine Insurance to the economic development of Nigeria from the year 1984 to 2006. The study generated a major hypothesis in order to achieve some objectives. The major findings of the study therefore are as follows:

1. Positive significant relationship exists between Marine Insurance and the level of Economic Development in Nigeria.
2. On the basis of the hypothesis tested, the study proved to be significant as Marine Insurance exerted significant influence on the Overall Gross Domestic Product of Nigeria.
3. In the hypothesis tested, none of the explanatory variables namely Fire Insurance, Motor insurance, General Accident Insurance, Marine and Life Insurances seemed to offer significant contribution to the economic development of Nigeria in the period studies.

CONCLUSION

On the basis of the findings above some conclusions are reached as follows:

1. Marine insurance is a desirable phenomenon in Nigeria and should be encouraged.
2. There is a positive, but insignificant relationship between marine insurance and the level of economic development in Nigeria; hence the need for Government support and control to develop the business to the level of invisible source of income to the nation.
3. Both fire and life insurance businesses exerted negative effects on the economic development therefore, there is need for total enlightenment of the public on this obvious source of foreign currency earner to the nation.

RECOMMENDATIONS

With the above findings and conclusions in mind, the study offers the following recommendations:

1. Underwriters should obviously make frantic effort to avoid underwriting sub- standard risks. In the same vein, policy wordings should be designed basically not to recompense the insured for loss, damage or expense which is inevitable or not properly incurred.
2. There is real need for insurance clauses to be constructed free from ambiguity to reduce litigation of claims. Therefore, this study specifically advises underwriters, naturally to adopt a realistic approach to the enormous build up of exposures in the maritime industry. This is realistic indeed because the cost of operation has escalated generally at a frightening rate.
3. In like manner, underwriters should be able to command fair premiums in relation to potential losses otherwise, many may opt out of this class of insurance and affordable and insurable covers may shrink accordingly in the market.
4. Furthermore, the prospective assured shell try not to admit any terms in the contract which he knows or ought to know could not be easily fulfilled.
5. Therefore, the Ministry of Finance, as a regulatory body should have eagle eyes on the insurance sub- sector to keep fraud and other sharp practices out from the market.
6. In appreciation of the influence of marine insurance the government should regularly formulate enabling regulations to sanitize the insurance market in order to reduce fraud to barest minimum.
7. In furtherance of the regulatory ability of the Government, for example, the recapita1ization process, it is strongly recommended that the Marine Insurance Act 1990 which is a complete copy of the British Marine Insurance Act 1906 be reformed because of the fact that the world has drastically changed since 1905 when the Marine Act 1906 first passed through the Parliament at Westminster.
8. Howbeit reforming the Act is desirous, there should be no much softening of the more stringent Provisions of the Act so that the reform will not be so pro-consumer that insurers are discouraged from entering or remaining in the market, also the reform shall not be sidestepped by a contractual choice of non-Nigerian law.
9. The research identified the need for ship- owners to establish a protecting and indemnity (P&1) club in the African region to alleviate them of the effect of those risks not coverable by the ordinary Policy of Marine Insurance.

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APPLICATION OF 'BALANCED SCORECARD', IN PERFORMANCE MEASUREMENT OF NATIONAL OIL-RICH SOUTH COMPANY

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ABSTRACT

This study aims at investigating the feasibility of the application of "Balanced Scorecard", in performance measurement of National oil-rich south Company. Balanced Scorecard is one of the management accounting techniques. This technique organized in four distinct prospective: financial, customer, internal processes, and learning and growth. This technique changes the organization vision and strategy to goals and criteria which are organized in four prospective: financial, customer, internal processes and learning and growth. Four prospective related to balanced scorecard were analyzed based on one main hypothesis and four subsidiaries. The gained results of Statistical analysis showed that indicating in all prospective of Balanced Scorecard in Petroleum is possible, but yet pre-required and needed thought to implementing this technique in Petroleum Company is not done well. I found out through more surveys that customer prospective was the most noticeable prospective and internal processes, financial and learning and growth prospective were ranked respectively.

KEYWORDS

Balanced Scorecard strategy, financial measures, nonfinancial measure.

INTRODUCTION

Now, companies step into information competition from industrial competition, the former phase. At industrial era, financial controlling systems were developed in companies such as General Motors, Doupont, Matsushita and General Electric, to usefully devote and control the financial and physical funds. Criteria such as operating profit and fund revenue can estimate the operational sections effectiveness and usefulness which used financial and physical funds for creating value. In information era, many fundamental hypotheses of industrial competition era are put aside. Companies can't achieve the advantage of the permanent competition by just having new technology and better managing the assets and financial debts. In the information era, companies either productive or servicing need new abilities for being successful in competition. The ability of company in using intangible assets is more important than visible and physical assets.

Studies have shown that strategies achieve approximately 65% of their potential financial operation, financial criteria weaknesses, competition atmosphere, vanish of the old values for marketing and consumers, obliged companies to review their interests views and values (Kurtzman, 1997, p.128).

Theoretical discussions about the difficulties in using financial criteria, discussion about estimating invisible assets, removing the lack between planning and working a strategy, and removing the obstacles of working a strategy result in the use of the balanced preferential card by the management. Companies apply balanced assessment methods for development, performance and controlling strategy through balance using of financial and non-financial criteria. Balanced assessment method permanently and through the process of systematic control and reporting based on different operational aspects emphasis on obvious and future theory. Balanced assessment includes of a complex of interrelated operational criteria which are extracted from organization's strategy and help the development, implement and control of the organization strategy (Kaplan & Norton, 1996, p.80) .

Boulianne (2006) through studying the reliability and validity of balanced assessment and its related criteria found that balanced assessment is reliable and valid model for operation assessment.

Chen et al. (2006) analyzed the important aspects of operating the balanced assessment. They found that the participation of the senior manager, of the other managers, the support of the senior management of the organization, and the organization size have an important contribution to the balance assessment method operation. They also showed that these aspects change as the the operation of the balanced assessment moves from one step to the other.

Othman (2006) studied the effects of Causal model of the strategy on conducting the balance assessment method. Studies about balanced assessment acceptance show that many companies that accept balanced assessment don't make a causal model for their strategies. In this paper, Othman, Perused differences between companies which made and didn't make a causal model also, for their strategies during balanced assessment performance. His results showed for balanced assessment successful performance, developing and elaborating a causal model strategy for every organization is necessary.

Kohlbecek and Warfield (2007) studied unrecorded invisible assets effects on abnormal revenue and shareholders' rights, in banking industry. They discovered that abnormal revenue monotony then banking abnormal revenue multiple pricing are changing, proportional with unrecorded invisible assets level. Their evidences show that unrecorded invisible assets are very important for understanding monotony and abnormal revenues of banking industry. One of important charcteristics of financial information is revenue monotony, that investors using it for company valuation.

QUESTIONS AND HYPOTHESES

RESEARCH MAIN QUESTIONS

1 – Is it possible to execute "Balanced Scorecard "technique for performance measurement of National oil-rich south Company?
2 – Which Balanced Scorecard perspective has the most application?

SECONDARY QUESTIONS RESEARCH

1 – Is it possible to make index in Balanced Scorecard financial perspective?
2 – Is it possible to make index in Balanced Scorecard customer perspective?
3 – Is it possible to make index in Balanced Scorecard in internal business processes perspective?
4 – Is it possible to make index in Balanced Scorecard from learning and growing view?

HYPOTHESES

1 – Index making in balanced assessment financial perspective is possible.
2 – index making in balanced assessment customer perspective is possible.
3 – index making balanced assessment in internal processes perspective is possible.
4 – Index making balanced assessment in learning and growing perspective is possible.

PARTICIPANTS

Participants in this study includes of financial managers and supervisors of national company of south oil- field in this research.

STATISTICAL SAMPLE

Due to being new of the balanced assessment technique in Iran, no sampling will be done. All the financial managers and supervisors of the different sections of south oil- field national company were surveyed , in fact participants and statistical sample are the same .

PERIOD

2011 Iranian financial year is used for measuring variables in this study.

RESEARCH METHOD

Based on application aim and method, this study is descriptive and analytical. Based on the topic, this study put in the management accounting field, and perusing the implement of balanced assessment possibility, in south oil - field national company.

To analyze the gathered data, descriptive and deduction statistics are used. For the quality analysis of obtained general data from questionnaires, statistical descriptive methods such as, frequency, mean, median, and mode are used. To test the research theory, non-parametric test Qp (median test), U test – Mann-Whitney, H test – Kruskal – Wallis are used.

DATA ANALYSIS AND HYPOTHESES TEST RESULTS

Questions posed and presented with the answer choices of, at all, low, medium, much, and very much choices and valued by 1,2,3,4,5 numbers. Since every question can be regarded as a random variable, the mentioned statistical methods in the two sections of descriptive statistics and deduction statistics were selected based on meaningful perspective and achieving this research goal by accepting or rejecting this study hypothesis. Non-parametric test Qp by putting p = .5 (medium test) , U test – Mann-Whitney , H test – Kruskal – wallis and Freedman test were used for data analysis. Questionnaires were analyzed statistically by using EXCEL and SPSS programs.

RESEARCH MAIN THEORY TEST

At first, for research main theory as possibility measuring of balanced assessment, questions 1 to 60 are perused. Then, questions 1 to 24 as necessary reflective and operative prerequisites for balanced Scorecard implement were studied and tested. In the below table, results of questions related to research main theory are showed (questions 1 to 60).

TABLE 1: DESCRIPTIVE INFORMATION RELATED TO MAIN THEORY TEST

Mode	median	medium	Some
4.36	3.78	3.71	151

TABLE 2: TEST RESULTS RELATED TO MAIN THEORY

stratum	some	Observed p %	Test p	p-value
≤ median	66	026	05	0004
> Median	85	074		
total	151	100		

As can be seen, 45 cases from 151 cases (74%) are bigger than median therefore, we expect that hypothesized Zero is being rejected since p – obtained some is 0004, thus at 001 level main theory is accepted (questions 1 to 60).

Performing supposed test based on the study questions number 1 to 24.

TABLE 3: DESCRIPTIVE DATA RELATED TO MAIN THEORY TEST (PREREQUISITES)

Mode	median	Medium	Some
4.36	3.78	3.71	151

TABLE 4: TEST RESULTS RELATED TO MAIN THEORY TEST (PREREQUISITES)

stratum	some	Observed p %	Test p	p-value
≤ median	104	068	0.5	0.002
> Median	47	032		
total	151	100		

As we can see. In 132 cases from the 151 cases (68%) were equal or less than medium, and in 19 cases were more than medium. we expect that hypothesized Zero is being rejected since p – obtained some is 0004, thus at 001 level main theory is accepted (questions 1 to 60).

Main theory accepted at 0.05 level (questions 1 to 60). Therefore, by considering two results tests related to main theory research, we can conclude that: Performing balanced assessment is possible at national company of south oil-field.

Thus, by regard to first by-theory results we can conclude that: Index making from financial perspective at national company of south oil-field is possible.

TABLE 5: TEST RESULTS RELATED TO SECOND BY-THEORY TEST

stratum	some	Observed p %	Test p	p-value
≤ median	56	037	05	0000
> Median	95	063		
total	151	100		

Thus, by regarding test results, we can conclude that: Index making from customer perspective at national company of south oil-field is possible.

TABLE 6: TEST RESULTS RELATED TO THIRD BY-THEORY TEST

stratum	some	Observed p %	Test p	p-value
≤ median	47	031	05	0000
> Median	104	069		
total	151	100		

Thus, by regarding test results, we can conclude that: Index making from internal processes perspective at national company of south oil-field is possible.

TABLE 7: RESULTS RELATED TO FOURTH BY-THEORY TEST

Stratum	Some	Observed p %	Test p	p-value
≤ median	52	032	05	0017
> Median	99	068		
total	151	100		

Thus, by regarding test results, we can conclude that: Index making from learning and growing perspective at petrochemical companies is possible.

TABLE 8: TEST RESULTS OF COMPARING MEDIUM GRADE THEORIES BY USING FREEDMANTEST

Medium grade	Comparing parameters
3.79	Second theory
3.31	Third theory
2.99	First theory
2.54	Fourth theory

TABLE 9: STATISTIC'S TEST AND SOME OF MEANING LEVEL OF FREEDMAN TEST FOR COMPARING THEORIES GRADES

Meaning level	Freedom level	Statistic's some	Some
0000	4	55.633	151

Due to obtaining 0 for P and because this some is less than 0.01 , therefore from zero assume one can conclude that certainty level H0 99% is rejected . So, as be seen H0 is rejected, namely, that theories grades medium are not same.

By using this test various theories performing possibility can define (for example, index making from different perspectives comparing and finding a theory with more possible performance). By regard to this research and base on Freedman test, observed that index making from Customer perspective is more possible.

CONCLUSION

As mentioned before, this research has a main hypothesis and four secondary hypotheses, all five theories were tested statistically. 176 questionnaires were distributed between managers, assistants, and company's financial supervisors, as well. 151 questionnaires were suitable for analysis. Then, appropriate to sample type, statistical tests were done. Hypothses were tested in formats of nonparametric test Qp (median test) , U test – mann Whitney and H test – kruscall walis. Finally, Freedman test was used for grading theories respect to each other.

TABLE 10: RESEARCH OUTCOMES SUMMARY

Theory test results	Description	theory
Confirmed	Balanced assessment implement possibility measuring in National oil-rich south Company	Main theory
Confirmed	Index making possibility from financial perspective for balanced assessment in National oil-rich south Company	First by-theory
Confirmed	Index making possibility from customer perspective for balanced assessment in National oil-rich south Company	Second by-theory
Confirmed	Index making possibility from internal processes perspective for balanced assessment in National oil-rich south Company	Third by-theory
Confirmed	Index making possibility from learning and growth perspective for balanced assessment in National oil-rich south Company	Fourth by-theory

Therefore, balanced Scorecard implementation in south oil-field national company is possible.

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FIRMS' CHARACTERISTICS AND CAPITAL STRUCTURE: A PANEL DATA ANALYSIS FROM ETHIOPIAN INSURANCE INDUSTRY

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ABSTRACT

The study examines the impact of firms' characteristics (size, profitability, growth, tangibility, liquidity, business risk, non-debt tax shields, dividend payout and age) on the capital structure of Ethiopian insurance industry during the period 2003-2010 using panel data. The data set is mainly composed of balance sheet, cash flow statements and profit and loss statements of 9 insurance companies. The study uses one of the panel data techniques specifically random effect Generalized Least Square (GLS) regressions. Based on the regression result the study founds size, growth, business risk and non-debt tax shield to have significant positive impact on the capital structure choice of insurance companies. However, profitability, tangibility, liquidity, dividend payout and age have no significant impact on the capital structure choice. Thus, the study reveals that the capital structure decisions of Ethiopian insurance industry depend on their size, growth opportunity, business risk and non-debt tax shield.

KEYWORDS

Insurance Company, capital structure, leverage, firm characteristics.

1. INTRODUCTION

In corporate finance the main question that have been raised so far is to what extent the company's assets should be financed in debt and internal sources? The issue of capital structure is a controversial issue since the time that Moldigiani and Miller (1958) raise the optimality of capital structure. The capital structure of a firm is defined by Brighum and Ehrhardt (2011, p.1089) as: "…. the manner in which a firm's assets are financed: that is the right side of balance sheet". Similarly, leverage is also defined by Brighum and Ehrhardt (2011, p.631) as: "…. the extent to which fixed income securities (debt and preferred stock) are used in firms' capital structure". Thus capital structure is a mixture of equity and debt capital of a firm resulting from the firm's financing decisions.

The main business of an insurer is to insure people against risks that are imperfectly correlated and can be diversified. Insurers' financial soundness is often measured by solvency indicators. However, the real solvency margin does not give enough information on the financial position of insurers as it does not take account of the risk profiles of their insurance obligations (Haan and Kakes, 2007). Hence Insurers need to have enough capital to be able to fulfill their insurance obligations if the insured events actually come to happen.

The value of an existing insurance contract depends upon the financial ability of the insurer to make good on its promise to meet the stated contingent claim payments. Besides, financial firms such as insurers and banks differ from most other types of firms in the economy in that their debt-holders are also their principal customers. These debt-holders (customers), thus, are more concerned about insolvency risk than the debt-holders of other types of firms (Cummins and Nini, 2002). Due to this the insurance business in Ethiopia and its solvency level is the regulated business by the National Bank of Ethiopia (FDRE, proclamation No.591/2008).

This study differs from previous studies in two major ways. First, the study includes two additional firm characteristics to study their impact on capital structure decision. Second, the study uses different measurement for independent variables by considering the characteristics of insurance business.

1.1. STATEMENT OF THE PROBLEM

According to AEMFI (2010) very limited amount of the insurance companies' returns are reinvested but their capital shown growth by 47.5% (NBE, 2010), which implies insurance companies of Ethiopia uses debt or other sources of financing, issuance of new equities. In addition, the summarized financial information of the insurance industry for the period 2001 to 2011, extracted from the National Bank of Ethiopia (NBE); shows inconsistency of decision in the use of capital while operating the insurance business. Furthermore, capital structure theories, such as trade-off, pecking order and agency cost theories have been developed to explain capital structure. But the problem of optimal capital structure is one of the central problems of corporate finance and has attracted much attention as a research fertile area (Noulas and Genimakis, 2011 and Olyinka, 2011). For instance, if we compare debt ratios (0.5932, 0.6254, 0.8209, 0.6772 and 0.7029) of five insurance companies (Ethiopian Insurance Corporation, Nyala insurance company, Africa insurance company, Nile insurance company and National insurance corporation, respectively) for the year 2010, there is lack of uniformity of decisions among insurance firms on their capital structure. Hence, it is advisable to investigate the determinants of capital structure.

1.2. PURPOSE AND SIGNIFICANCE OF THE STUDY

The purpose of this study is to investigate and identify the factors affecting the capital structure decisions of Ethiopian insurance industry during the period 2003 to 2010. Therefore, this research will be of interest to insurance regulatory authorities, company managers and shareholders.

2. LITERATURE REVIEW AND HYPOTHESIS FORMULATION

2.1. CAPITAL STRUCTURE THEORIES

The path-breaking study, which has been studied by Modigliani and Miller (1958), by their theory of capital structure irrelevance assuming perfection of capital markets without taxes and transaction costs, shows that the value of the company is not dependent on its financial structure. They conclude that a company's greater or lesser value depends on the ability of its assets to generate value, it being irrelevant if the assets originate in internal capital or external capital. This was based on the critical assumption that corporate income tax do not exist. However, the study of Modigliani and Miller (1963) took taxation under consideration and proposed that companies should use as much debt as possible. Companies have an advantage in using debt, which allows them to pay lower tax than they should. Since theory of finance can be applied to the study of insurance firms' capital structure decision (Garven, 1987) this study uses three common capital structure theories (static trade-off, pecking order and agency cost) to explain the Ethiopian insurance industry capital structure.

2.1.1. STATIC TRADE-OFF THEORY

In the corrected study of Modigliani and Miller (1963), a firm which is financed by more debt is benefited more from the tax shield of the interest payment deduction. But Miller (1977) argues a firm fully pays the statutory tax rate even if it is financed by debt partly because personal income tax on the interest payments of the debt offsets the corporate interest tax shield. However, Modigliani and Miller in 1963 concludes the optimal capital structure of a company can be reached by balancing the benefits and costs of borrowing, by holding the company's assets and investment plans constant, this borne the theory of Trade-off theory.

To reach at the optimal capital structure, the firm must use debt in a way that the benefits of debts become equal to costs of debts. Hence, the main benefits of corporate borrowing are tax shield for the company. Whereas the main costs of debt financing are financial distress cost and agency cost (Jensen and Meckling, 1976 and Myers, 1977). Financial distress includes the legal and administrative costs of bankruptcy, which arises from increasing the probability of the firm to become bankrupt in case of its failure to repay the debts. Examples of such costs are the increased interest cost charged by the creditors because of their need of higher monitoring and implementing control devices.

2.1.2. PECKING ORDER THEORY

The pecking order theory suggests that firms have a particular preference order for capital used to finance their businesses and this theory is based on informational asymmetries between equity provider and firm managers (Myers and Majluf, 1984 and Myers, 1984). Owing to the information asymmetries between the firm and potential investors, external capital is likely to be more expensive than internal capital and firms prefer retained earnings to debt, short-term debt over long-term debt and debt over equity. Issuing equity becomes more expensive as asymmetric information insiders and outsiders increase. Firms, in which information asymmetry is large, should issue debt to avoid selling under-priced securities. Therefore, under this theory, capital structure can be arranged by a specific hierarchy of preference for the issuance of new capital. This can be fulfilled by preferring retained earnings as the firm's main source of financing, followed by debt and if additional funds are needed the firm use external equity (issuing new equity) as the last resort.

2.1.3. AGENCY COST THEORY

According to Jensen and Meckling (1976) and Jensen (1986) the agency cost arises due to the conflict of interest between owners and managers or owners and debt holders. When equity is issued, different costs are arises with it, including agency cost of equity. This cost arises in the firm due to the conflict of interests between shareholder and managers associated to firm's decision. Whereas, when there is some disagreement between the shareholders and debt holder in the firm, the agency cost of debt would be arises. Thus, when the management inappropriately uses debt or equity in the formation of capital structure, it would be risky for the survival of the firm. To mitigate this problem Jensen (1986) suggests debt holders use their credit as a means controlling.

The primary agency problem in insurance companies is generally arises in two ways: Conflicts between owners and managers arise as managers do not share fully in the residual claim held by owners. Conflicts between owners and policyholders arise because policyholders' claims to assets have legal priority over owners' claims (Cummins and Nin, 2000). Therefore, owners prefer to use debt financing to transfer wealth from debt holders. Whereas, managers act opportunistically in the use financing means to get an incentives.

2.2. FIRM CHARACTIRSTICS AND CAPITAL STRUCTURE

Rajan and Zingales (1995) founds a considerable difference in capital structure variation among firms within different countries. However in addition to Rajan and Zingales (1995) Gill et al. (2009) and Lim (2012) also founds capital structure in both financial and non-financial firms are generally determined by similar set of factors. Parallel to this, Booth et al. (2001) also showed the factors that determine the capital structures of the firm in developing countries are similar with that of developed countries.

2.2.1. SIZE

Theoretically, static tradeoff theory states, for large companies the risk of bankruptcy is minimized due to economy of scale, the assets of that company would be financed in debt more, since this theory argues optimality of capital structure can be reached by balancing the benefits and costs of debt (Modigliani and Miller, 1984). This argument is supported by the empirical results of Ahmed et al. (2010), Kumar et al. (2012), Najjar and Petrove, (2011), Sharif et al. (2012) and Titman and Wessels (1988). Thus the size of the firm and leverage are positively related to confirm large firms employ more debt. However, the pecking order theory argues the informational asymmetry for large firms are smaller and as a result they would prefer to be financed by equity instead of debt (Myers and Majluf, 1984). Because, this reduces the chances of undervaluation of the new issued equity and thus encourage the large firms to use equity financing. This means there is negative relationship between the size and leverage of the firm. This was supported by the empirical investigation of Rajan and Zingales (1995). But Kinde (2011) founds insignificance influence. Since the majority of previous empirical studies agreed the researcher hypothesized as follows:

H_1: large insurance firms prefer more debt financing instead of equity.

2.2.2. PROFITABILITY

Theoretically pecking order (Myers, 1984) argues profitable firms with access to retained profits can rely on them as opposed to depending on outside sources (debt). Whereas Static trade-off theory (Myers and Majluf, 1984, and Myers, 1984) provides contradictory view and argues, profitable firms have greater needs to shield income from corporate tax to increase profit and should borrow more than less profitable firms.

However, empirical evidences from financial and non-financial firms (Ahmed et al., 2010, Gill et al., 2009, Najjar and Petrov, 2011, Hijazi and Tariq, 2006, Oliyinka, 2011, Rajan and Zingales, 1995, Sharif et al., 2012, and Teker et al., 2009) found profitable firms use less debt financing in line with the pecking order theory. But Hessen (2011), Kumar et al. (2012) and Sayeed (2011) found profitable firms use more debt finance. Most of the earlier studies result inclined towards the negative relationship between leverage of the firm and its profitability by supporting the pecking order theory. Thus the researcher hypothesized as

H_2: profitable insurance firms use less debt financing

2.2.3. GROWTH OPPORTUNITY

Theoretically, pecking order theory argues, firms prefer debt financing for their growth instead of equity due to its riskiness (Myers and Majluf, 1984). Whereas, in static trade off theory, growing firms face financial distress and prefer to use equity financing. In addition, agency costs theory (Myers, 1977 and Jensen and Meckling, 1976) argue firms with greater growth opportunity have more internal sources, which enable them to transfer wealth from debt holders to shareholders and prefer to use internal sources due to the conflicts of interest between shareholders and creditors.

However, empirically Ahmed et al. (2010), Noulas and Genimaks (2011), Kumar et al. (2012), and Sharif et al. (2012) found growing firm was financed by more debt. But in the studies of Hassen (2011), Najjar and Petrove (2010), Olayinka (2011), Rajan and Zinglas (1995), Shah and Khan (2007) and Titman and Wessle (1988) growing firms are more financed by equity instead of debt. This is because of high growing firms expected to have high risk and difficult to get access to debt financing or growing firms may have better internal financing source and have lower needs of equity financing. Thus the researcher hypothesizes as:

H_3: Insurance firms with more growth opportunity will be financed by equity.

2.2.4. TANGIBILITY OF ASSETS

According to Jensen and Meckling (1976), in their agency cost theory, the agency cost of debt increase (due to the possibility of moral hazard on the part of borrowers) when firms cannot collateralize their debt. Large percentage of a firm's assets can be used as collateral to fulfill lenders favorable requirements. Modigliani and Miller (1963), under trade-off theory, argue firms with more tangible assets have better chance to get debt financing because of the reduction in financial distress costs.

Empirically, Hassan (2011), Najjar and Petrov (2011), Noulas and Genimaks (2011), Rajan and Zingales (1995), and Titman and wessels (1988) found firms with more proportion of tangible assets can raise more debt because their use as a collateral. In addition tangible assets can be used as a monitoring device (Titman and wessels, 1988 and Gill et al., 2009). Thus the researcher hypothesizes as:

H_4: Insurance companies with high levels of tangible assets tend to use more debt.

2.2.5. LIQUIDITY

Trade off theory believes that firms with higher liquidity ratio would relatively have higher debt ratio due to greater ability of a firm to satisfy short-term contractual obligations on time. In contrary to this, the pecking order theory believes firms with financial slack (i.e. liquid assets such as cash and marketable securities) will prefer internal sources than debt or equity to finance future investments (Myers, 1984).

Empirically, Ahmed et al. (2011), Harris and Raviv (1990), Najjar and Petrov (2011) and Sharif et al. (2012) founds firms with high liquidity ratios or more liquid assets prefers to use these assets to finance their investments and discourage to raise external funds (either equity or debt). But Kinde (2011) found insignificant effect of liquidity on leverage usage of insurance companies. Therefore, firms with more liquid assets inclined to use these assets instead of external source of finance. Hence the researcher hypothesized as

H_5: Insurance firms with high liquid assets prefer to utilize internal financial sources.

2.2.6. BUSINESS RISK

From theoretical view, static trade-off theory (Myers, 1984) argues risky firms can borrow less compared to safe firms. This is because the costs of financial distress offset the tax shields of debt. The more firms are risky, the greater the chance of the firm defaulting and being exposed to such costs. Empirically there are little evidence on the relationship between business risk and firm's leverage in financial industry. For instance (Abor, 2008; Barel, 2004; Booth et al., 2001; and Bradley et al., 1984) founds firm with high risk profile uses less long-term debt to finance its assets. Thus the researcher inclined to the hypothesis of:

H_6: Risky insurance firms tend to use less debt financing.

2.2.7. NON-DEBT TAX SHIELDS

According to Modigliani and Miller (1958) and Modigliani and Miller (1963), the interest payments on the debt can be treated as expenses to offset the taxation. The interest tax shields give incentives for Firms to use debt financing. But the tax deductions from depreciation and other non debt tax shields are substitutes for the tax benefits of debt financing (DeAngelo and Masulis, 1980). Previous empirical evidences (Bradley et al., 1984, Gill et al., 2009, Teker et al., 2009, and Titman and Wessels, 1988) found a negative relationship. But Noules and Genimeks (2011) and Tessema and Lavanya (2012), founds a positive and significant relationships between leverage and non-debt tax shield. Therefore the researcher hypothesized

H_7: Insurance firms with large non-debt tax shields expected to use less debt financing.

2.2.8. DIVIDEND PAYOUT

In the static trade-off theory, there is adverse relation between the dividend payout ratio and debt level of a company (Myers, 1984, and Myers and Maljuf, 1984). The low dividend payout ratio means increase in the equity base for debt capital and low chance of going into liquidation. Whereas pecking order theory shows the positive relationship between debt level and dividend payout ratio. Instead of distributing the high dividend, and meeting the financial need from debt capital, management retains the earnings (Myers, 1984, and Myers and Maljuf, 1984).

Empirically, Abor (2011) and Bancel and Mittoo (2002) founds negative relationship between dividend payments and long-term debt by supporting the static trade-off theory. But Barel (2004) founds dividend policy of a firm does not have impact in the usage of leverage financing. Thus, the researcher hypothesizes as.

H_8: Insurance firms with high dividend payout are expected to use less debt financing.

2.2.9. FIRM AGE

According to Abor (2008) firm's age is used as standard measure for firm's reputation in the case of capital structure model. As a firm stays in business longer, it establishes itself as a continuing business and therefore increases its capacity to take on more debt (Noules and Genimeks, 2011). Pecking order theory and the existence of asymmetrically distributed information to the market will makes the aged firms to have negative relationship with leverage of the firm (Myers, 1984). In parallel with these Ahmed et al. (2011), Hassen (2011), Sharif et al. (2012) and Tessema and lavanya (2012) founds the negative impact of age on debt finance. This is because of firm survives in business for a long period then it can accumulates more funds for running the operations of the business and then keeps away the firm to go for debt financing. Thus the researcher hypothesizes

H_9: Aged insurance firms use less debt financing.

3. RESEARCH METHODOLOGY

3.1. DATA SOURCES AND DATA COLLECTION METHODS

The study uses secondary data, which are audited financial statements of each companies (balance sheet, profit and loss statements and cash flow statements), and annual report of NBE, to investigate the determinants of capital structure decision. These data were collected by copying (with permission) from each companies and from the website NBE.

3.2. SAMPLING METHOD

According to the report of NBE (2012) on its website, there are 15 (fifteen) insurance companies currently operating in Ethiopia. Among these one is state owned and the remaining are privately incorporated insurance companies. All insurance companies which have full data for the period 2003-2010 are selected purposively using judgmental sampling in the sample frame. Because of the unavailability of audited financial statements (for the state owned insurance company) and late entrance to the market, 2011's and 2012's data and newly established insurance companies are excluded from the sample. Thus, the study considered 9 (nine) insurance companies (one state owned and eight privately incorporated) during the period of 2003-2010.

3.3. METHODS OF DATA ANALYSIS

The study employs descriptive, correlation and inferential statistics to analyze the collected data using Stata 11 software. Descriptive statistical tools such as mean, standard deviations, minimum and maximum were applied to describe relevant information about each variable. Correlation statistics is also used to identify directions of relationships and associations among variables. Inferential statistics is used to test the hypotheses formulated above. The estimations are made using a random effect GLS regression and the results are presented using tables.

3.3.1. MODEL SPECIFICATION

The study employs a panel data analysis that combines observations on cross- section of units over time. The general form of the model can be stated as:

$Y_{it} = \beta_o + \beta X'_{it} + \mu_{it}$ ……………………………………………………….eq. 1

Here, μ_{it} is a random term expressed as $\mu_{it} = \alpha_i + \varepsilon_{it}$, where α_i is individual – specific effect or cross –section error component and ε_{it} is the remaining combined cross –section and time series error component. Accordingly, Hausman and Breusch - Pagan Lagrangian multiplier tests were used to select the appropriate model from fixed effect, random effect or pooled OLS models. The results of the tests suggest random effect Generalized Least Square (GLS) regression model is appear to fit for the data. Thus the expanded model for this study is stated as:

$LEV_{it} = \alpha_o + \beta_1 LnGRP_{it} + \beta_2 ROA_{it} + \beta_3 GR_{it} + \beta_4 ASTG_{it} + \beta_5 LIQ_{it} + \beta_6 RISK_{it} + \beta_7 NDTS_{it} + \beta_8 DVP_{it} + \beta_9 LGAG_{it} + u_i + \varepsilon_{it}$ ……………………………………….eq 2

Where:

α_o= the constant term

$\beta_1 - \beta_9$ =The coefficients of the independent variables

i= Insurance firm t = Time or year

TABLE 1: VARIABLES DEFINITION

Variables	Definitions of variables
LEV (Leverage)	The proportion of total debt to total asset
LnGRP (size)	Natural logarithm of gross written premium
ROA (profitability)	The ratio of net income to total assets
GR (growth)	The percentage change in total assets
ASTG (Tangibility)	The proportion of total fixed assets to total assets
LIQ (Liquidity)	Current assets divided by current liability
RISK (Business risk)	The standard deviation of total claim divided by total premium
NDTS (Non-debt tax shield)	The proportion of depreciation and amortization to total assets
DVP (Dividend payout)	The division of dividend paid to net income
LGAG (Age)	Logarithm of the numbers of years exist in the business

u_i= unobserved heterogeneity ε_{it}= the error term

Concerning the classical linear regression model (CLRM) assumptions, the variance inflation factor (VIF) and Breusch-Pagan / Cook-Weisberg test indicates the regression model is not suffering from multicollinearity and heteroskedasticity problems. Similarly Shapiro-Wilk test and Ramsey RESET test results also reveals residuals are normally distribution and model misspecification is not problem (no omission of variables), respectively (see appendix)

4. RESULTS AND DISCUSSION

4.1. DESCRIPTIVE STATISTICS

The descriptive statistics in table 2, below, reveals Ethiopian insurance industry tends to have averagely 64% debt and 36% equity. The mean value of the LnGRP is 18.69. ROA, on average, is 0.059 0r 6%. This indicates the profitability of the Ethiopian insurance industry is on average 6%. Similarly the mean value of GR is 0.16998 which indicate during the sample period the Ethiopian insurance industry has grown by 17% annually on average with respect to their asset size. The proxy of tangibility of assets (ASTG) during the sample period for the sampled insurance firms has the mean value of 0.1305. This indicates the sampled insurance firms have on average 13.05% of tangible assets which can be pledged as collateral to get debt access. Similarly liquidity (LIQ) of sample insurance firms' assets has the mean value of 2.83.Which indicates the sampled insurance industry have more than twice liquid assets over the current liability that is 283%. The mean value of the NDTS is 0.014, indicates, the sampled insurance companies have 1.4% of their total assets as non-debt tax shields.

TABLE 2: DESCRIPTIVE STATISTICS

Variable	Observations	Mean	Std. Dev.	Min	Max
LEV	63	0.640235	0.096845	0.3346	0.8209
LnGRP	63	18.69146	1.014022	16.5266	21.056
ROA	63	0.059402	0.060918	-0.0144	0.4611
GR	63	0.169983	0.150636	-0.0772	0.5335
ASTG	63	0.130493	0.086753	0.0233	0.3681
LIQ	63	2.828533	2.031816	0.2157	11.2468
RISK	63	0.062957	0.090365	0.0065	0.4098
NDTS	63	0.014187	0.012501	0.0002	0.0971
DVP	63	0.563056	0.940135	-2.07	4.3599
AG	63	14	7.159474	2	35

Source: Stata result

The sampled insurance companies have paid 56.31% their net income as dividend to their shareholder during the sample period. This is supported by the proxy for the dividend payout ratio DVP's mean value of 0.5631. The minimum value of the DVP is -2.07. Here the negative sign indicates some insurance companies have paid dividend up to 207% their net income while they are in loss. But the maximum value 4.36 indicates that some insurance companies in the samples have paid about 436% of their profit as dividend to their share holders.

4.2. CORRELATION COEFFICIENTS

Initially, the researcher conducted a Pearson correlation test to determine the direction of relationships and associations among the dependant and independent variables. Accordingly, the independent variables size of the insurance firms (LnGRP), business risk (RISK), dividend payout ratio (DVP), and firms age (LGAG) seem to have a relatively high correlation with the dependant variable leverage (LEV) of the sampled insurance firms, where the relation between LnGRP (0.4), RISK (0.24) and LGAG (0.27) and LEV is positive and significant, while the relation between DVP (-0.27) and LEV seems to be negative and significant.

TABLE 3: RESULTS OF THE CORRELATION TEST BETWEEN THE LEV OF THE ETHIOPIAN INSURANCE INDUSTRY AND EACH OF ITS HYPOTHESIZED FIRMS' CHARACTERISTICS

Variables	LEV	LnGRP	ROA	GR	ASTG	LIQ	RISK	NDTS	DVP
LnGRP	0.3977***								
ROA	0.0126	0.009							
GR	0.1075	0.0028	0.1253						
ASTG	0.0889	-0.2346*	0.1809	-0.0984					
LIQ	0.0548	-0.3757***	0.1037	-0.1282	0.101				
RISK	0.2437**	-0.1069	0.1609	-0.1787	0.1069	0.3274***			
NDTS	0.1571	-0.1814	0.0573	-0.1703	0.3546***	0.0874	0.0652		
DVP	-0.2723**	-0.0187	-0.01	-0.0819	-0.1358	-0.1149	-0.1688	-0.0224	
LGAG	0.2678**	0.5724***	-0.0344	-0.0031	-0.0466	0.0668	-0.0041	-0.1408	-0.2001

Notes: *Denotes significance at the 10% level, ** denotes significance at the 5% level, and *** denotes significance at the 1% level.

According to Gujarati (2004), as rule of thumb, if the pair-wise correlation coefficient between two regressors is high, say, in excess of 0.8, then multicollinearity is a serious problem. Using this threshold as indicator of collinearity none of the variables are collinear.

4.3. REGRESSION RESULTS

Table 4 reports the random-Effect Generalized Least Squares (GLS) results of the model obtained by regressing the dependant variable leverage with the nine independent variables of firms' characteristics- size of insurance companies, profitability, growth, Tangibility of assets, Liquidity of assets, business risk, Non-debt tax shield, Dividend payout ratios and age of insurance companies. The model is significant at *Wald* chi^2 *(36.82), df = 9, p–value < 0.01* and explains 41 percent (R^2) variance in capital structure of insurance companies. In testing hypotheses, the researcher converts the directional hypotheses stated above in to null form.

4.3.1. SIZE AND LEVERAGE

As the regression result on table 4 reveals, the size of the insurance firms, as expected, significantly and positively ($\beta = 0.06$, $z = 4.03$, $p < 0.01$) influence on the choice of capital structure. This indicates as size of the insurance firm increases by 1 percent the usage of leverage in insurance companies increase by 6%. This result is consistent with many empirical studies of Ahmad et al. (2010), Booth et al. (2001), Najjar and Petrove (2011), Kumar et al. (2012), Sharif et at.(2012) and Rajan and Zingales (1995). But contradicts with the empirical study of Kinde (2011); this could be because of the measurement difference of the variable.

TABLE 4: REGRESSION RESULTS OF THE MODEL

Variables	Coef.	Std. Err.	z	P>z	[95% Conf. interval]	
_cons	-0.5249597	0.2552563	-2.06	0.04	-1.025253	-0.0246666
LnGRP	0.060307	0.0149515	4.03	0	0.0310026	0.0896114
ROA	-0.1968731	0.1780498	-1.11	0.269	-0.5458443	0.1520981
GR	0.1457771	0.072357	2.01	0.044	0.00396	0.2875942
ASTG	0.1427746	0.1336665	1.07	0.285	-0.1192069	0.404756
LIQ	0.0099426	0.0062455	1.59	0.111	-0.0022983	0.0221835
RISK	0.2627062	0.1244352	2.11	0.035	0.0188178	0.5065947
NDTS	1.692627	0.8932481	1.89	0.058	-0.0581068	3.443361
DVP	-0.018266	0.0115084	-1.59	0.112	-0.0408221	0.0042901
LGAG	-0.0476298	0.0630164	-0.76	0.45	-0.1711396	0.07588
Obs. 63 R-square: within=0.2375, between=0.6312, overall=0.4099						
Wald chi^2 (9) = 36.82, prob. > chi^2 = 0.0000,						

Source: Stata result

The probable reason for this positive impact of size on leverage usage could be, as insurance companies collect more premium significant proportion of premiums is kept in outstanding claims and unearned premiums reserves, which are two of the main accounts on the liability side of the balance sheet.

4.3.2. GROTHE OPPORTUNITY AND LEVERAGE

Contrary to the expectation, growth opportunity of insurance companies, as shown on table 4, have significant and positive ($\beta = 0.146$, $z = 2.01$, $p < 0.05$), impact on the decision of insurance companies capital structure. Here this result indicates as the insurance companies' assets grew by 1%, debt financing increases by

14.6%. This finding is in compliance with previous studies of Hassen (2011), Kumar et al. (2012), Najjar and Petrov (2010), Olayinka (2011), Rajan and Zinglas (1995), Shah and Khan (2007), Sharif et al. (2012) and Titman and Wessle (1988). Positive sign shows that growing insurance firms should rely more and more on external borrowing to seize market opportunities. This argument is supported by the pecking order theory, which stressing upon same point. The probable reason for this result could be growing insurance companies can expand their branches to reach to additional customers (expand market share), which enables them to borrow more debt from their debt holders (customers).

4.3.3. BUSINESS RISK AND LEVERAGE

The variable business risk is positive and statistically significant at 5% level. Positive sign indicates that at the time of the destruction or loss of the subject matter, insurance companies prefer to use debt financing for settlement of claims than internal source of financing or equity financing. This result is in compliance with Ahmed et al. (2010), Barel (2004) and Kinde (2011) but contradicts the argument of trade-off theory which suggests that less risky insurance firm can take more debt as its ability to pay the interest payments on time or without any delay is reliable. Thus, as the insurance companies' business risk increases, they would find it easier to raise debt rather than equity finances, causing their leverage ratio increase; and vice versa. This is probably due to their sister banks which are willing to provide debt easily to them.

4.3.4. NON-DEBT TAX SHIELD AND LEVERAGE

The corporate tax deduction of depreciation and amortization and investment tax shields are substitute of the tax benefits of debt financing. As it has been observed from table 4, contrary to the expectation, the variable non-debt tax shield is positively ($\beta = 1.693$) and significantly affect the capital structure decisions of insurance companies. This result agrees with the empirical studies of Noules and Genimeks (2011) and Tessema and Lavanya (2012). Even the non-debt tax shield exists; firms are likely to make full use of debt tax shield in addition.

5. CONCLUSION AND RECOMMENDATION

This study examined the impact of firms' characteristics (size, profitability, growth, tangibility, liquidity, business risk, non-debt tax shield, dividend payout ratio and age of insurance companies) on the capital structure choice of Ethiopian insurance industry, using eight years data on 9 insurance companies for period 2003 to 2010. The study has employed the random-effect panel data regression to test the hypothesis formulated and to examine the relations and impact of firms' characteristics on capital structure choice.

Capital structure is the way in which firms can be financed either or in both of debt or equity financing. This capital structure is measured under this study as the use leverage. Thus, leverage was used as proxy for capital structure of insurance companies, which was measured as debt ratio- the ratio of total debt to total assets.

The empirical result indicates size, growth, business risk and non-debt tax shield are important firm's characteristics which have an impact on capital structure of Ethiopian insurance industry. Thus, the study found a positive and significant relationship between the size of insurance companies and their usage of leverage, which suggests Insurance Companies with large size would prefer debt financing than equity or internal source of financing. In contrast insurance companies with small size emphasizes on retained earnings or equity rather than debt financing.

Growth opportunity, business risk and non-debt tax shield of insurance companies have also positive and significant relationship with their capital structure decision, which implies growing insurance companies with profit volatility and more non-debt tax shield would prefer more debt financing to equity or internal source of financing. But insurance companies with less growth opportunity, stable profit and less amount of non-debt tax shield had relied on their internal source of financing or equity financing than debt financing.

Managers of Insurance companies with risky business and growing feature should strengthen their relationships with their main banks, in which to enable them to raise more debts to assist them out of their financial distress and to get assistance to their growth feature (investment), as the bank would be willing to launch several rescue operations to save the firm; e.g. by renegotiating loans, reducing the interest rate, or refinancing existing debt.

Financing access, either debt or equity, is the major issue for any firm for the expansion of its business. These equity and debt financing can be accessed from capital market as used in most developed and developing countries. Therefore, the government should work hard to establish or facilitate the establishment of capital market to mitigate financing problem besides to the banks role in loan access.

The macro-economic factors which have an impact on the capital structure choice and the effect of regulation on solvency and capital structure of insurance companies are recommended as promising area for further research.

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APPENDIX

APPENDIX: OLS ASSUMPTIONS TESTS

1. MULTICOLLINEARITY TEST

Using the variance inflation factor

TABLE 3: VARIANCE INFLATION FACTOR

Variables	VIF	1/VIF
LnGRP	2.2	0.45429
ROA	1.86	0.5362
GR	1.54	0.64848
ASTG	1.29	0.77656
LIQ	1.21	0.82586
RISK	1.19	0.8374
NDTS	1.14	0.87897
DVP	1.13	0.88762
LGAG	1.12	0.89203
Mean VIF	1.41	

Note: A VIF > 10 or a 1/VIF< 0.10 indicates trouble

2. NORMALITY TEST

Normal distribution of the residual using Shapiro wilk test

H0: Variables are normally distributed

Variable	Observations	W	V	Z	Prob>z
residuals	63	0.97348	1.499	0.875	0.19066

3. BREUSCH-PAGAN / COOK-WEISBERG TEST FOR HOMOSKEDASTIC

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of LEV

         chi2(1)      =     0.02
         Prob > chi2  =   0.8867
```

It shows the error variances are hetroskedastic.

4. RAMSAY TEST FOR MODEL SPECIFICATION

```
. ovtest

Ramsey RESET test using powers of the fitted values of LEV
       Ho:  model has no omitted variables
                  F(3, 50) =      0.75
                  Prob > F =      0.5259
```

5. HAUSMAN TEST FOR RANDOM VS FIXED EFFECT

Variables	---- Coefficients ---- (b)	(B)	(b-B)	sqrt (diag(V_b-V_B))
	fe	re	Difference	S.E.
LnGRP	-0.0050192	0.060307	-0.0653262	0.0511693
ROA	-0.1332208	-0.1968731	0.0636522	.
GR	0.0317968	0.1457771	-0.1139803	.
ASTG	0.2331253	0.1427746	0.0903508	0.0679996
LIQ	-0.0136695	0.0099426	-0.0236121	0.0052912
RISK	-0.0562379	0.2627062	-0.3189441	0.0751521
NDTS	0.6720267	1.692627	-1.020601	.
DVP	0.0063884	-0.018266	0.0246544	.
LGAG	0.3833886	-0.0476298	0.4310184	0.2111814

b = consistent under Ho and Ha; obtained from xtreg
B=inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
chi2(9) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 2.13
Prob>chi2 = 0.9892
(V_b-V_B is not positive definite)

6. BREUSCH AND PAGAN LAGRANGIAN MULTIPLIER TEST FOR RANDOM EFFECT

```
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        LEV[ID,t] = Xb + u[ID] + e[ID,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+-----------------------------
                     LEV |   .009379       .0968452
                       e |  .0033572       .0579412
                       u |         0              0

        Test:   Var(u) = 0
                             chi2(1) =    11.75
                         Prob > chi2 =     0.0006
```

IMPACT OF CELEBRITY ENDORSEMENT ON BRAND EQUITY WITH MEDIATING ROLE OF BRAND TRUST

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ABSTRACT

The objective of this study is to examine that how the brand trust will affect the consumer based brand equity in Pakistan and when in ads there is a use of celebrities then how it will develop the brand trust and will affect consumer based brand equity. The data were collected through the questionnaires with 5 points Likert scale given to respondents to fill the information, two shopping malls and universities of Islamabad were selected using the convenience sampling technique. Mostly young generation filled the questionnaires. 200 questionnaires were distributed from which 170 were used for further results. Results were obtained by applying correlation and regression analysis. The results clearly indicated that there is no significant relationship between the celebrity endorsement and brand equity and no mediation is found in the form of brand trust. This paper aims to provide the information about the importance of celebrity endorsement in the creation of brand equity with the use of brand trust.

KEYWORDS

Celebrity Endorsement, Consumer Based Brand Equity, Brand Trust, Celebrity Attractiveness, Brand Association.

INTRODUCTION

In this age of global business the competition is increasing progressively and every company finds itself in an intense competition and struggling hard to gain more market shares in a global and local both markets. To become more successful and highly competitive in not only short run but also in a long run companies want to develop more sustainable advantage over their competitors (does et al., 2009). To gain competitive advantage marketers use these advertisements in which their spokesperson must be trustworthy, on which the customers have strong beliefs. Worldwide the tool which is considered very efficient by marketers is celebrity endorsement. After every four advertisement the one will must be use celebrity endorsement (Marketwatch 2006). Most of the recent researches have demonstrated that celebrity endorsement lead in a positive attitude toward that brand which is endorsed (Till et al., 2008). There can be many types of endorsers, which can include the typical consumer, the product class specialist, the company leader, and the famous person (celebrity) (Friedman and Friedman 1979). In particular, it has been used as favorite strategy among agencies to use celebrities as spokesperson. Certainly, even one decade ago ,in three of one television commercials use celebrity endorsements (Business week 1978), and now a days this advertising approach seems to be more increase across all over the types of media (Levin 1988;Sherman 1985).

Brand equity is described as incremental utility or added value to a particular product by its brand name, like coke, Kodak, Levi's and Nike (Farquhar, Han, and Ijiri 1991; Kamakura and Russell 1993; Park and Srinivasan 1994; Rangaswamy, Burke, and Oliva 1993). By intensification the scope of brand equity, we can create brand equity, including awareness, perceived quality, loyalty and association (Aaker 1991:317). Many years of research have revealed that the perception and attitudes combinable calculate, and most commonly defined as consumer brand equity having a direct relation to the market position and business of the brand. Many marketers rely heavily on advertisement as any of their primary tools to develop and nurture brand equity (Dave Walker, 2002).

The very most recent literature on competitive advantage views brand equity as a rational market-based asset because it comes from that relationship which the consumers having with brands with the fact that trust actually is viewed as the corner stone, as one of the very desiring qualities in any relationship (Elena Delgado-Ballester, José Luis Munuera-Alemán, (2005). Strong brands increase customers' trust of invisible products while helping them to better understand and visualize what they are buying. (Leonard L Berry winter 2000;28,1).

In this research we discuss the celebrity endorsement, brand trust and brand equity. Many researchers have conducted research to discuss that but we specifically focus on Pakistan that when in Pakistani ads marketers use celebrities than how the trust will be stronger on that brand and what it will effect on brand equity. The objective of this study is to examine that how the brand trust will affect the brand equity in Pakistan and when in ads there is a use of celebrities then how it will develop the brand trust and will affect brand equity.

LITERATURE REVIEW

CELEBRITY ENDORSEMENT

McCracken's (1989) defined the celebrity endorser as celebrity endorser is a character who is publicly recognized and he uses this recognition to promote the product. And endorsers also bring their own meanings related to the cultural even if it is not required in the promotion. Celebrity endorsers have been found more effective in advertisement than non-celebrity endorsers, they play more positive role in creating good response towards advertisements and in buying intentions. (Atkin and Block, 1983; Petty and Cacioppo, 1983). Infect companies invest much money on celebrity endorsers so they must have larger contribution in making marketing strategies. (Erdogan and Kitchen 1998). (Shimp, 2003) as consumers pay more attention to those brands which reflect the values, attitudes, lives of people and their desires most importantly that is why celebrity endorsement today is a very good promotional strategy. For example, film star Cate Blanchett who is committed to promoting environmental causes is perceived to be highly trustworthy. Therefore, when Blanchet endorses SK-II skin care products, consumer credibility perceptions of this luxury brand are likely to be positively affected. (Spry, Pappu, Cornwell, 2011).

Consumers want to buy those brands which show their inner personality and which satisfy them according to their self-concept. (R. Hollander, 2007) argues that instead of the celebrity other factors are more important for consumers like design of product, quality and price of the product when the consumer has enough knowledge about a product now the role of celebrity becomes far less important for consumer and consumer behavior is not changed by the celebrity endorser, consumers only get more information from the celebrity endorser instead of changing their buying behavior. Celebrities have more impact due to the reason they have symbolic values and associated with aspirational reference group (Soloman and Assael, 1987).
(G.J. Tellis, 1989) divide the endorsers in different groups like celebrities, la endorsers and experts. And the expert is a person who has a full command in specific field and in specific segments. The opinion of experts is considered to be very valuable because experts have complete knowledge of the related field. Lay endorsers are the real people as well as fictitious to that play important role and people associate themselves with such endorsers. These are not so famous people. Celebrities are famous people that can be actor's movie stars fashion designers singers who have great recognition. (Spry, Pappu, Cornwell, 2011) found that celebrity endorser should that is credible according to his attractiveness, expertise and trustworthiness. Even when the celebrities are less credible even than they proved to build a brand. Even local celebrities also influence the brand credibility and which lead to increase the brand equity.
H1: Celebrity Endorsement has a significant positive impact on brand equity.

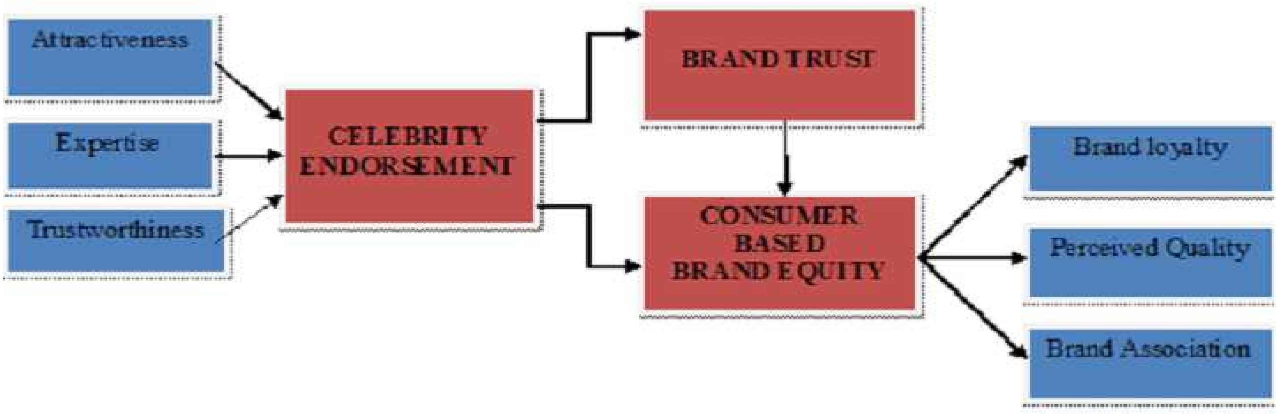
CONSUMER BASED BRAND EQUITY

From consumer's view point brand equity refers to "the incremental value which is added by brand name to a product" (Farquhar, 1989). Many definitions of brand equity have been given but there is one most comprehensive (Motameni and Shahrokhi, 1998) "a set of brand liabilities and assets related to a brand, its symbol and its name or subtract from the value provided by product to firm or to the customers of a firm " (Aaker, 1991, p. 15). Leuthesser (1988) has developed a broad definition of brand equity as the set of behavior and associations on the part of the customers of brand, channel members that allow the brand to get greater value, volume or margin than it could get without the name of the brand. Aaker (1991, p. 16) operationalized brand equity as set of assets (or liabilities) consisting of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary assets. Aaker's (1991) first four dimensions (i.e. Brand associations, apparent quality and brand loyalty) are measured important (Yoo et al., 2000). Brand awareness refers to the strength of a brand's presence in a consumer's mind (Aaker, 1991). Perceived quality refers to a consumer's subjective assessment of brand (Zeithaml, 1988). Finally, brand loyalty is approached from an attitudinal loyalty perspective because consumer-based brand equity is based on consumer perceptions, rather than actual behavior. As such, brand loyalty is defined as the propensity to be loyal to a focal brand, which is evidenced by the intention to purchase that brand as a primary choice (Yoo and Donthu, 2001). Although there are many definitions of brand equity in the literature but still there is little consensus on the exact meaning of brand equity. Brand equity which is based on customer is existed in many dimensions such as brand quality, brand association and brand loyalty. (Aaker, 1991, 1996; Keller, 1993, 1998). Aaker (1991) and Keller (1993) have provided two widely accepted concepts of brand equity with respect to the consumer. Constructing brand equity is thought to be an important part of building the brand. (Keller, 1998). From the perspective of consumer Aaker's (1991) the first three dimensions (i.e. brand association, perceived quality and brand loyalty) are important. (Yoo et al, 2000). Yoo and Donthu (2001) have mentioned the brand equity dimensions are these four. In present times this approach is being followed. And brand equity so is defined" the value associated with the consumer with brand as shown in four dimensions such as brand associations, brand loyalty, perceived quality (Pappu et al., 2006, p. 698).
According to brand signaling theory, the credibility and quality of a brand act as powerful signals, lowering search costs and risk, and in them, impacting purchase consideration and choice. This offers a behavioral explanation for consumer's actions in the marketplace; however, there may be additional underlying processes. An alternative explanation of consumer preference and choice is based on social identity theory. According to this theoretical perspective, consumers make choices of particular brands to signal a desired social identity to others. Essentially, purchases of particular brands help to satisfy a consumer's search for meaning and need for community. However, these perspectives have not been integrated. Perceived quality is related to the subjective evaluation of brand by consumers. (Zeithaml, 1988) Pitta and Katsanis (1995) proposed that probability of brand choice is increased by brand equity and it leads to loyalty of brand and decreases the competitive threat. In short brand loyalty is more related to attitudinal loyalty because brand equity is more based on perception of consumers instead of their actual behavior.

BRAND TRUST

Though brand trust can be seen as a logical influence in the use of brand extension and also in the evaluation process of brand when there is a high level of risk involved in the purchase. (Jacoby and Kaplan, 1972; Selnes, 1998), Even the concept of brand trust is very important but still it has not gotten much attention yet and not examined much in literature of consumer brand. Because in different areas there are different views about the trust and various definitions have been given and in trust construct there is a lack of measurement consensus. (Kramer 1999; Gefen et al 2003; Delgado-Ballester & Munuera-Aleman 2001).
H2: Brand trust has a significant positive impact on consumer based brand equity.
H3: Positive association between celebrity endorsement and brand trust.

FIGURE 1.1: A THEORETICAL FRAMEWORK



(Independent variable; Celebrity endorsement, Dependent variable; Consumer Based Brand Equity, Mediating; Brand trust)

RESEARCH METHODOLOGY

EXPERIMENTAL DESIGN

The hypothesized relationships were tested using a field experiment in a metropolitan Pakistani city named Islamabad. Data was collected using a questionnaire that included a 5-point Likert Scale. Celebrity Endorsement was measured by its three facets 1) Celebrity Attractiveness, 2) Celebrity Expertise and 3) Celebrity Trustworthiness. Consumer Based Brand Equity was measured by its three facets 1) Brand Awareness 2) Perceived Quality and 3) Brand Loyalty and Brand Trust is measured as a whole. In this research questionnaire we asked 33 questions in total from respondents.

DATA COLLECTION

The population of interest was consumers aged 15 years to 40 years and as we were researching on Beauty Soaps that's why our main target was female consumers and especially of younger and middle age who are more conscious about their beauty. Two shopping malls and a university were our sampling frame. The questionnaire included questions related to the celebrity's Attractiveness, its expertise in his or her work and its trustworthiness and to measure consumer-based brand equity questions were asked about Brand Loyalty, Brand Association and Perceived Quality and also questionnaire has questions about Brand Trust. There were also questions related to covariates and demographics.

The purpose of this study design is to measure the conceptual model fitness and to test 3 research hypotheses. The proposed model and hypotheses 2 will be examined using non-experimental study with Correlational Research Design.

DEVELOPMENT OF MEASUREMENT SCALES

The proposed model includes three latent variables including 1) Celebrity Endorsement, 2) Consumer Based Brand Equity and 3) Brand Trust. After an extensive literature review, questions were adopted from existing studies in order to measure all the constructs in the theoretical model. As the questions were adopted from existing papers and thesis their pretest study was already done. The final version of the instrument was obtained through the adopted questions to enhance construct reliability and validity.

CELEBRITY ENDORSEMENT

Celebrity Endorsement was measured by using its three facets 1) Celebrity Attractiveness, 2) Celebrity Expertise and 3) Celebrity Trustworthiness using 13 items in total, 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree), and was adapted from Matzler et al. (2008) and Morgan & Hunt (1994).

CONSUMER BASED BRAND EQUITY

Consumer Based Brand Equity was measured by using its three facets 1) Brand Awareness 2) Perceived Quality and 3) Brand Loyalty using 11 items in total, 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree), and was adapted from Matzler et al. (2008) and Morgan & Hunt (1994).

BRAND TRUST

Brand trust was measured using 4 items, 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree), and was adapted from Matzler et al. (2008) and Morgan & Hunt (1994).

Regression analysis was conducted to test the hypothesis. Three hypotheses were made and each hypothesis were tested through the regression analysis and the result is in a table (7,10,13).

H1: Celebrity Endorsement has a positive impact on brand equity.

H2; Brand trust has a positive impact on consumer based brand equity.

H3; Positive association between celebrity endorsement and brand trust.

DATA ANALYSIS AND FINDINGS

TABLE 1: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	1858.030
	Df	378
	Sig.	.000

The reliability of the facets of single variables was measured which was for Brand trust =.921, Celebrity attractiveness=.858, Expertise=.917, Trustworthiness=.801, Brand association =.845, Perceived quality=.935, Brand loyalty=.754.Which is satisfactory for each variable.

RELIABILITIES AND VALIDITY

The scales were investigated in terms of their reliability, by means of the internal consistency (Cronbach's alpha) and compound reliability (Fornell and Larcker, 1981), and also validity, Reliability, initially assessed by Cronbach's alpha.

TABLE 2: RELIABILITY

Variables	Cronbach's alpha
Brand trust	.921
Celebrity attractiveness	.858
Celebrity expertise	.917
Trustworthiness	.801
Brand association	.845
Perceived quality	.935
Brand loyalty	.756

Before going into the details of regression analysis, we discussed the demographics which we have taken in our questionnaire and in paper and their frequencies as well. First demographic is age as shown in table 3.between 13-19 there were no respondents because we have taken universities students as a target. Most of the respondents were from 20-29 age groups. The frequency was 46 and percent was 65.0.cumulative percent is 65.7.

FREQUENCY OF AGE

The second demographic variable is Gender which is also shown in the table 4 given, which consists of more males in it which is 75.71% and the quantity of females were less comparatively which is only 24.3%. Because in universities the ratio of male respondents was significantly higher than female.

FREQUENCIES OF GENDER

Education was the third demographic variable used in this research, 19.4% respondents were graduating, and 35.7% of the respondents were doing a Masters whereas 44.9% of the respondents were MS/PhD.

FREQUENCIES OF EDUCATION

Occupation was the fourth and last demographic variable used in this research, 7.0% respondents were doing their services/Business, and 1.3% of the respondents were Housewives whereas 36.3% of the respondents were Students. Total was 157 in frequencies.

FREQUENCIES OF OCCUPATION

The following table tells us about the descriptive statistics of the respondents. 'N' denotes the number of respondents, who gave their responses. 'Minimum' column tells us about the minimum level of celebrity endorsement and maximum donates maximum level of celebrity endorsement.

DESCRIPTIVE STATISTICS

TABLE 3

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IV	170	3.80	5.00	4.3841	.30027
DV	170	3.25	4.67	4.0567	.31842
Valid N (list wise)	170				

The table below describes that there is a positive significant relationship between celebrity endorsement and brand equity as the value of correlation of BT with IV is .980 and DV is .917.

CORRELATION ANALYSIS

TABLE 4

Correlations				
		BT	IV	DV
BT	Pearson Correlation	1	.003	-.013
	Sig. (2-tailed)		.980	.917
	N	170	170	170
IV	Pearson Correlation	.003	1	-.218
	Sig. (2-tailed)	.980		.070
	N	170	170	170
DV	Pearson Correlation	-.013	-.218	1
	Sig. (2-tailed)	.917	.070	
	N	170	170	170

REGRESSION ANALYSIS

INDEPENDENT TO MEDIATOR

TABLE 5

Model	R	R Square	Adjusted R square	F	T	Significance
1	0.003	0.000	-.015	.001	.026	0.980

a. Predictors: (Constant), celebrity endorsement

MEDIATOR TO DEPENDENT

TABLE 6

Model	R	R Square	Adjusted R square	F	T	Significance
1	0.013	0.000	-.015	.011	-.105	0.917

a. Predictors: (Constant), brand trust

CELEBRITY ENDORSEMENT TO BRAND EQUITY

TABLE 7

Model	R	R Square	Adjusted R square	F	T	Significance
1	0.218	0.048	0.034	3.396	-1.843	0.070

a. Predictors: celebrity endorsement.

REGRESSION ANALYSIS RESULT

The beta value given in the table shows that percentage change in brand equity is due to celebrity endorsement but the impact is very low because the value of beta is very low in contrary how much celebrity endorsement is adding value in brand equity. So it is found that celebrity endorsement has 21.8% impact on brand equity. The value of p=. 070 which confirms that there is no positive relationship between celebrity endorsement and brand equity. Beta value is -. 012 it shows that there is no mediation.

ANALYSIS AND RESULTS

The sample (n=100) contained a higher proportion of males (75.71 per cent) than females (24.29 percent). A large percentage of younger consumers aged 20-39 years, were also included in the sample (78.5 per cent). The sample was skewed toward male and younger because in universities there was a majority of males.

CONCLUSION

In this article we studied the three variables celebrity endorsement, consumer based brand equity, brand trust and according to literature there is positive relationship between celebrity endorsement and brand equity but in this article there is found no relationship between the because the data was collected was not correct because of the lack of knowledge of people in a marketing context. The ratio of marketing student is very low in each and every university that's why they are not familiar with the terms and conditions of the market. Brand equity is described as incremental utility or added value to a particular product by its brand name, like coke, Kodak, Levi's and Nike (Farquhar, Han, and Ijiri 1991; Kamakura and Russell 1993; Park and Srinivasan 1994; Rangaswamy, Burke, and Oliva 1993). That was the reason they filled the questionnaire according to their own understanding. That's why the result was found negative relationship between celebrity endorsement and brand equity. The findings also showed that there is no mediation as brand trust. Because of that data all three hypothesis which were made were rejected. The main factor which caused such results can be a cultural difference and due to lack of knowledge of marketing the people were unable to understand the terms of marketing. Further research could be very valuable if other related variables will be used.

Celebrity endorsement if used efficiently, it makes the brand stand out, galvanizes brand recall and facilitates immediate awareness. To achieve this, the marketers in Pakistan need to be really regimented in choice of a celebrity. Celebrity endorsement on the overall brand givesstrong brand images or values like, Experience of use, User associations, Belief in efficiency, Brand appearance and Manufacturer's name & reputation.

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PERCEPTION OF EXPORT DIFFICULTY IN SMEs AND EXPORT PERFORMANCE: A STUDY OF NIGERIAN SMEs IN THE LEATHER INDUSTRY

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ABSTRACT

Antecedents of export performance have received a lot of focus in international business research, however little or no attention has been given to the effect of psychological barriers on export performance. This paper thus present a study of perception of export difficulty (PED) and its effect on affect export performance of SMEs in the Nigerian leather industry. In so doing, this study evaluates the relationship between perception of export difficulty and export performance wherein, PED is hypothesized to be negatively related to export performance. Data for the study was collected in Nigeria and the target sample was drawn from (1) Manufacturers Association of Nigeria (MAN), (2) the Nigerian Industrial Directory and (3) the Nigerian Exporters directory. Descriptive statistics was used to analyse the data and simple regression analysis was used for hypothesis testing. Findings from the data analysis provided support for the hypothesized relationship thus suggesting support for the theoretical model of the study.

KEYWORDS

Export Performance, Leather Industry, Perception of Export Difficulty, SMEs.

1.0 INTRODUCTION

Small and medium sized enterprises (SMEs) represent a significant proportion of businesses within any nation and they play an important role in domestic development (Leonidou, 2004) as well as in international markets (Okpara, 2009; Ibeh, 2004). However, even though SMEs make up a large chunk of enterprises in any given country, the field of international trade is largely dominated by big firms (Leonidou, 2004; Morgan & Katsikeas, 1997) and particular so in Sub-Saharan African countries like Nigeria (Ibeh, 2004). This is the case despite the significant increase in international trade as a result of globalization, market liberalization and regional agreements to facilitate trade (Morgan & Katsikeas, 1997). Naturally, much research has been devoted to understanding this phenomenon with heavy emphasis on export barriers such as tariffs, government regulations and financial capabilities but little or no attention has been given to the psychological barrier (Leonidou, Katsikeas & Samiee, 2002) that may be hindering the involvement of SMEs in international trade. This gap is the focus of this paper wherein the psychological barrier is conceptualized as perception of export difficulty that pervades within the management culture of an SME. Perception of export difficulty refers to the psychological fear or barrier that may prevent firms from engaging in exporting activities (Leonidou et al., 2002). It is the extent to which management of a firm may feel or think that engaging in exporting may lead to failure (Morgan & Katsikeas, 1997). The perception of export difficulty thus refers to imagined as opposed to existing difficulties that may affect the willingness of firms to be involved in exporting (Karelakis, Mattas & Chryssochoidis, 2008; Rose & Shoham, 2002; Leonidou, 1995a). Perception of export difficulty may prevent firms from initiating, sustaining and increasing export activities as such it is important to explore the effects of this variable in the general framework of SME export performance, which relates to the extent or degree to which firms are successful in their exporting activities or have been able to achieve their strategic goals with regards to exporting (Cavusgil and Zou, 1994).

Nigeria is located in West Africa and has the largest population in Africa with an estimate of about 162.47 million. The country has one of the largest economies in sub-Sahara Africa but it is heavily reliant on oil and gas exports, which makes it very unstable because growth is dependent on prevailing conditions in the global oil industry. The heavy dependency on the oil sector is reflected by the fact that the non-oil sector contributed only 6.5% of GDP in 2010 (Central Bank of Nigeria report, 2010). Hence, in order to improve the general condition of the Nigerian economy there is a clear need to boost the growth of the non-oil sector, one of which is the leather industry, which offers a huge potential for growth. For instance, export statistics show that it posted the strongest non-oil export in 2005 with exports in excess of $160 million (UNCTAD, 2009).

However, the industry is struggling to maintain export competitiveness, which is evidenced by the fact that the leather industry accounted for 36.84% of non-oil export in 2004 but only 20.4% in 2005 (UNCTAD, 2009; Amakom, 2006). This trend is happening despite promotional and support measures by the Nigerian government and favourable trade agreements like the United State African Growth and Opportunity Act (AGOA) and that Nigeria has the third largest livestock population in Africa (UNCTAD, 2009; Amakom, 2006). The export potential of the leather industry indicates that it could be used to spur growth in the non-oil sector of the Nigerian economy thereby helping to generate employment and wealth. Research to identify the constraints that are hindering the export growth of this sector is therefore necessary in order to help the industry fulfil its potential growth levels. This paper has contributed towards that by studying a representative sample of Nigerian SMEs operating in the leather industry.

2.0 LITERATURE REVIEW

Perception of export difficulty as a separate variable or construct has not received attention in past research even though some researchers have alluded to its impact on export performance of SMEs (e.g. Julian & Ahmed, 2005; Leonidou, 1995b; Katsikeas & Morgan, 1994). This seeming neglect of this variable is surprising as it has been reported that management's attitude towards exporting is a function of the extent to which they perceive exporting to be difficult (Shoham & Albaum, 1995). For instance, findings from Morgan and Katsikeas (1997) seem to indicate that inexperienced firms usually fall victim to perceived procedural complexity whilst Leonidou (1995a) found that small firms with little experience in international trade tend to overemphasize the export barriers that they face. Along this line, Tesfom and Lutz (2006) argued that the mere perception of difficulty to deal with documentation for example constitute an obstacle to exporting activities. Hence, even though exporting may be a viable international entry option for many SMEs, it is also viewed as more risky compared to domestic activities (Karelakis et al., 2008) and therefore if a firm perceives that export barriers are high there is a tendency to divert resources intended for exporting activities to domestic operations (Dean, Mengüç & Meyers, 2000).

Along the same line, Julian and Ahmed (2005), argued that because of the misperceptions with regards to the difficulties and risks involved in exporting activities as well as inaccurate ideas about the technicalities of exporting (laws, currencies, tax, finances and documentations), managers are deterred from engaging in market expansion even if the opportunities exist. According to Julian and Ahmed (2005), unrealistic fears or plain inertia as a result of misperception may act as a barrier to exporting. All this thus seem to indicate that managers' attitudes are associated with export barriers and their attitude influences export performance (Shoham & Albaum, 1995). So since the perception of dealing with the complexity of exporting activities can act as a barrier in itself (Moini, 1997), firms have to overcome a threshold of fear before they can initiate or sustain any exporting activities (Morgan & Katsikeas, 1997). In other words, export performance tends to suffer when the perception of export difficulty is very high in a firm. This is why many firms do not engage in exporting activities or simply abandon after starting (Arteaga-Ortiz & Fernández-Ortiz, 2010). Therefore, the perception of export difficulty could have a huge effect on the decision to initiate, maintain or increase commitment to exporting (Leonidou, 2004) and this is particularly significant for SMEs as their perception of the inhibiting weight or effect of these barriers are usually greater than larger firms (Katsikeas & Morgan, 1994).

Moreover, the willingness to engage in exporting activities relates with how a firm's management perceive export difficulties such that if export barriers are perceived to be less manageable (Karelakis et al., 2008. Katsikeas & Morgan 1994) management tend to shy away from exporting (Julian & Ahmed, 2005). For example, the time or amount of paperwork involved may be seen as not only confusing but also intimidating (Moini, 1997). Hence, the perception of export complexity could serve as a barrier and therefore limit firms from exploiting their full potential (Julian & Ahmed, 2005; Moini, 1997).

Furthermore, it has been reported that firms that perceive fewer risks and barriers to exporting usually display a positive attitude towards exporting and this attitude leads to better export performance (Lages, 2000). Hence, the opposite could also obtain wherein if firms perceive higher risks and barriers to exporting they will have a negative attitude towards exporting which will lead to poor export performance. However, Hise (2001) reported that managers can realize their export objectives if they have a positive belief about exporting irrespective of the difficulties created by export barriers. According to Hise (2001) firms achieve their export objectives by examining the barriers associated with exporting and then use export strategies to deal with them. Hence, perception of export difficulty could help explain how and why SMEs consistently underperform in international trade even though they may have the resources to be successful exporters. The above arguments thus lead to the following hypothesis.

H1: *Perception of export difficulty is negatively related to export performance.*

3.0 METHODOLOGY

The data for this study was collected in North-Western Nigeria and was obtained through the survey method using standard questionnaires. The items that were used to measure the variables in this study were based on theory and largely drawn from the literature. In the questionnaire, respondents were asked to indicate their perception of export difficulty with three items using a scale that ranged from 1 (strongly disagree) to 7 (strongly agree). Respondents were also asked to indicate the effect of perception of export difficulty on seven items of export performance using the same scale.

The SMEs that were contacted for participation in this research were obtained from the list of firms found in three separate sampling frames: (1) Manufacturers Association of Nigeria (MAN), (2) the Nigerian Industrial Directory and (3) the Nigerian Exporters directory. In addition, the list of members of the local tannery council in each of the study areas was used to obtain the names of SMEs to include in the sample. Since, multiple sampling frames were used caution was taken to avoid double counting and duplication of SMEs to be included in the target sample and wherever such cases were found the duplication was removed. The final list contained 623 SMEs and to maximize response rate all the SMEs in the list were invited to participate in the survey. After the target sample list was completed, several methods were utilized to distribute the questionnaires to the SMEs in the population of interest. Because of the relatively poor state of the infrastructure in the region where the research was conducted, the major distribution method was the drop off and pick up strategy (Ibeh, 2004) wherein 20 hired enumerators personally dropped off the questionnaires to the SMEs and collected them later. Questionnaires were also posted and emailed to participants in the study.

4.0 RESULTS AND DISCUSSION

A total of 623 questionnaires distributed, 458 were collected over a period of nine weeks for a response rate of about 74%. Out of the 458 collected questionnaires, seven were incomplete and two had been filled by very junior staff that had little knowledge about the exporting functions. Hence, nine questionnaires were excluded, leaving a total of 449 usable questionnaires, which were used for all subsequent data analysis.

In relation to respondent profile, about two-thirds (74%) of SMEs that participated in the survey were non-exporters as can be seen from Table 1. This disproportionate representation serves to highlight the poor state of exporting within the leather sector in Nigeria. In terms of firm size, minimum numbers of employees are the same for both exporters and non-exporters; however, the average and maximum number of employees in exporting firms are greater than non-exporting firms. This indicates that on average exporting firms are relatively larger than non-exporting firms and as such could have access to more resources that are required to involve in exporting activities. The average experience in the exporting business is nine years and the average number of markets abroad is five.

TABLE 1: PROFILE OF RESPONDENTS

		Exporters	Non-Exporters
Firms (No)		117 (26%)	332 (74%)
Firm Size (No of employees)	Minimum	10	10
	Average	27	18
	Maximum	120	73
Exporting Experience (Years)	Minimum	3	
	Average	9	
	Maximum	15	
Overseas Market (Countries)	Minimum	2	
	Average	5	
	Maximum	10	

Respondents were asked to indicate how much they agreed or disagreed with the statement that "generally exporting is a very difficult activity". The response pattern to this measure is displayed in Table 2. The trend in the response shows that all in all about 64% of the respondents think that exporting is a difficult activity, although only 7.8% of respondents think that they strongly agree to that perception. On the other hand only 6% strongly disagrees with this perception and the total amount of respondents that think exporting is not a difficult activity is about 25.4%, whereas 10.9% are undecided. This result seems to indicate that the majority of respondents are of the view that exporting is generally a difficult activity.

TABLE 2: RESPONSE PATTERN FOR "GENERALLY, EXPORTING IS A VERY DIFFICULT ACTIVITY"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	27	6.0	6.0	6.0
	Disagree	35	7.8	7.8	13.8
	Somewhat disagree	52	11.6	11.6	25.4
	Neutral	49	10.9	10.9	36.3
	Somewhat agree	51	11.4	11.4	47.7
	Agree	200	44.5	44.5	92.2
	Strongly agree	35	7.8	7.8	100.0
	Total	449	100.0	100.0	

In the same way, respondents were asked if they agreed or not that export barriers are difficult to overcome for their firm and the response pattern to this measure is shown in Table 3. From the table it can be seen that many respondents agree (38.3%) and strongly agree (22.3%) with this statement, whilst only 8% of respondents tend to strongly disagree with the statement. This result seems to suggest that most of the respondents think that export barriers are difficult to overcome for their firms.

TABLE 3: RESPONSE PATTERN FOR "EXPORT BARRIERS ARE DIFFICULT TO OVERCOME FOR OUR FIRM"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	36	8.0	8.0	8.0
	Disagree	14	3.1	3.1	11.1
	Somewhat disagree	30	6.7	6.7	17.8
	Neutral	44	9.8	9.8	27.6
	Somewhat agree	53	11.8	11.8	39.4
	Agree	172	38.3	38.3	77.7
	Strongly agree	100	22.3	22.3	100.0
	Total	449	100.0	100.0	

Similarly, the respondents were asked if fear of export barriers are discouraging them from exporting and the response pattern shown in Table 3 below seem to indicate that most of them think so, with about 62.8% in cumulative agreement, 20.7% in cumulative disagreement and 16.5% neutral. The trend in the response pattern seem to indicate that for the majority of the respondents, the fear of export barriers is hindering their participating in exporting activities.

TABLE 4: RESPONSE PATTERN FOR "FEAR OF EXPORT BARRIERS DISCOURAGES US FROM ENGAGING IN EXPORTING"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	8.7	8.7	8.7
	Disagree	13	2.9	2.9	11.6
	Somewhat disagree	41	9.1	9.1	20.7
	Neutral	74	16.5	16.5	37.2
	Somewhat agree	64	14.3	14.3	51.4
	Agree	129	28.7	28.7	80.2
	Strongly agree	89	19.8	19.8	100.0
	Total	449	100.0	100.0	

The hypothesis testing was done through a simple regression analysis wherein perception of export difficulty is regressed against export performance and the result is shown in Table 5. Looking at the table, it can be seen that the coefficient of determination, R-square for the model one is 0.70, which suggest that about 70% of the variation in export performance can be explained by perception of export difficulty. It can also be seen from the table that perception of export difficulty is also significantly related with export performance (Beta = - 0.49, p < 0.001) thus suggesting that hypothesis H1 is supported by the data. The direction of the relationship suggests that as perception of export difficulty increases, export performance will suffer. This could mean that the willingness to engage in exporting activities relates with how a firm perceives export difficulties such that if export barriers are perceived to be less manageable (Karelakis et al., 2008. Katsikeas & Morgan 1994), the firm may shy away from exporting (Julian & Ahmed, 2005) but on the other hand if the is less psychological fear then, then the firm could overcome export barriers thereby improving its export performance.

TABLE 5

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	52.186	1.362	
	Perception of Export Difficulty	-1.276	.107	-.490***

a. Dependent Variable: Export performance, $R^2 = 0.70$. ***p < 0.001

5.0 CONCLUSION AND RECOMMENDATIONS

Hypothesis H1 claims that perception of export difficulty is negatively associated with export performance and the results indicate this hypothesis is supported by the data. The findings indicate that when perception of export difficulty is high export performance tends to suffer and vice versa. This is consistent with the view that the willingness of firms to engage in exporting activities relates with how a firm's management perceive export difficulties such that if export barriers are perceived to be less manageable (Karelakis et al., 2008. Katsikeas & Morgan 1994) they tend not to engage in exporting (Julian & Ahmed, 2005). For example, the amount of red tape or bureaucracy that may be involved could intimidate inexperienced exporters (Moini, 1997). The findings could encourage firms to implement strategies that would help them overcome this psychological barrier. Firms could employ experienced staff to handle exporting activities and they could also institute regular training schedules that would provide updates on current trends for employees that are involved with exporting duties.

The descriptive analysis also seem to indicate that SMEs operating in the leather industry in Nigeria perceive exporting to be a very difficult undertaking, which could explain why very few of them are engaged in exporting of leather products. One way to deal with this psychological barrier is through education and proper dissemination of relevant information to all stakeholders. Government or policy makers should conduct workshops and seminars for interested SMEs (Okpara & Koumbiadis, 2009) wherein participants will be trained on how to handle exporting activities in order to improve performance levels in their respective SMEs. A special body could be created that could disseminate information such as prevailing market conditions in both the local and designated target markets, latest prices and industry tips to SMEs as a way of remedying the difficulty for many SMEs to obtain relevant information on their own.

There is no doubt that export barriers are major issues for SMEs operating in the Nigerian leather industry as findings from this study have revealed that about two-third of SMEs that participated in the study are non-exporters. Given the potential that exists in international trade such as business expansion and increased revenue, this high number suggests that many of the SMEs have no incentive to or are unable to be involved in exporting. Given the benefits of trade to development and the potential of the leather industry in Nigeria (UNCTAD, 2009; Amakom, 2006), it would be important for policy makers to recognize the need to introduce steps that will encourage more SMEs to be involved in the exporting business.

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INVESTORS PERCEPTIONS ON PUBLIC AND PRIVATE LIFE INSURANCE COMPANIES IN INDIA - WITH SPECIAL REFERENCE TO LIFE INSURANCE INVESTORS IN KARNATAKA

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ABSTRACT
In the Indian context, the insurance habits among the general public during the independence decade was rare but there was a remarkable improvement in the Indian insurance industry soon after the economic reform era due to healthy competition from many national as well as international private insurance players. In this paper attempt has been made to analyze the investors' perceptions towards public and private life insurance companies in India with special reference to Karnataka.

KEYWORDS
Investors perception, insurance companies.

INTRODUCTION
Life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts (Michael L. Smith, 1982). In this sense, the life insurance business in complimentary to the state's efforts in social management. Insurance involves pooling funds from many insured entities in order to pay for relatively uncommon but severely devastating losses which can occur to these entities. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. In order to be insurable, the risk insured against must meet certain characteristics in order to be an insurable risk. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.

Insurance provides financial protection against a loss arising out of happening of an uncertain event. A person can avail this protection by paying premium to an insurance company. A pool is created through contributions made by persons seeking to protect themselves from common risk. Premium is collected by insurance companies which also act as trustee to the pool. Any loss to the insured in case of happening of an uncertain event is paid out of this pool. It works on the basic principle of risk-sharing. A great advantage of insurance is that it spreads the risk of a few people over a large group of people exposed to risk of similar type.

HOW INSURANCE WORKS?
The concept behind insurance is that a group of people exposed to similar risk come together and make contributions towards formation of a pool of funds. In case a person actually suffers a loss on account of such risk, he is compensated out of the same pool of funds. Contribution to the pool is made by a group of people sharing common risks and collected by the insurance companies in the form of premiums.

Let's take some examples to understand how insurance actually works:

Example 1	**Example 2**
SUPPOSE 1. Houses in a village = 1000 2. Value of 1 House = Rs. 40,000/- 3. Houses burning in a yr = 5 4. Total annual loss due to fire = Rs. 2,00,000/- 5. Contribution of each house owner = Rs. 300/-	**SUPPOSE** 1. Number of Persons = 5000 2. Age and Physical condition = 50 years & Healthy 3. Number of persons dying in a yr = 50 4. Economic value of loss suffered by family of each dying person = Rs. 1,00,000/- 5. Total annual loss due to deaths = Rs. 50,00,000/- 6. Contribution per person = Rs. 1,200/-
UNDERLYING ASSUMPTION All 1000 house owners are exposed to a common risk, i.e. fire	**UNDERLYING ASSUMPTION** All 5000 persons are exposed to common risk, i.e. death.
PROCEDURE All owners contribute Rs. 300/- each as premium to the pool of funds ↓ Total value of the fund = Rs. 3,00,000 (i.e. 1000 houses * Rs. 300) ↓ 5 houses get burnt during the year ↓ Insurance company pays Rs. 40,000/- out of the pool to all 5 house owners whose house got burnt	**PROCEDURE** Everybody contributes Rs. 1200/- each as premium to the pool of funds ↓ Total value of the fund = Rs. 60,00,000 (i.e. 5000 persons * Rs. 1,200) ↓ 50 persons die in a year on an average ↓ Insurance company pays Rs. 1,00,000/- out of the pool to the family members of all 50 persons dying in a year
EFFECT OF INSURANCE Risk of 5 house owners is spread over 1000 house owners in the village, thus reducing the burden on any one of the owners.	**EFFECT OF INSURANCE** Risk of 50 persons is spread over 5000 people, thus reducing the burden on any one person.

The major function of life insurance is to protect against financial loss from loss of human life. Besides covering the risk of death, it also covers the risks of disability, critical illness.

TABLE NO.: 1 INDIAN & INTERNATIONAL PARTNER OF PRIVATE LIFE INSURER

Sl.No	Indian Partner	International Partner		Sl.No	Indian Partner	International Partner
1	Alpic Finance	Allianz Holding, Germany		11	Dabur Group	Allstate, US
2	Tata	American Int. Group, US		12	Kotak Mahindra	Chubb, US
3	CK Birla Group	Zurich Insurance, Switzerland		13	Godrej	J Rothschild, UK
4	ICICI	Prudential, UK		14	Sanmar Group	Gio, Australia
5	SundaramFinanc	Winterthur ,Switzerland		15	Cholamandalam	Guardian Royal Exchange,
6	Hindustan Times	Commercial Union, UK		16	SK Modi	Group Legal & General
7	Ranbaxy	Cigna, US		17	20th Century Finance	Canada Life
8	HDFC	Standard Life, UK		11	Dabur Group	Allstate, US
9	Bombay Dyeing	General Accident, UK		12	Kotak Mahindra	Chubb, US
10	DCM Shriram	Royal Sun Alliance, UK				

Source: World Insurance Report 2010

Indian Insurance companies today offer a comprehensive range of insurance plans, a range which is growing as the economy matures and the wealth of the middle classes increases. The most common types of insurance includes: term life policies, endowment policies, joint life policies, whole life policies, loan cover term assurance policies, unit-linked insurance plans, group policies, pension plans, and annuities.

The number of insurance companies is increased significantly in the recent years LIC is only public sector life insurance and in private sector number of life insurance companies are started operating is as fallows.

TABLE NO.: 2 NUMBER OF LIFE INSURANCE COMPANIES IN INDIA

Particulars	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Sector	1	1	1	1	1	1	1	1	1	1
Private Sector	22	21	17	15	14	13	12	12	11	4
Total	23	22	18	16	15	14	13	13	12	5

Source: IRDA Report

STATEMENT OF THE RESEARCH PROBLEM

Social security measures are the important instrument for fulfill the safety and security need of the people. Insurance is Social security measures, across all over the world playing a major role. Compare to advanced countries the penetration rate of life insurance in India is even today negligible. In recent years the sector is opened for private participation. But large chunk of the society is not reached by life insurance companies in India and choosing insurance option largely goes with the psyche of the people. LIC of India was a monopoly corporation till 1999. Henceforth, the sector was allowed for private participation. Today, Life Insurance in India is highly competitive area with several schemes and benefits. As limited numbers of studies in India are conducted to assess the investor's behavior, these studies are unable to create required awareness on investors mind set. Hence the present study is designed to undertake the behavior comparison of the investors on public and private insurance companies in India with special reference to investors in Karnataka. The study is primarily focused on accessing the investor's investment objectives in various schemes. Though insurance is a social security tool unlike in other countries, in India insurance is still sold rather bought.

HYPOTHESIS

Proper analysis of the research problem and verify the research objectives the following hypothesis are designed and tested with appropriate statistical Procedure.

1. **H*A***: There is a significant difference in Investors' perceptions on services provided by the public and private insurance Companies in India.

H*O*: There is no significant difference in Investors' perceptions on services provided by the public and private insurance companies in India.

2. **H***A*: The most dominant attribute influencing the purchase of Life insurance policy are same among the different Gender, Age, Education, Occupation and Income Groups

HO*:* The most dominant attribute influencing the purchase of Life insurance policy is not same among the different Gender, Age, Education, Occupation and Income Groups.

I. H4a: The most dominant attribute influencing the purchase of Life insurance policy is same among the different Gender Groups.
II. H4b: The most dominant attribute influencing the purchase of Life insurance policy is same among the Age Groups.
III. H4c: The most dominant attribute influencing the purchase of Life insurance policy is same among the Educational Groups.
IV. H4d: The most dominant attribute influencing the purchase of Life insurance policy is same among the Occupational Groups.

3. **H*A***: There is a significant difference between Age, Gender with respect to Investors Perceptions on Policy Related, Company Related and Investor Related Attributes.

H*O*: There is no significant difference between Age, Gender with respect to Investors Perceptions on Policy Related, Company Related and Investor Related Attributes.

I. **H3a**. There is a significant difference among the different age groups with respect to Investors Perceptions on Policy Related, Company Related and Investor Related Attributes.
II. **H3b**.There is a significant difference among the different Gender Groups with Respect to Investors Perceptions on Policy Related, Company Related and Investor Related Attributes.

OBJECTIVES

The study is designed with the following objectives

1. To analyze the investors perception on various insurance firms.
2. To determine the Factor influence the selection of Insurance

SCOPE

The study is mainly focuses on the Perception of Individual Investors of life insurance. The purpose of the study is to understand the behavioral aspects of individual investors, their policy selection behavior, factors influencing the behavior and also the conceptual awareness level among individual investors. Investors consist of all individuals who have invested in life insurance policy. Individuals those who earn above Rs. 10, 00,000/ per annum and institutions are not consider for the Study. Ten years data from 2001 to 2010 is taken in to consideration for the research and market survey was conducted during January 2011 to May2012, among 200 geographically dispersed individual investors of Karnataka State which covers urban as well as rural customer. Life Insurance Corporation of India (LIC) and other major 11 private life insurance companies operating in Karnataka such as ICICI Prudential Life Insurance Company Limited, MetLife insurance, Bajaj Allianz life insurance company Limited, Max New York life,BharatiAxa life insurance company Limited ,HDFC life insurance company

Limited, SBI life insurance company Limited, Tata AIG life insurance company Limited, Aviva life insurance, ING Vysya life insurance company Limited, Reliance Life Insurance Company are selected for the research based on their performance .

RESEARCH METHODOLOGY

The research is both exploratory and conclusive in character. Exploratory is non- conclusive design used in the initial part of the research problems and design suitable data collection instrument. Descriptive research is an integral part of the research, under descriptive study extensive data's are collected using a cross section survey. The important variables used for comparison includes awareness, objectives of investment, investment Details, Factor influencing Selecting and Purchase life insurance policy, investors perception on policy related attributes, company related attributes, investment related attributes and service quality dimensions .

DATA SOURCES

The research uses both primary and secondary data. Secondary data collected from among the available sources such as journals, magazines, website, Brochure of the companies' etc. The performance report, published details, comparison report, collection of First Year Premium, Total Premium, Claims settlements, Profits and losses ,Share holders account and Balance sheet of chosen companies, taken from IRDA report from year 2001 to year 2010.

SAMPLING

The sample respondents are selected by using cluster sampling method. The important geographical clusters in the state of Karnataka are treated as a sample unit. Four regions like Northern Region , Southern, Coastal Region and Central Region are consider as sampling clusters, from each region 5 districts are selected randomly. Bidar, Belgaum, Bijapur, Gulbarga and Bagalkot districts are taken from Northern Region,Uttar Kannada, Dakshina Kannada and Udupi districts from Coastal Region, Chitradurga, Davanagere, Chikmagalur, Dharwad, and Shivamogga districts from Southern Region. Bangalore, Bangalore Rural, Hassan, Mysore, and Tumkur districts from central regions. The target groups include various types of life insurance Investors in which important variables like age, income, education, and occupation is taken in to consideration.

TOOLS AND TECHNIQUES

The data collected from the research are classified and tabulated. Descriptive statistics such as percentages, dispersion charts, diagrams and graphs Etc. are used for presentations. Tables, Pie charts, bar diagram are used in explanations to bring out the point more clearly. The hypotheses are tested by 'F' statistics. Other statistical techniques those are used in the present study include: a) Percentage Method: to show the trend of the variable. b) ANOVA: to test the equality of the variances.

INVESTORS PERCEPTIONS

The concept of customer satisfaction or perception occupies a central position in business thought & practice. Due to growing pressures, the task of providing & maintaining customer satisfaction or perception has become one of the most important challenges currently for companies & policy makers. Investor's perception is equivalent to making sure that product & service performance & meet customer expectation. Today's companies are facing tough competition due to liberalized economy. Hence, the companies have to move from a product & selling philosophy to a customer & marketing philosophy. Therefore, the companies can go about winning customers & out performing competitors by doing a better job of meeting & satisfying customer needs. Perception of investors about saving schemes will have a significant impact on the saving behavior of people. Hence, it is necessary to study about the nature of perception that exists among investors about saving schemes and institutions offering such instruments.

ANALYSIS

Primary Data includes Analysis & interpretation about the respondents geographical area , gender , age wise segmentation, academic qualification ,marital status , size of family members based on age ,number earning members in the family, occupation ,annual income , awareness of the about the life insurance companies, awareness towards life insurance policies, different preference while selecting insurance company, perception on selected features private life insurance companies, Investors perception on company related attributes, investment related attributes of selected private life insurer. The below Consolidate table represents the demographic factors of the respondents.

TABLE NO. 3: DEMOGRAPHIC FACTORS OF RESPONDENTS

Demographical Factors		No. of Respondents	%
Geographical Area	Northern Region	50	25
	Coastal Region	50	25
	Central Region	50	25
	Southern Region	50	25
Gender	Male	137	68.5
	Female	63	31.5
Age	Below 30	49	24.5
	31-40	76	38
	41-50	47	23.5
	Above 50	28	14
Education	Up to SSLC	46	23
	Graduate	79	39.5
	Post Graduate	49	24.5
	Professional Degree	26	13
Marital Status	Married	159	79.5
	Unmarried	41	20.5
Size of the Family	1 Member	3	0.015
	2 Members	19	0.095
	3 Members	68	0.34
	4 Members	45	0.225
	5 Members	42	0.21
	6 Members	16	0.08
	7 Members	6	0.03
	8 Members	1	0.005
Earning members	Up to 2 Members	160	80
	3-5 members	36	18
	Above 5Members	4	2
Occupation	Student	9	4.5
	Professional	19	9.5
	Business	39	19.5
	Salaried	97	48.5
	Agriculture	16	8
	Retired	5	2.5
	Others	15	7.5
Annual Income	Below Rs 1,00,000	27	13
	Rs 1,00,000 – 3,00,000	72	36.5
	Rs 3,00,001 – 5,00,000	64	32
	Above Rs 5,00,000	37	18.5

Source: Primary Data

TABLE NO. 4: AWARENESS OF COMPANIES

Insurer	Urban	Rural	Total	%
SBI Life	80	74	154	77
ICICI Prudential	85	54	139	69.5
ING Vysya	90	35	125	62.5
Aviva	65	20	85	42.5
Met Life	90	30	120	60
Bajaj	95	52	147	73.5
Reliance	89	27	116	58
LIC	100	98	198	99
Bharati AXA	90	27	117	58.5
HDFC	95	46	141	70.5
MAX New York	79	30	109	54.5
TATA AIG	84	28	112	56
OTHERS	69	19	88	44

Policies	Urban	Rural	No	%
GSLI*	30	19	59	30
Term	33	18	51	26
Whole life	47	58	105	53
Endowment	86	97	183	92
Annuities	36	14	50	25
Money Back Policy	92	58	150	75
ULIP**	68	19	87	44
Mediclaim***	49	20	69	35

*Source: Primary Data ,*Group saving linked Insurance ,** Unit Linked Insurance Plan*** Policy offered along with life policy*

TABLE NO. 5: OBJECTIVES FOR SAVINGS IN LIFE INSURANCE

Variables	1	2	3	4	5	6	7	8	9	10	Total	WAS	Rank
Risk Coverage	110	50	30	10	0	0	0	0	0	0	200	9.30	**1**
Social status	12	20	17	20	63	18	17	23	10	0	200	6.01	**8**
Fringe Benefits	103	66	21	2	3	2	1	1	1	0	200	9.22	**2**
Tax reduction	155	21	5	4	1	0	0	0	5	9	200	9.16	**3**
Regular returns	55	25	10	14	33	22	13	12	10	6	200	6.88	**6**
To protect from illness	54	28	20	10	9	20	18	30	6	5	200	6.78	**7**
Children's education	70	52	44	6	13	3	2	2	5	3	200	8.41	**4**
Retirement Benefit	56	44	21	29	19	6	6	4	8	7	200	7.65	**5**

Source: Primary Data

TABLE NO. 6: FACTORS CONSIDER WHILE SELECTING INSURANCE COMPANY

	Rankings										Total	WAS	Rank
	1	2	3	4	5	6	7	8	9	10			
Type of Insurance company	109	71	16	2	1	1	0	0	0	0	200	18.82	6
Ease of procedures	117	54	10	8	3	2	2	3	1	0	200	18.39	7
The mode of premium payment.	72	22	13	8	19	5	29	9	15	8	200	13.98	10
Company image	149	36	9	3	2	1	0	0	0	0	200	19.24	4
Services quality	137	50	10	2	1	0	0	0	0	0	200	19.2	5
Length of its existence	103	47	26	13	11	0	0	0	0	0	200	18.18	8
Maturity benefit	79	56	19	16	10	7	4	3	3	3	200	16.87	9
Claims settlement	185	15	0	0	0	0	0	0	0	0	200	19.85	1
Company client relationship	176	19	5	0	0	0	0	0	0	0	200	19.71	2
Transparency	143	57	0	0	0	0	0	0	0	0	200	19.43	3

Source: Primary Data

TABLE NO. 7: PERCEPTIONS ON THE FOLLOWING VARIABLES

Variables	Rankings					Total	WAS	Rank
	1	2	3	4	5			
ROI in LIC is less than private insurance companies	0	0	24	63	113	200	1.56	19
LIC is more reliable than other Insurance players	107	60	5	16	12	200	4.17	2
Service provided by LIC is better than private Insurance	81	87	18	8	6	200	4.15	3
Investment in Insurance is more profitable than any other investment avenue	25	40	44	50	41	200	2.79	16
All the Insurance companies are governed by IRDA act	65	58	40	22	15	200	3.68	12
Investment in Insurance leads to social status	32	37	81	40	10	200	3.21	14
Investment in insurance will diversified the Policy holders risk	84	64	25	13	14	200	3.96	8
Insurance policy are need based	45	66	44	27	18	200	3.47	13
Origin of the insurer is major consideration while selecting	69	73	30	23	20	215	3.97	7
Claims settlement in LIC is better than Other Private players	114	41	16	17	12	200	4.14	4
Pre and post sales services provided by insurer is an tool to select	90	48	31	17	14	200	3.92	10
Private insurer are not disclosing accurate policy related info	121	35	23	12	9	200	4.24	1
Life policy will be taken to Oblige the friends /Peers request	29	25	94	30	22	200	3.05	15
Private insurer life policy are attractive then LIC policies	12	15	28	52	93	200	2.01	18
Performance of LIC is better than other players	95	66	14	16	9	200	4.11	5
Distribution network of Public sector insurance is superior	80	73	27	12	8	200	4.03	6
Private life insurance companies concentrates on Corporates	81	75	9	19	16	200	3.93	9
Postal insurance and LIC policies are one and the same	27	31	26	55	61	200	2.54	17
Private insurance companies schemes misleads the investors	81	54	31	16	18	200	3.82	11

TABLE NO. 8: PERCEPTION ON SELECTED ATTRIBUTES OF LIFE INSURER

Attributes	WAS												AWAS	WAS of LIC
	SBI	ICICI	ING	Aviva	Met Life	Bajaj	Reliance	Bharti AXA	HDFC	MAX	TATA	OTHERS		
A	9.4	8.3	8.1	8.1	9.0	8.7	8.2	7.4	9.1	7.5	8.5	7.8	**8.3**	**9.1**
B	8.8	8.1	7.6	8.0	8.0	7.1	8.0	7.0	7.9	7.8	8.6	7.7	**7.9**	**9.1**
C	9.0	8.0	8.1	7.5	7.4	6.7	7.5	7.5	8.9	7.5	8.0	7.7	**7.8**	**8.9**
D	8.5	9.1	7.9	8.8	8.3	7.3	9.0	9.0	9.3	9.0	9.0	9.0	**8.7**	**9.4**
E	9.1	8.0	7.6	7.9	7.0	6.6	7.0	7.9	7.1	7.1	8.5	7.0	**7.6**	**9.6**
F	9.1	8.1	7.5	7.5	7.0	7.7	7.1	7.8	7.8	7.3	7.6	7.5	**7.7**	**9.1**
G	8.2	8.1	7.8	7.7	8.1	7.1	8.1	6.7	9.0	7.9	8.5	7.4	**7.9**	**9.3**
H	8.1	7.6	7.0	6.1	7.6	6.7	7.5	7.9	7.1	7.5	8.8	7.3	**7.4**	**9.7**
I	7.7	7.7	6.1	7.3	7.5	7.7	7.6	7.4	9.0	7.0	7.9	7.0	**7.5**	**9.1**
J	9.4	8.8	7.5	7.7	7.6	9.1	8.7	8.5	9.0	8.5	9.1	7.7	**8.5**	**9.5**

*Source: Primary Data ,(**a**) Premium, **b**) Risk Coverage, **c**) Return On Investment, **d**) Ease of procedures, **e**) Maturity Period, **f**) Sum Assured, **g**) Customer Service, **h**) Transparency, **i**) Additional Benefits and **j**) Mode of Renewal)*

TABLE NO. 9: RESPONDENT'S OPINION ON POLICY RELATED ATTRIBUTES

Attributes	Rankings					TOTAL	WAS	Rank
	1	2	3	4	5			
a) Policy performance record	118	40	26	9	7	200	4.27	3
b) Policy reputation or brand name	107	47	28	13	5	200	4.19	5
c) Diversified Schemes	77	52	37	21	13	200	3.8	11
d) Settlement of Claims	141	48	7	3	1	200	4.63	1
e) Reputation of the schemes	90	56	44	8	2	200	4.12	7
f) Withdrawal facilities	71	109	19	1	0	200	4.25	4
g) Ease of Procedures	126	54	15	4	1	200	4.5	2
h) Innovativeness of the scheme	96	57	35	7	5	200	4.16	6
i) Products with tax benefits	95	43	23	22	17	200	3.89	10
j) Transparency	67	96	32	3	2	200	4.12	7
k) Minimum initial investment	75	65	36	15	9	200	3.91	9
l) Accessibility of the service provider	92	69	28	7	4	200	4.19	5
m) Customer Relationship Management	145	41	9	5	0	200	4.63	1
n) Mode of renewal	97	45	30	15	13	200	3.99	8
o) Mode of premium payment	80	48	34	26	12	200	3.79	12

Source: Primary Data

TABLE NO. 10: RESPONDENT'S OPINION ON COMPANY RELATED ATTRIBUTES

Attributes	Rankings					TOTAL	WAS	Rank
	1	2	3	4	5			
a)Reputation of sponsoring Company	112	63	10	9	6	200	4.33	4
b) Company has a recognized brand name	149	37	9	5	0	200	4.65	2
c) Company has a well developed agency	121	54	15	4	6	200	4.4	3
d) Company is expertise in managing money	101	52	35	7	5	200	4.19	5
e) Company has a well developed research & infrastructure	72	87	28	9	4	200	4.07	6
f) Companies past performance in terms of risk and return	161	25	9	3	2	200	4.7	1

Source: Primary Data

TABLE NO. 11: RESPONDENT'S OPINION ON INVESTMENT RELATED ATTRIBUTES

Attributes	Rankings					TOTAL	WAS	Rank
	1	2	3	4	5			
Disclosure of investment objective in the advertisement	81	47	35	25	12	200	3.8	7
Disclosure of deviation of investments from the original pattern	120	55	15	4	6	200	4.4	4
Investor' s grievance Redressal machinery	107	52	19	4	8	190	4.08	6
loans on collateral securities,	99	46	35	13	7	200	4.09	5
Tax Benefits	89	39	15	6	51	200	3.55	8
Reliability	132	57	6	3	2	200	4.57	2
Claims Settlement	141	48	7	3	1	200	4.63	1
Pre and post sales services	120	57	19	4	0	200	4.47	3

Source: Primary Data

TABLE NO. 12: PERCEPTION ON VALUE ADDED SERVICES OF INSURER

V.A.Services	WAS												AWAS	**WAS of LIC**
	SBI	ICICI	ING	Aviva	Met Life	Bajaj	Reliance	Bharti AXA	HDFC	MAX	TATA	OTHERS		
a	7.19	7.17	6.9	6.84	7.07	6.77	7.63	7.45	7.82	7.39	8.04	7.49	7.31	9.77
b	6.79	6.28	7.63	7.48	7.52	6.73	7.98	7.09	8.04	7.87	7.76	6.56	7.31	9.8
c	6.4	8.14	7.36	6.99	7.38	6.87	7.08	7.26	7.7	7.82	6.58	6.55	7.18	9.87
d	5.54	7.07	7.13	7.51	6.76	6.77	7.5	7.27	7.33	7.28	7.01	6.65	6.98	9.83
e	3.93	7.44	7.09	7.05	7.04	6.86	7.38	7.83	7.56	7.42	7.09	7.46	7.01	9.91
f	7.03	6.65	6.9	6.84	7.07	6.46	7.43	8.06	7.42	6.79	7.12	6.34	7.01	9.98
g	4.56	6.17	6.03	6.08	5.85	6.97	6.9	6.4	6.7	7.2	7.33	6.18	6.36	9.95
h	5.35	6.24	6.44	6.18	6.23	6.31	6.64	6.78	7.25	7.5	7.28	6.83	6.59	9.92
i	5.36	6.22	6.92	6.6	6.71	6.89	7	6.79	7.37	7.35	7	6.81	6.75	9.99
j	5.58	7.06	7.17	7.31	6.72	7.06	7.44	7.62	6.75	7.64	6.84	7.61	7.07	9.87
k	6.38	8.14	7.32	7.93	7.35	7.66	8.09	7.69	7.65	7.24	7.6	7.25	7.53	9.77

Source: Primary Data ,a)Competence, b)Performance, c)Tangible Benefits, d)Intangible Benefits, e)Flexible Investment Facilities, f)Image, g)Collateral security, h)Documentation/ transparency, i)Disclosure of information, j)Need based product, k)Distribution Network

HYPOTHESES TESTING

1 H*A*: There is no significant difference between investors towards perceptions on services provided by the public and private insurance companies.

H*O*: There is a significant difference between investors towards perceptions on services provided by the public and private insurance companies.

Investors perception on insurance companies evaluated based on the attributes like Premium, Risk Coverage, Return on Investment, Ease of procedures, Maturity Period, Sum Assured, Customer Service, Customer Service, Transparency, Additional Benefits, Mode of Renewal. Above table represents the weighted average score of LIC and average weighted average score of selected private life insurance companies.

TABLE NO. 13: INVESTORS PERCEPTION

Attributes	WAS	
	LIC	Pvt. Sector
Premium	9.14	8.44
Risk Coverage	9.09	7.83
Return On Investment	8.94	7.87
Ease of procedures	9.44	8.62
Maturity Period	9.49	7.71
Sum Assured	8.63	7.93
Customer Service	9.32	7.97
Transparency	9.69	7.40
Additional Benefits	9.13	7.61
Mode of Renewal	9.47	8.62

Source: Primary Data

Above table represents the weighted average score of LIC and average weighted average score of selected private life insurance companies.

ANOVAs: SINGLE FACTOR

Groups	*Count*	*Sum*	*Average*	*Variance*
LIC	10	92.33333	9.233333	0.097166
PVT	10	80.00648	8.000648	0.178271

Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	7.59756	1	7.59756	55.16735	6.94E-07	4.413873
Within Groups	2.478931	18	0.137718			
Total	10.07649	19				

The calculated value of **F** is 55.16735 which is Higher than the table value of 4.413873 at 5% significance level with **d.f** being **v1**=1 and **v2**=18.so there is a sufficient evidence to accept the null hypothesis.

2. *HA*: the most dominant attributes influencing the purchase of life insurance policy are same among the different gender, age group, education, occupation and income groups

H*O:* The most dominant attributes influencing the purchase of life insurance policy are not same among the different gender, age groups, education, occupation and income Groups

The Below calculation based on the overall perceived rank derived from the weighted average score calculated for different attributes like Services quality, Ease of procedures, Length of its existence, The mode of premium payment, Maturity benefit, Company image, Claims settlement, Company client relationship, Transparency as per the ranking given by the respondents like Gender, Age groups, Education, Occupation and Income Groups perception attributes Type of Insurance company. The highest WAS to be found in case of claim settlement, so the perceived dominant attribute is claim settlement while purchasing the Life Insurance policy comparing to remaining above mentioned 9 attributes.

HYPOTHESIS TESTING BASED ON GENDER

SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
Male	9	11	1.222222	13.44444		
Female	9	4	0.444444	1.777778		
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	2.72222	1	2.722222	0.357664	0.558178	4.493998
Within Groups	121.778	16	7.611111			
Total	124.5	17				

The calculated value of **F** is 0.357664 which is lower than the table value of 4.493998 at 5% significance level with **d.f** being **v1**=1, **v2**=16.so there is a sufficient evidence to reject the null hypothesis.

HYPOTHESIS TESTING BASED ON AGE GROUP

SUMMARY				
Groups	*Count*	*Sum*	*Average*	*Variance*
Below 30	10	49	4.9	219.2111
31-40	10	76	7.6	498.7111
41-50	10	47	4.7	174.2333
Above 50	10	28	2.8	61.73333

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	117	3	39	0.163541	0.920209	2.866266
Within Groups	8585	36	238.4722			
Total	8702	39				

The calculated value of **F** is 0.163541 which is lower than the table value of 2.866266at 5% significance level with **d.f** being **v1**=3, **v2**=36. So there is a sufficient evidence to reject the null hypothesis.

HYPOTHESIS TESTING BASED ON OCCUPATION

SUMMARY				
Groups	*Count*	*Sum*	*Average*	*Variance*
Student	10	9	0.9	8.1
Professional	10	19	1.9	36.1
Business	10	39	3.9	120.9889
Salaried	10	97	9.7	782.6778
Agriculture	10	16	1.6	19.37778
Retired	10	5	0.5	2.5
Others	10	15	1.5	19.38889

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	616.3714	6	102.7286	0.727	0.629506	2.246408
Within Groups	8902.2	63	141.3048			
Total	9518.571	69				

The calculated value of **F** is 0.727 which is lower than the table value of 2.246408 at 5% significance level with **d.f** being **v1**=6, **v2**=63.so there is a sufficient evidence to reject the null hypothesis.

HYPOTHESIS TESTING BASED ON INCOME GROUPS

Groups	*Count*	*Sum*	*Average*	*Variance*
Below 1,00,000	10	46	4.6	174.2667
1,00,001-3,00,000	10	79	7.9	526.7667
3,00,001-5,00,000	10	49	4.9	200.1
Above 5,00,000	10	26	2.6	62.04444

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	143.4	3	47.8	0.19851	0.896717	2.866266
Within Groups	8668.6	36	240.7944			
Total	8812	39				

The calculated value of **F** is 0.19851 which is lower than the table value of 2.866266 at 5% significance level with **d.f** being **v1**=3, **v2**=36.so there is a sufficient evidence to reject the null hypothesis.

HYPOTHESIS TESTING BASED ON EDUCATION

Groups	*Count*	*Sum*	*Average*	*Variance*		
Up to Matriculation	10	27	2.7	61.78889		
U.G	10	72	7.2	404.6222		
P.G	10	64	6.4	344.0444		
Professional	10	37	3.7	136.9		
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	137.8	3	45.93333	0.193943	0.899836	2.866266
Within Groups	8526.2	36	236.8389			
Total	8664	39				

The calculated value of **F** is 0.193943 which is lower than the table value of 2.866266 at 5% significance level with **d.f** being **v1**=3, **v2**=36.so there is a sufficient evidence to reject the null hypothesis.

3. *HA*: There is a significant difference between age, gender with respect to investors' perceptions on policy related, company related and investor related attributes.

H*O*: There is no significant difference between age, gender with respect to investor perceptions policy related, company related and investor related attributes.

TABLE NO. 14: PERCEPTION ON SELECTED ATTRIBUTES

ATTRIBUTES	AWAS	
	MALE	FEMALE
A	4.164	4.155
B	4.369	4.433
C	4.196	4.226

Source: Primary Data, A: perception on policy related, B: company related C: investment related attributes

ANOVAs: SINGLE FACTOR

Groups	*Count*	*Sum*	*Average*	*Variance*		
31	3	12.306	4.102	0.003073		
31-40	3	12.624	4.208	0.002943		
41-50	3	12.966	4.322	0.016219		
50ABOVE	3	12.75	4.25	0.017004		
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.076113	3	0.025371	2.586304	0.125662	4.066181
Within Groups	0.078478	8	0.00981			
Total	0.154591	11				

The calculated value of **F** is 2.586304which is lower than the table value of 4.066181 at 5% significance level with **d.f** being **v1**=3, **v2**=8. So there is a sufficient evidence to reject the null hypothesis.

TABLE NO. 15: PERCEPTION BASED ON AGE GROUP

Age Group	AWAS
Below 30	4.161
31-40	4.157
41-50	4.209
Above 50	4.1523

The above table represents the average weighted average score of all the four age groups perception on policy related, company related and investor's related attributes

Groups	*Count*	*Sum*	*Average*	*Variance*
4.161	2	8.145	4.0725	0.000925
4.157	2	8.467	4.2335	0.001984
4.209	2	8.757	4.3785	0.013284
4.152	2	8.598	4.299	0.019602

Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.101247	3	0.033749	3.771326	0.116173	6.591382
Within Groups	0.035795	4	0.008949			
Total	0.137043	7				

The calculated value of **F** is 3.771326which is lower than the table value of 6.591382at 5% significance level with **d.f** being **v1**=3, **v2**=4.so there is a sufficient evidence to reject the null hypothesis.

MAJOR FINDINGS

The findings of the research are presented here, based on the methodology outlined earlier.

- Out of total respondents LIC known to 198 respondents, SBI Life known to 154, ICICI Prudential known to 139, ING Vysya known to 125, Aviva known to 85, Met Life Insurance known to 120, Bajaj known to 147, Reliance known to 116, Bharti AXA known to 117, HDFC known to 141, MAX New York known to 109, Tata AIG known to 112 and Others companies known to 88 respondents.
- Majority of the respondents selected Endowment Insurance (92%), and Annuities (25%). And Majority of the respondents influenced by Brokers & Agents (166), Television (106), News Paper (General) (73) and the least influence factors will be Mail & others (24). So we can interpret that the Brokers & Agents playing the vital role and most influencing channels comparing to above mentioned other remaining channels.
- SBI Life, ICICI Prudential, ING Vysya, Aviva, Met Life Insurance, Bajaj, Reliance, LIC, Bharti AXA, HDFC, MAX New York, Tata AIG and Others i.e. out of 200 respondents 55, 47, 38, 30, 40, 43, 32, 166, 29, 44, 24, 36 and 39 are invested in SBI Life, ICICI Prudential, ING Vysya, Aviva, Met Life Insurance, Bajaj, Reliance, LIC, Bharti AXA, HDFC, MAX New York, Tata AIG and Others respectively in the above mentioned companies. It is clear that majority of the respondents invested in LIC where as in private sector companies like SBI, Met life, HDFC, Bajaj stand next to LIC.
- The average weighted average score of respondent's objectives for purchasing life insurance policies with the above mentioned variables (WAS) is 19.30, 6.01, 9.22, 9.16, 6.88, 6.78, 8.41 and 7.65 respectively and first rank goes to Risk Coverage and Social status ranked least. So at the outset we can interpret that risk coverage, fringe benefits and tax reductions are some of the main objectives of respondents.
- The WAS of respondents preference towards above mentioned variables the is 1.56, 4.17, 4.15, 2.79, 3.68, 3.21, 3.96, 3.47, 3.97, 4.14, 3.92, 4.24, 3.05, 2.01, 4.11, 4.03, 3.93, 2.54 and 3.82 respectively and first rank goes to Private insurer are not disclosing accurate policy related information and ROI in LIC is less than private insurance companies ranked least.
- While selecting a policy the following variables like Type of Insurance company, Ease of procedures, The mode of premium payment, Company image, Services quality, Length of its existence, Maturity benefit, Claims settlement, Company client relationship and Transparency and will be playing a vital role, and WAS 18.82, 18.39, 13.98, 19.24, 19.2, 18.18, 16.87, 19.85, 19.71 and19.43 is respectively among which majority of the respondents prefer Claims settlement is the first and The mode of premium payment will prefer least.
- In Policy related attributes Settlement of Claims ranked first and Mode of premium Payment attributes ranked least. In Company related attributes Companies past performance in terms of risk and return ranked first and Company has a well developed research & infrastructure attributes ranked least. Investment related attributes Claims Settlement ranked first and Tax Benefits attributes ranked least.

CONCLUSION

Life insurance is not simply a business proposition. It is not just a question of mobilization of resources for development; it is a question of citizen's sense of security. It provides a link between the present and the future. It is a matter of the socioeconomic vision that a society has of its future. Ultimately it becomes the problem of mutuality of trust between the people and their government. In India, life insurance business existed even before nationalization. After nationalization, the Constitution set up the LIC of India. Due to the impact of globalization, privatization and liberalization policy in the present era, LIC has opened many branches inside and outside India. Insurance companies from other countries have also come to India. In recent years the growth rate of insurance business of private sector companies has been higher than that of LIC. The competition between the two will ultimately benefit the consumer.Insurer should Practice the highest levels of transparency and corporate governance to increase customer confidence. Life insurance companies with their investment management expertise and their actuarial skills are best positioned to ride this turmoil. Pensions will be a critical growth area for the insurance industry.

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MICROFINANCE IN INDIA: CHALLENGES AND OPPORTUNITIES

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ABSTRACT

In India, Self Help Groups (SHGs) represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self management and development for the women who are SHG members through microfinance. SHGs are formed and supported usually by Non Government Organisations (NGOs) by Government agencies. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues. Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help movement. Based on the concept of "self-help," small groups of women have formed into groups of ten to twenty and operate a savings-first business model whereby the member's savings are used to fund loans. The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty eradication. With a more enabling environment and surge in economic growth, the next few years promise to be exciting for the delivery of financial services to poor people in India. The supply side of microfinance in India is still presently grossly inadequate to fill the gap between demand and supply but it holds the promise to act as a great opportunity for the financial sector and the economy as a whole. The paper aims to analyse the challenges and opportunities of micro finance in India.

KEYWORDS
Microfinance, self help groups.

INTRODUCTION

Microfinance is defined as any activity that includes the provision of financial services such as credit, savings, and insurance to low income individuals which fall just above the nationally defined poverty line, and poor individuals which fall below that poverty line, with the goal of creating social value. The creation of social value includes poverty alleviation and the broader impact of improving livelihood opportunities through the provision of capital for micro enterprise, and insurance and savings for risk mitigation and consumption smoothing. A large variety of actors provide microfinance in India, using a range of microfinance delivery methods. Since the founding of the Grameen Bank in Bangladesh, various actors have endeavored to provide access to financial services to the poor in creative ways. Governments have piloted national programs, NGOs have undertaken the activity of raising donor funds for on-lending, and some banks have partnered with public organizations or made small inroads themselves in providing such services. The range of activities undertaken in microfinance include group lending, individual lending, the provision of savings and insurance, capacity building, and agricultural business development services. Whatever the form of activity however, the overarching goal that unifies all actors in the provision of microfinance is the creation of social value.

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.

EXEMPLAR OF MICRO FINANCE

The concept of micro-financing the self-employment activity in rural areas has developed considerably over the last twenty years. Strategically micro-finance relies on rotational investment done to motivate poor to empower themselves and to save for the future and use those resources during the time of need. Theoretically, micro-finance or micro-credit or micro-lending means provision of smaller working capital loans to the self-employed or self-employment seeking poor. Such loans may be provided even for the activities like cotton and wool to weave raw material for handicrafts, milch cattle and the like. It is viewed that provision of micro- finance may be seen more as logical extension of the managerial and programmatic approach to poverty reduction. But with regard to financial perspective credit is an effective tool the level of that helps the poor to tackle the problem of deprivation, improve their welfare and social acceptance and credibility.

HISTORY OF MICRO FINANCE

The history of microfinancing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. But it was at the end of World War II with the Marshall plan that the concept had a big impact. The today use of the expression microfinancing has it roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus, were starting and shaping the modern industry of microfinancing. Another pioneer in this sector is Akhtar Hameed Khan.

ACTIVITIES IN MICROFINANCE

Microcredit: It is a small amount of money loaned to a client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending.

Micro savings: These are deposit services that allow one to save small amounts of money for future use. Often without minimum balance requirements, these savings accounts allow households to save in order to meet unexpected expenses and plan for future expenses.

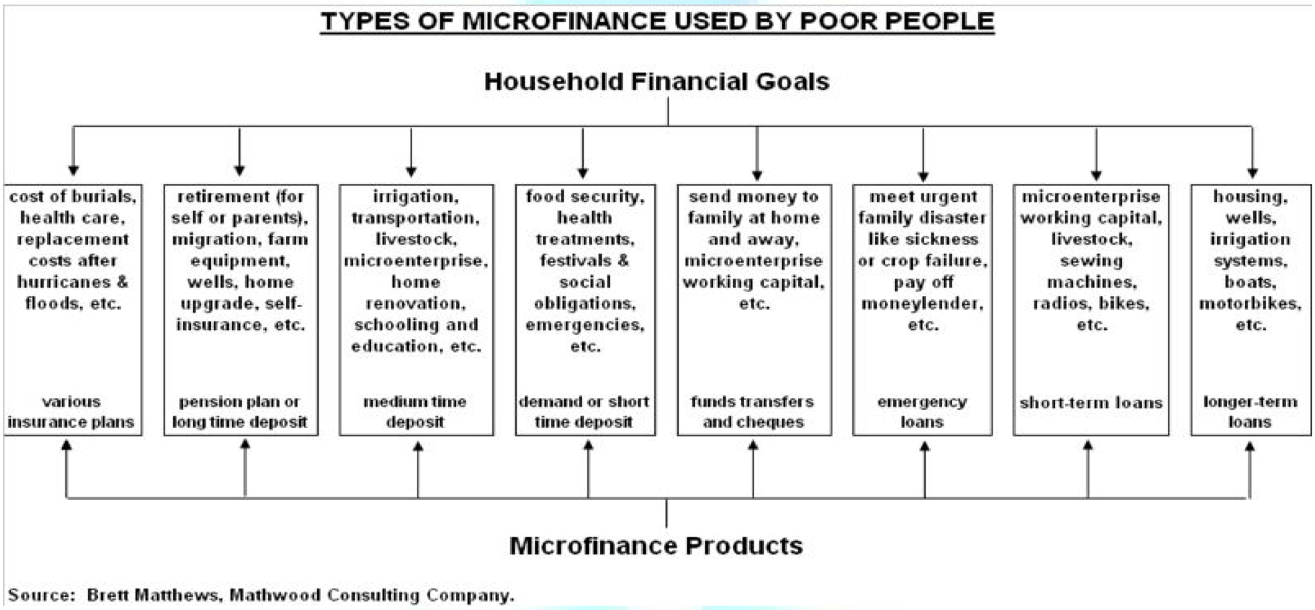
Micro insurance: It is a system by which people, businesses and other organizations make a payment to share risk. Access to insurance enables entrepreneurs to concentrate more on developing their businesses while mitigating other risks affecting property, health or the ability to work.
Remittances: Compared with other sources of capital that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

PRINCIPLES OF MICRO FINANCE

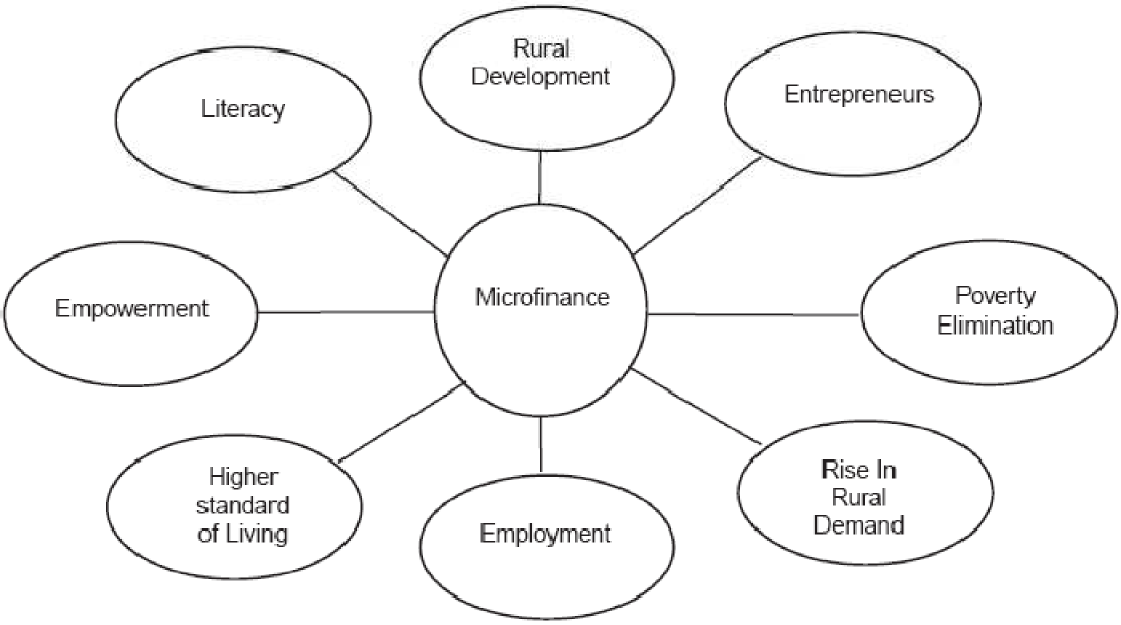
Microfinance is considered as a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions. Some principles that summarize a century and a half of development practice were encapsulated in 2004 by Consultative Group to Assist the Poor (CGAP) and endorsed by the Group of Eight leaders at the G8 Summit on June 10, 2004 are given below

- Poor people need not just loans but also savings, insurance and money transfer services.
- Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.
- "Microfinance can pay for itself. Subsidies from donors and government are scarce and uncertain, and so to reach large numbers of poor people, microfinance must pay for itself.
- Microfinance means building permanent local institutions.
- Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
- The job of government is to enable financial services, not to provide them.
- Donor funds should complement private capital, not compete with it.
- The key bottleneck is the shortage of strong institutions and managers.
- Donors should focus on capacity building.
- Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
- Microfinance institutions should measure and disclose their performance – both financially and socially.

TYPES OF MICRO FINANCE PRODUCTS



BENEFITS OF MICRO FINANCE



CHALLENGES OF MICRO FINANCE

The obstacles or challenges to building a sound commercial microfinance industry include:

- Inappropriate donor subsidies
- Poor regulation and supervision of deposit-taking MFIs
- Few MFIs that meet the needs for savings, remittances or insurance
- Limited management capacity in MFIs
- Institutional inefficiencies
- Need for more dissemination and adoption of rural, agricultural microfinance methodologies

Traditionally, banks have not provided financial services, such as loans, to clients with little or no cash income. Banks incur substantial costs to manage a client account, regardless of how small the sums of money involved. For example, although the total gross revenue from delivering one hundred loans worth $1,000 each will not differ greatly from the revenue that results from delivering one loan of $100,000, it takes nearly a hundred times as much work and cost to manage a hundred loans as it does to manage one. The fixed cost of processing loans of any size is considerable as assessment of potential borrowers, their repayment prospects and security; administration of outstanding loans, collecting from delinquent borrowers, etc., has to be done in all cases. There is a break-even point in providing loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below that breakeven point. A similar equation resists efforts to deliver other financial services to poor people.

In addition, most poor people have few assets that can be secured by a bank as collateral. This means that the bank will have little recourse against defaulting borrowers. Because of these difficulties, when poor people borrow they often rely on relatives or a local moneylender, whose interest rates can be very high. An analysis of 28 studies of informal moneylending rates in 14 countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceeded 100% per month. Moneylenders usually charge higher rates to poorer borrowers than to less poor ones. While moneylenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business have proven unrealistic, even in places where microfinance institutions are active. Although much progress has been made, the problem has not been solved yet, and the overwhelming majority of people who earn less than $1 a day, especially in the rural areas, continue to have no practical access to formal sector finance. Microfinance has been growing rapidly with $25 billion currently at work in microfinance loans. It is estimated that the industry needs $250 billion to get capital to all the poor people who need it. The industry has been growing rapidly, and concerns have arisen that the rate of capital flowing into microfinance is a potential risk unless managed well. As seen in the State of Andhra Pradesh, these systems can easily fail. Some reasons being lack of use by potential customers, over-indebtedness, poor operating procedures, neglect of duties and inadequate regulations

CHALLENGES TO MICRO FINANCE INSTITUTIONS

Although the importance of microfinance in the process of poverty eradication is realized, it faces multiple problems. This is because offering credit to the poor is a complicated process and the sector is still in its experimental stage.

PERCEIVED HIGH RISK OF MICRO ENTREPRENEURSHIP AND SMALL BUSINESSES

Micro entrepreneurs usually have no collateral to offer to microfinance providers against loans, they usually lack an alternate source of income, and have little, if any, formal education or training in the area of their business. As a result, commercial banks attribute a high credit risk to micro entrepreneurs and steer clear of this sector.

Microfinance institutes (MFIs) are compelled to compensate for this risk by charging interest rates on loans (read 10 determinants of interest rates in microfinance). Fortunately, the challenge can be resolved through the idea of group lending (social collateral against loans) which ensures good repayment rates.

HIGH COSTS INVOLVED IN SMALL TRANSACTIONS/ MICRO LENDING

The small size of micro enterprises increases the transaction cost for MFIs because they cannot process loans in bulk (unless good management information systems are in place). This denies MFIs the benefit of economies of scale; hence, they are forced to cover their costs through high interest rates on loans (read 4 ways to control high interest rates).

According to a study conducted by Asian Development Bank, microfinance providers in the Asia-Pacific region charge interest rates on micro-sized loans ranging from 30 to 70% a year, which is much higher than rates offered by commercial banks (Fernando, 2006). However, there are instances where the interest rates charged were too low for the MFIs' sustainability. There is, however, possible solutions to this problem – by improving the technology model used by microfinance institutes, their operational costs can be significantly lowered and efficiencies may be gained during automated loan processing.

LACK OF DEBT AND EQUITY FUNDS FOR MFIs TO PASS ON TO THE POOR

Capital availability for microfinance is hardly a problem owing to the rapid growth in the microfinance sector, which has been fueled by attention from the media and development agencies. Even though there are plenty of financing options available for MFIs, there is an emerging shortage of money because of the current financial crisis across the globe. Another reason for this shortfall is the lack of awareness of funding sources by MFI managers.

DIFFICULTY IN MEASURING THE SOCIAL PERFORMANCE OF MFIs

Microfinance is delivering the economic returns its proponents promised, but there are only a handful of tools available that measure the social return of loan programs for the poor. To add to the problem, the tools use proxies to estimate the amount of poverty and social change surrounding micro entrepreneurs. This makes the gathering of funds a challenge because donors may question the actual impact made my microfinance.

MIXING CHARITY WITH BUSINESS

Since credit without strict discipline is nothing but charity (Professor Yunus), if microfinance providers fail to protect themselves against loan delinquency, they will, in effect, prioritize social objectives at the expense of financial sustainability. Improper delinquency management is a result of inadequate implementation of corporate governance principles, and formal as well as semi-formal microfinance providers often suffer from this. As a result, looser controls over microfinance deals will lead to higher default rates. Read more about the difficulty inmixing charity with business.

LACK OF CUSTOMIZED SOLUTIONS FOR THE POOR

Inappropriate targeting of poor households by microfinance programs is a common problem because MFIs fail to understand the varied needs of micro entrepreneurs. MFIs must spend time in the field with their clients and his/her business, and then use this research to develop customized microfinance tools for each micro entrepreneur. Generalized solutions may work for large companies dealing dealing with large homogeneous customer groups, but microfinance providers need to serve the varied needs of individuals in each micro market segments.

LACK OF MICROFINANCE TRAINING FOR HUMAN RESOURCE IN MICROFINANCE INSTITUTIONS

Working in the microfinance sector is a different ball game compared to the traditional financial sector. For instance, microfinance officers and volunteers need to talk a different language, build lasting relationships with individual micro entrepreneurs, understand the unique needs of the poor, evaluate the borrower's sustainability, and grasp the cultural nuances of the borrower's communities It's no surprise microfinance providers need special training to ensure they avoid problems such as intimidating or under-serving clients.

POOR DISTRIBUTION SYSTEM OF MICROFINANCE INSTITUTIONS AND LACK OF INFORMATION ABOUT MICROFINANCE INVESTMENT OPPORTUNITIES

Firstly, microfinance providers may be complacent with their client base in certain cities and feel no economic need (ignoring the social need to eradicate poverty) to spread out their distribution system to cater to the poorest of households. Secondly, micro entrepreneurs are sprawled over large geographical areas, often in remote places, which often make them inaccessible to MFIs. This is a slight problem because even though there are over 10,000 MFIs around the world, they may not know about the existence and needs of certain micro entrepreneurs.

DUAL MISSION OF MICROFINANCE INSTITUTIONS TO BE FINANCIALLY SUSTAINABLE AS WELL AS DEVELOPMENT ORIENTED

Microfinance providers tend to forget their main objective is social development and not profit creation. The principle of 'one micro entrepreneur – one micro loan' is overlooked by profit-hungry MFIs who end up targeting the same individual for many loans and cause multiple borrowing (also known as credit pollution). This is a major problem because at the end of the day, that individual gets burdened by mounting interest payments and is pushed deeper into the folds of poverty. Poor governance on the side of MFIs as well as the micro entrepreneur is to blame for this.

All these problems broadly fall into either financial or operational in nature and we can therefore see that they should not be impossible to solve as the microfinance sector moves towards it optimal performance level in the next several years. In other words, despite these problems, the prospects of microfinance are quite bright. In the coming weeks, we will look at potential solutions to all these problems, which aren't difficult to adopt (a couple have been already been mentioned above).

CONCLUSION

Microfinance is not yet at the centre stage of the Indian financial sector. The knowledge, capital and technology to address these challenges however now exist in India, although they are not yet fully aligned. With a more enabling environment and surge in economic growth, the next few years promise to be exciting for the delivery of financial services to poor people in India. The supply side of microfinance in India is still presently grossly inadequate to fill the gap between demand and supply but it holds the promise to act as a great opportunity for the financial sector and the economy as a whole.

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DIFFERENCES IN ORGANIZATIONAL COMMITMENT IN PRIVATE AND PUBLIC SECTOR BANK EMPLOYEES

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ABSTRACT
This study was carried out with an objective to assess the difference in organizational commitment in bank employees. Data was collected from 70 government and 70 private bank employees. Simple random sampling technique was employed for data collection. Organizational Commitment scale by Allen and Meyer was used. Data was analyzed using SPSS 17. Independent sample t test revealed difference in over all organizational commitment in bank employees from two different set ups. There was significant difference in continuance and normative commitment as well. The overall results revealed that the bank employees in government sector were higher on organizational commitment. Further gender differences were explored and significant differences were obtained on the sub component affective commitment. Female employees were higher on affective commitment.

KEYWORDS
Affective Commitment, Continuance Commitment, Normative Commitment, Organizational Commitment.

INTRODUCTION
Organizational Commitment has been defined in a variety of ways in the organizational literature. It may be referred to as an employee's psychological attachment to the organization. It is the extent to which an individual identifies and feels to be involved with his or her organization and shows unwillingness to leave the set up. Organizational Commitment is best measured by the items tapping respondents' willingness to work hard to improve their company, the fit between the firm's and the worker's values, reluctance to leave, and loyalty toward or pride taken in working for their employers (Maume, 2006). Three components of Organizational Commitment are identified namely affective commitment, continuance commitment and normative commitment.

- ***Affective Commitment:-*** It is the strength of a person's desire to continue working for an organization because he or she agrees with it and wants to do so, i.e. individual's emotional attachment to the organization.
- ***Continuance Commitment:-*** It is the strength of a person's desire to continue working for an organization because he or she needs to do so and cannot afford to do otherwise i.e. the perceived costs associated with leaving the organization.
- ***Normative Commitment***:- It is the strength of a person's desire to continue working for an organization because he or she feels obligations from others to remain there.

All three types of commitment have been studied in both the public, private, and nonprofit sector, though there is much more research completed on employees in the private and public sector. Research on the distinctive features of private and public sector organizations can be found in organizational behavior and management studies, as well as in work and organizational psychology research. These reveal the differences between the sectors' organizational contexts which influence the attitudes and work behaviors of managers and employees alike (Boyne 2002; Cho & Lee 2001; Goulet & Frank, 2002). However, only a few studies have looked into either job satisfaction or organizational commitment with respect to the form and type of employment. Sharma and Bajpai (2010) examined differences in organizational commitment in 250 employees of managerial and non managerial staff of public sector and private sector organizations in Indian context. The results revealed that employees in the public sector organization have greater degree of organization commitment in comparison to private sector organizations. Markovits, Davis, Fay and Dick (2010) explored the satisfaction–commitment link with respect to differences between private and public sector employees and concluded that extrinsic satisfaction and intrinsic satisfaction are more strongly related to affective commitment and normative commitment for public sector employees than for private sector ones.

In the light of studies conducted earlier this study was carried out to assess the difference in organizational commitment in bank employees with reference to the type of employment i.e. government and private sector. The gender differences were also analyzed in organizational commitment and its sub dimensions.

HYPOTHESES
To test variables it was hypothesized that:
H1: There will be no difference between government and private bank employees on overall organizational commitment.
H2: There will be no difference between government and private bank employees on affective commitment.
H3: There will be no difference between government and private bank employees on continuance commitment.
H4: There will be no difference between government and private bank employees on normative commitment.
H5: There will be no gender differences on overall organizational commitment in bank employees.
H6: There will be no gender differences on affective commitment in bank employees.
H7: There will be no gender differences on continuance commitment in bank employees.
H8: There will be no gender differences on normative commitment in bank employees.

METHODOLOGY

Sample

A sample of 70 employees was selected from banks in Jammu (Jammu & Kashmir, India) of which 35 employees were taken from government banks. Two nationalized banks contacted for data collection were, State Bank of India and Punjab National Bank. Thirty five employees were taken from three private banks i.e. ICICI, HDFC and AXIS Bank. Of the 70 employees 36 (51.42 %) were male and 34 (48.57%) were female. The age range of the sample was 20-60 years with the mean age 31.54.

Tool Used

The organizational commitment scale developed by Meyer and Allen (1997) was used. The scale comprises of 18 items and three dimensions (affective commitment, continuance commitment & normative commitment). Each dimension is measured by six statements. Coefficient alpha values ranged from 0.77 to 0.88 for affective commitment (AC), from 0.65 to 0.86 for normative commitment (NC), and from 0.69 to 0.84 for continuance commitment (CC). Confirmatory analysis has revealed discriminant validity among affective organizational commitment, career commitment and continuance organizational commitment.

Scoring: The organizational commitment scale that was used is a seven point likert type scale. The possible responses are Strongly Disagree (1), Moderately Disagree (2), Slightly Disagree (3), Neither Disagree nor Agree (4), Slightly Agree (5), Moderately Agree (6), Strongly Agree (7). There are four negative items in the scale (3, 4, 6 and 13), so scoring pattern for these items was different from those of positive items i.e. reverse scoring was done for negative items.

Procedure

Simple random sampling technique was employed for the collection of data. The organizational commitment scale was administered on 70 employees working in both government and private banks. Purpose of study was explained and the consent of prospective participants was obtained. Appointments were sought and the employees were contacted on the scheduled day. Before filling the scale, proper instructions were given to the participants. Researcher distributed the questionnaires among employees and took them back after completion. Care was taken that all the forms were filled in and no blanks were left. The scoring was carried out as per the scoring key. The data was subjected to statistical analysis. Mean, standard deviation was calculated. Independent samples *t* test was employed to find out the differences in both groups.

RESULTS AND DISCUSSION

TABLE 1: DIFFERENCE IN LEVEL OF ORGANIZATIONAL COMMITMENT BETWEEN PRIVATE AND GOVERNMENT BANK EMPLOYEES

Dimensions	Govt. Bank		Private Bank		*t* Value
	Mean	S. D.	Mean	S.D	
Organizational Commitment	91.885	17.058	82.028	10.670	2.898**
Affective Commitment	32.257	7.496	29.942	5.334	1.467
Continuance Commitment	28.457	6.46	24.571	6.817	2.844**
Normative Commitment	30.485	5.79	27.514	4.298	2.402*

*Significant at 0.05 level **Significant at 0.01 level

Mean score and standard deviation score of the employees were calculated. Results from independent samples *t* test indicated that government bank employees (*M*=91.885, *SD*=17.058) scored much higher on overall organizational commitment than the employees from private banks (*M*=82.028, *SD*=10.670), $t(68)=2.89, p>0.01$. Independent samples t test reveal that there is significant difference in the level of organizational commitment between government and private bank employees (Table 1). This leads to rejection of null hypothesis H1: There will be no difference between government and private bank employees on overall organizational commitment.

Table 1 shows Mean, S.D & *t* value of organizational commitment (dimension wise) between public and private banks, and the results revealed that there is significant difference in continuance commitment in private bank employees (*M*=24.571, *SD*=6.916) and government bank employees (*M*=29.142, *SD*=6.526), $t(68)=2.84, p>0.01$. The government bank employees are higher on continuance commitment. This leads to rejection of hypothesis H3: There will be no difference between government and private bank employees on continuance commitment. Similarly differences in normative commitment emerged out of this study in bank employees from government and private sector. Private bank employees (*M*=27.514, *SD*=4.361) were lower on normative commitment than their counterparts in government banks (*M*=30.485, *SD*=5.878), $t(68)=2.40, p>0.05$. The hypothesis H4: There will be no difference between government and private bank employees on normative commitment is rejected here. Non-significant difference in affective commitment between government and private bank employees was obtained (Table 1). Though the mean score is higher for affective commitment in government bank employees but it is non-significant showing no difference between govt. and private bank employees. In the light of the results obtained we could safely accept null hypothesis H2: There will be no difference between government and private bank employees on affective commitment.

TABLE 2: GENDER DIFFERENCE IN LEVEL OF ORGANIZATIONAL COMMITMENT BETWEEN BANK EMPLOYEES

Dimensions	Male (n=36)		Female (n=34)		*t* Value
	Mean	S. D.	Mean	S.D	
Organizational Commitment	83.611	13.049	90.500	16.213	1.964
Affective Commitment	29.472	6.087	32.823	6.881	2.161*
Continuance Commitment	26.083	6.921	27.676	7.218	0.943
Normative Commitment	28.055	5.199	30.000	5.404	1.534

*Significant at 0.05 level

Independent samples *t* test for gender differences on scores obtained for organizational commitment and its three sub dimensions were calculated and results are presented in Table 2. Male employees (*M*=29.472, *SD*=6.087) were found to be lower at affective commitment than their female counterparts (*M*=32.823, *SD*=6.881), $t(68)=2.16, p>0.05$. Non significant gender differences were found on overall organizational commitment and also on two sub dimensions namely continuance commitment and normative commitment. The null hypothesis H6: There will be no gender differences on affective commitment in bank employees is rejected. Non significant differences in male and female became evident in this study on continuance, normative and overall organizational commitment. The results obtained for gender differences on these variables lead us to acceptance of null hypotheses H5, H7 and H8.

The research compared organizational commitment of employees in government and private sector banks in Jammu. The results reveal that overall organizational commitment differs in employees of banks in government and private sector. It is evident that government bank employees are more committed to their banks than their counterparts. This may be due to greater job security and influence of other job characteristics in government banks. The private bank employees have less job security and are under constant pressure to deliver more and better. They do not involve so much in their organization and do not internalize the value of the organization as they do not know when they are going to leave the organization and join the newer one. Similar results were obtained in a study conducted on government and private sector organizations (Sharma and Bajpai, 2010). Government sector showed greater organizational commitment in employees in comparison to private sector organizations. Government organizations feel generally more secured and they have an advantage of permanent livelihood and remuneration which make them a bit more committed to their organization.

CONCLUSION

Differences in overall organizational commitment, continuance commitment and normative commitment became evident in private and government bank employees. There were gender differences in affective commitment in bank employees.

SUGGESTIONS

To overcome this problem of lesser organizational commitment in private bank employees steps should be taken to enhance organizational commitment such as job enrichment, aligning the interest of the organization with those of the employees, recruiting and selecting those employees whose values match with that of the organization.

Due to the constraints of time this study was restricted to the relatively small sample of employees. The findings based on banks cannot be generalized on other organizations. Future research in this field may attempt to identify the factors influencing organizational commitment while taking larger sample under consideration.

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FINANCIAL INCLUSION AND WOMEN EMPOWERMENT: A STUDY ON WOMEN'S PERCEPTION OF EAST GODAVARI DISTRICT, ANDHRA PRADESH

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ABSTRACT

Empowerment means moving from a position of enforced powerlessness to one of power. The authentic connotation of empowerment becomes apparent when the social status of women is raised in everyday life – in their interaction with the society and family. The study concentrates in finding the correlation between women's financial inclusion as a contributing factor towards the decision making power in the family. Women constitute half of the population, contribute more than half of the duties and responsibilities of the family but are hardly empowered to participate in decision making. They were not given any rights, they are supposed to do domestic work and look after the children.

KEYWORDS
financial inclusion, women empowerment.

INTRODUCTION
The women of India are all part of the long march for freedom. Whenever they are given an opportunity and whenever they can take this opportunity they prove to the world that they are second to none. In ancient India, **Shakti** was manifest and recognized, her many forms were worshipped and her multitudes of skills and weapons were common place. But from traditional societies, women were confined to the four walls of houses performing household activities. In modern societies they have come out of the four walls to participate in all sorts of activities. The global evidences buttress the fact that women have been performing exceedingly well in different spheres of activities like academics, politics, administration, social work and so on. Hence we can say that Shakti has reincarnated herself and is manifest today in the face of the working women of India. Now the revolution for freedom is widespread and from every village town and city, from the fields and factories the imprint of **Shakti** becomes stronger and stronger. Women in slums are the worst sufferers as they are engulfed in variety of health, economic and social problems.

Participation of women for day to day activities for both economic and non-economic activities is a common phenomenon. Women are involved in a number of activities. For example inter alia, maintaining of children, caring of in-laws in the house, cooking and other domestic duties like animal husbandry, kitchen garden etc. According to Second Citizen's Report on the Environment may be quoted *"probably no other group is more affected by environmental destruction than poor village women. Every dawn brings with it a new march in search of fuel, fodder and water. It does not matter if the women are old, young or pregnant. Crucial household needs have to meet day after weary day".* According to National Sample Survey Organization:

1. Five years age onwards females are involved in various domestic duties.
2. The common activities of women, both in rural and urban areas are – dairy, poultry, other animal husbandry, food processing, spinning, weaving etc.
3. Majority of the females engaged in domestic duties.

In so many parts of the world social reformers recognized the significance of women empowerment and now the entire world is concentrating on this issue. The fifth five year plan replaced the social welfare approach with development approach and recognized women's productive e role and her contribution in the national economy. The sixth five year plan concentrated on health education and employment. In the seventh five year plan priority was given for women status, awareness of their rights, employment etc. The ninth five year plan main objective is women empowerment and 2001 announced as women empowerment year. There is lot of gender inequality which has been a major issue in so many national and international conferences. Our constitution presented with so many fundamental rights to women. Separate commissions for women have been established national wide and state wide for the well being of women. Government reserved 1/3rd of panchayats seats for the betterment of women economically, socially and politically. There are separate schemes like Rashtriya Mahila Kosh, Indira Mahila Yojana, Mahila Samridhi Yojana etc. for their development.

FINANCIAL INCLUSION
Financial inclusion is all about providing banking services to underprivileged segment and low income people with reasonable cost. In a competent society public goods and services are for all. Hence banking services too should be for all the people without any bias. It is the duty of regulating authority to see the banking services should be offered to all people. So Reserve Bank of India is giving importance to finance inclusion. At present in India it is confined to only savings account but world wide financial inclusion have a vast scope.

Having a current account / savings account on its own, is not regarded as an accurate indicator of financial inclusion. There could be multiple levels of financial inclusion and exclusion. At one extreme, it is possible to identify the 'super-included', i.e., those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. In between are those who use the banking services only for deposits and withdrawals of money. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

OBJECTIVES OF THE STUDY
- To know the relation between education and women empowerment.
- To study the level of decision making among working women and non-working women.
- To know the level of financial inclusion and women empowerment.
- To know the level of freedom of women on the financial resources of the family.

METHODOLOGY OF THE STUDY
This research is embodied with both primary and secondary data. As far as secondary data is concerned they were sought from various books, journals, magazines, news papers, periodicals, unpublished sources, internet etc. The study also embodied a sizeable primary data, which was collected by way of canvassing a questionnaire amongst selected sample of respondents through personal interviews. The data was collected in Rajahmundry city of East Godavari District in Andhra Pradesh. The selection criterion is based upon the data availability, convenience to access and the level of participation.

The respondents were interviewed in person and were asked to respond to the questionnaire. The field survey for primary data collection was conducted through questionnaire from the sample respondents. Besides field survey for primary data, literature surveys were also conducted simultaneously along with field surveys and there by sought required secondary data. For the present study a total sample size of 300 was taken in which, 150 respondents were covered from working women and 150 respondents covered from non-working women. The area of the study is Rajahmundry city of East Godavri District, Andhra Pradesh and the universe of the study is women. The unit of analysis is working and non-working women. The sampling procedure used for selecting the respondents is systematic random sampling. The selection criteria is the both working and non-working women from the same socio-economic status.

HYPOTHESIS OF THE STUDY

Ho_1: There is a relation between education and women empowerment.
Ho_2: There is relation between earnings of the women and the decision making power.
Ho_3: The non-working women also have the freedom on financial resources of the family.
Ho_4: The financial inclusion empowers the women.

REVIEW OF LITERATURE

Dr. Shankar Chatteriee reveals that due to participation of women in domestic activities, the family is benefited. The women members are not only carrying out household works but they are taking care of their children, old in-laws, parents and others. Many a times, it was reported that husbands in the morning go out for the works and evening they come in the house after taking local made drinks, folly boozed. After coming house, many start beating to their wives and children. Even few women committed suicide also. However situation improved to a great extent after intervention of an organization i.e. Social Mobilization Experimentation and Learning Centre, popularly known as SMELC. It established a Bank and named Mahila Bank. This is benefited to poor and women. Once women are economically empowered, they can stand in their own way.

According to Parul Gaur education alone is a weak attribute unless it is linked with employment. The educated women who are employed are significantly higher with respect of social awareness, independence and decision making as compared to those educated women who are not employed. He defined working woman – A woman who is paid by working outside, and non-working woman – A woman who does not get paid for her work.

Empowerment is an all-around and profound thought where women will have majority share in all possessions. The resources include men, material, information, knowledge, ideas intellectuals and money. Possession of money will give the power in decision making in all aspects. *"Empowerment means moving from a position of enforced powerlessness to one of power"*.

Microfinance in India has emerged as a powerful tool for financial inclusion. The 'SHG – Bank Linkage' programme plays a predominant role in the financial inclusion of poor. The programme is coming up well and being implemented widely across the country. But there is a need to strengthen the SHG-Bank Linkage Programme to fully mainstream it with the commercial banking system. The programme is scaling up at a rapid pace in South India, while the progress in other regions is slow.

INDIAN SCENARIO

The banking model was changed from class to mass banking after bank nationalization. In order to reach under privileged population regional rural banks were set upped. The commercial banks branches were increased abnormally between 1969 and 2010 from 8321 to more than 68, 282. At the same time still there are under bank states in the country like Chattisgar, Rajasthan, Orissa, Bihar and so on. The Reserve Bank of India made a policy to encourage banks to establish branches in the states where there are under banks. RBI has set up a target to measure the reach of their financial services by comparing the deposit accounts against the adult population. The ratio of deposit accounts as on March 31, 2004 to the total adult population was only 59%. If we observe the percentages of different states there are lot of variations. Kerala state stood first with 89 percent, Delhi has 84 percent, Bihar has 33 percent, Manipur 21 percent, and Nagaland has 27 percent. When we compare the financial services of India with the developed world it is not upto the mark.

MEASURES TO IMPROVE FINANCIAL INCLUSION

There are so many proposals to develop and offer banking services to under privileged peopled till 1980s. Some of the initiatives are increase in bank branches, more concentration on credit than other services like insurance and savings. Even though it is not profitable, the priority was given in lending money to agriculture and weaker population. Government initiated subsidies through cooperative societies and banks. Reserve Bank of India had taken positive measures to increase the financial inclusion. It facilitated people with basic banking with minimum balances and charges. All banks are asked to promote no frills accounts to improve financial inclusion.

GOVERNMENT'S MEASURES TO EMPOWER WOMEN

Lack of education and poverty are observed as significant factors for the powerlessness of women. Government has considered these factors and took so many measures to eliminate poverty and to offer education.

- Under Sampoorna Gramin Rozgar Yojana it is stipulated that 30 per cent of the employment opportunities should be reserved for women.
- House Under Indira Awas Yojana are to be allotted in the name of women members of the households or alternatively in the joint names of wife and husband.
- 50 per cent of Self Helping Groups in each block should be exclusively reserved for women. Women are encouraged to thrift and credit to make them self reliant.
- Up to 10 per cent of the allocated funds can be utilized for construction and maintenance of public latrines for women under restricted Central Rural Sanitation Programme.
- Under Accelerated Rural Water Supply programme training is being offered to women in using and maintenance of hand pumps. They are actively involved in the selection of sites for hand pump and other source.

WOMEN EDUCATION FREE COACHING

Education found to be the dominant tool to eliminate disparity and to bring change in the lives. Government has taken so many supporting measures to offer education especially to women. It is providing books, uniforms, by-cycles etc. at free of cost. There are many provisions to educate girls and women from marginalized below poverty line. Government started two free coaching centers for women to materialize exams of IAS and IPS. Banking industry is developed in all ways by improving its profits, competency, competitiveness, financial viability and so on to all classes of population. *"The reasons may vary from country to country and hence the strategy could also vary but all out efforts are being made as financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged."*

TABLE-1: SHOWS THE EDUCATION LEVEL OF WORKING AND NON-WORKING WOMEN

Particulars	Non-working women	Working women
Un educated	30 (20)	0
Primary Education	70 (35)	20 (13.33)
SSC	10 (6.66)	20 (13.33)
Intermediate	10 (6.66)	10 (13.33)
Graduation	30 (20)	10 (6.66)
Post Graduation	0	50 (33.33)
Others	0	40 (26.66)
Total	150 (100)	15 (100)

Source: Survey report

Numbers in the parentheses are percentages

Table-1 reveals the educational level of working and non-working women. Among the non-working women 35 per cent have Primary Education, 20 per cent are uneducated and 20 per cent have graduation. Where as in working women 33.33 per cent have Post Graduation and 26.66 per cent are Doctorates. It shows that educated women have employment.

TABLE-2: SHOWS THE WORKING WOMEN INDEPENDENCE ON THEIR SALARY

Particulars	No	Yes
Respondent is having independence on her salary	140 (93.34)	10 (6.66)

Source: Survey report

Numbers in the parentheses are percentages

Table-2 shows the particulars of working women independence on their salary. 93.34 per cent of respondents don’t have independence on their salary. Whereas 6.66 per cent of working women have independence on their salary also.

TABLE-3: SHOWS THE NON-WORKING WOMEN INDEPENDENCE ON THE FAMILY INCOME

Particulars	Yes	No
Respondent is having independence on the family income	40 (26.66)	110 (73.34)

Source: Survey report

Numbers in the parentheses are percentages

Table-3 reveals the independence of non-working women on the family income. Among non-working women 73.34 per cent of respondents didn’t have independence on their family income. The personal interview of the author reveals that most of their husbands have second family, boozing, etc, and they live for their self, and they even don’t treat them as human beings.

Ho_2: There is relation between earnings of the women and the decision making power.

TABLE-4: SHOWS THE DECISION LEVEL OF WORKING AND NON-WORKING WOMEN

Type of activity	Major		Equal		Minor		Nil	
	Emp	Unempl	Emp	Unempl	Emp	Unempl	Emp	Unemp
Minor Purchase	20 (13.3)	10 (6.6)	120 (80)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Major Purchase	20 (13.3)	10 (6.6)	120 (80)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Entertainment	20(13.3)	10 (6.6)	120 (80)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Social Ceremonies	30 (20)	10 (6.6)	110 (73.3)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Savings	20 (13.3)	10 (6.6)	110 (73.3)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Children’s Edu. & Marriage	30 (20)	10 (6.6)	110 (73.3)	60 (40)	10 (6.6)	30 (20)	10 (6.6)	50 (33.3)
Medical Consultation	30 (20)	10 (6.6)	110 (73.3)	60 (40)	10 (6.6)	30 (20)	0	50 (33.3)
Family Planning	20 (13.3)	10 (6.6)	110 (73.3)	60 (40)	20 (13.3)	30 (20)	0	50 (33.3)
Chi-square value	2.220*		0.562*		4.813*		59.792*	

Source: Survey report

Numbers in the parentheses are percentages

Table-4 reveals the decision level of working and non-working women. Among the working women 80 per cent to 73.33 per cent have equal decision making power. Whereas among the non-working women only 40 per cent have equal decision power and 33.33 per cent have **nil** decision power**.** It shows the importance of financial inclusion and its impact on the women empowerment.

The calculated chi-square values for major, equal, minor and nil decision inclusion of working and non working women respondents are 2.220, .562, 4.813 and 59.792 respectively. Out of the total respondents most of the working women have participation in family decision. The values are significant at 0.01 levels. **Hence the hypothesis is accepted in urban and tribal areas and rejected in rural area.**

TABLE-5: SHOWS THE BANK ACCOUNTS PARTICULARS OF WORKING AND NON-WORKING WOMEN

Particulars	Yes		No	
	Emp.	Unemp.	Emp.	Unemp.
Do you have bank account	140 (93.34)	70 (46.67)	10 (6.66)	80 (53.33)

Source: Survey report

Numbers in the parentheses are percentages

Table-5 shows the bank accounts particulars of working and non-working women. Among the working women 93.34 per cent have bank accounts and among non-working women 53.33 per cent didn’t have bank accounts. Some of the non-working respondents asked that, what the purpose of having a bank account? And some told that my husband didn’t opened, till today no need of bank account etc.

TABLE-6: SHOWS THE PARTICULARS OF BANK LOANS OF WORKING AND NON-WORKING WOMEN

Particulars	Yes		No	
	Emp.	Unemp.	Emp.	Unemp.
Do you had any bank loan for self employment	50 (33.33)	70 (46.67)	100 (66.67)	80 (53.33)

Source: Survey report

Numbers in the parentheses are percentages

Table-6 shows the particulars of bank loans of working and non-working women. Among the working women 33.33 per cent have bank loan for further education. Whereas the non-working women had bank loans for self employment i.e. to purchase sewing machines, grinders, buffalos etc. The non-working women feel that if they should earn to get equal importance in the family. Some others self employed as the husband is not working hence they became the bread winner.

TABLE-7: SHOWS THE MEMBERSHIP PARTICULARS OF SELF HELPING GROUP OF WORKING AND NON-WORKING WOMEN

Particulars	Yes		No	
	Emp.	Unemp.	Emp.	Unemp.
Are you a member of Self Helping Group	70 (46.67)	50 (33.33)	80 (53.33)	100 (66.67)

Source: Survey report

Numbers in the parentheses are percentages

Table-7 shows the membership particulars of Self Helping Group of working and non-working women. Among working women 46.67 per cent have membership in Self Helping Groups. These respondents have membership before they were employed, some of them are continuing and some of them quitted from the group. Whereas among non-working women 33.33 per cent have membership in Self Helping Groups and the remaining 66.67 per cent didn't have the knowledge of Self Helping Groups.

TABLE-8 (a): SHOWS THE WORKING WOMEN PRIORITY FOR HAVING MEMBERSHIP IN SELF HELPING GROUP

Rank	Financial Support	Purchasing Power	Low interest	Income generation
1	20 (13.33)	0	30 (20)	20 (13.33)
2	50 (33.33)	0	10 (6.66)	10 (6.66)
3	0	30 (20)	20 (13.33)	20 (13.33)
4	0	40 (26.66)	10 (6.66)	20 (13.33)
Correlation values	0.601	0.939	-0.674	0.258

Source: Survey report

Numbers in the parentheses are percentages

Table-8(a) shows the reasons for having membership in Self Helping Group. Among the working women 20 per cent gave priority to low interest, 13.33 per cent for financial support and 13.33 per cent for income generation.

The generated correlation values for the above four factors for which the working women had membership in the Self Helping groups are .601, .939, -0.674 and 0.258 respectively. Majority of the respondents had membership due to low rate of interest. According the correlation values the **hypothesis is accepted as the respondents ranked first for the factor low interest, income generation and so on.**

TABLE-8 (b): SHOWS THE NON-WORKING WOMEN PRIORITY FOR HAVING MEMBERSHIP IN SELF HELPING GROUP

Rank	Financial Support	Purchasing Power	Low interest	Income generation
1	20 (13.3)	0	30 (20)	0
2	30 (20)	0	20 (13.3)	0
3	0	30 (20)	0	20 (13.3)
4	0	20 (13.3)	0	30 (20)
Correlation values	0.77	0.8	0.94	0.9

Source: Survey report

Numbers in the parentheses are percentages

Table-8(b) shows the reasons for having membership in Self Helping Group. Among the non- working women 20 per cent gave priority to low interest and 13.33 per cent for financial support.

The generated correlation values for the above four factors for which the non-working women had membership in the Self Helping groups are .77, .80, .94 and 0.90 respectively. Majority of the respondents had membership to have financial support. According the correlation values the **hypothesis is accepted as the respondents ranked as financial support, purchasing power, income generation and low interest.**

TABLE-9: OPINION OF WORKING AND NON-WORKING WOMEN ON FINANCIAL INCLUSION AND WOMEN EMPOWERMENT

Particulars	Emp.	Unemp.
Strongly Agree	110 (73.34)	95 (63.34)
Agree	18 (12)	10(6.67)
Neither Agree nor Disagree	10 (6.67)	20 (13.34)
Disagree	8 (5.34)	15 (10)
Strongly Disagree	4 (2.67)	10 (6.67)

Source: Survey report

Numbers in the parentheses are percentages

Table-9 reveals the opinion of working and non working women on a given statement i.e. financial inclusion empowers the women. Among the working women cent per cent strongly agreed with the statement and 66.67 per cent of non-working women strongly agreed and 13.33 agreed with the statement. Hence it is evident that women were feeling the essence of financial inclusion in empowerment.

GROUP STATISTICS OF TABLE – 9 (a)

	Source	N	Mean	Std. Deviation	Std. Error Mean
Employability	1	5	30.0	45.011	20.130
	2	5	30.0	38.572	16.355

Table-9 (a) explains the mean differences of between the working and non-working women opinion. The mean score of working women is 30.0 and the standard deviation is 45.011. The mean and standard deviations of non working women are 30.0 and 38.572. The standard error means are 20.130 and 16.355.

INDEPENDENT SAMPLE TEST OF TABLE - 9

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df.	Sig. (2 tailed)	Mean Diff.	Std. Error Diff.	95 % Confidence Interval of the Diff.	
									Lower	Upper
Employability	Equal variances assumed	.145	.713	.000	8	1.000	.00	25.936	-59.81	59.81
	Equal variances not assumed			.000	7.68	1.000	.00	25.936	-60.25	60.25

The generated t-value is .000 and significant at the 0.05 level because there is no significant difference in the mean scores of working and non working women and both the respondents opined that employability will empower the women.

FINDINGS

- Among the non-working women 35 per cent have Primary Education. Where as in working women 33.33 per cent have Post Graduation and 26.66 per cent are Doctorates. It shows that educated women have employment.
- 93.34 per cent of working women have independence on their salary
- Among non-working women 73.34 per cent of respondents didn't have independence on their family income. The personal interview of the author reveals that most of their husbands have second family, boozing, etc, and they live for their self, and they even don't treat them as human beings.
- Among the working women 80 per cent to 73.33 per cent have equal decision making power. Whereas among the non-working women only 40 per cent have equal decision power and 33.33 per cent have **nil** decision power**.** It shows the importance of financial inclusion and its impact on the women empowerment.
- Among the working women 93.34 per cent have bank accounts and among non-working women 53.33 per cent didn't have bank accounts. Some of the non-working respondents asked that, what the purpose of having a bank account? And some told that my husband didn't opened, till today no need of bank account etc.
- Among the working women 33.33 per cent have bank loan for further education. Whereas the non-working women had bank loans for self employment i.e. to purchase sewing machines, grinders, buffalos etc. The non-working women feel that if they should earn to get equal importance in the family. Some others self employed as the husband is not working hence they became the bread winner.
- Among the working women 20 per cent gave priority to low interest, 13.33 per cent for financial support and 13.33 per cent for income generation and among the non- working women 20 per cent gave priority to low interest and 13.33 per cent for financial support.
- Cent per cent of working women and 66.67 per cent of non-working women strongly feel that the financial inclusion empowers the women. Even the remaining per cent of non-working also feel the same but at a lower extent when compared.

SUGGESTIONS

- Education to women is the most powerful instrument of changing their position in the society.
- All the women should be informed regarding the Self Helping Groups.
- All the educated women should try for the employment.
- All women should inform regarding the banking services and the benefits.

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A STUDY ON UNDERSTANDING THE LEVELS OF JOB SATISFACTION, JOB MOTIVATION, ORGANIZATIONAL COMMITMENT, PERCEIVED ORGANIZATION SUPPORT AMONG FRESHER'S AND EXPERIENCED ACADEMICIANS

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ABSTRACT
In recent years we see there is a tremendous change in the academic field and in the past decade there is a boom / upsurge in this field. As a result there are a lot of professional degree colleges which has flourished and established, thus giving a wide opportunity of employment and in itself had become a strong industry. In this spectrum, it becomes necessary to understand the workforce as it would enhance in attending to their development. One of the main dimensions to be analyzed which will help the education industry is in reducing the gap in the performance by both the experienced and fresh academicians. This study focuses on understanding the differences in the levels of job satisfaction, job motivation, organizational commitment, perceived organization support, among Fresher's and experienced academicians. Thus the knowledge might help us to facilitate both these groups. To examine this, a simple survey method was conducted with a sample of 60 academicians (30= experienced academicians and 30=fresh academicians) the sample was randomly selected in one of the leading professional college. With the consent of the participant the questionnaire measuring job satisfaction, job motivation, organizational commitment, perceived organization support, was administered. The data thus collected was analyzed using independent sample t-test (Independent variable=years of experience, Dependent variable= job satisfaction, job motivation, organizational commitment, perceived organization support). The result obtained was further discussed and presented in detail.

KEYWORDS
Experience of academician, Job satisfaction & motivation, Organizational commitment, Perceived organization support.

INTRODUCTION
In recent years we see there is a dramatic change in the academic field of Indian system. The designation and pay structure has shown marked revision in them. Number of private universities and colleges has been flourished, which offer professional degrees at both undergraduate and post graduate levels, thus in the past decade there is a boom / upsurge in this field, thus giving a wide opportunity of employment and in itself had become a strong industry. Though the rise in the number of such universities or institution has created lot of job opportunities, it has also led to competitiveness, change in the work environment; change in people's value, e.t.c., there is drastic change in the profile of people joining in this field.

It is interesting to notice that there is a clean mixture of young fresh academicians and experienced academicians. It has its advantages and disadvantages, we can see that bright young individuals who join the organizations are taking major responsibilities and are innovating new practices, and the experienced individuals add more substance to the field and impart loyalty to the institution they work. But we do sense there are some crises, like experienced show more resistance to radical thinking and fresh academicians show more interest in self growth thus leading to high mobility. (Sushama Khanna, 2011)

In this juncture it becomes important that we understand the workforce of strong education industry of India as India prides on its education system. But off lately, we see that this industry workforce has not been understood well leading to some crucial crisis for the country, which is, producing lot of graduates who are not competent and do not fulfill the requirement of their work roles(Sushama Khanna, 2011). So this study is focusing on understanding the work force of the education industry, the academicians. The researchers are more interested to know the job motivation levels, job satisfaction levels, perceived organization support and organizational commitment of the fresh and experienced academicians.

DEFINITIONS AND DESCRIPTIONS
Job satisfaction is conscious or even unconscious pleasant and affirmative emotive evaluation by employee evoked by the individual's job experiences. Job satisfaction covers several facets pertaining to the job which includes nature of work, meaningfulness of job tasks, job characteristics, promotion, pay raise and job itself (Sushama Khanna 2011). This positive and negative feelings and attitudes about one's job is said to be playing a major role in influencing turnover intentions of the employees. It is a positive feeling about a job resulting from an evaluation of its characteristics Indian employees are, on average satisfied with their jobs overall, & with teamwork between co-workers, however they tend to be less satisfied with their compensation & benefits with their incentive pay (Robbins, Judge, Vohra 2011).

Job motivation elements present in the job that when present energizes, directs and sustains performs on the given job in an employee. The motivation is how hard the employees tries, channels in a direction that benefits the organization and how long a person can maintain efforts. A job will be motivating for an employee if it leads to rewards and the link between the effort and reward is clear. The motivating potential of the job can be increased by improving skill variety, task identity, task significance, autonomy and feedback (Sushama Khanna 2011).

Perceived organizational support refers to employees' perceived impression and beliefs towards the degree to which organizations appreciate and regard employees' input and involvement in the organization and show concern about employees' welfare. Some of the characteristics of perceived organizational support include encouraging and helpful leaders and conducive and facilitative organizational surroundings (Robbins, Judge, and Vohra 2011).

Organizational commitment refers to the workers feelings and attitudes about the entire work organization. Commitment related behaviors. It is the efforts by organizational members that advance or promote the work organization, its image and its goals. Mowday, Porter, and Steer (1982) see commitment as attachment and loyalty. These authors describe three components of commitment:

• An identification with the goals and values of the organization;
• A desire to belong to the organization; and
• A willingness to display effort on behalf of the organization.

LITERATURE REVIEW

There are numerous studies which identify the relationship between job satisfaction, job motivation, organizational commitment and perceived organizational support among various professionals.

In a study done by Berns (1989) found that as the age of teacher increased, so did his/her job satisfaction level. Another study done by Grady (1985) found that as the number of years of teaching experience increased, overall job satisfaction increased as well. Nestor and Leary (2000) did find that as one's years of experience increased as an extension faculty member, his/her intrinsic and overall job satisfaction increased as well. To the contrary, in a study of agricultural education teachers in Ohio, Cano and Miller (1992) found that the teachers' age, years in current position, total years teaching and degree status were not significantly related to overall job satisfaction. In another study it was found that the longer a teacher remained in the profession the less is his/her overall job satisfaction level was affected (Castillo & Cano, 1999). Griffin (1984) and Andrews (1990) both these researchers also found that there is no relationship between job satisfaction and the years of experience.

In a study done by GuSeo, Jean and Lisa (2010) showed that there is a significant correlation of job experience and satisfaction with organizational commitment. In another study done by Andre Bishay (1996), found that job satisfaction and motivation correlated significantly with responsibility levels, gender, subject, age, years of teaching experience and activity. Based upon these findings it appeared that gratification of higher order needs is mostly important for job satisfaction.

In a research conducted by Tella, Ayeni, Popoola (2007), found that among library personnel there is correlation existing between perceived motivation, job satisfaction and commitment. The same study also revealed that there is no relationship exists in organizational commitment of library personnel based on their years of experience.

All the above research studies and their findings reveal that there is a relationship between job satisfaction, job motivation, perceived organizational support, organizational commitment and years of experience, gender, nature of occupation etc. In this research study, the investigators are inquisitive about the difference in the levels of experience and how it might affect the job satisfaction, job motivation, perceived organizational support and organizational commitment among the academicians. As this particular segment of employees are not well investigated in Indian context and understanding this segment of employees of education industry might prove to be a strong compliment to the industry growth and development thus can produce quality personnel(students).

HYPOTHESES

Hence, the hypotheses for this study are:

1. Job satisfaction will be significantly higher among experienced academicians compared to fresh Academicians.
2. Job motivation will be significantly higher among experienced academicians compared to fresh Academicians.
3. Experienced academicians will significantly show higher organizational commitment compared to fresh academicians.
4. Experienced academicians will significantly perceive higher organizational support compared to fresh academicians.

METHODOLOGY

1. STUDY DESIGN

A single survey design was employed with the aim to investigate the levels of job satisfaction, job motivation, perceived organizational support and organisational commitment among fresh and experienced academicians.

2. PARTICIPANTS

A total of 60 full-time academicians out of which made up of 30 Fresh academicians and 30 experienced academicians participated in the research. The age range of the participants was from 22 to 67years. Criteria for research participation include Post graduation professional degree, full-time employment status and age ranging from 21-70 years old.

3. MEASUREMENT INSTRUMENTS

The questionnaire consisted of Demographic Information on Age Gender, Years of experience, working hours and physical health. A 4-item Job Motivation Scale with 7- point scale with minimum score of 4 and maximum score of 28, a -3 item Job Satisfaction Survey with 7- point scale with minimum score of 3 and maximum score of 15 measures the employee job satisfaction at global facet , a -8 item Survey of Perceived Organizational Support with 7- point scale with minimum score of 8 and maximum score of 56 and a – 6 item Organisational Commitment with 7- point scale with minimum score of 6 and maximum score of 42. All these questionnaires are widely used for research purpose.

4. PROCEDURE

Participants in the present research were approached and they were asked for their consent to take part in the research voluntarily prior to the administration of the questionnaires. Once consents were obtained, the participants were required to complete the demographic sheet, , Job Satisfaction Survey, Job Motivation, Survey of Perceived Organizational Support and Organisation Commitment. The questionnaires were completed by the participants, either on-the-spot during the distribution of questionnaire or were completed at home. All questions in the questionnaires were written and administered in English, coupled with instructions at the top page of every scale in the questionnaires.

RESULTS

An independent sample t test was used to investigate the levels of job satisfaction, job motivation, perceived organizational support and organizational commitment among fresh academicians and experienced academicians. The descriptive analysis of Job satisfaction among the two groups of academicians indicated that there is no significant difference among the fresh academicians and the experienced academicians (t (60) = -.240). Thus the first hypothesis "Job satisfaction will be significantly higher among experienced academicians compared to fresh Academicians." was not supported (see Table 1).

TABLE 1: DESCRIPTIVE STATISTICS FOR JOB SATISFACTION AMONG FRESH AND EXPERIENCED ACADEMICIANS

	YEARS OF EXP	MEAN	SD	t
Job Satisfaction	Fresher (n=30)	13.20	1.864	- .240
	Experience (n=30)	13.33	2.412	

The descriptive analysis of Job Motivation among the two groups of academicians indicated that there is significant difference among the fresh academicians and the experienced academicians (t (60) = -2.791, p<0.01). Thus the second hypothesis "Job motivation will be significantly higher among experienced academicians compared to fresh Academicians." was supported (see Table 2).

TABLE 2: DESCRIPTIVE STATISTICS FOR JOB MOTIVATION AMONG FRESH AND EXPERIENCED ACADEMICIANS

	YEARS OF EXP	MEAN	SD	t
Job Motivation	Fresher (n=30)	22.73	3.759	- 2.791**
	Experience (n=30)	25.00	2.378	

Note
**p < .01

The descriptive analysis of organizational commitment among the two groups of academicians indicated that there is significant difference among the fresh academicians and the experienced academicians (t (60) = -2.413, p<0.05). Thus the third hypothesis "Experienced academicians will significantly show higher organizational commitment compared to fresh academicians" was supported (see Table 3).

TABLE 3: DESCRIPTIVE STATISTICS FOR ORGANIZATIONAL COMMITMENT AMONG FRESH AND EXPERIENCED ACADEMICIANS

	YEARS OF EXP	MEAN	SD	t
Organizational Commitment	Fresher (n=30)	29.83	7.135	- 2.413*
	Experience (n=30)	34.30	7.202	

Note

*p < .05

The descriptive analysis of Perceived organizational support among the two groups of academicians indicated that there is no significant difference among the fresh academicians and the experienced academicians (t (60) = 1.353). Thus the fourth hypothesis "Experienced academicians will significantly perceive higher organizational support compared to fresh academicians" was not supported (see Table 4).

TABLE 4: DESCRIPTIVE STATISTICS FOR PERCEIVED ORGANIZATIONAL SUPPORT AMONG FRESH AND EXPERIENCED ACADEMICIANS

	YEARS OF EXP	MEAN	SD	t
Perceived Organizational support	Fresher (n=30)	29.83	7.135	- 2.413*
	Experience (n=30)	34.30	7.202	

DISCUSSION

The results of this study reveal that there is no significant difference in the levels of job satisfaction and perceived organizational support among experienced academicians compared to fresh academicians. The study also found that there is significant difference in the levels of job motivation and organizational commitment among experienced academicians and fresh academicians, meaning experienced academicians show more work motivation and commitment towards organization compared to fresh academicians.

The study results supports the earlier studies done by GuSeo, Jean and Lisa (2010) and Andre Bishay (1996), where it shows that work motivation and organizational commitment is significantly correlated with years of experience. This is an important finding which throws light in to the attitudes of the work force. Recent developments shows that young fresh employees are more concerned towards self growth and there is a high mobility in that population as they are looking out for environment where they can grow in their career, monetary and fringe benefits faster, thus the result reflects that they are significantly low on their organization commitment than experienced workforce, who might aspire more for stability in their career and establish in to the organization, can be a accepted reason. Availability of more opportunities due to the flourishing education industry also triggers the low level of organizational commitment as a side effect among fresh academicians.

We also can deduce from the result, work motivation to be higher in experienced Academicians as compared to fresh academicians may be due to the reason that the latter is still trying to understand the full purpose and meaning of the job itself and motivated towards understanding it. Thus, experienced academicians know clearly about the subject, student attitude and behavior may be more motivated as the job is less ambiguous.

As far as, job satisfaction and perceived organizational support is concerned there is no significant difference among fresh and experienced academicians thus the findings of the study can be supported by the findings of the earlier studies done by Ohio, Cano and Miller (1992), Castello and Cano(1999) Andrews (1990) and Griffin (1984).

This research study has a few strengths in it; mainly it focuses on the work force of a strong, fast growing industry of the country, education industry. It is important as it will help to shape up the industry, thus it can cater to the needs of the work force in a right sense and produce qualifiable, recruitable individuals. Another important strength is that the study is focusing on the different level of experience, commonly we see in research, comparing the job motivation or satisfaction at gender difference level but very few studies are done to compare fresh candidates with experienced candidates. But this study also has few limitations like the scales used could be more elaborate like instead of global satisfaction, job satisfaction could have been measured at different facet s, which could have yielded better result. The sample size could be increased. In future gender comparisons, comparisons among private and public universities could also be done.

In Conclusion, the employers should focus on better orientation programs for fresh academicians, make them participate in decision making along with experienced academicians as a team so as to ascertain that they understand and imbibe the organization vision and mission thus to increase their organizational commitment and job motivation.

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IMPACT OF FII's INVESTMENT ON THE INDIAN CAPITAL MARKET

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ABSTRACT
The Indian economy has witnessed paradigm shift post liberalization, since 1991. Opening of many sectors necessitated policy measures to encourage the foreign institutional investment (FII) in India. FIIs have been allowed to invest in all securities traded on the primary and secondary markets, including shares, debentures and warrants issued by companies which were listed or were to be listed on the Stock Exchanges in India. The number of FIIs registered with SEBI was 3 in 1992-93 and since then it has increased to 1713 in 2009-2010. The FIIs have been playing a significant role in the Indian capital market in capital formation and economic development of the country. The present work is an attempt to assess how the FIIs have contributed to the Indian capital market since 1993. S&P CNX NIFTY has been taken as a proxy for the Indian capital market. Data of FII investment was obtained from the website of SEBI and annual report of RBI. Further data was also obtained from the website of NSE. On the basis of empirical work carried out for a period 1991-93 to 2010-11 the study tries to find the correlation between net FII flows and NIFTY. The study also tries to assess the impact of FIIs investment on the market capitalization and on the basis of empirical data. In order to test the hypothesis -correlation, OLS regression technique and independent sample t-Test is carried out. The study concludes that FIIs are aiding in the promotion of Indian Capital market the market become more efficient with the growing presence of institutional investors. Further, the study also traces upon the regulatory measures adopted to smoothen the flow of investment by FIIs in India.

KEYWORDS
Foreign Institutional Investors, FII, Indian Capital market, NIFTY Index.

INTRODUCTION
Foreign Institutional Investors (FIIs) have been playing key role in the Indian Capital Market since their allowance to participate in the Indian capital market as part of India's liberalization policies. In these context necessary guidelines for investment was announced on Sep. 14, 1992. This allowed FIIs to trade in all securities after obtaining SEBI registration. The number of FIIs registered with SEBI was 3 in 1992-93 and since then it has increased to 1713 in 2009-2010. Foreign institutional investors are permitted to invest in the primary market and secondary capital markets in India by a way of Portfolio Investment Scheme (PIS) under which FIIs can acquire shares/debentures of Indian companies through the stock exchanges of India. The overall investment ceiling for FIIs is 24 percent of the paid capital of the Indian company. This limit is set as 20 percent of the paid up capital in case of public sector banks, including the State Bank of India. However, this ceiling of 24 percent can be raised up to sectorial cap/statutory ceiling, provided approval of the board is obtained and the general body of the company passes a special resolution to the effect.
The present study is an endeavor to find out the role of FIIs in the Indian capital market and to assess the relationship between Net FIIs investment and SENSEX. The Researcher has also tried to assess the impact of FIIs investment on the market capitalization. The study also traces upon the regulatory measures adopted to smoothen the flow of investment by FIIs in India.

REVIEW OF LITERATURE
Mishra P.K., Das K.B., and Pradhan B.B., (2009) in his paper entitled. " Role of FIIs in Indian Capital Market" examines the performance of the Indian capital market by empirically studying the impact of net equity investment by FIIs on stock returns. The author used monthly data on Sensex based stock return and net FII flows over a period of 17 years spanning from Jan 1993 to May 2009, provides the evidence of positive correlation between FII net flows into India and stock market return and author also found that the movements in the Indian capital market are fairly explained by the FII net inflows.
Prasanna, P.K, (2008) in his paper entitled ― "Foreign Institutional Investors: Investment Preferences in India" has examined the contribution of foreign institutional investment particularly among companies included in sensitivity index (Sensex) of Bombay Stock Exchange. In this study also examined the relationship between foreign institutional investment and firm specific characteristics in terms of ownership structure, financial performance and stock performance. It is observed that foreign investors invested more in companies with a higher volume of shares owned by the general public. The promoter's holdings and the foreign investments are inversely related. Foreign investors choose the companies where family shareholding of promoters is not substantial. Among the financial performance variables the share returns and earnings per share are significant factors influencing their investment decision.
Lin, A. and Chen,C.Y. (2006) in his paper entitled, ― "The Impact of Qualified Foreign Institutional Investors on Taiwan's Stock Market" has explored the relationship between qualified foreign institutional investors (QFIIs) and Taiwan's stock market and evaluates the effect of QFIIs' investment transactions on Taiwan's stock market. By taking the date of easing regulatory restrictions on foreigners' stock investment holdings as a cutoff point, the research uses the highest and lowest 10 stocks of QFII holdings in three industry sectors as sample portfolios to study the prior- and post event returns.
Soumyen,S. (2006) in his paper entitled, ― "Foreign Capital Inflow into India: Determinants and Management", held that the surge in inflows has not been matched by a corresponding growth in the absorptive capacity of the Indian economy. The major reason is the persistent slowdown of industrial activity since 1997. At the same time, the Reserve Bank of India (RBI) has been reluctant to let the rupee find its market-clearing level under the circumstances. This has resulted in steady accretion to our foreign exchange reserves (FER) over the last few years.
Ananthanarayanan, S. (2004) in his paper, ― "Foreign Institutional Investors and Security Returns: Evidence from Indian Stock Exchanges", held that as part of its initiative to liberalize its financial markets, India opened her doors to foreign institutional investors in September, 1992. This event represents a landmark event since it resulted in effectively globalizing its financial services industry. We study the impact of trading of Foreign Institutional Investors on the major stock indices of India. Our major findings are as follows. First, we find that unexpected flows have a greater impact than expected flows on stock indices. Second, we find strong evidence consistent with the base broadening hypothesis. Third, we do not detect any evidence regarding momentum or contrarian strategies being employed by foreign institutional investors. Fourth, our findings support the price pressure hypothesis. Finally, we do not find any substantiation to the claim that foreigners' destabilize the market.
Sivakumar, S. (2003) in his paper entitled, ―" FIIs: Bane or boon?" has analyzed the net flows of foreign institutional investment over the years, in his paper also discusses the nature of FII flows based on research, explores some determinants of FII flows and examines if the overall experience has been stabilizing or destabilizing for the Indian capital market.

Kumar, S.S.S., (2002) in his research paper — "Role of Institutional Investors in Indian Stock market" observed that the main reason behind the development of the stock market in India in the last 15 years has been the growing participation of Institutional Investors and the Indian Mutual funds combined together and the total assets under their management amounts to almost 18% of the entire market capitalization. This paper examines the role of these investors in Indian Stock market and finds the market movement with the help of using the direction of the funds flow from these investors. To study the role of FIIs regression test and Granger Causality test was carried out by the researcher. On the basis of regression results they concluded that the direction of the flow of funds from FIIs and the mutual funds lead to market rise or fall. On the basis of empirical work carried out the author concluded that the market become more efficient with the growing presence of institutional investors.

OBJECTIVE OF THE STUDY

1. To study the structure and functioning of FIIs since 1992-93 in the Indian capital market.
2. To study the role of Foreign Institutional Investor in the growth and development of Indian capital market since 1992-93.
3. To identify the shortcoming in the existing legal framework for FIIs investment in the Indian capital market to ward off volatility.
4. To examine the relationship between the FIIs equity investment pattern and Indian stock indices especially National stock exchange's CNX-Nifty index.

HYPOTHESIS

H0: There is no significant impact of FIIs in the promotion of Indian capital market.
H1: There is significant impact of FIIs in the promotion of Indian capital market.
H0: There is no significant impact of FIIs in the promotion of Indian Capital market.
H1: There is no significant impact of FIIs in the promotion of Indian Capital market. .
H0: There is no significant impact of FIIs investment on CNX-Nifty index
H1: There is significant impact of FIIs investment on CNX-Nifty index.

DATA SOURCES AND METHODOLOGY

To fulfill the present research objectives data of FII investment was obtained from the website of SEBI and annual report of RBI. Further data was also obtained from the website of National Stock exchange (NSE). Market capitalization data has also been obtained from the website of NSE, the reason for choosing the market capitalization indices is that, returns only incorporate the price changes, whereas market capitalization takes into consideration not only price data but volume of trading as well. In order to test the data empirically correlation, OLS regression technique and independent sample t-Test is carried out by the researcher.

RESULTS AND DISCUSSIONS

The present study is carried out to ascertain the role of FIIs in the Indian capital market. To fulfill this objective data were collected from the website of NSE and test was carried out to find if there is any impact of FIIS on the CNX-Nifty index. The table given below shows the net FIIs investment and the corresponding CNX-Nifty index value.

TABLE-1: NET FIIS INVESTMENT & CNX-NIFTY INDEX

Financial Year	NSE-CNX NIFTY	FII-Equity (INR Crore)
1992-93	840.99	13.4
1993-94	884.6	5126.5
1994-95	1202.87	4796.3
1995-96	965.26	6942
1996-97	1005.75	8545.6
1997-98	1087.34	5267
1998-99	956.62	-717.2
1999-00	1369.01	9669.5
2000-01	1336.49	10206.7
2001-02	1007.13	8072.2
2002-03	1036.1	2527.2
2003-04	1428.13	39959.7
2004-05	1805.26	44122.7
2005-06	2503.4	48800.5
2006-07	3572.44	25235.7
2007-08	4896.6	53403.8
2008-09	3731.03	-47706.2
2009-10	4627.76	110220.6
2010-11	5583.54	110120.8

Source: website of NSE & SEBI

To test the impact of FIIs in the promotion of the Indian Capital Market, trend analysis using multiple linear regression model fitted with the econometric technique of ordinary least square (OLS) of the type.

$Y = \alpha + \beta t + rtd$

Where α, β and r are constant and t = time. The above formulation is adopted on the ground that we are interested in growth and not in absolute change. In the equation mentioned above if β is found to be statistically significant, than one can accept the hypothesis that there is a significant impact of FIIS on the Indian Capital Market reject otherwise.

Thus by applying linear regressions on net FII investment and CNX-Nifty index value the following summary table has emerged

TABLE-2: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648a	.419	.386	1225.3908

a. Predictors: (Constant), Net FII Investment
b. Dependent Variable: CNX-Nifty index

It can be observed from the above table that all explanatory variables, taken together explain nearly 42 percent (R2 = 0.419) of the total variables in the capital market of India is established each year. This means that whatever changes have happened in the CNX-Nifty index for period under review the FII investment are responsible up to 42%. This implies that there are many other macro economic factors which have indirectly affected of CNX-Nifty index in India, but FII's investment is a major factor. Therefore, it may be inferred that according to the model made on the basis of linear regression, FII investment have affected the CNX-Nifty index value from the coefficients of the model as shown above. It can be observed from the table-3 that the value of t statistics is 2.399 which is significant at 5 percent level of significance which means that the null hypothesis is not accepted and the alternate hypothesis there is significant impact of FIIs on the CNX-Nifty index is accepted meaning thereby that FIIs are aiding in the promotion of Indian Capital market.

TABLE-3: COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1473.408	332.595		4.43	.001
Net FII Investment	.071	.007	.266	3.507	050

a. Dependent Variable: CNX-Nifty index

Further to find out the relationship between FIIs investment and the CNX-Nifty index Pearson Correlation test is carried out. From this it established that the correlation between Net FIIs investment and CNX-Nifty index is .266. This shows that there is a moderate positive relationship between Net FIIs investment and CNX-Nifty index. Hence there is a moderate impact of FIIs investment in the fluctuation of the CNX-Nifty index for period under study.

The present study is also dedicated to find out the relationship between FIIs investment and the market capitalization on the basis of the empirical work carried out the following table has emerged.

TABLE-4: CORRELATIONS BETWEEN FIIS & MARKET CAPITALIZATION

	NET_FII_INVEST	MARKET CAPITALISATION
NET_FII_INVEST Pearson Correlation	1	.666*
Sig. (2-tailed) N		.013
	13	13
MARKET_CAPITALISATION Pearson Correlation	.666*	1
	.013	
ON Sig. (2-tailed) N	13	13

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

From the above table it is observed that the correlation between market capitalization and the net FII investment is .666. This shows that there is a good relationship between these two variables and both are positively correlated. Thus it can be established on the basis of the above results that there is significant impact of FIIs investment in the promotion of the Indian capital market.

Finally to ascertain the difference between the Investment made by the FIIs in the debt and the equity segment independent sample t-Test is carried out on the basis of the empirical work the following table has emerged.

CONCLUSION

This paper examines the inter-linkages among stock market, market capitalization, and net FII investment by applying multiple linear regression model fitted with the econometric technique of ordinary least square, correlation and independent sample t- test to find out the significant difference between FIIs investment in the debt and the equity segment. The results indicate that there is there is significant impact of FIIs on the CNX-Nifty index, there is a moderate impact of FIIs investment in the fluctuation of the CNX-Nifty index for period under study and finally on the basis of the results obtained it can be ascertained that there is significant difference between the investment made in the debt and the equity by the FIIs. These findings suggest that the authorities can focus on domestic economic policies to promote the development of the capital market and ensure the safety of the investors.

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RETAIL BANKING: EFFECT OF FACTORS ON CUSTOMER SWITCHING BEHAVIOUR

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ABSTRACT
In order to have profitability and growth, it is very important for banks to retain customers. When customers close their accounts or move their main accounts from a bank to another one, they carry away with them the revenue generating potential of the bank. It therefore becomes important for retail banks to understand the effect of various factors on customer switching behavior. An understanding of the effect of various factors can help banks to devise strategies to reduce customer switching and retain their customers. This research studies the effect of core service failure, service encounter failure, pricing and inconvenience on customer switching behavior in the retail banking industry. The results of the study reveal that core service failure and inconvenience have a significant impact on customer switching while service encounter failure and pricing do not have a significant impact.

KEYWORDS
Customer switching behavior, retail banking.

INTRODUCTION
Service organizations are the major source of economic activity across the world. Along with the growth of the services sector, the consumption pattern of people has also undergone a lot of changes. The increased competition in the services sector has resulted in more choices and better value for consumers. Service quality or the product is no longer the only factor that customers look for while choosing a service provider. They are today more value-oriented and cautious and compare benefits that will accrue to them and costs that they will have to incur before making their purchase. This being the case, a very relevant question that needs to be asked is whether a customer would be so committed that he will continue to make all his purchases from one service provider when he has so many choices around him.

Given the fact that customers have many options to choose from, it is important for service providers to not only attract customers but also to retain them. It is true that companies can replace 'lost' customers with a new set of customers but the costs of acquisition are much higher than the cost of retention. Doing business with existing customers results in a lot of savings for a company. The companies can save on costs of advertising which they would otherwise have to spend to attract new customers; they can save on cost of setting up accounts for the newly acquired customers; they can save on costs of getting the new customers acquainted with the procedures of the company; they can also save on costs of inefficient dealings that may occur initially until the new customer fully learns the procedures of the company (Mittal and Lassar, 1998). Besides these savings, those customers who remain loyal to a company generate profits at an increasing rate each year they stay with a company as they usually spend more, would be willing to pay higher prices, would refer new clients and would be less costly for the companies to do business with (Reichheld and Sasser, 1990). When continuing customers stop purchasing from a company, they take along with them that very crucial profit generating potential of the company.

The financial services industry in India is one which has undergone a lot of changes over the past two decades. This industry has also seen the emergence of new technology in various applications. These changes have had a critical impact upon consumer behavior. With intense competition and increasing globalization of the financial markets, building customer loyalty and retaining customers has become a critical strategy for most financial institutions. Retail banking in India has fast emerged as one of the major drivers of the overall banking industry and has witnessed enormous growth in the recent past. The changes in the consumption pattern of customers which have resulted out of the explosion of service economy have propelled the retail banking business. However, the competitiveness of banking along with the relative homogeneity of banking products and services have made banking at risk to customer switching behavior (Beckett, Hewer and Howcraft, 2000; Chakravarty, Feinberg and Rhee, 2004) and this could have a serious negative impact on a bank's market share and profit.

REVIEW OF LITERATURE
Customer switching refers to a customer's decision to stop purchasing certain products or services from a company or to stop purchasing or shopping from the company completely (Bolton and Bronkhurst, 1995; Boote, 1998). Customer switching or churn is the opposite of customer loyalty and is also referred to as customer defection or customer exit (Hirschman, 1970; Stewart, 1994). Switching may be complete or partial, depending on whether the customer's decision results in total loss of the customer's business for the company or the loss of any portion of the customer's business. When customers transfer all their businesses to another firm or close their accounts with a firm, it results in total switching. Partial switching happens when a customer shifts some part of his purchase to another firm (Roos, Edvardsson and Gustafsson, 2004). Switching, whether total or partial, results in a reduction in the customer base of a bank.

SWITCHING BEHAVIOUR
Most early researches into switching focused on a few variables like service quality, satisfaction, service encounters, alternative attractiveness and social influences as antecedents of service switching (Bitner, 1990; Mittal and Lassar, 1998). The earliest efforts to build a generalisable model of customer switching behaviour in the service industry were undertaken by Susan Keaveney (1995). The study covered forty five different services and the researcher categorized the various problems identified into eight factors, of which six related to service problems and the remaining two to non-service problems. The decision to switch a service provider is most often not a clear cut and planned decision made by a customer as a consequence of a single critical incident. On the other hand, combinations of causal factors which customers encounter during multiple critical incidents interact over time to cause customer switching (Keaveney, 1995; Rust and Zahorik, 1996). Identifying and classifying the causal factors that influence a customer's final decision to switch is an important step in understanding the process of customer switching, although it will not completely explain the process of switching.

There have been many studies conducted in the various service sectors. The type of bond that exists between the service provider and the customer is different in different service sectors and so the effect of various factors on customer switching need not be the same. Retail banking is an industry where contractual and relational bonds exist between a customer and the retail bank and the existence of these bonds make the process of switching difficult and complex (Rust and Zahorik, 1996). Stewart (1998) identified bank charges and their implementation, bank facilities and their availability, information availability and confidentiality and treatment of customers by the bank as four switching incidents in the banking context. Levesque and McDougall (1996) identified mistakes on account, employee willingness to help and location of the bank as important factors that influence customers to switch from a bank. Ennew and Binks (1996) studied the impact of service quality and service characteristics on customer retention in small business and their banks in the UK. Colgate and Hedge (2001) studied the retail bank switching behavior of customers in Australia and New Zealand and identified pricing, service failures, and denied services as the major factors that influence bank switching behavior. Service failures, which were the second most influential factor in switching according to the study, comprised of service encounter failures, core service failures and inconvenience issues.

SERVICE ENCOUNTER FAILURES
Service encounter is a period of time during which a customer interacts directly with a service provider and is also called as "Moment of Truth". It has been defined by Suprenant and Solomon (1987) as "a dyadic interaction between a customer and service provider". During service encounter, customers and service personnel interact with each other and play out certain roles. The roles played out involve "interpersonal dynamics" between the customer and the service provider (Solomon, 1985). Service encounters failures are those failures that happen during the personal interactions between customers and employees of the service firm. It is attributed to some aspect of the service provider's behaviour or attitude (Keaveney, 1995).

CORE SERVICE FAILURES
When the service itself fails due to mistakes or technical problems, then such failures are core service failures and include mistakes, billing errors and service catastrophes (Keaveney, 1995). Core service failures are outcome failures and the customer may not be able to use the service when such failures occur. In such cases, the organization fails to deliver what was promised to the customer and such failures can result in the loss of economic or social resources for customers. In their attempt to recover the service failure, service providers may offer customers economic resources in the form of compensation like discount or social resources in the form of apology (Ennew and Schoefer, 2003).

PRICING
In the financial services industry, price has a wider implication than in several other service industries (Clemes, Gan and Zhang, 2010). Customers consider price while they make a purchase (Levesque and McDougall, 1996). The pricing factor includes all fees which are implemented, any charges that are involved and the interest rates charged and paid. Customers look at the fairness of price and any perception of unfavourable price can influence customers to switch banks (Campbell, 1999). Colgate and Hedge (2001) identified price as the most important factor that influenced bank customers to switch in Australia and New Zealand. In Keaveney's study (1995), the pricing factor included prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons and/or price promotions.

INCONVENIENCE
In this fast paced world, convenience is a very important factor which influences customer's evaluation about a company's product or service (Levesque & McDougall, 1996). In the case of customers who want face to face, personal delivery of their banking services, geographical inconvenience is a critical factor that influences their switching behavior (Gerrard & Cunningham, 2004). Convenience can encourage customers to remain with their current bank, even if they are not very satisfied with services of the bank (Lee & Cunningham, 2001). The inconvenience factor includes all situations in which the customer feels inconvenienced by the service provider's geographic location, operation hours and the waiting time (Keaveney, 1995).

SIGNIFICANCE OF STUDY
The increased competition of retail banking coupled with increasingly demanding consumers, has prompted Indian banks to recognize that the key to sustained profitability and growth is to build long-term relationship with customers and to reduce the risk of customers switching to competing banks. Having a thorough understanding of the factors which influence a customer's decision to switch can help avoid the harmful consequences of switching behavior. The effect of various factors on switching will help banks to understand how much of the switching are due to factors within the bank's influence and to what extent banks must invest in service initiatives to improve customer retention rates.

OBJECTIVES OF THE STUDY
From previous researches, the major factors that influence customers' bank switching behavior are service encounter failures, core service failures, inconvenience and pricing. Therefore, this study seeks to identify the effect of these factors on the switching behavior of customers in the retail banking industry in the Indian context.

- To study the influence of service encounter failure on customer switching behavior
- To study the influence of core service failure on customer switching behavior
- To study the influence of pricing on customer switching behavior
- To study the influence of inconvenience on customer switching behavior

HYPOTHESES
Customer switching happens when customers close their accounts with a bank or when customers move their principal account from one bank to another.

H1: Service Encounter Failure has a positive influence on customer switching behavior.

Service encounter failure includes all critical incidents related to the interaction between the service provider and customer and includes rude, inflexible, inaccessible and unprofessional behavior of service provider.

H2: Core Service Failure has a positive influence on customer switching behavior.

Core service failure includes all critical incidents due to mistakes or other technical problems with service and includes mistakes, corrections and service catastrophes as a result of which customer lost time or money.

H3: Pricing has a positive influence on customer switching behavior.

The pricing factor includes all items related to fees and charges, interest rates or information regarding them.

H4: Inconvenience has a positive influence on customer switching behavior

Inconvenience includes all incidents where the customers feel inconvenienced by aspects of the bank and includes waiting and location.

RESEARCH METHODOLOGY
SAMPLING DESIGN
Five districts in Kerala representing the different regions of Kerala were selected. The sample was drawn from these five districts of Kerala. The data was collected from the sample in such a way so as to include males and females with bank accounts belonging to different occupations and different income levels. The sample size for the study is 150 after elimination of incomplete and unsuitable questionnaires collected from respondents.

SURVEY INSTRUMENT
The questionnaire consists of four sections. In the first section, respondents were asked whether they had closed their account with a bank during the past three years or if they had moved their principal account from a bank to another bank during the past three years. In the second section, respondents were asked to evaluate their experiences with the bank. The second section was for customers who have switched banks, either closed their accounts or moved their principal account from a bank. Thos respondents who have not switched banks were asked to mark their banking experience given in section three. The last section investigates personal information of the respondents. In the second and third sections, a five point scale was used with anchors of Extremely Unimportant and Extremely Important. Customer switching behavior was measured on a dichotomous scale as Yes or No.

QUESTIONNAIRE DEVELOPMENT

Service Encounter failure was measured using four items and was adapted from Colgate & Hedge's (2001) study. Core service failure was measured using seven items and was developed from previous literature (Colgate & Hedge, 2001: Keaveney, 1995). The pricing construct was measured using five items and has been adapted from Colgate & Hedge's (2001) study. Inconvenience was measured using six items and was developed from previous literature (Colgate & Hedge, 2001: Keaveney, 1995).

DATA ANALYSIS

The dependent variable in the study, being dichotomous, binary logistic regression has been used as the tool in data analysis. Logistic regression may be thought of as an approach that is similar to that of multiple linear regression, but takes into account the fact that the dependent variable is categorical.

LIMITATIONS OF THE STUDY

For the study, only four factors were considered. However, there may be other factors which have an impact on switching behaviour have not been considered. The research focuses on past behaviour and not future behavioural intentions. The study is also based on the responses from sample chosen by convenience.

RESULTS AND DISCUSSION

RELIABILITY

Cronbach's Alpha was applied to test the inter item consistency reliability of the measures. Cronbach's alpha value indicates how well the items in a set are positively correlated to one another and the closer the reliability coefficient is to 1, the better. The Cronbach's alpha value for all the independent variables is above 0.80 (Table1). Thus the internal consistency reliability of the measures used in this study can be considered to be good.

TABLE 1: RELIABILITY

Variable	Cronbach's Alpha
Service encounter failure	0.895
Core service failure	0.883
Pricing	0.900
Inconvenience	0.865

SAMPLE AND RESPONSE RATE

A total of 225 questionnaires were distributed to the sample and 182 questionnaires were returned. From this 32 questionnaires were eliminated as they were incomplete and found not suitable for the study. This resulted in 150 completed usable questionnaires and a usable response rate of 66.7%.

DESCRIPTIVE STATISTICS OF DEMOGRAPHIC CHARACTERISTICS

From the 150 usable questionnaires, 70 respondents (46.7%) switched banks during the last three years, while 80 respondents (53.3%) of the respondents did not switch banks. Among the respondents, 83 (55.3%) of them were males and 67 (44.7%) of them were females. The age group 36-45 years constituted 35.3% of the sample, 26-35 years constituted 25.3% and 46-55 age constituted 21.3% of the sample. The dominant groups in the sample belonged to the salaried category (42.7%) and the professional category (21.3%). The majority of the respondents had an annual income of Rs 2-5 lakhs (32%) and Rs 5-8 lakhs (21.3%). The data in Tables 5.15-5.18 show the descriptive statistics of respondents who switched their banks and those who did not switch banks.

MULTICOLLINEARITY

The Pearson Correlation Matrix was used to examine the correlation between the four independent variables. The results show that the correlations are all below 0.80 (Table 2) indicating that there is no multicollinearity between the independent variables in the regression model used in the study

TABLE 2: CORRELATIONS

		Servencountfail	coreservicefail	pricing	Inconvenience
servencountfail	Pearson Correlation	1	.554**	.395**	.428**
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
coreservicefail	Pearson Correlation	.554**	1	.467**	.324**
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
Pricing	Pearson Correlation	.395**	.467**	1	.426**
	Sig. (2-tailed)	.000	.000		.000
	N	150	150	150	150
Inconvenience	Pearson Correlation	.428**	.324**	.426**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

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

The value of Nagelkerke's R^2 is 0.441 (Table3), which indicates that the model is good.

TABLE 3: MODEL SUMMARY

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	147.179[a]	.330	.441

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The **Variables in the Equation** table (Table 4) shows the logistic coefficient (B) for each predictor variable. The logistic coefficient is the expected amount of change in the logit for each one unit change in the predictor. The logit is what is being predicted; it is the odds of membership in the category of the outcome variable with the numerically higher value. The closer a logistic coefficient is to zero, the less influence it has in predicting the logit. The table also displays the standard error, Wald statistic, *df*, Sig. (*p*-value); as well as the Exp(B) and confidence interval for the Exp(B). The Wald test (and associated *p*-value) is used to evaluate whether or not the logistic coefficient is different than zero. In the case of core service failure and inconvenience, the p value is extremely small and so it can be concluded that each of these predictors is significantly associated with switching. The Exp(B) is the odds ratio associated with each predictor.

Predictors which increase the logit are expected to display Exp(B) greater than 1.0, those predictors which do not have an effect on the logit will display an Exp(B) of 1.0 and predictors which decrease the logit will have Exp(B) values less than 1.0.

TABLE 4: VARIABLES IN THE EQUATION

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	servencountfail	.367	.242	2.300	1	.129	1.443
	coreservicefail	.509	.211	5.807	1	.016	1.664
	pricing	-.085	.235	.131	1	.717	.918
	Inconvenience	1.090	.248	19.248	1	.000	2.974
	Constant	-4.649	.811	32.845	1	.000	.010

a. Variable(s) entered on step 1: servencountfail, coreservicefail, pricing, Inconvenience.

FINDINGS
The results of the logistic regression analysis show that among the four factors, core service failure and inconvenience are significant at 0.05 level and therefore have a positive effect on customer switching behaviour while service encounter failure and pricing are not significant. Hence research hypotheses two and four are supported and research hypotheses one and three are not supported.

CONCLUSION
It is important to understand the influence of various factors on customer switching, if banks have to remain profitable by retaining customers. This study has focused on the influence of service encounter failure, core service failure, pricing and inconvenience on customer switching in retail banking. The results of the study show that core service failure and inconvenience influence customer switching while service encounter failure and pricing do not have a significant impact. Banks should be able to focus on developing strategies that help prevent the occurrence of mistakes or other technical problems which lead to core service failures and also focus on providing more convenience to customers to carry out their banking transactions.

In the case of service encounter failure, a major part of banking transactions today is enabled by technology and as a result of this service encounters between the bank staff and customers is not much. This could be the reason why service encounter failure does not have a significant effect on switching behaviour. With regard to pricing, the interest rates and other charges are until recently, to a large extent, regulated by the Reserve Bank of India. Hence between banks, there is not much variation one may find in these rates and so it can be inferred that pricing does not have a significant effect on switching behaviour.

SCOPE FOR FURTHER RESEARCH
Previous research on switching behaviour shows that most often switching happens due to multiple incidents that are encountered over a period of time. These problems are not evaluated in isolation by customers but there may be interactions between these causal antecedents as the customer moves along the switching path. A study can be designed to study the interaction effects between the causal factors. The study has looked at the effect of four factors, namely, service encounter failure, core service failure, pricing and convenience on switching behaviour in the retail banking industry. Studies to identify the effect of other factors which affect switching behaviour can also designed.

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PATTERN OF CAPITAL STRUCTURE IN AMARA RAJA BATTERIES LIMITED, TIRUPATI - AN ANALYSIS

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ABSTRACT

In this paper, an attempt has been made to study the "Pattern of Capital Structure in Amara Raja Batteries Limited", Tirupati. An analysis of long-term solvency, assessment of debt-equity, debt to total fund and justification for the use of debt in ARBL through the application of ratio analysis and statistical test has been undertaken. The time period considered for evaluating the study is six years i.e. from 2004 to 2009. It is found that long term funds had contributed more on an average 74.08 percent of total funds when compared to short term funds (25.92 percent) in ARBL. Long term funds had apportioned nearly two-third of total funds. Shareholders' funds had occupied on an average 48.35 percent major chunk of the total funds when compared to the borrowed funds (25.73 percent). The ARBL had shown an inclination in strengthening long term funds consisting of both shareholders funds as well as long term borrowed funds in order to finance its assets requirement. ARBL mostly depended on equity financing. So, the financial risk of the company is low, but it could fail to enjoy the advantages of financial gearing. ARBL should raise the debt funds to bring the optimum capital structure for improving the financial performance of the company. A higher interest coverage ratio is desirable, but too high ratio is some of the years of the study indicate that the ARBL is very conservative in using debt, and it is not using debt to the best advantage of the shareholders.

KEYWORDS
Debt-equity ratio, Debt to total fund ratio, Interest coverage ratio and Quantum and structure of total funds in Amara Raja Batteries Limited.

INTRODUCTION
One of the most critical areas of the finance function is to make decisions about the firm's capital structure. Capital is required to finance investments in plant and machinery, inventory, accounts receivable and so on. Capital structure is the part of financial structure, which represents long term sources. It is the permanent financing of the company represented primarily by shareholders' funds and long term debt and excluding all short-term credit. To quote Walker, "The term capital structure is generally defined to include only long term debt and total stockholders' investment" (Walker). It refers to the capitalisation of long term sources of funds such as debentures, preference share capital, long term debt and equity share capital including reserves and surplus (retained earnings). According to Bogen, "The capital structure may consist of a single class of stock, or it may be complicated by several issues of bonds and preferred stock, the characteristics of which may vary considerably"(Bogen). In other words, "capital structure refers to the composition of capitalisation i.e., to the proportion between debt and equity that make up capitalisation" (Philips). According to Childs, "Capital Structure includes all long term obligations and equity that is only items of permanent capital" (Childs). The term capital structure is used to represent the proportionate relationship between debt and equity. Capital structure decision is a significant managerial decision. The market value of the share may be affected by the capital structure decision (Pandey). The selection of the capital structure will obviously depend on the bearing that is has on the firm's objective of maximisation of shareholders' wealth (Khan and Jain). Estimation of requirement of capital is necessary, but the formation of capital structure is most important (Sharma and Gupta). Harry Gouthmann and Herbert E. Dougall stated that the phrase capital structure, may be used to cover any long term debts like mortgages and long-term loans as well as total stockholders' investment including retained earnings as well as original investment (Gouthmann and Dougall). Weston and Brigham have indicated the capital structure by the following equation (Weston):
Capital Structure = Long term debt – Preferred stock + Net worth (or)
Capital Structure = Total Assets – Current Liabilities.

OBJECTIVES
The present research paper aims at endeavouring the following objectives:
- to analyse the pattern of capital structure;
- to assess of long-term solvency; and
- to ascertain the justification for the use of debt.

TOOLS OF ANALYSIS
The data drawn from the annual reports of ARBL have been carefully analysed, tabulated and interpreted by using well established financial tools. The analysis of data is carried out through capital structure ratios such as debt-equity ratio, debt to total fund ratio and interest coverage ratio. Statistical tools like mean, standard deviation, coefficient of variation and coefficient of correlation are also applied. Graphs and diagrams are presented to illuminate the facts and figures.

SCOPE AND COVERAGE
The present study is confined to Amara Raja Batteries Limited. The Amara Raja Batteries Limited, Tirupati in Andhra Pradesh, India has been selected because of the proximity to the investigator. This study is restricted to assess the pattern of capital structure in ARBL with the help of the ratio analysis. The time period considered for evaluating the study is six years i.e. from 2004 to 2009.

PATTERN OF CAPITAL STRUCTURE
In case of new company the capital structure may be of any of the following four patterns:
- Capital structure with equity shares only
- Capital structure with equity as well as preference shares
- Capital structure with equity shares and debt capital
- Capital structure with equity shares, preference shares and debt capital.

The choice of an appropriate pattern of capital structure may depend on various factors such as the nature of the company, size of a company, capital market conditions, sales stability, lenders attitude, assets structure, financial flexibility, loan convenants, capacity of raising funds, leverage effect on earnings per share, cost of capital, growth rate, conditions of the money market, control, government policies and regularity of the earnings etc. A firm that finances its assets by debt and equity is called levered firm while on the other hand if a firm that uses no debt and finances its assets entirely by equity is called unlevered firm. Unlevered company's total assets are always equal to total equity and it is the total value of the company. However, a high proportion of debt content in the capital structure increases the risk and may lead to financial insolvency of the company in adverse times. But, raising of funds through debt is cheaper as compared to raising funds through issue of shares. It increases the earning per share of company.

MIX OF DEBT AND EQUITY
The mix of debt and equity has many implications. The use of debt capital tends to decrease the overall cost of capital and increases the wealth of the shareholders'. It is due to the tax deductability of the interest paid on debt. It is also known as Trade-on-Equity. Another implications debt is relatively cheaper than equity in terms of cost of issue and interest cost (Bansal). It also that the use of debt financing does not result in a dilution of control over the enterprises of the existing shareholders'. Therefore, use of debt in capital structure is most advantageous. The high use of debt leads to higher financial risk in the form of fixed interest and principal payments. It's necessary that companies should have optimal capital structure that can maximize the price of the company's stocks. Companies can choose a mix of financing options to finance its assets but it is very necessary that they choose the financing options that maximise its overall value.

CAPITAL STRUCTURE – PLANNING
A company should plan its capital structure to maximise the use of funds. The primary objective of every capital structure planning is to minimise the cost of capital and to maximise the share value of the firm. A theoretical model capital structure cannot handle adequately all those factors. As the capital markets are not perfect, these factors are highly psychological, complex, and qualitative and do not always follow an accepted theory. Thus, it is not possible to find out the exact debt-equity mix where the capital structure would be optimum. Proper planning of capital structure also helps companies to enlarge their area for getting funds as well as creates the mobility of sources of the funds. But a range can be determined on the basis of empirical study. The quantum and structure of total funds in ARBL is shown in Table – 1.

TABLE – 1: QUANTUM AND STRUCTURE OF TOTAL FUNDS IN ARBL (Rs. in crores)

	Particulars	2004		2005		2006		2007		2008		2009		AVERAGE	
		Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
	Share Capital	11.39	4.73	11.39	4.05	11.39	3.08	11.39	2.15	11.39	1.31	17.08	1.91	12.34	2.33
	Reserves & Surplus	163.20	67.76	169.30	60.25	189.90	51.43	232.28	43.89	321.71	37.05	388.51	43.46	244.15	46.03
	Share holders' funds – I	174.59	72.49	180.69	64.30	201.29	54.51	243.67	46.04	333.10	38.36	405.59	45.37	256.49	48.35
	Secured loans	4.49	1.86	7.37	2.62	16.23	4.40	107.49	20.31	226.65	26.10	207.83	23.25	95.01	17.91
	Unsecured loans	10.39	4.31	15.94	5.67	21.64	5.86	33.22	6.28	89.61	10.32	78.04	8.73	41.47	7.82
	Borrowed funds – II	14.88	6.18	23.31	8.30	37.87	10.26	140.71	26.59	316.26	36.42	285.87	31.98	136.48	25.73
A	**Long term funds (I+II)**	**189.47**	**78.66**	**204.00**	**72.60**	**239.16**	**64.77**	**384.38**	**72.63**	**649.36**	**74.78**	**691.46**	**77.34**	**392.97**	**74.08**
	Current liabilities	31.55	13.10	47.60	16.94	82.09	22.23	87.14	16.47	119.69	13.78	132.05	14.77	83.35	15.71
	Provisions	19.84	8.24	29.39	10.46	48.01	13.00	57.70	10.90	99.34	11.44	70.51	7.89	54.13	10.20
B	**Short term funds**	**51.39**	**21.34**	**76.99**	**27.40**	**130.10**	**35.23**	**144.84**	**27.37**	**219.03**	**25.22**	**202.56**	**22.66**	**137.49**	**25.92**
C	**TOTAL FUNDS (A+B)**	**240.86**	**100.00**	**280.99**	**100.00**	**369.26**	**100.00**	**529.22**	**100.00**	**868.39**	**100.00**	**894.02**	**100.00**	**530.46**	**100.00**

Source: Compiled from Annual Reports of Amara Raja Batteries Limited

Note: Figures in parentheses represent common size percentages considering total funds for the respective years equal to hundred.

It is evident that long term funds had contributed more on an average 74.08 percent of total funds when compared to short term funds (25.92 percent) during the entire period of the study. Long term funds were more than the short term funds in ARBL. In other words, long term funds had apportioned nearly two-third of total funds. The borrowed funds had reported a rise while short term funds depicted inverse direction in quantitative terms. Shareholders' funds had jumped from Rs.174.59 crores in 2004 to Rs.405.59 crores in 2009. Reserves and surplus had almost doubled in the concluding year of the study. Shareholders' funds had occupied on an average 48.35 percent major chunk of the total funds when compared to the borrowed funds (25.73 percent). In other words, borrowed funds were very less as against the shareholders' funds during the entire period of the study. It may be concluded that ARBL had used more owned funds when compared to borrowed funds. It may be also observed that short term funds are more relatively than borrowed funds in ARBL. The ARBL had shown an inclination in strengthening long term funds consisting of both shareholders funds as well as long term borrowed funds in order to finance it's assets requirement.

ASSESSMENT OF LONG-TERM SOLVENCY
Leverage ratios indicate the extent to which the firm has used its long-term solvency by borrowing funds. The short-term creditors, like bankers and suppliers of raw material, are more concerned with the firm's current debt-paying ability. On the other hand, long-term creditors, like debenture holders, financial institutions etc. are more concerned with the firm's long-term financial strength. In fact, a firm should have a strong short–term as well as long-term financial position. To judge the long-term financial position of the firm, financial leverage, or capital structure ratios are calculated. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owner's equity in financing the firm's assets. The leverage or capital structure ratio include for the purpose of analysis:

- Debt-equity ratio
- Debt to total fund ratio
- Interest coverage ratio

DEBT - EQUITY RATIO

The main object of calculating the debt-equity ratio is to measure the relative interest of owners and creditors in the firm. From the creditors point of view, it measures the extent to which their interest is covered by owned funds. A standard debt-equity norm for all industrial units is neither desirable nor practicable. Different standard debt-equity ratios are used for different industry groups. However, in less developed countries, such standards cannot be accepted. Therefore, this ratio depends upon industry, circumstances, prevailing practices and so on. The generally accepted standard norm of debt-equity ratio is 2:1. The ratio may be calculated in terms of the relative proportion of long term debt i.e. borrowed funds and shareholders' equity i.e. networth. This is a vital ratio to determine the efficiency of the financial management of a business undertakings (Roy Choudhary). Debt - equity ratio is calculated by using the following formula : Debt – Equity Ratio = Long Term Debt / Net Worth.

The debt - equity ratio of Amara Raja Batteries Limited is presented in Table - 2 and Figure - 1.

TABLE – 2: DEBT - EQUITY RATIO OF ARBL

Year	Long-term Debt (Rs. in Crores)	Net Worth (Rs. in Crores)	Ratio (in times)
2004	14.88	174.59	0.09
2005	23.31	180.69	0.13
2006	37.87	201.29	0.19
2007	140.71	243.67	0.58
2008	316.26	333.10	0.95
2009	285.87	405.59	0.70
Mean	**136.48**	**256.49**	**0.44**
Standard Deviation	**135.63**	**93.56**	**0.36**
C.V. (%)	**99.37**	**36.48**	**81.15**
Co-efficient of correlation between debt and equity **(r) = 0.95**			

Source: Compiled from Annual Reports of Amara Raja Batteries Limited

FIGURE - 1

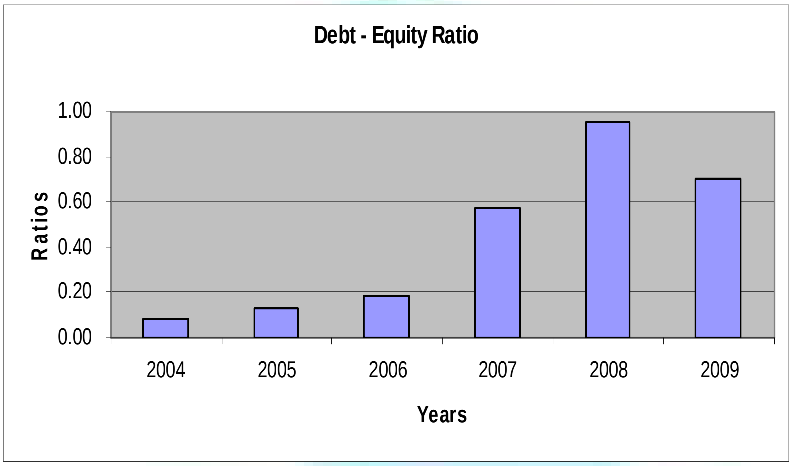

Table - 2 shows debt-equity ratio of ARBL. The debt-equity ratio is calculated by dividing the long term debt with net worth. It is evident that long term debt of the company had increased remarkably from Rs.14.88 crores in 2004 to Rs.285.87 crores in 2009. Net worth had gradually moved from Rs.174.59 crores to Rs.405.59 crores over the study period. Debt-equity ratio had varied from the lowest of 0.09 times in 2004 to the highest of 0.95 times in 2008. The ratio is well below than the standard ratio of 2:1. It means that the debt employed by the company was low from the point of view as the standard ratio. However, the interest of the debt- holders of the company was well protected. The mean, standard deviation and co-efficient of variation (C.V) of debt-equity ratio in ARBL are 0.44 times, 0.36 times and 81.15 percent respectively. The coefficient of correlation between debt and equity in ARBL was 0.95 and thereby indicating that there was highly positive relation between debt and equity. It may be concluded that the ARBL could still mobilize the debt funds in order to reap the benefits of financial leverage. It increases the earning per share of company.

DEBT TO TOTAL FUND RATIO

Several debt ratios may be used to analyze the long-term solvency of a firm. The firm may be interested in knowing the proportion of the debt in the financial structure. It may, therefore, compute debt to total fund ratio by dividing total debt by total fund. Total debt will include short-term funds plus long-term debt i.e. borrowed funds. Total fund will include total debt plus net worth. A high ratio means that claims of creditors are greater than those of owners. A high level of debt introduces inflexibility in the firm's operations due to the increasing interference and pressures from creditors. Debt to total fund ratio is calculated by using the following formula: Debt to Total Fund Ratio = Total Debt / Total Fund. The debt to total fund ratio of Amara Raja Batteries Limited is presented in table - 3 and figure - 2.

TABLE – 3: DEBT TO TOTAL FUND RATIO OF ARBL

Year	Total Debt (Rs. in Crores)	Total Fund (Rs. in Crores)	Ratio (in times)
2004	66.27	240.86	0.28
2005	100.30	280.99	0.36
2006	167.97	369.26	0.45
2007	285.55	529.22	0.54
2008	535.29	868.39	0.62
2009	488.43	894.02	0.55
Mean	**273.97**	**530.46**	**0.46**
Standard Deviation	**199.48**	**289.30**	**0.13**
C.V. (%)	**72.81**	**54.54**	**27.70**
Co-efficient of Correlation of total debt and total fund **(r) = 0.99**			

Source: Compiled from Annual Reports of Amara Raja Batteries Limited

FIGURE - 2

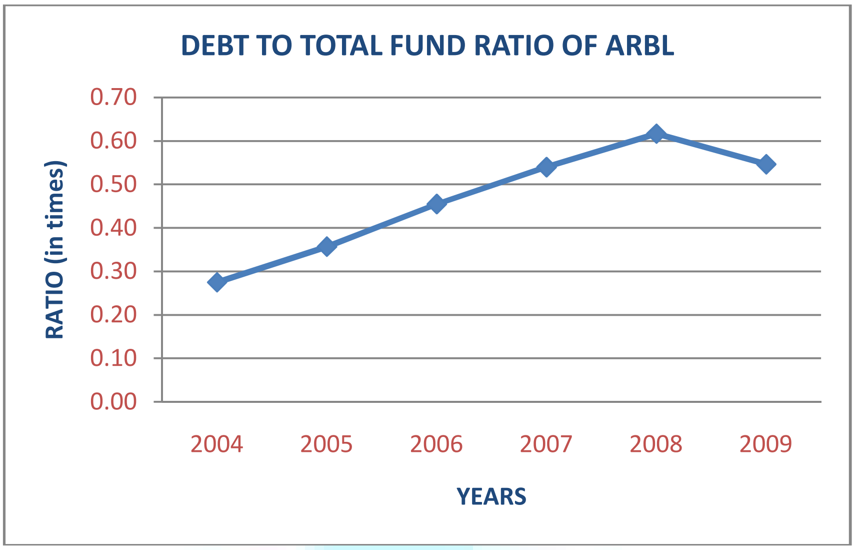

Table - 3 provides the debt to total fund ratio. The financial variables considered for the competition of debt to total fund ratio include total debt and total fund. It is obvious that total debt and total fund had reported an increasing trend with the exception of 2009 in the case of total debt. Total fund had jumped from Rs.240.86 crores in 2004 to Rs.894.02 crores in 2009. The total fund had exceeded over the total debt during the entire period of the study. The ratio is less than the unity. The mean, standard deviation and co-efficient of variation (C.V) of debt to total fund ratio in ARBL are 0.46 times, 0.13 times and 27.70 percent respectively. The debt to total fund of ARBL had a positive relationship as the coefficient of correlation is very high i.e., 0.99 that means almost all one. It may be concluded that the financial risk of the company is low. But the company could fail to enjoy the advantages of financial gearing.

INTEREST COVERAGE RATIO

The interest coverage ratio is used to test the firm's debt-servicing capacity. The use of debt in any business undertaking is justified, provided, the coverage for fixed interest charges is adequate. It indicates the number of times the fixed interest charges (debenture interest, interest on loans) is covered by the net profit (net profit before interest and tax). The interest coverage ratio shows the number of times the interest charges are covered by funds that are ordinarily available for their payment. The lender will be interested in finding out whether the business would earn sufficient profits to pay the interest charges and interest being paid periodically. Cost of debt is the percentage of interest paid on debt. The interest on debt, being a prior charge on profits affects profitability of a concern. The capital structure of a firm, therefore, affects its profitability. In order to accomplish this objective, the interest coverage ratio of the ARBL is computed. The higher the coverage, the better will be the position of debenture holders or loan creditors regarding their fixed payment of interest, the greater will be the profitability, and the better will be the position of debenture holders or loan creditors regarding their fixed payment of interest, the greater will be the profitability, and the better will be the management efficiency (Paul). The universal standard of Interest Coverage Ratio is around 7 to 8 times. The ratio indicates the extent to which the earnings may fall without causing any embarrassment to the firm regarding the payment of fixed interest charges. Interest coverage ratio is calculated by using the following formula: Interest Coverage Ratio = EBIT / Interest. The interest coverage ratio of ARBL presented in Table - 4.

TABLE – 4: INTEREST COVERAGE RATIO OF ARBL

YEAR	EBIT (Rs. in crores)	INTEREST (Rs. in crores)	Ratio (in times)
2004	2.08	0.18	11.56
2005	13.75	0.14	98.21
2006	38.79	1.34	28.95
2007	76.15	4.73	16.10
2008	161.54	14.71	10.98
2009	145.23	20.60	7.05
Mean	**72.92**	**6.95**	**28.81**
Standard Deviation	**67.49**	**8.66**	**34.84**
C.V. (%)	**92.55**	**124.63**	**120.92**

Source: Compiled from Annual Reports of ARBL.

This ratio is used to determine how easily a company can pay interest on outstanding debt. Interest coverage ratio is calculated by dividing the earnings before interest and taxes with interest charges. It is clear that earnings before interest and taxes and interest charges as shown an increasing trend over the study period. In other words while earnings before interest and taxes had jumped from Rs.2.08 crores to Rs.145.23 crores and interest charges had moved from Rs.0.18 crores to Rs.20.60 crores over the study period. The highest interest coverage ratio was recorded at 98.21 times in 2005 and the lowest being 7.05 times in 2009. The mean, standard deviation and co-efficient of variation (C.V) of interest coverage ratio in ARBL are 28.81 times, 34.84 times and 120.92 percent respectively. It may be observed that the behaviour of the ratio was so erratic indicating ups and downs over the period under the reference.

It is evident that the interest charges are fully covered by the earnings before interest and taxes. A higher ratio is desirable, but too high ratio is some of the years of the study indicate that the ARBL is very conservative in using debt, and that it is not using debt to the best advantage of the shareholders. From the point of view of the creditors safety, the larger the coverage, greater the ability of the firm to handle fixed charges and more assured the payment of interest. In contrast, a low ratio is a danger signal indicating that firm uses excessive thereby a firm is indicating inability to honour the assured payment of interest to the creditors.

CONCLUSION

Foregoing analysis reveals that long term funds had contributed more on an average 74.08 percent of total funds when compared to short term funds (25.92 percent) in Amara Raja Batteries Limited. Long term funds had apportioned nearly two-third of total funds. The company had used more owned funds on an average 48.35 percent than borrowed funds (25.73 percent). The ARBL had shown an inclination in strengthening long term funds consisting of both shareholders funds as well as long term borrowed funds in order to finance its assets requirement. ARBL mostly depended on equity financing. So, the financial risk of the company is low. But the company could fail to enjoy the advantages of financial gearing. Raising of funds through debt is relatively cheaper than equity in terms of cost of issue and interest cost. The company could still mobilize the debt funds. It means that the company could raise the external funds to bring the optimum capital structure i.e. minimise the cost of capital and maximise the share value of the firm. It is due to the tax deductibility of the interest paid on debt. So, these benefits of financial leverage shall be reaped for improving the financial performance of the company. The behaviour of the interest coverage ratio was so erratic. The interest charges are fully covered by the earnings before interest and taxes. A higher interest coverage ratio is desirable, but too high ratio is some of the years of the study indicate that the ARBL is very conservative in using debt, and it is not using debt to the best advantage of the shareholders. Hence, it is suggested that ARBL shall tap the debt funds optimumly to maintain the balanced capital structure.

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PROSPECTS OF MEDICAL TOURISM - A STUDY ON THE MANAGEMENT TRENDS AND PRACTICES OF THE PROMINENT PARTICIPANTS OF HOSPITAL SECTOR IN SOUTH INDIA

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ABSTRACT

India today has copious opportunities to compete with other developed nations & building a quality health care system of its own. This paper addresses the prospects of Medical Tourism as a 'cost effective' private medical care in collaboration with the tourism industry for patients needing surgical and other forms of specialized treatment. The progression is being facilitated by the corporate sector involved in medical care as well as the tourism industry. There is also a constant effort taken up by the corporate hospitals to support medical tourism with its fullest potential. Primitively there is also a enormous need for quality assurance and standardization norms for the hospital administration which is in fact, the need of the hour. Lack of an effective administration practices in the hospital and hospitality sector necessitates the need for a Total quality management approach in Healthcare Sector. Application of quality control systems is a vital aspect that hospitals in South India cannot disregard. It would lead the South to a new road map in ensuring quality and enhancing on customer satisfaction. Hence the paper makes an attempt to understand the management practices in South India effectively.

KEYWORDS
medical tourism, hospital sector.

1. INTRODUCTION

India has been offering varied niches to its tourists and to large extent shares a competitive edge when compared to its competitors. This emerging sector offers an array of travel services benchmarking India at a global level with its products like adventure, wildlife, historical monuments, culture & heritage, nature, pilgrimage and so on. Medical tourism is an upcoming concept and a growing phenomenon meeting the need of the hour. India to a large extent is also been branded for its wellness and surgical competency. Medical patrons across India look forward for high end medical facilities with value added services often referred as coordinated services. There are enormous contributions as the sector is an important driver of growth and prosperity, particularly within developing countries (Woodman, J 2007). As times are changing and so are the demands and expectations of the travelers who are endlessly in search for different experiences, different adventures, different lifestyles which has paved the way for various concepts defining different paradigm in the arena of tourism.

Medical tourism is an upcoming concept and a growing phenomenon meeting the need of the hour (Theobald, F.,T 1998). India to a large extent is also been branded for its wellness and surgical competency. Medical patrons across India look forward for high end medical facilities with value added services often referred as coordinated services. Coordinated services are offered by the hospitality sector as a cliché to diversify the tourism products from the arena of travel and tourism. Coordinated services can also be termed as an all-inclusive package offered by the travel facilitators to the medical tourist who includes the transportation, transfers, medical treatment, holidaying, leisure and all allied services related with it (Gan, Lydia, and James & Frederick R 2011).

Medical tourism in the fore front is backed by the corporate hospitals offering high end infrastructure, medical amenities, allied services and an effective healthcare network with the hospitality sector. These are indeed the private hospitals that have gone one step ahead in commercializing their services, with a high-end sophistication, in the local as well as international market. Globalization and resulting trade liberalization in health services have caused an upsurge in international migration of health care professionals in recent years. Greater openness has created new opportunities for these professionals. The General Agreement on Trade in Services (GATS) signed as a part of World Trade Organization (WTO) agreement also provided an opportunity to member countries to explore new market in health services by further liberalizing trade in services.

2. REVIEW OF LITERATURE

The literature reviews reflect on various aspects and areas concerned on medical tourism. This imminent arena covers the prospects of medical tourism, emerging trends and the future of upcoming medical hubs.

Bookman & Bookman(2007), in their book discussed about the western patients who are increasingly traveling to developing countries for health care are increasingly offered with the best skills and facilities to cater to their needs. This international trade in medical services has huge economic potential for developing countries and serious implications for health care across the globes. It is successful only in countries with economic and political advantages that enable them to navigate around international and domestic obstacles to trade in medical services.

Sack, C., Scherag A., Lütkes, P.,. Günther, W., Jöckel ,K.,H., & Holtmann, G.,(2011) in their article reveals that the countries where hospitals are undergoing accreditation as mandatory or voluntary measures are believed, with the fact that accreditations positively influence quality of care and patient satisfaction. The article states the relationship between patient satisfaction and accreditation status. The conclusion sustains the notion that hospital accreditation may represent a step towards total quality management, but may not be a key factor to quality of care measured by the patient's willingness to recommend.

Billie Ann Brotman, (2010) examines demand factors for sophisticated medical treatments offered by private hospitals operating in India. The article classifies three types of medical tourism - Outbound, Inbound, and Intra bound. Increased profitability and positive growth trends by private hospital chains can be attributed to rising domestic income levels within India.

Debra Melani focuses on the growth of medical tourism industry in Colorado. The author state's that the healthcare providers are expanding on medical tourism aiming to attract more patients to the state. Medical tourism also helps employers reduce medical expenses while offering employees a wider range of treatment.

Cooperman.,S (2007) envisage upon the search for quality health care at discounted prices, in foreign hospitals who offer proficient services in state-of-the-art facilities with complete luxury suites, on-call concierges and personal chauffeurs and so on. Today, India, Thailand, Singapore and Hong Kong are popular medical travel destinations. For negotiating in the world of discount medical care, an entire industry of middlemen has sprung up. Though the options are seemingly endless, buyers ought to beware.

Tilman.,E, Ceani G., Paul,D., Mango, Jenny C., & Shubham.,S, in their article discuss the economic geography of medical tourism and a survey of health care consumer preferences. While medical tourism is sometimes oriented towards cost savings, it is frequently a matter of accessing innovative procedures without spending time on waiting lists.

3. CONCEPT OF THE STUDY

Healthcare service industry is one of the flourishing sectors of the Indian economy. Lifestyle diseases have emerged from the demanding and hectic pace of life led by people today. There is thus a need to de-stress and increase involvement in leisure activities. Increase in awareness to keep oneself healthy coupled with rise in standard of living have led to increase in demand for quality healthcare services. Thus the research focuses on the prospects of the booming medical sector coupled with the growing hospitality sector considering four prominent cities of South India and highlighting the scope & growth of medical tourism & increasing the visibility of India in the global map as a medical tourism hub.

4. NEED OF THE STUDY
Although, India is a recent entrant into the medical tourism arena, it is poised to emerge as a major global player. India offers world-class healthcare that costs substantially less than those in developed countries, using the same technology delivered by competent specialists attaining similar success rates. Further the necessity is towards creation of an effective value creation network and healthcare environment thereby building professional competency through healthcare managers. The purpose of the study necessitates the role of the hospitality sector in promoting medical tourism in coordination with the hospital sector. Considering all these factors there is an imperative need to undertake the present study of the various independent variables impacting the growth of medical tourism in south India.

5. RESEARCH METHODOLOGY
The process of research includes two broad segments of data collection. The primary data was gathered through structured questionnaires and interviews from the service provider and the medical tourist. The secondary data was gathered from libraries of research centers, Universities, Management institutes by referring to books, journals, magazines, travel guides, travelogues, monographs etc.

6. OBJECTIVES
The research was conducted with the following objectives listed as follows:
- The role of cost structure in the pre- decision stage for the medical tourist to avail medical treatments.
- To determine the extent of correlation between quality and standardization norms and the demand for medical tourism in South India.
- To identify the degree of balance between quality of assured services and coordinated services that is allied to the hospitality industry.

7. HYPOTHESES
The following study portrays subsequent Hypotheses which were tested respectively.
- There is a significant role upon the cost factor in the selection of medical destination.
- There is significant role upon quality and standardization norms and demand for medical tourism.
- There is significant relationship between coordinated service and the brand image portrayed in the international market.

8. SAMPLING TECHNIQUE
Procedure for sampling adopted for the research is non-probability sampling technique namely judgmental sampling as the items for the sample are selected deliberately; since the choice concerning the items remains supreme. However, the limitation stands as there is no assurance that every element has some specifiable chance of being included.

9. SAMPLE DISTRIBUTION

Sample Size – International Patients	140 nos
No. of Hospitals visited	30 nos
Types of Hospitals –	
a. Corporate or Private Hospitals	26
b. Medical Institutions	01
c. Government Hospitals	01
d. Alternative Treatment Centres (Wellness & Ayurveda)	02
Hospitals visited in South India	
a. Andhra Pradesh (Hydeerabad)	08
b. Tamil Nadu (Chennai)	07
c. Karnataka (Bangalore)	07
d. Kerala (Calicut, Cochin and Trivandrum)	08

10. TESTING OF HYPOTHESES
Hypotheses 1 - Importance of Cost versus Other Parameters in Seeking Medical Treatment Abroad

H_0**: There is no significant role upon the cost factor in the selection of medical destination.**

H_1**: There is a significant role upon the cost factor in the selection of medical destination.**

TABLE SHOWING RESULTS OF PAIRED SAMPLES TEST ON SAVING COST AND OTHER PARAMETERS IN TRAVELLING ABROAD

Particulars		Paired Differences					T	df	Sig. (2-tailed)
		Mean	Std. Dev	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Saving Cost – Secrecy of Treatment	-2.550	1.189	.101	-2.749	-2.351	-25.367	139	.000
Pair 2	Saving Cost – Treatment with Holiday	-2.221	1.378	.117	-2.452	-1.991	-19.067	139	.000
Pair 3	Saving Cost – Unavailability of Treatment	-1.300	1.516	.128	-1.553	-1.047	-10.147	139	.000
Pair 4	Saving Cost – Medical Expertise in Developing Country	-.221	.960	.081	-.382	-.061	-2.729	139	.007
Pair 5	Saving Cost – Brand Image of Developing Country	-.443	.976	.083	-.606	-.280	-5.366	139	.000
Pair 6	Saving Cost – Easily Accessible	-.486	1.122	.095	-.673	-.298	-5.122	139	.000

Interpretation

The paired-samples t-tests of saving cost against all other parameters show that saving cost is significantly more important than all other parameters in the decision for going abroad for treatment. Hence the null Hypotheses are rejected.

Hypotheses 2 - Significant Role upon Quality and Standardization Norms and Demand for Medical Tourism

H_0: There is no significant role upon quality and standardization norms and demand for medical tourism.

H_1: There is significant role upon quality and standardization norms and demand for medical tourism.

TABLE SHOWING RESULT OF CHI-SQUARE TEST ON SIGNIFICANT FACTORS FOR QUALITY ASSURANCE

Quality Assurance Factors	Location				χ^2 cal	p-value
	Kerala	Bangalore	Hyderabad	Chennai		
Hospital Accreditation	40.00%	40.00%	31.43%	48.57%	2.1429	0.5433
Hospital Affiliation	3.33%	0.00%	0.00%	0.00%	3.6930	0.2966
Physician's Credentials	50.00%	65.00%	74.29%	74.29%	5.6051	0.1325
Online Communities	10.00%	17.50%	14.71%	11.43%	1.0200	0.7964
Goodwill	0.00%	2.50%	2.86%	8.57%	3.8370	0.2796

Interpretation

The above analysis represents that there is no difference in the importance of different parameters of quality assurance amongst the different medical tourism destinations. The above analysis projects the p-value, which is more than 5% and hence there are no significant differences in the factors to be considered for quality assurance, amongst the locations, and the null Hypotheses are accepted.

Hypotheses 3 - Significant Relationship between Coordinated Service and the Brand Image Portrayed in the International Market

H_0: There is no significant relationship between coordinated service and the brand image portrayed in the international market.

H_1: There is significant relationship between coordinated service and the brand image portrayed in the international market.

TABLE SHOWING RESULT OF CHI-SQAURE TEST ON FACTORS AFFECTING THE ACCESSIBILITY OF COORDINATED SERVICES

Types of Factors	Location				χ^2 cal	p-value
	Kerala	Bangalore	Hyderabad	Chennai		
Lack of Coordination	13.33%	37.50%	34.29%	37.14%	5.9051	0.1163
Delayed Response	63.33%	50.00%	45.71%	40.00%	3.7627	0.2883
Poor Networking	3.33%	7.50%	2.86%	20.00%	8.4006	0.0384
Inefficiency in Troubleshooting	3.33%	7.50%	11.43%	0.00%	4.7948	0.1875
Poor Follow-up	26.67%	15.00%	11.43%	22.86%	3.2434	0.3556
Rigid Procedures	0.00%	0.00%	2.86%	0.00%	3.0216	0.3883

Interpretation

The above analysis represents that there were significant differences in the perception of poor networking affecting the accessibility of coordinated services amongst the locations; hence the null Hypotheses could be rejected. Poor networking as a factor affecting accessibility of coordinated services was perceived to be the highest amongst respondents coming to Chennai for treatment, and the lowest amongst respondents coming to Hyderabad for treatment. There were no significant differences in the perception of other factors affecting the accessibility of coordinated services amongst the locations and hence the null Hypotheses are accepted.

11. OUTCOMES OF THE STUDY

The study envisages certain challenges facing healthcare organizations in South India. An integrated approach to the management of quality, drawing upon the interrelationships between quality and productivity, and between quality and technology is one of the pivotal challenges for South India. Experts beleive that quality improvement leads to productivity increase. This relationship is not fully accepted in the healthcare segment; though many believe that one mode of establishing quality is by huge capital investments in elaborate and sophisticated technologies. Healthcare administrators are often misleading into spending huge money without first giving a chance to small but continuous improvements. It amounts to a policy of buying “quality” through costly technology related strides in improvement, as opposed to small but steady, more cost efficient and deliberate improvement efforts involving employees. The concept of continuous improvement strategy for quality implies that quality is a process rather than an outcome. Technology can be used to support quality and productivity through the use of information systems.

Another prime challenge for South India is to be cognizant on a complete service quality management as only off late healthcare organizations are showing concern over issues such as quality, cost and competitiveness. The imperatives of competition dictate that a hospital whose current status is poor must improve rapidly for its survival. One whose status is superior must improve to preserve its competitive edge, and a hospital which is average must improve to prevent its status from regressing to poor and to make it superior.

The relationships linking total service quality management, productivity and technology becomes evident as the present theories and tools of TSQM are considered. Total service quality control (TSQC) is a business management philosophy, which, when applied to healthcare organizations in South India which seeks to provide healthcare customers with satisfaction through quality in the services provided. It is a practical approach to enhance quality management based on facts and involves all the employees of the organization including, CEO, administrators, nursing, medicine, technical and clinical employees. It is supported by several administrative processes, including quality control teams, policy developments, cross- functional management, and quality in routine activities.

Quality control teams are healthcare employees who are trained, organized, and structured groups which identify problems and brainstorm for causes and solutions. Policy development is a process in which management works together to focus resources on achieving customer satisfaction for patients and other customers (Juran, J.M, and A.B Godfrey 1999). Cross- functional management is all necessary interdepartmental activities aimed to achieve corporate objectives such as, quality, cost, delivery etc. Quality in routine activities is a decentralized procedure for controlling and improving routine work thereby, to standardize routine activities such as, making a patients database, administering routine medication etc.

Application of quality control systems is a vital aspect that hospitals in South India cannot disregard. It would lead the South to a new road map in ensuring quality and enhancing on customer satisfaction.

12. GENERAL FINDINGS

1. Understandably, the overall perception of the quality of service of the assured services and that of the coordinated services were high and were positively correlated. Further analysis confirms that the overall perception of the quality of service of assured services is significantly higher than the overall perception of the service quality of the coordinated services.
2. The research determines that there were significant differences in the overall perception of the service quality offered and the overall level of satisfaction with associated and coordinated services amongst the locations. It was perceived that a lesser ratio of medical tourists preferred the services of medical facilitators.
3. The research confirms that there is no difference in the importance of different parameters of quality assurance amongst the different medical tourism destinations and hence there are no significant differences in the factors to be considered for quality assurance amongst the locations. It was understood

that the medical patrons considered a physician's credentials as the predominant factor in assuring quality in comparison to hospital accreditation & affiliations.

4. The study also confirms the most important factors perceived by hospitals for quality assurance as physicians' credentials, global competency, and accreditations. Online communities (word-of-mouth) and affiliations were also moderately important.
5. The study confirms that the various parameters like travel assistance, language translators, coordinated services, cost transparency, post-operative care, insurance assistance and first aid at the airport are offered by the hospitals to differentiate themselves from their competitors.

13. SUGGESTIONS

The stakeholders in medical tourism i.e. hospital authorities, hospitality industry, policy makers and other intermediaries can consider the following suggestions for building professional competency & a better healthcare management and thereby reduce their perplexities to keep with a trend of quality assurance, quality service and service proficiency.

1. A new paradigm in healthcare segment gives a broader space for the government to play a role of healthcare facilitator with effective trade policies to ensure a seamless value chain.
2. Indian healthcare businesses are receiving medical tourist from developing countries who travel for proficient medical procedures with cost and surgical competency being the prime focus. The policy makers need to focus on this segment and eye for a larger share of this market to reposition India as a premium upmarket medical hub.
3. Homogeneity in medical aspirants and heterogeneity in medical services demanded would be challenging for South India from the healthcare providers perspective. It also gives a bright prospect for better servicing when each hospital targets a segment with some USP. They must engage with source communities, healthcare systems and governments over a longer period of time thereby specializing in handling customers from specifically targeted regions and for specific products. Knowledge of markets, consumers and channel partner over a period of time would allow competitive advantage.
4. The administrative authorities should undertake capacity building programmes to train the subsidiary division in the medical tourism framework i.e. the paramedical and non-medical staffs of the service providers who occasionally come across the barriers of cross-cultural sensitivities.
5. South Indian healthcare segment can also focus on alternative forms of treatments like ayurveda, unani, siddha etc. to tap the potential global market thereby creating a niche for itself.
6. The private hospitals can network with the international embassies and the government to attract the government funded medical tourists thereby globalizing its healthcare services.
7. The stake holders in South India can explore exhibitions, trade fairs and associations with international bodies to enhance its medical tourism.
8. The healthcare segment can flourish effectively if the hospital managers are directly involved in promoting healthcare services in the global market, thereby leaving no space for further ambiguity in the minds of the medical aspirants.

14. SCOPE FOR FURTHER RESEARCH

The arena of medical tourism can be transversely diagnosed to foster the prospects of medical tourism with the changing market expectations. The following areas can endow scope for further research in medical tourism:

- The gap pertaining to the medical tourist's expectations and the relevance in the value chain of healthcare network.
- The complexity in rules and norms followed internationally and the influence on the medical tourists' decision in travelling abroad for medical treatments.
- Identifying the medical tourist skepticism on medical ethics or code of ethics and the prime concerns of medical tourists visiting India.

15. CONCLUSION

The prospects of medical tourism have radically changed with the divergent role played by the stake holders over the years. Among the healthcare providers, the most predominant stake holder offering a kaleidoscope of services and amenities catering to the needs of the 'new medical tourist' is the healthcare managers. The increased competition and the growing scenario of medical tourism have pulled various other stake holders into the trade. Predominantly, the policy makers, community & other private participants have played significant role in globalizing the South Indian healthcare systems. Equally challenging is the cultural and regulatory barriers which can affect significantly the healthcare globalization in Southern India. Proficiency in delivering healthcare services and lesser perplexity in the healthcare network can enhance the capacity building process .Quality and standard assurance are some major parameters in benchmarking the healthcare medical hubs to prosper. The South Indian metros have largely outreached in the developed and developing countries and have benchmarked itself with increased goodwill and globally competitive brand image.

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IMPACT OF LEADERSHIP STYLES ON ORGANIZATIONAL EFFECTIVENESS IN HANDLOOM SECTOR

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ABSTRACT

Leadership can be defined as pattern of behavior designed to integrate organizational and personnel interests in pursuit of some objective. There are various frameworks or schemes that depict the types of leadership styles from which an entrepreneur may select the one, the most appropriate to personal, subordinate and organizational needs. A perfect leadership style of the entrepreneurs brings a congenial organisational climate and helps to bring effectiveness. It gives importance to the human factor in order to get full dedication employee from the core of employee's heart to attain his full commitment. So leadership style plays an important role in organization. Among the traditional industries of Kerala, Handloom sector stands second to the coir industry in providing employment. The industry in the state is highly concentrated in Trivandrum and Kannur districts. Calicut, Ernakulam, Kollam, Palakkad, Trissur and Kasargode districts also have some concentration of the industry. This study looks at the entrepreneur as a leader. The purpose of this work is to analyse the relationship between leadership styles and effectiveness of Handloom units. The study is intended to cover major Handloom units in the small-scale sector in Trivandrum, Ernakulam and Kozhikode districts to represent Kerala. The research covered 30 Handloom units and a sample of 30 entrepreneurs and 90 employees. Ten units are taken from each sector in each district. Two sets of schedules were administered to collect primary data from entrepreneurs and three employees each, from the selected units. Broadly three leadership styles are considered for categorizing the entrepreneurs. They are: Authoritarian (autocratic), Participative (democratic) and Delegative (free reign). There may exist these three styles together or in isolation with an entrepreneur. Each respondent was asked thirty questions based on action tendencies and they were directed to give their responses in the 0 -10 scale. An entrepreneur may get three different scores for three different leadership styles. Score for each style is derived out of 10 questions set separately for 3 different styles. It is known that most leaders do not possess a single style, but a combination. An effective leader should, therefore, develop capacity to have flexibility in adopting all these styles depending on the specific situation. Flexibility, rather than rigidity, should be the hall mark of an effective leader. The relationship between the base variables of the respondent entrepreneurs and leadership styles is highly essential to determine their performance in enterprises. The included base variables are region, nature of management, gender, age, experience, support based classification, age of the firm and size of the firm (turn over). Averages, percentages and ratios were worked out initially to study association between variables. Chi-square test, likelihood ratio etc. were also used. Difference between mean value of responses and hypothesized value was examined with t-test. ANOVA (F-test) and t-test were used to examine the difference in mean values. The organization variables included for this purpose are size of the firm by turnover, growth rate of the firm, rating categories of the entrepreneur and job satisfaction of the employees. Analyzing the common problems faced by the Handloom units, it is found that the major problems are related to the challenges involved in adopting and adapting to rapid change, and the need for innovation and improvement. To survive the severe competition and to move ahead as a successful organisation the Handloom units should be led by effective leaders. Hence the top management should focus on building leaders within organisation. The study will help to reveal the relationship between leadership and organizational performance and how leadership style could be applied to Handloom industries bearing in mind the environmental influences and differences. The study intends to give some insight to the entrepreneurs of Handloom sector to identify their leadership styles and how they affect the performance of the organization. Importantly, it is expected that when suggestions of the study are implemented they would encourage cooperation between leaders and workers in the organization, and thereby improve their performance, and interpersonal relationship. Other organizational issues such as stress, aggression, regression fixation and friction among workers and leaders could also be reduced.

KEYWORDS
Authoritarian, delegative, Leadership style, organizational performance, participative.

INTRODUCTION
As a concept 'leadership' has been the most widely debated, articulated, and written about in the field of management and it still continues to attract the attention of the thinkers all over the world. Arguably, the most effective form of leadership is by setting the right personal examples; though it owes its origin to the armed forces, it holds good even for corporate battle fields. A perfect leadership style of entrepreneurs brings a congenial organizational climate and helps to bring effectiveness. It gives importance to the human factor in order to buy the employee from the core of his heart to attain his full commitment. So, leadership styles of entrepreneurs play an important role in organization. This study is expected to throw some light in the area of organizational effectiveness resulted by leadership style & fitness of managers.

Leaders are the persons with better skills, better capability and better social relationship. This study looks at the entrepreneur as a leader. In the present study, the operational definition of entrepreneur is the owner of an industrial unit. The proprietor of a single proprietorship, the managing partner of a partnership, the key promoters of a private limited company are considered entrepreneurs for the purpose of this study. The purpose of this work is to analyse the relationship between leadership styles and effectiveness of Handloom units. The study is intended to cover major Handloom units in the small-scale sector in Trivandrum, Ernakulam and Kozhikode districts to represent Kerala. The research covered 30 Handloom units and a sample of 30 entrepreneurs and 90 employees. Ten units are taken from each sector in each district.

Broadly three leadership styles are considered for categorizing the entrepreneurs. They are: Authoritarian (autocratic), Participative (democratic) and Delegative (free reign). There may exist these three styles together or in isolation with an entrepreneur. Each respondent was asked thirty questions based on action tendencies and they were directed to give their responses in the 0 -10 scale. An entrepreneur may get three different scores for three different leadership styles. Score for each style is derived out of 10 questions set separately for 3 different styles.

It is known that most leaders do not possess a single style, but a combination. An effective leader should, therefore, develop capacity to have flexibility in adopting all these styles depending on the specific situation. Flexibility, rather than rigidity, should be the hall mark of an effective leader.

The relationship between the base variables of the respondent entrepreneurs and leadership styles is highly essential to determine their performance in enterprises. The included base variables are region, nature of management, gender, age, experience, support based classification, age of the firm and size of the firm (turn over).

Averages, percentages and ratios were worked out initially to study association between variables. Chi-square test, likelihood ratio etc. were also used. Difference between mean value of responses and hypothesized value was examined with t-test. ANOVA (F-test) and t-test were used to examine the difference in mean values. The organization variables included for this purpose are size of the firm by turnover, growth rate of the firm, rating categories of the entrepreneur and job satisfaction of the employees.

REVIEW OF LITERATURE
David. J. Snowden and Mary E Boone (2007) stated that wise executives tailor their approach to fit the complexity of the circumstances they face. Effective leaders learn to shift their decision-making styles to match changing business environments. Simple, complicated, complex & chaotic contexts, each call for

different managerial responses. By correctly identifying the governing context, staying aware of danger signals, and avoiding inappropriate reactions, managers can lead effectively in a variety of situations.

Lalithya Rani P & Sumati Reddy (2008) emphasize the necessity of leadership Development program to build interpersonal skills, to improve team dynamics between the leader and his/her team and to improve organizational climate. Leadership Development Approaches include 360 Degree feedback, classroom training Action learning, Rotational Job assignments, Experimental learning, and Executive Coaching & Mentoring Leadership development practices help succession planning in organizations.

Nature of environment in which interpersonal group relationship occurs also affects quality of leadership. The environment is affected by leader's success and failures, which in turn is also affected partly by other external factors like government policy (Cleland, 1998). Whatever the environment is, leaders emerge to make decisions and make positive impacts. Strategic planning is very important while making decisions. Strategic planning is designed based on realistic assessment of the capacity, strength and weakness of the organization, which are of managerial value.

It is appropriate to recognize that whilst different leadership styles exist (Ingress, 1995; Bourantas and Papadakis, 1996; Lowe et at., 1996), it is difficult to establish the supremacy of one specific style over another. As Vroom (2000) has postulated, defining leadership style in any specific decision requires the analysis of several factors, such as the relevance of decisions, the importance of commitment, success probability, leader and group experience, group support to goal achievement, and team competency.

Mathew P.M. (2008) is of the opinion that Kerala requires an entrepreneurship movement to lift the state from its current state of industrial backwardness. This requires a critical minimum effort of HRD interventions and support services geared to private sectors development. Building up entrepreneurship awareness and developing a culture of business development services (BDS) are vital steps in this regard. In Kerala, three vital areas totally neglected understand the sociology of entrepreneurship, introducing Business development Services, both as a culture and in terms of its content, and entrepreneurship education, both formal & informal.

Prahalad C.K. (2008) stated that good entrepreneurs do not bench mark against the best practices, they create the next practices. Entrepreneurship is not taking what is available, but creating and discovering wealth. The role and responsibility of entrepreneurs is changing as India changes.

IMPORTANCE OF THE STUDY

Among the traditional industries of Kerala, Handloom sector stands second to the coir industry in providing employment. The industry in the state is highly concentrated in Trivandrum and Kannur districts. Calicut, Ernakulam, Kollam, Palakkad, Trissur and Kasargode districts also have some concentration of the industry. Out of the total number of looms, the co-operative sector occupies 94% and the rest by individual entrepreneurs. The sector consists of factory type and cottage type societies. By the end of March 2008, there were 758 PHWCS consisting of 155 factory type societies and 603 cottage type societies. (Economic Review, 2008).

STATEMENT OF THE PROBLEM

Analyzing the common problems faced by the Handloom units, it is found that the major problems are related to the challenges involved in adopting and adapting to rapid change, and the need for innovation and improvement. To survive the severe competition and to move ahead as a successful organisation the Handloom units should be led by effective leaders. Hence the top management should focus on building leaders within organisation. The study will help to reveal the relationship between leadership and organizational performance and how leadership style could be applied to Handloom industries bearing in mind the environmental influences and differences. The study intends to give some insight to the entrepreneurs of Handloom sector to identify their leadership styles and how they affect the performance of the organization. Importantly, it is expected that when suggestions of the study are implemented they would encourage cooperation between leaders and workers in the organization, and thereby improve their performance, and interpersonal relationship. Other organizational issues such as stress, aggression, regression fixation and friction among workers and leaders could also be reduced.

OBJECTIVE

To identify the extent leadership has affected organisational performance of Handloom units in Kerala.

HYPOTHESIS

There is no significant association between different leadership styles and performance of the small scale industrial units.

RESEARCH METHODOLOGY

The present research is an exploratory study.

SAMPLE DESIGN

Multistage systematic sampling was applied in this study. In the first stage, three major districts, Trivandrum, Ernakulam and Kozhikode were selected to represent the south, the central and the north zones of Kerala. In the second stage selection of the Handloom units was made using systematic random sampling. Finally, the entrepreneurs and three employees each, from the selected units, contacted personally to collect the necessary information.

DATA MANAGEMENT AND ANALYSIS

The collected data were classified and tabulated. This was followed by analysis and interpretation of data. Statistical tools were used for systematic analysis of data. Averages, percentages and ratios were worked out initially to study association between variables. Chi-square test, likelihood ratio etc. were also used. Difference between mean value of responses and hypothesized value was examined with t-test. ANOVA (F-test) and t-test were used to examine the difference in mean values.

RESULTS AND DISCUSSION

Data collected through the above instruments have been analysed in following sections.

The profile of respondents indicates that fifty percent of the entrepreneurs in Handloom sector belong to the age group of 35 to 50 years. Above 36 per cent of the respondents were graduates. But the education level of 73 per cent of employees in Handloom based units is below SSLC. The respondents mostly had more than twenty years of experience in the organization. Forty seven per cent of the Handloom units surveyed were owned by co-operatives. Thirty seven per cent of the units surveyed had staff strength of 10 to 20 employees.

LEADERSHIP STYLES IN HANDLOOM SECTOR

In Handloom sector, respondent entrepreneurs are not following strictly any particular leadership style. They are showing moderate leadership style in authoritative, participative and delegative mode. Results of F-test disclose that there is significant difference between styles of leadership of the entrepreneurs in Handloom sector. It is evident from table 1 that as per the perception of entrepreneurs, the mean values of responses for the various statements meant for studying leadership styles in Handloom sector were 57.60, 55.96, and 49.73 respectively for authoritarian, participative and delegative styles. The calculated value of F-test is 4.97 and its significance value 0.009 is less than 0.05 at 5% level. According to employees perception, mean value of responses for authoritarian, participative and delegative styles were 59.92, 56.13and 50.90 respectively. The calculated value of F-test is 15.68 and its significance value 0.000 is less than 0.05 at 5% level. It leads to the conclusion that there is significant difference between types of leadership of the respondents in Handloom sector.

In the case of handloom units, 60 per cent of the respondent entrepreneurs expressed that they are not sure of which leadership style is required in their units. However, they are of the opinion that whatever may be the leadership style, they should keep a moderate level and they did not prefer any improvement in their present leadership style. Likelihood ratio test results also disclose that in handloom units, there is a requirement of authoritative, participative and delegative leadership styles in low, moderate and high degrees according to situations.

TABLE 1: MEAN VALUES OF LEADERSHIP STYLES IN HANDLOOM SECTOR

Leadership style	Authoritarian	Participative	Delegative	Total	F	Sig.
Perception of Entrepreneur	57.60	55.96	49.73	54.43	4.97	0.009
Perception of Employees	59.92	56.13	50.90	55.65	15.68	0.000

Source: Primary Data

LEADERSHIP STYLES AND FINANCIAL PERFORMANCE OF THE FIRMS IN HANDLOOM SECTOR

Thirty per cent of the entrepreneurs in the handloom sector with moderate authoritarian, 32 per cent with moderate participative and 28 per cent with moderate delegative styles are making an annual turnover of Rs. 5 lakh to Rs. 10 lakh. Result of likelihood ratio test discloses that in handloom sector, leadership styles have no significant influence on the annual turnover of the industrial units.

TABLE 2: LEADERSHIP STYLES AND FINANCIAL PERFORMANCE OF THE FIRMS IN HANDLOOM SECTOR

Leadership style	Degree of leadership style	Size of the firm (by turnover)					Total	Test
		Less than Rs. 5 lacs	Rs.5 lacs to Rs.10 lacs	Rs.10 lacs to Rs.20 lacs	Rs.20 lacs to Rs.50 lacs	Above Rs.50 lacs		
Authoritarian style	moderate	8	10	5	4	3	30	-
		26.7%	33.3%	16.7%	13.3%	10%	100%	
Participative style	Low	0	2	2	1	0	5	Likelihood Ratio=0.215
		0%	40%	40%	20%	0%	100%	
	Moderate	8	8	3	3	3	25	
		32%	32%	12%	12%	12%	100%	
Delegative style	Low	3	4	1	1	0	9	Likelihood Ratio=0.541
		33.3%	44.4%	11.1%	11.1%	0%	100%	
	Moderate	5	6	4	3	3	21	
		23.8%	28.6%	19%	14.3%	14.3%	100%	

Source: Primary Data

LEADERSHIP STYLES AND GROWTH RATE OF THE FIRMS IN HANDLOOM SECTOR

In handloom sector with moderate authoritarian style 36.7% each of them achieved 0 to 50% growth rate and 50% to 100% respectively. With moderate participative style 40 per cent of them made a growth rate of 0 to 50%. With moderate delegative style 42.9% each of them achieved a growth rate of 0 to 50%, and 50% to 100% respectively. Result of likelihood ratio test discloses that in handloom sector, leadership styles have no significant influence on the growth rate of the industrial units.

TABLE 3: LEADERSHIP STYLES AND GROWTH RATE OF THE FIRMS IN HANDLOOM SECTOR

Leadership style	Degree of leadership style	Growth				Total	Test
		Less than 0%	0 to 50%	50% to 100%	Above 100%		
Authoritarian style	Moderate	1	11	11	7	30	-
		3.3%	36.7%	36.7%	23.3%	100%	
Participative style	Low	0	1	3	1	5	Likelihood Ratio=0.637
		0%	20%	60%	20%	100%	
	Moderate	1	10	8	6	25	
		4%	40%	32%	24%	100%	
Delegative style	Low	0	2	2	5	9	Likelihood Ratio=0.060
		0%	22.2%	22.2%	55.6%	100%	
	Moderate	1	9	9	2	21	
		4.8%	42.9%	42.9%	9.5%	100%	

Source: Primary Data

LEADERSHIP STYLES AND JOB SATISFACTION OF EMPLOYEES IN HANDLOOM SECTOR

In handloom sector, average job satisfaction is recorded by 45.7 per cent of the employees when their entrepreneurs are moderately authoritative and job satisfaction of 60 per cent of employees is high while they are showing low degree of authoritarian leadership style. Again average satisfaction is expressed by 45 per cent of employees towards moderate and low degree of participative styles. Job satisfaction of 48.6 per cent of employees is average when the entrepreneurs are moderately delegative and it is high when they show low degree of delegative leadership style. Result of likelihood ratio test discloses that in handloom sector, job satisfaction of the employees is independent of the leadership styles of the entrepreneurs.

TABLE 4: LEADERSHIP STYLES AND JOB SATISFACTION OF EMPLOYEES IN HANDLOOM SECTOR

Leadership style	Degree of leadership style	Job satisfaction				Total	Test
		Very low	Average	High	Very high		
Authoritarian style	Low	0	2	3	0	5	Likelihood Ratio=0.798
		0%	40%	60%	0%	100%	
	Moderate	2	37	32	10	81	
		2.5%	45.7%	39.5%	12.3%	100%	
	High	0	2	2	0	4	
		0%	50%	50%	0%	100%	
Participative style	Low	1	6	5	0	12	Likelihood Ratio=0.215
		8.3%	50%	41.7%	0%	100%	
	Moderate	1	35	32	10	78	
		1.3%	44.9%	41%	12.8%	100%	
Delegative style	Low	1	5	9	1	16	Likelihood Ratio=0.320
		6.3%	31.3%	56.3%	6.3%	100%	
	Moderate	1	36	28	9	74	
		1.4%	48.6%	37.8%	12.2%	100%	

Source: Primary Data

FINDINGS

Entrepreneurs of small scale Handloom units of Kerala are showing moderate leadership style in authoritative, participative and delegative mode. Different styles of leadership are used by the entrepreneurs in Handloom sectors. What leadership styles are preferred in one organization may not be preferred elsewhere just like what is suitable in one organization may not be suitable in another. As no single style of leadership is considered the 'best', mostly entrepreneurs follow 'contingency' style (as the situation demands). Entrepreneurs in Handloom units did not prefer any improvement in their authoritative and delegative style, but a considerable percentage prefer to improve their participative style. Factors such as annual turnover, growth rate of the firm and job satisfaction of the employees are not influenced by the leadership styles of entrepreneurs of Handloom units in Kerala.

RECOMMENDATIONS

Entrepreneurs should learn to practice different leadership styles to guide their employees and to meet the organizational requirements. The entrepreneurs are yet to develop and balance various other leadership styles along with authoritarian, participative and delegative styles. The technically literate entrepreneurs have very good leadership attributes. They should be given leadership oriented training so that their approach can be more people and task oriented. Through training programmes they will learn effective leadership dimensions which will bring organizational effectiveness. The study revealed that most of the entrepreneurs had poor access to various training programmes. Voluntary organizations, Government departments and other private institutions should conduct leadership training programmes in every district to ensure the participation of all entrepreneurs and to enrich their leadership attributes

CONCLUSIONS

Focusing into the future of small scale Handloom units in Kerala, it is important for the entrepreneurs to recognize the needs of the workers, employ appropriate motivational tools such as promotion of staff based on merit and skills, provide suitable working environment and provide an appropriate leadership style that will encourage free flow of information among the employer and employees. The future leaders of Handloom units need to have extraordinary level of perception and insight into the realities of the world and themselves. They also need emotional strength to manage their own and other's anxiety because learning and change becomes more and more a way of life. Willingness and ability to share power and control according to people's knowledge and skills is also of necessity for the bright future of leaders in Handloom units.

SCOPE FOR FURTHER RESEARCH

Kerala is historically known for being less investor friendly and less proactive in industrialization. One of the key concerns of the entrepreneurs in Kerala, for a long time, has been hassles of bureaucracy. But as per this study it's not a major constraint. This is quite revealing. There exists further scope to study why this has happened, what are those Government policies which brought about this change and how we can keep bureaucratic hassles at the minimum level in future etc.

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STRATEGIC IMPLICATIONS IN AGRO-TOURISM WITH SPECIAL REFERENCE TO PUNJAB

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ABSTRACT

Tourism is now well recognised as an engine of growth in the various economies in the world. Agro-tourism is an innovative agricultural activity related to tourism and agriculture both. It has a great capacity to create additional source of income and employment opportunities to the farmers. Punjab is one of the major tourist centres in the India and there is large scope and great potential to develop agro-tourism. The paper aims to examine the importance of agro-tourism development in Punjab and to define a suitable framework for the of agro- tourism centres in the view of marginal and small farmers. Further, an attempt has been made to identify the challenges of the agro-tourism in Punjab. Efforts have also been made to suggest and rank effective measures to establish and promote the operations of agro-tourism in Punjab.

KEYWORDS
Agro Tourism, Strategic Implications, Rural Operations, Conventional Food, Sustainable Tourist.

INTRODUCTION
A number of countries have transformed their economies by developing their tourism prospective. Tourism has great capacity to generate large-scale employment and additional income sources to the skilled and unskilled. Today the concept of traditional tourism has been changed. Some new areas of the tourism have been emerged like Agro-Tourism. Promotion of tourism would bring many direct and indirect benefits to the people. A term *'Agro-Tourism'* is a new face of tourism. An agro-tourism is farm based business that is open to the public. These specialized agro-tourism destinations generally offer things to see, things to do, and produce or gifts to buy, and are open to the public. The agro-tourism is an additional co-activity for the farmers. It provides additional income source and employment opportunity to the farmers and rural peoples. It gives new look for the agri-business. There is need of such types of activities in the Punjab. Agro tourism is defined as *"Travel that combines agricultural or rural settings with products of agricultural operations – all within a tourism experience*". According to Mr. Pandurang Tavare (ATDC, Pune) - *"Agro-Tourism is that Agro-Business activity, when a native farmers or person of the area offers tours to their agriculture farm to allow a person to view them growing, harvesting, and processing locally grown foods, such as coconuts, pineapple, sugar cane, corn, or any agriculture produce the person would not encounter in their city or home country. Often the farmers would provide a home-stay opportunity and education".*

Agro-Tourism and Eco-Tourism are closely related to each other. Eco-Tourism provides by the tour companies but, in the agro-tourism farmers offer tours to their agriculture farm and providing entertainment, education and fun-filled experiences for the urban peoples.

OBJECTIVES OF THE STUDY
1. To examine the benefits of agro-tourism centres in Punjab.
2. To define a suitable framework for the of agro- tourism centres in the view of marginal and small farmers.
3. To identify the challenges of the agro-tourism in Punjab.
4. To suggest and rank strategic Implications to establish and promote the operations of agro-tourism.

RATIONALE OF THE STUDY
Agriculture is a most important occupation in the India including in the Punjab. But, today it has become unprofitable due the irregular monsoon, prices fluctuations of Agro-products and some internal weakness of the agriculture sector. Hence, there is need to do some innovative activities in the agriculture, which will help to farmers, rural peoples. Urban population is increasing day by day in the Punjab, today the urban people's world is restricted in the closed door flats, offices, clubs, television, video games, spicy fast food, computer, internet, and so on. They can see nature only on television or screen of the computers. More over some people living in the cities do not have relatives in villages and they never visited or stayed in village. These people want to enjoy rural life but there is problem of such type of facilities. Hence, it is opportunity to the farmers for development of the agro-tourism centres and serves him and create additional income source.

SCOPE AND METHODOLOGY OF THE STUDY
The scope of the study is limited to examine the benefits and applicability of agro-tourism business in Punjab. The study includes their benefits and problems. As well as it includes appropriate framework regarding to establish the agro-tourism centres in the Punjab.

The present empirical study has incorporated the collection of both primary and secondary data for the in-depth investigation. All the information, data and opinion are collected which have a direct or indirect relevance to the information. An intensive desk research has been undertaken to collect published data. For collecting primary data, structured questionnaire has been used and 100 academicians were surveyed after pilot survey.

The present study is an attempt to analyze various strategic Implications of agro-tourism business in Punjab. To find out the most significant strategic measure, Garrett's ranking technique was used. As per the method, respondents have been asked to assign the rank for all the factors and outcome of such ranking have been converted into score value with the help of the following formula.

Percent Position = $\frac{100(R_{ij}-0.5)}{N_j}$ where

R_{ij} = Rank given for ith item by the jth respondents

N_j = Number of items ranked by jth respondents.

The present position of each rank thus obtained was converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondents were added together and divided by the total number of respondents. These mean scores for all the parameters were arranged in the order of their ranks and inferences were drawn. The secondary data data has been furnished from the related articles, research papers, reports and 11th plan document of the government of India. Some data has been furnished from the websites of the government of India and Punjab, as well as ministry of agriculture. Some ideas have been taken from the Tourism Development Corporation of Punjab.

WHO CAN START AGRO-TOURISM CENTRES?
The individual farmer can start agro-tourism who have minimum two hector land, farm house, water resource and is interested to entertain the tourists. Apart from the individual farmer, agricultural co-operatives institute, Non-Government organisations, Agricultural Universities, and agricultural colleges may start their centres. Even *Grampanchayats* can start such centres in their operational areas with the help of villagers and farmers.

REQUIRMENTS TO AGRO-TOURISM CENTRES

Researcher has identified the minimum requirements for the agro-tourism centre. To develop agro tourism in their farm, the farmer / farmers must have basic infrastructure and facilities in their farm as follows:

INFRASTRUCTURE

• Accommodation facilities at same place or alliance with nearest hotels.
• Farmhouse, which has the rural look and feel comfortable along with all minimum required facilities.
• Rich resources in agriculture namely water and plants at the place.
• Cooking equipments for cooking food, if tourist have interested.
• Emergency medical care's with first aid box.
• The well or lake or swimming tank for fishing, swimming
• Bullock cart, cattle shade, telephone facilities etc
• Goat farm, Emu (Ostrich bird) farm, sericulture farm, green house,

FACILITIES SHOULD PROVIDE

• Offer authentic rural Indian / Punjabi food for breakfast, lunch and dinner.
• Farmers should offer to see and participate in the agricultural activities.
• Offer an opportunity to participate in the rural games to the tourist
• Provide information them about the culture, dress, arts, crafts, festivals, rural traditions and also give possible demonstration of some arts.
• Offer bullock cart for riding and horse riding, buffalo ride in the water, fishing facility in your pounds or nearest lake.
• Offer fruits, corns, groundnuts, sugarcane and other agro-products as per availability.
• Show local birds, animals and waterfalls etc and give authentic information about them.
• Must provide safety to tourists' with the support of alliance hospitals.
• Arrange folk dance programme, *folk* songs, *bhajan, shabad etc.*
• Available some agro-product to purchase to the tourist.

OTHER MISCELLANEOUS

• Offer pollution free environment to the tourists.
• Try to create interest about the village culture for the future tourism business.
• Introduce the tourists with imminent persons of your village.
• Employ well-trained staff or comedy persons with good communication skill to entertain the tourist.
• To have authentic information regarding to the railway and bus time table for the help of tourists.

Farmer can also provide other additional facilities to their requirements for the better satisfaction of tourists.

LOCATION FOR THE AGRO-TOURISM CENTRE

Location is most important factor for success in the agro-tourism. The location of the centre must easy to arrive and have a good natural background. Urban tourists are interested into enjoying the nature and rural life. So, farmers should develop their centre in the rural areas only which have a beautiful natural background to attract urban tourist in your farm.

The place of agro-tourism centre must need easy accessible by roads and railways. Tourists want to enjoy some historical and natural tourist places along with the agro-tourism. Hence, the centre should be developed near of these tourist places. It is more beneficial to both tourist and farmers..

BENEFITS OF AGRO-TOURISM CENTRES

Agro-tourism is a way of sustainable tourist development and multi-activity in rural areas through which the visitor has the opportunity to get aware with agricultural areas, agricultural occupations, local products, traditional food and the daily life of the rural people, as well as the cultural elements and traditions. Moreover, this activity brings visitors closer to nature and rural activities in which they can participate, be entertained and feel the pleasure of touring. Agro-Tourism has the potential to change the economic face of traditional agriculture. The benefits of agro-tourism development are manifold. It would bring many direct and indirect benefits to the farmers and rural people. Some of the benefits are following:-

- Employment opportunities to the farmers including farm family members and youth
- Additional income source for the farmers to protest against income fluctuation.
- Cultural transformation between urban and rural people including social moral values
- Farmers can improve their standard of living due to the contacts with urban people.
- The urban people can understand the rural life and know about the agricultural activities.
- It supports the rural and agricultural development process.
- Help to reduce burden on other traditional tourist centres.

DIFFERENCE BETWEEN AGRO-TOURISM AND TRADITIONAL TOURISM

Agro-tourism is also a tourism business but it is different from the common tourism because it has a base of agriculture and rural lifestyle. Generally tourism has provided to see and enjoy the natural places as well as some heritages. But, agro-tourism has a tourism including experience, education and cultural transformation. It varies in special from general tourism in the following manner:

- It provides pollution and noise free sites for travel and tourism at rural background.
- The cost of food, accommodation, recreation and travel is minimum in agro-tourism
- Agro-tourism can satisfy the curiosity of urban people about sources of food, plants, animals, and industrial agro-raw materials.
- It provides information about the rural handicrafts, languages, culture, tradition, dresses and lifestyle.
- A family environment at the tourist place, is one of the most important characteristics in the agro tourism
- In the agro tour, tourists not only see and watch agriculture farms but also they can participate in the agricultural activities and experience the farming.
- It provides natural situations to watching, Birds, animals, water bodies etc
- Agro-tourism could create awareness about rural life and knowledge about agriculture
- It also provides opportunity for education through experience of farming and knowledge about the rural life including entertainment. Agro-tourism is an instrument of urban-rural connectivity through the tours.

AGRO-TOURISM POTENTIAL IN PUNJAB

There are many tourist centres in Punjab which are the supporting natural environment for the agro-tourism centres in Punjab. Although, Punjab has a total 22368 thousand hector area under the agriculture and 36122 thousand of livestock (cow, buffaloes, goats etc.). Principal crops include rice, wheat, pulses, turmeric, onions, cotton, sugarcane and several oil seeds including groundnut, sunflower and soya bean. The state has huge areas, under fruit cultivation of which mangoes, bananas, grapes, melons and water melons etc.

Punjab is blessed with a rich and diversified cultural heritage. The state has several communities belonging to different religions, and a number of festivities colours the culture of Punjab with the spirit of exuberance. More than 4.11 (43 percent of total) crore populations is living the urban areas of the Punjab, which will can becomes a customers' of the agro-tourist centres are located in the rural areas. Other than nature and culture there is an enough road and rail connectivity in urban rural areas to travel in rural Punjab. Punjab abounds in numerous tourist attractions ranging from pilgrimage, a rich tradition of festivals, art and culture. Some following notable factors are helpful to the agro-tourism in Punjab.

- Tourist places are already exist to support Agro-Tourism.
- Good communication and transport facilities.
- Green house cultivation of long stem cut flowers, vegetables, fruits etc.
- State has wide area under horticulture Punjab now is a major horticulture state.
- Punjab is already established as one of the top tourist destination in the world.
- Punjab has major producer of fruit, spices, medicinal and aromatic plant allowed under horticulture in India.
- There are an increasing number of tourists preferring non-urban tourist spots
- Punjab has diverse Agro-climatic conditions, diverse crops, people, deserts, mountains, which provide scope for promotion of all season, multi-location agro-tourism
- Some of the popular folk dances in rural Punjab are Bhangra and Gidhha. Culture of Punjab is very rich with a great variety. It gives a unique identity to the rural Punjab.

SUPPORT TO THE AGRO-TOURISM IN PUNJAB

Promotion of Agro-Tourism involves some more important stakeholders namely Ministry of Agriculture and rural development ministry of the state and central governments. To promote domestic tourism, thrust areas identified by the government of India are development of infrastructure, product development and diversification, development of eco-adventure sports, cultural presentations, providing inexpensive accommodation etc. The government also has realized the importance of agro-tourism. It has accorded high priority to tourism as an instrument of employment generation and poverty alleviation in rural and backward areas by developing the potential of agro tourism to supplement farm incomes, and heritage tourism to promote village development. *AGRICULTURE TOURISM DEVELOPMENT CORPORATION –ATDC* of Punjab has main promoter of this activity ion the Punjab. ATDC is promoting to agriculture tourism for achieving income, employment and economic stability in rural areas. Help boosting a range of activities, services and amenities, provided by farmers and rural people to attract urban tourists to their area thus providing opportunity to urban people to get back to the rural roots". ATDC is now providing following facilities to the farmers of Punjab;

- Prepare Agro Tourism project report and business plan of the each applicant agriculture farm.
- Help facilitate the financial support from Nationalize Banks, Institutes and Government Agencies to built Agro and Rural Tourism facilities and infrastructure like accommodation, sanitation, approach road etc.
- Conduct Agro Tourism Business Training Program.
- Conduct seminars and conferences on agro tourism business Conduct lectures of the successful National and International Farmers in agro tourism business
- Provide sales and marketing support.
- Conduct and coordinate tours from urban areas to the farms.
- Arrange National as well as International Agro Tourism Centre study tours.
- ATDC has entertained National as well as International visitors

CHALLENGES OF THE AGRO-TOURISM IN PUNJAB

The Punjab has a greater potential of the development of the agro-tourism centres due to the good natural and climatic conditions. But there are some challenges in the process of agro-tourism development in the state. Major challenges and problems are follows;

- Lack of perfect knowledge about the agro-tourism
- Weak communication skill and lack of commercial approach of the small farmers
- Lack of capital to develop basic infrastructure for the agro-tourism
- Ignorance of the farmers regarding to such type of activities
- Presence of unorganized sector in the Agro-Tourism industry.
- Ensuring hygiene and basic requirements considering urban visitors
- Farmers have small size holding, low quality land and little or no access to credit or irrigation.

EFFECTIVE MEASURES FOR SUCCESS IN AGRO-TOURISM

Agro-Tourism is a one of the business activity. So, farmers have must of commercial mind and some marketing techniques for the success. For the better success in the agro-tourism you should follow the following things;

- Give a wide publicity of your tourism centre by news papers, television etc. Use all possible advertisement means.
- Develop contacts with the schools, colleges, NGOs, clubs, unions, organisations etc.
- Train your staff or family members for reception and hospitality.
- Understand the customers' wants and their expectations and serve.
- Charge optimum rent and charges for the facilities on the commercial base
- Use artificial local resources to entertain and serve the tourist.
- Develop your website and update time to time for attract foreign tourists.
- Take their feedback and comments about the service and suggestions for more development and modification
- Develop a good relationship with the tourist for future business and chain publicity
- Develop different agro-tour package for different type of tourist and their expectations.
- Preserve an address book and comments of the visited tourists for future tourism business.
- Behave sincerely with the tourists and participate with them.
- Small farmers can develop their agro-tourism centres on the basis of cooperative society.

TABLE 1 – ACADEMICIANS VIEWS REGARDING STRATEGIC MEASURES TO DEVELOP AGRO-TOURISM IN PUNJAB (%age of Respondents)

S. No.	Measures	1	2	3	4	5	6	7	8	9	10	Total
1.	Wide publicity of tourism centre	27	13	16	7	11	6	5	9	2	4	100
2.	Train staff for hospitality	8	12	18	3	15	8	10	17	7	2	100
3.	Understand Customers' Expectations.	18	1	4	12	5	19	30	2	6	3	100
4.	Optimum charges for facilities.	12	7	22	2	14	6	4	10	8	15	100
5.	Take customers' Feedback	26	14	9	6	20	11	2	1	5	6	100
6.	Develop good relationship	3	8	25	4	2	18	9	16	13	2	100
7.	Develop website to attract foreign tourists	5	11	1	3	27	10	12	6	19	7	100
8.	Develop different agro-packages	3	5	24	9	2	15	4	5	32	1	100
9.	Preserve address book.	6	8	13	1	7	22	17	12	10	4	100
10.	Develop Agro-tourism centres on the basis of co-operative society.	11	27	5	4	19	2	23	1	5	3	100
Garret Table Value		82	70	63	59	52	49	42	38	30	19	

(Source: Primary Data)

TABLE – 2 ACADEMICIANS' RATING OF STRATEGIC MEASURES TO DEVELOP AGRO-TOURISM IN PUNJAB ACCORDING TO HENRY GARRET TABLE

S. No.	Measures	1	2	3	4	5	6	7	8	9	10	Total Garret Score	Average Garret Score	RANK
1.	Wide publicity of tourism centre	2214	910	1008	406	572	288	210	333	60	72	6073	60.73	1
2.	Train staff for hospitality	656	840	1134	174	780	384	420	629	210	36	5263	52.63	IV
3.	Understand Customers' Expectations.	1476	70	252	696	260	912	1260	74	180	54	4534	45.34	X
4.	Optimum charges for facilities.	984	490	1386	116	728	288	168	370	240	270	5040	50.40	V
5.	Take customers' Feedback	2132	980	567	348	1040	528	84	37	150	108	6010	60.10	II
6.	Develop good relationship	246	560	1575	232	104	864	378	592	390	36	4977	49.77	VI
7.	Develop website to attract foreign tourists	410	770	63	174	1404	480	504	222	570	126	4723	47.23	IX
8.	Develop different agro-packages	246	350	1512	522	104	720	168	185	960	18	4785	47.85	VIII
9.	Preserve address book.	492	560	819	58	364	1056	714	444	300	72	4879	48.79	VII
10.	Develop Agro-tourism centres on the basis of co-operative society.	902	1890	315	232	988	96	966	37	150	54	5630	56.30	III

(Source: Calculated from Henry Garret)

It has been observed from Table 1 and 2 that academicians rank wide publicity of tourism centre as most significant strategic measure to promote agro-tourism in Punjab with 60.73 average Garret score, coverage by newspapers, television and all other possible advertisement means can be used. Customers' feedback has been considered as second important step to be taken with average Garret score 60.10 in promotion of Agro-Tourism in Punjab. Take their feedback, comments about the service and suggestions to more development and modification. Academicians are of the opinion that Agro – tourism centres should be developed on the basis of cooperative society by farmers with small holdings. Proper training of staff for hospitality has been given fourth rank with 52.63 average Garret score. Family members can be trained for reception of tourists. Fifth prominent strategy has been considered as optimum charges with 50.40 average Garret Score. Reasonable rent and charges for other facilities or services on the commercial base should be there to attract and sustain tourists. Further good relationships should be established with tourists and participate with them. Address book should be preserved with comments with suggestions from the visited tourists for future tourism business. Different agro-tour packages for different types of tourists according to their expectations should be developed, own website can also be developed and updated information can be communicated through it to attract foreign tourists. Agro – tourism will contribute to the national integration, preserves natural and cultural environment as well as enriches social and cultural lives of the people.

CONCLUSION

It is a good opportunity to develop an agro-tourism business in Punjab. But there is a problem of low awareness about this business in the farmer and problem of the finance and proper view in the farmers of the Punjab. Hence, the agriculture departments of the districts', Agriculture Universities should try to give orientation about it and provide some innovative ideas regarding to the Agro-Tourism. The government should try to provide optimum financial aids to the agro-tourism activities in the Punjab by the grants and institutional finance. Bank should make available best possible financial help for the agro-tourism activities in the Punjab. Union of the agro-tourism service providers is also an additional requirement of these farmers which helps to the agricultural tourism network in the India including Punjab.

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LIQUIDITY ANALYSIS OF INDIAN HOTEL INDUSTRY

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ABSTRACT
The present study describe that it is one of the important measurements of the financial position of the business organization. The concept and nature of working capital or current assets denotes that "Investment in current assets is turned over many times in a year. Investment in current assets such as inventories and book debts (accounts receivable) is realized during the firm's operating cycle which is usually less than year." Therefore measurement of liquidity has its own importance. Importance of liquidity describes that it's lifeblood and controlling nerve centre of the business. Without circulation of blood no one can live, just like without circulation of liquidity business can't maintain. The performance of liquidity can be judged by investment in current assets and short-term creditors. In the present study, three types of ratios were calculated, that is, current ratio, liquid ratio and cash ratio. Thus above analysis describe that the need for liquidity to rub day-to-day business activities can't be over emphasized.

KEYWORDS
liquidity analysis, Indian hotel industry.

1. INTRODUCTION
Tourism has been a major social phenomenon of societies all over the world. It is driven by the natural urge of every human being for new experiences, and the desire to be both educated and entertained. The motivations for tourism also include religious and business interests; the spread of education has fostered a desire to know more about different parts of the globe. The importance of Tourism, as an instrument of economic development and employment generation, particularly in remote and backward areas, has been well recognized the world over. It is a large service industry globally in terms of gross revenue as well as foreign exchange earnings.

Tourism has the potential to grow at a high rate and ensure consequential development of the infrastructure of the destinations. It has the capacity to capitalize on the country's success in the services sector and provide sustainable models of growth. Tourism sector stimulates other economic sectors like agriculture, horticulture, poultry, handicrafts, transport and construction, through its backward and forward linkages and cross-sectoral synergies.

Of the many and diverse components of the tourist industry, hotels constitute the most important segment. Hotels are the vital and essential part of the tourist industry. Without an adequate development of hotel resources, all the national scenery, all the climatic virtues and all the sporting and recreational facilities will not suffice to sustain a good volume of tourist trade. Economically, tourism brings in foreign exchange as it is an invisible export. Tourists from foreign countries bring foreign currency into our land as they spend it here in paying for food or services or in buying goods in shops. It also has its own sociological aspects.

Hotels are important employers of labour. Thousands of jobs are provided by hotels in the many occupations, which make up the hotel industries in most countries; many others in the industry are self-employed and proprietors of smaller hotels.

The role of hotels as employers is particularly important in areas with few alternative sources of employment, where they contribute to regional development. Therefore, it is significant to evaluate the liquidity position of Indian Hotel Industry.

2. REVIEW OF LITERATURE
A financial ratio is a number that expresses the value of one financial variable relative to another. It is the numeric result gained by dividing one financial number by another. Calculated this way, financial ratio allows an analyst to assess not only the absolute value of a relationship but also to quantify the degree of change within the relationship (Lawder, 1989).

Liquidity ratios measure the company's ability to maintain sufficient liquidity to pay its obligations as they arise. The traditional ratios used for this purpose are the current ratio and the quick ratio. While the former indicates how well current assets cover current liabilities, the latter concentrates on the more liquid current assets in relation to current obligations.

With particular reference to the hospitality industry, and in an attempt to identify the most useful financial ratios as perceived by lodging general managers, corporate executives, bankers, and owners of lodging companies, Schmidgall (1989) found that these different groups attach varied degrees of importance to the various financial ratios. For example, general managers consider the operating and activity ratios as the most useful, owners give profitability ratios more importance. Liquidity ratios were considered more useful by corporate executives. The study indicated that solvency ratios are the most important to bankers; and for the financial executes, profitability and activity ratios were perceived as more useful than others.

Singh & Schmidgall (2002) investigated the importance of liquidity, solvency, activity, profitability and operating ratios as perceived by 500 lodging financial executives. Importance and frequency of usage of these ratios were measured by a questionnaire employing a six-point semantic differential measurement scale. The final analysis indicated that operating and profitability ratios are the most important ratios for lodging managers. However, no calculations of these ratios with regard to the lodging companies were carried out, and no other segments of the hospitality industry than the hotel segment were included in their study.

3. OBJECTIVES OF THE STUDY
The main objective of the present study is to analyse the liquidity position of the selected hotel companies in India.

4. SCOPE OF THE STUDY
There are about 1408 such hotel companies which are working in India on 31st December 2008. Hence the present study is confined to Hotel companies consisting of one central public sector and three private sectors only.

5. RESEARCH METHODOLOGY

5.1 RESEARCH DESIGN

The present study is an analytical study on Liquidity Analysis of Indian hotel Industry. The study is primarily analytical in the sense that it analyses the various financial variables based on secondary data. The methodology adopted for the study is presented in the following paragraphs.

5.2 SAMPLING DESIGN

The present study is undertaken based on a sample of four Indian Hotel companies which share is about 10 per cent of total share of Indian Hotel Industry. The entire analysis is based on the data relating to liquidity analysis of the following hotel companies only.

1. Indian Hotels Company Limited (IHC)
2. East Indian Hotels Limited (EIH)
3. India Tourism Development Corporation Limited (ITDC)
4. Hotel Leela Venture Limited (HLV)

5.3 COLLECTION OF DATA

The present study is mainly based on secondary data on hotel industry. Only hotel group-wise data are used. In order to carry out the aforesaid objectives, the secondary data were collected relating to hotel industry. The secondary data were collected from published sources like the published annual reports of companies which have been collected from the official website of the selected hotel companies, various publications of Hotel Company's association and individual companies, various books, periodicals, journals, thesis, news paper and websites. The papers presented by experts in various conferences have also been reviewed.

5.4 PROCESSING OF DATA

All the data have been classified, tabulated for better comprehension and analysis. Simple mathematical tools like ratios, percentage and averages and statistical tools such as regression analysis, standard deviation and One-way analysis of variance have been applied for analysis of data. All the analysis has been done using SPSS for windows release 16.00 statistical package.

5.5 FRAMEWORK OF ANALYSIS

In the present study some mathematical and statistical tools have been applied in order to realize the objectives of the study. The tools applied and the relevance of its applications is described below.

The techniques of Ratio analysis has been used to study the magnitude and trend of profit and loss account and balance sheet of hotel companies during the study period.

Standard deviation has been used to determine the variation in the ratios among the hotel companies.

5.6 HYPOTHESES

The liquidity of the selected hotel companies in India have been analysed by the testing the following null hypotheses.

1. There is no significant difference in current ratios of selected hotel companies during the study period.
2. There is no significant difference in quick ratio of the selected hotel companies under study.
3. There is no significant difference in absolute liquidity ratio of the selected hotel companies under study.

5.7 PERIOD OF STUDY

A period of 11 years from 1999-2000 to 2009-2010 has been covered under the present study.

6. LIQUIDITY RATIOS

Liquidity is a Company's ability to meet its maturing short–term obligations. Liquidity is essential to conducting business activity, particularly in times of adversity, such as when a business is shut down by a strike or when operating losses ensue due to an economic recession or a steep rise in the price of a raw material or part. If liquidity is insufficient to cushion such losses, serious financial difficulty may result. Poor liquidity is analogous to a person having a fever-it is a symptom of a fundamental problem.

6.1 CURRENT RATIO

It is the most widely used measure of testing liquid position of a concern. It is applied to test solvency and short-term financial strength of a concern. It indicates the relationship between firm's current assets to current liabilities. In the form of equation the current ratio may be expressed as:

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

This ratio is also known as current assets and current liabilities ratio, solvency ratio, "working capital ratio or 2 to 1 ratio." "Current ratio is a tool for measuring the short-term stability or ability of a company to carry on day-to-day work and meet the short-term commitments earlier".

TABLE 1: CURRENT RATIO OF THE INDIAN HOTEL INDUSTRY FROM THE YEAR 1999-2000 TO 2009-2010

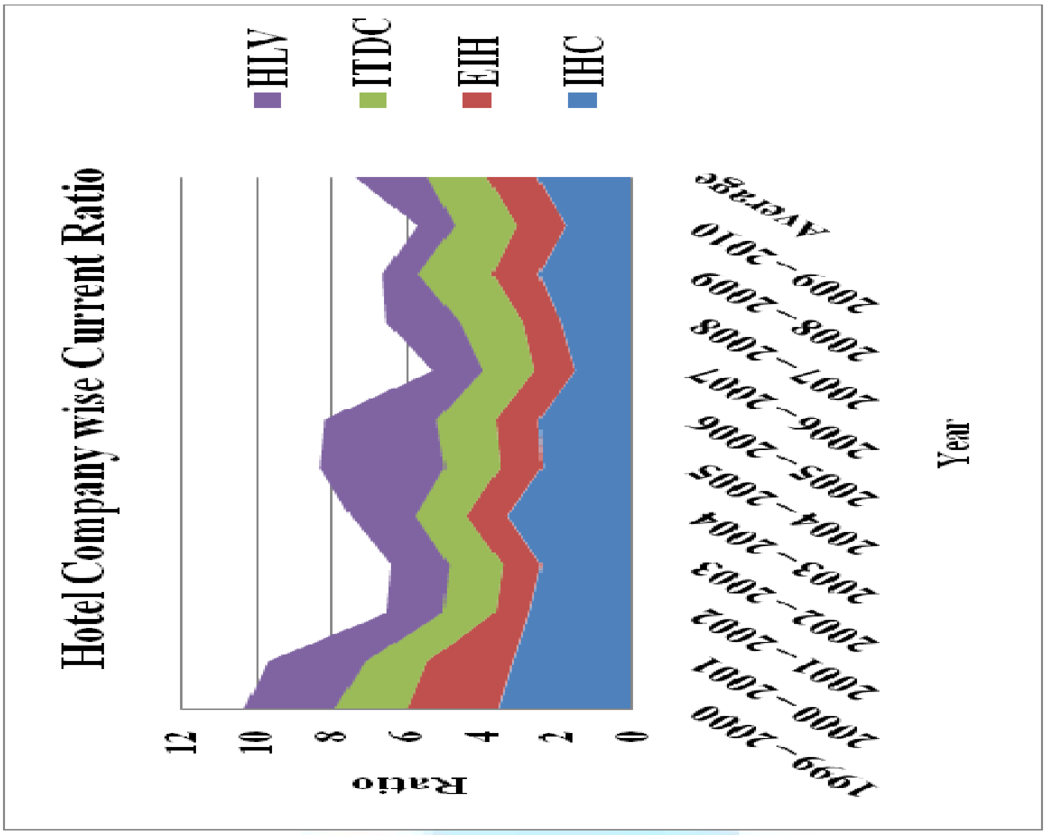
Year	IHC	EIH	ITDC	HLV	Average
1999 – 2000	3.58	2.41	1.95	2.41	2.59
2000 – 2001	3.17	2.27	1.68	2.59	2.43
2001 – 2002	2.72	0.92	1.41	1.50	1.64
2002 – 2003	2.40	1.04	1.46	1.51	1.60
2003 – 2004	3.33	1.07	1.39	1.72	1.88
2004 – 2005	2.38	1.13	1.49	3.34	2.09
2005 – 2006	2.47	1.17	1.57	2.99	2.05
2006 – 2007	1.50	1.07	1.40	1.35	1.33
2007 – 2008	1.89	1.00	1.71	1.96	1.64
2008 – 2009	2.48	1.24	2.00	0.94	1.67
2009 – 2010	1.75	1.31	1.68	0.99	1.43
Average	2.52	1.33	1.61	1.94	1.85
S.D	0.66	0.51	0.21	0.80	0.55
Maximum	3.58	2.41	2.00	3.34	2.83
Minimum	1.50	0.92	1.39	0.94	1.19

Source: Data compiled and computed from annual reports and accounts from the year 1999-2000 to 2009-2010

Inference

It is inferred from table 1 that the current ratio of the Indian Hotels Company Limited showed downward and fluctuating trend during the study period. The average ratio was 2.52. The ratio ranged between 3.58 in 1999-2000 and 1.50 in 2006-2007. The ratio of East Indian Hotels Limited ranged between 2.41 in 1999-2000 and 0.92 in 2001-2002 with fluctuating trend during the study period. The average ratio of the India Tourism Development Corporation Limited was 1.61. The ratio ranged between 2.00 times in 2008-09 and 1.39 times in 2003-04 with fluctuating trend during the study period. The ratio of the Hotel Leela Venture Limited was minimal of 0.94 in 2008-2009 and maximum of 3.34 in 2004-05 with an average of 1.94. The ratio showed highly fluctuated trend during the study period. The industry average is 1.85 which is not up to the standard because the selected companies have not maintained the standard of 2:1.

FIG. 1



TESTING OF HYPOTHESIS - ANOVA

Null Hypothesis: There is no significant difference in the current ratios of the selected hotel companies in Indian Hotel Industry during the study period.

TABLE 2: ANALYSIS OF CURRENT RATIO – ONE WAY ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	8.547	3	2.849	8.274	.000*
Within Groups	13.773	40	.344		
Total	22.320	43			

Source: Computed from table 4.1

*Note: Significant at 1 per cent level

Inference

It is inferred from the above analysis that there is significant difference in current ratios of selected hotel companies during the study period at 1 per cent level of significant.

TABLE 3: ANALYSIS OF VARIANCE OF CURRENT RATIO BY DUNCAN METHOD

Name of the Company	N	Subset for alpha = 0.05		
		1	2	3
East Indian Hotels Limited	11	1.3300		
India Tourism Development Corporation Limited	11	1.6127		
Hotel Leela Venture Limited	11		1.9364	
Indian Hotels Company Limited	11			2.5155

Source: Computed from table 1

From the table 3 it is observed that the results of ANOVA test are fully supported by Duncan method. There are three subsets, where Indian Hotels Company Limited falls under the third subset, Hotel Leela Venture Limited falls under the second subset and the other hotel companies form the first subset. That is, the mean value of current ratio of Indian Hotels Company Limited is higher than that of other three hotel companies. It exceeds the standard norm of 2:1.

The mean value of current ratio of Hotel Leela Venture Limited is satisfying the standard norm. The other two hotel companies are not fulfilling the standard norm. This is because; the cash and bank balance and the inventory are at decreasing trend during the study period. Hence, it is better to increase the cash and bank balance and inventory of East Indian Hotels Limited and India Tourism Development Corporation Limited to meet their short term obligations. In order to increase the cash and bank balance, those companies are advised to increase their profit.

6.2 LIQUID RATIO

This ratio is also known as acid test or quick ratio and is another widely used device for judgment of true short-term solvency of a business. This ratio establishes a relationship between the quick assets (liquid assets) and current liabilities of a firm. Liquid assets for accounting purpose include all current assets except stock and prepaid expenses. This way liquid ratio overcomes the drawbacks of the current ratio. It may be expressed as:

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

A quick ratio of 1:1 is the standard norm for evaluating the accuracy of the information pertaining to going concern solvency of a business. This ratio specifically indicates the extent to which the liquid assets are available to set off the current obligations of a concern during a period of time.

TABLE 4: LIQUID RATIO OF THE INDIAN HOTEL INDUSTRY FROM THE YEAR 1999-2000 TO 2009-2010

Year	IHC	EIH	ITDC	HLV	Average
1999 – 2000	3.47	2.23	1.56	2.15	2.35
2000 – 2001	3.08	2.08	1.28	2.32	2.19
2001 – 2002	2.60	0.78	1.09	1.35	1.45
2002 – 2003	2.29	0.89	1.15	1.07	1.36
2003 – 2004	3.24	0.94	1.18	1.16	1.63
2004 – 2005	2.32	0.99	1.32	3.02	1.91
2005 – 2006	2.39	1.05	1.31	2.79	1.89
2006 – 2007	1.43	1.01	1.30	1.02	1.19
2007 – 2008	1.81	0.88	1.63	1.82	1.54
2008 – 2009	2.40	1.14	1.88	0.82	1.56
2009 – 2010	1.57	1.25	1.52	0.86	1.30
Average	2.42	1.20	1.38	1.67	1.67
S.D	0.66	0.49	0.24	0.79	0.55
Maximum	3.47	2.23	1.88	3.02	2.65
Minimum	1.43	0.78	1.09	0.82	1.03

Source: Data compiled and computed from annual reports and accounts from the year 1999-2000 to 2009-2010

Inference

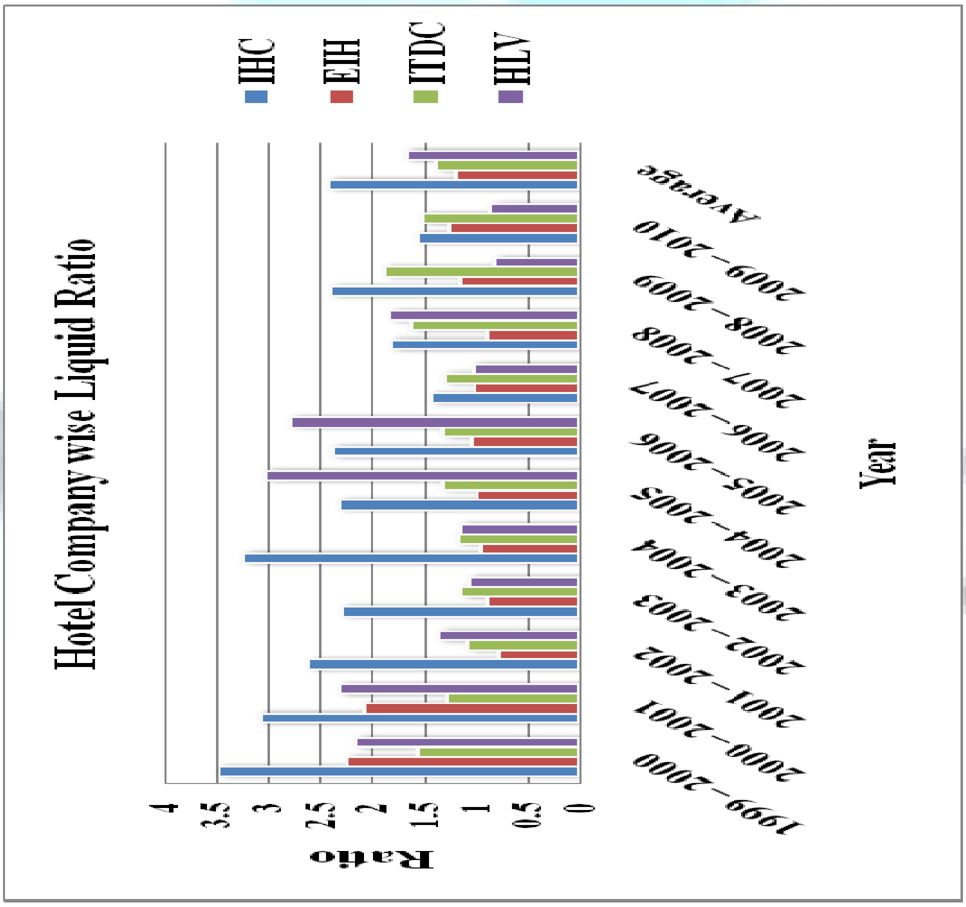
It is observed from the Table 4 that the quick ratio of Indian Hotels Company Limited was fluctuating trend during the research period. The ratio was 3.47 times in 1999-2000 and then it decreased to 2.29 times in 2002-2003. The ratio was 3.24 times in 2003-2004 and it went up to 1.43 times in 2006-2007. The ratio was 2.40 times in 2008-2009 and 1.57 times in 2009-2010. The ratio ranged between 3.47 times in 1999-2000 and 1.43 times in 2006-07 with an average of 2.42 times. The standard deviation of this ratio is 0.66 times. The ratio showed that during the whole study period company could not maintain the quick ratio according to the norms. During the period of study, the ratio was higher than the standard norm of 1:1. It indicates that the Indian Hotels Company Limited is keeping the quick assets in an idle position.

It is clear from Table 4 that the quick ratio of East Indian Hotels Limited was a fluctuated trend with an average of 1.20 times. The ratio was 2.23 times in 1999-2000 and then it went up to 0.78 times in 2001-2002. The ratio was 0.89 times in 2002-2003 and then it gradually increased to 1.05 times in 2005-2006. The ratio was 1.25 times in 2009-2010. The ratio ranged between 2.23 times in 1999-2000 to 0.78 times in 2001-2002 with the standard deviation of 0.49 times. The ratio was not according to the norms during the study period.

It is understood from Table 4 that the quick ratio of the India Tourism Development Corporation Limited was downward and upward trend during the research period. The ratio was 1.56 times in 1999-2000 and then it decreased to 1.09 times in 2001-02. The ratio was 1.15 times in 2002-2003 and then it gradually increased to 1.88 times in 2009-2010. The ratio ranged between 1.88 times in 2009 -10 and 1.09 times in 2001-02 with an average of 1.38 times. The standard deviation of this ratio is 0.24 times. The ratio showed that during the study period company could not maintain the quick ratio according the norms. The ratio was higher than the standard norms of 1:1 during the period of study. This is not advisable one.

It is inferred from the Table 4 that the quick ratio of Hotel Leela Venture limited with fluctuating trend during the study period. The ratio was 2.15 times in 1999-2000, which then slipped to 1.07 times in the year of 2002-03. The ratio again went up to 3.02 times in the year of 2004-05 and then went down to 0.86 times in the year of 2009-10. The ratio ranged between 3.02 times in 2004-05 and 0.82 times in the year 2008-2009. The average ratio was 1.67 times with standard deviation of 0.79. The ratio was higher than the standard norms of 1:1 during the study period except the year 2008-2009 (0.8) and 2009-2010 (0.86). Therefore it is not advisable.

FIG. 2



TESTING OF HYPOTHESIS - ANOVA

Null Hypothesis: There is no significant difference in the liquid ratios of the selected hotel companies in Indian Hotel Industry during the period of study.

TABLE 5: ANALYSIS OF LIQUID RATIO – ONE WAY ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	9.452	3	3.151	9.284	.000*
Within Groups	13.574	40	.339		
Total	23.026	43			

Source: Computed from table 4

*Note: Significant at 1 per cent level

Inference

It is inferred from the Table 5 that the difference in the liquid ratios of the selected hotel companies during the study period is significant at 1 per cent level.

TABLE 6: ANALYSIS OF VARIANCE OF LIQUID RATIO BY DUNCAN METHOD

Name of the Company	N	Subset for alpha = 0.05	
		1	2
East Indian Hotels Limited	11	1.2036	
India Tourism Development Corporation Limited	11	1.3836	
Hotel Leela Venture Limited	11	1.6709	
Indian Hotels Company Limited	11		2.4182

Source: Computed from table 4

It is observed from the Table 6 that the results of ANOVA test are fully supported by Duncan method. There are two subsets, where Indian Hotels Company Limited falls under the second subset and the other hotel companies form the first subset. It shows that the mean value of liquid ratio of Indian Hotels Company Limited is higher than the other three hotel Companies. Totally the selected hotel companies have maintained the ratio above the standard norms. This is because they are keeping the inventory at low level. Hence these companies are advised to increase their inventory level to equalise the standard norm of the liquid ratio.

6.3 CASH RATIO

The cash ratio is the most stringent measure of liquidity. The financial analyst look at cash ratio, only because cash and bank balances and short term marketable securities are the most liquid asset of a firm, which is defined as follows.

$$\text{Cash Ratio} = \frac{(\text{Cash and Bank Balance} + \text{Current Investments})}{\text{Current Liabilities}}$$

TABLE 7: CASH RATIO OF THE INDIAN HOTEL INDUSTRY FROM THE YEAR 1999-2000 TO 2009-2010

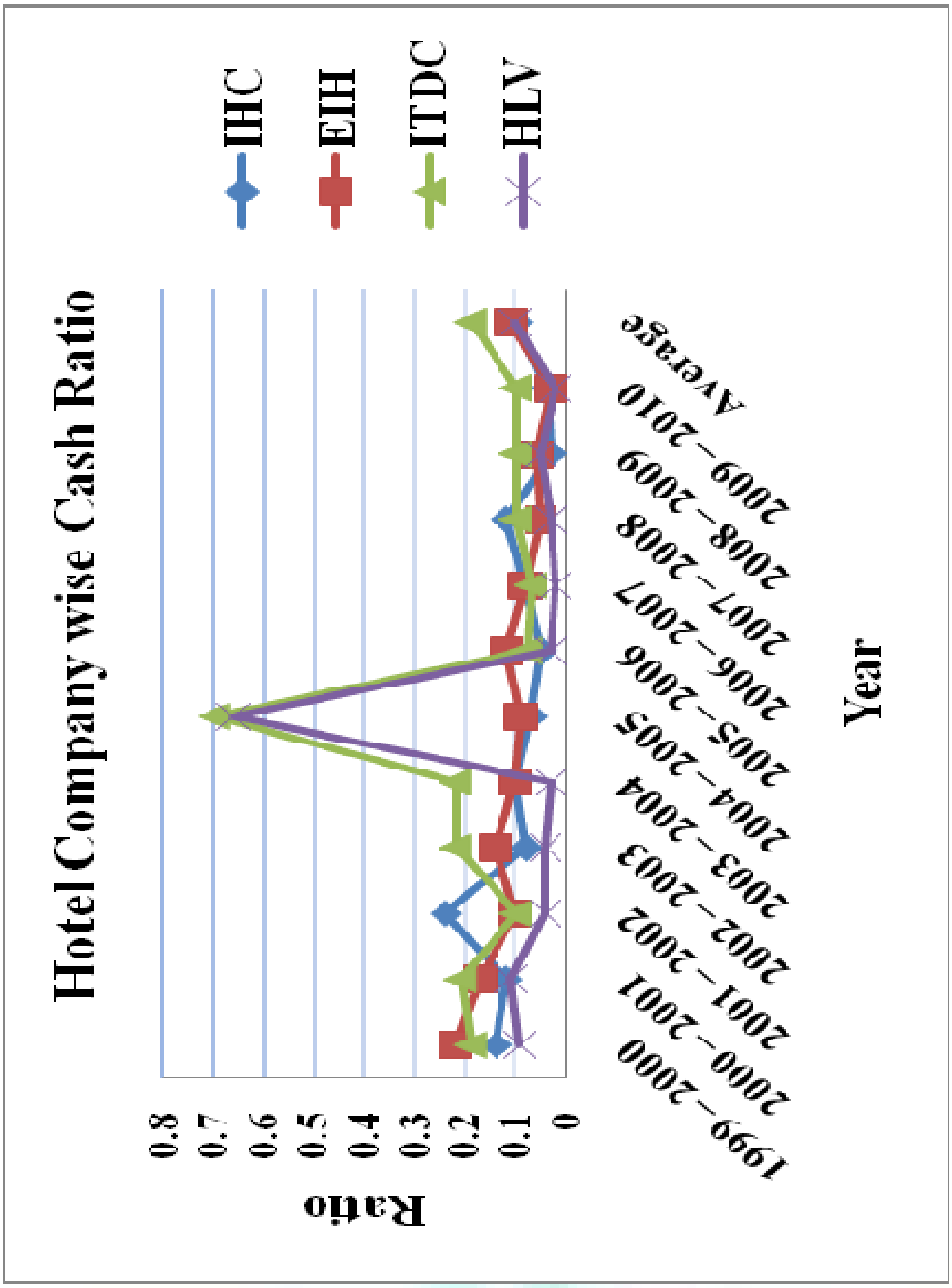
Year	IHC	EIH	ITDC	HLV	Average
1999 – 2000	0.14	0.22	0.19	0.09	0.16
2000 – 2001	0.12	0.17	0.21	0.11	0.15
2001 – 2002	0.24	0.10	0.10	0.04	0.12
2002 – 2003	0.08	0.14	0.22	0.04	0.12
2003 – 2004	0.10	0.10	0.22	0.03	0.11
2004 – 2005	0.07	0.09	0.70	0.66	0.38
2005 – 2006	0.05	0.12	0.08	0.03	0.07
2006 – 2007	0.08	0.08	0.07	0.02	0.06
2007 – 2008	0.12	0.05	0.10	0.03	0.08
2008 – 2009	0.03	0.06	0.10	0.05	0.06
2009 – 2010	0.04	0.03	0.10	0.02	0.05
Average	0.10	0.11	0.19	0.10	0.13
S.D	0.06	0.06	0.18	0.19	0.12
Maximum	0.24	0.22	0.70	0.66	0.46
Minimum	0.03	0.03	0.07	0.02	0.04

Source: Data compiled and computed from annual reports and accounts from the year 1999-2000 to 2009-2010

Inference

It is observed from the Table 7 that the cash ratio of Indian Hotel Industry in India was fluctuating trend and the ratio was lower than the standard norms of 0.50:1, throughout the study period. The minimum cash ratio of Indian Hotels Company Limited is 0.03 times (2008-2009), East Indian Hotels Limited is 0.03 times (2009-2010), India Tourism Development Corporation Limited is 0.07 times (2006-2007) and Hotel Leela Venture Limited is 0.02 times (2006-2007). The maximum cash ratio of Indian Hotels Company Limited is 0.24 times (2001-2002), East Indian Hotels Limited is 0.22 times (1999-2000), India Tourism Development Corporation Limited is 0.70 times (2004-2005) and Hotel Leela Venture Limited is 0.66 times (2004-2005). It implies that the four hotel companies carry a small amount of cash. It may lead to facing certain difficulties in meeting their current obligations.

FIG. 3



TESTING OF HYPOTHESIS - ANOVA

Null Hypothesis: There is no significant difference in the cash ratios of the selected hotel companies in Indian Hotel Industry during the study period.

TABLE 8: ANALYSIS OF CASH RATIO - ONE WAY ANOVA

	Sum of Squares	df	Mean Square	F	P Value
Between Groups	.065	3	.022	1.175	.331
Within Groups	.737	40	.018		
Total	.802	43			

Source: Computed from table 7

Inference

It is inferred from the Table 8 that the difference in cash ratios of the selected hotel companies during the study period is not significant.

TABLE 9: ANALYSIS OF VARIANCE OF CASH RATIO BY DUNCAN METHOD

Name of the Company	N	Subset for alpha = 0.05
		1
Indian Hotels Company Limited	11	.0973
Hotel Leela Venture Limited	11	.1018
East Indian Hotels Limited	11	.1055
India Tourism Development Corporation Limited	11	.1900

Source: Computed from table 7

It is evident from the Table 9 that the results of ANOVA test are fully supported by Duncan method. There is one subset that is all the selected hotel companies fall in the same subset. It shows that there is no higher difference in the mean value of cash ratio of the selected hotel companies during the period of study. These companies are keeping this ratio below the standard norms (0.50:1). This may lead to face certain difficulties in meeting their short term obligations. These companies are advised to increase the cash position by reducing the debtors or by increasing the profit of the organisation.

7. SUMMARY OF FINDINGS

7.1 ANALYSIS OF LIQUIDITY

7.1.1 The current ratio of the selected hotel companies showed highly fluctuated trend during the study period. They have not maintained the standard norms of 2:1.

7.1.2 Indian Hotels Company Limited could not maintain the quick ratio according to the norms during the whole study period. The ratio was higher than the standard norm of 1:1. It indicates that they are keeping the quick assets in an idle position.

7.1.3 The quick ratio East Indian Hotels Limited ranged between 2.23 times in 1999-2000 to 0.78 times in 2001-2002 with the standard deviation of 0.49 times. The ratio was not according to the norms during the study period.

7.1.4 The quick ratio of India Tourism Development Corporation Limited showed that during the study period company could not maintain the quick ratio according the norms. The ratio was higher than the standard norms of 1:1 during the period of study. This is not advisable.

7.1.5 The quick ratio of East Indian Hotels Limited ranged between 3.02 times in 2004-05 and 0.82 times in the year 2008-2009. The average ratio was 1.67 times with standard deviation of 0.79. The ratio was higher than the standard norms of 1:1 during the study period except the year 2008-2009 (0.8) and 2009-2010 (0.86). Therefore it is not advisable.

7.1.6 The average cash ratio of India Tourism Development Corporation Limited is 0.19, followed by East Indian Hotels Limited (0.11), Indian Hotels Company Limited (0.10) and Hotel Leela Venture limited (0.10). It implies that the four hotel companies carry a small amount of cash. It may lead in facing certain difficulties in meeting their current obligations.

7.2 ANALYSIS OF LIQUIDITY USING ANOVA

7.2.1 As the significant value is lesser than 0.05 (0.000) the null hypothesis is rejected and it can be stated that there is significant difference in current ratio.

7.2.2 As the significant value is lesser than 0.05 (0.000) the null hypothesis is rejected and it can be stated that there is significant difference in liquid ratio.

7.2.3 As the significant value is greater than 0.05 (0.331) the null hypothesis is accepted and it can be stated that there is no significant difference in cash ratio.

8. SUGGESTIONS

8.1 SUGGESTIONS TO INDIAN HOTELS COMPANY LIMITED

8.1.1 The liquidity position of the Indian Hotels Company Limited was not satisfactory level, because they have kept the current ratio and liquid ratio higher than that of the standard norms (that is, current ratio 2:1 and liquid ratio 1:1) and the cash ratio below the standard norm of 0.50:1. Hence they may face certain difficulties in meeting their current obligations. In order to reduce the current and liquid ratio and to increase the cash ratio, this company is advised to reduce their debtors and to increase their profit margin.

8.2 SUGGESTIONS TO EAST INDIAN HOTELS LIMITED

8.2.1 The liquidity position of East Indian Hotels Limited was not satisfactory level, because they have kept the current ratio and cash ratio below the standard norms and the liquid ratio above the standard norms. It indicates that they have kept the inventory at very low level. Hence they may face difficulties in meeting their current obligations. In order to increase their current and cash ratio, this company is advised to increase the inventory level. This can be achieved only by increasing their sales volume.

8.3 SUGGESTIONS TO INDIA TOURISM DEVELOPMENT CORPORATION LIMITED

8.3.1 The liquidity position of India Tourism development Corporation Limited was not satisfactory level, because they have kept the current ratio and cash ratio below the standard norms and the liquid ratio above the standard norms. It indicates that they have kept the inventory at very low level. Hence they may face difficulties in meeting their current obligations. In order to increase their current and cash ratio, this company is advised to increase the inventory level. This can be achieved only by increasing their sales volume.

8.4 SUGGESTIONS TO HOTEL LEELA VENTURE LIMITED

8.4.1 The liquidity position of the Hotel Leela Venture Limited was not satisfactory level, because they have kept the current ratio equal to the standard norms. But they have not maintained the current and cash ratio equal to the standard norms. There were fluctuations in those ratios. Hence this company is advised to increase the inventory level and also reduce the debtors.

9. CONCLUSION

Chapter titled "Liquidity analysis of Indian Hotel Industry" describe that it is one of the important measurements of the financial position of the business organization. The concept and nature of working capital or current assets denotes that "Investment in current assets is turned over many times in a year. Investment in current assets such as inventories and book debts (accounts receivable) is realized during the firm's operating cycle which is usually less than year." Therefore measurement of liquidity has its own importance. Importance of liquidity describes that it‘s lifeblood and controlling nerve centre of the business. Without circulation of blood no one can live, just like without circulation of liquidity business can‘t maintain.

The performance of liquidity can be judged by investment in current assets and short-term creditors. In the present study, three types of ratios were calculated, that is, current ratio, liquid ratio and cash ratio. Thus above analysis describe that the need for liquidity to rub day-to-day business activities can‘t be over emphasized.

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SATISFACTION LEVEL OF ADVERTISING AWARENESS AMONG COLLEGE STUDENTS – A FACTOR ANALYSIS

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ABSTRACT

This study examines the factors influencing awareness of college students with regard to advertisements It aims to create awareness among the college students. The data collected from 500 respondents who are studying in Manonmaniam Sundaranar University and its affiliated colleges. Descriptive statistical analysis, reliability test and exploratory factor analysis are used for arriving conclusion.

KEYWORDS

Advertisement awareness, marketing.

INTRODUCTION

The advertising industry is complex because it has a number of different organizations involved in making decisions and executing advertising plans. The key players in the advertising industry include the advertiser (or the client), the agency, the media, the vendor and the audience. They all have different perspectives and objectives and a great advertisement is produced only when they come together as a team with a common vision.

OBJECTIVES

To study the various factors influencing awareness of college students with regard to advertisements.

METHODOLOGY

Descriptive statistical analysis was used to describe respondents' demographic characteristics and to evaluate service quality perceptions on advertising. An exploratory factor analysis was performed on a total of 11 perception attributes included in the questionnaire which are analysed in five different aspects in order to determine underlying dimensions of advertising. Principal component analysis with varimax rotation was conducted. Items with Eigen values equal to or greater than 1, factor loadings above 0.5, and factors which contain at least three items were retained (Hair et.al 2006)[4]. Furthermore, a reliability analysis was performed to test the reliability of the scale and inner consistency of extracted factors. For this purpose, Cronbach's alpha[5] coefficients were calculated. The Cronbach's alpha values are detected as greater than 0.60 (Nunnally, 1978)[6]. Prior to running the factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity were performed.

ANALYSIS

TABLE 1: AVERAGE SCORES OF SATISFACTION LEVEL OF ADVERTISEMENT

Attributes	Mean	Std. Deviation
v1 Modern advertisements give more weight	4.82	0.603
v2 Complete value of education to the consumers	4.03	0.651
v3 Memorizing worth by advertisement through media	4.00	2.430
v4 sentimental concept of the consumers	3.69	1.090
v5 Goodwill of the firm	3.64	1.270
v6 Satisfaction level	3.49	1.205
v7 Mobile advertisement and internet advertisement	3.93	1.051
v8 E commerce reflect cultural value	3.50	1.269
v9 Majority of the advertisement reflect cultural	3.33	1.295
v10 Brand image	4.01	1.153
v11 Exaggerate facts about product features	3.85	1.294

The range of satisfaction level of advertisement perception item varies from 1 (highly dissatisfied) to 5 (highly satisfied). The mean scores of advertisement perceptions range from 3.33 to 4.82 and their standard deviations vary from 1.295 to 0.603. The lowest perception item is 'majority of the advertisement reflect cultural', on the other hand, the highest perception item is 'modern advertisements give more weight'. The overall mean score for advertisement perception item is 42.29. This score indicates rather high perceptions of advertisement.

TABLE 2: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.626
Bartlett's Test of Sphericity	Approx. Chi-Square	650.140
	df	55
	Sig.	0.000

The generated score of KMO is 0.626 and highly significant Bartlett's test of Sphericity supported the appropriateness of using factor analysis to explore the underlying structure of perceived satisfaction level of advertisement. The significant value is 0.000.

TABLE: 3 FACTOR AND RELIABILITY ANALYSES OF ADVERTISEMENT

Items (n = 500)	Factors on Advertisement				
Attributes	**1**	**2**	**3**	**4**	**Comm.**
v4	0.786				0.645
v5	0.688				0.590
v6	0.661				0.456
v7	0.471				0.551
v3	0.448				0.432
v11		0.751			0.579
v10		0.698			0.515
v1		0.500			0.462
v9			0.835		0.718
v8			0.825		0.700
v2				0.795	0.669
E.V.	1.992	1.635	1.529	1.161	6.317
% of v	18.105	14.865	13.902	10.554	57.426
C.A.	0.515	0.454	0.624	0.015	1.608
No. item	5	3	2	1	

Note: E.V. - Eigen Value, % of v – Percent of Variance, C.A. – Cronbach Alpha,
No. item – No of Items, Comm. – Communalities

The exploratory factor analysis extracted four factors, which accounted for 57.426 percent of variance in the data. Since the third factor and fourth factor contained two items and only one item, it could not be considered and is not interpreted. The percentage of variance has explained by two factors in which 8 variables load to. The communalities of eight items range from 0.432 and 0.718. The first factor is labeled as F1 – Reputation. This factor contains five items and explains most of the variances. The second factor is labeled as F2 – Features. This factor contains three items and explains three variables. The Cronbach alpha internal consistency reliability estimates are 0.515 (F1), 0.454 (F2), 0.624 (F3) and 0.015 (F4). The overall perception scale is 1.608 which indicates its high reliability.

CONCLUSION

Advertising is an important means of informing and influencing target customers to buy goods and services. It makes use of visual, written and oral messages communicated through media like newspaper, magazines, radio, television, internet, billboards, hoardings etc. Advertising is a science, art as well as a profession. It is a science as it has existence of systematalized body of knowledge. A lot of advertising literature is available on topics like setting advertising objectives, determining and budgets, using advertising appeals, copywriting, layout designing, taking media decisions and evaluating the results of adverting to name a few.

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FACET OF GLOBAL RISKS

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ABSTRACT

The financial crisis has reduced global economic flexibility, while increasing geopolitical tension and sensitive social concerns establishes that both governments and societies are less able than ever to cope with global challenges. The crisis has established sufficient reasons to rethink many of our ideas as the crisis has strengthened the claim that there is no free lunch or that it is not possible to beat the market in risk adjusted terms like all those apparently low risk, high return investments turned out to be high risk. Further global financial crisis has weakened the claim that many prices were clearly not right. Industries , with the changes in technology, market vis-a-vis growing demands etc , risk profile also gets change with the pace of evolution. Major industries have gone through heterogeneous experiences range from an all-out collapse and radical restructuring. Accordingly, there is a need now to about turn some of the key areas where severe unexpected or underappreciated consequences may happen like maintaining Cyber-security, to face demographic challenges& economic nationalism, long term effects on Chinese interests in purchasing struggling manufacturing companies , recurrence of the similar acts by the Group of surviving suppliers, effects of Global Value Chain and Government bailouts in the form of protectionist, risks of the increased internationalization trends,currency markets volatility,tax implication due to growing acceptance of International Financial Reporting Standards (IFRS) around the world, threats from oil resources countries etc. The purpose of the paper is to indicate the above key concern areas and suggested ways to insulate them for the overall benefit of the global economy.

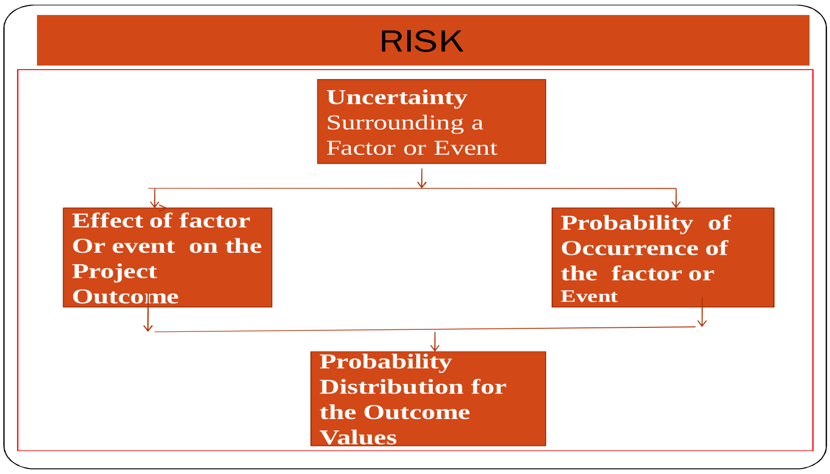
KEYWORDS
global risks, IFRS.

1. INTRODUCTION

1.1 RISK

R**isk** is what's left over when you think you've thought of everything else," opined by Carl Richards, a renowned Financial advisor. *The oxford English Dictionary definition of risk is "a chance or possibility of danger, loss, injury or other adverse consequences and the definition of at risk is "exposed to danger'. The origin of the ward "Risk" is either the Arabic word "Risq",(connotations of a unexpected and favourable outcome) or the latin ward "Riscum"(connotations of an equally unexpected but unfavourable event). In the twelfth century,*
Greek derivative of the Arbic ward" Risq" interpreted as chance of outcomes in general and have neither positive nor negative implications. Ultimately the ward "Risk "entered the English language in the mid seventeenth century. Risk is an important fragment of every human life. From the moment we get up and started our daily life like , drive or take public transportation to get to school or to work until we get back into our beds (and perhaps even afterwards), we are exposed to risks of different degrees.
In human history, risk and survival have gone hand in hand. In early history, physical risk and material reward also went hand in hand like the risk-taking caveman ended up with food and alternatively the risk-averse one, starved to death.
Further, the gradual development of the shipping trades created a new arena for risk and return. In the last couple of centuries, the arrival of financial instruments and markets, on the one hand and the growth of the business on the other, has allowed global economy to separate physical from economic risk.
In 1921, Frank Knight summarized the difference between risk and uncertainty as uncertainty must be taken in a sense radically distinct from the familiar notion of Risk. It is true that risk that is measurable is easier to insure but we do care about all uncertainty, whether measurable or not. Generally, risk is composed of four parameters viz probability of occurrence, severity of impact, susceptibility to change besides degree of interdependency with other factors of risks. In probability and statistics, financial management, investment management etc, risk is often used in a more specific sense to indicate possible variability in outcomes around some expected value and other times to describe the expected losses. It is established that risk is related to future events and their consequences. We do not know now whether the events will occur or not and if occur what will be the consequences. Whether an event will occur and that specific consequences will result, can be expressed by means of probability.
*Risk concept in regard to **uncertainty, probability, effect and outcome** can be figured out as under:*

FIG.: 1



1.1.1 RISK AND UNCERTAINTY

Risk and uncertainty have been part and parcel of human activity since its beginnings, but they have not always been characterized as such. Since old days, events with negative consequences were attributed to divine providence or to the supernatural. The responses to risk under these circumstances were prayer, sacrifice and an acceptance of outcomes. People had a feeling ,if the Gods get involved on our behalf, we got positive outcomes and if they did not, we suffered, sacrifice, on the other hand, calm down the emotional state that caused bad outcomes. There was a feeling that what happened was pre-destined and driven by forces outside our control.

1.1.2 RISK AND RETURN

Those who desire hefty rewards have to be exposed themselves to sizeable risk. The link between risk and return is most visible when making investment choices. Not surprisingly, therefore, the decisions on how much risk to take and what type of risks to take are critical to the success of a business. A business that decides to protect itself against all risk is unlikely to generate much upside for its owners, but a business that exposes itself to the wrong types of risk may be even worse off.

1.1.3 UNCERTAINTY AND UTILITY

In defining risk, Holton (2004) argues that there are two ingredients that are needed for risk to exist. The first is uncertainty about the potential outcomes from an event and the other is that the outcomes have to matter in terms of providing utility.

1.1.4 RISK VERSUS PROBABILITY

While some definitions of risk focus only on the probability of an event occurring, more comprehensive definitions incorporate both the probability of the event and the consequences of the event. Thus, the probability of a severe earthquake may be very small but the consequences are so catastrophic that it would be categorized as a high-risk event. In other ward Risk equals to probability of an accident and consequence is in lost of money or causing death. In contrast, risk in finance is defined in terms of variability of actual returns on an investment around an expected return, even when those returns represent positive outcomes.

1.1.5 RISK VERSUS THREAT

In some disciplines, a contrast is drawn between risk and a threat. A threat is a low probability event with very large negative consequences, where analysts may be unable to assess the probability of an event. A risk, on the other hand, is defined to be a higher probability event, where there is enough information to make assessments of both the probability and the consequences.

1.1.6 ALL OUTCOMES VERSUS NEGATIVE OUTCOMES

There is a need to consider broader definitions of risk that capture both the positive and negative outcomes. Risk is a combination of danger (crisis) and opportunity, representing the downside and the upside of risk. It captures perfectly both the essence of risk and the problems with focusing purely on risk reduction and hedging. Potential of opportunity and the process for minimizing risk exposure are moved opposite directions. Any approach that focuses on minimizing risk exposure (or danger) will also reduce the potential for opportunity.

1.1.7 THEMES

There are two big themes that animate much of the argument.

1.1.7.1 The first is the link between risk and reward that has motivated much of risk taking through history.

1.1.7.2 The other is the under mentioned link between risk and innovation, as new products and services have been developed to hedge and to exploit risk. The other aspect of risk that needs examination is the role that risk taking plays in creating **innovation**. Over the history, many of our most durable and valuable inventions have come from a desire to either remove risk or expose ourselves to it.

1.1.8 RISKS BROADLY DIVIDED INTO TWO

1.1.8.1 SYSTEMATIC RISK

Systematic risk refers to that portion of total variability in return caused by factors affecting the prices of all securities. Economic, political, and social changes are sources of systematic risk.

Nearly all stocks listed on the National Stock Exchange (NSE) move in the same direction as the NSE Index. On an average, 50 percent of the variation in a stock's price can be explained by variation in the market index. In other words, about half of the total risk on an average common stock is systematic risk.

Systematic Risk is further subdivided into:

1.1.8.1 Market Risk, (variation in returns caused by the volatility of stock market)
1.1.8.2 Interest Rate Risk (Variation in bond prices due to change in interest rate)
1.1.8.3 Purchasing Power Risk (Inflation results in lowering of the purchasing power of money)

When interest rate increases, whole economy slowdown & there is no way to hide from this impact. As such there is no way to reduce systematic risk other than investing your money in some other favourable countries.

1.1.8.2 UNSYSTEMATIC RISK

Unsystematic risk is the portion of total risks that is unique to a firm or industry. Factors such as management capability, consumer preferences, raw material scarcity and labor strikes cause unsystematic variability of returns in a firm. Unsystematic factors are largely independent of factors affecting securities markets in general.

Unsystematic Risk is further subdivided into:

1.1.8.2.1 Business Risk (Variability in Operation Income caused by Operating Conditions)
1.1.8.2.2 Financial Risk (Variability in EPS due to the presence of debt in Capital Structure)

Unsystematic Risk affects a small part of economy or sometime even single company. Bad management or low demand in some particular sector will impact a single company or a single sector – such risks can be reduced by diversifying once investments. So this is also called Diversifiable Risk.

2. GLOBAL RISKS

During the recent past, manufacturing industries, in particular, have prompted a new experience due to globalisation, flexible processing technologies, lot of innovation potential in product /process, marvellous customer service etc. The world is in no position now to face major new shocks. The financial crisis has reduced global economic flexibility, while increasing geopolitical tension and heightened social concerns establishes that both governments and societies are less able than ever to cope with global challenges. The important global risks are as under:

2.1 ECONOMIC DISPARITY AND GLOBAL GOVERNANCE FAILURE

Risks are especially significant, given their high degrees of impact and interconnectedness. Economic disparity and global governance failures both influence the evolution of many other global risks and restrain our capacity to respond effectively to them.

2.1.1 ECONOMIC DISPARITY

It is a fact that Globalization has generated sustained economic growth across the board. It has contracted and reshaped the world, making it far more interconnected and interdependent. But the benefits of globalization seem unevenly spread besides even evidences of economic disparity within countries. There is also a growing divergence of opinion between countries on how to promote sustainable, comprehensive growth. Incomes in many Developed Economies are less equal than they used to be. Shrinking tax revenues have further deteriorated the fiscal positions of governments and reduced their ability to ease social hardship. Equally striking contrasts are emerging within national borders also. Gross inequality is not a new phenomenon, but the fact that this year's survey by the global authority, exhibited with a severe income inequality which will be the most likely global risk to manifest in the next 10 years.

2.1.2 GLOBAL GOVERNANCE FAILURE

To meet all these challenges, improved global governance is essential. But this is another 21st century paradox. The conditions that make improved global governance so crucial, divergent interests, conflicting incentives and differing norms and values, are also the ones that make its realization so difficult, complex and confused. As a result, expected contribution of global international organizations in settling disputes fails during the recent past such as the Doha Development Round of the World Trade Organization (WTO) etc.

2.2 CLUSTER OF RISKS

Beyond the above two cross-cutting global risks, three important clusters of risks have emerged.

2.2.1 MACROECONOMIC IMBALANCES

A cluster of economic risks including macroeconomic imbalances and currency volatility.

2.2.2 ILLEGAL ECONOMY

This nexus examines a cluster of risks including state fragility, illicit trade, organized crime, corruption and bribery. Governance failures and economic disparity create opportunities for illegal activities to flourish under the present networked world.

2.2.3 WATER-FOOD-ENERGY

A rapidly rising global population and growing prosperity are putting unsustainable pressures on resources. Demand for water, food and energy is expected to rise by 30-50% in the next two decades, while economic disparities incentivize short-term responses in production and consumption that undermine long-term sustainability. It ultimately could cause social and political instability, geopolitical conflict and irreparable environmental damage.

2.3 POLITICAL RISK

Politics can make many economic decisions look foolish in hindsight. This is especially true in countries where autocratic leaders seem to personally steer policy and where quantitative data is often adulterated. Yet it also applies to develop nations where targeted lobbying efforts can influence policy decisions. Conducting a political-risk analysis turns uncertainty into calculable risk as the businesses are often affected by political decisions in the countries where they operate, at home and abroad. But like other elements of risk, political risk has systematic components that can be isolated by analysts who understand variation across political systems.

Sovereign Risk, sometimes known as political risk, or country risk, is the added dimension of risk associated with doing business with foreign counterparts. As it relates to exports, sovereign risk exists in addition to commercial risk. Sovereign risk involves actions or events that are beyond a foreign customer's ability to control. These include:

2.3.1 Controls placed on foreign exchange by a overseas governments
2.3.2 Sovereign financial uncertainties and vulnerabilities
2.3.3 Riots or civil unrest, Strikes, War
2.3.4 Economic and political uncertainties exist now or are expected in the near future
2.3.5 An unstable or inefficient business environment
2.3.6 Seizure or destruction of property by the government
2.3.7 The amount of foreign debt and the possibility that the country may have borrowed more than it can repay
2.3.8 Changes in the political, economic or regulatory environment that prevent a customer from paying its foreign creditor(s)
2.3.9 The risk that unfavourable changes in a customer's overall currency exchange position might prevent payment of a debt owed to a foreign creditor
2.3.10 Fragility or risk in the commercial banking sector of the country's economy

In a world of full political uncertainty, mitigation of political risk is a significant factor in the success of overseas projects, investments, and contracts. In addition to traditional political risk insurance programs, risk transfer strategies have become increasingly more flexible. They can be channelled through captive management companies, special purpose vehicles, or can be used by financial institutions to mitigate the political risk in their portfolio of emerging market assets

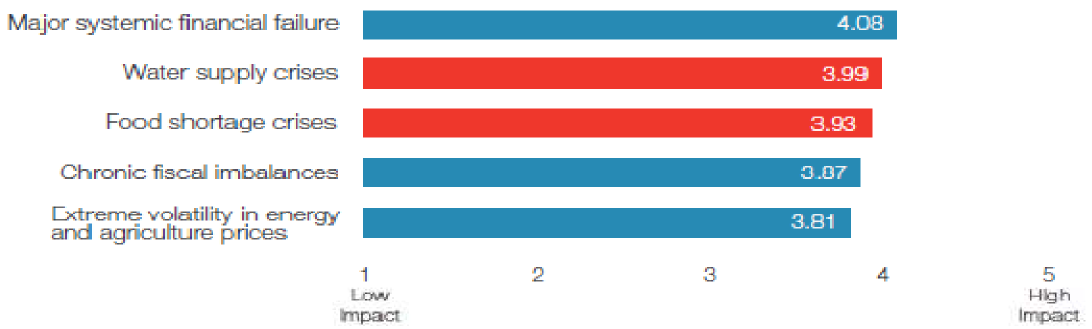
2.4 RECENT KEY GLOBAL RISKS

Experts recently studied the key global risks and placed on landscapes which depict potential impact and likelihood of global risks over the next 10 years, as rated on a 1 to 5 scale. Experts structured on a 10 year outlook, the survey captured the perceived impact, probability and relationships amongst 50 prevalent global risks.All prevalent 50 Risks fall near the High-Impact/High-Likelihood end of the Scale. The five risks which were assessed in this year's survey having the highest perceived likelihood/probability and potential impact over the next 10 years.

FIG. 2: TOP FIVE IN TERMS OF PROBABILITY

Source: WORLD ECONOMIC FORUM

FIG. 3: TOP FIVE IN TERMS OF IMPACT



Source: WORLD ECONOMIC FORUM

During the recent survey, five Centers of Gravity has also been identified by experts, one per category, as the risks of greatest systemic importance or the most influential and consequential in relation to others, as well as the risks that are most strongly connected to them, as identified are:

- Chronic fiscal imbalances (**economic)**
- Greenhouse gas emissions (**environmenta**l)
- Global governance failure (**geopolitical)**
- Unsustainable population growth **(societal)**
- Critical systems failure **(technological**)

Weak Signals, as under, are further defined as risks which are most loosely connected.
- Vulnerability to geomagnetic storms (environmental)
- Proliferation of orbital debris (technological)
-Unintended consequences of nanotechnology (technological)
- Ineffective drug policies (societal)
- Militarization of space (geopolitical)

2.5 THE FOLLOWING GLOBAL RISKS ARE PLAYING A PIVOTAL ROLE IN THE RECENT PAST

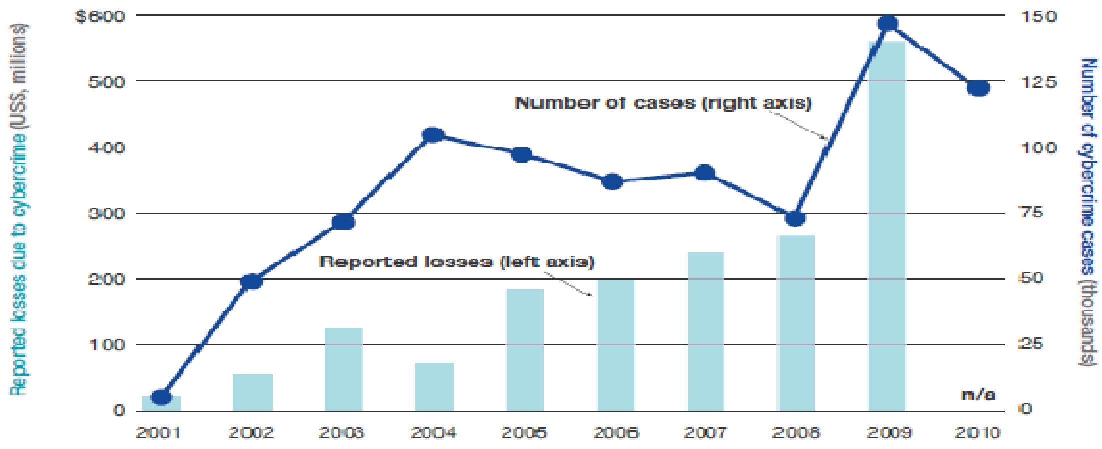
2.5.1 GLOBAL OUTSOURCING OPPORTUNITY AND RISKS

Despite slow-paced and fragile recovery of the global economy, the global outsourcing industry is estimated to post a decent revenue growth of $ 425bn in 2010, 13.9 percent up compared with 2009. However, protectionist sentiments in major markets like US and Europe rose, following the impact of global recession.

2.5.2 CYBER ATTACKS EFFECTS (SABOTAGE, SPYING & SUPERVISION)

In the last decade, the ubiquity of the Internet has transformed the ways in which we conduct business resulting in new ways of operating, landing into new kinds of vulnerability like critical systems failure through cyber-attacks. Clearly, concern over this issue is high. High risk across the board in the form of Cyber attack through hacking, sabotage, spying etc are playing a major threat for corporate. Many companies are not yet looking at cyber risk from an operational risk perspective, despite their all out structural dependence on modern technology. The scale of potential losses is now enormous. All the companies must look at such issues as business disruption loss. It's important for companies to ensure that cyber risk is properly modelled, and that both risk mitigation and risk transfer mechanisms adapt to ongoing basis. Example of Cost and Incidence of Cybercrime in the US.

FIG. 4



Source: WORLD ECONOMIC FORUM

2.5.3 BRIBERY AND CORRUPTIONS

The risk of bribery and corruption continues to be an area of concern for companies around the world. As business continue to expand globally in to new and emerging markets, bribing/corruption risks increased exponentially due to increased awareness and enforcement.

2.5.4 BIOLOGICAL AND NUCLEAR RISK

Biological weapons are disease-causing microbes (chiefly bacteria and viruses) and toxins (poisonous substances produced by living creatures) that have been attached for the purpose of incapacitating or killing humans, livestock, or crops. Further, the world today confronts a growing nuclear risk. The present situation is such that as some states seek to acquire nuclear weapons, others are looking to expand their arsenals.

2.6 KEY PROBLEMS IN MEASURING GLOBAL RISKS

2.6.1 TECHNICAL ASPECTS BASED ON THE FOLLOWING FEATURES

2.6.1.1 Nature of technical risk factors
2.6.1.2 Assessment of Technical Risk Factors
2.6.1.3 Selecting and consulting Experts
2.6.1.4 Justification towards acceptability of technical factors
2.6.1.5 Measuring Technical Risk Acceptability
2.6.1.6 Organization for solving technical risk problems
2.6.1.7 Criteria for ranking the acceptability of technical risk factors

2.6.2 ECONOMIC ASPECTS BASED ON THE FOLLOWING

2.6.2.1 Nature of economic risk factors
2.6.2.2 Methods of assessment
2.6.2.3 Distribution of risk and benefits
2.6.2.4 Analogy with insurance
2.6.2.5 Criteria for ranking economic risks
2.6.2.6 Socio political Aspects

2.6.3 SOCIO-POLITICAL ASPECTS DETERMINES THROUGH THE FOLLOWING

2.6.3.1 Nature of socio political factors
2.6.3.2 Questioners for Assessment
2.6.3.3 Method of obtaining data
2.6.3.4 Surveys of public opinion

2.7 TRANSFORMATION OF GLOBAL RISKS MEASURES

If we accept the argument that risk matters and that it affects how manager and investors make decisions, it follows logically that measuring risk is a critical first step in any decision making process. Global risks originate majorly from external sources. Although they are usually predictable their effect on the outcome may not always be controllable. The four major global risks are political, legal, commercial and environmental risks. These types of risk are often referred to as uncontrollable risks since the corporate entity cannot measure and control such risks even though there is a high probability of occurrence. However, there is an all-time effort to measure and control such risks since long time.

2.7.1 MEHR AND HEDGES (1963), OUTLINED FOUR CONVENTIONAL RISK MEASURES PROCESS

2.7.1.1 Avoidance
2.7.1.2 Transfer through insurance, sharing or Hedging

2.7.1.3 Retention of core risks through self- insurance
2.7.1.4 Reduction of risk (Enterprise Risk Management)

2.7.2 In 1752 Benjamin Franklin founded, in the USA, a fire insurance company called first American. Similarly in 1771, the Society of Lloyds, London, was established by several English business men to insure potential losses while transporting through sea, called marine insurance. The twentieth century actually witnessed the development in probability, a tool for measuring risk in management science. Project risk management had come into force in 1970 and then only thought of measuring risk was taken as priority by corporate.

2.7.3 In the early 1980s the concept of risk measurement was commonly acknowledged as a specific task in the project management literature. Thereafter the concept of risk identification, estimation and response were come to light. Risk measures techniques had also emphasized on quantitative analysis like **PERT** (Program Evaluation and Review Techniques), **CATRAP** (Cost and Time Risk Analysis Program), **CASPAR** (Computer Aided Software for Project Risk Analysis) etc. Further, the use of methods based on Risk and response diagram began in 1980s.To measure a risk situation realistically, possible responses are essential. During the fag end of 1980s, use of influence diagram, combining with probability theory, had come in to reality besides applications of system dynamics for measuring risk.

2.7.4 As stock and bond markets developed globally in the nineteenth century, investors started looking for more affluent measures of risk. By 1950, investors in financial markets were using measures of risk based upon past prices and accounting information, in conjunction with broad risk categories, based upon security type and issuer reputation, to make judgements about risk. At about the same time, access to and reliability on financial report were gained momentum. Analysts were building risk measures that were based upon accounting numbers like Ratios of profitability etc. Financial leverages were also used to measure risk. Rating agencies were processing accounting information to provide bond ratings as measures of corporate credit risk.

2.7.5 Sharpe and Linter added a riskless asset model (Capital asset pricing model-CAPM) & concluded that there existed a superior alternative to investors at every risk level, created by combining the riskless asset with one specific portfolio on the efficient frontier. The model assumed that all investors shared a single period time horizon and that they could borrow and invest at the risk free rate. The model eliminates any rationale for holding back on diversification. Underlying the CAPM, its associated risk and performance measures, are on the strong assumptions that either

(i) All asset returns are normally (and therefore symmetrically) distributed; or

(ii) Investors care only about the mean and variance of returns, implying that upside and downside risks are viewed with equal distaste.

If we accept the assumptions of the capital asset pricing model, the risk of an individual asset becomes the risk added on to the market portfolio and can be measured statistically.

$$Risk\ of\ an\ asset = \frac{Co\ variance\ of\ asset\ with\ the\ market\ portfolio}{Variance\ of\ the\ market\ portfolio} = Asset\ Beta\ (\beta)$$

Unfortunately, neither assumption justifying the CAPM approach is satisfactory. The FAMA –French three factor model replaced CAPM as the workhorse for modeling asset returns. Further CARHART's four factor model took momentum. However, there is a need to go beyond to consider liquidity as an explicit risk factor as a lesson from the last global crisis.

Three types of traditional performance measures (Sharpe ratio, Treynor ratio and information ratio) and four types of downside risk measures (Adjusted Sharpe ratio 95% and 99%, Sortino ratio and RTSAD) were used during the period 2004 to 2007 to rank 21 Finnish stock funds. Despite standard deviation based ratios' weaknesses, they still give quite truthful image of the portfolio's performance. Downside risk measures did rank the funds a bit differently than Sharpe ratio, but mainly funds' rankings were close to each other. Only a few times, couple of funds was able to outperform the market index statistical significantly. However, downside risk measures bring valuable information about risks for investors and are a very effective tool for investor wanting to control risk. This way funds are being penalized only from returns that fall below investor's target rate of return. Moreover better understanding of risk is achieved when only returns that are below investors targets are taken into analysis. The time horizon of this study was a bit short for achieving reliable results. We need to compare these different portfolios and analyze, which portfolio strategy gives the best return besides to have a look for the enhancement of the existing models.

2.7.6 "VaR" (Value at Risk) model has well been accepted on the systematic evolution of traditional risk measurement models like Gap Analysis, Duration Analysis, Scenario Analysis, Portfolio Theory, Derivatives Risk measures etc**.** In recent years, the growth of trading activities and instances of financial market instability has prompted new studies underscoring the need for market participants to develop reliable risk measurement techniques. Value at- risk models aggregate the several components of price risk into a single quantitative measure of the potential for losses over a specified time horizon. These models are clearly appealing because they convey the market risk of the entire portfolio in one number. Moreover, value-at-risk measures focus directly, and in money terms, on a major reason for assessing risk in the first place, a loss of portfolio value. Recognition of these models by the financial and regulatory communities is the evidence of their growing use. The three most common categories of value-at-risk models are equally weighted moving average approaches, exponentially weighted moving average approaches, and historical simulation approaches. VaR models estimate the distribution of losses/gains on a portfolio of assets/liabilities over a given horizon. The measured VaRs are ultimately compared graphically and statistically with actual losses/gains over the period.

Measurement of *expected tail losses, the analysis of derivative security exposures, the estimation of value-at-risk and the application of multi-factor performance attribution models, are examples of some of the tools that investment performance analysts are using to respond to the world of investing.* Traditional measures of risk-adjusted returns such as Sharpe ratio, Treynor ratio and information ratio have also been questioned by academics and practitioners as to their effectiveness in stressful markets such as in the situation of recent credit turbulence.

2.7.7 Superior performance in the CAPM world is measured by "alpha", which the incremental expected return is resulting from managerial information (e.g. stock selection or market timing).

Shadwick and Keating (2002) and Cascon (2003), afterwards developed Omega measure, based on the portfolio return values below and above a given threshold. It is defined as the probability weighted ratio of gains to losses relative to a return threshold. The **Omega** measure is compatible with the second order random variable dominance. This measure can potentially take account of the whole probability distribution of the returns. It requires no parametric assumption on the distribution and is equal to

$$\Omega_{l}(x) = \frac{\int_{L}^{b} [1 - F(x)]\, dx}{\int_{a}^{L} F(x)\, dx} = \frac{I_{L,2}(X)}{I_{L,1}(X)}$$

where F (.) is the cumulative distribution function of the random variable X (equal to the portfolio return) defined on the interval [a, b]. The level L is the threshold chosen by the investor, returns smaller than L are viewed as losses (which correspond to $I_{L,1}(X)$ and those higher than L are gains (component $I_{L,2}(X)$). Thus, for a given threshold L, the investor would prefer the portfolio with the highest Omega measure. Further extensions of the global risk measures are based on more complex derivatives, such as exotic options, dynamic portfolio strategies etc.

3. FINDINGS

The global financial crisis has established sufficient reasons to rethink many of our ideas particularly in the areas of individual's preference, their assessment of probabilities and the behaviour of market price. There is an urgent need now to about turn the following key areas where severe unexpected or underappreciated consequences may happen.

3.1 CYBER SECURITY issues ranging from the growing prevalence of cyber theft to the little-understood possibility of all-out cyber warfare putting the industry vulnerable.

3.2 DEMOGRAPHIC CHALLENGES adding to fiscal pressures in advanced economies and creating severe risks to social stability in emerging economies leads to gradual market squeeze.

3.3 ECONOMIC NATIONALISM: Governments have willing to put money on the line to support national champions, even at the risk of irritating their trading partners and political allies resulting in putting the global industry under inelastic situation.

3.4 CHINESE INTEREST to acquire advanced engineering and design expertise of struggling manufacturers will ultimately reduce the global competition, particularly direct effect on advanced countries.

3.5 RETRENCHMENT FROM GLOBALISATION through populist response to economic disparities, if emerging economies do not take up a leadership role.

3.6 GLOBAL VALUE CHAIN: Due to never-ending political attention paid to some manufacturers, the lead firms in the supply chain may further weakened the relative position of suppliers. The decision by the Obama Administration to run the supplier support program through lead firms can only tie suppliers more tightly to old commercial relationships with firms that are losing market share, creating frustration to other global suppliers.

3.7 GOVERNMENT BAILOUT can be considered protectionist because they discriminate against foreign producers by assisting domestic and quasi-domestic companies only. Most examples of Murky Protectionism witnessed in the recent past, they are abuses of legitimate discretion which are used to discriminate against foreign goods, companies, workers and investors.

3.8 CURRENTLY as work shifts to the supply base, value added at the assembly stage falls, leading to a greater protectionist situation. Example in the automotive industry where lead firms have disproportionate power in the chain and can force their domestic supply base which invariably faces lower levels of protection and compete vigorously with foreign firms, enforcing world market prices for inputs manufactured at home. All benefits of protectionism of the final product then accrue to lead firms.

3.9 RESOURCE SECURITY issues causing extreme volatility and sustained increases over the long run in energy and commodity prices, if supply is no longer able to keep up with demand.

3.10 WEAPONS OF MASS DESTRUCTION especially the possibility of renewed nuclear proliferation between states. A signal of sudden change of the global scenario.

3.11 RISK ON WATER-FOOD-ENERGY nexus and the global illicit economy , will not disappear, but with each New Year, risk perceptions can vary both on the higher /lower side

3.12 RISKS OF THE INCREASED INTERNATIONALISATION TRENDS: The evaluation of current and future internationalization strategies reveals that the major global manufacturers are increasingly shifting production to lower-cost countries in Asia, Eastern Europe, and South America. Despite the unmistakable advantages, these internationalization strategies are not without hazards. In fact, it may lead to the declining competitiveness of car industries in developed countries. In turn, the increased reliance on lower-cost countries is dangerous because of political and market uncertainties and exchange rate instabilities. Negative developments in these areas have the potential to seriously damage the **global industry.**

3.13 CURRENCY MARKETS during the latest decades become more volatile. Along with increasing trends in globalization, the multinational companies face greater currency risks today than ever. These need to be managed in an efficient way having high commercial risk.

3.14 TAX IMPLICATION: A new area of global risk & Uncertainty. With growing acceptance of International Financial Reporting Standards (IFRS) around the world, Corporate should closely watch other countries' transitions to IFRS, as they could have a significant bearing on a company's global tax planning, a direct effect on ascertaining the selling price.

3.15 THREATS (OIL RESOURCES COUNTRIES): OPEC's member countries hold about two-thirds of the world's oil reserves. OPEC first sent shock waves throughout the world economy in 1973 by announcing a 70% rise in oil prices and by cutting production. The effects were immediate, resulting in fuel shortages, lower demand of goods and high inflation in many parts of the world.

3.16 Internal rivalry: Recent trend in the industry is the distribution of competition and conglomeration of the mature markets. This trend is going to be significant in the years to come through merger and acquisition. The severe competition and rivalry has been mainly because of the multiplicity, management strategies and related principles. The internal rivalry in the industry is further augmented by high fixed manufacturing costs and low switching cost for customers while buying different brands and models.

4. CONCLUSIONS

The global financial crisis has strengthened the claim that there is no free lunch or that it is not possible to beat the market in risk adjusted terms like all those apparently low risk, high return investments turned out to be high risk. Further global financial crisis has weakened the claim that many prices were clearly not right.

The main aim of the paper is to find out ways to minimise/end /solve the above mentioned concerns under findings. Though each area of concern has its own resolution, there is an urgent need to initiate the following steps.

4.1 A cluster of high economic risks includes macroeconomic imbalances and currency volatility. Macroeconomic imbalance has two aspects. One is expenditure imbalance, i.e. the allocation between investment and consumption. The other is external imbalance, i.e. the relation between production and expenditure and thus between exports and imports. In both cases the underlying issue is the inter-temporal distribution of consumption. Further, the oil price shocks compelled the countries to finance significant external imbalances, particularly when their deficits are due to the high price of vital energy imports. Systemically meaning of macroeconomic imbalances is either deficits or surpluses on a country's current accounts which are the recent global phenomenon. A well defined and balanced current account position is must for any country's long term economic steadiness.

4.2 Illegal economy comprises a cluster of risks including state fragility, illicit trade, organized crime, corruption and bribery. Illegal activities are the causes for Governance failures and economic disparity and major reasons for world illicit trade, organised crime and corruptions. Those are the major challenges today as they are responsible for state failure, terrorism and geo-political conflict which are directly proportionate to rising instability, nepotism, chronic negative business trends and systemic economic breakdowns. Further, financial mismanagement, money laundering, racketeering and tax evasion have rigorously destabilized the efficiency of global governance besides increasing global risk and adversely affecting global stability. To operate in such parallel economies continuously is globally dangerous and is also detrimental to economic development. There is an urgent need to plug all those nexus to save the world economy.

4.3 A rapidly rising global population and growing prosperity are putting unsustainable pressures on resources. Demand for water, food and energy is expected to raise by 30-50% in the next two decades exhibits a high mismatch. It ultimately could cause social and political instability, geopolitical conflict and irreparable environmental damage. Global apex body should come forward immediately to resolve the disparity.

4.4 To achieve worldwide quality standards, an essential condition to start supplying internationally competitive supply chains. For years now, Americans have been bracing for the attack of Chinese-made goods being imported into the United States. The concern is that cheaper Chinese models would eat up gradually a major market share of U.S and global market. A regulation on the basic price of all commodities is urgent to stabilise international trade.

4.5 Achieving quality standards i.e. to maintain productivity, require a great deal of automation. In order to be a viable supplier, productivity levels have to be sufficiently high and improved at the same speed as the average technological progress in the industrial sectors.

4.6 Firms should acquire design capabilities, which is a necessary step to greater independence and also a precondition to become lead supplier.

4.7 To ensure reliable and favourable framework conditions and to sustain long term competitiveness through continuous improvement of those conditions.

4.8 The cumulative effects of the different pieces of legislation affecting the various sectors should be scrutinized in order to have an overall assessment of their economic, social and environmental impacts.

4.9 Changes in any industry are vital and obvious. It should be holistic and should respect all factors influencing the competitiveness besides long term perspectives of corporate.

4.10 A work force in both manufacturing, R& D and servicing that is trained and prepared to work with an assembly of technologies.
4.11 Financial incentives are required to be technologically neutral and to avoid distorting competition.
4.12 Where threshold values are set for granting incentives, steps should be taken to avoid the risk of headstrong impacts on the market.
4.13 Incentives as a general rule should not be exceeded the additional cost of technology. It will ultimately reduce the risk that the incentive is used for subsidising the manufacturers.
4.14 All trade negotiations with potentially significant economic, social and environmental impact must be headed by an assessment of such effect. In addition, where appropriate, post appraisal of main trade agreement is also to be undertaken.
4.15 In order to protect the consumer interest, clear, appropriate, concise and consistent information on the products are to be followed meticulously.
4.16 At the outset, the evaluation of current and future internationalization strategies reveals that the major global manufacturers are increasingly shifting production to lower-cost countries in Asia, Eastern Europe, and South America. Continued increased reliance on lower-cost countries is dangerous because of political and market uncertainties and exchange rate instabilities. Negative developments in these areas have the potential to seriously damage the steadiness of global industry**,** balanced approach suggested.

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A CASE STUDY ON THE GAPS BETWEEN EXPECTATIONS AND EXPERIENCES OF THE EMPOYEES IN APHDC LTD ON 'PERFORMANCE APPRAISAL'

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ABSTRACT

The efforts of employees can determine the success and survival of an organization, and appraisal is potentially one way in which those efforts can be aligned with the aims of an organization, employees can be motivated and their performance managed. Performance appraisal is among the most important human resource (HR) practices. Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards The objective of the study is to assess the gap between expectations and experiences of the employees of APHDC Ltd on "Performance Appraisal System" .Research designs are purely and simply frame works of plans for a study that guides the collection and analysis of data. There are 2 types of data. They are primary and secondary data. Primary data is collected by means of questionnaire. The sampling size for the survey was 100 samples. Sampling location is Hyderabad. In the research, it is found that the employees are not fully satisfied with the present appraisal system. They proposed for certain changes like consideration of seniority and merit rating scale.

KEYWORDS
Expectations, Employees, Experiences, Merit raring Scale, Performance Appraisal and Seniority.

1. INTRODUCTION

Performance appraisal has been considered as a most significant and indispensable tool for an organization for the information it provides is highly useful in making decisions regarding various personal aspect such as promotions and merit increases. If valid performance data are available, it is possible for the researcher to understand the other areas of personal management like promotions and compensation policies.

Andhra Pradesh has a rich tradition of handloom textile which has attracted attention from both within and outside the country. By carefully assimilating some of the best features of wearing styles and techniques without sacrificing on the originality, and showing high degree of flexibility to change, the emerged as a potent source of some of most unique products made in the country.

The world famous tie and dye cloth with its more recent innovation in furnishing fabrics, the well known brocade and skills saris of Kothakota and Gadwall, the famous Narayanpet saris and super fine Venkatagiri saris, besides Podur Khadi are among the better known handloom textiles from the state.

Lepakshi the well known temple town in Andhra Pradesh is a repository of stone sculpture and frescoes of high attained during the Vijayanagar a period. Lepakshi as a name has thus aptly seen chosen by the Andhra Pradesh handicrafts development corporation as a name for its marketing wing. Lepakshi serves as a vital link between the cover and buyer of the objectives of beauty and the legendary handicrafts of Andhra Pradesh. ***"Lepakshi"*** emporia have endeavored to project the artistry and elegance of Andhra Pradesh handicrafts in order to create an impact on markets within the country and abroad.

RESEARCH QUESTION

The overall purpose of this research is to assess the gap between expectations and experiences, from the staff perspective, of performance appraisal, in order to inform an improved system that will be implemented in APHDC Ltd. This first chapter provides an overview of the whole dissertation. It will give background to the research, explain exactly what the issue is that requires research, justify it, and give an overview of the methodology that will be used.

Seven objectives have been identified, and by tackling these inter-related objectives, through the linking of previous research, a detailed literature review, and new empirical research, solutions to the problem should be identified. The objectives of this research are;

1. To study the criteria or the key performance area on the basis of which A.P.H.D.C. Appraise the performance of employees.
2. The study of performance appraisal helps in research in the field of personnel management.
3. To study the appraisal method adopted in A.P.H.D.C.
4. To study A.P.H.D.C. efficiency in evaluation the performance of employees compared with other industries.
5. To suggest better ways in appraising the performance of employees in A.P.H.D.C.
6. To examine the organizations inventory of the number and quality of the workers and employees.
7. To study the factors which affect the performance appraisal i.e. environmental leadership style etc in A.P.H.D.C.

2. LITERATURE REVIEW

Wendy R. Boswelljohn W. Boudreau (2000), examined two typical performance appraisal uses: evaluative and developmental. The evaluative function includes the use of performance appraisal for salary administration, promotion decisions, retention-termination decisions, and recognition of individual performance, layoffs, and the identification of poor performance. This is similar to Ostroffs (1993) conceptualization of the administrative performance appraisal purpose. Developmental functions include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses.

The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves (Angelo S. DeNisi and Robert D. Pritchard, 2006). Providing the employee with feedback is widely recognized as a crucial activity. Such feedback may encourage and enable self-development, and thus will be instrumental for the organization as a whole Yehuda Baruch (1996). Larson (1984) supports the importance of evaluations in terms of their effect on organizational effectiveness, stating that feedback is a critical portion of an organization's control system.

D'souza in his study evaluated the performance of Public sector, private sector and foreign banks during the period 1991 to 1999-2000. The efficiency of the banking system was measured in terms of spread/working funds ratio and turnover / employees ratio. With reference to the spread working funds ratio, the efficiency of the commercial banks as a whole has declined in the post-reform period. The Public Sector Banks' have been responsible for this decline in efficiency, as the efficiency of the private and foreign banks has improved over the course of 1990s. Through the turnover/employee ratio has risen in the public sector banks, the turnover per employee in the private and foreign banks doubled relative to the ratio for public sector banks during this decade. However, the analysis revealed that the profitability of the public sector banks in late nineties improved relatively to that of private and foreign bank D'souza in his study evaluated the performance of Public sector, private sector and foreign banks during the period 1991 to 1999-2000. The efficiency of the banking system was measured in terms of spread/working funds ratio and turnover / employees ratio.

Williams (2002) also indicates that performance management is difficult to define. This suggests a lack of understanding of performance measure issues from those who are subject to the processes, and this will be explored later. During research for this project, over 30 definitions of performance management were uncovered. Most adopted a common strand along the lines of the definition provided by Armstrong (2000) who writes "performance management is a strategic and integrated process that delivers sustained success to organizations by improving the performance of people who work in them, and by developing the capabilities of individuals and teams".

3. RESEARCH METHODOLOGY

The primary aim of the present study is to examine the performance evaluation of the workers and employees working in A.P.H.D.C. The study has been conducted in A.P.H.D.C. Musheerabad. This study explains the selection of area of the study, universe, sampling procedure, the various methods of data collection and the analysis of data.

UNIVERSE AND SAMPLING

There are many people working in A.P.H.D.C., Musheerabad. There are many departments such as Marketing, Human Resource, and Finance. The researcher is supposed to take minimum twenty respondents. Keeping this in view, twenty five respondents were being selected by using the simple random sampling method.

METHODS OF DATA COLLECTION

In this study observation and interview schedule methods were used for the collection of primary data. A structured interview schedule was constructed and administrated to the workers and employees in person by the researcher at their work place to obtain primary information. Based on the review of literature discussion with the workers and the authorities of the A.P.H.D.C. a draft schedule was prepared. After pre-testing, it was edited, modified and finalized

The interview schedule was designed to elicit the following information from the respondents. The first part of the interview schedule is framed to elicit information with regard to socio-economic background of the persons such as age, sex, educational qualification, years of experience, designation of job, department of work etc. the second part of interview schedule is framed to elicit the information with regard to working environment. The third part of the interview schedule is framed to elicit the information about the goals, key performance areas of work, fulfillment of targets etc. The fourth part of the interview schedule is framed to elicit the information with regard to training and incentives. The last part is framed to elicit the information with regard to the internal feelings about the evaluation of the work and supervisory style in the organization

SAMPLE DESIGN

Random sampling technique has been used for the collection of information, a sample of 100 employees have been selected from supervisors and manager level employees from different departments.

4. OPINION ON GAP BETWEEN EXPECTATIONS & EXPERIENCES OF EMPLOYEES OF APHDC LTD ON 'PERFORMANCE APPRAISAL'

After the data collection, the processing of the data was done manually. The information collected were meaningfully coded and transferred on to the code sheet. The code sheets were then used to process the data and to draw the frequency tables. Further the data has been analyzed through simple tabulation. The deficiencies in the study were fulfilled by observational facts.

Q. No	Statement	Opinion of the Respondents
1	Age wise distribution of Workers	80% of the respondents belong to the group of 41 to 50 years.
2	Sex wise distribution of workers.	90% of the respondents are males. There are only 10% of female respondents.
3	Educational qualification of employees.	80% of the respondents have completed their graduation.
4	Designation of the job	20% of the respondents belongs to Officer cadre, 30% are Executives and rest include Asst. Managers etc.
5	Department of work	25% respondents are in Administration department, 30% in Marketing, 10% from Accounts, R & D 10% Persons and remaining 25% persons are in Publicity
6	Number of years of experience	Majority of the respondents has 16 and above years of experience. The next majority of the respondents have 11 to 50 years of experience and 5-10 years experience.
7	Views of workers on working environment	27% of the respondents agreed that they have excellent and motivated working environment in the industry.
8	Increments received by respondents	All the respondents have received increment
9	Achievement of goals	90% felt that they have fully reached their goals.
10	Performance review meetings	70% employees conferred that they have review meetings between them and managers. The remaining said that they have no such meetings.
11	Performance review takes place in the organization	35% once in a month performance appraisal allows them to identify new challenges and 20% of employeewtold that every three months and remaining persentage of employees told that when evver required performance appraisal allows them to identify new challenges in highbrow.
12	Respondents opinion on performance pattern in promotion	About 45% of respondents stated that the promotions are held based on merit and 40% told based on seniority. But from the above analysis 15% respondents stated that the promotions can be held by taking the consideration of both merit and seniority.
13	Present performance appraisal system is helpful in making aware of your strengths and weaknesses	90% of the employees think that the Performance Appraisal system is helpful in making them aware of their strengths and weaknesses remaining do not think so in APHDC ltd.
14	problems with the present performance appraisal system	About 75% of the employees in APHDC ltd feel that they do not face any problem with their present performance appraisal system, 25% of the employee feel that they are facing some problems with their present performance appraisal system.
15	Method of performance appraisal	It is clear that majority of companies use 360° Appraisal
16	satisfaction with the existing performance assessment process	Majority of the employees are satisfied with the existing assessment process.
17	Suggestions while evaluating performance of the job	60% respondents suggested that seniority should be considered while evaluating the performance of the job

5. FINDINGS

Some points are listed and found under the study in the organization which is as follows:

1) Majority of the respondents are is between 41 to 50 years.
2) In this all the respondents 171 are male and remaining female (19).

3) The majority of the respondents said that they have very good working environment.
4) The employees feel that they have very good interpersonal relations with colleagues in the Show Room.
5) All the employees were given on the job training to update the skills. They were given training during their absorption into the job.
6) Majority of the employee's works late hours if there is a need; all of them get extra amount for over time.
7) Bonus is given to the employees every year.
8) There is a system of rewards/awards for good performance of work in the industry; they are even given other type of incentives also.
9) The respondents told that they have informal get together and enjoy.
10) The education's qualification of the employees is above graduates.
11) The majority of the respondents have 16 and above years in the Show Room.
12) There are various departments namely Administrative, Marketing Department, Accounts Department and Publicity etc.
13) There is a good amount of increments received by all the employees.
14) Most of the employees felt that they are in the right direction of achieving the goals in time.

6. RECOMMENDATIONS

Here are some of the recommendations that we can provide for developing an effective performance appraisal system:

1. Performance review meeting should be conducted up to date.
2. Every employee is satisfied with the present performance assessment system. But some suggested little changes in the system.
3. The respondents feel that further training is necessary for their better performance.
4. Some of the respondents suggested that clear description of the job would enable them with better working environment.
5. Many of the employees felt that seniority should be considered while evaluating the work.
6. Majority of the respondents felt that quality of work should be considered while appraising the job.
7. Regular interaction/review between appraised and appraiser is required..
8. Achievements should be considered while evaluating the job.
9. Grading of jobs should be based on performance.
10. Individual skill viz., theoretical, practical, communication abilities, teamwork and achievement of goals at time should be weight while evaluating the job.
11. The management should conduct seminars, personnel and subject development programmers in analytical methods whenever necessary.
12. Evaluation of performance should be done periodically i.e., quarterly, half yearly.
13. An independent performance appraisal committee should scan the report of appraisal given by the supervisor.
14. The respondents feel that seniority should be considered to workers who are exposed to chemicals in the industry.
15. Some feel that talent should be considered rather than hard work.
16. Complexity in the nature of work should be considered while evaluating the job.
17. Few of the respondents felt that there are no boundaries for performance.
18. Mutual understanding between supervisors and staff will help in the better performance of the job.
19. Proper coordination of work by superiors will result in better performance of the job.
20. Specific guidelines are expected from superiors.
21. Some of the employees felt that friendly nature is desirable rather than commanding in certain cases in supervisory style.
22. Supervisor should give individuality in case of necessary tasks.

7. CONCLUSION

The principal purpose of an appraisal system should be to improve the employee and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. The system should first of all contribute to the satisfaction of all the employees. This tenet will require a continuous effort in counseling, coaching and honest, open communications between the employee and supervisors. The findings of this research conducted in the APHDC Ltd seem to suggest that firms interested in improving their performance through the performance appraisal systems should seek to enhance the employee satisfaction toward this appraisal system.

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DO PEOPLE PLAN? WHY ARE THEY SO NEGLIGENT ABOUT THEIR OWN FINANCES

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ABSTRACT

Increased disposable income, lack of social security system and increased exposure to different asset classes emphasize the growing need of proper financial planning. Though most people are aware of the fact that a sound financial plan is absolutely needed most of them have either no time or lack the required expertise in financial planning. This study aims to find out the myths about financial planning and in particular the behavioral issues regarding planning. Especially in country like India which is supposed to be a knowledge destination the lack of financial awareness and negligent about their own finances. The study undertook focus group interviews with financial planners and especially among post graduate students and faculty members considered to be among the top of social strata. Several reasons such as lack of time, I know it all approaches were found to be underlying reasons for the negligence and careless attitude.

KEYWORDS
financial planning, financial advisors, negligence, attitude.

INTRODUCTION
Investors take irrational investment decisions based on emotions which then become obstacles in achieving their financial goals. Previous studies have shown that though people are aware of the need to plan rarely they go into the act of planning. This study aims to focus on issues such as what are the habits people believe of good planners. Further enquiry is meant to understand if they are aware of such habits what the determinants that prevent them from practicing it are. "Personal financial planning is a fairly new and growing discipline. (Altfest, 2004, p.53). Kapoor et al. (2004, p.4) stated that "personal financial planning is the process of managing your money to achieve personal economic satisfaction". It is closely related to and encompasses insurance planning.

1.1 SCOPE OF FINANCIAL PLANNING
It covers a broad spectrum such as investments, insurance, banking, taxes, real estate, financial counseling, retirement, and estate planning.. Financial Planners offer expert opinions on issues like retirement planning, estate planning, financial management of small businesses, trusts, tax, stock broking and investments and debt and risk management

1.2 RELEVANCE OF STUDY
1.2.1 INCREASING SAVINGS
With India expected to clock an impressive 6.5% GDP growth, there is evidence enough to support that Indian economy will increase the savings rate in the years to come. India is going to add a close to 80 million people to its working population in the next 6 years. The savings rate is set to go up to over 30-35% from the present level of 26-28%. A 30% savings rate applied to India's $ 1-trillion GDP implies that there will be a flow an annual savings of $300 billion (Rs 1.5 trillion) of which a certain portion will flow into the financial sector. There would certainly need of trained investment planners

1.2.2 There has been almost no academic research on financial planning by households. Some studies have investigated specific areas of personal financial planning.

1.3 OBJECTIVES OF STUDY
1.3.1 To understand the problems faced by people in financial planning
1.3.2 To ascertain the needs of savers and their expectations from the financial planners
1.3.3 To know about perception of people towards financial planning

1.4 NEEDS OF SAVERS AND THEIR EXPECTATIONS FROM PLANNERS
1.4.1 Saver's Mindset of Risk aversion

India is a nation of savers and the domestic savings is around 30% of GDP. That is extremely good. It is shocking to note that more than 45% of domestic savings is invested in bank deposits and only about 2/3% in equity and equity related investments.

The financial planner should ensure that investors take a hard look at the fixed income components of their portfolios and rethink this strategy in the context of a more comprehensive, long-term objective, understanding where the clients come from, the priorities in their life and the challenges they face in a rapidly changing investment horizon.

1.4.2 LONG TERM OBJECTIVES
Succeeding in career, planning children's education, marriages, and having more than enough for an enjoyable retirement are some of the objectives most people aim at.

The financial planner in India hence, has a very important role to play. The planner's job in India is more challenging because of the Indian mind set and the aversion to risk. It will be part of his job to educate his clients on concepts of risks and returns and their relationship.

1.5 CLASSES OF THE RESPONDENTS TO BE CONTACTED
The research study includes structured interviews of both general public that may or may not be availing financial services or not. Generally the socio economic classification is generally used keeping in mind the constraint that personal financial planning shall be availed to certain socioeconomic classes

1.	**Total population of District**	:	4946573 *
	Urban population	:	972352
	Rural population	:	3974221
2.	**Males and female ratio :**		
	Male population total	:	2548866
	Urban male population	:	509405
	Female population total	:	2397707
	Urban female population	:	462947
3.	Per capita Income **35252***		

4. **Small savings Schemes in Ahmednagar**

	No of Account holders	Net investment in Lacks
Post Savings	72205	126.88
Recurring Deposits	922441	2541.93
Fixed Deposits	8102	
(PPF) SBI	24112	4505.31
BOM	1520	260.95
Post	1625	566.46
Other Banks	320	33.74
MIS	59410	2130.45
Other schemes	610	590.82
Total	1090345	9501.05

* Based on projections by the District Collectrate of Ahmednagar of estimated population for the year 2010-11

1.5.2 The researcher also proposes to interview a sample of those professionals who either provide financial planning advice or who sell financial products in market. For this purpose a sample is drawn from the following population

1.5.2.1 INSURANCE AGENTS

LIC is a leading insurance service provider in the country with 10, 00,000 agents countrywide. In A'nagar alone there are about 4,500 agents (active) presently working. Along with a number of private insurance players like ICICI have about 600 agents working in the district.

1.5.2.2 RECURRING AGENTS

Along with the Post office of India other private players and mostly cooperative banks and society's offer these services in rural and semi urban areas. About 2000 such agents are working in the district

1.5.2.3 TAX LAWYERS AND CHARTED ACCOUNTANTS

A majority of population constitutes of people who avail tax planning services which are promptly provided by these service providers. There are about 100 charted Accountants and about 250 tax consultant lawyers in the district.

Type of Financial Advisor	Estimated number of service provider
Insurance Agents	4500
Recurring Agents	2000
Tax Lawyers	250
Charted Accountants	100
Others	390
Total	**7240**

Based on interviews conducted with LIC Development Officer's, Secretary, Association of Chartered Accountants, Directorate, Small saving's Scheme, Ahmednagar.

1.6 LITERATURE REVIEW

People are more likely to achieve goals and translate their intentions into action when they develop concrete plan. (Gollwitzer, 1996, 99). Exploratory research has found association between decreased productivity and financial mismanagement behavior. (Garman & Kim)

Furnham (1984) stated that nature of people's attitude towards and habits of money usage was complex and multifaceted. Beutler (1987) found that fewer than 10% of respondents in their study had written budgets. Moreover Millis (1982) reported that of respondents who said they budgeted, the majority of them reported a general idea rather than a written plan. Schinttgrund (1983) found that their respondents relied on checkbook, receipts and memory to track expenditures. Clark(2003) developing an adequate financial plan is critical for women due to their longer life expectancy, greater chances of becoming widowed and higher probability of ending up in nursing homes. Davis (1992) shows that while most households have a budget only a small percent have written budget. All the financial activities that an individual faces in a lifetime can be classified in a 2*2 matrix on two timeframes. (Chieffe etal)

Keeping records of expenses was most common followed by budgeting, comparing and analyzing. Irregularity in income and expense was the biggest obstacle to budgeting. (Davis and Webber).Planning behavior can explain the difference in savings and why some people arriving retirement with little or no wealth. (Lussardi&Mitchel).Roberts (2000) found that financial circumstances of students had an adverse impact on their health. Record keeping, Budgeting, comparison and estimation of net worth are 4 essential prerequisite for effective financial management. (Garman etal 1987).Mills (1982) reported that of respondents who reported they budgeted, the majority had a general idea rather than a formal plan. Alcon (1999), older women can be profoundly uncomfortable and unprepared to manage money. Davis shows that while most households had a budget only a small have a written budget. Economic hardships can lead to depressions, distress and poor interpersonal relations. (Conger, 2000) Self actualizing behavior, personal values and financial education at home, formal education at school may play important anticipatory socialization roles in the way that young adults acquire knowledge about financial matters and forms attitudes and behavioral intentions based on that knowledge. Garrett(2003) showed that those who were exposed to financial education in high school or workplace save more. Households are quite uninformed about many of key variables that should be part of planning. (Bernheim, 1998). Bernheim (1994) suggest that people's financial planning methods are fairly rudimentary , that their financial knowledge is generally poor and that their self described savings plan are often inconstant with the predictions of standard savings models. Financial mistakes are relevant among young and elderly who are groups displaying lowest amount of financial knowledge.

1.7 RESEARCH METHODOLOGY

This paper summarizes the result of focus group on savings and financial planning. The group consisted of twenty individuals and three financial planners with relatively high income and wealth. The current focus group was conducted as a part of pre pilot study of a Doctoral work on problems and prospects of financial planning profession intended to be submitted to University of Pune. The focus group provided a good opportunity to investigate directly people's approaches to savings, investing, and financial planning.

A focus group is a form of structured conversations where individuals are brought together to discuss some topic of interest with the help of a vacillator. Focus groups are widely used in various studies. While a focus group is by no means a representative method, it can be extremely useful for identifying ranges of behavior or opinions and for suggesting some of the sources of variations across individuals. Also, people can be asked to explain what goes into their thinking, providing an opportunity to, pursue topics in greater depth than is possible by regular survey methods.

The participants were recruited mostly from a Management college in Ahmednagar. While this is not clearly a repetitive group in any general sense, the saving behavior of individuals like them is of interest for three reasons. First previous research have confirmed that with increased exposure to education and business education in particular people tend to be score more on financial literacy scores which shall also mean more probability of planning their own finances or using a financial planner for such purpose. The researcher himself working in the college gave an added advantage of pursuing the respondents to reply. Out of the 20 respondents five were females and the rest males. Also of the three planners interviewed both of them were males. Most were management teachers in their thirties and some professionals.

Because the group is small and not randomly selected, it is possible that the focus group participants differ from other in some systematic way. While this possibility cannot be ruled out, unfortunately we do not have any benchmark data to compare with.

ANALYSIS OF DATA
Table 1 reported the self described saving behavior of the focus group participants

TABLE 1

Description of savings last year		Focus group participants
i)	Spending< Income	75
ii)	Spending=Income	25
iii)	Spending>Income	0
Usual Saving Behavior		
i)	Save regularly	10
ii)	Spend regular income, put money aside	15
iii)	Spend income of one family member	12
iv)	No regular plan	60
v)	Don't save	3

Respondents were asked many open ended questions about whether they feel need for a financial planner, what were their experiences about a planner if they hired one. The planners in turn were asked about their experiences about their clients, their habits and their expectations. Some of the common reasons and experiences are described below

WHY FINANCIAL PLANNING IS NOT POPULAR?

Unlike in the US and other European countries where there are robust social security system to tackle care of you in the old age, interestingly personal financial planning is quite unpopular or unknown in India. The present study aims to investigate the reasons for such UN enthusiasm. The study shows that with interviews conducted with some of the financial planners suggested that though many enthusiastic clients initially approach them for advice with reference from friends and peers, a majority of them do not show up again. After the initial meetings the advisor asks for financial details sometimes in a form, many brave hearts call it quits at this juncture because for most of them remembering or going through their financial records is a task preparing themselves for board exam. Some people after filling the form fill embarrassed and don't go back to their advisor. Many people fail to finalize their financial investment plan for variety of reasons.

SOME TIME PLEASE

When the young cohort approximately aged between 25-35 were asked whether do they plan to visit their advisor and if they don't what were the difficulties in approaching their planner. The study found that young people often fail to go through the entire exercise because of lack of awareness or. More importantly they can't find time to do so because they are extremely busy with their life and career. This is a familiar story shared by many planners and advisors. Also do really this people don't have sufficient time to give due diligence to their personal finances or is it the famous "chalta hai" attitude at work. When questioned about the need of keeping records for tracking expenses a majority of them said they don't need to keep records of spending may suggest that they don't see any value in engaging such practices. One of the advisors suggested a unique way to overcome this problem is to impress upon the senior and elderly people who are very diligent about their own finances, to convince the younger people in the family to be serious about their financial health. The trick he says works out as we have the tradition to listening to elders like parents or in laws in the family

CAN'T SACRIFICE MY LIFE

For most of people planning for future is equal to sacrificing the present happiness. Rightly or wrongly the perception is deep-rooted among the young category. For most people spending has become a way of life. They don't think it is worthwhile to plan for big purchase when they can do it with a credit card or a zero percent finance scheme in a matter of few minutes. Also when interviewed many young managers categorically stated that they don't want to compromise their present life's to be able to lead a better future life. However experts say that these people have got it completely wrong: financial planning does not mean living a hermetic life but it simply says living within your means.

I KNOW IT ALL

When interviewed whether they ever felt the need of a financial planner or advisor not surprisingly many of them replied in a negative. A lot of people believe that they read so much about personal finance on the net, newspapers and magazines they are their best managers. Further when inquired about their idea of a comprehensive financial plan, hiring a mutual fund advisor and making investment was their reply. Though preparing a financial plan of oneself can be justified sadly apart from the knowledge about investment and financial plans, the real problem is the lack of time. Many people don't have the time to follow their plans continuously. Also when many people questioned about their accumulation of various assets just accumulated them without understanding them. The fact is proved by the basic financial literacy tests conducted on the sample.

H1N1 & FINANCIAL PLANS

Though the HINI were expected to have their financial plans precise most of the HINI had fancy plans not supported by numbers. A majority of them failed to have a precise financial plan because most of them had no clear financial objectives. When questioned about their financial objectives about 72 % failed to specify clearly their goals and plans. According to experts fancy notions about one's future are common problems among HINI. Further though some people start investing as per the plan earnestly especially those who have started late tend to be aggressive. The moment they see their investment not doing well for a year or two, they loose interest. They just abandon their plan and run away

I DON'T WANT TO PAY FOR THE ADVICE

A majority of experts in financial planning say that the biggest obstacle to compensation of advisers is the attitude of consumers. The attitude is that I 'm coming to you only because I don't have the time. People don't understand that drawing up an entire financial plan or reviewing an entire financial plan is not an easy job and they should be prepared to pay for it says----. Also when inquired about benefits of financial advice majority of the respondents said that it was hard to quantity the value of investment advice and would prefer a fee based compensation rather than a commission based advises.

BEHAVIORAL ISSUES

The client himself is the biggest factor coming in the way of the success of financial plan saysK.K.Vijan, a Charted Accountant and financial planner. Individuals get swayed by environmental factors such as information flow, peer pressure, emotions etc.

CONTINGENCIES

90% of the respondents stated that contingencies in real life may turn out to be much bigger than what was counted for in a financial plan. Also it may not be possible to asses exactly how much needs to be set but the efforts are worth taking.

Execution & review

Many plans fail due to lack of review and monitoring.

CONCLUSION
The findings raise questions regarding the extent to which households are willing to actually use (rather than endorse) the management practices that financial educators traditionally recommend. There appear to be some barriers to the adoption of recommended financial management practices that this study has not uncovered. Financial advisors and educators should ask themselves and their clients what other factors discourage households from using these practices. The

relatively high portions of respondents saying "they don't need to" engage in financial planning or they never felt the need of planner or never thought about it suggest that people need more information about financial planning.

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STRATEGIC ANALYSIS AND IMPLEMENTATION OF SELF EMPLOYMENT GENERATION SCHEMES IN JAMMU AND KASHMIR STATE

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ABSTRACT

Unemployment problem especially for educated youth has acquired alarming dimensions now a day. With a regular increase, millions of unemployed educated youth are entering in the list of unemployed. Along with rest of the world India is also facing a major problem of unemployment. The govt. of India has been devising and implementing various schemes to cope up with unemployment. The problem of unemployment could only be resolved to a greater extent by providing jobs to unemployed educated youth outside Govt. ventures and also by promoting them to start their self employment ventures. Present study seeks to interpret various govt. schemes that have been implemented by J&K govt. which directly or indirectly modifies the economic condition of educated unemployed youth. The study also investigates the role played by various govt. schemes in promoting self employment among educated youth. The study further documents to access the proactive role played by these schemes to reach at a maximum employment potential.

KEYWORDS
self employment ventures, employment potential, effective management system, socio-economic condition, mass customization etc.

INTRODUCTION
Young generation is among the world's largest assets. They bring talent, energy and create foundations for future development. They apply their knowledge, skills and abilities and create new dimensions of growth and development. Around 2007-2008, there were multiple jobs in the market with attractive salaries. MNCs and other small firms were always in search of talented manpower but in late 2008, the trend started changing with a pace. The trend of heavy unemployment and underemployment started from there. There were many reasons which were responsible for this unemployment trend. Slowing global employment growth, increasing unemployment, underemployment and disillusionment had hit the people hardest at that time. Since today the young are facing a high growth deficit of work opportunities and a high level of social uncertainty. Along with rest of the world, India also had to go through a phase where there was a reduction in employment rate. Moreover youth in India also had to go through the bitter taste of underemployment. In highly industrialized states such as Maharashtra, Gujarat, UP, Haryana etc the working youth had to face high level of unemployment as most of the firms closed up their units and other went for a pause strategy. The govt. of India realized the impact of increasing unemployment and started devising and implementing strategies which could support youth to start their own ventures. These strategies were implemented at central as well as at state level. The objectives of implementing these schemes were to help youth in finding full and productive employment; to mainstream youth employment into national development strategies; to develop policies and programmes for enhancing the employability of youth; and to promote access to work through integrated policies and plans. The Jammu and Kashmir govt. also implemented various schemes such as JKSES, SC/ST/OBC, SGSY etc through which financial support could be provided to educated youth so that they can start their self business ventures and also provide employment to other educated unemployed youth.

OBJECTIVES
1. To highlight various govt. schemes that could generate self-employment for educated unemployed youth.
2. To access the nature of employment that could be generated through various schemes.
3. To examine the number of beneficiaries that are being provided jobs under various schemes.
4. To access the role of various schemes in improving socio-economic conditions of educated unemployed youth.
5. To recommend various strategies for future advancement of govt. schemes regarding employment in J&K state.

MATERIAL AND METHODS
Present study has been worked out with the help of secondary data only. The secondary data has been collected from the offices of directors and joint directors of various departments of Jammu and Kashmir government. Moreover the district level data has been collected from the offices of deputy directors of various departments. The data and information so collected has been analyzed statistically and certain cartographic has been applied to represent the role played by these schemes in promoting various new dimensions of employment.

RESULT AND DISCUSSION
The problem of unemployment is increasing day by day as the ratio of educated youth is on a continuous increase. The central govt. of India has devised and implemented multiple schemes for providing self employment to educated unemployed youth of the country. The various schemes identified and analyzed under this study are given as follows:

1. SWARANJAYANTI GRAM SWAROZGAR YOJANA (SGSY SCHEME)

The objective of this scheme is to bring poor families above poverty line over a period of three years by providing them income generating assets through a mix of credit and govt. subsidy. The data collected regarding SGSY scheme has been tabulated in table 1. The analysis of table values reveals that this scheme has not fully been implemented because of one or the other reason. In 2003-2004, there was a target of opening 6571 accounts worth Rs 2276.82 lakhs but only 4283 accounts were opened worth Rs 1584 lakhs which shows only 57% of the total sanctioned amount was distributed. However in 2004-2005, the target to open accounts under this scheme was 8663 worth Rs 4094.86 but only 4417 accounts were opened worth Rs 1870.12 which comprises of only 46% of the total sanctioned amount. Similarly in 2005-2006, target to open accounts was 6487 worth Rs 3606.20 but only 4241 accounts were opened worth Rs 1970.39 that shows only 55% implementation. In 2006-2007, only 5572 accounts worth Rs 2568.86 were opened against a sanction of 12172 accounts worth Rs 6173.95 showing only 42% implementation, in 2007-2008, 5092 accounts worth rs 2350.09 were opened against a total sanction of 8099 accounts worth Rs 4348.72 showing only 54% implementation, In 2008-2009, 4929 accounts were opened worth Rs 2339.68 against a sanction of opening 8185 accounts worth Rs 4304.15 lakhs resulting only 54% implementation of the total, In 2009-2010, 6061 accounts worth Rs 2873.24 were opened while the sanction was of opening 9945 accounts worth Rs 5043.92 resulting 57% implementation only. Moreover continuing the lagging procedure in 2010-2011, only 5913 accounts worth Rs 2807.23 were opened against a total sanction of 11342 accounts amounting Rs 5573.13 and in 2011-2012 the target was set at opening 10992 accounts for Rs 5974.15 but only 6983 accounts could be opened worth Rs 3358.48 leading to a total of 56% implementation.

TABLE 1: SGSY SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2003-2004	6571	2276.82	4283	1584	57
2004-2005	8663	4094.86	4417	1870.12	46
2005-2006	6487	3606.20	4241	1970.39	55
2006-2007	12172	6173.95	5572	2568.86	42
2007-2008	8099	4348.72	5092	2350.09	54
2008-2009	8185	4304.15	4924	2339.68	54
2009-2010	9945	5043.92	6061	2873.24	57
2010-2011	11342	5573.13	5913	2807.23	50
2011-2012	10992	5974.15	6983	3358.48	56

2. JAMMU AND KASHMIR SELF EMPLOYMENT SCHEME (JKSES SCHEME)

This scheme was implemented with the objective of establishing large number of small units which could provide employment to educated unemployed youth. The data collected regarding this scheme has been tabulated in table 2. The analysis of values reveals that in 2003-2004 and 2004-2005, a target was fixed to open at least 9829 and 8871 accounts worth Rs 9882.73 lakhs and 13507.88 lakhs while in 2003-2004 only 2245 accounts were opened worth a total of 2683.64 lakhs showing only 27% implementation and in 2004-2005 only 2297 accounts worth Rs 2992.27 lakhs were opened showing only 22% implementation of total sanctioned. Similarly in 2005-2006 target was to open 7980 accounts worth Rs 10278.45 lakhs and in 2006-2007 the target was fixed at 6215 accounts worth Rs 8242.19 lakhs but only 2028 accounts worth Rs 2786.55 lakhs and 2174 accounts for Rs 3142.99 lakhs were opened showing 27 % and 38% implementation of the JKSES scheme. The analysis further shows that the condition improved up to some extent in next year's. In 2007-2008, 2004 accounts worth Rs 3248.90 lakhs were opened against a target of 5363 accounts worth Rs 7352 leading to an implementation of 44%. In 2008-2009, 2180 accounts worth Rs 3828.78 lakhs were opened against a target of 5476 accounts for Rs 7772.23 showing 49% implementation. In 2009-2010 and 2010-2011, 2663 accounts for Rs 4839.87 from a target of 5563 accounts for Rs 8475.22 showing 57% implementation and 2693 accounts worth Rs 5064.03 from a target of 6363 accounts worth Rs 10467.31 were opened showing only 48% of implementation of scheme. There was a slight increase in implementation i.e. 64% in 2011-2012. In this year the target was set at opening 5860 accounts worth Rs 9904.91 buy only 2927 accounts were opened worth Rs 6344.27.

TABLE 2: JKSES SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2003-2004	9829	9882.73	2245	2683.64	27
2004-2005	8871	13507.88	2297	2992.27	22
2005-2006	7980	10278.45	2028	2786.55	27
2006-2007	6215	8242.19	2174	3142.99	38
2007-2008	5363	7352.00	2004	3248.90	44
2008-2009	5476	7772.23	2180	3828.78	49
2009-2010	5563	8475.22	2663	4839.87	57
2010-2011	6363	10467.31	2693	5064.03	48
2011-2012	5860	9904.91	2927	6344.27	64

3. SWARAN JAYANTI SHAHRI ROZGAR YOJANA (SJSRY SCHEME)

The objective of this scheme was to provide assistance to individual urban poor beneficiaries and also to provide gainful employment to unemployed and underemployed youth. The data collected for this scheme have been tabulated in table 3. The analysis of values reveals that in 2003-2004, 2004-2005, 2005-2006, the implementation of scheme was very nominal. In 2003-2004, 1338 accounts worth 563.65 lakhs against a target of 5451 accounts worth Rs 2148.44 were opened showing only 26% implementation while in 2004-2005, 1394 accounts worth Rs 598.36 were opened against target of 4346 accounts worth Rs 1807.90 resulting 33% of total implemented. 2005-2006 shows the same trend where 1160 accounts worth Rs 518.85 lakhs were opened against a target of 3788 accounts worth Rs 1852.09 leading to 28% implementation of scheme. In 2006-2007 and 2007-2008, there is a slight increase where 1215 accounts worth Rs 577.45 against a target of 3355 accounts worth Rs 1682 lakhs were opened resulting 34 implementation in 2006-2007 whereas 1184 accounts worth 541.69 lakhs were opened against a target of 3246 accounts worth Rs 1644.72 lakhs resulting 33% scheme implementation in 2007-2008. The analysis further shows a decrease in 2008-2009 where only 816 accounts worth Rs 452.43 lakhs were opened against 3210 accounts worth Rs 2028.60 lakhs resulting only 22% implementation of total sanctioned amount that year under SJSRY scheme. In 2009-2010, 1332 accounts worth Rs 963.69 lakhs against a target of 3699 accounts worth Rs 2600.40 were opened while in 2010-2011, 772 accounts worth Rs 466.33 lakhs were opened against a target of 2211 accounts worth 1477.20 lakhs. The percentage achievement in 2009-2010 and 2010-2011 was only 37 and 32 percent. Similarly the partial implementation continued in 2011-2012 where only 775 accounts worth Rs 430.31 lakhs were opened against a set target of 2336 accounts worth Rs 1211.60 lakhs that showed only 36% implementation of total sanctioned amount under SJSRY scheme.

TABLE 3: SJSRY SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2003-2004	5451	2148.44	1338	563.65	26
2004-2005	4346	1807.90	1394	598.36	33
2005-2006	3788	1852.09	1160	518.85	28
2006-2007	3355	1682.00	1215	577.45	34
2007-2008	3246	1644.72	1184	541.69	33
2008-2009	3210	2028.60	816	452.43	22
2009-2010	3699	2600.40	1332	963.69	37
2010-2011	2211	1477.20	772	466.33	32
2011-2012	2336	1211.60	775	430.31	36

4. SC/ST/OBC SCHEME

The objective of this scheme was to provide credit support to youth coming under SC/ST and OBC categories from various financial institutions so that they can start their self business. The data collected for this scheme has been tabulated in table 4. The analysis of values reveals that in 2003-2004, a target of 3896 accounts opening worth Rs 972.91 lakhs was sanctioned but only 636 accounts worth Rs 143.16 lakhs could be opened showing only 15% utilization of total sanctioned amount under this scheme and in 2004-2005, only 19% of total funds was utilized in which 585 accounts worth Rs 160.29 were opened but the total sanction was to open at least 3385 accounts amounting to Rs 858.52 lakhs. Similarly in 2005-2006 and 2006-2007 the trend remains the same of underutilization of funds. In 2005-2006, 550 accounts worth Rs 149.28 lakhs were opened from a total sanction of 2789 accounts worth Rs 747.40 resulting to 20% utilization where as in 2006-2007, 943 accounts worth Rs 263.06 were opened from a total sanction of 2620 accounts worth Rs 773.28 resulting to 34% implementation. In

2007-2008 and 2008-2009 the achievement percentage was 31% and 26%. In 2007-2008, 883 accounts worth Rs 245.88 lakhs were opened while the sanction was of opening 2646 accounts worth Rs 800 lakhs and in 2008-2009, only 682 accounts worth Rs 208.65 lakhs were opened from a total sanction of opening 2693 accounts worth Rs 817.30 lakhs. The years 2009-2010 and 2010-201 follow the same implementation percentage showing 27% and 26% achievement only. In 2009-2010, 558 accounts worth Rs 204.48 were opened from a total sanction of 2817 accounts worth Rs 758.96, in 2010-2011, 665 accounts worth Rs 238.29 lakhs were opened from a total of 2912 sanctioned accounts worth Rs 928.67 lakhs. 2011-2012 resulted in 19% implementation of scheme only in which 609 accounts were opened worth Rs 241.87 from a total sanction of 3134 accounts worth Rs 1270.70 lakhs.

TABLE 4: SC/ST/OBC SCHEME

Year	Target Accounts	Target Amount (lakhs)	Accounts Opened	Amount allotted against accounts opened (lakhs)	Percentage achievement
2003-2004	3896	972.91	635	143.16	15
2004-2005	3385	858.52	585	160.29	19
2005-2006	2789	747.40	550	149.28	20
2006-2007	2620	773.28	943	263.06	34
2007-2008	2646	800.00	883	245.88	31
2008-2009	2693	817.30	682	208.65	26
2009-2010	2817	758.96	558	204.48	27
2010-2011	2912	928.67	665	238.29	26
2011-2012	3134	1270.70	609	241.87	19

CONCLUSION

Unemployment situation is griming indeed. It has therefore to be tackled with appropriate measures and on urgent basis. The govt. of India has been devising and implementing schemes at central as well as at state level to reduce the rate of unemployment. In Jammu and Kashmir State as well multiple schemes has been implemented to reduce unemployment. Out of all the schemes four schemes have been selected to check up to what extent they have been useful in reducing unemployment. The schemes are SGSY, JKSES, SJSRY and ST/SC/OBC scheme. It has been analysed that these schemes could not be fully implemented. Only 52% of the total amount sanctioned under scheme SGSY was distributed among unemployed in nine years while in case of JKSES scheme the utilization stood at only 42% of the total sanctioned amount in nine years. The other two schemes, SJSRY and SC/ST/OBC were also implemented partially. Under SJSRY only 31% of total amount was utilized and in case of SC/ST/OBC scheme the total utilization stood at 24% only which is lower than the utilization under all other schemes.

RECOMMENDATIONS

1. There must be implementation of various awareness programs which could make educated youth aware about various govt. schemes pertaining to employment generation.
2. The govt. must arrange training sessions and other advisory service providing programs which could help educated youth in handling their self business ventures.
3. There is a need for special schemes which could only focus on educated women.
4. A framework must be designed which not only help urban youth but also rural educated youth as well.
5. Govt. as well as other supporting agencies must be very liberal and soft in sanction of grants and loans under various schemes to educated employed youth as per their qualification and capability.
6. Govt. must rectify its management system so that funds could not be misused.
7. A structure is needed which could identify the needs of educated youth and provide them proactive support to reach at a maximum potential.
8. The govt. must also arrange marketing facilities for those unemployed educated youth who are most recent in business and have less practical knowledge.
9. In case of term and other loans being sanctioned by govt., the interest charged must be very nominal.
10. While developing a framework it should be in focus that these schemes should improve socio-economic condition of people below poverty line.
11. There must be provisions for extending financial support in case of positive results.
12. Modern plans must be devised at strategic as well as at operational level so that more and more youth could be benefited and new schemes could be implemented.

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ENTREPRENEURSHIP IN NORTH EASTERN REGION OF INDIA-THE MSME PERSPECTIVE

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ABSTRACT

The Micro, small and Medium Enterprises are playing a very important role in the socio-economic development of our country for the last many years. This sector has contributed the overall growth in terms of Gross Domestic Product (GDP), Employment Creation and exports. This paper mainly focuses on Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India, in terms of working Micro, Small and Medium Enterprises (MSMEs) in India with their employment, fixed capital investment and production during the FY 2006-07 to 2010-11. It also tries to evaluate the percentage on the above parameters of North Eastern Region (NER) of India to All India for drawing meaningful result. Some recommendations are also drawn based on the findings of the study.

KEYWORDS

Entrepreneurial Activity, Entrepreneurship, Fixed Capital, Gross Domestic Product (GDP), Virgin Resources.

INTRODUCTION

The NER of India comprises the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The region is about 70% hilly and accounts approximately 7.9% of the total land space of the country. It is surrounded by China, Bangladesh, Bhutan and Myanmar as its international boundaries on the north, south east, north-east and east respectively. The region is known for its unique culture, handicrafts, natural beauty and plenty of natural resources. But, most of the states in this region are facing the problems of unemployment, social unrest, law and order, lack of infrastructure, uncertainty, poor industrial establishments etc. Because of these factors, the NER of India is lagging behind the other parts of the country in terms of development.

In order to serve the region an economically developed and free from social tension and unrests, "entrepreneurship" can be used as an accelerator engine. If entrepreneurial activities have been increased, the above problems can be somewhat mitigated or solved automatically. Many scholars have defined entrepreneurship and entrepreneur in a variety of ways. The word "entrepreneur" is derived from the French word "enterprendre" means "to undertake". The New Encyclopedia Britannica defines an entrepreneur as "an individual who bears risk of operating a business in the face of uncertainty about the future conditions". The various views define an entrepreneur as a risk bearer, an organizer and an innovator. In simple words, an entrepreneur is a social change agent who is engaged in any economic activity. Considering the above views on the definition of entrepreneur and entrepreneurship, the process of combining resources (men, machines, materials, money etc.) to produce goods and/or services and sold it in the market to earn profit is known as entrepreneurship and the person who is doing so is known as an entrepreneur.

Investing low capital cost and also providing more potential in employment opportunities, the Micro, Small and Medium Enterprises (MSMEs) are considered to be a good sector for economic growth and development. In a country like India, MSMEs play a great role in shaping and developing the economy of the country. According to the report of 4^{th} Census of MSME Sector in India, this sector claims to employ 59.7 million persons spreading over in 26.1 million enterprises in our country.

Again, promotional agencies play a great role in entrepreneurship development. Starting from the initial stage of finding out the various entrepreneurial opportunities, there exist the needs for such promotional agencies. In the absence of these promotional agencies the entrepreneurial activities are neither efficient nor successful. In NER of India, many promotional agencies are taking part in developing entrepreneurship in the region. Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India, Indian Institute of Entrepreneurship (IIE), Guwahati, Assam, National Bank for Agriculture and Rural Development (NABARD), North Eastern Development Finance Corporation (NEDFi), Guwahati, Assam etc. can be mentioned as the major promotional agencies in entrepreneurship development in the state. The Development Commissioner, MSME, Govt. of India, has MSME, Development Institutes (DIs) at Gangtok (Sikkim), Guwahati (Assam), Imphal (Manipur), Agartala (Tripura) and also Branch (Br.) MSME, DIs at Aizawl (Mizoram), Dimapur (Nagaland), Itanagar (Arunachal Pradesh), Diphu (Assam), Silchar (Assam), Tezpur (Assam), Shillong (Meghalaya) and Tura (Meghalaya). Some of the main function and activities of these institutes are as follows:

- Assistance/Consultancy to prospective and existing entrepreneurs,
- Preparation of State Industrial Profiles and District Industrial Potential Surveys.
- Preparation/updation of Project Profiles.
- Organisation of Entrepreneurship Development Programmes (EDPs), Management Development Programmes (MDPs), Business Skill Development Programmes (BSDPs) and Industrial Motivational Campaigns (IMCs),
- Energy Conservation,
- Pollution Control,
- Quality Control and Up-gradation,
- Export Promotion,
- Common Facility Workshop/Laboratory services,
- Preparation of Directory of Specific Industries,
- Intensive Technical Assistance,
- Linkages with State Government Functionaries.
- Market Surveys,
- Cluster Development,
- Other action plan activities assigned by the MSME, Govt. of India etc.

REVIEW OF LITERATURE

Since the emergence of the topic "entrepreneurship" there has been an increasing interest of research in this field. Most central and state universities, institutions and colleges have conducted many EDPs for developing and accelerating entrepreneurial activities in India.

Mali, D. D. (2006), in his key note address, in the National Seminar on Entrepreneurship Development, at Manipur University, Imphal, has strategically expressed his views that the government has several roles to play for the growth of entrepreneurship. These are to develop infrastructural facilities, provide policy support, adopt promotional measures and also help in creation of entrepreneurship friendly environment.

Khanka, S. S. (2006), in his paper on Entrepreneurship Development in NER of India, Experiences and Prospects, has mentioned the problems of Entrepreneurship Development in NER of India which includes inadequacy of infrastructural facilities, unstable and uncertain low and order situation, lack of required human resources and complex procedure in establishing enterprise.

Sikidar, S. K.(2011), in his paper, "Entrepreneurship in North Eastern Region: A Tool for Innovation and Creativity", has mentioned that Entrepreneurship is a skill inherent in human being, in more or less same degree, to be ignited by education, training for the purpose of transferring it into an economic activity. He considered entrepreneurship as an urge coming from within, devoted in initiating, promoting, nurturing and maintaining economic activities for the production and distribution of goods and services and of wealth.

In another paper "Problems and Prospects of Entrepreneurship in North East India" by Dev, Sukamal (2011), it is mentioned that, there has been a persistence complaint from Small Scale Industrial (SSI) Units of being subjected to a large number of acts and laws and having to maintain registers, submit returns and face an army of inspectors to ensure compliance to those acts and laws. He further added that there is indeed a need to simplify and streamline the procedural aspects to facilitate setting up of small and tiny sector units.

Singh, Muktasana, K. (e.t.) (2011), in their paper "Impact of Transportation Problems in Small and Medium Enterprises in Manipur", has mentioned the major transportation problems which affects the socio economic and entrepreneurial activities in the state of Manipur including frequent landslides during rainy season, bad road condition, frequent bandh and economic blockades, imposition/collection of illegal tax etc.

Siemens, Lynne (2012) in the article "Embedding Small Business and Entrepreneurship Training within the Rural Context", has expressed that small rural business owners face challenges that are not generally present in urban areas. Therefore, these business owners need training programmes that are specific to rural context.

OBJECTIVES

The present paper tries to:

1. Explain the importance and relevance of entrepreneurship in economic development,
2. Study of some parameters in entrepreneurial activities of MSMEs and
3. Highlights the problems and prospects of entrepreneurship development in NER of India in particular and India in general.

METHODOLOGY

The study is exploratory research in nature. It is based on relevant and required secondary data collected from journals, books, and annual reports of different organizations Indian Institute of Entrepreneurship (IIE), Guwahati and MSME, Govt. of India etc. The collected data is evaluated to draw a meaningful decision.

LIMITATIONS OF THE STUDY

On the part of limitation of the study, the paper is based on secondary data. Therefore, authenticity of the findings is limited to the accuracy of the data available in the annual reports during the period of study. The study has taken a period of five years i.e., from the FY 2006-07 to 2010-11. Because of the unavailability of data for the year 2011-12, the study can be considered as old as more than one year. In addition to this, the maximum data for the year 2009-10 is provisional and that of 2010-11 is projected one.

ANALYSIS AND DISCUSSION

The importance and relevance of entrepreneurship in economic development is very vast. Some of the important points can be discussed as under:

1. Saving money for future use is required and a must for everybody. But, saving in wrong hands including low interest rates may cause the decrease in the value of money saved in future. Such savings of the public can be used as capital in an entrepreneurship firm so that it can earn profit. Therefore, entrepreneurship promotes capital formation by investing such savings of the public.
2. Entrepreneurship provides large scale employment of the job seekers. Entrepreneurs do not run after the job but they create jobs. Thus, it reduces the cause of socio-economic problems by providing jobs to the people. When an enterprise has established in an area, it not only gives the above opportunities, many other small business activities may also arise. To cite an example, in the establishment of many private educational institutes in and around Azara, Guwahati, the other business activities like hotels, tea stalls, grocery shops etc. also can be more seen than before. In such a situation, money flows without any halt from one person to another and enterprise to enterprise. Therefore, entrepreneurship helps in development of a region and also promotes regional development.
3. Entrepreneurial activities accelerates the effective and efficient utilization of capital and human resources, otherwise, these would remain unutilized and idle and
4. It promotes export of products and services leading to economic development of the country by earning foreign exchange.

The NER of India has abundant natural and virgin resources. The natural beauty of this region is the advantage of eco-tourism industry. These resources can be utilized for economic development and employment generation. The MSME, Govt. of India, is taking initiatives to promote the development of MSMEs in the region through the programmes and schemes implemented by the ministry and its institutions/organizations. As prospective entrepreneurs are trained and motivated, these institutions are opening a way for economic development in the region for the last many years. The growth of entrepreneurs is also continuously increasing day by day. The number of working MSMEs in India as a whole and NER of India along with their employment, fixed investment and production, during the year 2006-07 to 2010-11 are shown in Table No. 1 and 2 respectively.

TABLE NO. 1: WORKING MSMEs IN INDIA WITH THEIR EMPLOYMENT, FIXED INVESTMENT AND PRODUCTION

Sl. No.	Year	Total Working MSMEs	Employment (Person)	Fixed Investment (Rs. in Crore)	Production in current price (Rs. in Crore)
1	2006-07	2,61,12,000	5,95,66,000	5,00,758	7,09,398
2	2007-08	2,72,79,000	6,26,34,000	5,58,190	7,90,759
3	2008-09	2,85,16,000	6,59,35,000	6,21,753	8,80,805
4	2009-10	2,98,08,000	6,95,38,000	6,93,835	9,82,919
5	2010-11 (Projected)	3,11,52,000	7,32,17,000	7,73,487	10,95,758

Source: Annual Report, 2011-12, MSME, Govt. of India

TABLE NO. 2: WORKING MSMEs IN NER OF INDIA WITH THEIR EMPLOYMENT, FIXED INVESTMENT AND PRODUCTION

Parameters	Years	Sikkim	Arunachal Pradesh	Nagaland	Manipur	Mizoram	Tripura	Meghalaya	Assam	Total
Number of working enterprises	2006-07	122	417	1332	4492	3715	1343	3010	19864	34295
	2007-08	136	480	2110	4530	3941	1499	3416	21618	37730
	2008-09	207	587	4631	4670	4419	1711	3826	23249	43300
	2009-10	225	698	5602	4759	4919	1931	4725	24927	47786
	2010-11 (Projected)	279	829	9315	4881	5403	2180	5497	26887	55271
Employment (Person)	2006-07	1159	5411	16281	19960	26032	23166	12700	210507	315216
	2007-08	1292	6228	25790	20129	27616	25857	14413	229095	350420
	2008-09	1967	7617	56605	20751	30965	29514	16143	246379	409940
	2009-10	2138	9057	68473	21146	34469	33309	19936	264162	452689
	2010-11 (Projected)	2561	10757	113857	21689	37860	37604	23193	284933	532543
Fixed Investment (Rs. In Crore)	2006-07	27.82	543.78	718.33	96.76	296.95	326.57	134.54	5867.40	8012.15
	2007-08	31.01	625.93	1137.90	97.58	315.01	364.50	152.69	6385.49	9110.12
	2008-09	47.20	765.46	2497.44	100.59	353.22	416.05	171.01	6867.26	11218.25
	2009-10	51.31	910.21	3021.08	102.51	393.19	469.55	211.20	7362.90	12521.95
	2010-11 (Projected)	63.62	1081.04	5023.46	105.14	431.88	530.10	245.70	7941.84	15422.78
Production (Rs. In Crore)	2006-07	51.37	237.21	1396.04	199.80	309.90	608.30	447.31	9389.20	12639.13
	2007-08	57.26	273.05	2211.44	201.49	328.75	678.96	507.64	10218.27	14476.87
	2008-09	87.16	333.91	4853.65	207.72	368.63	774.98	568.57	10989.20	18183.83
	2009-10	94.74	397.06	5871.33	211.68	410.34	874.63	702.17	11782.35	20344.29
	2010-11 (Projected)	117.48	471.58	9762.85	217.10	450.71	987.41	816.90	12708.79	25532.81

Source: Annual Report, 2011-12, MSME, Govt. of India

From the above two tables, the following Table No. 3 is drawn to show the Percentage of Working MSMEs in NER of India to All over India with their Employment, Fixed investment and Production.

TABLE NO. 3: PERCENTAGE OF WORKING MSMEs IN NER OF INDIA TO ALL OVER INDIA WITH THEIR EMPLOYMENT, FIXED INVESTMENT AND PRODUCTION

Sl. No.	Year	Total Working MSMEs			Employment (Person)			Fixed Investment (Rs. in Crore)			Production in current price (Rs. in Crore)		
		All India	NER	% of NER to All India	All India	NER	% of NER to All India	All India	NER	% of NER to All India	All India	NER	% of NER to All India
1	2006-07	2,61,12,000	34295	0.13	5,95,66,000	315216	0.53	5,00,758	8012.15	1.6	7,09,398	12639.13	1.8
2	2007-08	2,72,79,000	37730	0.14	6,26,34,000	350420	0.56	5,58,190	9110.12	1.6	7,90,759	14476.87	1.8
3	2008-09	2,85,16,000	43300	0.15	6,59,35,000	409940	0.62	6,21,753	11218.25	1.8	8,80,805	18183.83	2.0
4	2009-10	2,98,08,000	47786	0.16	6,95,38,000	452689	0.65	6,93,835	12521.95	1.8	9,82,919	20344.29	2.1
5	2010-11 (Projected)	3,11,52,000	55271	0.18	7,32,17,000	532543	0.73	7,73,487	15422.78	2.0	10,95,758	25532.81	2.3

Source: Compiled from the Annual Report, 2011-12, MSME, Govt. of India.

Analysing the data, in Table No. 2, all the parameters namely the number of working enterprises, employment, fixed capital investment and production are increasing year after year in all states during the study period. The maximum number of working enterprises can be seen in the state of Assam while the minimum is in Sikkim. It may be due to the advantages of better transportation and communication facilities available in Assam when compared to the rest of the states in the region. The number of working MSMEs in NER has increased from 34295 in 2006-07 to 37730, 43300 and 47786 in 2007-08, 2008-09 and 2009-10 respectively. The projected number of working MSMEs in NER in 2010-11 is 55271. In the case of employment creation, Nagaland is also creating employment opportunities in MSMEs in the increasing trend. The projected working enterprises, employment (person), fixed capital investment and production in this sector in 2010-11 in Nagaland are 9315, 113857, Rs. 5023.46 crore and Rs. 9762.85 crore respectively. It is also observed that, during the study period of 2006-07 to 2010-11, the various parameters are in increasing trend for the whole of NER.

The total working MSMEs in NER is calculated only 34295, 37730, 43300, 47786 and 55271 during 2006-07 to 2010-11 respectively. The percentage of total working MSMEs in NER to All India is very low. It is only 0.13, 0.14, 0.15, 0.16 and 0.18 in these years.

Generally, for the running of an enterprise, both working and fixed capital are required. No enterprise can run without capital. The fixed capital investment in this sector in India was Rs. 500758 crores in 2006-07. it has increased to Rs. 558190 crores, Rs. 621753 crores, Rs. 693835 crores, and Rs. 773487 crores in 2007-08, 2008-09, 2009-10 and 2010-11 respectively. The amount in 2009-10 was provisional and that of 2010-11 was projected. The percentage of growth in fixed investment over the previous year was 116.20, 11.47, 11.39, 11.59 and 11.48 respectively during the study period. The growth of investment in fixed asset in MSMEs in India can be considered satisfactory. But when it is evaluated for NER separately, here also there is a very poor investment in fixed assets. As per findings from Table. No. 3, the percentage of fixed capital investment of NER to All India, in this sector, is measured at 1.6, 1.6, 1.8, 1.8 and 2.0 during the study period of five years.

In case of employment, it is no doubt that MSMEs are providing maximum employment opportunities in our country. The employment has increased to 659.35 lakhs during 2008-09 from 626.34 lakhs persons during 2007-08. The projected figure in 2010-11 is 732.17 lakhs persons. In this regard, the employed persons in this sector in NER have been increasing from 315216 persons in 2006-07 to 409940 persons in 2008-09. The percentage of employment in MSMEs of NER to All India is very poor and cannot be considered "satisfactory".

Even though the number of working MSMEs, their employment and capital investment in fixed capital is very less in NER of India against All India, the production of such enterprises in NER is having greater quotient. The percentage of production of MSMEs in NER to All India is measured at 1.8, 1.8, 2.0, 2.1 and 2.3 respectively for the study period ranging from 2006-07 to 2010-11.

Training and development programmes in entrepreneurship development are very important. Training and development is a vital part of the human resource development. It is also becoming more important in order to make prospective and existing entrepreneurs motivated and create innovative and creative ideas. Therefore, development and training is, thus, one of the key elements for development of micro and small enterprises (MSEs), particularly, the first generation entrepreneurs. To undertake this task on a continuous basis, the MSME has set up three national-level Entrepreneurship Development Institutes (EDIs). These are the National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida, the National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad and the Indian Institute of Entrepreneurship (IIE), Guwahati. In the year 2010-11, these three institutes, in India, has conducted 1653 training and development programmes including EDPs, MDPs, BSDPs, IMCs, Seminars and workshops, consultancy and research etc. out of which 331 were under NIESBUD, Noida, 756 were under NI-MSME, Hyderabad and 556 were under IIE, Guwahati, respectively.

Considering a particular state in NER, which is the State of Arunachal Pradesh, the following Table No. 4 (a), (b) and (c), shows the year wise conducted programmes of Br, MSME, DI, Itanagar, district wise distribution and the number of participants in it.

TABLE NO. 4 (a): YEAR WISE CONDUCTED PROGRAMMES OF BR, MSME, DI, ITANAGAR

Sl. No.	Name of the Programme/Activity	06-07	07-08	08-09	09-10	10-11	11-12
1	Industrial Motivation Campaign (IMC)	2	2	3	12	17	3
2	Entrepreneurship Skill Development Programme (ESDP)	1	1	3	21	14	7
3	Entrepreneurship Development Programme (EDP)	-	-	3	3	2	-
4	Management Development Programme (MDP)	-	-	-	3	2	-
5	Business Skill Development Programme (BSDP)	1	2	-	-	-	-
6	Programme on Packaging for Export	-	-	-	1	-	-
7	Awareness Programme on Cluster Development Scheme	-	2	-	-	-	-
	Total	**4**	**7**	**9**	**40**	**35**	**10**

PROJECT FEASIBILITY REPORT (PFR) ACTIVITIES

Sl. No.	Name of the Programme/Activity	06-07	07-08	08-09	09-10	10-11	11-12
1	Preparation of Project Profile (New)	2	1	1	1	-	-
2	Preparation of Project Profile (Updated)	1	2	2	2	-	-
	Total	**3**	**3**	**3**	**3**	**-**	**-**

Source: Office file, Br.-MSME-DI, Itanagar

TABLE NO. 4 (b): DISTRICT AND YEAR-WISE DISTRIBUTION OF CONDUCTED PROGRAMMES WITH PERCENTAGE

Sl. No.	Name of the District	Year						District-wise Prog. Conducted during 2006-07 to 2011-12	% of the total of 105 Prog.
		06-07	**07-08**	**08-09**	**09-10**	**10-11**	**11-12**		
1	Papum Pare	2	6	5	32	27	10	**82**	78.1
2	Tirap	-	-	-	-	-	-	**-**	-
3	East Siang	-	-	2	3	1	-	**6**	5.7
4	Lohit	-	-	-	2	-	-	**2**	1.9
5	West Siang	-	-	-	1	-	-	**1**	0.9
6	West Kameng	-	-	2	-	-	-	**2**	1.9
7	Changlang	-	-	-	-	-	-	**-**	-
8	Upper Subansiri	-	-	-	-	-	-	**-**	-
9	Lower Dibang Valley	-	-	-	-	-	-	**-**	-
10	Tawang	-	-	-	-	-	-	**-**	-
11	Lower Subansari	2	1	-	2	2	-	**7**	6.7
12	East Kameng	-	-	-	-	2	-	**2**	1.9
13	Upper Siang	-	-	-	-	-	-	**-**	-
14	Dibang Valley	-	-	-	-	-	-	**-**	-
15	Kurung Kumeng	-	-	-	-	3	-	**3**	2.9
16	Anjaw	-	-	-	-	-	-	**-**	-
	Total	**4**	**7**	**9**	**40**	**35**	**10**	**105**	**100%**

Source: Office file, Br.-MSME-DI, Itanagar

TABLE NO. 4 (c): PARTICIPANTS (GENDER-WISE)

Year	No. of Participants	Gender-wise Participants	
		Male	Female
2006-07	86+	46	40
2007-08	389	132	257
2008-09	272	77	195
2009-10	1066	375	691
2010-11	1230	646	584
2011-12	221	107	114
Total	**3264+**	**1383**	**1881**
Percentage	**100**	**42.37%**	**57.63%**

Source: Office file, Br.-MSME-DI, Itanagar

+ There was a programme on Industrial Motivation Campaign (IMC) at Lower Subansiri District during November, 2006. But, the data for the number of participants on the programme were not available.

FINDING AND RECOMMENDATIONS

From the above discussion, the following findings and recommendations are drawn.

1. The number of working MSMEs in India has been increasing during the study period of 2006-07 to 2010-11. The employment in this sector is also in the increasing trend. In addition of the above, the other parameters which are fixed investment and production of MSMEs in India grow to increase during these years of study. But, when we discuss for NER, the percentage of all these parameters to all India is very poor. Therefore, the policy makers and concerned authorities should keep in mind that the NER needs more EDPs, working and fixed capital etc. so that these people can explore the natural raw materials in the region. Ultimately, it would lead to the development of socio-economic status of the region in particular and the nation in general. It would also automatically mitigate the social tension and unrest of the region engaging youths in productive and economic activities.

2. The Ministry has set up three national-level EDIs which are NIESBUD, Noida, NI-MSME, Hyderabad and IIE, Guwahati. In 2010-11, these three EDIs has conducted 1,653 training and development programmes including EDPs, MDPs, BSDPs, IMPs, Seminars and workshops, consultancy and research etc. The total number of participants in all the programmes was 49,713. The number of programmes conducted by the three national-level EDIs is not sufficient for the rising need of the entrepreneurs. The IIE, Guwahati has conducted only 556 Training and Development Programmes in 2010-11, for the development of entrepreneurship in North East India.

Refering Table No. 4 (a), (b) and (c), in the state of Arunachal Pradesh, the number of programmes conducted by Br.-MSME-DI, Itanagar, is very less. There were only 4 programmes conducted in the year 2006-07. It has increased by 7 and 9 programmes in 2007-08 and 2008-09 respectively. A number of 40 programmes were conducted in 2009-10 but it is not up to the requirement. But, in the year 2011-12, the number of programmes has reduced tremendously and stands at 10.. In order to impart knowledge in entrepreneurship and expand the area of coverage, the number of such programmes should be increased.The state has 16 districts. But as per the findings of the study, there are 8 out of 16 districts in which even a single programme was not conducted during the period. Referring to Tab. No. 2, 78.1% of the total programmes were conducted in Papum Pare District, the capital district of Arunachal Pradesh. But, the other districts have got very less or even no programme at all.

Coming to regional and national level, taking into consideration of the findings in the state of Arunachal Pradesh, the EDPs and activities might be conducted in the city and urban areas where infrastructural facilities and subject experts are available. To encourage the participation of rural artisans from every corners of our country, it is very much necessary to organise such programmes in all the parts of the country including the rural remote areas.

1. In NER, the programmes conducted by IIE, Guwahati and Br. MSMEs, DIs in the states, are supported by faculty members from other academic institutions and universities. Apart from their busy schedule in classes and other academic activities, "time" does not permit the faculties for taking classes for such programmes. Therefore, there is a big gap between the demand and supply of faculty in these programmes. The non-availability of subject experts in such programmes unable to organise the programmes effectively and efficiently. Therefore, recruitment in MSME, Govt. of India, from heterogeneous disciplines including entrepreneurship, finance, marketing, accountancy, economics etc. is need of the present day situation for filling up the gap.
2. In addition to above, there are a lot of common constrains for entrepreneurship development in NER. This includes non-availability of finance, poor infrastructural and communication facilities, being bottle-necked of the region from the rest of the country, law and order problems, social tension and unrest, fear of failure in the business etc. Considering the need for developing entrepreneurship in NER of India, the government and other law enforcing agencies need to frame and implement such laws which pull up the entrepreneurship activities. Initiatives should be taken by all the stakeholders so that it will minimise constrain in entrepreneurship.

CONCLUSION

Today, the world has become a global village due to globalization and liberalization. The technology is developing in a very fast way. It also brings a wake of various opportunities in the field of entrepreneurship. Awareness of various schemes of the central government for entrepreneurship development is also very important. Considering the untapped and unexplored natural resources in NER of India, there is a big advantage of creating entrepreneurial career in different sectors in the region. Eco-tourism-the nature based tourism, can be considered as one of the important sector. Once the eco-tourism projects have been started, other activities like tour operator services can be activated simultaneously. Finding means of human capitalization for best use of human resource is the foundation of development in social, economic, cultural and political fronts. Increasing unemployment is the serious and chronic problem of our present economy. Human resources with other resources like material, money and machineries can result sustainable employment and income generation through entrepreneurship. It is considered that most problems associated with social tension and youth unrest are due to educated youths not being engaged in productive and economic activities. The only viable option to solve this problem is to change our attitude from "wage employment opportunities" to "self employment career". Such alternate way through entrepreneurship could help the society in defusing social tension and unrest through entrepreneurship.

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CONTEMPLATION OF ISLAMIC BANKING IN LUCKNOW: A CRITICAL ANALYSIS

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ABSTRACT

India is the home of the 2nd largest Muslim population in the world. Through this paper our effort is to understand the response of the Indian customer towards the Islamic banking. It is impossible to approach the population of the entire nation. So our effort is on the limited basis confined to the city of Lucknow, which holds substantial Muslim population. Through this paper we also get the opportunity to examine new business opportunities that may exist. This paper also addresses the problems faced by Muslim clients in monetary dealings owing to the faith related issues. In total, this paper is an effort to understand the merits & demerits of Islamic Banking as per the Lucknow customer's psyche.

KEYWORDS

Islamic banking, sharia, Lucknow.

INTRODUCTION

Economic life has grown more complex, so too the range of uncertainties confronting business enterprises has extended with it the demand from individuals and firms for more sophisticated ways of handling such uncertainties. The Islamic Banking framework is therefore a form of economic insurance for the Islamic community since it has undertaken to enable business and investment transactions to be executed in an Islamic manner by attracting funds of all forms from investors and distributing the accumulated sums into diverse productive economic sectors. Without such a system, the economic costs and hazards, of individually researched markets and investment opportunities, would be enormous, ungeared to the levels of gearing in banks and rare or minimal. This is so, since very limited groups of people have access to capital as well as expertise in wide or particular areas. The development of necessary skills in all areas of operation is a requirement and since many capital owners cannot develop all the essential skills at any given moment, they have to resort to those who would manage their funds.

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Islamic law (Sharia) and its practical application through the development of Islamic economics. Sharia prohibits the payment or acceptance of interest fees for the lending and accepting of money respectively, (Riba, usury) for specific terms, as well as investing in businesses that provide goods or services considered contrary to its principles (Haraam, forbidden). While these principles were used as the basis for a flourishing economy in earlier times, it is only in the late 20th century that a number of Islamic banks were formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

The main goals of an Islamic Banking system are as follows

(1) Implement the value system of the *Qur'an* and the *Sunnah* (tradition or practice of Prophet Muhammad *SAW*) in the realm of the Muslim socioeconomic system.
(2) Foster the growth of the economy of Muslim nations by developing financial markets, institutions and instruments.
(3) Dampen the shocks of extreme economic output by promoting risk sharing instruments whose payoffs are strictly contingent on the profitability of a firm or project at a micro level.

ISLAMIC BANKING IN INDIA

India is a country of secular dimensions. People from different walks of life & religion are the part & parcel of it. Islam is one of the dominant religions in India. The population of Muslims residing in India is the second highest in the world. This large population could provide substantial amount of business to the Financial Institutions. The fiscal position of India could be very well conditioned. The introduction of Islamic banking will help in bringing those people also into the fold who consider modern day banking policies against their ideologies. It can create a sense of belongingness among the muslim population of India. It can also be helpful in generating investments from the Muslim dominated nations.

Another advantage of dealing in Islamic banking is that it checks bankruptcy. People who are under heavy debts are discouraged from taking on more debt. The credit rating under Islamic banking adheres to the strict code of business. It does not focus on the current assets or liabilities part but on the actual business. Besides the efforts could be made to customize the Islamic banking system as per the requirements of the non muslim population of the country.

There are certain benefits in the way of introducing Islamic banking in India. They are as follows

1. The Islam-based system of finance has proven itself to be entirely feasible and sound.
2. Great emphasis on equity and profit-sharing.
3. A potential in improving the condition of India's largest minority.
4. The creation of interest-free savings avenues will directly benefit Indian Muslims and indirectly benefit all Indians.
5. Establishment of positive co-relation between religion & entrepreneurship.
6. Indian economic system will be able to handle global economic shocks in a better way.

However there are certain obstacles in the way of Islamic banking in India

1. The Indian banking system works on the concept of Interest which is against the tenets of Islam.
2. The frequent changes in the regulatory framework of Indian financial sector.
3. Unequal treatment of debt & equity funds.

4. No facility of deposit insurance and credit guarantee for Islamic institutions.
5. Lack of understanding and awareness among Indian banking customers.
6. There is Still no concrete guidelines from RBI from promotion of Islamic banking in India.

MAJOR ISLAMIC BANKING INSTRUMENTS

Amanah - deposits in trust.
Arbun - Down payment; a nonrefundable deposit paid by a buyer retaining a right to confirm or cancel the sale.
Al-'Aariyah - loan of a particular piece of property, the substance of which is not consumed by its use, without anything taken in exchange.
Bai' Muajjal - Literally it means a credit sale.
Bai Salam - Salam means a contract in which advance payment is made for goods to be delivered later on.
Bai bil Wafa - Sale with a right in the seller, having the effect of a condition, to repurchase (redeem) the property by refunding the purchase price.
Daman - Contract of guarantee, security or collateral.
Dayn or Debt - comes into existence as a result of any other contract or credit transaction.
Fiqh - Islamic law. The science of the Shariah.
Gharar - Any element of absolute or excessive uncertainty in any business or a contract about the subject of contract or its price, or mere speculative risk.
Al Ghunm bil Ghurm ( ): This provides the rationale and the principle of profit sharing in Shirkah arrangements.
Hawalah - Literally, it means transfer; legally.
Hibah - means Gift.
Ijarah - Letting on lease.
Ijarah-wal-Iqtina'- A mode of financing, by way of Hire-purchase.
'Inah - Double sale by which the borrower and the lender sell and then resell an object between them.
'Inan (A type of Shrikah) - It is a form of partnership in which each partner contributes capital and has a right to work for the business, not necessarily equally.
Al- Kafalah (Suretyship) - Literally, Kafalah means responsibility, amenability or suretyship, Legally in Kafalah a third party become surety for the payment of debt.
Mudarabah - A form of partnership where one party provides the funds while the other provides expertise and management.
Murabaha - Literally it means a sale on mutually agreed profit.
Musawamah - Musawamah is a general kind of sale in which price of the commodity to be traded is bargained.
Shirkah - A contract between two or more persons who launch a business or financial enterprise to make profits.

JUSTIFICATION OF THE TOPIC

The rationale behind selecting this topic could be easily understood from the following reasons

1. Unexplored clientele base.
2. Apprehension of Muslim population towards modern day banking.
3. Boundations in terms of religious & cultural mindset.
4. Current social & economic condition of the Muslims
5. Lack of knowledge & understanding among Muslims about the existing business opportunities.
6. Limited or no understanding of the Islamic banking terms.
7. Opportunity for creating new business avenues & transactions.

SIGNIFICANCE OF RESEARCH PROBLEM

The problem addressed in this paper derives its significance based upon the following factors.

1. Inflexibility of the modern banking policies.
2. Blockage of monetary transactions with the gulf nations.
3. Inhibitions of Muslim customers towards the banking norms.

ABOUT LUCKNOW REGION

Lucknow :is the capital city of Uttar Pradesh in India. Lucknow is the administrative headquarters of Lucknow District and Lucknow Division. Located in what was originally known as the Awadh (Oudh) region, Lucknow has always been a multicultural city, and flourished as a cultural and artistic capital of North India in the 18th and 19th centuries. Courtly manners, beautiful gardens, poetry, music, and fine cuisine patronized by the Persian-loving Shia Nawabs of the city are well known amongst Indians and students of South Asian culture and history. Lucknow is popularly known as The City of Nawabs. It is also known as the Golden City of the East, Shiraz-i-Hind and The Constantinople of India.

The second largest city in north and central India after Delhi. Straddling the river Gomti, modern Lucknow is a bustling metropolis. It is placed among the fastest growing cities and now it is metropolitan city of India and is rapidly emerging as a manufacturing, commercial and retailing hub. This unique combination of rich cultural traditions and brisk economic growth provides Lucknow with an aura that refuses to fade away.

Demographics: The total population of Lucknow is more than 4.5 million according to the census 2011.It is the third largest city in north and central India after Delhi and Kanpur. The majority of Lucknow's population comprises people from Central and Eastern Uttar Pradesh. However, Bengalis, Punjabis and Anglo-Indians have also settled in large numbers. Hindus comprise about 71% and Muslims about 26%. There are also small groups of Sikhs, Jains, Christians and Buddhists.

SELECTED LITERATURE REVIEW

There are many studies and literature about Islamic banking. But specifically on Islamic banking with respect to particular region is very few. If we talk about India the number of study of on Islamic banking are negligible. However we will try to understand the type research work which has been done on this topic worldwide and in India also, and where research gap are existing.

Noor Ahmed Memon: Islamic Banking: Present and Future Challenges: (2007) The paper emphasizes the role of Islamic banks as financial intermediaries and the importance of financial intermediation for society.

It argues that Islamic Banks entering directly into trade, industry and agriculture etc is not beneficial because it means leaving the role of financial intermediation for others.

Salma Sairally: Evaluating the 'Social Responsibility' of Islamic Finance: Learning From the Experiences of Socially Responsible Investment Funds: It seeks to evaluate the Corporate Social Performance (CSP) of IFIs, thus determining how socially responsible IFIs are in their objectives, actions and commitments as a socio-economic contributor to ihuman welfare.

Pawandeep: Islamic banking in India- A study of future potential: (2008) The paper focuses on the scope of Islamic banking in India & its varied advantages to the Muslims of the Indian state. It also focuses on the customization part to make it equally attractive for the non Muslim population of India.

Soumik Majumdar: Islamic banking in India- what is the future potential? (2008) The paper examines the reasons for which the Islamic banking should be started in India. It examines the changes in regulation & obstacles for Islamic banking in India.

Islahi, Abdul Azim: Obstacles in the way of Islamic banking in India: (2001) This paper points out all the obstacles which may hinder the establishment & growth ofIslamic banking in India.

Mahmoud Amin El-Gamal, A Basic Guide to Contemporary Islamic Banking and Finance, (2000), The primary objective of this introductory guide is to explain to the non-specialist curious Muslim the difference between the forbidden financial transactions commonly used in conventional finance, and their Islamically permitted counterparts.

Omar Khan, A proposed introduction of Islamic banks in India, International Journal of Islamic Financial Services, this paper stresses on the issues which are critical to the establishment of Islamic bank in India.

Peter Vayanos & Dr. Philipp Wackerbeck, How do Islamic banks compete in an increasingly competitive environment, (2008),This paper seeks to analyze the drivers of growth behind Islamic banking, the changing competitive landscape, potential sources of differentiation for existing Islamic banks, and the challenges that are unique to Islamic banks

M Ravindran, Islamic Banking: Scope and Spread, Markets in Motion, (2010), this paper focuses on the spread of Islamic banking & its comparison with conventional banking methods.

M. Shahid Ebrahim and Tan Kai Joo:Islamic banking in Brunei Darussalam(2001) This paper studies the current realities of the Islamic banking system of Brunei Darussalam from the perspective of the theories of modern financial intermediation and Islamic financial contracting. The limited information on the banking system of Brunei Darussalam reveals that the first phase of the Islamic banking experimentation has been successful, as Islamic banks command roughly 11.5 per cent of the market share. The financial services industry, however, remains extremely competitive and Islamic banks face formidable challenges from conventional banks.

Mohd. Ariff, Islamic Banking, Asian-Pacific Economic Literature, (1988), this paper traces the growth & development of Islamic banking & its salient features.

OBJECTIVES OF THE STUDY

To understand the customer perception regarding Islamic banking in Lucknow region.

RESEARCH METHODOLOGY

The research methodology used for the purpose of this study was essentially an exploratory research, Wherein the Muslim Customers of various public sector banks and private banks of Lucknow region are contacted for collection of data. A total of around 100 such customers were contacted.

RESEARCH TYPE: Exploratory and descriptive

POPULATION: 100

TYPE OF SAMPLING: Convenience Sampling

DATA COLLECTION

Primary Data – Primary Data was collected using methods such as interviews, questionnaires and observations

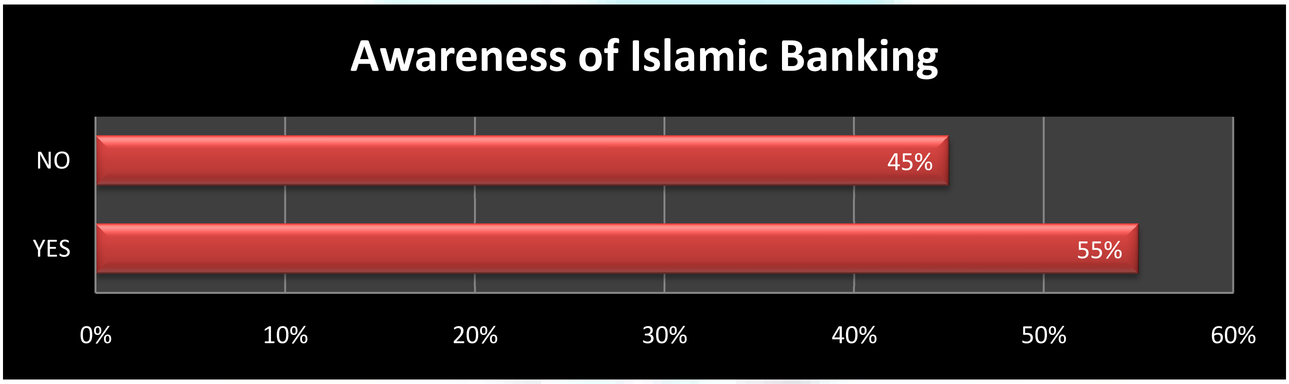
Secondary Data – Secondary data was collected from websites, journals & articles.

DATA ANALYZING SOFTWARE: MS Excel

FINDINGS

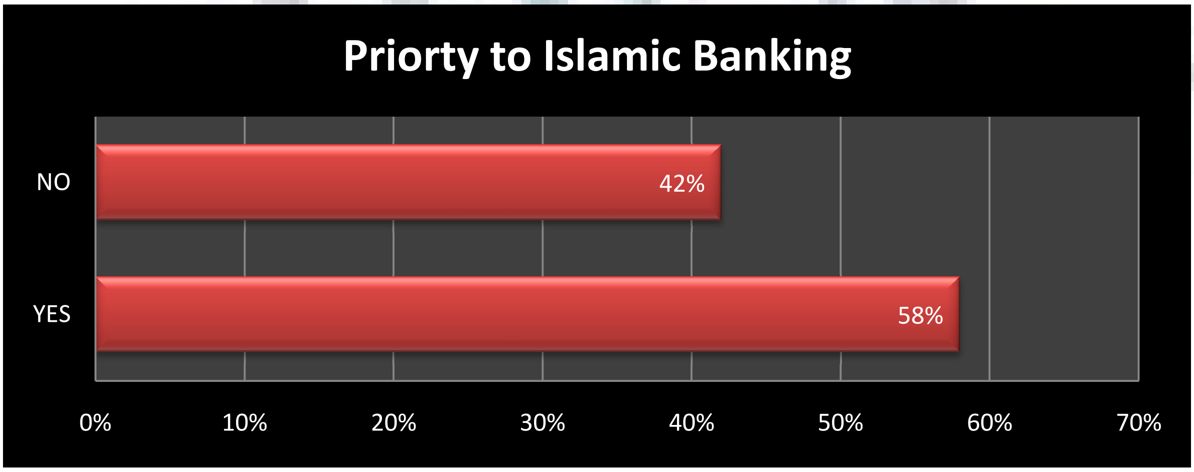
- 70% of the respondents said in affirmative they have the knowledge about Islamic banking. The rest 30% population is ignorant about its existence even. Hence people have the awareness about the Islamic banking.

FIGURE 1



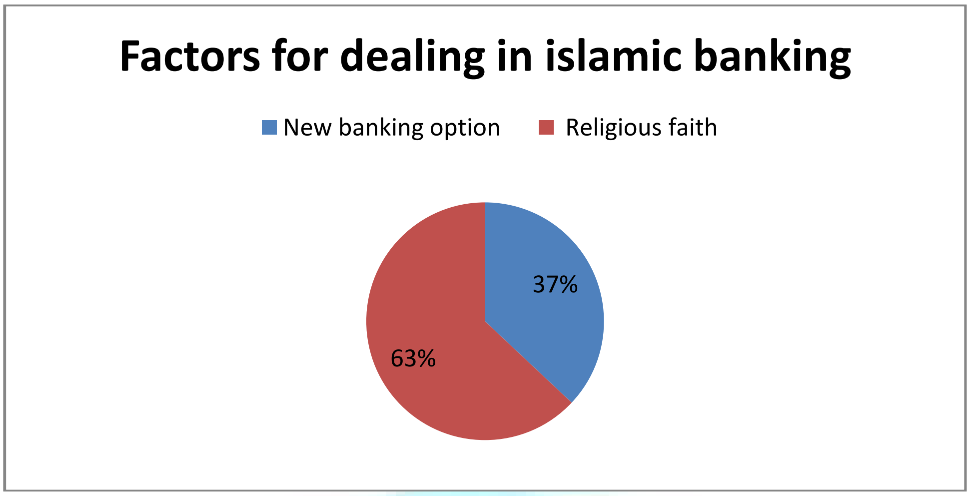
- 58% people are of the view that they would like to try Islamic banking over the commercial banking while rest 42 % of the respondents do not seem interested as the result of laid apprehension to try something new.

FIGURE 2



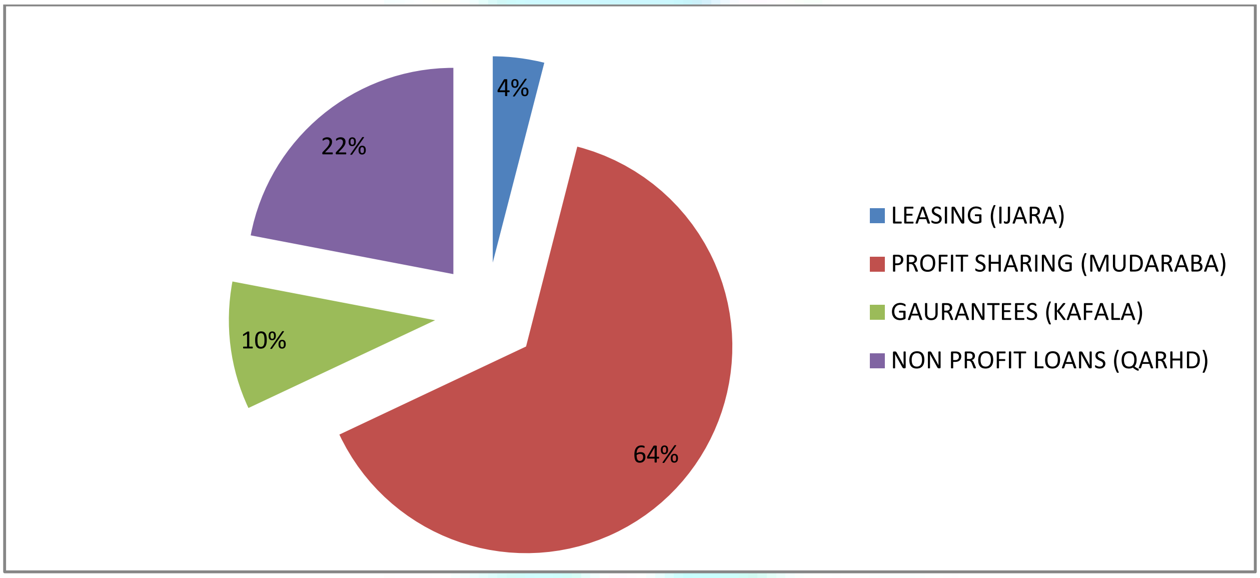
- 63% people favor the religious faith while 37% consider Islamic bank as the new banking option.

FIGURE 3



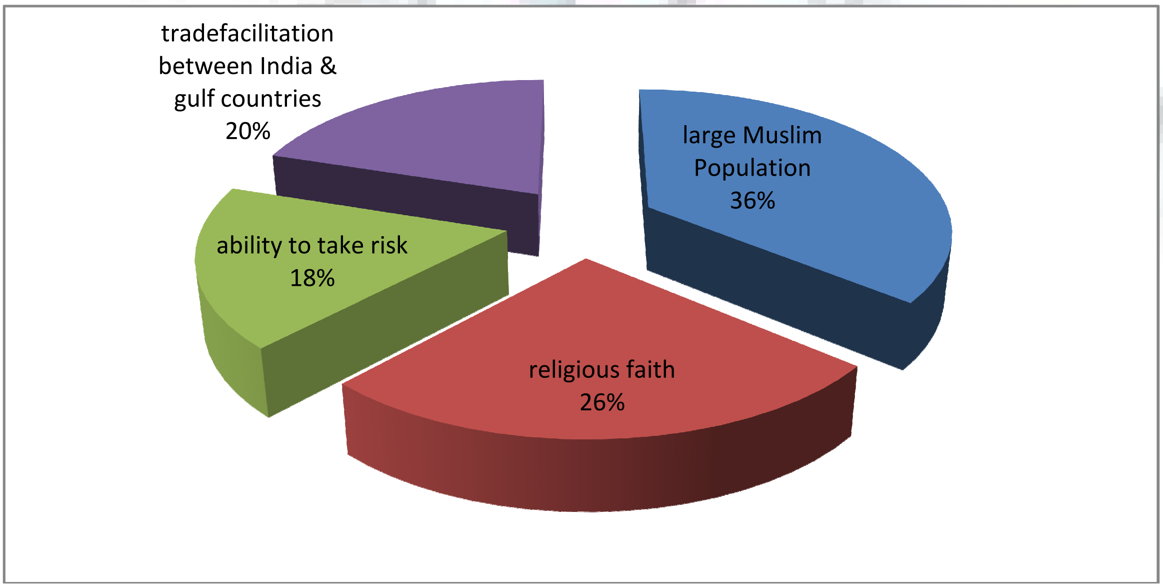
- 4% people want to take Leasing(ijara as the financial option ,64 % people prefer Profit sharing (Mudaraba) as the option , 10% people prefer Guarantees (Kafala) as the financial option, and 22 % people prefer Non Profit Loans(Qarhd) as the financial option.

FIGURE 4



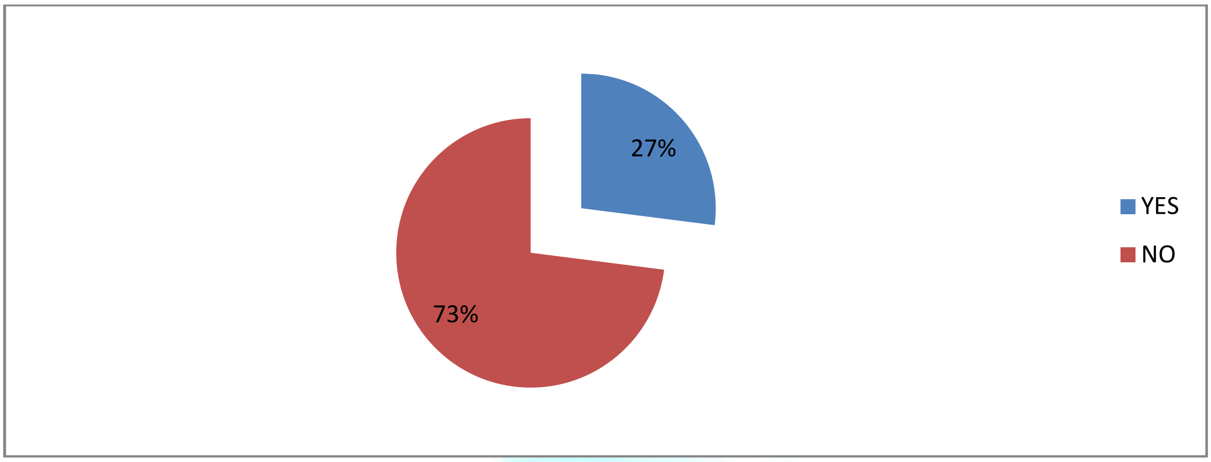
- 36% of the respondents think the presence of large muslim population, 26% favored the religious faith, 20% favor trade facilitation between India & Gulf countries, 18% consider ability to take risks as the major influencing factors for promotion of Islamic banking in India.

FIGURE 5



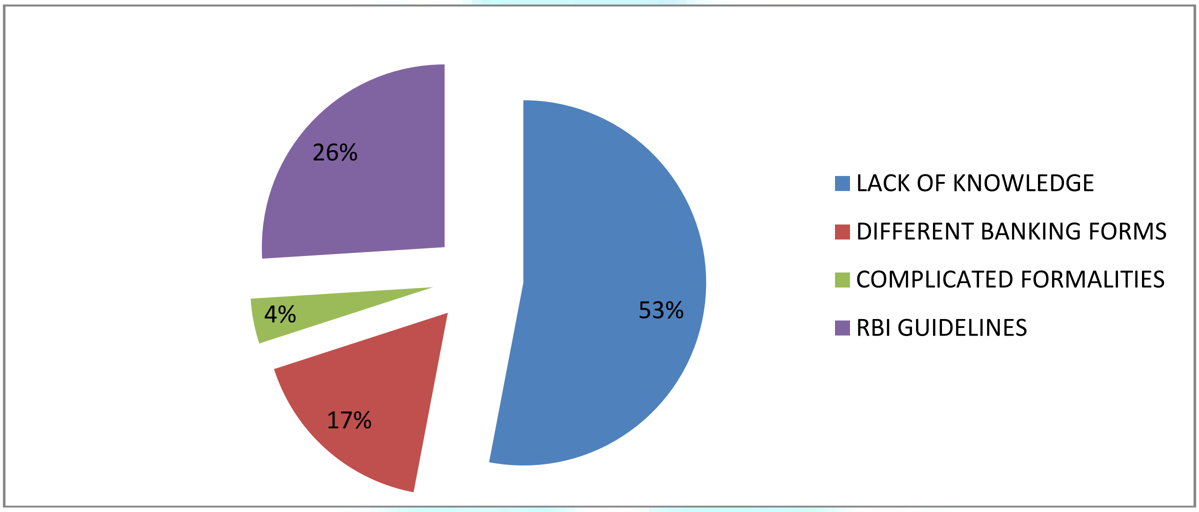
- Only 27% of the respondent population was aware of the fact that first Islamic bank'has been opened in Kerala while rests 73% were ignorant of this fact.

FIGURE 6



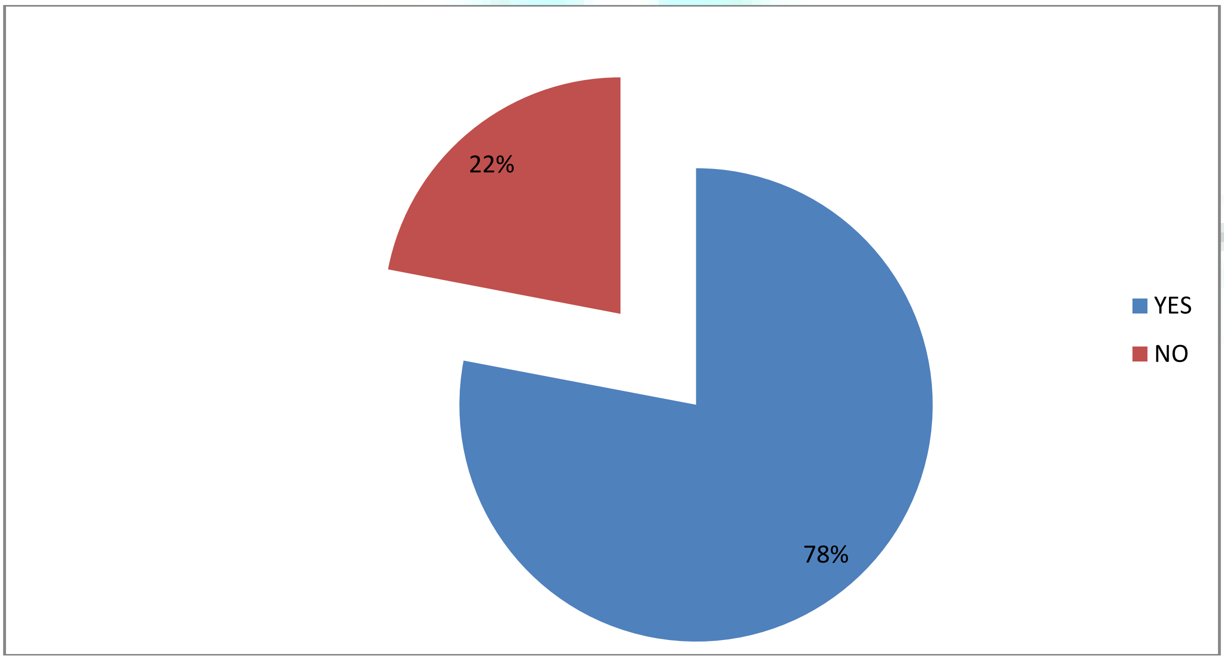
- 53% of the respondents consider lack of knowledge, 26% consider R.B.I guidelines and 17% consider different banking forms while remaining 4% consider complicated formalities as the hindrance for Islamic Banking in India.

FIGURE 7



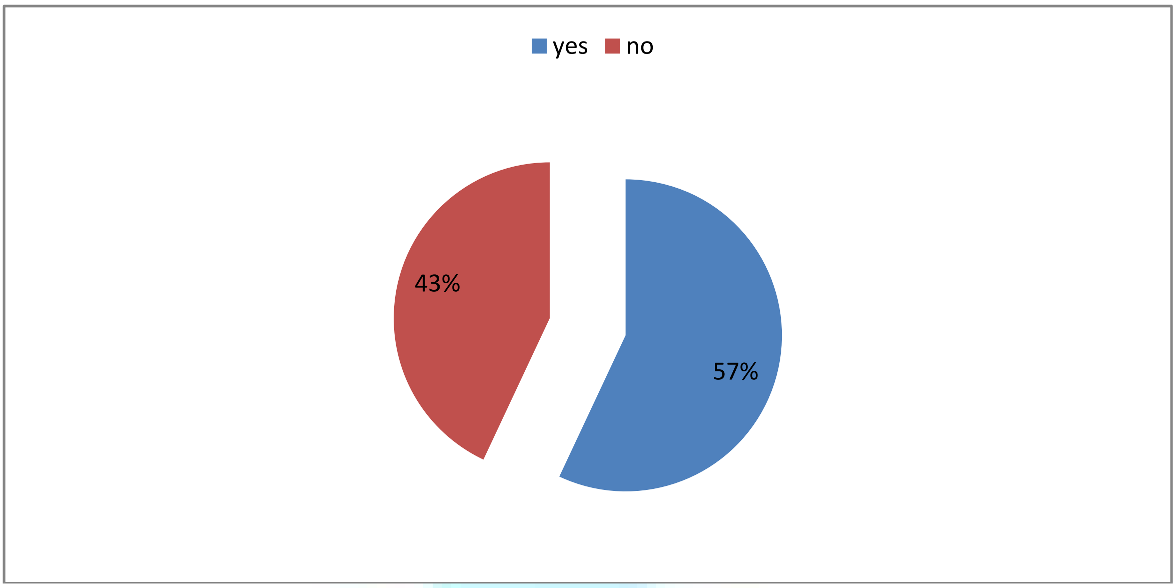
- 78% of the respondents favor the incorporation of the Islamic banks in the Indian banking system while the rest 22 % are not in favor of it.

FIGURE 8



- 57% of the people say that Islamic bank, if opened in Lucknow will be successful while the remaining 43% of the population had serious doubts about it.

FIGURE 9



CONCLUSION

It could be easily deciphered from the findings of this paper that the concept of Islamic banking is not alien for the people of Lucknow. This concept has created a lot of interest due to its varied features. People have given different views about the usage of this concept in the city like Lucknow. A section wants to use it for pure commercial purposes while others relate it to religion. However there is still large scale confusion owing to the superficiality of the available literature. There is the need to create proper awareness among the masses about Islamic banking. People are ignorant about the existence of any Islamic bank in the country. If the concept is to be introduced in India then there must be the appropriate understanding of the Islamic banking. Also the necessity is to make the banking guidelines conductive for its operation. Still the people think that Islamic banking must be introduced. They are hopeful of a new revolution which it may bring about in the Indian banking sector. They are more than ready to accept it.

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FDI IN ORGANIZED RETAIL IN INDIA: LOOK TO THE MULTIBRAND OPPORTUNITIES

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ABSTRACT

Compared to power sector reforms, an infrastructure push or restructuring labour laws, the change in rules to allow 51% FDI in multi brand retail may seem a relatively minor economic policy measure. However, the debate surrounding the retail decision – the government notified the new FDI rules on September 20 – is telling. It has regurgitated many of the shibboleths of Indian economic orthodoxy. The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarket, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities are too introducing the Indian consumer to a shopping experience like never before. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter new markets. But in the absence of the adequate funds and a model for the sector we are not able to capitalize on the organized retail sector.Multi brand is the option in the Indian retail sector through foreign direct investment if the government allows FDI in Indian retail market that to with multibrand then it's really a boom for Indian retail market.

KEYWORDS
FDI, multibrand.

INTRODUCTION

India is without doubt a 'growth' economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing retail market. However, Foreign Direct Investment (FDI) is restricted in the retail sector, and despite many years of debate, the regulations are still only changing very slowlyand there are still lots of uncertainties. AT Kearney (2009), the well-established international management consultancy, in their Annual Global Retail Index, ranked India as No.1 out of 30 of the top emerging markets, and has done for some years. Foreign Investors are watching India, ready for a piece of the action in the retail market, but there are still plenty of uncertainties, restrictions and potential socioeconomic risks.

Amidst opposition from its own allies, government went ahead implementing its decision to allow FDI in multi-brand retail. Under the notification relating to FDI in multi-brand retail, multinational companies can invest up to 51 per cent to open stores in 10 states and UTs which have so far agreed to implement the decision. The decision to allow Multibrand retailers to open stores rests with the state governments.

Minimum amount to be brought in by the foreign investor would be $100 million and outlets may be set up only in cities with a population of more than 10 lakh.

India Inc hailed the government's decision to implement FDI in multi brand retail and voiced that it will give a strong message to investors that the government means business and stands firm on its initiatives. This decision is a right step and will go a long way in capital infusion and is expected to strengthen the farmer's community.

WHAT IS FDI? AN OVERALL VIEW OF FDI ALLOCATION IN INDIA

Foreign direct investment is the acquisition of assets in a country by foreign entities for the purpose of control. FDI is ownership of at least 10% of a business.

There are two types of FDI: (a) Inward foreign direct investment and (b) Outward foreign direct investment. Foreign direct investment excludes investment through purchase of shares. Foreign direct investment can be used as one measure of growing economic globalization.

SINGLE BRAND

Single brand implies that foreign companies would be allowed to sell goods sold internationally under a 'single brand', viz., Reebok, Nokia and Adidas. FDI in 'Single brand' retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

MULTIBRAND

FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous '*kirana'* store.

According to the Ministry of Commerce & Industry, "FDI is freely allowed in all sectors including the services sector, except a few sectors where the existing and notified sectoral policy does not permit FDI beyond a ceiling. FDI for virtually all items/activities can be brought in through the Automatic Route under powers delegated to the Reserve Bank of India (RBI), and for the remaining items/activities through Government approval. Government approvals are accorded on the recommendation of the Foreign Investment Promotion Board (FIPB)." Ministry of Commerce and Industry has fixed limits for other sectors are as follows:

Banking - 74%	Non-banking financial companies (stock broking, credit cards, financial consulting, etc.)- 100%	Insurance - 26%
Telecommunications - 74%	Private petrol refining - 100%	Construction development - 100%
Coal & lignite - 74%	**Trading - 51%**	Electricity - 100%
Pharmaceuticals - 100%	Transportation infrastructure - 100 %	Tourism - 100%
Mining - 74%	Advertising - 100%	Airports - 74%
Films - 100%	Domestic airlines - 49%	Mass transit - 100%
Pollution control - 100%	Print media - 26% for newspapers and current events, 100 % for scientific and technical periodicals	

THE CHARM OF THE INDIAN MARKET

Indian companies need money. But what explains the attraction from the other side? Why is FDI in retail being built up as the beacon of the next phase of liberalization? The answer is in the numbers. According to the government's Economic Survey, "The retail sector is expected to record healthy sales in 2010-11 and grow by 10.2% in 2011-12. The sector's PAT (profit after tax) margin is expected to expand over the next three years on account of a faster rise in income vis-a-vis expense." Adds the PwC-CII study: "India is ranked as one of the world's most exciting retail destinations." The study says that India's retail sector is worth an estimated US$350 billion and is growing between 30% and 40% per annum. (This relates to 2008, but there is a huge divergence in the absolute numbers and growth estimates put forward by various organizations.)

"Despite about 75% of India's population earning less than US$2 a day, the Indian retailing context could appeal to foreign firms due to rising income levels of consumers in several segments; the low penetration levels of several product categories; the huge presence of the unorganized sector with regard to offerings that provide scope for penetration of branded goods; the emerging youth population that is going through a radical change of lifestyles; and, of course, the unorganized nature of retail sector itself," says S. Ramesh Kumar, professor of marketing at the Indian Institute of Management Bangalore. "However, unlike in the West, the *kirana* stores will continue to be a part of the Indian scenario for several years given the shopping styles of consumers (only a fraction would be interested in driving to huge stores to stock up items for the entire week). The culture of shoppers to shop daily coupled with lack of storage space make the *kirana* store a part of the Indian middle class."

Kumar doesn't see smaller Indian retailers giving up in the face of a FDI invasion. "The small organized neighborhood store [like Subhiksha] with limited SKUs (stock-keeping units) offering discounts to consumers is also a good strategy provided they are able to get the supply chain and choice of merchandise right."

He gives a snapshot of the future of retail in India as he sees it. "Multiple formats will become the trend [like the Tesco's chain in the U.K.]. Private labels offering good value will have huge scope given the escalating prices of conventional branded offerings. Retailers like Reliance or Big Bazaar [Future Group] will have an advantage due to their scale. Such outlets will attract a huge consumer base in urban markets due to their variety as well as value-based sales promotion plus private labels. Consumers will divide their purchases between *kirana* stores and modern retail outlets."

CURRENT SCENARIO OF INDIAN RETAILING INDUSTRY

A study conducted by ICRIER on Indian retail industry estimates that the total retail business in India will grow at 13 per cent annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12. The unorganized retail sector is expected to grow at approximately 10 per cent per annum with sales rising from US$ 309 billion in 2006-07 to US$ 496 billion. Organized retail, which constituted a low four per cent of total retail in 2006-07, is estimated to grow at 45-50 per cent per annum and attain a 16 per cent share of total retail by 2011-12. In short, both unorganized and organized retail are bound not only to coexist but also achieve rapid and sustained growth in the coming years. This is clearly not a case of a zero sum game as both organized and unorganized retail will see a massive scaling up of their activities.

Share of Organized Retail in Selected Countries, 2009

Country	Total Retail Sales (US$ bn)	Share of Organized Retail (%)
USA,	2983	85
Japan	1182	66
China	785	20
United Kingdom	475	80
France	436	80
Germany	421	80
India	322	4
Brazil	284	36
Russia	276	33
Korea, South	201	15
Indonesia	150	30
Poland	120	20
Thailand	68	40
Pakistan	67	1
Argentina	53	40
Philippines	51	35
Malaysia	34	55
Czech Republic	34	30
Vietnam	26	22
Hungary	24	30

Source: Planet Retail and Technopak Advisers Pvt. Ltd

http://www.planetretail.net/Reports/ReportDetails?catalogueID=61069

FDI in India's Multi Brand Retail Sector

From the above table it is clear that Indian organized retail sector is far behind when compared to other developed and developing nation and hence there is always a huge scope for growth

EXPANSION OF ORGANIZED RETAIL

When India opened its economy to the global marketplace in the early 1990s, many multinational corporations rushed in to pursue its middle-class consumers, only to confront low incomes, social and political conservatism, and resistance to change. "In the past, retail conglomerates avoided the Indian market because they did not find the large investment a worthwhile opportunity, as India accounts for a very small percentage of the U.S. market in pure dollar terms," said Technopak'sSinghal. India also lacked the infrastructure, supply chain, foreign direct investment regulations and value-added tax required for retailers to succeed.

"If the government permits foreign direct investment in retailing, consumer goods companies would have greater opportunities to sell products in the modern formats they understand," Karwal said. "Currently, about 60% of all purchases are made in the food and grocery segment, which has a unique supply chain that multinationals don't understand. The optimal retail format in India mimics a local bazaar experience, vastly different from the neat aisles and structured store layout present in other countries."

Skeptics point out that even if government policy works in favor of large retail, understanding of the consumer's psyche is paramount to cracking the Indian market. Karwal went on to say that "most bleeding happens at the front end, as real estate prices are exorbitant. To combat these expenses, companies such as

Zara and Best Buy have set up their own buying houses in India. If foreign retailers are able to get their back end in order while regulation evolves and rental prices cool down, the government policy is likely to work in their favor."
At the same time, the government has a responsibility to make sure that foreign inflows do not disrupt employment or functioning of smaller, homegrown players. Karwal minimized that concern: "Even though large conglomerates have a 7% to 10% buying advantage, small retailers benefit from the close proximity to customers. The necessity to buy fresh food due to a lack of electricity and inefficient public transportation systems serves to check the displacement of traditional retail. The network of local retailers will remain an important segment for years, even if modern retail continues to grow at the current pace."

RETAIL IMPACT, S A GAME CHANGER

Farmers, consumers and small entrepreneurs stand to benefit from supply efficiencies.The announcement on notifying 100 per cent FDI in single brand retail, and opening up multi-brand retail to FDI is a welcome move, and sparks hopes of restoring investor confidence and attracting more funds from overseas. It is worth reiterating the benefits expected from this move. The arguments against FDI in multi-brand retail range from fear of local kiranas being wiped out, to farmers being exploited or use of monopolistic practices. But several studies have emphasised that FDI in multi-brand retailing would boost the organised retail sector, with a positive impact on stakeholders, including producers, workers, employees and consumers. The fund inflow and technology from overseas would help bring in greater efficiencies down the supply chain.

IMPACT ON MOM-AND-POP RETAILERS

FDI is often opposed on the grounds that it will put mom-and-pop stores out of business. This is very unlikely for several reasons.
The big-box retailers, when they venture into developing markets, do not use the same business model as they do in the U.S. Walmart -- the most iconic of these companies and the one most often cited as a threat to Indian mom-and-pop stores -- is by no means the lowest-price retailer in China. Walmart U.S. is based on "everyday low prices." The firm has an activity system that is meant to help Walmart compete as a cost leader. The company began by locating in rural areas and then moved to suburban and semi-urban areas in the U.S. In China, the rural areas and semi-urban areas are not where the money is. Consumers in China -- unlike their American counterparts living in suburbia - do not drive miles and do bulk purchasing, nor do they have massive storage facilities at home. In India, China, Brazil, Indonesia, Thailand and Mexico, the vast majority of educated middle and upper classes live in the cities (and not in semi-urban and rural areas) where real estate is very expensive and population density is high.
The foreign retail chains will need to make very expensive real estate investments. They will have a very high variable cost of operation. Their fixed, volume-independent costs are also likely to be much higher than the mom-and-pop convenience stores. These chains will operate with price points that are much higher than those featured by the mom-and-pop shops.
These firms' real competition will be the domestic multi-brand retailers. A recent study by the CII and Boston Consulting Group estimated the size of organized retail of US$28 billion in 2010 to be 6% to 7% of the total retail market in India. The study predicted that the size of retail -- total retail sector size, not just organized retail -- would grow to US$1.25 trillion by 2020 if the efficiencies that typically come from greater competition and modernization of retail supply systems were to be unleashed. Under this scenario, the study predicts that the size of organized retail could grow to US$260 billion or about 20.8% of the total market. So even under this scenario, the idea that a fractional segment that accounts for 20.8% of the total economic activity of a sector can drive the remaining 79% of that sector out of business does not stand the scrutiny of reason.
The CII/BCG study also estimates that if the organized retail sector is not modernized -- the "as is" economic scenario, as the study calls it -- the size of the sector will be about US$170 billion. This underperforms the earlier scenario by about 35% or so. That difference could be a job creation deficit of about 1.4 million jobs with an even higher potential loss of economic product since organized retail pays better than local, scale-deprived mom-and-pop establishments. This is without taking into consideration other jobs that would not be created in economic activities that span infrastructure and logistics.

LOWER PRICES

A more efficient farmer-to-consumer chain would reduce prices for the final consumer. In addition, quality of goods would improve with shorter time taken to reach the final consumer. It is also expected that food safety standards would improve with better testing and aggregation facilities.
The consumer would also benefit from the wide choice that a large multi-brand retailer can afford. The fear of predatory pricing by large retailers, Walmart, Tesco or Carrefour, is misplaced, considering the competition from multiple players. The government has also recently constituted the Competition Commission precisely to check unhealthy practices.

FARMER TO BENEFIT

The foreign retail chains will have a more significant impact on traders that dominate procurement of commodities and perishables, including grains and cereals. It is not surprising that these traders are the most virulent opponents of FDI in retail (the main opposition party that derives its support from the trading castes and traders has openly stated that "traders' interests will be harmed by FDI in retail"). Indian farmers and many other rural producers are at the mercy of large and well-organized monopsony buyers. Very often these traders dominate geographies and account for nearly all procurement in their geographies. In many states, the food ministry determines who it will buy from and this is usually a small number of traders who in turn dominate direct procurement from farmers in their geographies. These are economic fiefdoms that they dominate and exploit. When the Carrefours, Walmarts and Tescos set up direct procurement mechanisms where sophisticated procurement systems are put in place and information about demand (prices, product varieties and quantities demanded) becomes more easily available, it becomes more difficult for the middlemen to dominate local geographies and restrict competition. The emergence of these supply chains that drive transparency of information will bring significantly more competition in sourcing.
The CII-Boston Consulting Group study found that an Indian tomato farmer earns about 30% or even less of the final price paid by the consumer (in developed countries, that percentage can be as much as 70%). For this reason alone, farmers and producers should welcome this development (and for this reason alone, traders oppose it). Indeed, the Indian Farmer and Industrial Alliance (IFIA), a joint venture of the Consortium of Indian Farmers Associations (CIFA), recognized the potential benefits of eliminating middlemen and has expressed its support for opening the retail sector to foreign investment.
As with any other sector, the entry of foreign players introduces competition that will benefit some and will work to the detriment of others. The beneficiaries in this case are the Indian consumers, the lower middle class, which will benefit from the well-paying jobs that will be created, and the producers of goods -- including farmers -- that have been at the mercy of middlemen and monophony buyers and trader monopolies. As usual, the interests that are threatened have sought to portray this move as detrimental to India. In another time, it was said in the U.S. that "what was good for [General Motors] was good for America." It took some time for that belief to lose its status as an axiomatic truth. It is time that India re-examined its axiomatic beliefs. After all, the East India Company left more than 100 years ago.

ADVANTAGES FOR SMEs

Third, even the non-farming sector, particularly the small manufacturer, would reap the advantages that modern retail provides.
These small players currently do not enjoy scale and distribution network to cover the market. With the entry of organised retail, SMEs would be able to go in for bulk production with guaranteed absorption of their product.
In addition, with quality becoming the main consideration, the SMEs would have to invest in modernisation and up gradation leading to a better product for the consumer, the end beneficiary.
A recent study on the impact of organised retailing on the unorganised sector by the Indian Council for Research on International Relations (ICRIER) did not show any evidence of a downtrend in employment following the entry of organised retailers.

Instead, the study said, small retailers evolve as they add new product lines and brands, go for better displays, renovation of stores, introduction of self-service, and more credit sales and acceptance of credit cards.

It is also not uncommon to hear about local kirana stores being wiped out as a result of organised retail. But against the total retail business worth billions of dollars, the present cash-and-carry retail chains account for a market share of only about seven per cent.

In the case of Metro Cash and Carry outlets, the kirana operator benefits from sourcing his products from the German MNC at a much cheaper price. Similarly, today, corporate retailers, the kirana merchant and the local vegetable vendor co-exist side by side, with the ultimate beneficiary being the consumer.

EMPLOYMENT CREATION

Finally, in terms of employment, it is expected that organised retail would generate over four million new direct jobs which would earn an incremental income of 15-30 per cent over other alternatives.

As many as six million new jobs would be created in the infrastructure segment with logistics, packaging, housekeeping and security. Most of these are expected to come in from the back-end in rural areas.

The total retail market, according to the CII-BCG study is projected at $1,250 billion by 2020 based on macro economic factors including GDP growth, private consumption growth and mix of goods and services. Currently, organised retail trade in the country is estimated at $28 billion, just about 6-7 per cent of the total retail market. This is expected to shoot up to $ 260 billion by 2020.

Even then, organised retail would be just about one-fifth of the total market, the rest being covered by local stores. Organised retail would extend to food and beverages, clothing and accessories, electronics and appliances, furniture, health and personal care in addition to food services and sporting goods.

Thus, the new policy announcement can be expected to be a game-changer for India's retail sector. The Government has undertaken multiple stakeholder consultations in working out the details of inviting FDI in retail, both single-brand and multi-brand.

The resulting stipulations are prudent and designed to encourage investments in the supply chain as well as add jobs. In particular, rural areas would benefit from stronger connectivities to the urban markets.

INFLATION CONTROL

Inflation will be curbed. There are many who believe that FDI will act as guardian for the economic development of the farmers and job seekers. It will not happen that big fish will eat small fishes. This is because that in India 95% retail is in the un-organized sector that means only 5% is in organized sector. Local chains like Big Bazar and Spencers haven't dealt a deathblow to small retailers. So, the FDI in retail won't affect them either. The local kirana community is strategic and agile to get wiped off. Their offerings such as home delivery, credit facility and personalized customer relationship management can never be matched by foreign retail players. FDI in retail is certainly a step forward to eliminate the evils of adulteration, shortage in naaptol (weights and measures), unreasonable profit due to large differences between the wholesale price and the printed maximum retail price (MRP) and corruption in saving taxes leading to generate black money. The growth in the retail sector has so far been slower than what was projected, about 5 or 6 years back. The present FDI has once again arisen the hope of fast retail growth rate in India.

OTHER IMPACTS

The arrival of foreign retail chains has twofold impact. First, those companies set up supply chains and logistical capabilities, spurring significant improvements in the infrastructure needed to source, ship, store and deliver products (covering all aspects of value chain and supply chain activities, including storage, warehousing, and information-intensive operations). Second, their entry and expansion induce domestic competitors to invest in infrastructure and logistics, as well as greatly speed up the emergence of product standards (especially in perishables and personal consumables), and begin the process of bypassing monopsony buyers and traders that dominate procurement in many product categories today.

For these reasons, foreign investment in retail has an impact that goes beyond its direct investment impact. It is a force multiplier that induces even more investment from competitors.

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NON PERFORMING ASSETS MANAGEMENT IN KARNATAK CENTRAL CO-OPERATIVE BANK LTD. DHARAWAD

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ABSTRACT

Non Performing Assets surfaced suddenly in the Indian banking scenario around the eighties. In the midst of turbulent structured changes overtaking the international banking institutions and where the global financial markets were undergoing sweeping changes.Management of Non Performing Assets nowadays is a critical performing area for banks. It is better for Indian banks to try for the international standard in terms of efficiency, productivity, profitability, assets recognition norms, and provisioning and capital adequacy to compete in the competitive new economy. Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses. Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets.Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's

KEYWORDS

N.P.A, Advances, time series, prudential norms, provisioning.

INTRODUCTION

Non Performing Assets surfaced suddenly in the Indian banking scenario around the eighties. In the midst of turbulent structured changes overtaking the international banking institutions and where the global financial markets were undergoing sweeping changes.Management of Non Performing Assets nowadays is a critical performing area for banks. It is better for Indian banks to try for the international standard in terms of efficiency, productivity, profitability, assets recognition norms, and provisioning and capital adequacy to compete in the competitive new economy.Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses. Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets.Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's

WHAT IS N.P.A.?

With a view to moving towards International best practices and to ensure greater transparency the '90 days overdue' norm for identification of Non Performing Assets has been adopted by the R.B.I. (w.e.f. 31.03.2004)

So NPA refers to,

- Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The Account remains 'out of order' for a period of more than 90 days. In respect of an overdraft/ C.C.
- The bills remains 'overdue' for a period of more than 90 days in the case of bills purchased and discounted.

"Non Performing Asset" management is a key subject which plays an important role in deciding the overall performance of the Bank. Therefore, the subject of "Non Performing Asset" is chosen for the project work. Accordingly the project is undertaken at **Karnataka Central Co-operative Bank Ltd, Dharwad.**

MAIN REASONS FOR ACCOUNTS BECOMING NPAs

- Units closed
- Borrower Absconding
- Sale of Assets
- Diversion of Funds
- Willful Default
- Non Renewal of the Limits
- Interest/Installments not paid.
- Non repayment of loans due to natural calamities such as drought, floods, earthquakes etc.
- Lack of verification of his/her securities.

REASONS FOR NPAS IN INDIA

- Corruption
- Judicial system flaws
- Nonexistent fear of penalties
- Inefficient credit appraisal systems
- Lack of technology, methodology and data support for scientific credit appraisal

WAYS TO REDUCE NPAs

- Personal contacts.

- Frequent follow-ups by bank officials.
- Issue of periodical notices.
- Adjustments of his/her O/S deposits.
- Apply of Scientific for appraisal before the loan is disbursed and monitor it closely in real time.
- Conduct recovery Champaign
- Break up recovery to branch level network
- Take every NPA case as a separate issue and analyze the need for further funding from an economic point of view.
- Implement a system for selecting a good borrower.

EFFECTS OF NPAs

As the number of accounts become NPAs this will lead to additional provisions which has to be made and these provisions are made out of profits earned by the Bank. Ultimately it leads to reduction in profits.

PREREQUISITES TO CONTROLLING NPAs

1. Governance :

- Independent oversight board with clear mandate.
- Defined and transparent procedures
- Improved reporting standards

2. Greater focus on restructuring :

- The quality and speed of asset resolution is key
- Taking ownership of NPAs and proactive management
- Working with debtors to improve cash-flow of assets underlying NPAs.

3. Greater powers and institutional capabilities:

- For example, power to separate bad management from the debtor and to liquidate debtors, which cannot be expeditiously restructured.
- Training, knowledge Transfer
- Leadership

4. Incentives and disciplines for banks:

- Enhanced accountability of Banks and Bank managers
- Ensure banks put in place risk analysis and credit management systems
- Ultimate burden not transferable to AMCs.

5. Greater protection of creditor rights:

- Credible liquidation procedures and efficient secured transaction processes
- Triggers and inventives for insolvency
- Strong and Credible regulators, free from political pressure.

6. The Road to Recovery:

The key Facilitators

- Early detection
- Speed
- Voluntary references
- Facilitation and quick arbitration.

NEED FOR THE STUDY

Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses. Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets. Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's . Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms, or in other words it is defined as the risk that a firm's customer and the parties to which it has lent money will fail to make promised payments is known as credit risk The exposure to the credit risks large in case of financial institutions, such commercial banks when firms borrow money they in turn expose lenders to credit risk, the risk that the firm will default on its promised payments. As a consequence, borrowing exposes the firm owners to the risk that firm will be unable to pay its debt and thus be forced to bankruptcy.

PROFILE OF KARNATAKA CENTRAL CO-OPERATIVE BANK

The bank is established in the year 1916 with the share capital of Rs. 30000 under the provision of Co-Op act 1912. The area of operation Dharwad and Belgaum districts subsequently the area of the operation is restricted to Dharwad district. The bank is started with the objective to provide financial assistance for agrictural and its allied activities immense efforts, great foresight, accurate planning and dedication of promoters paved the way to success of the KCC bank. As one of the leading Co-operative bank in India

The KCC bank has been serving to the best satisfaction of the agricultural and non-agricultural members since last eight decades. But in last ten years the bank has advanced agriculture and non-agriculture loans without proper security and without getting proper securities. So the recovery was becoming grinding halt, which has severely affected on the financial position. Such a position that a bank was not able to pay depositors money at least meager amount. NABARD has inspected the bank U/S 35(6) of Bank Regulatory Act 1949 to its financial position as on 31st March 2001 and observed the bank has failed to comply to with section 11(1) of Bank Regulatory Act 1949 and most of the loan outstanding are over dues and came under NPA due to very poor recovery since last three years.

OBJECTIVES OF THE STUDY

1. To study the classification of the Non Performing Assets of bank.
2. To know why account becomes Non Performing Assets and the steps taken by the bank to reduce Non Performing Assets.
3. To study the movements of Non Performing Assets and its effects on Bank.
4. To find tools to control Non Performing Assets.

DATA COLLECTION METHOD

To fulfill the objectives of the study, the researcher has been taken into considerations secondary data.The data was collected from the Magazines, Annual reports, Internet of the Karnatak Central Co-operative Bank Ltd. Dharawad. Also collected from books, journals, websites etc. Various ratios have been computed & Time series was used to analyse and interpret the NPA's of KCC Bank Ltd. Dharawad.

A) **DIFFERENT TYPES OF RATIOS**

1. **RATIO OF GROSS NPA TO TOTAL ADVANCES**

TABLE 1 (Rs.In lakh)

Year	Net Advances	Gross NPA	GNPA (%)
2006-07	24661.50	11896.91	48.24
2007-08	23380.47	11267.53	48.19
2008-09	22237.28	10603.79	50.66
2009-10	22877.00	9031.41	39.47
2010-11	29426.89	5850.25	19.88

Source: Bank Annual Reports

Interpretation

In the year 2006-07 the percentage of GNPA was 48.24%. It declined in the year 2007-08 to 48.19%, it shows positive indication and again it increases to 50.66% in the year 2008-09. And again it is declined for the next two years i.e. for 2009-10 it is 39.47% and for 2010-11 it is 19.88%

2. **RATIO OF NET NPA TO TOTAL ADVANCES**

TABLE 2 [Rs.In Lakh]

Year	Net Advances	Net NPA	NNPA (%)
2006-07	24661.50	6748.46	27.36
2007-08	23380.47	6333.18	27.08
2008-09	22237.28	6705.37	30.15
2009-10	22877.00	5761.75	25.18
2010-11	29426.89	4616.63	15.68

Source: Bank Annual Reports

Interpretation

In the year 2006-07 the percentage of Net NPA was 27.36%. It declined in the year 2007-08 to 27.08%, and again it increases to 30.15% in the year 2008-09. And again it is declined for the next two years i.e. for 2009-10 it is 25.18% and for 2010-11 it is 15.68%.

3. **PERCENTAGE OF SUB- STANDARD ASSETS OF KARNATAKA CENTRAL CO-OPERATIVE BANK**

TABLE 3

Year	Sub-Standard	Total advances (Rs)	Percentage
2006-07	**1087994**	**53072918**	**2.05%**
2007-08	**950127**	**52784846**	**1.8%**
2008-09	**1108942**	**48241154**	**2.29%**
2009-10	**232961**	**37131078**	**0.62%**
2010-11	**192365**	**35679097**	**0.53%**

Source: Bank Annual Reports

Interpretation

The percentage of Sub-Standard Asset to Total Advances decreased from 2.05% to 1.8% in the year 2007-08 and it again increases to 2.29% in the year 2008-09. But for the next two consecutive years i.e. for the year 2009-10 and 2010-11 it is decreased from 0.62% and 0.53% respectively.

4. **PERCENTAGE OF DOUBT FULL ASSETS OF KARNATAKA CENTRAL CO-OPERATIVE BANK**

TABLE 4

Year	Doubt full Assets	Total advances (Rs)	Percentage
2006-07	1061458	53072918	2.00%
2007-08	1293228	52784846	2.45%
2008-09	627135	48241154	1.30%
2009-10	178229	37131078	0.48%
2010-11	89197	35679097	0.25%

Interpretation

The percentage of Doubt full Asset to Total Advances increased from 2.00% to 2.45% in the year 2007-08. and for the next three years it is continuously decreasing i.e. 1.30% for 2008-09, 0.48% for 2009-10, and 0.25% for 2010-11 respectively.

5. **PERCENTAGE OF LOSS ASSETS OF KARNATAKA CENTRAL CO-OPERATIVE BANK**

TABLE 5

Year	Loss assests	Total advances (Rs)	Percentage
2006-07	1087994	53072918	2.05%
2007-08	950127	52784846	1.8%
2008-09	1108942	48241154	2.29%
2009-10	232961	37131078	0.62%
2010-11	192365	35679097	0.53%

Interpretation

The percentage of Loss Asset to Total Advances decreased continuously five years i.e. from 2006-07 to 2010-11 as follows, for 2006-07 it is 0.23%, for 2007-08 it is 0.19%, for 2008-09 it is 0.14%, for 2009-10 it is 0.09%, and for the 2010-11 it is 0.04%

B) **TIME SERIES**

This method is also known as **Trend Projection Method.** Under this method past trend is projected in order to interpret the future trend. The past data can be arranged chronologically with regular intervals of time. Such data when arranged chronologically yield **Time Series**. The most popular method of analyzing time series is to project the trend of the time series. A trend line can be fitted through series either usually by means of statistical techniques such as the method of least squares. This method is very popular because it is simple and inexpensive and also because time series data often exhibit a persistent growth trend. With the help of Time Series method we can find out the advances for the year 2012.

This following table shows the Year and Advances amount of entire Karnataka Central Co-operative bank

TABLE 6 [Rs .In Cr]

Year	Advances
2006-07	24661.50
2007-08	23380.47
2008-09	22237.28
2009-10	22877.00
2010-11	29426.89

TABLE 7

Year	Advances [Y]	X	X x X=X2	XY
2007	24661.50	-2	2	-49323.00
2008	23380.47	-1	1	-23380.47
2009	22237.28	0	0	0
2010	22877.00	1	1	22877.00
2011	29426.89	2	2	58853.78
N=5	**∑Y= 122583.14**	**∑X=0**	**∑X2=6**	**∑XY=9027.31**

We can substitute the value of ∑Y, ∑X, ∑X2, ∑XY in the equation given below:
Y=a+bx
To find the value of **'a'**
Solve the equation
∑Y=Na+b∑X
Where ∑Y=**122583.14**, N=5, ∑X=0
122583.14 = 5.a+b.0
122583.14 =5a+0
122583.14 = 5a
a = 122583.14/5
∴ a = 24516.628
To find the value of **'b'**
Solve the equation
∑XY= a∑X+b ∑X2
Where ∑XY=**9027.31**, a=**24516.628**, ∑X=0, ∑X2=6
9027.31= 24516.628 (0) +b (6)
9027.31 = 0+6b
9027.31 = 6b
b= 9027.31/6
∴b= 1504.55
Substituting the values of **'a'** and **'b'** in equation **Y=a+bx**
Y= 24516.628 + 1504.55x
Using the equation, we can find out the trend values for the previous years and estimate the Advances for the 2012. The trend values and estimates are as follows:
Y 2007= 24516.628 + 1504.55 (-2) = 21507.528
Y 2008= 24516.628 + 1504.55 (-1) = 23012.078
Y 2009=24516.628 + 1504.55 (0) = 24516.628
Y 2010= 24516.628 + 1504.55 (1) = 26021.178
Y 2011= 24516.628 + 1504.55 (2) = 27525.728
Y 2012= 24516.628 + 1504.55 (3) =29030.278
Thus the Bank is expected to have advances of **Rs.29030.278Cr** for the year **2012** based on Time Series Method.

FINDINGS

- KCC Bank classifies the Assets as Sub-Standard Assets, Doubt full Assets & Bad/loss Assets, depending upon their period of becoming due.
- The Percentage of Sub-standard Assets is decreased from 2.05% to 1.8% in the year 2007-08, increases to 2.29% in the year 2008-09. But for the year 2009-10 and 2010-11 it is decreased from 0.62% and 0.53% respectively.
- The Percentage of Doubt Full Assets to Total Advances increased from 2.00% to 2.45% in the year 2007-08. Next three years it is continuously decreasing i.e. 1.30% for 2008-09, 0.48% for 2009-10, and 0.25% for 2010-11 respectively.
- The percentage of Loss Asset to Total Advances decreased continuously five years.
- Bank is expected to have advances of Rs.29030.278Cr for the year 2012 based on Time Series Method.
- There has been a positive trend that has been in favor of KCC Bank.
- There has been a considerable reduction in the level of NPA.
- The Net NPA of KCC Bank is Nil for the last two years.
- The recovery has been made from the loss assets which provide an edge for the Bank to use the corpus to fund the priority sectors.
- The NPA level is bit low in KCC Bank as compared to the other commercial banks, and thus KCC Bank is giving stiff competition to other Banks.

SUGGESTIONS

- Immediate action has to be taken for reduction of NPA's.
- The KCC Bank has to go for securitization of those accounts, which has been in the NPA category from a long time. NABARD should restructure or rescheduled the accounts well before the accounts slip into NPA's.
- There should be frequent follow ups by the KCC Bank officials. In some cases the NABARD should perform personal visits for recovering NPAs.
- The KCC Bank should take every NPA case as a separate issue and analyze the need for further from an economic point of view.
- Effective Training and Guidance should be given to the recovery team of the Corporation in order to recover the dues from hardcore defaulter.

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A CRITICAL EVALUATION OF FINANCIAL PERFORMANCE OF RAJASTHAN TOURISM: A CASE STUDY OF RAJASTHAN TOURISM DEVELOPMENT CORPORATION

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ABSTRACT

The financial analysis is a powerful technique to analyze a Corporation's performance and financial strength. Financial statements communicate its users how business has prospered under the leadership of the management. Financial ratios' are widely used technique to evaluate the financial performance of organizations in terms of its liquidity, solvency, efficiency and profitability. Rajasthan Tourism Development Corporation has enjoyed financial backup with largest infrastructure network and facilities provided by state government. Rajasthan Tourism Development Corporation Ltd (RTDC) could not commercialize its touristic product to the maximum extent in the state. Despite of large network of hotels, motels and midways, it could not generate substantial return on investment. Many RTDC owned properties are either given on lease or some are even on the verge of sale. It has made innovative attempts to supplement source of income by introducing Rajasthan Royal on Wheels. Therefore, the present research attempts to examine the financial performance of RTDC by using popularly used tool of analysis –Ratio Analysis and Karl Pearson Correlation. This study attempts to analyze the financial statements of RTDC for the period of 10 years (2001 to 2010). Financial Ratio Analysis has been used to assess profitability and risk, current and future, from the viewpoint of lenders, investors, and other transactions with the Corporation. The presence of sever competition with private sector has created survival challenge in front of RTDC.

KEYWORDS

Financial performance, Karl Pearson, Rajasthan Tourism Development Corporation, Ratio Analysis.

INTRODUCTION

Financial statements provide information about the financial performance and changes in financial position of the corporation. It is useful to a wide range of users in making economic decisions. On the basis of the information provided in the financial statements, we can make a review of the corporation progress and decide future course of action. Financial statements make known how a business has prospered under the leadership to its management personnel. The analysis of financial statements is done to examine the financial position. Ratio analysis is a widely used technique for financial analysis. Financial Ratio Analysis has been used to assess profitability and risk, current and future, from the viewpoint of lenders, investors, and other transactions with the corporation. Ratios vary depending on the trading conditions. The Economic conditions during the periods covered by the accounts being analyzed is an important consideration. The Rajasthan Tourism Development Corporation Ltd. (RTDC) was incorporated as a wholly owned state government enterprise. The presence of sever competition with private sector has created survival challenge in front of RTDC. It has made innovative attempts to augment source of income and financial figures by introducing popular Rajasthan Royal on Wheels. The corporation has its hotel units spread in all Rajasthan State. Of late, Rajasthan has a tremendous growth in tourist arrivals. We examine the correlation between tourist's occupancy in RTDC hotel units and its income by Karl Pearson coefficient.

REVIEW OF RELATED STUDIES

To review the status of research and development in the subject, no significant work has been done so far in any part of globe. R. K. Malhotra (1997) discussed coach tours provided by RTDC and Vimla Pokharna (1997) introduces Rajasthan tourism. Her work was based on the growth performance of tourism in Rajasthan and its sustainability. The work of Krishnan (1997) deals with festivals celebrated by RTDC. Later on, A. K. Raina and Dr. S. K. Agarwal (2004) discussed role of Rajasthan Tourism Development Corporation and functions of the Corporation. Later on, A. K. Raina (2005) stressed on the tourism promotional measures and discussed the operational aspects of the Corporation. Bruce Prideaux and Chris Cooper (2002) examine the relationship between destination growth and destination marketing by investigating the relationship between destination marketing organizations and local government authorities. Harsha E Chacko (2002) describes the different aspects of the positioning tourism destination process. Amitabh Kant (2003) takes us through a journey to discover a branding idea for India probably the biggest brand in the world. Michael Grosspietsch (2005) examines whether there is any evidence that tourism actually constitutes one of the potential reasons that lead to terrorist activities. V Partha Sarathy (2006) gives a perspective of religious tourism with respect to Hinduism, Buddhism, Islam, Christianity, Sikhism, and Jainism.

Subhasis Ray and Amit Teckchandani (2008) evaluate the Indian hotel industry's current strengths, weaknesses, opportunities, and threats keeping in view the growth potential and competition from international players such as Amanda, Satinwoods, Banana Tree, Hampton Inns, Hilton, and Mandarin Oriental. The foregoing comprehensive review of literature on RTDC, it peters out that very few researches are found to be relevant. However, there is a dearth of research studies on the occupancy in RTDC hotels. The present study is an endeavor to present the tourist profile occupancy in its hotels.

NEED OF THE STUDY

Considering the potentiality for tourism development in the state, the Government of Rajasthan has set up the Rajasthan Tourism Development Corporation to develop the tourism sector on commercial basis. For such a highly dynamic and sensitive sector of economy, an appropriate and reliable information base is indispensable. The RTDC is still not properly equipped with necessary literature and information to help research scholar in his research work. Even information on various aspects of travel of the tourists, their perception, and expectations are not yet properly maintained by the Department of Tourism, which stands as a great barrier in carrying out any systematic study on this sector.

Whenever approached for getting an overall picture of the status of tourism in the state, the Department of Tourism generally provides the records of tourist arrivals, its achievements, information of participation in fair & festivals, and introductory information of RTDC. It is not enough. This only indicates whether the tourist trend is growing or declining in the state. What are more important to understand include financial management of the corporation, income according to the increase number in tourist arrival in RTDC hotel units as well as in the state of Rajasthan.

Without this basic information, it is not at all possible to visualize the problems faced by the public sector undertakings. Due to this, it is felt that financial performance of RTDC needs to be studied. In the present study, an attempt has been made to investigate the financial performance of the Corporation.

OBJECTIVES OF THE STUDY

The primary objective of this study is to examine the financial performance of Rajasthan Tourism Development Corporation. Secondary objectives are identified to corroborate the primary objective are as follows.

1. To gain a consideration of organized efforts for tourism promotion in Rajasthan.
2. To obtain a review of tourism projects and initiatives in Rajasthan.
3. To determine the future strategy for tourism development in Rajasthan.
4. To provide recommendation on the promotion of tourism in Rajasthan.

HYPOTHESES OF THE STUDY

1. There is a positive relationship between arrivals of tourist in RTDC accommodations and income.
2. The Corporation is not able to gain profit through accommodation and catering.
3. The Corporation is failure to manage its working capital.

METHODOLOGY

The study is based on secondary data. The data for the analysis was collected from the published annual reports of RTDC. A study period 10 years from 2001 to 2010 was chosen. The study was conducted in scientific manner with careful planning. It was planned in four steps in which subject of research work was selected, Data was collected & analyzed, hypotheses were tested for significance, and finally the findings were summarized and suggestions were provided.

Secondary sources include published and unpublished sources. Published sources are newspapers, reports of WTO, ITDC, and official publications of national and international tourism bodies including Central and State Governments. Unpublished sources viz., the records maintained by the Government and private hotels, studies undertaken by research institutions, scholars, executives, and economists have served the purpose.

The research has been based on a large number of information's sources. The inputs for the research collected from secondary information sources. The secondary data research aims firstly at defining the terms related to the research and secondly exposes the different points of view of experts about tourism.

Administrative officers of RTDC and Department of Tourism, Rajasthan were interacted to collect detailed information pertaining to research work. Secondary data were collected from sources like in house database: available published material and reports from the Department of Tourism, Rajasthan, Ministry of Tourism, India & other Government departments, agencies, associations, and internet search. Various tourism points were visited with the objective to find the occupancy in RTDC hotels. During personal visits to the RTDC units, many difficulties arise. Administrative officers of these units do not want to share any information regarding number of arrival tourists, from where tourists are coming in RTDC units, and occupancy. We had to depend upon the secondary sources of data. The findings drawn out of this study are the obvious outcomes of the data and information collected from the study area.

RESEARCH ANALYSIS AND RESULTS

LIQUIDITY POSITION OF THE CORPORATION

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities. It is expressed as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Libilities}}$$

For analyzing the liquidity position of RTDC, current ratio has been calculated as an analysis of this ratio shows that RTDC maintaining approximately one current ratio which seems to be less than the usual practice of maintaining 2:1 ratio. For most industrial companies, 1.5 is an acceptable current ratio. As the number, approaches or falls below one that means the corporation has a negative working capital. It can be seen clearly in both Table 1.1 and Figure 1.1.

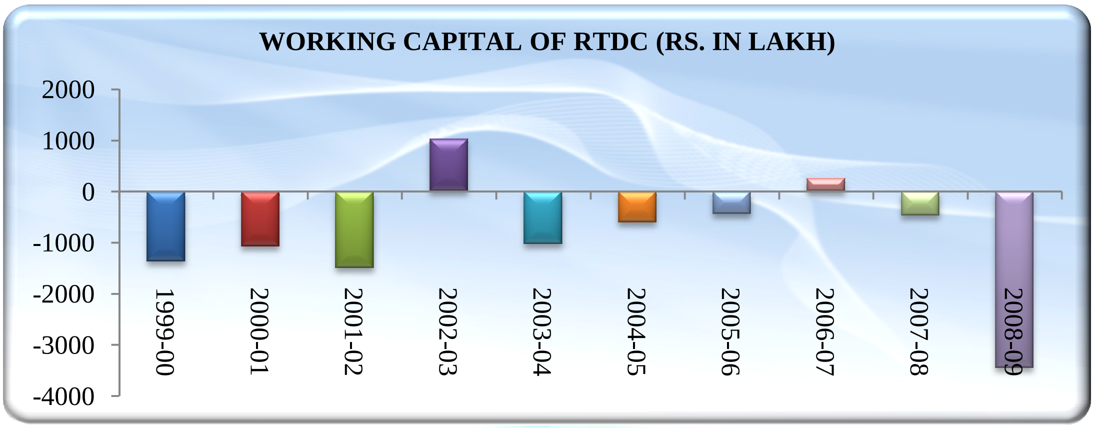
Working capital is a measurement of current assets after subtracting current liabilities. Sometimes referred to as operating capital, it is a valuation of the amount of liquidity of an organization for the running of the business. Companies with higher amounts of working capital are better positioned for success. They have the liquid assets needed to expand their business operations as desired. Working capital can be expressed as a positive or negative number. When a company has more debts than current assets, it has negative working capital. When current assets outweigh debts, a company has positive working capital. Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets. If a company's current assets do not exceed its current liabilities, then it may run into trouble paying back creditors in the short term. Working capital also gives investors an idea of the company's underlying operational efficiency. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses.

TABLE 1.1: WORKING CAPITAL

Year	Working Capital (Rs. in lakh)
1999-00	-1369.15
2000-01	-1076.01
2001-02	-1501.86
2002-03	1026.87
2003-04	-1033.24
2004-05	-607.56
2005-06	-443.72
2006-07	254.80
2007-08	-474.80
2008-09	-3452.65

Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

FIGURE 1.1



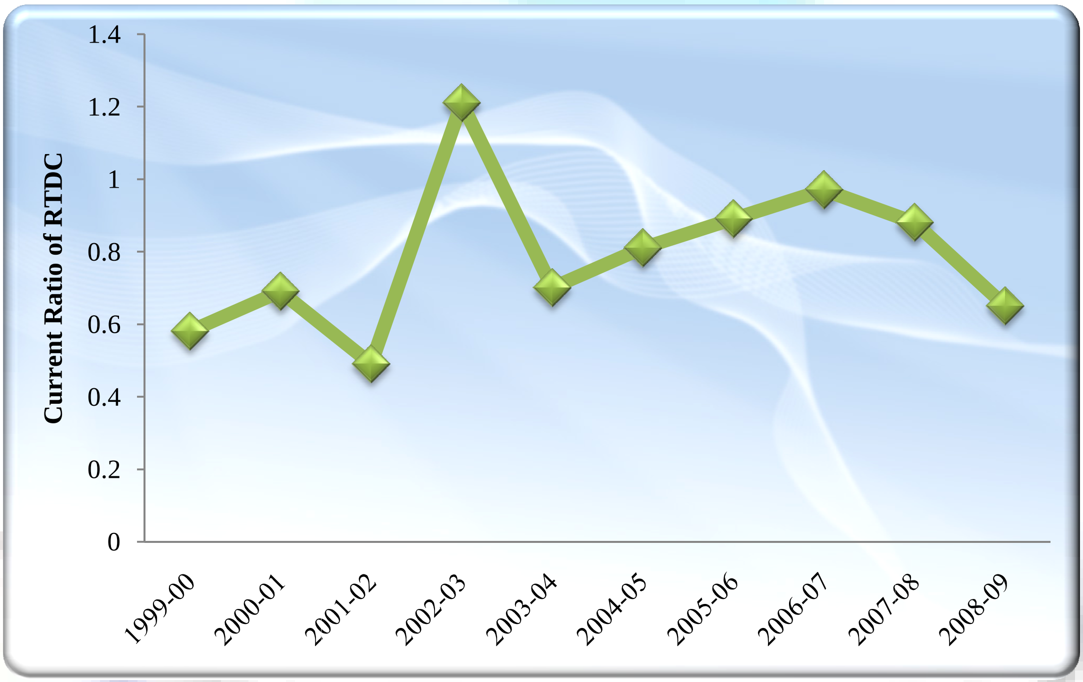
The fluctuations in current ratio are too much, which is not a healthy sign. Except 2002-03, current liabilities exceed current assets. It indicates that corporation had difficulty meeting current obligations. Current ratio gives an idea of the corporation's ability to pay back its short – term liabilities with its short-term assets. This can be seen clearly from both Table-1.2 and Figure-1.2.

TABLE 1.2: CURRENT RATIO

Year	Current Assests (Rs. in lakh)	Current Liabilities (Rs in lakh)	Current Ratio
1999-00	2133.84	3689.44	0.58:1
2000-01	2825.35	4105.30	0.69:1
2001-02	1707.40	3452.09	0.49:1
2002-03	4350.07	3582.78	1.21:1
2003-04	3198.46	4529.32	0.70:1
2004-05	4180.41	5134.55	0.81:1
2005-06	7290.81	8130.09	0.89:1
2006-07	7918.79	8111.18	0.97:1
2007-08	7052.54	8019.81	0.88:1
2008-09	5238.30	8053.98	0.65:1

Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

FIGURE 1.2: CURRENT RATIO OF RTDC



The current ratio under one suggests that the corporation would be unable to pay off its obligations if they came due at that point. Such as darkness has surrounded Galta Temple, as the electricity board has cut off the connections of seven high mast pillar lights in the temple premises due to non-payment of bill amounting to Rs. 93 thousand by the Rajasthan Tourism Development Corporation.[1] The Temple gets thousands of devotes during the period for 'Karthik snaan'. The absence of proper lighting is posing difficulty for tourists. While this shows the corporation is not in good financial health, it does not necessarily mean that it will go bankrupt - as there are many ways to access financing - but it is definitely not a good sign.

The current ratio can give a sense of the efficiency of a corporation's operating cycle or its ability to turn its product into cash. Companies that have trouble being paid on their receivables or have long inventory turnover can run into liquidity problems because they are unable to lighten their obligations. RTDC is a sick unit as definitions of sickness have been provided by RBI. The Reserve Bank of India defined a sick unit as "One which has incurred cash losses for one year and, in the judgment of the financing bank, is likely to incur cash losses for the current as well as the following year and /or there is an imbalance in the unit's financial structure, that is, current ratio is less than 1:1 and debt / equity ratio (total outside liabilities as a ratio of net worth) is worsening"[2]

The Quick ratio is the ratio between quick current assets and current liabilities and is calculated by dividing the quick current assets (excluding inventories and other current assets[3)] by the current liabilities excluding provisions.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Libilities}}$$

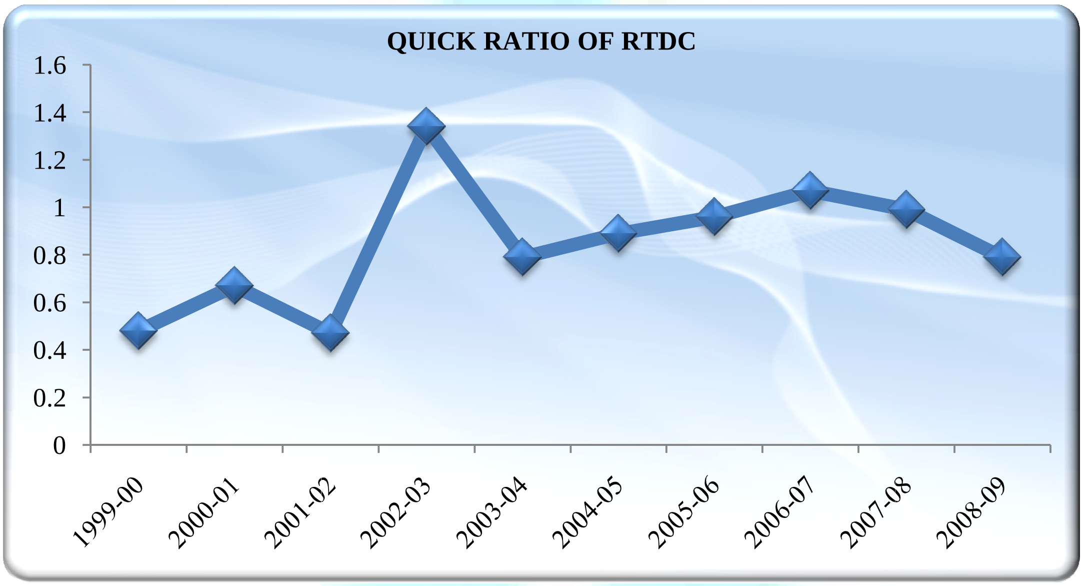
The term quick assets refer to current assets, which can be converted into cash immediately. An analysis of Quick Ratio from the year 1999-00 to 2008-09 shows, presented in both Table- 1.3 and Figure-1.3, that the RTDC is maintaining heavy cash and bank balances. In most of the years, the Quick ratio was above benchmark of 0.5 and approximately 01, which is an indication of poor cash management.

TABLE 1.3: QUICK RATIO

Year	Quick Assets (Rs. in lakh)	Current Liabilities (Rs. in lakh)	Quick Ratio
1999-00	1538.70	3179.18	0.48:1
2000-01	2395.19	3549.20	0.67:1
2001-02	1354.82	2853.03	0.47:1
2002-03	3987.60	2959.66	1.34:1
2003-04	3038.96	3818.00	0.79:1
2004-05	4037.46	4491.70	0.89:1
2005-06	7131.22	7373.32	0.96:1
2006-07	7695.92	7175.37	1.07:1
2007-08	6882.78	6933.27	0.99:1
2008-09	5036.77	6358.37	0.79:1

Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

FIGURE-1.3



The quick ratio was below one from the year 1999-00 to the year 2001-02. It increased in the year 2002-03 and again declined in subsequent year 2003-04. In case of uncertainty of cash requirements, the RTDC may consider parking of cash funds in marketable securities like treasury bills resulting at least nominal returns.

DEBT SERVICE COVERAGE RATIO ANALYSIS

The sixth performance measurement is known as the debt service coverage ratio.[4] The 'Debt Service Coverage Ratio' (DSCR) is the ratio of cash available for debt servicing to interest, principal, and lease payments. It is a popular benchmark used in the measurement of an entity's corporation ability to produce enough cash to cover its debt (including lease) payments. The higher this ratio is, the easier it is to obtain a loan.[5] It is expressed as follows:

$$DSCR = \frac{\text{Profit before Interest and tax}}{\text{Interest}}$$

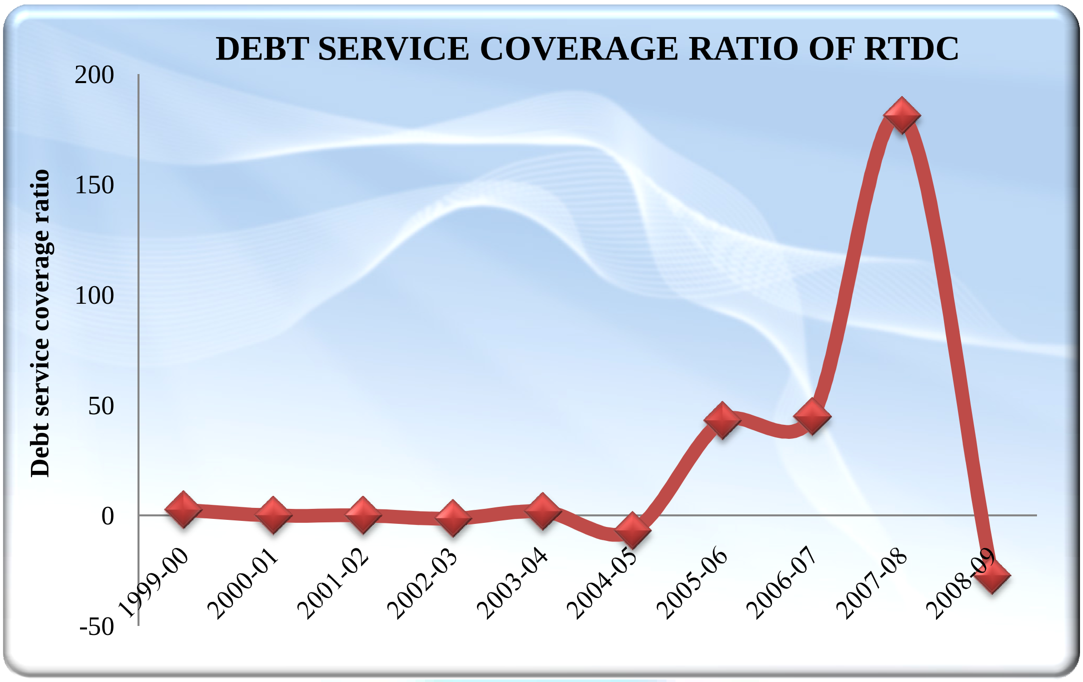
TABLE 1.4: DEBT SERVICE COVERAGE RATIO

Year	Profit before Interest and Tax (Rs. in lakh)	Interest (Rs. in lakh)	Debt Service Coverage Ratio
1999-00	202.91	79.57	2.55
2000-01	255.94	0	0
2001-02	-346.45	0	0
2002-03	-94.10	68.10	-1.39
2003-04	322.11	175.64	1.83
2004-05	-52.13	7.47	-6.97
2005-06	219.75	4.98	42.94
2006-07	111.65	2.49	44.78
2007-08	19.39	0.10	181.1
2008-09	-927.54	33.99	-27.17

Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

After 2005, DSCR indicates that corporation was generating sufficient cash flow to pay its debts. It can be seen clearly in both Figure- 1.4 and Table 1.4. It is very important from the lender's point of view. In 2008, DCSR assures the lenders a regular and periodical interest income. During ten years, '**Debt Service Coverage Ratio'** in financial year 2005-06, 2006-07, and 2007-08 was high. It shows the property was generating enough income to pay the debt obligations.

FIGURE 1.4



In 2008-09, DSCR is a cause for concern because it indicates that corporation's cash flow was negative. It created problems to the financial manager in raising funds from debts sources. It signals a net operating loss based on the debt structure. During 2000-01 and 2001-02, DSCR is zero due to no interest was paid to long-term debtors.

PROFITABILITY POSITION OF THE CORPORATION

Profitability ratios compare components of income with sales. Profitability ratios indicate the firm's ability to generate returns on its sales, assets, and equity. 'Profitability ratios measure the success of the firm in earning a net return on its operations. Profit is an important objective of cooperation, so poor performance indicates a basic failure that, if not corrected, would probably result in the firm going out of business.'[6]

The ratio of Gross Profit to sales should be relatively constant for a business and the industry, irrespective of fluctuations in the net profit ratio. If gross profit margin has been decreasing over time, it may mean that stock control needs to be examined and improved, or that selling prices are not increasing in line with the costs of the goods. It is calculating as follows:

$$Gross\ Profit\ Margin\ Ratio = \frac{Gross\ Profit}{Net\ Sales} \times 100$$

This ratio indicates the firm's ability to control operating expenses relative to sales. The gross profit is the profit made on sale of goods. It is the profit on turnover. In the year 1999-00, the gross profit ratio is 2.22% as shown in Table 1.5. It has increased to 5.11% in the year 2000-2001 due to decrease in cost of goods sold without corresponding decrease in sales. However, the gross profit ratio decreased to 6.95% in the year 2001-02. It is further declined to 3.22% in the year 2002-03 due to high cost of purchases & overheads. Although the gross profit ratio is declined during the year 2001-02 to 2002-03, the net sales and gross profit is increased from the year 2001-02 to 2002-03. The ratio increased to 2.51% in the year 2003-04. It declined to 2.03% in subsequent year. It is seen that the lowest Gross Profit Ratio is -20.11% in the year 2008-09 over ten years. The Gross Profit Ratio of the Corporation is in decreasing order as can be seen in Figure 1.5.

The Net profit margin, a widely used measure of a company's profitability, is calculated as the firm's net income after taxes divided by net sales. This ratio represents how much of each sale rupee is left for the owner after all costs have been met. It is calculated as:

$$\text{Net Profit Margin Ratio} = \frac{Net\ Profit}{Net\ Sales} \times 100$$

In addition to considering operating expenses, this ratio also indicates the ability to earn a return after meeting interest and tax obligations. The net profit ratio of the Corporation is declining in almost years. From this ratio of 10 year, it has been observed that from 1999-00 to 2000-01 the net profit is increased by 61.21% while sales are decreased by 9.65%. Therefore, net profit margin ratio is increased to 3.62% in the year 2000-01 from 2.03% in 1999-00. It declined subsequent two years. Further, it increased to 6.79% in the year 2003-04. As shown in Figure 1.5, the Ratio was lowest in the year 2008-09 due to unsuccessful in controlling the expenses i.e. operating & other expenses. Profitability ratio of the Corporation shows considerable decrease. It is a clear index of uncontrolled cost, managerial inefficiency, and sales demotion over ten years.

TABLE 1.5: PROFITABILITY RATIOS OF THE CORPORATION

Year	Gross profit margin (%)	Net Profit (Rs.in lakh)	Net profit margin (%)	Return on total assets (%)	Return on Capital Employed Ratio (%)
1999-00	2.22	112.53	2.03	2.19	5
2000-01	5.11	181.41	3.62	3.27	8
2001-02	-6.95	-366.65	-0.07	-7.51	-19
2002-03	-3.22	-86.16	-1.70	-1.14	-02
2003-04	2.51	395.79	6.79	6.43	18
2004-05	-2.03	87.67	2.89	1.03	03
2005-06	6.18	225.45	6.49	2.23	08
2006-07	2.57	34.63	0.81	0.31	0.9
2007-08	0.42	5.08	0.11	0.04	0.1
2008-09	-20.11	-836.14	-17.56	-7.19	-27

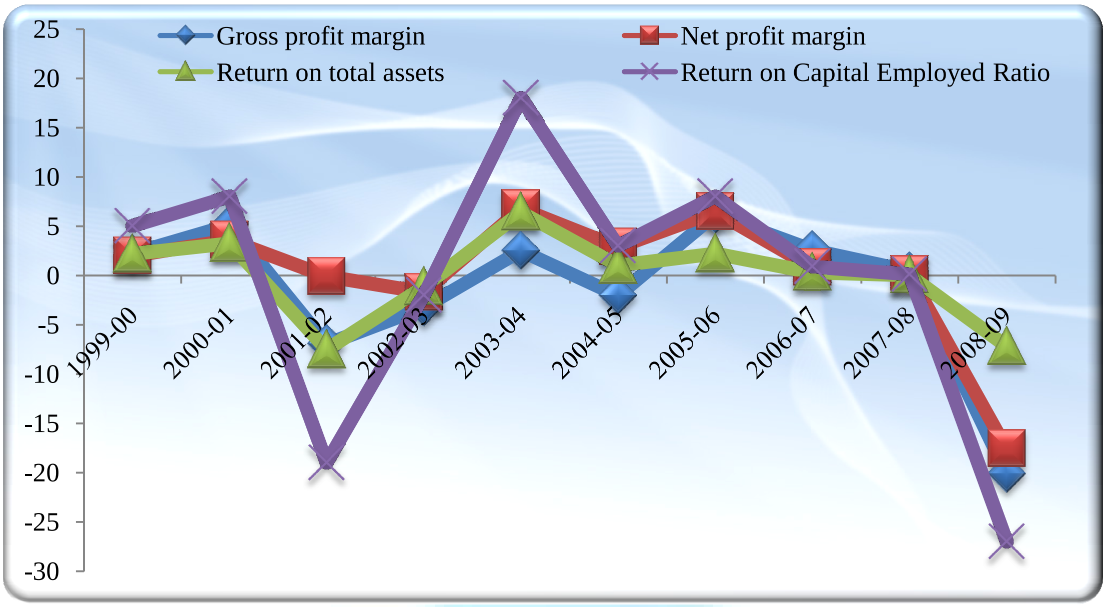
Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

Return on total assets is measured as the firm's net profit divided by total assets. A high return on total assets can be a result of a high profit margin, a rapid turnover of assets, or a combination of both. It is calculated as:

$$\text{Return on Total Assets} = \frac{Net\ Profit}{Total\ Assets} \times 100$$

As shown in Table 1.5, the Net profit margin ratio is high but the return on total assets is poor from 2000 to 2008 except the financial year 1999-2000 and 2008-09. It can be seen in Figure 1.5; the red line indicating net profit margin either is above or touches the green line indicating return on total assets. “This occurs when the firm has excess operating capacity and consequently a high level of non-performing fixed assets.”[7] The Corporation sustained losses consistently in its main activities of providing accommodation and catering to tourists. It was observed that some RTDC hotels incurred losses continuously in each of the ten years up to 2009 due to low occupancy and disproportionate establishment cost. It was found establishment was a major cost constituent of fixed cost.

FIGURE 1.5: PROFITABILITY RATIOS OF THE CORPORATION



The Return on Capital Employed ratio (ROCE) tells us how much profit we earn from the investments the shareholders have made in their company. ROCE is one of the most important ratios that can be used to assess corporate profitability.

$$\text{ROCE} = \frac{Net\ Profit}{Capital\ Employed} \times 100$$

Where, Capital employed represents net fixed assets plus Capital work in progress and capital goods lying in stores plus working capital less provision of gratuity. It is expressed as a percentage and can be very revealing about the industry a company operates in, the skills of the management and occasionally the general business climate. It is not always true, but as a rule, a firm with a high return on capital employed will probably be a very profitable business.

In the year 1999-00, the return on capital employed of Rs. 5 indicates that net return of Rs.5 is earned on a capital employed of Rs.100. The return on capital employed is declined, i.e. from 8% to -19% in the year 2001-02. All of sudden in 2003-04 the return on capital employed increased from -2% in the year 2002-03 to 18% in the year 2003-04 as highest return over ten years as shown in Figure 1.5. This indicates a very high profitability on each rupee of investment & has a great scope to attract large amount of fresh fund. After this phenomenal increase, the ratios were in decreasing order in subsequent years up to 2008-09. This indicates that the Corporation could not earn profit from investment. The profits earned during 1999-2009 were mainly because of income from beer trade and from the share received on sale of tickets for Palace on Wheels and RRoW. The book profit was not a true indicator of the performance of the Corporation because beer trade was not a core activity of the Corporation. In its main activities of providing accommodation and catering to tourists, the Corporation sustained losses consistently due to setting up of certain hotels (such as **Chirmi** at Churu) at unsuitable locations, inadequate publicity, and unable to meet competition from private hoteliers.

CORRELATION BETWEEN TOURIST ARRIVAL AND INCOME

The intensity of the correlation is expressed by a number called the coefficient of correlation, which is almost denoted by the letter r. Correlation is often used as a descriptive tool in non-experimental research. We say that two measures are correlated if they have something in common.

The formula specification is:

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \times -\sum y^2}}$$

Where,

r = Karl Pearson’s Coefficient of Correlation

$\sum xy$ = Sum of the products of respective deviations of x and y series from their means

X = Tourist Arrival in RTDC Hotels

Y = Operating Income of RTDC

$\sum x^2$ = sum of the square of deviation of x from mean

$\sum y^2$ = sum of the square of deviation of y from mean

TABLE 1.6: CORRELATION BETWEEN TOURIST ARRIVALS AND INCOME IN RTDC

Year	X	$x-\bar{x}$	X^2	y	y-Y	y^2	XY
1999-00	1.76	-0.02	0.0004	5542.47	903.2	815770	-18.06
2000-01	1.57	-0.21	0.0441	5007.40	368.13	135519	-77.30
2001-02	1.38	-0.40	0.1600	4984.79	345.52	119384	-138.20
2002-03	1.47	-0.31	0.0961	5048.39	409.12	167379	-126.82
2003-04	1.49	-0.29	0.0841	5823.23	1183.96	1401761	-343.34
2004-05	1.78	0	0	2924.31	-1714.96	2941087	0
2005-06	2.07	0.29	0.0841	3471.04	-1168.23	1364761	-338.78
2006-07	2.11	0.33	0.1089	4242.03	-397.24	157799	-131.08
2007-08	2.21	0.43	0.1849	4587.63	-51.64	2666	-22.20
2008-09	2.05	0.27	0.0729	4761.48	122.21	14935	32.99
Total	**17.89** $\bar{X}$ **= 1.78**		$\sum X^2$= **0.8355**	**46392.77** $\bar{Y}$ **= 4639.27**		$\sum y^2$= **7121065**	$\sum XY$= **-1162.79**

Source: Annual Accounts of RTDC from 1999-00 to 2008-09, RTDC

By substituting the values in the formula, we get

$$r = \frac{-1162.79}{\sqrt{0.8355 \text{ x } 7121065}} = -0.47$$

In the Corporation, the correlation between tourist arrivals and operating income is a statistical measure of the relationship between the growth of tourist arrivals and income as given in Table- 1.6. This relationship, which is expressed by what is known as the correlation coefficient, is -0.47 as computed by Karl Pearson's Coefficient of Correlation formula. Moderate degree negative correlation was found between tourist arrival in RTDC hotels and operating income. The main reason is due to discontinue beer shops in RTDC units in the year 2004. It resulted decreased in operating income after the year 2005 comparing to previous five years. It is also due to operating receipt from catering and fair & festivals dwindled from over five crore to four crore and 45 lakh to 25 lakh respectively in the year 2002. Operating income from Palace on Wheels also declined from over nine crore to four crore in the same year. The RTDC hotels were occupied by officials of various government departments, banks and border security forces, who were charged much lower than the normal tariff. An unofficial tourist feels uncomfortable with them.

Since the inception of the RTDC, no expert on tourism has been included in the Board. It is thus seen that the organizational set-up of the RTDC, which looks after all the affairs relating to tourism, is more bureaucratic than professional in structure. As tourism as an industry is becoming more and more competitive in the state as well as national contexts, it requires professional hands to gear up the Corporation to the expected level. There is a need to accommodate trained professionals and experts so that the Corporation could come up to keep pace with the changing environment.

FINDINGS

The first null hypothesis of this study 'there is a positive relationship between arrivals of tourist in RTDC accommodations and income' is rejected. The study found moderate negative relationship between arrivals of tourist and income of the Corporation. The second null hypothesis 'the Corporation is not able to gain profit through accommodation and catering' is not rejected. The study found that the Corporation mostly gains profit from beer trade. The third null hypothesis 'the Corporation is failure to manage its working capital' is not rejected. The study found that the Corporation is not able to maintain enough the corporation financial sickness has been a cause of considerable concern to the state government. The sickness is caused by unfavorable external environment and managerial deficiencies such as inadequate emphasis on research and development, poor maintenance, poor management of receivables, weak employee commitment, inadequate human resources, and wrong capital structure. This sickness did not occur overnight but developed gradually over time. The financial performance of the corporation deteriorated in recent years. Now the situation is bad because of intense competition in the marketplace. Though it has reasonably valuable assets and some good lines of business, it is mired into financial problems.

The analysis of overall financial health of the Corporation shows that the Corporation is in financial distress situation; therefore, improvement in liquidity, cost cutting, and revenue enhancement policies and efforts must be immediately done.

Profitability of RTDC has shown a zigzag behavior in profitability chart and after a steep decline in the year 2003 has now more or less stabilized as in the year 2006 and 2007. Positive Return on Investment (ROI) was observed. The Corporate trend of cost cutting may also be applied in RTDC by reducing the bonus amounts and top managements remuneration and expenses. As it was also observed that in the event of losses, a very high growth in the top management's remuneration was given.

SUGGESTIONS

Today's highly competitive and dynamic markets require corporation to do intelligent cost reduction. The cost reduction that does not hurt its existing growth potential and that does not put its future at risk. For this, corporate finance executive require extended information about current performance and about future risks and new business opportunities beyond the transparency the traditional Profit and- Loss accounts (P&L) and balance sheet delivers.

The finance manager must react by providing new analytic tools that deliver not only accurate and timely information on current financial performance, but also on its drivers across the entire business. Rolling financial and business forecasts form the foundation for dynamic performance management that helps manager and executive achieve their corporation's performance targets in a dynamic business environment.

Asset liability management is one of the prime concerns for the finance manager. Ideally, short-term capital should be used for short and long-term capital for long-term expenses. Asset liability mismatch can cost heavily to the corporation. Now we can say that the finance manager has to play various new roles in making the corporation internationally successful organization.

CONCLUSION

The performance of hotels of this corporation has been a cause of considerable concern to the state government. The low occupancy of foreigners is caused by unfavorable external environment and managerial deficiencies such as inadequate emphasis on research and development, poor maintenance, poor management of remote area hotels, weak employee commitment, inadequate human resources, and wrong capital structure. This mismanagement did not occur overnight but developed gradually over time. The performance of the corporation hotels deteriorated in recent years. Now the situation is bad because of intense competition in the marketplace. Though it has reasonably valuable assets and some good lines of business, it is mired into financial problems.

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GREEN INVESTMENT BANKS: A NEW PHASE OF CORPORATE INVESTMENT

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ABSTRACT

Since the industrialisation era started in this world, which took its first birth in the England in 1880s which further progressed ingrowth which reached the height destroying the environment and bringing the pollution scenario to the top of the limit which polluted the River Thames. This industrial revolution later on spread to other parts of the world which further threatened the future existence of the humans with the concept of end of the world. Even several theories have been suggested by Jean-Claude Koven (End of World Theories). Hence the time has come to protect the world with new revolution which can sustain the world with the previous greenery and healthy environment. Hence several developed countries have come forward to put an end for the threats of the end of the world. Hence under United Nation Organisation and International Union of Conservation of Nature and Natural resource, an effective plan have been implemented to go green production and business activities and also to cut down the carbon in the business environment. Hence the establishment of many international and national bodies have been undertaken by many countries government. Under this Green Investment banks which was undertaken by the England for the purpose of effective and non-pollution scheme of investment in the corporate sector is an astounding concept which was presently successful in the business scenario. Hence this paper emphasise on the process of green investment and its effectiveness and challenges in the present world which is better for the corporate business.

KEYWORDS

Green Investment Banks (GIB), Carbon trading, Investment etc.

INTRODUCTION

For a long time environmental externalities have not been priced properly. Combined with externalities in research and development this has resulted in a lack of innovation in low carbon technologies. Many of these externalities have been corrected, but only recently, and the process of urgent reform of the UK's infrastructure has begun. As the UK moves to decarbonise, it finds that the financial markets are still unaccustomed to the risks involved in low carbon technologies, which is in contrast with their familiarity with established technologies. Left to themselves, financial institutions would become accustomed to these risks at a rate that is too slow given the pace of investment now needed.

The economic rationale for GIB intervention in selected sectors is that it can address the under-provision of capital and/or increase the speed of its deployment, thus improving green outcomes. To determine whether the GIB constitutes value for money for tax payers, one has to assess how the GIB interventions compare to other possible policy vehicles. The analysis conducted for this report shows that the GIB can substantially improve green policy outcomes through targeted investment because it can deliver policy objectives more efficiently or equitably than other policies (with less redistribution).

The value for money analysis on the three illustrative sectors is based on a thorough, scenario based approach: it uses scenarios of future policy demand for investment, coupled with sensitivity analysis around the cost of projects, to explore the value for money of investment programmes supported by the GIB. It follows the Green Book approach. The assumptions on alternative policies are: an increase in the level of Feed in Tariff support for new offshore wind projects; an increase in the Landfill Tax for commercial and industrial waste; and, an increase in the Climate Change Levy.

The analysis found that in all three cases, the GIB is more efficient and equitable than the alternative policies and acts as a complement to current policy. It is able to make contributions to policy targets in all three sectors. It has the greatest impact in waste, because of the large size of the GIB relative to the investment need in the sector. In contrast, the GIB's ability to influence the achievement of the renewable energy target is potentially quite limited in the short term, although still helpful, because of the scale of investment needed in comparison to the GIB's balance sheet.

The analysis shows that the consumer will experience greater impacts through product prices from taxation, than through changes in product prices due the value of investments. Hence the redistribution effects are important from a customer perspective. The value for money analysis also assessed whether the projects the GIB could finance would have a positive or negative net present value for society. It finds that while some of the investments have a positive net present value such as materials recovery facilities for waste and energy efficiency investments, others do not, namely offshore wind and direct combustion energy from waste due to the higher cost of low carbon products (e.g. renewable electricity generation) compared to more traditional products (e.g. fossil fuel electricity generation). These net present value results corroborate existing impact assessments for the current policies in these sectors. What is new is the finding that the GIB, through a targeted investment, can substantially improve the policy outcome even without taking into account a reduction in the cost of finance.

LITERATURE REVIEW

1. GREEN INVESTING

At its simplest, green investing entails evaluating potential investments from both a financial and environmental performance standpoint, focusing on the risks and opportunities to a company's bottom line. Analysts research how issues like climate change, water scarcity, pollution, and waste management impact the company's overall profitability.

Green investing has its roots in a fairly narrow, values-driven investment philosophy that focused on excluding companies from investment consideration—regardless of financial performance—if they were believed to be part of the environmental problem. Green investing has also come to include so-called "pure-play" companies engaged in environmental initiatives such as manufacturing smart electrical meters that help consumers save energy.

But in recent years, investors looking for green investment assets have started to cast a substantially wider net, looking at companies from a fundamentally different point of view: Is the company playing a part—even a minor one—in supporting the movement to sustainable alternatives? Caught in that net is a much broader spectrum of investment possibilities, such as companies in traditionally non-green industries, like oil, where industry leaders like Suncor are developing leading edge, clean retrieval solutions; or in unrelated industries, where a company stands out as the best environmental performer, such as IBM. A company like IBM has a wide range of environmental initiatives in place, and recently completed a green data center, which is expected to use 50 percent less energy than comparable size traditional data centers that normally consume about two percent of the total energy generated in the United States.

At this intersection, green investing now represents a striking combination of financial and environmental performance that may benefit the retirement and institutional investor. Many investors believe that proactively seeking greener companies has the potential to deliver better overall portfolio performance and lower risk.

2. GREEN INVESTMENT BANKS

Green Investment Bank is a funding scheme initiated in 2010 by the UK government and assigned the task of attracting private funds for the financing of the private sector's investments related to environmental preservation and improvement. Under its environmental obligations, the United Kingdom is legally committed to significantly reducing its carbon emissions by 2050. More importantly, by 2020, a significantly higher percentage of energy generated in Britain must originate from renewable sources.

A non-partisan, House of Commons committee on climate change was established to study and recommend ways of meeting the country's obligations. The committee reported that for a new, low-carbon business and government infrastructure to be established, the necessary investment would range between £200 billion and £1 trillion over the next two decades. The committee further stated that since traditional sources of capital for investment in green infrastructure could not provide even half that amount by 2025, there would be a funding gap that needed to be covered by the state budget.

The Fiscal year 2010 British government budget contains the first mention of a "green investment bank" scheme, earmarked with £2 billion. Chancellor Alistair Darling stated that the Labour government was committed to "to support offshore wind energy" and other forms of alternative energy, which he also billed as "crucial to guiding the country out of recession". After the 2010 general election, the newly formed Conservative-Liberal Democrat coalition government defined its primary economic objective to be the drastical reduction of Britain's debt and yearly deficits. Accordingly, the government sought to create a financing scheme for the environmental investment needs of the country that would be funded mainly by the private sector, including the banks.

In June 2010, the "Green Investment Bank" Commission, after holding hearings, recommended that the government creates an eponymous banking entity within the year. Chancellor George Osborne remained sceptical after objections to the creation of such a bank were raised by the Treasury, since a Green Investment Bank would "swell the state deficit" as it would appear as a liability on the government's balance sheet. The UK government's Spending Review of October 2010 that announced a raft of austerity measures to deal with the UK government deficit also included an announcement about the creation of a Green Investment Bank. The government now expects to obtain by early 2013 the European Commission's approval for state aid to the Bank, with investment in green projects estimated to begin by April 2012

OBJECTIVES OF THE STUDY

1. To understand the concept of green investment
2. To analyse the value for money in green investment
3. To analyse the efficiency of green investment in England
4. To analyse the market failure and barriers to the investments
5. To know the process of implementation of this GIB on an Indian scenario

1. GREEN INVESTMENT (GI)

GI refers to the investment necessary to reduce greenhouse gas and air pollutant emissions, without significantly reducing the production and consumption of non-energy goods. GI covers both public and private investment. The approach in this paper is GI differs from that of the forward-looking economic literature on mitigation and abatement costs, which measures the *incremental* investment needed to meet a certain climate target relative to a businessscenario

Core strategies for reducing emissions can be classified according to their intermediate objective. Most GI is intended either to reduce the pollution caused by *energy generation*, or *to decrease energy consumption*. In addition, GI also covers technologies that sequester carbon, as deforestation and agriculture are important sources of carbon emission. Accordingly, Table 1 identifies three main components of GI:

- **Low-emission energy supply.** GI involves shifting energy supply from fossil fuels to less polluting alternatives, either for electricity generation (wind, solar, nuclear, hydropower, etc.), or as direct sources of energy (biofuel, for example). The GI concept thus extends not only to emerging environmental technologies such as wind and solar photovoltaic power, but also to more established technologies, like nuclear and hydropower.
- **Energy efficiency.** GI also includes technologies that reduce the amount of energy required to provide goods and services. In the electricity sector, there is scope for improving efficiency in power generation (moving from sub- to super-critical coal) and transmission and distribution (by using more efficient grids and smart grid technologies). There is also potential for efficiency gains in transport, includingthrough the utilization of more fuel-efficient and hybrid cars, as well as greater use ofmass transit. In industrial equipment, efficiency gains can be achieved throughenergy-saving appliances and improved waste management. In construction,efficiency could be enhanced through improved insulation and cooling systems.
- **Carbon sequestration.** After fossil fuel combustion, deforestation is the second largest contributor to carbon emissions worldwide, accounting for 20 percent of total emissions (Report of the Intergovernmental Panel on Climate Change 2007). Halting on-going deforestation, reforesting, and sequestering more carbon in soils through new agricultural practices, are therefore crucial to reducing carbon emissions. Deforestation and agriculture may also offer some of the lowest-cost abatement opportunities. However, the main mitigation strategies in these areas rely on labour, rather than physical capital (for example, changes in crop and soil management practices), and available data on GI in this area is limited.

TABLE 1: STRUCTURE OF GREEN INVESTMENT BY CATEGORY

	Component	Item and Sub-Item
Supply Factors	Low-emission energy supply	1. Low-emission electricity supply ➢ Nuclear ➢ Renewable sources of electricity: • Hydropower • Wind • Solar • Biomass 2. Other low-emission/renewable energy supply ➢ Biofuels ➢ Biomass ➢ Solar and geothermal for heating 3. R&D in clean energy
	Carbon sequestration	➢ Agriculture ➢ Deforestation ➢ Carbon capture and storage technologies
Demand Factors	Energy efficiency in energy consuming sectors	➢ Households ➢ Services ➢ Industry ➢ Agriculture ➢ Transport
Mixed Factors	Energy efficiency in the electricity sector (generation, transmission, distribution)	

2. THE VALUE OF MONEY

For a long time environmental externalities have not been priced properly. Combined with externalities in research and development, this has resulted in a lack of innovation in low carbon technologies. Many of these externalities have been corrected, but only recently, and the process of urgent reform of the UK's infrastructure has begun. As the UK moves to decarbonise, it finds that the financial markets are still unaccustomed to the risks involved in low carbon technologies, which is in contrast with their familiarity with established technologies. Left to themselves, Efficiency of green investment in England financial institutions would become accustomed to these risks at a rate that is too slow given the pace of investment now needed.

The economic rationale for GIB intervention in selected sectors is that it can address the under-provision of capital and/or increase the speed of its deployment, thus improving green outcomes. To determine whether the GIB constitutes value for money for tax payers, one has to assess how the GIB interventions compare to other possible policy vehicles. The analysis conducted for this report shows that the GIB can substantially improve green policy outcomes through targeted investment because it can deliver policy objectives more efficiently or equitably than other policies (with less redistribution).

The value for money analysis on the three illustrative sectors is based on a thorough, scenario based approach: it uses scenarios of future policy demand for investment, coupled with sensitivity analysis around the cost of projects, to explore the value for money of investment programmes supported by the GIB. It follows the Green Book approach. The assumptions on alternative policies are: an increase in the level of Feed in Tariff support for new offshore wind projects; an increase in the Landfill Tax for commercial and industrial waste; and, an increase in the Climate Change Levy.

The analysis found that in all three cases, the GIB is more efficient and equitable than the alternative policies and acts as a complement to current policy. It is able to make contributions to policy targets in all three sectors. It has the greatest impact in waste, because of the large size of the GIB relative to the investment need in the sector. In contrast, the GIB's ability to influence the achievement of the renewable energy target is potentially quite limited in the short term, although still helpful, because of the scale of investment needed in comparison to the GIB's balance sheet.

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3. EFFICIENCY OF GREEN INVESTMENT IN ENGLAND

The UK Government is committed to leading the way in the transition to a green economy. However, investment in the green economy remains hampered by a range of market failures as well as by its heavy reliance on policy interventions by Government. The financial sector cannot always commit capital at the scale required due to a number of market failures. These include risk aversion, as a result of imperfect information, and high transaction costs. The availability of finance has been reduced by the financial crisis and may be further constrained by upcoming regulatory changes. The GIB can help address these market failures by providing targeted financial interventions, including risk mitigation products to improve the risk/return profile of investments, innovative financing mechanisms and capital.

In addition to the in depth analysis of value for money across the three main sectors (offshore wind, nondomestic energy efficiency, and commercial and industrial waste), a briefer review of value for money has been completed for a 13 further sectors. This sets up a framework of comparison across sectors and presents basic qualitative and quantitative results for all sectors together. A full quantitative approach was beyond the scope of this report except for the main sectors. The sectors considered are:

- Carbon capture and storage;
- Electric vehicle infrastructure ;
- Flood defences;
- Green Deal (domestic energy efficiency and micro-renewables);
- Marine;
- Non-domestic energy efficiency;
- Non-local authority commercial and industrial waste;
- Nuclear;
- Offshore wind;
- Onshore wind;
- Photovoltaics;
- Renewable heat;
- Rolling stock;
- Smart meters (domestic);
- Smart meters (non-domestic).

The GIB will find itself constrained in its available capital because of the large scale of the capital investment required in the low-carbon transition and in other areas of environmental improvement. Consequently, in order to maximise its value for money, thought must be given both to the private return on capital that it achieves, the environmental benefits and the social benefits which it generates. In addition there are operational considerations such as the timing of intervention and deal flow.

The quantitative analysis allows a clearer ranking of sectors. They are ranked on three attributes, which are listed in Table 2 to Table 4. In each of these tables, the best-performing sector is shown at the top of the list, and the worst performer is placed at the bottom.

TABLE 2: ESTIMATED GREEN IMPACT, TCO2 SAVED PER £M OF CAPITAL INVESTMENT, IN DESCENDING ORDER

Sector	tCO2 saved per £m capital investment
MRF (materials recovery facility)	96
Nuclear	66
Carbon capture and storage (capture)	71
Smart meters (non-domestic)*	40
Onshore wind	25
Non-domestic energy efficiency	23
Renewable heat*,[a]	18
EFW (energy from waste)	10
Marine	9
Domestic energy efficiency/Micro-renewables (via Green Deal)	5
Offshore wind	5
Smart meters (domestic)	3
Photovoltaics	2
Flood defences	N/A
EV infrastructure	N/A
Rolling stock	N/A

*Notes: - *Green impact is calculated as tCO2 per £m total project costs;*
- [a] Based on the DECC Impact Assessment. Using Arup (2011), as typical renewable heat project, such a ground source heat pump, has a green impact factor of around 6

Sources: Vivid Economics calculations, Arup (2011), DECC Impact Assessments, DTI (2007), Defra (2010a), Ernst and Young (2010), Pöyry (2007).

TABLE 3: ESTIMATED SOCIAL RETURN, NET PRESENT VALUE PER £M OF CAPITAL INVESTMENT, IN DESCENDING ORDER

Sector	NPV per £m capital investment
Flood defences	12.45
Smart meters (non-domestic)*	6.02
Nuclear	2.82
Non-domestic energy efficiency	1.51
MRF	0.92
Domestic EE/Micro-renewables (via Green Deal)*	0.48
Smart meters (domestic)*	0.44
Onshore wind	0.15
Renewable heat*	-0.30
Offshore wind	-0.44
EFW	-1.13
Carbon capture and storage	-1.56
Photovoltaics	-1.78
Marine	-1.85
EV infrastructure	N/A
Rolling stock	N/A

*Note: * includes the value of untraded CO2. Since the price of untraded CO2 is lower than the price of traded CO2 these figures are likely to be underestimated.*

Source: Vivid Economics calculations based on Vivid modelling, Arup (2011), DECC Impact Assessments, DTI (2007), Defra (2010a), Ernst and Young (2010), Pöyry (2007).

TABLE 4: ESTIMATED RETURNS ON ASSETS FOR GIB PRODUCTS, BY SECTOR

	Financing mix			Return on			
Sector	Equity	Subordinated debt	Senior Debt	Equity	Subordinated debt	Senior debt	Risk adjusted return to GIB
Electric vehicle infrastructure	50%		50%	25%	8%	6.75%	15.9%
Marine	33%	16%	50%	20%	8%	6.75%	11.3%
CCS	50%	25%	25%	15%	8%	6.75%	11.2%
Offshore wind	33%	16%	50%	15%	8%	6.75%	9.6%
Nuclear	33%	16%	50%	15%	8%	6.75%	9.6%
Green Deal (domestic energy efficiency and micro-renewables)		100%		10%	8%	6.75%	8.0%
Smart meters (domestic)	33%		66%	10%	8%	6.75%	7.8%
Smart meters (non-domestic)	33%		66%	10%	8%	6.75%	7.8%
Flood defences	25%		75%	10%	8%	6.75%	7.6%
Non-local authority commercial and industrial waste processing (EFW and MRF)			100%	25%	8%	6.75%	6.8%
Non-domestic energy efficiency			100%	10%	8%	6.75%	6.8%
Renewable heat			100%	10%	8%	6.75%	6.8%
Photovoltaics			100%	10%	8%	6.75%	6.8%
Onshore wind			100%	15%	8%	6.75%	6.8%
Rolling stock			100%	12%	8%	6.75%	6.8%

Source: Vivid Economics calculations based on Vivid modelling, Arup (2011), DECC Impact Assessments, DTI (2007), Defra (2010a), Ernst and Young (2010), Pöyry (2007).

4. MARKET FAILURE AND BARRIERS TO THE INVESTMENTS

To assess the ability of every country to meet these challenges and deliver the necessary investment, a report on the consultation of widely on which projects would be delivered by the market inside expected policy frameworks, which would not be and the market failures and investment barriers that cause the shortfall. In addition, because of the ongoing global banking and investment constraints, it was examined whether previously working markets had ceased to function. It has been identified four fundamental barriers to the necessary investment, discussed below:

- **Market investment capacity limits:** More mature low carbon technologies, such as large scale on and offshore wind, require large amounts of long-term debt and equity finance. Long-term, reasonably priced debt, in particular, is required to provide equity investors with the necessary returns and to lower the cost of electricity to the consumer. Today, these pools of capital are neither large nor long enough.
- **Political and regulatory risk:** Political and regulatory risk is of particular significance for technologies related to decarbonisation because of the reliance of the market on government intervention (subsidies, renewable obligation contracts). The question from an investor perspective is whether to trust politicians to maintain policies that would force future customers to pay for long enough to ensure their return is generated 15-20 years on. History is littered with examples of private sector investments being made on long-term promises only to see regulatory regimes change and returns reduce with them. Ex-ante capital costs have exposed investors to ex-post expropriation through the political and regulatory process. Project operators with years of sunk cost and low operating marginal cost have no choice at this point but to continue to operate the projects on lower returns than anticipated. Since investors cannot control the political and regulatory risk, this translates into a higher cost of capital. We believe this is a major deterrent to investment in long-term low carbon projects.
- **The confidence gap:** Many of the new technologies needed to deliver decarbonisation are at an early stage and face obstacles to commercialisation and scale-up that are the result of significant barriers:
- ➢ The "valley of death" − a gap between the initial grant and research funding available to emerging technologies with high capital costs at the outset and the private sector funding they need later to demonstrate commercial viability. The longer it takes to develop – wave and tidal technologies can take as long as 15-20 years to come to market – the deeper the valley of death.
- ➢ The challenge of attracting capital from the global venture capital funding market. There are three types of fund at work in the UK market:
- Venture capital funds which take early stage technology risk;
- Private equity funds which take limited technology risk but will take project development risk and some market adoption risk;
- Infrastructure funds which take no technology or development risk but will generally take construction and operation risk.

For all these investors, as the risks decline the returns demanded by their institutional backers also fall. If the UK had a perfect balance of each of these funds, technologies and projects, it would be able to find the right type of capital at the right time. However there is not a perfect balance in the UK market at all levels and therefore funding gaps emerge as the funds designed to take each type of risk are not adequately provided at exactly the right point in the development chain.

- ➢ Scalability – small projects may offer unattractive economic returns for many banks and investors. Several banks explained that modest local projects, for example those requiring debt of less than £20 million, involve the same transaction and diligence costs as large projects and require the attention of a limited pool of qualified staff. To maximise their effectiveness and the time of their investors, banks focus on larger projects. Several equity investors noted the same concern.
- ➢ A lack of clarity on business models, some of which are likely to be based on public-private structures, or on the source of returns for new and as yet unregulated infrastructure assets such as a CO2 transport network, electric car charging networks, heat networks or smart grids.
- ➢ Finally, the plethora of Government bodies involved in this area and the mixed history of PPP/PFI programmes, have made a number of projects too complex for insurance and pension fund investment. Such funds will require greater certainty about the legislation governing the returns generated by these projects and more transparency on the funding process and parties involved before they will invest.
- **The aggregation challenge:** One of the essential elements in delivering a low carbon Britain is to introduce energy efficiency improvements such as high efficiency windows, lighting, temperature control and more efficient boilers in millions of homes and commercial buildings in the public and private sectors. This large number of small investments could easily add up to more than £100 billion. Making that happen will require co-ordination between individuals, private companies, finance sources and public policy. Such co-ordination does not currently exist. The challenges of aggregation, making funds available and then repaying them, deal execution and transaction cost management are surmountable, but the current institutional frameworks and capital markets are unlikely to execute what is required. "Retrofitting" older homes with new energy saving appliances is a perfect example because of the huge number of small buildings involved. Community renewable energy projects are another: a substantial pipeline of viable projects exists but a lack of financial and legal expertise combined with a lack of equity funding is preventing these deals from going ahead

5. PROCESS OF IMPLEMENTATION OF THIS GIB ON AN INDIAN SCENARIO

Since India is a developing country and industrial backward country it is not much effected as compared to the developed country. But at the same time it is also cannot be neglected on the basis of developing country because pollution and industrialisation are like two faces of the same coin. Since the industries are rapidly establishing in India and also the process of carbon trading is not much effective on Indian soil, a care has to be taken for the purpose of establishing the greener way for the improvement. Since the green marketing is in progress on Indian soil and many Indian companies have adopted the concept of green marketing the concept of Reduce, Recycle and Reuse are in progress. The top indian companies like Suzlon Energy, ITC Limited, Tata Metaliks Limited (TML), Tamil Nadu Newsprint and Papers Limited (TNPL), Wipro Technologies, HCL Technologies, Oil and Natural Gas Company (ONGC), IndusInd Bank, IDEA Cellular, Hero Honda Motors have adopted the green marketing system. But from the investors point of view the scenario may be totally different because they don't understand where they can invest which also include the banks. Hence a clear knowledge is required to go through this process.

The GIB has to be established so that they can take the future challenges in the present context and for the safer and eco-friendly investment.

6. CONCLUSION

Since the global business has gone polluting with the mass production and extraction, a remedial measures are in needed to overcome this scenario. Hence the establishment of typical body such as green investment banks has led to the top for the establishment of green investing and eco-friendly business. thus England tasted the success of the nature of working of this green investment banks starting from birth to the present. But when taken on the account of the Indian scenario these types of organised business body has not properly established and also these types of bodies are most needed for the development of the green environment. Even though environment of India has not fully destroyed such as European countries a precautionary measures are important in bring the business under eco-friendly environment and also bring the pollution down with suitable remediation. Hence it would be better to avoid than curing the incoming, Indian government has to take steps in bringing these banks into live action.

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